



## Better Shaped to Face Headwinds

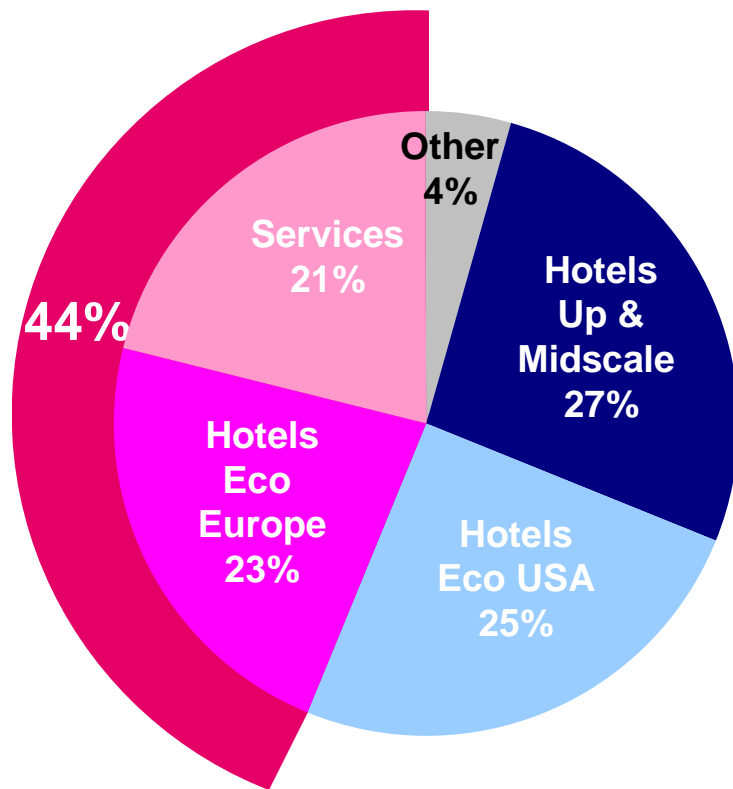
Jacques Stern  
Executive Vice President,  
CFO, Strategy, Hotel Development and Information Systems



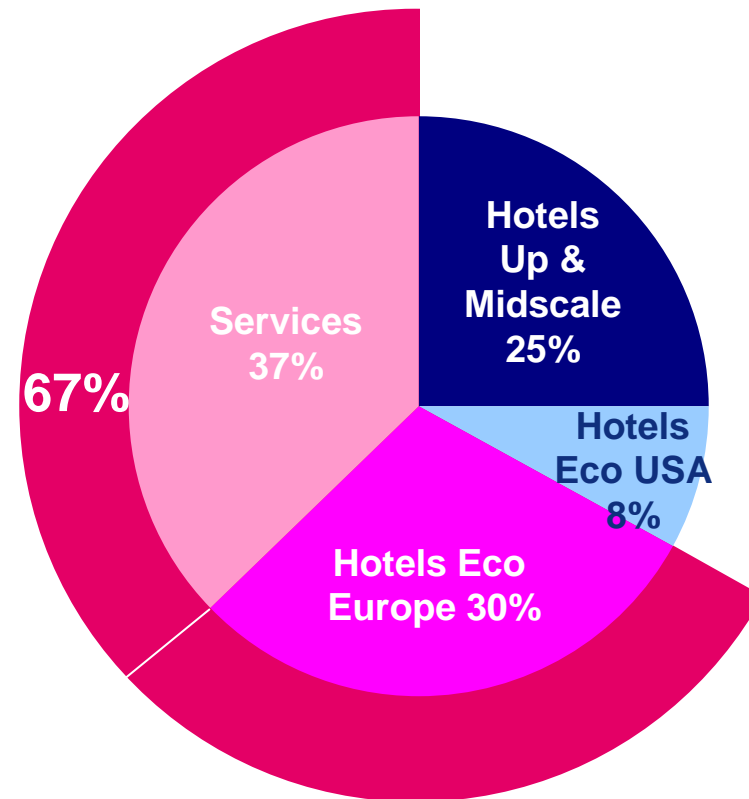
# **A Group More Resilient to Economic Cycles**

# The Group has changed its business mix

2001 EBIT by Business



2007<sup>(1)</sup> EBIT by Business



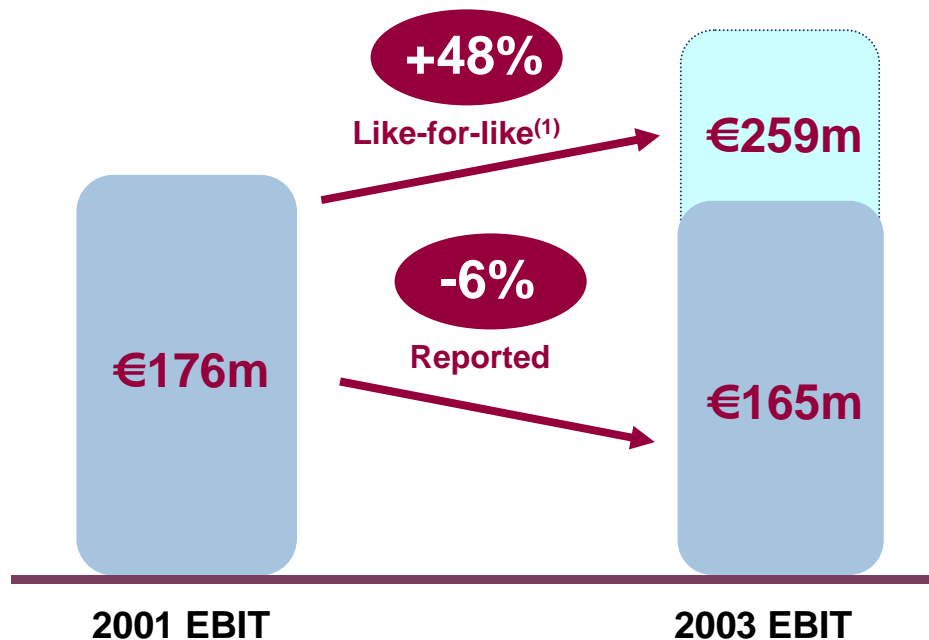
**Two-low cyclical businesses  
which represent 67% in 2007 EBIT vs 44% in 2001**

*(1) 2007 reported EBIT: €971m vs 2007 restated EBIT = €904m after the disposals of Red Roof Inn (€40m), the foodservices businesses in Italy (€16m) and Brazil (€8m), and Go Voyages (€4m)*

# Robust growth in Prepaid Business

## Low-cyclical business with strong growth potential

### 2001/2003 cycle



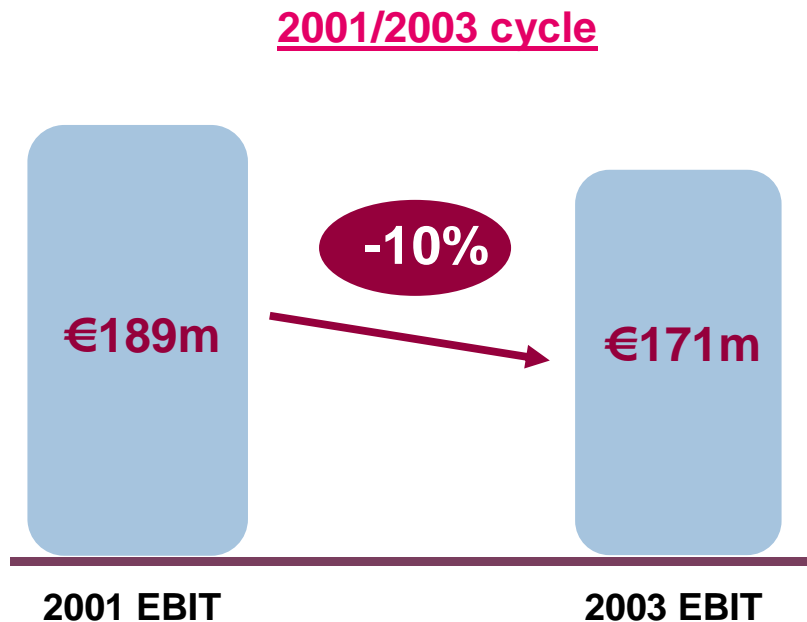
**2007 EBIT= €338m,  
almost twice the 2001 EBIT level**

<sup>(1)</sup> Excluding financial income

- Low-cyclical business
  - Elasticity to GDP growth < 1
- Strong growth drivers, not related to GDP growth:
  - New products
  - New geographies
- Excluding financial income, which offset the currency effect, L/L EBIT growth:
  - 2002/2001: 31%,
  - 2003/2002: 17%

# Economy/Budget Hotels in Europe

A less cyclical segment than the average Hotels business



**2007 EBIT= €269m, +42% vs. 2001**

## ■ Less cyclical business in Europe, due to:

- Strong domestic customer base: >85%, except in Benelux
- Downtrading effect from the low Midscale segment

## ■ Positive L/L revenue growth, even in 2001/2003:

- 2002/2001: +3.5%
- 2003/2002: +0.9%

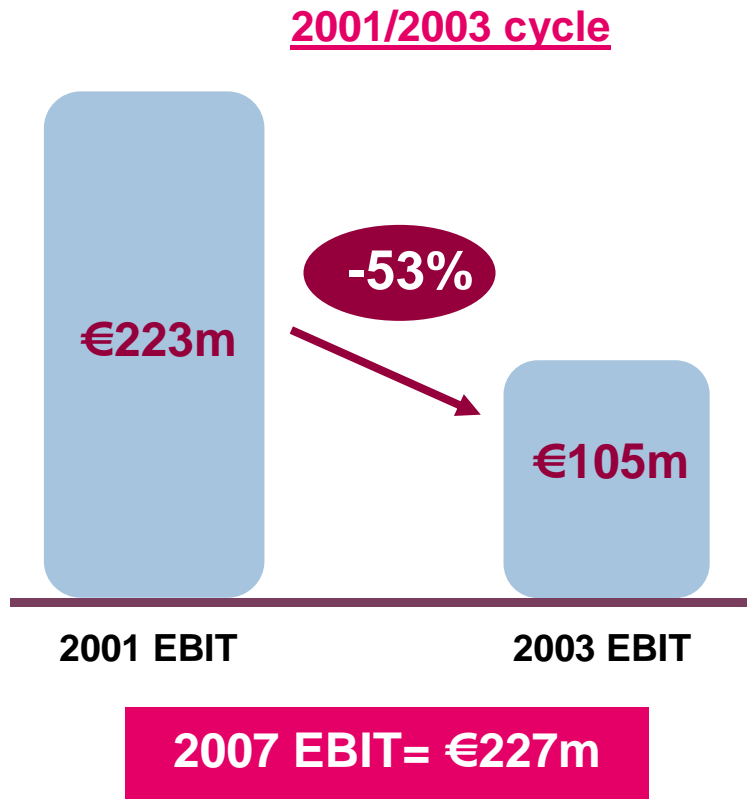
## ■ France, a protected market for Accor, given:

- Its strong market share: 50%
- The low supply growth over the past 5 years (2003/07):
  - 2\* hotel chains: +0.4% CAGR<sup>(1)</sup>
  - 0/1/2\* hotel chains: +1.5% CAGR<sup>(1)</sup>
- Revenue growth:
  - 2002/2001: +3.3%
  - 2003/2002: +1.7%

<sup>(1)</sup> Source: MKG Consulting 2008 Report

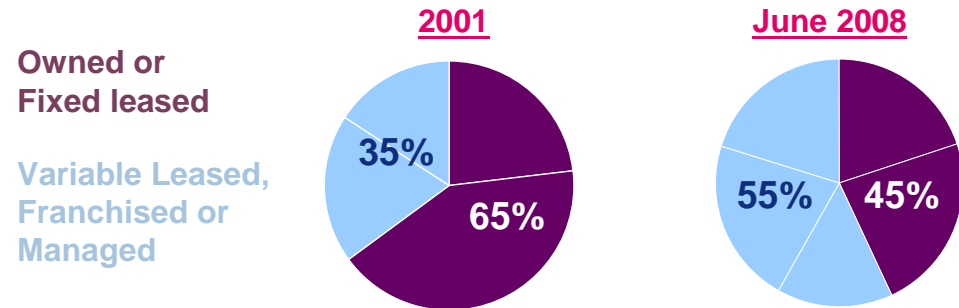
# Up & Midscale Hotels: impact of changes in the business model

Cyclical business, partly immune today due to the “Asset-Right” policy  
(more management contracts & variable leases)

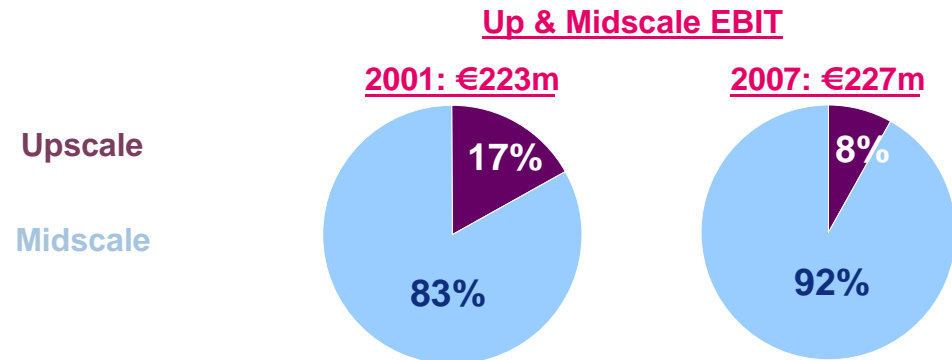


- Shift to a more asset-light model after the large 2005/2008 disposal program

Hotel portfolio by ownership structure (in % of rooms)

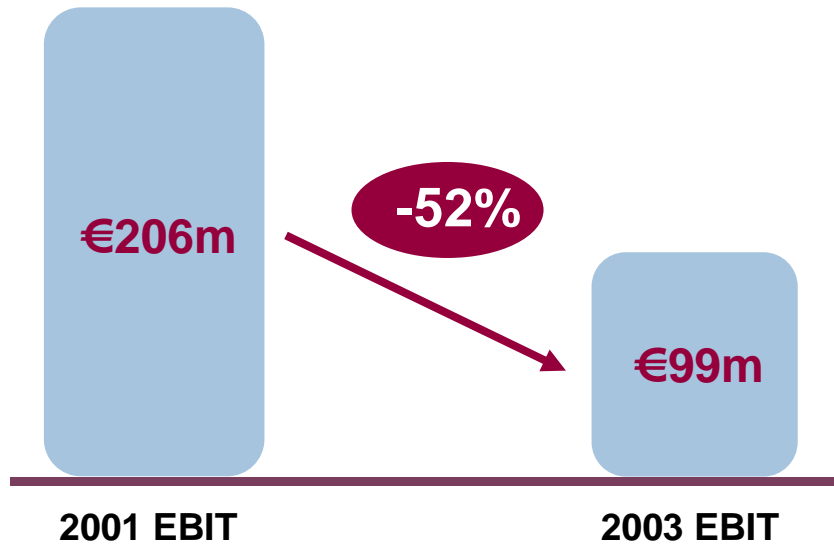


- Reduced contribution of Upscale / Luxury to EBIT



# Reduced Exposure in the US

## 2001/2003 cycle



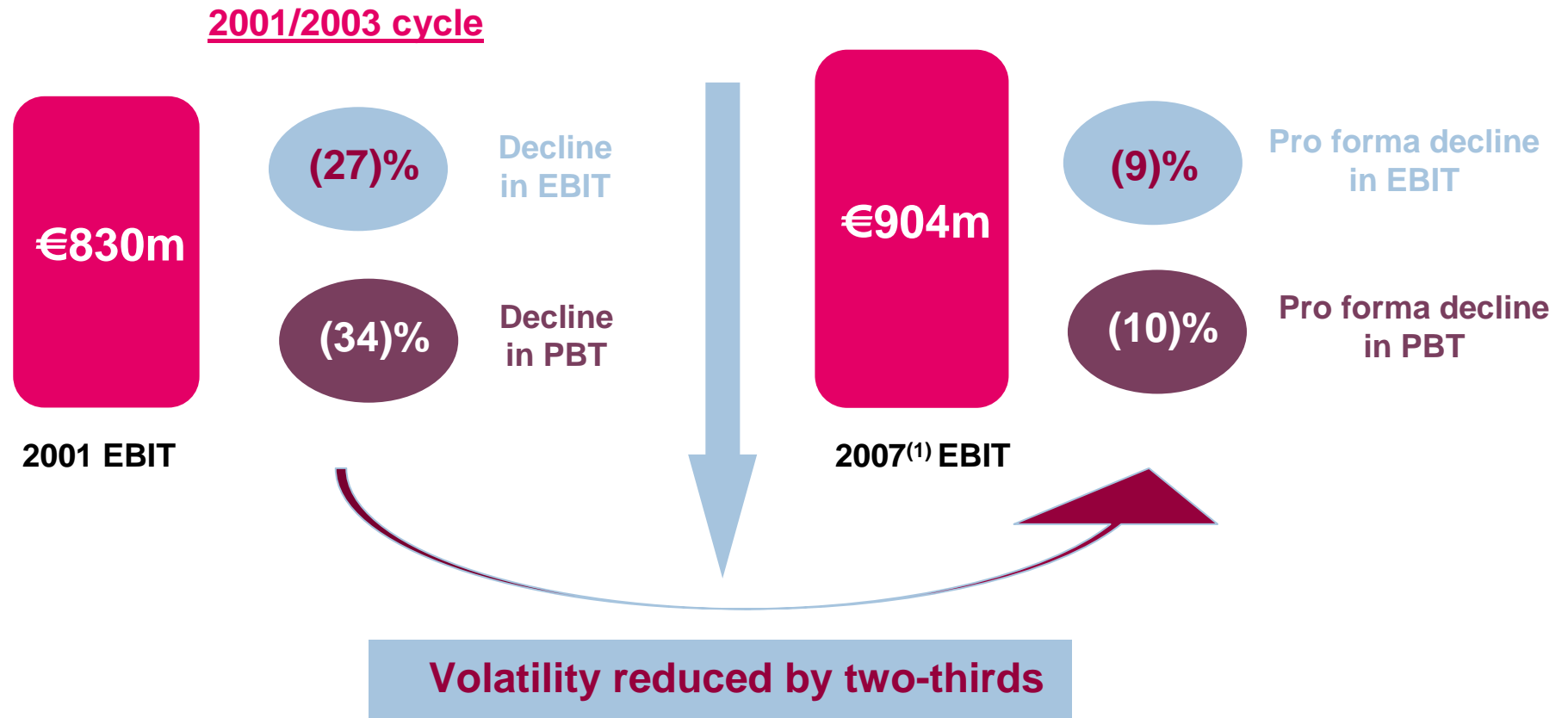
**2007 EBIT= €71m,  
two-third less than in 2001**

- Exposure to the US market reduced by two-thirds after disposal of Red Roof Inn in September 2007
- Cyclical market:
  - Easy Access to land:  
Low barrier to entry compared to Europe
  - Strong growth in supply (July 08/July 07):  
+2.7% for all chain scales<sup>(1)</sup>  
+2.0% for Economy chain scales<sup>(1)</sup>
  - ... however, possible downtrading from lower Midscale

<sup>(1)</sup> Source: STR Consulting Report on US hotel pipeline, August 2008

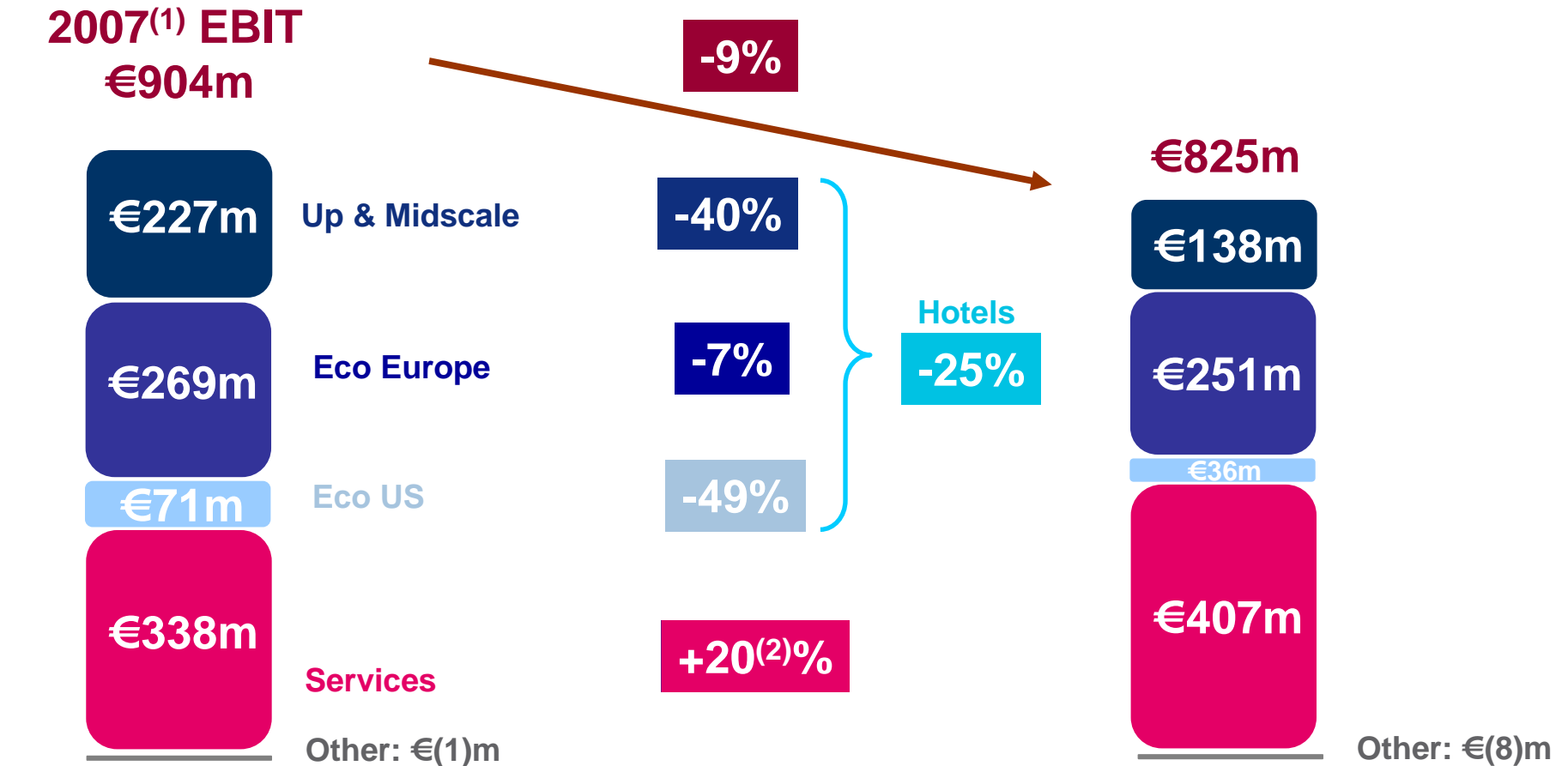
# Impact on the decline in EBIT in case of replication of the 2001/2003 downturn

**Volatility Reduced by Two-Thirds vs. Previous Cycle**



<sup>(1)</sup>2007 reported EBIT: €971m vs 2007 restated EBIT = €904m after the disposals of Red Roof Inn (€40m), the foodservices businesses in Italy (€16m) and Brazil (€8m), and Go Voyages (€4m)

# Replication of 2001/2003 Cycle: Consolidated 2007<sup>(1)</sup> EBIT would have declined by 9%



<sup>(1)</sup>2007 reported EBIT: €971m vs 2007 restated EBIT = €904m after the disposals of Red Roof Inn (€40m), the foodservices businesses in Italy (€16m) and Brazil (€8m), and Go Voyages (€4m)

<sup>(2)</sup> including some currency changes

# Accor today

**After four-year transformation,**



**a new business mix in 2007  
with a low sensitive profile to cycles**

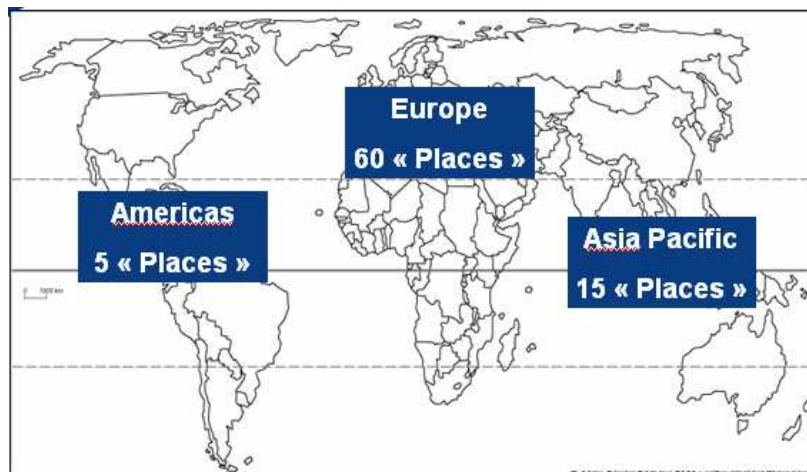


# **Mid-Term Action Plan to Strengthen the Accor Hospitality Business Model**

# Mid-term initiatives launched since 2006/2007 to strengthen the Accor Hospitality Business Model

- Improved revenue management and “Marketplace” strategy

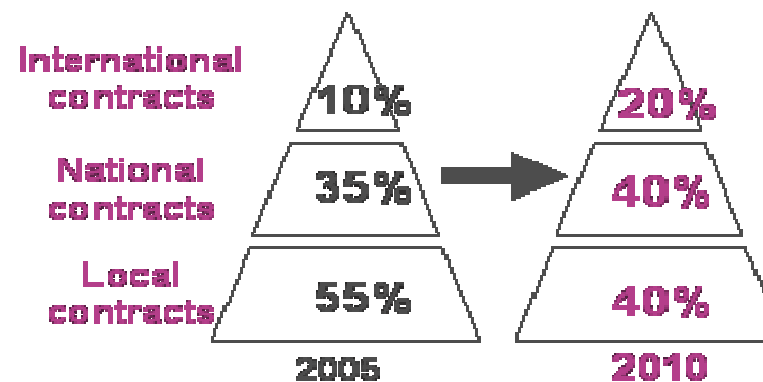
“Marketplace” strategy 2012 vision:  
80 marketplaces deployed worldwide



Impact on PBT: +€25m over 2006/2010<sup>F</sup>  
o.w. €17m already completed  
(remains €8m in 2009/10<sup>F</sup>)

- Procurement plan on track

Expansion of international contracts:  
expected savings 2006/2010<sup>E</sup>: €10m



Impact on PBT: +€65m over 2006/2010<sup>F</sup>  
o.w. €45m already completed  
remains: +€10m (2009), +€10m (2010E)

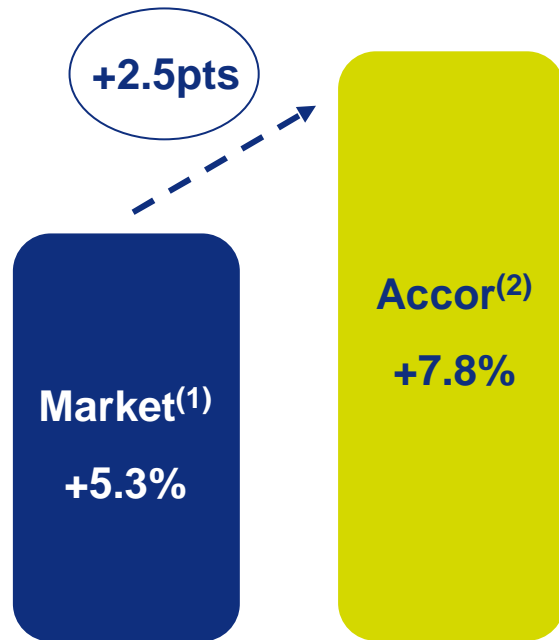
**1.1pt improvement in Ebitdar margin<sup>(1)</sup>  
expected by 2010 vs 2006**

*(1) regardless of economic cycle*

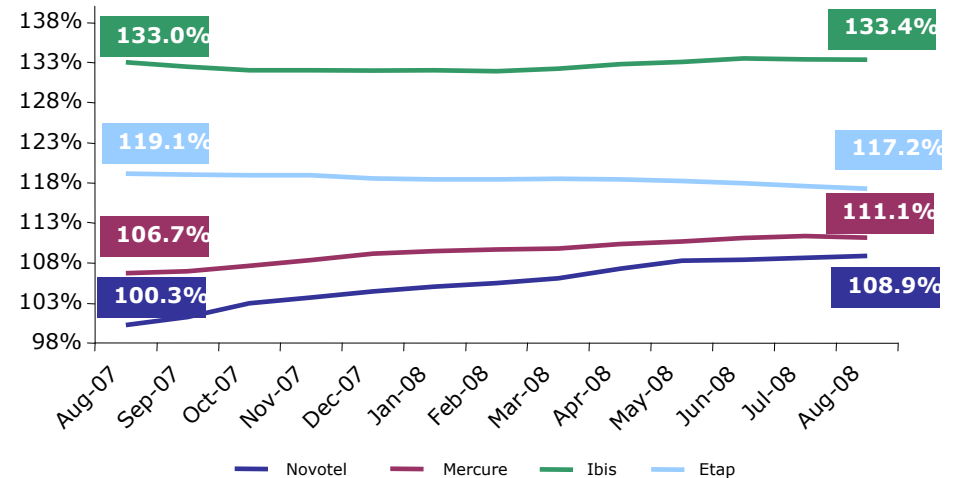
# Accor is outperforming the market in France

## Accor brands: France (owned & leased network)

Growth in RevPAR  
August 2008 YTD vs. 2007



RevPar Index Subsidiaries Rolling Average  
Accor brands vs. the competition (excluding Accor network)



Sources :

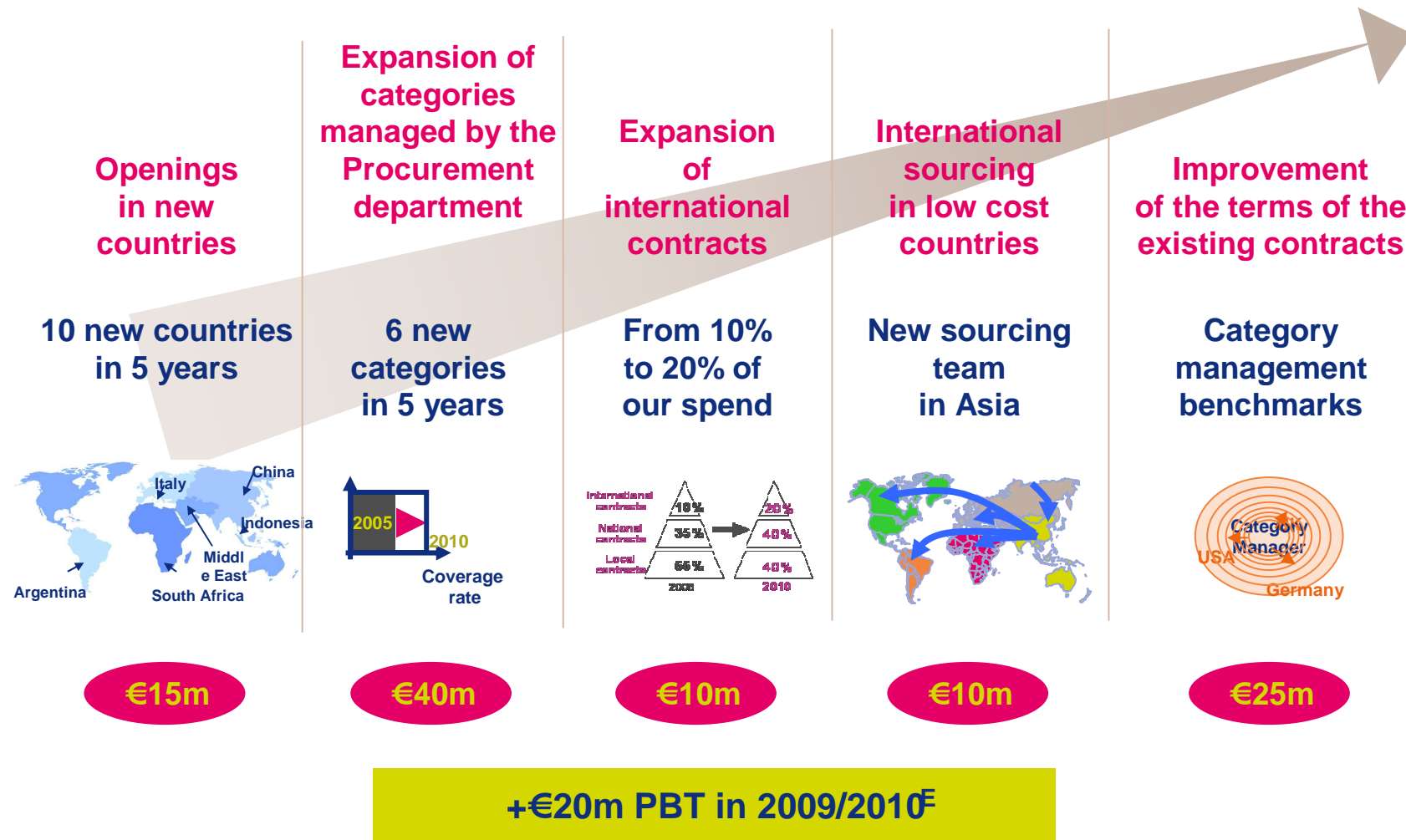
(1) Market data: MKG data from MKG Consulting

(2) Accor: owned & leased network in France

**A better revenue management  
to outperform the market**

# Procurement: 5 drivers for €100m in savings over 5 years

## PBT impact: €65m

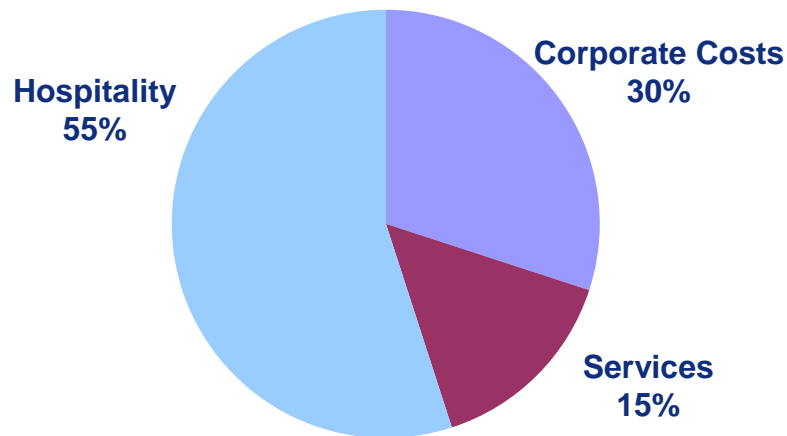




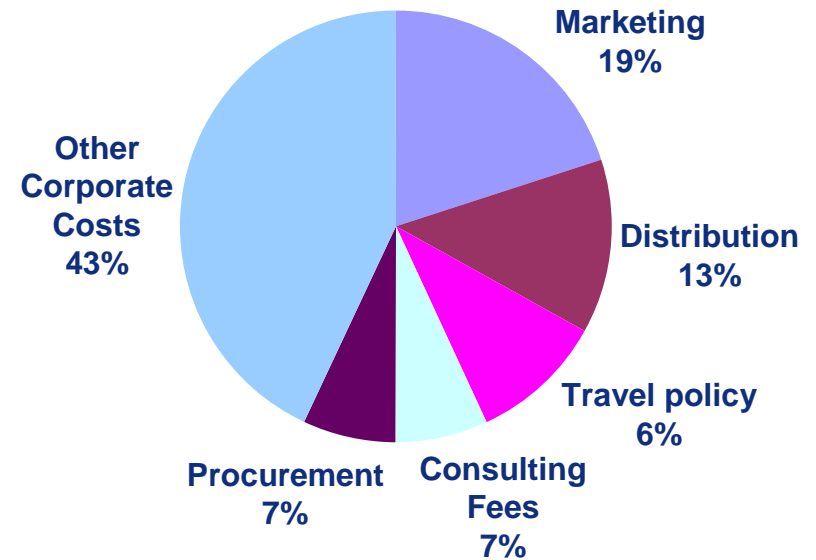
# Short Term Action Plan for Better Resilience in the Current Environment

# New cost cutting program: €75m over 2009/2010

Breakdown by Business



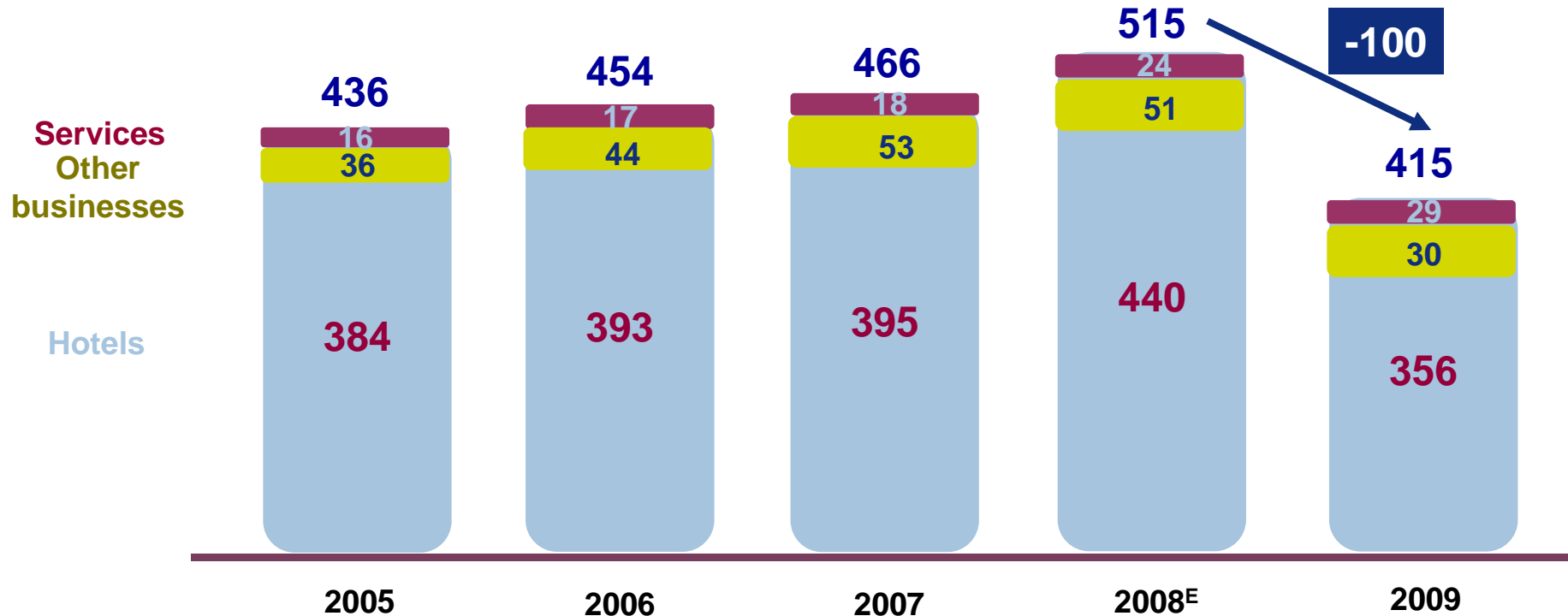
Breakdown by Type



**€50m in cost cuts in 2009**

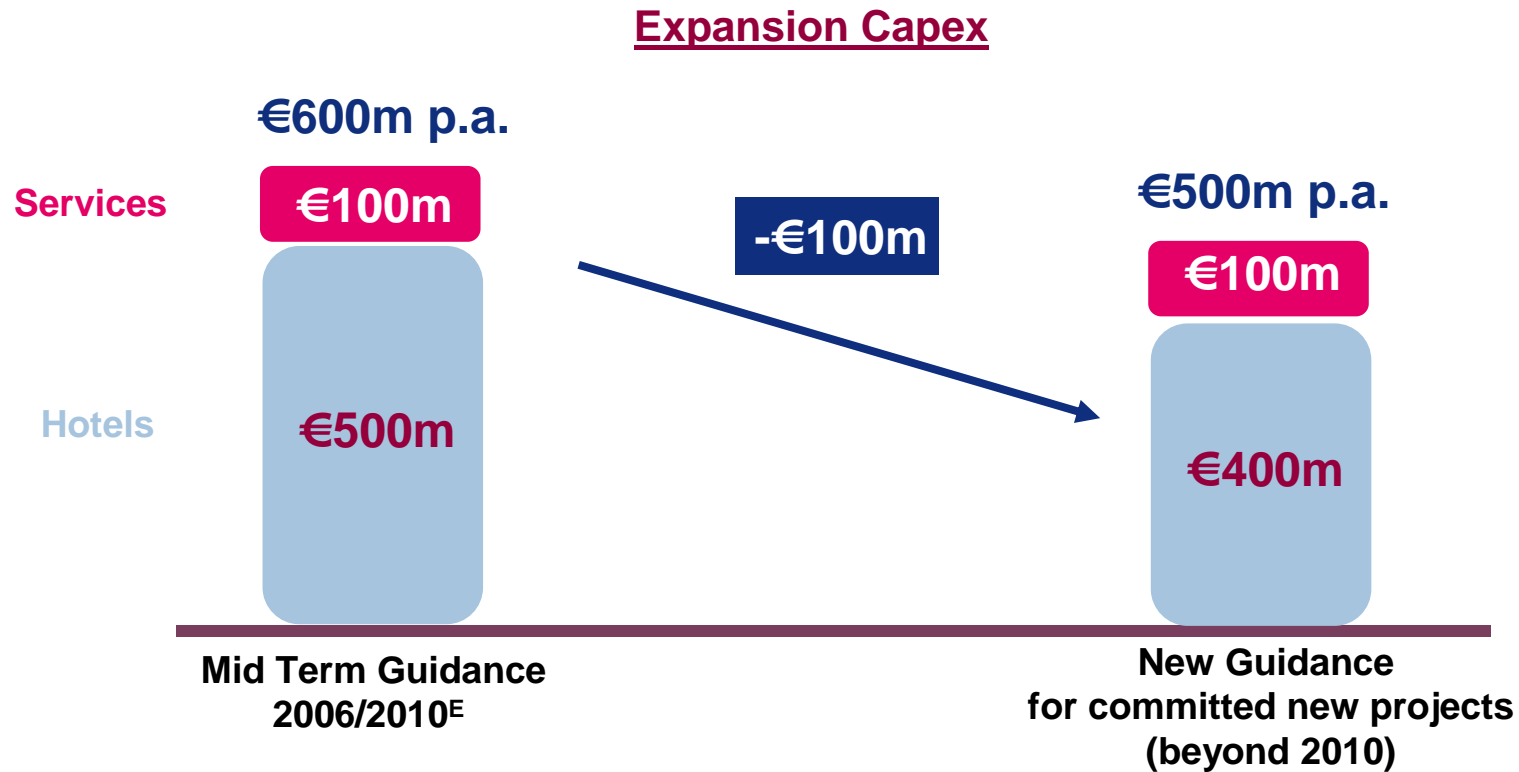
# Reduction in renovation and maintenance Capex

Renovation and Maintenance Capex (in €m)



**2009/2008<sup>E</sup>: €100m reduction  
in renovation and maintenance hotels capex**

# Expansion capex reduced by 15%



**Investment program focused on high return businesses:  
Services/Economy hotels in Europe  
Midscale & Economy hotels in emerging countries**



# A Solid Financial Position

# A solid financial position

	June 2007	Dec. 2007	June 2008
<b>Net Debt (in € millions)</b>	<b>928</b>	<b>204</b>	<b>931</b>
<b>Gearing</b>	<b>25%</b>	<b>5%</b>	<b>28%</b>
<b>Adjusted Funds From Operations / Adjusted Net Debt <sup>(1)</sup></b>	<b>23.6%</b>	<b>26.2%</b>	<b>24,2%</b>

**BBB rating at Standard & Poor's and Fitch**

<sup>(1)</sup> Net debt adjusted for NPV of minimum lease payments discounted at 8% (Standard & Poor's methodology)

# A solid financial position

- €3.6bn financial resources as of September 2008
  - of which €1.4bn unused and confirmed credit lines
- No major refinancing (< €400m) before 2012
- €1.3bn cash (60% from Accor Services)
  - invested in no risk instruments (mainly money market) spread over a large number of banks / financial institutions

# Conclusion

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## ■ A vastly improved business mix since the last downturn

- Services and Economy Hotels in Europe: 67% of 2007 Ebit compared to 44% in 2001
- Replication of 2001/2003 cycle leads to 9% decline in 2007<sup>(1)</sup> Ebit vs 27% observed in 2001/03

## ■ Mid-term action plans to strengthen the Accor Hospitality business model

- Revenue management: +€8m on PBT (2009-2010<sup>F</sup>)
- Costs (Procurement plan): +€20m on PBT (2009-2010<sup>F</sup>)

## ■ Short-term action to offset the impact of the downturn

- Costs: €75m cost-cutting program in 2009/2010, of which €50m in 2009
- Maintenance and renovation capex: -€100m
- Expansion capex for new committed projects (beyond 2010): -€100m

**Accor is better shaped to face headwinds**



# Appendices

# 2001/2003 Cycle: Sensitivity Analysis

## RevPAR sensitivity highly depending on hotel segment

■ 2001/2004 RevPAR<sup>(1)</sup> growth by hotel segment

