

Letter to Shareholders



April 2009
Number 32



Accor is staying on course

Changes in governance

Dear Shareholders,

Recent months have ushered in a period of global crisis, which is leading companies to reduce their capital expenditure, prompting consumers to scale back spending, and slowing growth in our Hotels business. As a result, 2008 will remain a year of contrasts for Accor.

In the first half, all of our businesses reported high quality results, while the second saw a continued excellent performance by Accor Services and firm resistance by the Hotels business in our core markets, like France and Germany. In all, we ended the year with operating profit before tax and non-recurring items of €875 million, up 13.0% like-for-like and excluding the impact of the return to shareholders. This was in line with the guidance issued in October. Accor's already solid balance sheet was further strengthened earlier this year by a successful €600 million bond issue, which has diversified our sources of financing and lengthened the maturity of our debt, with no major refinancing needs before 2012. This financial flexibility means that at the May 13 Annual Meeting, Accor will ask you to approve the payment of a 2008 dividend of €1.65 a share, unchanged from 2007.

The sudden change in our business environment has led us to deploy a number of marketing and cost reduction programs, as described below. Nevertheless, **Accor is staying on course and continuing to transform its two businesses.**

First, we're stepping up the technological shift in Prepaid Services and developing new products. In this regard, the recently announced agreement with MasterCard Europe will play an important role in a market with enormous growth potential. Second, we're transforming the Hotels business model, a process that is already well underway and now more than 60% completed. **The Group intends to pursue expansion in the Economy Hotels segment, while taking a more selective approach in Upscale and Midscale Hotels with a focus on low capital-intensive operating structures.** Lastly, there may be a shift into acquiring attractive hotel units as opposed to organic growth.

“ **Strategic initiatives and the responsiveness of our teams will enable us to maintain our ambitions** ”

Rest assured that **these strategic initiatives, combined with the responsiveness of our teams, will enable us to maintain our expansion ambitions** and weather the months ahead with realism and confidence.

Gilles C. Pélisson

Chairman and Chief Executive Officer

Last February, the Accor Board of Directors approved the resolutions to be submitted to shareholders at the Annual Meeting on May 13, in particular those concerning the re-election of Board members whose three-year terms were coming to an end.

In line with their announcement in December 2007, Colony Capital and Eurazeo raised their stake in Accor to 30%, thereby becoming your Company's principal shareholder. Based on this equity interest and the commitment to streamlining the Group's decision-making process at a time when the business environment demands fast response, a majority of the directors voted in favor of reducing the number of seats on the Board and combining the positions of Chairman and Chief Executive Officer under my responsibility. I would like to extend my deepest thanks to Serge Weinberg for his support over the past three years and his dedicated efforts that have done so much to transform your Company. I would also like to thank all of the Board members who have supported the Group over this period.

In March, the Board nominated the candidates whom you will be asked to elect to the new Board of Directors at the Annual Meeting. The new Board will comprise 12 members, in line with AFEP/MEDEF recommendations, with an appropriate balance between independent and non-independent directors. Membership will reflect the presence of the principal shareholder and will comprise a number of highly qualified individuals (see page 5), who will contribute their diverse, relevant experience.

G.C.P.

150,000 employees

100 countries

4 000 hotels

32 million service users

Revenue

€7,739 million,

up 2.8%

Consolidated revenue ended the year up 2.8% at comparable scope of consolidation and exchange rates (like-for-like) but declined by 4.7% on a reported basis, due to the large number of asset disposals and the unfavorable currency effect (notably from the US dollar and the British pound against the euro). Like-for-like growth was led by sustained gains in Prepaid Services and the firm resistance of Economy Hotels outside the United States.

EBITDAR margin

29.6% of revenue,

up 0.4 points

EBITDAR margin stood at 29.6%, up 1.0 point as reported and 0.4 points like-for-like compared with 2007. Consolidated EBITDAR amounted to €2,290 million.

Operating profit before tax and non-recurring items

€875 million,

up 13.0%

Representing the result of operations after the cost of financing Group businesses and before tax, operating profit before tax and non-recurring items is stated after fixed asset holding costs (rental expense plus depreciation and interest) but includes the share of profit of associates.

On a like-for-like basis and excluding the impact on net financial expense of the return to shareholders, it amounted to €875 million in 2008, in line with the guidance issued in October. It rose 13.0% over the year, of which 25.3% in the first half and 4.3% in the second.

Net profit, Group share

€575 million

Net profit, Group share (i.e. attributable to shareholders) ended the year down 34.9%. Part of the decline was attributable to the decrease in capital gains on asset disposals, to €150 million from €481 million in 2007.

FOCUS

A solid financial position

- The ratio of funds from operations to net debt, adjusted for the 8.0% discounting of future minimum lease payments, was 25.8%, versus 26.2% at December 31, 2007. An indicator of the Group's solvability, this ratio is used by rating agencies in determining our credit rating, which in turn plays a critical role in our ability to raise financing. Accor's BBB long-term rating with stable outlook has been confirmed.

- Net debt stood at €1,072 million at December 31, 2008, for a net-debt-to-equity ratio of 30%.

- 62 million worth of shares were purchased during the year under the €400 million share buyback program approved in May 2008 and since suspended.

Record return on capital employed

Return on capital employed (ROCE) rose to a record 14.1% at year-end, compared with 13.6% at December 31, 2007.

Used to measure the performance of our businesses, ROCE corresponds to EBITDA expressed as a percentage of fixed assets at cost plus working capital.

Novotel Al Anoud – Riyadh – Saudi Arabia



Ibis Shanghai Lianyong – China – The 800th Ibis



Motel 6 Biloxi – Mississippi – United States
The 1,000th Motel 6



Hotels

Revenue

€3,448 million, up 2.1%

Hotels revenue ended the year up 2.1% like-for-like and down 1.0% on a reported basis, with growth led by Economy Hotels outside the United States (up 3.2% like-for-like), and the Upscale and Midscale segments (up 2.6% like-for-like). Revenue from Economy Hotels in the US declined by 2.1% during the year.

Hotel property disposals

By the end of 2008, 625 hotels had been restructured since 2005, leading to the disposal of more than €4 billion in hotel property assets. At year-end, 56% of the rooms in the hotel base were held under variable-rent leases, management contracts or franchise agreements, corresponding to 60% of the objective. The pace at which the remaining 40% is met will depend on the property environment.

Sustained expansion

Some 28,000 new rooms were opened during the year. Of the total, 89% were in the Economy and Midscale segments and 79% concerned low capital-intensive ownership structures based on management contracts, franchise agreements and variable-rent leases. Sustained expansion remains a priority, with 101,000 rooms in the pipeline and a commitment to opening 30,000 in 2009, 35,000 in 2010 and 40,000 a year in the years afterwards. Those 40,000 rooms a year will represent an annual investment for Accor of €400 million.

Prepaid Services

Revenue

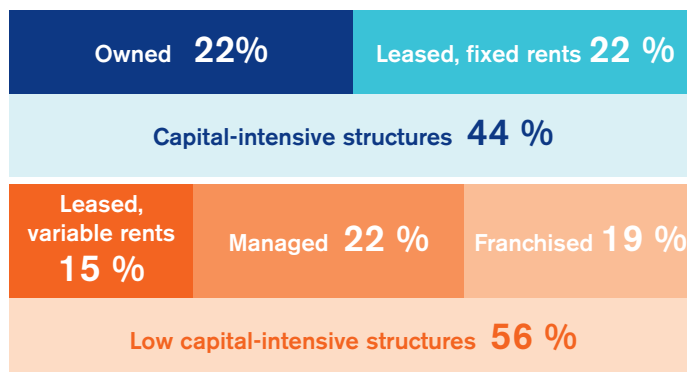
€978 million up 12.9%

Prepaid Services revenue rose by 12.9% like-for like and 10.5% on a reported basis, in line with the 8 to 16% medium-term organic growth target set for the business by the Group.

Accor is continuing to grow its traditional prepaid products (employee benefits) and is committed to winning new contracts in the prepaid services market, which is experiencing very fast growth, especially in Europe.

Accor Services' **strategy** is built around **five markets** (employee benefits, rewards and incentives, expense management, insurance claims settlement and payroll cards), a variety of **media from paper to electronic**, and a wide range of acceptance networks. In this regard, the partnership with MasterCard will play an important role in enabling the Group to meet its ambitions in Prepaid Services.

The hotel portfolio by ownership structure at year-end 2008*



* In number of rooms



Creation of a leading joint venture with MasterCard Europe in the European prepaid market

In February 2009, Accor Services and MasterCard Europe announced a strategic alliance resulting in the creation of PrePay Solutions. The new company combines the partners' closely related expertise in prepaid services and electronic payments.



- Access to 28 million MasterCard affiliates.
- European license to issue e-money in 17 countries.

It will enable its partners' respective customers (banks, companies and retailers) to leverage the strong growth in the European prepaid market, which is projected to reach €130 billion by 2015.



Firm resilience in Economy Hotels in Europe and growth in Prepaid Services

With 70% of its EBIT derived from Prepaid Services and Economy Hotels in Europe, Accor is now less sensitive to economic cycles. In the second half of 2008, for example, EBIT rose 19.4% like-for-like (based on constant scope of consolidation and exchange rates) in Prepaid Services and was stable in the Economy Hotels segment in Europe, but declined 10.8% in Upscale and Midscale Hotels and 23.1% in Economy Hotels in the United States. All in all, consolidated EBIT was stable in the second half 2008 compared with second half 2007.

The 2008 results reflect the transformation of the Hotels business model, which is already well underway, and particularly the impact of variable-rent leases pegged to hotel revenue.

A battle plan to overcome a more challenging business environment

As the effects of the global economic downturn quickly spread to the Hotels business, especially in the fourth quarter, Accor pro-actively moved to attenuate the potential impact on earnings with measures in three key areas:

Measures to enhance operational responsiveness

Our **marketing dynamic** is based on such powerful drivers as a broad range of accommodations from budget to luxury, a marketplace strategy in **20 leading European cities** and the **A|Club loyalty card** used by 1.7 million members worldwide as of February, 2009.

In addition, a program has been implemented to **reduce support costs** by €75 million in 2009 and another €25 million in 2010. The savings will be primarily generated in marketing expenditure, purchasing and the cancellation or postponement of non-priority projects.

Responsive measures to preserve cash

Renovation capital expenditure was reduced by €25 million in the second half, with a further €125 million reduction scheduled for 2009. After four years of major capital expenditure, renovation projects will be more carefully selected, without diminishing quality of service.

The total hotel **expansion capital expenditure budget**, currently set at €500 million a year in 2009 and 2010, will be reduced to €400 million a year in the following years.

Measures to secure financing

In January 2009, Accor carried out **a highly successful €600 million issue of five-year, 7.5% bonds** maturing February 4, 2014, which were placed with institutional investors. The issue helped to diversify the Group's sources of financing in addition to bank loans and extended the average maturity of its debt.

Sustained transformation of our two core businesses

Hotels

The transformation of our Hotels business model has been well underway for the past three years. To become the world leader in Economy lodging and a major player in the Upscale and Luxury segments, the Group is leveraging three strategic growth drivers:

- A portfolio of powerful, repositioned brands.
- A property management strategy designed to lower capital intensity and earnings volatility, which is now 60% completed.
- Expansion aligned with global demand.



Prepaid Services

The shift to new technologies, the development of new prepaid products and the penetration of new countries are all gathering momentum in the Prepaid Services business, with in particular:

- The agreement with MasterCard Europe, which is going to drive faster growth in new prepaid products.
- The deployment of the Watts electronic platform in Latin America.



Board of Directors

Meeting on Thursday, March 12, 2009 under the chairmanship of Gilles Pélisson, the Accor Board of Directors approved the list of people recommended by the Compensation and Appointments Committee for election to the Board. The list will be submitted to shareholders at the Annual Meeting on May 13.

■ Current Board members:

- Thomas J. Barrack, Founder, Chairman and Chief Executive Officer of Colony Capital LLC.
- Sébastien Bazin, Chief Executive Officer Europe of Colony Capital SAS.
- Philippe Citerne, Former Chief Operating Officer of Société Générale.
- Gabriele Galateri di Genola, Chairman of Telecom Italia SpA.
- Gilles Pélisson, Chairman and Chief Executive Officer of Accor.
- Alain Quinet, Vice President Finance and Strategy and Member of the Executive Committee of Caisse des dépôts et consignations.
- Franck Riboud, Chairman and Chief Executive Officer of Danone.
- Patrick Sayer, Chairman of the Executive Board of Eurazeo.

■ New Board members:

- Jean-Paul Bailly, Chairman of the French Post Office (Groupe La Poste).
- Denis Hennequin, President, McDonald's Europe.
- Bertrand Meheut, Chairman and Chief Executive Officer of Canal+ Group.

A fourth representative of the Colony/Eurazeo concert group will also be submitted to shareholders:

- Virginie Morgon, Member of the Eurazeo Executive Board.

Composed of 12 members, the new Board will comply with Afep/Medef recommendations concerning the proportion of independent and non-independent members. Upon election, the new Board will determine whether each Board member is independent or not.

Governance of the future Board will be structured around three committees:

- The Audit and Risks Committee.
- The Compensation and Corporate Governance Committee.
- The Commitments Committee, which will review any proposed acquisitions or disposals whose value exceeds €100 million.

In light of the future Board's smaller size, the Group's major strategic initiatives will be directly discussed by the Board members.

In addition, one of the independent directors will be appointed Vice-Chairman of the Board of Directors, in charge of relations with shareholders who are not represented on the Board.

■ Appointment of Jacques Stern as Senior Executive Vice President of the Accor Group

On the recommendation of Gilles Pélisson, Chairman and Chief Executive Officer, the Board of Directors appointed Jacques Stern as Senior Executive Vice President and Chief Financial Officer in charge of Finance, Strategy, Hotel Business Development and Information Systems.

The Combined Ordinary and Extraordinary Shareholders' Meeting

will be held at 10:00 am on May 13, 2009 at the Novotel Paris Est (1 place de la République, 93177 Bagnole).

Registered shareholders will receive the notice of meeting directly, while members of the Shareholders Club holding their shares in bearer form will receive a letter informing them of the procedure for requesting the notice from their broker or banker.

A dividend of €1.65 per share

At the Combined Ordinary and Extraordinary Meeting on May 13, 2009 shareholders will be **asked to approve the payment of a 2008 dividend unchanged from 2007**, with the option of reinvesting it in new shares.

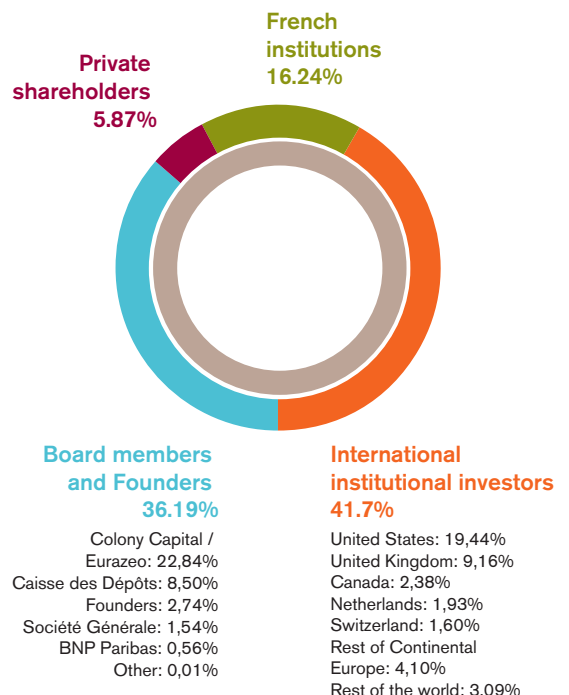
The price of the new shares issued under the option will be equal to the average of the opening prices over the twenty trading days preceding the date of the Annual Meeting, less the amount of the dividend per share.

Due to the dividend reinvestment option, the dividend payment process will take place as follows:

- The ex-dividend date is May 20, 2009.
- Shareholders electing to reinvest their dividend may submit their request to their broker or banker at any time from May 20, 2009 to close of business on June 8, 2009.
- The dividend will be paid in cash or the new shares will be settled on June 17, 2009.

If the amount of the reinvested dividend does not correspond to a whole number of shares, the shareholder may purchase the next lower whole number of shares and receive the difference in cash.

Shareholder structure at December 31, 2008





The Shareholders Club offers you:

■ **Information**

You receive the **Letter to Shareholders**, the **Shareholder Guide** and the **Club's Practical Guide**.

■ **Meetings**

You get **priority invitations to on-site visits** and meetings with shareholders. You are personally asked to attend the Annual Shareholders' Meeting.

■ **Introductory offers**

Members are eligible for discounts in the Accor Thalassa network, in particular **12%** off a week-long treatment program at half-board and **20%** off face and skin care products.

■ **A loyalty card**

With the AIClub Platinum Card, **you receive a special welcome** in more than 2,000 Accor hotels.



How to join the Shareholders Club

If you own 50 Accor shares in bearer form or one registered share, you can join for free on the www.accor.com/finance

The application form may be filled out directly online on the "Shareholders Club" page in the "Private Shareholders" section.



The Shareholder Working Group is working for you

The 15 members of the Shareholder Club Discussion Group generally meet twice a year to assess Accor's communication with private shareholders.

The next meeting will be held in late May.

Shareholder calendar

- **April 16, 2009:**
First-quarter 2009 revenue announced
- **May 13, 2009:**
Annual Shareholders' Meeting
- **May 19, 2009:**
Meeting with shareholders in Aix-en-Provence
- **July 16, 2009:**
First-half 2009 revenue announced
- **August 27, 2009:**
First-half 2009 earnings announced
- **September 17, 2009:**
Meeting with shareholders in Lyon
- **October 15, 2009:**
Third-quarter 2009 revenue announced



How to register your Accor shares

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