



Letter to Shareholders

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"We are extremely pleased with Accor's outstanding performance in the first half of the year and congratulate the Management Board for the speed with which new strategic initiatives have been defined and implemented," declared Paul Dubrue and Gérard Péliçon, Co-Chairmen of Accor's Supervisory Board.

1997 Half-year results

(in FF millions)	1996 First Half	1997 First Half	Change
Activity Volume	42,452	49,158	+ 16%
Consolidated Sales	13,840	14,991	+ 8%
EBIT	1,136	1,486	+ 31%
Total Income from Operations	441	964	+ 120%
Current Income	553	887	+ 60%
Net Income, Group Share	104	458	+ 340%
Cash Flow from Operations	1,205	1,812	+ 50%

► **Consolidated Sales** rose by 8.3% from the first half 1996 level, representing a + 5% increase in constant currency. Hotel revenues grew by 10.7% in constant currency terms, boosted by external growth, notably with the take over control of Pannonia in Central Europe. Total revenues from Service Vouchers (commissions and financial income from managed funds) rose by 4.6% in constant currency. Finally, revenues from Travel Agencies grew by 8.7% on a comparable structural basis (Carlson Wagonlit Travel merger effective January 1, 1997) and excluding currency fluctuations.

► **EBIT** rose by FF 350 million, reflecting higher activity levels and external growth. All business segments apart from Travel Agencies (Carlson Wagonlit Travel merger) and Railway activities (difficulties in Italy and contract suspension in Austria), posted sharp increases in EBIT.

► Reflecting improved net financial income, **Total Income from Operations** increased by FF 523 million, from FF 441 million to FF 964 million.

► **Consolidated Net Income**, excluding minority interests, rose from FF 104 million in the first half of 1996 to FF 458 million in the 1997 first half.

► **"Current Net Income"** amounted to nearly 80% of consolidated net income, up from 60% for full year 1996.

► **Finally, Accor's profitability increased**, with Return on Capital Employed (ROCE) up from 9.0% in full year 1996 to 9.7% in the first half of 1997.

Higher 1997 earnings forecasts

In the third quarter of 1997, the Group's four major international business segments continued to post sharp increases in revenues.

In **Hotel** activities, RevPAR (revenue per available room) continued to improve, reflecting higher demand and average room rates: + 3.3% in Business/Leisure Hotels (Sofitel, Novotel, Mercure), + 2.4% in Economy Hotels (Ibis, Etap'Hotel, Formule 1), and + 6.2% at Motel 6.

Travel Agency traffic rose by 19%, in constant currency, in the first nine months of 1997. Carlson Wagonlit Travel achieved major marketing breakthroughs, winning competitions for international corporate travel accounts.

Despite an 8% drop in average rental rates and heightening competition, Car Rental activity volume

rose by 12%. Finally total **Service Vouchers** issuance volume increased by 15% (+ 7.5% in constant currency terms).

"Reflecting these highly positive trends in the first nine months of 1997, we are upgrading our forecast for the full year,"

noted Jean-Marc Espalioux,
Chairman of Accor's Management Board.

Total Income from Operations is expected to grow by 45% to 50%, over the 1996 full year level of FF 1,515 million.

Net Income should total approximately FF 1.4 billion (FF 40 per share) in 1997, up from FF 1,058 billion in 1996.

Strategic initiatives underway

Further reallocation of resources

The Group's resource reallocation strategy, initiated in early 1997, is aimed at freeing up resources to take advantage of development opportunities and improving return on capital employed. This strategy led to the disposal of an 11.5% interest in Compass, generating proceeds of FF 2,350 million and realized capital gains of FF 1,323 million. Conversely, the Group wrote provisions of FF 1,284 million. These charges primarily cover hotel properties held for disposal while Accor will continue to operate the assets put up for sale under sound financial terms. Accor's medium-term potential for disposal of properties therefore totals approximately FF 3 billion in Business, Leisure and Economy Hotels and USD 1 billion at Motel 6.

"Announced in January and largely implemented since then, Accor's resource reallocation strategy gives us the means and momentum to carry out the Group's ambitious development plans,"
underlines Jean-Marc Espalioux,
Chairman of the Management Board.

Development

In **Hotel** activities, growth has resumed with the objective of increasing room supply by 10% per year. Internal growth and acquisition of local hotel chains will strengthen Accor's presence in Europe. New national networks will be established in emerging countries – Poland, Brazil, Argentina, Indonesia or Egypt – while Motel 6 will continue to grow through franchising and management contracts.

Growth in **Travel Agencies** will be achieved through the development of high-technology reservation and management systems, centralized reservation platforms, and expert consulting capabilities to address the needs of corporate clients companies.

Europcar's ambition is to regain its leadership position in the European car rental market, by stemming the decline in average daily rates, gaining market share – notably in airports – and developing long-term rental activities.

Finally, Accor intends to maintain and reinforce its world leadership position on 3 continents in **Service Vouchers** by expanding into new markets, developing new products, and remaining in the forefront of technological innovation through extensive use of "smart-cards."

The "Accor 2000" Project

► Summary of strategic objectives:

- boost Group profitability
- step up the pace of growth
- create more value

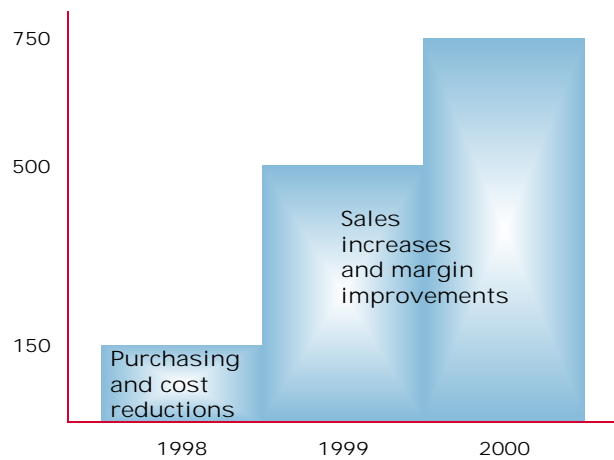
► The new organization of Group Hotel activities has been in effect since July.

► Three priorities have been identified among the twenty-three initiatives underway: benefit from network effect in marketing; achieve a technological leap forward; lower structural costs and improve purchasing strategies.

► The project's financial target – additional Total Income from Operations of FF 750 million by the year 2000 – is confirmed.

Financial impact expected from "Accor 2000"

(Total Income from Operations, in FF millions)



Current events

Growth of Activities

► **AAPC** has recently formed a joint-venture with Indian group Mahindra to invest in hotels in India, Nepal and neighboring countries. Fifteen Ibis or Mercure hotels are scheduled to open over the next five years.

► By mid-1999, a **Sofitel** hotel will open in Sydney, Australia, in the Wales House landmark, located in the heart of the city's business center. Managed by AAPC, the new Sofitel will comprise 343 rooms, including 41 suites. The first Sofitel in Australia opened its doors in Melbourne in 1996.

► The nineteenth **Hotelia** senior citizen residence which just opened in Eaubonne, outside Paris, extends the chains capacity to 2,000 beds.

► Caisse des Dépôts du Québec and Mexican financial group Inverlat selected **Novotel** as partner for the construction of a 245-rooms hotel in Mexico City. Opening is expected in March 1999.

Quality

► **Ibis** received the ISO 9002 certification from Bureau Veritas Quality International for the quality of its

accommodations, 24-hour-a-day reception, early-bird breakfast, and room service.

Synergies

► Synergies between **Carlson Wagonlit Travel** and **AAPC** will be developed in Asia. Today, 30% of hotel reservations made by CWT Australia are with AAPC properties. Specific initiatives were established to bolster this trend, notably an AAPC hotel program specifically adapted to the needs of General Electric (CWT's leading client worldwide) in China, Thailand and Singapore, and efforts to boost sales of AAPC hotel stays through CWT's European and North-American networks.

► **Europcar / Air Liberté / TAT**. Along the lines of the contract signed between Europcar and European airline Air Liberté, a broader partnership was established between Accor's hotel activities and Air Liberté / TAT to offer a more complete service integrating air travel, car rental and hotel services to the two companies' respective clients.

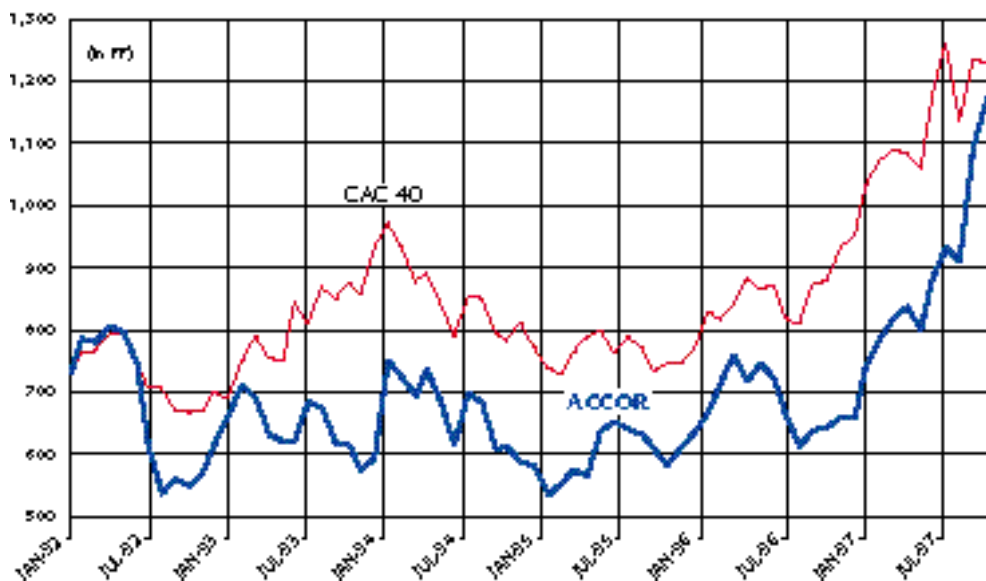
Reallocation of Resources

► In late August, Accor sold its 19% interest in **HRC** (highway, railway terminal, airport and museum concession restaurants) for FF 255 million.

Shareholder information

The Accor share price has risen significantly since the beginning of 1997. Its previous all-time high of FF 1,077 in July 1990 was exceeded in September 1997, and again in October, when the share reached a

record FF 1,162 closing price. Since the beginning of 1997, the Accor share has consistently outperformed the CAC 40 Paris Stock Exchange index (+ 63.5% at October 31, 1997, versus + 18.3% for the index).



All Accor Group events
as well as financial and practical information
for shareholders can be found on the Group's website at:
<http://www.accor.com>

