

# CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

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## ➤ Consolidated Income Statements

In € millions	Notes	2006 (*)	2007	2008
Revenue		7 533	8 025	7 610
Other operating revenue		74	96	129
<b>CONSOLIDATED REVENUE</b>	<b>3</b>	<b>7 607</b>	<b>8 121</b>	<b>7 739</b>
Operating expense	4	(5 523)	(5 800)	(5 449)
<b>EBITDAR</b>	<b>5</b>	<b>2 084</b>	<b>2 321</b>	<b>2 290</b>
Rental expense	6	(836)	(931)	(903)
<b>EBITDA</b>	<b>7</b>	<b>1 248</b>	<b>1 390</b>	<b>1 387</b>
Depreciation, amortization and provision expense	8	(436)	(419)	(446)
<b>EBIT</b>	<b>9</b>	<b>812</b>	<b>971</b>	<b>941</b>
Net financial expense	10	(96)	(92)	(86)
Share of profit of associates after tax	11	11	28	20
<b>OPERATING PROFIT BEFORE TAX AND NON RECURRING ITEMS</b>		<b>727</b>	<b>907</b>	<b>875</b>
Restructuring costs	12	(69)	(58)	(56)
Impairment losses	13	(94)	(99)	(57)
Gains and losses on management of hotel properties	14	109	208	111
Gains and losses on management of other assets	15	15	188	12
<b>OPERATING PROFIT BEFORE TAX</b>		<b>688</b>	<b>1 146</b>	<b>885</b>
Income tax expense	16	(258)	(234)	(272)
Profit or loss from discontinued operations	17	104	-	-
<b>NET PROFIT</b>	<b>43</b>	<b>534</b>	<b>912</b>	<b>613</b>
<b>Net Profit, Group Share</b>		<b>501</b>	<b>883</b>	<b>575</b>
Net Profit, Minority interests	27	33	29	38

Weighted average number of shares outstanding (in thousands)	25	224 738	225 013	221 237
<b>EARNINGS PER SHARE (in €)</b>		<b>2,23</b>	<b>3,92</b>	<b>2,60</b>
Diluted earnings per share (in €)	25	2,17	3,78	2,59

<b>DIVIDEND PER SHARE (in €)</b>		<b>1,45</b>	<b>1,65</b>	<b>1,65</b> (**)
<b>EXCEPTIONAL DIVIDEND PER SHARE (in €)</b>		<b>1,50</b>	<b>1,50</b>	<b>0,00</b>

Earnings per share from continuing operations (in €)		<b>1,77</b>	<b>3,92</b>	<b>2,60</b>
Diluted earnings per share from continuing operations (in €)		<b>1,74</b>	<b>3,78</b>	<b>2,59</b>

Earnings per share from discontinued operations (in €)		<b>0,46</b>	<b>N/A</b>	<b>N/A</b>
Diluted earnings per share from discontinued operations (in €)		<b>0,43</b>	<b>N/A</b>	<b>N/A</b>

(\*) In accordance with IFRS 5, Carlson Wagonlit Travel (CWT) profits or losses have been recognised in Profit or loss from discontinued operations (see Note 17)

(\*\*) Proposed to the Combined Annual and Extraordinary Shareholders' Meeting

## ► Consolidated Balance Sheets

### Assets

<b>ASSETS</b> In € millions	<b>Notes</b>	<b>Dec 2006</b>	<b>Dec 2007</b>	<b>Dec 2008</b>
<b>GOODWILL</b>	18	<b>1 735</b>	<b>1 967</b>	<b>1 932</b>
<b>INTANGIBLE ASSETS</b>	19	<b>390</b>	<b>369</b>	<b>512</b>
<b>PROPERTY, PLANT AND EQUIPMENT</b>	20	<b>3 506</b>	<b>3 321</b>	<b>4 324</b>
Long-term loans	21	269	107	78
Investments in associates	22	326	421	176
Other financial investments	23	244	182	149
<b>TOTAL NON-CURRENT FINANCIAL ASSETS</b>		<b>839</b>	<b>710</b>	<b>403</b>
Deferred tax assets	16	297	199	222
<b>TOTAL NON-CURRENT ASSETS</b>		<b>6 767</b>	<b>6 566</b>	<b>7 393</b>
Inventories		64	74	103
Trade receivables	24	1 308	1 598	1 313
Other receivables and accruals	24	727	715	824
Prepaid services voucher reserve funds		373	392	441
Receivables on disposals of assets	29 & 30	54	52	16
Short-term loans	29 & 30	28	22	34
Cash and cash equivalents	29 & 30	1 267	1 138	1 253
<b>TOTAL CURRENT ASSETS</b>		<b>3 821</b>	<b>3 991</b>	<b>3 984</b>
Assets held for sale	32	545	277	36
<b>TOTAL ASSETS</b>		<b>11 133</b>	<b>10 834</b>	<b>11 413</b>

## Equity and Liabilities

<b>EQUITY AND LIABILITIES</b> <b>In € millions</b>	<b>Notes</b>	<b>Dec 2006</b>	<b>Dec 2007</b>	<b>Dec 2008</b>
Share capital		635	665	660
Additional paid-in capital		2 321	2 276	2 226
Retained earnings		100	(94)	158
Fair value adjustments on financial instruments reserve	26	524	66	(6)
Reserve related to employee benefits		32	59	82
Reserve for actuarial gains/losses		(23)	(19)	(23)
Currency translation reserve		8	(145)	(367)
Net profit, Group share		501	883	575
<b>SHAREHOLDERS' EQUITY, GROUP SHARE</b>	25	<b>4 098</b>	<b>3 691</b>	<b>3 305</b>
Minority interests	27	66	61	258
<b>TOTAL SHAREHOLDERS' EQUITY AND MINORITY INTERESTS</b>		<b>4 164</b>	<b>3 752</b>	<b>3 563</b>
Convertible or exchangeable bonds (OCEANE)	28, 29 & 30	635	-	-
Other long-term debt	29 & 30	490	1 056	1 927
Long-term finance lease liabilities	29 & 30	184	216	161
Deferred tax liabilities	16	245	170	199
Non-current provisions	33	125	118	131
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>5 843</b>	<b>5 312</b>	<b>5 981</b>
Trade payables	24	599	679	765
Other payables and income tax payable	24	1 422	1 557	1 602
Prepaid services voucher in circulation		2 289	2 894	2 587
Current provisions	33	242	248	191
Short-term debt and finance lease liabilities	29 & 30	449	109	165
Bank overdrafts	29 & 30	60	35	122
<b>TOTAL CURRENT LIABILITIES</b>		<b>5 061</b>	<b>5 522</b>	<b>5 432</b>
Liabilities of assets classified as held for sale	32	229	-	-
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>11 133</b>	<b>10 834</b>	<b>11 413</b>

## ► Consolidated Cash Flow Statements

In € millions	Notes	2006 (*)	2007	2008
+ EBITDA		1 248	1 390	1 387
- Net financial expense		(96)	(92)	(86)
- Income tax expense		(266)	(252)	(277)
- Non cash revenue and expense included in EBITDA		23	29	38
- Elimination of provision movements included in net financial expense, income tax expense and non-recurring taxes		89	30	41
+ Dividends received from associates		5	7	8
+ Profit or loss from discontinued operations		21	-	-
<b>= Funds from Ordinary Activities</b>	34	<b>1 024</b>	<b>1 112</b>	<b>1 111</b>
+ Cash received (paid) on non-recurring transactions (included restructuring costs and non-recurring taxes)		(84)	(85)	(86)
+ Decrease (increase) in working capital	35	265	388	25
+ Profit or loss from discontinued operations		(9)	-	-
<b>= Net cash from operating activities (A)</b>		<b>1 196</b>	<b>1 415</b>	<b>1 050</b>
- Renovation and maintenance expenditure	36	(454)	(466)	(488)
- Renovation and maintenance expenditure on non-current assets held for sale	37	(95)	(26)	(5)
- Development expenditure	37	(671)	(1 198)	(1 086)
+ Proceeds from disposals of assets		1 459	1 635	560
+ Profit or loss from discontinued operations		(6)	-	-
<b>= Net cash used in investments/ divestments (B)</b>		<b>233</b>	<b>(55)</b>	<b>(1 019)</b>
+ Proceeds from issue of share capital		227	710	8
- Capital reduction		(485)	(1 200)	(62)
- Dividends paid		(276)	(680)	(719)
- Repayment of long-term debt		(391)	(900)	(781)
- Payment of finance lease liabilities		(142)	(50)	(65)
+ New long term debt		263	940	1 742
<b>= Increase (decrease) in long-term debt</b>		<b>(270)</b>	<b>(10)</b>	<b>896</b>
+ Increase (decrease) in short-term debt		(1 721)	(178)	23
+ Profit or loss from discontinued operations		(1)	-	-
<b>= Net cash from financing activities (C)</b>		<b>(2 526)</b>	<b>(1 358)</b>	<b>146</b>
<b>- Effect of changes in exchange rates (D)</b>		<b>35</b>	<b>(49)</b>	<b>(140)</b>
<b>= Net change in cash and cash equivalents (E)=(A)+(B)+(C)+(D)</b>	30	<b>(1 062)</b>	<b>(47)</b>	<b>37</b>
+ Cash and cash equivalents at beginning of period		2 306	1 207	1 103
+ Effect of changes in fair value of cash and cash equivalents		(1)	(1)	(9)
+ Profit or loss from discontinued operations		(36)	(56)	-
- Cash and cash equivalents at end of period		1 207	1 103	1 131
<b>= Net change in cash and cash equivalents</b>	30	<b>(1 062)</b>	<b>(47)</b>	<b>37</b>

(\*) In accordance with IFRS 5, Carlson Wagonlit Travel (CWT) cash flows have been recognised on a separate line (see Note 17)

## ► Changes in Consolidated Shareholders' Equity

In € millions	Number of shares outstanding	Share capital	Additional paid-in capital	Currency translation reserve (1)	Fair value adjustments on Financial Instruments reserve (2)	Reserve related to employee benefits	Reserve for actuarial gains/losses	Retained earnings and profit for the period	Shareholders' equity	Minority interests	Consolidated shareholders' Equity
<b>At December 31, 2005</b>	<b>216 287 043</b>	<b>649</b>	<b>2 567</b>	<b>192</b>	<b>547</b>	<b>19</b>	<b>(21)</b>	<b>348</b>	<b>4 301</b>	<b>95</b>	<b>4 396</b>
Change in reserve for employee benefits	-	-	-	-	-	13	-	-	13	-	13
Change in reserve for actuarial Gains/losses	-	-	-	-	-	-	(2)	-	(2)	-	(2)
Profit for the period	-	-	-	-	-	-	-	501	501	33	534
<b>Recognised income and expense</b>	-	-	-	-	-	<b>13</b>	<b>(2)</b>	<b>501</b>	<b>512</b>	<b>33</b>	<b>545</b>
Issues of share capital											
- On conversion of equity notes (convertible bonds)	<b>2 648 993</b>	8	99	-	-	-	-	-	107	-	107
- On exercise of stock options	<b>2 819 581</b>	8	100	-	-	-	-	-	108	-	108
- Treasury stock	<b>646 150</b>	2	18	-	-	-	-	-	20	-	20
- Club Méditerranée earn-out payable (3)	<b>(436 000)</b>	(1)	(13)	-	-	-	-	-	(14)	-	(14)
Change in fair value resulting from conversion of equity notes	-	-	-	-	(23)	-	-	-	(23)	-	(23)
Capital reduction (4)	<b>(10 324 607)</b>	(31)	(450)	-	-	-	-	-	(481)	-	(481)
Dividends paid	-	-	-	-	-	-	-	(248)	(248)	(28)	(276)
Currency translation adjustment	-	-	-	(184)	-	-	-	-	(184)	(3)	(187)
Effect of scope changes	-	-	-	-	-	-	-	-	-	(31)	(31)
<b>At December 31, 2006</b>	<b>211 641 160</b>	<b>635</b>	<b>2 321</b>	<b>8</b>	<b>524</b>	<b>32</b>	<b>(23)</b>	<b>601</b>	<b>4 098</b>	<b>66</b>	<b>4 164</b>
Change in reserve for employee benefits	-	-	-	-	-	27	-	-	27	-	27
Change in reserve for actuarial Gains/losses	-	-	-	-	-	-	4	-	4	-	4
Profit for the period	-	-	-	-	-	-	-	883	883	29	912
<b>Recognised income and expense</b>	-	-	-	-	-	<b>27</b>	<b>4</b>	<b>883</b>	<b>914</b>	<b>29</b>	<b>943</b>
Issues of share capital											
- On conversion of equity notes (convertible bonds)	<b>27 077 473</b>	82	1 024	-	-	-	-	(31)	1 075	-	1 075
- Reserved for employees	<b>770 529</b>	2	41	-	-	-	-	-	43	-	43
- On exercise of stock options	<b>1 916 434</b>	6	69	-	-	-	-	(1)	74	-	74
- Treasury stock	<b>130 000</b>	0	5	-	-	-	-	-	5	-	5
- Club Méditerranée earn-out payable (3)	<b>(114 000)</b>	(1)	(3)	-	-	-	-	-	(4)	-	(4)
Change in fair value resulting from conversion of equity notes (2)	-	-	-	-	(458)	-	-	-	(458)	-	(458)
Capital reduction (4)	<b>(19 893 952)</b>	(59)	(1 181)	-	-	-	-	-	(1 240)	-	(1 240)
Dividends paid	-	-	-	-	-	-	-	(661)	(661)	(19)	(680)
Currency translation adjustment	-	-	-	(153)	-	-	-	-	(153)	(3)	(156)
Effect of scope changes	-	-	-	-	-	-	-	(2)	(2)	(12)	(14)
<b>At December 31, 2007</b>	<b>221 527 644</b>	<b>665</b>	<b>2 276</b>	<b>(145)</b>	<b>66</b>	<b>59</b>	<b>(19)</b>	<b>789</b>	<b>3 691</b>	<b>61</b>	<b>3 752</b>
Fair value adjustments on financial instruments	-	-	-	-	(72)	-	-	67	(5)	-	(5)
Currency translation adjustment	-	-	-	(222)	-	-	-	-	(222)	(45)	(267)
Change in reserve for actuarial Gains/losses	-	-	-	-	-	-	(4)	-	(4)	-	(4)
Profit for the period	-	-	-	-	-	-	-	575	575	38	613
<b>Recognised income and expense</b>	-	-	-	<b>(222)</b>	<b>(72)</b>	-	<b>(4)</b>	<b>642</b>	<b>344</b>	<b>(7)</b>	<b>337</b>
Issues of share capital											
- On exercise of stock options	<b>204 578</b>	1	7	-	-	-	-	-	8	-	8
Capital reduction (4)	<b>(1 837 699)</b>	(6)	(57)	-	-	-	-	-	(63)	-	(63)
Dividends paid	-	-	-	-	-	-	-	(698)	(698)	(22)	(720)
Change in reserve for employee benefits	-	-	-	-	-	23	-	-	23	-	23
Effect of scope changes	-	-	-	-	-	-	-	-	-	226	226
<b>At December 31, 2008</b>	<b>219 894 523</b>	<b>660</b>	<b>2 226</b>	<b>(367)</b>	<b>(6)</b>	<b>82</b>	<b>(23)</b>	<b>733</b>	<b>3 305</b>	<b>258</b>	<b>3 563</b>

(1) Exchange differences on translating foreign operations for the year ended December 31, 2008, in the amount of €(222) million, mainly concern changes in exchange rates against the euro of the British pound (€105 million negative impact), the Brazilian real (€88 million negative impact), the Australian dollar (€59 million negative impact), the Polish Zloty (€31 million negative impact) and the US dollar (€72 million positive impact).

The period-end euro/local currency exchange rates applied to prepare the consolidated financial statements were as follows:

	USD	GBP	BRL	PLN	AUD
<b>December 2007</b>	1,4721	0,7334	2,6144	3,5935	1,6757
<b>December 2008</b>	1,3917	0,9525	3,2436	4,1535	2,0274

(2) 2007 change corresponding mainly to the redemption in equity of the ORA equity notes issued to Colony Capital.

(3) Corresponding to the reversal of the provision set up at the time of acquisition of Club Méditerranée, covering part of the stock-based earn-out payment due to Caisse des Dépôts et Consignations (see Note 2.A.3).

(4) Capital reductions resulting from the cancellation of shares acquired under the 2006, 2007 and 2008 buyback programs (see Note 2.F).

Number of Accor's shares is detailed as follows:

Details on shares	Dec 2006	Dec 2007	Dec 2008
Total number of shares authorized	212 409 741	229 917 794	219 894 523
Number of fully paid shares issued and outstanding	212 409 741	229 917 794	219 894 523
Number of shares issued and outstanding not fully paid	-	-	-
Par value per share (in €)	3	3	3
Treasury stock	882 581	8 390 150	-
Number of shares held for allocation on exercise of stock options and grants	-	-	-

The change in the number of outstanding share capital between January 1<sup>st</sup>, 2008 and December 31, 2008 breaks down as follows:

<b>Outstanding Accor's share capital at January 1st, 2008</b>	<b>221 527 644</b>
Shares from conversion of stock option plans	204 578
Number of shares bought back and cancelled during the period	(1 837 699)
<b>Outstanding Accor's share capital at December 31, 2008</b>	<b>219 894 523</b>

Number of outstanding shares and number of potential shares that could be issued breaks down as follows:

<b>Accor's share capital at December 31, 2008</b>	<b>219 894 523</b>
<b>Outstanding Accor's share capital at December 31, 2008</b>	<b>219 894 523</b>
Stock option plans (see Note 25.3)	9 591 890
Performance shares granted to employees (see Note 25.3)	132 936
<b>Potential number of shares</b>	<b>229 619 349</b>

Full conversion would have the effect of reducing debt at December 31, 2008 as follows:

	In € millions
Theoretical impact of conversion of stock option plans (*)	433
<b>Theoretical impact on net debt of converting all equity instruments</b>	<b>433</b>

(\*) based on a conversion of 100% of the outstanding options at December 31, 2008



Average number of ordinary shares before and after dilution is presented as follows:

<b>Accor's share capital at December 31, 2008</b>	<b>219 894 523</b>	
<b>Outstanding Accor's share capital at December 31, 2008</b>	<b>219 894 523</b>	
Adjustment from stock option plans exercised during the period	(51 740)	
Adjustment from shares bought back during the period	1 394 683	
<b>Weighted average number of ordinary shares during the period</b>	<b>221 237 466</b>	(See Note 25)
Number of potential ordinary shares resulting from conversion of Stock option plans	766 589	
Impact of dilutive performance shares at December 31, 2008	72 984	
<b>Weighted average number of shares used to calculate diluted earnings per share</b>	<b>222 077 039</b>	(See Note 25)

## ► Key Management Ratios

	Note	Dec 2006 (*)	Dec 2007	Dec 2008
Gearing	(a)	11%	5%	30%
Adjusted Funds from Ordinary Activities / Adjusted Net Debt	(b)	22,2%	26,2%	25,8%
Return On Capital Employed	(c)	11,9%	13,6%	14,1%
Economic Value Added (EVA ®) (in € millions)	(d)	232	229	360

(\*) Key management ratios presented above have been adjusted to exclude Carlson Wagonlit Travel (CWT), in accordance with IFRS 5

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

**Note (b):** Adjusted Funds from Ordinary Activities / Adjusted Net Debt is calculated as follows, corresponding to the method used by the main rating agencies:

	Dec 2006 (*)	Dec 2007	Dec 2008
Net debt at end of the period	469	204	1 072
Debt restatement prorated over the period	19	(120)	(51)
Average net debt	488	84	1 021
8% discounted rental commitments (**)	5 149	5 155	4 141
Total Adjusted net debt	5 637	5 239	5 162
Funds from Ordinary Activities	1 024	1 112	1 111
Rental amortization	229	258	219
Adjusted Funds from Ordinary Activities	1 253	1 370	1 330
Adjusted Funds from Ordinary Activities / Adjusted Net Debt	22,2%	26,2%	25,8%

(\*) Key management ratios presented above have been adjusted to exclude Carlson Wagonlit Travel (CWT), in accordance with IFRS 5

(\*\*) Rental commitments correspond to the amounts presented in Note 6 C. They do not include any variable or contingent rentals. The 8% rate is the rate used by Standard & Poor's.

At December 31, 2008, the difference between the value of future minimum lease payments discounted at 8% (€4,006 million) and the value used in the above table to calculate adjusted net debt (€4,141 million) corresponds to prorated discounted future minimum lease payments for the Motel 6 units in the United States and the hotels leased from Genefim in France that the Group purchased during the year. Note that at the same time, Funds from Ordinary Activities generated by the leased hotels, prorated over the period prior to their purchase by the Group, were recognized in consolidated funds from operations before non-recurring items in 2008.

At December 31, 2007, the difference between the value of future minimum lease payments discounted at 8% (€4,569 million), and the value used in the above table to calculate adjusted net debt (€5,155 million) corresponds to 8/12ths of Red Roof Inn's future minimum lease payments, discounted at 8%, recognized prior to the company's disposal. Note that at the same time, eight months of Funds from Ordinary Activities were recognized in consolidated funds from operations before non-recurring items in 2007.

**Note (c):** Return On Capital Employed (ROCE) is defined below.

**Note (d):** Economic Value Added (EVA ®).

2006, 2007 and 2008 Economic Value Added (EVA) have been calculated as follows:

		<b>Dec 2006 (*)</b>	<b>Dec 2007</b>	<b>Dec 2008</b>
Cost of equity	(1)	7,71%	8,88%	9,00%
Cost of debt (after tax)		3,33%	3,50%	3,35%
Equity/debt weighting				
----- Equity		89,88%	94,84%	76,85%
----- Debt		10,12%	5,16%	23,15%
<b>Weighted Average Cost of Capital (WACC)</b>	<b>(2)</b>	<b>7,26%</b>	<b>8,60%</b>	<b>7,69%</b>
<b>ROCE after tax</b>	<b>(3)</b>	<b>9,41%</b>	<b>10,76%</b>	<b>11,27%</b>
<b>Capital Employed (in € millions)</b>		<b>10 807</b>	<b>10 606</b>	<b>10 089</b>
<b>Economic Value Added (in € millions)</b>	<b>(4)</b>	<b>232</b>	<b>229</b>	<b>360</b>

(\*) Key management ratios presented above have been adjusted to exclude Carlson Wagonlit Travel (CWT), in accordance with IFRS 5

(1) The Beta used to calculate the cost of equity for 2006, 2007 and 2008 was 1 and the 10-year OAT rate as at each year-end has been used as the risk-free rate.

(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:

$$\frac{\text{EBITDA} - [(\text{EBITDA} - \text{depreciation, amortization and provisions}) \times \text{tax rate}]}{\text{Capital employed}}$$

For example, at December 31, 2008 the data used in the formula were as follows:

EBITDA	: €1,423 million (see ROCE hereafter)
Depreciation, amortization and provisions	: € (446) million
Notional tax rate	: 29.3% (see Note 16.2)
Capital employed	: €10,089 million (see ROCE hereafter)

(4) EVA is determined as follows:

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

A 0.1 point increase or decrease in the Beta would have had a €36 million impact on 2006 EVA, a €45million impact on 2007 EVA and a €43 million impact on 2008 EVA.

## ➤ Return On Capital Employed (ROCE) by Business Segment

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 not consolidated or accounted for by the equity method.

It is calculated on the basis of the following aggregates derived from the consolidated financial statements:

- Adjusted EBITDA: for each business, EBITDA plus revenue from financial assets and investments in associates (dividends and interest).
- Capital Employed: for each business, the average cost of non-current assets, before depreciation, amortization and provisions, plus working capital.

ROCE corresponds to the ratio between EBITDA and average capital employed for the period. In December 2008, ROCE stood at 14.1% versus 13.6% in fiscal 2007 and 11.9% in fiscal 2006.

In € millions	Dec 2006 (*)	Dec 2007	Dec 2008
Capital employed	10 779	10 519	10 308
Adjustments on capital employed (1)	78	44	(316)
Effect of exchange rate on capital employed (2)	(50)	43	97
<b>Restated Average Capital Employed</b>	<b>10 807</b>	<b>10 606</b>	<b>10 089</b>
EBITDA	1 248	1 390	1 387
Interest income on external loans and dividends	17	9	8
Share of profit of associates before tax (see Note 11)	18	38	28
<b>Restated Adjusted EBITDA</b>	<b>1 283</b>	<b>1 437</b>	<b>1 423</b>
<b>Restated ROCE (Adjusted EBITDA/Capital Employed)</b>	<b>11,9%</b>	<b>13,6%</b>	<b>14,1%</b>

(\*) ROCE presented above have been adjusted to exclude Carlson Wagonlit Travel (CWT), in accordance with IFRS 5

(1) For the purpose of calculating ROCE, capital employed is prorated over the period of EBITDA recognition in the income statement. For example, the capital employed of a business acquired on December 31 that did not generate any EBITDA during the period 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 (ratio between EBITDA and average capital employed) over a 12-month rolling period is as follows, by business segment:

Business	Dec 2006 (*)		Dec 2007		Dec 2008	
	Capital Employed In € millions	ROCE %	Capital Employed In € millions	ROCE %	Capital Employed In € millions	ROCE %
<b>HOTELS</b>	<b>7 862</b>	<b>11,1%</b>	<b>7 482</b>	<b>13,3%</b>	<b>7 477</b>	<b>12,9%</b>
Upscale and Midscale Hotels	3 903	8,7%	3 924	11,6%	4 258	10,8%
Economy Hotels	1 753	19,2%	1 674	21,5%	1 778	21,1%
Economy Hotels United States	2 206	9,0%	1 884	9,6%	1 441	9,1%
<b>PREPAID SERVICES</b>	<b>1 172</b>	<b>25,3%</b>	<b>1 710</b>	<b>21,3%</b>	<b>1 761</b>	<b>23,3%</b>
<b>OTHER BUSINESSES</b>						
Casinos	451	10,0%	473	9,7%	471	9,4%
Restaurants	262	13,0%	257	12,9%	138	7,5%
Onboard Train Services	139	12,4%	145	10,4%	110	8,3%
Holding Companies and other	921	1,6%	539	(3,3)%	132	N/A
<b>RESTATED GROUP TOTAL</b>	<b>10 807</b>	<b>11,9%</b>	<b>10 606</b>	<b>13,6%</b>	<b>10 089</b>	<b>14,1%</b>

(\*) ROCE presented above have been adjusted to exclude Carlson Wagonlit Travel (CWT), in accordance with IFRS 5

## ► Notes to the Consolidated Financial Statements

### NOTE 1. Summary of Significant Accounting Policies

#### General framework

In accordance with European Commission regulation 1606/2002 dated July 19, 2002 on the application of international financial reporting standards, the 2008 Accor Group consolidated financial statements for the year ended December 31, 2008 have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union as of that date. They include comparative interim and annual financial information for 2006 and 2007, prepared in accordance with the same standards.

At December 31, 2008, the accounting standards and interpretations adopted by the European Union were the same as International Financial Reporting Standards (including IFRSs, IASs and Interpretations) published by the International Accounting Standards Board ("IASB"), with the exception of:

- IAS 39, which was only partially adopted.
- IFRIC 11 "IFRS 2: Group and Treasury Share Transactions" which is applicable from January 1, 2008 only by European Union companies whose financial year begins on or after March 1, 2008.
- IFRIC 12 "Service Concession Arrangements" which has not yet been adopted.
- Interpretation IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" which is applicable by European Union companies from the first financial period beginning after December 31, 2008.
- The revised version of the Amendment to IAS 39 and IFRS 7 "Reclassification of Financial Instruments: effective date and transition".

The Group decided to early adopt IFRIC 11: the effect of applying this interpretation was not material.

The differences between the standards and interpretations published by the IASB and those adopted by the European Union do not have a material impact on the Accor Group's financial statements for the following reasons:

- Application of IAS 39 and IFRIC 12 and IFRIC 14 will have no impact on the Group's financial statements when they are adopted by the European Union and become applicable by the Group.
- Accor has not applied the Amendment to IAS 39 and IFRS 7, which has since been revised and allows the reclassification of certain financial assets.

As a result, the Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as published by the IASB.

#### Assessment of the potential impact on the consolidated financial statements of future standards, amendments to existing standards and interpretations of existing standards.

The Group has elected not to early adopt the following standards, amendments and interpretations adopted or in the process of being adopted by the European Union at December 31, 2008 and applicable after that date:

		<b>Application Date (period beginning on or after)</b>	<b>Measurement of the possible impact on the Accor Group consolidated financial statements in the period of initial application</b>
<b>IFRS 8</b>	"Operating Segments"	January 1, 2009	This standard is currently not expected to have material impact on the presentation of the financial statements.
<b>IAS 1 revised</b>	Revised version of IAS 1 "Presentation of Financial Statements"	January 1, 2009	This standard is currently not expected to have any impact on the consolidated financial statements, except for certain presentation changes.
<b>Amendment to IFRS 2</b>	"Vesting Conditions and Cancellations"	January 1, 2009	These standards are currently not expected to have a material impact on the consolidated financial statements.
<b>Amendments to IAS 32 and IAS 1</b>	"Puttable financial instruments and obligations arising on liquidation"	January 1, 2009	
<b>Amendments to IFRS 1 and IAS 27</b>	"Cost of an investment in a subsidiary, jointly controlled entity or associate"	January 1, 2009	
<b>Amendments to IAS 39</b>	"Financial Instruments: Recognition and Measurement: Eligible Hedged Items"	July 1, 2009	

<b>IFRS revised 1</b>	Revised version of IFRS 1 "First-time Adoption of International Financial Reporting Standards"	July 1, 2009	These standards are currently not expected to have a material impact on the consolidated financial statements.
<b>IFRIC 15</b>	"Agreements for the Construction of Real Estate"	January 1, 2009	
<b>IFRIC 16</b>	"Hedges of a Net Investment in a Foreign Operation"	October 1, 2008	
<b>IFRS 17</b>	"Distributions of Non-cash Assets to Owners"	July 1, 2009	
<b>IFRIC 18</b>	« Transfers of Assets from Customers »	July 1, 2009	
<b>Amendment to IAS 23</b>	"Borrowing costs"	January 1, 2009	Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are already capitalized as part of the cost of that asset and the amendment will therefore have no impact on the consolidated financial statements.
<b>IAS revised 27</b>	Revised version of IAS 27 "Consolidated and Separate Financial Statements"	July 1, 2009	These standards will be applied prospectively to business combinations occurring on or after January 1, 2010.
<b>IFRS revised 3</b>	Revised version of IFRS 3 "Business Combinations"	July 1, 2009	
<b>IFRIC 13</b>	"Customer Loyalty Programs"	July 1, 2008	This interpretation alters the accounting treatment of customer loyalty programs, by requiring recognition of the revenue corresponding to the awards to be deferred. The Group's current policy consists of recording a provision for the cost of its loyalty programs. The impact on equity of applying IFRIC 13 will not be material. It has been assessed by reference to the specific features of the Group's loyalty programs, which were revised in September 2008. This change will be made retrospectively, in line with IAS 8, by restating each prior period presented.

#### First-time adoption of IFRSs

The following options adopted by Accor in the opening IFRS balance sheet at the IFRS transition date (January 1, 2004) in accordance with IFRS 1, continue to have a material impact on the consolidated financial statements:

- Business combinations recorded prior to January 1, 2004 were not restated.
- Cumulative translation differences at the transition date were reclassified in retained earnings.
- Property, plant and equipment and intangible assets were not measured at fair value at the transition date.

#### Basis for preparation of the financial standards

The financial statements of consolidated companies, prepared in accordance with local accounting principles, have been restated to conform to Group policies prior to consolidation. All consolidated companies have a December 31 year-end, except for Groupe Lucien Barrière SAS whose year-end is October 31.

The preparation of consolidated financial statements implies the consideration by Group management of estimates and assumptions that can affect the carrying amount of certain assets and liabilities, income and expenses, and the information disclosed in the notes to the financial statements. Group management reviews these estimates and assumptions on a regular basis to ensure that they are appropriate based on past experience and the current economic situation. Items in future financial statements may differ from current estimates as a result of changes in these assumptions.

The main estimates and judgements made by management in the preparation of financial statements concern the valuation and the useful life of intangible assets, property, plant and equipment and goodwill, the amount of provisions for contingencies and the assumptions underlying the calculation of pension obligations, claims and litigations and deferred tax balances.

The main assumptions made by the Group are presented in the relevant notes to the financial statements.

When a specific transaction is not covered by any standards or interpretations, management uses its judgment in developing and applying an accounting policy that results in the production of relevant and reliable information. As a result, the financial statements provide a true and fair view of the Group's financial position, financial performance and cash flows and reflect the economic substance of transactions.

It is not currently possible to accurately predict the magnitude and duration of the current economic and financial crisis beyond December 31, 2008. As a result, the 2008 consolidated financial statements have been prepared by reference

to the current environment, particularly for the purpose of estimating the value of financial instruments, non-current assets and projected benefit obligations under retirement and other post-employment benefit plans as explained below:

- Following the financial crisis, in November 2008 the Group reviewed in detail the impairment testing process applied to property, plant and equipment and intangible assets in the first half in accordance with IAS 36 "Impairment of Assets". Assets whose value is assessed by reference to the long-term outlook were measured using assumptions that took into account an economic and financial crisis of limited duration, particularly in terms of its effects on future cash flows generated by the business. The financial parameters used for these valuations were nevertheless reviewed in order to reflect observed market conditions at the balance sheet date. No particular problems were encountered in assessing the fair value of assets.
- Application of IAS 32-39 and IFRS 7 on financial instruments: The Group does not carry out any trading transactions. Derivative instruments are used by the Group solely for hedging purposes and do not include any complex instruments. As a result, the Group had no need to apply the amendment to IAS 39 and IFRS 7 published and adopted in October 2008, which would have allowed certain financial assets to be reclassified during the second half of 2008. In addition, the Group did not encounter any specific problems in estimating the fair value of financial instruments at the balance sheet date.
- The Group also reassessed the appropriateness of the discount rates used to measure projected benefit obligations under pension and other post-employment benefit plans at the balance sheet date. The benchmark used to determine the discount rate in prior years (index-linked rate based on interest rates for over 500 corporate bond issues rated AA+) was considered appropriate at December 31, 2008. No specific problems were encountered in estimating the fair value of hedging instruments at the balance sheet date.

### Capital management

The Group's main capital management objective is to maintain a satisfactory credit rating and robust capital ratios in order to facilitate business operations and maximize shareholder value.

Its capital structure is managed and adjusted to keep pace with changes in economic conditions, by adjusting dividends, returning capital to shareholders or issuing new shares. Capital management objectives, policies and procedures were unchanged in 2008.

The main indicator used for capital management purposes is the gearing or debt-to-equity ratio (corresponding to net debt divided by equity: see Note "Key Management Ratios" and Note 29). Group policy consists of keeping this ratio below 100%. For the purpose of calculating the ratio, net debt corresponds to interest-bearing loans and borrowings, trade payables and other liabilities, cash and cash equivalents, and equity includes convertible preferred stock and unrealized gains and losses recognized directly in equity, but excludes minority interests. The Group has set a target of maintaining the Adjusted funds from ordinary activities/Adjusted net debt ratio at more than 20%.

The main accounting methods applied are as follows:

## **A. Consolidation methods**

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

Companies controlled and operated jointly by Accor and a limited number of partners under a contractual agreement 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.

The assets and liabilities of subsidiaries acquired during the period are initially recognized at their fair value at the acquisition date. Minority interests are determined based on the initially recognized fair values of the underlying assets and liabilities.

In accordance with IAS 27 "Consolidated and Separate Financial Statements", potential voting rights held by Accor that are currently exercisable (call options) are taken into account to determine the existence of control over the company concerned.

## **B. Goodwill**

In the year following the acquisition of a consolidated company, fair value adjustments are made to the identifiable assets and liabilities acquired. For this purpose, fair values are determined in the new subsidiary's local currency. In subsequent years, these fair value adjustments follow the same accounting treatment as the items to which they relate.



## B.1. POSITIVE GOODWILL

Goodwill, representing the excess of the cost of a business combination over the Group's interest in the net fair value of the identifiable assets and liabilities acquired at the acquisition date, is recognized in assets under "Goodwill". Residual goodwill mainly results from the expected synergies and other benefits arising from the business combination.

Goodwill arising on the acquisition of associates – corresponding to companies over which the Group exercises significant influence – is included in the carrying amount of the associate concerned.

Goodwill arising on the acquisition of subsidiaries and jointly controlled entities is reported separately.

In accordance with IFRS 3 "Business Combinations", goodwill is not amortized but is tested for impairment at least once a year and more frequently if there is any indication that it may be impaired. The methods used to test goodwill for impairment are described in Note 1.D.6. If the carrying amount of goodwill exceeds its recoverable amount, an irreversible impairment loss is recognized in profit.

## B.2. NEGATIVE GOODWILL

Negative goodwill, representing the excess of the Group's interest in the net fair value of the identifiable assets and liabilities acquired at the acquisition date over the cost of the business combination, is recognized immediately in profit.

## C. Foreign currency translation

The presentation currency is the euro.

The balance sheets of foreign subsidiaries are translated into euros at the closing exchange rate, and their income statements are translated at the average rate for the period. Differences arising from translation are recorded as a separate component of equity and recognized in profit on disposal of the business.

For subsidiaries operating in hyperinflationary economies, non-monetary assets and liabilities are translated at the exchange rate at the transaction date (historical rate) and monetary assets and liabilities are translated at the closing rate.

In the income statement, income and expense related to non-monetary assets and liabilities are translated at the historical rate and other items are translated at the average rate for the month in which the transaction was recorded. Differences arising from the application of this method are recorded in the income statement under "Net financial expense".

## D. Non-current assets

### D.1. INTANGIBLE ASSETS

In accordance with IAS 38 "Intangible Assets", intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses.

Brands and lease premiums (*droit au bail*) in France are considered as having indefinite useful lives and are therefore not amortized. Their carrying amount is reviewed at least once a year and more frequently if there is any indication that they may be impaired. If their fair value determined according to the criteria applied at the acquisition date is less than their carrying amount, an impairment loss is recognized (see Note 1.D.6).

Other intangible assets (licenses and software) are considered as having finite useful lives. They are amortized on a straight-line basis over their useful lives.

The clientele of hotels outside France is generally amortized over the life of the underlying lease.

Identifiable intangible assets recognized in a business combination are initially recognized at amounts determined by independent valuations, performed using relevant criteria for the business concerned that can be applied for the subsequent measurement of the assets. Identifiable brands are measured based on multiple criteria, taking into account both brand equity and their contribution to profit. Contractual customer relationships are measured based on the cost of acquiring new customers.

### D.2. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses, in accordance with IAS 16 "Property, Plant and Equipment".

Assets under construction are measured at cost less any accumulated impairment losses. They are depreciated from the date when they are put in service.

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, determined by the components method, from the date when they are put in service. The main depreciation periods applied are as follows:

	Upscale and Midscale Hotels	Economy Hotels
<b>Buildings</b>	50 years	35 years
<b>Building improvements, fixtures and fittings</b>	7 to 25 years	
<b>Capitalized construction-related costs</b>	50 years	35 years
<b>Equipment</b>	5 to 15 years	

### D.3. BORROWING COSTS

Borrowing costs directly attributable to the construction or production of a qualifying asset are included in the cost of the asset. Other borrowing costs are recognized as an expense for the period in which they are incurred.

### D.4. LEASES AND SALE AND LEASEBACK TRANSACTIONS

Leases are analysed based on IAS 17 "Leases".

Leases that transfer substantially all the risks and rewards incidental to ownership of an asset to the lessee are qualified as finance leases and accounted for as follows:

- The leased item is recognized as an asset at an amount equal to its fair value or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.
- A liability is recognized for the same amount, under "Finance lease liabilities".
- Minimum lease payments are allocated between interest expense and reduction of the lease liability.
- The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The asset is depreciated over its useful life, in accordance with Group accounting policy, if there is reasonable certainty that the Group will obtain ownership of the asset by the end of the lease term; otherwise the asset is depreciated by the components method over the shorter of the lease term and its useful life.

Lease payments under operating leases are recognized as an expense on a straight-line basis over the lease term. Future minimum lease payments under non-cancelable operating leases are disclosed in Note 6. Where sale and leaseback transactions result in an operating lease and it is clear that the transaction is established at fair value, any profit or loss is recognized immediately. Fair value for this purpose is generally determined based on independent valuations.

### D.5. OTHER FINANCIAL INVESTMENTS

Other financial investments, corresponding to investments in non-consolidated companies, are classified as "Available-for-sale financial assets" and are therefore measured at fair value. Unrealized gains and losses on an investment are recognized directly in equity (in Fair value adjustments on Financial Instruments reserve) and are recognized in profit when the investment is sold. A significant or prolonged decline in the value of the investment leads to the recognition of an irreversible impairment loss in profit.

Equity-accounted investments in associates are initially recognised at cost acquisition, including any goodwill arising. Their carrying amount is then increased or decreased to recognise the Group's share of the associate's profits or losses after the date of acquisition. The Group is in regular contact with the management of associates and also receives details of their budgets and business plans. Based on the information obtained through these contacts and close monitoring of actual performance against the budgets and business plans, the Group considers that none of its investments in associates are impaired.

### D.6. RECOVERABLE VALUE OF ASSETS

In accordance with IAS 36 "Impairment of Assets", the carrying amounts of property, plant and equipment, intangible assets and goodwill are reviewed and tested for impairment when there is any indication that they may be impaired and at least once a year for the following:

- Assets with an indefinite useful life such as goodwill, brands and lease premiums
- Intangible assets not yet available for use.

## CRITERIA USED FOR IMPAIRMENT TESTS

For impairment testing purposes, the criteria considered as indicators of a possible impairment in value are the same for all businesses:

- 15% drop in revenue, based on a comparable consolidation scope ; or
- 30% drop in EBITDA, based on a comparable consolidation scope.

## CASH-GENERATING UNIT

Impairment tests are performed individually for each asset except when an asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In this case, it is included in a cash-generating unit (CGU) and impairment tests are performed at the level of the cash-generating unit. In the hotel business, all the property, plant and equipment incorporated to a hotel are grouped together to create a cash-generating unit.

Goodwill is tested for impairment at the level of the cash-generating unit (CGU) to which it belongs. CGUs correspond to specific businesses and countries; they include not only goodwill but also all the related property, plant and equipment and intangible assets.

Other assets, and in particular intangible assets, are tested individually.

## METHODS USED TO DETERMINE RECOVERABLE VALUE

Impairment tests consist of comparing the carrying amount of the asset or the CGU with its recoverable value. The recoverable value of an asset or a CGU is the higher of its fair value less costs to sell and its value in use.

### Property, plant and equipment and goodwill:

The recoverable value of all the assets or the CGUs is determined by comparing the results obtained by two methods, the EBITDA multiples method (fair value approach) and the after-tax discounted cash flows method (value in use approach).

#### 1. Valuation by the EBITDA multiples method.

Accor operates in a capital-intensive industry (involving significant investment in real estate) and the EBITDA multiples method is therefore considered to be the best method of calculating the assets' fair value less costs to sell, representing the best estimate of the price at which the assets could be sold on the market on the valuation date.

For impairment tests performed by hotel, the multiples method consists of calculating each hotel's average EBITDA for the last two years and applying a multiple based on the hotel's location and category. The multiples applied by the Group correspond to the average prices observed on the market for transactions and are as follows:

Segment	Coefficient
<b>Upscale and Midscale Hotels</b>	$7.5 < x < 10.5$
<b>Economy Hotels</b>	$6.5 < x < 8$
<b>Economy Hotels United States</b>	$6.5 < x < 8$

For impairment tests performed by country, recoverable amount is determined by applying to the country's average EBITDA for the last two years a multiple based on its geographic location and a country coefficient.

If the recoverable amount is less than the carrying amount, the asset's recoverable amount will be recalculated according the discounted cash flows method.

#### 2. Valuation by the discounted cash flows method.

The projection period is limited to five years. Cash flows are discounted at a rate corresponding to the year end weighted average cost of capital. The projected long-term rate of revenue growth reflects each country's economic outlook. For 2008, a long-term growth rate of 2% was used for developed countries.

### Intangible assets except goodwill:

The recoverable value of an intangible asset is determined according the discounted cash flow method only (referred to above), due to the absence of an active market and comparable transactions.

## IMPAIRMENT LOSS MEASUREMENT

If the recoverable amount is less than the carrying amount, an impairment loss is recognized in an amount corresponding to the lower of the losses calculated by the EBITDA multiples and discounted cash flows methods. Impairment losses are recognized in the income statement under "Impairment losses" (see Note 1.R.7).

## REVERSAL OF AN IMPAIRMENT LOSS

In accordance with IAS 36 "Impairment of Assets", impairment losses on goodwill as well as on intangible assets with a finite useful life, such as patents and software, are irreversible. Losses on property, plant and equipment and on intangible assets with an indefinite useful life, such as brands, are reversible in the case of a change in estimates used to determine their recoverable amount.

## D.7. ASSETS HELD FOR SALE

In accordance with IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations", as from January 1, 2005, assets or group of assets held for sale are presented separately on the face of the balance sheet, at the lower of their carrying amount and fair value less costs to sell.

Assets are classified as "held for sale" when they are available for immediate sale in their present condition, their sale is highly probable, management is committed to a plan to sell the asset and an active program to locate a buyer and complete the plan has been initiated.

This item groups together:

- Non-current assets held for sale.
- Groups of assets held for sale.
- The total current and non-current assets related to a business or geographical segment (i.e. to a discontinued operation) itself held for sale.

## E. Inventories

Inventories are measured at the lower of cost and net realizable value, in accordance with IAS 2 "Inventories". Cost is determined by the weighted average cost method.

## F. Prepaid Services voucher reserve funds

Prepaid Services voucher reserve funds are held in special escrow accounts, to comply with legal requirements in France on the use of Ticket Restaurant operating funds. They require issuers of prepaid services vouchers to set aside the equivalent of the aggregate face value of outstanding vouchers in a special reserve fund.

## G. Prepaid expense

Prepaid expenses correspond to expenses paid during the period that relate to subsequent periods. They also include the effect of recognizing rental expense on a straight-line basis over the life of the lease (see Note 6). Prepaid expenses are included in "Other receivables and accruals".

## H. Employee benefits expense

Employee benefits expense includes all amounts paid or payable to employees, including profit-sharing and the cost of share-based payments.

## I. Provisions

In accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", a provision is recognized when the Group has a present obligation (legal, contractual or implicit) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are determined based on the best estimate of the expenditure required to settle the obligation, in application of certain assumptions.

Provisions for restructuring costs are recorded when the Group has a detailed formal plan for the restructuring and the plan's main features have been announced to those affected by it.

## J. Pensions and other post-employment benefits

The Group offers various complementary pensions, length-of-service award and other post-employment benefit plans, in accordance with the laws and practices of the countries where it operates. These plans are either defined contribution or defined benefit plans.

Under defined contribution plans, the Group pays fixed contributions into a separate fund and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay benefits. Contributions under these plans are recognized immediately as an expense.

For defined benefit plans, including multi-employer plans when the manager is able to provide the necessary information, the Group's obligation is determined in accordance with IAS 19 "Employee Benefits".

The Group's obligation is determined by the projected unit credit method based on actuarial assumptions related to future salary levels, retirement age, mortality, staff turnover and the discount rate. These assumptions take into account the macro-economic environment and other specific conditions in the various host countries.

Pension and other retirement benefit obligations take into account the market value of plan assets. The amount recognized in the balance sheet corresponds to the discounted present value of the defined benefit obligation less the fair value of plan assets. Any surpluses, corresponding to the excess of the fair value of plan assets over the projected benefit obligation, are recognized only when they represent the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. For post-employment benefits, actuarial gains and losses arising from changes in actuarial assumptions and experience adjustments are recognized immediately in equity.

The net defined benefit obligation is recognized in the balance sheet under "Non-current Provisions".

## K. Translation of foreign currency transactions

Foreign currency transactions are recognized and measured in accordance with IAS 21 "Effects of Changes in Foreign Exchange Rates". As prescribed by this standard, each Group entity translates foreign currency transactions into its functional currency at the exchange rate on the transaction date.

Foreign currency receivables and payables are translated into euros at the closing exchange rate. Foreign currency financial liabilities measured at fair value are translated at the exchange rate on the valuation date. Gains and losses arising from translation are recognized in "Net financial expense", except for gains and losses on financial liabilities measured at fair value which are recognized in equity.

## L. Deferred tax

In accordance with IAS 12 "Income Taxes", deferred taxes are recognized on temporary differences between the carrying amount of assets and liabilities and their tax base by the liability method. This method consists of adjusting deferred taxes at each period-end, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The effects of changes in tax rates (and tax laws) are recognized in the income statement for the period in which the rate change is announced.

A deferred tax liability is recognized for all temporary differences, except when it arises from the initial recognition of non-deductible goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and which, at the time of the transaction, affects neither accounting profit nor taxable profit. The only exception concerns deferred taxes arising from the difference in treatment of certain leases accounted for as finance leases in the consolidated accounts.

A deferred tax liability is recognized for all taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures except when:

- The Group is able to control the timing of the reversal of the temporary difference; and
- It is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognized for ordinary and evergreen tax loss carryforwards only when it is probable that the asset will be recovered in the foreseeable future.

Income taxes are normally recognized in the income statement. However, when the underlying transaction is recognized in equity, the related income tax is also recorded in equity.

In accordance with IAS 12, deferred taxes are not discounted.

## M. Share-based payments

### M.1. SHARE-BASED PAYMENTS

#### STOCK OPTION PLANS

In accordance with the transitional provisions of IFRS 1 "First-time Adoption of International Financial Reporting Standards", employee benefits expense is recognized only for grants of shares, stock options or other equity instruments that were granted after November 7, 2002 and had not yet vested at January 1, 2005.

IFRS 2 applies to eleven stock option plans set up between 2003 and December 2008. Ten of these plans do not have any specific vesting conditions except for the requirement for grantees to continue to be employed by the Group at the starting date of the exercised period. One plan is a performance option plan with vesting conditions other than market conditions. As for the other plans, grantees must continue to be employed by the Group at the starting date of the exercised period.

The service cost representing consideration for the stock options is recognized in expense over the vesting period by adjusting equity. The expense recognized in each period corresponds to the fair value of the goods and services received at the grant date, as determined using the Black & Scholes option-pricing model. The grant date is defined as the date when the plan's terms and conditions are communicated to Group employees corresponding to the dates on which the Board of Directors approved these plans. Under IFRS 2, vesting conditions, other than market conditions, are not taken into account when estimating the fair value of the options but are taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount, so that, ultimately, the amount recognized for goods and services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

When the options are exercised, the cash settlement is recorded in cash and cash equivalents and in equity. The amount recognized in equity is allocated between "Share capital" and "Additional paid-in capital".

#### EMPLOYEE STOCK OWNERSHIP PLAN

IFRS 2 also applies to employee benefits granted through the Employee Stock Ownership Plan to the extent that shares are purchased at a discount by participating employees. Accordingly, when rights under the plan are exercisable at a price that is less than the fair value of the shares at the grant date, an expense is recognized immediately or over the vesting period, as appropriate.

The Group's employee stock ownership plans enable employees to invest in Accor stock at a discount price. The share purchase price before discount is based on the average of the prices quoted for Accor stock over the twenty trading days preceding the grant date. The shares are subject to a five-year lock-up.

The fair value of the employee benefit is measured by reference to:

- The discount reflected in the purchase price.
- The cost represented by the lock-up clause. This cost, which is calculated only for shares financed directly by employees and not for any shares financed by a bank loan, is measured by discounting the discount over 5 years at a rate corresponding to the risk-free interest rate.
- The grant date, defined as the date when the plan's terms and conditions are communicated to Group employees, corresponding to the first day of the subscription period.

The employee benefit is measured as the difference between the fair value of the acquired shares and the price paid by employees at the subscription date, multiplied by the number of shares subscribed.

The fair value, determined as described above, is recognized in full in "Employee benefits expense" at the end of the subscription period, by adjusting equity.

#### ACCOR GROUP SUBSIDIARIES' SHARE-BASED PAYMENT PLANS

Stock option plans have also been set up by certain Group companies, mainly in the United States and France. As the subsidiaries concerned are not listed on the stock exchange, Accor has given a commitment to buy back the shares issued on exercise of the options at their fair value, generally corresponding to a multiple of EBITDA less net debt. Most of these plans are governed by IFRS 2. Since they represent cash-settled plans, the related cost is accrued over the vesting period and the accrual is adjusted at each period-end based on updated valuation assumptions.

#### PERFORMANCE SHARES PLANS

Performance shares plans are also recognized and measured in accordance with IFRS 2. The recognition and the measurement principles are those used to recognize and measure the stock option plans excepted for the measurement of the cost of the performance share plans corresponding to the average of the Accor share prices for the twenty trading days preceding the grant date multiplied by the number of shares granted under the plan.

### M.2. TREASURY STOCK

Accor shares held by the Company and/or subsidiaries are recognized as a deduction from equity.

Gains and losses on sales of treasury stock (and the related tax effect) are recognized directly in equity without affecting profit. No impairment losses are recognized on treasury stock.

## N. Financial instruments

Financial assets and liabilities are recognized and measured in accordance with IAS 39 "Financial Instruments, Recognition and Measurement", and its amendments. Amendment to IAS 39 "The Fair Value Option" is not applicable



to Accor because the Group has not elected to designate financial instruments as at fair value through profit or loss upon initial recognition. The Group did not elect to early adopt of IFRS 7 "Financial Instruments: Disclosures" which was adopted by the European Union on January 11, 2006 and is applicable from January 1, 2007.

Financial assets and liabilities are recognized in the balance sheet when the Group becomes a party to the contractual provisions of the instrument.

## N.1. FINANCIAL ASSETS

Financial assets are classified between the three main categories defined in IAS 39, as follows:

- "Loans and receivables" mainly comprise time deposits and loans to non-consolidated companies. They are initially recognized at fair value and are subsequently measured at amortized cost at each balance-sheet date. If there is an objective indication of impairment, an impairment loss is recognized at the balance-sheet date. The impairment loss corresponding to the difference between the carrying amount and the recoverable amount (i.e. the present value of the expected cash flow discounted using the original effective interest rate) is recognized in profit or loss. This loss may be reversed if the recoverable amount increases in a subsequent period.
- "Held to maturity investments" mainly comprise bonds and other marketable securities intended to be held to maturity. They are initially recognized at fair value and are subsequently measured at amortized cost at each balance-sheet date. If there is an objective indication of impairment, an impairment loss is recognized at the balance-sheet date.

For these two categories, initial fair value is equivalent to acquisition cost, because no material transaction costs are incurred.

- "Available-for-sale financial assets" mainly comprise investments in non-consolidated companies, equities, mutual fund units and money market securities. These assets are measured at fair value, with changes in fair value recognized in equity. The fair value of listed securities corresponds to market price and the fair value of unlisted equities and mutual funds corresponds to their net asset value. For unlisted securities, fair value is estimated based on the most appropriate criteria applicable to each individual investment (using valuation techniques that are not based on observable data). Securities that are not traded on an active market, for which fair value cannot be reliably estimated, are carried in the balance sheet at historical cost plus any transaction expenses. When there is objective evidence of a significant or prolonged decline in value, the cumulative unrealized loss recorded in equity is reclassified to the income statement.

## N.2. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments such as interest rate and currency swaps, caps and forward purchases of foreign currencies, are used solely to hedge exposures to changes in interest rates and exchange rates. They are measured at fair value. Changes in fair value are recognized in profit, except for instruments qualified as cash flow hedges (hedges of variable rate debt) for which changes in fair value are recognized in equity.

The fair value of interest rate derivatives is equal to the present value of the instrument's future cash flows, discounted at the interest rate for zero-coupon bonds. The fair value of currency derivatives is determined based on the forward exchange rate at the period-end.

## N.3. FINANCIAL LIABILITIES HEDGED BY DERIVATIVE INSTRUMENTS

Financial liabilities hedged by derivative instruments qualify for hedge accounting. The derivative instruments are classified as either fair value hedges or cash flow hedges.

Financial liabilities hedged by fair value hedges are measured at fair value, taking into account the effect of changes in interest rates. Changes in fair value are recognized in profit and are offset by changes in the fair value of the hedging instrument.

Financial liabilities hedged by cash flow hedges are measured at amortized cost. Changes in the fair value of the hedging instrument are accumulated in equity and are reclassified into profit in the same period or periods during which the financial liability affects profit.

## N.4. BANK BORROWINGS

Interest-bearing drawdowns on lines of credit and bank overdrafts are recognized for the amounts received, net of direct issue costs.

## N.5. CONVERTIBLE BONDS

Convertible bonds are qualified as hybrid instruments comprising a host contract, recognized in debt, and an embedded derivative, recognized in equity. The carrying amount of the host contract or debt component is equal to the present value of future principal and interest payments, discounted at the rate that would be applicable to ordinary bonds issued at the same time as the convertible bonds, less the value of the conversion option calculated at the date of issue. The embedded derivative or equity component is recognized in equity for an amount corresponding to the

difference between the nominal amount of the issue and the value attributed to the debt component. Costs are allocated to the two components based on the proportion of the total nominal amount represented by each component. The difference between interest expense recognized in accordance with IAS 39 and the interest paid is added to the carrying amount of the debt component at each period-end, so that the carrying amount at maturity of unconverted bonds corresponds to the redemption price.

## **N.6. OTHER FINANCIAL LIABILITIES**

Other financial liabilities are measured at amortized cost. Amortized cost is determined by the effective interest method, taking into account the costs of the issue and any issue or redemption premiums.

## **O. Cash and cash equivalents**

Cash and cash equivalents include cash at bank and in hand, and short-term investments in money market instruments. These instruments generally have maturities of less than three months and are readily convertible into known amounts of cash; their exposure to changes in value is minimal.

## **P. Liabilities of assets classified as held for sale**

In accordance with IFRS 5 “Non-Current Assets Held for Sale and Discontinued Operations”, this item includes all the liabilities (excluding equity) related to assets or a disposal group classified as held for sale (see Note 1.D.7).

## **Q. Put Options granted by Accor**

IAS 32 “Financial Instruments: disclosures and presentation” requires that the value of the financial commitment represented by put options granted by Accor to minority interests in subsidiaries, be recognized as a debt. The difference between the debt and the related minority interests in the balance sheet, corresponding to the portion of the subsidiary’s net assets represented by the shares underlying the put, is recognized as goodwill. When the exercise price is equal to fair value of the shares, the amount of the debt is determined based on a multiple of the EBITDA reflected in the 5-year business plan of the subsidiary concerned and is discounted. Changes in the debt arising from business plan adjustments are recognized in goodwill. Discounting adjustments are recognized in financial expense.

## **R. Income statement and cash flow statement presentation**

### **R.1. REVENUE**

In accordance with IAS 18 “Revenue”, revenue corresponds to the value of goods and services sold in the ordinary course of business by fully and proportionally consolidated companies. It includes:

- For directly owned and leased hotels, all revenue received from clients for accommodation, catering and other services, and for managed and franchised hotels, all management and franchise fees.
- For the prepaid services businesses, fees received from client companies, contributions received from restaurant operators, royalties for the use of Group trademarks and technical assistance fees.
- For onboard train services, sleeping compartment and food services billed to railway operators and grants received.
- For casinos, gross gaming receipts (slot machines and traditional casino games).

In accordance with IAS 18 “Revenue”, revenue is measured at the fair value of the consideration received or receivable, net of all discounts and rebates, VAT and other sales taxes.

Revenue from product sales is recognized when the product is delivered and the significant risks and rewards of ownership are transferred to the buyer. Revenue from sales of services is recognized when the service is rendered. Revenue from sales of loyalty programs is recognised on a straight-line basis over the life of the cards in order to reflect the timing, nature and value of the benefits provided.

### **R.2. OTHER OPERATING REVENUE**

Other operating revenue consists of interest income on prepaid services voucher reserve funds. The interest corresponds to the prepaid services voucher business’s operating revenue and is included in the determination of consolidated revenue.



### R.3. EBITDAR

Earnings before interest, tax, depreciation, amortization and rental expense and share of profit of associates after tax (EBITDAR) correspond to revenue less operating expense. EBITDAR is used as a key management indicator.

It is also used to calculate the flow-through ratio and the response ratio. The flow-through ratio, which is used when revenue goes up, corresponds to change in like-for-like EBITDAR/change in like-for-like revenue. The response ratio, used when revenue goes down, is defined as 1- (change in like-for-like EBITDAR/change in like-for-like revenue)

### R.4. RENTAL EXPENSE AND DEPRECIATION, AMORTIZATION AND PROVISION EXPENSE

Rental expense and depreciation, amortization and provision expense reflect the operating costs of holding leased and owned assets. For this reason, an additional sub-total has been included in the income statement. Under this presentation:

- EBITDA corresponds to gross profit after the operating costs of holding leased assets.
- EBIT corresponds to gross operating profit after the operating costs of holding both leased and owned assets.

These two indicators are used regularly by the Group to analyze the impact of the operating costs of holding assets on the consolidated financial statements.

### R.5. OPERATING PROFIT BEFORE TAX AND NON RECURRING ITEMS

Operating profit before tax and non-recurring items corresponds to the results of operations of the Group's businesses less the related financing cost. Net financial expense and the share of profit of associates after tax represent an integral part of consolidated operating profit before tax and non-recurring items to the extent that they contribute to the performance indicator used by the Group in its communications to investors. This indicator is also used as the benchmark for determining senior management and other executive compensation, as it reflects the economic performance of each business, including the cost of financing the hotel businesses.

### R.6. RESTRUCTURING COSTS

Restructuring costs correspond to all the costs incurred in connection with restructuring operations.

### R.7. IMPAIRMENT LOSSES

Impairment losses correspond to all the losses and provisions recorded in accordance with IAS 36 "Impairment of Assets".

### R.8. GAINS AND LOSSES ON MANAGEMENT OF HOTEL PROPERTIES

Gains and losses on management of hotel properties arise from the management of the hotel portfolio.

### R.9. GAINS AND LOSSES ON MANAGEMENT OF OTHER ASSETS

This item corresponds to gains and losses on management of fixed assets other than hotels and movements in provisions, as well as other gains and losses on non-recurring transactions. The transactions concerned are not directly related to the management of continuing operations.

### R.10. OPERATING PROFIT BEFORE TAX

Operating profit before tax corresponds to operating profit after income and expenses that are unusual in terms of their amount and frequency that do not relate directly to the Group's ordinary activities.

### R.11. PROFIT OR LOSS FROM DISCONTINUED OPERATIONS

Profit or loss from discontinued operations corresponds to:

- The profit or loss net of tax of the discontinued operations carried out until the date of transfer or until the closing date if the discontinued operation is not sold at this date.
- The gain or loss net of tax recognized on the disposal of the discontinued operations if the discontinued operation has been sold before the closing date.

### R.12. CASH FLOW STATEMENT

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

Cash flows from operating activities include:

- Funds from operations, before non-recurring items and after changes in deferred taxes and gains and losses on disposals of assets.
- Cash received and paid on non-recurring transactions.
- Changes in working capital.

Cash flows from investing activities comprise:

- Renovation and maintenance expenditure to maintain in a good state of repair operating assets held at January 1 of each year.
- Development expenditure, including the fixed assets and working capital of newly consolidated subsidiaries and additions to fixed assets of existing subsidiaries.
- Development expenditure on non-current assets classified as held for sale.
- Proceeds from disposals of assets.

Cash flows from financing activities include:

- Changes in equity.
- Changes in debt.
- Dividends.

## **S. Earnings per share**

The methods used to calculate basic and diluted earnings per share are in accordance with IAS 33 "Earnings Per Share".

## **T. Other information**

Current assets and liabilities are assets and liabilities that the Group expects to recover or settle:

- In the normal course of business, or
- Within twelve months of the period-end.

The Board of Directors approved these financial statements for publication on February 24, 2009.

## Note 2. Significant Events and Changes in Scope of Consolidation

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### A. Strategic refocusing on Hotels and Prepaid Services

In line with the Group strategy announced to the financial markets in 2006, various non-strategic assets were sold in 2006 for a total of €759 million. The Group sold non-strategic assets for an amount of €541 million during 2007 and an amount of €110 million during 2008. Details of the main divestments and acquisitions carried out in 2006, 2007 and 2008 are presented below.

#### A.1. DIVESTMENT OF THE STAKE IN COMPASS IN 2006

On March 7, 2006, Accor sold its entire 1.42% stake of 30,706,882 shares in Compass Group PLC for a total amount of €95 million, incurring a loss on the disposal of €4 million. Accor no longer holds shares in Compass.

#### A.2. DIVESTMENT OF THE STAKE IN CARLSON WAGONLIT TRAVEL IN 2006

As part of the strategic review of its business portfolio, on August 2006, Accor Group sold for \$465 million its entire 50% interest in Carlson Wagonlit Travel (CWT) to Carlson Companies and One Equity Partners LLC (OEP), a private equity affiliate of JP Morgan Chase & Co. Accor Group and Carlson Companies had each owned a 50% interest in CWT since 1997. As part of the transaction, Accor and CWT signed a three-year, renewable strategic partnership designed to secure preferred distribution of Accor hotels by CWT. At the same time, Accor confirmed CWT as the Group's preferred travel agency.

CWT was removed from the scope of consolidation in the second half of 2006. CWT represented a major separate line of business and was treated as such for segment reporting purposes. Consequently, at December 31, 2006, it was classified as a discontinued operation, in accordance with IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations". In accordance with IFRS 5, CWT's profit for the period up to its sale (€14 million) and the profit generated by the sale (€90 million) were reported under "Profit or loss from discontinued operations".

The sale of CWT led to a reduction in debt of €341 million in 2006.

#### A.3 DIVESTMENT OF THE STAKE IN CLUB MÉDITERRANÉE

##### A.3.1. History

In June 2004, Accor acquired 28.9% of the capital of Club Méditerranée, including 21.2% from the Agnelli Group (Exor/Ifil) and 7.7% from Caisse des Dépôts et Consignations (CDC).

Club Méditerranée was accounted for by the equity method at December 31, 2004 based on its financial statements for the fiscal year ended October 31, 2004, with no impact on 2004 consolidated profit. In 2005, profit was consolidated under the equity method.

##### A.3.2. 2006 events

As part of the strategic review of its financial investments, Accor decided to divest most of its stake in Club Méditerranée, 22.93% of the capital on a total stake of 28.93%. In order to perpetuate the synergies achieved between both groups, Accor committed, as part of the shareholders agreement, to maintain a 6% stake in Club Méditerranée for 2 years.

Consequently, on June 9, 2006, Accor sold 13.5% of its stake at a price of €44.9 per share to a group of investors bound up with a shareholders agreement of which Accor is a party. Then, on June 14, 2006, Accor sold 4% of its stake at a price of €44.9 per share to another investor. No share sales were carried out in the second half of the year and at December 31, 2006, Accor still owned 11.43% Club Méditerranée's capital.

The sale led to Club Méditerranée being excluded from the scope of consolidation at June 30, 2006. The remaining shares are carried in the consolidated balance sheet at fair value, under "Available-for-sale financial assets" in accordance with Group accounting policies (see Note 1.N).

The sale generated a loss of €6 million recognized in "Gains or losses on management of other assets". At December 31, 2006, the remaining shares were written down by €11 million, including €6 million through a charge against equity in respect of the shares for which Accor has signed a lock-up agreement.

#### A.3.3. 2007 events

During 2007, Accor sold 1,049,719 shares at a price of €42.97 per share. Following this transaction, the Group's interest in Club Méditerranée stood at 6%.

The sale generated a gain of €4 million recognized in "Gains or losses on management of other assets" (see Note 15).

At December 31, 2007, the remaining shares for which Accor has signed a lock-up agreement expiring on June 8, 2008 were carried in the balance sheet in an amount of €37.2 million.

#### A.3.4. 2008 events

At December 31, 2008, the remaining shares were carried in the balance sheet in an amount of €14 million, corresponding to the share price at that date of €11.98 per share. The impairment loss was recognized in profit for the period.

### **A.4. DIVESTMENT OF THE STAKE IN GO VOYAGES IN 2007**

As part of the disposal of its non-strategic assets, Accor sold, in February 2007, its entire 100% stake in GO Voyages to Financière Agache Investissement (Groupe Arnault) and to GO Voyages management for €280 million. To continue leveraging the synergies developed since 2002 between Accor and GO Voyages, a renewable marketing partnership was formed to ensure the preferred distribution of Accor hotels by GO Voyages.

As the sale of this stake was initiated prior to the December 31, 2006 closing, all of GO Voyages' current and non-current assets were reclassified as « Assets held for sale » in the consolidated balance sheet at December 31, 2006 for a net amount of €144 million and all its liabilities (excluding equity) were reclassified under "Liabilities related to assets classified as held for sale" for a net amount of €120 million.

The sale generated in 2007 a gain of €204 million recognized in « Gains or losses on management of other Assets » (see Note 15) and reduced the net debt of the period by €280 million.

The business contributed €118 million to 2006 consolidated revenue and €56 million to 2007 consolidated revenue. The business contributed €12 million to 2006 consolidated EBIT and €4 million to 2007 consolidated EBIT.

### **A.5. DIVESTMENT OF THE STAKE IN ITALIAN FOOD SERVICES BUSINESS IN 2007**

As part of the disposal of its non-strategic assets, on October 11, 2007, Accor sold its Italian food services business to Barclay's Private Equity for €135 million.

As the sale was initiated prior to the December 31, 2006 closing, all of Italian food services business' current and non-current assets were reclassified as "Assets held for sale" in the consolidated balance sheet at December 31, 2006 for a net amount of €142 million and all its liabilities (excluding equity) were reclassified under "Liabilities related to assets classified as held for sale" for a net amount of €109 million.

This business contributed €312 million to Accor's full-year 2006 consolidated revenue and €249 million to Accor's consolidated revenue for the first nine months of 2007. The business contributed €16 million to Accor's full-year 2006 consolidated EBIT and €16 million to Accor's consolidated EBIT for the first nine months of 2007.

### **A.6. DIVESTMENT OF THE STAKE IN BRAZILIAN FOOD SERVICES BUSINESS IN 2008**

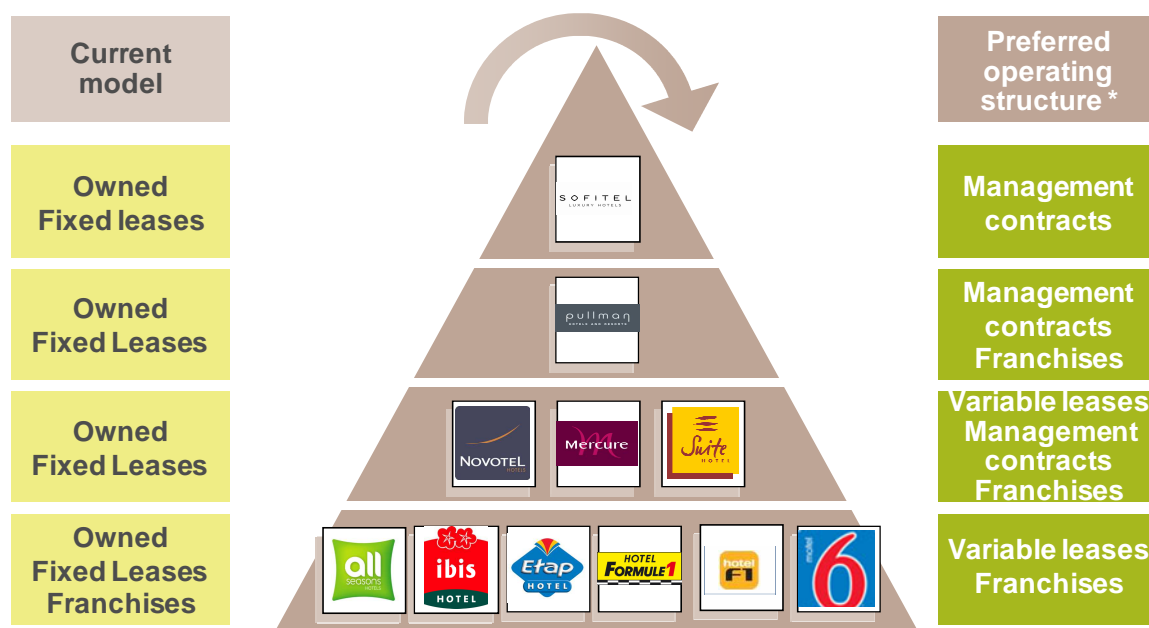
As part of its strategy to refocus on its two core businesses, Services and Hotels, in March 2008, Accor sold its remaining 50% stake in the Brazilian food services business to Compass Group. Compass had already acquired 50% of the business from Accor in 1998.

The sale price amounted to €114 million. The sale generated a gain before tax of €32 million.

This business contributed €248 million to 2007 consolidated revenue and €70 million to Accor's consolidated revenue for the first three months of 2008. The business contributed €11 million to Accor's full-year 2007 consolidated EBIT and €2 million to Accor's consolidated EBIT for the first three months of 2008.

## B. Property strategy

In line with the “Asset Right” strategy referred to in the Group’s communications to the financial markets since 2005, the operating structures of the hotel units have been changed based on a detailed analysis of the risk and earnings profiles of each hotel segment. The aim of this strategy is to reduce the capital tied up in hotel assets and reduce cash flow volatility.



(\*) In mature markets

### REAL ESTATE POLICY SINCE JANUARY 1, 2005

Since January 1, 2005, the operating structures of 625 hotel units have been changed. The following table provides summary information about the various transactions, by type.

In € millions	Number of hotels	Portfolio value	Debt impact	Discounted Rental Commitments impact (*)	Adjusted Debt impact (**)
Sales & Management Back	22	624	374	315	689
Sales & Variable Lease Back	374	3 295	1 169	1 450	2 619
Sales & Lease Back	1	3	3	(5)	(2)
Sales & Franchise Back	135	158	140	138	278
Outright sales	93	453	371	127	498
<b>Total</b>	<b>625</b>	<b>4 533</b>	<b>2 057</b>	<b>2 025</b>	<b>4 082</b>

(\*) Rental commitments discounted with an 8% rate

(\*\*) Adjusted from the rental commitments discounted with an 8% rate

The various transactions carried out under this strategy since January 1, 2005, are as follows:

#### B.1. UPSCALE HOTELS (SOFITEL / PULLMAN)

##### SALE AND MANAGEMENT-BACK TRANSACTIONS TO REDUCE CAPITAL EMPLOYED AND EARNINGS VOLATILITY

The strategy for upscale hotels consists of selling the hotel properties while continuing to manage the business, retaining a minority interest depending on the circumstances.

#### **B.1.1. 2006: sale and management-back of six Sofitel hotels**

In 2006, Accor sold **six Sofitel hotels** under sale and management-back transactions in **United States** for \$370 million (€295 million) to a joint venture comprised of GEM Realty, Whitehall Street Global Real Estate Limited Partnership and Accor. The six hotels, totalling 1,931 rooms, are located in the major metropolitan markets of Chicago, Los Angeles, Miami, Minneapolis, San Francisco Bay and Washington D.C.

Accor remains a 25% partner in the joint venture, which is accounted for by the equity method, and continues to manage the hotels under the Sofitel brand name under a 25-year management contract renewable three times for successive periods of ten years.

The sale of the 6 hotels generated a capital loss of €15 million. The impact on net debt is a decrease of €140 million.

#### **B.1.2. 2007: sale and management-back of four Sofitel hotels**

In line with the strategy underlying the transactions carried out in 2006, at the beginning of January 2007, Accor sold **two US Sofitel hotels** for \$255 million to a joint venture comprised of GEM Realty Capital, Whitehall Street Global Real Estate Limited Partnership and Accor. Created in March 2006 for the first transaction, the joint venture already owns six US Sofitel hotels. The two hotels sold in 2007, totalling 704 rooms, are located in New York and Philadelphia. Accor remains a 25% shareholder in the joint venture and will continue to manage the hotels under the Sofitel brand name under a 25-year contract. The transaction enabled Accor to reduce its debt by €83 million.

In late December 2007, a further **two Sofitel units** were sold to an external company, Stratom, under sale and management-back agreements. Both hotels are located in the French West Indies.

#### **B.1.3. 2008: sale and management-back of Sofitel "The Grand" in the Netherlands**

On June 20, 2008, as part of the ongoing implementation of its "asset-right" strategy, Accor sold the **Sofitel The Grand** hotel in Amsterdam under a sale and management-back arrangement. The hotel offers 182 rooms and the transaction was based on an enterprise value of €92 million. Accor sold the Sofitel The Grand for a consideration of €60 million (€330,000 per room). The buyer has agreed to finance €32 million in renovation work. Including the renovation costs, the total price per room comes to €505,000.

Accor will continue to run the hotel under a 25-year management contract and retain a 40% interest in the company that owns the property.

The transaction will have a €69 million impact on adjusted net debt.

### **B.2. MIDSACLE AND ECONOMY HOTELS**

REDUCE CYCLICAL FLUCTUATIONS IN CONSOLIDATED EARNINGS BY VARIABILIZING HOTEL PROPERTY CARRYING COSTS THROUGH SALE AND VARIABLE LEASE-BACK TRANSACTIONS

In the Midscale and Economy segments, the strategy consists of selling the hotel properties while continuing to manage the business, retaining variable-rent leases based on a percentage of revenue, without any guaranteed minimum. One of the aims is to variabilize a proportion of fixed costs.

#### **B.2.1. 2005: sale and variable leaseback of 128 hotels in France with Foncière des Murs**

In line with the Group's new property management strategy for the Midscale segment, in March 2005 an initial contract was signed with Foncière des Murs, a consortium made up of Foncière des Regions, Generali, Assurances Cr dit Mutuel Vie and Pr dica (Cr dit Agricole Group), for the sale and variable leaseback of **128 hotels in France** worth €1,025 million.

The hotel contracts are for a period of 12 years, renewable four times per hotel at Accor's discretion. The average rent is equal to 15.5% of revenue, without any guaranteed minimum, reduced to 14.5% at the first renewal date (in the case of renewal at Accor's initiative after the first twelve-year period).

The transaction released ** 146 million in cash** and generated a ** 107-million capital gain net of transfer costs**

Fonci re des Murs has also agreed to finance a  112-million refurbishment program, which will help to speed up Novotel's repositioning with the new "Novation" room. Accor is committed to financing  71 million worth of construction expenditure of which  69 million was incurred at December 31, 2008 (see Note 42).

### **B.2.2. 2006: sale and variable leaseback of 70 units in France and Belgium with Foncière des Murs**

In line with the strategy underlying the transactions carried out in 2005, at March 6, 2006, Accor has signed a memorandum of understanding to sell 76 units including six spas in France and in Belgium to Foncière des Murs, for a market value of €583 million.

As of December 31, 2006, the sale of 70 units - **55 hotels and three spas in France and 12 hotels in Belgium** – for a total of €494 million had been completed.

Accor continue to manage the hotels through a 12-year contract per hotel, renewable four times per hotel at Accor's discretion. The rent is equal to 14% of revenue, without any guaranteed minimum, reduced to 13% at the first renewal date (in the case of renewal at Accor's initiative after the first twelve-year period).

In 2006, the transaction generated **capital gains of €143 million, net of transfer costs**, and reduced rental commitments discounted at 8% to an amount of €151 million.

Foncière des Murs also agreed to finance a €39-million refurbishment program (see Note 42). Accor is committed to financing €27-million worth of construction expenditure of which €25 million was incurred at December 31, 2008.

### **B.2.3. 2006: other sale and variable leaseback transactions**

During 2006, Accor also sold five hotels under sale and leaseback transactions: one Novotel unit in France, one Novotel unit in Romania, and three Ibis units in Mexico. All of these hotels are now operated under variable-rent leases.

### **B.2.4. 2007: sale and variable leaseback of 29 units in the United Kingdom with Land Securities**

In first-half 2007, Accor implemented a memorandum of understanding to sell and lease back 30 hotel properties (5,007 Ibis and Novotel Rooms) in the United Kingdom to Land Securities. These units were reported in the consolidated balance sheet at December 31, 2006 under "Assets held for sale" for a net amount of €82 million.

On June 30, 2007, **29 hotel properties were sold** (4,925 Ibis and Novotel rooms) for €683 million.

Accor will continue to operate the hotels under 12-year variable leases, at rents based on annual revenues of 21% on average, with no guaranteed minimum. The leases are renewable six times, for a total of 84 years. Expenses related to the land and hotel building – structural maintenance capex and insurance costs – will be paid by the new owner.

The transaction enabled Accor to report **capital gains of €168 million, net of taxes** in 2007 and to reduce its adjusted net debt (rental commitments discounted at 8%) by €526 million, of which €157 million were added to the Group's cash reserves. It had no impact on EBITDA but added around €11 million to 2007 operating profit before tax.

The agreement also provides for a €36-million (£35-million) renovation program to be financed by the owner. Accor is committed to financing €17-million (£16-million) (see Note 42), of which €9 million was incurred at December 31, 2008.

### **B.2.5. 2007: sale and variable leaseback of 86 units in Germany and in the Netherlands with Moor Park Real Estate**

On June 29, 2007, Accor implemented a memorandum of understanding to sell and lease back 72 hotel properties in Germany (8,549 Novotel, Mercure, Ibis and Etap Hotel rooms) and 19 hotel properties in the Netherlands (3,600 Novotel, Mercure, Ibis and Etap Hotel rooms) to Moor Park Real Estate. These units were reported in the consolidated balance sheet at December 31, 2006 under "Assets held for sale" for a net amount of €77 million.

In 2007, **67 hotel properties** (7,539 Novotel, Mercure, Ibis and Etap Hotel rooms) **were legally sold in Germany and 19 hotel properties were legally sold in the Netherlands.**

The agreement with Moor Park Real Estate for €747 million provides for a €59-million renovation program to be financed by the owner. Accor is committed to financing €29 million (see Note 42), of which €12 million was incurred at December 31, 2008.

Accor will continue to operate the hotels under 12-year variable leases, at rents based on annual revenues of 18% on average, with no guaranteed minimum. The leases are renewable 6 times, for a total of 84 years. Expenses related to the land and hotel building – structural maintenance capex and insurance costs – will be paid by the new owner.

The transaction enabled Accor to report **capital gains of €142 million, net of taxes** in 2007 and to reduce its adjusted net debt (rental commitments discounted at 8%) by €536 million, of which €159 million was added to the Group's cash reserves. It had no impact on EBITDA but added around €3 million to operating profit before tax in 2007.



#### **B.2.6. 2007: other sale and variable leaseback transactions**

In 2007, Accor also sold its Ibis Wembley hotel property through a sale and variable leaseback transaction in the United Kingdom and its Ibis Frankfurt Centrum hotel property through a sale and variable leaseback transaction in Germany.

#### **B.2.7. 2008: sale and variable leaseback of 55 units in France and Switzerland**

As part of its real estate management strategy, during first-half 2008 Accor sold 46 hotels in France and 10 in Switzerland to a real estate consortium including Caisse des Dépôts et Consignations and two investment funds managed by Axa Real Estate Investment Managers. The Novotel, Mercure, Ibis, All Seasons, Etap Hotel and Formule 1 properties involved in the transaction represent a total of 8,200 rooms.

The €518-million transaction includes a €50-million renovation program at the new owner's expense (see Note 42). Accor is committed to financing €27 million renovation program (see Note 42), of which €0.1 million was incurred at December 31, 2008.

Accor will continue to operate the hotels under the same brands through 12-year variable leases at rents based on an average of 16% of annual revenue with no guaranteed minimum. The leases are renewable six times, for a total of 84 years. Insurance premiums, property taxes and structural maintenance capex are now payable by the owner of the properties.

This transaction enabled Accor to reduce its adjusted net debt by €323 million in 2008, of which €267 million was added to the Group's cash reserves, and added around €5 million to 2008 profit before tax.

At December 31, 2008, contracts had been exchanged on **45 of the hotels in France and the 10 hotels in Switzerland**. The remaining was reclassified as "Property, plant and equipment" because the sale did not go through.

#### **B.2.8. 2008: other sale and variable leaseback transactions**

In 2008, Accor also sold its Mercure Muenchen Am Olympiapark and its Mercure Koeln Severinshof hotel properties through a sale and variable leaseback transaction in Germany.

### **B.3. ALL SEGMENTS**

#### **OPTIMIZING OPERATING PROFIT BY SELLING NON-STRATEGIC ASSETS**

This program includes outright sales, "sale and franchise-back" transactions and "sale and management-back" transactions.

#### **B.3.1. 2005 transactions**

##### Outright sales: 17 hotels

In 2005, 17 hotels were sold outright. The transactions concerned three Red Roof Inn units and four Motel 6 units in United States, one Sofitel unit, five Mercure units and one Formule 1 unit. In Germany, one Mercure was sold and two Novotel leases were terminated under the program to rationalize the hotel portfolio following the acquisition of the stake in Dorint.

##### Sale and franchise-back transactions: 25 hotels

- The businesses of 22 leased German hotels – representing annual rental expense of €15 million – were sold and franchised back under the Mercure brand.
- Two overseas hotels that were previously directly owned were sold and franchised back under the Mercure and Novotel brands.
- One Ibis fixed-rent lease was sold and franchised back in Brazil.

##### Sale and management-back transactions: two hotels

In April 2005, one Novotel unit in China was sold under a management-back agreement and a lease in Spain was converted into a management contract.

#### **B.3.2. 2006 transactions**

##### Outright sales: 25 hotels

In 2006, 25 hotels were sold outright. The transactions concerned two Red Roof Inn units and five Motel 6 units in United States, one Sofitel unit, eight Mercure units, two Novotel units and one Etap Hotel unit. In addition, Accor sold its six leased hotels in Denmark.



Sale and franchise-back transactions: 27 hotels

- In France, Accor sold 13 French hotels that were previously directly owned and franchised them back under the Formule 1 (seven hotels), Etap Hotel (three hotels), Ibis (two hotels) and Sofitel (one hotel) brands. The business of one leased French hotel was sold and franchised back under the Ibis brand.
- Five leased Motel 6 were sold and franchised back in United States.
- Eight leased hotels were sold and franchised back in Germany (one Formule 1 unit, one Etap Hotel unit, one Ibis unit, one Mercure unit and four Novotel units).

Sale and management-back transactions: one hotel

In second-half 2006, Accor sold one Mercure unit in New Zealand under a sale and management-back agreement.

**B.3.3. 2007 transactions**

Outright sales: 39 hotels

In 2007, 39 hotels properties and leased hotels were sold outright. The transactions concerned four Motel 6 units in United States, six Sofitel units (in the United States, the Netherlands, France, Portugal, Belgium and Germany), six Mercure units, eight Novotel units, three Ibis units, three Etap Hotel units and nine Formule 1 units.

Sale and franchise-back transactions: 34 hotels

- In France, Accor sold 24 French hotels that were previously directly owned or leased and franchised them back under the Formule 1 (12 hotels), Etap Hotel (three hotels), Ibis (five hotels), Novotel (two hotels) and Mercure (two hotels) brands.
- Seven leased Motel 6, previously directly owned, were sold and franchised back in the United States.
- Two leased hotels were sold and franchised back in Germany (Mercure and Ibis brands).
- One leased hotel was sold and franchised back in Hungary (Etap Hotel brand).

Sale and management-back transactions: 4 hotels

In 2007, Accor sold and managed back one Mercure unit and one Novotel unit in Reunion, one Mercure unit in France and one Novotel unit in Guyana.

**B.3.4. 2008 transactions**

Outright sales: 12 hotels

In 2008, 12 hotels properties hotels were sold outright. The transactions concerned 6 Motel 6 units in United States, one Coralia unit in Senegal, two F1 units in France, one Mercure unit in Portugal and one Ibis and one Novotel units in the United Kingdom.

Sale and franchise-back transactions: 49 hotels

- In France, Accor sold 24 hotels that were previously directly owned and franchised them back under the Formule 1 (12 hotels), Etap Hotel (4 hotels), Ibis (7 hotels) and Mercure (1 hotel) brands.
- In Germany, Accor sold 6 hotels that were previously directly leased and 1 hotel that was previously owned and franchised them back under the Mercure, Ibis and Novotel brands.
- In the United-States, 17 Motel 6 hotels were sold and franchised back.
- In Brazil, Accor sold 1 hotel that was previously leased and franchised it back under the Ibis brand.

Sale and management back-transactions: 4 hotels

In 2008, Accor sold and managed back 4 hotels: the MGallery Paris Baltimore in France, the Ibis Christchurch in New Zealand, the Mercure Sydney Parramatta and the Novotel Melbourne St Kilda in Australia.

**C. Divestment of the stake in Red Roof Inn in 2007**

Based on the strategic review of its business portfolio, on September 10, 2007, Accor Group sold Red Roof Inn to a consortium comprised of Citi's Global Special Situations Group and Westbridge Hospitality Fund, L.P. for \$1,320 billion. The Red Roof Inn network comprised 341 hotels and 36,683 rooms, located mainly in the East coast and Midwest regions of the United States.

As the strategic review was still in progress at December 31, 2006, Red Roof Inn was fully consolidated in the Accor Group's accounts at that date. At June 30, 2007, the sale process was underway and all the Red Roof Inn's current and non-current assets were reclassified as "Assets held for sale" in the consolidated balance sheet for a net amount of €498 million and all its liabilities (excluding equity) were reclassified under "Liabilities related to assets classified as held for sale" for a net amount of €61 million.

The sale generated a loss of €174 million in 2007, recognized in "Gains and losses on management of hotel properties" (see Note 14) and enabled Accor to reduce its adjusted net debt by €751 million of which €425 million have been added to the Group's cash reserves.

The business contributed €289 million to Accor's full-year 2006 consolidated revenue and €183 million to its consolidated revenue for the first eight months of 2007.

## D. Organic growth and acquisitions

### D.1. HOTEL DIVISION DEVELOPMENT STRATEGY

A total of 78,000 rooms were opened in the period 2006-2008 in line with the Group's stated intention to pursue its development program as set out in the strategic plan.

#### D.1.1 Investments in hotels (acquisitions and organic growth)

In 2008, the Group added 209 hotels (27,982 rooms) to its portfolio through acquisitions and organic growth. In addition, 98 hotels (12,037 rooms) were closed during the period.

#### Hotel portfolio by brand and type of management at December 31, 2008

In number of hotels	Owned	Fixed Lease	Variable Lease	Managed	Franchised	Total
Sofitel	22	9	11	100	7	149
Pullman	9	6	6	6	3	30
Novotel	68	66	109	108	42	393
Mercure	66	96	84	207	237	690
Adagio	-	2	-	19	1	22
Suitehotel	8	9	-	1	5	23
All Seasons	3	10	3	9	24	49
Ibis	122	136	210	77	269	814
Etap Hotel	65	59	75	5	184	388
Formule 1	204	95	10	11	45	365
Motel 6 / Studio 6	347	349	1	-	306	1 003
Other	20	6	-	24	6	56
<b>Total</b>	<b>934</b>	<b>843</b>	<b>509</b>	<b>567</b>	<b>1 129</b>	<b>3 982</b>
<i>Total in %</i>	<i>23,5%</i>	<i>21,2%</i>	<i>12,8%</i>	<i>14,2%</i>	<i>28,4%</i>	<i>100,0%</i>

In number of rooms	Owned	Fixed Lease	Variable Lease	Managed	Franchised	Total
Sofitel	3 267	1 947	1 902	25 291	2 114	34 521
Pullman	2 568	1 449	1 207	1 711	623	7 558
Novotel	11 340	12 478	18 176	23 925	5 537	71 456
Mercure	7 717	14 955	12 292	31 313	19 692	85 969
Adagio	-	181	-	2 670	111	2 962
Suitehotel	1 085	1 312	-	86	462	2 945
All Seasons	330	736	661	1 001	2 139	4 867
Ibis	16 161	17 349	27 843	13 458	19 931	94 742
Etap Hotel	5 463	6 008	6 761	677	13 599	32 508
Formule 1	14 983	7 504	2 991	1 228	2 891	29 597
Motel 6 / Studio 6	39 387	39 456	72	-	23 020	101 935
Other	3 591	813	-	4 689	822	9 915
<b>Total</b>	<b>105 892</b>	<b>104 188</b>	<b>71 905</b>	<b>106 049</b>	<b>90 941</b>	<b>478 975</b>
<i>Total in %</i>	<i>22,1%</i>	<i>21,8%</i>	<i>15,0%</i>	<i>22,1%</i>	<i>19,0%</i>	<i>100,0%</i>

#### Hotel portfolio by region and type of management at December 31, 2008

In number of hotels	Owned	Fixed Lease	Variable Lease	Managed	Franchised	Total
France	313	137	242	58	648	1 398
Europe excluding France	193	304	212	71	100	880
North America	351	349	1	13	306	1 020
Latin America & Caribbean	18	7	40	94	18	177
Other Countries	59	46	14	331	57	507
<b>Total</b>	<b>934</b>	<b>843</b>	<b>509</b>	<b>567</b>	<b>1 129</b>	<b>3 982</b>
<i>Total in %</i>	<i>23,5%</i>	<i>21,2%</i>	<i>12,8%</i>	<i>14,2%</i>	<i>28,4%</i>	<i>100,0%</i>

In number of rooms	Owned	Fixed Lease	Variable Lease	Managed	Franchised	Total
France	28 730	12 541	31 136	7 295	47 722	127 424
Europe excluding France	25 881	44 110	29 909	10 468	10 926	121 294
North America	40 572	39 456	72	3 965	23 020	107 085
Latin America & Caribbean	2 351	1 150	8 066	13 490	2 076	27 133
Other Countries	8 358	6 931	2 722	70 831	7 197	96 039
<b>Total</b>	<b>105 892</b>	<b>104 188</b>	<b>71 905</b>	<b>106 049</b>	<b>90 941</b>	<b>478 975</b>
<i>Total in %</i>	<i>22,1%</i>	<i>21,8%</i>	<i>15,0%</i>	<i>22,1%</i>	<i>19,0%</i>	<i>100,0%</i>

#### Hotel portfolio by region and brand at December 31, 2008

In number of hotels	France	Europe (excl. France)	North America	Latin America & Caribbean	Other countries	Total
Sofitel	18	27	10	14	80	149
Pullman	11	9	-	-	10	30
Novotel	123	140	7	17	106	393
Mercure	260	229	-	81	120	690
Adagio	19	3	-	-	-	22
Suitehotel	17	6	-	-	-	23
All Seasons	18	2	-	-	29	49
Ibis	377	296	-	54	87	814
Etap Hotel	278	110	-	-	-	388
Formule 1	271	35	-	10	49	365
Motel 6 / Studio 6	-	-	1 003	-	-	1 003
Other	6	23	-	1	26	56
<b>Total</b>	<b>1 398</b>	<b>880</b>	<b>1 020</b>	<b>177</b>	<b>507</b>	<b>3 982</b>
<i>Total in %</i>	<i>35,1%</i>	<i>22,1%</i>	<i>25,6%</i>	<i>4,4%</i>	<i>12,7%</i>	<i>100,0%</i>

In number of rooms	France	Europe (excl. France)	North America	Latin America & Caribbean	Other countries	Total
Sofitel	2 418	5 958	3 193	2 183	20 769	34 521
Pullman	2 799	2 105	-	-	2 654	7 558
Novotel	16 234	26 304	1 957	2 747	24 214	71 456
Mercure	24 134	30 509	-	10 682	20 644	85 969
Adagio	2 708	254	-	-	-	2 962
Suitehotel	2 014	931	-	-	-	2 945
All Seasons	1 723	117	-	-	3 027	4 867
Ibis	33 096	37 747	-	8 231	15 668	94 742
Etap Hotel	21 385	11 123	-	-	-	32 508
Formule 1	20 100	2 524	-	2 905	4 068	29 597
Motel 6 / Studio 6	-	-	101 935	-	-	101 935
Other	813	3 722	-	385	4 995	9 915
<b>Total</b>	<b>127 424</b>	<b>121 294</b>	<b>107 085</b>	<b>27 133</b>	<b>96 039</b>	<b>478 975</b>
<i>Total in %</i>	<i>26,6%</i>	<i>25,3%</i>	<i>22,4%</i>	<i>5,7%</i>	<i>20,1%</i>	<i>100,0%</i>

#### Hotel development projects in progress at December 31, 2008

The number of new rooms represented by hotel development projects in progress at December 31, 2008 is as follows:

In number of rooms	Owned	Fixed Lease	Variable Lease	Managed	Franchised	Total
2009	4 742	1 942	3 804	11 945	5 789	28 222
2010	9 658	1 218	3 602	13 504	5 875	33 857
2011	4 703	1 363	4 147	13 713	615	24 541
2012 and after	1 581	460	-	11 899	-	13 940
<b>Total</b>	<b>20 684</b>	<b>4 983</b>	<b>11 553</b>	<b>51 061</b>	<b>12 279</b>	<b>100 560</b>

### D.1.2. Acquisition of control of Orbis

#### 2007: Acquisition of a 4.9% stake in Orbis

On August 22, 2007, Accor acquired an additional 4.9% stake in Orbis, raising its interest in the Polish company from 40.58% to 45.48%. A total of 2,257,773 shares were acquired at a price of PLN72 per share, representing a total investment of PLN163 million (approximately €42 million). The transaction had no impact on Orbis's classification as an associate, and the company therefore continued to be accounted for by the equity method in 2007 and at the end of June 2008.

#### 2008: Increase in Accor's stake in the Orbis Group to 50.01%

During the second half of 2008, Accor acquired an additional 4.53% stake in the Orbis group, raising its interest to 50.01%. The shares were acquired at a price of PLN55.4 per share, representing a total investment of approximately €35 million. Following the transaction, Orbis was fully consolidated in the Accor Group accounts.

Goodwill arising from the acquisition will be determined in 2009.

The acquired items are as follows (in € millions and on a 100% basis):

	<b>ORBIS</b>
	<b>Historical cost</b>
Property, plant and equipment	403
Intangible assets	126
Financial assets	3
<i>Non-current assets</i>	<i>532</i>
Cash and cash equivalents	21
<i>Current assets (excluding cash and cash equivalents)</i>	<i>96</i>
<i>Non current liabilities</i>	<i>119</i>
<i>Current liabilities</i>	<i>132</i>
<b>Net assets acquired</b>	<b>398</b>

Revenue of the acquired company in 2008	328
Net Profit of the acquired company in 2008	26
Net Profit of the acquired company from the date of the acquisition	4

### D.1.3. Buyout of the remaining 50% stake in hotel operations in Portugal in 2007

At the beginning of July 2007, Accor acquired for €69 million the Armorim group's 50% stake in the joint venture created by the two companies in 1997 to develop and operate hotels in Portugal. At the same time, Accor sold the Sofitel Thalassa Vilalara to Amorim for €27 million.

Following completion of these transactions, Accor became the sole owner of its hotel operations in Portugal, with a portfolio of 29 hotels. These operations were proportionately consolidated in the first half of 2007 and fully consolidated from July 1, 2007.

The difference between the cost of the additional stake in the joint venture and Accor's equity in the underlying net assets amounted to €14 million. Purchase accounting adjustments included fair value adjustments (excluding deferred taxes) to the assets of four Ibis hotels for €12 million (of which €5 million allocated to land and €7 million to the buildings) and one Mercure unit (of which €1 million to the building). Goodwill recognized on the transaction came to €4 million.

Their contribution to consolidated revenue and EBIT for the second half of 2007 was €44 million and €6 million respectively.

## D.2. PREPAID SERVICES DIVISION DEVELOPMENT STRATEGY

### D.2.1. 2006 Acquisitions

In **February 2006**, Accor Services first acquired **Stimula**, an organizer of distribution network and sales force incentive programs. With this acquisition, Accor Services became the leading player in the French corporate incentive market, with revenues (including Stimula) of some €200 million and 200 employees in France. Stimula was acquired for €7.3 million, paid in cash. The business combination was accounted for by the purchase method, leading to the recognition of contractual customer relationships in intangible assets for €1.6 million and goodwill for €5.6 million.

In **March 2006**, Accor Services acquired **Commuter Check Services Corporation**, an American company issuing transit vouchers. These checks allow companies to help their employees finance their daily commuting expenses. Commuter Check Services Corporation is a major player in this market in the US, with business volumes of \$79 million in 2005, a portfolio of around 3,700 customers and 110,000 users in 10 major American cities, including San Francisco, Boston and Philadelphia, in particular. Commuter Check Services Corporation was acquired for \$35 million (€28.4 million) paid in cash. The business combination was accounted for by the purchase method, leading to the recognition of contractual customer relationships in intangible assets for €2.1 million and goodwill for €25.5 million. Commuter Check Services Corporation reported 2007 revenue of €6 million.

In **August 2006**, the acquisition of Italian meal voucher issuer **Serial** consolidated Accor Services Italy's leadership position. Since its creation in 1998, Serial had established a strong position in the small business segment, with an issue volume more than €97 million. Serial was acquired for €42.9 million, paid in cash. The business combination was accounted for by the purchase method, leading to the recognition of contractual customer relationships in intangible assets for €7.3 million and goodwill for €34.9 million. Serial reported 2007 revenue of €9 million.

### D.2.2. 2007 Acquisitions

In **January 2007**, Accor Services acquired **Autocupon**, Mexico's second largest petrol cards seller from the Pegaso group. The acquisition cost included €7 million in cash and an estimated €1 million earn-out payment.

In **January 2007**, Accor Services acquired **Tintelingen B.V.**, a B2B issuer of Christmas gift cards in the Netherlands, offering a wide range of products and services. The acquisition cost included €3 million in cash and an estimated €4 million earn-out payment.

In **March 2007**, Accor Services acquired **Kadéos**, the PPR group's gift card and voucher business. This acquisition positions Accor Services as the leader of the gift card and voucher market in France. These products for businesses and consumers are sold in more than 82 chains and can be used in nearly 1,000 stores in France, as well as on e-commerce sites. Kadéos was acquired for €211 million, paid in cash. The difference between the cost of the business combination and the net assets acquired amounted to €218 million before deferred taxes. Of this, €19 million was recognized under "contractual customer relationships", €19 million was recognized under "brands", €18 million was recognized under "exclusive distribution rights" and €181 million was recognised under "goodwill". Kadéos generated €29 million in revenue in 2007.

In **June 2007**, Accor Services acquired **Surfgold**, Asia's leading provider of marketing services for €10 million paid in cash plus an estimated €4 million earn-out payment. By providing access to Surfgold's portfolio of leading Asian companies and to its incentive and loyalty program management platform, the acquisition enables Accor Services to professionalize and broaden the scope of its rewards and loyalty programs, especially its range of gift vouchers. The difference between the cost of the business combination and the net assets acquired amounted to €9 million before deferred taxes. Of this, €5 million was recognized under "contractual customer relationships".

In **September 2007**, Accor Services acquired **PrePay Technologies Ltd**, the UK's leading issuer of prepaid card solutions for a total of €57 million paid in cash plus an estimated €3 million earn-out payment at the end of 2008. This acquisition strengthens Accor Services leadership position and diversifies its portfolio of products and prepaid services in the UK. The difference between the cost of the business combination and the net assets acquired amounted to €53 million before deferred taxes. Of this, €14 million was recognized under "IT platform", €3 million was recognized under "contractual customer relationships", €2 million was recognized under "brands" and €1 million was recognized under "e-money user licence".

In **December 2007**, Accor Services acquired the 64% interest previously held by venture capital firm GeoCapital Partners in **Motivano UK**, a leading online employee benefits solution provider. Motivano UK's current management team will retain a 36% interest in the company. The acquisition will further strengthen Accor Services' position as a leading provider of solutions in the area of employee and constituent benefits. Motivano UK was acquired €6 million in cash. The difference between the cost of the business combination and the net assets acquired amounted to €10 million before deferred taxes. Of this, €2 million was recognized under "contractual customer relationships", €1 million was recognized under "IT Platform" and €1 million was recognized under "brands". Motivano UK reported 2008 revenue of €3 million.

### **D.2.3. 2008 Acquisitions:**

In January 2008, Accor Services acquired 80 % of **Quasar**, a German reward and loyalty program operator, for € 10 million in cash. The difference between the cost of the business combination and the net assets acquired amounted to €9 million before deferred taxes. Of this, €2 million was recognized under “contractual customer relationships” and €1 million was recognised under “brands”. Quasar generated €11 million in revenue in 2008.

### **D.3. ACQUISITION OF 50% OF ACCOR BRAZIL IN 2006**

At the beginning of December 2006, Accor acquired Brookfield Asset Management Inc.'s and Espirito Santo Resources, Ltd.'s combined 50% stake in Brazil's Ticket Serviços for €197 million.

Ticket Serviços manages prepaid services vouchers and hotels in Brazil under Accor brands and food catering services under a local brand. It was previously jointly held by Accor (50%), Brookfield Asset Management Inc. (40%) and Espirito Santo Resources, Ltd. (10%). With the completion of the transaction, Accor held 100% of the company's prepaid services vouchers and hotel operations and a 50% stake in its food services operations, with Compass owning the other 50%.

The business combination was accounted for by the purchase method, leading to the recognition of goodwill for €163 million. Ticket Serviços reported 2006 revenue of €365 million and net profit of €24.4 million.

### **D.4. ACQUISITION AND RESTRUCTURING OF THE DORINT AG**

#### **D.4.1. History**

In 2002, Accor acquired a 30% interest in the Dorint AG hotel group for €49 million. The purpose of the transaction was to increase the Group's market share in Germany at the bottom of the cycle. The Dorint AG Management Board and Supervisory Board approved the creation of a strategic partnership with Accor based on franchise and marketing agreements. All the Dorint hotels were co-branded Dorint Sofitel or Dorint Novotel or converted to the Mercure brand, and the Dorint sales and marketing teams were integrated in the Accor network from February 1, 2003.

Accor negotiated an option to purchase an additional 25% of Dorint from its major shareholder, Dr. Herbert Ebertz, between March 31, 2009 and June 30, 2011, at a price corresponding to a multiple of EBITDA less consolidated net debt with a €45 million floor. In connection with the original transaction, Accor made a €35 million loan to Dr. Ebertz and gave Dorint AG a €25 million guarantee *pari passu* with Dr. Ebertz.

Finally, Accor gave a call option to Dr Ebertz for the purchase of Dorint shares representing 30% of the capital, at a fixed price. This call option can be exercised during the 6 months after the expiry of the Accor call option.

At the end of first-half 2003, Accor SA acquired a further 10.19% interest in Dorint AG for €13.2 million through a share issue underwritten jointly with Dr. Ebertz. Following this transaction, in second-half 2003 Dorint was accounted for by the equity method on a 40.19% basis.

In early 2004, Accor announced its support for the long-term plan proposed by the Dorint Management Board and approved by the Supervisory Board. The plan is designed to position the German hotel group to reap the full benefits of the future economic recovery in Germany.

It extends the measures taken in 2003 to reduce the operating expense through:

- A €42 million share issue.
- A further share issue in 2005 for €8.4 million.
- Signature of a contract for the management of Dorint hotels by Accor Germany, with the aim of improving their marketing and operating performance as part of the co-branding strategy with the Sofitel and Novotel brands.

A US investment fund, Noonday, also took part in the 2004 share issue and became a shareholder of Dorint. At December 31, 2004, Noonday's interest in Dorint stood at 21.7%. After contributing €2.6 million to 2004 shares issue, Accor's interest stood at 26.0% at the end of December 2004.

At the time of the 2004 share issue, Accor granted put options on shares representing 35.1% of the capital to various Dorint shareholders. The put options are exercisable between July 1, 2009 and July 1, 2011 at a price based on a multiple of EBITDA less net debt (for 13.4% of the capital) and from June 30, 2009 for the remaining balance of the shares (21.7%). The put option granted to Noonday (21.7% of the capital), comprises an additional price component, on top of the EBITDA multiple less net debt, and may be exercised at any time if Accor's interest in Dorint falls below 25% or rises above 50% of the total capital.

At December 31, 2004, Accor had a call option on 15.2% of the capital owned by the Ebertz family, on the basis of a multiple of EBITDA less net debt with a minimum amount. Accor also had a call option on 21.7% of the capital owned by Noonday, exercisable between July 1, 2007 and June 30, 2010.



#### **D.4.2. 2005 restructuring**

During the second half of 2005, Dorint was still struggling, and a new restructuring plan was launched. The plan breaks down into four components, as follows:

- A 10% rent reduction for the next twenty years, in exchange for a commitment to pay higher rent if revenues improve (with comparable figures starting in 2005).
- Withdrawing from three unprofitable lease contracts.
- The renegotiation of the management contracts with the two managers of the Dorint hotels, Accor and Intercontinental. Accor has agreed to reduce management fees from January 1, 2005 up to the end of 2009, with the amount of the fee reduction being capped at €20 million in the event that the minimum results target is not met. The amount was fully provided for in the 2005 accounts as a provision for risks.
- A €27 million shares issue.

Accor contributed €7 million to the €27 million share issue, raising its interest in Dorint to 29.08% as at December 31, 2005. Following this new capital increase, Noonday held 37.6% of Dorint as at December 31, 2005.

The effects of the third restructuring plan on the Group's consolidated financial statements can be summarized as follows:

- The estimated value of the put options granted to Dr. Ebertz, the Noonday investment fund and the Didenhofen family has been disclosed as an off-balance sheet item for a total amount of €105 million.
- A provision for risks in respect of the potential commitments to be paid to Noonday following the 2004 agreements has been recorded in Accor's accounts in an amount of €30.5 million.

The other consequences of this restructuring on the call and the put options between Accor and Dorint's other shareholders are detailed below:

- The put options granted by Accor now relate to 52.3% of the capital of Dorint. The put options on 8.35% of the capital of Dorint will be exercisable between July 1, 2009 and July 31, 2011 on the basis of a multiple of EBITDA less net debt. The put options on 6.41% of Dorint's capital will be exercisable between July 1, 2009 and December 31, 2011 on the basis of a multiple of EBITDA less net debt. Lastly, the put option granted to Noonday on 37.5% of the capital may be exercised as from July 1, 2007.
- The call option granted by Noonday relates to 37.5% of Dorint's capital.
- The 2002 call option granted by Dr Ebertz now relates to 9.6% of Dorint's capital and may be exercised up to June 30, 2012; the minimum purchase price no longer applies.
- The 2002 call option granted to Dr Ebertz now relates to 29.1% of the capital.

Furthermore, the dates for exercising the put option granted by Accor to the Noonday investment fund were modified. The put option may now be exercised as from July 1, 2007.

Lastly, the Group committed to underwrite the €23 million share issue planned in 2006, in an amount of €12.5 million. This amount was included in off-balance sheet commitments at December 31, 2005.

#### **D.4.3. 2006 restructuring**

In line with the undertaking given in 2005, during first-half of 2006 Accor contributed €12.5 million to the €22.7 million share issue by Dorint. Following this issue, the Group's interest in Dorint came to 34.35%, while that of the Noonday private equity fund stood at 39.3%. The loan to Dr. Ebertz was written down by €28 million during the year.

#### **D.4.4. 2007 restructuring**

In light of Dorint's continued substantial operating losses in 2006, the company's Supervisory Board decided to split up the business into two separate entities in first-quarter 2007:

- By underwriting a €52 million share issue, Accor acquired a controlling interest in one of the new companies, which operates 52 hotels. Of these hotels, nine were previously operated under the Dorint Sofitel brand, 17 under the Dorint Novotel brand and 26 under the Mercure brand. In the first half of 2007, they were rebranded as Sofitel, Novotel and Mercure units, respectively. The company was named The NewGen Hotels AG.
- Ebertz & Partner acquired all the shares of the other company, Neue Dorint GmbH, which operates 41 Dorint hotels under the Dorint brand.

At the same time, Accor underwrote a second €70.4 million capital increase and bought out the minority interests for €94.2 million, raising its interest in The NewGen Hotels AG to 97.64%. The new entity was fully consolidated at December 31, 2007.

Financially, the transaction enabled Accor to gain control of 52 hotels, which in 2007 generated €336 million in revenues, €13 million in EBITDA and €8 million in operating profit. In contrast, Accor recognized a loss of €7 million relating to its share in Dorint AG as accounted for by the equity method.

A provision of €31 million was recorded in Accor's 2006 consolidated financial statements to cover the impact of the demerger. From 2007, this company is fully consolidated into the consolidated financial statements, leading to the recognition of additional goodwill of €143 million.

#### **D.4.5. 2008 events**

During the second half of 2008, Accor acquired a further 2% interest in The NewGen Hotels for €10.2 million, leading to the recognition of additional goodwill of €10.3 million. Following this transaction, the Group now owns 99.46% of the company. After the end of the year, the Group launched a squeeze-out procedure (see Note 46 "Subsequent events").

### **E. Colony Capital / Eurazeo**

In March 2005, the Management Board and the Supervisory Board approved a proposal by Colony Capital to invest €1 billion in the Group, in order to expand the capital base and move up a gear in the development program.

This major investment by Colony Capital, which was approved at the Extraordinary Shareholders' Meeting of May 3, 2005, was carried out in two simultaneous tranches:

- €500 million 3-year 4.5% equity note issue. The notes were issued at a price of €3,900 and were based on a redemption ratio of one note for 100 Accor shares at €39. Conversion of all of the outstanding equity notes would result in the issue of 12,820,500 new shares. In accordance with the accounting policy described in Note 1.N, the equity component of the notes was recognized in equity in the amount of €433 million and the balance of the issue was recognized in debt for €67 million.
- €500 million 5-year 3.25% convertible bond issue. The bonds were issued at a price of €4,300 and were based on a conversion ratio of one bond for 100 Accor shares at €43. Conversion of all of the outstanding bonds would result in the issue of 11,627,900 new shares. The entire €500 million face value of the convertible bonds was recognized in debt.

The equity notes were redeemed for Accor shares on April 2, 2007, at Colony Capital's request. In the consolidated financial statements, the equity component was written off from equity in the amount of €433 million (see Statement of Changes in Equity) and the debt component (originally €67 million), carried in the balance sheet at December 31, 2006 for €30 million, was reclassified in equity.

On July 3, 2007, Colony Capital converted its convertible bonds, for an amount of €500 million. The initial debt (€500 million) was reclassified in equity. Following these conversions, Colony Capital held 10.64% of Accor's capital before dilution at the end of 2007.

On May 4, 2008, Colony Capital and investment group Eurazeo announced a five-year shareholders' agreement under which they will increase their combined stake in the Group's capital to 30%. The first phase of the agreement was completed on May 13 with the increase of Eurazeo's interest in Accor to 8.9%. This led to Eurazeo being given an additional seat on the Accor Board of Directors on August 27, raising from two to three the number of directors representing Colony and Eurazeo. During the second half of the year, Eurazeo and Colony further increased their respective interests, to 10.49% and 12.36% respectively on an undiluted basis at December 31, 2008. Their combined interest at that date represented 22.84% of the capital and 20.40% of the voting rights. As of February 9, 2009, Colony Capital and Eurazeo declared to hold together 30.14% of the capital and 26.92% of the voting rights.

### **F. €2.4 billion returned to shareholders at end-December 2008**

Since May 10, 2006, Accor has announced several successive share buyback programs, as follows:

- **On May 10, 2006, Accor announced a first program to buy back Accor S.A shares for a total of €500 million.** This program was carried out pursuant to the authorization granted at the Shareholders Meeting held on January 9, 2006, which capped the buy-back price at €62 per share. During 2006, Accor bought back and cancelled 10,324,607 shares. These shares were acquired at a total cost of €481 million, representing an average price per share of €46.56. As of December 31, 2006, a further 332,581 shares had been bought back at a total cost of €19 million. These shares were cancelled at the beginning of January 2007.



- **On May 14, 2007, Accor announced a second program to buy back Accor S.A shares for a total of €700 million.** This program was carried out pursuant to the authorization granted at the Shareholders Meeting held on May 14, 2007, which capped the buy-back price at €100 per share. During 2007, Accor bought back and cancelled 10,623,802 shares. These shares were acquired at a total cost of €700 million, representing an average price per share of €65.89.
- **On August 28, 2007, Accor announced a third program to buy back Accor S.A shares for a total of €500 million.** This program was carried out pursuant to the authorization granted at the Shareholders Meeting held on May 14, 2007, which capped the buy-back price at €100 per share. During the second half of 2007, Accor bought back 8,507,150 shares at a total cost of €500 million, representing an average price per share of €58.78. As of December 31, 2007, 1,300,000 shares had been legally cancelled. The remaining 7,207,150 shares had been cancelled during the second half of 2008.
- **On August 25, 2008, Accor announced a fourth program to buy back Accor S.A shares.** This program was carried out pursuant to the authorization granted at the Shareholders Meeting held on May 13, 2008, which capped the buy-back price at €100 per share. During the second half of 2008, Accor bought back and cancelled 1,837,699 shares at a total cost of €62 million, representing an average price per share of €33.70.

During first-half 2007, the Group paid a special dividend of €1.50 per share on the 224,058,558 shares outstanding, representing a total payout of €336 million. In first-half 2008, the Group paid another special dividend of €1.50 per share on the 221,527,614 shares outstanding, representing a total payout of €332 million.

## Note 3. Consolidated Revenue by Business and by Region

In € millions	France	Europe (excl. France)	North America	Latin America & Caribbean	Other Countries	Worldwide Structures (1)	2008	2007	2006
									(*)
<b>HOTELS</b>	<b>2 006</b>	<b>2 348</b>	<b>669</b>	<b>228</b>	<b>488</b>	<b>28</b>	<b>5 767</b>	<b>5 827</b>	<b>5 410</b>
Upscale and Midscale Hotels	1 296	1 567	69	129	359	28	3 448	3 323	2 927
Economy Hotels	710	781	-	99	129	-	1 719	1 663	1 492
Economy Hotels US	-	-	600	-	-	-	600	841	991
<b>PREPAID SERVICES</b>	<b>200</b>	<b>346</b>	<b>14</b>	<b>367</b>	<b>49</b>	<b>2</b>	<b>978</b>	<b>885</b>	<b>760</b>
<b>OTHER BUSINESSES</b>	<b>582</b>	<b>240</b>	<b>-</b>	<b>68</b>	<b>96</b>	<b>8</b>	<b>994</b>	<b>1 409</b>	<b>1 437</b>
Casinos	330	-	-	-	16	-	346	346	336
Restaurants	115	-	-	68	4	-	187	574	575
Onboard Train Services	137	169	-	-	-	-	306	273	265
Holding Companies and other	-	71	-	-	76	8	155	216	261
<b>Total 2008</b>	<b>2 788</b>	<b>2 934</b>	<b>683</b>	<b>663</b>	<b>633</b>	<b>38</b>	<b>7 739</b>		
<b>Total 2007</b>	<b>2 754</b>	<b>3 013</b>	<b>928</b>	<b>791</b>	<b>596</b>	<b>39</b>		<b>8 121</b>	
<b>Total 2006</b>	<b>2 591</b>	<b>2 604</b>	<b>1 162</b>	<b>718</b>	<b>486</b>	<b>46</b>			<b>7 607</b>

(\*) In accordance with IFRS 5, Carlson Wagonlit Travel (CWT) revenue has been recognised in Profit or loss from discontinued operations (see Note 17)

(1) "Worldwide Structures" corresponds to revenue (royalties) that is not specific to a single geographic region.

Consolidated revenue for December 31, 2008 totalled €7,739 million, compared with €8,121 million for the same period of 2007. The period-on-period decrease of €382 million or 4.7% breaks down as follows:

✓ Like-for-like growth	+228	€ m	+2,8%
✓ Business expansion	+422	€ m	+5,2%
✓ Currency effects	(167)	€ m	(2,1)%
✓ Disposals	(865)	€ m	(10,6)%
<b>Decrease in 2008 Revenue</b>	<b>(382)</b>	<b>€ m</b>	<b>(4,7)%</b>

### Decrease in 2008 consolidated revenue by business:

	Reported change € m	Like-for-like change € m %	
<b>HOTELS</b>	<b>(60)</b>	<b>+122</b>	<b>+2,1%</b>
Upscale and Midscale Hotels	+125	+85	+2,6%
Economy Hotels	+56	+54	+3,2%
Economy Hotels US	(241)	(17)	(2,1)%
<b>PREPAID SERVICES</b>	<b>+93</b>	<b>+114</b>	<b>+12,9%</b>
<b>OTHER BUSINESSES</b>	<b>(415)</b>	<b>(8)</b>	<b>(0,6)%</b>
Casinos	-	(15)	(4,3)%
Restaurants	(387)	+6	+1,0%
Onboard Train Services	+33	+9	+3,3%
Holding Companies and other	(61)	(8)	(3,6)%
<b>Group Total</b>	<b>(382)</b>	<b>+228</b>	<b>+2,8%</b>

**Decrease in 2008 consolidated revenue by region:**

	Reported change	Like-for-like change	
	€ m	€ m	%
France	+34	+63	+2,3%
Europe (excl. France)	(79)	+33	+1,1%
North America	(245)	(14)	(1,5)%
Latin America & Caribbean	(128)	+94	+11,8%
Other Countries	+37	+53	+8,9%
Worldwide Structures	(1)	(1)	(2,6)%
<b>Group Total</b>	<b>(382)</b>	<b>+228</b>	<b>+2,8%</b>

**Revenue from managed and franchised hotels**, included in the hotels' revenue presented above of €7,739 million, amounted to €222 million at December 31, 2008. This amount breaks down as follows:

In € millions	Management fees	Franchise fees	2008	2007	2006
<b>HOTELS</b>					
Upscale and Midscale Hotels	138	29	167	160	150
Economy Hotels	16	28	44	38	33
Economy Hotels United States	-	11	11	10	17
<b>Total 2008</b>	<b>154</b>	<b>68</b>	<b>222</b>		
<b>Total 2007</b>	<b>143</b>	<b>65</b>		<b>208</b>	
<b>Total 2006</b>	<b>136</b>	<b>64</b>			<b>200</b>

## Note 4. Operating Expense

In € millions	2006 (*)	2007	2008
Cost of goods sold (1)	(799)	(795)	(806)
Employee benefits expense (2)	(2 729)	(2 896)	(2 790)
Energy, maintenance and repairs	(389)	(403)	(386)
Taxes, insurance and service charges (co-owned properties)	(297)	(291)	(267)
Other operating expense (3)	(1 310)	(1 415)	(1 200)
<b>TOTAL OPERATING EXPENSE</b>	<b>(5 523)</b>	<b>(5 800)</b>	<b>(5 449)</b>

(\*) In accordance with IFRS 5, Carlson Wagonlit Travel (CWT) operating expense has been recognised in Profit or loss from discontinued operations (see Note 17)

(1) The cost of goods sold includes food and beverage purchases, laundry costs and the cost of telephone calls billed to clients. These costs mainly concern the Hotel and Restaurant businesses.

(2) The Ratio employee benefits expense / Full-time equivalent (FTE) is presented as follows:

Full-time equivalent	2006	2007	2008
Full-time equivalent (**)	92 250	91 483	85 592
Ratio employee benefits expense / FTE (€k)	(30)	(32)	(33)

(\*\*) Full-time equivalent employees are based on the ratio between the number of hours worked during the period and the total working legal hours for the period. For firms which are consolidated using the proportional method, the employee number is calculated with the Group's interest. There is no employee number for associates.  
Employee benefits expense includes €22 million related to stock option plans and to performance shares plan.

(3) Other operating expense consist mainly of selling, information systems, marketing, advertising and promotional costs. The total also includes various fee payments.

## Note 5. EBITDAR by Business and Region

In € millions	France	Europe (excl. France)	North America	Latin America & Caribbean	Other Countries	Worldwide Structures (1)	2008	2007	2006 (*)
<b>HOTELS</b>	<b>603</b>	<b>798</b>	<b>251</b>	<b>52</b>	<b>126</b>	<b>(13)</b>	<b>1 817</b>	<b>1 852</b>	<b>1 670</b>
Upscale and Midscale Hotels	375	486	22	16	73	(15)	957	908	751
Economy Hotels	228	312	-	36	53	2	631	608	538
Economy Hotels US	-	-	229	-	-	-	229	336	381
<b>PREPAID SERVICES</b>	<b>66</b>	<b>184</b>	<b>3</b>	<b>180</b>	<b>16</b>	<b>(23)</b>	<b>426</b>	<b>377</b>	<b>310</b>
<b>OTHER BUSINESSES</b>	<b>52</b>	<b>20</b>	<b>-</b>	<b>(6)</b>	<b>7</b>	<b>(26)</b>	<b>47</b>	<b>92</b>	<b>104</b>
Casinos	44	-	-	-	6	-	50	52	50
Restaurants	10	-	-	4	-	-	14	41	42
Onboard Train Services	(2)	13	-	-	-	-	11	18	20
Holding Companies and other	-	7	-	(10)	1	(26)	(28)	(19)	(8)
<b>Total 2008</b>	<b>721</b>	<b>1 002</b>	<b>254</b>	<b>226</b>	<b>149</b>	<b>(62)</b>	<b>2 290</b>		
<b>Total 2007</b>	<b>711</b>	<b>995</b>	<b>360</b>	<b>205</b>	<b>127</b>	<b>(77)</b>		<b>2 321</b>	
<b>Total 2006</b>	<b>624</b>	<b>775</b>	<b>430</b>	<b>180</b>	<b>119</b>	<b>(44)</b>			<b>2 084</b>

(\*) In accordance with IFRS 5, Carlson Wagonlit Travel (CWT) EBITDAR has been recognised in Profit or loss from discontinued operations (see Note 17)

(1) "Worldwide Structures" corresponds to revenue (royalties) and costs that are not specific to a single geographic region.

Consolidated EBITDAR for 2008 totalled €2,290 million compared with €2,321 million for the same period of 2007. The period-on-period decrease breaks down as follows:

✓ Like-for-like growth	+93	€ m	+4,0%
✓ Business expansion	+79	€ m	+3,4%
✓ Currency effects	(62)	€ m	(2,6)%
✓ Disposals	(141)	€ m	(6,1)%
<b>Decrease in 2008 EBITDAR</b>	<b>(31)</b>	<b>€ m</b>	<b>(1,3)%</b>

### Decrease in 2008 EBITDAR by business:

	Reported change € m	Like-for-like change € m	%
<b>HOTELS</b>	<b>(35)</b>	<b>+41</b>	<b>+2,2%</b>
Upscale and Midscale Hotels	+49	+26	+2,8%
Economy	+23	+30	+5,0%
Economy US	(107)	(15)	(4,4)%
<b>PREPAID SERVICES</b>	<b>+49</b>	<b>+62</b>	<b>+16,6%</b>
<b>OTHER BUSINESSES</b>	<b>(45)</b>	<b>(10)</b>	<b>(11,2)%</b>
Casinos	(2)	(4)	(7,1)%
Restaurants	(27)	-	+0,7%
Onboard Train Services	(7)	(5)	(25,9)%
Holding Companies and other	(9)	(1)	(11,4)%
<b>Group total</b>	<b>(31)</b>	<b>+93</b>	<b>+4,0%</b>

**Decrease in 2008 EBITDAR by region:**

	<b>Reported change € m</b>	<b>Like-for-like change</b>	
		<b>€ m</b>	<b>%</b>
France	+10	+7	+1,0%
Europe (excl. France)	+7	+18	+1,8%
North America	(106)	(12)	(3,3)%
Latin America & Caribbean	+21	+39	+19,1%
Other Countries	+22	+25	+19,4%
Worldwide Structures	+15	+16	+21,1%
<b>Group total</b>	<b>(31)</b>	<b>+93</b>	<b>+4,0%</b>

## Note 6. Rental Expense

Rental expense amounted to €903 million in 2008 compared with €931 million in 2007 and €836 million in 2006.

In accordance with the policy described in Note 1.D.4, the expense reported on this line only concern operating leases. Finance leases are recognized in the balance sheet as an asset and a liability. The amount of the liability at December 31, 2008 was €180 million (see Note 29.A).

Rental expense is recognized on a straight-line basis over the lease term, even if payments are not made on that 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 the leases contains any clauses requiring advance payment of rentals in the case of a ratings downgrade or other adverse events affecting Accor, and there are no cross-default clauses or covenants.

The €903 million in rental expense corresponds to 1,352 hotel leases, including 33% with a purchase option. Where applicable, the option price corresponds to either a pre-agreed percentage of the owner's original investment or the property's market value when the option is exercised. The options are generally exercisable after 10 or 12 years. Certain contracts allow for the purchase of the property at the appraised value at the end of the lease.

### A. Rental expense by business

Rental expense can be analyzed as follows by business:

In € millions	2006 (*)	2007	2008
<b>HOTELS</b>	<b>(823)</b>	<b>(911)</b>	<b>(886)</b>
Upscale and Midscale Hotels	(432)	(520)	(529)
Economy	(206)	(237)	(258)
Economy US	(185)	(154)	(99)
<b>PREPAID SERVICES</b>	<b>(12)</b>	<b>(14)</b>	<b>(16)</b>
<b>OTHER BUSINESSES</b>	<b>(1)</b>	<b>(6)</b>	<b>(1)</b>
Casinos	(5)	(6)	(5)
Restaurants	(8)	(8)	(4)
Onboard Train Services	(3)	(3)	(3)
Holding Companies and other	15	11	11
<b>Total</b>	<b>(836)</b>	<b>(931)</b>	<b>(903)</b>

(\*) In accordance with IFRS 5, Carlson Wagonlit Travel (CWT) rental expense has been recognised in Profit or loss from discontinued operations (see Note 17)

## B. Rental expense by type of contract

Rental expense breaks down as follows by type of contract:

In € millions	Number of hotels (1)	2008 rental expense	Fixed rental expense	Variable rental expense
Fixed rent with purchase option	446	(121)	(121)	-
Fixed rent without purchase option	327	(259)	(259)	-
Fixed rent with a variable portion (2)	70	(72)	(61)	(11)
Land rent	-	(16)	(12)	(4)
Office rental expenses (Hotels business)	-	(48)	(45)	(3)
Fees on intragroup rent guarantees on Hotels business	-	(19)	(18)	(1)
<b>Total hotel fixed rental expense</b>	<b>843</b>	<b>(535)</b>	<b>(516)</b>	<b>(19)</b>
Variable rent with a minimum (3)	92	(71)	(59)	(12)
Variable rent with a minimum and cap (4)	8	(16)	(6)	(10)
Variable rent without a minimum (5)	409	(264)	-	(264)
<b>Total hotel variable rental expense</b>	<b>509</b>	<b>(351)</b>	<b>(65)</b>	<b>(286)</b>
<b>Total hotel rental expense</b>	<b>1 352</b>	<b>(886)</b>	<b>(581)</b>	<b>(305)</b>
Rental expense not related to hotels	-	(36)	(35)	(1)
Internal lease guarantee fees	-	19	18	1
<b>Total rental expense</b>	<b>1 352</b>	<b>(903)</b>	<b>(598)</b>	<b>(305)</b>

(1) Detail by brand and type of contract at December 31, 2008 is presented as follows:

Leased hotels at December 31, 2008	Fixed rent with purchase option	Fixed rent without purchase option	Fixed rent with a variable portion	Variable rent with a minimum	Variable rent with a minimum and cap	Variable rent without a minimum	Total
Sofitel	1	5	-	3	-	5	14
Pullman	-	5	2	4	-	4	15
Novotel	4	51	11	15	4	90	175
Mercure	9	69	20	16	1	68	183
Suitehotel	3	6	-	-	-	-	9
Ibis	20	101	15	50	2	158	346
All Seasons	-	2	8	-	-	3	13
Etap Hotel	1	57	1	3	1	71	134
Formule 1	81	2	12	-	-	10	105
Motel 6	326	22	1	1	-	-	350
Other	1	7	-	-	-	-	8
<b>Total</b>	<b>446</b>	<b>327</b>	<b>70</b>	<b>92</b>	<b>8</b>	<b>409</b>	<b>1 352</b>

(2) Fixed rent expense with a variable portion includes a fixed portion. The variable portion is generally a percentage of revenue or a percentage of EBITDAR.

(3) This rent expense depends on a percentage of revenue or a percentage of EBITDAR with a fixed contract guaranteed minimum.

(4) This rent expense depends on a percentage of revenue with a fixed contract guaranteed minimum which is also capped.

(5) Variable rent without a minimum is generally based on a percentage of revenue (381 hotels), or a percentage of EBITDAR (28 hotels). None of the leases contains any minimum rent clauses.



## C. Minimum rental commitments (cash basis)

Minimum future rentals in the following tables only correspond to long-term rental commitments in the Hotels Division. The other divisions' rental commitments are generally for periods of less than three years and are not reflected in the table below.

Undiscounted minimum lease payments in foreign currencies converted at the average exchange rate based on latest known rates, are as follows:

Years	In € millions	Years	In € millions
2009	(531)	2018	(388)
2010	(526)	2019	(350)
2011	(514)	2020	(316)
2012	(502)	2021	(272)
2013	(490)	2022	(248)
2014	(476)	2023	(221)
2015	(466)	2024	(184)
2016	(451)	2025	(159)
2017	(426)	>2026	(607)
		<b>Total</b>	<b>(7 127)</b>

At December 31, 2007, the present value of future minimum lease payments, considered as representing 8% of the minimum lease payments used to calculate the "Adjusted funds from ordinary activities/adjusted net debt" ratio, amounted to €4,569 million.

Interest expense related to adjusted net debt, estimated at 8%, amounted to €366 million. The difference between the 2007 minimum rent (€595 million) and interest expense (€366 million) amounted to €229 million, corresponding to the implicit repayment of adjusted debt ("Standards & Poor's method").

At December 31, 2008, the present value of future minimum lease payments, considered as representing 8% of the minimum lease payments used to calculate the "Adjusted funds from operations/adjusted net debt" ratio, amounted to €4,006 million.

Interest expense related to adjusted net debt, estimated at 8%, amounted to €320 million. The difference between the 2008 minimum rent (€531 million) and interest expense (€320 million) amounted to €211 million, corresponding to the implicit repayment of adjusted debt ("Standards & Poor's method").

The decrease in lease commitments in 2008 was mainly due to the exercise of purchase options.

## Note 7. EBITDA by Business and Region

In € millions	France	Europe (excl. France)	North America	Latin America & Caribbean	Other Countries	Worldwide Structures (1)	2008	2007	2006 (*)
<b>HOTELS</b>	<b>384</b>	<b>341</b>	<b>150</b>	<b>16</b>	<b>58</b>	<b>(18)</b>	<b>931</b>	<b>941</b>	<b>847</b>
Upscale and Midscale Hotels	228	170	20	3	26	(20)	427	389	319
Economy Hotels	156	171	-	13	32	2	374	370	332
Economy Hotels US	-	-	130	-	-	-	130	182	196
<b>PREPAID SERVICES</b>	<b>62</b>	<b>178</b>	<b>3</b>	<b>178</b>	<b>13</b>	<b>(24)</b>	<b>410</b>	<b>364</b>	<b>297</b>
<b>OTHER BUSINESSES</b>	<b>40</b>	<b>19</b>	<b>-</b>	<b>(5)</b>	<b>8</b>	<b>(16)</b>	<b>46</b>	<b>85</b>	<b>104</b>
Casinos	37	-	-	-	8	-	45	46	45
Restaurants	7	-	-	3	-	-	10	33	34
Onboard Train Services	(4)	13	-	-	-	-	9	15	17
Holding Companies and other	-	6	-	(8)	-	(16)	(18)	(9)	8
<b>Total 2008</b>	<b>486</b>	<b>538</b>	<b>153</b>	<b>189</b>	<b>79</b>	<b>(58)</b>	<b>1 387</b>		
<b>Total 2007</b>	<b>488</b>	<b>538</b>	<b>205</b>	<b>172</b>	<b>59</b>	<b>(72)</b>		<b>1 390</b>	
<b>Total 2006</b>	<b>427</b>	<b>416</b>	<b>225</b>	<b>153</b>	<b>59</b>	<b>(32)</b>			<b>1 248</b>

(\*) In accordance with IFRS 5, Carlson Wagonlit Travel (CWT) EBITDA has been recognised in Profit or loss from discontinued operations (see Note 17)

(1) "Worldwide Structures" corresponds to revenue (royalties) and costs that are not specific to a single geographic region.

Consolidated EBITDA for 2008 totalled €1,387 million compared with €1,390 million for the same period of 2007. The period-on-period decrease breaks down as follows:

✓ Like-for-like growth	+66	€ m	+4,8%
✓ Business expansion	+88	€ m	+6,3%
✓ Currency effects	(37)	€ m	(2,7)%
✓ Disposals	(120)	€ m	(8,6)%
<b>Decrease in 2008 EBITDA</b>	<b>(3)</b>	<b>€ m</b>	<b>(0,2)%</b>

### Decrease in 2008 EBITDA by business:

	Reported change € m	Like-for-like change € m	%
<b>HOTELS</b>	<b>(10)</b>	<b>+15</b>	<b>+1,6%</b>
Upscale and Midscale Hotels	+38	+10	+2,7%
Economy	+4	+20	+5,4%
Economy US	(52)	(15)	(8,4)%
<b>PREPAID SERVICES</b>	<b>+46</b>	<b>+61</b>	<b>+16,8%</b>
<b>OTHER BUSINESSES</b>	<b>(39)</b>	<b>(10)</b>	<b>(11,8)%</b>
Casinos	(1)	(2)	(4,0)%
Restaurants	(23)	-	(1,0)%
Onboard Train Services	(6)	(5)	(29,7)%
Holding Companies and other	(9)	(3)	(38,6)%
<b>Group total</b>	<b>(3)</b>	<b>+66</b>	<b>+4,8%</b>

**Decrease in 2008 EBITDA by region:**

	<b>Reported change</b>	<b>Like-for-like change</b>	
	<b>€ m</b>	<b>€ m</b>	<b>%</b>
France	(2)	0	0,0%
Europe (excl. France)	0	+12	+2,3%
North America	(52)	(12)	(5,9)%
Latin America & Caribbean	+17	+31	+18,2%
Other Countries	+20	+20	+34,9%
Worldwide Structures	+14	+15	+20,1%
<b>Group total</b>	<b>(3)</b>	<b>+66</b>	<b>+4,8%</b>

## Note 8. Depreciation, Amortization and Provision Expense

Depreciation, amortization and provision expense can be analyzed as follows:

In € millions	2006 (*)	2007	2008
Depreciation and amortization	(426)	(407)	(442)
Provision	(10)	(12)	(4)
<b>Total</b>	<b>(436)</b>	<b>(419)</b>	<b>(446)</b>

(\*) In accordance with IFRS 5, Carlson Wagonlit Travel (CWT) depreciation, amortization and provision expense has been recognised in Profit or loss from discontinued operations (see Note 17)

Consolidation of Orbis had a €25 million impact on 2008 depreciation, amortization and provision expense.

## Note 9. EBIT by Business and Region

In € millions	France	Europe (excl. France)	North America	Latin America & Caribbean	Other Countries	Worldwide Structures (1)	2008	2007	2006
									(*)
<b>HOTELS</b>	<b>262</b>	<b>210</b>	<b>83</b>	<b>9</b>	<b>29</b>	<b>(26)</b>	<b>567</b>	<b>596</b>	<b>488</b>
Upscale and Midscale Hotels	148	81	16	(1)	5	(28)	221	202	138
Economy Hotels	114	129	-	10	24	2	279	281	243
Economy Hotels US	-	-	67	-	-	-	67	113	107
<b>PREPAID SERVICES</b>	<b>53</b>	<b>168</b>	<b>2</b>	<b>168</b>	<b>11</b>	<b>(23)</b>	<b>379</b>	<b>338</b>	<b>275</b>
<b>OTHER BUSINESSES</b>	<b>13</b>	<b>6</b>	<b>-</b>	<b>(8)</b>	<b>4</b>	<b>(20)</b>	<b>(5)</b>	<b>37</b>	<b>49</b>
Casinos	16	-	-	-	7	-	23	27	28
Restaurants	3	-	-	2	(1)	-	4	22	22
Onboard Train Services	(6)	10	-	-	-	-	4	9	12
Holding Companies and other	-	(4)	-	(10)	(2)	(20)	(36)	(21)	(13)
<b>Total 2008</b>	<b>328</b>	<b>384</b>	<b>85</b>	<b>169</b>	<b>44</b>	<b>(69)</b>	<b>941</b>		
<b>Total 2007</b>	<b>335</b>	<b>407</b>	<b>131</b>	<b>153</b>	<b>28</b>	<b>(83)</b>		<b>971</b>	
<b>Total 2006</b>	<b>286</b>	<b>284</b>	<b>125</b>	<b>135</b>	<b>34</b>	<b>(52)</b>			<b>812</b>

(\*) In accordance with IFRS 5, Carlson Wagonlit Travel (CWT) EBIT has been recognised in Profit or loss from discontinued operations (see Note 17)

(1) "Worldwide Structures" corresponds to revenue (royalties) and costs that are not specific to a single geographic region.

Consolidated EBIT for 2008 totalled €941 million compared with €971 million for the same period of 2007. The period-on-period decrease breaks down as follows:

✓ Like-for-like growth	+64	€ m	+6,6%
✓ Business expansion	+22	€ m	+2,2%
✓ Currency effects	(29)	€ m	(3,0)%
✓ Disposals	(87)	€ m	(8,9)%
<b>Decrease in 2008 EBIT</b>	<b>(30)</b>	<b>€ m</b>	<b>(3,1)%</b>

**Decrease in 2008 EBIT by business:**

	Reported change € m	Like-for-like change € m	%
<b>HOTELS</b>	<b>(29)</b>	<b>+11</b>	<b>+1,8%</b>
Upscale and Midscale Hotels	+19	+8	+3,8%
Economy	(2)	+15	+5,3%
Economy US	(46)	(12)	(10,5)%
<b>PREPAID SERVICES</b>	<b>+41</b>	<b>+60</b>	<b>+17,9%</b>
<b>OTHER BUSINESSES</b>	<b>(42)</b>	<b>(7)</b>	<b>(18,6)%</b>
Casinos	(4)	(2)	(6,2)%
Restaurants	(18)	-	(0,2)%
Onboard Train Services	(5)	(3)	(28,9)%
Holding Companies and other	(15)	(2)	(11,5)%
<b>Group total</b>	<b>(30)</b>	<b>+64</b>	<b>+6,6%</b>

**Decrease in 2008 EBIT by region:**

	<b>Reported change € m</b>	<b>Like-for-like change</b>	
		<b>€ m</b>	<b>%</b>
France	(7)	(2)	(0,7)%
Europe (excl. France)	(23)	+11	+2,7%
North America	(46)	(9)	(6,9)%
Latin America & Caribbean	+16	+29	+19,4%
Other Countries	+16	+18	+64,5%
Worldwide Structures	+14	+17	+20,6%
<b>Group total</b>	<b>(30)</b>	<b>+64</b>	<b>+6,6%</b>

## Note 10. Net Financial Expense

In € millions	2006 (*)	2007	2008
Net financial expense (1)	(98)	(86)	(102)
Other financial income and expense (2)	2	(6)	16
<b>Net financial expense</b>	<b>(96)</b>	<b>(92)</b>	<b>(86)</b>

(\*) In accordance with IFRS 5, Carlson Wagonlit Travel (CWT) net financial expense has been recognised in Profit or loss from discontinued operations (see Note 17)

(1) Net financial expense can be analyzed as follows between cash and non-cash items:

In € millions	2006	2007	2008
- Net financial expense - cash	(79)	(84)	(99)
- Net financial expense - non-cash	(19)	(2)	(3)
<b>Total Net financial expense</b>	<b>(98)</b>	<b>(86)</b>	<b>(102)</b>

Net financial expense includes interest received or paid on loans, receivables and debt measured at amortized cost.

(2) Other financial income and expense include the following items:

In € millions	2006	2007	2008
- Dividend income from non-consolidated companies (Available for sale financial assets)	3	2	1
- Exchange gains and losses (excl. financial instruments at fair value)	(3)	(1)	12
- Movements in provisions	2	(7)	3
<b>Total Other financial income and expense</b>	<b>2</b>	<b>(6)</b>	<b>16</b>

Exchange gains and losses mainly concern foreign currency debt measured at amortized cost and various dividend and capital flows in foreign currencies.



## Note 11. Share of Profit (Loss) of Associates after Tax

In € millions	2006	2007	2008
Share of profit of associates before tax	18	38	27
Share of tax of associates	(7)	(10)	(7)
<b>Share of profit of associates after tax</b>	<b>11</b>	<b>28</b>	<b>20</b>

The main contributions are as follows:

In € millions	2006	2007	2008
Orbis (Hotels, Poland) (*) (Note 2.D.1.2)	6	18	9
Dorint (Hotels, Germany) (Note 2.D.4)	(7)	N/A	N/A
Asia/Australia Hotels	4	4	3
Sofitel Hotels US	1	(1)	2
Tunisian and Moroccan investment funds (STI and RISMA)	0	1	0
Sofitel London St James (Hotels, UK)	1	1	1
Société Hôtelière Paris les Halles	2	3	4
Other	3	2	1
<b>Share of profit of associates after tax</b>	<b>11</b>	<b>28</b>	<b>20</b>

(\*) Following the acquisition of an additional 4.53% interest in Orbis during the second half of 2008, this sub-group has been fully consolidated.

## Note 12. Restructuring Costs

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Restructuring costs can be analyzed as follows:

In € millions	2006	2007	2008
Movements in Restructuring provisions	(16)	(10)	6
Restructuring costs	(53)	(48)	(62)
<b>Total</b>	<b>(69)</b>	<b>(58)</b>	<b>(56)</b>

Restructuring costs in 2006, 2007 and 2008 correspond mainly to the costs linked to the reorganization of the Group.

## Note 13. Impairment Losses

In € millions	2006	2007	2008
Goodwill	(29)	(53)	(14)
Intangible assets	(3)	(5)	0
Property, plant and equipment	(3)	(36)	(43)
Financial assets	(59)	(5)	0
<b>Impairment Losses</b>	<b>(94)</b>	<b>(99)</b>	<b>(57)</b>

The main assets and cash generating units for which impairment losses were recognized in 2006, 2007 and 2008 were as follows:

### A. Impairment of goodwill

In € millions	2006	2007	2008
<b>HOTELS</b>	<b>(19)</b>	<b>(4)</b>	<b>(10)</b>
Upscale and Midscale Hotels	(18)	(2)	(7)
Economy Hotels	(1)	(2)	(3)
Economy Hotels US	0	0	0
<b>PREPAID SERVICES</b>	<b>(3)</b>	<b>(13)</b>	<b>(2)</b>
<b>OTHER BUSINESSES</b>	<b>(7)</b>	<b>(36)</b>	<b>(2)</b>
Casinos	-	-	-
Restaurants	(1)	-	(1)
Onboard Train Services	-	-	-
Holding Companies and other	(6)	(36)	(1)
<b>TOTAL</b>	<b>(29)</b>	<b>(53)</b>	<b>(14)</b>

In 2006, impairment losses on goodwill primarily concerned Mercure Chopin in Warsaw for €12 million.

In 2007, impairment losses mainly concerned the fair value impact on the goodwill of a 4-star hotel in Paris.

In 2008, impairment losses resulted mainly from reviews of the recoverable amount of residual goodwill.

#### Sensitivity analysis:

A 0.25-point increase in the discount rate would have no impact on impairment losses recognized in 2008. A 0.50-point increase in the discount rate would have the effect of increasing impairment losses recognized in 2008 by approximately €15 million. A 1-point increase would have a €106 million impact, mainly on hotel assets in the United States.

### B. Impairment of intangible assets with an indefinite useful life

In 2007, following the periodic review of the recoverable amount of intangible assets with an indefinite useful life, a €5.2 million impairment loss was recognized.

Impairments recognized in 2008 were not material.

## C. Impairment of property, plant and equipment

In € millions	2006	2007	2008
<b>HOTELS</b>	<b>6</b>	<b>(36)</b>	<b>(43)</b>
Upscale and Midscale Hotels	8	(31)	(21)
Economy Hotels	(1)	(5)	(14)
Economy Hotels US	(1)	-	(8)
<b>PREPAID SERVICES</b>	-	-	-
<b>OTHER BUSINESSES</b>	<b>(9)</b>	-	-
Casinos	-	-	-
Restaurants	(1)	-	-
Onboard Train Services	-	-	-
Holding Companies and other	(8)	-	-
<b>TOTAL</b>	<b>(3)</b>	<b>(36)</b>	<b>(43)</b>

In 2007, the €36 million in impairment losses on property, plant and equipment corresponded mainly to write-downs of non-strategic assets available for sale and to provisions booked on the basis of regular reviews of asset values. In 2007, expenses concerned 64 hotels for €37.1 million and recovery concerned 21 hotels for €1.4 million.

In 2008, the €43 million in impairment losses on property, plant and equipment corresponded mainly to provisions booked on the basis of regular reviews of asset values. In 2008, expenses concern 75 hotels for € (47) million and recovery concern 15 hotels for € 4 million.

## D. Impairment of financial assets

In 2006, the loan to Dr. Ebertz was written down to fair value, giving rise to a €28.2 million provision for impairment (see. Note 2.D.4). In addition, the assets of the company created through the Dorint spin-off were marked to market, leading to the recognition of a €30.5 million impairment loss.

In 2007, impairments of financial assets mainly concerned the Group's investment in Société Calédonienne des Bains de Mer.

## Note 14. Gains and Losses on Management of Hotel Properties

In € millions	2006	2007	2008
Disposal gains and losses	140	238	109
Provisions for losses on hotel properties	(31)	(30)	2
<b>Total</b>	<b>109</b>	<b>208</b>	<b>111</b>

**In fiscal 2006**, the total included:

- ✓ A €143 million gain on the sale to Foncière des Murs of 58 hotel properties in France and 12 hotel properties in Belgium under a sale-and-variable leaseback arrangement based on a percentage of revenue (see Note 2.B.2.2).
- ✓ A €15 million loss on the sale of 6 Sofitel units in the United States, under a sale-and-long-term management back arrangement (see Note 2.B.1.1).
- ✓ Gains on disposal of non-strategic assets in Europe and the United States for €26 million (see Note 2.B.3).
- ✓ A €14 million loss on sale of all 6 hotels in Denmark.
- ✓ A €22 million provision for restructuring of the Dorint Group in Germany.

**In fiscal 2007**, the total included:

- ✓ A €319 million gain on the sale to Moor-Park and Land Securities of hotel properties in the Netherlands, in Germany (Moor Park) and in United Kingdom (Land Securities) under a sale-and-variable leaseback arrangement (see Notes 2.B.2.4 and 2.B.2.5).
- ✓ A €174 million loss on the sale of RRI (341 hotel properties) (see Note 2.C).
- ✓ A €26 million gain on the outright sale of Sofitel Le Parc.
- ✓ A €14 million gain on the sale of 2 Sofitel units in the United States, under a sale-and-long-term management back arrangement (see Note 2.B.1.2).

**In 2008**, the total included:

- ✓ A €87 million gain on the sale to Axa REIM of 55 units under a sale-and-variable leaseback arrangement based on a percentage of revenue (see Note 2.B.2.7).
- ✓ A €9 million gain on the sale in France of units under a sale and franchise-back arrangement.
- ✓ €12 million gains on disposal of non-strategic assets in Europe.

## Note 15. Gains and Losses on Management of Other Assets

In € millions	2006 (*)	2007	2008
Disposal gains and losses	20	243	41
Provision movements	26	(18)	(5)
Gains and losses on non-recurring transactions	(31)	(37)	(24)
<b>Total</b>	<b>15</b>	<b>188</b>	<b>12</b>

(\*) In accordance with IFRS 5, Carlson Wagonlit Travel (CWT) gains and losses on management of other assets have been recognised in Profit or loss from discontinued operations (see Note 17)

**In fiscal 2006**, disposal gains and losses mainly included the €15 million gain on the disposal of Casino Mandelieu, the €5 million gain on the disposal of Accor's stake in Compagnie du Mont-Blanc and the €4 million loss on the disposal of Compass.

In addition, a €6 million loss was recognized on the sale of part of the Group's interest in Club Méditerranée and a €5 million provision was recognized on the remaining 5.43% interest to be sold in the near future, based on the December 31, 2006 share price of €40.8 (see Note 2.A.3).

**In fiscal 2007**, disposal gains and losses mainly included

- ✓ Gains on disposals of non-strategic assets: GO Voyages (€204 million gain) and the Italian Food Services Business (€16 million gain) (see Notes 2.A.4 and 2.A.5).
- ✓ The costs linked to the exercise of purchase options on Motel 6 units in the United States previously operated under a fixed lease (€22 million loss).

**In fiscal 2008**, the total mainly included:

- ✓ Net gains on disposals of non-strategic assets for €41 million, including the Brazilian Food Services Business (€32 million gain) and office properties (€9 million gain).
- ✓ An additional €23 million impairment loss recognized on the Club Méditerranée shares held by the Group.

## Note 16. Income Tax Expense

### Note 16.1 Income tax expense for the period

In € millions	2006 (*)	2007	2008
Current tax	(266)	(252)	(253)
<b>Sub-total, current tax</b>	<b>(266)</b>	<b>(252)</b>	<b>(253)</b>
Deferred taxes (expense) income on new temporary differences and reversals of temporary differences arising in prior periods	-	13	(20)
Deferred taxes arising from changes in tax rates or tax laws	8	5	1
<b>Sub-total, deferred tax</b>	<b>8</b>	<b>18</b>	<b>(19)</b>
<b>Income tax expense excluding tax on the profits of associates</b>	<b>(258)</b>	<b>(234)</b>	<b>(272)</b>
Tax on profits of associates	(7)	(10)	(7)
Tax on profits of discontinued operations	(8)	-	-
<b>Tax of the period</b>	<b>(273)</b>	<b>(244)</b>	<b>(279)</b>

(\*) In accordance with IFRS 5, Carlson Wagonlit Travel (CWT) income tax expense has been recognised in Profit or loss from discontinued operations (see Note 17)



## Note 16.2. Effective tax rate

In € millions	2006 (1)	2007	2008
<b>Operating profit before tax (a)</b>	<b>688</b>	<b>1 146</b>	<b>885</b>
Non deductible impairment losses	18	53	(18)
Elimination of intercompany capital gains	2	417	298
Tax on share of profit (loss) of associates	7	10	7
Other	21	25	7
<b>Total permanent differences (non-deductible expenses) (b)</b>	<b>48</b>	<b>505</b>	<b>294</b>
<b>Untaxed profit and profit taxed at a reduced rate (c)</b>	<b>(182) (*)</b>	<b>(905) (**)</b>	<b>(422) (***)</b>
<b>Profit taxed at standard rate (d) = (a) + (b) + (c)</b>	<b>554</b>	<b>746</b>	<b>757</b>
<b>Standard tax rate in France (e)</b>	<b>34,43%</b>	<b>34,43%</b>	<b>34,43%</b>
<b>Tax at standard French tax rate (f) = (d) x (e)</b>	<b>(191)</b>	<b>(257)</b>	<b>(261)</b>
Effects on tax at standard French tax rate of:			
. Differences in foreign tax rates	17	40	39
. Unrecognized tax losses for the period	(32)	(21)	(31)
. Utilization of tax loss carryforwards	32	14	7
. Changes in deferred tax rates	9	5	1
. Share of profit (loss) of associates	7	10	7
. Net charges to/reversals of provisions for tax risks	(46)	15	(6)
. Other items	(24)	(31)	1
<b>Total effects on tax at standard French tax rate (g)</b>	<b>(37)</b>	<b>32</b>	<b>18</b>
<b>Tax at standard rate (h) = (f) + (g)</b>	<b>(228)</b>	<b>(225)</b>	<b>(243)</b>
<b>Tax at reduced rate (i)</b>	<b>(30) (*)</b>	<b>(9) (**)</b>	<b>(29) (***)</b>
<b>Income tax expense (j) = (h) + (i)</b>	<b>(258)</b>	<b>(234)</b>	<b>(272)</b>
Pre-tax operating profit taxed at standard rate	554	746	757
Income tax expense	(174)	(217)	(222)
<b>Group effective tax rate</b>	<b>31,4%</b>	<b>29,1%</b>	<b>29,3%</b>

(1) In accordance with IFRS 5, Carlson Wagonlit Travel (CWT) amounts are not reported (see Note 17)

(\*) In 2006, amounts mainly related to sales of real estate in France to Foncière des Murs (see Note 2.B.2). Pre-tax profit for fiscal 2006 includes €143 million in capital gains. The French Capital gains (€25 million) qualify for taxation at a reduced rate of 16.5% under the SII/C (REIT-style) tax regime.

(\*\*) In 2007, untaxed profit and profit taxed at a reduced rate mainly concerns real estate transactions in Germany and the Netherlands with Moor Park, and in the United Kingdom with Land Securities (see Note 2.B.2). The transaction with Moor Park in the Netherlands qualified for "tax ruling", while that with Land Securities in the United Kingdom was partially exempt. The transaction with Moor Park in Germany gave rise to current income tax expense of €10.2 million.

At December, 31, 2007, changes in deferred taxes arising from temporary differences and consolidation adjustments amounted to a positive €24.6 million in the Netherlands, a positive €10.5 million in the United Kingdom and a negative €4.1 million in respect of the sold hotels in Germany.

In France, gains on the sale of investments (mainly GO Voyages) were not taxed except for the 5% of their amount qualified as corresponding to costs and expenses.

(\*\*\*) In 2008, untaxed profit and profit taxed at a reduced rate mainly concerns real estate transactions in France and Switzerland with Axa Reim (see. Note 2.B.2.7). In France, €80.9 million in capital gains were taxed at the rate of 16.5% under the SIIC (REIT-style) tax regime, representing €13 million in tax, while in Switzerland, capital gains of €18.9 million were taxed in the amount of €6.8 million.

In addition, gains on sales of shares in France (mainly Accor Services shares transferred within the Group) were taxed at the reduced rate of 5%.

### Note 16.3 Details of deferred tax (Balance Sheet)

In € millions	2006	2007	2008
Timing differences between company profit and taxable profit	137	137	164
Timing differences between consolidated profit and company profit	78	40	53
Recognized tax losses	82	22	5
<b>Sub-total, deferred tax assets</b>	<b>297</b>	<b>199</b>	<b>222</b>
Timing differences between company profit and taxable profit	66	25	40
Timing differences between consolidated profit and company profit	179	145	159
<b>Sub-total, deferred tax liabilities</b>	<b>245</b>	<b>170</b>	<b>199</b>
<b>Deferred tax assets, net (liabilities)</b>	<b>52</b>	<b>29</b>	<b>23</b>

### Note 16.4 Unrecognized deferred tax assets

Unrecognized deferred tax assets at December 31, 2008 amounts to €204 million (December 31, 2007: €190 million and December 31, 2006: €129 million).

Unrecognized deferred tax assets at December 31, 2008 will expire in the following periods if not utilized:

In € millions	Deductible temporary differences	Tax loss carryforwards (1)	Tax credits	Total
Y+1	-	(2)	-	(2)
Y+2	-	(1)	-	(1)
Y+3	-	(2)	-	(2)
Y+4	-	(13)	-	(13)
Y+5 and beyond	(1)	(13)	-	(14)
Evergreen	(5)	(167)	-	(172)
<b>Deferred tax, net</b>	<b>(6)</b>	<b>(198)</b>	<b>-</b>	<b>(204)</b>

(1) Unrecognized deferred tax assets at December 31, 2008 include €70 million corresponding to the tax loss carryforwards of the NewGen companies in Germany, France, Austria and Poland (see note 2.D.4).

## Note 17. Profit or Loss from Discontinued Operations

In accordance with IFRS 5, profit or loss from discontinued operations includes:

- The profit or loss of the period of discontinued operation; and
- The profit or loss recognised on the disposal of the assets constituting the discontinued operations.

In 2007 and 2008, no sale had been classified as discontinued operations.

In 2006, Carlson Wagonlit Travel's sale (CWT) had been classified as discontinued operations (see Note 2.A.2).

Detail of profit or loss from discontinued operations (CWT) is at follow:

In € millions	2006
Profit or loss from discontinued operations before tax	22
Tax on Profit or loss from discontinued operation	(8)
Profit or loss recognised on the disposal of the assets constituting the discontinued operation	90
Tax on Profit or loss from discontinued operation	-
<b>PROFIT OR LOSS FROM DISCONTINUED OPERATIONS</b>	<b>104</b>

Detail of CWT consolidated income statement (including the profit recognised on the disposal) classified in profit or loss from discontinued operations in 2006 Accor consolidated Income Statements is as follow:

In € millions	2006
Revenue	244
Other operating revenue	-
<b>CONSOLIDATED REVENUE</b>	<b>244</b>
Operating expense	(200)
<b>EBITDAR</b>	<b>44</b>
Rental expense	(15)
<b>EBITDA</b>	<b>29</b>
Depreciation, amortization and provision expense	(6)
<b>EBIT</b>	<b>23</b>
Net financial expense	(1)
Share of profit of associates after tax	-
<b>OPERATING PROFIT BEFORE TAX AND NON RECURRING ITEMS</b>	<b>22</b>
Restructuring costs	-
Impairment losses	-
Gains and losses on management of hotel properties	-
Gains and losses on management of other assets	90
<b>OPERATING PROFIT BEFORE TAX</b>	<b>112</b>
Income tax expense	(8)
<b>NET PROFIT FROM DISCONTINUED OPERATIONS</b>	<b>104</b>

## Note 18. Goodwill

In € millions	Dec 2006	Dec 2007	Dec 2008
Goodwill (gross value)	2 187	2 417	1 932
Less impairment losses and amortization	(452)	(450)	-
<b>Goodwill, net</b>	<b>1 735</b>	<b>1 967</b>	<b>1 932</b>

In € millions	Notes	Dec 2006	Dec 2007	Dec 2008
<b>HOTELS</b>				
Motel 6		229	205	212
Germany	2.D.4	-	190	201
Upscale and Midscale France		244	184	184
Australia		192	174	144
Economy (excluding Motel 6 and Red Roof Inn)		87	93	91
Poland	2.D.1.2	-	-	95
Asia		44	39	41
Italy		33	33	33
Hungary		25	25	25
Egypt		24	24	24
Netherlands		21	21	13
Switzerland		9	17	11
Portugal		4	19	9
Red Roof Inn	2.C	150	-	-
Other hotels (< €6 million)		22	8	2
<b>Sub-total Hotels</b>		<b>1 084</b>	<b>1 032</b>	<b>1 085</b>
<b>PREPAID SERVICES</b>				
France (Kadéos)	2.D.2.2	-	181	181
Brazil		122	139	111
United Kingdom		34	100	83
Romania		34	37	37
Italy		35	36	33
Mexico		31	35	31
USA		35	33	33
Sweden		22	19	19
Germany		-	-	14
Australia		10	11	11
Asia		-	8	10
Venezuela		7	7	9
Argentina		10	-	-
Other Prepaid Services (< €6 million)		72	74	73
<b>Sub-total Prepaid Services</b>		<b>412</b>	<b>680</b>	<b>645</b>
<b>OTHER BUSINESSES</b>				
Casinos (Accor Casinos, SHCD and Groupe Lucien Barrière SAS)		156	162	162
Lenôtre		24	24	25
Food Business, Brazil	2.A.6	29	37	-
Other businesses (< €6 million)		30	32	15
<b>Sub-total Other businesses</b>		<b>239</b>	<b>255</b>	<b>202</b>
<b>Goodwill, net</b>		<b>1 735</b>	<b>1 967</b>	<b>1 932</b>

During the year, accumulated goodwill impairment losses at the first time application of IFRS, were written off by reducing the gross amount of the goodwill concerned.

Changes in the carrying amount of goodwill over the period were as follows:

In € millions	Notes	Dec 2006	Dec 2007	Dec 2008
<b>Carrying amount at beginning of period</b>		<b>1 897</b>	<b>1 735</b>	<b>1 967</b>
<b>Goodwill recognized on acquisitions for the period and other increases</b>		<b>277</b>	<b>492</b>	<b>159</b>
. Hotels, Poland (Consolidation of Orbis)	2.D.1.2	-	-	104
. Hotels, Germany (Earnt Out Newgen)	2.D.4	-	189	10
. Hotels, Portugal	2.D.1.3	-	15	-
. Economy Hotels (excluding Motel 6)		6	11	1
. Hotels, Switzerland		-	8	-
. Upscale and Midscale Hotels France		-	1	11
. Hotels, Brazil - Acquisition of Minority Interests		9	-	-
. Prepaid Services, France (Acquisition of Kadéos)	2.D.2.2	-	181	-
. Prepaid Services, United Kingdom (Acquisition of Prepay)	2.D.2.2	1	53	-
. Prepaid Services, United Kingdom (Acquisition of Motivano)	2.D.2.2	-	-	8
. Prepaid Services, Germany (Acquisition of Quasar)		-	-	8
. Prepaid Services, Romania (Acquisition of 30% of Hungastro)		3	8	-
. Other acquisitions of Prepaid Services		12	8	8
. Prepaid Services, Asia (Surfgold)	2.D.2.2	-	4	-
. Prepaid Services, Australia (Davidson & Trahaire)		-	-	4
. Prepaid Services, Italy (Serial)	2.D.2.1	35	1	-
. Prepaid Services, USA (Acquisition of Commuter Check Services - Transit Vouchers)	2.D.2.1	27	1	-
. Prepaid Services, Brazil (Acquisition of Minority Interests)	2.D.3	124	-	-
. Prepaid Services, Venezuela (Acquisition of Minority Interests)		-	-	2
. Food Business, Brazil (Acquisition of Minority Interests)	2.D.3	27	5	-
. Groupe Lucien Barrière SAS		1	5	-
. Lenôtre (Acquisition of stores)		-	1	1
. GO Voyages		7	-	-
. Time-Share Business, Australia		19	-	-
. Other		6	1	2
<b>Disposals</b>		<b>(8)</b>	<b>(167)</b>	<b>(79)</b>
<b>Impairment losses</b>		<b>(28)</b>	<b>(53)</b>	<b>(14)</b>
<b>Translation adjustment</b>		<b>(63)</b>	<b>(38)</b>	<b>(64)</b>
<b>Reclassifications on Property, Plant and Equipment</b>		<b>(25)</b>	<b>(18)</b>	<b>(27)</b>
<b>Reclassifications of Assets held for sale</b>		<b>(318)</b>	<b>-</b>	<b>-</b>
<b>Other reclassifications and movements</b>		<b>3</b>	<b>16</b>	<b>(10)</b>
<b>Carrying amount at end of period</b>		<b>1 735</b>	<b>1 967</b>	<b>1 932</b>

## Note 19. Intangible Assets

In € millions	Dec 2006	Dec 2007	Dec 2008
<b>Gross value</b>			
Motel 6 brand (1)	153	137	145
Red Roof Inn brand	91	-	-
Kadeos brand (2)	-	19	19
Other brands and networks (3)	30	57	92
Licenses, software	162	168	164
Other intangible assets (4)	167	222	338
<b>Total intangible assets at cost</b>	<b>603</b>	<b>603</b>	<b>758</b>
<b>Accumulated amortization and impairment losses</b>			
Licenses, software	(116)	(126)	(120)
Other intangible assets	(97)	(108)	(126)
<b>Total accumulated amortization and impairment losses</b>	<b>(213)</b>	<b>(234)</b>	<b>(246)</b>
<b>Intangible assets, net</b>	<b>390</b>	<b>369</b>	<b>512</b>

- (1) The decrease in value of the Motel 6 brand in 2008 was due to the change in the dollar/euro exchange rate (1.472 at December 31, 2007 versus 1.392 at December 31, 2008).
- (2) The Kadeos brand was valued following the acquisition of this company in March 2007 (see Note 2.D.2.2).
- (3) Including €52 million corresponding to land use rights for Ibis and Novotel hotels in China and €9 million in time-share utilization rights in Australia.
- (4) Including €162 million in lease premiums (of which €107 million increase in land use rights following the 2008 acquisition of Orbis) and the €49 million value attributed to customer lists (of which €19 million for Kadeos customer lists).

Changes in the carrying amount of intangible assets over the period were as follows:

In € millions	Dec 2006	Dec 2007	Dec 2008
<b>Carrying amount at beginning of period</b>	<b>437</b>	<b>390</b>	<b>369</b>
Additions	8	30	13
Internally-generated assets	23	26	22
Intangible assets of newly consolidated companies	13	68	133 (*)
Amortization for the period	(35)	(37)	(42)
Impairment losses for the period	(3)	(5)	-
Disposals	(4)	(94)	(4)
Translation adjustment	(33)	(30)	(28)
Reclassifications	(16)	21	49
<b>Carrying amount at end of period</b>	<b>390</b>	<b>369</b>	<b>512</b>

(\*) Following the acquisition of an additional 4.53% interest in Orbis during the second half of 2008, this sub-group has been fully consolidated.

The following intangible assets are considered as having an indefinite useful life:

In € millions	Dec 2006	Dec 2007	Dec 2008
Motel 6 brand	153	137	145
Kadéos brand	-	19	19
Red Roof Inn brand	91	-	-
Other brands and Networks	30	57	92
<b>Carrying amount at end of period</b>	<b>274</b>	<b>213</b>	<b>256</b>

The above brands and lease premiums have been qualified as having an indefinite useful life because the Group considers that there is no foreseeable limit to the period in which they can be used.

Contracts totalling €6 million have been signed for the purchase of intangible assets at December 31, 2008. They are not recognised in the balance sheet.

## Note 20. Property, Plant and Equipment

### Note 20.1 Property, plant and equipment by nature

In € millions	Dec 2006	Dec 2007	Dec 2008
Land	471	409	519
Buildings	2 268	2 074	2 639
Fixtures	1 949	1 739	2 089
Equipment and furniture	1 471	1 466	1 619
Constructions in progress	204	260	312
<b>Property, plant and equipment, at cost</b>	<b>6 363</b>	<b>5 948</b>	<b>7 178</b>

In € millions	Dec 2006	Dec 2007	Dec 2008
Buildings	(774)	(691)	(768)
Fixtures	(999)	(876)	(981)
Equipment and furniture	(938)	(931)	(964)
Constructions in progress	(5)	(6)	(3)
<b>Total of amortization</b>	<b>(2 716)</b>	<b>(2 504)</b>	<b>(2 716)</b>
Land	(8)	(5)	(6)
Buildings	(97)	(75)	(81)
Fixtures	(25)	(29)	(36)
Equipment and furniture	(8)	(11)	(12)
Constructions in progress	(3)	(3)	(3)
<b>Total of impairment losses</b>	<b>(141)</b>	<b>(123)</b>	<b>(138)</b>
<b>Accumulated amortization and impairment losses</b>	<b>(2 857)</b>	<b>(2 627)</b>	<b>(2 854)</b>

In € millions	Dec 2006	Dec 2007	Dec 2008
Land	463	404	513
Buildings	1 397	1 308	1 790
Fixtures	925	834	1 072
Equipment and furniture	525	524	643
Constructions in progress	196	251	306
<b>Property, plant and equipment, net</b>	<b>3 506</b>	<b>3 321</b>	<b>4 324</b>

Changes in the carrying amount of property, plant and equipment during the period were as follows:

In € millions	Dec 2006	Dec 2007	Dec 2008
<b>Net carrying amount at beginning of period</b>	<b>3 891</b>	<b>3 506</b>	<b>3 321</b>
Property, plant and equipment of newly acquired companies	15	169	423
Capital expenditure	660	875	1 240 (*)
Disposals	(391)	(478)	(158)
Amortization for the period	(386)	(360)	(393)
Impairment losses for the period	(3)	(29)	(43)
Translation adjustment	(132)	(120)	(89)
Reclassification of assets held for sale (see Note 32)	(188)	(232)	44
Other reclassifications	40	(10)	(21)
<b>Net carrying amount at end of period</b>	<b>3 506</b>	<b>3 321</b>	<b>4 324</b>

(\*) Including 9 hotels in France and 84 hotels in the United States acquired following the exercise of purchase options.



At December 31, 2008, contracts totalling €234 million have been signed for the purchase of property, plant and equipment. They are not recognised in the balance sheet. At December 31, 2007, contracts totaled €252 million.

In addition, under the Foncière des Murs transactions (see Note 2.B.2 and Note 42), Accor is committed to carrying out €98 million worth of work over the period 2005-2009 and Foncière des Murs is committed to carrying out €151 million worth of work over the same period.

At December 31, 2008, €94 million worth of work was carried out by the Group. Under the terms of the leases with Foncière des Murs, the Group is required to pay the cost of maintaining the hotels over the period from January 1, 2009 to the first possible lease termination date (July 1, 2017). The costs to be paid by the Group may not represent less than a certain percentage of the hotels' revenues (4% for Ibis & Etap Hotel, 3.5% for Novotel & Sofitel, and 3% or 3.5% for Mercure).

In addition, Accor is committed to carrying out €27 million worth of work in France and Switzerland, under the Axa Reim transactions (see Note 2.B.2.7).

Borrowing costs included in the carrying amount of property, plant and equipment at December 31, 2008 came to €7 million (€8 million at December 31, 2007). The capitalization rate used to determine the amount of borrowing costs eligible for capitalization was 4.94% (Group average borrowing cost at December 31, 2007).

## Note 20.2 Finance leases

At December 31, 2008, the carrying amount of finance leases recognized in the balance sheet in net value is €125 million (December 31, 2007: €107 million), as follows:

In € millions	Dec 2006	Dec 2007	Dec 2008
Land	27	20	24
Buildings	168	161	160
Fixtures	66	59	66
Equipment and furniture	29	11	15
<b>Property, plant and equipment, at cost</b>	<b>290</b>	<b>251</b>	<b>265</b>
Buildings	(88)	(97)	(81)
Fixtures	(48)	(38)	(46)
Equipment and furniture	(24)	(9)	(13)
<b>Cumulated amortization and impairment losses</b>	<b>(160)</b>	<b>(144)</b>	<b>(140)</b>
<b>Property, plant and equipment, net</b>	<b>130</b>	<b>107</b>	<b>125</b>

Finance lease liabilities can be analyzed as follows by maturity:

	Debt in € millions Non Discounted
2008	180
2009	161
2010	154
2011	145
2012	128
2013	115
2014	105
2015	97
2016	92
2017	82
2018	73
2019	63
2020	59
2021	54
> 2022	50

## Note 21. Long-Term Loans

In € millions	Dec 2006	Dec 2007	Dec 2008
Gross value	305	125	96
Cumulated impairment losses	(36)	(18)	(18)
<b>Long-term loans, net</b>	<b>269</b>	<b>107</b>	<b>78</b>

In € millions	Dec 2006	Dec 2007	Dec 2008
Hotels, Asia-Pacific (1)	126	80	67
Hotels, Germany	13	-	-
Hotels, Netherlands	28	-	-
Hotels, United States/Canada	23	-	-
Hotels, United Kingdom	28	-	-
Front de Seine Participations (Novotel Paris Tour Eiffel)	26	-	-
Other	25	27	11
<b>Total</b>	<b>269</b>	<b>107</b>	<b>78</b>

(1) Loans to hotels in the Asia-Pacific region mainly include loans to Tahl (an Australian property company) for €48 million at December 31, 2008,

## Note 22. Investments in Associates

In € millions		Dec 2006	Dec 2007	Dec 2008
Orbis (Hotels, Poland)	(Note 2.D.1.2) (1)	178	250	-
Accor Asia-Pacific subsidiaries (*)		55	96	94
Moroccan investment fund (RISMA)	(2)	32	33	35
Société Hôtelière Paris Les Halles	(3)	9	11	12
The Grand Real Estate (Sofitel The Grand, Hotels, Netherlands)	(4)	-	-	10
Egyptian investment fund		11	10	12
Sofitel London St James (Hotels, United Kingdom)		4	5	4
Tunisian investment fund (STI)	(5)	6	4	-
Front de Seine Participations	(6)	1	-	-
Sofitel Hotels, USA (25%)	(Note 2.B.1) (7)	14	(8)	(12)
Other		16	20	21
<b>Total</b>		<b>326</b>	<b>421</b>	<b>176</b>

(\*)The Asia-Pacific investments primarily include Interglobe Hotels Entreprises Limited for €23 million, Ambassador Inc and Ambatel Inc (South Korea) for €12 million, Sofitel Mumbai for €9 million.

(1) Key figures for Orbis are as follows:

Orbis (Hotels, Poland) (In € millions)	Dec 2006	Dec 2007	Dec 2008
Revenue	275	307	N/A
Net profit (loss)	35	40	N/A
Net cash/(Net debt)	(54)	(45)	N/A
Equity	379	443	N/A
Market capitalization	759	891	N/A
Total assets	593	658	N/A
% interest held	40,58%	45,48%	N/A

Following the acquisition of an additional 4.53% interest in Orbis during the second half of 2008, this sub-group has been fully consolidated.

(2) Key figures for the hotel investment fund in Morocco (Risma) are as follows:

Risma (Moroccan investment fund) (In € millions)	Dec 2006	Dec 2007	Dec 2008
Revenue	68	83	98
Net profit (loss)	3	3	1
Net cash/(Net debt)	(34)	(119)	(138)
Equity	89	91	94
Market capitalization	240	238	163
Total assets	166	272	278
% interest held	34,92%	34,92%	34,92%

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

Société Hôtelière Paris Les Halles (In € millions)	Dec 2006	Dec 2007	Dec 2008
Revenue	64	69	67
Net profit (loss)	6	8	12
Net cash/(Net debt)	(88)	(91)	(77)
Equity	15	24	35
Market capitalization	N/A	N/A	N/A
Total assets	131	141	137
% interest held	31,19%	31,19%	31,19%

(4) Key figures for Sofitel The Grand (Netherlands) are as follows:

<b>The Grand Real Estate (Hotels, Netherlands) Sofitel The Grand (In € millions)</b>	<b>Dec 2006</b>	<b>Dec 2007</b>	<b>Dec 2008</b>
Revenue	N/A	N/A	11
Net profit (loss)	N/A	N/A	(4)
Net cash/(Net debt)	N/A	N/A	(6)
Equity	N/A	N/A	16
Market capitalization	N/A	N/A	N/A
Total assets	N/A	N/A	28
% interest held	N/A	N/A	58,00% (*)

This company was fully consolidated in 2007 and accounted for by the equity method in 2008 following a sale-and-management-back transaction.

(\*) The percentage of control is 40 %.

(5) Key figures for Société Tanit International are as follows:

<b>Société Tanit International (In € millions)</b>	<b>Dec 2006</b>	<b>Dec 2007</b>	<b>Dec 2008</b>
Revenue	21	21	N/A
Net profit (loss)	(4)	(6)	N/A
Net cash/(Net debt)	(5)	(5)	N/A
Equity	18	12	N/A
Market capitalization	N/A	N/A	N/A
Total assets	30	23	N/A
% interest held	37,50%	37,50%	N/A

On May, 6, 2008 Accor sold its 37,5% interest in Société Tanit International

(6) Key figures for Front de Seine Participations, owner of the Novotel Paris Tour Eiffel, are as follows:

<b>Front de Seine Participations (Novotel Paris Tour Eiffel) (In € millions)</b>	<b>Dec 2006</b>	<b>Dec 2007</b>	<b>Dec 2008</b>
Revenue	44	18	N/A
Net profit (loss)	2	0	N/A
Net cash/(Net debt)	(99)	(96)	N/A
Equity	-	-	N/A
Market capitalization	N/A	N/A	N/A
Total assets	119	117	N/A
% interest held	40,00%	Sold	N/A

During 2007, Accor sold its 40% interest in Front de Seine Participations and signed a business lease with the new owner of the Novotel Paris Tour Eiffel building and the hotel business. The business lease covers a period of 18 years and is renewable once for a further 18 years. Rents are based on a percentage of hotel revenue, with no guaranteed minimum.

(7) Key figures for Sofitel Hotels, USA are as follows:

<b>Sofitel Hotels USA (In € millions)</b>	<b>Dec 2006</b>	<b>Dec 2007</b>	<b>Dec 2008</b>
Revenue	75	178	167
Net profit (loss)	3	(4)	8
Net cash/(Net debt)	(223)	(455)	(469)
Equity	57	(33)	(46)
Market capitalization	N/A	N/A	N/A
Total assets	309	464	481
% interest held	25,00%	25,00%	25,00%

## Note 23. Other Financial Investments

In € millions	Dec 2006	Dec 2007	Dec 2008
Investments in non-consolidated companies ( <i>Available for sale financial assets</i> )	192	171	157
Deposits ( <i>Loans and Receivables</i> )	98	66	67
<b>Other financial investments, at cost</b>	<b>290</b>	<b>237</b>	<b>224</b>
Accumulated impairment losses	(46)	(55)	(75)
<b>Other financial investments, net</b>	<b>244</b>	<b>182</b>	<b>149</b>

Accumulated impairment losses relate almost entirely to investments in non-consolidated companies.

Other financial investments break down as follows:

In € millions	Dec 2006	Dec 2007	Dec 2008
Club Méditerranée (1)	90	37	14
Other (2)	154	145	135
<b>Other financial investments, net</b>	<b>244</b>	<b>182</b>	<b>149</b>

(1) Accor holds 1,162,630 shares corresponding to 6% of Club Méditerranée share capital (Cf. Note 2.A.3). At December 31, 2008, the remaining shares were carried in the balance sheet in an amount of €14 million, corresponding to the share price at that date of €11.98 per share.

(2) Including Moor Park for €28 million and TAHL (Australia) for €16 million.

## Note 24. Receivables and Payables

### Note 24.1 Trade receivables and related provision

In € millions	Dec 2006	Dec 2007	Dec 2008
Gross value	1 356	1 655	1 375
Provisions	(48)	(57)	(62)
<b>Net</b>	<b>1 308</b>	<b>1 598</b>	<b>1 313</b>

Provisions for impairment in value of trade receivables correspond to numerous separate provisions, none of which are material. Past-due receivables are tracked individually and regular estimates are made of potential losses in order to increase the related provisions if and when required. Past-due receivables not covered by provisions are not material.

### Note 24.2 Details of other receivables and accruals

In € millions	Dec 2006	Dec 2007	Dec 2008
Recoverable VAT	207	218	305
Prepaid wages and salaries and payroll taxes	10	9	9
Other prepaid and recoverable taxes	57	40	24
Other receivables	257	342	345
Other prepaid expenses	216	125	159
<b>Other receivables and accruals, at cost</b>	<b>747</b>	<b>734</b>	<b>842</b>
<b>Provisions</b>	<b>(20)</b>	<b>(19)</b>	<b>(18)</b>
<b>Other receivables and accruals, net</b>	<b>727</b>	<b>715</b>	<b>824</b>

### Note 24.3 Details of other payables

In € millions	Dec 2006	Dec 2007	Dec 2008
VAT payable	104	117	186
Wages and salaries and payroll taxes payable	479	522	490
Other taxes payable (*)	171	313	327
Other payables (*)	328	426	434
Deferred income	340	179	165
<b>Other payables</b>	<b>1 422</b>	<b>1 557</b>	<b>1 602</b>

(\*) including €192 million of "precompte" (see Note 41).

## Note 24.4 Analysis of other receivables / payables' periods

In € millions at December 31, 2008	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years	Dec 2008	Dec 2007	Dec 2006
Inventories	103	-	-	103	74	64
Trade receivables	1 313	-	-	1 313	1 598	1 308
Recoverable VAT	291	14	-	305	218	207
Prepaid payroll taxes	9	-	-	9	9	10
Other prepaid and recoverable taxes	24	-	-	24	40	57
Other receivables	321	6	-	327	323	237
<b>CURRENT ASSETS</b>	<b>2 061</b>	<b>20</b>	<b>-</b>	<b>2 081</b>	<b>2 262</b>	<b>1 883</b>
Trade payables	765	-	-	765	679	599
VAT payable	186	-	-	186	117	104
Wages and salaries and payroll taxes payable	468	20	2	490	522	479
Other taxes payable	327	-	-	327	313	171
Other payables	431	3	-	434	426	328
<b>CURRENT LIABILITIES</b>	<b>2 177</b>	<b>23</b>	<b>2</b>	<b>2 202</b>	<b>2 057</b>	<b>1 681</b>

## Note 25 . Potential Ordinary Shares

### Note 25.1. Number of potential shares

At December 31, 2008, the Company's share capital was made up of 219,894,523 ordinary shares. The average number of ordinary shares outstanding during the period was 221,237,466. **The number of outstanding shares at December 31, 2008 was 219,894,523.**

In addition, employee stock options exercisable for 9,591,890 ordinary shares, representing 4.36% of the capital, were outstanding at December 31, 2008, as follows:

- 634,550 stock options exercisable at a price of €40.58 per share (Plan 5)
- 1,391,848 stock options exercisable at a price of €37.77 per share (Plan 6)
- 74,503 stock options (stock savings warrants) exercisable at a price of €39.10 per share (Plan 7)
- 56,250 stock options exercisable at a price of €31.83 per share (Plan 8)
- 1,155,761 stock options exercisable at a price of €35.68 per share (Plan 9)
- 83,510 stock options (stock savings warrants) exercisable at a price of €33.94 per share (Plan 10)
- 1,276,200 stock options exercisable at a price of €32.42 per share (Plan 11)
- 1,224,200 stock options exercisable at a price of €46.15 per share (Plan 12)
- 654,250 stock options exercisable at a price of €49.10 per share (Plan 13)
- 1,470,665 stock options exercisable at a price of €68.65 per share (Plan 14)
- 95,000 stock options exercisable at a price of €71.72 per share (Plan 15)
- 1,403 stock options (stock savings warrants) exercisable at a price of €60.44 per share (Plan 16)
- 1,398,750 stock options exercisable at a price of €46.46 per share (Plan 17)
- 75,000 stock options exercisable at a price of €42.70 per share (plan 18)

In 2007 and 2008, Accor also made performance share grants to members of senior management, with vesting conditions based on the Group's results. On May 14, 2007, Accor made 56,171 performance share grants, with vesting conditions based on the Group's 2007 and 2008 results. On March 28, 2008, Accor made 107,034 performance share grants, with vesting conditions based on the Group's 2008 and 2009 results (see Note 25.3). The performance targets were only partly met in 2008, with the result that only 132,936 shares have vested.

**Conversion of all of the potential shares presented above would have the effect of increasing the number of shares outstanding to 229,619,349.**

### Note 25.2. Diluted earnings per share

Based on the above number of potential shares and the average Accor share price for 2008 of €43.05, the diluted weighted average number of shares outstanding in 2008 was 222,077,039. Diluted earnings per share were therefore calculated as follows:

In € millions	Dec 2006	Dec 2007	Dec 2008
Net profit, Group share	501	883	575
Adjustment for OCEANE convertible bonds (1)	28	8	-
Adjusted Net profit, Group share	<b>529</b>	<b>891</b>	<b>575</b>
Weighted average number of ordinary shares (in thousands)	224 738	225 013	221 237
Number of shares resulting from the exercise of stock options	2 367	2 869	840
Number of shares resulting from the conversion of OCEANES	16 894	8 062	-
Fully diluted weighted average number of shares (in thousands)	243 998	235 944	222 077
<b>Diluted earnings per share</b>	<b>2,17</b>	<b>3,78</b>	<b>2,59</b>



(1) The adjustment for OCEANE convertible bonds breaks down as follows:

In € millions	2006	2007	2008
Cancellation of interest expense on OCEANE convertible bonds, net of tax	25	8	-
Cancellation of redemption premiums on OCEANE convertible bonds, net of tax	3	-	-
<b>Total</b>	<b>28</b>	<b>8</b>	<b>-</b>

The following instruments that may have a dilutive impact on basic earnings per share in the future have not been included in the calculation of diluted earnings per share because they did not have a dilutive effect on 2008:

- ✓ 1,224,200 stock options at a price of €46.15 exercisable from January 10, 2010 until January 9, 2013 (Plan 12).
- ✓ 654,250 stock options at a price of €49.10 exercisable from March 25, 2010 until March 24, 2013 (Plan 13).
- ✓ 1,470,665 stock options at a price of €68.65 exercisable from March 23, 2010 until March 22, 2014 (Plan 14).
- ✓ 95,000 stock options at a price of €71.72 exercisable from May 15, 2011 until May 14, 2014 (Plan 15).
- ✓ 1,403 stock options at a price of €60.44 exercisable from September 13, 2010 until September 13, 2015 (Plan 16).
- ✓ 1,398,750 stock options at a price of €46.46 exercisable from March 29, 2012 until March 28, 2015 (Plan 17).
- ✓ 75,000 stock options at a price of €42.70 exercisable from October 1<sup>st</sup>, 2012 until September 30, 2015 (Plan 18).

### Note 25.3. Share-based payments

#### STOCK OPTION PLANS

##### Description of the main plans

The following table summarizes the characteristics of stock options outstanding at December 31, 2008, as well as of options that were cancelled or expired during the period.

	Grant date	Life of plan	Number of options granted	Option exercise date	Number of grantees	Exercise price	Cash-settled or equity-settled
Plan 3	March 30, 2000	8 years	690 125	from 30/03/05 until 30/03/08	809	37,00 €	Equity
Plan 5	January 4, 2001	8 years	1 957 000	from 4/01/04 until 4/01/09	32	40,58 €	Equity
Plan 6	January 8, 2002	8 years	3 438 840	from 8/01/05 until 8/01/10	2 032	37,77 €	Equity
Plan 7	July 12, 2002	7 years	104 361	from 12/07/05 until 12/07/09	3 890	39,10 €	Equity
Plan 8	January 3, 2003	8 years	148 900	from 4/01/06 until 3/01/11	67	31,83 €	Equity
Plan 9	January 7, 2004	8 years	1 482 900	from 8/01/07 until 7/01/12	1 517	35,68 €	Equity
Plan 10	July 9, 2004	8 years	88 131	from 9/07/07 until 9/07/12	3 390	33,94 €	Equity
Plan 11	January 12, 2005	7 years	1 298 950	from 13/01/09 until 12/01/12	903	32,42 €	Equity
Plan 12	January 9, 2006	7 years	1 231 200	from 10/01/10 until 09/01/13	191	46,15 €	Equity
Plan 13	March 24, 2006	7 years	666 950	from 25/03/10 until 24/03/13	818	49,10 €	Equity
Plan 14	March 22, 2007	7 years	1 492 845	from 23/03/11 until 22/03/14	958	68,65 €	Equity
Plan 15	May 14, 2007	7 years	95 000	from 15/05/11 until 14/05/14	11	71,72 €	Equity
Plan 16	September 13, 2007	8 years	1 403	from 13/09/10 until 13/09/15	40	60,44 €	Equity
Plan 17	March 28, 2008	7 years	1 409 400	from 29/03/12 until 28/03/15	1 022	46,46 €	Equity
Plan 18	September 30, 2008	7 years	75 000	from 01/10/12 until 30/09/15	6	42,70 €	Equity

Options granted under Plan 15 are performance options. The options vest in four equal tranches in each of the years 2007 to 2010 based on the attainment of performance targets expressed in terms of growth in the Accor Group's return on capital employed (ROCE) and profit after tax and before non-recurring items.

If the performance targets are met at the end of each year, grantees will receive one quarter of the options included in the initial grant. If only one of the two targets is met, they will receive one eighth of the options.

For all of the options to vest, ROCE and profit after tax and before non-recurring items will have to increase by around 10% or more per year. If ROCE and profit after tax and before non-recurring items increase by less than 10% (but more than 0%), the number of vested options will be reduced based on the ratio between the actual increase and 10%.

The performance criteria were met in 2007 and grantees will therefore receive a total of 23,750 options at the end of the vesting period, provided that they continue to be employed by the Group at that date.

The performance criteria were only partially met in 2008 and grantees are guaranteed to receive a total of 20,781 options at the end of the vesting period, provided that they continue to be employed by the Group at that date.

#### Changes in outstanding stock options during 2006, 2007 and 2008 are as follows:

	December 31, 2006		December 31, 2007		December 31, 2008	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding at beginning of period	10 174 625	37,36 €	9 049 919	39,15 €	8 472 298	44,71 €
Options granted	1 898 150	47,19 €	1 587 845	68,83 €	1 485 803	46,28 €
Options cancelled or expired	(203 275)	35,81 €	(249 032)	41,72 €	(163 253)	42,50 €
Options exercised	(2 819 581)	38,35 €	(1 916 434)	38,84 €	(202 958)	36,81 €
Options outstanding at end of period	9 049 919	39,15 €	8 472 298	44,71 €	9 591 890	45,16 €
Options exercisable at end of period	4 323 588	38,91 €	3 717 303	37,38 €	3 396 422	37,42 €

#### Outstanding options at December 31, 2008 are as follows:

	Exercise price	Number of outstanding options	Remaining life of the options
Plan 5	40,58 €	634 550	4 days
Plan 6	37,77 €	1 391 848	1 year
Plan 7	39,10 €	74 503	6 month
Plan 8	31,83 €	56 250	2 years
Plan 9	35,68 €	1 155 761	3 years
Plan 10	33,94 €	83 510	3.6 years
Plan 11	32,42 €	1 276 200	3 years
Plan 12	46,15 €	1 224 200	4 years
Plan 13	49,10 €	654 250	4.3 years
Plan 14	68,65 €	1 470 665	5.3 years
Plan 15	71,72 €	95 000	5.4 years
Plan 16	60,44 €	1 403	6.8 years
Plan 17	46,46 €	1 398 750	6.3 years
Plan 18	42,70 €	75 000	6.8 years

#### Fair value of options

IFRS 1 allows the recognition in the accounts of equity-settled stock options only granted after 7 November 2002 that had not yet vested at January 1, 2005.

In the case of the Accor Group, IFRS 2 applies to options granted under eleven plans set up from 2003 to December 2008.

The fair value of these options at the grant date has been determined using the Black & Scholes option-pricing model.

The main data and assumptions used for the fair value calculations are as follows:

	Plan 8	Plan 9	Plan 10	Plan 11	Plan 12	Plan 13	Plan 14	Plan 15	Plan 16	Plan 17	Plan 18
Accor share price at the option grant date	30,50 €	35,18 €	33,71 €	31,64 €	49,80 €	48,30 €	70,95 €	70,45 €	62,35 €	47,10 €	37,12 €
Option exercise price	31,83 €	35,68 €	33,94 €	32,42 €	46,15 €	49,10 €	68,65 €	71,72 €	60,44 €	46,46 €	42,70 €
Expected volatility (*)	39,58%	39,68%	39,18%	37,64%	35,36%	34,60%	31,73%	31,60%	27,57%	27,87%	26,72%
Contractual life of the options	8 years	8 years	8 years	7 years	7 years	7 years	7 years	7 years	8 years	7 years	7 years
Expected share yield (**)	3,54%	3,44%	3,55%	2,94%	3,13%	3,74%	3,94%	4,25%	4,15%	3,84%	4,03%
Fair value of options (***)	8,91 €	10,52 €	10,07 €	8,48 €	14,11 €	12,57 €	20,38 €	19,36 €	16,66 €	11,55 €	7,00 €

(\*) Weighted volatility based on exercise periods

(\*\*) Expected share yield based on exercise periods

(\*\*\*) Fair value of options based on exercise periods

The dividend rate used to measure the fair value of options is 3.03% for plans 8, 9, 10, 3.22% for plans 11, 12, 13, 2.29% for plans 14, 15 and 16 and 2.53% for plans 17 and 18. These rates correspond to the average payout rate for the previous two or three years.

### **Maturities of stock options**

The Group has decided to base the exercise dates of stock options under these plans on observed exercise dates under previous plans. The same principle has been applied to all plans, as follows:

- 35% of options exercised after 4 years
- 20% of options exercised after 5 years
- 35% of options exercised after 6 years
- 5% of options exercised after 7 years – 10% for plans 11, 12, 13, 14, 15, 17 and 18
- 5% of options exercised after 8 years

Maturities stock options correspond to the options' expected lives.

### **Share price volatility**

The Group has chosen to apply a volatility rate calculated by reference to historical data for the eight years preceding the grant date. Different volatility rates have been applied, calculated from granted date, to each maturity as presented above.

### **Cost of share-based payments recognized in the accounts**

The total cost recognized in employee benefits expense by adjusting equity in respect of share-based payments amounted to €22 million at December 31, 2008 (December 31, 2007: €17 million, December 31, 2006: €14 million).

### **Employee Stock Ownership Plan**

In April 2007, an employee rights issue was carried out under the Employee Stock Ownership Plan.

The issue was leveraged, meaning that for each share purchased between June 11 and 18, 2007 the bank that partnered Accor in the issue financed an additional nine shares on behalf of the employee. At the end of the 5-year lock-up period, employees will receive a cash payment equal to the average increase in value of the Accor shares purchased with their own funds and with the financing provided by the bank. In addition, the employees' initial investment in the shares is guaranteed by the bank.

The plan's characteristics are as follows:

- Reference share price: €68.61
- Employee discount: 18.9%
- Discounted subscription price: €55.64 (except in Germany where employees were not entitled to the discount but were awarded stock warrants)

At the close of the subscription period, the Group issued 770,529 new shares purchased by employees under the plan, including 769,126 shares acquired through corporate mutual funds and 1,403 purchased directly.

The fair value of the employee benefit, totalling €9.7 million, was recognized in full in "Employee benefits expense" by adjusting equity, in first-half 2007. The cost represented by the lock-up clause, determined only for shares purchased by employees (not for any shares financed by a bank loan) was calculated by discounting the discount over 5 years at a 5.5% discount rate and amounted to €0.2 million. For 2007, the cost of the lock-up was measured at 5.5% of the discounted subscription price.

### **PERFORMANCE SHARE PLANS**

In 2007 and 2008, Accor decided to grant performance shares to senior executives and certain employees.

A total of 56,171 performance shares were granted to senior executives and certain employees on May 14, 2007 and 107,034 performance shares on March 28, 2008.

The performance shares are subject to vesting conditions based on growth in Accor's return on capital employed (ROCE) and profit after tax and before non-recurring items for each of the years 2007 and 2008 for the first plan and for each of the years 2008 and 2009 for the second plan. Half of the shares will vest in each year if both performance targets are met. If only one of the performance targets is met, a quarter of the shares will vest.

For all of the shares to vest, ROCE and profit after tax and before non-recurring items will have to increase by around 10% or more per year. If ROCE and profit after tax and before non-recurring items increase by less than 10% (but more than 0%), the number of vested shares will be reduced based on the ratio between the actual increase and 10%.

The shares are subject to a two-year lock-up.

The cost of the performance share plan – corresponding to the fair value of the share grants – amounts to €4 million for the first plan and €5 million for the second plan and is being recognized on a straight-line basis over the vesting period under “Employee benefits expense” with a corresponding adjustment to equity. The fair value of the share grants is measured as the average of the Accor share prices for the twenty trading days preceding the grant date multiplied by the number of shares granted under the plan.

Certain performance targets were not met in 2008, leading to a reduction in the fair value of the share grants to €3.7 million for the first plan and €1.2 million for the second plan.

The performance targets were met in 2007 and grantees will therefore receive 28,085 performance shares at the end of the vesting period under the first plan, provided that they continue to be employed by the Group at that date. In 2008, only one of the two performance criteria was met and grantees are therefore guaranteed to receive a total of 51,333 shares at the end of the vesting period (24,575 shares under the first plan and 26,758 shares under the second plan), provided that they continue to be employed by the Group at that date.

## Note 26. Cumulative Unrealized Gains and Losses on Financial instruments

In € millions	Dec 2006	Dec 2007	Dec 2008
OCEANE convertible bonds (1)	94	66	-
Equity notes	433	-	-
Mutual fund units	2	-	-
Interest rate and currency swaps	1	-	(6)
Fair value adjustments to non-consolidated investments	(6)	-	-
Fair value adjustments to available-for-sale investments	-	-	-
<b>Impact on equity</b>	<b>524</b>	<b>66</b>	<b>(6)</b>

(1) This mainly corresponds to the equity component of the OCEANE convertible bonds.  
The equity component of the €570 million 2002 OCEANEs and the €616 million 2003 OCEANEs initially amounted to €50 million and €75 million respectively.  
The equity component was adjusted as the OCEANEs were converted or redeemed. The last OCEANEs were redeemed in full at the beginning of 2008.

### Change in fair value adjustments on financial instruments recognized in equity

In € millions	Dec 2006	Dec 2007	Dec 2008
<b>Available for sale Financial Assets</b>	<b>(9)</b>	<b>5</b>	<b>-</b>
<i>Gains (losses) recognised in Equity during the period</i>	(9)	(1)	-
<i>Gains (losses) reclassified to profit or loss</i>	-	6	-
<b>Cash flow hedges</b>	<b>2</b>	<b>(1)</b>	<b>(6)</b>
<i>Gains (losses) recognised in Equity during the period</i>	2	(1)	(6)
<i>Gains (losses) reclassified to profit or loss</i>	-	-	-
<b>Changes in Reserve</b>	<b>(7)</b>	<b>4</b>	<b>(6)</b>

## Note 27. Minority interests

In € millions	
<b>At December 31, 2005</b>	<b>95</b>
Minority interests in profit for the period	33
Dividends paid to minority interests	(28)
Translation adjustment	(3)
Changes in scope of consolidation (1)	(31)
<b>At December 31, 2006</b>	<b>66</b>
Minority interests in profit for the period	29
Dividends paid to minority interests	(19)
Translation adjustment	(3)
Changes in scope of consolidation	(12)
<b>At December 31, 2007</b>	<b>61</b>
Minority interests in profit for the period	38
Dividends paid to minority interests	(22)
Translation adjustment	(45)
Changes in scope of consolidation (2)	226
<b>At December 31, 2008</b>	<b>258</b>

- (1) Changes in minority interests correspond mainly to the buyout of minority interests in Brazil (see Note 2.D.3).
- (2) The main change for the year concerned the full consolidation of the Orbis subsidiaries following the acquisition of a further 4.53% stake in the sub-group during the second half of 2008. Orbis was previously accounted for by the equity method. Minority interests in Orbis subsidiaries amounted to €179 million at December 31, 2008.

## Note 28. Convertible or Exchangeable Bonds (OCEANE)

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All of the 2002, 2003 and 2005 OCEANE convertible or exchangeable bonds were redeemed or exchanged in the period 2005 to 2008. No OCEANE bonds were outstanding at December, 31, 2008.

## Note 29. Debt by Currency and Maturity

### Note 29.A Long and short-term debt

Long and short-term debt at December 31, 2008 breaks down as follows by currency and interest rate after hedging transactions:

In € millions	Dec 2006	Effective rate 2006 %	Dec 2007	Effective rate 2007 %	Dec 2008	Effective rate 2008 %
EUR	798	4,39	818	4,65	1 595	4,61
PLN	-	-	-	-	100	7,20
CNY	-	-	-	-	79	4,75
USD	381	5,24	11	5,40	50	2,01
AUD	101	7,69	55	7,30	43	5,54
Other currencies (1)	134	4,32	167	5,55	114	5,14
<b>Long and short-term borrowings</b>	<b>1 414</b>	<b>4,85</b>	<b>1 051</b>	<b>4,94</b>	<b>1 981</b>	<b>4,74</b>
Long and short-term finance lease liabilities	207	-	234	-	180	-
Purchase commitments	62	-	75	-	65	-
Changes in fair value of financial liabilities	-	-	-	-	-	-
Liability derivatives	1	-	15	-	87	-
Other short-term financial liabilities and bank overdrafts	135	-	42	-	62	-
<b>Long and short-term debt</b>	<b>1 819</b>	<b>-</b>	<b>1 417</b>	<b>-</b>	<b>2 375</b>	<b>-</b>

(1) including about JPY €27 million and CHF €25 million as at December 31, 2008

At December 31, 2008, derivative instruments recorded in assets and held as hedges of debt amounted to €5 million.

In € millions	Dec 2006	Dec 2007	Dec 2008
Long-term debt	1 309	1 272	2 088
Short-term debt	510	145	287
<b>Total long and short-term debt</b>	<b>1 819</b>	<b>1 417</b>	<b>2 375</b>

### Note 29.B Maturities of debt

At December 31, 2008, maturities of debt were as follows:

In € millions	Dec 2006	Dec 2007	Dec 2008
Year Y+1	510	145	287
Year Y+2	741	78	70
Year Y+3	216	85	168
Year Y+4	65	101	1 326
Year Y+5	89	798	346
Year Y+6	35	45	18
Beyond	163	165	160
<b>Total long and short-term debt</b>	<b>1 819</b>	<b>1 417</b>	<b>2 375</b>

This analysis of debt by maturity over the long-term is considered as providing the most meaningful liquidity indicator. In the above presentation, all derivatives are classified as short-term. Borrowings and short-term investments denominated in foreign currencies have been translated into euros at the rate on the balance sheet date. The breakdown of interest rate and currency hedging instruments by maturity is disclosed in Note 29.E on Financial instruments.



At December 31, 2008, Accor had several unused confirmed lines of credit with maturities of more than one year, for a total of €1,345 million, expiring between January 2010 and August 2013.

2008 financial costs amounted to €86 million. Future financial costs are estimated at €307 million for the period from December 31, 2008 to end-December 2012 and €11 million thereafter.

2007 financial costs amounted to €92 million. Future financial costs were estimated at €177 million for the period from December 31, 2007 to end-December 2011 and €21 million thereafter.

These estimates are based on the average cost of debt of the period, after hedging. They have been determined by applying the assumption that no facilities will be rolled over at maturity.

## Note 29.C Long and short-term debt before and after hedging

At December 31, 2008, long and short-term debt breaks down as follows before hedging transactions:

In € millions	Total debt		
	Amount	Rate	% of total debt
EUR	1 726	4,68%	87%
PLN	100	7,20%	5%
CNY	79	4,75%	4%
AUD	4	8,27%	0%
USD	2	4,31%	0%
Other currencies	70	6,70%	4%
<b>Total long and short-term debt</b>	<b>1 981</b>	<b>4,89%</b>	<b>100%</b>

Long and short-term debt after currency and interest rate hedging breaks down as follows at December 31, 2008:

In € millions	Total debt		
	Amount	Rate	% of total debt
EUR	1 595	4,61%	81%
PLN	100	7,20%	5%
CNY	79	4,75%	4%
AUD	43	5,54%	2%
USD	50	2,01%	2%
Other currencies	114	5,14%	6%
<b>Total long and short-term debt</b>	<b>1 981</b>	<b>4,74%</b>	<b>100%</b>

## Note 29.D Long and short-term debt by interest rate after hedging

In € millions	Total debt	
	Amount	Rate
<b>December 2006</b>	1 414	4,85%
<b>December 2007</b>	1 051	4,94%
<b>December 2008</b>	1 981	4,74%

At December 31, 2008, 20% of long and short-term debt was fixed rate, with an average rate of 5.31%, and 80% was variable rate, with an average rate of 4.60%.

At December 31, 2008, fixed rate debt was denominated primarily in EUR (92%) and in CHF (6%), while variable rate debt was denominated mainly in EUR (78%), PLN (6%) and CNY (5%).

The Group's loan agreements do not contain any rating triggers.

None of the Group's loan agreements contain any cross default clauses. Cross acceleration clauses only concern loans for periods of at least three years and they would be triggered only for similar loans representing a significant amount.

## Note 29.E Financial instruments

### 1. Currency hedges

The following tables analyze the nominal amount of currency hedges by maturity and the carrying amount of these instruments in the balance sheet, corresponding to their fair value, at December 31, 2008:

Forward sales and currency swaps In € millions	Maturity 2009	December 31, 2008 Nominal amount	December 31, 2008 Fair value
USD	48	48	-
AUD	39	39	(1)
JPY	27	27	1
Other	17	17	-
<b>Forward sales</b>	<b>131</b>	<b>131</b>	<b>-</b>

Forward purchases and currency swaps In € millions	Maturity 2009	December 31, 2008 Nominal amount	December 31, 2008 Fair value
GBP	357	357	49
USD	156	156	11
SEK	75	75	6
CHF	68	68	(3)
Other	129	129	11
<b>Forward purchases</b>	<b>785</b>	<b>785</b>	<b>74</b>

<b>TOTAL CURRENCY HEDGING</b>	<b>916</b>	<b>916</b>	<b>74</b>
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For each currency, the nominal amount corresponds to the amount of currency sold or purchased forward. Fair value corresponds to the difference between the amount of the currency sold (purchased) and the amount of the currency purchased (sold), converted in both cases at the period-end forward exchange rate.

All the currency instruments listed above are used for hedging purposes. Most are designated and documented fair value hedges of intra-group loans and borrowings that qualify for hedge accounting.

At December 31, 2008, currency instruments had a negative fair value of €74 million.

### 2. Interest rate hedges

The following tables analyze the notional amount of interest rate hedges by maturity and the carrying amount of these instruments in the balance sheet, corresponding to their fair value, at December 31, 2008:

In € millions	2009	2010	2011	Beyond	December 31, 2008 Notional amount	December 31, 2008 Fair value
EUR: Fixed-rate borrower swaps and caps	31	-	-	236	267	8
<b>Interest rate hedges</b>	<b>31</b>	<b>-</b>	<b>-</b>	<b>236</b>	<b>267</b>	<b>8</b>

The "notional amount" corresponds to the amount covered by the interest rate hedge. "Fair value" corresponds to the amount that would be payable or receivable if the positions were unwound on the market.

All the interest rate instruments listed above are used for hedging purposes. At December 31, 2008, interest rate instruments had a negative fair value of €8 million.

### 3. Fair value of financial instruments

The carrying amount and fair value of financial instruments at December 31, 2008 are as follows:

In € millions	December 31, 2008 Carrying amount	December 31, 2008 Fair value
<b>FINANCIAL LIABILITIES</b>	<b>2 375</b>	<b>2 375</b>
Bank borrowings	1 927	1 927
Finance lease liabilities	180	180
Other financial liabilities	181	181
Interest rate derivatives ( <i>Cash Flow Hedge</i> ) (1)	13	13
Currency derivatives ( <i>Fair Value Hedge</i> ) (1)	74	74
<b>FINANCIAL ASSETS</b>	<b>(1 303)</b>	<b>(1 303)</b>
Marketable securities (2)	(1 054)	(1 054)
Cash	(194)	(194)
Other	(50)	(50)
Interest rate derivatives ( <i>Cash Flow Hedge</i> ) (1)	(5)	(5)
<b>NET DEBT</b>	<b>1 072</b>	<b>1 072</b>

(1) The fair value of derivative instruments (interest rate and currency swaps and forward contracts) is determined by reference to the market price that the Group would pay or receive to unwind the contracts (level 2 valuation technique).

(2) Marketable securities break down as follows:

In € millions	December 31, 2008 Carrying amount	December 31, 2008 Fair value
Bonds and other negotiable debt securities (a)	(181)	(181)
Money market securities (b)	(858)	(858)
Mutual fund units convertible into cash in less than three months (*) (c)	(12)	(12)
Other	(3)	(3)
<b>Total marketable securities</b>	<b>(1 054)</b>	<b>(1 054)</b>

(\*) The fair value of mutual fund units corresponds to their net asset value (level 1 valuation technique).

- (a) Held to maturity investments
- (b) Loans and receivables issued by the Group
- (c) Held for sale financial assets

## Note 29.F Financial Risk Management

The Group's risk management objectives, policies and procedures (liquidity risk, credit risk, currency risk, interest rate risk, and equity risk) are described in the Management Report, which also includes interest rates and currency rates sensibility analyses.

## Note 29.G Credit rating

At December 31, 2008, Accor credit ratings were as follows:

Rating Agency	Long-term debt	Short-term Debt	Last update of the rating	Outlook	Last update of the outlook
Standard & Poor's	BBB	A-2	03-nov-08	Stable	03-nov-08
Fitch Ratings	BBB	F2	23-janv-09	Stable	23-janv-09

## Note 30. Net Debt and Net Cash

In € millions	Dec 2006	Dec 2007	Dec 2008
Convertible bonds	635	-	-
Other long-term debt	490	1 056	1 927
Long-term finance lease liabilities	184	216	161
Short-term borrowings	449	109	165
Bank overdrafts	60	20	35
Liabilities derivatives	1	15	87
<b>Total debt</b>	<b>1 819</b>	<b>1 417</b>	<b>2 375</b>
Short-term loans	(28)	(22)	(34)
Marketable securities (1)	(944)	(841)	(1 054)
Cash	(314)	(297)	(194)
Asset derivatives	(10)	(1)	(5)
Short-term receivables on disposals of assets	(54)	(52)	(16)
<b>Financial Assets (2)</b>	<b>(1 350)</b>	<b>(1 213)</b>	<b>(1 303)</b>
<b>Net debt</b>	<b>469</b>	<b>204</b>	<b>1 072</b>

(1) See Note 29.E.

(2) Included €804 million related to Prepaid Services compared with €653 million at December 31, 2007.

In € millions	Dec 2006	Dec 2007	Dec 2008
<b>Net debt at beginning of period</b>	<b>1 420</b>	<b>469</b>	<b>204</b>
Change in long-term debt	(296)	(10)	896
Change in short-term financial liabilities	(1 760)	(368)	37
Cash and cash equivalents change	1 063	104	(37)
Reclassifications	42	9	(28)
<b>Changes for the period</b>	<b>(951)</b>	<b>(265)</b>	<b>868</b>
<b>Net debt at end of period</b>	<b>469</b>	<b>204</b>	<b>1 072</b>

The following table reconciles cash and cash equivalents in the balance sheet to cash and cash equivalents in the cash flow statement:

In € millions	Dec 2006	Dec 2007	Dec 2008
<b>Balance sheet cash and cash equivalents</b>	<b>1 267</b>	<b>1 138</b>	<b>1 253</b>
Bank overdrafts	(60)	(20)	(35)
Derivatives included in liabilities	(1)	(15)	(87)
<b>Cash flow Statement cash and cash equivalents</b>	<b>1 206</b>	<b>1 103</b>	<b>1 131</b>

## Note 31. Analysis of financial assets and liabilities under IFRS 7

At December 31, 2008, financial assets and liabilities broke down as follows by category:

In € millions	Category in the balance-sheet	Carrying amount			Fair value		
		Dec 2006	Dec 2007	Dec 2008	Dec 2006	Dec 2007	Dec 2008
<b>HELD TO MATURITY FINANCIAL ASSETS</b>		<b>104</b>	<b>151</b>	<b>181</b>	<b>104</b>	<b>151</b>	<b>181</b>
Bonds and other negotiable debt securities	Cash and cash equivalents	104	151	181	104	151	181
<b>LOANS AND RECEIVABLES</b>		<b>2 459</b>	<b>2 519</b>	<b>2 368</b>	<b>2 459</b>	<b>2 519</b>	<b>2 368</b>
Short-term loans	Short-term loans	28	22	34	28	22	34
Long-term loans	Long-term loans	269	107	78	269	107	78
Receivables on disposals of assets	Receivables on disposals of assets	54	52	16	54	52	16
Deposits	Other financial investments	98	65	66	98	65	66
Trade receivables	Trade receivables	1 308	1 598	1 313	1 308	1 598	1 313
Money Market securities	Cash and cash equivalents	701	673	858	701	673	858
Other	Cash and cash equivalents	1	2	3	1	2	3
<b>AVAILABLE FOR SALE FINANCIAL ASSETS</b>		<b>284</b>	<b>132</b>	<b>94</b>	<b>284</b>	<b>132</b>	<b>94</b>
Investments in non-consolidated companies	Other financial investments	146	117	82	146	117	82
Mutual fund units convertible into cash	Cash and cash equivalents	137	10	12	137	10	12
Other	Cash and cash equivalents	1	5	-	1	5	-
<b>FINANCIAL ASSETS AT FAIR VALUE</b>		<b>10</b>	<b>1</b>	<b>5</b>	<b>10</b>	<b>1</b>	<b>5</b>
Interest rate derivatives	Cash and cash equivalents	2	1	5	2	1	5
Currency derivatives	Cash and cash equivalents	8	-	-	8	-	-
<b>CASH AT BANK</b>	Cash and cash equivalents	<b>314</b>	<b>297</b>	<b>194</b>	<b>314</b>	<b>297</b>	<b>194</b>
<b>FINANCIAL ASSETS</b>		<b>3 171</b>	<b>3 100</b>	<b>2 842</b>	<b>3 171</b>	<b>3 100</b>	<b>2 842</b>

In € millions	Category in the balance-sheet	Carrying amount			Fair value		
		Dec 2006	Dec 2007	Dec 2008	Dec 2006	Dec 2007	Dec 2008
<b>FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<b>1</b>	<b>15</b>	<b>87</b>	<b>1</b>	<b>15</b>	<b>87</b>
Currency derivatives	Bank overdrafts	1	15	74	1	15	74
Interest rate derivatives	Bank overdrafts	-	-	13	-	-	13
Other bonds	Bank overdrafts	-	-	-	-	-	-
<b>FINANCIAL LIABILITIES AT AMORTISED COST</b>		<b>2 417</b>	<b>2 061</b>	<b>3 018</b>	<b>2 417</b>	<b>2 061</b>	<b>3 018</b>
Convertible bonds/Equity Notes	Convertible or exchangeable bonds	845	-	-	845	-	-
Bank Borrowings	Other long-term debt	564	1 043	1 927	564	1 043	1 927
Finance lease liabilities	Long-term finance lease liabilities + short-term debt and finance lease liabilities	207	234	180	207	234	180
Other debts	Other long-term debt + short-term debt	202	105	146	202	105	146
Trade payables	Trade payables	599	679	765	599	679	765
<b>CASH AT BANK</b>	Bank overdrafts	<b>60</b>	<b>20</b>	<b>35</b>	<b>60</b>	<b>20</b>	<b>35</b>
<b>FINANCIAL LIABILITIES</b>		<b>2 478</b>	<b>2 096</b>	<b>3 140</b>	<b>2 478</b>	<b>2 096</b>	<b>3 140</b>

For cash and cash equivalents, trade receivables, receivables on disposal assets, loans, deposits, held to maturity, trades payables, other debts and finance lease liabilities, Accor considers their carrying amount to be the best proxy for market value.

The methods used to measure the fair value of derivative instruments and mutual fund unit convertible into cash are described in Note 29.

The methods used to measure the fair value of investments in non-consolidated companies are described in Note 1.N.1.

## Note 32. Assets and Liabilities Held for Sale

In € millions		Dec 2006	Dec 2007	Dec 2008
<b>Disposal groups classified as "held for sale"</b>	<b>(a)</b>	<b>287</b>	<b>-</b>	<b>-</b>
Hotels to be sold to Foncière des Murs in France and Belgium	(b )	22	21	-
Hotels to be sold to Axa REIM in France and in Switzerland	(c )	-	218	-
Hotels to be sold to investors (France)	(d )	12	2	3
Hotels to be sold in United-States	(e )	40	8	26
Hotels to be sold to investors (United-Kingdom)	(f )	86	19	-
Hotels to be sold in Germany		77	3	2
Other		21	6	5
<b>Total non-current assets classified as held for sale</b>		<b>258</b>	<b>277</b>	<b>36</b>
<b>Total assets classified as held for sale</b>		<b>545</b>	<b>277</b>	<b>36</b>
<b>Total liabilities classified as held for sale</b>	<b>(a)</b>	<b>229</b>	<b>-</b>	<b>-</b>

(a) At December 31, 2006, as part of its review of assets, the Group decided to sell GO Voyages and its Italian contract food services business. As a result, the assets and liabilities of these two businesses were reclassified as "held for sale" in the balance sheet at that date.

En € millions	GO Voyages	Restauration collective Italie	Total 2006
<b>Groups classified as "held for sale"</b>			
Goodwill	57	4	61
Intangible, tangible and financial assets	3	18	21
Current Assets	85	120	205
<b>Total assets classified as held for sale</b>	<b>145</b>	<b>142</b>	<b>287</b>
Non-current Liabilities	4	26	30
Current liabilities	115	76	191
Short-term Financial debt	1	7	8
<b>Total liabilities classified as held for sale</b>	<b>120</b>	<b>109</b>	<b>229</b>

(b) During 2006, in line with the asset management policy, the Group decided to sell to Foncière des Murs 76 hotel properties, including 64 units in France and 12 units in Belgium. In 2006, 70 units were sold. The carrying amount of the remaining six units (€21 million) was reclassified in the 2007 consolidated balance sheet under "Assets held for sale". The sale of these assets did not go through and they were therefore reclassified as "Property, plant and equipment" at December 31, 2008.

(c) During 2007, in line with the asset management policy, the Group decided to sell hotels in France and in Switzerland to a Real Estate Consortium made up of Caisse des Dépôts et Consignations and two investment funds managed by Axa Real Estate Investment Managers. The €218 million carrying amount of these hotels was reclassified in the consolidated balance sheet at December 31, 2007 under "Assets held for sale", in accordance with IFRS 5. The hotels were sold in 2008.

(d) During 2008, in line with the asset management policy, the Group decided to sell 5 hotel properties in France. In accordance with IFRS 5, the €3 million carrying amount of these hotels was reclassified in the consolidated balance sheet at December 31, 2008 under "Assets held for sale".

(e) During 2008, in line with the asset management policy, the Group decided to sell 17 Motel 6 units and one Studio 6 unit. In accordance with IFRS 5, the €26 million carrying amount of these hotels was reclassified under "Assets held for sale".

(f) During 2007, in line with the asset management policy, the Group decided to sell 4 hotel properties in the United Kingdom. In accordance with IFRS 5, the €19 million carrying amount of these hotels was reclassified in the consolidated balance sheet at December 31, 2007 under "Assets held for sale". Two units were sold in 2008 and the remaining two were reclassified as "Property, plant and equipment" because the sale did not go through.

## Note 33. Provisions

Movements in long-term provisions between December 31, 2007 and December 31, 2008 can be analyzed as follows:

In € millions	December 31, 2006	December 31, 2007	Equity impact (*)	Increases	Utilizations	Reversals of unused provisions	Translation adjustment	Reclassifications and changes in scope (*)	December 31, 2008
- Provisions for pensions	107	93	5	10	(8)	(1)		(1)	3
- Provisions for loyalty bonuses	17	25	-	4	(2)	(2)		(3)	8
- Provisions for claims and litigation and others contingencies	1	-	-	-	-	-		-	-
<b>TOTAL LONG-TERM PROVISIONS</b>	<b>125</b>	<b>118</b>	<b>5</b>	<b>14</b>	<b>(10)</b>	<b>(3)</b>		<b>(4)</b>	<b>11</b>

(\*) See Note 33.C

Movements in short-term provisions between December 31, 2007 and December 31, 2008 can be analyzed as follows:

In € millions	December 31, 2006	December 31, 2007	Equity impact	Increases	Utilizations	Reversals of unused provisions	Translation adjustment	Reclassifications and changes in scope	December 31, 2008
- Tax provisions	47	31	-	9	(24)	(1)		(1)	3
- Restructuring provisions	39	56	-	40	(40)	(3)		(1)	(5)
- Provisions for claims and litigation and others contingencies	156	161	-	31	(58)	(11)		(2)	6
<b>TOTAL SHORT-TERM PROVISIONS</b>	<b>242</b>	<b>248</b>	<b>-</b>	<b>80</b>	<b>(122)</b>	<b>(15)</b>		<b>(4)</b>	<b>4</b>

At December 31, 2008, ordinary provisions for claims and litigation and others include:

- €31 million provisions for various claims ;
- €28 million provision for employee-related claims.

Net provision expense – corresponding to increase in provisions less reversals of utilized and unutilized provisions set up in prior periods – is recorded under the following income statement captions:

In € millions	Dec 2006	Dec 2007	Dec 2008
EBIT	8	(8)	3
Finance cost, net	(1)	7	(3)
Provision for losses on hotel properties	16	39	(21)
Provision on other assets and restructuring provisions	(5)	5	(18)
Provision for tax	35	(18)	(17)
<b>TOTAL</b>	<b>53</b>	<b>25</b>	<b>(56)</b>



## Provisions for pensions and other post-employment benefits

### A. DESCRIPTION OF THE PLANS

Group employees receive various short-term benefits (paid vacation, paid sick leave and profit-shares), long-term benefits (long-service awards, long-term disability benefits, loyalty bonuses and seniority bonuses), as well as various post-employment benefits provided under defined contribution and defined benefit plans (length-of-service awards payable on retirement, pension funds).

Short-term benefit obligations are recognized in the balance sheets of the Group entities concerned.  
Post-employment benefits are provided under either defined contribution or defined benefit plans.

#### Defined contribution plans

Obligations under these plans are funded by periodic contributions to external organizations that are responsible for the administrative and financial management of the plans. The external organization is responsible for all benefit payments and the Group has no liability beyond the payment of contributions. Examples of defined contribution plans include the government-sponsored basic pension and supplementary pension (ARRCO/AGIRC) schemes in France and defined contribution pension schemes in other countries.

Contributions to these plans are recognized in the period to which they relate.

#### Defined benefit plans

Benefits paid under the Group's defined benefit plans are determined based on employees' years of service with the Group. The benefit obligation is generally funded by plan assets, with any unfunded portion recognized as a liability in the balance sheet.

The defined benefit obligation (DBO) is determined by the projected unit credit method, based on actuarial assumptions concerning future salary levels, retirement age, mortality rates, staff turnover rates and the discount rate. These assumptions take into account the macro-economic situation and other specific circumstances in each host country. Actuarial gains and losses arising from changes in actuarial assumptions and experience adjustments are recognized immediately in equity, in accordance with Group accounting policy.

At Accor, the main post-employment defined benefit plans concern:

- Length-of-service awards in France:

These are lump-sum payments made to employees on retirement. They are determined by reference to the employee's years of service and end-of-career salary. The calculation is based on parameters defined by Corporate Finance and Human Resources in November of each year. The related obligation is covered by a provision.

- Length-of-service awards in Italy:

These are lump-sum payments made to employees on retirement. They are determined by reference to the employee's years of service, end-of-career salary, and whether they leave on their own initiative or on that of the company. The related obligation is covered by a provision.

- Pensions: the main defined benefit pension plans are for employees in France and in the Worldwide Structures (54% of the obligation), in the Netherlands (16% of the obligation) and in Italy (8% of the obligation). The Netherlands plan is closed to new members and is fully funded, with the result that no provision has been recognized in the balance sheet. Pension benefit obligations are determined by reference to employees' years of service and end-of-career salary. They are funded by payments to external organizations that are legally separate from Accor Group.

## B. ACTUARIAL ASSUMPTIONS

Actuarial valuations are based on a certain number of long-term parameters supplied by the Group, which are reviewed each year.

2008	France	Europe excluding France							Worldwide Structures	Other countries
		Netherlands	United Kingdom	Germany	Belgium	Italy	Switzerland	Poland		
Retirement age	65 years	65 years	65 years	65 years	65 years	65 years	64-65 years	60-65 years	65 years	55-65 years
Rate of future salary increases	3,0%	3,0%	3,0%	3,0%	3,0%	2,5%-3,5%	2,0%	5%	3%-4%	2%-10%
Payroll tax rate	46%	23%	13%	22%	36%	29%	17%	40%	46,0%	9%-45%
Discount rate	5,50%	5,50%	5,90%	5,50%	5,50%	5,50%	3,25%	6%	5,5%	4% - 8,68%
Expected Rates of return on 2008 plan assets	2,20%-4,5%	4%-5%	5,5%	4,3%	4,5%	N/A	N/A	N/A	4,5%	N/A
Expected Rates of return on 2009 plan assets	2,20%-4,5%	4%-5,5%	5,5%	4,0%	4,5%	N/A	4,25%	N/A	4,5%	N/A

2007	France	Europe excluding France							Worldwide Structures	Other countries
		Netherlands	United Kingdom	Germany	Belgium	Italy	Switzerland	Poland		
Retirement age	65 years	65 years	65 years	65 years	65 years	65 years	N/A	N/A	65 years	55-65 years
Rate of future salary increases	3%	3%	3,0%	2,3%	3,0%	2,0%	N/A	N/A	3%-4%	2%-10%
Payroll tax rate	46%	23%	12,8%	22%	36%	29%	N/A	N/A	46%	9%-45%
Discount rate	5%-5,25%	5%	5,8%	5%	5%	5%	N/A	N/A	5%	4% - 8,68%
Expected Rates of return on 2007 plan assets	2,20%-4,5%	4%-5%	5,5%	4,3%	4,5%	N/A	N/A	N/A	4,5%	N/A
Expected Rates of return on 2008 plan assets	2,20%-4,5%	4%-5%	5,5%	4,3%	4,5%	N/A	N/A	N/A	4,5%	N/A

The assumptions concerning the expected return on plan assets and the discount rate applied to calculate the present value of benefit obligations were determined based on the recommendations of independent experts. The discount rate is based on an analysis of investment grade corporate bond yields in each region. The calculation method is designed to obtain a discount rate that is appropriate in light of the timing of cash flows under the plan.

The French Social Security Financing Act for 2008 provides for an additional tax levy payable on retirement bonuses in the event of compulsory retirement before the age of 65. This additional tax is 25% in 2008 and 50% as of 2009. The Act also discontinues the favourable tax and social security regime for retirement bonuses negotiated with employees retiring before the statutory age of 65 and paid before 2010.

The Act has led the Group to adjust its assumptions concerning the rate of payroll taxes due on the benefits. In view of the difference in the employer contributions payable on compulsory and voluntary retirement, the corresponding benefit obligation is €11 million higher at December 31, 2007.

This increase in the obligation represents an actuarial loss that has been recognised in full in equity, in accordance with the Group's current policy for recognizing actuarial gains and losses.

The French Social Security Financing Act for 2009 eliminates compulsory retirement bonuses, with all retirements being on a voluntary basis. Consequently, the effects of the 2008 Social Security Financing Act recognized in the 2007 accounts have been cancelled in the 2008 accounts.

In Italy, under the 2007 Social Security Financing Act adopted in December 2006, all accruals for future termination benefits (TFR) must be paid into a pension plan rather than recorded as company book reserves. The implementing decrees in relation to this Act were issued on January 30, 2007.

In accordance with the new regulations, in companies with fifty or more employees, staff can actively designate an external fund for their TFR contributions paid from 2007. If no such fund is designated the TFR accruals will go automatically to the default pension fund. This could be the industry-wide fund, a specific employer-sponsored plan or, otherwise, a fund managed by the Italian National Social Security Institute (INPS).

Whichever option chosen by the employee, the market consensus is to consider that this new funding system means that the employer has no defined benefit obligations as from 2007. The impact of the reform was accounted for as a curtailment which led to the recognition of a €5 million gain recorded in the income statement in 2007.

## C. FUNDED STATUS OF POST-EMPLOYMENT DEFINED BENEFIT PLANS

The method used by the Group is the "Projected Unit Credit" method.

At December 31, 2008

In € millions	Pensions	Other post-employment benefits (*)	Total
Present value of funded obligation	116	-	116
Fair value of plan assets	(79)	-	(79)
<b>Excess of benefit obligation/(plan assets)</b>	<b>37</b>	<b>-</b>	<b>37</b>
Present value of unfunded obligation	-	94	94
Unrecognized past service cost	-	-	-
<b>Liability recognized in the balance sheet</b>	<b>37</b>	<b>94</b>	<b>131</b>

(\*) Including length-of-service awards and loyalty bonus

At December 31, 2007

In € millions	Pensions	Other post-employment benefits (*)	Total
Present value of funded obligation	103	-	103
Fair value of plan assets	(79)	-	(79)
<b>Excess of benefit obligation/(plan assets)</b>	<b>24</b>	<b>-</b>	<b>24</b>
Present value of unfunded obligation	-	94	94
Unrecognized past service cost	-	-	-
<b>Liability recognized in the balance sheet</b>	<b>24</b>	<b>94</b>	<b>118</b>

(\*) Including length-of-service awards and loyalty bonus

Evolution of the funded status of post-employment defined benefit plans by geographical area

In € millions	Pensions											Other	2008	2007	2006
	2008											2008			
	France	Europe excluding France							Worldwide structures	Other	Total	Other benefits	Total	Total	Total
		Netherlands	United Kingdom	Germany	Belgium	Poland	Switzerland	Italy							
Actuarial debt at the beginning	32	31	7	8	9	0	-	16	58	10	171	25	196	193	235
Other long-term benefits reclassification	-	-	-	-	-	-	-	-	-	-	-	-	-	-	18
Services Cost during year	2	0	0	0	0	0	-	0	2	1	6	4	10	10	15
Interest Cost	1	2	0	0	0	0	-	1	3	0	8	1	9	6	9
Employee contributions	0	0	-	-	0	-	-	-	-	-	0	-	0	1	1
Service cost / Change in regime	-	-	-	-	-	-	-	-	-	-	-	-	-	1	0
Reduction / Liquidation of plan	(0)	-	-	-	-	-	-	-	-	(0)	(0)	(0)	(0)	(14)	(2)
Acquisition / Sale	(0)	-	-	-	-	4	-	-	-	(1)	3	8	11	8	(43)
Benefits granted	(2)	(2)	(0)	(0)	(1)	(0)	-	(2)	(2)	(2)	(12)	(2)	(14)	(13)	(19)
Actuarial (Gains) / Losses	0	(2)	1	(0)	(0)	(0)	7	(0)	2	0	6	(3)	3	5	5
Effect of exchange rates	0	-	(2)	-	-	(1)	0	-	-	(0)	(2)	(3)	(4)	(0)	0
Reclassification on Assets/Liabilities held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(27)
Others	(0)	-	-	-	(0)	(0)	-	-	0	(1)	(1)	1	(1)	1	(1)
Actuarial debt at end of period	34	28	6	8	9	3	7	14	63	7	180	30	210	195	192

In € millions	France	Europe excluding France							Worldwide structures	Other	Total	Other benefits	Total	Total	Total
		Netherlands	United Kingdom	Germany	Belgium	Poland	Switzerland	Italy							
Fair value on assets at the beginning	3	31	6	2	6	-	-	-	30	0	79	-	79	69	83
Actual return of funds	0	(1)	(1)	(0)	0	-	5	-	2	0	5	-	5	3	2
Employers contributions	0	0	1	0	1	-	-	-	0	0	2	-	2	12	14
Employee contributions	0	0	-	-	0	-	-	-	-	-	0	-	0	1	1
Benefits paid	(0)	(2)	(0)	(0)	(1)	-	-	-	(2)	-	(6)	-	(6)	(5)	(6)
Liquidation of plan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effect of exchange rates	0	-	(1)	-	-	-	0	-	-	(0)	(1)	-	(1)	(1)	0
Business combinations / Sale	(0)	-	-	-	-	-	-	-	-	-	(0)	-	(0)	0	(27)
Others	(0)	-	0	-	-	-	-	-	-	(0)	(0)	-	(0)	-	2
Fair value on assets at end of period	3	28	4	2	7	-	5	-	30	0	79	-	79	79	69

In € millions	France	Europe excluding France							Worldwide structures	Other	Total	Other benefits	Total	Total	Total
		Netherlands	United Kingdom	Germany	Belgium	Poland	Switzerland	Italy							
Financial situation at the beginning	30	0	0	7	3	0	-	16	28	9	93	25	118	124	170
Reclassification on Assets/Liabilities held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(27)
Financial situation at end of period	32	0	2	6	2	3	2	14	32	7	101	30	131	118	124

In € millions	France	Europe excluding France							Worldwide structures	Other	Total	Other benefits	Total	Total	Total
		Netherlands	United Kingdom	Germany	Belgium	Poland	Switzerland	Italy							
Services cost in the year	2	0	0	0	0	0	-	0	2	1	6	4	10	10	15
Interest cost	1	2	0	0	0	0	-	1	3	0	8	1	9	6	9
Expected return of assets	(0)	(2)	(0)	(0)	(0)	-	-	-	(1)	(0)	(4)	-	(4)	(2)	(3)
Service cost amortization	-	-	-	-	-	-	-	-	-	-	-	-	-	1	0
Curtailment / settlement (gains) losses	(0)	-	-	-	-	-	-	-	-	(0)	(0)	0	(0)	(14)	(2)
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	0	(2)
Change in Actuarial (gains) losses	-	-	-	-	-	-	-	-	-	-	-	(3)	(3)	-	(1)
Charge of the period	3	0	0	1	1	0	-	1	3	1	10	2	12	1	16
Change in Actuarial (gains) losses	0	0	2	(0)	(0)	(0)	2	(0)	2	0	5	-	5	4	7

# Reconciliation of provisions for pensions between January 1, 2007 and December 31, 2008

In € millions	Amount
<b>Provision at December 31, 2006</b>	<b>124</b>
Charge for the year	1
Benefits paid	(20)
Actuarial gains and losses	5
Changes in scope of consolidation (1)	8
<b>Provision at December 31, 2007</b>	<b>118</b>
Charge for the year	12
Benefits paid	(11)
Actuarial gains and losses	5
Changes in scope of consolidation (2)	11
Changes in exchange rates	(4)
<b>Provision at December 31, 2008</b>	<b>131</b>

- (1) €7 million from the consolidation of NewGen entities and €1 million from the acquisition of Novotel Paris Tour Eiffel and Kadéos.  
(2) €13 million from the consolidation of Orbis, €(1) million related to the sale of the Brazilian food services business and €(1) million related to the sale of Abidjan Catering.

## Actuarial gains and losses related to changes in assumptions and experience adjustment

In € millions	Dec 2006	Dec 2007	Dec 2008
<b>Actuarial debt</b>			
Actuarial gains and losses related to experience adjustment	6	4	6
Actuarial gains and losses related to changes in assumptions	-	2	-
<b>Fair value on assets</b>			
Actuarial gains and losses related to experience adjustment	1	(1)	(1)

## Detail of plan assets

Detail of plan assets	France	Netherlands	United Kingdom	Germany	Belgium	Switzerland	Worldwide Structures
Shares	15% - 25%	10%	55%	15% - 25%	15% - 25%	26%	15% - 25%
Bonds	75% - 80%	90%	26%	75% - 80%	75% - 80%	44%	75% - 80%
Other	0% - 5%	0%	19%	0% - 5%	0% - 5%	30%	0% - 5%

According to management's best estimate based on the information currently available, contributions in 2008 are €3 million.

## Sensitivity analysis

The sensitivity of provisions for pensions and other post-employment benefits to a change in discount rate is as follows: a 0.5-point increase in the discount rate would lead to a €6.6 million reduction in the projected benefit obligation, a 0.5-point decrease in the discount rate would lead to a €6.6 million increase in the projected benefit obligation. The impact on the cost for the year would not be material.

## Note 34. Reconciliation of Funds from Operations

In € millions	Dec 2006	Dec 2007	Dec 2008
Net Profit, Group share	501	883	575
Minority interests	33	29	38
Depreciation, amortization and provision expense	437	394	451
Share of profit of associates, net of dividends received	(7)	(21)	(12)
Deferred tax	(8)	(19)	19
Change in financial provisions and provisions for losses on asset	207	197	69
<b>FUNDS FROM OPERATIONS</b>	<b>1 163</b>	<b>1 463</b>	<b>1 140</b>
(Gains) losses on disposals of assets, net	(251)	(480)	(150)
(Gains) losses on non-recurring transactions (included restructuring costs and exceptional taxes)	112	129	121
<b>FUNDS FROM ORDINARY ACTIVITIES</b>	<b>1 024</b>	<b>1 112</b>	<b>1 111</b>

## Note 35. Working Capital, Prepaid Services Voucher in Circulation and Prepaid Services Voucher Reserve Funds

In € millions	Dec 2006	Dec 2007	Dec 2008	Variation
Inventories	64	74	103	29
Trade receivables	1 308	1 598	1 313	(285)
Other receivables and accruals	727	715	824	109
Prepaid Service voucher reserve funds	373	392	441	49
<b>WORKING CAPITAL ITEMS - ASSETS</b>	<b>2 472</b>	<b>2 779</b>	<b>2 681</b>	<b>(98)</b>
Trade payables	599	679	765	86
Other payables	1 422	1 557	1 602	45
Prepaid Services voucher in circulation	2 289	2 894	2 587	(307)
<b>WORKING CAPITAL ITEMS - LIABILITIES</b>	<b>4 310</b>	<b>5 130</b>	<b>4 954</b>	<b>(176)</b>
<b>WORKING CAPITAL</b>	<b>1 838</b>	<b>2 351</b>	<b>2 273</b>	<b>(78)</b>

<b>December 31, 2006 WORKING CAPITAL</b>	<b>1 838</b>
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<b>December 31, 2007 WORKING CAPITAL</b>	<b>2 351</b>
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Change in working capital (1)	25
Development Expenditure	(1)
Disposals	(11)
Translation adjustment	(96)
Reclassifications	5
<b>NET CHANGE IN WORKING CAPITAL</b>	<b>(78)</b>

<b>December 31, 2008 WORKING CAPITAL</b>	<b>2 273</b>
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(1) See cash flow statements

## Note 36. Renovation and Maintenance Expenditure

The amounts reported under "Renovation and maintenance expenditure" correspond to capitalized costs for maintaining or improving the quality of assets held by the Group at the beginning of each period (January 1<sup>st</sup>) as a condition of their continuing operation. This caption does not include development expenditure corresponding to the property, plant and equipment and working capital of newly consolidated companies and the purchase or construction of new assets.

Renovation and maintenance expenditure breaks down as follows:

In € millions	Dec 2006	Dec 2007	Dec 2008
<b>HOTELS</b>			
- Upscale and Midscale Hotels	182	213	220
- Economy	78	89	139
- Economy US	133	93	70
<b>PREPAID SERVICES</b>	17	18	24
<b>OTHER BUSINESSES</b>			
Casinos	15	13	15
Restaurants	12	11	6
Onboard Train Services	4	3	3
Holding Companies and other	13	26	11
<b>RENOVATION AND MAINTENANCE EXPENDITURE</b>	<b>454</b>	<b>466</b>	<b>488</b>



## Note 37. Development Expenditure

Development expenditure corresponds to the property, plant and equipment, and working capital of newly consolidated companies (in accordance with IAS 7 "Cash flow statements") and includes the purchase or construction of new assets and the exercise of call options under sale-and-leaseback transactions, as follows:

### Development expenditure excluding assets held for sale

In € millions		France	Europe (excl. France)	North America	Latin America & Caribbean	Other Countries	Worldwide Structures (*)	2008	2007	2006
<b>HOTELS</b>		<b>278</b>	<b>337</b>	<b>269</b>	<b>27</b>	<b>102</b>	<b>1</b>	<b>1 014</b>	<b>821</b>	<b>342</b>
Upscale and Midscale Hotels	(1)	254	227	7	13	43	1	545	527	240
Economy Hotels	(2)	24	110	-	14	59	-	207	175	96
Economy Hotels US	(3)	-	-	262	-	-	-	262	119	6
<b>PREPAID SERVICES</b>		<b>1</b>	<b>5</b>	<b>-</b>	<b>2</b>	<b>7</b>	<b>4</b>	<b>19</b>	<b>335</b>	<b>248</b>
<b>OTHER BUSINESSES</b>		<b>24</b>	<b>27</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>53</b>	<b>42</b>	<b>81</b>
Casinos		20	-	-	-	-	-	20	27	25
Restaurants		2	-	-	-	-	-	2	13	40
Onboard Train Services		-	4	-	-	-	-	4	1	-
Holding Companies and other	(4)	2	23	-	-	-	2	27	1	16
<b>Total 2008</b>		<b>303</b>	<b>369</b>	<b>269</b>	<b>29</b>	<b>109</b>	<b>7</b>	<b>1 086</b>		
<b>Total 2007</b>		<b>356</b>	<b>541</b>	<b>121</b>	<b>37</b>	<b>141</b>	<b>2</b>		<b>1 198</b>	
<b>Total 2006</b>		<b>110</b>	<b>118</b>	<b>36</b>	<b>224</b>	<b>176</b>	<b>7</b>			<b>671</b>

(\*) "Worldwide Structures" corresponds to development expenditure that is not specific to a single geographic region.

- (1) Including call options exercised on eight hotels in France (€223 million) as well as the Orbis acquisition in 2008 (€130 million).
- (2) Including development expenditure on 50 new Ibis hotels in China (€49 million) as well as development expenditure on nine new Ibis hotels in the United Kingdom (€18 million), development expenditure on 20 new Ibis hotels in Spain and Portugal (€18 million) and the Orbis acquisition in 2008 (€30 million).
- (3) Exercise of call options on 84 Motel 6 units (€235 million).
- (4) Including the Orbis acquisition in 2008 (€23 million).

### Development expenditure related to assets held for sale

This item includes €2 million in development expenditure on Orbis Travel and €2 million in development expenditure on Orbis Transport.

## Note 38. Segment Information: Income Statement

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The Group's primary and secondary reportable segments, under IAS 14 (Segment Reporting), are respectively the business segment and the geographical segment. This reflects the Group's organizational structure and internal financial reporting system, which are based on the nature of the products and the services delivered. Each segment represents a strategic business offering different products and serving different markets.

The Group has identified six business segments:

- Hotels, with a portfolio of brands on every segment of the market and its 3,982 establishments in around 100 countries comprises three sub-segments:
  - o Upscale and Midscale hotels, with the Sofitel, Pullman, Novotel, Mercure and Suitehotel brands.
  - o Economy hotels, with the Formule 1, Etap Hotel, All Seasons and Ibis brands.
  - o US Economy hotels with the Motel 6 and Studio 6 brands.
- Prepaid services. Accor is a world-leading issuer of prepaid service vouchers and cards.
- Restaurants. Accor offers a full range of gourmet dining activities, notably through its Lenôtre subsidiary.
- Casinos. Organized around Groupe Lucien Barrière, the segment is specialized in casino management.
- Onboard train services, providing restaurant and hotel services to the railway sector.
- Other activities, notably the Group Financial Managements.

The Group's geographical segments are determined by the location of its assets and operations.

### Note 38.A – Income Statement by business segment

Segment revenues for each reportable segment are disclosed in Note 3.Consolidated Revenue by Business and by Region.

Segment result for each reportable segment is disclosed in Note 5.EBITDAR by Business and Region, in Note 7.EBITDA by Business and Region, and Note 9.EBIT by Business and Region.

Rental expense for each reportable segment is disclosed in Note 6.Rental Expense.

The aggregate of the entity's share of the profit or loss of jointly controlled entities of which substantially all of their operations are within a single segment is disclosed in Note 45.Additional Information about Jointly-controlled Entities.

### Note 38.B – Income Statement by geographical area

Based on the Group's internal organization and the trends in various national markets, geographical segments have been defined as follows:

- France
- Europe excluding France
- North America
- Latin America & Caribbean
- Other Countries (Africa & Middle East, Asia / Pacific)
- Worldwide Structures ("Worldwide Structures" corresponds to revenue and costs that are not specific to a single geographic region)

Geographical revenues for each reportable segment are disclosed in Note 3.Consolidated Revenue by Business and by Region.

Geographical result for each reportable segment is disclosed in Note 5.EBITDAR by Business and Region, in Note 7.EBITDA by Business and Region, and Note 9.EBIT by Business and Region.

The aggregate of the entity's share of the profit or loss of jointly controlled entities of which substantially all of their operations are within a single segment is disclosed in Note 45.Additional Information about Jointly-controlled Entities.

## Note 39. Segment Information: the Balance Sheet

### Note 39.A – Balance Sheet by business segment

At December 31, 2008 In € millions	Hotels	Prepaid Services	Other Businesses	Eliminations	Total consolidated
Goodwill	1 085	645	202	-	1 932
Intangible assets	360	110	42	-	512
Property, plant and equipment	4 003	30	291	-	4 324
Total non-current financial assets	425	162	374	(558)	403
Deferred tax assets	176	15	31	-	222
TOTAL NON-CURRENT ASSETS	6 049	962	940	(558)	7 393
TOTAL CURRENT ASSETS	5 322	3 135	1 856	(6 329)	3 984
Assets held for sale	30	-	6	-	36
<b>TOTAL ASSETS</b>	<b>11 401</b>	<b>4 097</b>	<b>2 802</b>	<b>(6 887)</b>	<b>11 413</b>
SHAREHOLDERS' EQUITY & MINORITY INTERESTS	5 546	652	(2 635)	-	3 563
TOTAL NON-CURRENT LIABILITIES	584	135	1 699	-	2 418
TOTAL CURRENT LIABILITIES	5 271	3 310	3 738	(6 887)	5 432
Liabilities related to assets classified as held for sale	-	-	-	-	-
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>11 401</b>	<b>4 097</b>	<b>2 802</b>	<b>(6 887)</b>	<b>11 413</b>

At December 31, 2008 In € millions	Up and Midscale Hotels	Economy Hotels	Economy Hotels United States	Total Hotels
Goodwill	781	92	212	1 085
Intangible assets	148	52	160	360
Property, plant and equipment	2 076	1 101	826	4 003
Total non-current financial assets	382	20	23	425
Deferred tax assets	75	16	85	176
TOTAL NON-CURRENT ASSETS	3 462	1 281	1 306	6 049
TOTAL CURRENT ASSETS	3 957	1 233	132	5 322
Assets held for sale	-	4	26	30
<b>TOTAL ASSETS</b>	<b>7 419</b>	<b>2 518</b>	<b>1 464</b>	<b>11 401</b>
SHAREHOLDERS' EQUITY & MINORITY INTERESTS	3 582	731	1 233	5 546
TOTAL NON-CURRENT LIABILITIES	433	140	11	584
TOTAL CURRENT LIABILITIES	3 404	1 647	220	5 271
Liabilities related to assets classified as held for sale	-	-	-	-
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>7 419</b>	<b>2 518</b>	<b>1 464</b>	<b>11 401</b>

At December 31, 2008 In € millions	Casinos	Restaurants	Onboard Train Services	Holdings & Other	Total Other Businesses
Goodwill	162	25	8	7	202
Intangible assets	9	1	1	31	42
Property, plant and equipment	155	28	18	90	291
Total non-current financial assets	1	3	-	370	374
Deferred tax assets	-	5	-	26	31
TOTAL NON-CURRENT ASSETS	327	62	27	524	940
TOTAL CURRENT ASSETS	61	60	173	1 562	1 856
Assets held for sale	-	3	2	1	6
<b>TOTAL ASSETS</b>	<b>388</b>	<b>125</b>	<b>202</b>	<b>2 087</b>	<b>2 802</b>
SHAREHOLDERS' EQUITY & MINORITY INTERESTS	193	48	101	(2 977)	(2 635)
TOTAL NON-CURRENT LIABILITIES	110	3	15	1 571	1 699
TOTAL CURRENT LIABILITIES	85	74	86	3 493	3 738
Liabilities related to assets classified as held for sale	-	-	-	-	-
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>388</b>	<b>125</b>	<b>202</b>	<b>2 087</b>	<b>2 802</b>

## Note 39.B – Balance Sheet by geographical area

At December 31, 2008 In € millions	France	Europe (excluding France)	North America	Latin America & Caribbean	Other countries and worldwide structures	Eliminations	Total Consolidated
Goodwill	623	605	246	171	287	-	1 932
Intangible assets	75	161	164	13	99	-	512
Property, plant and equipment	1 460	1 393	904	139	428	-	4 324
Total non-current financial assets	485	262	167	4	544	(1 059)	403
Deferred tax assets	24	52	95	24	27	-	222
TOTAL NON-CURRENT ASSETS	2 667	2 473	1 576	351	1 385	(1 059)	7 393
TOTAL CURRENT ASSETS	2 267	2 108	112	1 053	1 393	(2 949)	3 984
Assets held for sale	6	3	26	-	1	-	36
<b>TOTAL ASSETS</b>	<b>4 940</b>	<b>4 584</b>	<b>1 714</b>	<b>1 404</b>	<b>2 779</b>	<b>(4 008)</b>	<b>11 413</b>
SHAREHOLDERS' EQUITY & MINORITY INTERESTS	2 594	1 642	1 453	503	(2 629)	-	3 563
TOTAL NON-CURRENT LIABILITIES	306	320	13	34	1 745	-	2 418
TOTAL CURRENT LIABILITIES	2 040	2 622	248	867	3 663	(4 008)	5 432
Liabilities related to assets classified as held for sale	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>4 940</b>	<b>4 584</b>	<b>1 714</b>	<b>1 404</b>	<b>2 779</b>	<b>(4 008)</b>	<b>11 413</b>

## Note 40. Directors' Fees

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Fees paid in 2008 by the Group to the members of the Supervisory Board for year 2007 amounted to €590,000.

## Note 41. Claims and litigation

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### CIWLT tax audit

A tax audit was carried out on the permanent branch in France of Compagnie Internationale des Wagons Lits et du Tourisme (CIWLT), a Belgian company that is 99.65%-owned by Accor SA. Following the audit, the French tax authorities concluded that CIWLT's seat of management was located in France not in Belgium.

Accordingly, the French tax authorities added back CIWLT's profits in Belgium for the purpose of calculating income tax payable in France. At the end of 2003, the resulting reassessments, for a total of €217 million including late interest, were contested by CIWLT, on the basis of the notice received from the Belgian tax authorities confirming that its seat of management was in Belgium. The French tax authorities issued a notice ordering CIWLT to settle the €217 million in tax deficiencies for the years 1998 to 2003 for which a stay of payment had been requested. In conjunction with the request, CIWLT obtained a tax bond from its bank guaranteeing the payment of this amount.

CIWLT subsequently asked the Cergy Pontoise Administrative Court to rule on the contested reassessments. On December 12, 2008, the court found against CIWLT concerning the reassessments for the years 1998 to 2002 but has not yet issued a ruling on the 2003 reassessment. CIWLT has decided to appeal this ruling before the Versailles Administrative Court of Appeal.

Under French law, collection of the tax deficiencies is not suspended while the appeal is being heard and the tax deficiencies for the years 1998 to 2002 are therefore currently payable, representing a total of €242.5 million including late interest.

This amount will be paid at the end of February 2009.

Based on advice from its legal and tax advisors, the company believes that it has strong arguments that should lead to a favourable outcome, considering that CIWLT is governed by Belgian tax laws.

### Dividend withholding tax (*précompte*)

In 2002, Accor mounted a legal challenge to its obligation to pay withholding tax (*précompte*) on the redistribution of European source dividends.

Until 2004, French parent companies were entitled to a 50% tax credit on dividends received from French subsidiaries, which could be set off against the *précompte* withholding tax. However, no tax credit was attached to European source dividends. Accor contested this rule, on the grounds that it breached European Union rules.

In the dispute between Accor and the French State, on December 21, 2006 the Versailles Administrative Court ruled that Accor was entitled to a refund of the *précompte* dividend withholding tax paid in the period 1999 to 2001, in the amount of €156 million.

The amount of €156 million was refunded to Accor during the first half of 2007, together with €36.4 million in late interest due by the French State.

However, on March 8, 2007, the French State appealed the ruling before the Versailles Administrative Court of Appeal. The French State's appeal was rejected on May 20, 2008.

As the State has not yet exhausted all avenues of appeal, a liability has been recognized for the amounts received and the financial impact of the rulings by the Versailles Administrative Court and Court of Appeal has not been recognized in the financial statements at December 31, 2008.

On February 7, 2007, Accor filed an application originating proceedings before the Cergy Pontoise Administrative Court on the same grounds, to obtain a refund of the €187 million in *précompte* withholding tax paid in the period 2002 to 2004.

### Other claims and litigation

In the normal course of its business, the Group is exposed to various claims and litigation. The Company believes that these claims and litigations will not give rise to any material costs and will not have a material adverse effect on its financial position, business and/or results of operations.

## Note 42. Off-Balance Sheet Commitments at December 31, 2008

### Note 42.1 Off-balance sheet commitments given

Off-balance sheet commitments given at December 31, 2008 break down as follows:

In € millions		Less than 1 year	1 to 5 years	Beyond 5 years	Dec 2008	Dec 2007	Dec 2006
<b>Security interests given on assets</b>	(1)	-	-	17	17	5	11
. Groupe Lucien Barrière SAS	(2)	140	-	-	140	140	140
. Novotel Paris Tour Eiffel		-	-	-	-	-	18
. Dorint		-	-	-	-	-	105
. Other purchase commitments		5	66	-	71	49	50
<b>Purchase commitments</b>		<b>145</b>	<b>66</b>	<b>-</b>	<b>211</b>	<b>189</b>	<b>313</b>
. Construction performance bonds Novotel and Ibis (China)	(3)	31	14	-	45	35	-
. Renovation commitment Axa Reim (France)	(4)	16	4	-	20	-	-
. Renovation commitment Axa Reim (Switzerland)	(4)	4	3	-	7	-	-
. Renovation commitment Moor Park (Germany and the Netherlands)	(5)	16	1	-	17	25	-
. Property development projects in Spain	(6)	14	-	-	14	14	12
. Renovation commitment Land Securities (United-Kingdom)	(7)	3	5	-	8	17	-
. Construction commitments Novotel and Ibis (Algeria)	(8)	1	4	-	5	8	-
. Renovation commitment Novotel Paris Tour Eiffel	(9)	-	5	-	5	13	-
. Renovation commitment Foncière des Murs transaction 1 (France)	(10)	2	-	-	2	11	33
. Renovation commitment Foncière des Murs transaction 2 (France)	(10)	2	-	-	2	12	24
. Other renovation commitments	(11)	27	21	61	109	117	107
<b>Capex Commitments</b>		<b>116</b>	<b>57</b>	<b>61</b>	<b>234</b>	<b>252</b>	<b>176</b>
<b>Loan guarantees given</b>		<b>1</b>	<b>5</b>	<b>-</b>	<b>6</b>	<b>14</b>	<b>44</b>
<b>Commitments given in the normal course of business</b>	(12)	<b>316</b>	<b>47</b>	<b>39</b>	<b>402</b>	<b>374</b>	<b>412</b>
<b>Contingent liabilities</b>		<b>-</b>	<b>2</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>-</b>
<b>Total 2008</b>		<b>578</b>	<b>177</b>	<b>117</b>	<b>872</b>		
<b>Total 2007</b>		<b>128</b>	<b>580</b>	<b>126</b>		<b>834</b>	
<b>Total 2006</b>		<b>170</b>	<b>391</b>	<b>395</b>			<b>956</b>

- (1) Security interests given on assets correspond to pledges and mortgages valued at the net book value of the underlying assets.
- (2) Under the agreements between Colony Capital, the Desseigne Barrière family and Accor, Colony Capital has a put option and Accor has a call option on Colony's 15% interest in Groupe Lucien Barrière SAS. Colony Capital's put option is exercisable in the 30 days following Groupe Lucien Barrière SAS's 2008 and 2009 fiscal year-ends (October 31). The option exercise price will be determined by independent experts based on market prices. The option is included in off-balance sheet commitments at December 31, 2008 for an amount of €140 million, corresponding to the valuation at the transaction date.
- (3) In connection with development in China, Accor issued performance bonds to the developers of 37 Ibis hotels and 4 Novotel hotels. The related commitments at December 31, 2008 amounted to €45 million.
- (4) In connection with the Axa REIM sale-and-variable leaseback transactions, Accor is committed to financing €27 million worth of renovation work in France and Switzerland. The transactions concern 45 hotels in France and 10 in Switzerland.
- (5) In connection with the Moor Park sale-and-variable leaseback transaction, Accor is committed to financing €29 million worth of renovation work in Germany and the Netherlands (see Note 2.B.2.5). As of December 31, 2008, the remaining work amounted to €17 million.
- (6) In connection with property development projects in Spain, Accor issued performance bonds to the developers of two Ibis hotels. The related commitments at December 31, 2008 amounted to €14 million.
- (7) In connection with the Land Securities sale-and-variable leaseback transaction, Accor is committed to financing €17 million (£16 million) worth of renovation work in the UK. As of December 31, 2008, the remaining work amounted to €8 million.
- (8) In connection with development in Algeria, Accor is committed to financing four hotel projects (Tlemcen, Oran, Bab Ezzouar and Constantine) representing a total of €15 million. As of December 31, 2008, the remaining work amounted to €5 million.
- (9) In connection with the sale of Accor's 40% interest in Novotel Paris Tour Eiffel under a lease-back arrangement, Accor is committed to financing €10 million worth of renovation work before the end of 2012. As of December 31, 2008, the remaining work amounted to €5 million.
- (10) In connection with the Foncière des Murs sale-and-variable leaseback transactions, Accor is committed to financing €98 million worth of renovation work. As of December 31, 2008, construction work totalling €94 million had been carried out.

- (11) Other commitments include €30 million in committed capital expenditure on Australian hotels and €63 million in commitments related to Groupe Lucien Barrière.
- (12) At December 31, 2008, the corresponding commitment with CIWLT amounted to €260 million including late interest and penalties. The reassessments for the years 1998 to 2002 representing a total of €243 million will be paid on February 27, 2009 (see Note 41).

To the best of the Group's knowledge and in accordance with generally accepted accounting principles, no commitments given have been omitted from the above list.

## Note 42.2 Off-balance sheet commitments received

Off-balance sheet commitments received at December 31, 2008 break down as follows:

In € millions	Less than 1 year	1 to 5 years	Beyond 5 years	Dec 2008	Dec 2007	Dec 2006
Irrevocable commitments received for the purchase of intangible assets and property, plant and equipment	-	5	-	5	-	-
Irrevocable commitments received for the purchase of financial assets (1)	-	140	11	151	140	141
Customer orders spanning several years	-	-	-	-	-	-
<b>Purchase commitments received</b>	-	<b>145</b>	<b>11</b>	<b>156</b>	<b>140</b>	<b>141</b>
Sellers' warranties received	-	1	-	1	1	2
Debt waivers granted with a clawback clause	-	-	-	-	-	-
Loan guarantees received	4	-	-	4	-	-
Other guarantees received in the normal course of business (2) + (3) + (4) + (5) + (6)	77	27	10	114	138	85
<b>Other commitments and guarantees received</b>	<b>81</b>	<b>28</b>	<b>10</b>	<b>119</b>	<b>139</b>	<b>87</b>
<b>Total 2008</b>	<b>81</b>	<b>173</b>	<b>21</b>	<b>275</b>		
<b>Total 2007</b>	<b>55</b>	<b>223</b>	<b>1</b>		<b>279</b>	
<b>Total 2006</b>	<b>20</b>	<b>207</b>	<b>1</b>			<b>228</b>

- (1) Under the agreements between Colony Capital, the Desseigne Barrière family and Accor, Colony Capital has a put option and Accor has a call option on Colony's 15% interest in Groupe Lucien Barrière SAS (see Note 42.1).
- (2) In connection with the two transactions with Accor, Foncière des Murs agreed to finance a €151 million renovation program. At December 31, 2008, Foncière des Murs made €141 million of renovation. The remaining work amounts to €10 million.
- (3) In connection with transaction in the United Kingdom, Land Securities agreed to finance a €36 million (£35 million) renovation program. As of December 31, 2008, the remaining work amounts to €20 million.
- (4) In connection with transaction in the Netherlands and in Germany, Moor Park agreed to finance a €59 million renovation program. As of December 31, 2008, the remaining work amounts to €27 million.
- (5) In connection with the sale of Accor's 40% interest in Novotel Paris Tour Eiffel under a management-back arrangement, the owner of the hotel agreed to finance €5 million worth of renovation work before the end of 2011. As of December 31, 2008, the remaining work amounts to €4 million.
- (6) In connection with transaction with Accor, Axa REIM agreed to finance a €50 million renovation program over three years. At December 31, 2008 the remaining work amounts to €43 million.

Purchase options under finance leases are not included in this table.



## Note 43. Consolidated Companies Net Profit

In € millions	2006 (*)	2007	2008
<b>OPERATING PROFIT BEFORE TAX AND NON RECURRING ITEMS</b>	<b>727</b>	<b>907</b>	<b>875</b>
Cancellation of share of profit of associates after tax	(11)	(28)	(20)
<b>CONSOLIDATED COMPANIES PROFIT BEFORE TAX</b>	<b>716</b>	<b>879</b>	<b>855</b>
Restructuring costs	(69)	(58)	(56)
Impairment losses	(94)	(99)	(57)
Gains and losses on management of hotel properties	109	208	111
Gains and losses on management of other assets	15	188	12
Income tax expense	(258)	(234)	(272)
<b>CONSOLIDATED COMPANIES NET PROFIT</b>	<b>419</b>	<b>884</b>	<b>593</b>

(\*) In accordance with IFRS 5, Carlson Wagonlit Travel (CWT) amounts are not reported (see Note 17).

## Note 44. Main Consolidated Companies at December 31, 2008

The main subsidiaries and associates represent 90% of consolidated revenue, 92% of EBITDAR and 88% of EBIT. The many other subsidiaries and associates represent individually less than 0.8% of consolidated revenue, EBITDAR and EBIT.

ACCOR SA					
HOTELS			SERVICES		
France			France		
Accor Hotels Deutschland	IG	100.00%	Accor Services France	France	IG 99.32%
The Morgan Hotels	IG	100.00%	Accenti/Hotels	France	IG 99.05%
Accor Austria AG	IG	99.46%	Kadéos	France	IG 99.32%
Accor Hotels Belgium	IG	100.00%			
Accor Hotels Espagne	IG	100.00%			
Société Hôtelière Athènes Centre	IG	100.00%			
Panorama Hotels RT	IG	99.94%			
Société Hôtelière Athènes Italia	IG	100.00%			
Silberberg	IG	96.28%			
Motel Maatschappij Holland	IG	100.00%			
Itiree BV	IG	100.00%			
Novotel Nederland	IG	100.00%			
The Grand Real Estate	IG	40.00%			
Pharis	IG	100.00%			
Katemia's Hotels	IG	100.00%			
Accor UK Business & Leisure	IG	100.00%			
Accor UK Economy Hotels	IG	100.00%			
Accor Hotels Romania	IG	100.00%			
Accor Hotels Slovakia	IG	100.00%			
Accor Hotels Hungary	IG	99.98%			
Accor Hotels	IG	100.00%			
Accor Suisse	IG	100.00%			
Europe Excl. France			Europe Excl. France		
Accor Hotels Deutschland	IG	100.00%	Accor Services Deutschland	Germany	IG 99.32%
The Morgan Hotels	IG	99.46%	Quasar	Germany	IG 79.45%
Accor Austria AG	IG	100.00%	Accor Services Austria	Austria	IG 98.45%
Accor Hotels Belgium	IG	99.85%	Accor T.R.B.	Belgium	IG 99.32%
Accor Hotels Espagne	IG	100.00%	Accor Services Entreprises	Spain	IG 97.33%
Société Hôtelière Athènes Centre	IG	100.00%	Accor Services Hongrie	Hungary	IG 92.67%
Panorama Hotels RT	IG	99.94%	Gemaz	Italy	IG 94.64%
Société Hôtelière Athènes Italia	IG	100.00%	Sinai Services Alpinistes	Italy	IG 90.50%
Silberberg	IG	96.28%	Accor Services Alpinistes	Italy	IG 99.45%
Motel Maatschappij Holland	IG	100.00%	Accor Services CZ SRO	Czech Republic	IG 92.68%
Itiree BV	IG	100.00%	Accor Services Romania	Romania	IG 91.08%
Novotel Nederland	IG	100.00%	Luncheon vouchers	United Kingdom	IG 99.32%
The Grand Real Estate	IG	40.00%	Capital Incentives & Motivation	United Kingdom	IG 99.32%
Pharis	IG	100.00%	Employee Advisory Resource Limited	United Kingdom	IP 45.04%
Katemia's Hotels	IG	100.00%	Pharisano	United Kingdom	IG 99.32%
Accor UK Business & Leisure	IG	100.00%	Pharisano	United Kingdom	IG 99.32%
Accor UK Economy Hotels	IG	100.00%	Accor Services Slovakia	Slovakia	IG 98.55%
Accor Hotels Romania	IG	100.00%	Riskuponger	Sweden	IG 98.55%
Accor Hotels Slovakia	IG	100.00%			
Accor Hotels Hungary	IG	99.98%			
Accor Hotels	IG	100.00%			
Accor Suisse	IG	100.00%			
North America			North America		
Accor Canada Inc.	IG	100.00%	Accor Services North America Inc.	United States	IG 99.32%
Accor Business & Leisure North America Inc.	IG	100.00%	Workplace Benefits	United States	IP 45.04%
IBL United	IG	100.00%	Wirecomm	United States	IG 99.17%
			Commute Other Services Corporation	United States	IG 99.32%
Latin America and Caribbean			Latin America and Caribbean		
Hotelaria Accor Brasil	IG	99.95%	Accor Argentina	Argentina	IG 99.40%
			Accor Brasil	Brazil	IG 99.17%
			Accor Chile	Chile	IG 97.84%
			Accor Colombia	Colombia	IG 97.32%
			Accor Services Empresariales	Mexico	IG 97.32%
			Services Empresariales	Venezuela	IG 56.32%
Other Countries			Other Countries		
Formu1 Pty	IG	52.60%	Accor Services Australia	Australia	IG 99.32%
Premier Lodge South Africa	IG	100.00%	Davidson & Traill	Australia	IG 99.32%
Saudi Hotels Management	IG	99.97%	Royal Image Direct	India	IG 89.38%
Accor Asia Pacific Corp.	IG	100.00%			
Accor Hotels de l'Union	IG	100.00%			
Société Hôtelière de l'Union	IG	100.00%			
Société Hôtelière de l'Union	IG	99.99%			
Accor Hotels SAE	IG	89.30%			
Rama	IG	34.92%			

(\*) All entities are held directly by Accor SA, except for Compagnie des Wagon-Lits

## Note 45. Additional Information about Jointly-controlled Entities

In € millions	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue for the Group	Costs for the Group	Net Profit*
Groupe Lucien Barrière	50	164	80	134	330	(322)	8
Australia (Allegiance Marketing and Reef Casinos Conso)	15	26	25	16	45	(38)	7

\* Information presented in accordance with IAS 14 (Segment Reporting).

Above disclosed figures correspond to Group share.

## Note 46. Subsequent Events

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### NEWGEN HOTELS AG SQUEEZE-OUT

On January 7, 2009, Accor completed the buyout of the remaining 0.54% minority interests in NewGen Hotels AG through a squeeze-out procedure launched in 2008. At December 31, 2008, NewGen Hotels AG was 99.46%-owned by Accor.

The squeeze-out price was set at €39 per share, based on a valuation performed in 2008.

### BOND ISSUE

On January 28, 2009, Accor issued €600 million worth of 5-year 7.50% bonds due February 4, 2014.

Accor's low leverage together with its BBB long-term rating with stable outlook enabled the Group to place the bonds on satisfactory terms with more than 200 European institutional investors.

This bond issue aims to diversify the Group's financial resources and to extend the average maturity of its debt.

### ANNOUNCEMENT OF A STRATEGIC ALLIANCE BETWEEN ACCOR SERVICES AND MASTERCARD

On February 9, 2009, Accor Services and MasterCard announced a strategic alliance resulting in the creation of a new company, PrePay Solutions. This joint venture makes Accor Services the majority shareholder at 67 percent, while MasterCard Europe holds a 33 percent stake in the company. The creation of PrePay Solutions is underpinned by Accor Services' subsidiary PrePay Technologies – a UK market leader in prepaid cards – and acquired in 2007 by Accor Services.

The new company is designed to combine the prepaid and electronic payments expertise of both organisations PrePay Solutions markets prepaid card-based solutions that enable corporations, public sector and financial corporations to reduce costs and enhance efficiency.

### COMPAGNIE DES WAGONS-LITS

The French branch of Compagnie Internationale des Wagons Lits et du Tourisme (CIWLT) is involved in a dispute with the French tax authorities (see Note 41). Following a ruling against CIWLT handed down on December 12, 2008 by the Cergy Pontoise Administrative Court, CIWLT will settle the claimed tax deficiencies and late interest on February 27, 2009.

### PUT OPTION ON GROUPE LUCIEN BARRIÈRE SHARES

The process of valuing Colony Capital's put option on Groupe Lucien Barrière shares has been launched. The results of the valuation will determine whether or not Colony Capital decides to sell the shares to Accor. If the put is exercised, Accor will hold 49% of Groupe Lucien Barrière.

## Note 47. Related Party Transactions

For the purpose of applying IAS 24, the Group has identified the following related parties:

- All fully and proportionately consolidated companies and all associated companies accounted for by the equity method.
- All members of the Executive Committee and the Board of Directors and the members of their direct families.
- All companies in which a member of the Executive Committee or the Board of Directors holds material voting rights.
- **Fully and proportionately consolidated companies and all associated companies accounted for by the equity method.**

Relationships between the parent company and its subsidiaries, joint ventures and associates are presented in Note 44. Transactions between the parent company and its subsidiaries – which constitute related party transactions – are eliminated in consolidation and are therefore not disclosed in these notes. Transactions between the parent company and its joint ventures and associates were not material in 2008.

- **Members of the Executive Committee and the Board of Directors**

Transactions with members of the Executive Committee and Board of Directors are disclosed in full in Note 48.

- **Companies in which a member of the Executive Committee or the Board of Directors holds material voting rights.**

All transactions with companies in which a member of the Executive Committee or the Board of Directors holds material voting rights are conducted in the course of business on arm's length terms.

The related party transactions presented below correspond to the main transactions with companies in which a person holding material voting rights is a member of the Accor Board of Directors. Only material transactions are disclosed.

### Related party transactions

In € millions	Type of transaction	Transaction amounts			Related party receivables			Related party payables			Provisions for doubtful accounts			Off-balance sheet commitments		
		2006	2007	2008	2006	2007	2008	2006	2007	2008	2006	2007	2008	2006	2007	2008
Colony Capital	Long-term loan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	GLB put option granted to Accor	-	-	-	-	-	-	-	-	-	-	-	-	140	140	140
	Bond issues	-	-	-	-	-	-	1 000	500	-	-	-	-	-	-	-

## Note 48. Corporate Officers' Compensation

In € millions	December 31, 2006		December 31, 2007		December 31, 2008	
	Expenses	Balance sheet amount	Expenses	Balance sheet amount	Expenses	Balance sheet amount
Short-term benefits received	13	5	13	6	12	6
Post-employment benefits	-	3	2	5	2	6
Other long-term benefits	-	-	-	-	-	-
Compensation for loss of office	-	-	-	-	5	-
Share-based payments	3	-	4	-	5	-
<b>Total compensation</b>	<b>16</b>	<b>8</b>	<b>19</b>	<b>11</b>	<b>24</b>	<b>12</b>

Corporate officers are defined as members of the Executive Committee and the Board of Directors.

In 2008, compensation only concerned the members of the twelve-member Executive Committee.

Directors' fees paid to members of the Board of Directors are disclosed in Note 40. Members of the Board of Directors do not receive any compensation.

## Note 49. Fees Paid to the Auditors

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The table below shows the total fees billed by the Auditors recognized in the income statement in 2008 and prior years.

In € millions	2006	2007	2008
Statutory and contractual audit fees	(10)	(10)	(11)
Fees for audit-related services	(2)	(2)	(1)
<b>Total fees billed by the Auditors</b>	<b>(12)</b>	<b>(12)</b>	<b>(12)</b>