## Consolidated income statement

| In millions | Notes | 1999 EUR | June 30, 1999 EUR | June 30, 2000 EUR | June 30, 2000 FRF |
|---|---|---|---|---|---|
| **Revenues** | | **6,044** | **2,824** | **3,287** | **21,560** |
| Other operating revenues | | 61 | 30 | 29 | 192 |
| **CONSOLIDATED REVENUES** | **3** | **6,105** | **2,854** | **3,316** | **21,752** |
| Operating expenses | | (4,545) | (2,171) | (2,465) | (16,168) |
| **EBITDAR** | **4** | **1,560** | **683** | **851** | **5,584** |
| Rental expense | 4 | (478) | (226) | (291) | (1,912) |
| **EBDIT** | | **1,082** | **457** | **560** | **3,672** |
| Depreciation and operating provision expense | | (359) | (166) | (192) | (1,258) |
| **EBIT** | 4 | **723** | **291** | **368** | **2,414** |
| Net financial expense | 5 | (143) | (56) | (47) | (311) |
| Net income from associated equity companies, Group share | 6 | 15 | 4 | 5 | 35 |
| **TOTAL INCOME FROM OPERATIONS** | | **595** | **239** | **326** | **2,138** |
| Result from management of hotel portfolio | 7 | 18 | (4) | (14) | (89) |
| **CURRENT INCOME BEFORE TAXES** | | **613** | **235** | **312** | **2,049** |
| Result from management of other assets | 8 | (29) | 36 | 36 | 237 |
| Goodwill amortization | | (68) | (30) | (38) | (252) |
| Income taxes | 9 | (222) | (74) | (104) | (679) |
| Exceptional items (net of taxes) | 10 | 82 | - | - | - |
| Minority interests | | (24) | (12) | (10) | (68) |
| **CONSOLIDATED NET INCOME, GROUP SHARE** | | **352** | **155** | **196** | **1,287** |
| **Average number of shares outstanding (in thousands)** | | **181,280** | **179,670** | **196,076** | **196,076** |
| **EARNINGS PER SHARE (in EUR /in FRF)** | | **1.94** | **0.86** | **1.00** | **6.56** |
| **NET INCOME, FULLY DILUTED** | | **1.89** | **0.83** | **0.99** | **6.52** |
| **EBITDA** | 17 | **1,096** | **471** | **577** | **3,784** |

## Consolidated balance sheet

| ASSETS (at June 30)<br>In millions | Notes | June 30, 1999 EUR | 1999 EUR | June 30, 2000 EUR | June 30, 2000 FRF |
|---|---|---|---|---|---|
| **INTANGIBLE FIXED ASSETS** | 11 | **466** | **530** | **561** | **3,682** |
| **GOODWILL (NET OF AMORTIZATION)** | 12 | **1,382** | **1,684** | **1,748** | **11,464** |
| **PROPERTY, PLANT AND EQUIPMENT NET OF ACCUMULATED DEPRECIATION** | 13 | **4,006** | **4,518** | **4,578** | **30,032** |
| Long-term loans | 14 | 244 | 280 | 285 | 1,870 |
| Investments in associated equity companies | 15 | 179 | 204 | 215 | 1,409 |
| Other financial assets | 16 | 254 | 163 | 170 | 1,118 |
| **TOTAL FINANCIAL ASSETS** | | **677** | **647** | **670** | **4,397** |
| **TOTAL FIXED ASSETS** | 17 | **6,531** | **7,379** | **7,557** | **49,575** |
| Inventories | | 128 | 78 | 105 | 686 |
| Trade accounts receivables | | 1,246 | 1,052 | 1,284 | 8,420 |
| Other receivables | 18 | 594 | 584 | 539 | 3,537 |
| Service vouchers reserve funds | | 217 | 230 | 254 | 1,664 |
| Financial receivables related to vehicle buy-back | 25 | 563 | - | - | - |
| Receivables on short-term asset disposals | 25 | 15 | 265 | 83 | 547 |
| Short-term loans | 25 | 50 | 138 | 54 | 353 |
| Marketable securities | 25 | 572 | 619 | 625 | 4,100 |
| Cash and equivalents | 25 | 579 | 488 | 535 | 3,510 |
| **TOTAL CURRENT ASSETS** | | **3,964** | **3,454** | **3,479** | **22,817** |
| Prepaid expenses | | 190 | 159 | 197 | 1,289 |
| Deferred charges | | 64 | 60 | 66 | 436 |
| **TOTAL PREPAID EXPENSES AND DEFERRED CHARGES** | | **254** | **219** | **263** | **1,725** |
| **TOTAL ASSETS** | | **10,749** | **11,052** | **11,299** | **74,117** |

## Consolidated balance sheet

| LIABILITIES AND SHAREHOLDERS' EQUITY (at June 30)<br>In millions | Notes | June 30, 1999 EUR | 1999 EUR | June 30, 2000 EUR | June 30, 2000 FRF |
|---|---|---|---|---|---|
| Share capital | | 542 | 556 | 587 | 3,851 |
| Additional paid-in capital | | 1,560 | 1,655 | 1,868 | 12,254 |
| Reserves (retained earnings) | | 636 | 627 | 753 | 4,940 |
| Translation adjustments | | 37 | 89 | 157 | 1,030 |
| Net income for the year | | 155 | 352 | 196 | 1,287 |
| **TOTAL SHAREHOLDERS' EQUITY** | 19 | **2,930** | **3,279** | **3,561** | **23,362** |
| Minority interests | 20 | 182 | 185 | 171 | 1,120 |
| **TOTAL SHAREHOLDERS' EQUITY AND MINORITY INTERESTS** | | **3,112** | **3,464** | **3,732** | **24,482** |
| Provisions | 21 | 559 | 604 | 554 | 3,637 |
| Repackaged Perpetual Subordinated Floating Rate Notes (TSDI) | 22 | 383 | 363 | 342 | 2,242 |
| Convertible bonds | 23 | 307 | 291 | - | - |
| Exchangeable bonds | 23 | 434 | 434 | 434 | 2,843 |
| Other long-term debt | 25 | 1,532 | 1,667 | 2,289 | 15,012 |
| Capital leases | 25 | 204 | 242 | 230 | 1,508 |
| **TOTAL LONG-TERM DEBT** | 24 | **2,477** | **2,634** | **2,953** | **19,363** |
| **TOTAL NON-CURRENT LIABILITIES AND SHAREHOLDERS' EQUITY** | | **6,531** | **7,065** | **7,581** | **49,724** |
| Trade accounts payable | | 851 | 584 | 661 | 4,338 |
| Other payables | 18 | 914 | 1,031 | 1,038 | 6,806 |
| Service vouchers in circulation | | 1,027 | 1,142 | 1,216 | 7,979 |
| Short-term debt | 25 | 944 | 831 | 383 | 2,510 |
| Due to banks | 25 | 413 | 347 | 361 | 2,371 |
| **TOTAL CURRENT LIABILITIES** | | **4,149** | **3,935** | **3,659** | **24,004** |
| Accrued liabilities | | 69 | 52 | 59 | 389 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | **10,749** | **11,052** | **11,299** | **74,117** |

## Consolidated statement of sources and uses of funds

| In millions | Note | 1999 EUR | June 30, 1999 EUR | June 30, 2000 EUR | June 30, 2000 FRF |
|---|---|---|---|---|---|
| Consolidated net income, Group share | | 352 | 155 | 196 | 1,287 |
| Minority interests | | 24 | 13 | 10 | 68 |
| Depreciation, amortization and provision | | 426 | 197 | 230 | 1,510 |
| Net income from associated equity companies, Group share, net of actual dividends received | | 1 | 1 | - | 2 |
| Deferred taxes | | 10 | 4 | 51 | 332 |
| Financial provisions and provisions on assets management | | 105 | 7 | (14) | (98) |
| CONSOLIDATED CASH FLOW | | 918 | 377 | 473 | 3,101 |
| Net realized capital (gains)/ losses on asset sales | | (213) | (53) | (50) | (333) |
| Non-operating losses/ (profit) | | 73 | 41 | 11 | 76 |
| **CONSOLIDATED CASH FLOW FROM OPERATIONS** | | **778** | **365** | **434** | **2,844** |
| Investments for renovation and maintenance | | (431) | (208) | (209) | (1,368) |
| **FREE CASH FLOW** | | **347** | **157** | **225** | **1,476** |
| New capital and technology expenditure | | (2,680) | (573) | (492) | (3,225) |
| Proceeds from asset disposals (excluding Europcar) | | 1,428 | 249 | 433 | 2,838 |
| Net impact of the sale of Europcar | | 440 | - | - | - |
| Decrease/ (increase) in working capital | | 14 | (39) | (161) | (1,054) |
| Non-operating gains (losses) | | (72) | (41) | (11) | (77) |
| **NET SOURCES / (USES) FROM OPERATIONS** | | **(523)** | **(247)** | **(6)** | **(42)** |
| Dividends | | (218) | (189) | (238) | (1,562) |
| Capital increases | | 101 | - | 244 | 1,598 |
| Currency translation adjustments on fixed assets and shareholders' equity | | (243) | (180) | (62) | (402) |
| Changes in the scope of consolidation on provisions and minority interests | | 52 | 11 | (14) | (86) |
| **DECREASE/ (INCREASE) IN NET INDEBTEDNESS** | 25 | **(831)** | **(605)** | **(76)** | **(494)** |

| | | | | | |
|---|---|---|---|---|---|
| Net indebtedness (beginning of the period) | | (1,834) | (1,834) | (2,665) | (17,482) |
| Net indebtedness (end of the period) | | (2,665) | (2,439) | (2,741) | (17,976) |
| **DECREASE/ (INCREASE) IN NET INDEBTEDNESS** | 25 | **(831)** | **(605)** | **(76)** | **(494)** |

## 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, 1998** | **180,704,995** | **551** | **1,560** | **(50)** | **813** | **2,874** |
| Capital increases: | | | | | | |
| - Conversions of bonds | 623,302 | 2 | 14 | | | 16 |
| - Exercise of stock options | 1,067,500 | 3 | 15 | | | 18 |
| - Through merger / transfer of assets | 2,757,015 | 8 | 46 | | | 54 |
| - Through employee subscription | 329,170 | 1 | 12 | | | 13 |
| Dividend | | | | | (187) | (187) |
| Translation adjustments | | | | 139 | | 139 |
| Conversion of share capital into € | | (9) | 8 | | 1 | |
| Net income for 1999 | | | | | 352 | 352 |
| **At December 31, 1999** | **185,481,982** | **556** | **1,655** | **89** | **979** | **3,279** |
| Capital increases: | | | | | | |
| - Conversions of bonds | 11,296,983 | 34 | 254 | | | 288 |
| - Exercise of stock options | | | | | | |
| - Through merger / transfer of assets | | | | | | |
| - Through employee subscription | | | | | | |
| Dividend | | | | | (226) | (226) |
| Translation adjustments | | | | 68 | | 68 |
| Changes in treasury shares | (1,102,994) | (3) | (41) | | | (44) |
| Net income for 2000 | | | | | 196 | 196 |
| **At June 30, 2000** | **195,675,971** | **587** | **1,868** | **157** | **949** | **3,561** |

| In FRF millions | Number of shares outstanding | Share capital | Additional paid-in capital | Translation adjustments | Reserves (retained earnings) | Consolidated shareholders' equity |
|---|---|---|---|---|---|---|
| **At December 31, 1998** | **180,704,995** | **3,614** | **10,230** | **(326)** | **5,334** | **18,852** |
| Capital increases: | | | | | | |
| - Conversions of bonds | 623,302 | 12 | 92 | | | 104 |
| - Exercise of stock options | 1,067,500 | 22 | 98 | | | 120 |
| - Through merger / transfer of assets | 2,757,015 | 54 | 300 | | | 354 |
| - Through employee subscription | 329,170 | 6 | 77 | | | 83 |
| Dividend | | | | | (1,218) | (1,218) |
| Translation adjustments | | | | 908 | | 908 |
| Conversion of share capital into Euro | | (58) | 60 | | (1) | 1 |
| Net income for 1999 | | | | | 2,306 | 2,306 |
| **At December 31, 1999** | **185,481,982** | **3,650** | **10,857** | **582** | **6,421** | **21,510** |
| Capital increases: | | | | | | |
| - Conversions of bonds | 11,296,983 | 223 | 1,664 | | | 1,887 |
| - Exercise of stock options | | | | | | |
| - Through merger / transfer of assets | | | | | | |
| - Through employee subscription | | | | | | |
| Dividend | | | | | (1,481) | (1,481) |
| Translation adjustments | | | | 448 | | 448 |
| Changes in treasury shares | (1,102,994) | (22) | (267) | | | (289) |
| Net income for 2000 | | | | | 1,287 | 1,287 |
| **At June 30, 2000** | **195,675,971** | **3,851** | **12,254** | **1,030** | **6,227** | **23,362** |

The change in translation adjustments between 1998 and 1999, and between 1999 and 2000 primarily stems from the impact on the Group's North American assets - mainly the Motel 6 and Red Roof Inns chain - of the higher or lower US dollar exchange rate relative to the French franc : (December 31, 1998 : 5.6221, December 31, 1999 : 6.52953 and June 30, 2000 : 6.86435).
In addition, part of the change in translation adjustments during 1999 is attributable to the impact of the devaluation of the Brazilian real. The Brazilian real versus French franc exchange rates used for the financial statements at December 31, 1998, December 31, 1999 and June 30, 2000 were 4.65310, 3.64057 and 3.80728, respectively.

## KEY MANAGEMENT RATIOS

| In millions | Notes | June 30, 1999 EUR | 1999 EUR | June 30, 2000 EUR |
|---|---|---|---|---|
| Gearing | a | 78% | 77% | 73% |
| FFO / Net Debt | b | 23.0% | 21.0% | 21.3% |
| Financial Charge Cover | c | 5.20 | 5.20 | 5.20 |
| Return On Capital Employed | d | 11.2% | 11.2% | 11.3% |
| Economic Value Added | e | 237 | 224 | 244 |

**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 divestitures, prorated on the basis of their impact in the income statement. For example, proceeds generated by a divestiture 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 EBITDA to net financial expense, adjusted to reflect 1/3 of rents paid during the year.

**Note (d)** : Return on Capital Employed, or ROCE, is defined in Note 17.2

**Note (e)** : Economic Value Added (EVA)
WACC (Weighted Average Cost of Capital) as used for the calculation of Economic Value Added at th end of June 30, 1999, December 31, 1999 and June 30, 2000 amounted to 6.16%, 6.39% and 6.47%, respectively.

**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 2000, Accor applies the new methodology (Reglement CRC 99-02).

Due to the international nature of the Accor Group's activities, it adopts methods that are generally accepted internationally, whenever possible.

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.

**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 |
| . Corporate 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 and related income statement items are translated at historical rates prevailing on the date of the transaction, while monetary balance sheet items are translated at year-end rates.

Monetary income statement items are translated at average monthly historical rates. The resulting difference is posted to the appropriate item of the income statement based on the integral adjustment method. The integral adjustment 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 in force, the Group accounts for its long-term leases according to International Accounting Standards as defined in Standard N° 17. Capital leases are distinguished from operating leases based on set criteria as defined in Standard N° 17 and in greater detail in US Accounting Standard SFAS 13.

Beyond the strict application of these quantifiable criteria, 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 and 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 4.2.

Sale and-leaseback 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 to reflect market values by independent experts, capital gains or losses are immediatly 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.4 and 7).

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 assets held for disposal to market value. As part of the Group's resource reallocation program implemented in 1997, these provisions are included under Exceptional Items.

### 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. - Financial receivables related to vehicle buy-back contracts

These financial receivables correspond to the buy-back value guaranteed by the vehicle manufacturers pursuant to short-term buy-back contracts for vehicles leased out under short-term rental contracts.

### H. - Marketable securities

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

### I. - 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.

**J. - Prepaid expenses**

Prepaid expenses correspond to expenses paid during a given period but related to the following period. In particular, prepaid expenses include the utilization cost of rental vehicles (difference between purchase cost and estimated resale value), which is expensed on a straight-line basis over the period for which these vehicles are held.

**K. - Provisions for pension and retirement benefits**

The Group's local retirement, early retirement and severance payment programs are established in accordance with the regulations and usage prevailing in the countries in which it operates. In the case of fixed-premium policies, premiums are expensed as incurred. In the case of defined-benefit policies, provisions are based on actuarial calculations taking into account probable future liabilities in accordance with the regulations specific to each country.

**L. - Translation of foreign currency-denominated transactions**

For each Group entity, transactions denominated in a currency other than its 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**

Deferred tax credits or liabilities are based on the liability method, taking into account historical tax rates. The impact of changes in tax rates is posted to income for the corresponding year.

Deferred taxes are recorded on all timing differences.

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. -- Consolidated revenues**

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

- for corporate 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 Corporate Services activities.

Together, consolidated 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 and taxes.

**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.

**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 1 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

### Reallocation of resources

Pursuant to information provided at the Shareholders' Meetings of January 7 and June 4, 1997, the Group has completed in the first half of 1997 an extensive strategic review of its activities and operating procedures. This review led to the identification of certain non-strategic assets, whose disposal has been initiated in 1997 and pursued during the past three years.

The impact of the Group's resource reallocation program since 1997 has been as follows:

### A. – Disposals conducted as part of the resource reallocation program

#### A.1. -- Disposal of hotel properties

As part of its resource reallocation program, the Group has identified hotel properties as a low profitability activity and has initiated a program to dispose of these activities, which has resulted in 1997 in the sale of:

- 35 Motel 6 units for USD 130 million (EUR 118 million or FRF 773 million);
- 29 Business and Leisure hotels (13 Novotel and 16 Mercure units) for EUR 113 million (FRF 741 million);
- 5 Ibis hotels for EUR 29 million (FRF 188 million).

In 1998, in the sale of:

- 261 Motel 6 units (30,339 rooms) for a gross value of USD 1,005 million (EUR 853 million or FRF 5,594 million, net value);
- 5 Novotel units (572 rooms), 3 Mercure units (709 rooms), 1 Sofitel (109 rooms) and 30 Economy and Budget hotels (Ibis/Etap/Formule 1) for EUR 114 million (FRF 751 million), all located in France.

Finally, in 1999, the Group completed the following hotel property disposals:

- 36 economy hotels (Ibis, Etap and Formule 1) for a total consideration of EUR 240 million (FRF 1,577 million) in France, Germany and Great-Britain;
- 56 Motel 6 units (of which 12 including real estate component and ongoing business and 44 including real estate component alone) for a total consideration of EUR 135 million (FRF 885 million);
- 142 Red Roof Inns (real estate component alone) for a total consideration of EUR 446 million (FRF 2,926 million);
- 27 business and leisure hotels (real estate component alone; 1 Sofitel, 16 Mercure and 10 Novotel units), chiefly in the UK (10 Novotel units) and The Netherlands (14 Mercure units), for a total consideration of EUR 242 million (FRF 1,585 million).

Finally, in 2000, the Group carried out the following disposals :

- 6 business and leisure hotel properties (5 Sofitel and 1 Mercure) primarily in France (2 Sofitel, 1 Mercure) and the US (3 Sofitel) for a total value of EUR 320 million (FRF 2,098 million).

#### A.2. -- Disposal of non-strategic assets

##### A.2.1. -- Sale of part interest in Compass PLC

At December 31, 1996, the Accor Group held 136,600,402 shares of Compass Plc. These shares had been received in 1995 as partial remuneration of the sale of Eurest France and Eurest International to Compass Plc.

As part of Accor's resource reallocation strategy, the Group sold 73,000,000 Compass Plc shares in the first half of 1997, corresponding to 11.5% of Compass's share capital, at a price of £ 3.5 per share, thereby realizing a net capital gain of EUR 202 million or FRF 1,323 million (see Note10).

Following this transaction, the Group's interest in Compass Plc was reduced to 10%. Since January 1, 1997, Compass Plc is no longer accounted for by the equity method. Accor's remaining interest in Compass Plc has been transferred to investment in unconsolidated companies as of January 1, 1997, on the basis of their equity method valuation (after translation adjustments).

In 1998, the Group sold 32,893,520 Compass shares, generating net proceeds of EUR 200 million (FRF 1,313 million), thereby realizing a net capital gain of EUR 130 million or FRF 851 million.

In March 1999, the Group has issued bonds exchangeable into Compass shares. Holders of these bonds, with a par value of EUR 1,000 and a three-year maturity (to March 29, 2002), bearing interest at 1%, and far a total value of EUR 434 million (FRF 2,843 million), may convert their bonds into Compass shares or be reimbursed at par in cash at maturity. The number of Compass shares concerned by this issue is 30,699,987. The bond issue price represented a 28% premium over the equivalent Compass share price at the time of the issuance of the bonds (GPB 7.45 or EUR 11.03), taking into account a conversion ratio of 70,8215 Compass shares per Accor bond. This transaction has formalized the Group's intention to dispose of its entire interest in Compass in the future. Consequently, the Compass shares held by the Group have been reclassified as marketable securities in Accor's consolidated balance sheet at January 1, 1999.

Finally, in the first half of 2000, Accor has sold and purchased Compass shares in the open market (cf. Note 8). At June 30, 2000, the stock market value of the Compass shares held by Accor amounted of £ 265 million (EUR 427 million).

**A.2.2. -- Sale of Spanish public restaurant activities**

In the second half of 1998, the Accor Group has sold all of the shares it owned in Geresa, a Spanish public restaurant company (roadside, airport concessions…). This transaction, based on an enterprise value of EUR 30 million (FRF 194 million), generated capital gains after taxes of EUR 13.4 million (FRF 88 million), recorded in exceptional items (see Note 10).

**A.2.3. -- Sale of 50 % of Brazilian public restaurant and institutional catering activities**

In December 1998, in order to establish a strategic alliance with Compass in Brazilian public restaurant and institutional catering activities, Accor Brasil, a 50%-owned Accor subsidiary, has transferred all of its Brazilian assets in these two activities to an equally owned joint-venture with Compass. Since December 1, 1998, these activities, jointly controlled by Accor Brasil and Compass, are consolidated through proportional integration in the Group's balance sheet and income statement. This transaction generated a capital gain, Group share, of EUR 19.4 million (FRF 127 million), recorded in exceptional items (see Note 10). Taking into account the devaluation of the Brazilian real in January 1999 as well as the Group's financial strategy, pursuant to which the capital gain on this sale should be distributed in the form of a dividend, a provision for exchange rate loss has been deducted from the above-mentioned capital gain, Group share.

**A.3. -- Sale of 50% interest in Europcar**

In November 1999, Accor sold its 50% interest in Europcar International. This transaction, based on a consideration of EUR 204.5 million (FRF 1.34 billion) generated a capital gain, excluding minority interests, of EUR 82 million (FRF 538 million), recorded under Exceptional Items in the income statement for the year ended December 31, 1999 (see Note 10). Concurrently, Europcar and Accor have signed a partnership agreement aimed at preserving and expanding the marketing synergies developed by the two groups.

Europcar's results have been included on a proportional basis for the period December 31, 1997 through October 30, 1999.

The following income statement reflects the contribution of the Europcar group to Accor's consolidated results in 1999 :

| In millions | June 30, 1999 EUR | 1999 (10 months) EUR | 1999 (10 months) FRF |
|---|---|---|---|
| **CONSOLIDATED REVENUES** | 212 | 395 | 2,593 |
| Operating expenses | (189) | (335) | (2,197) |
| **GROSS OPERATING PROFIT** | **23** | **60** | **396** |
| Rental expense | (9) | (16) | (106) |
| **EBDIT** | **14** | **44** | **290** |
| Depreciation and operating provision expense | (11) | (23) | (149) |
| **EBIT** | **3** | **21** | **141** |
| Net financial expense | (14) | (23) | (156) |
| Net income from associated equity companies, Group share | - | 0 | 1 |
| **CURRENT INCOME BEFORE TAX** | **(11)** | **(2)** | **(14)** |
| Result from management of other assets | - | (1) | (6) |
| Goodwill amortization | (1) | (1) | (6) |
| Income taxes | (6) | (7) | (49) |
| **CONSOLIDATED NET INCOME, GROUP SHARE** | **(18)** | **(11)** | **(75)** |

The impact of the sale of Europcar on the Group's consolidated balance sheet may be summarized as follows:

| In millions | 1999 EUR | 1999 FRF |
|---|---|---|
| Fixed assets | 96 | 628 |
| Working capital | 165 | 1,084 |
| Provisions | (25) | (165) |
| **Change in net debt** | **236** | **1,547** |
| Cash and equivalents | 204 | 1,341 |
| **Impact on Group net debt** | **440** | **2,888** |

## B. – Investment program

### B.1. -- AAPC Public Exchange Offer

On December 4, 1997, Accor launched a Public Exchange Offer for all outstanding shares of AAPC, a company listed on the Sydney Stock Exchange, in which the Group previously held a 25.89% interest accounted for by the equity method. The offering price (AUD 0.65 per share) valued the company at EUR 237 million (FRF 1,557 million). Upon expiration of the offer, on February 23, 1998, Accor held 99.5% of all outstanding shares of AAPC. Following a squeeze-out offer pursuant to Australian securities regulation launched subsequently, Accor held, directly or indirectly, 100% of AAPC, at the end of March 1998.

During 1997, Accor exercised a significant influence over the management of AAPC, thereby accounting for the company by the equity method on the basis of its ownership interest (25.89%) during the period. To reflect the takeover of AAPC by Accor at 1997 year end, completed in early 1998, AAPC's balance sheet was fully consolidated in Accor's consolidated financial statements at December 31, 1997.

The total acquisition cost of the 74.11% interest in AAPC purchased by Accor amounted to EUR 184 million (FRF 1,208 million). At December 31, 1997, Accor conducted a preliminary estimate of the fair value of the assets and liabilities acquired, net of assets and liabilities related to Accor's relationship with AAPC (particularly, rights to use the Accor hotel brand names and management contracts in the Asia-Pacific region, which had been sold to AAPC in 1993 and 1996, in exchange for cash and shares) . On the basis of this estimate, total goodwill resulting from this transaction amounted to EUR 196 million (FRF 1,287 million).

At December 31, 1997, the impact of the full consolidation of AAPC's balance sheet on the Accor consolidated financial statements was as follows :

| **In millions, at December 31, 1997** | **EUR** | **FRF** |
|---|---|---|
| Property, plant and equipment | 42 | 274 |
| Goodwill, net of amortization | 196 | 1,287 |
| Securities accounted for by the equity method and non-group securities | 93 | 611 |
| Other fixed assets | 19 | 122 |
| Change in securities accounted for by the equity method and AAPC bonds held by ACCOR | (103) | (673) |
| **Change in fixed assets** | **247** | **1,621** |
| Other assets | 29 | 192 |
| **Change in total assets** | **276** | **1,813** |
| Minority interets | 9 | 59 |
| Provisions | 15 | 99 |
| Translation adjustments | (6) | (37) |
| Net debt | 258 | 1,692 |
| **Change in total liabilities and shareholders' equity** | **276** | **1,813** |
| Acquisition debt | 184 | 1,208 |
| AAPC debt (after elimination of convertible bonds) | 74 | 484 |
| **Change in net debt on ACCOR balance sheet** | **258** | **1,692** |

In 1998, Accor completed the estimation of the fair value of the acquired assets and liabilities, and allocated the goodwill generated thereby between the Asia and Pacific zones, in proportion to their expected profit contribution in coming years. At December 31, 1998, this operation generated final goodwill of EUR 172 million (FRF 1,131 million) on the Australian activities, amortized over 40 years, and total goodwill of EUR 77 million (FRF 508 million) on the Asian activities, amortized over 20 years.

### B.2. -- Frantour

In February 1999, Accor acquired 100% of the Frantour group on the basis of an enterprise value of EUR 142.2 million (FRF 933 million) representing a multiple of 8.6 times 1999 EBITDA. Pursuant to this transaction, the following activities have been integrated, effective March 1, 1999 :

- 31 hotels (4,217 rooms) primarily located in France (including 5 in the Paris region), including 14 owned or leased units and 17 franchised units;
- 86 travel agencies, operated under the Frantour or Sud Ouest Voyages brands;
- 1 tour operating company, active in France and 6 other European countries, representing a total of 620,000 clients in 1998.

In the first 10 months of activities under Accor ownership, the Frantour group contributed EUR 12.6 million (FRF 82,8 million) to Accor 1999 EBIT.

### B.3. -- Red Roof Inns

On July 12, 1999, Accor launched a tender offer for all of the outstanding shares of the Red Roof Inns Inc. economy hotel group on the basis of an estimated enterprise value, before transaction costs, of EUR 1,050 million (USD 1,120 million), based on a price per Red Roof Inc. share of USD 22.75 (representing a 27.5% premium over the average Red Roof share price during the 30 trading days preceding the offer). This represents a multiple of 7.64 times 1998 EBITDA.

Red Roof operates a network of 324 units (37,208 rooms, including 29,907 fully owned rooms and the balance operated under franchise). Following the close of the offer on August 13, 1999, Accor held over 99% of all outstanding shares of Red Roof Inns, Inc. Red Roof Inns is fully consolidated since July 1, 1999. The contribution of Red Roof Inns to Accor's 1999 and first half of 2000 total income from operations may be summarized as follows:

| | July - december 1999 | | | January-June 2000 | | |
|---|---|---|---|---|---|---|
| In millions | USD | EUR | FRF | USD | EUR | FRF |
| **CONSOLIDATED REVENUES** | **198** | **186** | **1,219** | **192** | **200** | **1,311** |
| Operating expenses | (116) | (109) | (713) | (120) | (125) | (818) |
| **GROSS OPERATING PROFIT** | **82** | **77** | **506** | **72** | **75** | **493** |
| Rental expense | (5) | (5) | (31) | (17) | (18) | (116) |
| **EBDIT** | **77** | **72** | **475** | **55** | **57** | **377** |
| Depreciation and operating provision expense | (9) | (9) | (57) | (9) | (10) | (66) |
| **EBIT** | **68** | **63** | **418** | **46** | **47** | **311** |
| Net financial expense | (26) | (24) | (159) | (19) | (19) | (126) |
| **TOTAL INCOME FROM OPERATIONS** | **42** | **39** | **259** | **27** | **28** | **185** |

### B.4. -- Purchase of SEIH / Merger with Participation SA

On December 15, 1999, an Extraordinary General Meeting of Shareholders approved the merger of Participation SA within Accor and the transfer to Accor of the hotel assets of Société d'Exploitation et d'Investissement Hôtelier (SEIH). The assets included in this transaction comprise 35 hotels located in France, including 22 three- and four-star hotels and 13 economy hotels.

The merger with Participation SA was approved by the Extraordinary General Meeting of Shareholders on the basis of the following exchange ratio: 20 Accor shares for 41 Participation SA shares, leading to the issuance of 1,206,000 new Accor shares.
Assets transferred from SEIH were remunerated through issuance of 1,506,360 Accor shares; separately, the transfer of a 10% interest in SHMD was remunerated through issuance of 44,655 Accor shares.

The merger and transfers were valued on the basis of the net book value of the assets transferred. On this occasion, a capital increase of EUR 54 million (FRF 354 million) was recorded. In the 1999 consolidated financial statements, no income from this transaction was recorded. The assets transferred, conversely, were fully consolidated in the balance sheet at December 31, 1999.

### B.5. -- Other investments (external and internal growth)

Taking into account external and organic growth initiatives, the Group has opened or acquired a total of 175 hotels, or 20,822 rooms, in the first half of 2000. In addition, 35 hotels, or 2,804 rooms, were closed during the period. Internal growth acquisitions comprised :

- 27 hotels in Germany, including 23 leased hotels and four hotels under management contracts, representing a total of 3,056 rooms, to be operated under the Mercure and Novotel brands.
- acquisition of six Queens Moat hotels in Germany, for a total of 881rooms.

At June 30, 2000, 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 | 54 | 10,327 | 78 | 13,786 | 7 | 1,274 | **139** | **25,387** |
| Novotel | 193 | 27,919 | 104 | 20,444 | 31 | 3,804 | **328** | **52,167** |
| Mercure | 242 | 30,878 | 198 | 20,884 | 161 | 12,378 | **601** | **64,140** |
| Ibis | 294 | 34,014 | 55 | 7,227 | 163 | 11,860 | **512** | **53,101** |
| Etap Hotel | 143 | 10,700 | 6 | 528 | 49 | 3,567 | **198** | **14,795** |
| Formule 1 | 328 | 23,761 | 6 | 504 | 10 | 679 | **344** | **24,944** |
| Red Roof | 262 | 30,283 | - | - | 88 | 8,706 | **350** | **38,989** |
| Motel 6 | 716 | 80,194 | 2 | 117 | 97 | 6,375 | **815** | **86,686** |
| Autres | 34 | 5,886 | 53 | 6,575 | - | - | **87** | **12,461** |
| **Total** | **2,266** | **253,962** | **502** | **70,065** | **606** | **48,643** | **3,374** | **372,670** |
| Total en % | *67.2* | *68.1* | *14.9* | *18.8* | *18.0* | *13.1* | *100.0* | *100.0* |

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

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

In the first half of 2000, operating revenues of entities whose revenues (royalties) are not specific to a given region are presented under 'global structures'. To facilitate comparison, 1999 data were restated and are presented on a proforma basis.

| In EUR millions | France | Europe (excluding France) | North America | Latin America | Other Countries | Worldwide structures | June 30, 2000 | June 30, 1999 Pro forma | Dec. 31, 1999 |
|---|---|---|---|---|---|---|---|---|---|
| **HOTELS** | **770** | **601** | **682** | **33** | **100** | **44** | **2,230** | **1,694** | **3,747** |
| Business and Leisure | 524 | 426 | 84 | 29 | 91 | 44 | 1,198 | 986 | 2,052 |
| Economy | 246 | 175 | 1 | 4 | 9 | | 435 | 379 | 793 |
| Accor Economy Lodging | | | 597 | | | | 597 | 329 | 902 |
| **TRAVEL AGENCIES** | **32** | **93** | **110** | **14** | **7** | **2** | **258** | **209** | **434** |
| **CAR RENTAL** | | | | | | | | **211** | **396** |
| **ACCOR SERVICES** | **32** | **64** | **7** | **102** | **1** | | **206** | **170** | **361** |
| Institutional Catering and Public Restaurants | 82 | 90 | | 83 | 6 | | **261** | **247** | **489** |
| Onboard Train Services | 66 | 94 | | | | 1 | **161** | **161** | **330** |
| Casinos | 112 | | | | | | **112** | **85** | **185** |
| Holdings and other | 30 | 46 | | 5 | 3 | 4 | **88** | **77** | **163** |
| **June 30, 2000 total** | **1,124** | **988** | **799** | **237** | **117** | **51** | **3,316** | | |
| **June 30, 1999 total pro forma** | **1,003** | **1,016** | **489** | **196** | **97** | **53** | | **2,854** | |
| **June 30, 1999 total as published** | **1,085** | **999** | **489** | **198** | **83** | **-** | | **2,854** | |
| **December 31, 1999 total** | **2,079** | **2,025** | **1,234** | **416** | **195** | **156** | | | **6,105** |

| In FRF millions | France | Europe (excluding France) | North America | Latin America | Other Countries | Worldwide structures | June 30, 2000 | June 30, 1999 Pro forma | Dec. 31, 1,999 |
|---|---|---|---|---|---|---|---|---|---|
| **HOTELS** | **5,049** | **3,941** | **4,474** | **215** | **654** | **292** | **14,625** | **11,111** | **24,575** |
| Business and leisure | 3,434 | 2,796 | 551 | 188 | 595 | 292 | 7,856 | 6,469 | 13,458 |
| Economy | 1,615 | 1,145 | 8 | 27 | 59 | | 2,854 | 2,485 | 5,199 |
| Accor Economy Lodging | | | 3,915 | | | | 3,915 | 2,157 | 5,918 |
| **TRAVEL AGENCIES** | **211** | **609** | **724** | **89** | **44** | **16** | **1,693** | **1,372** | **2,847** |
| **CAR RENTAL** | | | | | | | | **1,386** | **2,596** |
| **ACCOR SERVICES** | **212** | **418** | **47** | **661** | **9** | **1** | **1,348** | **1,115** | **2,365** |
| Institutionnal Catering and Public Restaurants | 538 | 591 | | 549 | 37 | | **1,715** | **1,625** | **3,208** |
| Onboard Train Services | 435 | 610 | | | | 9 | **1,054** | **1,055** | **2,165** |
| Casinos | 737 | | | | | | **737** | **556** | **1,211** |
| Holdings and other | 195 | 307 | | 36 | 18 | 24 | **580** | **504** | **1,067** |
| **June 30, 2000 total** | **7,377** | **6,476** | **5,245** | **1,550** | **762** | **342** | **21,752** | | |
| **June 30, 1999 total pro forma** | **6,582** | **6,666** | **3,210** | **1,284** | **637** | **345** | **18,724** | **18,724** | |
| **June 30, 1999 total as published** | **7,120** | **6,545** | **3,210** | **1,285** | **564** | **-** | | **18,724** | |
| **December 31, 1999 total** | **13,627** | **13,282** | **8,094** | **2,722** | **1,280** | **1,029** | | | **40,034** |

In June 2000, consolidated sales totaled EUR 3,316 million (FRF 21,752 million), as compared to EUR 2,854 million (FRF 18,724 million) at June 30, 1999. This represents an increase of EUR 462 million (FRF 3,028 million) or +16.2%. This change breaks down as follows:

- + 5.9% from like-for-like growth;
- + 14.8% from business development;
- - 8.4% reflecting closing or disposal of activities ( chiefly Europcar );
- + 3.9% from currency impact.

## NOTE 4 – BREAKDOWN OF EBIT

### 4.1. -- Gross operating income by activity and by region.

| In EUR million | France | Europe excluding France | North America | Latin America | Other Countries | Worldwide structures | June 30, 2,000 |
|---|---|---|---|---|---|---|---|
| **HOTELS** | **213** | **206** | **269** | **7** | **20** | **(11)** | **704** |
| Business and Leisure | 134 | 139 | 28 | 7 | 17 | (21) | **304** |
| Economy | 79 | 67 | - | - | 3 | 10 | **159** |
| Accor Economy Lodging | - | - | 241 | - | - | - | **241** |
| **TRAVEL AGENCIES** | **4** | **8** | **12** | **1** | **0** | **2** | **27** |
| **CAR RENTAL** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **ACCOR SERVICES** | **12** | **30** | **1** | **27** | **0** | **(5)** | **65** |
| Institutional Catering | | | | | | | |
| and Public Restaurants | 11 | 8 | - | 3 | 1 | - | **23** |
| Onboard Train Services | (3) | 5 | - | - | - | 2 | **4** |
| Casinos | 22 | - | - | - | - | - | **22** |
| Holdings and other | - | 6 | - | 1 | - | (1) | **6** |
| **June 30, 2000 TOTAL** | **259** | **263** | **282** | **39** | **21** | **(13)** | **851** |

| In EUR million | France | Europe excluding France | North America | Latin America | Other Countries | Worldwide structures | June 30, 2,000 |
|---|---|---|---|---|---|---|---|
| **HOTELS** | **190** | **161** | **159** | **3** | **18** | **(7)** | **524** |
| Business and Leisure | 117 | 106 | 23 | 4 | 15 | (13) | **252** |
| Economy | 73 | 55 | - | (1) | 3 | 6 | **136** |
| Accor Economy Lodging | - | - | 136 | - | - | - | **136** |
| **TRAVEL AGENCIES** | **4** | **10** | **9** | **1** | **-** | **(4)** | **20** |
| **CAR RENTAL** | **2** | **17** | **-** | **-** | **-** | **5** | **24** |
| **ACCOR SERVICES** | **11** | **24** | **-** | **33** | **-** | **-** | **68** |
| Institutional Catering | | | | | | | |
| and Public Restaurants | 10 | 6 | - | - | 1 | - | **17** |
| Onboard Train Services | - | 5 | - | - | - | - | **5** |
| Casinos | 15 | - | - | - | - | - | **15** |
| Holdings and other | 5 | 6 | - | 3 | - | (4) | **10** |
| **June 30, 2000 TOTAL** | **237** | **229** | **168** | **40** | **19** | **(10)** | **683** |

| GROSS OPERATING PROFIT in FRF million | France | Europe excluding France | North America | Latin America | Other Countries | Worldwide structures | June 30, 2,000 |
|---|---|---|---|---|---|---|---|
| **HOTELS** | **1,399** | **1,346** | **1,764** | **46** | **133** | **(72)** | **4,616** |
| Business and Leisure | 877 | 909 | 185 | 43 | 116 | (137) | **1,993** |
| Economy | 522 | 437 | 1 | 3 | 17 | 65 | **1,045** |
| Accor Economy Lodging | - | - | 1,578 | - | - | - | **1,578** |
| **TRAVEL AGENCIES** | **24** | **53** | **79** | **9** | **2** | **15** | **182** |
| **CAR RENTAL** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **ACCOR SERVICES** | **87** | **195** | **6** | **175** | **(3)** | **(33)** | **427** |
| Institutional Catering | | | | | | | |
| and Public Restaurants | 70 | 55 | - | 18 | 7 | - | **150** |
| Onboard Train Services | (17) | 34 | - | - | - | 11 | **28** |
| Casinos | 146 | - | - | - | - | - | **146** |
| Holdings and other | - | 39 | (1) | 7 | (2) | (8) | **35** |
| **June 30, 2000 TOTAL** | **1,709** | **1,722** | **1,848** | **255** | **137** | **(87)** | **5,584** |

**4.2. -- Operating rental expenses**

Rental charges amounted to EUR 226 million (FRF 1,481 million) in the first half of 1999 and EUR 291 million (FRF 1,912 million) in the first half of 2000.The increase in rent recorded in 2000 primarily reflects sale leaseback of hotel properties (see Notes 7 and 2.A.1), new business development and foreign exchange fluctuations.

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.

As January 1, 2000, annualized expenses related to **non-discounted rental leases** break down as follows:

| In EUR millions | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | > 2005 | Total |
|---|---|---|---|---|---|---|---|---|
| Business and Leisure hotels | (268) | (276) | (279) | (279) | (279) | (277) | (3,762) | (5,152) |
| Economy hotels | (91) | (92) | (91) | (91) | (90) | (89) | (1,075) | (1,528) |
| Accor Economy Lodging | (170) | (190) | (163) | (163) | (162) | (164) | (2,913) | (3,755) |
| Other | (61) | (25) | (21) | (21) | (19) | (16) | (43) | (145) |
| **TOTAL** | **(590)** | **(583)** | **(554)** | **(554)** | **(550)** | **(546)** | **(7,793)** | **(10,580)** |

| In FRF millions | 2000 | 2001 | 2002 | 2003 | 2004 | 2,005 | > 2005 | Total |
|---|---|---|---|---|---|---|---|---|
| Business and Leisure hotels | (1,757) | (1,813) | (1,830) | (1,827) | (1,829) | (1,820) | (24,680) | (33,799) |
| Economy hotels | (599) | (601) | (595) | (596) | (591) | (581) | (7,052) | (10,016) |
| Accor Economy Lodging | (1,116) | (1,246) | (1,066) | (1,068) | (1,062) | (1,075) | (19,109) | (24,626) |
| Other | (400) | (163) | (145) | (136) | (122) | (107) | (287) | (960) |
| **TOTAL** | **(3,872)** | **(3,823)** | **(3,636)** | **(3,627)** | **(3,604)** | **(3,583)** | **(51,128)** | **(69,401)** |

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

## 4.3. -- EBIT by activity and geographical area

| In € millions | France | Europe (excluding France) | North America | Latin America | Other | Worldwide structures * | June 30, 2000 |
|---|---|---|---|---|---|---|---|
| **HOTELS** | **94** | **73** | **122** | **2** | **4** | **(12)** | **283** |
| Business and Leisure | 53 | 49 | 15 | 2 | 3 | (23) | **99** |
| Economy | 41 | 24 | - | - | 1 | 11 | **77** |
| Acor Economy Lodging | - | - | 107 | - | - | - | **107** |
| **TRAVEL AGENCIES** | **1** | **3** | **3** | **1** | **-** | **2** | **10** |
| **CAR RENTAL** | | | | | | | |
| **ACCOR SERVICES** | **12** | **27** | **-** | **21** | **(1)** | **(5)** | **54** |
| Institutional Catering and Public Restaurants | 5 | 5 | - | 1 | - | - | **11** |
| Onboard Train Services | (6) | 3 | - | - | - | 1 | **(2)** |
| Casinos | 17 | - | - | - | - | - | **17** |
| Holdings and other | (2) | - | - | - | - | (3) | **(5)** |
| **1999 total** | **121** | **111** | **125** | **25** | **3** | **(17)** | **368** |

| In EUR millions | France | Europe (excluding France) | North America | Latin America | Other | Worldwide structures ( *) | June 30, 1999 Pro forma | June 30, 1999 As published |
|---|---|---|---|---|---|---|---|---|
| **HOTELS** | **82** | **61** | **68** | **1** | **5** | **(7)** | **210** | **210** |
| Business and Leisure (**) | 43 | 39 | 13 | 2 | 3 | (14) | 86 | **86** |
| Economy | 39 | 22 | - | (1) | 2 | 7 | 69 | **69** |
| Acor Economy Lodging | - | - | 55 | - | - | - | 55 | **55** |
| **TRAVEL AGENCIES** | **3** | **4** | **3** | **-** | **-** | **(5)** | **5** | **5** |
| **CAR RENTAL** | **-** | **3** | **-** | **-** | **-** | **-** | **3** | **3** |
| **ACCOR SERVICES** | **11** | **20** | **-** | **27** | **-** | **-** | **58** | **58** |
| Institutional Catering and Public Restaurants | 4 | 4 | - | (1) | 1 | - | **8** | **8** |
| Onboard Train Services | (4) | 2 | - | - | - | (1) | **(3)** | **(3)** |
| Casinos | 11 | - | - | - | - | - | **11** | **11** |
| Holdings and other | 4 | - | - | 1 | - | (6) | **(1)** | **(1)** |
| **June 30, 2000 total, pro forma** | **111** | **94** | **71** | **28** | **6** | **(19)** | **291** | **291** |
| **June 30, 1999 total, as published** | **97** | **94** | **71** | **28** | **6** | **(5)** | **291** | |

(*) EBIT of Group units whose costs and revenues (royalties) are not attributable to a specific geographical region have been included under "Worldwide structures".
(**) To facilitate comparison with first half 2000 performances, first half 1999 operating income of France and « global structures » business and leisure hotels have been restated.

| EBIT In FRF millions | France | Europe (excluding France) | North America | Latin America | Other | Worldwide structures (*) | June 30, 2000 |
|---|---|---|---|---|---|---|---|
| **HOTELS** | **619** | **479** | **800** | **12** | **29** | **(85)** | **1,854** |
| Business and Leisure | 348 | 324 | 96 | 14 | 21 | (156) | **647** |
| Economy | 271 | 155 | 1 | (2) | 8 | 71 | **504** |
| Acor Economy Lodging | - | - | 703 | - | - | - | **703** |
| **TRAVEL AGENCIES** | **9** | **19** | **18** | **7** | **(1)** | **14** | **66** |
| **CAR RENTAL** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **ACCOR SERVICES** | **79** | **177** | **2** | **140** | **(7)** | **(35)** | **356** |
| Institutional Catering and Public Restaurants | 32 | 33 | - | 7 | 3 | - | **75** |
| Onboard Train Services | (38) | 22 | - | - | - | 4 | **(12)** |
| Casinos | 109 | - | - | - | - | - | **109** |
| Holdings and other | (14) | (1) | - | 2 | (3) | (18) | **(34)** |
| **June 30, 2000 total** | **796** | **729** | **820** | **168** | **21** | **(120)** | **2,414** |

## NOTE 5 – NET FINANCIAL EXPENSE

| In millions | 1999 EUR | June 30, 1999 EUR | June 30, 2000 EUR | June 30, 2000 FRF |
|---|---|---|---|---|
| Net interest income / expense | (180) | (56) | (74) | (488) |
| Other financial revenues and expenses | 37 | - | 27 | 177 |
| **Net financial expense** | **(143)** | **(56)** | **(47)** | **(311)** |

At June 2000, other financial revenues and expenses primarily comprise foreign exchange gains and dividends received from unconsolidated companies.

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

## NOTE 6 – INCOME (LOSS) OF ASSOCIATED EQUITY COMPANIES, GROUP SHARE

Key contributions break down as follows:

| In millions | 1999 EUR | June 30, 1999 EUR | June 30, 2000 EUR | June 30, 2000 FRF |
|---|---|---|---|---|
| Tahl | 3 | 1 | 2 | 10 |
| Société Hôtelière des Casinos de Deauville | 5 | 1 | - | - |
| Other | 7 | 2 | 3 | 25 |
| **Group share in income before tax** | **15** | **4** | **5** | **35** |

## NOTE 7 – RESULT FROM MANAGEMENT OF HOTEL PORTFOLIO

| In millions | 1999 EUR | June 30, 1999 EUR | June 30, 2000 EUR | June 30, 2000 FRF |
|---|---|---|---|---|
| Capital gains or losses on sale of assets | 69 | (2) | (2) | (12) |
| Provisions on hotel properties (see Note 1. D. 5) | (51) | (2) | (12) | (77) |
| **Total** | **18** | **(4)** | **(14)** | **(89)** |

In 1999, result from management of hotel portfolio notably included EUR 69.5 million (FRF 456 million) in capital gains on the sale of economy and budget hotels (28 Ibis hotels, 6 Etap hotel and 2 Formule 1 hotels) in France, Germany and Great-Britain, capital gains of EUR 11.4 million (FRF 74.6 million) on the sale of 14 Mercure in The Netherlands and of EUR 5.6 million (FRF 36.9 million) on the sale of 10 Novotel in Great-Britain and a capital loss of EUR 9.1 million (FRF 60 million) on the sale of 12 Motel 6 units (property and business). In 1999, provisions on hotel assets include a EUR 23 million provision related to 23 Motel 6 units earmarked for disposal. These assets were written down, in the consolidated financial statements, on the basis of their estimated disposal value. In addition, the value of 5 hotel units in Brazil and the Caribbean were written down to reflect their usefulness value, leading to the creation of a EUR 6 million provision.

In the first half of 2000, result from management of hotel portfolio chiefly comprises a capital loss on the sale of two Sofitel hotels in France, for a total of EUR 5 million (FRF 33 million).

During the same period, provisions on hotel properties were primarily related to the write-down of securities and receivables issued by direct and indirect subsidiaries of the Immtel firm (Vaturi group) (see Note 16).

## NOTE 8 – RESULT FROM MANAGEMENT OF OTHER ASSETS

| In millions | 1999 EUR | June 30, 1999 EUR | June 30, 2000 EUR | June 30, 2000 FRF |
|---|---|---|---|---|
| Capital gains or losses on sale of assets | 62 | 56 | 52 | 345 |
| Provisions | (19) | 2 | (3) | (21) |
| Non-operating gains (losses) | (72) | (22) | (13) | (87) |
| **Total** | **(29)** | **36** | **36** | **237** |

In 1999, capital gains of EUR 62 million are primarily related to the sale of Compass shares. Provisions on other assets are primarily related to additional reengineering costs in hotel activities and travel agencies, for EUR 31 million (FRF 205 million), and to onboard train services in France, in relation with potential liabilities upon termination of contracts, for EUR 13 million (FRF 87 million). Pursuant to the 6-year French railway catering contract signed with SNCF in 1998, Accor is currently renegotiating under contractual terms the economic conditions of operations conducted under this contract. Separately, in 1999, non-operating losses include costs related to the transition to the year 2000 (EUR 17 million), provisioned in 1998, as well as costs related to employee profit-sharing plans (EUR 16 million).

In the first half of 2000, the EUR 52 million capital gain on sale of assets reflects capital gains on the sale of Compass shares (see Note 2.a.2.1) and on the exchange of a 23.35% interest in CNIT SA for a 1% interest in Unibail (see Note 16).

In addition, during the same period, non-operating losses comprise charges related to employee profit sharing (EUR 4.1 million).

## NOTE 9 – Income taxes

### 9.1. -- Tax expenses of the fiscal year (excluding exceptional items)

| In millions | 1999<br>EUR | June 30, 1999<br>EUR | June 30, 2000<br>EUR | June 30, 2000<br>FRF |
|---|---|---|---|---|
| Current taxes and provisions | 206 | 68 | 50 | 329 |
| Deferred taxes | 10 | 4 | 51 | 332 |
| Group share in current and deferred taxes of associated equity companies | 6 | 2 | 3 | 18 |
| **Total** | **222** | **74** | **104** | **679** |

| | | | | |
|---|---|---|---|---|
| Current income before tax | 613 | 235 | 312 | 2,049 |
| Total consolidated income tax | (222) | (74) | (104) | (679) |
| **Group apparent tax rate on current income** | **36.2%** | **31.3%** | **33.1%** | **33.1%** |

In 1999, excluding Europcar's tax situation, the Group's nominal income tax rate amounted to 34.5%.

### 9.2. -- Effective tax rate

| In millions | 1999<br>EUR | June 30, 1999<br>EUR | June 30, 2000<br>EUR | June 30, 2000<br>FRF |
|---|---|---|---|---|
| Current income before tax | 613 | 235 | 312 | 2,049 |
| Result of the management of other assets | (29) | 36 | 36 | 237 |
| Goodwill amortization | (68) | (30) | (38) | (252) |
| **Income before tax** | **516** | **241** | **310** | **2,034** |
| Goodwill amortization | 68 | 30 | 38 | 252 |
| Elimination of intra-Group capital gains | - | - | - | - |
| Asset depreciation | 65 | - | - | - |
| Other | 44 | 42 | 12 | 70 |
| **Total of permanent differences (non-deductible expenses)** | **177** | **72** | **50** | **322** |
| **Income subject to lower tax rates or not subject to taxes** (1) | **(196)** | **(137)** | **(80)** | **(522)** |
| **Income taxable at current rates** | **497** | **176** | **280** | **1,834** |
| Current tax rate in France | 40.0% | 40.0% | 37.76% | 37.76% |
| **Theoretical income tax at current French tax rate** | **(199)** | **(71)** | **(106)** | **(692)** |
| Impact of theoretical income tax of : | | | | |
| differences in tax rate in countries other than France | 21 | 2 | 7 | 46 |
| unutilized tax losses for the year | (39) | (21) | (14) | (90) |
| utilization of tax losses from prior years | 14 | 10 | 5 | 35 |
| tax credit resulting from timing differences not recognized in prior years | 7 | 7 | - | - |
| losses carried forward unrecognized in prior years (2) | - | - | - | - |
| other | (29) | (9) | 7 | 43 |
| **Total** | **(26)** | **(11)** | **5** | **34** |
| **Income tax at current tax rate** | **(225)** | **(82)** | **(101)** | **(658)** |
| **Income tax at lower rates** | **3** | **8** | **(3)** | **(21)** |
| **Total consolidated income tax** | **(222)** | **(74)** | **(104)** | **(679)** |
| **Apparent tax rate on net income before exceptional items and minority interests** | **43.0%** | **30.5%** | **33.4%** | **33.4%** |
| Current income before tax | 613 | 235 | 312 | 2,049 |
| Total consolidated income tax | (222) | (74) | (104) | (679) |
| **Group apparent tax rate on current income** | **36.2%** | **31.3%** | **33.1%** | **33.1%** |

(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.

### 9.3. -- Deferred tax assets and liabilities

| In millions | 1999<br>EUR | June 30, 1999<br>EUR | June 30, 2000<br>EUR | June 30, 2000<br>FRF |
|---|---|---|---|---|
| Deferred tax assets | 112 | 122 | 91 | 597 |
| Deferred tax liabilities | (172) | (129) | (195) | (1,278) |
| **Net deferred taxes** | **(60)** | **(7)** | **(104)** | **(681)** |

**NOTE 10 – EXCEPTIONAL ITEMS (NET OF TAXES AND MINORITY INTERESTS)**

| In millions | 1999<br>EUR | June 30, 1999<br>EUR | June 30, 2000<br>EUR | June 30, 2000<br>FRF |
|---|---|---|---|---|
| Exceptional items | 82 | - | - | - |

In 1999, exceptional items include a net capital gain, excluding minority interests, of EUR 82 million (FRF 538 million) on the disposal of Europcar (see Note 2.A.3).

In the first half of 2000, the Group did not record any exceptional items.

**NOTE 11 – INTANGIBLE FIXED ASSETS**

| In millions | | June 30, 1999<br>EUR | 1999<br>EUR | June 30, 2000<br>EUR | June 30, 2000<br>FRF |
|---|---|---|---|---|---|
| Motel 6 and Red Roof brands | (1) | 191 | 315 | 334 | 2,192 |
| Market share, Onboard train services | | 75 | 75 | 75 | 490 |
| Brand name, Europcar | | 11 | 12 | 11 | 75 |
| Other networks and brand names | | 61 | - | - | - |
| Business rights | | 30 | 18 | 17 | 110 |
| Start-up costs | | 30 | 20 | 18 | 119 |
| Other intangible fixed assets | | 170 | 184 | 209 | 1,370 |
| **Total (gross)** | (2) | 568 | 624 | 664 | 4,356 |
| **Amortization** | | (102) | (94) | (103) | (674) |
| **Total (net)** | | **466** | **530** | **561** | **3,682** |

(1) Changes in the valuation of the Motel 6 and Red Roof brands are primarily due to fluctuations in the exchange rate at the closing date of the US Dollar against the French franc (June 30, 1999 : 6.35125, December 31, 1999 : 6.52953, June 30, 2000 : 6.86435).

(2) Provision 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 12 – Goodwill

| In millions | June 30, 1999 EUR | 1999 EUR | June 30, 2000 EUR | June 30, 2000 FRF |
|---|---|---|---|---|
| Goodwill (gross) | 1,665 | 2,003 | 2,110 | 13,837 |
| Amortization | (283) | (319) | (362) | (2,373) |
| **Total net goodwill** | **1,382** | **1,684** | **1,748** | **11,464** |

| In millions | | June 30, 1999 EUR | 1999 EUR | June 30, 2000 EUR | June 30, 2000 FRF |
|---|---|---|---|---|---|
| Motel 6 | (40 years) | 324 | 326 | 335 | 2,194 |
| Travel Agencies | (20 years) | 250 | 243 | 236 | 1,550 |
| Red Roof Inns | (40 years) | - | 222 | 232 | 1,524 |
| Hotels, Australia | (40 years) | 188 | 206 | 200 | 1,310 |
| Casinos (ACCOR Casinos and subsidiaries) | (20 years) | 117 | 113 | 140 | 918 |
| Economy Hotels (excluding Motel 6)) | (40 years) | 91 | 109 | 118 | 776 |
| Hotels, Asia | (20 years) | 71 | 68 | 74 | 484 |
| Business & leisure Hotels France | (40 years) | 25 | 59 | 60 | 396 |
| Société Hôtelière des Casinos de Deauville | (40 years) | 31 | 30 | 30 | 196 |
| Hotels, Hungary (Pannonia) | (40 years) | 21 | 21 | 19 | 126 |
| Lenôtre | (20 years) | 18 | 16 | 16 | 103 |
| French railway catering contract | (6 years) | 14 | 12 | 11 | 70 |
| Apetik (Brazilian Luncheon Vouchers) | (40 years) | 11 | 11 | 11 | 73 |
| Embral (Brazilian institutional catering) | (20 years) | 7 | 6 | 7 | 43 |
| Other (under EUR 15 million each) | | 214 | 242 | 259 | 1,701 |
| **Total net goodwill** | | **1,382** | **1,684** | **1,748** | **11,464** |

Changes in net goodwill break down as follows:

| In millions | 1999 EUR | June 30, 2000 EUR | June 30, 2000 FRF |
|---|---|---|---|
| **Total net goodwill at beginning of period** | **1,247** | **1,684** | **11,045** |
| **Increase in gross value and impact of changes in the scope of consolidation :** | **427** | **63** | **409** |
| . Red Roof Inns (see Note 2.B.3) | 211 | - | - |
| . Casinos (St Raphaël, Ste Maxime, Perros Guirec, Bénodet) | 53 | 32 | 208 |
| . Go Voyages Tour Operator | - | 12 | 76 |
| . Mercure, Germany (29 hotels- see Note 2.B.5) | - | 4 | 25 |
| . Rainbow Tourism hotels in Zimbabwe | - | 3 | 20 |
| . Frantour ( Hotels, France) - (see Note 2.B.2) | 38 | - | - |
| . Australian institutional catering (Compass Australia) | 11 | - | - |
| . Hotels, France ( Acquisition of franchisee) - (see Note 2.B.4) | 46 | - | - |
| . All Seasons (Hotels, Australia) | 19 | - | - |
| . Good Morning (Ibis Hotels Sweden) | 3 | - | - |
| . Other | 46 | 12 | 80 |
| **Exclusions from the scope of consolidation :** | **(16)** | - | - |
| **- Europcar** | (16) | - | - |
| **Line-by-line restatement** | **48** | **16** | **106** |
| **Translation adjustments** | **47** | **25** | **167** |
| **Amortization** | **(68)** | **(38)** | **(252)** |
| **Other changes** | **(1)** | **(2)** | **(11)** |
| **Total net goodwill at end of period** | **1,684** | **1,748** | **11,464** |

## NOTE 13 – PROPERTY, PLANT AND EQUIPMENT

| In millions | June 30, 1999 EUR | 1999 EUR | June 30, 2000 EUR | June 30, 2000 FRF |
|---|---|---|---|---|
| Land | 461 | 543 | 557 | 3,651 |
| Buildings | 2,910 | 3,230 | 3,302 | 21,660 |
| Fittings | 807 | 829 | 911 | 5,974 |
| Equipment and furniture | 1,392 | 1,463 | 1,601 | 10,499 |
| Construction in process | 504 | 603 | 511 | 3,355 |
| **Total gross** | **6,074** | **6,668** | **6,882** | **45,139** |
| **Depreciation and amortization** | (2,068) | (2,150) | (2,304) | (15,107) |
| **Total net** | **4,006** | **4,518** | **4,578** | **30,032** |

At December 1999, the increase in the net value of this item primarily reflects the acquisition of Red Roof Inns (see Note 2.B.3.) and Frantour (see Note 2.B.2.).

At June 2000, property, plant and equipment held under capital leases totaled EUR 695 million or FRF 4,557 million (gross value), as against EUR 651 million (FRF 4,273 million) at December 31, 1999.

## NOTE 14 – LONG-TERM LOANS

| In millions | | June 30, 1999 EUR | 1999 EUR | June 30, 2000 EUR | June 30, 2000 FRF |
|---|---|---|---|---|---|
| Hotels, Asia / Pacific | (1) | 47 | 45 | 50 | 326 |
| ABC Company (Demeure / Libertel hotels) | | - | 47 | 48 | 316 |
| Vaturi Group | (2) | 48 | 48 | 48 | 315 |
| Hotels, The Netherlands | (3) | 14 | 28 | 28 | 185 |
| Le Duff Group | | 13 | - | - | |
| Hotels, US / Canada | | 1 | 1 | 1 | 7 |
| Hotels, UK | | - | 25 | 25 | 161 |
| Other | | 121 | 86 | 85 | 560 |
| **TOTAL** | | **244** | **280** | **285** | **1,870** |

(1) At December 31, 1999, this item primarily included a loan to the Australian land company Tahl, for EUR 17 million (FRF 115 million) related to the financing of the construction of the Homebush Novotel / Ibis (Olympic village) and the financing of 6 other hotels in Australia.

(2) See Note 16.

(3) As part of hotel leasing transactions in The Netherlands, Accor granted additional loans of EUR 14 million in the second half of 1999.

## NOTE 15 – INVESTMENTS IN COMPANIES ACCOUNTED FOR BY THE EQUITY METHOD

| In millions | | June 30, 1999 EUR | 1999 EUR | June 30, 2000 EUR | June 30, 2000 FRF |
|---|---|---|---|---|---|
| Tahl (Australia) | (1) | 66 | 66 | 63 | 411 |
| Société Hôtelière des Casinos de Deauville | (2) | 20 | 24 | 23 | 153 |
| Australian institutional catering (Compass Australia) | | 7 | 18 | 17 | 113 |
| Other associated equity companies (Asia) | | 13 | 15 | 15 | 101 |
| Morocco investment fund | (3) | - | - | 15 | 96 |
| ABC hotels (Demeure / Libertel hotels) | | - | 15 | 14 | 90 |
| CNIT | | 12 | 12 | - | - |
| Ambassador / Ambatel (hotels, Korea) | | 9 | 11 | 13 | 82 |
| Indotel (hotels, Vietnam) | | 8 | 8 | 2 | 10 |
| Sofitel Le Faubourg | | - | 8 | 8 | 51 |
| Quadro Rodas (hotels, Brazil) | | 2 | 1 | 2 | 11 |
| Mahindra (hotels, India) | | 1 | - | - | - |
| Other | | 41 | 26 | 43 | 291 |
| **TOTAL** | | **179** | **204** | **215** | **1,409** |

(1) Following the full consolidation of the balance sheet of Accor Asia Pacific Company as of December 31, 1997, Accor accounts for by the equity method the subsidiaries over 20% owned by AAPC. These primarily comprise Tahl, 37.8% owned, a company owning and operating hotels in Australia operated under management or rental contracts by AAPC.
Financial highlights of Tahl are as follows :

| In millions | 1,999 EUR | June 30, 2000 EUR | June 30, 2000 FRF |
|---|---|---|---|
| Revenues | 96 | 47 | 310 |
| Net Income | 11 | 4 | 29 |
| Net Debt | 200 | 222 | 1,457 |

(2)The accounts of Societe Hoteliere des Casinos de Deauville are as follows:

| In millions | 1,999 EUR | June 30, 2000 EUR | June 30, 2000 FRF |
|---|---|---|---|
| Revenues | 144 | 75 | 494 |
| Net Income | 9 | (1) | (7) |
| Net Debt | 50 | 54 | 357 |

(3) Following the arrival of outside partners, Accor currently holds just 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 :

| In millions | 1,999 EUR | June 30, 2000 EUR | June 30, 2000 FRF |
|---|---|---|---|
| Revenues | 28 | 18 | 120 |
| Net Income | - | 1 | 6 |
| Net Debt | 3 | 1 | 8 |

## NOTE 16 – OTHER FINANCIAL FIXED ASSETS

| In millions | June 30, 1999 EUR | 1999 EUR | June 30, 2000 EUR | June 30, 2000 FRF |
|---|---|---|---|---|
| Investment in unconsolidated companies and convertible bonds (1) | 130 | 116 | 123 | 811 |
| Deposits and securities (2) | 168 | 91 | 94 | 615 |
| **Total (gross)** | **298** | **207** | **217** | **1,426** |
| Provision for loss in value | (44) | (44) | (47) | (308) |
| **Total (net)** | **254** | **163** | **170** | **1,118** |

(1) At December 31, 1997, following the sale of 73,000,000 Compass shares during the year, the Accor Group held 63,600,402 Compass shares with a value of EUR 159 million (FRF 1,040 million), corresponding to their equity method valuation at January 1, 1997 (see Note 2.A.2.1). Following the sale of 32,893,520 Compass shares in February 1998, the Accor Group held only 30,706,882 Compass shares with a value of EUR 77 million (FRF 502 million), corresponding to their valuation at December 31, 1998.

In the first half of 1999, reflecting the issuance of bonds exchangeable into Compass shares, the Compass shares held by the Group have been reclassified as marketable securities (see Note 2.A.2.1).

Following various transactions with the Vaturi group, Accor holds 5% and 2.28%, respectively, of Financiere Saresco and Saresco (Duty free sales/fragrance distribution), as well as a EUR 42 million (FRF 273 million) receivable from Immtel, backed by a leasing commitment relative to a four-star hotel in Paris. The Vaturi group being subject to credit watch, Accor has written additional provisions on these assets as of June 30, 2000.

(2) At December 31, 1999, deposit related to the Repackaged Perpetual Subordinated Floating Rate Notes (Titres Subordonnés à Durée Indéterminée, or TSDI) has been reclassified into short-term loan reflecting its February 2000 maturity.

## NOTE 17 – BREAKDOWN OF FIXED ASSETS BY ACTIVITY

### 17.1. -- Net fixed assets by activity

| In EUR millions | Business and Leisure Hotels | Economy Hotels | Motel 6 & Red Roof | Travel Agencies | Accor Services | Institutional Catering / Publ. Rest. | Onbord Train Services | Casinos | Holdings and other (*) | June 30, 2000 | 1999 | June 30, 1999 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Intangible assets | 17 | 17 | 362 | 26 | 46 | 4 | 27 | 2 | 60 | 561 | 530 | 466 |
| Goodwill | 396 | 121 | 567 | 239 | 58 | 47 | 11 | 140 | 169 | 1,748 | 1,684 | 1,382 |
| Property, plant and equipment | 1,638 | 1,108 | 1,519 | 35 | 33 | 73 | 45 | 60 | 67 | 4,578 | 4,518 | 4,006 |
| **Sub-total** | **2,051** | **1,246** | **2,448** | **300** | **137** | **124** | **83** | **202** | **296** | **6,887** | **6,732** | **5,854** |
| Long-term loans | 130 | 13 | 5 | - | - | 2 | - | - | 135 | 285 | 280 | 244 |
| Investment in associated equity companies | 153 | 16 | - | 2 | - | - | 1 | - | 43 | 215 | 204 | 179 |
| Other financial assets | 74 | 5 | 48 | 2 | 2 | 1 | 1 | - | 37 | 170 | 163 | 254 |
| **June 30, 2000 total** | **2,408** | **1,280** | **2,501** | **304** | **139** | **127** | **85** | **202** | **511** | **7,557** | | |
| **1999 total** | **2,425** | **1,190** | **2,386** | **309** | **136** | **121** | **87** | **174** | **551** | | **7,379** | |
| **June 30, 1999 total** | **2,077** | **1,145** | **1,659** | **316** | **119** | **107** | **89** | **172** | **847** | | | **6,531** |

**(*)** Including EUR 211 million related to Europcar in the first half of 1999

| In FRF millions | Business and Leisure Hotels | Economy Hotels | Motel 6 & Red Roof | Travel Agencies | Accor Services | Institutional Catering / Publ. Rest. | Onbord Train Services | Casinos | Holdings and other | June 30, 2000 | 1999 | June 30, 1999 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Intangible assets | 115 | 115 | 2,372 | 173 | 300 | 25 | 179 | 11 | 392 | 3,682 | 3,477 | 3,056 |
| Goodwill | 2,596 | 793 | 3,718 | 1,567 | 383 | 310 | 70 | 918 | 1,109 | 11,464 | 11,045 | 9,066 |
| Property, plant and equipment | 10,746 | 7,270 | 9,963 | 232 | 218 | 481 | 298 | 391 | 433 | 30,032 | 29,639 | 26,276 |
| **Sub-total** | **13,457** | **8,178** | **16,053** | **1,972** | **901** | **816** | **547** | **1,320** | **1,934** | **45,178** | **44,161** | **38,398** |
| Long-term loans | 852 | 85 | 31 | 2 | 2 | 13 | - | - | 885 | 1,870 | 1,840 | 1,602 |
| Investment in associated equity companies | 1,004 | 102 | - | 11 | - | - | 4 | - | 288 | 1,409 | 1,338 | 1,172 |
| Other financial assets | 484 | 35 | 313 | 14 | 13 | 5 | 7 | 2 | 245 | 1,118 | 1,067 | 1,667 |
| **June 30, 2000 total** | **15,797** | **8,400** | **16,397** | **1,999** | **916** | **834** | **558** | **1,322** | **3,352** | **49,575** | **48,406** | **42,839** |

At June 30, 2000, fixed assets include EUR 3,011 million in hotel real estate, as compared to EUR 3,066 million at December 31, 1999.

### 17.2. -- 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.

At June 30, 2000 ROCE was calculated on the basis of return (EBITDA plus revenues on financial assets), from July 1, 1999 to June 30, 2000, over the average of capital employed for the same period. Excluding capital employed for hotels under development, ROCE amounts to 11.7%.

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

| **Activities** | **1999** | **June 30, 1999** | **June 30, 2000** |
|---|---|---|---|
| **HOTELS** | **11.7%** | **11.4%** | **11.5%** |
| Business and Leisure | 11.1% | 10.3% | (*) 10.1% |
| Economy | 15.0% | 14.3% | (**) 14.1% |
| Accor Economy Lodging (***) | 9.9% | 10.9% | 11.4% |
| **TRAVEL AGENCIES** | 5.7% | 3.8% | 4.9% |
| **ACCOR SERVICES** | 22.6% | 23.5% | 20.9% |
| Institutional Catering and Public Restaurants | 14.2% | 13.7% | 14.2% |
| Onboard Train Services | 4.0% | 4.6% | 5.0% |
| Casinos | 15.4% | 16.9% | 16.5% |
| Other and associated equity companies | 1.7% | 6.5% | 5.6% |
| **TOTAL GROUP** | **11.2%** | **11.2%** | **11.3%** |

(*) 11.1% excluding hotels under development in 1999 and first half of 2000.
(**) 14.9% excluding hotels under development in 1999 and first half of 2000.
(***) including Red Roof Inns since July 1, 1999.

## NOTE 18 – OTHER RECEIVABLES

| In millions | June 30, 1999 EUR | 1999 EUR | June 30, 2000 EUR | June 30, 2000 FRF |
|---|---|---|---|---|
| Deferred tax credit | 122 | 112 | 91 | 597 |
| Other receivables (1) | 472 | 472 | 448 | 2,940 |
| **Net other receivables** | **594** | **584** | **539** | **3,537** |
| Deferred tax liability | 129 | 172 | 195 | 1,278 |
| Other payables (2) | 785 | 859 | 843 | 5,528 |
| **Net other payables** | **914** | **1,031** | **1,038** | **6,806** |

(1) At June 30, 2000, it included :
- VAT receivables for EUR 125 million (FRF 822 million) ;
- tax receivables for EUR 36 million (FRF 234 million) ;
- employee organization receivables for EUR 9 million (FRF 61 million).

(2) At June 30, 2000, it included :
- personnel and employee organization payables for EUR 302 million (FRF 1,984 million) ;
- tax payables for EUR 117 million (FRF 770 million) ;
- VAT payables for EUR 54 million (FRF 353 million) ;
- corporate tax payables for EUR 4 million (FRF 25 million).

## NOTE 19 – FULLY DILUTED SHARE CAPITAL

At June 30, 2000, a total of 196,778,965 Accor shares were outstanding. At June 30, 2000, there were 4,178,640 (2.12% of share capital) options to subscribe shares outstanding reserved to Group employees, of which:

- 130,600 stock options exercisable from August 1997 through August 2001 at EUR18.81 per share;
- 685,540 stock options exercisable from October 2000 through October 2001 at EUR13.23 per share;
- 625,000 stock options exercisable from January 1999 through January 2005 at EUR15.46 per share;
- 1,387,500 stock options exercisable from January 2003 through January 2006 at EUR32.47 per share;
- 600,000 stock options exercisable from January 2004 through January 2007 at EUR33.95 per share ;
- 750,000 stock options exercisable through March 2008 at EUR37 per share.

## NOTE 20 – CHANGES IN MINORITY INTERESTS

| In millions | EUR | FRF |
|---|---|---|
| **December 31, 1998** | **175** | **1,149** |
| Income from minority interest for the period | 24 | 157 |
| Dividends paid to minority interests | (33) | (214) |
| Translation adjustments | (12) | (78) |
| Other changes | 31 | 202 |
| **December 31, 1999** | **185** | **1,216** |
| Income from minority interest for the period | 10 | 68 |
| Dividends paid to minority interests | (12) | (81) |
| Translation adjustments | 2 | 10 |
| Other changes | (14) | (93) |
| **June 30, 2000** | **171** | **1,120** |

## NOTE 21 – PROVISIONS FOR RISKS

| In millions | EUR | FRF |
|---|---|---|
| **December 31, 1998** | **519** | **3,404** |
| Additions to scope of consolidation | 9 | 56 |
| Allocation to / (reversal of) current provisions (*) | 48 | 318 |
| Translation adjustments | 6 | 40 |
| Other changes | 22 | 146 |
| **December 31, 1999** | **604** | **3,964** |
| Additions to scope of consolidation | 1 | 6 |
| Allocation to / (reversal of) current provisions | (31) | (200) |
| Translation adjustments | 4 | 25 |
| Other changes | (24) | (158) |
| **June 30, 2000** | **554** | **3,637** |

(*) Breakdown of allocation to and recapture of provisions
1999 : allocation : EUR 148 million ( FRF 970 million )
recapture : EUR ( 100 ) million ( FRF -652 million )
2000 : allocation : EUR 74 million ( FRF 488 million )
recapture : EUR ( 105 ) million ( FRF -687 million )

At June 30, 2000, net provisions for risks comprise EUR 25 million (FRF 162 million) in provisions for retirement benefits and pension funds, provisions for self-insurance (EUR 9 million or FRF 59 million), provisions for charges totaling EUR 99 million (FRF 653 million) relative to costs for reorganization and reengineering of the Group's various activities and costs related to the transition to the Euro, EUR 210 million (FRF 1378 million) in provisions for identifiable commercial, tax and social risks in excess of EUR 0.76 million (FRF 5 million) each, and EUR 42 million (FRF 273 million) in provisions for miscellaneous risks and expenses less than EUR 0.76 million (FRF 5 million) each. In addition, provisions for risks include EUR 169 million (FRF 1,112 million) in provisions on asset realization premiums.

## NOTE 22 – 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 the sum 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 proceeds 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. 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 (see Note 16).

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 by the French tax authorities in early 1993.

## NOTE 23 – CONVERTIBLE AND EXCHANGEABLE BONDS

- **Convertible bonds**

In May 1991, Accor issued EUR 307 million (FRF 2,015 million) in the form of 2,100,000 convertible bonds with par value of FRF 960 (EUR 146.35) and annual yield of 6.75%, convertible into 1.15 Accor share each and redeemable with a premium of FRF 96 (EUR 14.64) each in January 2000. The repayment premium is accounted for as a financial expense taken over the life of the issue. At December 31, 1999, following conversion of bonds into shares, the remaining portion of the borrowing was EUR 291 million (FRF 1,911 million). During the first six months of 2000, virtually all bonds were converted into shares (EUR 288 million, or FRF 1,887 million).

- **Exchangeable bonds**

In March 1999, Accor has issued convertible 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 70.8 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.

As at June 30, 2000, the merger of the Granada plc and Compass plc groups had not resulted in changes in the exchange ratio (70.8 Compass-Granada plc shares per exchangeable bond).

## NOTE 24 – TOTAL LONG-TERM DEBT (EXCLUDING TSDI)

| In millions | 1999 EUR | Actual interest rate 1999 % | June 30, 1999 EUR | Actual interest rate June 30, 1999 % | June 30, 2000 EUR | Actual interest rate June 30, 2000 % | June 30, 2000 FRF |
|---|---|---|---|---|---|---|---|
| French franc | ////////// | ////////// | ////////// | ////////// | ////////// | ////////// | ////////// |
| Belgian franc | ////////// | ////////// | ////////// | ////////// | ////////// | ////////// | ////////// |
| Deutsche mark | ////////// | ////////// | ////////// | ////////// | ////////// | ////////// | ////////// |
| Spanish peseta | ////////// | ////////// | ////////// | ////////// | ////////// | ////////// | ////////// |
| Dutch guilder | ////////// | ////////// | ////////// | ////////// | ////////// | ////////// | ////////// |
| Portuguese escudo | ////////// | ////////// | ////////// | ////////// | ////////// | ////////// | ////////// |
| Ecu | ////////// | ////////// | ////////// | ////////// | ////////// | ////////// | ////////// |
| **EURO** | **1,096** | **4.14** | **904** | **4.23** | **1,167** | **3.64** | **7,654** |
| US dollar | 805 | 5.53 | 1,203 | 6.23 | 1,216 | 6.64 | 7,975 |
| Swiss franc | 12 | 5.16 | 11 | 5.12 | 11 | 5.13 | 73 |
| Pound sterling | 15 | 5.11 | - | - | - | - | - |
| Canadian dollar | - | - | - | - | 16 | 6.29 | 106 |
| Australian dollar | 274 | 4.88 | 199 | 5.46 | 231 | 6.17 | 1,517 |
| Japanese yen | - | - | 20 | 0.42 | 3 | 0.31 | 17 |
| Swedish crown | - | - | 9 | 4.81 | 23 | 4.45 | 153 |
| Other currencies | 34 | N/A | 10 | N/A | 18 | N/A | 120 |
| **Sub-total, all currencies** | **2,236** | **4.73** | **2,356** | **5.36** | **2,685** | **5.30** | **17,615** |
| Repackaged Perpetual Subordinated Floating Rate Notes | 383 | | 363 | | 342 | | 2,242 |
| Capital leases | 204 | | 242 | | 230 | | 1,508 |
| Special reserve fund (Italy) | 36 | | 35 | | 36 | | 233 |
| Deposits and guarantees | 1 | | 1 | | 1 | | 7 |
| **Total long-term debt** | **2,860** | | **2,997** | | **3,294** | | **21,605** |
| Short-term financial debt | 944 | | 831 | | 383 | | 2,510 |
| Due to banks | 413 | | 347 | | 361 | | 2,371 |
| **Total short-term debt** | **1,357** | | **1,178** | | **744** | | **4,881** |
| **Total debt** | **4,217** | | **4,175** | | **4,038** | | **26,486** |

Data are given after interest rate and currency swaps.

Debt maturity is as follows :

| In millions | 1999 EUR | June 30, 1999 EUR | June 30, 2000 EUR | June 30, 2000 FRF |
|---|---|---|---|---|
| Year N+1 | 1,357 | 1,178 | 744 | 4,881 |
| Year N+2 | 187 | 224 | 242 | 1,588 |
| Year N+3 | 77 | 543 | 399 | 2,613 |
| Year N+4 | 320 | 58 | 197 | 1,295 |
| Year N+5 | 49 | 57 | 65 | 427 |
| Year N+6 | 40 | 203 | 432 | 2,830 |
| Beyond | 573 | 390 | 162 | 1,072 |
| Convertible bonds | 307 | 291 | - | - |
| Exchangeable bonds (March 2002) | 434 | 434 | 434 | 2,843 |
| Short-term debt reclassified as long-term debt | 490 | 434 | 1,021 | 6,695 |
| Repackaged Perpetual Subordinated Floating Rate Notes | 383 | 363 | 342 | 2,242 |
| **Total long-term debt** | **4,217** | **4,175** | **4,038** | **26,486** |

As of June 30, 2000, Accor could draw on several unutilized confirmed credit lines with maturities of over one year, for a total of EUR 1,361 million (FRF 8,926 million), expiring between October 2001 and July 2005. Short-term financing (Commercial Paper programs), which the Group expects to renew, have been reclassified as long-term debt for a total of EUR 1,021 million (FRF 6,695 million), within the limit of available confirmed long-term credit lines used to back up these programs.

| | Taux Fixe | | Taux Variable | | Taux moyen |
|---|---|---|---|---|---|
| | **Part fixe** | **Taux** | **Part variable** | **Taux** | **Taux** |
| **Déc. 97** | 39% | 6.08% | 61% | 5.13% | 5.50% |
| **Déc. 98** | 47% | 5.92% | 53% | 4.68% | 5.27% |
| **Juin 99** | 44% | 4.52% | 56% | 4.52% | 4.52% |
| **Déc. 99** | 46% | 4.37% | 54% | 5.73% | 5.11% |
| **Juin 2000** | 51% | 4.70% | 49% | 6.18% | 5.43% |

At June 30, 2000, fixed-rate indebtedness is primarily denominated in Euro (73%) and US dollar (26%), and chiefly comprises:

- EUR 433 million in bonds issued in February 1999 and exchangeable into Compass shares, bearing a fixed interest rate of 1%.
- EUR 668 million in 4.95% borrowings, capped at 5.50%, reflecting hedging transactions (including margins and premiums).
- USD 400 million debt was swapped for a 6.71% fixed-rated debt (excluding margin).

EUR 291 million bonds issued in 1991, bearing an interest rate of 6.75%, and convertible into Accor shares in the first half of 2000.

At June 30, 2000, variable interest-rate debt was primarily denominated in USD (54%), EUR (27%) and AUD (15%).

## NOTE 25 – Net indebtedness

| In millions | 1999<br>EUR | june 30, 1999<br>EUR | june 30, 2000<br>EUR | June 30, 2000<br>FRF |
|---|---|---|---|---|
| Repackaged Perpetual Subordinated Floating Rate Notes | 383 | 363 | 342 | 2,242 |
| Convertible bonds | 307 | 291 | - | - |
| Exchangeable bonds | 434 | 433 | 433 | 2,843 |
| Other long-term debt | 1,532 | 1,667 | 2,289 | 15,012 |
| Capital leases | 204 | 242 | 230 | 1,508 |
| Short-term financial debt | 944 | 831 | 383 | 2,510 |
| Due to banks | 413 | 348 | 361 | 2,371 |
| Total financial debt | **4,217** | **4,175** | **4,038** | **26,486** |
| Financial receivables related to Europcar (Note 1.G.) | (563) | - | - | - |
| Short-term loans | (50) | (138) | (54) | (353) |
| Marketable securities | (572) | (619) | (625) | (4,100) |
| Cash and equivalents | (579) | (488) | (535) | (3,510) |
| **Net financial debt** | **2,454** | **2,930** | **2,824** | **18,523** |
| Receivables related to assets sales | (15) | (265) | (83) | (547) |
| **NET INDEBTEDNESS** | **2,439** | **2,665** | **2,741** | **17,976** |

| | | | | |
|---|---|---|---|---|
| **NET INDEBTEDNESS AT BEGINNING OF THE PERIOD** | **1,834** | **1,834** | **2,665** | **17,482** |
| Changes in long-term debt | 710 | 617 | 266 | 1,742 |
| Changes in short-term net financial debt | (171) | (247) | (403) | (2,643) |
| Other structural and currency changes (1) | 59 | 289 | 31 | 202 |
| Change in receivables related to assets sales | 7 | 172 | 182 | 1,193 |
| **Total changes for the period** | **605** | **831** | **76** | **494** |
| **NET INDEBTEDNESS AT END OF THE PERIOD** | **2,439** | **2,665** | **2,741** | **17,976** |

(1) Long-term debt.

## NOTE 26 – PAYROLL

Total payroll amounted to EUR 976 million (FRF 6,404 million) in the first half of 1999 and to EUR 1,148 million (FRF 7,529 million) at June 30, 2000.

Fees paid by various Group companies to Members of the Supervisory Board and to the Members of the Audit Committee and Remunerations Committee amounted to EUR 0,766 million (FRF 5 million).

## NOTE 27 – LITIGATION

As part of the ongoing management of its activities, the Group is party to various litigation or arbitration. In the view of management, no such litigation or arbitration is susceptible to result in a material cost to the Company or have a material impact on the Group's financial situation.

## NOTE 28 – OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES AS OF JUNE 30, 2000

. Guarantees on loans and overdrafts totaled EUR 38 million (FRF 250 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 :

IFL may exercise an option between July 1, 1999 and December 31, 2002. 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 17 million (FRF 110 million) at June 30, 2000.

. The minority shareholder in Accor Casinos has been granted by the Accor Group a put option, exercisable from November 1, 1997 through October 31, 2000, for its remaining 35% interest in Accor Casinos. The strike price of this put option is based on future profits (EBITDA multiple minus indebtedness). For confidentiality reasons, this commitment is not individually quantified, but is included under other commitments given.

. As part of a rental contract related to approximately 70 motels for a period of 5 years, the Group is committed – if it decides to exercise neither its option to renew the lease nor its option to purchase the motels, and if the landlord decides to sell the properties – to reimburse the landlord the difference between the selling price and the initial price of the properties. This guarantee is limited to a maximum of 80% of this difference should the value of the assets be written down to USD 1, i.e. USD 340 million (EUR 356 million or FRF 2,334 million).

.As part of a 10-year management contract relative to the Mercure Sydney Railway Square hotel, opened at 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 borne by the owner will total approximately EUR 63 million (FRF 412 million).

. Other commitments given total EUR 165 million (FRF 1,081 million) and include the commitment relative to Accor Casinos. No other individual commitment exceeds EUR 7.6 million (FRF 50 million).

## NOTE 29 – MAIN SUBSIDIARIES AND CONSOLIDATED FINANCIAL INVESTMENTS AT JUNE 30, 2000

### FRANCE

| | | |
|---|---|---|
| | SOFITEL INT. | 100.00% |
| | SIHN | 100.00% |
| | PIH | 100.00% |
| | MIH | 100.00% |
| | S.E.H.S. | 97.70% |
| ● | SERARE | 100.00% |
| ● | LENOTRE | 98.59% |
| ▲ | S.E.A.V.T (2) | 49.74% |
| ✻ | ACCOR CASINO SA | 65.00% |
| ✻ | SFPTH SA | 99.48% |
| ✻ | DEVIMCO | 99.97% |
| ✻ | Accor Reservation Services | 99.84% |
| ✻ | S.H.C.D. (1) | 34.90% |
| ✻ | Académie Accor | 100.00% |
| ✻ | Frantour SA | 100.00% |
| ▲ | Go Voyages | 38.50% |
| | SPFH | 100.00% |

### EUROPE

AUSTRIA

| | | |
|---|---|---|
| | Accor GmbH | 100.00% |

BELGIUM

| | | |
|---|---|---|
| | Accor Hôtels Belgium | 98.36% |
| | Pullman Belgium | 98.54% |
| | Accoordination | 99.11% |
| ■ | Accor T.R.B. | 100.00% |
| ▲ | W.L. Tourisme (2) | 49.74% |
| ✻ | CIWLT | 99.48% |

DENMARK

| | | |
|---|---|---|
| ▲ | World Tourist (2) | 49.74% |
| | Accor Hôtels Denmark | 100.00% |

GERMANY

| | | |
|---|---|---|
| | Mercure Hôtels | 100.00% |
| | Novotel DTCMBH | 100.00% |
| | Eurorheinische (1) | 49.74% |
| ■ | ACS Deutschland | 95.00% |
| | Accor Hot Mercure Manag | 50.25% |

GREECE

| | | |
|---|---|---|
| | SH Athènes Centre (1) | 41.82% |

HUNGARY

| | | |
|---|---|---|
| | Pannonia | 70.97% |

ITALY

| | | |
|---|---|---|
| | Sagar | 99.48% |
| ● ■ | Gemeaz | 94.64% |
| | Sifalberghi | 72.62% |
| ✻ | Scapa Italia | 97.00% |
| ◆ | Treno | 99,48% |

THE NETHERLANDS

| | | |
|---|---|---|
| | Novotel Nederland | 100.00% |
| | Nhere BV | 100.00% |
| | MMH | 100.00% |
| | Postiljon | 100.00% |

PORTUGAL

| | | |
|---|---|---|
| ■ | ESA | 94.50% |

SPAIN

| | | |
|---|---|---|
| | Novotel Espagne | 100.00% |
| ▲ | Viajes Ecuador (2) | 49.74% |

SWEDEN

| | | |
|---|---|---|
| ■ | Rikskuponger | 99.86% |

SWITZERLAND

| | | |
|---|---|---|
| | Novotel International | 100.00% |

UNITED KINGDOM

| | | |
|---|---|---|
| | Accor UK Business & Leisure | 100.00% |
| ▲ | WLT Travel UK (2) | 49.74% |
| ■ | Luncheon Vouchers | 99.98% |

## LATIN AMERICA

ARGENTINA

| | | |
|---|---|---|
| ■ | Servicios Ticket | 84.15% |

BRAZIL

| | | |
|---|---|---|
| | H.A.B. SA | 70.90% |
| ● ■ | T.S. do Brasil | 49.97% |

MEXICO

| | | |
|---|---|---|
| ▲ | WLT Mexicana | 99.48% |
| ■ | Accor Servicios Emp. | 93.03% |

CHILI

| | | |
|---|---|---|
| ■ | TR Chili | 60.27% |

## ASIA PACIFIC

| | |
|---|---|
| AAPC : Accor Asia Pacific Corp. | 100.00% |
| Tahl | 37.78% |

## AUTRES PAYS

| | |
|---|---|
| Saudi Hotels Management | 60.00% |

## NORTH AMERICA

CANADA

| | | |
|---|---|---|
| | Group Accor of Canada | 99.97% |
| ▲ | Carlson Canada (2) | 49.74% |

UNITED STATES

| | | |
|---|---|---|
| | Accor North America | 100.00% |
| | IBL Ltd | 99.71% |
| | Miotel | 100.00% |
| | Red Roof Inms | 99.71% |
| | Accor USA Holdings | 100.00% |
| ▲ | Carlson USA (2) | 49.74% |

## AFRICA

IVORY COAST

| | |
|---|---|
| Société Abidjanaise | 74.92% |

SENEGAL

| | |
|---|---|
| SPHU | 92.89% |

ZIMBABWE

| | |
|---|---|
| Rainbow Tourism | 35.00% |

(1) Associated equity company
(2) Company consolidated through proportional integration

NB 1 : Percentage indicates Group interest.
NB 2 : A comprehensive list of consolidated subsidiaries and equity holdings is available to Company Shareholders upon request.

| | | |
|---|---|---|
| Hotels | ■ Corporate Services | ◆ Onboard Train Services |
| ▲ Travel Agencies | ● Public Restaurants and Institutional Catering | ✲ Other Services |