



# 2005 Interim Results

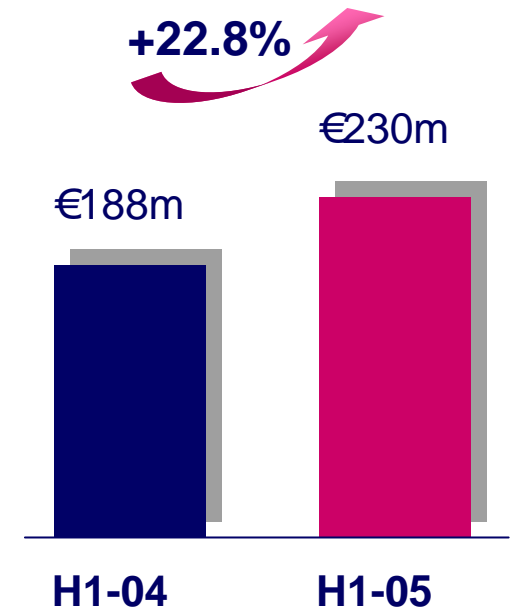
September 7, 2005



*ACCOR.com*

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- A light blue world map is visible in the background of the slide.
- ▶ **First-Half 2005 Results**
  - ▶ **Business activity at August 31, 2005**
  - ▶ **Update on the Real Estate and Expansion Strategies**

- ▶ Solid growth in interim earnings:
  - Operating Profit Before Tax: +22.8%
  - Net income: +143.8%



Operating Profit Before Tax, IFRS

<i>In € millions</i>	H1 2004	H1 2005	Change
Revenues	3,412	3,643	+6.8%
EBITDAR	840	904	+7.6%
Operating Profit Before Tax	188	230	+22.8%
Net Income, Group share	64	156	+143.8%
Funds From Operations	365	402	+10.0%
ROCE	10.0%	10.4%	+0.4 pt

*All figures according to IFRS*



*Like-for-like growth*



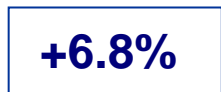
*Expansion*



*Currency effect*



*Disposals*



*Reported growth*

▶ Sound growth in **Economy Hotels**:

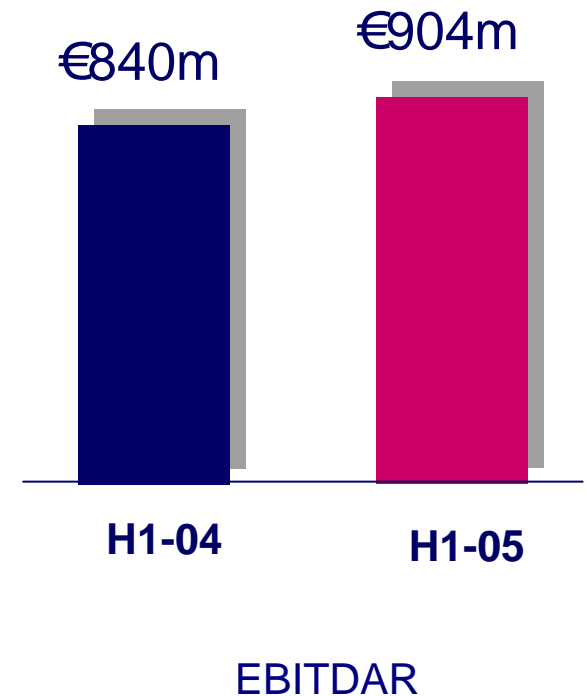
- Europe: +4.3%
- US: +4.8%

▶ Strong growth in **Services**: +12.6%

▶ Encouraging growth in **Upscale and Midscale Hotels**: +2.5%

*NB : all growth rates are on a L/L basis*

- ▶ EBITDAR up +7.6% or €64m
- ▶ EBITDAR margin improved to 24.8%:
  - +0.2 pt reported
  - +0.7 pt like-for-like





<i>In € millions</i>	H1 2004	H1 2005	Δ reported	Δ L/L*
Revenues	1,365	1,390	+1.8%	+2.5%
EBITDAR	320	327	+2.3%	+5.0%
Margin	23.4%	23.5%	+0.1 pt	+0.6 pt

\* L/L: Like-for-like

### Margin improvement led by:

- Positive impact of pricing policy in France: margin up 0.5 pt (L/L)
- Sharp growth in margin in North America: up 3.6 pts (L/L)



<i>In € millions</i>	H1 2004	H1 2005	Δ reported	Δ L/L*
Revenues	600	655	+9.3%	+4.3%
EBITDAR	203	223	+9.7%	+6.0%
Margin	33.9%	34.0%	+0.1 pt	+0.5 pt

\*L/L: Like-for-like

### Sustained performance in Economy Hotels:

- Like-for-like margin in France: +0.3 pt
- Like-for-like margin in rest of Europe: +0.5 pt

**Positive margin impact of room rate increases**



<i>In € millions</i>	H1 2004	H1 2005	Δ reported	Δ L/L*
Revenues	449	448	-0.3%	+4.8%
EBITDAR	152	152	-	+4.5%
Margin	33.9%	33.9%	-	-

\*L/L: Like-for-like

**Stable margin, due to the negative impact of:**

- Energy costs
- One-time payroll costs (1st half)



<i>In € millions</i>	H1 2004	H1 2005	Δ reported	Δ L/L*
Revenues	253	290	+14.4%	+12.6%
EBITDAR	100	116	+16.6%	+15.0%
Margin	39.3%	40.1%	+0.8 pt	+0.8 pt

\*L/L: Like-for-like

**Good performance supported by new products in Europe  
and buoyant markets in Latin America**



<i>In € millions</i>	H1 2004	H1 2005	Δ reported	Δ L/L *
Revenues	205	239	+16.8%	+8.7%
EBITDAR	25	40	+60.2%	+40.0%
% sales	12.2%	16.7%	+4.5pts	+3.2pts

\*L/L: Like-for-like

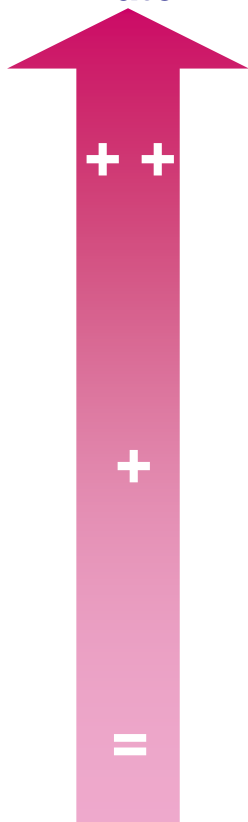
### Positive impact on margin due to acquisitions synergies:

- Protravel in France
- Maritz in the United-States

**Good activity in Europe**

## Upturn in business across the portfolio

Conversion rate



**Strong growth in revenues and income**

**Moderate growth in revenues and an improvement in margin, thanks to assertive pricing policy**

**Strong growth in revenues and a margin impacted by non-recurring costs in the first half**

% total EBITDAR

Economy Hotels (outside US)  
Services  
Travel Agencies

42%

Upscale and Midscale Hotels

36%

US Economy Hotels

17%

<i>In € millions</i>	<b>H1 2004</b>	<b>H1 2005</b>
EBITDAR	840	904
Holding costs	(649)	(672)
Net loss from associated companies	(3)	(2)
<b>Operating Profit Before Tax</b>	<b>188</b>	<b>230</b>
<i>as a % of revenues</i>	<b>5.5%</b>	<b>6.3%</b>

- Holding costs reduced from 19.0% to 18.5% of revenues
- Pretax margin improved by 0.8 pt

<i>In € millions</i>	H1 2004	H1 2005
Operating Profit Before Tax	188	230
Capital gains and impairment losses - net	(50)	8
Tax	(64)	(69)
Minority interests	(10)	(13)
<b>Net income, Group share</b>	<b>64</b>	<b>156</b>
Basic Earnings per share (in €)	0.32	0.72

### Capital gains and provisions for impairment:

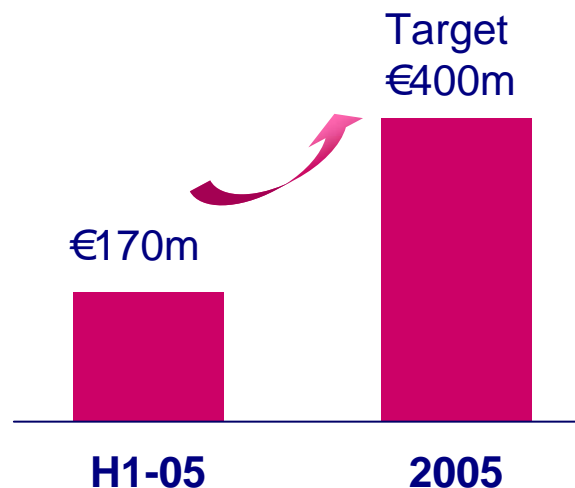
- Capital gain on the Foncière des Murs transaction: €109m
- Impairment losses on the non-strategic asset disposal program: €90m

<i>In € millions</i>	H1 2004	H1 2005
Funds From Operations	365	402
Renovation and maintenance capex	(130)	(170)
Free cash flow	235	232
Expansion capex	(162)	(158)
Disposals	107	197
Dividends	(279)	(278)
Increase in Equity (ORA)	-	438
<b>(Increase) / Reduction in net debt</b>	<b>(211)</b>	<b>318</b>

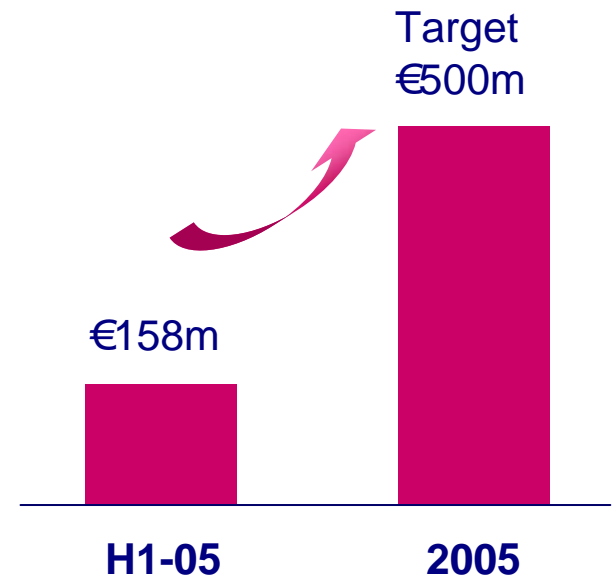
▶ 4.7% of revenues (versus 3.8% in 1st half 2004)

▶ 2005 target: €400m

- Novation rooms (Novotel)
- Red Roof Inn repositioning



- ▶ First-half: 63% of capex committed in Hotels in Europe and in the Services business
- ▶ 2005 target: €500m



	<b>FY 2004</b>	<b>H1 2005</b>
Net debt (in € millions)	2,282	1,964
Gearing	71%	52%
Interest cover*	x 5.4	x 5.8
Adjusted FFO / Adjusted net debt	15.6%	17.2%

\*EBITDAR / restated cash financial expense + 1/3 of full-year rents

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July - August cumulative	Occupancy rate		Average room rate	RevPAR*
	(in %)	(Δ in pts)	(Δ in %)	(Δ in %)
Upscale and Midscale Europe	62.7	-0.6	+1.8	+1.0
Economy Europe	76.8	-0.8	+3.8	+2.8
Economy US	72.7	+0.2	+4.5	+4.8

\*Subsidiaries



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### Estimated Revenues (July – August)

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$\Delta$  in % (L/L)

▶ Europe

+10,8%

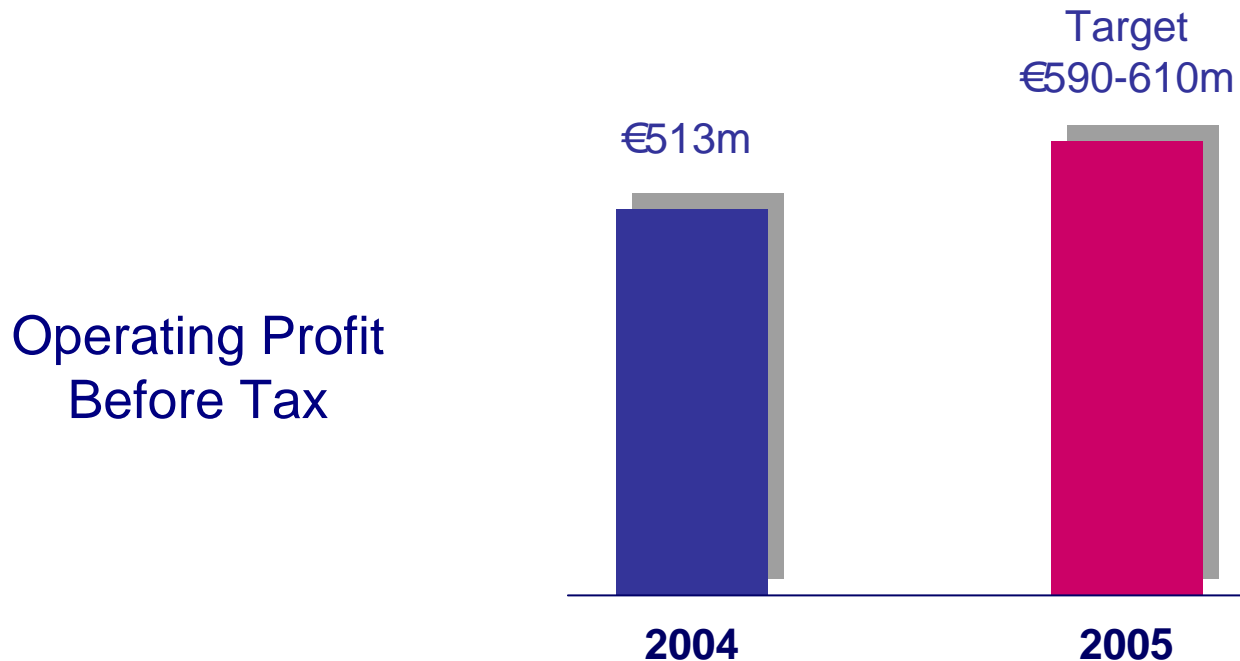
▶ South America

+20,0%

**Total**

**+14,5%**

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## Full-year target

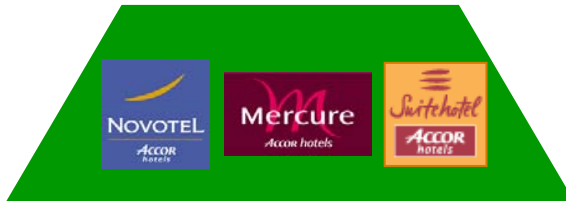
- Operating Profit Before Tax of €590 - 610m (+15% to 20% versus 2004)
- Net income, Group share: close to €300m (approximately 30% growth versus 2004)

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    - **Hotel Asset Management Policy**
    - **Expansion in Hotels**
    - **Expansion in Services**

Management contracts with minority stake



Variable leases



Management and franchise contracts

Fixed leases



Franchise contracts

Using the right operating structure for each segment:

- Reduce earnings volatility
- Optimize ROCE



## « Sale & Management-Back »

- ▶ Sale of 6 Sofitel units in the United States (2,000 rooms) with management contract and minority stake
- ▶ Expected cash impact: €100-150m
- ▶ Closing scheduled for 1<sup>st</sup> quarter 2006
- ▶ Search for a long-term partner offering opportunities for Sofitel expansion in the US

## Foncière des Murs deal closed on June 30, 2005



▶ Deal concerned:

- 128 hotels in France (16,714 rooms)
- Variable leases with no minimum guaranteed: 15.5% of revenues



▶ Renovation capex: €97m by Foncière des Murs

▶ Capital gain: €109m

▶ Cash impact: €146m



## « Sale & Variable Lease-back »



▶ Second transaction now underway:

- Around 80 hotels in France and Belgium
- Sale of mainly wholly-owned hotels
- Leased back under variable rent contracts



▶ Closing scheduled for 1<sup>st</sup> half 2006

## Disposal program underway: 50 hotels in 2006

### ▶ Disposals:

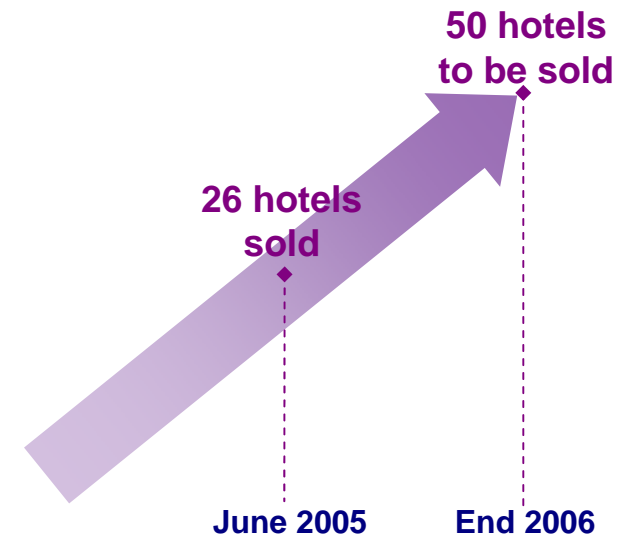
- 2 in Germany (Novotel)
- 2 in the United States (Red Roof Inn)

↳ **Improve earnings**

### ▶ Sale & franchise back:

- 22 in Germany (Mercure franchise)

↳ **Optimize return on capital employed and improve earnings**



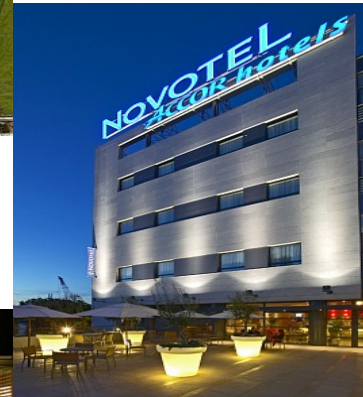
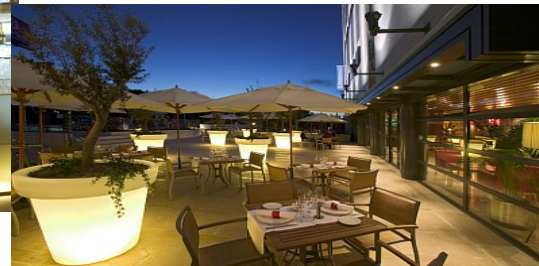
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**101 hotels - 12,436 rooms opened**

**4,000th hotel opened in June 2005**



**Novotel Madrid Sanchinarro**



## 2005-2007 plan: opening 88,000 rooms



- ▶ Around 24,000 rooms scheduled to open by year-end 2005
  - 75% under management or franchise contracts
  - 25% as subsidiaries



▶ **5,000** rooms scheduled to open in 2005 in the Economy segment, of which 50% as subsidiaries

▶ Openings

***Ibis London City***

***Etap Hotel Stuttgart***

***Ibis Alicante***

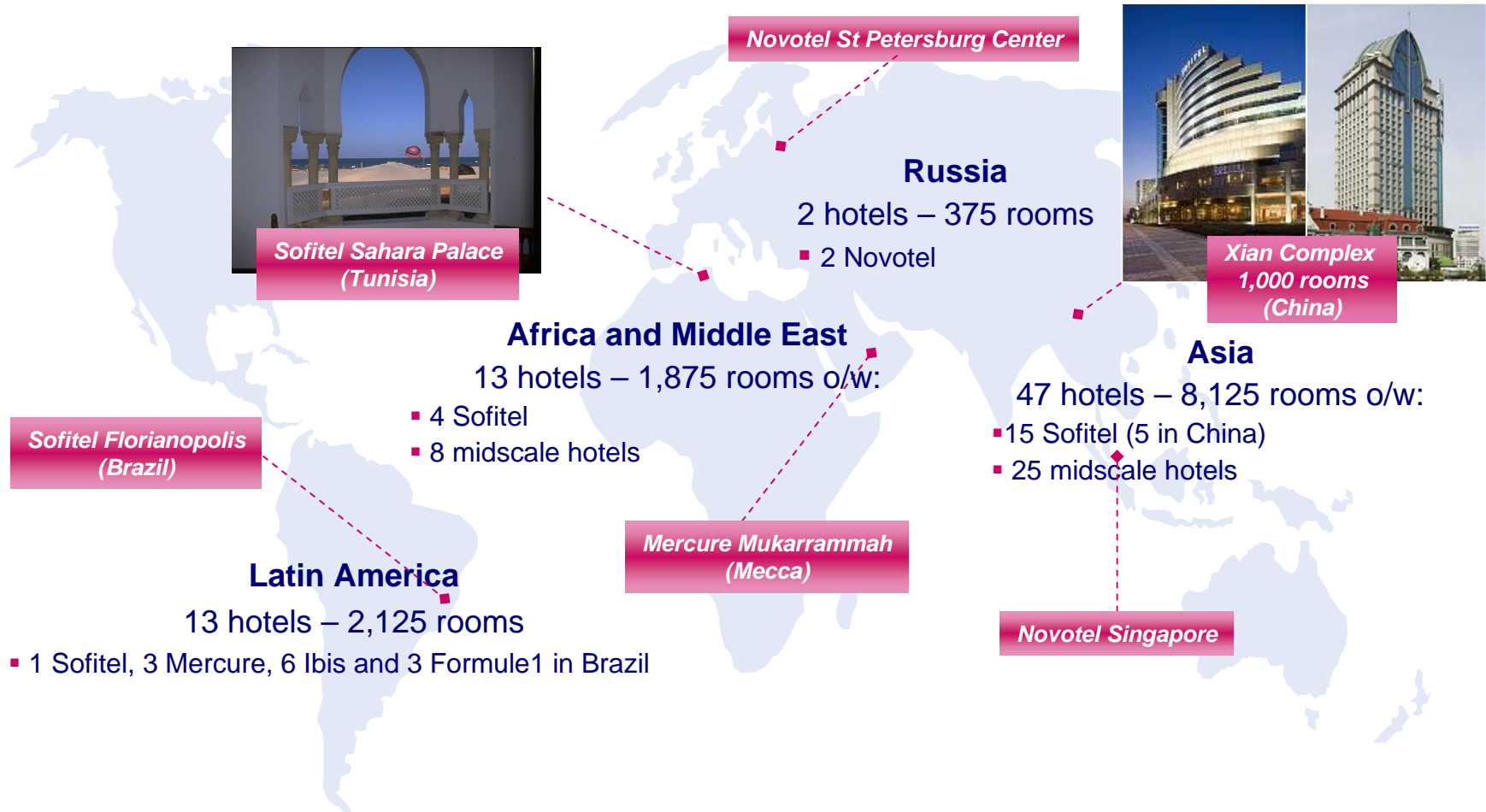
***Etap Hotel Geneva***

***Ibis Bucharest***

# Expansion in Emerging Markets

**Openings on every continent**

**2005 target: 75 hotels – 12,500 rooms (all brands)**



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## New markets:

- ▶ Impact of more favorable legislation
  - **United Kingdom:** number of “Childcare voucher” users up 80% in H1
  - **Belgium:** employment voucher revenues up 22% in 1st half 2005
  - **Venezuela:** revenues up 60% in 1st half 2005
  - **Mexico:** Gasoline card
  - **USA:** “Transit Check”
  - **Italy:** changing legislation



## Acquisitions:

- ▶ **Rumania:** Majority stake taken in Hungastro
- ▶ **Sweden and Finland:** Acquisition of Delicard (Incentive)
- ▶ **US:**
  - Majority stake taken in WiredCommute (US leader in transportation benefit services)
  - Merger with Workplace Options, the leading US provider of employee assistance (EAP) solutions





+ 1,000 hotels in 2009



## Expansion in promising markets

- Economy Hotels Europe
- Emerging markets
- Services

## An active hotel asset management strategy

- Improving the quality of cash flows
- Optimizing ROCE

## Positive business outlook

- A more promising environment
- An assertive room rate management strategy

