



WE BUILD

SMILES



2003 INTERIM RESULTS

**First half 2003:
an unprecedented environment for the industry**



- ▶ Accumulation of negative events for the tourism industry, causing a decline in RevPAR and revenues
- ▶ Strong currency effect from devaluations

In this context

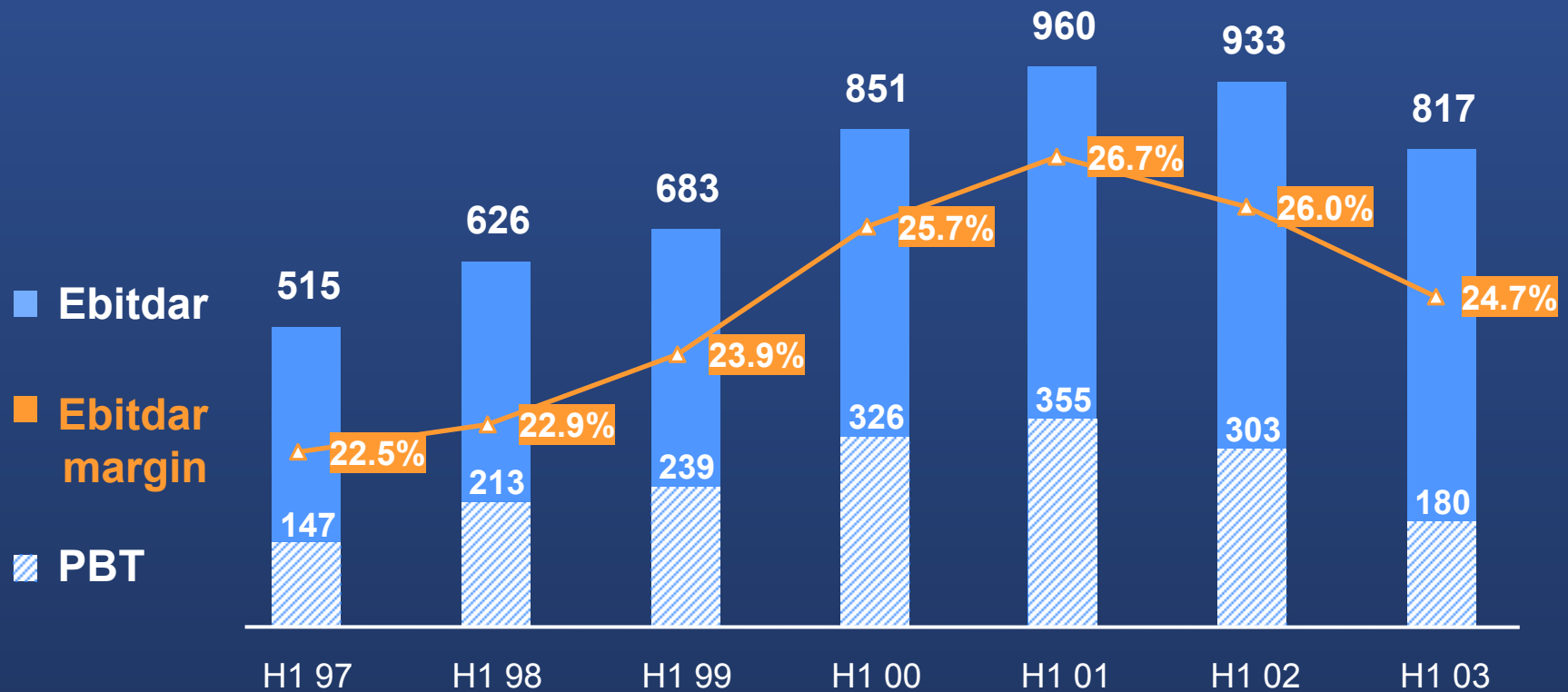


**Accor was able to limit margin erosion,
thanks to its balanced business portfolio
and management of costs**

H1 2003: an unprecedented environment causing a decline in earnings



(in € millions)

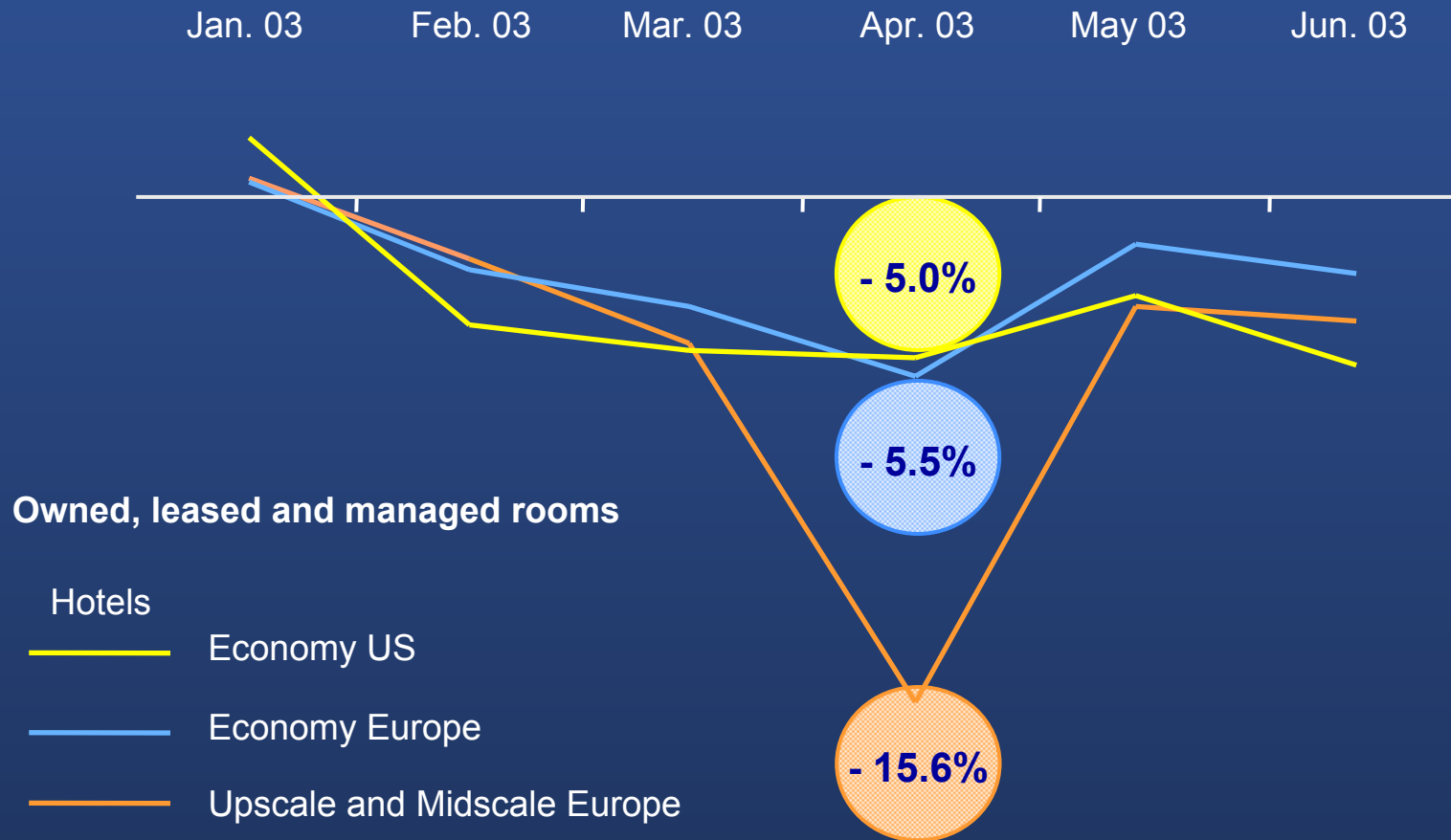


H1 2003 key figures



(in € millions)	H1 2002	H1 2003	Δ 03/02
▶ Revenues	3,585	3,306	-7.8%
▶ Ebitdar	933	817	-12.5%
▶ PBT	303	180	-40.6%
▶ Net income, Group share	221	106	-52.0%
▶ Funds from operations	465	379	-18.5%

Unprecedented change in RevPAR with a trough in April



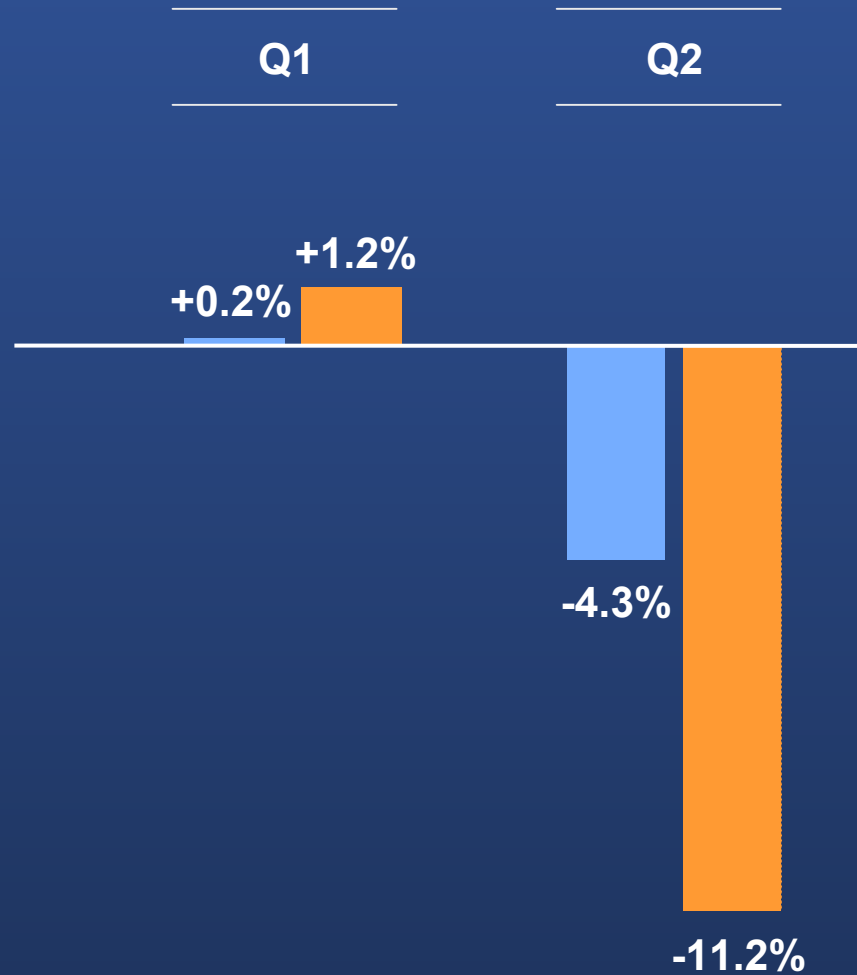
Sharp decline in the number of leisure customers in Q2



Upscale and Midscale hotels in France:

- Business customers (70% of the customer mix)
- Leisure customers (30% of the customer mix)

(% Δ in number of rooms sold)

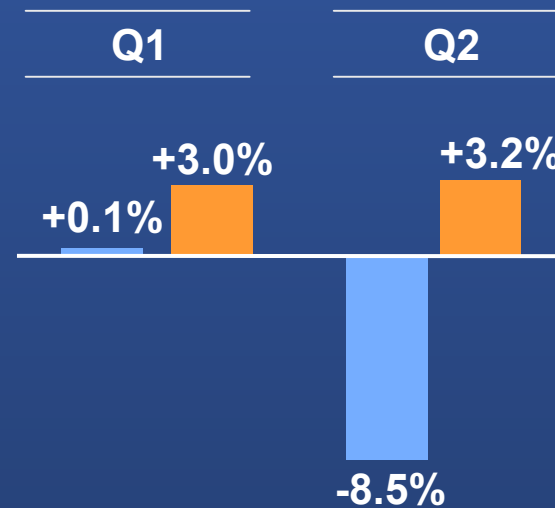


Stronger resilience in the Provinces and Economy hotels in France



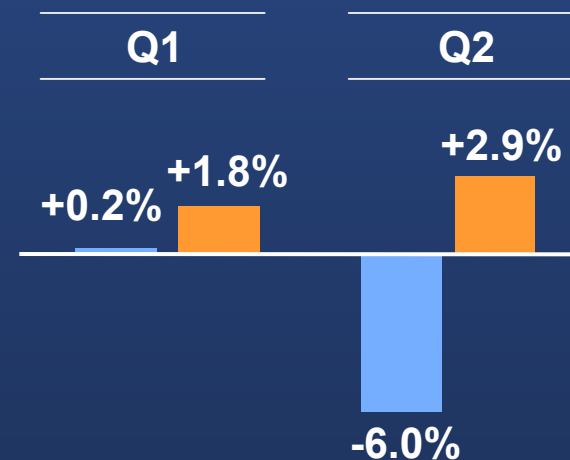
► Provinces less impacted than Paris

- Paris (40% of rooms)
- Provinces (60% of rooms)



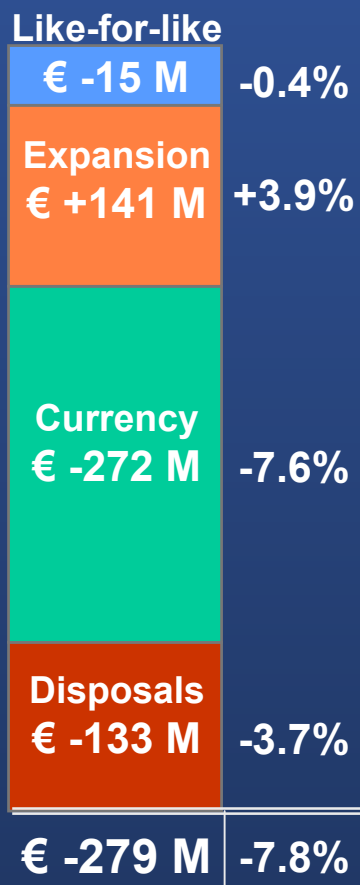
► Economy hotels more resilient than Upscale and Midscale hotels

- Upscale / Midscale (45% of rooms)
- Economy (55% of rooms)



Hotels France, % Δ in RevPAR

Revenues: € 3,306 million



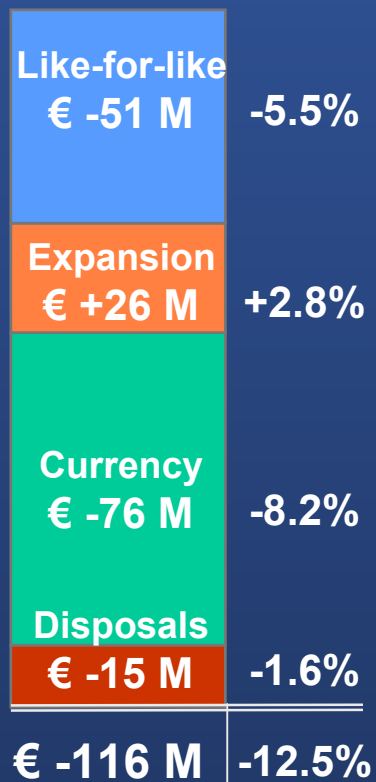
(in € millions)

	H1 2003	Change (%) reported	L/L ⁽¹⁾
Upscale and Midscale hotels	1,324	-0.2%	-1.7%
Economy hotels	542	+2.4%	+1.1%
Economy hotels US	487	-21.6%	-4.0%
▶ Hotels	2,354	-5.0%	-1.7%
▶ Services	231	-9.2%	+8.9%
Travel agencies	193	-18.7%	-8.2%
Casinos	94	-36.4% ⁽²⁾	+1.4%
Other	435	n/s	n/s
▶ Total	3,306	-7.8%	-0.4%

(1) like-for-like

(2) Mainly due to the 50% disposal of Accor Casinos

Ebitdar: € 817 million



(in € millions)

	H1 2003	Change reported	L/L (1)
Upscale and Midscale hotels	305	-25	-30
Economy hotels	185	+1	+1
Economy hotels US	169	-62	-24
▶ Hotels	659	-86	-53
▶ Services	88	-17	+5
Travel agencies	25	-8	-6
Casinos	14	-10	-1
Other	32	+5	+4
▶ Total	817	-116	-51

(1) like-for-like

Upscale and Midscale hotels: limited margin erosion despite weak business



(in € millions)	H1 2002	H1 2003	Δ reported	Δ like-for-like
Revenues	1,327	1,324	-3	-23
Ebitdar	330	305	-25	-30
Margin	24.8%	23.0%	-1.8 pts	-1.8 pts

Ebitdar analysis:

– Business	€ -30 M
– Scope of consolidation	€ +14 M
– Currency	€ -9 M
Total	€ -25 M

Economy hotels (excl. US): good resilience of Ebitdar



(in € millions)	H1 2002	H1 2003	Δ reported	Δ like-for-like
Revenues	530	542	+12	+6
Ebitdar	184	185	+1	+1
Margin	34.7%	34.2%	-0.5 pts	-0.3 pts

Ebitdar analysis:

– Business	€ +1 M
– Scope of consolidation	€ +4 M
– Currency	€ -4 M
Total	€ +1 M

Economy hotels US: impacted by weak demand and a lower dollar



(in € millions)	H1 2002	H1 2003	Δ reported	Δ like-for-like
Revenues	622	487	-135	-25
Ebitdar	231	169	-62	-24
Margin	37.1%	34.6%	-2.5 pts	-3.0 pts

Ebitdar analysis:

– Business	€ -24 M
– Scope of consolidation	-
– Currency	€ -38 M
Total	€ -62 M

Services: good resilience of Ebitdar on a like-for-like basis



(in € millions)	H1 2002	H1 2003	Δ reported	Δ like-for-like
Revenues	254	231	-23	+23
Ebitdar	105	88	-17	+5
Margin	41.2%	38.1%	-3.1 pts	-1.9 pts

Ebitdar analysis:

- Business	€ +5 M
- Scope of consolidation	-
- Currency	€ -22 M
Total	€ -17 M

PBT analysis



(in € millions)

	H1 02	H1 03	change
PBT	303	180	(123)

Business like-for-like (69)

Ebitdar (51)

Holding costs (11)

Associated companies (7)

Scope of consolidation (28)

New openings / acquisitions (25)

Disposals (3)

Currency effect (26)

Of which:

Venezuela (12)

Brazil (8)

Net income and EPS



(in € millions)	H1 2002	H1 2003
▶ PBT	303	180
– Capital gains	92	46
– Goodwill amortization	(50)	(49)
– Income tax	(111)	(55)
– Minority interests	(13)	(16)
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▶ Net income, Group share	221	106
▶ EPS (in €)	1.12	0.54

Continued selectivity in capex

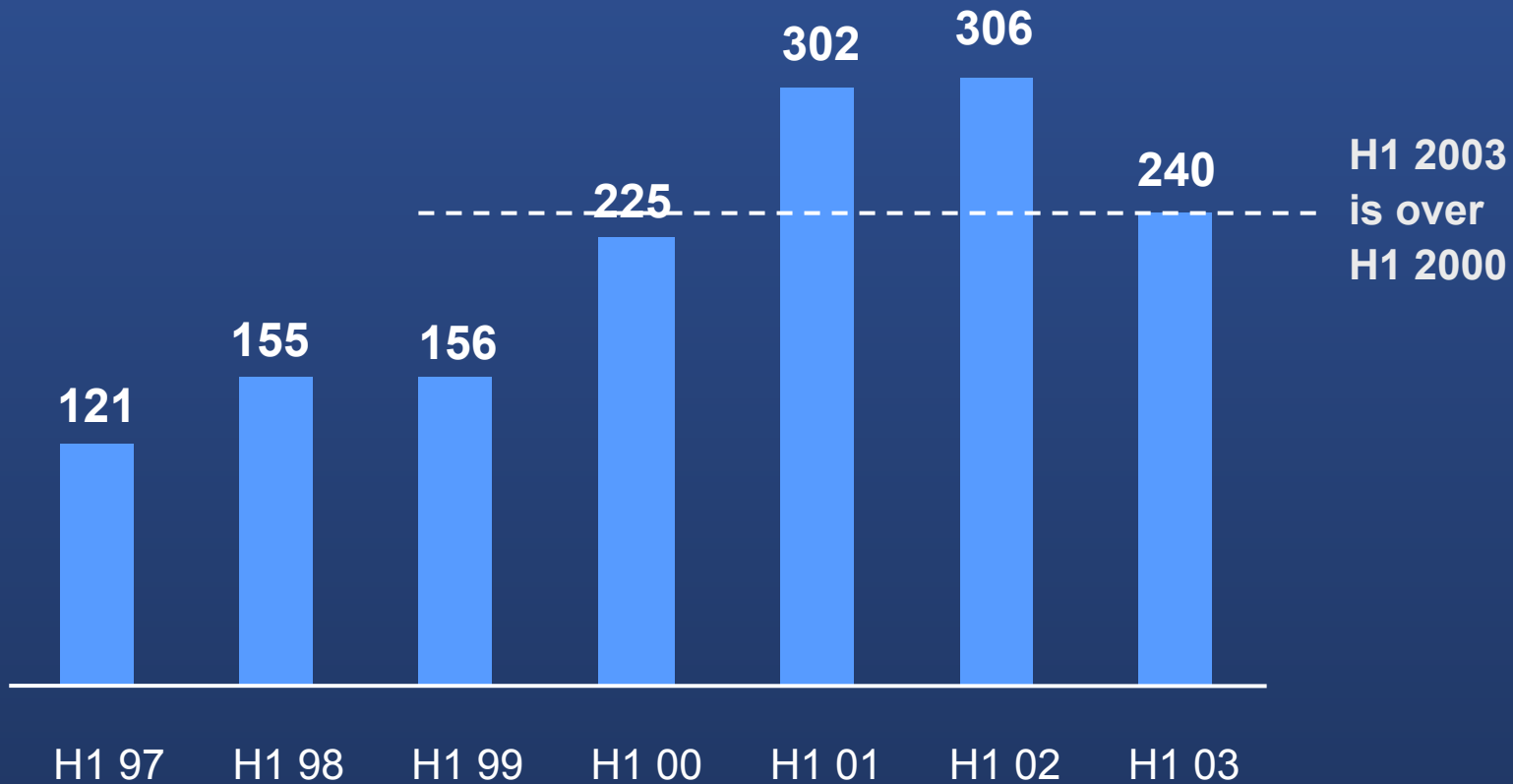


(in € millions)	H1 2002	H1 2003	
▶ Funds from operations	465	379	
Investments for renovation and maintenance	(159)	(139)	-12.5%
▶ Free cash flow	306	240	-21.6%
Investments for expansion	(407)	(279)	-31.4%
▶ Disposals	392	198	

Management of free cash flow



(in € millions)



Financial ratios



	Jun. 02	Jun. 03
▶ Net debt (in € millions)	3,093	3,047
▶ Financial ratios		
– Net debt-to-equity (Gearing)	80% ⁽¹⁾	82%
– Interest coverage	x5.3	x5.4
– F.F.O. / Adjusted net debt (2)	16.1%	15.2%

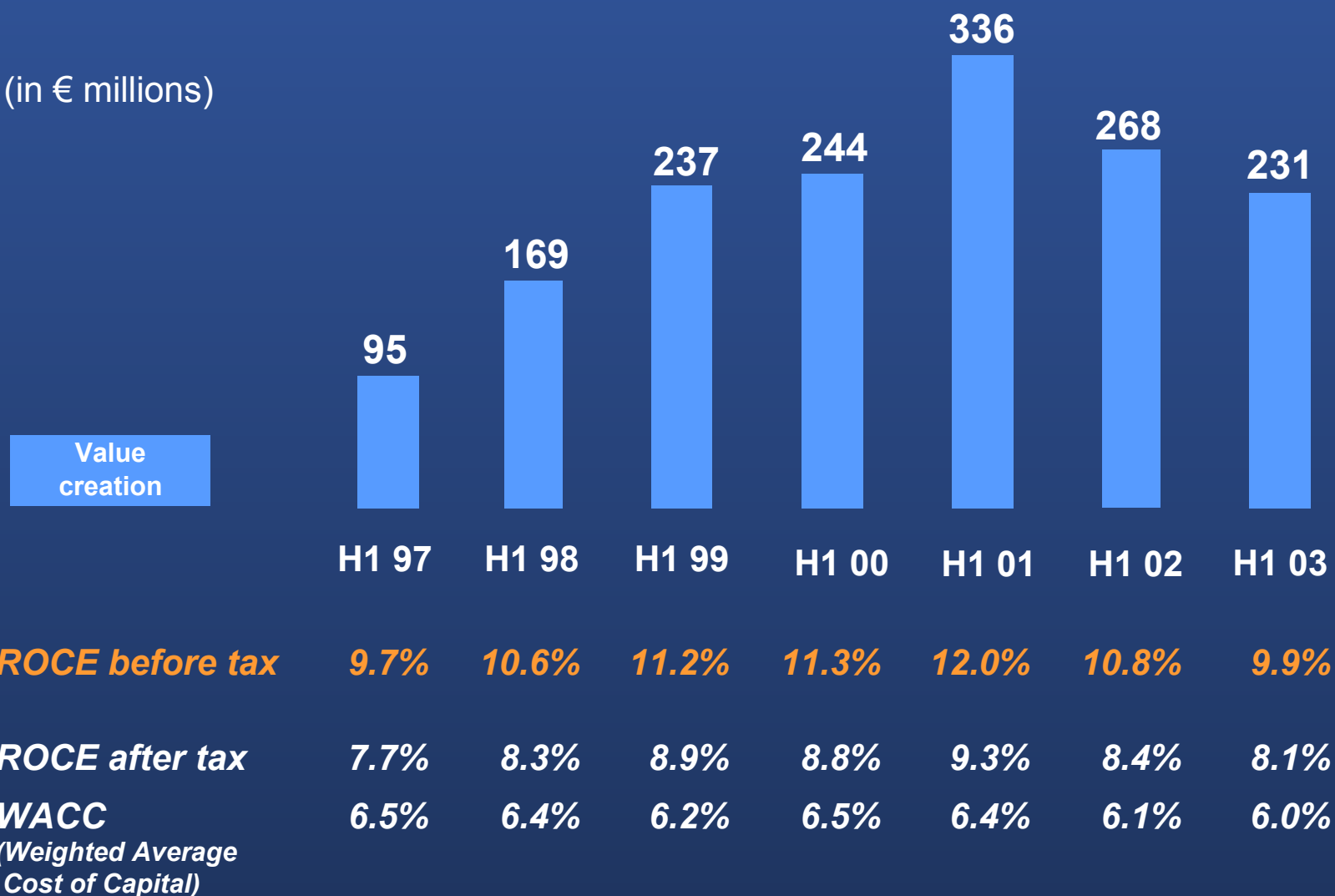
(1) 70% at December-end 2002

(2) Net debt including **eight times** current year rental expense

Return on capital employed (ROCE) and value creation



(in € millions)



Current actions

Current actions



- ▶ Sales and marketing responsiveness
- ▶ Increasing market share through expansion
- ▶ Implementing of a new cost-efficient hotel organization in Europe
- ▶ Monitoring financial ratios through management of capex

Hotels: marketing responsiveness to meet changes in customer behavior



Business customers

Tightening of corporate travel expenses



Targeting small / mid-size businesses
Managing key accounts

Leisure customers

Decline in international traffic



Intra-European tourism

Fewer groups

Loyalty programs

“Short-breaks” promotions

Business and leisure customers

Last minute bookings



Partnerships with on-line distributors
Internet "hot deals"

Supported by efficient tools:

- Area yield-management (Paris trading room...),
- Customer database (ASA)
- Partnerships (Air France « Fly and Stay », SNCF...)
- Distribution (TUI agreement...)

Services: action plan



▶ Marketing initiatives

Negotiation of new fee structure to offset decline in financial revenues
(eg: Argentina)

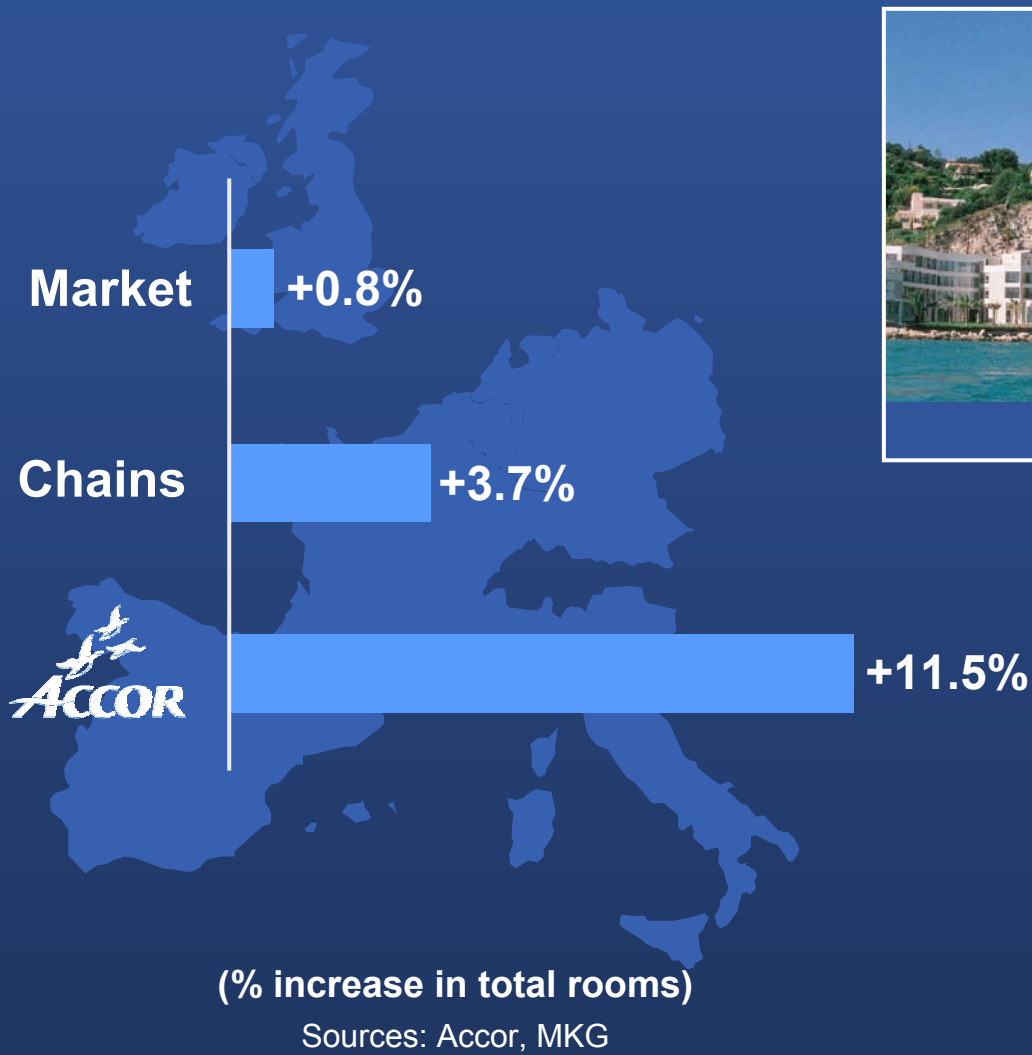
▶ Productivity gains

- Transition from food voucher to food card in Brazil
- Direct online ordering

▶ Development

- Acquisitions (in Mexico)
- Launch of new products (Foragora, Tesorus...)

In Europe, Accor's offer grew faster than its competitors in 2002

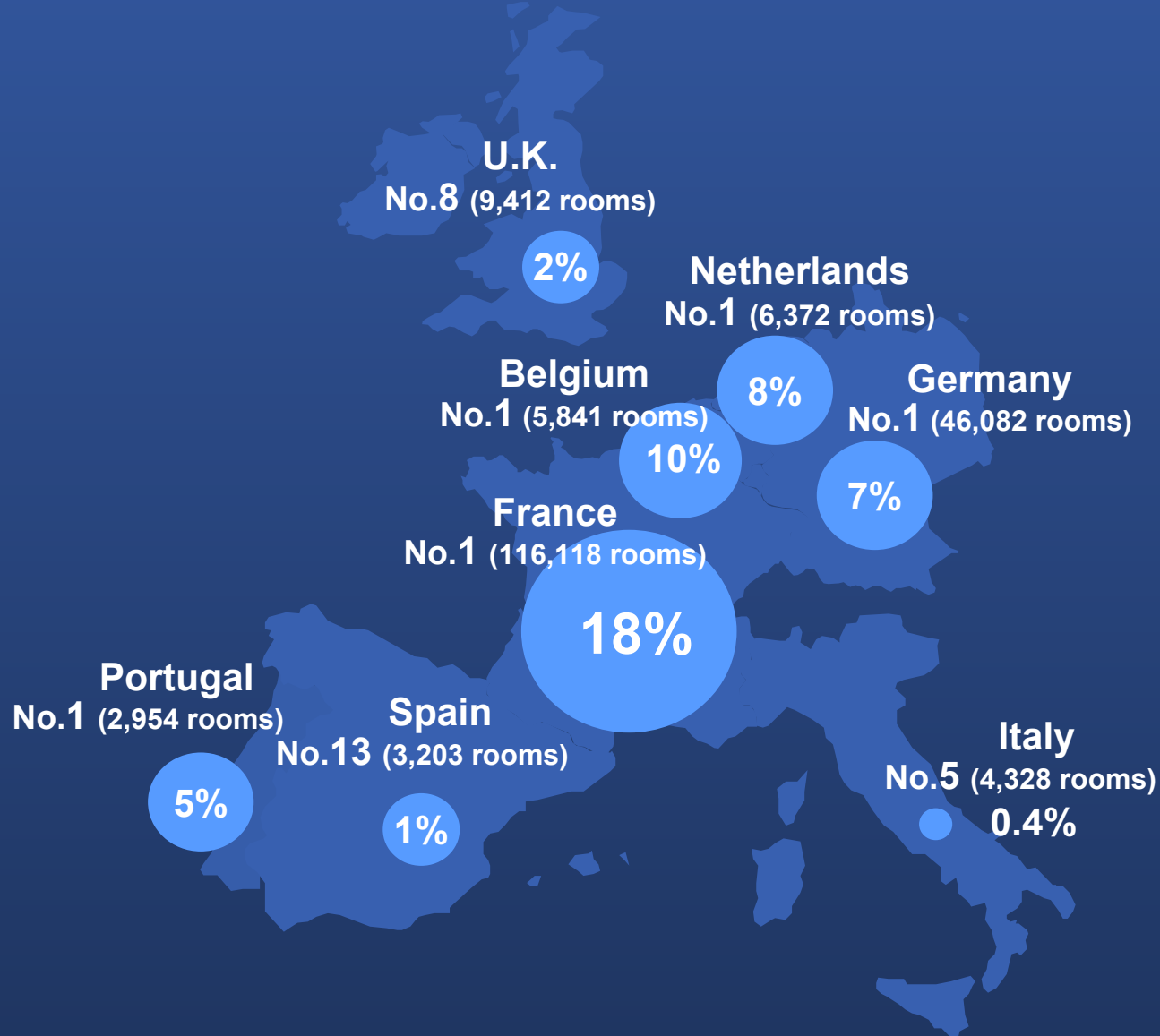


Sofitel Marseilles Palm Beach



Dorint-Sofitel Berlin

Accor's market share in Europe in 2002



(in % of total available rooms)

Sources: Accor, MKG

Major 2003 openings



20,000 rooms to open in 2003

Extra savings from the new hotel organization



New hotel management organization in Europe

Re organization of hotels by country from Formule 1 to Sofitel

Rationalization of support services in Europe

- IT
- Technical
- Back-office

Optimization of purchasing

- Energy, telecommunications, etc.
- Extension outside Europe (US, Brazil)

Expected margin gain:

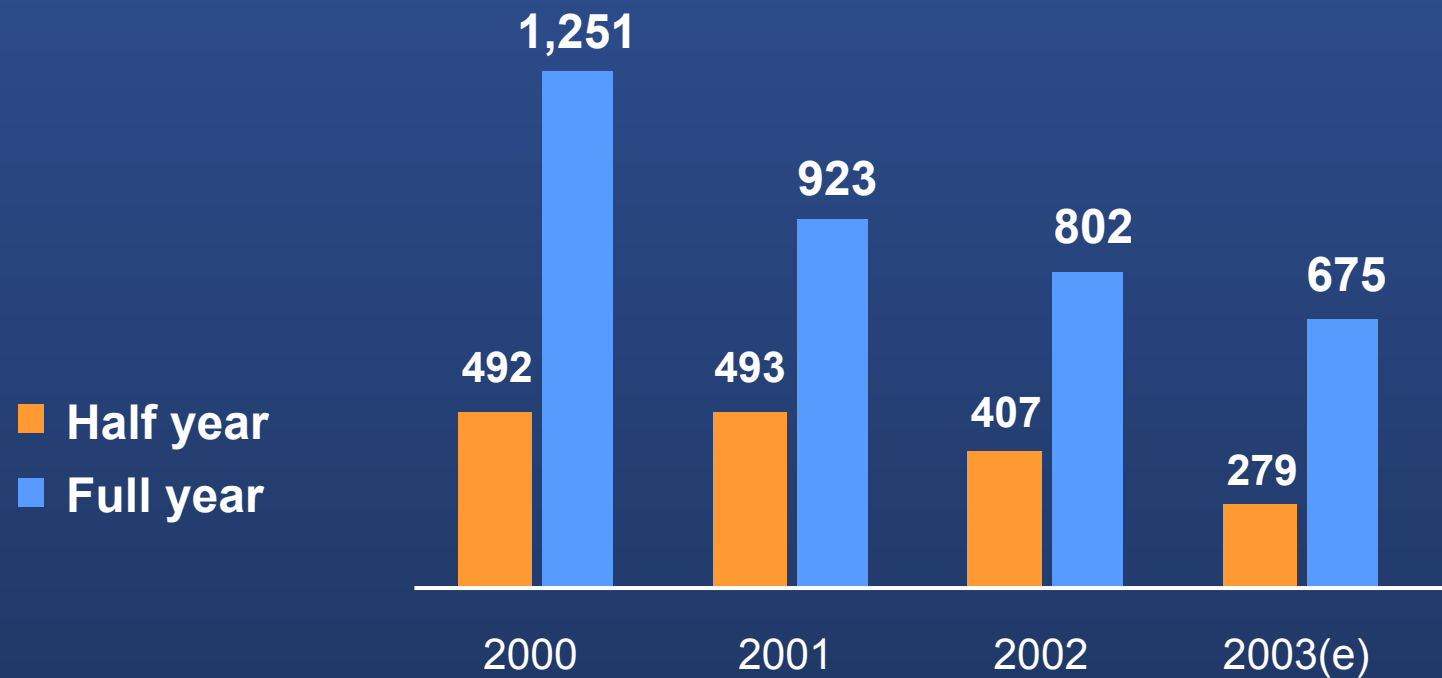
1 point

to be achieved by the end of 2004

Continued selectivity in expansion capex

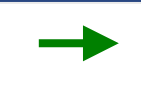



(in € millions)



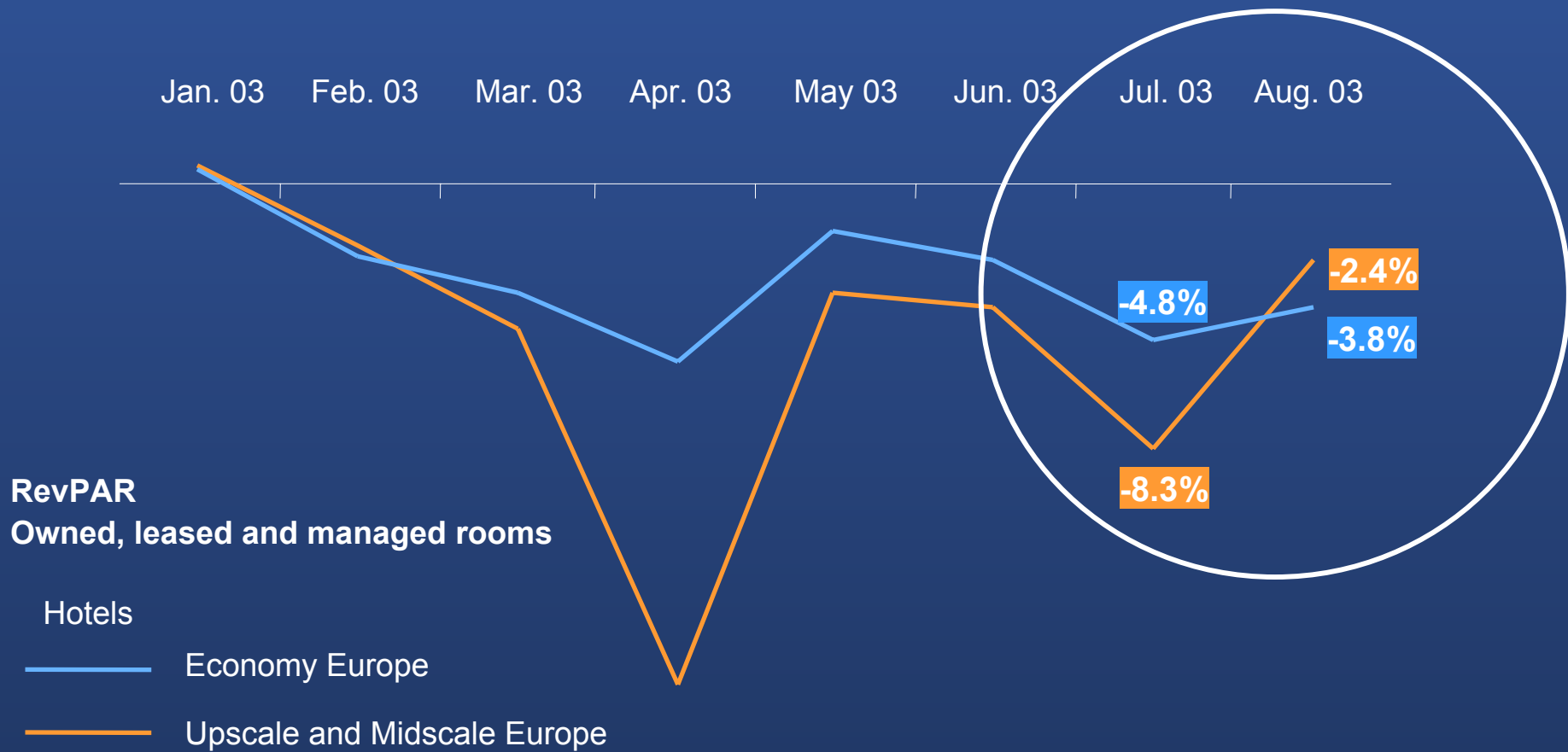
Expansion capex maintained in Midscale / Economy hotels Europe and Services



(in € millions)	2000	2001	2002	2003e	
▶ Hotels					
– Upscale (Sofitel)	198	150	171	30	
– Midscale / Economy Europe	501	346	409	336	
– Economy US	48	75	32	15	
– Mid. / Eco. emerging markets	222	168	109	57	
▶ Services	5	23	18	74	
▶ Other businesses	277	161	63	63	
▶ Reserve for acquisitions				100	
Total	1,251	923	802	675	

Outlook

Summer trading in Europe: still difficult



Summer trading in the US: turning point in July?



RevPAR
Owned, leased and managed rooms

— Economy hotels U.S.

First half 2003

- ▶ Dramatic for the tourism industry (SARS, war in Iraq...)
- ▶ Strong currency fluctuations (Services)
- ▶ Disrupted social situation in France (strikes...)

Second half 2003

- ▶ No real improvement over the summer in Europe
- ▶ Slight upturn in the U.S.
- ▶ Softening of unfavorable currency effects (Services)



**Full Year 2003 PBT objective:
approximately € 500 million**

Conclusion



Current actions

- ▶ Increase market share in Europe
- ▶ Implement a new cost-efficient hotel organization
- ▶ More selective policy in expansion capex

Fundamentals

- ▶ **Balanced portfolio of**
 - **Steady growth businesses:**
Economy hotels and Services
 - **Businesses offering leveraged:**
Upscale / Midscale, recent openings...
- ▶ **Responsive teams**

Accor well positioned to benefit from the economic rebound