



**Bonds convertible and/or exchangeable  
for new or existing shares of ACCOR**

*Obligations à option de conversion et/ou d'échange en  
actions nouvelles ou existantes d'ACCOR*

*The bonds (the "Bonds") convertible and/or exchangeable for new or existing shares of ACCOR ("ACCOR") are being offered by way of an offering in France and outside France.*

*The terms and conditions of the Bonds and certain information in relation to ACCOR are set out in the translation into English for information purposes only of the French language Note d'Opération which is contained in this document. This document should be read in conjunction with the translation into English of ACCOR's annual report.*

*THIS DOCUMENT CONTAINS A FREE TRANSLATION FOR INFORMATION PURPOSES ONLY OF THE FRENCH LANGUAGE NOTE D'OPERATION RELATING TO THE ISSUE OF THE BONDS WHICH RECEIVED VISA NO.03-902 DATED 16 OCTOBER 2003 OF THE COMMISSION DES OPERATIONS DE BOURSE. IN THE EVENT OF ANY AMBIGUITY OR CONFLICT BETWEEN CORRESPONDING STATEMENTS OR OTHER ITEMS CONTAINED IN THESE DOCUMENTS, THE RELEVANT STATEMENTS OR ITEMS OF THE FRENCH VERSION OF THE NOTE D'OPERATION SHALL PREVAIL.*

*Application has been made to list the Bonds on the Premier Marché of Euronext Paris S.A. with effect from 24 October 2003. The existing shares of ACCOR are listed on the Premier Marché of Euronext Paris S.A.*

**Joint Lead Managers and Joint Bookrunners**

**BNP PARIBAS**

**SG CORPORATE &  
INVESTMENT BANKING**

*The date of this document is 16 October 2003.*

*This document does not constitute an offer or invitation to any person to subscribe the Bonds. No action has been taken in any jurisdiction other than France that would permit a public offering of the Bonds, or the circulation or distribution of this document or any other offering material, in any jurisdiction where action for that purpose is required.*

*The distribution of this document and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this document comes are required to inform themselves about, and to observe, any such restrictions.*

*THIS DOCUMENT HAS NOT BEEN AND WILL NOT BE SUBMITTED TO THE CLEARANCE PROCEDURES OF THE COMMISSION DES OPERATIONS DE BOURSE AND ACCORDINGLY MAY NOT BE USED IN CONNECTION WITH ANY OFFER OR SALE OF THE BONDS TO THE PUBLIC IN FRANCE.*

*The delivery of this document, or any sale made in connection with the offer of the Bonds, shall not imply that the information contained herein is correct at any time subsequent to the date hereof or that there has been no change in the affairs of ACCOR and its consolidated subsidiaries since the date of this document.*

*The Bonds and the shares of ACCOR to be issued upon conversion or delivered upon exchange of the Bonds have not been and will not be registered under the United States Securities Act of 1933 (the "Securities Act") and, subject to certain exceptions, may not be offered or sold within the United States. The Bonds are being offered and sold outside the United States in accordance with Regulation S under the Securities Act.*

*In addition, until 40 days after the commencement of the offering of the Bonds, an offer or sale of Bonds or shares of ACCOR to be issued upon the conversion of Bonds or to be delivered upon exchange within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.*

*The Offering is being conducted pursuant to the standards and requirements of French laws and regulations.*

*No representation or warranty, express or implied, is made, and no responsibility is accepted by BNP Paribas or Société Générale as to the accuracy or completeness of the information set out in this document.*

*In connection with this offering, Société Générale, or any person acting on its behalf, acting on behalf of the Joint Lead Managers may over-allot or effect transactions with a view to supporting the market price of the Bonds at a level higher than that which might otherwise prevail for a limited period. However, there may be no obligation on Société Générale, or any person acting on its behalf, to carry out such activities. Such stabilisation, if commenced, may be discontinued at any time and must be brought to an end after a limited period.*



A French limited liability company with Management Board and Supervisory Board  
(*société anonyme à Directoire et Conseil de Surveillance*)  
with a share capital of €597,775,650  
Registered Office: 2, rue de la Mare-Neuve, 91000 Evry  
Registered with the Evry Registry of Companies and Commerce under number 602 036 444

**PROSPECTUS (NOTE D'OPERATION)**

MADE AVAILABLE TO THE PUBLIC IN RELATION TO THE ISSUE AND ADMISSION TO THE *PREMIER MARCHÉ* OF EURONEXT PARIS S.A. OF BONDS 1,75% OCTOBER 2003/JANUARY 2008 WITH AN AGGREGATE PRINCIPAL AMOUNT OF €560,000,021, WHICH MAY BE INCREASED TO €616,000,007 CONVERTIBLE AND/OR EXCHANGEABLE FOR NEW OR EXISTING SHARES (*OBLIGATIONS À OPTION DE CONVERSION ET/OU D'ÉCHANGE EN ACTIONS NOUVELLES OU EXISTANTES*) OF ACCOR WITH A NOMINAL VALUE OF €40,25.

A legal notice will be published in the *Bulletin des Annonces légales obligatoires* on 20 October 2003.



*Visa of the Commission des opérations de bourse*

Pursuant to articles L.412-1 and L.621-8 of the *Code monétaire et financier*, this prospectus has received the visa no. 03-902 dated 16 October 2003 of the *Commission des opérations de bourse* in accordance with its Regulation n°98-01. This prospectus has been prepared by the issuer and renders its signatories liable for the contents hereof. The *visa* does not imply approval of the suitability of the transaction or authentication of the accounting and financial items included herein. It has been granted after review of the relevance and consistency of the information in the light of the transaction proposed to investors.

*Avertissement*

The *Commission des opérations de bourse* draws the attention of the public to the particular characteristics of the financial instruments described in this prospectus. Governed by articles L. 288-91 and subsequent of the French *Code de commerce*, they do not present certain of the characteristics of convertible or exchangeable bonds. In particular, in the event of early redemption or redemption at maturity, holders shall be entitled to exercise their rights to receive shares only in the period between the date of the notice announcing such redemption (which shall be published at the latest 30 calendar days before the redemption date) and the seventh business day preceding the date set for such redemption;

This prospectus consists of:

- the reference document (*document de référence*) of ACCOR, which was filed with the *Commission des opérations de bourse* on 25 March 2003 under the number D.03-307; and
- the amendment to the *document de référence*, which was filed with the *Commission des opérations de bourse* on 16 October 2003 under the number D.03-307-R01; and
- this *note d'opération*.

Copies of this prospectus are available free of charge at the offices of the institutions set forth below, at the headquarters of ACCOR - Tour Maine Montparnasse at 33 avenue du Maine, 75755 Paris Cedex 15 and on the website of ACCOR ([www.accor.com/finance](http://www.accor.com/finance)) and of the *Commission des opérations de bourse* ([www.cob.fr](http://www.cob.fr)):

**BNP PARIBAS**

**SG CORPORATE &  
INVESTMENT BANKING**

**Joint Lead Managers and Joint Bookrunners**

## ACCOR

### PRINCIPAL CHARACTERISTICS OF THE BONDS OCTOBER 2003/JANUARY 2008 CONVERTIBLE AND/OR EXCHANGEABLE FOR NEW OR EXISTING SHARES OF ACCOR (THE "BONDS")

#### NUMBER OF BONDS ISSUED

The number of Bonds issued representing an aggregate nominal amount of €560,000,021 , is 13,913,044 Bonds. In addition, in order to cover any over-allotments, ACCOR (the "Company") has granted to the Joint Lead Managers and Joint Bookrunners an over-allotment option representing 10% of the aggregate nominal amount of the issue. This over-allotment option will be exercisable, once only, and at the latest on 22 October 2003. In the event that this over-allotment option is exercised in full, the aggregate nominal amount of the issue would amount to €616,000,007, represented by 15,304,348 Bonds.

#### NOMINAL VALUE OF EACH BOND

The nominal value of each Bond has been fixed at €40.25, representing a premium of 21.21% over the volume weighted average price of an ACCOR share since the opening of Euronext Paris S.A. on 16 October 2003 to the time the final terms of the Bonds are determined, *i.e.* €33.2066.

#### ISSUE PRICE

The issue price is equal to par, *i.e.* €40.25 per Bond, payable in full on the settlement date.

#### ISSUE DATE AND SETTLEMENT DATE

24 October 2003.

#### TERM OF THE BONDS

4 years and 69 days from the settlement date.

#### ANNUAL INTEREST

The Bonds will bear interest at a rate of 1.75% per annum, *i.e.* approximately €0.70438 per Bond, payable annually in arrear on 1 January in each year (or the first following business day if such day is not a business day). By exception, interest for the period from the settlement date of the Bonds to 31 December 2004, will be payable on 1 January 2005, in an amount calculated *pro rata temporis* of approximately €0.83753 per Bond.

#### YIELD TO MATURITY

1.75% at the settlement date (in the absence of conversion and/or exchange for shares and in the absence of early redemption).

#### REDEMPTION AT MATURITY

The Bonds will be redeemed in full at par, *i.e.* €40.25 per Bond, on 1 January 2008 (or the first following business day if such day is not a business day).

#### **EARLY REDEMPTION AT THE OPTION OF THE COMPANY**

Possible:

- without limitation as to price or quantity, for all or part of the Bonds, at any time, by means of repurchases on or off-market or by public offers;
- for all of the remaining outstanding Bonds, at any time, from 1 February 2005 to 31 December 2007, subject to a minimum notice period of 30 calendar days;
  - by redemption at par plus accrued interest from the last Interest Payment Date preceding the early redemption date until the actual date set for redemption and
  - if the product of (i) the applicable Conversion / Exchange Ratio and (ii) the arithmetic average of the opening quoted prices of the ACCOR share on the *Premier Marché* of Euronext Paris S.A. on each of 20 consecutive stock exchange trading days on which the ACCOR shares are quoted, as selected by the Company from among the 40 consecutive stock exchange trading days preceding the date of publication of a notice relating to such early redemption, exceeds 110% of the nominal value of the Bonds;
- for all of the remaining outstanding Bonds, at any time, by redemption at par plus accrued interest from the last Interest Payment Date preceding the early redemption date until the actual date set for redemption, if less than 10% of the Bonds issued remain outstanding.

#### **EARLY REDEMPTION IN THE EVENT OF DEFAULT**

The Bonds will be redeemable, in accordance with the terms of paragraph 2.3.7.6 ("Early Redemption of the Bonds in the Event of Default").

#### **LISTING OF THE BONDS**

Application has been made to list the Bonds on the *Premier Marché* of Euronext Paris S.A. The first listing of the Bonds is expected to be on 24 October 2003 under ISIN Code FR0010026765.

#### **CONVERSION AND/OR EXCHANGE OF THE BONDS FOR SHARES OF ACCOR**

At any time, from 24 October 2003, the settlement date of the Bonds until the seventh business day preceding the date set for redemption or the early redemption date, Bondholders may request that the Bonds be converted and/or exchanged for new and/or existing shares of ACCOR at a Conversion/Exchange Ratio of One share for One Bond, subject to adjustments as described in paragraph 2.6.7.3 ("Adjustments of the Conversion/Exchange Ratio in the Event of Financial Transactions").

The Company may at its option deliver new and/or existing shares.

#### **NO PREFERENTIAL SUBSCRIPTION RIGHTS AND NO PRIORITY SUBSCRIPTION PERIOD**

The shareholders of ACCOR have waived their preferential subscription rights. No priority subscription period is applicable.

#### **INTENTION OF PRINCIPAL SHAREHOLDERS**

No shareholder has declared its intention to subscribe to the present issue.

## **OFFERING PERIOD**

The Bonds were placed with institutional investors (*investisseurs institutionnels*) on 16 October 2003. Subscription will be open to the public from 17 October 2003 to 21 October 2003 (both dates inclusive).

## **INDICATIVE TIMETABLE**

16 October 2003 (morning)	Publication of a press release by the Company announcing the launch of the issue
16 October 2003 (morning)	Opening of the bookbuilding with the institutional investors
16 October 2003 (evening)	Closing of the bookbuilding with the institutional investors Publication of a press release by the Company indicating the end of the placement with the institutional investors
16 October 2003	<i>Visa</i> of the <i>Commission des opérations de bourse</i> on the prospectus
17 October 2003	Commencement of the public subscription period in France
21 October 2003	End of the public subscription period in France
22 October 2003	Deadline for exercise of the over-allotment option
24 October 2003	Settlement and delivery of the Bonds. Admission of the Bonds to the <i>Premier Marché</i> of Euronext Paris S.A.

## **USE OF PROCEEDS**

ACCOR intends to take advantage of market opportunities to refinance its existing debt and to increase its financial flexibility, by providing itself with the means of strengthening its own funds in the long term.

## **RATING**

Standard & Poor's and Fitch have confirmed that the Bonds will be rated "BBB" and "BBB+" respectively.

## **FINANCIAL INSTITUTIONS RESPONSIBLE FOR THE OFFERING**

Subscription orders for the Bonds must be submitted to BNP Paribas or Société Générale in their capacity as Joint Lead Managers and Joint Bookrunners, or to Citigroup Global Markets Limited, Crédit Lyonnais, Lehman Brothers International (Europe), Morgan Stanley & Co. International Limited or Mediobanca - Banca di Credito Finanziario S.p.A., which are managing the offering.

## **APPLICABLE LAW**

French law.

## **LISTING OF SHARES**

Shares to be issued upon conversion or exchange will be or are listed on the *Premier Marché* of Euronext Paris S.A. The ISIN Code of the existing shares of the Company is FR0000120404.

**RIGHTS ATTACHED TO NEW SHARES ISSUED FOLLOWING CONVERSION**

Shares to be issued on conversion of Bonds shall bear all rights from the first day of the financial year in which the Bonds are converted.

**RIGHTS ATTACHED TO EXISTING SHARES RESULTING FROM EXCHANGE**

Shares delivered on exchange shall be existing ordinary shares conferring to their holders all the rights attached to shares of the Company at the time of such delivery.

**STOCK EXCHANGE SHARE PRICE**

Closing price on 15 October 2003: €33.81.

## CHAPTER I

### PERSONS ASSUMING RESPONSIBILITY FOR THIS PROSPECTUS AND THE AUDIT OF THE ACCOUNTS

#### 1.1 PERSON RESPONSIBLE FOR THE PROSPECTUS

Jean-Marc Espalioux, Chairman of the Management Board (*Président du Directoire*)

#### 1.2 CERTIFICATE OF THE PERSON RESPONSIBLE FOR THE PROSPECTUS

"To the best of our knowledge, all the information in this prospectus is true and accurate; this document contains all the information necessary to enable investors to form an opinion as to the assets and liabilities, activities, financial position and financial results and future prospects of ACCOR as well as to the rights attached to the securities being offered; this document does not contain any information which makes it misleading."

Jean-Marc Espalioux, Chairman of the Management Board

#### 1.3 PERSONS RESPONSIBLE FOR THE AUDIT OF THE ACCOUNTS

##### 1.3.1 Statutory Auditors

Barbier Frinault & Autres

Ernst & Young

Christian Chochon

41, rue Ybry, 95576 Neuilly-sur-Seine

Reappointed for 6 financial years by the shareholders' combined general meeting of 29 May 2001

Date of first appointment: 16 June 1995

Deloitte, Touche, Tohmatsu - Audit

Alain Pons

185, avenue Charles de Gaulle, B.P. 136, 92200 Neuilly-sur-Seine

Reappointed for 6 financial years by the shareholders' combined general meeting of 29 May 2001

Date of first appointment: 16 June 1995

##### 1.3.2 Substitute Auditors

Christian Chiarasini

41, rue Ybry, 95576 Neuilly-sur-Seine

Reappointed for 6 financial years by the shareholders' combined general meeting of 29 May 2001

Date of first appointment: 4 June 1996

BEAS

7, villa Houssaye, 92200 Neuilly-sur-Seine

Reappointed for 6 financial years by the shareholders' combined general meeting of 29 May 2001

Date of first appointment: 29 May 2001

**1.3.3 Revisor ("Réviseur")**

Deloitte, Touche, Tohmatsu

185, avenue Charles de Gaulle, B.P. 136, 92200 Neuilly-sur-Seine

**1.3.4 Certificate of the Statutory Auditors**

*(Free translation of a French language original prepared for convenience purpose only. Accounting principles and auditing standards and their application in practice vary from one country to another. The accompanying financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than France. In addition, the procedures and practices followed by the statutory auditors in France with respect to such financial statements included in a prospectus may differ from those generally accepted and applied by auditors in other countries. Accordingly, the French financial statements and the auditor's certificate – of which a translation is presented in this document for convenience only – are for use by those knowledgeable about French accounting procedures, auditing standards and their application in practice.)*

As statutory auditors of and/or revisors of the consolidated accounts of Accor and as required under Rule 98-01 of the *Commission des opérations de bourse* ("COB"), we have, in accordance with professional standards applicable in France, verified the information relating to the financial position and the historical financial statements contained in this prospectus prepared in connection with the offering of bonds convertible into newly issued shares and/or exchangeable into existing shares.

The Company's Chairman of the Management Board is responsible for the preparation of the *note d'opération*. Our responsibility is to report on the fairness of the information presented in the *note d'opération* with respect to the financial position and the historical financial statements.

Our work has been performed in accordance with professional standards applicable in France and consisted in assessing the fairness of the information relating to the financial position and the historical financial statements and its consistency with the financial statements on which we have issued a report. Our work also included reading the other information contained in this prospectus, in order to identify any material inconsistencies in relation to the information presented with respect to the financial position and the historical financial statements and to report any manifest misstatement of information that we may have discovered in reading the other information based on our general knowledge of the company obtained during the course of our engagement.

With regard to any specific prospective data resulting from any process for preparing such information, we have considered management assumptions and checked that such prospective data have been prepared on the basis of such assumptions.

We have audited, in accordance with professional standards applicable in France the consolidated financial statements for the years ended December 31, 2000, 2001 and 2002, as prepared in accordance with French generally accepted accounting principles and

approved by the Management Board. Our reports on these financial statements were unqualified.

We have carried out, in accordance with auditing standards generally accepted in France, a limited review of the interim consolidated financial statements for the six-months ended 30 June 2002 and 30 June 2003, as prepared in accordance with generally accepted accounting principles and approved by the Management Board. Our limited review reports on these financial statements were unqualified.

This prospectus incorporates by reference the *document de référence* filed with the COB on 17 March 2003 under reference D.03-307 and its amendment (*rectificatif du document de référence*) filed with the COB on 16 October 2003 under reference D.03-307-R01. Our reports on the *document de référence* and its amendment (*rectificatif du document de référence*) concluded that, based on the procedures performed, we had no matters to report regarding the fairness of the information relating to the financial position and the historical financial statements included therein.

Based on the procedures described above, we have nothing to report with respect to the fairness of the information about the financial position and the historical financial statements contained in this prospectus prepared in connection with the proposed issue of bonds convertible into newly issued shares and/or exchangeable into existing shares.

Neuilly-sur-Seine, 16 October 2003

**Statutory Auditors:**

**Revisors** (for the consolidated accounts):

Barbier, Frinault & Autres  
Ernst & Young

Deloitte Touche Tohmatsu-  
Audit

Deloitte Touche Tohmatsu

Christian CHOCHON

Alain PONS

**1.4 PERSON RESPONSIBLE FOR COMMUNICATION**

**Eliane Rouyer**

Director, Investor Relations and Financial  
Communications

Telephone : 01 45 38 86 26

**Jacques Stern**

Director of Finance

Telephone: 01 45 38 86 36

## CHAPTER II

### ISSUE AND ADMISSION TO THE *PREMIER MARCHÉ* OF EURONEXT PARIS S.A. OF THE ACCOR BONDS CONVERTIBLE FOR NEW SHARES AND/OR EXCHANGEABLE FOR EXISTING SHARES OF ACCOR

#### 2.1 INFORMATION RELATING TO THE ISSUE

##### 2.1.1 Shareholders Meeting authorising the Issue

The extraordinary general meeting (*assemblée générale extraordinaire*) of shareholders of ACCOR (“**ACCOR**” or the “**Company**”) held on 20 May 2003, in compliance with the rules relating to quorum and voting for extraordinary general meetings and in particular by its eleventh resolution :

- delegated to the Management Board (*Directoire*), the powers necessary, by way of public offer on one or more occasions and in such amounts and at such times as determined by them, on the French market or abroad, to issue shares, warrants and more generally all securities giving rights to receive, immediately and/or in the future, shares of the Company;
- decided that the nominal amount of any share capital increase which may be carried out immediately and/or in the future, in compliance with this authority cannot exceed €150,000,000;
- decided that any such share capital increase may be effected through the exercise of a right of allocation, conversion, exchange, repayment, presentation of a warrant or in any other manner, through the issue of securities by any company of which the Company holds, directly or indirectly, more than half of the share capital and subject to the Company’s consent;
- decided that the nominal amount of debt securities giving rights to receive shares of the Company and able to be issued pursuant to this authority, will be a maximum of €1,000,000,000 or the equivalent in a foreign currency;
- decided to remove the shareholders’ preferential subscription right to any securities to be issued, provided that the Management Board may grant the shareholders a priority subscription right on the whole or a part of the issue, in accordance with the conditions and timetable determined by it. This priority subscription right will not result in the creation of negotiable rights;
- decided that if the shareholders and the public do not subscribe all the issue securities of any issue, the Management Board can use, in whichever order it chooses, any one or more of the following options:
  - to limit the issue to the total amount of actual subscriptions, provided that such subscriptions amount to at least three quarters of the issue decided upon;
  - to freely distribute all or part of the securities not subscribed.
- noted and decided to the extent necessary, that this authorisation constitutes a valid waiver by the shareholders of their preferential subscription rights in favour of

the holders of securities which may be issued in the future giving rights to receive shares of the Company;

- decided that, in the case of an issue immediately or in the future, of shares for cash, the sum received or to be received by the Company for each of the shares issued pursuant to this authority, will be at least equal to the average of the opening price of the shares of the Company quoted on the stock market for 10 consecutive days chosen from amongst the 20 days preceding the first day on which any such shares are issued, adjusted, as the case may be, to take account of any difference in the date on which such shares accrue rights (*date de jouissance*), it being noted that in the case of the issue of a warrant to subscribe shares of the Company, the sums received by the Company upon subscription of the warrants will be taken into account in the calculation;
- decided that the Management Board is entitled in an amount not exceeding the overall limit on increase of the share capital as set out in point 2 above, increase the share capital by using shares as consideration for any shares which are offered up in connection with a public exchange offer pursuant to the conditions and subject to the restrictions of article L. 225-148 of the French *Code de Commerce*.
- decided that the Management Board will have all the powers with the right to sub-delegate to its president, subject to the conditions imposed by law, to implement this authority, and in particular to determine the dates and terms of any issue, as well as the form and characteristics of the securities to be created, to fix the price and conditions of such issues, to fix the amounts to be issued, to fix the date (including retroactively) on which the securities to be issued accrue rights (*date de jouissance*), and if applicable, the conditions for these repurchase, to suspend, if applicable, the exercise of the right of allocation of shares of the Company attached to the securities to be issued for a period not exceeding three months, to fix the terms ensuring the preservation of the rights of the holders of securities giving to receive shares of the Company in the future in compliance with legal and regulatory provisions, to deduct, if applicable, all costs from any issue premium(s) and in particular those costs arising from the completion of the issue, and generally to take all measures to conclude successfully any proposed issues and to effect any necessary increases to the Company's share capital resulting from the use of this authority, and to modify the articles association of the Company accordingly. The Management Board will have all the necessary powers to decide upon the issue of debt securities, in particular to decide whether or not they are to be subordinated, to fix their rate of interest, their duration, redemption price fixed or variable, with or without a premium, the terms of redemption according to market conditions and the conditions under which the securities will give rights to receive shares of the Company.
- decided that the present authorisation invalidates any existing authorisation related to the issue, immediately and for the future, of shares in the Company without preferential subscription rights. This authorisation granted to the Management Board is valid for a period of 26 months from the date of the shareholders' meeting. The Management Board can use this authorisation with the prior authorisation of the Supervisory Board, in accordance with article 15 of its Articles of Association.

This authorisation invalidates as from the 20 May 2003 the authorisation granted to the Management Board, by the Sixteenth Resolution passed at the general meeting of shareholders of 29 May 2001.

In accordance with the provisions of article L. 225-129 III, this authorisation is valid for a duration of 26 months beginning on 20 May 2003.

### **2.1.2 Decisions of the Management Board and of the Supervisory Board**

Pursuant to the authorisation conferred by the extraordinary general meeting held on 20 May 2003, and in particular, its eleventh resolution and pursuant to the agreement of the Supervisory Board during its meeting held on 9 October 2003, the Management Board decided at its meeting held on 10 October 2003 to issue bonds convertible or exchangeable for new and/or existing shares of ACCOR (*Obligations à option de conversion et/ou d'échange en actions nouvelles ou actions existantes*) for a maximum nominal amount of €700 million and delegated to its Chairman in accordance with the right of delegation given by the extraordinary general meeting of 20 May 2003 in its eleventh resolution, all powers necessary to implement the issue, determine the securities to be issued and to fix the amount, dates, terms and conditions of the issue.

### **2.1.3 Decision of the President of the Management Board**

In compliance with the powers delegated to him by the Management Board, the Chairman decided on 16 October 2003 to use the authority given by the Management Board on 10 October 2003 in order to issue bonds 1,75 % October 2003/January 2008 represented by bonds convertible and/or exchangeable into new or existing shares, the terms and conditions of which are contained characteristics in this prospectus.

## **2.2 INFORMATION RELATED TO THE BONDS**

In this prospectus, the term "Bond" signifies a bond convertible and/or exchangeable for new or existing shares, having all the characteristics described in this prospectus.

### **2.2.1 Number and nominal amount of the Bonds - Proceeds of the issue**

#### *2.2.1.1 Number and nominal amount of the Bonds*

ACCOR's 1.75 % Bonds October 2003/January 2008 (hereafter the "**Bonds**") will be represented by 13,913,044 bonds convertible and/or exchangeable for new or existing shares with an aggregate nominal amount of €560,000,021. In addition, in order to cover any over-allotments, the Company has granted to the Joint Lead Managers and Joint Bookrunners an over-allotment option representing 10% of the aggregate nominal amount of the issue. This over-allotment option will be exercisable, once only, and at the latest on 22 October. In the event that this over-allotment option is exercised in full, the aggregate nominal amount of the issue would amount to €616,000,007, represented by 15,304,348 Bonds having a nominal amount of €40.25.

#### *2.2.1.2 Proceeds of the issue*

The gross proceeds of the issue will be €560,000,021 and may be increased to €616,000,007 in the event of an exercise of the over-allotment option in full.

The net global proceeds of the issue to be paid to the Company after deduction of the fees due to the financial intermediaries and of the legal and administrative fees, will be up to

approximately €552.80 million; these net proceeds may be increased to approximately €608.21 million in the event of an exercise of the over-allotment option in full.

## **2.2.2 Structure of the Issue**

### **2.2.2.1 Offering**

The Bonds, which are offered as part of a global offering, will be offered:

- in France, to legal entities and individuals;
- outside France, by way of a private placement, in accordance with the rules applicable to each jurisdiction in which the Bonds are offered with the exception of the United States of America, Canada and Japan where no offerings may take place.

No specific tranche of Bonds is designated for a particular market.

### **2.2.2.2 Selling Restrictions**

The distribution of this prospectus, the offer or the sale of the Bonds may, in certain jurisdictions, be subject to specific regulations. Persons in possession of this prospectus should familiarise themselves, and comply, with any local restrictions.

The institutions responsible for the placing will comply with the laws and regulations in effect in jurisdictions in which offers of the Bonds are made and, in particular, with the selling restrictions set out below.

#### ***United Kingdom Selling Restrictions***

Each institution participating in the offering agrees that:

- (a) it has not offered or sold, and will not offer or sell any Bonds to persons in the United Kingdom prior to the expiring of six months from the issue date, except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;
- (b) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "FSMA")) received by it in connection with the issue or sale of any Bonds under circumstances in which Section 21(1) of the FSMA does not apply to the Company;
- (c) it has complied and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

#### ***United States Selling Restrictions***

The Bonds and, as the case may be, the shares of ACCOR to be issued or delivered upon conversion or exchange of the Bonds, have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") and, subject to certain exceptions, may not be offered or sold within the United States.

The Bonds will be offered and sold outside the United States, in offshore transactions, in accordance with Regulation S under the Securities Act.

Terms used in the preceding two paragraphs have the respective meanings ascribed to such terms in Regulation S of the Securities Act.

### **Canada and Japan Selling Restrictions**

Each institution participating in the offering agrees that it has not offered nor sold, and will not offer or sell, the Bonds in Japan or Canada.

#### **2.2.2.3 No preferential subscription rights, no priority subscription period**

The shareholders of the Company have expressly waived their preferential subscription rights to the Bonds being issued at the extraordinary general meeting of 20 May 2003. This decision included an express waiver of their preferential subscription rights to any new shares issued on conversion of the Bonds.

No priority subscription period for the shareholders is applicable.

#### **2.2.2.4 Intention of the principal shareholders**

No shareholder has declared its intention to subscribe to the present issue.

### **2.2.3 Subscription period**

The Bonds were placed with qualified investors (*investisseurs qualifiés*) in France and with institutional investors (*investisseurs institutionnels*) outside France on 16 October 2003.

Subscription will be open to individuals in France from 17 October to 21 October 2003 (both dated inclusive).

Indicative timetable of the offering:

16 October 2003 (morning)	Publication of a press release by the Company announcing the launch of the issue
16 October 2003 (morning)	Opening of the bookbuilding with the institutional investors
16 October 2003 (evening)	Closing of the bookbuilding with the institutional investors Publication of a press release by the Company indicating the end of the placement with the institutional investors
16 October 2003	Visa of the <i>Commission des opérations de bourse</i> on the prospectus
17 October 2003	Commencement of the public subscription period in France
21 October 2003	End of the public subscription period in France
22 October 2003	Deadline for exercise of the over-allotment option
24 October 2003	Settlement and delivery of the Bonds. Admission of the Bonds to the <i>Premier Marché</i> of Euronext Paris S.A.

#### **2.2.4 Financial institutions responsible for the offering**

Subscription orders for the Bonds must be submitted to BNP Paribas or Société Générale, in their capacity as Joint Lead Managers and Joint Bookrunners, or to Citigroup Global Markets Limited, Crédit Lyonnais, Lehman Brothers International (Europe), Morgan Stanley & Co. International Limited or Mediobanca - Banca di Credito Finanziario S.p.A., which are managing the offering.

### **2.3 TERMS AND CONDITIONS OF THE BONDS**

#### **2.3.1 Form, denomination and delivery of the Bonds**

The Bonds to be issued by ACCOR constitute neither convertible bonds for the purposes of articles L.225-161 *et seq.* of the French *Code de commerce*, nor exchangeable bonds for the purposes of articles L.225-168 of such *Code*, but rather constitute securities carrying rights to shares representing a part of the capital of ACCOR, within the meaning of article L.228-91 *et seq.* of the said *Code*.

The Bonds will be issued in accordance by French law.

The Bonds will be in either bearer or registered form, at the option of the holders. The Bonds will in any event be recorded in accounts held, as the case may be, by:

- Société Générale, acting on behalf of ACCOR in respect of fully registered Bonds (*nominatifs purs*);
- an approved intermediary (*intermédiaire financier habilité*) of their choice and Société Générale in respect of Bonds in administered registered form (*nominatifs administrés*); and
- an approved intermediary of their choice in respect of Bonds in bearer form.

The Bonds will be accepted for clearance through the Euroclear France, which will ensure the clearing of Bonds between account holders under ISIN Code FR0010026765.

The Bonds will also be accepted for clearance through Euroclear Bank S.A./N.V. and Clearstream Banking, S.A. (under Common Code 017904418).

The Bonds will be recorded in an account and negotiable as from 24 October 2003, the settlement date of the Bonds.

#### **2.3.2 Nominal Amount - Issue Price**

The nominal amount of each Bond has been fixed at €40.25, representing a premium of 21.21% over the volume weighted average prices of a ACCOR share from the opening of Euronext Paris S.A. on 16 October 2003 to the time the final terms of the Bonds issue were determined, *i.e.* €33.2066. The Bonds are issued at par, *i.e.* €40.25, payable in full on the settlement date.

#### **2.3.3 Issue Date**

24 October 2003.

#### **2.3.4 Settlement Date**

24 October 2003.

### 2.3.5 Nominal Interest Rate

1.75 %.

### 2.3.6 Annual Interest

The Bonds will bear interest at a rate of 1.75 % per annum, *i.e.* €0.70438 per Bond, payable annually in arrear on 1 January in each year (or the first following business day if such day is not a business day), each such date being an “Interest Payment Date”. By exception, interest for the period from 24 October 2003, the settlement date of the Bonds, to 31 December 2004, will be payable on 1 January 2005, in an amount, calculated *pro rata temporis* of €0.83753 per Bond.

Subject to the provisions of paragraph 2.6.5 below (“Rights of Bondholders to interest payments on the Bonds and dividends in respect of shares delivered”), all interest payments relating to an interest period of less than one year will be calculated on a basis the above annual interest rate applied to the number of days elapsed since the preceding Interest Payment Date (or, if it does not yet exist, the date of settlement of the Bonds) and a 365 day-year (or a 366 day-year in the case of a leap year).

Interest will cease to run from the date of redemption of the Bonds.

Claims in respect of interest will become void after a period of 5 years starting from the date they become due.

### 2.3.7 Redemption of the Bonds

#### 2.3.7.1 *Redemption of the Bonds at maturity*

The Bonds will be redeemed in full at par, *i.e.* €40.25 per Bond on 1 January 2008 (or the first following business day if such day is not a business day):

Claims in respect of principal will become void after a period of 30 years from the due date of redemption of the Bonds.

#### 2.3.7.2 *Early Redemption of Bonds by Buy-Back or Public Offer*

The Company shall be entitled to redeem all or a part of the Bonds at any time, without limitation on price or quantity, by means of purchases on or off-market or by means of a public offer or exchange offer. Any such transaction shall not affect the due date for redemption of any Bonds still outstanding. All Bonds so acquired shall be cancelled.

#### 2.3.7.3 *Early Redemption at the option of ACCOR*

1. The Company shall be entitled, at its option, from 1 February 2005 until 31 December 2007, subject to a minimum prior notice of 30 calendar days as provided in paragraph 2.3.7.4 (“Publication of Information relating to an early redemption or a redemption at maturity of the Bonds”), redeem all of the Bonds outstanding prior to maturity in the following conditions:
  - (i) by redemption at par plus accrued interest from the last Interest Payment Date preceding the early redemption date until the actual date set for redemption;
  - (ii) such early redemption will only be possible if the product of:

- the applicable Conversion / Exchange Ratio (as defined in paragraph 2.6.3 (Exercise Period and Conversion/Exchange Ratio)); and
- the arithmetic average of the opening quoted prices of the ACCOR share on the *Premier Marché* of Euronext Paris S.A. on each of 20 consecutive stock exchange trading days on which the ACCOR shares are quoted, as selected by the Company from among the 40 consecutive stock exchange trading days preceding the date of publication of a notice relating to such early redemption (as provided by paragraph 2.3.7.4 (“Publication of Information relating to an early redemption as a redemption at maturity of the Bonds”)),

exceeds 110% of the nominal value of the Bonds;

“**stock exchange trading day**” shall mean any business day on which shares are quoted on Euronext Paris S.A., other than a day on which such quotation ceases prior to the usual closing time.

“**business day**” shall mean any day (other than a Saturday or Sunday) on which banks are open in Paris and on which Euroclear France operates.

For information purposes, the following table sets out, as at the interest payment dates included in the early redemption option period, the early redemption price of each Bond in case of redemption, the minimum price that an ACCOR share would need to reach to allow early redemption, the implied annual growth rate for the shares to reach these minimum prices, and the yield to maturity for a Bondholder who exercises its right to convert into, or exchange for ACCOR shares:

Early Redemption Date	Early Redemption Price	Minimum share price to allow early redemption	Implied annual internal growth rate for the shares <sup>(1)</sup>	Yield to maturity in the event of exercise of conversion or exchange right
1 January 2006	€40.25	€44.28	14.04%	6.15%
1 January 2007	€40.25	€44.28	9.44%	4.73%

(1) without taking into account dividends, compared with the reference share price of €33.2066 and a calculation date of 24 October 2003

2. The Company may, at its sole option, redeem at any time all of the Bonds outstanding, at a redemption price equal to par plus accrued interest from the last Interest Payment Date preceding the early redemption date until the actual date set for redemption, if less than 10% of the number of Bonds issued remain outstanding.
3. In each of the cases specified in paragraphs (1) and (2) above, the Bondholders shall remain entitled to exercise their conversion/exchange right in accordance with the provisions of paragraph 2.6.3 (“Exercise Period and the Conversion/Exchange Ratio”).
4. In each of the cases specified in paragraphs (1) and (2) above, interest will cease to run from the date of redemption of the Bonds.

2.3.7.4 *Publication of information relating to an early redemption or a redemption at maturity of the Bonds*

Information relating to the number of Bonds purchased, converted or exchanged and to the number of Bonds still outstanding shall be provided each year to Euronext Paris S.A. for publication and shall be available from the Company or the Fiscal Agent, as defined in paragraph 2.5.1 ("Fiscal Agent").

In the event that the Company decides to redeem the Bonds at or prior to maturity, a notice to that effect shall be published (if required by French regulations at that time) in the *Journal Officiel*, in a financial newspaper having a general distribution in France and in a notice issued by Euronext Paris S.A., at the latest 30 calendar days before the date set for redemption.

2.3.7.5 *Cancellation of Bonds*

Bonds redeemed at or prior to maturity, Bonds purchased on the stock exchange or off-exchange or by way of public offer and Bonds which have been converted and/or exchanged into shares, shall cease to be outstanding and shall be cancelled in accordance with French law.

2.3.7.6 *Events of Default*

The representatives of the *masse* of the Bondholders may, upon a majority decision of the Bondholders' general meeting, upon written notice sent to the Company, with a copy to the Fiscal Agent, require that all the Bonds be redeemed at par plus accrued interest from the last Interest Payment Date preceding the early redemption date until the actual date set for redemption, under the following circumstances:

- (a) default is made by the Company in the payment when due of interest on any of the Notes, if such default shall not have been remedied within 5 business days thereafter; or
- (b) default in the performance of, or compliance with, any other obligation of the Company under the Notes other than as referred to in paragraph (a) above, if such default shall not have been remedied within 30 calendar days after receipt by the Fiscal Agent of written notice of such default given by the representative of the *masse* of the Bondholders; or
- (c) the Company makes any proposal for a general moratorium in relation to its debts; or applies for the appointment of a conciliator (*conciliateur*); or enters into an amicable settlement (*accord amiable*) with its principal creditors pursuant to Articles L.611-3 to L.611-6 *et seq.* of the French *Code de Commerce* (as amended from time to time); or a judgement is issued for the judicial liquidation (*liquidation judiciaire*) or for the transfer of the whole of the business (*cession total de l'entreprise*) of the Issuer; or, if the Company is subject to any other similar measure or proceedings; or if the Issuer makes any conveyance, assignment or other arrangement for the benefit of, or enters into an agreement with, all of its creditors or its principal creditors with a view to restructuring or rescheduling of its indebtedness; or if the Company is wound up or dissolved except with the prior approval of the *Masse* for the purposes of an amalgamation, reorganisation, consolidation or merger; or

- (d) any other present or future indebtedness of the Company for or in respect of borrowed money becomes due and payable (*exigible*) on or prior to its stated maturity by reason of the occurrence of a default, event of default or another similar condition or event (however described) with equivalent effect (together, “**default**”), provided that the aggregate amount of the relevant indebtedness equals or exceeds €100,000,000 or its equivalent in any other currency unless such default is contested in good faith by the Issuer before a competent court or by other appropriate proceedings provided that the claim alleging the occurrence of such default is withdrawn, dismissed or stayed with 90 calendar days from the date on which the relevant indebtedness was first alleged to have become due and payable; or
- (e) all or any substantial part of the assets or revenues of the Company shall at any time be attached or shall become subject to any order of court or the enforcement of any security interests (*sûretés réelles*) and such attachment of order shall remain in effect and not be discharged for, or the steps taken to enforce any such security interests shall not be withdrawn or stayed within 30 calendar days;
- (f) the shares of the Company are no longer be admitted for trading on the *Premier Marché* of Euronext Paris S.A. or on any regulated or similar market of any member countries of the European Union.

### 2.3.8 Gross Yield to Maturity

1.75 % as at the settlement date (provided that the Bonds are not converted and/or exchanged into shares or redeemed prior to maturity).

On the French bond market, "yield to maturity" means the annual rate which, at a given date, equals at such rate on a compound interest basis, the current value of all amounts payable and all amounts receivable under the Bonds (as defined by the *Comité de normalisation obligataire*).

For information purposes, the following table sets forth the prices which an ACCOR share should reach on the maturity date of the Bonds and the annual growth rate for the Shares in order to provide the specified yields to maturity:

Yield to maturity at settlement date <sup>(1)</sup>	Share price at maturity in euros	Implied average annual growth rate for the share <sup>(2)(3)</sup>
OAT - 1.67 % = 1.75 %.	€40.96	5.14%
OAT = 3.42 %.	€43.93	6.91%
OAT + 1.00 % = 4.42 %.	€45.79	7.97%
OAT + 2.00 % = 5.42%.	€47.70	9.03%

(1) The rate of current yield interpolated from the Treasury Bonds (*Obligations assimilables du Trésor*) with the same due date: 3.42 % on 16 October 2003.

(2) Without taking into account dividends.

(3) Compared to the reference price of €33.2066 and a calculation date of 24 October 2003.

### **2.3.9 Term and average duration of Bonds**

4 years and 69 days from the settlement date to the date set for redemption of the Bonds (the average duration is identical to the term of the Bonds in the absence of conversion and/or exchange for shares and in absence of early redemption).

### **2.3.10 Further Issues**

If the Company subsequently issues further bonds having in all respects the same rights as the Bonds, the Company may, without the consent of the Bondholders and provided that the terms and conditions of all such bonds so permit, consolidate (*assimilation*) the Bonds and such further bonds, thereby treating them as the same issue for their financial service and trading purposes .

### **2.3.11 Status and Negative Pledge**

#### **2.3.11.1 Status**

The Bonds and the interest thereon constitute direct, general, unconditional, unsubordinated and unsecured obligations of the Company, and rank equally amongst themselves and *pari passu* with all others, present or future unsecured and unsubordinated obligations of the Company.

#### **2.3.11.2 Negative Pledge**

So long as any of the Bonds remain outstanding, the Issuer will not create or permit to subsist any mortgage, charge, lien, pledge or other security interest (*sûreté réelle*) upon the whole or any part of its present or future assets or revenues for the benefit of any holders of any other bonds (*obligations*) to secure (1) payment of any sum due in respect of any other bonds or (2) any payment under any guarantee of or indemnity or other like obligation relating to any other bonds, unless the Issuer's obligations under the Bonds are equally and rateably secured. This undertaking is given only in relation to security granted in favour of holders of other bonds (*obligations*) and does not affect in any way the right of the Company to otherwise dispose of its assets or to grant any security in respect of such assets in any other circumstances.

### **2.3.12 Guarantee**

Payments of interest, principal, taxes, costs and ancillary amounts and any other amounts due have not been guaranteed.

### **2.3.13 Underwriting of Subscription**

A syndicate of banks lead-managed by BNP Paribas and Société Générale will underwrite the issue pursuant to the terms of an underwriting agreement which shall be entered into with the Company on 16 October 2003.

### **2.3.14 Rating**

Standard & Poor's and Fitch have confirmed that the Bonds will be rated "BBB" and "BBB+" respectively.

### **2.3.15 Representation of Bondholders**

In accordance with article L.228-46 of the *Code du commerce*, the Bondholders will be grouped together in a collective group ("*masse*"), which shall have legal personality.

Pursuant to article L.228-47 of such *Code*, the representative of the *masse* will be:

Association de représentation des masses d'obligataires

Centre Jacques Ferronnière  
32, rue du Champ de Tir, B.P. 81236  
44312 NANTES Cedex 3  
represented by *Président* Mr Alain Foulonneau,  
domiciled at the above address

The acting representative will have the power, without restriction or reservation, to take, on behalf of the *masse*, all actions of an administrative nature necessary to protect the interests of the Bondholders.

The representative will exercise its duties until its dissolution, resignation or termination of its duties by a general meeting of the Bondholders or until it becomes incapable of acting or unable to act. The appointment of the representative shall automatically cease on the date of final or total redemption, prior to maturity or otherwise, of the Bonds. This appointment will be automatically extended until the final resolution of any proceedings in which the representative is involved and the enforcement of any judgements rendered or settlements made.

The Company will bear the remuneration of the representative of the *masse* and the costs of calling general meetings of the Bondholders, publishing their decisions and fees linked to the possible designation of the representative of the *masse* according to article L.228-50 of the French *Code de commerce* and, all the costs of administration and of management of the *masse* of Bondholders and of general meetings.

Meetings of the Bondholders shall be held at the registered office of the Company or such other place as is specified in the notice of the meeting.

Each Bondholder shall have the right, during the period of 15 days prior to any meeting of the *masse*, to examine and take copies of or to cause an agent to do so on its behalf, at the registered office or administrative headquarters of the company or at such other place as is specified in the notice for such meeting, the text of the resolutions to be proposed and any reports to be presented to such general meeting.

In the event of the consolidation of the Bonds with further issues of Bonds giving identical rights to Bondholders and if the terms and conditions of such Bonds so permit, the Bondholders of all such issues shall be grouped together in a single *masse*.

### **2.3.16 Tax regime**

Pursuant to applicable law, the following summary sets out the tax regime applicable to holders of the Bonds. However, all individuals or legal entities, whether or not resident in France, should consult their usual tax advisers for details of the tax regime which applies to their particular case.

On 3 June 2003 the ECOFIN Council adopted a directive regarding the taxation of savings income. According to the terms of such directive, a Member State will be required to provide to the tax authorities of another Member State details of payments of interest (or other similar income) made by an individual within its jurisdiction to an individual resident in that other Member State. During a transitional period, Belgium, the Grand-Duchy of Luxembourg and Austria will not be subject to such obligations but will have to withhold an

amount on such payments. The provisions of such directive will be applicable as from 1 January 2005, subject to the provisions of Article 17 of the directive.

In addition, non-French residents should comply with the tax laws applicable in the jurisdiction in which they are resident.

#### 2.3.16.1 French-tax residents

##### 1. Individuals holding the Bonds as part of their private assets

###### (a) Interest and redemption premium

The redemption premium equals the difference between any amounts to be received upon redemption of the Bonds, other than interest paid each year and remaining due after the acquisition, and the amount paid at the time of the acquisition of the Bonds.

Annual interest and, as the case may be, the redemption premium received by individuals holding the Bonds as part of their private assets are:

- either included in the taxable income subject to:
  - income tax computed on a progressive scale;
  - the general social contribution (*contribution sociale généralisée*) of 7.5%, of which 5.1% are deductible from income tax;
  - the social levy (*prélèvement social*) of 2%;
  - the social debt repayment contribution (*contribution pour le remboursement de la dette sociale*) of 0.5%.
- or, at the tax payer's option, subject to a final withholding tax at the rate of 15%, plus:
  - the general social contribution (*contribution sociale généralisée*) of 7.5%;
  - the social levy (*prélèvement social*) of 2%;
  - the social debt repayment contribution (*contribution pour le remboursement de la dette sociale*) of 0.5%.

###### (b) Capital gains

Pursuant to Article 150-0 A of the French Tax Code (the "FTC"), capital gains realised by individuals will be subject to income tax at a rate of 16%, from the first euro of such gains, if the aggregate amount of dispositions of securities for the calendar year exceeds €15,000 per fiscal household, plus:

- the general social contribution (*contribution sociale généralisée*) of 7.5%;
- the social levy (*prélèvement social*) of 2%;
- the social debt repayment contribution (*contribution pour le remboursement de la dette sociale*) of 0.5%.

Capital losses can be set off against capital gains of the same type realised in the same year or, if necessary, in the 10 following years provided that

dispositions in the year that the capital loss was realised exceeded the above-mentioned threshold .

- (c) Conversion and/or exchange of the Bonds for shares

See Paragraph 2.6.6.1.1 below.

- (d) Wealth tax

Bonds held by individuals are considered as a part of their private assets subject, as the case may be, to wealth tax.

- (e) Inheritance or gift tax

Bonds acquired by inheritance or gift are subject to French inheritance or gift tax.

2. Legal entities subject to corporation tax

- (a) Interest and redemption premium

Interest accrued on Bonds during the calendar year and, as the case may be, any redemption premium received, are included in taxable income and subject to tax at the rate of 33<sup>1/3</sup>%, plus an additional contribution of 3% of the gross amount of the corporation tax and a social contribution of 3.3% of the gross amount of the corporation tax applies;with an allowance of €763,000 for each 12-month period.

However, for companies which have a turnover of less than €7,630,000 and whose share capital is fully paid-up and held continuously during the relevant financial year for at least 75% by individuals (or by entities satisfying these conditions), the corporate tax rate is set, up to a maximum of €38,120 of the taxable profit for a period of 12 months, at 15%. In addition, such companies are exempt from the social contribution of 3.3% mentioned above.

- (b) Capital gains

Disposition of Bonds may lead to a gain or loss to be included in the taxable income.

The amount of the gain or loss is equal to the difference between the sale price and the subscription or acquisition price of the Bonds plus, as the case may be, the amounts of redemption premium that have already been subject to tax and to be received, and is taxed at a rate of 33<sup>1/3</sup>% (or as the case may be at a rate of 15% up to a limit of €38,120 for a period of 12 months for companies meeting conditions described in paragraph 2.3.16.1.2 (a) above), plus the additional contribution of 3% mentioned above, as well as a social contribution of 3.3% under the above-mentioned conditions.

- (c) Conversion and/or exchange of the Bonds into shares

See Paragraph 2.6.6.1.2 below.

#### 2.3.16.2 Non-French-Tax residents

(a) Income tax (interest and redemption premium)

Bonds (*obligations*) issued by French legal entities and denominated in euro are deemed to be made outside the Republic of France for the purpose of Article 131 *quater* of the FTC (*Instruction administrative* 5 I-11-98 of 30 September 1998). As a result, interest on the Bonds and redemption premium which are paid to persons who are resident for tax purposes, or who have their registered office outside the Republic of France, are exempt from the mandatory deduction at source provided in Article 125-A-III of the FTC. Interest payments are also exempt from the social contributions.

(b) Capital gains

Gains realised on disposition of Bonds by persons who are not domiciled for tax purposes in France within the meaning of Article 4-B of the FTC, or whose registered office is located outside France (which do not have a permanent establishment or fixed base in France and as part of whose assets the Bonds are recorded) are not subject to tax in France.

(c) Conversion and/or exchange of the Bonds into shares

See Paragraph 2.6.6.2 below.

(d) Wealth Tax

Wealth Tax does not apply to bonds issued by French companies and held by individuals domiciled outside France, within the meaning of Article 4-B of the FTC.

(e) Inheritance and gift tax

France applies inheritance and gift tax to securities issued by French companies which are acquired by way of inheritance or gift by a person who is not resident in France. France has entered into treaties with a number of countries for the avoidance of double taxation with respect to inheritance and gift taxes, pursuant to which the residents of the relevant countries may, subject to satisfying certain conditions, be exempted from inheritance and gift tax or obtain a tax credit.

Potential investors are urged to consult immediately their advisors as regards their liability to inheritance and gift tax resulting from the holding of Bonds of the Company, and the conditions under which they might obtain relief from inheritance and gift tax by virtue of one of the tax treaties entered into by France.

## 2.4 LISTING AND TRADING

### 2.4.1 Listing

An application has been made to list the Bonds on the *Premier Marché* of Euronext Paris S.A. The first listing is expected to be on 24 October 2003, the settlement date of the Bonds, under the ISIN Code FR0010026765. No further listing on any other market is expected.

### 2.4.2 Restriction on transfer of the Bonds

No restrictions are imposed by the terms and conditions of the issue on the free transferability of the Bonds.

### 2.4.3 Listing of securities of the same type

The Company, in May 2002, issued bonds in a nominal amount of €570,000,111.36 represented by 3,415,424 bonds convertible an/or exchangeable for new or existing ACCOR shares of a nominal unit price of €166.89, issued at par, bearing an annual rate of interest of 1%. These bonds will be redeemed by redemption of a third of the initial nominal value of each bond:

- on 1 January 2005, at a redemption price of €58.86 per bond, *i.e.* approximately 105.81% of the fraction of the nominal value to be redeemed on this date;
- on 1 January 2006, at a redemption price of €60.14 per bond, *i.e.* at approximately 108.11% of the fraction of the nominal value to be redeemed on this date; and
- on 1 January 2007, at a redemption price of €61.47 per bond, *i.e.* approximately 110.50% of the nominal value to be redeemed on this date.

A prospectus having received the *visa* number 02-454 dated 25 April 2002 from the *Commission des opérations de bourse* was issued in respect of these bonds.

On 30 June 2003, 3,415,424 bonds convertible and/or exchangeable for new or existing shares remained in circulation corresponding to a total amount of €570,000,111.36.

## 2.5 GENERAL INFORMATION

### 2.5.1 Fiscal agent

The centralisation of the financial service of the issue (for the payment of interest, centralisation of conversion and/or exchange demands, redemption of Bonds etc.) and the administrative service of the Bonds shall be carried out by Société Générale (the “**Fiscal Agent**”).

### 2.5.2 Jurisdiction

Claims against the Company as defendant will be submitted to the jurisdiction of the Court of Appeal of the location of the registered office of the Company and in any other case, such other tribunal in accordance with the nature of the dispute, unless otherwise provided in the *Nouveau Code de Procédure Civile*.

### 2.5.3 Use of proceeds

ACCOR intends to take advantage of market opportunities to refinance its existing debt and to increase its financial flexibility by providing itself with the means of strengthening its own funds in the long term.

## 2.6 CONVERSION AND/OR EXCHANGE OF BONDS INTO SHARES

### 2.6.1 Nature of rights of conversion and/or exchange

The Bondholders shall be entitled, at all times from the settlement date of the Bonds on 24 October 2003 to the seventh business day prior to the early redemption date or the date set for redemption, to be allocated, at the Company’s option, new and/or existing shares in the Company (the “**Conversion/Exchange Right**”) the issue or sale price of which will be off-set against the amount due under the Bond, under the terms set out below and subject to the provisions of paragraph 2.6.7.5 (“**Treatment of Fractions**”).

The Company may at its option deliver new and/or existing shares.

*As at 30 September 2003, the Company held 1,528,731 of its own shares, amounting to 0.77%% of its share capital.*

*The general meeting (assemblée générale mixte) of the shareholders held on 20 May 2003 authorised the implementation of a share repurchase programme that will allow the Company to acquire up to 7% of its share capital. This authorisation is given for a period of 18 months as from the date of such general meeting. This programme was the subject of a "note d'information" by the Commission des opérations de bourse under number 03-295 on 22 April 2003.*

#### **2.6.2 Suspension of the Conversion/Exchange Right**

In the event of an increase in share capital, an issue of securities conferring rights to receive shares, a merger (*fusion*) or demerger (*scission*) or any other financial transactions conferring preferential subscription rights or having a priority subscription period for the benefit of existing shareholders of the Issuer, the Company shall be entitled to suspend the conversion/exchange right for a period not exceeding three months. This right does not prejudice the Conversion/Exchange Rights of holders of Bonds called for redemption or the exercise period provided in paragraph 2.6.3 ("Exercise Period and Conversion/Exchange Ratio").

The Company's decision to suspend the exercise of any Conversion/Exchange Right will be published in a notice in the *Bulletin des annonces légales obligatoires*. This notice will be published at least 15 days before the date on which such suspension comes into force and will mention both the date on which the suspension comes into force and the date the suspension will end. This information will also be published in a financial daily paper with a general circulation in France and in a notice issued by Euronext Paris S.A.

#### **2.6.3 Exercise Period and Conversion/Exchange Ratio**

Each Bondholder shall be entitled to exercise its conversion/exchange right in ACCOR at any time from 24 October 2003, the settlement date of the Bonds, until the seventh business day preceding the early redemption date or the date set for redemption, at a Conversion/Exchange rate of One Accor share with a nominal value of €3 for One Bond (the "**Conversion and/or Exchange Ratio**"), subject to adjustments set out in paragraph 2.6.7.3 ("Adjustments of the Conversion and/or Exchange Ratio in the event of financial transactions").

The Company, at its option, may issue new shares and/or existing shares.

For Bonds redeemed at maturity or earlier, the Right of Conversion and/or Exchange will end on the seventh business day preceding the redemption date.

Any Bondholder who has not exercised its conversion/exchange right prior to such seventh business day will receive the redemption price as determined in accordance with paragraphs 2.3.7.1 ("Redemption of the Bonds at maturity") or paragraph 2.3.7.3 ("Early redemption at the option of Accor"), as the case may be.

#### **2.6.4 Exercise of the Conversion/Exchange Right**

To exercise their Conversion/Exchange Rights, Bondholders should make their request to the intermediary with whom their Bonds are registered. Société Générale will ensure the co-ordination of all such requests.

Any request for the exercise of the ACCOR Conversion/Exchange Right received by Société Générale in its capacity as centralising agent during a calendar month (the "exercise period") will take effect on the earlier of the following dates (the "Exercise Date"):

- (a) the last business day of such calendar month; and
- (b) the seventh business day preceding the date set for redemption.

In respect of Bonds having the same exercise date, the Company shall be entitled, at its option, to choose between:

- the conversion of Bonds into new shares;
- the exchange of Bonds into existing shares; or
- the delivery of a combination of new and existing shares.

All Bondholders of the same bond issue having the same Exercise Date will be treated equally and will have their shares converted and/or exchanged, as the case may be, in the same proportion, subject to any rounding adjustments.

Bondholders will receive their shares on the seventh business day following the Exercise Date.

#### **2.6.5 Rights of Bondholders to interest payments on the Bonds and dividends in respect of shares delivered**

In the event of an exercise of the Conversion/Exchange Right, no interest will be payable to Bondholders in respect of the period from the last interest payment date preceding the Exercise Date to the date on which shares are delivered.

The rights of new shares issued as a result of a conversion of Bonds are set out in paragraph 2.7.1.1 below ("New Shares to be issued on conversion").

The rights of existing shares delivered pursuant to an exchange of Bonds are set out in paragraph 2.7.1.2 below ("Existing Shares remitting from exchange").

#### **2.6.6 Taxation on conversion and/or exchange**

Pursuant to applicable law, the following tax regime applies:

##### **2.6.6.1 French-tax residents**

###### **1. Individuals holding securities as part of their private assets**

Any capital gain realised upon conversion of the Bonds into new shares or on exchange of the Bonds for existing shares benefits, within the limits of the Conversion/Exchange Ratio, from a tax deferral provided by Article 150-0 B of the FTC.

In the event of a subsequent transfer of shares, the net capital gain, calculated on the basis of the acquisition price or value of the Bonds will be subject to the capital gains tax regime which applies to securities (See paragraph 2.7.4.1.1(b) below).

###### **2. Legal entities subject to corporation tax**

###### **(a) Regime on conversion of Bonds into new shares**

Capital gains realised upon conversion of the Bonds into new shares will benefit from the tax deferral provided for in Article 38-7 of the FTC.

On a subsequent transfer of the shares delivered upon conversion, the capital gain or loss will be calculated on the basis of the value for tax purposes that the Bonds were deemed to have had for the transferor.

Subject to a penalty equal to 5% of the sums deferred, the legal entity benefitting from such tax deferral must satisfy the annual disclosure requirements provided for by Article 54 *septies* I and II of the General Tax Code until the expiry date of such deferral.

(b) Regime on exchange of Bonds for existing shares

The tax deferral regime will not apply to the exchange of Bonds into existing shares. In this case, any profit resulting from an exchange will be subject to corporation tax as specified by French law and described in paragraph 2.3.16.1.2(b) above.

The same will apply in the case of a delivery of both new and existing shares for a Bond.

2.6.6.2 Non-French residents

Capital gains realised on the conversion of their Bonds into new shares and/or on the exchange of Bonds into existing shares by persons who are non-resident in France for tax purposes or who do not have their registered office in France (and not have a permanent establishment or fixed base in France as part of whose assets the Bonds are recorded) are not subject to tax in France.

**2.6.7 Maintenance of Bondholders' Rights**

2.6.7.1 *Company's obligations*

In accordance with French law, the Company undertakes, for as long as any Bonds to be converted and/or exchanged into new or existing shares are outstanding, not to redeem its share capital, or to alter the way it allocates its profits, without having taken all necessary measures in order to preserve the rights of the Bondholders which would exercise their Conversion/Exchange Right.

2.6.7.2 *Capital reduction resulting from losses*

In the event of a reduction of capital resulting from losses, whether by way of reduction in the nominal value or the number of shares, the rights of Bondholders to exercising their Conversion/Exchange Right will be reduced accordingly, as if such Bondholders had been shareholders as of the date of issue of the Bonds.

2.6.7.3 *Adjustments to the conversion/exchange ratio in the event of financial transactions*

As a result of any of the following transactions:

- issue of securities carrying quoted preferential subscription rights;
- increase in share capital by capitalisation of reserves, profits or share premiums and distribution of bonus shares; the subdivision or consolidation of shares;
- capitalisation of reserves, profits or share premiums effected by increasing the nominal value of shares;
- distribution of reserves or premiums in cash or in securities;

- distribution to shareholders of any bonus financial instruments other than shares in the Company;
- takeover, merger, demerger;
- repurchase of its own shares at a price higher than the market price,
- distribution of an exceptional dividend;

which the Company may carry out subsequent to the issue of the Bonds, the rights of Bondholders will be protected by means of an adjustment of the Conversion/Exchange Ratio up to the maturity date or early redemption date in accordance with the provisions set out below.

In the event of an adjustment carried out in accordance with paragraphs (1) to (8) below, the new Conversion/Exchange Ratio will be calculated to three decimal places by rounding to the nearest thousandth (with 0.0005 being rounded upwards to 0.001). Any subsequent adjustments will be carried out on the basis of such newly calculated and rounded Conversion/Exchange Ratio. However, the Bonds may only result in the delivery of a whole number of shares, the treatment of fractions being dealt with below (see paragraph 2.6.7.5).

1. In the event of a financial transaction conferring listed preferential subscription rights, the new Conversion/Exchange Ratio of shares will be determined by multiplying the ratio in effect prior to the relevant transaction by the following formula:

$$\frac{\text{Share price ex-subscription right} + \text{price of the subscription right}}{\text{Share price ex-subscription right}}$$

Share price ex-subscription right

For the purposes of calculating this formula, the prices of the share ex-subscription right and of the subscription right will be determined on the basis of the average of the opening prices quoted on Euronext Paris S.A. (or, in the absence of listing by Euronext Paris S.A., on any other regulated or similar market on which the shares and subscription rights are both listed) on each stock exchange trading day falling in the subscription period during which the shares ex-subscription right and the subscription right are simultaneously quoted.

2. In the event of an increase in share capital by capitalisation of reserves, profits or share premium and distribution of bonus shares, or by the subdivision or consolidation of shares, the new Conversion/Exchange Ratio will be determined by multiplying the Conversion/Exchange Ratio in effect prior to the relevant transaction by the following formula:

$$\frac{\text{Number of shares existing after transaction}}{\text{Number of shares existing before transaction}}$$

Number of shares existing before transaction

3. In the event of an increase in share capital by means of a capitalisation of reserves, profits or share premia effected by increasing the nominal value of the shares, the Conversion/Exchange Ratio will not be adjusted but the nominal value of the shares which may be delivered to Bondholders exercising their

Conversion/Exchange Rights in the Company shares will be increased accordingly.

4. In the event of a distribution of reserves or share premia in the form of cash or securities, the new Conversion/Exchange Ratio of shares will be determined by multiplying the Conversion/Exchange Ratio in effect prior to the relevant transaction by the following formula:

Share price before distribution

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Share price before distribution less the amount distributed or the value of the securities distributed in relation to each share

For the purposes of calculating this formula :

- the share price before the distribution will be calculated on the basis of the average of the opening prices quoted on Euronext Paris S.A. (or, in the absence of a listing by Euronext Paris S.A., on any other regulated or similar market on which the shares and subscription rights are both listed) on 20 consecutive stock exchange trading days on which the shares are quoted, chosen by the Company from the period of 40 trading days preceding the date of distribution;
  - the value of securities distributed will be calculated as described above if the securities are quoted on a regulated or other similar exchange. If the securities are not quoted on a regulated or other similar exchange before the date of distribution, such value will be determined on the basis of the average of the opening prices quoted on such regulated or other exchange on 20 consecutive stock exchange trading days on which the shares are quoted, chosen from the period of 40 stock exchange trading days following the date of distribution if the securities are quoted during the period of 40 stock exchange trading days following their distribution or, in any other case, as determined by an independent expert of international repute chosen by the Company.
5. In the event of a distribution of bonus financial instrument(s) other than shares in the Company, the new Conversion/Exchange Ratio of the Company shares will be equal to:
- (a) if the right to receive bonus financial instruments is quoted on Euronext Paris S.A., the product of the Conversion/Exchange Ratio in effect prior to the relevant transaction and the following formula:

Share price ex-right plus  
the price of the right to receive bonus securities

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Share price ex-right

For the purposes of calculating this formula, the prices of the shares ex-right and of the right to receive bonus securities will be determined on the basis of the average of the opening prices quoted on Euronext Paris S.A. (or, in the absence of quotation by Euronext Paris S.A., on any other regulated or similar market on which the shares and subscription rights are

both listed) of the shares and the right to receive on the first 10 stock exchange trading days on which the shares and the right to receive are simultaneously quoted. In the event that this calculation were to result from less than 5 quotations the calculation will be validated or made by an expert of international repute chosen by the Company.

- (b) if the right to receive bonus financial instrument(s) is not quoted on Euronext Paris S.A., the product of the Conversion/Exchange Ratio in effect prior to the relevant transaction and the following formula:

Price of the share ex-right, plus the value of the  
financial instruments attached to each share

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Price of the shares ex-right

For the purposes of calculating this formula, the prices of the shares ex-right and of the financial instruments attached to each share, if the latter are quoted on a regulated or other similar market, will be determined on the basis of the average opening prices quoted on 10 consecutive stock exchange trading days following the date of attribution of such financial instruments during which the shares and the financial instruments are simultaneously quoted. If the financial instruments are not quoted on a regulated or other similar market, their value will be determined by an independent expert of international repute chosen by the Company.

6. In the event that the Company is taken over (*absorption*) by another company or is merged (*fusion*) with one or more companies forming a new company or is demerged (*scission*), the Bonds will be convertible and/or exchangeable into the shares of the acquiring or new company or beneficiary companies of a demerger.

The new Conversion/Exchange Ratio of shares will be determined by multiplying the Conversion/Exchange Ratio in effect prior to the relevant transaction by the ratio of exchange of shares of the Company against the shares in the acquiring or new company or beneficiary companies of a demerger.

These companies will be substituted for the Company for the purpose of the above provisions, in order to, as is necessary, preserve the rights of Bondholders in the case of financial transactions or transactions on securities, and, in general, to ensure that the legal, regulatory and contractual rights of Bondholders are respected.

7. In the event of a buy-back by the Company of its own shares at a price higher than the market price, the new Conversion/Exchange Ratio of shares shall be equal to the product of the Conversion/Exchange Ratio in effect before the buy-back and the following ratio, calculated to the nearest hundredth of a share:

Share value + Pc% x (Buy-back price - Share value)

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Share value

Where:

“Share value” means the average value over at least 10 consecutive stock exchange trading days chosen from the 20 stock exchange trading days immediately preceding the buy-back (or the option to buy-back)

“Pc%” means the percentage of capital bought back

“Buy-back price” means the actual price at which the shares are bought back (by definition, this will be higher than the market price).

8. Distribution of exceptional dividends

If the Company pays out an Exceptional Dividend (as defined below) the new Conversion/Exchange Ratio of shares will be calculated as set out below.

For the purposes of this paragraph (8), the term “Exceptional Dividend” means any dividend paid in cash or in kind to shareholders, where the total amount of this dividend (without taking tax credits into account) (the “Relevant Dividend”) and of all other cash dividends or dividends in kind paid to shareholders during the company’s accounting period (without taking into account any applicable tax credits) (“Previous Dividends”) represents a Ratio of Distributed Dividends (as defined below) of over 5%.

The “Ratio of Distributed Dividends” is the sum of the ratios obtained by dividing the Relevant Dividend and each previous dividend by the company’s market capitalisation on the day preceding the corresponding distribution date; the market capitalisation used to calculate each amount being equal to the product of (x) the closing price of the Company’s shares on Euronext Paris S.A. on the day preceding the date of distribution of the Relevant Dividend or of each Previous Dividend and (y) the respective number of shares existing on each of these dates. Any dividends or fractions of dividends leading to an adjustment of the Conversion/Exchange Ratio of the shares by virtue of paragraphs (1) to (7) above will not be taken into account for the purpose of this clause.

The formula to calculate the new Conversion/Exchange Ratio of the shares in the event of payment of an Exceptional Dividend is as follows:

$$\text{NRA} = \text{RA} \times (1 + \text{RDD} - 2.5\%)$$

where:

- NRA is the new Conversion/Exchange Ratio of the shares
- RA means the last Conversion/Exchange Ratio of the shares in effect before the distribution of the Relevant Dividend; and
- RDD means the Ratio of Distributed Dividends as defined above.

Any dividend (as the case may be, reduced by a fraction of the dividend needed to calculate the new conversion ratio for the shares in accordance with paragraphs 1 to 7 above) paid between the payment date of a Relevant Dividend and the end of the same accounting period of the company will lead to an adjustment using this formula:

$$\text{NRA} = \text{RA} \times (1 + \text{RDD})$$

where :

- NRA is the new Conversion/Exchange Ratio of the shares;
- RA is the last Conversion/Exchange Ratio of the shares in effect before the distribution of the additional dividend; and
- RDD means the ratio obtained by dividing (i) the sum of the additional dividend (not of any part of the dividend giving rise to adjustment of the Conversion/Exchange Ratio of shares under paragraphs (1) to (7) above) without taking into account any applicable tax credits, by (ii) the market capitalisation of the Company equal to the product of (x) the closing price of the Company's shares on the Paris Stock Exchange on the day preceding the date of distribution of the additional dividend and (y) the number of shares of the Company existing at such time.

In the event that the Company carries out transactions in respect of which an adjustment under one of paragraphs (1) to (8) above has not been carried out and where later French law or regulations would require an adjustment, the Company will carry out such an adjustment in accordance with the laws and regulations and market practice in effect in France at such time.

The Management Board shall report on the components of the calculation and on the results of any adjustment in the next annual report following such adjustment.

#### 2.6.7.4 *Publication of information relating to adjustments*

In the event of an adjustment, the new Conversion/Exchange Ratio will be notified to the Bondholders by a notice published in the *Bulletin des Annonces légales obligatoires* and in a financial newspaper having general circulation in France and by a notice of Euronext Paris S.A.

#### 2.6.7.5 *Treatment of Fractions*

Each Bondholder exercising its rights under the Bonds may receive a number of shares in the Company calculated by multiplying the number of Bonds, having the same exercise date, by the relevant Conversion/Exchange Ratio in effect at such time.

If the number of shares so calculated is not a whole number, the Bondholder may request the delivery of:

- either the nearest whole number of shares immediately less than its entitlement; in which case the Bondholder will receive a cash payment equal to the value of such fraction of a share, calculated on the basis of the opening share price quoted on Euronext Paris S.A. on the last stock exchange trading day of the exercise period during which the Company's shares were quoted;
- or the nearest whole number of shares immediately greater than such entitlement, provided that in such case such Bondholder pays to the Company an amount equal to the value of the additional fraction of a share requested, calculated on the basis set out in the preceding paragraph.

#### 2.6.8 **Notice to Bondholders**

In the event that the Company intends to carry out a transaction carrying preferential subscription rights for its existing shareholders, the Bondholders will be notified prior to the

commencement of such transaction by a notice published in the *Bulletin des Annonces légales obligatoires*, in a financial newspaper having general circulation in France and by a notice of Euronext Paris S.A.

## 2.6.9 Effect of conversion and/or exchange on shareholders

The information provided below, together with the terms of the transaction, will comprise the additional report prepared in accordance with articles 155-2 and 155-3 of the decree of 23 March 1967. This report, together with the additional report of the statutory auditors, is available to shareholders at the registered office of the Company during the prescribed period and will be brought to their attention at the next general meeting.

For information purposes, on the assumption that all the Bonds issued are converted into new Company shares, the effect of this issue and conversion will be as follows:

1) The effect of this issue and conversion of all the Bonds issued on the holding of a shareholder with 1% interest in the Company's share capital prior to the issue and who does not subscribe for Bonds (such calculation being made on the basis of the number of shares as at 31 December 2002 (and 30 June 2003) will be as follows):

	Shareholder's interest 30 June 2003**
Before the issue of the Bonds	1
After the issue and conversion of 13.913.044 Bonds	0.935
After the issue and conversion of 15.304.348 Bonds*	0.929

(\*) in the event of the exercise in full of the Over Allotment Option as defined in paragraph 2.2.1

(\*\*) with no modification in comparison with 31 December 2002

2) The effect of the issue and conversion of the Bonds in proportion to the consolidated shareholders' equity as at 31 December 2002 and 30 June 2003 for the holder of one ACCOR share not subscribing to this issue will be as follows:

	30 June 2003	Share in shareholders' equity 31 December 2002
Before the issue of the Bonds	€18.05	€19.54
After the issue and conversion of 13.913.044 Bonds	€19.50	€20.89
After the issue and conversion of 15.304.348 Bonds *	€19.64	€21.01

(\*) in the event of the exercise in full of the Over Allotment Option as defined in paragraph 2.2.1

## **2.7 SHARES ISSUED UPON CONVERSION OR EXCHANGE OF THE BONDS**

### **2.7.1 Rights attaching to the shares to be issued**

#### *2.7.1.1 New shares to be issued on conversion*

New shares issued upon conversion of the Bonds shall be subject to all provisions of the Company's articles of association (*statuts*) and will carry dividend rights as of the first day of the financial year in which conversion takes place. Such shares will give holders the right to all the dividends paid in respect of the financial year in which such conversion occurred and following financial years. They will entitle holders in respect of that financial year and the following financial years to the same dividend (on the basis of the same nominal value) as that paid in respect of other ordinary shares with equivalent rights. As a result, they will be fully assimilated to such ordinary shares from the date of payment of the dividends relating to the preceding financial year, or if none were distributed, following the annual general meeting called to approve the accounts of that financial year.

#### *2.7.1.2 Existing shares resulting from exchange*

Shares delivered on exchange shall be existing ordinary shares conferring on their holders, from the date of delivery, all the rights attached to ordinary shares provided that in the case the shares go ex-dividend between the exercise date and the settlement date, Bondholders shall not be entitled to the dividend nor to any compensation therefor.

#### *2.7.1.3 General provisions*

Each new or existing share gives the right to an interest in the net assets, profits and liquidation surplus of the relevant company in proportion to that part of the share capital represented by it, taking account of whether any share capital has been redeemed or not, whether the shares have been fully paid up or not, the nominal value of ordinary shares and the rights of different classes of shares.

Each ordinary share gives the right to one vote in general meetings of the Company.

Shares are subject to the provisions of the articles of association.

Dividends which have not been claimed five years after their payment are statute barred and become the property of the French state.

### **2.7.2 Transferability of the shares**

No provision in the articles of association limits the free transferability of the Company shares.

### **2.7.3 Nature and form of the shares**

The Company shares shall be either in bearer or registered form at the option of the shareholder.

Whatever their form, the Company shares are required to be recorded in an account maintained by Company or its agent or by an authorised intermediary. The rights of each holder will be represented by an entry in its name in an account maintained by Société Générale in the case of fully registered shares, by the financial authorised intermediary of the Bondholders' choice and by Société Générale in the case of administered registered shares and by a financial authorised intermediary for bearer shares.

## 2.7.4 Taxation of shares

Pursuant to applicable law, the tax regime applicable is the following.

Investors should note that in the summary below, "dividends" means distributions which have the characteristics of dividends within the meaning of the French administrative regulation 4-J-2-01 dated 14 December 2001. If a distribution to shareholders does not have the characteristics of a dividend within the meaning mentioned above, the applicable tax regime may differ, in particular the provisions relating to the *avoir fiscal* or those relating to the tax credit resulting from the refund of the equalisation tax (*précompte*) may not apply.

Investors should further note that the French government envisages modifying the distribution tax regime. This reform, which is expected to be included in the Finance bill for 2004 (*projet de loi de finances pour 2004*), may result in the implementation of a new mechanism to mitigate double taxation of dividends distributed as from 1<sup>st</sup> January 2005 and, consequently, to the elimination of the *avoir fiscal* mechanism.

### 2.7.4.1 French-tax residents

#### 2.7.4.1.1 Individuals holding their shares as part of their private assets

##### (a) Dividends

Dividends paid by French companies, including a tax credit (*avoir fiscal*) of 50%, when that tax credit is attached to that payment, are taken into account for the calculation of total income in the category of income from shares; dividends benefit from the annual allowance of €2,440 for married couples subject to a joint assessment as well as domestic partners who file joint income tax returns as from the third anniversary of the registration of their union agreement (*pacte civil de solidarité*) (Article 515-1 of the Civil Code) and €1,220 for single persons, widow or widower, divorced persons or married couples who file separate tax returns.

Dividends, as well as related tax credits (*avoirs fiscaux*), are currently subject to income tax on a progressive scale to which is added without any allowances:

- the general social contribution (*contribution sociale généralisée*) of 7.5%, of which 5.1% are deductible from income tax;
- the social levy (*prélèvement social*) of 2%;
- the social debt repayment contribution (*contribution pour le remboursement de la dette sociale*) of 0.5%.

The tax credit attached to dividends is set off against the total amount of income tax payable or is repayable if it exceeds the amount of income tax.

##### (b) Capital gains

Capital gains realised by individuals are subject to income tax at a rate of 16%, from the first euro of such gains, if the total amount of dispositions of securities for the calendar year were in excess of €15,000 per fiscal household, plus:

- the general social contribution (*contribution sociale généralisée*) of 7.5%;
- the social levy (*prélèvement social*) of 2%;

- the social debt repayment contribution (*contribution pour le remboursement de la dette sociale*) of 0.5%.

Capital losses can be set off against gains of the same nature from the same year or, if necessary, the following 10 years provided that the minimum threshold mentioned above was exceeded in the year in which the loss was realised.

For the purposes of these provisions, capital gains of the same type include, in particular, net taxable profits resulting from the termination of a share savings plan (*plan d'épargne en actions*) (hereafter the "PEA") before the end of the fifth year following its opening.

(c) Special regime for PEA

Shares issued by French companies and by companies established in another member State of the European Community and which are subject to corporation tax or any similar tax are normally eligible to be held in a PEA, created by law no. 92-666 of 16 July 1992.

Subject to certain conditions, the dividends received and the capital gains realised are exempt from income tax, but are still subject to the social levy, the general social contribution and the social debt repayment contribution.

The table below summarises the different taxes applicable as at 1 January 2003 on the basis of the closing date of the PEA:

Duration of the PEA	Social levy	General social contribution	Social debt repayment contribution	Income Tax	Total
Less than 2 years	2.0%	7.5%	0.5%	22.5%	32.5% <sup>(1)</sup>
Between 2 and 5 years	2.0%	7.5%	0.5%	16.0%	26.0% <sup>(1)</sup>
More than 5 years	2.0%	7.5%	0.5%	0.0%	10.0%

(1) Over the whole amount where the threshold has been exceeded.

(d) Wealth tax

Shares held by individuals are included in their taxable assets for wealth tax purposes.

(e) Inheritance and gift tax

Shares acquired by way of inheritance or gift are subject to inheritance or gift tax in France.

2.7.4.1.2 Legal entities subject to corporation tax

(a) Dividends

Dividends received, including the *avoir fiscal*, when that tax credit is attached to that payment, are subject to French corporation tax which rate is currently set at of 33 1/3%, plus an additional contribution of 3% assessed on the gross amount of the corporation tax and a further social contribution of 3.3% assessed on the gross amount of the corporation tax on amounts exceeding €763,000 per 12 month period.

However, the rate of corporation tax is set at 15% for the first €38,120 of taxable profits for such 12 month period for entities that have a net turnover of less than €7,630,000 and if at least 75% of their share capital is fully paid-up and has been continuously held by individuals or by a company fulfilling the same criteria relating to paid-up capital, turnover and shareholding. In addition, these companies are exempt from this social contribution of 3.3% mentioned above.

The *avoir fiscal* may be deducted from corporation tax, but may not, in the case of a surplus, be carried over or refunded. Its current rate is set at 10%.

If the distributing company pays equalisation tax (*précompte*) with respect to a dividend distribution, the corporate shareholders receiving the *avoir fiscal* at the rate of 10% have the right to an additional tax credit equal to 80% of the amount of the *précompte* actually paid by the Company. This is not applicable to a *précompte* liability that would be satisfied by the use of an *avoir fiscal* or other tax credits. It should also be noted that the *précompte* which would result from a distribution out of the special reserve of long-term capital gains is excluded from this regime.

- Legal entities which benefit from the parent-subsiary tax regime

Legal entities which fulfil the conditions set out under Articles 145 and 216 of the FTC may, upon election, exclude dividends received from their taxable income in application of the parent-subsiary tax regime. However, Article 216 I of the FTC provides for the inclusion in the taxable income of the recipient, of a share of its costs and expenses fixed at 5% of the amount of dividends received (including tax credit). However, this inclusion of costs may not exceed, for each fiscal year, the total amount of the costs and expenses of any kind paid by the recipient during the same period.

In the context of this regime, the *avoir fiscal*, which remains at 50%, is not deductible from corporation tax but may be carried forward for a period of five years and set off against the *précompte* due if the dividends are redistributed.

(b) Capital gains

Capital gains on dispositions of portfolio shares (*titres de portefeuille*) will be subject to income tax at the nominal rate of 33<sup>1</sup>/<sub>3</sub>% (or, as the case may be, at the rate of 15% up to the limit of €38,120 for a period of 12 months for companies fulfilling the conditions described in paragraph 2.7.4.1.2(a) above) plus an additional contribution of 3% mentioned above and, as the case may be, the social contribution of 3.3% under the conditions mentioned above.

However, capital gains resulting from the disposition of controlling interests which have been held for more than two years at the time of the disposition remain subject to long-term capital gains tax, at a reduced rate of 19% (or, as may be the case, 15% within the limit of €38,120 per 12 month period for companies satisfying the conditions set out under paragraph 2.7.4.1.2(a) above) provided that the charges have been made to the special reserve of long-term capital gains, plus the additional contribution of 3% mentioned above applies as well as, if applicable, the social contribution of 3.3% in the conditions mentioned above.

Shares in companies having such characteristics for accounting purposes and, subject to certain conditions, shares acquired through a public offer or exchange

offer, as well as shares which are eligible to the parent company tax regime and shares whose tax basis is at least equal to €22,800,000.

The long-term capital losses resulting from the disposition may be set off against capital gains of the same type realised during the same year or the 10 following years.

#### 2.7.4.2 Non-French-tax residents

##### (a) Dividends

Dividends distributed by companies having a registered office in France are normally subject to withholding at source of 25% when the registered office or tax domicile of the beneficiary is outside France.

Under certain conditions, this withholding tax may be reduced or even eliminated as a result of an international tax treaty or Article 119 *ter* of the FTC and the tax credit may, possibly, be transferred pursuant to such treaty.

As an exception, dividends from a French source paid to persons who do not have a tax domicile or registered office in France and who are entitled to transfer their tax credit pursuant to a tax treaty in order to avoid double taxation shall be subject to withholding tax at the reduced rate provided for in the treaty, provided notably that the relevant persons prove, before the date of payment of the dividends, that they are not resident in France for tax purposes pursuant to the relevant treaty (*Instruction administrative* 4-J-1-94 of 13 May 1994).

##### (b) Capital gains

Gains arising from the disposition of securities by persons who are not resident for tax purposes in France within the meaning of Article 4B of the FTC or whose registered office is outside France (and not having a permanent establishment or fixed base in France as part of whose assets the shares are recorded) and which have not held at any time, directly or indirectly, alone or together with the members of their family rights to more than 25% of the profits of the company during the five years preceding the sale, are not subject to French tax.

##### (c) Wealth tax

In principle, wealth tax does not apply to shares of the Company held by individuals domiciled outside France (within the meaning of Article 4-B of the FTC) and who hold, directly or indirectly, less than 10% of the share capital of the Company provided, however, that their holding does not permit them to exercise any influence over the Company.

##### (d) Inheritance or gift tax

France applies inheritance or gift tax to shares in French companies which are acquired by way of inheritance or gift by a person who is not resident in France. France has entered into treaties with a number of countries for the avoidance of double taxation with respect to inheritance and gift taxes, pursuant to which the residents of the relevant countries may, subject to satisfying certain conditions, be exempted from inheritance or gift tax or obtain a tax credit.

Potential investors are urged to consult immediately their advisors as regards their liability to inheritance or gift tax resulting from their holding in the Company, and the

conditions under which they might obtain relief from inheritance or gift tax by virtue of one of the tax treaties entered into with France.

**2.7.5 Listing of new shares**

Application will be made to list the new shares issued as a result of conversion of the Bonds periodically on Euronext Paris S.A. Existing shares that have been exchanged for Bonds shall be immediately tradable on such exchange.

*2.7.5.1 Assimilation of new shares*

Application will be made to list the new ACCOR shares resulting from conversion to trading on Euronext Paris S.A. based on the date from which they carry full dividend rights either directly on the same line with the existing shares or, initially, on a second line. Accor's shares are listed on the *Premier Marché* of Euronext Paris S.A. (ISIN Code: FR000012040).

The Accor shares are admitted to the *Système de Règlement Différé* (SRD).

*2.7.5.2 Other places of listing*

The Accor shares are not listed on any other exchange.

ACCOR American Depositary Receipt (ADR) transactions in the United States of America take place on the Over The Counter (OTC) market.

## CHAPTER III

### GENERAL INFORMATION ON ACCOR AND ITS SHARE CAPITAL

Information contained in this chapter is included in the *document de référence* filed with the *Commission des opérations de bourse* on 25 March 2003 under number D.03-307 and the amendment to the *document de référence*, which was filed with the *Commission des opérations de bourse* on 16 October 2003 under the number D.03-307-R01. This information remains accurate at the date of this prospectus.

Average of the closing prices of Accor shares on the *Premier Marché* of Euronext Paris S.A. since the filing of the *document de référence*:

Date	Average of the closing prices (in €)
March 2003	27.69
April 2003	27.70
Mai 2003	31.19
June 2003	32.46
July 2003	32.53
August 2003	34.42

Source: Euronext Paris S.A.

Historical data on the OCEANE 1% April 2002 / January 2007

	Last price	Highest price	Lowest price	Weighted Average Price	Volume (M€)
May 2002	166.98	169.00	163.85	167.41	24 181
June 2002	165.67	167.90	163.00	164.90	2 467
July 2002	159.87	166.80	145.00	161.26	2 154
August 2002	162.40	168.40	152.00	162.04	2 686
September 2002	162.34	168.40	152.00	160.59	270
October 2002	162.80	165.25	154.00	162.50	9 195
November 2002	166.01	167.69	164.60	165.90	4 881
December 2002	165.39	168.00	161.50	165.13	4 224
January 2003	165.79	176.00	163.50	167.16	919
February 2003	165.12	166.00	163.40	165.38	506
March 2003	166.45	168.00	165.10	166.42	95
April 2003	167.70	167.70	167.70	167.70	2 013
May 2003	170.38	171.50	168.50	171.35	156
June 2003	173.80	175.10	172.50	174.56	430

	<b>Last price</b>	<b>Highest price</b>	<b>Lowest price</b>	<b>Weighted Average Price</b>	<b>Volume (M€)</b>
July 2003	171.04	173.90	160.20	171.29	1 524
August 2003	174.73	176.10	173.80	175.66	12
September 2003	174.57	180.00	173.00	173.98	2 129

Source: Fininfo

## **CHAPTER IV**

### **INFORMATION ON THE BUSINESS OF ACCOR**

Information concerning this chapter is included in the *document de référence* filed with the *Commission des opérations de bourse* on 25 March 2003 under number D.03-307 and the amendment to the *document de référence*, which was filed with the *Commission des opérations de bourse* on 16 October 2003 under the number D.03-307-R01. This information remains accurate at the date of this prospectus.

## CHAPTER V

### ASSETS, LIABILITIES, FINANCIAL SITUATION AND RESULTS

Information concerning this chapter is included in the *document de référence* filed with the *Commission des opérations de bourse* on 25 March 2003 under number D.03-307 and the amendment to the *document de référence*, which was filed with the *Commission des opérations de bourse* on 16 October 2003 under the number D.03-307-R01. This information remains accurate at the date of this prospectus, subject to the following additional information.

## 5.1 FIRST HALF-YEAR 2003 CONSOLIDATED INCOME STATEMENT

The assets, the liabilities, the financial position and the results of the ACCOR group for the first 2003 semester were released on 10 September 2003 and published in the *Bulletin des Annonces légales obligatoires* dated 1<sup>st</sup> October 2003. These financial statements are provided below.

### Consolidated income statement

In € million at 30 June 2003	Notes	2002	June 30, 2002	June 30, 2003
Revenues		7,071	3,548	3,278
Other operating revenues		68	37	28
<b>CONSOLIDATED REVENUES</b>	3	<b>7,139</b>	<b>3,585</b>	<b>3,306</b>
Operating expense		(5,203)	(2,652)	(2,489)
<b>EBITDAR</b>	4	<b>1,936</b>	<b>933</b>	<b>817</b>
Rental expense	5	(726)	(365)	(366)
<b>EBITDA</b>		<b>1,210</b>	<b>568</b>	<b>451</b>
Depreciation and operating provision expense	6	(455)	(243)	(228)
<b>EBIT</b>	7	<b>755</b>	<b>325</b>	<b>223</b>
Net interest expense	8	(66)	(26)	(33)
Income from companies accounted for by the equity method	9	14	4	(10)
<b>PROFIT BEFORE TAX</b>		<b>703</b>	<b>303</b>	<b>180</b>
Gains and losses on disposal of hotel properties	10	54	17	40
Gains and losses on disposal of other assets	11	(30)	5	6
Amortization of goodwill	14	(109)	(50)	(49)
Income tax	12	(234)	(111)	(55)
Exceptional items (net of tax and minority interests)	13	68	70	-
Minority interests	23	(22)	(13)	(16)
<b>NET INCOME (GROUP SHARE)</b>		<b>430</b>	<b>221</b>	<b>106</b>
Weighted average number of shares outstanding (in thousands)	22	197,573	197,365	197,730
<b>BASIC EARNINGS PER SHARE (in €)</b>		<b>2.18</b>	<b>1.12</b>	<b>0.54</b>
Fully diluted earnings per share (in €)	22	2.14	1.11	0.54
<b>DIVIDEND PER SHARE (IN €)</b>		<b>1.05</b>	<b>N/A</b>	<b>N/A</b>

**Consolidated balance sheet**

<b>ASSETS</b>	<b>Notes</b>	<b>June 30, 2002</b>	<b>2002</b>	<b>June 30, 2003</b>
<b>In € million at 30 June 2003</b>				
<b>GOODWILL</b>	14	1,711	1,679	1,791
<b>INTANGIBLE FIXED ASSETS</b>	15	475	479	425
<b>PROPERTY, PLANT AND EQUIPMENT</b>	16	4,728	4,521	4,375
Long-term loans	17	406	429	442
Investments in companies accounted for by the equity method	18	254	249	203
Other investments	19	430	487	379
<b>TOTAL FINANCIAL ASSETS</b>		<b>1,090</b>	<b>1,165</b>	<b>1,024</b>
<b>TOTAL FIXED ASSETS</b>	20	<b>8,004</b>	<b>7,844</b>	<b>7,615</b>
Inventories		88	90	169
Trade accounts receivable		1,320	1,139	1,257
Other receivables and accruals	21	993	957	1,037
Service voucher reserve funds		327	345	341
Receivables on asset disposals	28	138	20	106
Short-term loans	28	125	160	175
Marketable securities	28	473	541	469
Cash and cash equivalents	28	228	179	274
<b>TOTAL CURRENT ASSETS</b>		<b>3,692</b>	<b>3,431</b>	<b>3,828</b>
<b>TOTAL ASSETS</b>		<b>11,696</b>	<b>11,275</b>	<b>11,443</b>

### Consolidated balance sheet

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	June 30, 2002	2002	June 30, 2003
In € million at 30 June 2003				
Share capital		592	593	593
Additional paid-in capital		1,892	1,903	1,903
Reserves (retained earnings)		1,100	1,102	1,267
Cumulative translation adjustment		(49)	(135)	(272)
Net income for the year		221	430	106
<b>SHAREHOLDERS' EQUITY</b>	22	<b>3,756</b>	<b>3,893</b>	<b>3,597</b>
Minority interests	23	98	91	106
<b>TOTAL SHAREHOLDERS' EQUITY AND MINORITY INTERESTS</b>		<b>3,854</b>	<b>3,984</b>	<b>3,703</b>
Provisions for contingencies and charges	24	561	528	578
Repackaged Perpetual Subordinated Floating Rate Notes (TSDI)	25 & 28	183	151	116
Convertible bonds (OCEANS)	26 & 28	570	570	570
Other long-term debt	28	2,686	2,493	2,799
Obligations under finance leases	28	178	158	143
<b>TOTAL LONG-TERM DEBT</b>	27	<b>3,617</b>	<b>3,372</b>	<b>3,628</b>
<b>TOTAL NON-CURRENT LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>8,032</b>	<b>7,884</b>	<b>7,909</b>
Trade accounts payable		721	655	728
Other payables and accruals	21	1,236	1,101	1,083
Service vouchers in circulation		1,266	1,304	1,284
Short-term debt	27 & 28	369	234	337
Bank overdrafts	28	72	97	102
<b>TOTAL CURRENT LIABILITIES</b>		<b>3,664</b>	<b>3,391</b>	<b>3,534</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>11,696</b>	<b>11,275</b>	<b>11,443</b>

**Consolidated statement of cash flows**

In € million at 30 June 2003	Notes	June 30, 2002	2002	June 30, 2003
EBITDA		568	1,210	451
Net interest expense (including provision movements)		(26)	(66)	(33)
Income tax (including provision movements)		(83)	(196)	(48)
Elimination of provision movements included in net interest expense and income tax		3	9	7
Dividends received from companies accounted for by the equity method		3	4	2
<b>FUNDS FROM OPERATIONS</b>	29	<b>465</b>	<b>961</b>	<b>379</b>
Renovation and maintenance expenditure (1)	30	(159)	(316)	(139)
<b>FREE CASH FLOW</b>		<b>306</b>	<b>645</b>	<b>240</b>
Development expenditures and investments in technology (2)	31	(407)	(802)	(279)
Proceeds from disposals of assets (3)		392	660	198
Decrease / (increase) in working capital	(*)	(69)	(46)	(198)
Non-operating (gains) losses		(28)	(39)	(34)
<b>NET CASH PROVIDED (USED) BY OPERATING AND INVESTING ACTIVITIES</b>		<b>194</b>	<b>418</b>	<b>(73)</b>
Dividends paid (4)		(314)	(326)	(270)
Share issues (reduction in capital) (5)		-	12	-
Effect of exchange rate changes (6)	(*)	77	144	90
Impact of changes in the scope of consolidation on provisions and minority interests (7)		3	3	12
Reclassification of Compass shares as long term investments		(205)	(204)	-
<b>DECREASE / (INCREASE) IN NET DEBT</b>	28	<b>(245)</b>	<b>47</b>	<b>(241)</b>
Net debt at beginning of period		(2,849)	(2,849)	(2,802)
Net debt at end of period		(3,094)	(2,802)	(3,043)
<b>DECREASE / (INCREASE) IN NET DEBT</b>	28	<b>(245)</b>	<b>47</b>	<b>(241)</b>
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>164</b>	<b>672</b>	<b>147</b>
<b>NET CASH USED BY INVESTING ACTIVITIES (1)+(2)+(3)</b>		<b>(175)</b>	<b>(458)</b>	<b>(220)</b>
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES (4)+(5)</b>	(*)	<b>(314)</b>	<b>(314)</b>	<b>(270)</b>
<b>OTHER CASH FLOWS (6)+(7)</b>		<b>80</b>	<b>147</b>	<b>102</b>
<b>DECREASE / (INCREASE) IN NET DEBT (see note 28)</b>		<b>(245)</b>	<b>47</b>	<b>(241)</b>

(\*) The June and December 2002 accounts of variation of working capital were decreased by monetary variations impacting the working capital.

These non-cash variations were reclassified as "Effect of exchange rate changes" for respectively €98 million and €119 million.

**Changes in consolidated shareholders' equity (before minority interests)**

In € million	Number of shares outstanding	Capital stock	Additional paid-in capital	Cumulative translation adjustment (1)	Retained earnings and net income	Consolidated shareholders' equity
<b>At December 31, 2001</b>	<b>197,364,684</b>	<b>592</b>	<b>1,892</b>	<b>255</b>	<b>1,400</b>	<b>4,139</b>
Issuance of shares :						
- On conversion of bonds	51,000	-	-			
- On exercise of stock options						
- Purchases of treasury stock						
- Mergers						
- Employee share issue	314,135	1	11			12
Gross dividends paid					(298)	(298)
Translation adjustments				(390)		(390)
Net income for the year					430	430
<b>At December 31, 2002</b>	<b>197,729,819</b>	<b>593</b>	<b>1,903</b>	<b>(135)</b>	<b>1,532</b>	<b>3,893</b>
Issuance of shares :						
- On conversion of bonds						
- On exercise of stock options						
- Purchases of treasury stock						
- Mergers						
- Employee share issue						
Gross dividends paid					(265)	(265)
Translation adjustments				(137)		(137)
Net income for the semester					106	106
<b>At June 30, 2003</b>	<b>197,729,819</b>	<b>593</b>	<b>1,903</b>	<b>(272)</b>	<b>1,373</b>	<b>3,597</b>

(1) Including a €14 million negative adjustment related to euro-zone countries at December 31, 2001

Including a €15 million negative adjustment related to euro-zone countries at December 31, 2002

Including a €14 million negative adjustment related to euro-zone countries at June 30, 2003

The €137 million negative translation adjustment for the first semester of 2003 primarily concerns the US dollar. The Euro's evolution against the dollar resulted in a negative translation adjustment to the value of the Group's North American assets, mainly Motel 6 and Red Roof Inns, in the amount of €-99 million for the first semester of 2003.

The US dollar / euro exchange rates used were:

- at December 2001 0.8813
- at December 2002 1.0487
- at June 2003 1.1427

### Key management ratios

	Notes	June 30, 2002	2002	June 30, 2003
Gearing	a	80%	70%	82%
Adjusted Funds From Operations / adjusted net debt	b	16.1%	16.5%	15.2%
Interest Cover	c	5.3	5.6	5.4
Return on Capital Employed	d	10.8%	10.7%	9.9%
Economic Value Added ® (in € million)	e	268	278	231

**Note (a)** : Gearing corresponds to the ratio of net debt to shareholders' equity (including minority interests).

**Note (b)** : Based on the method used by the main rating agencies, the adjusted funds from operations / adjusted net debt ratio is calculated as follows :

- Funds from operations (see consolidated statement of cash flows) are adjusted by adding back two-thirds of rental expense.
- Net debt is adjusted to take into account business acquisitions and disposals, prorated on the basis of the impact on the income statement. For example, the proceeds from a disposal carried out on December 31 will be eliminated in full from the cash equivalents used to compute net debt. Adjusted net debt includes eight times annual rental expense in accordance with the methods recommended by the three leading rating agencies.

**Note (c)** : Interest cover corresponds to Ebitdar expressed as multiple of net interest expense plus one-third of rental expense.

**Note (d)** : Return on Capital Employed (ROCE) is defined below.

**Note (e)** : Creation of the Economic Value Added (**EVA**)

Economic Value Added was calculated for 2002, first half 2002 and first half 2003 as follows:

		June 30, 2002	2002	June 30, 2003
Cost of equity	(1)	9.03%	8.74%	9.17%
Cost of debt (after tax)		2.51%	2.62%	2.26%
Equity / debt weighting				
	Equity	55.48%	58.13%	54.86%
	Debt	44.52%	41.87%	45.14%
<b>Weighted average cost of capital (WACC)</b>	<b>(2)</b>	<b>6.13%</b>	<b>6.18%</b>	<b>6.05%</b>
<b>ROCE after tax</b>	<b>(3)</b>	<b>8.40%</b>	<b>8.56%</b>	<b>8.07%</b>
<b>Capital employed (see ROCE below) (in € million)</b>		<b>11,920</b>	<b>11,846</b>	<b>11,602</b>
<b>Economic Value Added ® (in € million)</b>	<b>(4)</b>	<b>268</b>	<b>278</b>	<b>231</b>

(1) The Beta used to calculate the cost of equity for 2002 and 2003 was 1.0.

(2) WACC is determined as follows :

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

(3) ROCE after tax is determined as follows :

$$\frac{\text{Adjusted EBITDA} - [(\text{Adjusted EBITDA} - \text{depreciation and operating provision expense}) \times \text{tax rate}]}{\text{Capital employed}}$$

For example, the data used at June 30, 2003 were as follows :

Adjusted EBITDA	:	€1,144m (see ROCE below)
Depreciation and operating provision expense	:	€455m
Normative tax rate	:	30.6%
Capital employed	:	€11,602m (see ROCE below)

(4) EVA is determined as follows :

$$(\text{ROCE after tax} - \text{WACC}) \times \text{Capital employed}$$

The impact of a 0.1 increase or decrease in the Beta would have been €28 million in 2002 and €32 million in 2003.

## RETURN ON CAPITAL EMPLOYED (ROCE)

Return on Capital Employed (ROCE) is a key management indicator used internally to measure the performance of the Group's various businesses.

It is also an indicator of the profitability of assets that are either non-consolidated or accounted for by the equity method.

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

- Adjusted EBITDA: for each business, total of EBITDA, plus financial revenues (dividends and interest income) generated by unconsolidated assets, plus share in the net income of companies accounted for by the equity method ;
- capital employed: for each business, total value of fixed assets, based on cost, plus working capital.

ROCE corresponds to the ratio between Ebitda and average capital employed for the period. In June 2003, ROCE stood at 9.9% versus 10.7% the previous year.

Excluding hotels under construction (representing capital employed that does not currently generate any Ebitda), ROCE would have been 11.0% in December 2002 versus 10.1% in June 2003.

In € million	June 30, 2002 (12 months)	2002	June 30, 2003 (12 months)
Capital employed at year-end	12,020	11,601	11,601
Adjustments related to business acquisitions and disposals (1)	18	203	9
Effect of exchange rate changes on capital employed (2)	(118)	42	(8)
<b>Capital employed</b>	<b>11,920</b>	<b>11,846</b>	<b>11,602</b>
EBITDA	1,225	1,210	1,087
Interest income on external loans and dividends	38	40	56
Income from companies accounted for by the equity method	20	14	1
Other adjustments	-	-	-
<b>Adjusted EBITDA</b>	<b>1,283</b>	<b>1,264</b>	<b>1,144</b>
<b>ROCE (Adjusted EBITDA / Capital employed)</b>	<b>10.8%</b>	<b>10.7%</b>	<b>9.9%</b>

(1) For the purpose of calculating ROCE, capital employed in businesses acquired or disposed of during the year is prorated over the period of ownership. For example, the capital employed in a business acquired on December 31 that did not generate EBITDA during the year would not be included in the calculation.

(2) Capital employed is translated at the average exchange rate for the year, corresponding to the rate used to translate EBITDA.

Return on capital employed ( (1)/(2) ratio) over a 12-month rolling period breaks down as follows:

<b>Activities</b>	<b>June 30, 2002 (12 months)</b>	<b>2002</b>	<b>June 30, 2003 (12 months)</b>
<b>HOTELS</b>	<b>10.3%</b>	<b>10.2%</b>	<b>9.3%</b>
Up and mid scale *	9.1%	9.2%	8.1%
Economy Hotels **	14.7%	14.8%	14.7%
Economy Hotels United States	9.3%	8.8%	7.8%
<b>SERVICES</b>	<b>26.8%</b>	<b>26.7%</b>	<b>25.1%</b>
<b>Other businesses</b>			
Travel Agencies	5.5%	9.0%	8.0%
Casinos	15.4%	14.5%	14.7%
Restaurants	10.3%	11.0%	10.0%
Onboard Train Services	9.6%	8.9%	9.0%
Other	1.1%	2.5%	2.0%
<b>Total Group</b>	<b>10.8%</b>	<b>10.7%</b>	<b>9.9%</b>

(\*) 9.9% and 8.5% excluding hotels under construction in 2002 and June 30, 2003 respectively

(\*\*) 15.5% and 15.3% excluding hotels under development in 2002 and June 30, 2003 respectively

## **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements of the Accor Group have been prepared in accordance with French generally accepted accounting principles, including the Group adopted standard CRC 99-02.

As of January 1, 2002, the Group adopted standard CRC 2000-06 concerning liabilities. This change in method had no impact on either opening shareholders' equity or net income for the period.

In view of the international scope of its businesses, where alternative accounting treatments are allowed under French rules, the Group has selected the accounting treatment that most closely reflects international accounting practices (capitalization of finance leases, full recognition in the balance sheet of employee benefit obligations).

The financial statements of consolidated companies, prepared in accordance with local accounting principles, have been restated to conform to Group principles prior to consolidation.

### **A. Consolidation methods**

The companies over which the Group exercises exclusive control, directly or indirectly, are fully consolidated.

Companies controlled and operated jointly by Accor and a limited number of partners are proportionally consolidated.

Companies over which the Group exercises significant influence are accounted for by the equity method. Significant influence is considered as being exercised when the Group owns between 20% and 50% of the voting rights, directly or indirectly.

### **B. Goodwill**

In the year following the acquisition of a consolidated company, fair value adjustments are made to the identifiable assets and liabilities acquired. In subsequent years, these fair value adjustments follow the same accounting treatment as the items to which they relate.

Goodwill, representing the difference between the cost of shares in consolidated companies and the Group's equity in the underlying net assets at the date of acquisition, after the fair value adjustments, is amortized over the estimated period of benefit, not to exceed 40 years. The amortization period is determined based on the nature of the acquired business and prevailing market conditions, as well as the operating assumptions applied and projections made at the time of acquisition.

In the case of an unfavourable change in these factors, the amortization period may be shortened or the unamortized goodwill may be written down.

The amortization periods applied are as follows :

- Hotels 40 years
- Onboard train services 40 years
- Services 40 years
- Travel agencies 40 years
- Restaurants 20 years
- Casinos 20 years

### **C. Foreign currency translation**

The balance sheets of foreign subsidiaries are translated into euros at the closing period exchange rate, and their income statements are translated at the average rate of the year. The resulting differences are recorded as a separate component of shareholders' equity under "Cumulative translation adjustment".

In the case of subsidiaries operating in hyper-inflationary economies, non-monetary balance sheet items are translated at the historical exchange rate, while monetary items are translated at the closing period exchange rate. Income statement items related to non-monetary balance sheet items are also translated at the historical rate.

Other income statement items are translated at the average rate of the month in which the translation was recorded. Differences resulting from the application of this method are recorded in the income statement under "Net interest expense".

### **D. Fixed assets**

#### **D.1. Intangible fixed assets**

Intangible fixed assets are stated at cost.

Start-up costs and organization expenses are amortized over a maximum period of five years.

Lease rights are usually amortized over the life of the lease.

As from January 1<sup>st</sup>, 2002 business rights, networks and brand names are included in goodwill and amortized by the straight-line method over maximum periods described in the above note B.

Intangible assets recognized in connection with business combinations are valued on the basis of estimates obtained from independent experts. These estimates are produced using relevant criteria for the business concerned, which are also applied in subsequent years to determine whether the related assets concerned have suffered any impairment.

- Identified brands are valued by applying a range of criteria, taking into account the level of brand recognition and the profits generated by the business conducted under the brand concerned.
- Market shares of services and onboard train services businesses representing investments made to strengthen the Group's market position are valued based on projections of future revenues and earnings.
- Brands and market shares are not amortized. They are assessed at regular intervals and whenever an event occurs which appears to indicate that their value may not be recoverable. If their fair value, as determined using the criteria applied at the time of acquisition, is lower than their net book value and the impairment in value is of a permanent nature, a provision is booked for the difference.

#### **D.2. Property, plant and equipment**

Property, plant and equipment are stated at cost, including capitalized interest. They are depreciated on a straight-line basis over the following useful lives:

- Formule 1 hotels / Motel 6 motels            40 years
- Other hotels    60 years
- Onboard train services rolling stock        20 years

- Other buildings 10 to 30 years
- Fixtures and fittings, furniture 5 to 10 years

### **D.3. Finance leases, sale and lease-back transactions**

In accordance with the recommended French accounting method dealing with leases, assets acquired under finance leases are capitalized. The Group qualifies as finance leases any leases that transfer substantially all of the risks and rewards of ownership to the lessee. The related assets are capitalized and depreciated over their estimated useful lives, and an obligation in the same amount is recorded under liabilities.

The gain on assets sold under sale and lease-back agreements with all the characteristics of a finance lease is deferred and recognized in the income statement over the life of the lease, except in the case of a permanent impairment in value of the asset.

All other leases are treated as operating leases. Payments under these leases are recorded directly in the income statement. Future payments under operating leases are presented in note 5 below. Gains on assets sold under sale and lease-back agreements with all the characteristics of an operating lease, where the sale price and rent are based on market values determined the most frequently by an independent expert, are recognized directly in income.

### **D.4. Other capital assets.**

Long-term financial portfolio investments and investments in non-consolidated companies are recorded at cost.

### **D.5. Long-lived assets**

Long-lived assets are stated at cost. When cost exceeds the fair value of the asset, a provision for impairment in value is recorded. Fair value is based upon an assessment of the asset's usefulness in enabling the company to achieve its strategic goals.

More specifically, the fair value of hotels (building and business) is calculated according the discounted cash flow method, including a final value based on a multiple of Ebitda. Allowances for impairment in value are charged to the income statement under "Gains and losses on disposal of hotel properties" (See notes 1.P.5 and 10).

Moreover, the fair value of investments in non-consolidated companies is based on the Group's equity in the underlying revalued net assets and the earnings outlook of the company concerned. The fair value of long-term financial portfolio investments reflects the general outlook for the company concerned and therefore does not systematically correspond to market value in the case of listed shares.

Long-lived assets that are intended to be sold are written down to their probable realizable value. The fair value of hotels, the market value is determined according to a multiple of Ebitda over the business cycle.

### **E. Inventories**

Inventories are stated at the lower of weighted average cost and probable realizable value. Moreover, they include assets held for resale.

### **F. Service voucher reserve funds**

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

### **G. Marketable securities**

Market securities are stated at the lower of cost and market.

### **H. Deferred charges**

Deferred charges include:

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

Deferred charges are included in "other receivables and accruals"

### **I. Prepaid expenses**

Prepaid expenses correspond to expenses paid during a given period but related to the following periods. They also include the rental expenses which are charged to the income statement on a straight-line basis over the life of the lease (see note 5)

Prepaid expenses are included in "other receivables and accruals".

### **J. Payroll costs**

Payroll costs include all sums paid by the Company to its salaried employees, including employee profit-sharing.

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

Until December 31, 1999, the Group made partial provisions for retirement commitments in accordance with the accounting regulations applicable in the countries in which it operates. Effective from January 1, 2000, full provision is made for these commitments, in accordance with the recommended method contained in standard CRC 99-02 issued by the Comité de la Réglementation Comptable.

The cumulative effect of this change in accounting method was charged in full to opening shareholders' equity at January 1, 2000.

Obligations under defined benefit plans are calculated in accordance with IAS 19. The amount of the obligation is estimated by the projected unit credit method, based on actuarial assumptions concerning future salary levels, retirement age, mortality and staff turnover rates and discount rates. The assumptions applied take into account macro-economic conditions in the countries where the Group operates and other specific circumstances.

The projected benefit obligation at January 1, 2000 was determined by taking into account the fair value of plan assets. Unamortized actuarial gains and losses at that date were not charged to opening shareholders' equity. The cumulative effect of the change in accounting method charged to opening shareholders' equity at January 1, 2000 represented the difference between the projected benefit obligation at January 1, 2000 and the provisions carried in the accounts at that date, net of deferred taxes.

Actuarial gains and losses arising from changes in actuarial assumptions made since January 1, 2000 are recorded directly in the income statement.

#### **L. Foreign currency conversion**

Transactions carried out by Group companies in currencies other than their local currency are converted at the exchange rate ruling on the transaction date.

Foreign currency receivables and payables other than those for which the exchange rate has been fixed by means of a hedging contract are converted into euros at the closing period exchange rate and the resulting unrealised exchange gain or loss is recorded in the income statement under "Net interest expense".

#### **M. Deferred taxes**

Deferred taxes are recognized by the liability method for all temporary differences between the book value of assets and liabilities and their tax basis. Under the liability method, deferred taxes recognized in prior years are adjusted at the year-end based on the latest known tax rate. The effects of the change in tax rate are stated in the Profit and Loss account of the periods that are concerned by the tax rate variation.

Deferred tax assets on ordinary and evergreen tax loss carryforwards are recognized only if they are almost certain of being recovered in the foreseeable future. Deferred tax liabilities are included in "Provisions for contingencies and charges".

#### **N.1 Stock options**

Certain subsidiaries, mainly in the United States and in France, have set up employee stock option plans. As these subsidiaries are not listed, the Group is committed to buying back the shares issued on exercise of the options, at a price based on their fair values (generally corresponding to a multiple of EBITDA less net debt).

At each year-end, the Group estimates the impact of the exercise of stock options on its equity in the net assets of the subsidiary concerned. The potential dilutive effect is provided for. The provision is charged to the income statement under "Gains and losses on disposals of other assets".

Stock options granted by the parent company do not affect consolidated net income. When the stock options are exercised, the Group records the shares issued as a capital increase according to the payments received from the employees concerned.

#### **N.2 Self-detained Accor shares**

Accor SA shares held by the parent company and/or Group companies are recorded as marketable securities, when the shares were specifically acquired for allocation to employees or to stabilize the share price. In all other case, they are deducted from consolidated shareholders' equity.

Accor SA shares held as marketable securities are recorded at the lower of cost and market value. Provisions for impairment and any gain or loss on the sale of these shares are posted to the income statement.

In all other cases, the gain or loss on the sale of treasury stock and the related tax effect is directly recorded in consolidated shareholders' equity, without impacting net income for the year. These shares are not written down.

## **O. Financial instruments**

Financial instruments used to manage interest rate and currency risks are recorded as off-balance sheet commitments.

Gains and losses on financial instruments acquired as hedges are accounted for on a symmetrical basis with the loss or gain on the hedged asset or liability.

## **P. Income statement and statement of cash flows**

The consolidated income statement and statement of cash flows are presented on the same basis as the management reporting schedules used to manage the business.

### **P.1. Revenues**

Revenues correspond to the value of products and services sold in the normal course of business by fully and proportionally consolidated companies. These revenues include:

- Services: fees received from client companies and participating restaurants, royalties for the use of trademarks and technical assistance fees.
- Travel agencies: ticket sale, car rental and hotel booking commissions, service fees and margins on vacation package sales without risk.
- Onboard train services: sleeping compartment and food services billed to railway operators and subsidies received.
- Casinos: gross receipts from gaming activities (slot machines and traditional casino games).

### **P.2. Other operating revenues**

Other operating revenues include interest income on service voucher reserve funds.

These revenues plus the revenues defined above together represent the headline consolidated revenue figure used in Group communications.

### **P.3. EBITDAR**

Earnings before interest, tax, depreciation, amortization and rental expense (EBITDAR) correspond to revenues less operating expenses. EBITDAR is used as a key management ratio.

### **P.4. Profit before tax**

Profit before tax corresponds to earnings after net interest expense and income from companies accounted for by the equity method. It therefore represents an indicator of Group performance after taking into account financing costs.

### **P.5. Gains and losses on disposals of hotel properties**

This item includes not only gains and losses on disposals of hotel properties, but also movements in provisions for impairment in value on properties that are not intended to be sold. The disposals represent routine hotel portfolio management transactions, and are not directly related to the management of continuing operations.

### **P.6. Gains and losses on disposals of other assets**

This item corresponds to gain and losses on disposals of fixed assets other than hotels and movements in provisions for impairment in the value of these assets, as well as other non-operating gains and losses.

The transactions concerned are not directly related to the management of continuing operations.

**P.7. Exceptional items (net of taxes and of minority interests)**

Exceptional items correspond to income and expense that are exceptional in terms of their amount and frequency and which do not relate to the Group's continuing operations. They primarily concern significant changes in the portfolio.

**P.8. Consolidated statement of cash flows**

The consolidated statement of cash flows is presented on the same basis as the management reporting schedules used internally to manage the business. It shows cash flows from operating and investing activities on the one hand and cash flows from financing activities on the other.

Cash flows from operating and investing activities include:

- Funds from operations after changes in deferred taxes and capital gains or losses on disposals of assets.
- Renovation and maintenance expenditure to keep existing operating assets in a good state of repair.
- Development expenditures, including the fixed assets of newly-consolidated subsidiaries and additions to fixed assets of existing subsidiaries.
- Proceeds from the disposal of assets.
- The net change in working capital.

**Q. Earnings per share**

The accounting rules and methods used to calculate basic and diluted earnings per share comply with IAS 33 recommendation 27 of the *Ordre des Experts Comptables Français*.

## **NOTE 2. CHANGES IN THE SCOPE OF CONSOLIDATION**

### **A. Disposals**

#### **A.1. Disposals and lease-back of hotel buildings**

In 2002, the Group disposed of:

- 2 Up and mid scale hotels in Eastern Europe (in Budapest and Warsaw), for total proceeds of €47 million.
- 21 Economy properties (Ibis, Etap and Formule 1) in France, Poland and the Netherlands, for total proceeds of €146 million .
- 7 Up and mid scale hotels (6 Novotel and 1 Mercure) for total proceeds of €75 million.
- 2 Suite Hotel Properties in France for total proceeds of €23 million.

During the first semester of 2003, the Group disposed of:

- 2 Up and mid scale hotels in France, for total proceeds of €9 million.
- 5 in Hungary for total proceeds of €88 millions.
- 1 Economy property in United-Kingdom, for total proceeds of €8 millions.

#### **A.2. Disposals of hotels**

Accor also sold the buildings and business rights of hotels for a total amount of €94 million in 2001, €121 million in 2002 and €13 million during the first semester of 2003.

In 2002, the disposals concerned:

- 2 Up and mid scale hotels in London, for total proceeds of €83 million.
- 1 Economy property in Montreal for total proceeds of €5 million.

During the first semester of 2003, the disposals concerned:

- 1 Up and mid scale hotel in Portugal, for total proceeds of €3 million.
- 1 Economy property in France, for total proceeds of €3 million.
- 1 Economy property in the United States, for total proceeds of €3 million.

#### **A.3. Accor-Colony Capital Partnership in Accor Casinos**

Accor and the american investment fund Colony Capital signed an agreement aimed at Europe's leading group of casinos. As a consequence of this partnership, Colony Capital acquired 50% of Accor Casinos, (6% in 2001 and 44% in 2002). Accor continues to manage the company.

The deal was based on an enterprise value of €450 million and generated an after-tax consolidated capital gain of €68 million (see Note 13).

Accor has granted a €80 million loan to Colony Capital (see note 17).

## **B. Investment program**

### **B.1 Acquisition of 20% of Orbis in August 2000, 5% in 2001, 2.17% in 2002 and 2.17% in 2003**

In August 2000, as part of the Polish State's privatisation program, Accor acquired a 20% interest in the capital of the Polish hotel and tourism group Orbis, for a total investment of €81 million.

Orbis, which also operates travel agencies and casinos, is Poland's leading hotel operator, with 55 properties (10,439 rooms) located in the country's 25 largest cities. The hotels have been renovated and were re-opened under Accor trade names since 2001.

In 2001, an additional 5% stake in Orbis was acquired for €12 million, raising the Group's interest to 25%.

In 2002, an additional 2.17% stake in Orbis was acquired for €4.7 million from minority shareholders, raising the Group's interest to 27.17%.

During the first semester of 2003, an additional 2.17% stake in Orbis was acquired for €4.4 million from minority shareholders, raising the Group's interest to 29.34%.

### **B.2 Acquisition of 70% of Go Voyages**

Accor acquired an initial 38.5% of Go Voyages in 2000 for a total price of €11.9 million.

In 2002, another 21.5% of the company was acquired for €12.3 million, raising the Group's interest to 60%.

During the first semester of 2003, Accor increased its participation in Go Voyages by 10%, for an amount of €7.2 million, raising Group's interest to 70%.

Following implementation of innovative IT tools, Go Voyages is one of the most active and most efficient players in the travel and tourism market, especially on the Internet.

### **B.3 Acquisition of 40.19% of the capital of Dorint AG**

During the second half of 2002, agreements were signed with German hotel management group Dorint AG and its major shareholder, Dr. Herbert Ebertz. Under these agreements, and following approval by European Union competition authorities in Brussels in late December 2002. In connection with a capital increase carried out by Dorint AG, Accor S.A. acquired 16.79% of the share capital (accounted for as an equity investment). In addition, 13.21% of the share capital is held in an escrow account. This allocation corresponds to the accounting treatment applied at the parent company's level.

In the consolidated financial statements published after the approval granted by the European Union competition authorities in Brussels, the shares in the escrow account were treated as external investments and accounted for as "other investments" for an amount of €50 million.

Consequently, Accor, having no significant influence in Dorint AG in 2002, did not consolidate this company as of 31 December 2002. Accor may also purchase an additional 25% of the company at any time between 2008 and 2010 by exercising a call option granted by Dr. Ebertz. Lastly, Accor granted Dr. Herbert Ebertz a €30 million loan and gave Dorint AG a €25 million bank guarantee, *pari passu* with Dr. Herbert Ebertz. Nowadays, Dorint AG owns 88 hotels totalling 15,400 rooms.

In addition, the Management Board and Supervisory Board of Dorint AG have approved the creation a strategic partnership with Accor, based on franchise and marketing agreements. All Dorint hotels will be co-branded as Dorint-Sofitel, Dorint-Novotel and Dorint-Mercure properties.

The Dorint sales and marketing teams have been integrated into the Accor network since February 1, 2003.

Since February 1st, 2003, Accor accounted the Dorint Group for by the equity method to the extent of its portion of capital held on the period, namely 30.29%. The portion of income of the five months of activity of Dorint amounted to €(4.3) million.

As of June 30, 2003, within the context of a capital increase subscribed by Accor and Dr Herbert Ebertz, Accor acquired further 10.19% for total proceeds of €13.2 million, raising Group's interest to 40.19%.

#### **B.4 Other investments (external and organic growth)**

During the first semester of 2003, the Group opened or acquired 77 hotels (9 575 rooms) and closed 44 hotels (3 915 rooms).

##### **B.4.a Hotel portfolio by brand and type of management**

At June 30, 2003, the hotel portfolio broke down by brand and type of management as follows:

In number of hotels	Ownership	Rental	Management	Franchise	Total
Sofitel	30	42	77	10	159
Novotel	68	154	96	41	359
Mercure	60	197	199	230	686
Ibis	134	251	55	195	635
Etap Hotel	77	91	8	101	277
Formule 1	219	135	1	15	370
Red Roof	100	156	-	94	350
Motel 6 / Studio 6	235	489	1	142	867
Others	6	14	47	92	159
<b>Total</b>	<b>929</b>	<b>1,529</b>	<b>484</b>	<b>920</b>	<b>3,862</b>
<i>Total in %</i>	<i>24.1%</i>	<i>39.6%</i>	<i>12.5%</i>	<i>23.8%</i>	<i>100.0%</i>

At June 30, 2003, the number of rooms broke down by brand and type of management as follows:

In number of rooms	Ownership	Rental	Management	Franchise	Total
Sofitel	5,168	9,566	15,564	2,247	32,545
Novotel	9,993	23,673	20,243	6,864	60,773
Mercure	6,909	26,583	24,520	21,693	79,705
Ibis	14,138	31,570	7,579	13,915	67,202
Etap Hotel	5,785	7,663	699	7,587	21,734
Formule 1	15,891	10,556	103	1,004	27,554
Red Roof	12,004	17,770	-	8,421	38,195
Motel 6 / Studio 6	25,805	55,577	59	9,793	91,234
Others	927	2,027	8,454	16,117	27,525
<b>Total</b>	<b>96,620</b>	<b>184,985</b>	<b>77,221</b>	<b>87,641</b>	<b>446,467</b>
<i>Total in %</i>	<i>21.6%</i>	<i>41.4%</i>	<i>17.4%</i>	<i>19.6%</i>	<i>100.0%</i>

#### **B.4.b Hotel portfolio by region and type of management**

At June 30, 2003, breakdown of the hotel portfolio by region and type of management :

In number of hotels	Ownership	Rental	Management	Franchise	Total
France	397	355	88	444	1,284
Europe excluding France	136	432	53	213	834
North America	340	652	6	236	1,234
Latin America & Caribbean	23	17	95	11	146
Other Countries	33	73	242	16	364
<b>Total</b>	<b>929</b>	<b>1,529</b>	<b>484</b>	<b>920</b>	<b>3,862</b>
<i>Total in %</i>	<i>24.1%</i>	<i>39.6%</i>	<i>12.5%</i>	<i>23.8%</i>	<i>100.0%</i>

At June 30, 2003, number of rooms broke down by region and type of management as follows:

In number of rooms	Ownership	Rental	Management	Franchise	Total
France	33,795	41,557	8,393	32,945	116,690
Europe excluding France	15,744	55,379	7,996	32,526	111,645
North America	39,526	75,679	1,387	18,214	134,806
Latin America & Caribbean	3,497	2,909	12,676	1,249	20,331
Other Countries	4,058	9,461	46,769	2,707	62,995
<b>Total</b>	<b>96,620</b>	<b>184,985</b>	<b>77,221</b>	<b>87,641</b>	<b>446,467</b>
<i>Total in %</i>	<i>21.6%</i>	<i>41.4%</i>	<i>17.4%</i>	<i>19.6%</i>	<i>100.0%</i>

#### **B.4.c Hotel portfolio by region and brand**

At June 30, 2003, the hotel portfolio broke down by region and brand as follows:

In number of hotels	France	Europe (excl. France)	North America	Latin America & Caribbean	Other countries	Total
Sofitel	38	31	11	18	61	159
Novotel	119	129	6	20	85	359
Mercure	287	227	-	79	93	686
Ibis	336	238	-	26	35	635
Etap Hotel	203	73	-	-	1	277
Formule 1	285	44	-	1	40	370
Red Roof	-	-	350	-	-	350
Motel 6 / Studio 6	-	-	867	-	-	867
Others	16	92	-	2	49	159
<b>Total</b>	<b>1,284</b>	<b>834</b>	<b>1,234</b>	<b>146</b>	<b>364</b>	<b>3,862</b>
<i>Total en %</i>	<i>33.2%</i>	<i>21.6%</i>	<i>32.0%</i>	<i>3.8%</i>	<i>9.4%</i>	<i>100.0%</i>

At June 30, 2003, the number of rooms broke down by region and brand as follows:

In number of rooms	France	Europe (excl. France)	North America	Latin America & Caribbean	Other countries	Total
Sofitel	6,730	5,761	3,542	2,687	13,825	<b>32,545</b>
Novotel	15,094	22,243	1,835	3,369	18,232	<b>60,773</b>
Mercure	26,574	29,864	-	9,751	13,516	<b>79,705</b>
Ibis	29,627	28,613	-	3,762	5,200	<b>67,202</b>
Etap Hotel	15,509	6,106	-	-	119	<b>21,734</b>
Formule 1	21,111	3,179	-	300	2,964	<b>27,554</b>
Red Roof	-	-	38,195	-	-	<b>38,195</b>
Motel 6 / Studio 6	-	-	91,234	-	-	<b>91,234</b>
Others	2,045	15,879	-	462	9,139	<b>27,525</b>
<b>Total</b>	<b>116,690</b>	<b>111,645</b>	<b>134,806</b>	<b>20,331</b>	<b>62,995</b>	<b>446,467</b>
<i>Total en %</i>	<i>26.1%</i>	<i>25.0%</i>	<i>30.2%</i>	<i>4.6%</i>	<i>14.1%</i>	<i>100.0%</i>

#### **B.4.d Hotel portfolio expected development**

In number of rooms, the expected organic growth for the coming periods is :

In number of rooms	Ownership	Rental	Management	Franchise	Total
2nd semester 2003	910	2,487	2,637	2,786	<b>8,820</b>
2004	4,020	4,474	3,770	2,660	<b>14,924</b>
2005	2,676	5,222	995	160	<b>9,053</b>
2006	771	946	-	-	<b>1,717</b>
<b>Total</b>	<b>8,377</b>	<b>13,129</b>	<b>7,402</b>	<b>5,606</b>	<b>34,514</b>

#### **NOTE 3. BREAKDOWN OF CONSOLIDATED REVENUES BY REGION AND BY BUSINESS**

In € million	France	Europe (excluding France)	North America	Latin America & Caribbean	Other Countries	Worldwide structures (1)	June 30, 2003	June 30, 2002 (*)	Dec. 31, 2002 (*)
<b>HOTELS</b>	<b>797</b>	<b>722</b>	<b>571</b>	<b>55</b>	<b>168</b>	<b>41</b>	<b>2,354</b>	<b>2,479</b>	<b>5,033</b>
Up and mid scale	511	481	83	48	160	41	1,324	1,327	2,720
Economy Hotels	286	241	-	7	8	-	542	530	1,100
Economy Hotels United States	-	-	487	-	-	-	487	622	1,213
<b>SERVICES</b>	<b>46</b>	<b>90</b>	<b>6</b>	<b>82</b>	<b>7</b>	<b>1</b>	<b>231</b>	<b>254</b>	<b>482</b>
<b>Other businesses</b>									
Travel Agencies	31	85	55	10	7	5	193	237	453
Casinos	92	-	-	-	2	-	94	148	242
Restaurants	40	119	-	41	4	-	205	233	424
Onboard Train Services	77	56	-	-	-	1	134	138	284
Holding and other	55	32	-	5	-	3	96	96	221
<b>Total June 30, 2003</b>	<b>1,139</b>	<b>1,104</b>	<b>632</b>	<b>194</b>	<b>187</b>	<b>51</b>	<b>3,306</b>		
<b>Total June 30, 2002 (*)</b>	<b>1,187</b>	<b>1,098</b>	<b>793</b>	<b>273</b>	<b>183</b>	<b>51</b>		<b>3,585</b>	
<b>Total Dec 31, 2002 (*)</b>	<b>2,405</b>	<b>2,238</b>	<b>1,550</b>	<b>458</b>	<b>383</b>	<b>105</b>			<b>7,139</b>

(1) Operating revenues of units of which the revenues (corresponding to royalties) are not generated in a single region are included under Worldwide Structures.

(\*) Pro forma, 2002 revenues have been restated to be comparable with the revenues published in 2003. Reclassifications concern mainly reallocation between geographical areas.

Consolidated revenues totalled €3,306 million on June 30, 2003 versus €3,585 million on June 30, 2002 representing a decline of €279 million (-7.8%). The reported year-on-year decrease breaks down as follows:

-	Like-for-like	-0.4%
-	Business expansion	+3.9%
-	Currency effect	-7.6%
-	Disposals	-3.7%
-	<b>Decrease in revenues in 1<sup>st</sup> half of 2003</b>	<b>-7.8%</b>

**Breakdown of consolidated revenues by business:**

	Reported	Like-for-like	
	%	In € million	%
<b>HOTELS</b>	<b>-5.0%</b>	<b>-42</b>	<b>-1.7%</b>
- Up and mid scale	-0.2%	-23	-1.7%
- Economy Hotels	+2.4%	+6	+1.1%
- Economy Hotels United States	-21.6%	-25	-4.0%
<b>SERVICES</b>	<b>-9.2%</b>	<b>+23</b>	<b>+8.9%</b>
<b>Other businesses</b>	<b>-15.3%</b>	<b>+4</b>	<b>+0.5%</b>
- Travel Agencies	-18.7%	-20	-8.2%
- Casinos	-36.4%	+2	+1.4%
- Restaurants	-12.2%	+19	+8.4%
- Onboard Train Services	-2.4%	-2	-1.9%
- Holding companies and Others	-0.4%	+5	+5.4%
<b>Total Group</b>	<b>-7.8%</b>	<b>-15</b>	<b>-0.4%</b>

**Breakdown of consolidated revenues by region:**

	Reported	Like-for-like	
	%	In € million	%
- France	-4.1%	+7	+0.6%
- Europe (excluding France)	+0.5%	-19	-1.8%
- North America	-20.3%	-36	-4.5%
- Latin America & Caribbean	-29.0%	+34	+12.4%
- Other Countries	+2.2%	-4	-2.1%
- Worldwide Structures	+0.4%	+3	+5.4%
<b>Total Group</b>	<b>-7.8%</b>	<b>-15</b>	<b>-0.4%</b>

**NOTE 4. BREAKDOWN OF EBITDAR BY REGION AND BUSINESS**

In € million	France	Europe (excluding France)	North America	Latin America & Caribbean	Other Countries	Worldwide Structures (1)	June 30, 2003	June 30, 2002	Dec. 31, 2002
<b>HOTELS</b>	<b>214</b>	<b>217</b>	<b>180</b>	<b>6</b>	<b>35</b>	<b>7</b>	<b>659</b>	<b>745</b>	<b>1,583</b>
Up and mid scale	133	129	11	4	32	(4)	305	330	719
Economy Hotels	81	88	-	2	3	11	185	184	400
Economy Hotels United States	-	-	169	-	-	-	169	231	464
<b>SERVICES</b>	<b>13</b>	<b>47</b>		<b>32</b>		<b>(4)</b>	<b>88</b>	<b>105</b>	<b>202</b>
<b>Other businesses</b>									
Travel Agencies	1	11	9	(1)	1	4	25	33	59
Casinos	13	-	-	-	1	-	14	24	41
Restaurants	3	10	-	1	-	-	14	15	31
Onboard Train Services	3	3	-	-	-	-	6	4	15
Holding and Other	(5)	15	-	(1)	-	2	11	7	5
<b>Total June 30, 2003</b>	<b>242</b>	<b>303</b>	<b>189</b>	<b>37</b>	<b>37</b>	<b>9</b>	<b>817</b>		
<b>Total June 30, 2002</b>	<b>258</b>	<b>318</b>	<b>256</b>	<b>57</b>	<b>41</b>	<b>3</b>		<b>933</b>	
<b>Total Dec 31, 2002</b>	<b>567</b>	<b>648</b>	<b>511</b>	<b>96</b>	<b>90</b>	<b>24</b>			<b>1,936</b>

(1) EBITDAR of units of which the revenues (corresponding to royalties) are not generated in a single region is included under Worldwide Structures.

On June 30, 2003, EBITDAR amounted €817 million, compared with €933 million on June 30, 2002. The year-on-year decline of €116 million or 12.5% breaks down as follows:

-	Like-for-like	-51	-5.5%
-	Business expansion	+26	+2.8%
-	Currency effect	-76	-8.2%
-	Disposals	-15	-1.6%
-	<b>Decrease in EBITDAR in the 1<sup>st</sup> half of 2003</b>	<b>-116</b>	<b>-12.5%</b>

**Breakdown of EBITDAR by business:**

In € million	Reported	Like-for-like
<b>HOTELS</b>	<b>-86</b>	<b>-53</b>
- Up and mid scale	-25	-30
- Economy Hotels	+1	+1
- Economy Hotels United States	-62	-24
<b>SERVICES</b>	<b>-17</b>	<b>+5</b>
<b>Other businesses</b>	<b>-13</b>	<b>-3</b>
- Travel Agencies	-8	-6
- Casinos	-10	-1
- Restaurants	-1	-
- Onboard Train Services	+2	+1
- Holding companies and Others	+4	+3
<b>Total Group</b>	<b>-116</b>	<b>-51</b>

**Breakdown of EBITDAR by region:**

In € million	Reported	Like-for-like
- France	-16	-5
- Europe (excluding France)	-15	-21
- North America	-67	-26
- Latin America	-20	+1
- Other countries	-4	-8
- Worldwide Structures	+6	+8
<b>Total Group</b>	<b>-116</b>	<b>-51</b>

## NOTE 5. RENTAL EXPENSE

Rental expense amounted to €366 million on June 30, 2003 versus €365 million on June 30, 2002.

In accordance with international accounting standards (see Note 1.D.3), rental expenses correspond exclusively to operating leases. Finance leases are capitalized and the obligation corresponding to future lease payments is recorded under liabilities in the amount of €162 million at June 30, 2003 (see note 27).

Rental expenses are charged to the income statement on a straight-line basis over the life of the lease, even if payments are not made on that basis. The annual charge is indexed to an appropriate benchmark, such as the French INSEE new construction index, in order to recognize a constant expense stream on an economic basis. Most leases have been signed for periods exceeding the traditional nine-year term of commercial leases in France, primarily to protect Accor against the absence of commercial property rights in certain countries.

None of these leases include any clauses requiring advance payment of rentals in the event of a downgrading of Accor's credit rating or for other reasons, or any cross-default clauses or covenants.

**Undiscounted rental expenses** were as follows:

In € million	2002	2003
Up and mid scale hotels	(357)	(375)
Economy Hotels	(131)	(150)
Economy Hotels United States	(189)	(166)
Other	(49)	(41)
<b>Total</b>	<b>(726)</b>	<b>(732)</b>

Future minimum **undiscounted rentals** payable as from January 2004 break down as follows by maturity :

Years	In € million	Years	In € million
2004	(738)	2015	(675)
2005	(739)	2016	(671)
2006	(741)	2017	(668)
2007	(745)	2018	(666)
2008	(734)	2019	(549)
2009	(722)	2020	(458)
2010	(711)	2021	(386)
2011	(702)	2022	(328)
2012	(694)	2023	(281)
2013	(687)	> 2023	(1,116)
2014	(681)	<b>Total</b>	<b>(13,692)</b>

**NOTE 6. DETAIL OF DEPRECIATION AMORTIZATION AND PROVISIONS**

In € million	2002	June 30, 2002	June 30, 2003
Depreciation and amortization	(449)	(227)	(218)
Provisions	(6)	(16)	(10)
<b>Total</b>	<b>(455)</b>	<b>(243)</b>	<b>(228)</b>

**NOTE 7. BREAKDOWN OF EBIT BY REGION AND BY BUSINESS**

In € million	France	Europe (excl France)	North America	Latin America & Carabbean	Other Countries	Worldwide Structures (1)	June 30, 2003	June 30, 2002	Dec. 31, 2002
<b>HOTELS</b>	77	29	22	(1)	1	0	128	213	518
Up and mid scale	42	9	(14)	(2)	-	(12)	23	62	172
Economy Hotels	35	20	-	1	1	12	69	78	184
Economy Hotels United States	-	-	36	-	-	-	36	73	162
<b>SERVICES</b>	11	43	-	28	(1)	(6)	75	90	177
<b>Other businesses</b>									
Travel Agencies	(1)	5	1	(1)	-	4	8	11	20
Casinos	8	-	-	-	1	-	9	17	30
Restaurants	1	7	-	-	-	-	8	8	15
Onboard Train Services	(1)	2	-	-	-	-	1	1	7
Holding companies and other	(5)	1	-	(3)	-	1	(6)	(15)	(12)
<b>Total June 30, 2003</b>	<b>90</b>	<b>87</b>	<b>23</b>	<b>23</b>	<b>1</b>	<b>(1)</b>	<b>223</b>		
<b>Total June 30, 2002</b>	<b>106</b>	<b>119</b>	<b>63</b>	<b>40</b>	<b>4</b>	<b>(7)</b>		<b>325</b>	
<b>Total Dec 31, 2002</b>	<b>262</b>	<b>261</b>	<b>139</b>	<b>66</b>	<b>17</b>	<b>10</b>			<b>755</b>

(1) EBIT of units of which the costs and income (corresponding to royalties) are not generated in a single region is included under Worldwide Structures.

On June 30, 2003, consolidated EBIT amounted to €223 million, compared with €325 million on June 30, 2002. The decline of €102 million or 31.3% breaks down as follows:

-	Like-for-like	-57
-	Business expansion	-5
-	Currency effect	-25
-	Disposals	-15
-	<b>Decrease in EBIT in the 1<sup>st</sup> half of 2003</b>	<b>-102</b>

**Breakdown of EBIT by business :**

In € million	Reported	Like-for-like
<b>HOTELS</b>	<b>-85</b>	<b>-63</b>
- Up and mid scale	-39	-32
- Economy Hotels	-9	-2
- Economy Hotels United States	-37	-29
<b>SERVICES</b>	<b>-15</b>	<b>+6</b>
<b>Other Businesses</b>	<b>-2</b>	<b>0</b>
- Travel Agencies	-3	-3
- Casinos	-8	-2
- Restaurants	-	-
- Onboard Train Services	-	+1
- Holding and Others	+9	+4
<b>Total Group</b>	<b>-102</b>	<b>-57</b>

**Breakdown of EBIT by region:**

In € million	Reported	Like-for-like
- France	-16	-5
- Europe (excluding France)	-32	-21
- North America	-40	-32
- Latin America	-17	-
- Other Countries	-3	-6
- Worldwide Structures	+6	+7
<b>Total Group</b>	<b>-102</b>	<b>-57</b>

## NOTE 8. NET INTEREST EXPENSE

In € million	2002	June 30, 2002	June 30, 2003
Interest income (expense)	(106)	(60)	(36)
Other financial income and expense	40	34	3
<b>Net interest expense</b>	<b>(66)</b>	<b>(26)</b>	<b>(33)</b>

Other financial income and expense breaks down as follows :

In € million	2002	June 30, 2002	June 30, 2003
- Dividends from non-consolidated companies and on marketable securities	9	8	13
- Exchange gains and losses (*)	44	29	(2)
- Other movements in financial provisions (**)	(13)	(3)	(8)
<b>Total other financial income and expense</b>	<b>40</b>	<b>34</b>	<b>3</b>

(\*) In 2002, the exchange gain was mainly due to capital transactions in the United States (€27 million). The other gains originated from Latin America.

(\*\*) The 2003 figure takes into account a €-6.3 million provision for redemption premium on the OCEANE bond.

## NOTE 9. INCOME FROM COMPANIES ACCOUNTED FOR BY THE EQUITY PROPERTIES

This item breaks down as follows:

In € million	2002	June 30, 2002	June 30, 2003
Orbis (Poland) (see note 2.B.1)	5	2	3
ABC Hotels (hotels Demeure / Libertel)	(2)	(1)	(2)
Société Hôtelière des Casinos de Deauville	8	1	0
Fonds d'investissement Tunisie & Maroc (STI & RISMA)	(4)	(3)	(3)
Dorint (Germany) (see note 2.B.3)	-	-	(4)
Other	7	5	(4)
<b>Pre-tax income from companies accounted for by the equity method</b>	<b>14</b>	<b>4</b>	<b>(10)</b>

**NOTE 10. GAINS AND LOSSES ON DISPOSALS OF HOTEL PORTFOLIO**

In € million	2002	June 30, 2002	June 30, 2003
Gains and losses on disposals of hotel properties	84	20	44
Movement in provisions for impairment in value (note 1.D.5)	(30)	(3)	(4)
<b>Total</b>	<b>54</b>	<b>17</b>	<b>40</b>

As of December 31, 2002, total includes:

- Net gains on disposals of hotel buildings, mainly in Eastern Europe (€28 million), France (€29 million) and the Netherlands (€29 million);
- €30 million in charges to provisions for impairment in value of hotels mainly in the United States, the French West Indies and Jordan.

As of June 30, 2003, total includes:

- Net gains on disposals of five hotels in Hungary for a total amount of €41 million;
- €4 million in charges to provisions on assets which usefulness or market value (in case of probable asset disposal) has been estimated lower than the net book value. The main asset depreciated is located in the United States.

**NOTE 11. GAINS AND LOSSES ON DISPOSALS OF OTHER ASSETS**

In € million	2002	June 30, 2002	June 30, 2003
Gains and losses on disposals of other assets	(3)	16	53
Provisions	12	16	(13)
Other non-operating gains and losses	(39)	(27)	(34)
<b>Total</b>	<b>(30)</b>	<b>5</b>	<b>6</b>

As of December 31, 2002, the loss on disposals of other assets mainly consists in a gain on the disposal of three tour operators in Europe (€12 million), along with an €-18 million provision on Granada shares.

Net provision movements of €12 million include €29 million in reversals of provisions for litigation and other contingencies, offset by the recognition of non-operating losses in the same amount, and net additions to provisions for litigation and other contingencies of €-17 million.

As of December 31, 2002, non-operating losses of €-39 million principally include the €-29 million European tour operators referred to above and a €-6 million loss arising from the discontinuation of "Cesta Ticket" in Brazil.

As of June 30, 2003, a gain on disposal of Accor shares amounting €50 million explains the "Gains and losses in disposals of other assets" account.

Net provision movements of €-13 million are mainly due to a restructuring provision of €-9 million on the Tour Operator activity, and a provision for liability in Italy for €-6 million.

Non-operating losses of €-34 million principally include the €-8 million loss on restructuring costs.

## NOTE 12. INCOME TAX

### Note 12.1 - Income tax expense for the year (excluding exceptional items)

In € million	2002	June 30, 2002	June 30, 2003
Current taxes	(196)	(83)	(48)
Deferred taxes	(30)	(25)	(4)
Tax on income from companies accounted for by the equity method	(8)	(3)	(3)
<b>Total</b>	<b>(234)</b>	<b>(111)</b>	<b>(55)</b>

Profit before tax, including net gains on management of hotel portfolio	757	320	220
Income tax	(234)	(111)	(55)
<b>Effective rate of tax on profit, including net gains on management of hotel portfolio</b>	<b>31.0%</b>	<b>34.7%</b>	<b>25.0%</b>

### Note 12.2 - Effective tax rate

In € million	2002	June 30, 2002	June 30, 2003
Profit before tax	703	303	180
Net gains on management of hotel portfolio	54	17	40
Net gains on management of other assets	(30)	5	6
Amortization of goodwill	(109)	(50)	(49)
<b>Pre-tax income</b>	<b>618</b>	<b>275</b>	<b>177</b>
Amortization of goodwill	109	50	49
Elimination of intercompany profits	13	-	-
Non-deductible asset impairment charges	5	-	-
Other	11	13	68
<b>Total permanent differences (non-deductible expenses)</b>	<b>138</b>	<b>63</b>	<b>117</b>
<b>Untaxed income and income taxed at reduced rate (1)</b>	<b>(138)</b>	<b>(103)</b>	<b>(129)</b>
<b>Income taxable at the standard rate</b>	<b>618</b>	<b>235</b>	<b>165</b>
Standard tax rate in France	35.43%	35.43%	35.43%
<b>Theoretical tax charge at standard French tax rate</b>	<b>(219)</b>	<b>(83)</b>	<b>(58)</b>
Effect on theoretical tax charge of:			
. differences in foreign tax rates	8	4	5
. unutilized tax losses for the year	(42)	(15)	(38)
. utilization of tax loss carryforwards	5	4	4
. previously unrecognized deferred tax assets on temporary differences	-	-	(1)
. other	31	(16)	37
<b>Total</b>	<b>2</b>	<b>(23)</b>	<b>7</b>
<b>Income tax at standard rate</b>	<b>(217)</b>	<b>(106)</b>	<b>(52)</b>
<b>Income tax at reduced rate</b>	<b>(17)</b>	<b>(5)</b>	<b>(3)</b>
<b>Income tax recorded in the consolidated income statement</b>	<b>(234)</b>	<b>(111)</b>	<b>(55)</b>
Profit before tax, including net gains on management of hotel portfolio	757	320	220
Income tax	(234)	(111)	(55)
<b>Effective rate of tax on profit before tax, including net gains on disposal of hotel properties</b>	<b>31.0%</b>	<b>34.7%</b>	<b>25.0%</b>

(1) Mainly gains on disposals of assets (including a €50 million disposal of Accor shares)

**Note 12.3 - Recognized deferred tax assets and liabilities**

In € million	2002	June 30, 2002	June 30, 2003
Deferred tax assets	60	69	83
Deferred tax liabilities	(264)	(275)	(296)
<b>Net deferred taxes (1)</b>	<b>(204)</b>	<b>(206)</b>	<b>(213)</b>

(1) Net deferred taxes break down as follows:

In € million	2002	June 30, 2002	June 30, 2003
Deferred taxes on temporary differences in tax system and corporate financial statements	(40)	(25)	(46)
Deferred taxes on differences in consolidation and corporate financial statements	(197)	(193)	(185)
Deferred taxes on taxable losses carried forwards	33	12	18
<b>Impôts différés nets</b>	<b>(204)</b>	<b>(206)</b>	<b>(213)</b>

**Note 12.4 - Unrecognized deferred tax assets**

Unrecognised deferred tax assets amounted to €143 million at June 30, 2003, €118 million at June 30, 2002 and €125 million at December 31, 2002.

**NOTE 13. EXCEPTIONAL ITEMS (NET OF TAXES AND MINORITY INTERESTS)**

In € million	2002	June 30, 2002	June 30, 2003
Exceptional items	68	70	-

In 2002, exceptional items include a €68 million gain on the sale of 44% of Accor Casinos to Colony Capital (see note 2. A.3).

**NOTE 14. GOODWILL**

In € million	June 30, 2002	2002	June 30, 2003
Goodwill (gross)	2,227	2,241	2,384
Total amortization and provisions	(516)	(562)	(593)
<b>Total net goodwill</b>	<b>1,711</b>	<b>1,679</b>	<b>1,791</b>

In € million	June 30, 2002	2002	June 30, 2003
Motel 6 (40 years)	302	285	261
Up and mid scale Hotels France (40 years)	204	209	216
Travel Agencies (20 years)	206	198	188
Hotels, Australia (40 years)	177	181	182
Red Roof Inns (40 years)	207	194	176
Economy Hotels (excluding Motel 6 and RRI) (40 years)	118	109	106
Casinos (Accor Casinos and subsidiaries) (20 years)	96	108	104
Hotels, Germany (Dorint) (20 years)	-	-	91
Hotels, Asia (20 years)	82	78	73
Hotels, Poland (Orbis) (40 years)	17	37	34
Hotels, Hungary (Pannonia) (40 years)	31	31	31
Société des Hôtels and Casinos de Deauville (40 years)	28	27	27
Go Voyages (20 years)	21	20	27
Services, Mexica (Dicasa) (40 years)	-	-	24
Hotels, Egypt (Gezirah) (28 years)	-	-	19
Lenôtre (20 years)	16	15	14
French Railway Catering (7 years)	10	9	8
Brazilian Luncheon Vouchers (Apetik) (40 years)	6	5	5
Other (under €6 million)	190	173	205
<b>Total net goodwill</b>	<b>1,711</b>	<b>1,679</b>	<b>1,791</b>

The change in net goodwill breaks down as follows :

In € million	June 30, 2002	2002	June 30, 2003
<b>Total net goodwill at beginning of period</b>	<b>1,879</b>	<b>1,879</b>	<b>1,679</b>
<b>Increase in gross value and impact of changes in scope of consolidation</b>	<b>45</b>	<b>126</b>	<b>102</b>
. Hotels, Germany (Dorint)	-	-	43
. Services, Mexica (Dicasa)	-	-	26
. French Up and mid scale Hotels, France (2 hotels in Paris)	-	-	3
. Go Voyages (cf. note 2.B.3)	12	11	6
. Accor Services Roumanie	-	-	4
. Hotels, Poland (Hekon and Orbis - see. Note 2.B.1)	4	25	-
. Le Touquet Casino	-	14	-
. Hotels Asia	14	12	-
. French Up and mid scale Hotels, France ( 4* in Paris)	-	12	-
. Accor Services	-	9	-
. Hotels Israel	4	5	-
. Economy Hotels France	2	4	-
. Other	9	34	20
<b>Disposals during the period :</b>	<b>(96)</b>	<b>(28)</b>	<b>(2)</b>
. Accor Casinos (see note 2.A.3)	(93)	(23)	-
. Travel Agencies	-	-	(2)
. Other	(3)	(5)	-
<b>Amortization</b>	<b>(50)</b>	<b>(111)</b>	<b>(49)</b>
<b>Translation adjustments</b>	<b>(83)</b>	<b>(116)</b>	<b>(34)</b>
<b>Line-by-line restatement and other changes</b>	<b>16</b>	<b>(71)</b>	<b>95</b>
<b>Total net goodwill at end of period</b>	<b>1,711</b>	<b>1,679</b>	<b>1,791</b>

**NOTE 15. INTANGIBLE FIXED ASSETS**

In € million	June 30, 2002	2002	June 30, 2003
Motel 6 brand (1)	201	191	176
Red Roof Inns brand (1)	120	114	105
Start-up costs	15	17	16
Other networks and brands	11	12	12
Onboard train services market share	75	75	75
Other intangible fixed assets	233	259	248
<b>Total (cost)</b>	<b>655</b>	<b>668</b>	<b>632</b>
Amortization and provisions (2)	(180)	(189)	(207)
<b>Total (net)</b>	<b>475</b>	<b>479</b>	<b>425</b>

(1) Increases in the valuation of the Motel 6 and Red Roof brands are primarily due to changes in the exchange rate of the US dollar against the euro at the balance sheet date (December 31, 2002 : 1.0487 – June 30, 2003 : 1.1427).

(2) Intangible assets that are intended to be sold are written down to market value at the balance sheet date.

**NOTE 16. PROPERTY, PLANT AND EQUIPMENT**

In € million	June 30, 2002	2002	June 30, 2003
Land	563	550	537
Buildings	3,292	3,157	3,089
Fittings	1,170	1,217	1,291
Equipment and furniture	1,665	1,674	1,656
Construction in progress	431	332	296
<b>Total cost</b>	<b>7,121</b>	<b>6,930</b>	<b>6,869</b>
Total depreciation and provisions	(2,393)	(2,409)	(2,494)
<b>Total net value</b>	<b>4,728</b>	<b>4,521</b>	<b>4,375</b>

Changes in net fixed assets over the three-year period can be analysed as follows:

In € million	June 30, 2002	2002	June 30, 2003
<b>Total at January 1</b>	<b>5,026</b>	<b>5,026</b>	<b>4,521</b>
Changes in scope of consolidation	4	4	59
Disposals	(197)	(403)	(79)
Additions	435	746	252
Depreciation	(201)	(398)	(190)
Translation adjustments	(322)	(433)	(169)
Reclassifications	(17)	(21)	(19)
<b>Total at December 31</b>	<b>4,728</b>	<b>4,521</b>	<b>4,375</b>

At June 30, 2003 property, plant and equipment held under finance leases totaled, a net €471 million, versus €489 million at December 31, 2002.

In € million	June 30, 2002	2002	June 30, 2003
Land and buildings	662	605	581
Fittings, equipment and furniture	6	70	65
<b>Gross cost</b>	<b>668</b>	<b>675</b>	<b>646</b>
Total depreciation and provisions	(196)	(186)	(175)
<b>Net value</b>	<b>472</b>	<b>489</b>	<b>471</b>

**NOTE 17. LONG-TERM LOANS**

In € million		June 30, 2002	2002	June 30, 2003
Colony Capital	(1)	80	80	86
Hotels Asia / Pacific	(2)	79	60	76
ABC Group ( Demeure / Libertel hotels)	(3)	57	58	70
Hotels UK		32	41	27
Hotels Germany	(4)	-	30	30
Hotels US / Canada		31	29	28
Hotels the Netherlands		28	28	28
Front de Seine Participations (Novotel Tour Eiffel)		21	22	23
Financière Courtepaille		20	20	21
Others		58	61	53
<b>Total</b>		<b>406</b>	<b>429</b>	<b>442</b>

- (1) In connection with the sale of 50% of Accor Casinos, Accor granted a €80 million loan to Colony Capital. Interests on this loan are capitalized and will be paid at redemption date.
- (2) During the period, Accor granted €59 million in loans to TAHL.
- (3) In December 1999 Accor and two American investment funds jointly acquired the hotel business of CGIS, a subsidiary of Vivendi. The acquired hotel portfolio comprises 41 Libertel hotels and 8 Sofitel Demeure hotels, representing a total of 3,240 rooms. The acquisition vehicle (ABC Hotels), 30%-owned by the Accor Group, simultaneously signed management contracts with Accor. In addition, Accor granted a €55 million loan to ABC Hotels.
- (4) See description in note 2.B.3.

**NOTE 18. INVESTMENTS IN COMPANIES ACCOUNTED FOR BY THE EQUITY METHOD**

In € million		1st sem. 2002	2002	1st sem. 2003
Orbis (Hotels Poland) (see note 2.B.1.)	(1)	85	79	75
Société hôtelière et Casinos de Deauville	(2)	34	38	37
Hotels Morocco (RISMA)	(3)	20	21	17
Accor Asia Pacific subsidiaries		34	36	34
ABC Hotels (Hotels Demeure/ Libertel)	(4)	12	10	5
Sofitel Paris Le Faubourg		9	9	9
HC Hôtellerie Israël		-	6	6
Hotels Tunisia (STI)	(5)	6	6	3
Société Hôtelière Paris Les Halles (SHPH)	(6)	6	5	4
Sofitel St James London		6	5	4
Novotel Paris Tour Eiffel	(7)	4	4	2
Dorint (Germany)	(8)	-	-	(30)
Other companies		38	29	37
<b>Total</b>		<b>254</b>	<b>249</b>	<b>203</b>

(1) Key figures for the Orbis Group are as follows :

Orbis (In € million)	1st sem. 2002	2002	1st sem. 2003
Revenues	81	157	63
Net income	2	13	7
Net cash / (net debt)	(18)	40	(6)
Shareholders' equity	289	292	256
Portion of capital held	27.17%	27.17%	29.34%

(2) Key figures for Société des Hôtels et Casinos de Deauville (SHCD) are as follows :

SHCD (In € million)	1st sem. 2002	2002	1st sem. 2003
Revenues	85	199	89
Net income	2	14	1
Net cash / (net debt)	(43)	(36)	(50)
Shareholders' equity	96	108	107
Portion of capital held	34.90%	34.90%	34.90%

(3) Key figures for Risma are as follows :

<b>Risma (In € million)</b>	<b>1st sem. 2002</b>	<b>2002</b>	<b>1st sem. 2003</b>
Revenues	18	40	21
Net income	(2)	(5)	(4)
Net cash / (net debt)	(30)	(37)	(40)
Shareholders' equity	41	47	37
Portion of capital held	45.29%	45.29%	45.29%

(4) ABC owns jointly the Demeure hotels (Sofitel) and Libertel with Accor, Blackstone and Colony. The key figures are as follows:

<b>ABC (Demeure hotels and Libertel) (In € million)</b>	<b>1st sem. 2002</b>	<b>2002</b>	<b>1st sem. 2003</b>
Revenues	60	122	43
Net income	(5)	(10)	(8)
Net cash / (net debt)	N/A	(368)	N/A
Shareholders' equity	39	34	16
Portion of capital held	30.00%	30.00%	30.00%

(5) Key figures for Tanit are as follows :

<b>TANIT (In € million)</b>	<b>1st sem. 2002</b>	<b>2002</b>	<b>1st sem. 2003</b>
Revenues	7	20	6
Net income	(5)	(5)	(5)
Net cash / (net debt)	(0)	(1)	(4)
Shareholders' equity	16	16	10
Portion of capital held	31.19%	31.19%	31.19%

(6) Key figures for Société Hôtelière Paris les Halles (SHPH) are as follows :

<b>SHPH (In € million)</b>	<b>1st sem. 2002</b>	<b>2002</b>	<b>1st sem. 2003</b>
Revenues	29	46	25
Net income	1	2	(2)
Net cash / (net debt)	N/A	(102)	(110)
Shareholders' equity	20	17	14
Portion of capital held	31.19%	31.19%	31.19%

(7) Key figures for Front de Seine Participations, holding Novotel Tour Eiffel, are as follows :

<b>Novotel Tour Eiffel (in € million)</b>	<b>1st sem. 2002</b>	<b>2002</b>	<b>1st sem. 2003</b>
Revenues	16	33	12
Net income	(3)	(3)	(5)
Net cash / (net debt)	(108)	(113)	(114)
Shareholders' equity	11	10	5
Portion of capital held	40.00%	40.00%	40.00%

(8) Main Dorint AG financial indicators during the consolidation period are as follows :

<b>DORINT (In € million)</b>	<b>1st sem. 2002</b>	<b>2002</b>	<b>1st sem. 2003 (5 months)</b>
Revenues	-	-	188
Net income	-	-	(14)
Net cash / (net debt)	-	-	(37)
Portion of capital held	-	-	40.19%

(see Note 2.B.3)

## NOTE 19. OTHER INVESTMENTS

In € million	June 30, 2002	2002	June 30, 2003
Investments in non-consolidated companies	352	412	307
Deposits	114	112	110
<b>Total gross value</b>	<b>466</b>	<b>524</b>	<b>417</b>
Provisions for impairment in value	(36)	(37)	(38)
<b>Net value</b>	<b>430</b>	<b>487</b>	<b>379</b>

Main investments in non-consolidated companies are as follow :

In € millions	June 30, 2002	2002	June 30, 2003
Compass Group (1)	205	204	204
Hotels Germany (2)	22	50	-
El Gezirah Hotel (Cairo) (3)	-	42	-
Other investments in non-consolidated companies and deposits	203	191	175
<b>Net value</b>	<b>430</b>	<b>487</b>	<b>379</b>

- (1) In March 1999, the Group issued bonds exchangeable for Compass / Granada shares. The bond issue reflected the Group's intention to sell the Compass shares which were reclassified under "marketable securities" in 1999. The bonds were redeemed in March 2002.
- (2) After reviewing the intended holding period of the 30,706,882 Compass shares and 30,706,882 Granada shares, the Group reclassified the Compass shares under "other investments" for an amount of €204 million, corresponding to their cost at March 30, 2002. At June 30, 2003, the market value of the Compass shares was €145 million. In light of the decision to hold the shares over the long term, they were maintained in the balance sheet at fair value to the Group. See note 2.B.3. Dorint Group is consolidated for by the equity method since February 1st, 2003.
- (3) In November 2002, Accor acquired 65% of the company which currently operates the Cairo Sheraton with the intention of turning it into a Sofitel. This company is fully consolidated since January 1st, 2003.

## NOTE 20. BREAKDOWN OF FIXED ASSETS BY BUSINESS

### 20.1. Fixed assets by business (at cost)

Fixed assets at June 30, 2003 include €3,045 million in hotel properties, compared with €3,110 million at December 31, 2002.

In € million	HOTELS									June 30, 2003	Dec. 31, 2002	June 30, 2002
	Up and mid scale	Economy	Economy US	Services	Travel Agencies	Casinos	Restaurants	Onboard Train Services	Holding Co and Other			
Goodwill	666	141	578	146	287	131	56	18	361	2,384	2,241	2,227
Intangible assets	50	56	319	55	40	2	5	30	75	632	668	655
Tangible assets	2,943	1,639	1,683	87	85	101	104	83	144	6,869	6,930	7,121
<b>Sub-total</b>	<b>3,659</b>	<b>1,836</b>	<b>2,580</b>	<b>288</b>	<b>412</b>	<b>234</b>	<b>165</b>	<b>131</b>	<b>580</b>	<b>9,885</b>	<b>9,839</b>	<b>10,003</b>
Long-term loans	279	14	1	1	-	-	2	-	161	458	444	428
Investment in associated	143	16	-	-	3	-	1	-	40	203	249	254
Other financial assets	87	12	60	2	8	-	1	1	246	417	524	466
<b>Total June 30, 2003</b>	<b>4,168</b>	<b>1,878</b>	<b>2,641</b>	<b>291</b>	<b>423</b>	<b>234</b>	<b>169</b>	<b>132</b>	<b>1,027</b>	<b>10,963</b>		
<b>Total Dec 31, 2002</b>	<b>4,202</b>	<b>1,837</b>	<b>2,854</b>	<b>232</b>	<b>433</b>	<b>225</b>	<b>160</b>	<b>206</b>	<b>907</b>		<b>11,056</b>	
<b>Total June 30, 2002</b>	<b>4,068</b>	<b>1,919</b>	<b>2,999</b>	<b>223</b>	<b>447</b>	<b>199</b>	<b>159</b>	<b>131</b>	<b>1,006</b>			<b>11,151</b>

### 20.2. Fixed assets by region (at cost)

In € million	France	HOTELS					Worldwide Structures	June 30, 2003	Dec. 31, 2002	June 30, 2002
		Europe (excl. France)	North America	Latin America	Other Countries	Restaurants				
Goodwill	571	559	606	124	283	241	2,384	2,241	2,227	
Intangible assets	56	78	345	23	4	126	632	668	655	
Tangible assets	2,198	1,774	2,093	249	355	200	6,869	6,930	7,121	
<b>Sub-total</b>	<b>2,825</b>	<b>2,411</b>	<b>3,044</b>	<b>396</b>	<b>642</b>	<b>567</b>	<b>9,885</b>	<b>9,839</b>	<b>10,003</b>	
Long-term loans	98	87	28	11	78	156	458	444	428	
Investment in associated	75	64	1	1	62	-	203	249	254	
Other financial assets	30	28	86	2	27	244	417	524	466	
<b>Total June 30, 2003</b>	<b>3,028</b>	<b>2,590</b>	<b>3,159</b>	<b>410</b>	<b>809</b>	<b>967</b>	<b>10,963</b>			
<b>Total Dec 31, 2002</b>	<b>2,760</b>	<b>2,235</b>	<b>3,294</b>	<b>335</b>	<b>860</b>	<b>1,572</b>		<b>11,056</b>		
<b>Total June 30, 2002</b>	<b>2,874</b>	<b>2,270</b>	<b>3,582</b>	<b>382</b>	<b>673</b>	<b>1,370</b>			<b>11,151</b>	

**NOTE 21. OTHER RECEIVABLES AND PAYABLES**

In € million	June 30, 2002	2002	June 30, 2003
<b>Gross other receivables (1)</b>	<b>1,090</b>	<b>1,041</b>	<b>1,051</b>
Provisions	(97)	(84)	(14)
<b>Net other receivables</b>	<b>993</b>	<b>957</b>	<b>1,037</b>
<b>Gross other payables (2)</b>	<b>1,236</b>	<b>1,101</b>	<b>1,083</b>

(1) Other receivables at June 30, 2003 include:

- VAT receivables of €188 million;
- Other tax receivables of €19 million;
- Prepaid payroll taxes of €12 million;
- Prepaid expenses of €341 million;
- Deferred charges of €92 million;
- Other receivables of €316 million;
- Deferred tax assets of €83 million.

(2) Other payables at June 30, 2003 include:

- Accrued payroll costs of €350 million;
- Accrued taxes of €118 million;
- VAT payable of €74 million;
- Income tax debts of €63 million;
- Corporate income tax payable of €150 million;
- Other accrued liabilities of €292 million;
- Other payables of €36 million.

## NOTE 22. FULLY DILUTED SHARE CAPITAL

As of June 30, 2003, a total of 199,258,550 common shares were issued and outstanding. The average number of common shares outstanding during the 1<sup>st</sup> half of 2003 was 197,729,819.

In addition, a total of 9,102,373 employee stock options, exercisable for shares representing 4.60% of the total capital, were outstanding as of June 30, 2003:

- 85,000 stock options exercisable from January 7<sup>th</sup>, 1999 until January 7<sup>th</sup>, 2005 at €15.46 per share;
- 1,339,200 stock options exercisable from January 7<sup>th</sup>, 2003 until January 7<sup>th</sup>, 2006 at €32.47 per share;
- 757,322 stock options (Stock Saving Warrants) exercisable from December 22<sup>nd</sup>, 2003 until December 22<sup>nd</sup>, 2007 at €43.40 per share;
- 580,525 stock options exercisable from January 6<sup>th</sup>, 2004 until January 6<sup>th</sup>, 2007 at €33.95 per share;
- 690,125 stock options exercisable from March 30<sup>th</sup>, 2005 until March 30<sup>th</sup>, 2008 at €37.00 per share;
- 1,957,000 stock options exercisable from January 4<sup>th</sup>, 2004 until January 4<sup>th</sup>, 2009 at €40.58 per share;
- 3,438,840 stock options exercisable from January 8<sup>th</sup>, 2005 until January 8<sup>th</sup>, 2010 at €37.77 per share;
- 104,361 stock options (Stock Saving Warrants) exercisable from July 12<sup>th</sup>, 2005 until July 2009 at €39.10 per share;
- 148,900 stock options exercisable from January 3<sup>rd</sup>, 2006 until January 3<sup>rd</sup>, 2011 at €31.80 per share;

In 2002 Accor issued 3,415,424 convertible bonds (OCEANES), which could lead to the issuance of 10,246,272 shares (see Note 26 for more details).

On this basis, the average fully diluted number of shares (in thousands) outstanding on June 30, 2003 was 207,859.

Fully diluted earnings per share are calculated as follows :

In € million	June 30, 2002	2002	June 30, 2003
Net income, Group share (in € million)	221	430	106
Restatement convertible bonds (OCEANE) (1)	4	9	7
Restated net income before minority interests	225	439	113
Fully diluted number of shares (in thousands)	197,365	197,573	197,730
Number of shares resulting from the exercise of stock options	1,233	375	0
Number of shares resulting from the conversion of OCEANE	3,828	7,018	10,246
Fully diluted average number of shares (in thousands)	202,426	204,966	207,859
<b>Net diluted earnings per share (in €)</b>	<b>1.11</b>	<b>2.14</b>	<b>0.54</b>

(1) Restatements of net income are as follows :

In € thousand	June 30, 2003
Reversal of the interest charges relative to convertible bonds (OCEANE)	2138
Reversal of redemption premiums on convertible bonds (OCEANE)	4688
<b>Total</b>	<b>6826</b>

#### NOTE 23. MINORITY INTERESTS

In € million	
<b>December 31, 2001</b>	<b>140</b>
Minority interests in net income for the period	22
Dividends paid to minority interests	(27)
Translation adjustments	(22)
Other movements	(22)
<b>December 31, 2002</b>	<b>91</b>
Minority interests in net income for the period	16
Dividends paid to minority interests	(6)
Translation adjustments	1
Other movements	4
<b>June 30, 2003</b>	<b>106</b>

**NOTE 24. PROVISIONS FOR CONTINGENCIES AND CHARGES**

In € million	
<b>December 31, 2001</b>	<b>537</b>
Additions	86
Reversals	(90)
Translation adjustments	(12)
Changes in scope of consolidation	7
<b>December 31, 2002</b>	<b>528</b>
Additions	65
Reversals without use	(7)
Reversals with use	(36)
Translation adjustments	(1)
Changes in scope of consolidation	29
<b>June 30, 2003</b> (1)	<b>578</b>

(1) Provisions for contingencies and charges at break down as follows:

In € million	December 31, 2002	Additions	Reversals with use	Reversals without use	Translation adjustments	Changes of Scope and reclassifications	June 30, 2003
- Retirement provisions	58	18	(1)	-	-	-	75
- Litigation provisions and other	166	37	(28)	(7)	(1)	-	167
- Tax provisions	19	1	(1)	-	-	4	23
- Tax and deferred tax provisions	263	-	-	-	-	33	296
- Provisions for restructuring	22	9	(6)	-	-	(8)	17
<b>TOTAL</b>	<b>528</b>	<b>65</b>	<b>(36)</b>	<b>(7)</b>	<b>(1)</b>	<b>29</b>	<b>578</b>

## **NOTE 25. REPACKAGED PERPETUAL SUBORDINATED FLOATING RATE NOTES (TSDI)**

On December 1990, Accor issued €762 million in Repackaged Perpetual Subordinated Floating Rate Notes (Titres Subordonnés à Durée Indéterminée).

Concurrently, Accor paid a special purpose vehicle an amount of €170 million in exchange for:

- A commitment to repurchase the Repackaged Perpetual Subordinated Floating Rate Notes from the various lenders at the end of 15 years (matched by a commitment by the lenders to sell the notes).
- commitment not to claim payment of any principal or interest on the notes from Accor.

The net proceeds from the issue amounted to €592 million, which was 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 (PIBOR + margin) for a 15-year period. The swap taken out to lock in principal repayments while leaving the after-tax interest rate variable (based on market rates) was the subject of an investment reimbursed in February 2000.

The tax effect is prorated to interest expense over the life of the issue.

The French Tax Authorities confirmed their agreement with the accounting treatment of the issue in early 1993.

## **NOTE 26. EXCHANGEABLE BONDS**

### **OCEANE bonds convertible or exchangeable for new or existing Accor shares**

On April 24, 2002, Accor issued 3,415,424 bonds convertible or exchangeable for new or existing shares (OCEANE) at a price of €166.89. The aggregate nominal value of the issue was €570 million and the interest rate is 1%. Interest is payable annually in arrears, on January 1.

The bonds are redeemable in three instalments as follows:

- On January 1, 2005 at a price of €58.86, representing 105.81% of one-third of the bonds' nominal value
- On January 1, 2006 at a price of €60.14, representing 108.11% of one-third of the bonds' nominal value
- On January 1, 2007 at a price of €61.47, representing 110.50% of one-third of the bonds' nominal value.

These redemption prices include one-third of the bond's nominal value plus a redemption premium representing an annual yield-to-maturity from the date of issue of 3.125%.

Bond holders may convert or exchange their bonds for shares as from May 3, 2002 as follows:

- Up to January 7, 2005, at the rate of 3 Accor shares per bond
- from January 8, 2005 to January 7, 2006, at the rate of 2 Accor shares per bond
- from January 8, 2006 to January 7, 2007, at the rate of 1 Accor share per bond.

## NOTE 27. TOTAL LONG-TERM DEBT BY CURRENCY AND MATURITY

### Note 27. A Gross long-term debt

At June 30, 2003, gross debt after hedging transaction, breaks down as follows :

In € million	June 30, 2002	Actual interest rate 1st sem. 2002 %	2002	Actual interest rate 2002 %	June 30, 2003	Actual interest rate 1st sem. 2003 %
EURO	1,896	3.52	1,664	3.06	2,254	2.83
US Dollar	1,509	3.74	1,382	3.89	1,137	3.64
Australian Dollar	164	5.02	137	5.58	135	5.21
Other currencies (*)	130	3.10	109	-	127	-
<b>Gross debt</b>	<b>3,699</b>	<b>3.85</b>	<b>3,292</b>	<b>3.80</b>	<b>3,653</b>	<b>3.25</b>
Capital leases	205	-	185	-	162	-
Short-term debt and overdrafts	154	-	226	-	252	-
<b>Total debt</b>	<b>4,058</b>	<b>-</b>	<b>3,703</b>	<b>-</b>	<b>4,067</b>	<b>-</b>

\*€36 million in BRL, €14 million in GBP, €30 million in JPY and €13 million in CAD at June 30, 2003.

Long-term debt	3,617	-	3,372	-	3,628	-
Short-term debt and overdrafts	441	-	331	-	439	-
<b>Total debt</b>	<b>4,058</b>	<b>-</b>	<b>3,703</b>	<b>-</b>	<b>4,067</b>	<b>-</b>

### Note 27.B Maturity of the gross debt:

Gross long-term debt breaks down as follows:

In € million	June 30, 2002	2002	June 30, 2003
Year Y + 1	441	331	439
Year Y + 2	172	141	344
Year Y + 3	338	828	1,194
Year Y + 4	1,534	1,870	1,783
Year Y + 5	1,408	380	194
Year Y + 6	55	31	23
Beyond	110	122	90
<b>Total long-term debt</b>	<b>4,058</b>	<b>3,703</b>	<b>4,067</b>

At June 30, 2003, Accor had several unused confirmed lines of credit with maturities of more than one year, for a total of €1,655 million, expiring between September 2004 and February 2008. As a result, €950 million short-term financing, including commercial paper, that the Group intends to roll over has been reclassified as long-term debt. After reclassifications, the long term unutilised confirmed lines total €705 million.

## Note 27.C Gross debt before and after hedging transactions

Gross debt before hedging transactions breaks down as follows:

In € million	Fixed-Rate Debt			Variable-Rate Debt			Total debt		
	Amount	Rate	Fixed Debt	Amount	Rate	Variable Debt	Amount	Rate	% of total
EUR	2,198	4.13%	63%	1,305	2.70%	37%	3,503	3.60%	95%
USD	0	5.44%	0%	95	1.46%	100%	95	1.48%	3%
AUD	3	8.05%	30%	8	5.81%	70%	11	6.47%	0%
Other currencies	9	7.19%	16%	47	9.49%	84%	56	9.15%	2%
<b>Total gross debt</b>	<b>2,210</b>	<b>4.15%</b>	<b>60%</b>	<b>1,455</b>	<b>2.86%</b>	<b>40%</b>	<b>3,665</b>	<b>3.64%</b>	<b>100%</b>

For hedging and cash management purposes, Accor has purchased €1,223 million worth of currency swaps. In addition, €2,213 million worth of rate hedges have been carried out.

The following table shows gross debt after these rate and currency swaps:

In € million	Fixed-Rate Debt			Variable-Rate Debt			Total debt		
	Amount	Rate	Fixed Debt	Amount	Rate	Variable Debt	Amount	Rate	% of total
EUR	901	2.54%	40%	1,353	3.03%	60%	2,254	2.83%	62%
USD	394	6.68%	35%	743	2.02%	65%	1,137	3.64%	31%
AUD	3	8.05%	2%	132	5.14%	98%	135	5.21%	4%
Other currencies	9	7.19%	7%	118	4.91%	93%	127	5.06%	3%
<b>Total gross debt</b>	<b>1,307</b>	<b>3.83%</b>	<b>36%</b>	<b>2,346</b>	<b>2.92%</b>	<b>64%</b>	<b>(*) 3,653</b>	<b>3.25%</b>	<b>100%</b>

(\*) The difference between gross debt before and after the swaps is mainly due to the exchange rate spread on the currency swaps.

## Note 27.D Fixed / variable breakdowns of the debt (after hedging)

(excluding obligations under finance leases and other short term debt)

In € million	Fixed-Rate Debt (1)			Variable-Rate Debt			Total Debt	
	Amount	Rate	Fixed Debt	Amount	Rate	Variable Debt	Amount	Rate
<b>June 2002</b>	1,788	4.16%	48%	1,911	3.56%	52%	3,699	3.85%
<b>December 2002</b>	1,327	3.88%	40%	1,965	3.74%	60%	3,292	3.80%
<b>June 2003</b>	1,307	3.83%	36%	2,346	2.92%	64%	3,653	3.25%

(1) Fixed-rate debt is debt for which the underlying interest rate was originally fixed for more than one year, as well as variable-rate debt that has been hedged at a fixed rate more than one year.

As of June 30, 2003, fixed-rate debt was denominated primarily in euros (69%) and US dollars (30%), while variable rate debt was denominated primarily in euros (58%), US dollars (32%) and Australian dollars (6%).

None of this debt carries acceleration clauses triggered by a change in the company's credit rating. In addition Accor has not negotiated any financing contracts with cross default covenants. Debt with maturities of three years or more may carry cross acceleration clauses, but such clauses may be invoked only in the cross acceleration concerns debt of the same type and of a significant amount.

**NOTE 28. NET INDEBTEDNESS**

In € million	June 30, 2002	2002	June 30, 2003
Repackaged perpetual subordinated notes	183	151	116
Convertible and exchangeable bonds	570	570	570
Other long-term debt	2,686	2,493	2,799
Obligations under finance leases	178	158	143
Short-term debt	369	234	337
Overdrafts	72	97	102
<b>Debt</b>	<b>4,058</b>	<b>3,703</b>	<b>4,067</b>
Short-term loans	(125)	(160)	(175)
Marketable securities (2)	(473)	(541)	(469)
Cash and cash equivalents	(228)	(179)	(274)
Short-term receivables on asset disposals	(138)	(20)	(106)
<b>Net debt</b>	<b>3,094</b>	<b>2,802</b>	<b>3,043</b>

<b>Net debt at January 1</b>	<b>2,849</b>	<b>2,849</b>	<b>2,802</b>
Change in long-term debt	122	166	386
Net change in short-term debt and cash and cash equivalents	104	(59)	70
Changes in scope of consolidation and translation adjustments (1)	55	(235)	(129)
Change in receivables on asset disposals	(36)	81	(86)
<b>Net change for the year</b>	<b>245</b>	<b>(47)</b>	<b>241</b>
<b>Net debt at December 31</b>	<b>3,094</b>	<b>2,802</b>	<b>3,043</b>

(1) Long-term debt.

(2) Marketable securities include 146,965 Accor shares valued at an historical cost of €20 per share. The market value of these shares was €31.5 at June 30, 2003. This item also includes 30,706,882 Granada shares valued at GBP 0.91, for a total of €40 million at June 30, 2003.

**NOTE 29. BREAKDOWN OF FUNDS FROM OPERATIONS**

In € million	June 30, 2002	2002	June 30, 2003
Consolidated net income, Group share	221	430	106
Minority interests	13	22	16
Depreciation, amortization and provisions	293	564	274
Net income from companies accounted for by the equity method, net of dividends received	2	(2)	14
Deferred taxes	48	53	5
Change in provisions included in interest expense and provisions for impairment in value	(10)	28	27
<b>CASH FLOW</b>	<b>567</b>	<b>1,095</b>	<b>442</b>
Net gains on disposals of assets	(130)	(173)	(97)
Non-operating (gains)/losses	28	39	34
<b>FUNDS FROM OPERATIONS</b>	<b>465</b>	<b>961</b>	<b>379</b>

**NOTE 30. INVESTMENTS IN EXISTING ASSETS**

These investments include renovations and all expenses that maintain the useful life of existing assets. They exclude investments for development, fixed assets of newly consolidated subsidiaries, as well as the creation or construction of new assets.

Investments in existing assets break down by business as follows:

In € million	June 30, 2002	2002	June 30, 2003
<b>HOTELS</b>			
- Up and middle scale	52	114	44
- Economy Hotels	37	60	27
- Economy Hotels United States	33	68	34
<b>SERVICES</b>	<b>10</b>	<b>22</b>	<b>9</b>
<b>Other Businesses</b>			
Travel Agencies	5	10	5
Casinos	6	8	5
Restaurants	3	5	7
Onboard Train Services	2	8	4
Holding and others	11	21	4
<b>INVESTMENTS IN EXISTING ASSETS</b>	<b>159</b>	<b>316</b>	<b>139</b>

### NOTE 31. INVESTMENTS FOR DEVELOPMENT

Development investments include fixed assets of newly consolidated subsidiaries and the creation or construction of new assets.

Development investments break down by region and business as follows:

In € million	France	Europe (excluding France)	North America	Latin America & Caribbean	Other Countries	Worldwide Structures*	June 30, 2003	June 30, 2002	Dec. 31, 2002
<b>HOTELS</b>	<b>30</b>	<b>121</b>	<b>6</b>	<b>6</b>	<b>25</b>	<b>2</b>	<b>190</b>	<b>359</b>	<b>693</b>
- Up and middle scale	20	76	1	6	24	1	128	252	516
- Economy Hotels	10	45	-	-	1	1	57	89	145
- Economy Hotels United States	-	-	5	-	-	-	5	18	32
<b>SERVICES</b>	<b>4</b>	<b>6</b>	<b>-</b>	<b>32</b>	<b>2</b>	<b>4</b>	<b>48</b>	<b>4</b>	<b>18</b>
<b>Other Businesses</b>									
Travel Agencies	-	3	-	-	-	-	3	1	1
Casinos	2	5	-	-	-	-	7	14	41
Restaurants	3	2	-	1	-	-	6	3	5
Onboard Train Services	-	-	-	-	-	-	-	-	-
Holding company and others	8	1	-	-	1	15	25	26	44
<b>Total 30 juin 2003</b>	<b>47</b>	<b>138</b>	<b>6</b>	<b>39</b>	<b>28</b>	<b>21</b>	<b>279</b>		
<b>Total 30 juin 2002</b>	<b>90</b>	<b>141</b>	<b>102</b>	<b>37</b>	<b>31</b>	<b>6</b>		<b>407</b>	
<b>Total 31 décembre 2002</b>	<b>146</b>	<b>364</b>	<b>109</b>	<b>62</b>	<b>100</b>	<b>21</b>			<b>802</b>

(\*) Development investments that are not committed in a single region are included under Worldwide Structures.

### NOTE 32. PAYROLL COSTS

Total payroll costs amounted to €1,265 million on June 30, 2003 compared with €1,315 million on June 30, 2002.

### NOTE 33. DIRECTOR'S FEES

Fees paid by various Group companies to members of the Supervisory Board amounted to € 0.540 million of which, €0.276 million were paid by Accor S.A.

### NOTE 34. CLAIMS AND LITIGATION

Further to the agreement signed in 2002, concerning litigations between Accor subsidiaries and shareholders of companies managing Formule 1 and Etap Hotel in France, a limited number of new claims have been filed against Group companies during the first semester of 2003. They do not tend to question the reorganisation being conducted on the Formule 1 and Etap Hôtel networks, and which allowed the shareholders of the managing companies to choose between management or employment contracts.

As part of its ongoing business activities, the Group is subject to various disputes and lawsuits, which it does not believe will result in significant cost nor have a material impact on its financial position, operations or earnings.

**NOTE 35. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES AS OF JUNE 30, 2003**

In € million		< 1year	1 to 5 years	> 5 years	Total June 30, 2003	Total Dec 31, 2002
<b>Loans, credit lines and bank overdrafts</b>	(1)	<b>40</b>	-	<b>16</b>	<b>56</b>	<b>42</b>
. Hotels Australia	(2)	-	46	-	46	46
. Hotels Italy (25%)	(3)	32	-	-	32	39
. 40% call option on Go Voyages	(4)	-	22	-	22	29
. Novotel Tour Eiffel	(5)	-	9	-	9	9
. Hotels Switzerland		-	6	-	6	6
. Other irrevocable purchase commitments		5	-	-	5	5
<b>Irrevocable purchase commitments</b>		<b>37</b>	<b>83</b>	-	<b>120</b>	<b>134</b>
<b>Other financial and commercial commitments</b>	(6)	-	<b>38</b>	<b>48</b>	<b>86</b>	<b>100</b>
<b>Total June 30, 2003</b>		<b>77</b>	<b>121</b>	<b>64</b>	<b>262</b>	
<b>Total December 31, 2002</b>		<b>91</b>	<b>136</b>	<b>49</b>		<b>276</b>

(1) The €56 million remaining in guarantees given under financing transactions mainly concern a €25 million commitment given to the banks financing the Dorint AG acquisition (see note 2.B.3)

(2) As part of a 10-year management contract for the Mercure Sydney Railway Square hotel, opened during the fourth quarter of 1998, Accor has granted the owner of the property a €46 million put option on the property, exercisable after January 1, 2004. Construction costs borne by the owner totalled approximately €63 million.

(3) Accor and IFIL have amended their agreement of December 5, 1991 regarding their joint subsidiary Sifalberghi and Accor's commitment to purchase from IFIL 25% of Sifalberghi.

IFIL now benefits from the following commitments :

- IFIL may exercise its put option between July 1, 1999 and December 31, 2005. The option exercise price will be determined using a formula that takes into account the net book value of Sifalberghi, unrealized capital gains on the real estate portfolio, and goodwill;

- This commitment was valued at €32 million at June 30, 2003 and €39 million at December 31, 2002.

In August 2003, IFIL sold its 25% share in Sifalberghi to Accor for €32 million.

(4) If the option were to be exercised, the fixed part would amount to €7 million. The variable part was estimated at €22 million at June 30, 2003.

(5) Under the agreements signed between Colony and Accor at the time of acquisition of Novotel Paris Tour Eiffel, Colony was given a put option on 60% of outstanding Front de Seine Participations shares, exercisable between the fifth and the seventh years. The price will be based on 10 times EBITDA less debt.

(6) Other commitments amount to €97 million including €86 million in commercial and financial commitments.

## **NOTE 36. POST CLOSING EVENTS**

### **Disposal of assets in Poland**

In June 2003, Accor signed an agreement covering the disposal of 11 hotels in Poland. For the record, Accor holds 29.34% of Orbis capital.

This operation, amounting to €92 million, voted unanimously by the board meeting of Orbis, will be achieved during the fourth quarter of 2003, after the agreement is granted by the Polish competition authorities.

**NOTE 37. MAIN SUBSIDIARIES AND AFFILIATES AT JUIN 30, 2003**

**FRANCE**

1	Sté Hôtel Bordeaux Aquitaine	100.00%	6	SFPTH SA	99.48%
1	SIHN	100.00%	6	DEVIMCO	99.97%
1	PIH	100.00%	6	Accor Réservation Service	100.00%
1	MIH	100.00%	6	S.H.C.D. (*)	34.90%
1	S.E.H.S.	97.70%	6	Académie Accor	100.00%
1	Sté Hôtelière Nice Centre(*)	45.00%	1-6	Frantour SA	100.00%
1	S.P.F.H.	100.00%	2	Go Voyages	70.00%
4	FINANC. COURT (*)	20.00%	6	RESTAUPRO	99.96%
4	LENOTRE	98.75%	6	French Line Diffusion (*)	43.87%
6	Accor CASINO SA (**)	50.00%	3	Accor Services France	100.00%

**EUROPE**

GERMANY

1	Accor Hôtellerie DTC	100.00%	4-3	Gemeaz	94.64%
3	Accor Services Deutschland	100.00%	1	Sifalberghi	72.62%
1	Accor Hôt Mercure Management	50.97%	6	Scapa Italia	97.00%
1	Dorint (*) (***)	40.19%	5	Treno	99.48%
			1	Famosa Immobiliaria	72.62%
			1	SGAI	99.48%

ITALY

AUSTRIA

1	Accor GmbH	100.00%			
3	Accor Services Austria	99.17%			

BELGIUM

1	Accor Hôtels Belgium	98.90%			
1	Accoordination	99.33%			
3	Accor T.R.B.	100.00%			
6	CIWLT	99.48%			
2	WL Tourisme (**)	49.74%			

DENMARK

1	Accor Hotels Denmark	100.00%			
2	World Tourist (**)	49.74%			

SPAIN

1	Accor Hoteles Espagne	100.00%			
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GREECE

1	SH Athènes Centre (*)	41.82%			
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HUNGARY

1	Pannonia	74.20%			
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POLAND

1	Orbis (*)	29.34%			
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UNITED KINGDOM

1	Accor UK Up and mid scale	100.00%			
2	WLT Travel UK (**)	49.74%			
3	Luncheon vouchers	100.00%			

SWEDEN

3	Rikskuponger	99.90%			
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SWITZERLAND

1	Accor Suisse	100.00%			
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LATIN AMERICA			NORTH AMERICA		
<u>ARGENTINA</u>			<u>CANADA</u>		
3	Servicios Ticket	90.00%	1	Novotel Canada	100.00%
1	NSB	100.00%	2	Carlson Canada (**)	49.74%
<u>BRAZIL</u>			<u>UNITED STATES</u>		
1	H.A.B SA	71.31%	1	Novotel USA	100.00%
4-3	T.S. do Brasil	49.99%	1	IBL Ltd	99.99%
6	DALKIA	49.99%	1	Red Roof Inns	99.99%
			1	Accor Lodging North Am.	100.00%
			2	Carlson USA (**)	49.74%
<u>MEXICO</u>			<b>AFRICA</b>		
2	WLT Mexicana	99.48%			
3	Accor Servicios Empresariales	98.00%			
<u>CHILE</u>			<u>IVORY COAST</u>		
3	Accor Services Chili	74.35%	1	Société Abidjanaise	74.92%
<b>ASIA-PACIFIC</b>			<u>MOROCCO</u>		
1	AAPC : Accor Asia Pacific Corp.	100.00%	1	Risma (*)	45.29%
2	HQ Asia (**)	49.74%	<u>SENEGAL</u>		
3	AS Australia	100.00%	1	SPHU (Hôtel Union)	96.72%

**OTHER COUNTRIES**

1 Saudi Hotels Management 60.00%

(\*) Company accounted for by the equity method

(\*\*) Company consolidated using the proportional method

(\*\*\*) Company consolidated for the first time in 2003

NB 1 : Percentage indicates Group interest.

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

<b>1 Hotels</b>	<b>3 Services</b>	<b>5 Onboard Train Services</b>
<b>2 Travel agencies</b>	<b>4 Public restaurants and institutional catering</b>	<b>6 Other services</b>

**STATUTORY AND INDEPENDENT AUDITORS' LIMITED REVIEW REPORT  
ON THE HALF YEAR CONSOLIDATED FINANCIAL STATEMENTS  
Period from 1<sup>st</sup> January to 30<sup>th</sup> June, 2003**

*(Free translation of a French language original prepared for convenience purpose only. Accounting principles and auditing standards and their application in practice vary from one country to another. The accompanying financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than France. In addition, the procedures and practices followed by the statutory auditors in France with respect to such financial statements included in a prospectus may differ from those generally accepted and applied by auditors in other countries. Accordingly, the French financial statements and the auditors' limited review report - of which a translation is presented in this document for convenience only - are for use by those knowledgeable about French accounting procedures, auditing standards and their application in practice.)*

In our capacity as statutory and independent auditors and pursuant to article L. 232-7 of the French Companies Act (Code de Commerce), we have:

- reviewed the accompanying half year consolidated financial statements of Accor, covering the period from 1<sup>st</sup> January to 30<sup>th</sup> June, 2003
- verified the information contained in the half year Management Board report.

The half year consolidated financial statements are the responsibility of your Management Board. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with professional standards applicable in France. Those standards require that we perform limited procedures to obtain an assurance, which is less than obtained in an audit, as to whether the half year consolidated financial statements are free of material misstatement. We have not performed an audit as a review is limited primarily to analytical procedures and to inquiries of group management and knowledgeable personnel on information we deemed necessary.

Based on our review, nothing has come to our attention that causes us to believe that the half year consolidated financial statements, prepared in accordance with accounting principles generally accepted in France, do not give a true and fair view of the financial position and the assets and liabilities of the Group as at June 30, 2003, and of the results of its operations for the six-month period then ended.

We have also verified, in accordance with professional standards applicable in France, the information contained in the half year management board report supplementing the half year consolidated financial statements submitted to our review.

We have no comment to make as to the consistency with the half year consolidated financial statements and the fairness of the information contained in the half year management report.

Neuilly-sur-Seine, 10<sup>th</sup> September, 2003

The Statutory Auditors

The Independent Auditors  
(For consolidated accounts)

BARBIER FRINAULT & AUTRES  
ERNST & YOUNG

DELOITTE TOUCHE TOHMATSU –  
AUDIT

DELOITTE TOUCHE TOHMATSU

Christian CHOCHON

Alain PONS

Members of the Versailles Chamber of Auditors

## **5.2 EXCEPTIONAL EVENTS AND LITIGATION**

To the Company's knowledge, there is no exceptional event or litigation, other than as disclosed in note 34 to the consolidated financial statements for the financial year 2002 and in note 34 to the consolidated financial statements for the 1<sup>st</sup> semester of 2003, liable to have or to have had, in the recent past, a material effect on the financial situation, turnover or to results of operations of the Accor group.

## **CHAPTER VI**

### **CORPORATE GOVERNANCE**

Information concerning this chapter is included in the *document de référence* filed with the *Commission des opérations de bourse* on 25 March 2003 under number D.03-307 and the amendment to the *document de référence*, which was filed with the *Commission des opérations de bourse* on 16 October 2003 under the number D.03-307-R01. This information remains accurate at the date of this prospectus.

## CHAPTER VII

### RECENT DEVELOPMENTS AND FUTURE PROSPECTS

Information concerning this chapter is included in the *document de référence* filed with the *Commission des opérations de bourse* on 25 March 2003 under number D.03-307, in the amendment to the *document de référence*, which was filed with the *Commission des opérations de bourse* on 16 October 2003 under the number D.03-307-R01 and in the 2003 semi-annual accounts included in chapter V of this *note d'opération*. No significant event occurred. This information remains accurate at the date of this prospectus, subject to the following additional information below.

\* \*

\*

On 13 June 2003, Accor indicated in a press release that Compagnie Internationale des Wagons-Lits et du Tourisme, an Accor subsidiary, has sold 2.9 million Accor shares on the market for a total of €95,4 million.

This transaction is in line with the Group's strategy of strengthening its financial situation.

\* \*

\*

On 21 July 2003, Accor announced the signing of a privileged partnership between Accor and TUI and published the following press release:

“Jean-Marc Espalioux, Chairman of the Management Board of Accor, and Michael Frenzel, Chairman of the Management Board of TUI, today signed a broadbased agreement involving the inclusion of Accor hotels in Europe in TUI tour operations and in France the distribution of the new TUI tour operating brand in Accor's travel agencies through the L'Alliance network.

The signing, which took place at the Press Club de France, was also attended by Benjamin Cohen, Executive Vice-Chairman of the Accor Management Board in charge of Leisure and Tourism, and Eric Debry, member of the TUI Executive Committee and Chairman of the Nouvelles Frontières Management Board.

**In Europe:** Beginning with the 2004 summer season, in 14 European countries(\*), TUI tour operators will market 180 Accor hotels under the Sofitel, Novotel, Mercure, Suitehotel and Ibis brands, located in tourist cities.

*\*Austria, Belgium, France, Germany, Hungary, Ireland, the Netherlands, Norway, Poland, Russia, Slovakia, Slovenia, Switzerland and the United Kingdom.*

#### **In the French market:**

- As part of a preferred partnership contract, TUI France will market nine of Accor's Coralia Clubs. TUI France has decided to make Coralia Clubs one of its flagship products.

Its new 2003/2004 fall/winter catalogue will feature seven Coralia Clubs:

- In Morocco, the Coralia Club Palmariva in Marrakech and the Coralia Club La Kasbah in Agadir.
- In Tunisia, the Coralia Club Palm Beach Djerba and the Coralia Club Monastir.

- In Senegal, the Coralia Club Le Baobab.
- In Cuba, the Coralia Club Playa del Oro.
- In Egypt, the Coralia Club Dahab.

For the 2004 summer season, two more will be added:

- In Corsica, the Coralia Club Porticcio.
- In Turkey, the Coralia Club Tekirova.

The contract attests to the two Groups' commitment to building a long-term partnership leveraging the synergies of the world's leading tour operator and Europe's leading hotel Group.

- A preferred distribution contract has also been signed for the new TUI French tour operating brand with L'Alliance, a company created by Accor (Carlson Wagonlit Travel and Frantour) and Selectour. With its partners CIT, Lusitania, Verney and Wasteels, L'Alliance has a network of 1,074 travel agencies. The contract will take effect in September 2003."

\* \*

\*

On 31 July 2003, when the first-half turnover figures were published, the Company disclosed the evolution of its RevPar (income per available room) calculated by multiplying the occupancy rate by the average price:

Luxury and medium class hotels .....	- 5.2%
European economy class hotels .....	- 2.6%
U.S. economy class hotels .....	-3.3%

In addition, at an analysts presentation, the Company indicated a target for the opening of 20,000 new rooms by the end of 2003.

Within the framework of its cost-cutting strategy, Accor believes that it can achieve a one percent margin by the end of 2004, in particular following the reorganisation of its hotels in Europe, the rationalising of its transversal services in Europe and optimising its purchases.

The Company also confirmed that it envisages investments totalling €675,000,000 in 2003 compared to €802,000,000 in 2002, €923,000,000 in 2001 and €1,251,000,000 in 2000, thereby confirming its strategy to reduce the rate of its development investments.

Within this amount of €675,000,000, development investments relating to the economy and medium hotel class in Europe remain relatively unchanged (€336,000,000 in 2003 compared to €409,000,000 in 2002). The reduction in investments is more noticeable in the luxury class (€30,000,000 in 2003 compared to €171,000,000) and in emerging countries (€57,000,000 in 2003 compared to €109,000,000 in 2002).

Investments in the Services sector should, on the contrary, increase (€74,000,000 in 2003 compared to €18,000,000 in 2002). This figure of €675,000,000 includes, in addition, a reserve of €100,000,000 in order to take advantage of any opportunities which may arise to acquire small hotel chains.

\* \*

\*

On 5 August 2003, Accor announced the acquisition of a percentage of the share capital of Globalia and published the following press release:

“Accor and Globalia formalized on August 1st the acquisition by Accor of a 2.5% stake in Globalia.

This acquisition follows on a partnership agreement reached at the end of 2002 between the two companies to leverage their synergies in the leisure market in France, Spain, the Carriibbean and South America.

As part of this partnership, Globalia has acquired 100% of the Spanish Viajes Ecuador leisure business from Carlson Wagonlit Travel, a 50-50 subsidiary of Accor and Carlson. In addition, Globalia has joined the Southern Alliance, strengthening the 2,500 travel agencies currently part of the pan-European agency network. Accor hotels located in the destinations served by Globalia benefit from its increased ability to channel flows of Spanish tourists”.

\* \*

\*

On 21 August 2003, Accor announced the amicable settlement of its legal dispute with the operators of the Ibis Bastia Centre Hotel and issued the following announcement:

“ Accor and the operators of the Ibis Bastia Centre Hotel (C.P.H.) have reached an amicable settlement on their various legal disputes. In the context of this settlement, the C.P.H. hotel, opened since 22 July 2003, will bear a dual tradename “Ibis/Corsica Hotels” until 25 February 2004, and thereafter will remain associated with the Ibis chain under its own tradename “Corsica Hotels” until 25 August 2004. After this date, C.P.H. will continue its operations under its own tradename independently of the Ibis chain.”

\* \*

\*

On 10 September 2003, Accor published its 2003 interim results. In light of the first-half results (contained in Chapter V of this prospectus) and the business trend during the summer, the Group has declared that its full-year profit before tax target is in the region of €500 million.

\* \*

\*

On 17 September 2003, Accor presented its strategy for its Tourism and leisure sector at a press conference. This strategy aims to use Accor’s know-how and hotel brandnames and its expertise in leisure and well-being products (Accor Vacances, Accor Thalassa), and to reinforce its distribution network (travel agencies, Go Voyages, the TUI partnership) and various promotional and communication activities of the Group (Accor websites, loyalty cards). Within the framework of this strategy, the very complex activity of Tour Operating of Accor’s Tourism and Leisure sector will be abandoned in favour of partnerships with four operators throughout France and Europe. Turnover of the Tourism and leisure sector, which includes all the commercial activities which Accor manages (turnover from hotels under management contracts, travel agency traffic), should reach €1.3 billion for 2003 (of which hotels account for €475,000,000, Tour Operating accounts for €97,000,000, Go Voyages accounts for €186,000,000 and travel agencies account for €543,000,000).

\* \*

\*

On 18 September 2003, Accor announced a high growth of its Internet room night bookings and published the following press release:

“During the first eight months of the year, 4.2 million room nights in Accor hotels were booked online, the equivalent of 170 hotels a day.

#### *Sustained growth in 2003*

At 31 August, online bookings in Accor hotels were up 60%, with a 65% increase for Accor sites in Europe. Room nights reserved on the Accor hotel websites (the accorhotels.com portal, as well as the sofitel.com, novotel.com, mercure.com, suite-hotel.com, ibishotel.com, etaphotel.com, hotelformule1.com, motel6.com and redroof.com sites) accounted for nearly 85% of total online bookings, compared with 15% for online distributors.

The percentage of Accor revenues from Internet bookings has steadily increased. For full-year 2003, Accor forecasts Internet business volume of nearly EUR 300 million, or around 5.6% of lodging revenue, compared with EUR 202 million and 3.6% in 2002. The Economy segment accounts for 63% of online bookings, which generate 6% of aggregate Ibis, Etap Hotel and Formule 1 revenues in Europe and 10% of Red Roof Inns and Motel 6 revenues in the United States.

#### *Global distribution of Accor websites and heightened awareness of accorhotels.com*

Most visitors to the different websites are retail customers who generally choose an Accor hotel for leisure travel. In Europe, 42% of visitors to Group sites enter through the accorhotels.com portal, which attests to its growing reputation, while 58% go directly to the site of their preferred brand.

Visitors come from more than 200 different countries. 3 visitors out of 4 comes from outside France:

- France: 25%
- Germany: 18%
- United Kingdom: 10%
- North America: 10%
- Benelux: 9%
- Scandinavia: 3%
- Italy: 3%
- Spain: 2%
- Switzerland: 2%

The Accor hotels most often requested via the Internet include the Sofitel New York, the Sofitel Chicago Water Tower, the Novotel New York, the Novotel Lisbon, the Mercure in Rome, the Ibis London Euston, the Ibis in Barcelona, the Formule 1 in Saint Ouen, the Etap Hotel at the Nice Airport, the Motel 6 Las Vegas Tropicana, the Red Roof Manhattan...

In early summer, the pace of online bookings further accelerated with one room reserved nearly every four seconds via Accor websites.

A major radio and Internet advertising campaign, launched in late June in France and Germany to promote the Accor hotels Smiley Prices, helped to increase the number of visitors to accorhotels.com.

*An even more attractive accorhotels.com site*

In first-half 2003, Accor enhanced its online offering and services, for example by:

- Directly displaying the best available price and highlighting discounts.
- Streamlining and speeding the online booking process, with fewer windows and a step-by-step approach.
- Offering last-minute promotions.
- Enhancing hotel presentations with photo albums and large pictures.
- Integrating interactive maps.
- Posting travel guides for more than 60 destinations around the world.
- Featuring special advantages for accorhotels.com visitors with Air France, SNCF, Europcar, Thalys and other Accor partners.

By the end of the year, accorhotels.com, which is currently accessible in French, English and German, will also be available in Spanish and Portuguese.”

\*       \*

\*

On 7 October 2003, the credit rating attributed to Accor’s short-term debt was lowered by Moody’s from “Prime-3” to “Not-Prime” (with stable outlook).

The credit ratings attributed to long-term senior debt were maintained at their current levels by Standard & Poor’s - “BBB” (with negative outlook) - and by Fitch - “BBB+” (with stable outlook).