



2008
Interim
Results



Consolidated Financial Statements

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

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➤ Consolidated Income Statements

In € millions	Notes	2007	June 2007	June 2008
Revenue		8 025	3 970	3 707
Other operating revenue		96	45	59
CONSOLIDATED REVENUE	3	8 121	4 015	3 766
Operating expense	4	(5 800)	(2 920)	(2 678)
EBITDAR	5	2 321	1 095	1 088
Rental expense	6	(931)	(463)	(453)
EBITDA	7	1 390	632	635
Depreciation, amortization and provision expense	8	(419)	(215)	(210)
EBIT	9	971	417	425
Net financial expense	10	(92)	(46)	(50)
Share of profit of associates after tax	11	28	8	18
OPERATING PROFIT BEFORE TAX AND NON RECURRING ITEMS		907	379	393
Restructuring costs	12	(58)	(5)	(10)
Impairment losses	13	(99)	(184)	(36)
Gains and losses on management of hotel properties	14	208	323	107
Gains and losses on management of other assets	15	188	210	23
OPERATING PROFIT BEFORE TAX		1 146	723	477
Income tax expense	16	(234)	(114)	(152)
Profit or loss from discontinued operations	17	-	-	-
NET PROFIT	43	912	609	325
Net Profit, Group Share		883	596	310
Net Profit, Minority interests		29	13	15
Weighted average number of shares outstanding (in thousands)	25	225 013	224 093	221 659
EARNINGS PER SHARE (in €)		3,92	2,66	1,40
Diluted earnings per share (in €)	25	3,78	2,44	1,39
DIVIDEND PER SHARE (in €)		1,65	N/A	N/A
EXCEPTIONAL DIVIDEND PER SHARE (in €)		1,50	N/A	N/A
Earnings per share from continuing operations (in €)		3,92	2,66	1,40
Diluted earnings per share from continuing operations (in €)		3,78	2,44	1,39
Earnings per share from discontinued operations (in €)		N/A	N/A	N/A
Diluted earnings per share from discontinued operations (in €)		N/A	N/A	N/A

➤ Consolidated Balance Sheets

Assets

ASSETS In € millions	Notes	June 2007	Dec 2007	June 2008
GOODWILL	18	1 999	1 967	1 887
INTANGIBLE ASSETS	19	345	369	382
PROPERTY, PLANT AND EQUIPMENT	20	3 336	3 321	3 366
Long-term loans	21	103	107	90
Investments in associates	22	340	421	451
Other financial investments	23	210	182	171
TOTAL NON-CURRENT FINANCIAL ASSETS		653	710	712
Deferred tax assets	16	246	199	191
TOTAL NON-CURRENT ASSETS		6 579	6 566	6 538
Inventories		74	74	92
Trade receivables	24	1 449	1 598	1 227
Other receivables and accruals	24	759	715	746
Service voucher reserve funds	35	388	392	425
Receivables on disposals of assets	29 & 30	89	52	33
Short-term loans	29 & 30	16	22	25
Cash and cash equivalents	29 & 30	940	1 138	1 280
TOTAL CURRENT ASSETS		3 715	3 991	3 828
Assets held for sale	32	760	277	377
TOTAL ASSETS		11 054	10 834	10 743

Equity and Liabilities

EQUITY AND LIABILITIES In € millions	Notes	June 2007	Dec 2007	June 2008
Share capital		656	665	665
Additional paid-in capital		2 374	2 276	2 282
Retained earnings		(89)	(94)	157
Fair value adjustments on financial instruments reserve	26	81	66	2
Reserve related to employee benefits		49	59	70
Reserve for actuarial gains/losses		(23)	(19)	(13)
Currency translation reserve		22	(145)	(238)
Net profit, Group share		596	883	310
SHAREHOLDERS' EQUITY, GROUP SHARE	25	3 666	3 691	3 235
Minority interests	27	63	61	58
TOTAL SHAREHOLDERS' EQUITY AND MINORITY INTERESTS		3 729	3 752	3 293
Convertible or exchangeable bonds (OCEANE)	28, 29 & 30	-	-	-
Other long-term debt	29 & 30	944	1 056	1 995
Long-term finance lease liabilities	29 & 30	196	216	165
Deferred tax liabilities	16	187	170	174
Non-current provisions	33	129	118	109
TOTAL NON-CURRENT LIABILITIES		5 185	5 312	5 736
Trade payables	24	653	679	645
Other payables and income tax payable	24	1 556	1 557	1 547
Service vouchers in circulation	35	2 443	2 894	2 494
Current provisions	33	197	248	212
Short-term debt and finance lease liabilities	29 & 30	732	109	91
Bank overdrafts	29 & 30	102	35	18
TOTAL CURRENT LIABILITIES		5 683	5 522	5 007
Liabilities of assets classified as held for sale	32	186	-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		11 054	10 834	10 743

► Consolidated Cash Flow Statements

In € millions	Notes	2007	June 2007	June 2008
+ EBITDA		1 390	632	635
- Net financial expense		(92)	(46)	(50)
- Income tax expense		(252)	(142)	(149)
- Non cash revenue and expense included in EBITDA		29	33	10
- Elimination of provision movements included in net financial expense, income tax expense and non-recurring taxes		30	36	39
+ Dividends received from associates		7	2	2
= Funds from Ordinary Activities	34	1 112	515	487
+ Cash received (paid) on non-recurring transactions (included restructuring costs and non-recurring taxes)		(85)	(29)	(31)
+ Decrease (increase) in working capital	35	388	(30)	(147)
= Net cash from operating activities (A)		1 415	456	309
- Renovation and maintenance expenditure	36	(466)	(207)	(184)
- Renovation and maintenance expenditure on non-current assets held for sale	37	(26)	(31)	(226)
- Development expenditure	37	(1 198)	(676)	(368)
+ Proceeds from disposals of assets		1 635	953	503
= Net cash used in investments/ divestments (B)		(55)	39	(275)
+ Proceeds from issue of share capital		710	94	7
- Capital reduction		(1 200)	(492)	(1)
- Dividends paid		(680)	(678)	(714)
- Repayment of long-term debt		(900)	(152)	(766)
- Payment of finance lease liabilities		(50)	(34)	(56)
+ New long term debt		940	582	1 710
= Increase (decrease) in long-term debt		(10)	396	888
+ Increase (decrease) in short-term debt		(178)	(143)	(14)
= Net cash from financing activities (C)		(1 358)	(823)	166
- Effect of changes in exchange rates (D)		(49)	8	(41)
= Net change in cash and cash equivalents (E)=(A)+(B)+(C)+(D)	30	(47)	(320)	159
+ Cash and cash equivalents at beginning of period		1 207	1 207	1 103
+ Effect of changes in fair value of cash and cash equivalents		(1)	(1)	-
+ Profit or loss from discontinued operations		(56)	-	-
+ Increase (decrease) assets held for sale		-	(47)	-
- Cash and cash equivalents at end of period		1 103	839	1 262
= Net change in cash and cash equivalents	30	(47)	(320)	159

► Changes in Consolidated Shareholders' Equity

In € millions	Number of shares outstanding	Share capital	Additional paid-in capital	Currency translation reserve (2)	Fair value adjustments on Financial Instruments reserve (3)	Reserve related to employee benefits	Reserve for actuarial gains/losses	Retained earnings and profit for the period	Shareholders' equity	Minority interests	Consolidated shareholders' Equity
At January 1, 2007	211 641 160	635	2 321	8	524	32	(23)	601	4 098	66	4 164
Change in reserve for employee benefits	-	-	-	-	-	17	-	-	17	-	17
Change in reserve for actuarial Gains/losses	-	-	-	-	-	-	4	-	4	-	4
Profit for the period	-	-	-	-	-	-	-	596	596	13	609
Recognised income and expense	-	-	-	-	-	17	-	596	613	13	626
Issues of share capital	-	-	-	-	-	-	-	-	-	-	-
- On conversion of equity notes (convertible bonds)	13 633 908	41	496	-	-	-	-	(29)	508	-	508
- On exercise of stock options	870 026	3	30	-	-	-	-	-	33	-	33
- Club Méditerranée earn-out payable (4)	(114 000)	(1)	(3)	-	-	-	-	-	(4)	-	(4)
Change in fair value resulting from conversion of equity notes	-	-	-	-	(443)	-	-	-	(443)	-	(443)
Capital reduction (5)	(7 352 565)	(22)	(470)	-	-	-	-	-	(492)	-	(492)
Dividends paid	-	-	-	-	-	-	-	(661)	(661)	(17)	(678)
Currency translation adjustment	-	-	-	14	-	-	-	-	14	-	14
Effect of scope changes	-	-	-	-	-	-	-	-	-	1	1
At June 30, 2007	218 678 529	656	2 374	22	81	49	(23)	507	3 666	63	3 729
Change in reserve for employee benefits	-	-	-	-	-	10	-	-	10	-	10
Change in reserve for actuarial Gains/losses	-	-	-	-	-	-	4	-	4	-	4
Profit for the period	-	-	-	-	-	-	-	287	287	16	303
Recognised income and expense	-	-	-	-	-	10	4	287	301	16	317
Issues of share capital	-	-	-	-	-	-	-	-	-	-	-
- On conversion of convertible bonds	13 443 565	41	528	-	-	-	-	(2)	567	-	567
- Employee rights issue	770 529	2	41	-	-	-	-	-	43	-	43
- On exercise of stock options	1 046 408	3	39	-	-	-	-	(1)	41	-	41
- Treasury stock	130 000	-	5	-	-	-	-	-	5	-	5
Fair value adjustments on financial instruments	-	-	-	-	(15)	-	-	-	(15)	-	(15)
Capital reduction (5)	(12 541 387)	(37)	(711)	-	-	-	-	-	(748)	-	(748)
Dividends paid	-	-	-	-	-	-	-	-	-	(2)	(2)
Currency translation adjustment	-	-	-	(167)	-	-	-	-	(167)	(3)	(170)
Effect of scope changes	-	-	-	-	-	-	-	(2)	(2)	(13)	(15)
At December 31, 2007	221 527 644	665	2 276	(145)	66	59	(19)	789	3 691	61	3 752
Change in reserve for employee benefits	-	-	-	-	-	11	-	-	11	-	11
Change in reserve for actuarial Gains/losses	-	-	-	-	-	-	6	-	6	-	6
Profit for the period	-	-	-	-	-	-	-	310	310	15	325
Recognised income and expense	-	-	-	-	-	11	6	310	327	15	342
Issues of share capital	-	-	-	-	-	-	-	-	-	-	-
- On exercise of stock options	194 567	0	6	-	-	-	-	-	6	-	6
Fair value adjustments on financial instruments	-	-	-	-	(64)	-	-	66	2	-	2
Capital reduction	-	-	-	-	-	-	-	-	-	(1)	(1)
Dividends paid	-	-	-	-	-	-	-	(698)	(698)	(17)	(715)
Currency translation adjustment	-	-	-	(93)	-	-	-	-	(93)	-	(93)
Effect of scope changes	-	-	-	-	-	-	-	-	-	-	-
At June 30, 2008 (1)	221 722 211	665	2 282	(238)	2	70	(13)	467	3 235	58	3 293

(1) At June 30, 2008, Accor held 8,390,150 shares in treasury, with a fair value of €478 million. These shares have been deducted from equity at cost.

(2) Exchange differences on translating foreign operations for the six months ended June 30, 2008, in the amount of €(93) million, mainly concern changes in exchange rates against the euro of the Polish Zloty (€18 million positive impact), the Brazilian real (€15 million positive impact), the US dollar (€108 million negative impact) and the British pound (€31 million negative impact).

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

	USD	GPB	BRL	PLN
December 2007	1,4721	0,7334	2,6144	3,5935
June 2008	1,5764	0,7923	2,5112	3,3513

(3) 2007 change corresponding mainly to the redemption in equity of the ORA equity notes issued to Colony Capital.

(4) 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).

(5) Capital reductions resulting from the cancellation of shares acquired under the buyback programs (see Note 2.F). Accordingly, 7,970,150 shares totalling €461 million will be cancelled as for the second-half 2008.

Number of Accor's shares is detailed as follows:

Details on shares	June 2007	December 2007	June 2008
Total number of shares authorized	226 581 094	229 917 794	230 112 361
Number of fully paid shares issued and outstanding	226 581 094	229 917 794	230 112 361
Number of shares issued and outstanding not fully paid	-	-	-
Par value per share (in €)	3	3	3
Treasury stock	7 902 565	8 390 150	8 390 150
Number of shares held for allocation on exercise of stock options and grants	-	-	-

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

Accor's share capital at June 30, 2008	230 112 361
Shares in treasury at June 30, 2008	(420 000)
Number of shares bought back for cancellation	(7 970 150)
Outstanding Accor's share capital at June 30, 2008	221 722 211
Stock option plans (see Note 25.1)	9 560 056
Performance shares granted to employees (see Note 25.3)	163 196
Potential number of shares	231 445 463

Full conversion would have the effect of reducing debt at June 30, 2008 as follows:

	In € millions
Impact of conversion of stock option plans (*)	432
Impact on net debt of converting all equity instruments	432

(*) based on a conversion of 100% of the outstanding options at June 30, 2008

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

Accor's share capital at June 30, 2008	230 112 361	
Shares in treasury at June 30, 2008	(420 000)	
Number of shares bought back for cancellation	(7 970 150)	
Outstanding Accor's share capital at June 30, 2008	221 722 211	
Adjustment from stock option plans exercised during the period	(91 683)	
Fully-vested performance shares	28 085	
Weighted average number of ordinary shares during the period	221 658 613	(See Note 25)
Number of potential ordinary shares resulting from conversion of Stock option plans	1 237 688	
Weighted average number of shares used to calculate diluted earnings per share	222 896 301	(See Note 25)

➤ Key Management Ratios

	Note	June 2007	Dec 2007	June 2008
Gearing	(a)	25%	5%	28%
Adjusted Funds from Ordinary Activities / Adjusted Net Debt	(b)	23,6%	26,2%	24,2%
Return On Capital Employed	(c)	12,8%	13,6%	14,5%
Economic Value Added (EVA ®) (in € millions)	(d)	223	229	304

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:

	June 2007	Dec 2007	June 2008
Net debt at end of the period	928	204	931
Debt restatement prorated over the period	389	(120)	311
Average net debt	539	84	1 242
8% discounted rental commitments (*)	5 043	5 155	4 073
Total Adjusted net debt	5 582	5 239	5 315
Funds from Ordinary Activities	1 078	1 112	1 084
Rental amortization	240	258	200
Adjusted Funds from Ordinary Activities	1 318	1 370	1 284
Adjusted Funds from Ordinary Activities / Adjusted Net Debt	23,6%	26,2%	24,2%

(*) 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 operations 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 ®).

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

		June 2007	Dec 2007	June 2008
Cost of equity	(1)	8,31%	8,88%	9,93%
Cost of debt (after tax)		3,09%	3,50%	3,37%
Equity/debt weighting				
----- Equity		80,07%	94,84%	77,96%
----- Debt		19,93%	5,16%	22,04%
Weighted Average Cost of Capital (WACC)	(2)	7,27%	8,60%	8,48%
ROCE after tax	(3)	9,37%	10,76%	11,53%
Capital Employed (in € millions)		10 660	10 606	9 966
Economic Value Added (in € millions)	(4)	223	229	304

(1) The Beta used to calculate the cost of equity for 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 June 30, 2008 the data used in the formula were as follows:

EBITDA	: €1,445 million (see ROCE hereafter)
Depreciation, amortization and provisions	: € (415) million
Notional tax rate	: 28.7% (see Note 16.2)
Capital employed	: €9,966 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 €45 million impact on 2007 EVA and a €40 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 June 2008, ROCE stood at 14.5% versus 13.6% in fiscal 2007 and 12.8% in June 2007.

In € millions	June 2007 (12 months)	2007	June 2008 (12 months)
Capital employed	10 780	10 519	10 258
Adjustments on capital employed (1)	(150)	44	(311)
Effect of exchange rate on capital employed (2)	30	43	19
Restated Average Capital Employed	10 660	10 606	9 966
EBITDA	1 323	1 390	1 406
Interest income on external loans and dividends	19	9	(12)
Share of profit of associates before tax (see Note 11)	20	38	51
Restated Adjusted EBITDA	1 362	1 437	1 445
Restated ROCE (Adjusted EBITDA/Capital Employed)	12,8%	13,6%	14,5%

(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 June 30 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	June 2007 (12 months)		2007		June 2008 (12 months)	
	Capital Employed In € millions	ROCE %	Capital Employed In € millions	ROCE %	Capital Employed In € millions	ROCE %
HOTELS	7 635	12,2%	7 482	13,3%	7 124	14,0%
Upscale and Midscale Hotels	3 813	10,0%	3 924	11,6%	4 071	11,9%
Economy Hotels	1 681	20,7%	1 674	21,5%	1 661	22,8%
Economy Hotels United States	2 141 (*)	9,4%	1 884	9,6%	1 392	9,8%
SERVICES	1 415	22,9%	1 710	21,3%	1 885	21,0%
OTHER BUSINESSES						
Casinos	459	9,4%	473	9,7%	483	9,8%
Restaurants	276	13,5%	257	12,9%	187	8,9%
Onboard Train Services	148	10,4%	145	10,4%	142	8,6%
Holding Companies and other	727	1,8%	539	-3,3%	145	-18,0%
RESTATED GROUP TOTAL	10 660	12,8%	10 606	13,6%	9 966	14,5%

(*) Including 12-month Red Roof Inn

► Notes to the Consolidated Financial Statements

NOTE 1. Summary of Significant Accounting Policies

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 six months ended June 30, 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 2007 financial information, prepared in accordance with the same standards.

IFRIC 11 "IFRS 2: Group and Treasury Share Transactions" was applicable as of January 1, 2008. The effect of applying this interpretation was not material.

The following two interpretations, applicable in periods beginning on or after January 1, 2008 but not yet adopted by the European Union, will have no impact on the Group's financial statements when they are adopted and become applicable to the Group:

- IFRIC 12 "Service Concession Arrangements".
- IFRIC 14 "IAS 19 – The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction".

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 June 30, 2008 and applicable after that date:

		Application Date (period beginning on or after)	Measurement of the possible impact on the Accor Group consolidated financial statements in the period of initial application
IFRS 8	"Operating Segments"	January 1, 2009	This standard is currently not expected to have material impact on the presentation of the financial statements.
IAS 1 revised	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.
Amendment to IFRS 2	"Vesting Conditions and Cancellations"	January 1, 2009	These standards are currently not expected to have a material impact on the consolidated financial statements.
Amendments to IAS 32 and IAS 1	"Puttable financial instruments and obligations arising on liquidation"	January 1, 2009	
	"Improvements to IFRSs"	January 1, 2009	
Amendments to IFRS 1 and IAS 27	"Cost of an investment in a subsidiary, jointly controlled entity or associate"	January 1, 2009	
Amendment to IAS 23	"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.
IAS 27 revised	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.
IFRS 3 revised	Revised version of IFRS 3 "Business Combinations"	July 1, 2009	
IFRIC 13	"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 of applying IFRIC 13 is not currently known. It will be assessed by reference to the specific features of the Group's loyalty programs, which are in the process of being revised.

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. Consequently, this company has been consolidated based on financial information for the six months ended April 30.

The preparation of consolidated financial statements implies the consideration of estimates and assumptions by Group management 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 their pertinence relevance with respect to past experience and the current economic situation. Items in future financial statements could differ from current estimates as a result of changes in these assumptions.

The main estimates 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 contingency provision, the valuation of the share-based payments and assumptions underlying the calculation of pension obligations and deferred tax balances.

The main assumptions made by the Group are detailed in the appropriate notes to the financial statement.

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 flow and reflect the economic substance of transactions.

Capital management

The Group's prime 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 debt-to-capital ratio (corresponding to net debt divided by equity: see Note "Key Management Ratios" and Note 29). Group policy consists of maintaining this ratio within the range of 20% to 35%. 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 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". Cost includes borrowing costs directly attributable to the construction of assets.

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
Buildings	50 years	35 years
Building improvements, fixtures and fittings	7 to 25 years	
Capitalized construction-related costs	50 years	35 years
Equipment	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.

Where sale-and-leaseback transactions result in a finance lease, any excess of sales proceeds over the carrying amount is deferred and amortized over the lease term, unless there has been impairment in value.

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.

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 recent transactions and are as follows:

Segment	Coefficient
Upscale and Midscale Hotels	7.5 < x < 10.5
Economy Hotels	6.5 < x < 8
Economy Hotels United States	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 Group's weighted average cost of capital at the previous year-end, adjusted in all cases for country risk. The projected long-term rate of revenue growth reflects each country's economic outlook.

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. Service voucher reserve funds

Service 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 service 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 ten stock option plans set up between 2003 and June 2008. Nine 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:

- Time deposits and loans to non-consolidated companies are classified as "Loans and receivables" and measured at amortized cost.
- Bonds and other marketable securities intended to be held to maturity are classified as "Held-to-maturity investments" and measured at amortized cost.

For these two categories, amortized cost is equivalent to purchase cost, because no material transaction costs are incurred.

- Equities and mutual fund units are classified as "Available-for-sale financial assets" and are measured at fair value, with changes in fair value recognized in equity. The fair value of listed securities corresponds to market price. For unlisted securities, fair value is estimated based on the most appropriate criteria applicable to each individual investment. 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 other-than-temporary impairment, 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. 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 service 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 service voucher reserve funds. The interest corresponds to the service 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.

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. The transactions concerned are not directly related to the management of continuing operations.

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.

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 August 27, 2008.

Note 2. Significant Events and Changes in Scope of Consolidation

A. Strategic refocusing on Hotels and 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 €115 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 April 27, 2006, Accor Group signed an agreement to sell 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.

The sale of Accor's 50% interest in CWT became effective in August 2006. Due to the timing of the transaction, 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.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 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 €117 million. The sale generated a gain before tax of €34 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 585 hotel units have been changed. The following table provides summary information about the various transactions, by type.

	Number of hotels	Portfolio value	Debt impact	Discounted Rental Commitments impact (*)	Adjusted Debt impact (**)
Sales & Management Back	20	4 500	365	283	648
Sales & Variable Lease Back	366	48 401	1 163	1 441	2 604
Sales & Lease Back	1	81	3	(5)	(2)
Sales & Franchise Back	112	10 033	111	128	239
Outright sales	86	10 414	353	126	479
Total	585	73 429	1 995	1 973	3 968

(*) Rental commitments discounted with an 8% rate

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

In addition to the 585 hotels referred to above, some new restructuring programs would have an overall impact over the second-half of €496 million corresponding to the impact on cash and cash equivalents and a reduction in off-balance sheet debt. Sale contracts have already been signed for 11 units representing €119 million out of the €496 million total.

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 €71 million impact on adjusted net debt.

B.2. Midscale 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  102-million refurbishment program, which will help to speed up Novotel's repositioning with the new "Novation" room. Accor is committed to financing  67 million worth of construction expenditure, of which  57 million was incurred at end-June 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 which was totally incurred.

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. The last unit will be sold in 2009.

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 €51-million renovation program to be financed by the owner. Accor is committed to financing €24 million (see Note 42), of which €10 million was incurred at end-June 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 sold in the Netherlands**. The remaining five units will be sold in 2009.

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 €27 million (see Note 42), of which €8 million was incurred at end-June 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 49 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 €52-million renovation program at the new owner's expense (see Note 42). On top of this amount, extensions to two of the existing properties will be financed by the owner for a total of €30 million. Accor is committed to financing €28 million renovation program (see Note 42).

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 will enable Accor to reduce its adjusted net debt by €309 million in 2008, of which €260 million will be added to the Group's cash reserves, and will add around €5 million to 2008 profit before tax.

At June 30, 2008, contracts had been exchanged on 39 of the hotels in France and the 10 hotels in Switzerland, with the sale of the remaining seven French expected to be completed during the second half.

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 replaced by a variable-rent lease 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 Cayenne.

B.3.4. 2008 transactions

Outright sales: 5 hotels

In first-half 2008, five hotels properties hotels were sold outright. The transactions concerned two Motel 6 units in United States, one Coralia unit in Senegal and one Ibis and one Novotel units in the United Kingdom.

Sale and franchise-back transactions: 26 hotels

- In France, Accor sold 16 hotels that were previously directly owned and 3 hotels that were previously directly leased and franchised them back under the Formule 1 (11 hotels), Etap Hotel (three hotels), Ibis (four hotels) and Mercure (one hotel) brands.
- In Germany, Accor sold 4 hotels that were previously directly owned and 1 hotel that was previously directly leased and franchised them back under the Mercure, Ibis and Novotel brands.
- In the United-States, two Motel 6 hotels were sold and franchised back.

Sale and management back-transactions: 2 hotels

In first-half 2008, Accor sold and managed back two hotels: the MGallery Paris Baltimore in France and the Ibis Christchurch in New Zealand.

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

As part of its strategy, Accor has announced plans to open 200,000 rooms over the period 2006-2010, focusing on the midscale and economy segments in Europe and in the economy segment in emerging countries.

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

In first-half 2008, the Group added 83 hotels (10,888 rooms) to its portfolio through acquisitions and organic growth. In addition, 61 hotels (8,186 rooms) were closed during the period.

Hotel portfolio by brand and type of management at June 30, 2008

In number of hotels	Owned	Fixed Lease	Variable Lease	Managed	Franchised	Total
Sofitel	22	11	14	104	10	161
Pullman	7	5	2	4	2	20
Novotel	54	66	108	100	56	384
Mercure	55	103	80	202	264	704
Suitehotel	8	8	-	1	4	21
Ibis	112	135	204	70	269	790
All Seasons	3	10	2	9	19	43
Etap Hotel	58	56	73	5	186	378
Formule 1	212	98	10	9	45	374
Motel 6 / Studio 6	335	378	1	-	251	965
Other	1	6	-	40	6	53
Total	867	876	494	544	1 112	3 893
<i>Total in %</i>	<i>22,3%</i>	<i>22,5%</i>	<i>12,7%</i>	<i>14,0%</i>	<i>28,6%</i>	<i>100,0%</i>

In number of rooms	Owned	Fixed Lease	Variable Lease	Managed	Franchised	Total
Sofitel	3 158	2 541	2 482	25 910	2 146	36 237
Pullman	2 216	1 066	419	1 113	302	5 116
Novotel	7 808	12 424	17 961	22 169	8 910	69 272
Mercure	5 764	15 694	11 785	30 248	24 359	87 850
Suitehotel	1 085	1 185	-	86	378	2 734
Ibis	14 166	16 968	26 475	11 703	20 317	89 629
All Seasons	330	812	524	1 000	1 943	4 609
Etap Hotel	4 542	5 530	6 607	677	14 194	31 550
Formule 1	15 623	7 709	2 991	931	2 894	30 148
Motel 6 / Studio 6	37 881	42 724	72	-	18 337	99 014
Other	444	757	-	6 896	828	8 925
Total	93 017	107 410	69 316	100 733	94 608	465 084
<i>Total in %</i>	<i>20,0%</i>	<i>23,1%</i>	<i>14,9%</i>	<i>21,7%</i>	<i>20,3%</i>	<i>100,0%</i>

Hotel portfolio by region and type of management at June 30, 2008

In number of hotels	Owned	Fixed Lease	Variable Lease	Managed	Franchised	Total
France	325	143	236	59	630	1 393
Europe excluding France	133	302	206	71	157	869
North America	339	378	1	13	252	983
Latin America & Caribbean	18	6	40	95	17	176
Other Countries	52	47	11	306	56	472
Total	867	876	494	544	1 112	3 893
<i>Total in %</i>	<i>22,3%</i>	<i>22,5%</i>	<i>12,7%</i>	<i>14,0%</i>	<i>28,6%</i>	<i>100,0%</i>

In number of rooms	Owned	Fixed Lease	Variable Lease	Managed	Franchised	Total
France	29 543	13 546	29 988	7 377	46 562	127 016
Europe excluding France	15 340	43 238	29 106	10 466	20 831	118 981
North America	39 066	42 724	72	3 965	18 457	104 284
Latin America & Caribbean	2 351	1 006	8 134	13 813	1 944	27 248
Other Countries	6 717	6 896	2 016	65 112	6 814	87 555
Total	93 017	107 410	69 316	100 733	94 608	465 084
<i>Total in %</i>	<i>20,0%</i>	<i>23,1%</i>	<i>14,9%</i>	<i>21,7%</i>	<i>20,3%</i>	<i>100,0%</i>

Hotel portfolio by region and brand at June 30, 2008

In number of hotels	France	Europe (excl. France)	North America	Latin America & Caribbean	Other countries	Total
Sofitel	19	31	10	15	86	161
Pullman	11	5	-	-	4	20
Novotel	123	139	8	17	97	384
Mercure	258	251	-	80	115	704
Suitehotel	15	6	-	-	-	21
Ibis	375	293	-	53	69	790
All Seasons	14	-	-	-	29	43
Etap Hotel	275	103	-	-	-	378
Formule 1	281	36	-	10	47	374
Motel 6 / Studio 6	-	-	965	-	-	965
Other	22	5	-	1	25	53
Total	1 393	869	983	176	472	3 893
<i>Total in %</i>	<i>35,8%</i>	<i>22,3%</i>	<i>25,3%</i>	<i>4,5%</i>	<i>12,1%</i>	<i>100,0%</i>

In number of rooms	France	Europe (excl. France)	North America	Latin America & Caribbean	Other countries	Total
Sofitel	2 463	6 421	3 193	2 369	21 791	36 237
Pullman	2 805	1 198	-	-	1 113	5 116
Novotel	16 234	26 075	2 077	2 776	22 110	69 272
Mercure	24 105	33 825	-	10 698	19 222	87 850
Suitehotel	1 803	931	-	-	-	2 734
Ibis	32 699	37 070	-	8 115	11 745	89 629
All Seasons	1 501	-	-	-	3 108	4 609
Etap Hotel	21 306	10 244	-	-	-	31 550
Formule 1	20 845	2 626	-	2 905	3 772	30 148
Motel 6 / Studio 6	-	-	99 014	-	-	99 014
Other	3 255	591	-	385	4 694	8 925
Total	127 016	118 981	104 284	27 248	87 555	465 084
<i>Total in %</i>	<i>27,3%</i>	<i>25,6%</i>	<i>22,4%</i>	<i>5,9%</i>	<i>18,8%</i>	<i>100,0%</i>

Hotel development projects in progress at June 30, 2008

The number of new rooms represented by hotel development projects in progress at June 30, 2008 is as follows:

In number of rooms	Owned	Leased	Managed	Franchised	Total
2008	2 702	2 501	8 623	4 774	18 600
2009	7 208	6 664	17 551	4 663	36 086
2010	5 752	5 373	16 216	1 902	29 243
2011	2 230	2 255	12 872	-	17 357
Total	17 892	16 793	55 262	11 339	101 286

D.1.2. Acquisition of 4.9% of the capital of Orbis in 2007

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 continues to be accounted for by the equity method.

D.1.3. Takeover 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.

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

D.2. 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 €8 million earn-out payment. This acquisition strengthens Accor Services leadership position and diversifies its portfolio of products and 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".

D.2.3. First-half 2008 Acquisitions:

In **January 2008**, Accor Services acquired the 62% 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 38% 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 €9 million before deferred taxes. Of this, €2 million was recognized under "contractual customer relationships" and €1 million was recognized under "brands". Motivano UK reported first-half 2008 revenue of €2 million.

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 €4 million in revenue in first-half 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 service 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 service 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-half 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.

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 10, 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 5, 2008, Colony Capital and investment group Eurazeo announced a five-year shareholders' agreement under which they will increase their combined share 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%. At June 30, 2008, Eurazeo held 8.5% of Accor's capital before dilution and Colony Capital held 9.86% of its capital before dilution.

F. €2.4 billion returned to shareholders at end-June 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 the first half of 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 will be cancelled as from the second half of 2008.

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)	June 2008	June 2007	2007
HOTELS	1 001	1 126	319	110	241	13	2 810	2 850	5 830
Upscale and Midscale Hotels	650	746	32	63	177	13	1 681	1 596	3 371
Economy Hotels	351	380	-	47	64	-	842	793	1 618
Economy Hotels US	-	-	287	-	-	-	287	461	841
SERVICES	94	165	7	169	23	1	459	418	885
OTHER BUSINESSES	290	82	-	70	50	5	497	747	1 406
Casinos	162	-	-	-	8	-	170	159	346
Restaurants	61	-	-	70	3	-	134	316	573
Onboard Train Services	67	81	-	-	-	-	148	130	273
Holding Companies and other	-	1	-	-	39	5	45	142	214
Total June 2008	1 385	1 373	326	349	314	19	3 766		
Total June 2007	1 344	1 494	502	376	280	19		4 015	
Total 2007	2 754	3 013	928	791	596	39			8 121

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

Consolidated revenue for June 30, 2008 totalled €3,766 million, compared with €4,015 million for the same period of 2007. The period-on-period decrease of €249 million or -6.2% breaks down as follows:

✓ Like-for-like growth	+210 € m	+5,2%
✓ Business expansion	+136 € m	+3,4%
✓ Currency effects	(88) € m	(2,2)%
✓ Disposals	(507) € m	(12,6)%
Decrease in first half 2008 revenue	(249) € m	(6,2)%

Decrease in first-half 2008 consolidated revenue by business:

	June 2008 / June 2007 € m	Like-for-like € m	%
HOTELS	(40)	+146	+5,1%
Upscale and Midscale Hotels	+85	+100	+6,2%
Economy Hotels	+49	+48	+6,0%
Economy Hotels US	(174)	(2)	(0,4)%
SERVICES	+41	+49	+11,8%
OTHER BUSINESSES	(250)	+15	+2,0%
Casinos	+11	+3	+2,1%
Restaurants	(182)	+9	+2,9%
Onboard Train Services	+18	+6	+4,4%
Holding Companies and other	(97)	(3)	(2,4)%
Group Total	(249)	+210	+5,2%

Decrease in first-half 2008 consolidated revenue by region:

	June 2008 / June 2007	Like-for-like	
	€ m	€ m	%
France	+41	+76	+5,6%
Europe (excl. France)	(121)	+59	+4,0%
North America	(176)	+1	+0,3%
Latin America & Caribbean	(27)	+47	+12,5%
Other Countries	+34	+27	+9,8%
Worldwide Structures	-	(0)	(0,8)%
Group Total	(249)	+210	+5,2%

Revenue from managed and franchised hotels, included in the hotels' revenue presented above of €2,810 million, amounted to €108 million at June 30, 2008. This amount breaks down as follows:

In € millions	Management fees	Franchise fees	June 2008	June 2007	2007
HOTELS					
Upscale and Midscale Hotels	68	15	83	75	160
Economy Hotels	7	14	21	18	38
Economy Hotels United States	-	4	4	8	15
Total June 2008	75	33	108		
Total June 2007	67	34		101	
Total 2007	143	70			213

Note 4. Operating Expense

In € millions		2007	June 2007	June 2008
Cost of goods sold	(1)	(795)	(417)	(308)
Employee benefits expense	(2)	(2 896)	(1 444)	(1 381)
Energy, maintenance and repairs		(403)	(205)	(188)
Taxes, insurance and service charges (co-owned properties)		(291)	(152)	(138)
Other operating expense	(3)	(1 415)	(702)	(663)
TOTAL OPERATING EXPENSE		(5 800)	(2 920)	(2 678)

(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	2007	June 2007	June 2008
Full-time equivalent (*)	91 483	107 027	90 368
Ratio employee benefits expense / FTE (€k)	(32)	(27)	(31)

(*) 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 €11 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)	June 2008	June 2007	2007
HOTELS	293	385	117	25	62	(7)	875	878	1 852
Upscale and Midscale Hotels	186	234	9	9	36	(8)	466	424	909
Economy Hotels	107	151	-	16	26	1	301	276	607
Economy Hotels US	-	-	108	-	-	-	108	178	336
SERVICES	29	86	2	82	7	(11)	195	175	378
OTHER BUSINESSES	20	12	-	-	3	(17)	18	42	91
Casinos	18	-	-	-	3	-	21	18	52
Restaurants	5	-	-	4	-	-	9	23	41
Onboard Train Services	(3)	6	-	-	-	-	3	6	18
Holding Companies and other	-	6	-	(4)	-	(17)	(15)	(5)	(20)
Total June 2008	342	483	119	107	72	(35)	1 088		
Total June 2007	319	471	187	96	54	(32)		1 095	
Total 2007	711	995	360	205	127	(77)			2 321

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

Consolidated EBITDAR for first-half 2008 totalled €1,088 million compared with €1,095 million for the same period of 2007. The period-on-period decrease breaks down as follows:

✓ Like-for-like growth	+86	€ m	+7,9%
✓ Business expansion	+22	€ m	+2,0%
✓ Currency effects	(35)	€ m	(3,2)%
✓ Disposals	(80)	€ m	(7,3)%
Decrease in first half 2008 EBITDAR	(7)	€ m	(0,6)%

Decrease in first-half 2008 EBITDAR by business:

	June 2008 / June 2007 € m	Like-for-like € m	%
HOTELS	(3)	+60	+6,9%
Upscale and Midscale Hotels	+42	+35	+8,4%
Economy	+25	+25	+9,1%
Economy US	(70)	-	(0,1)%
SERVICES	+20	+26	+14,8%
OTHER BUSINESSES	(24)	-	+0,4%
Casinos	+3	+2	+12,0%
Restaurants	(14)	(1)	(4,4)%
Onboard Train Services	(3)	(3)	(44,2)%
Holding Companies and other	(10)	2	+30,8%
Group total	(7)	+86	+7,9%

Decrease in first-half 2008 EBITDAR by region:

	June 2008 / June 2007	Like-for-like	
	€ m	€ m	%
France	+23	+20	+6,3%
Europe (excl. France)	+12	+33	+6,9%
North America	(68)	+2	+1,2%
Latin America & Caribbean	+11	+20	+20,8%
Other Countries	+18	+12	+23,1%
Worldwide Structures	(3)	(1)	(2,2)%
Group total	(7)	+86	+7,9%

Note 6. Rental Expense

Rental expense amounted to €453 million in first-half 2008 compared with €463 million in first-half 2007 and €931 million in fiscal 2007.

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 June 30, 2008 was €178 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 €453 million in rental expense corresponds to 1,370 hotel leases, including 35% 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	2007	June 2007	June 2008
HOTELS	(911)	(454)	(442)
Upscale and Midscale Hotels	(527)	(254)	(269)
Economy	(230)	(113)	(124)
Economy US	(154)	(87)	(49)
SERVICES	(14)	(6)	(8)
OTHER BUSINESSES	(6)	(3)	(3)
Casinos	(6)	(3)	(4)
Restaurants	(8)	(4)	(3)
Onboard Train Services	(3)	(2)	(1)
Holding Companies and other (1)	11	6	5
Total	(931)	(463)	(453)

(1) Including lease guarantee fees received from hotels subsidiaries for €9 million (see Note 6.B)

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 (6 months)	Fixed rental expense (6 months)	Variable rental expense	Fixed rental expense (12 months)
Fixed rent with purchase option	474	(63)	(62)	-	(125)
Fixed rent without purchase option	331	(133)	(133)	-	(266)
Fixed rent with a variable portion (2)	71	(34)	(32)	(2)	(64)
Land rent	-	(7)	(5)	(2)	(10)
Office rental expenses (Hotels business)	-	(30)	(25)	(5)	(50)
Fees on intragroup rent guarantees on Hotels business	-	(9)	(8)	(1)	(16)
Total hotel fixed rental expense	876	(276)	(265)	(10)	(530)
Variable rent with a minimum (3)	88	(35)	(29)	(6)	(58)
Variable rent with a minimum and cap (4)	8	(8)	(4)	(4)	(8)
Variable rent without a minimum (5)	398	(123)	-	(123)	-
Total hotel variable rental expense	494	(166)	(33)	(133)	(66)
Total hotel rental expense	1 370	(442)	(298)	(143)	(596)
Rental expense not related to hotels	-	(20)	(19)	(1)	(38)
Internal lease guarantee fees	-	9	8	1	16
Total rental expense	1 370	(453)	(309)	(143)	(618)

(1) Detail by brand and type of contract at June 30, 2008 is presented as follows:

Leased hotels at June 30, 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	1	5	2	5	-	2	15
Novotel	4	51	11	15	3	90	174
Mercure	9	74	21	13	2	66	185
Suitehotel	3	5	-	-	-	-	8
Adagio	-	1	-	-	-	-	1
Ibis	16	104	15	50	2	152	339
All Seasons	-	3	8	-	-	2	13
Etap Hotel	1	54	1	1	1	71	129
Formule 1	83	3	12	-	-	10	108
Motel 6	355	22	1	1	-	-	379
Autres	1	4	-	-	-	-	5
Total	474	331	71	88	8	398	1 370

(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 (370 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
2008	(337)	2017	(414)
2009	(525)	2018	(376)
2010	(514)	2019	(342)
2011	(502)	2020	(303)
2012	(490)	2021	(259)
2013	(478)	2022	(235)
2014	(467)	2023	(213)
2015	(453)	2024	(176)
2016	(439)	>2025	(700)
		Total	(7 223)

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, amounts to €4,073 million.

Interest expense related to adjusted net debt, estimated at 8% amounts to €326 million. The difference between the 2007 minimum rent (€526 million) and interest expense (€326 million) amounts to €200 million. This difference corresponds to the implicit repayment of adjusted debt ("Standards & Poor's method").

Note 7. EBITDA by Business and Region

In € millions	France	Europe (excl. France)	North America	Latin America & Caribbean	Other Countries	Worldwide Structures (1)	June 2008	June 2007	2007
HOTELS	182	157	68	8	28	(10)	433	424	941
Upscale and Midscale Hotels	109	75	8	3	12	(11)	196	170	389
Economy Hotels	73	82	-	5	16	1	177	163	370
Economy Hotels US	-	-	60	-	-	-	60	91	182
SERVICES	28	83	2	80	6	(12)	187	168	364
OTHER BUSINESSES	13	11	-	-	2	(11)	15	40	85
Casinos	14	-	-	-	2	-	16	15	46
Restaurants	3	-	-	3	-	-	6	19	33
Onboard Train Services	(4)	6	-	-	-	-	2	5	15
Holding Companies and other	-	5	-	(3)	-	(11)	(9)	1	(9)
Total June 2008	223	251	70	88	36	(33)	635		
Total June 2007	212	246	100	81	21	(28)		632	
Total 2007	488	538	205	172	59	(72)			1 390

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

Consolidated EBITDA for first-half 2008 totalled €635 million compared with €632 million for the same period of 2007. The period-on-period increase breaks down as follows:

✓ Like-for-like growth	+69	€ m	+10,9%
✓ Business expansion	+7	€ m	+1,1%
✓ Currency effects	(22)	€ m	(3,5)%
✓ Disposals	(51)	€ m	(8,0)%
Increase in first half 2008 EBITDA	+3	€ m	+0,5%

Increase in first-half 2008 EBITDA by business:

	June 2008 / June 2007	Like-for-like	
	€ m	€ m	%
HOTELS	+10	+45	+10,5%
Upscale and Midscale Hotels	+27	+26	+15,4%
Economy	+14	+19	+11,4%
Economy US	(31)	-	(0,1)%
SERVICES	+18	+25	+14,8%
OTHER BUSINESSES	(25)	(1)	(0,7)%
Casinos	+1	+2	+10,9%
Restaurants	(13)	(2)	(7,9)%
Onboard Train Services	(3)	(3)	(60,0)%
Holding Companies and other	(10)	+2	-
Group total	+3	+69	+11,0%

Increase in first-half 2008 EBITDA by region:

	June 2008 / June 2007	Like-for-like	
	€ m	€ m	%
France	+11	+13	+6,1%
Europe (excl. France)	+5	+27	+10,8%
North America	(30)	+2	+2,4%
Latin America & Caribbean	+7	+16	+19,7%
Other Countries	+15	+12	+58,5%
Worldwide Structures	(5)	(1)	(2,6)%
Group total	+3	+69	+11,0%

Note 8. Depreciation, Amortization and Provision Expense

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

In € millions	2007	June 2007	June 2008
Depreciation and amortization	(407)	(206)	(201)
Provision	(12)	(9)	(9)
Total	(419)	(215)	(210)

Note 9. EBIT by Business and Region

In € millions	France	Europe (excl. France)	North America	Latin America & Caribbean	Other Countries	Worldwide Structures (1)	June 2008	June 2007	2007
HOTELS	122	102	37	4	15	(14)	266	252	596
Upscale and Midscale Hotels	71	40	6	-	2	(15)	104	82	203
Economy Hotels	51	62	-	4	13	1	131	118	280
Economy Hotels US	-	-	31	-	-	-	31	52	113
SERVICES	23	77	1	76	5	(11)	171	156	338
OTHER BUSINESSES	1	3	-	(1)	-	(15)	(12)	9	37
Casinos	5	-	-	-	1	-	6	6	27
Restaurants	1	-	-	2	-	-	3	14	22
Onboard Train Services	(5)	4	-	-	-	-	(1)	2	9
Holding Companies and other	-	(1)	-	(3)	(1)	(15)	(20)	(13)	(21)
Total June 2008	146	182	38	79	20	(40)	425		
Total June 2007	139	177	59	71	7	(36)		417	
Total 2007	335	407	131	153	28	(83)			971

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

Consolidated EBIT for first-half 2008 totalled €425 million compared with €417 million for the same period of 2007. The period-on-period increase breaks down as follows:

✓ Like-for-like growth	+64	€ m	+15,3%
✓ Business expansion	(4)	€ m	(1,0)%
✓ Currency effects	(16)	€ m	(3,8)%
✓ Disposals	(36)	€ m	(8,6)%
Increase in first half 2008 EBIT	+8	€ m	+1,9%

Increase in first-half 2008 EBIT by business:

	June 2008 / June 2007	Like-for-like	
	€ m	€ m	%
HOTELS	+15	+39	+15,6%
Upscale and Midscale Hotels	+23	+21	+25,3%
Economy	+13	+16	+13,9%
Economy US	(21)	+2	+4,2%
SERVICES	+15	+25	+16,0%
OTHER BUSINESSES	(22)	-	(0,4)%
Casinos	-	+2	+31,7%
Restaurants	(11)	(2)	(16,6)%
Onboard Train Services	(3)	(2)	-
Holding Companies and other	(8)	+2	+18,5%
Group total	+8	+64	15,4%

Increase in first-half 2008 EBIT by region:

	June 2008 / June 2007	Like-for-like	
	€ m	€ m	%
France	+7	+8	+6,2%
Europe (excl. France)	+5	+25	+14,0%
North America	(21)	+5	+7,9%
Latin America & Caribbean	+8	+15	+21,3%
Other Countries	+13	+11	-
Worldwide Structures	(4)	-	+0,6%
Group total	+8	+64	15,4%

Note 10. Net Financial Expense

In € millions		2007	June 2007	June 2008
Net financial expense	(1)	(86)	(47)	(50)
Other financial income and expense	(2)	(6)	1	-
Net financial expense		(92)	(46)	(50)

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

In € millions		2007	June 2007	June 2008
- Net financial expense - cash		(84)	(46)	(49)
- Net financial expense - non-cash		(2)	(1)	(1)
Total Net financial expense		(86)	(47)	(50)

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		2007	June 2007	June 2008
- Dividend income from non-consolidated companies		2	1	-
- Exchange gains and losses (excl. financial instruments at fair value)		(1)	-	-
- Movements in provisions		(7)	-	-
Total Other financial income and expense		(6)	1	

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

In € millions	2007	June 2007	June 2008
Share of profit of associates before tax	38	10	22
Share of tax of associates	(10)	(2)	(4)
Share of profit of associates after tax	28	8	18

The main contributions are as follows:

In € millions	2007	June 2007	June 2008
Orbis (Hotels, Poland) (Note 2.D.1.2)	18	2	10
Asia/Australia Hotels	4	2	2
Tunisian and Moroccan investment funds (STI and RISMA)	1	(1)	-
Sofitel London St James (Hotels, UK)	1	1	-
Société Hôtelière Paris les Halles	3	1	4
Other	1	3	2
Share of profit of associates after tax	28	8	18

Note 12. Restructuring Costs

Restructuring costs can be analyzed as follows:

In € millions	2007	June 2007	June 2008
Movements in Restructuring provisions	(10)	22	13
Restructuring costs	(48)	(27)	(23)
Total	(58)	(5)	(10)

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

Note 13. Impairment Losses

In € millions	2007	June 2007	June 2008
Goodwill	(53)	(153)	(13)
Intangible assets	(5)	(4)	-
Property, plant and equipment	(36)	(25)	(23)
Financial assets	(5)	(2)	-
Impairment Losses	(99)	(184)	(36)

The main assets and cash generating units for which impairment losses were recognized in 2007 and in first-half 2008 were as follows:

A. Impairment of goodwill

In € millions	2007	June 2007	June 2008
HOTELS	(4)	(151)	(9)
Upscale and Midscale Hotels	(2)	(1)	(7)
Economy Hotels	(2)	(1)	(2)
Economy Hotels US	-	(149)	-
SERVICES	(13)	(2)	(2)
OTHER BUSINESSES	(36)	-	(2)
Casinos	-	-	-
Restaurants	-	-	(1)
Onboard Train Services	-	-	-
Holding Companies and other	(36)	-	(1)
TOTAL	(53)	(153)	(13)

In first-half 2007, impairment losses recorded mainly concern Red Roof Inn goodwill, which was written down prior to the sale of the US hotel chain for €149 million.

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

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

With regard to the assessment of the major goodwill's' recoverable value, management believe that the carrying values of the cash generating units would only exceed their recoverable amounts in the event of highly unlikely changes in the key assumptions.

B. Impairment of intangible assets with an indefinite useful life

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

Impairments recognized in first-half 2008 were not material.

C. Impairment of property, plant and equipment

In € millions	2007	June 2007	June 2008
HOTELS	(36)	(25)	(23)
Upscale and Midscale Hotels	(31)	(19)	(7)
Economy Hotels	(5)	(6)	(9)
Economy Hotels US	-	-	(7)
SERVICES	-	-	-
OTHER BUSINESSES	-	-	-
Casinos	-	-	-
Restaurants	-	-	-
Onboard Train Services	-	-	-
Holding Companies and other	-	-	-
TOTAL	(36)	(25)	(23)

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 concern 64 hotels for €37.1 million and recovery concern 21 hotels for €1.4 million.

In first-half 2008, the €23 million in impairment losses on property, plant and equipment corresponded mainly to provisions booked on the basis of regular reviews of asset values. In first-half 2008, expenses concern 46 hotels for €24 million and recovery concern 6 hotels for €0.6million.

D. Impairment of financial assets

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

Note 14. Gains and Losses on Management of Hotel Properties

In € millions	2007	June 2007	June 2008
Disposal gains and losses	238	347	107
Provisions for losses on hotel properties	(30)	(24)	-
Total	208	323	107

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 first-half 2007, the total included:

- ✓ A €180 million gain on the sale to Land Securities of 29 units under a sale-and-variable leaseback arrangement based on a percentage of revenue (see Note 2.B.2.4).
- ✓ A €131 million gain on the sale to Moor Park of 86 units under a sale-and-variable leaseback arrangement based on a percentage of revenue (see Note 2.B.2.5).
- ✓ A €13 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).
- ✓ Gains on disposal of non-strategic assets in Europe and the United States for €23 million.

In first-half 2008, the total included:

- ✓ A €85 million gain on the sale to Axa Reim of 49 units under a sale-and-variable leaseback arrangement based on a percentage of revenue (see Note 2.B.2.7).
- ✓ A €7 million gain on the sale in France of units under a sale and franchise-back arrangement.
- ✓ A €15 million gains on disposal of non-strategic assets in Europe.

Note 15. Gains and Losses on Management of Other Assets

In € millions	2007	June 2007	June 2008
Disposal gains and losses	243	212	36
Provision movements	(18)	-	(4)
Gains and losses on non-recurring transactions	(37)	(2)	(9)
Total	188	210	23

In fiscal 2007, disposal gains and losses mainly included

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

First-half 2007 gains and losses mainly included the €204 million gain on the disposal of GO Voyages.

First-half 2008, the total mainly included:

- ✓ Net gains on disposals of non-strategic for €36 million, including the Brazilian Food Services Business (€34 million gain) and a plot in Neuaubing, Germany (€3 million gain).
- ✓ An additional €4 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	2007	June 2007	June 2008
Current tax	(252)	(142)	(149)
Sub-total, current tax	(252)	(142)	(149)
Deferred taxes (expense) income on new temporary differences and reversals of temporary differences arising in prior periods	13	29	(4)
Deferred taxes arising from changes in tax rates or tax laws	5	-	1
Sub-total, deferred tax	18	29	(3)
Income tax expense excluding tax on the profits of associates	(234)	(114)	(152)
Tax on profits of associates	(10)	(2)	(4)
Tax of the period	(244)	(116)	(156)

Note 16.2. Effective tax rate

In € millions	2007	June 2007	June 2008
Operating profit before tax (a)	1 146	723	477
Non deductible impairment losses	53	149	(8)
Elimination of intercompany capital gains	417	-	208
Tax on share of profit (loss) of associates	10	2	4
Other	25	7	8
Total permanent differences (non-deductible expenses) (b)	505	158	212
Untaxed profit and profit taxed at a reduced rate (c)	(905) (*)	(568) (*)	(341) (**)
Profit taxed at standard rate (d) = (a) + (b) + (c)	746	313	348
Standard tax rate in France (e)	34,43%	34,43%	34,43%
Tax at standard French tax rate (f) = (d) x (e)	(257)	(108)	(120)
Effects on tax at standard French tax rate of:			
. Differences in foreign tax rates	40	9	20
. Unrecognized tax losses for the period	(21)	(15)	(19)
. Utilization of tax loss carryforwards	14	7	2
. Changes in deferred tax rates	5	-	1
. Share of profit (loss) of associates	10	2	4
. Net charges to/reversals of provisions for tax risks	15	7	(6)
. Other items	(31)	(10)	(9)
Total effects on tax at standard French tax rate (g)	32	-	(7)
Tax at standard rate (h) = (f) + (g)	(225)	(108)	(127)
Tax at reduced rate (i)	(9) (*)	(6) (*)	(25) (**)
Income tax expense (j) = (h) + (i)	(234)	(114)	(152)
Pre-tax operating profit taxed at standard rate	746	313	348
Income tax expense	(217)	(99)	(100)
Group effective tax rate	29,1%	31,7%	28,7%

(*) 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 June 30, 2007, changes in deferred taxes arising from temporary differences and consolidation adjustments amounted to a positive €26.7 million in the Netherlands, a positive €3.2 million in the United Kingdom and a negative €1 in respect of the sold hotels in Germany.

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). 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	Dec 2007	June 2007	June 2008
Timing differences between company profit and taxable profit	137	156	130
Timing differences between consolidated profit and company profit	40	50	42
Recognized tax losses	22	40	19
Sub-total, deferred tax assets	199	246	191
Timing differences between company profit and taxable profit	25	19	27
Timing differences between consolidated profit and company profit	145	168	147
Sub-total, deferred tax liabilities	170	187	174
Deferred tax assets, net (liabilities)	29	59	17

Note 16.4 Unrecognized deferred tax assets

Unrecognized deferred tax assets at June 30, 2008 amounts to €200 million (December 31, 2007: €190 million and June 30, 2007: €178 million).

Unrecognized deferred tax assets at June 30, 2008 will expire in the following periods if not utilized:

In € millions	Deductible temporary differences	Tax loss carryforwards (1)	Tax credits	Total
Y+1	-	(3)	-	(3)
Y+2	-	(2)	-	(2)
Y+3	-	(2)	-	(2)
Y+4	-	(7)	-	(7)
Y+5 and beyond	-	(11)	-	(11)
Evergreen	(5)	(170)	-	(175)
Deferred tax, net	(5)	(195)	-	(200)

(1) Unrecognized deferred tax assets at June 30, 2008 include €68 million corresponding to the tax loss carryforwards of the NewGen companies in Germany, France, Austria and Poland (see note 2.D.4.4). The entire tax position of these entities is currently being reviewed.

Note 17. Profit or Loss from Discontinued Operations

During the first-half 2008, no sale had been classified as discontinued operations.

Note 18. Goodwill

In € millions	June 2007	Dec 2007	June 2008
Goodwill (gross value)	2 429	2 417	2 325
Less impairment losses and depreciation	(430)	(450)	(438)
Goodwill, net	1 999	1 967	1 887

In € millions	Notes	June 2007	Dec 2007	June 2008
Motel 6		224	205	192
Hotels, Germany		199	190	192
Upscale and Midscale Hotels France		237	184	180
Hotels, Australia		184	174	178
Economy Hotels (excluding Motel 6 and Red Roof Inn)		94	93	90
Hotels, Asia		43	39	37
Hotels, Italy		33	33	33
Hotels, Hungary		25	25	25
Hotels, Egypt		24	24	24
Hotels, Portugal		-	19	19
Hotels, Netherlands		21	21	13
Hotels, Switzerland		8	17	11
Other Hotels (< €6 million)		26	8	3
Sub-total Hotels		1 118	1 032	997
Services, France (Kadéos)		204	181	181
Services, Brazil		132	139	144
Services, United Kingdom		34	100	90
Services, Romania		36	37	37
Services, Italy		35	36	36
Services, Mexico		37	35	34
Services, USA		35	33	32
Services, Sweden		20	19	19
Services, Germany		-	-	14
Services, Australia		11	11	12
Services, Argentina		10	-	-
Services, Asia		-	8	9
Services, Venezuela		7	7	7
Other Services (< €6 million)		77	74	73
Sub-total Services		638	680	688
Casinos (Accor Casinos, SHCD and Groupe Lucien Barrière SAS)		157	162	162
Food Business, Brazil	2.A.6	31	37	-
Lenôtre		24	24	25
Other (< €6 million)		31	32	15
Sub-total Other businesses		243	255	202
Goodwill, net		1 999	1 967	1 887

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

In € millions	Notes	June 2007	Dec 2007	June 2008
Carrying amount at beginning of period		1 735	1 735	1 967
Goodwill recognized on acquisitions for the period and other increases		426	492	28
. Hotels, Germany (Buyout of Dorint Minority Interest)	2.D.4	198	189	2
. Hotels, Portugal	2.D.1.3	-	15	-
. Economy Hotels (excluding Motel 6)		8	11	-
. Hotels, Switzerland		-	8	-
. Upscale and Midscale Hotels France		-	1	5
. Services, France (Acquisition of Kadéos)	2.D.2.2	204	181	-
. Services, United Kingdom (Acquisition of Prepay)	2.D.2.2	-	53	-
. Services, United Kingdom (Acquisition of Motivano)	2.D.2.3	-	-	7
. Services, Germany (Acquisition of Quasar)		-	-	8
. Services, Romania (Acquisition of 30% of Hungastro)		7	8	-
. Other acquisitions of Services		2	8	2
. Services, Mexico (Acquisition of Autocupon)	2.D.2.2	6	-	-
. Services, Asia (Surfgold)	2.D.2.2	-	4	1
. Services, Italy (Serial)	2.D.2.1	-	1	-
. Services, USA (Acquisition of Commuter Check Services - Transit Vouchers)	2.D.2.1	-	1	-
. Services, Brazil (Acquisition of Minority Interests)	2.D.3	1	-	-
. Food Business, Brazil (Acquisition of Minority Interests)	2.D.3	-	5	-
. Groupe Lucien Barrière SAS		-	5	-
. Lenôtre (Acquisition of stores)		-	1	1
. Other		-	1	2
Disposals		(13)	(167)	(77)
Impairment losses		(153)	(53)	(13)
Translation adjustment		15	(38)	(6)
Reclassifications on Property, plant and equipment		(11)	(18)	(15)
Reclassifications on Assets held for sale		(1)	-	-
Other reclassifications and movements		1	16	3
Carrying amount at end of period		1 999	1 967	1 887

Note 19. Intangible Assets

In € millions	June 2007	Dec 2007	June 2008
Gross value			
Motel 6 brand (1)	149	137	129
Kadeos brand (2)	-	19	19
Other brands and networks (3)	56	57	67
Licenses, software	176	168	181
Other intangible assets	194	222	228
Total intangible assets at cost	575	603	624
Accumulated amortization and impairment losses			
Licenses, software	(125)	(126)	(127)
Other intangible assets	(105)	(108)	(115)
Total accumulated amortization and impairment losses	(230)	(234)	(242)
Intangible assets, net	345	369	382

- (1) The decrease in value of the Motel 6 brand in first-half 2008 is due to the change in the dollar/euro exchange rate (1.472 at December 31, 2007 versus 1.576 at June 30, 2008).
- (2) The Kadeos brand was valued, following the acquisition of this company in March 2007 (see Note 2.D.2.2).
- (3) Including €24 million corresponding to land usufruct right to operate Ibis and Novotel hotels in China.

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

In € millions	June 2007	Dec 2007	June 2008
Carrying amount at beginning of period	390	390	369
Additions	21	30	10
Internally-generated assets	20	26	9
Intangible assets of newly consolidated companies	17	68	27
Amortization for the period	(18)	(37)	(20)
Impairment losses for the period	(4)	(5)	-
Disposals	(7)	(94)	(3)
Translation adjustment	(5)	(30)	(13)
Reclassifications	20	21	3
Reclassifications on Assets held for sale (See Note 32)	(89)	-	-
Carrying amount at end of period	345	369	382

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

In € millions	June 2007	Dec 2007	June 2008
Motel 6 brand	149	137	129
Kadéos brand	-	19	19
Other brands and Networks	56	57	67
Carrying amount at end of period	205	213	215

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 €5 million have been signed for the purchase of intangible assets at June 30, 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	June 2007	Dec 2007	June 2008
Land	439	409	378
Buildings	2 169	2 074	2 124
Fixtures	1 835	1 739	1 768
Equipment and furniture	1 457	1 466	1 527
Constructions in progress	279	260	262
Property, plant and equipment, at cost	6 179	5 948	6 059

In € millions	June 2007	Dec 2007	June 2008
Buildings	(744)	(691)	(686)
Fixtures	(985)	(876)	(901)
Equipment and furniture	(949)	(931)	(971)
Constructions in progress	(6)	(6)	(4)
Total of depreciation	(2 684)	(2 504)	(2 562)
Land	(6)	(5)	(4)
Buildings	(106)	(75)	(82)
Fixtures	(31)	(29)	(32)
Equipment and furniture	(13)	(11)	(10)
Constructions in progress	(3)	(3)	(3)
Total of impairment losses	(159)	(123)	(131)
Accumulated depreciation and impairment losses	(2 843)	(2 627)	(2 693)

In € millions	June 2007	Dec 2007	June 2008
Land	433	404	374
Buildings	1 319	1 308	1 356
Fixtures	819	834	835
Equipment and furniture	495	524	546
Constructions in progress	270	251	255
Property, plant and equipment, net	3 336	3 321	3 366

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

In € millions	June 2007	Dec 2007	June 2008
Net carrying amount at beginning of period	3 506	3 506	3 320
Property, plant and equipment of newly acquired companies	68	169	24
Capital expenditure	392	875	456
Disposals	(54)	(478)	(106)
Depreciation for the period	(170)	(360)	(179)
Impairment losses for the period	(25)	(29)	(23)
Translation adjustment	(7)	(120)	(48)
Reclassifications on assets held for sales (see Note 32)	(316)	(232)	(71)
Other reclassifications	(58)	(10)	(7)
Net carrying amount at end of period	3 336	3 321	3 366

At June 30, 2008, contracts totalling €263 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 €94 million worth of work over the period 2005-2009 and Foncière des Murs is committed to carrying out €141 million worth of work over the same period.

At June 30, 2008, €84 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 €28 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 June 30, 2008 came to €5 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 June 30, 2008, the carrying amount of finance leases recognized in the balance sheet in net value is €112 million (December 31, 2007: €107 million), as follows:

In € millions	June 2007	Dec 2007	June 2008
Land	38	20	20
Buildings	203	161	160
Fixtures	74	59	56
Equipment and furniture	18	11	11
Property, plant and equipment, at cost	333	251	247
Buildings	(108)	(97)	(88)
Fixtures	(47)	(38)	(38)
Equipment and furniture	(15)	(9)	(9)
Cumulated depreciation and impairment losses	(170)	(144)	(135)
Property, plant and equipment, net	163	107	112

Finance lease liabilities can be analyzed as follows by maturity:

	Debt in € millions Non Discounted
2008	177
2009	165
2010	156
2011	146
2012	130
2013	116
2014	104
2015	97
2016	88
2017	78
2018	69
2019	59
2020	54
2021	50
2022	45
> 2023	42

Note 21. Long-Term Loans

In € millions	June 2007	Dec 2007	June 2008
Gross value	111	125	108
Cumulated impairment losses	(8)	(18)	(18)
Long-term loans, net	103	107	90

In € millions	June 2007	Dec 2007	June 2008
Hotels, Asia-Pacific (1)	77	80	77
Other	26	27	13
Total	103	107	90

(1) Loans to hotels in the Asia-Pacific region mainly include loans:

- to Tahl (an Australian property company) for €60 million at June 30, 2008,
- to Accor Première Vacation Club, the Australian time share company to private buyers of timeshares (June 30, 2008: €3 million).

Note 22. Investments in Associates

In € millions		June 2007	Dec 2007	June 2008
Orbis (Hotels, Poland)	(Note 2.D.1.2) (1)	183	250	276
Accor Asia-Pacific subsidiaries (*)		78	96	92
Moroccan investment fund (RISMA)	(2)	33	33	34
Société Hôtelière Paris Les Halles	(4)	10	11	14
The Grand Real (Sofitel The Grand Netherlands)		-	-	11
Egyptian investment fund		11	10	10
Sofitel London St James (Hotels, United Kingdom)		5	5	5
Tunisian investment fund (STI)	(5)	6	4	-
Front de Seine Participations	(6)	-	-	-
Sofitel Hotels, USA (25%)	(Note 2.B.1) (3)	(7)	(8)	(9)
Other		21	20	18
Total		340	421	451

(*)The Asia-Pacific investments primarily include Interglobe Hotels Entreprises Limited for €20 million, Sofitel Mumbai for €10 million, Ambassador Inc and Ambatel Inc (South Korea) for €14 million.

(1) Key figures for Orbis are as follows:

Orbis (Hotels, Poland) (In € millions)	June 2007	Dec 2007	June 2008
Revenue	140	307	158
Net profit (loss)	5	40	21
Net cash/(Net debt)	(60)	(45)	(78)
Equity	391	443	499
Market capitalization	1 021	891	626
Total assets	619	658	738
% interest held	40,58%	45,48%	45,48%

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

Risma (Moroccan investment fund) (In € millions)	June 2007	Dec 2007	June 2008
Revenue	38	83	51
Net profit (loss)	4	3	2
Net cash/(Net debt)	(53)	(119)	(126)
Equity	93	91	83
Market capitalization	234	238	205
Total assets	206	272	276
% interest held	34,92%	34,92%	34,92%

(3) Key figures for Sofitel Hotels, US are as follows:

Sofitel Hotels US (In € millions)	June 2007	Dec 2007	June 2008
Revenue	87	178	81
Net profit (loss)	(3)	(4)	4
Net cash/(Net debt)	(496)	(455)	(419)
Equity	(27)	(33)	(37)
Market capitalization	N/A	N/A	N/A
Total assets	514	464	433
% interest held	25,00%	25,00%	25,00%

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

Société Hôtelière Paris Les Halles (In € millions)	June 2007	Dec 2007	June 2008
Revenue	33	69	31
Net profit (loss)	5	8	12
Net cash/(Net debt)	(75)	(91)	(80)
Equity	22	24	42
Market capitalization	N/A	N/A	N/A
Total assets	136	141	156
% interest held	31,19%	31,19%	31,19%

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

Société Tanit International (In € millions)	June 2007	Dec 2007	June 2008
Revenue	9	21	8
Net profit (loss)	(2)	(6)	(1)
Net cash/(Net debt)	(4)	(5)	(4)
Equity	16	12	10
Market capitalization	N/A	N/A	N/A
Total assets	29	23	24
% interest held	37,50%	37,50%	Sold

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

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

Front de Seine Participations (Novotel Paris Tour Eiffel) (In € millions)	June 2007	Dec 2007	June 2008
Revenue	18	18	-
Net profit (loss)	(0)	-	-
Net cash/(Net debt)	(96)	(96)	-
Equity	-	-	-
Market capitalization	N/A	N/A	N/A
Total assets	117	117	-
% interest held	40,00%	Sortante	0,00%

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.

Note 23. Other Financial Investments

In € millions	June 2007	Dec 2007	June 2008
Investments in non-consolidated companies (<i>Available for sale financial assets</i>)	181	171	166
Deposits (<i>Loans and Receivables</i>)	69	66	64
Other financial investments, at cost	250	237	230
Accumulated impairment losses	(40)	(55)	(59)
Other financial investments, net	210	182	171

Other financial investments break down as follows:

In € millions	June 2007	Dec 2007	June 2008
Club Méditerranée (1)	61	37	33
Other	149	145	138
Other financial investments, net	210	182	171

(1) Accor holds 1,162,630 shares relative to 6% of Club Méditerranée share capital (Cf. Note 2.A.3).

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

Note 24. Receivables and Payables

Note 24.1 Trade receivables and related provision

In € millions	June 2007	Dec 2007	June 2008
Gross value	1 506	1 655	1 286
Provisions	(57)	(57)	(59)
Net	1 449	1 598	1 227

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	June 2007	Dec 2007	June 2008
Recoverable VAT	183	218	225
Prepaid wages and salaries and payroll taxes	19	9	16
Other prepaid and recoverable taxes	38	40	25
Other receivables	377	342	344
Other prepaid expenses	163	125	155
Other receivables and accruals, at cost	780	734	765
Provisions	(21)	(19)	(19)
Other receivables and accruals, net	759	715	746

Note 24.3 Details of other payables

In € millions	June 2007	Dec 2007	June 2008
VAT payable	162	117	119
Wages and salaries and payroll taxes payable	443	522	436
Other taxes payable (*)	320	313	339
Other payables (*)	437	426	467
Deferred income	194	179	186
Other payables	1 556	1 557	1 547

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

Note 24.4 Analysis of other receivables / payables' periods

In € millions at June 30, 2008	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years	June 2008	Dec 2007	June 2007
Inventories	92	-	-	92	74	74
Trade receivables	1 219	8	-	1 227	1 598	1 449
Recoverable VAT	199	26	-	225	218	183
Prepaid payroll taxes	16	-	-	16	9	19
Other prepaid and recoverable taxes	25	-	-	25	40	38
Other receivables	323	2	-	325	323	356
CURRENT ASSETS	1 874	36	-	1 910	2 262	2 119
Trade payables	644	1	-	645	679	653
VAT payable	119	-	-	119	117	162
Wages and salaries and payroll taxes payable	418	17	1	436	522	443
Other taxes payable	339	-	-	339	314	320
Other payables	465	2	-	467	425	437
CURRENT LIABILITIES	1 985	20	1	2 006	2 057	2 015

Note 25 . Potential Ordinary Shares

Note 25.1. Number of potential shares

At June 30, 2008, the Company's share capital was made up of 230,112,361 ordinary shares. The average number of ordinary shares outstanding during the period was 221,658,613. **The number of outstanding shares at June 30, 2008 was 221,722,211.**

In addition, employee stock options exercisable for 9,560,056 ordinary shares, representing 4.15% of the capital, were outstanding at June 30, 2008, as follows:

- 634,550 stock options exercisable at a price of €40.58 per share (Plan 5)
- 1,402,398 stock options exercisable at a price of €37.77 per share (Plan 6)
- 74,748 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)
- 1,162,961 stock options exercisable at a price of €35.68 per share (Plan 9)
- 83,526 stock options (stock savings warrants) exercisable at a price of €33.94 per share (Plan 10)
- 1,277,200 stock options exercisable at a price of €32.42 per share (Plan 11)
- 1,227,700 stock options exercisable at a price of €46.15 per share (Plan 12)
- 658,950 stock options exercisable at a price of €49.10 per share (Plan 13)
- 1,475,970 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)
- 1,409,400 stock options exercisable at a price of €46.46 per share (Plan 17)

Accor has also made in 2007 and 2008 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 107,025 performance share grants, with vesting conditions based on the Group's 2008 and 2009 results (see Note 25.3).

Lastly, during 2007, Accor announced a third share buyback program followed by a fourth program (see Note 2.F). At June 30, 2008, 7,970,150 shares had been bought back under these programs, but had not yet been cancelled. These shares are in addition to the 420,000 shares held in treasury at June 30, 2008.

Conversion of all of the potential shares presented above and cancellation of the shares held in treasury would have the effect of increasing the number of shares outstanding to 231,445,463.

Note 25.2. Diluted earnings per share

Based on the above number of potential shares and the average Accor share price for first-half 2008 of €49.05, the diluted weighted average number of shares outstanding in first-half 2008 was 222,896,301. Diluted earnings per share were therefore calculated as follows:

In € millions	Dec 2007	June 2007	June 2008
Net profit, Group share	883	596	310
Adjustment for OCEANE convertible bonds (1)	8	(6)	-
Adjusted Net profit, Group share	891	590	310
Weighted average number of ordinary shares (in thousands)	225 013	224 093	221 659
Number of shares resulting from the exercise of stock options	2 869	3 240	1 237
Number of shares resulting from the conversion of OCEANES	8 062	14 114	-
Fully diluted weighted average number of shares (in thousands)	235 944	241 447	222 896
Diluted earnings per share	3,78	2,44	1,39

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

In € millions	Déc. 2007	Juin 2007	Juin 2008
Cancellation of interest expense on OCEANE convertible bonds, net of tax	8	8	-
Cancellation of redemption premiums on OCEANE convertible bonds, net of tax	-	(14)	-
Total	8	(6)	-

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 the first-half 2008:

- ✓ 1,227,700 stock options at a price of €46.15 exercisable from January 10, 2010 until January 9, 2013 (Plan 12).
- ✓ 658,950 stock options at a price of €49.10 exercisable from March 25, 2010 until March 24, 2013 (Plan 13).
- ✓ 1,475,970 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).
- ✓ 1,409,400 stock options at a price of €46.46 exercisable from March 29, 2012 until March 28, 2015 (Plan 17).

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 June 30, 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	1 495 305	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	Sept 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

Options granted under Plan 15 are performance options. The options will 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 current operating profit after tax.

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 current operating profit after tax will have to increase by around 10% or more per year. If ROCE and current operating profit after tax 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 subscription period, provided that they continue to be employed by the Group at that date.

Changes in outstanding stock options during the 2007 and 2008 are as follows:

	December 31, 2007		June 30, 2008	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding at beginning of period	9 049 919	39,15 €	8 472 298	44,71 €
Options granted	1 587 845	68,83 €	1 409 400	46,46 €
Options cancelled or expired	(249 032)	41,72 €	(127 075)	41,18 €
Options exercised	(1 916 434)	38,84 €	(194 567)	36,81 €
Options outstanding at end of period	8 472 298	44,71 €	9 560 056	45,18 €
Options exercisable at end of period	3 717 303	37,38 €	3 414 433	37,42 €

Outstanding options at June 30, 2008 are as follows:

	Exercise price	Number of outstanding options	Remaining life of the options
Plan 5	40,58 €	634 550	6 months
Plan 6	37,77 €	1 402 398	1,5 years
Plan 7	39,10 €	74 748	1 year
Plan 8	31,83 €	56 250	2,5 years
Plan 9	35,68 €	1 162 961	3,5 years
Plan 10	33,94 €	83 526	4 years
Plan 11	32,42 €	1 277 200	3,5 years
Plan 12	46,15 €	1 227 700	4,5 years
Plan 13	49,10 €	658 950	4,8 years
Plan 14	68,65 €	1 475 970	5,8 years
Plan 15	71,72 €	95 000	6 years
Plan 16	60,44 €	1 403	7 years
Plan 17	46,46 €	1 409 400	7 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 ten plans set up from 2003 to June 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
Accor share price at the option grant date	30,50 €	35,18 €	33,71 €	31,64 €	49,80 €	48,30 €	70,95 €	70,45 €	62,55 €	47,10 €
Option exercise price	31,83 €	35,68 €	33,94 €	32,42 €	46,15 €	49,10 €	68,65 €	71,72 €	60,44 €	46,46 €
Expected volatility (*)	39,58%	39,68%	39,18%	37,64%	35,36%	34,60%	31,73%	31,60%	27,57%	27,87%
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
Expected share yield (**)	3,54%	3,44%	3,55%	2,94%	3,13%	3,74%	3,94%	4,25%	4,15%	3,84%
Fair value of options (***)	8,91 €	10,52 €	10,07 €	8,48 €	14,11 €	12,57 €	20,38 €	19,36 €	16,66 €	11,55 €

(*) 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 plan 17. 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 and 17
- 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 €11 million at June 30, 2008 (December 31, 2007: €17 million, June 30, 2007: €7 million).

Employee Stock Ownership Plan

In 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 SHARES PLANS

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

On May 14, 2007, Accor granted 56,171 performance shares to senior executives and certain employees and on March 28, 2008, 107,025 new others performance shares.

The performance shares are subject to vesting conditions based on growth in Accor's return on capital employed (ROCE) and current operating profit after tax 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 current operating profit after tax will have to increase by around 10% or more per year. If ROCE and current operating profit after tax 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.

The performance targets were met in 2007 and grantees will therefore receive 28,085 first plan’s performance shares at the end of the vesting period, 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	June 2007	Dec 2007	June 2008
OCEANE convertible bonds (1)	64	66	2
Equity notes	8	-	-
Mutual fund units	-	-	-
Interest rate and currency swaps	1	-	-
Fair value adjustments to available-for-sale investments	8	-	-
Impact on equity	81	66	2

(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	June 2007	Dec 2007	June 2008
Available for sale Financial Assets	14	5	-
<i>Gains (losses) recognised in Equity during the period</i>	8	(1)	-
<i>Gains (losses) reclassified to profit or loss</i>	6	6	-
Cash flow hedges	(1)	(1)	-
<i>Gains (losses) recognised in Equity during the period</i>	(1)	(1)	-
<i>Gains (losses) reclassified to profit or loss</i>	-	-	-
Changes in Reserve	13	4	-

Note 27. Minority interests

In € millions	
At December 31, 2006	66
Minority interests in profit for the period	29
Dividends paid to minority interests	(19)
Translation adjustment	(3)
Changes in scope of consolidation (1)	(12)
At December 31, 2007	61
Minority interests in profit for the period	15
Dividends paid to minority interests	(17)
Capital Reduction	(1)
Translation adjustment	-
Changes in scope of consolidation	-
At June 30, 2008	58

(1) Changes in minority interests correspond mainly to the buyout of minority interests in Brazil (see Note 2.D.3).

Note 28. Convertible or Exchangeable Bonds (OCEANE)

All of the 2002, 2003 and 2005 OCEANE convertible or exchangeable bonds were redeemed or exchanged in the period 2005 to first-half 2008. No OCEANE bonds were outstanding at June, 30, 2008.

Note 29. Debt by Currency and Maturity

Note 29.A Long and short-term debt

Long and short-term debt at June 30, 2008 breaks down as follows by currency and interest rate after hedging transactions:

In € millions	June 2007	Effective rate June 2007 %	Dec 2007	Effective rate 2007 %	June 2008	Effective rate 2008 %
EUR	1 101	4,06	818	4,65	1 758	4,56
USD	248	5,47	11	5,40	10	6,95
AUD	69	7,06	55	7,30	53	7,87
Other currencies (1)	135	5,33	167	5,55	161	5,76
Long and short-term borrowings	1 553	4,53	1 051	4,94	1 982	4,76
Long and short-term finance lease liabilities	215	-	234	-	178	-
Purchase commitments	61	-	75	-	80	-
Changes in fair value of financial liabilities	-	-	-	-	-	-
Liability derivatives	-	-	15	-	-	-
Other short-term financial liabilities and bank overdrafts	144	-	42	-	29	-
Long and short-term debt	1 973	-	1 417	-	2 269	-

(1) including about CNY €53 million, CHF €20 million, JPY €18 million as at June 30, 2008

At June 30, 2008, derivative instruments recorded in assets and held as hedges of debt amounted to €5 million.

In € millions	June 2007	Dec 2007	June 2008
Long-term debt	1 140	1 272	2 160
Short-term debt	833	145	109
Total long and short-term debt	1 973	1 417	2 269

Note 29.B Maturities of debt

At June 30, 2008, maturities of debt were as follows:

In € millions	June 2007	Dec 2007	June 2008
Year Y+1	833	145	109
Year Y+2	108	78	100
Year Y+3	67	85	57
Year Y+4	69	101	1 559
Year Y+5	713	798	248
Year Y+6	31	45	32
Beyond	152	165	164
Total long and short-term debt	1 973	1 417	2 269

In the above presentation, all derivatives are classified as short-term. The breakdown of interest rate and currency hedging instruments by maturity is disclosed in Note 29.E on Financial instruments.

At June 30, 2008, Accor had several unused confirmed lines of credit with maturities of more than one year, for a total of €920 million, expiring between January 2010 and April 2013.

As a result, €180 million in short-term facilities that the Group intends to roll over has been reclassified as long-term debt. After reclassifications, long-term unused confirmed lines of credit total €740 million.

First-half 2008 financial costs amounted to €49 million. Future financial costs are estimated at €331 million for the period from July 1, 2008 to end-June 2012 and €38 million thereafter.

First-half 2007 financial costs amounted to €46 million. Future financial costs are estimated at €143 million for the period from July 1, 2007 to end-June 2011 and €37 million thereafter.

These estimates are based on the average cost of debt in first-half, after hedging. They have been determined by applying the assumption that no facilities will be rolled over at maturity and by reclassifying short-term facilities in long-term debt.

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

At June 30, 2008, long and short-term debt breaks down as follows before hedging transactions:

In € millions	Total debt		
	Amount	Rate	% of total debt
EUR	1 851	4,62%	93%
USD	2	4,87%	0%
AUD	5	8,38%	0%
Other currencies	124	6,70%	7%
Total long and short-term debt	1 982	4,76%	100%

Long and short-term debt after currency and interest rate hedging breaks down as follows at June 30, 2008:

In € millions	Total debt		
	Amount	Rate	% of total debt
EUR	1 758	4,56%	89%
USD	10	6,95%	1%
AUD	53	7,87%	2%
Other currencies	161	5,76%	8%
Total long and short-term debt	1 982	4,76%	100%

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

In € millions	Total debt	
	Amount	Rate
June 2007	1 553	4,53%
December 2007	1 051	4,94%
June 2008	1 982	4,76%

At June 30, 2008, 5% of long and short-term debt was fixed rate, with an average rate of 4.12%, and 95% was variable rate, with an average rate of 4.79%.

At June 30, 2008, fixed rate debt was denominated primarily in EUR (61%) and in CHF (21%), while variable rate debt was denominated mainly in EUR (90%), AUD (3%) and CNY (3%).

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 June 30, 2008:

Forward sales and currency swaps In € millions	Maturity 2008	Maturity 2009	June 30, 2008 Nominal amount	June 30, 2008 Fair value
AUD	49	-	49	-
JPY	20	-	20	-
Other	25	-	25	-
Forward sales	94	-	94	-

Forward purchases and currency swaps In € millions	Maturity 2008	Maturity 2009	June 30, 2008 Nominal amount	June 30, 2008 Fair value
GBP	391	-	391	1
USD	162	-	162	1
Other	279	29	308	(6)
Forward purchases	832	29	861	(4)

TOTAL CURRENCY HEDGING	926	29	955	(4)
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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 June 30, 2008, currency instruments had a positive fair value of €4 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 June 30, 2008:

In € millions	2008	2009	2010	2011	Beyond	June 30, 2008 Notional amount	June 30, 2008 Fair value
EUR: Fixed-rate borrower swaps and caps	3	46	-	-	-	49	(1)
Interest rate hedges	3	46	-	-	-	49	(1)

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 June 30, 2008, interest rate instruments had a positive fair value of €1 million.

3. Fair value of financial instruments

The carrying amount and fair value of financial instruments at June 30, 2008 are as follows:

In € millions	June 30, 2008 Carrying amount	June 30, 2008 Fair value
FINANCIAL LIABILITIES	2 269	2 269
Convertible bonds/Equity Notes	-	-
Bank borrowings	1 972	1 972
Finance lease liabilities	178	178
Other financial liabilities	119	119
Currency derivatives (<i>Fair Value Hedge</i>) (1)	-	-
FINANCIAL ASSETS	(1 338)	(1 338)
Marketable securities (2)	(946)	(946)
Cash	(329)	(329)
Other	(58)	(58)
Interest rate derivatives (<i>Cash Flow Hedge</i>) (1)	(5)	(5)
NET DEBT	931	931

(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.

(2) Marketable securities break down as follows:

In € millions	June 30, 2008 Carrying amount	June 30, 2008 Fair value
Bonds and other negotiable debt securities (a)	(154)	(154)
Money market securities (b)	(775)	(775)
Mutual fund units convertible into cash in less than three months (*) (c)	(8)	(8)
Other	(9)	(9)
Total marketable securities	(946)	(946)

(*) The fair value of mutual fund units corresponds to their net asset value.

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

Note 30. Net Debt and Net Cash

In € millions	June 2007	Dec 2007	June 2008
Other long-term debt	944	1 056	1 995
Long-term finance lease liabilities	196	216	165
Short-term borrowings	732	109	91
Bank overdrafts	101	20	18
Liabilities derivatives	-	15	-
Total debt	1 973	1 417	2 269
Short-term loans	(16)	(22)	(25)
Marketable securities (1)	(673)	(841)	(946)
Cash	(261)	(297)	(329)
Asset derivatives	(6)	(1)	(5)
Short-term receivables on disposals of assets	(89)	(52)	(33)
Financial Assets (2)	(1 045)	(1 213)	(1 338)
Net debt	928	204	931

(1) See Note 29.E.

(2) Included €789 million related to Services compared with €653 million at December 31, 2007.

In € millions	June 2007	Dec 2007	June 2008
Net debt at beginning of period	469	469	204
Change in long-term debt	396	(10)	888
Change in short-term financial liabilities	(318)	(368)	-
Cash and cash equivalents change	368	104	(158)
Reclassifications	13	9	(3)
Changes for the period	459	(265)	727
Net debt at end of period	928	204	931

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

In € millions	June 2007	Dec 2007	June 2008
Balance sheet cash and cash	940	1 138	1 280
Bank overdrafts	(101)	(20)	(18)
Derivatives included in liabilities	-	(15)	-
Current financial assets	-	-	-
Cash flow Statement cash and cash equivalents	839	1 103	1 262

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

At June 30, 2008, financial assets and liabilities broke down as follows by category:

In € millions	Carrying amount			Fair value		
	June 2007	Dec 2007	June 2008	June 2007	Dec 2007	June 2008
HELD TO MATURITY FINANCIAL ASSETS	96	151	154	96	151	154
Bonds and other negotiable debt securities	96	151	154	96	151	154
LOANS AND RECEIVABLES	2 296	2 519	2 216	2 296	2 519	2 216
Money Market securities	569	673	775	569	673	775
Short-term loans	16	22	25	16	22	25
Long-term loans	103	107	90	103	107	90
Receivables on disposals of assets	89	52	33	89	52	33
Deposits	69	65	64	69	65	64
Trade Receivables	1 449	1 598	1 227	1 449	1 598	1 227
Other	1	2	2	1	2	2
AVAILABLE FOR SALE FINANCIAL ASSETS	149	132	122	149	132	122
Mutual fund units convertible into cash	6	10	8	6	10	8
Investments in non-consolidated companies	141	117	107	141	117	107
Other	2	5	7	2	5	7
FINANCIAL ASSETS AT FAIR VALUE	6	1	5	6	1	5
Interest rate derivatives	1	1	1	1	1	1
Currency derivatives	5	-	4	5	-	4
CASH AT BANK	261	297	329	261	297	329
FINANCIAL ASSETS	2 808	3 100	2 826	2 808	3 100	2 826

In € millions	Carrying amount			Fair value		
	June 2007	Dec 2007	June 2008	June 2007	Dec 2007	June 2008
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	-	15	-	-	15	-
Currency derivatives	-	15	-	-	15	-
Other bonds	-	-	-	-	-	-
FINANCIAL LIABILITIES AT AMORTISED COST	2 566	2 061	2 896	2 566	2 061	2 896
Convertible bonds/Equity Notes	612	-	-	612	-	-
Bank Borrowings	975	1 043	1 972	975	1 043	1 972
Finance lease liabilities	215	234	178	215	234	178
Other debts	111	105	101	111	105	101
Trade payables	653	679	645	653	679	645
CASH AT BANK	101	20	18	101	20	18
FINANCIAL LIABILITIES	2 667	2 096	2 914	2 667	2 096	2 914

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

The methods used to measure the fair value of derivative instruments, money market securities, held to maturity financial assets and mutual fund unit convertible into cash are described in Notes 29 and 30.

Note 32. Assets and Liabilities Held for Sale

In € millions		June 2007	Dec 2007	June 2008
Assets classified as "held for sale"	(a)	674	-	-
Hotels to sell to Genefim in France	(b)	-	-	273
Hotels to sell to Foncière des Murs in France and Belgium	(c)	21	21	21
Hotels to sell to Axa REIM in France and in Switzerland	(d)	-	218	21
Hotels to sell to investors (France)		25	2	-
Hotels to sell in United-States	(e)	7	8	55
Hotels to sell to investors (United-Kingdom)		16	19	-
Hotels to sell in Germany		6	3	2
Other		11	6	5
Total non-current assets classified as held for sale		86	277	377
Total assets classified as held for sale		760	277	377
Total liabilities classified as held for sale	(a)	186	-	-

(a) At June 30, 2007, as part of its review of assets, the Group decided to sell Red Roof Inn and its Italian contract food services business. As a result, the assets and liabilities of Red Roof Inn and the Italian contract food business were reclassified as "held for sale" in the balance sheet at that date.

In € millions		Italian Food Business	Red Roof Inn	Total June 2007
Groups classified as "held for sale"				
Goodwill		4	-	4
Intangible, tangible and financial assets		18	417	435
Current Assets		154	81	235
Total assets classified as held for sale		176	498	674
Non-current Liabilities		26	1	27
Current liabilities		98	59	157
Short-term Financial debt		1	1	2
Total liabilities classified as held for sale		125	61	186

(b) At June 30, 2008, in line with the asset management policy, the Group plans to sell 9 units in France. Under IFRS 5, the €273 million carrying amount of these hotels has been reclassified in the consolidated balance sheet at June 30, 2008 under "Assets held for sale".

(c) During 2006, in line with the asset management policy, the Group planned to sell to Foncière des Murs 76 units, 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) has been reclassified in the consolidated balance sheet of the following periods under "Assets held for sale".

(d) At December 31, 2007, in line with the asset management policy, the Group planned to sell 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. Under IFRS 5, the € 218 million carrying amount of these hotels has been reclassified in the consolidated balance sheet at December 31, 2007 under "Assets held for sale".

At June 30, 2008, 49 units were sold during the period. The sale of the remaining seven hotels is expected to be completed during the second half.

(e) During 2008, in line with the asset management policy, the Group planned to sell to 42 Motel 6 units. Under IFRS 5, the €55 million carrying amount of these hotel has been reclassified in "Assets held for sale".

Note 33. Provisions

Movements in long-term provisions between December 31, 2007 and June 30, 2008 can be analyzed as follows:

In € millions	December 31, 2007	Equity impact (*)	Increases	Utilizations	Reversals of unused provisions	Translation adjustment	Reclassifications and changes in scope (*)	June 30, 2008
- Provisions for pensions	93	(9)	5	(3)	(1)	-	(1)	84
- Provisions for loyalty bonuses	25	-	2	(1)	-	-	(1)	25
- Provisions for claims and litigation and others contingencies	-	-	-	-	-	-	-	-
TOTAL LONG-TERM PROVISIONS	118	(9)	7	(4)	(1)	-	(2)	109

(*) See Note 33.C

Movements in short-term provisions between December 31, 2007 and June 30, 2008 can be analyzed as follows:

In € millions	December 31, 2007	Equity impact	Increases	Utilizations	Reversals of unused provisions	Translation adjustment	Reclassifications and changes in scope	June 30, 2008
- Tax provisions	31	-	6	(24)	(1)	-	1	13
- Restructuring provisions	56	-	9	(19)	-	-	(1)	45
- Provisions for claims and litigation and others contingencies	161	-	20	(24)	(7)	(1)	5	154
TOTAL SHORT-TERM PROVISIONS	248	-	35	(67)	(8)	(1)	5	212

At June 30, 2008, ordinary provisions for claims and litigation and others include:

- €34 million provisions for various claims ;
- €27 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	June 2007	Dec 2007	June 2008
EBIT	6	(8)	4
Finance cost, net	-	7	(2)
Provision for losses on hotel properties	19	39	(8)
Provision on other assets and restructuring provisions	(26)	5	(14)
Deferred tax	(4)	(18)	(18)
TOTAL	(5)	25	(38)

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, coverage of healthcare costs of retired employees).

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 (57.8% of the obligation), in the Netherlands (18% of the obligation) and in Italy (9% 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.

June 2008	France	Europe excluding France					Worldwide Structures	Other countries
		Netherlands	United Kingdom	Germany	Belgium	Italy		
Retirement age	65 years	65 years	65 years	65 years	65 years	65 years	65 years	55-65 years
Rate of future salary increases	3,0%	3,0%	3,0%	2,3%	3,0%	2,0%	3%-4%	2%-10%
Payroll tax rate	46%	23%	13%	22%	36%	29%	46%	9%-45%
Discount rate	5,75%	5,75%	6,60%	5,75%	5,75%	5,75%	5,75%	4% - 8,68%
Expected Rates of return on 2006 plan assets	2,20%-4,5%	4%-5%	5,5%	4,3%	4,5%	N/A	4,5%	N/A
Expected Rates of return on 2007 plan assets	2,20%-4,5%	4%-5%	5,5%	4,3%	4,5%	N/A	4,5%	N/A

2007	France	Europe excluding France					Worldwide Structures	Other countries
		Netherlands	United Kingdom	Germany	Belgium	Italy		
Retirement age	65 years	65 years	65 years	65 years	65 years	65 years	65 years	55-65 years
Rate of future salary increases	3,0%	3,0%	3,0%	2,3%	3,0%	2,0%	3%-4%	2%-10%
Payroll tax rate	46,0%	23,0%	12,8%	22,0%	36,0%	29,0%	46,0%	9%-45%
Discount rate	5%-5,25%	5,0%	5,8%	5,0%	5,0%	5,0%	5,0%	4% - 8,68%
Expected Rates of return on 2006 plan assets	2,20%-4,5%	4%-5%	5,5%	4,3%	4,5%	N/A	4,5%	N/A
Expected Rates of return on 2007 plan assets	2,20%-4,5%	4%-5%	5,5%	4,3%	4,5%	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 French Social Security Financing Act for 2008 provides for an additional 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 between 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 entirely been recognised in equity, in accordance with the Group's current policy for recognizing actuarial gains and losses.

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 June 30, 2008

In € millions	Pensions	Other post-employment benefits (*)	Total
Present value of funded obligation	105	-	105
Fair value of plan assets	(79)	-	(79)
Excess of benefit obligation/(plan assets)	26	-	26
Present value of unfunded obligation	-	83	83
Unrecognized past service cost	-	-	-
Liability recognized in the balance sheet	26	83	109

(*) 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)
Excess of benefit obligation/(plan assets)	24	-	24
Present value of unfunded obligation	-	94	94
Unrecognized past service cost	-	-	-
Liability recognized in the balance sheet	24	94	118

(*) 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 2008									Other 2008	2008	2007
	France	Europe excluding France					Worldwide structures	Other	Total	Other benefits	Total	Total
		Netherlands	United Kingdom	Germany	Belgium	Italy						
Actuarial debt at the beginning	32	31	7	8	9	16	58	10	171	25	196	193
Other long-term benefits reclassification	-	-	-	-	-	-	-	-	-	-	-	-
Services Cost during year	1	0	0	0	0	0	1	0	3	2	4	10
Interest Cost	1	1	0	0	0	0	1	0	4	1	4	6
Employee contributions	-	0	-	-	0	-	-	-	0	-	0	1
Service cost / Change in regime	0	-	-	-	-	-	-	-	0	-	0	1
Reduction / Liquidation of plan	(0)	-	-	-	-	-	-	(0)	(0)	(0)	(1)	(14)
Acquisition / Sale	(0)	-	-	-	-	-	-	(1)	(1)	(1)	(2)	8
Benefits granted	(0)	(1)	(0)	(0)	(0)	(2)	(0)	(1)	(4)	(1)	(4)	(13)
Actuarial (Gains) / Losses	(2)	-	(0)	(1)	(1)	(1)	(4)	(1)	(9)	-	(9)	5
Effect of exchange rates	-	-	(0)	-	-	-	-	0	(0)	0	(0)	(0)
Reclassification on Assets/Liabilities held for sale	-	-	-	-	-	-	-	-	-	-	-	-
Others	0	-	-	-	-	(0)	(0)	(0)	(0)	(0)	(0)	1
Actuarial debt at end of period	32	31	6	8	9	14	57	8	164	25	188	195

In € millions	Europe excluding France									Other	2008	2007
	France	Netherlands	United Kingdom	Germany	Belgium	Italy	Worldwide structures	Other	Total	Other benefits	Total	Total
Fair value on assets at the beginning	3	31	6	2	6	-	30	0	79	-	79	69
Actual return of funds	0	1	0	0	0	-	1	(0)	2	-	2	3
Actuarial gains and losses	-	-	(0)	-	-	-	-	-	(0)	-	(0)	-
Employers contributions	-	0	0	-	0	-	0	-	1	-	1	12
Employee contributions	-	0	-	-	0	-	-	-	0	-	0	1
Benefits paid	-	(1)	(0)	-	(0)	-	-	-	(1)	-	(1)	(5)
Liquidation of plan	-	-	-	-	-	-	-	-	-	-	-	-
Effect of exchange rates	-	-	(0)	-	-	-	-	-	(0)	-	(0)	(1)
Business combinations / Sale	(0)	-	-	-	-	-	-	-	(0)	-	(0)	0
Others	-	-	-	-	-	-	-	-	-	-	-	-
Fair value on assets at end of period	3	31	6	2	7	-	31	0	79	-	79	79

In € millions	Europe excluding France									Other	2008	2007
	France	Netherlands	United Kingdom	Germany	Belgium	Italy	Worldwide structures	Other	Total	Other benefits	Total	Total
Financial situation at the beginning	30	0	0	7	3	16	28	9	93	25	117	124
Reclassification on Assets/Liabilities held for sale	-	-	-	-	-	-	-	-	-	-	-	-
Financial situation at end of period	29	0	(0)	6	2	14	26	8	84	25	109	118

In € millions	Europe excluding France									Other	2008	2007
	France	Netherlands	United Kingdom	Germany	Belgium	Italy	Worldwide structures	Other	Total	Other benefits	Total	Total
Services cost in the year	1	0	0	0	0	0	1	0	3	2	4	10
Interest cost	1	1	0	0	0	0	1	0	4	1	4	6
Expected return of assets	(0)	(1)	(0)	(0)	(0)	-	(1)	0	(2)	-	(2)	(2)
Service cost amortization	-	-	-	-	-	-	-	-	-	-	-	1
Curtailment / settlement (gains) losses	(0)	-	-	-	-	-	-	(0)	(0)	0	(0)	(14)
Others	0	-	-	-	-	(0)	(0)	(0)	(0)	-	(0)	0
Charge of the period	1	0	(0)	0	0	0	2	0	4	2	6	1
Amortization Actuarial (gains) losses	(2)	-	(0)	(1)	(1)	(1)	(4)	(1)	(9)	0	(9)	4

Reconciliation of provisions for pensions between January 1, 2007 and June 30, 2008

In € millions	Amount
Provision on January 1, 2007	124
Charge of the year	1
Cash out	(20)
SORIE	5
Effect of changes (1)	8
Provision on December 31, 2007	118
Other long-term benefits	-
Charge of the year	6
Cash out	(4)
SORIE	(9)
Effect of changes	(2)
Reclassifications on assets/liabilities held for sale	-
Provision on June 30, 2008	109

(1) €7 million from Newgen entities entry and €1 million from Novotel Paris Tour Eiffel and Kadéos purchases.

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

In € millions	June 2007	Dec 2007	June 2008
Actuarial debt			
Actuarial gains and losses related to experience adjustment	-	4	-
Actuarial gains and losses related to changes in assumptions	1	2	(9)
Fair value on assets			
Actuarial gains and losses related to experience adjustment	-	(1)	-

Detail of plan assets

Detail of plan assets	France	Netherlands	United Kingdom	Germany	Belgium	Worldwide Structures
Shares	15% - 25%	10%	75%	15% - 25%	15% - 25%	15% - 25%
Bonds	75% - 80%	90%	17%	75% - 80%	75% - 80%	75% - 80%
Other	0% - 5%	0%	8%	0% - 5%	0% - 5%	0% - 5%

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

Note 34. Reconciliation of Funds from Operations

In € millions	Dec 2007	June 2007	Juin 2008
Net Profit, Group share	883	596	310
Minority interests	29	13	15
Depreciation, amortization and provision expense	394	215	210
Share of profit of associates, net of dividends received	(21)	(5)	(16)
Deferred tax	(19)	(29)	3
Change in financial provisions and provisions for losses on asset	197	214	43
FUNDS FROM OPERATIONS	1 463	1 004	565
(Gains) losses on disposals of assets, net	(480)	(559)	(143)
(Gains) losses on non-recurring transactions (included restructuring costs and exceptional taxes)	129	70	65
FUNDS FROM ORDINARY ACTIVITIES	1 112	515	487

Note 35. Working Capital, Service Voucher in Circulation and Service Voucher Reserve Funds

In € millions	Dec 2007	June 2008	Variation
Inventories	74	92	18
Trade receivables	1 598	1 227	(371)
Other receivables and accruals	715	746	31
Service voucher reserve funds	392	425	33
WORKING CAPITAL ITEMS - ASSETS	2 779	2 490	(289)
Trade payables	679	645	(34)
Other payables	1 557	1 547	(10)
Service voucher in circulation	2 894	2 494	(400)
WORKING CAPITAL ITEMS - LIABILITIES	5 130	4 686	(444)
WORKING CAPITAL	2 351	2 196	(155)

December 31, 2007 WORKING CAPITAL	2 351
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Change in working capital (1)	(147)
Development Expenditure	(5)
Disposals	(5)
Translation adjustment	(15)
Reclassifications	17
NET CHANGE IN WORKING CAPITAL	(155)

June 30, 2008 WORKING CAPITAL	2 196
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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 1st) 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 2007	June 2007	June 2008
HOTELS			
- Upscale and Midscale Hotels	213	97	95
- Economy	89	29	47
- Economy US	93	45	24
SERVICES	18	9	5
OTHER BUSINESSES			
Casinos	13	6	7
Restaurants	11	6	4
Onboard Train Services	3	1	1
Holding Companies and other	26	14	1
RENOVATION AND MAINTENANCE EXPENDITURE	466	207	184

Note 37. Development Expenditure

Development expenditure corresponds to the property, plant and equipment, and working capital of newly consolidated companies (compliant IAS 7 "Cash flow statements") and the purchase or construction of new assets, as follows:

Developement expenditure excluding assets held for sale

In € millions	France	Europe (excl. France)	North America	Latin America & Caribbean	Other Countries	Worldwide Structures (*)	June 2008	June 2007	Dec 2007
HOTELS	32	72	176	14	52	2	348	435	821
Upscale and Midscale Hotels	20	49	7	6	26	2	110	341	527
Economy Hotels	12	23	-	8	26	-	69	92	175
Economy Hotels US	-	-	169	-	-	-	169	2	119
SERVICES	-	2	-	-	3	-	5	229	335
OTHER BUSINESSES	10	4	-	-	-	1	15	12	42
Casinos	9	-	-	-	-	-	9	8	27
Restaurants	1	-	-	-	-	-	1	3	13
Onboard Train Services	-	4	-	-	-	-	4	1	1
Holding Companies and other	-	-	-	-	-	1	1	-	1
Total June 2008	42	78	176	14	55	3	368		
Total June 2007	278	310	2	12	68	6		676	
Total 2007	356	541	121	37	141	2			1 198

(*) "Worldwide Structures" corresponds to development expenditure that is not specific to a single geographic region.

Development expenditure related to assets held for sale

Development expenditure related to assets held for sale includes a €226 million payment made on exercise of a call on nine hotel units in France that are intended to be sold in the second half.

Note 38. Segment Information: Income Statement

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 3,893 establishments in 90 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.
- Services. Accor is a world-leading issuer of 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 June 30, 2008 In € millions	Hotels	Services	Other Businesses	Eliminations	Total consolidated
Goodwill	997	688	202	-	1 887
Intangible assets	231	120	31	-	382
Property, plant and equipment	3 088	30	248	-	3 366
Total non-current financial assets	912	263	271	(734)	712
Deferred tax assets	143	14	34	-	191
TOTAL NON-CURRENT ASSETS	5 371	1 115	786	(734)	6 538
TOTAL CURRENT ASSETS	5 249	3 011	1 784	(6 216)	3 828
Assets held for sale	371	-	6	-	377
TOTAL ASSETS	10 991	4 126	2 576	(6 950)	10 743
SHAREHOLDERS' EQUITY & MINORITY INTERESTS	5 365	946	(3 018)	-	3 293
TOTAL NON-CURRENT LIABILITIES	475	153	1 814	1	2 443
TOTAL CURRENT LIABILITIES	5 151	3 027	3 780	(6 951)	5 007
Liabilities related to assets classified as held for sale	-	-	-	-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	10 991	4 126	2 576	(6 950)	10 743

At June 30, 2008 In € millions	Up and Midscale Hotels	Economy Hotels	Economy Hotels United States	Total Hotels
Goodwill	714	91	192	997
Intangible assets	60	28	143	231
Property, plant and equipment	1 517	925	646	3 088
Total non-current financial assets	673	219	20	912
Deferred tax assets	54	15	74	143
TOTAL NON-CURRENT ASSETS	3 019	1 278	1 074	5 371
TOTAL CURRENT ASSETS	3 925	1 194	130	5 249
Assets held for sale	284	32	55	371
TOTAL ASSETS	7 228	2 504	1 259	10 991
SHAREHOLDERS' EQUITY & MINORITY INTERESTS	3 623	629	1 113	5 365
TOTAL NON-CURRENT LIABILITIES	341	124	10	475
TOTAL CURRENT LIABILITIES	3 264	1 751	136	5 151
Liabilities related to assets classified as held for sale	-	-	-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	7 228	2 504	1 259	10 991

At June 30, 2008 In € millions	Casinos	Restaurants	Onboard Train Services	Holdings & Other	Total Other Businesses
Goodwill	162	25	8	7	202
Intangible assets	8	1	1	21	31
Property, plant and equipment	150	27	18	53	248
Total non-current financial assets	2	3	-	266	271
Deferred tax assets	-	4	-	30	34
TOTAL NON-CURRENT ASSETS	322	60	27	377	786
TOTAL CURRENT ASSETS	50	68	191	1 475	1 784
Assets held for sale	-	5	-	1	6
TOTAL ASSETS	372	133	218	1 853	2 576
SHAREHOLDERS' EQUITY & MINORITY INTERESTS	184	48	100	(3 350)	(3 018)
TOTAL NON-CURRENT LIABILITIES	112	3	14	1 685	1 814
TOTAL CURRENT LIABILITIES	76	82	104	3 518	3 780
Liabilities related to assets classified as held for sale	-	-	-	-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	372	133	218	1 853	2 576

Note 39.B – Balance Sheet by geographical area

At June 30, 2008 In € millions	France	Europe (excluding France)	North America	Latin America & Caribbean	Other countries	Eliminations	Total Consolidated
Goodwill	619	525	223	211	309	-	1 887
Intangible assets	77	67	145	18	75	-	382
Property, plant and equipment	1 110	989	716	140	411	-	3 366
Total non-current financial assets	500	498	174	8	564	(1 032)	712
Deferred tax assets	16	40	82	29	24	-	191
TOTAL NON-CURRENT ASSETS	2 322	2 119	1 340	406	1 383	(1 032)	6 538
TOTAL CURRENT ASSETS	2 326	2 225	119	947	1 273	(3 062)	3 828
Assets held for sale	319	2	55	-	1	-	377
TOTAL ASSETS	4 967	4 346	1 514	1 353	2 657	(4 094)	10 743
SHAREHOLDERS' EQUITY & MINORITY INTERESTS	2 727	1 486	1 302	573	(2 795)	-	3 293
TOTAL NON-CURRENT LIABILITIES	293	260	19	36	1 835	-	2 443
TOTAL CURRENT LIABILITIES	1 947	2 600	193	744	3 617	(4 094)	5 007
Liabilities related to assets classified as held for sale	-	-	-	-	-	-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	4 967	4 346	1 514	1 353	2 657	(4 094)	10 743

Note 40. Directors' Fees

Fees paid in first-half 2008 by the Group to the members of the Supervisory Board for year 2007 amounted to €590,000.

Note 41. Claims and litigation

Management contracts

The reorganization of the Formule 1 and Etap Hotel networks is continuing, with the focus on converting management contracts into employment contracts. Over 50% of the combined network is now run by managers with employee status.

The legal action still underway, corresponding to a reduced number of claims, is unlikely to modify the estimated financial impact of the related risks, as recorded in the consolidated financial statements for 2008.

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 have issued a notice ordering CIWLT to settle the tax deficiencies for the years 1998 to 2002 for a total of €200 million and have taken action to recover the total amount claimed for the years 1998 to 2002.

Concerning the reassessments covering the period 1998 to 2003, CIWLT has taken up the matter with the Cergy Pontoise administrative tribunal.

The company's legal and tax advisors consider that the reassessments do not give rise to any tax risk because 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 June, 30, 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 June 30, 2008

Note 42.1 Off-balance sheet commitments given

Off-balance sheet commitments given at June 30, 2008 break down as follows:

In € millions	Less than 1 year	1 to 5 years	Beyond 5 years	June 2008	December 2007	June 2007
Security interests given on assets (1)	-	1	11	12	5	10
. Groupe Lucien Barrière SAS (2)	140	-	-	140	140	140
. Other purchase commitments	1	50	-	51	49	51
Purchase commitments	141	50	-	191	189	191
. Renovation commitment Axa Reim (France) (3)	18	4	-	22	-	-
. Renovation commitment Axa Reim (Switzerland) (3)	3	3	-	6	-	-
. Renovation commitment Foncière des Murs transaction 1 (France) (4)	10	-	-	10	11	41
. Renovation commitment Foncière des Murs transaction 2 (France) (4)	-	-	-	-	12	-
. Renovation commitment Moor Park (Germany and the Netherlands) (5)	19	-	-	19	25	27
. Renovation commitment Land Securities (United-Kingdom) (6)	9	5	-	14	17	24
. Construction commitments Novotel and Ibis (Algeria) (7)	8	-	-	8	8	10
. Construction performance bonds Novotel and Ibis (China) (8)	34	8	-	42	35	26
. Renovation commitment Novotel Paris Tour Eiffel (9)	-	14	-	14	13	-
. Ibis Santa Coloma Gramamet & Ibis Ripollet (Spain)	14	-	-	14	14	17
. Other renovation commitments (10)	26	22	66	114	117	98
Capex Commitments	141	56	66	263	252	243
Loan guarantees given	-	-	1	1	14	19
Commitments given in the normal course of business (11)	75	235	46	356	374	434
Contingent liabilities	-	-	-	-	-	-
Total June 2008	357	342	124	823		
Total December 2007	128	580	126		834	
Total June 2007	163	431	303			897

- (1) Security interests 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 towards Accor 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 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 June 30, 2008 for an amount of €140 million, corresponding to the valuation at the transaction date.
- (3) In connection with the Axa transaction of sale-and-variable leaseback transactions, Accor is committed to financing €28 million worth of renovation work in France and Switzerland. The transactions concern 46 hotels in France and ten in Switzerland.
- (4) In connection with the first Foncière des Murs transaction of sale-and-variable leaseback transactions, Accor is committed to financing €67 million worth of renovation work. As of June 30, 2008, construction work totalling €57 million had been carried out.
- (5) In connection with the Moor Park transaction of sale-and-variable leaseback, Accor is committed to financing €27 million worth of renovation work in Germany and Netherland (see Note 2.B.2.5). As of June 30, 2008, the remaining work amounts to €19 million.
- (6) In connection with the Land Securities transaction of sale-and-variable leaseback, Accor is committed to financing €24 million worth of renovation work in the UK (see Note 2.B.2.4). As of June 30, 2008, the remaining work amounts to €14 million.
- (7) In connection with development in Algeria, Accor is committed to financing four hotels projects (Tlemcen, Oran, Bab Ezzouar and Constantine). As of June 30, 2008, construction work totalling €8 million had been carried out.
- (8) In connection with development in China, Accor issued a performance bond to various developers of 30 Ibis hotels and three Novotel hotels. The commitment at June 30, 2008, amount to €42 million.
- (9) In connection with the sale of Accor's 40% interest in Novotel Paris Tour Eiffel under a management-back arrangement, Accor is committed to financing €14 million worth of renovation work before the end of 2012. As of June 30, 2008, construction work had not begun.
- (10) Other commitments include €38 million in committed capital expenditure on Australian hotels and €69 million in commitments related to Groupe Lucien Barrière.
- (11) Commitments given in the normal course of business include a guarantee given to the owner of four Ibis hotels in Poland, covering the payment by Orbis of annual rentals representing a total of €22 million.

In addition, as explained in Note 41, following the tax audit of CIWLT, the French tax authorities issued a notice ordering CIWLT to settle the tax deficiencies of €200 million. In August 2004, Accor provided a €191 million tax bond issued by a bank in exchange for a stay of payment, as well €9 million additional payment in June 30, 2007 to the French tax authorities.

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 June 30, 2008 break down as follows:

In € millions	Less than 1 year	1 to 5 years	Beyond 5 years	June 2008	December 2007	June 2007
Irrevocable commitments received for the purchase of intangible assets and property, plant and equipment	-	-	-	-	-	-
Irrevocable commitments received for the purchase of financial assets	-	140	-	140	140	140
Customer orders spanning several years	-	-	-	-	-	-
Purchase commitments received	-	140	-	140	140	140
Sellers' warranties received	-	1	-	1	1	1
Debt waivers granted with a clawback clause	-	-	-	-	-	-
Loan guarantees received	-	-	-	-	-	-
Other guarantees received in the normal course of business (1)	110	29	25	164	138	170
Other commitments and guarantees received	110	30	25	165	139	171
Total June 2008 (2)	110	170	25	305		
Total December 2007 (2)	55	223	1		279	
Total June 2007 (2)	45	265	1			311

- (1) In connection with the two transactions with Accor, Foncière des Murs agreed to finance a €141 million renovation program (see Note 2.B.2). At June 30, 2008, Foncière des Murs made €116 million of renovation. The remaining work amounts to €25 million.

In connection with transaction in the United Kingdom, Land Securities agreed to finance a €51 million renovation program. As of June 30, 2008, the remaining work amounts to €34 million.

In connection with transaction in the Netherlands and in Germany, Moor Park agreed to finance a €59 million renovation program. As of June 30, 2008, the remaining work amounts to €42 million.

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 June 30, 2008, the work had not begun and the outstanding commitment continued to amount to €5 million.

In connection with transaction with Accor, Axa Reim agreed to finance a €52 million renovation program over three years.

- (2) Purchase options under finance leases are not included in this table.

Note 43. Consolidated Companies Net Profit

In € millions	2007	June 2007	June 2008
OPERATING PROFIT BEFORE TAX AND NON RECURRING ITEMS	907	379	393
Cancellation of share of profit of associates after tax	(28)	(8)	(18)
CONSOLIDATED COMPANIES PROFIT BEFORE TAX	879	371	375
Restructuring costs	(58)	(5)	(10)
Impairment losses	(99)	(184)	(36)
Gains and losses on management of hotel properties	208	323	107
Gains and losses on management of other assets	188	210	23
Income tax expense	(234)	(114)	(152)
CONSOLIDATED COMPANIES NET PROFIT	884	601	307

[illegible]

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	43	156	72	126	162	(160)	2
Australia	13	33	27	18	23	(20)	3

* Information presented in accordance with IAS 14 (Segment Reporting).

Above disclosed figures correspond to Group share.

Note 46. Subsequent Events

No subsequent events occurred.

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 the first-half 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	
		2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
Colony Capital	Long-term loan	-	-	-	-	-	-	-	-	-	-
	GLB put option granted to Accor	-	-	-	-	-	-	-	-	140	140
	Bond issues	-	-	-	-	500	-	-	-	-	-

Note 48. Corporate Officers' Compensation

In € millions	December 31, 2007		June 30, 2007		June 30, 2008	
	Expenses	Balance sheet amount	Expenses	Balance sheet amount	Expenses	Balance sheet amount
Short-term benefits received	13	6	5	2	5	2
Post-employment benefits	2	5	1	5	2	6
Other long-term benefits	-	-	-	-	-	-
Compensation for loss of office	-	-	-	-	-	-
Share-based payments	4	-	3	-	3	-
Rénumération globale	19	11	9	7	10	8

Corporate officers are defined as members of the Executive Committee and the Board of Directors.

In 2008, compensation only concerned the members of the ten-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.