Hotel News Resource

Accor Reports Excellent Results in 2007

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Operating Profit Before Tax up 25%

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- Operating Profit Before Tax and Non-Recurring Items up 25% to EUR907 Million

- Net Profit, Group Share up 76% to EUR883 million

- Earnings Per Share up 76% to EUR3.92

- Ordinary Dividend up 14% to EUR1.65 Per Share

- New Return to Shareholders of EUR750 Million (Subject to Shareholders' Approval at the Annual General Meeting):

- Special Dividend of EUR1.50 Per Share - Share Buyback of EUR400 Million

Excellent Results in 2007

The Board of Directors met on February 26, 2008 under the chairmanship of Serge Weinberg and approved the financial statements for the year ended December 31, 2007.

(in EUR millions)	2006	2007	% Change reported	% Change L/L (1)
Revenue	7,607	8,121	+6.8%	+6.5%
EBITDAR	2,084	2,321	+11.4%	+9.2%
EBITDAR margin	27.4%	28.6%	+1.2pt	+0.7pt
Operating profit before tax and non-recurring items	727	907	+24.8%	+21.6%
Net profit, Group share	501	883	+76.2%	

- Growth in revenue and improved margins : operating profit before tax up 25%

Consolidated revenue grew by a reported 6.8% in 2007. At constant scope of consolidation and exchange rates, the like-for-like increase was 6.5%, reflecting strong growth in the Group's two core businesses, Services and Hotels.

Services revenue rose 11.9% like-for like and 16.5% on a reported basis, in line with the Group's medium-term organic growth target for this business of between 8% and 16%.

The Hotels business was boosted by the continued upturn in the hotel cycle in Europe that began in mid-2005, both in terms of occupancy rates and average rates. This trend fueled a 6.4% increase in like-for-like revenue from the region. Worldwide, Hotel revenue rose by 5.8% at constant scope of consolidation and exchange rates and 7.8% on a reported basis.

Consolidated Ebitdar amounted to EUR2,321 million, up 11.4% from the reported 2006 figure. Ebitdar margin reached 28.6%, an historic record margin for Accor, gaining 0.7 points like-for-like and 1.2 points on a reported basis.

Services reported an Ebitdar margin of 42.6% for 2007, a 2.1-point like-for-like improvement that confirmed the business' excellent performance in all its markets.

The Hotels business achieved an Ebitdar margin of 32.0% for 2007, a 0.8 points improvement compared to 2006 on a like-for-like basis. This increase translates the favorable hotel cycle in Europe, an improved operating performance (in particular as a result of dynamic pricing and cost-reduction measures in France and Germany), and moves to adapt hotel ownership structure. This reflects improvements of 0.7 points in the Upscale and Midscale segment, 0.9 points in European Economy Hotels and 1.3 points in US Economy Hotels.

Operating profit before tax and non-recurring items totaled EUR907 million, an increase of 21.6% like-for-like (after 28.7% in 2006). This is higher than the target of EUR870-EUR890 million announced by Accor in August 2007.

- Strong 76% increase in net profit, Group share

Net profit, Group share rose 76.2% over the year to EUR883 million. This includes EUR319 million in capital gains on real estate disposals in the United Kingdom, Germany and the Netherlands, a capital gain of EUR204 million on the disposal of Go Voyages and a capital loss of EUR174 million recognized in connection with the sale of Red Roof Inn.

Earnings per share grew by 75.6% to EUR3.92 from EUR2.23 in 2006, based on the weighted average 225 million shares outstanding during the year.

Earnings per share after tax came to EUR2.86, up 24.3% from 2006.

At the Combined Annual and Extraordinary Shareholders' Meeting on May 13, 2008, shareholders will be asked to approve an ordinary dividend of EUR1.65, to be paid on May 20, 2008. This represents a 13.8% increase from the year before and corresponds to 58% of operating profit before non-recurring items, net of tax (1), compared with 63% in 2006. The payout ratio is expected to gradually trend towards 50% in the next three years.

- Solid financial position

Net debt amounted to EUR204 million at December 31, 2007, after taking into account EUR1,198 million in development expenditure (of which EUR821 million in the Hotels business and EUR335 million in Services) and EUR1,635 million in proceeds from asset disposals. Out of those, EUR540 million came from the disposal of non-strategic assets (notably Go Voyages for EUR280 million), and EUR1,095 million from the hotel asset management strategy, including the divestment of Red Roof Inn for EUR377 million.

Dividends paid in 2007 amounted to EUR680 million, versus EUR276 million in 2006, including a special dividend of EUR1.50 per share for a total payout of EUR336 million. Equity was reduced by EUR1,200 million during the year through the buyback of Accor SA shares in May (EUR700 million) and August (EUR500 million).

The main financial ratios improved significantly, reflecting the Group's robust financial position. Gearing stood at 6% at December 31, 2007 versus 11.3% one year earlier. The ratio of funds from operations before non-recurring items to adjusted net debt(2) improved by 4.0 points over the year to 26.2%, while return on capital employed (ROCE (3)) reached a record 13.6% at year-end compared with 11.9% at December 31, 2006.

Achievements In Line With Strategic Objectives

Services

The Services business actively expanded in 2007 and early 2008 through eight acquisitions. The largest of these was the French gift card and voucher market leader Kadeos, announced in March 2007, for EUR211 million.

Two other high profile acquisitions made during the year that will be key for Accor Services' future expansion were PrePay Technologies Ltd (100%), UK leader in prepaid cards, and the acquisition of a 62% stake in Motivano UK, a UK leading provider of online employee benefits solutions.

Overall, in 2006 and 2007, the Services business carried out a steady acquisitions program in an amount of EUR583 million to bring in future growth drivers.

Hotels

- A brand strategy

In 2007, Accor redeployed Sofitel in the international luxury hotel segment and launched the Pullman brand in the upscale segment. Pullman will primarily expand through management and franchise contracts with a potential of 300 hotels by 2015. Accor has expanded its offer in the non-standardized economy segment with the launch of the All Seasons brand, which now comprises ten hotels in France. A minimum of 40 hotels will be under the All Seasons flag in Europe by end of 2008.

- Expansion well underway

Accor has opened more than 50,000 new rooms since early 2006, of which 28,000 in 2007. There are another 93,000 rooms in the pipeline, in keeping with the expansion program target of 200,000 new rooms between 2006 and 2010. Overall, 92% of the openings in 2007 were in the economy and midscale segments, 38% were in emerging markets and 93% through low capital-intensive ownership structures (variable leases, management contracts or franchise agreements). In 2006-2007, Accor invested EUR745 million for its share in a EUR2.5 billion expansion program planned between 2006 and 2010. It also devoted EUR407 million to changes in its business base in 2007, such as the controlling stake in Germany's Dorint.

- "Asset-right" program on track

In 2007, Accor pursued its strategy of adapting owning structure to the risk-reward profile of each market segment and region.

Between 2005 and December 31, 2007, divestments of property assets (502 hotels) generated EUR3,486 million.

During the year, the Group switched 117 hotels to variable-lease contracts (impact of EUR1,081 million) and 8 hotels to management contracts (impact of EUR229 million). Another 73 properties were transformed into franchise contracts or sold (impact of EUR302 million). In all, 198 hotels were restructured in 2007 for a total impact of EUR1,612 million, of which EUR311 million in second half.

In addition, in December 2007, Accor announced the signature of a Memorandum Of Understanding to sell 47 hotel properties in France and 10 in Switzerland, representing a total of 8,200 rooms, to a real estate consortium comprising two investment funds managed by AXA Real Estate Investment Managers and Caisse des Depots et Consignations for EUR518 million and a yield of 5.70%. Accor will continue to operate the hotels under a 12-year variable lease, with no guaranteed minimum. The leases are renewable six times. The transaction will enable Accor to reduce its adjusted net debt by EUR373 million in 2008, of which EUR312 million will be added to the Group's cash reserves.

As part of the plan scheduled for completion by the end of 2008, Accor intends to modify the owning structure of nearly 233 additional hotels, for an expected impact of around EUR600 million. In 2009-2010, another 614 hotels will be added to the list, including 14 Sofitel and Pullman hotels in Europe (expected impact of EUR 652 million) after their repositioning.

A Group more resilient to the economic cycles

Accor’s profile has evolved significantly since the last business cycle 2001-2003. The effect of the Group’s strategies can be seen by simulating what the last cycle’s impact would have been based on the current portfolio.

Operating profit (Ebit), for example, would have declined by only 9% between 2001 and 2003 instead of the 27% actually recorded, which represents a three-fold decrease in volatility.

With the divestment of non-strategic, more cyclical operations, the Group’s reduced sensitivity reflects a significant change in its two businesses.

- Contribution from Services doubled between 2001 and 2007

Thanks to more than double-digit organic growth over the past ten years and acquisitions, the Services business’ contribution to operating profit has grown from 21% to 38%. Services, which are not particularly vulnerable to business cycles, enjoy strong growth potential.

- Hotels restructured on the basis of a new business model

- Reduced exposure in the United States.

Following the September 2007 divestment of Red Roof Inn (341 hotels and 36,683 rooms), Accor’s exposure in North America now represents 8% of operating profit compared with 25% in 2001. With the dollar at a historic low against the euro, currency risk is more limited.

- Greater contribution from European economy hotels, which are less cyclical and offer substantial potential for expansion.

Economy hotels outside the United States accounted for 23% of consolidated operating profit in 2001 and 30% in 2007, representing an increase of 43%. This segment has a history of low sensitivity to business cycles.

- Deployment of the "asset-right" strategy promoting a less-capital intensive owning model.

Since 2003, the "asset-right" strategy to match hotel ownership structures to profitability and cyclical exposure has led to a profound shift in the hotel base. At present 55% of the Group’s hotels operate under less cyclical variable leases, management or franchise contracts, compared with 35% at end of 2001.

New Return to Shareholders

In addition to a proposed ordinary dividend of EUR1.65 per share, shareholders will be asked to approve at the Combined Annual and Extraordinary Meeting of May 13, 2008, a EUR400 million share buyback program and a special dividend of EUR1.50 per share (around EUR350 million), to be paid on May 20, 2008, representing a total return to shareholders of EUR750 million. These proposals are part of the return to shareholders’ policy that already translated into EUR2 billion returned to shareholders since 2006.

"2007 was a very good year for Accor: Excellent results thanks to solid operating performances," declared Gilles Pelisson, Chief Executive Officer of Accor. "We continued to achieve the milestones in our roadmap. We start 2008 with a good month of January in our two core businesses and our group’s profile is more resilient to business cycles."