

letter to Shareholders



September 2007
No. 29



Strong earnings growth in first-half 2007 and a promising full-year outlook

Dear Shareholders,

With profit before tax up more than 34%, Accor's interim financial statements show strong growth, reflecting an improvement in the results and performance of our core Services and Hotels businesses, both of which reported significantly higher margins.

The initiatives pursued over the past two years are producing results. The Hotels business is benefiting from the upturn in the hotel cycle in Europe. Marketing programs are continuing, with three priorities for the second half: the launch of a new identity for Sofitel, the standard bearer for French luxury hotels; the revival of the Pullman brand, whose values are perfectly aligned with the upscale business hotel segment; and the opening of the first All Seasons hotels in the non-standardized economy category.

“We're confident in continued strong demand in the second half and in the successful deployment of our strategic plan.”

The development plan for 2010 is on track. In Hotels, development teams around the world demonstrated their efficiency, successfully carrying out openings in the first half and, in particular, driving an increase in the number of hotel agreements signed. In Services, the acquisition of Kadéos in France represents an important new step and other acquisitions are currently being considered.

Deployment of the real estate management strategy is continuing and we are pursuing our previously announced program. The disposals of Go Voyages in February and the Italian managed institutional catering business in August reflect our commitment to divesting non-strategic assets and refocusing on our two core businesses. The Red Roof Inn

chain in the United States was also sold following a 2006 strategic review, in order to focus our resources on Motel 6, which enjoys very high brand awareness and unique positioning.

Based on our solid business performance in July and the prospects for a favorable trend in the second half, we've set an objective of €870 million to €890 million in profit before tax for the full year, confirming your Group's strong potential for growth. Confident in our ability to successfully implement the strategic plan, we're launching a new €500 million share buyback program.

Gilles C. Pélisson
Chief Executive Officer

Confident in our growth potential

Dear Shareholders,

The Board of Directors met on August 28 to close the interim accounts, which reflected your Group's sharp sales growth and improved profitability.

The 2006-2010 strategic plan is moving forward and meeting our marketing, development and asset management objectives. We're confident in Accor's growth potential and in our ability to continue disposing of hotel assets on favorable terms.

Based on this confidence, and an exceptional market configuration that offers opportunities, the Board has decided to launch a new €500 million share buyback program. The solidity of the Group's financial situation makes this return to shareholders possible, while maintaining the flexibility needed to support Accor's strong potential for growth.

Serge Weinberg
Chairman of the Board of Directors

The major components of the 2006-2010 strategic plan for both businesses

Increase our global leadership in service vouchers to improve the productivity of companies and public institutions and the well-being of employees

Five growth drivers for the period 2006-2010: deepening market penetration, broadening the range of products and deploying them more broadly in the international marketplace, entering new countries (to drive organic growth of 8% to 16% a year) and making strategic acquisitions (€500 million in investments, for additional growth of 5% a year).

Be the leader, on all continents, in economy and midscale hotels and a major player in the upscale segment

Powerful brands to sell our skills and expertise through management contracts and franchise agreements; operating structures adapted to the risk and profitability profile of each market segment and region; 200,000 new rooms by 2010; and €2.5 billion in capital expenditure.

Strong earnings growth in first-half 2007

Solid growth in revenue to €4,015m

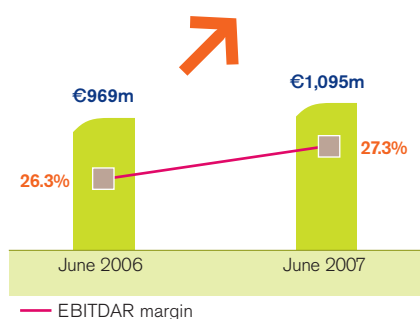
Up 8.8%

At constant scope of consolidation and exchange rates, the like-for-like increase was 6.1%, reflecting the ongoing favorable environment in Services (up 12%) and Hotels (up 5.2%). Expansion added 7.5% to growth, while asset disposals had a negative impact of 3.6%. The currency effect was a negative 1.3% (of which 1.1% for the dollar).

EBITDAR margin: 27.3%

Up 1 point

EBITDAR



EBITDAR rose by 10.2% like-for-like. EBITDAR margin rose by 1 point (31%) in Hotels and 2.4 points (41.9%) in Services.

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Three margin improvement factors: the change in the hotel business model, the upturn in the hotel cycle in Europe (leading to faster growth in average room rates) and sustained business activity in the Services business.

Operating profit before tax and non-recurring items:

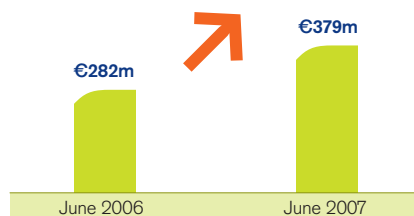
€379m

Up 34.4%

Operating profit before tax and non-recurring items is stated after fixed asset holding costs (rental expense plus depreciation and interest) and includes the share of profit of associates. Representing the result of operations after the cost of financing Group businesses and before tax, it rose by 31.5% like-for-like.

Asset holding costs represented 18% of revenue in first-half 2007, compared with 18.7% for the prior-year period.

Operating profit before tax and non-recurring items:



Net debt amounted to €928 million at June 30, 2007, after taking into account €676 million in **expansion expenditure** (€164 million in first-half 2006), of which €211 million for the Kadéos acquisition and €186 million for the acquisition of control of Dorint, and the €953 million proceeds from **asset disposals**, corresponding mainly to the €280-million sale of Go Voyages under the non-strategic assets disposal policy and €560 million in property disposals under the asset management strategy.

Equity was reduced by €399 million during the period through the share buyback program (representing €492 million at June 30, 2007). The €700 million program had been completed as of the end of August.

The main financial ratios improved significantly, reflecting the Group's **robust financial position**. Gearing stood at 25.0% at June 30, 2007. **Return on capital employed** (ROCE), corresponding to EBITDA expressed as a percentage of fixed assets at cost plus working capital, rose sharply to 12.8% from 11.0% at June 30, 2006 and 11.9% at December 31, 2006.

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Dividends paid in first-half 2007 amounted to €678 million, versus €267 million in the year-earlier period, including a special dividend of €1.50 per share for a total payout of €336 million.

Net profit, Group share: €596m Up 148%

Rising 147.6% for the period, net profit, Group share includes €311 million in capital gains on property disposals mainly in the United Kingdom, Germany and the Netherlands, a capital gain of €204 million on the sale of Go Voyages and an impairment charge of €173 million recorded on Red Roof Inn, pending disposal of this business, to be completed in the second-half 2007.

For more details, the presentation of the interim 2007 results and consolidated financial statements is posted on the Accor website.

www.accor.com/finance.

The Group's interim 2007 results were up sharply and its financial position is solid. Sustained demand in the Services business increased margins and the upturn in the hotel cycle in Europe helped to improve profitability in the Hotels business.

Efficient implementation of the strategic plan

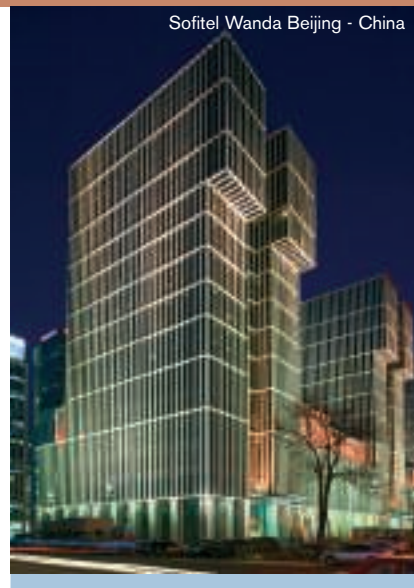
Expansion still enjoying strong momentum

In the first six months of the year, **112 hotels** opened (representing 13,825 rooms), as part of the program to add 200,000 rooms during the 2006-2010 period. Overall, 46% of the new rooms are in the economy segment, 52% are in emerging markets and 83% concern hotels operated under management or franchise contracts. Another **83,000 rooms** were in the pipeline as of end August, compared with 77,000 rooms at year-end 2006. The acquisition of **Kadéos** positions Accor Services as the leader in French gift card and voucher market.

Launch of three hotel brands

The worldwide launch of **Sofitel's** new positioning is scheduled for October 2007. The 400-room Sofitel Wanda Beijing hotel, which opened on August 18, and its Pré Lenôtre restaurant illustrate Sofitel's new positioning in the international luxury hotel segment, in which Accor feels it must be present for reasons of image and profitability. The segment's clientele has changed greatly in recent years, with new customers from Russia, China and India joining the traditional base of customers from the Western countries and the Middle East.

S O F I T E L
LUXURY HOTELS



Sofitel Wanda Beijing - China



Sofitel Hangzhou Xanadu Resort - China



As an indirect result of Sofitel's repositioning, Accor is reviving

the **Pullman** name to create a new upscale brand. Pullman evokes the world of travel, the brand's heritage. Targeting business travelers, and located in the world's major cities, the Pullman hotels will offer all the facilities required to hold large-scale seminars and international meetings. The brand will be rapidly rolled out worldwide through management and franchise contracts, with potentially 300 hotels by 2015. In the first phase of the rollout, 45 Sofitel and Grand Mercure units in 23 countries will be converted to the Pullman brand.

Further divestment of non-strategic businesses

In August, Accor announced the sale of its Italian institutional catering business to Barclay's Private Equity for €135 million, in a deal to be completed in October 2007.

Ongoing program of property disposals

In first-half 2007, Accor pursued its asset-right strategy adapted to the risk-reward profile of each market segment and region. From 2005 to the end of June 2007, Accor realized more than **€3.2 billion** through the management of its property assets (459 hotels), of which €1.3 billion in first-half 2007 (155 hotels), and expects to generate another **€1.9 billion** (350 hotels) by the end of 2008. Over the 2008-2009 period, the Group is planning to change the operating structures of an additional 550 hotels. In all, **more than 1,300 hotels** will have been restructured by the end of 2009.

In April, the Group announced the sale of Red Roof Inn to a consortium comprised of Global Special Situations Group and Westbridge Hospitality Fund, L.P. for \$1.31 billion. The completion of the deal was announced on September 10.



Accor has decided to broaden its offer in the non-standardized economy segment by launching of the **All Seasons** brand. Future franchisees can choose from among three different rooms. To date, 31 franchise agreements have been signed and 14 existing Accor hotels are scheduled to be rebranded under the All Seasons name by June 2008. The brand has a potential of 10,000 rooms by 2010 and will be developed through the rebranding of existing hotels and franchising agreements. The first hotel opened in Evry, France in September.

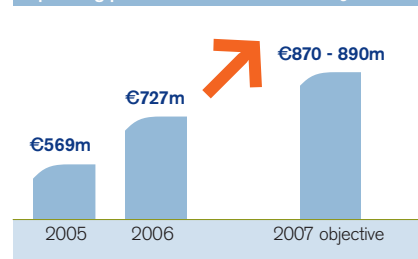
Dynamic implementation of the strategic plan is continuing smoothly and the expansion program for both businesses is well underway. Three new hotels brands were launched and assets were divested. These disposals included non-strategic businesses as well as hotel assets sold as part of the real estate strategy.

A promising full-year outlook

2007 earnings objective

Over the full year, the Group is aiming to report **operating profit before tax and non-recurring items of around €870 million to €890 million** (excluding the financial impact of the new share buyback program). This target reflects the Group's confidence that activity levels will remain good in the second half, takes into account marketing expenses related to the launch of the new hotel brands, and the disposals of Go Voyages (deconsolidated in April 2007), Red Roof Inn (deconsolidated in September 2007) and the Italian institutional catering business (deconsolidated in October 2007).

Operating profit before tax and non-recurring items:



New share buyback program

Considering the current stock market environment, the share issue resulting from the conversion of Colony bonds last July and the confidence of the Group in its ability to successfully implement its strategic plan, the decision has been made to launch a new €500 million share buyback program, following the €500-million program completed in 2006 and the €700-million program completed at the end of August 2007.

Accor's 2007 share performance compared to its main competitors (at September 27, 2007)

Accor (€62.85): up 7.1% Intercontinental: down 24.9% Marriott: down 9.9% Hilton Hotels Corp.: up 31.1%
Starwood: down 4.3%
(CAC 40: up 3.5%)

Upcoming events

October 16: quarterly information (Q3 2007)

November 16 & 17: Salon Actionaria investor trade show at the Palais des Congrès in Paris (France)

November: special issue of the Letter to Shareholders on the new hotel business model

December 4: meeting with shareholders in Strasbourg (France)

Information in real time

If you would like to receive information about Accor in real time, send an e-mail to comfi@accor.com and ask to be put on the Accor press release mailing list.

The Club study group

A study group has been set up, whose purpose is to work with on financial communication aimed for retail shareholders. Those 15 members (all Accor Shareholders' Club members) met twice in 2007, in April and September. They took part in the preparation of this issue of the Letter to Shareholders.

Back copies

If your collection of the **Letter to Shareholders** is incomplete or if you only recently became an Accor shareholder, you can find back copies for the past ten years in the shareholders section of www.accor.com/finance.

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