



ACCOR SERVICES

A Success Story

Accor Services: an ongoing success story

- **40 years ago**

Creation of a very innovative concept, “Ticket Restaurant”

- **2000-2008**

More products, more innovation in the prepaid market

- **Beyond 2008**

Prepaid market entering a new phase

New opportunities for Accor Services

**A business in transformation,
offering strong value-creation potential**

Accor Services KPIs

■ Growth and sustainability

- Revenue: **11% CAGR 1996-2007**
- PBT: **14% CAGR 1996-2007**

■ Profitability

- EBITDAR margin: **42%**
- PBT / Issue volume ratio: **3%**

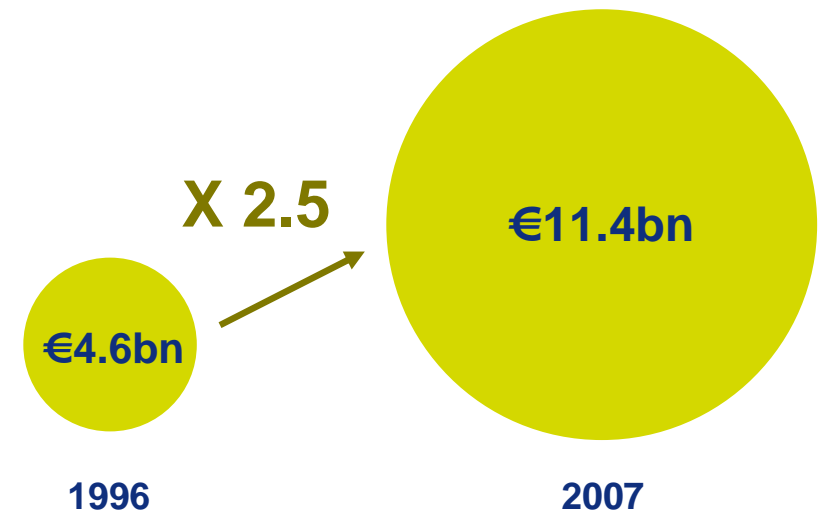
■ Cash generation

- Negative WC of **€1.9 bn**
- Steady CF generation: **€400m p.a.**
- Variation of negative WC: **+€150m p.a.**

■ Limited capital requirement

- **€20-25m capex p.a.**

Issue Volume



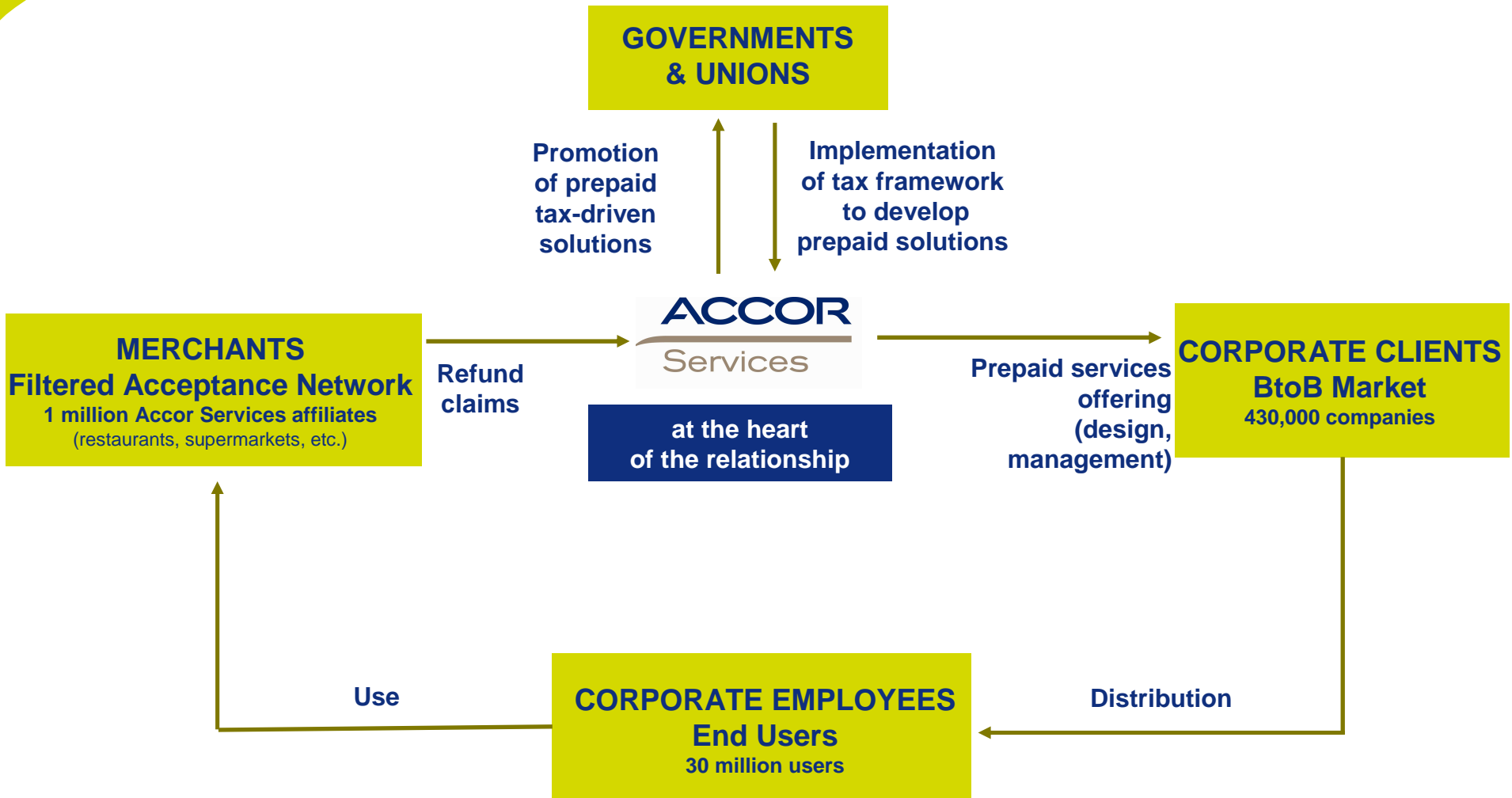
CAGR 1996-2007: 8.7%

Resilience to economic cycles



**A Win-Win Business Model
For More Than 40 Years
In the Prepaid Benefits Market**



Prepaid benefits: a win-win business model



Win-win solutions for corporate clients

Example: Meal Vouchers in France (Ticket Restaurant)

EMPLOYER COST SAVINGS

Employer costs		
Company contribution	1,000	1,000
Payroll taxes (50%)	0	500
Total cost to employer	1,000	1,500

**33% payroll cost savings
for the employer**

Source: Ernst & Young Study conducted for the
Commission Nationale des Titres-Restaurant, May 2006



SIMPLE AND HEALTHY ALTERNATIVE TO CANTEENS, PARTICULARLY FOR SMEs

- 54% of polled company managers consider meal vouchers as a means to improve employee eating habits

SOURCE OF EMPLOYEE RETENTION



- For 93% of polled company managers, their employees:
 - Attach great value to the meal vouchers system
 - Enjoy increased purchasing power through the system
 - Should consider meal vouchers as an additional part of their total compensation package
- 63% of polled company managers consider meal vouchers as a key negotiating argument when hiring new employees

Source: IPSOS Survey based on 400 French managers in
companies using meal vouchers, September 2008)

Win-win solution for corporate employees

Example: Meal Vouchers in France (Ticket Restaurant)

INCREASED PURCHASING POWER

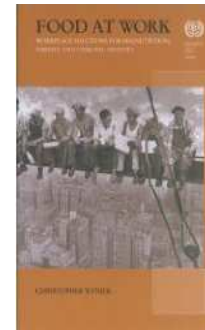
Employee income		
Income received by the employee	1,000	1,000
Taxable portion (at 20%)	0	(200)
Income tax (10% marginal rate)	0	(100)
Total employee benefit	1,000	700



**43% more income
for the employee**

Source: Ernst & Young study conducted for the Commission Nationale des Titres-Restaurant, May 2006

POSITIVE IMPACT ON EMPLOYEE HEALTH



"Food at Work" by Christopher Wanjek

- For 57% of polled employees, meal vouchers help them to have a sound, balanced diet and to reduce stress by enabling a lunch break

STRONGLY APPRECIATED BENEFIT

- 90% of polled employees attach great value to the meal vouchers system
- 76% of polled employees consider meal vouchers as an additional part of their compensation
- 71% of polled employees consider meal vouchers as a key differentiation factor vs. other companies

Source: IPSOS Survey based on 800 French employees using meal vouchers, September 2008)

Win-win solution for merchants

Example: Meal Vouchers in France (Ticket Restaurant)

INCREASED REVENUE

- For 57% of polled restaurants, meal vouchers represent a significant portion of their revenue

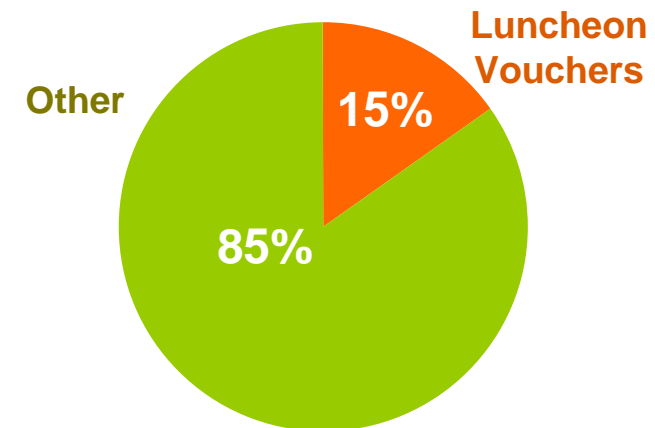
LOYAL CUSTOMERS

- For 81% of polled restaurants, clients paying through meal vouchers come back regularly

SECURE PAYMENT

Source: IPSOS Survey based on 400 French restaurants accepting meal vouchers, September 2008)

Annual volume of meals served in French restaurants by type of payment



15% of meals served annually in French restaurants are paid for with luncheon vouchers*

* Based on number of meals paid for with luncheon vouchers/ total number of meals served per year.
Source: Ernst & Young study conducted for the Commission Nationale des Titres-Restaurant, May 2006

Win-win solution for governments & unions

Example: Meal Vouchers in France (Ticket Restaurant)

**MORE JOBS CREATED, LESS INFORMAL ECONOMY,
MORE PURCHASING POWER**



No Impact on Public Budget

Prepaid benefits: win-win solution for all stakeholders

GOVERNMENTS & UNIONS

MORE JOBS CREATED,
LESS INFORMAL ECONOMY,
MORE PURCHASING POWER,
NO IMPACT ON PUBLIC BUDGET
LOWER GOVERNMENT HEALTH SPENDING

CORPORATE CLIENTS

LOWER EMPLOYER COSTS
SOURCE OF EMPLOYEE RETENTION
BETTER PRODUCTIVITY FOR COMPANIES

33% payroll cost savings
for the employer

WIN-WIN
SOLUTION

MERCHANTS

INCREASED REVENUE
LOYAL CUSTOMERS
SECURE PAYMENT

CORPORATE EMPLOYEES

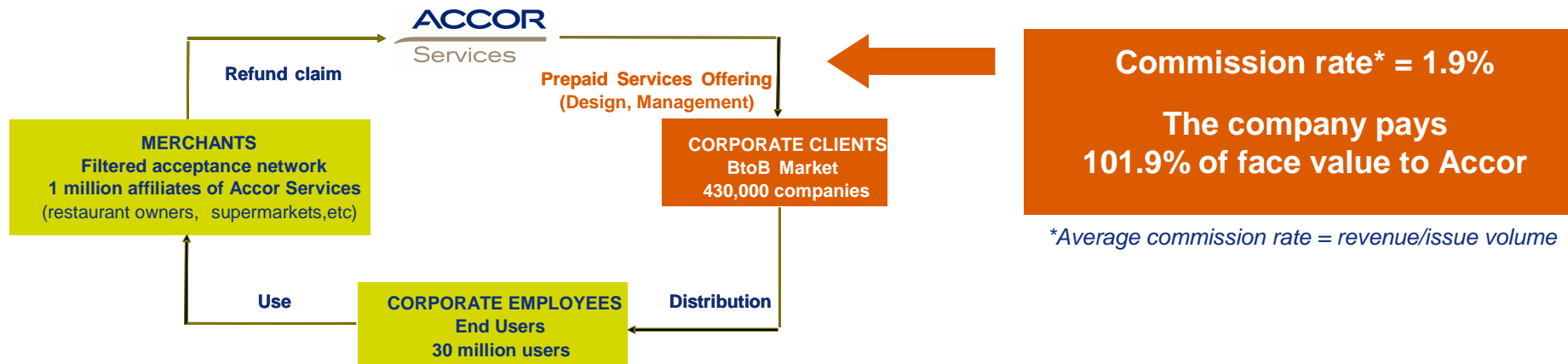
INCREASED PURCHASING POWER
POSITIVE IMPACT ON HEALTH

43% more income
for the employee

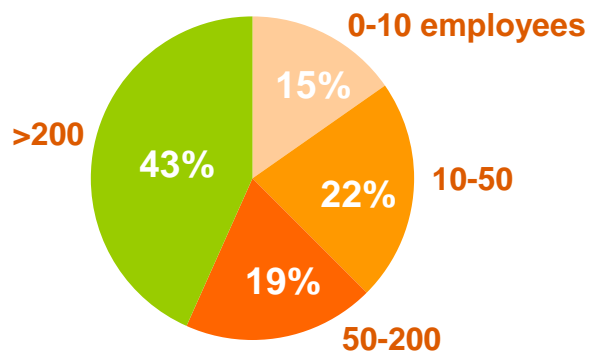
Prepaid Benefits 4 Sources of Revenue

Prepaid benefits: 4 sources of revenue for profitability

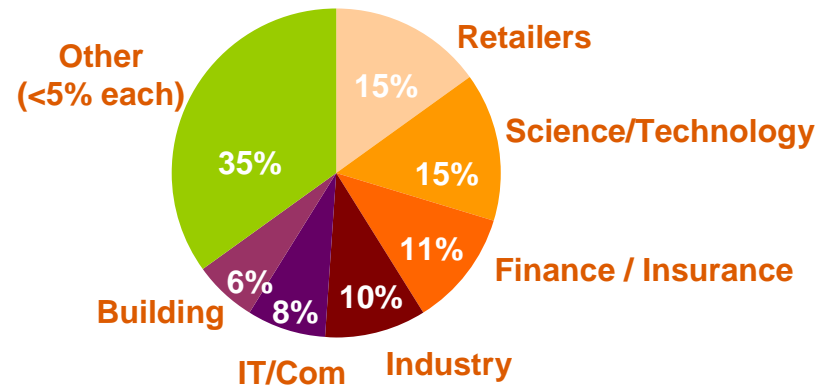
#1 - Commission rate from corporate clients



Ticket Restaurant (France): issue volume by client size and sector

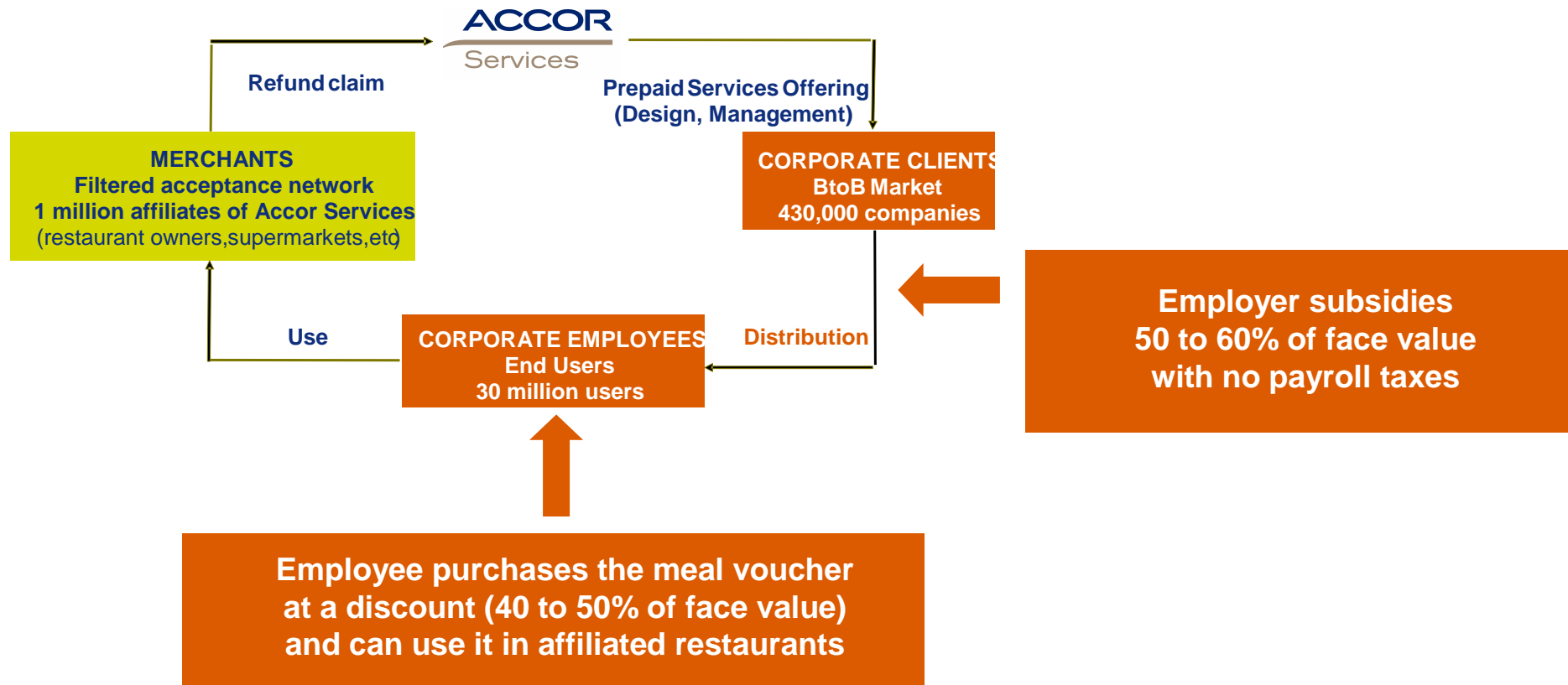


60% of issue volume coming from companies with fewer than 200 employees



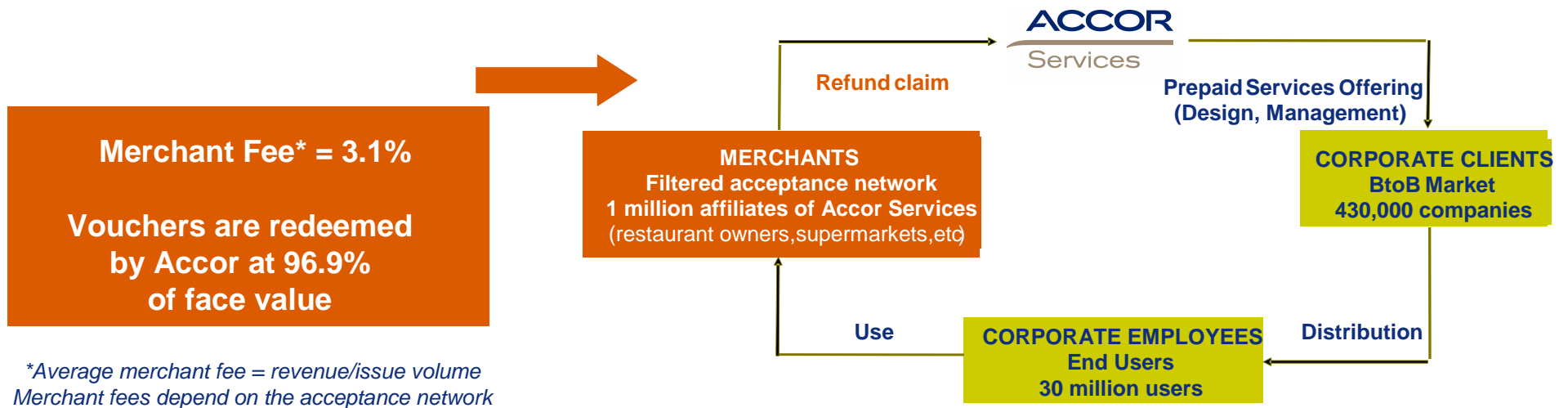
Issue volume well balanced by sector

From corporate clients to corporate employees



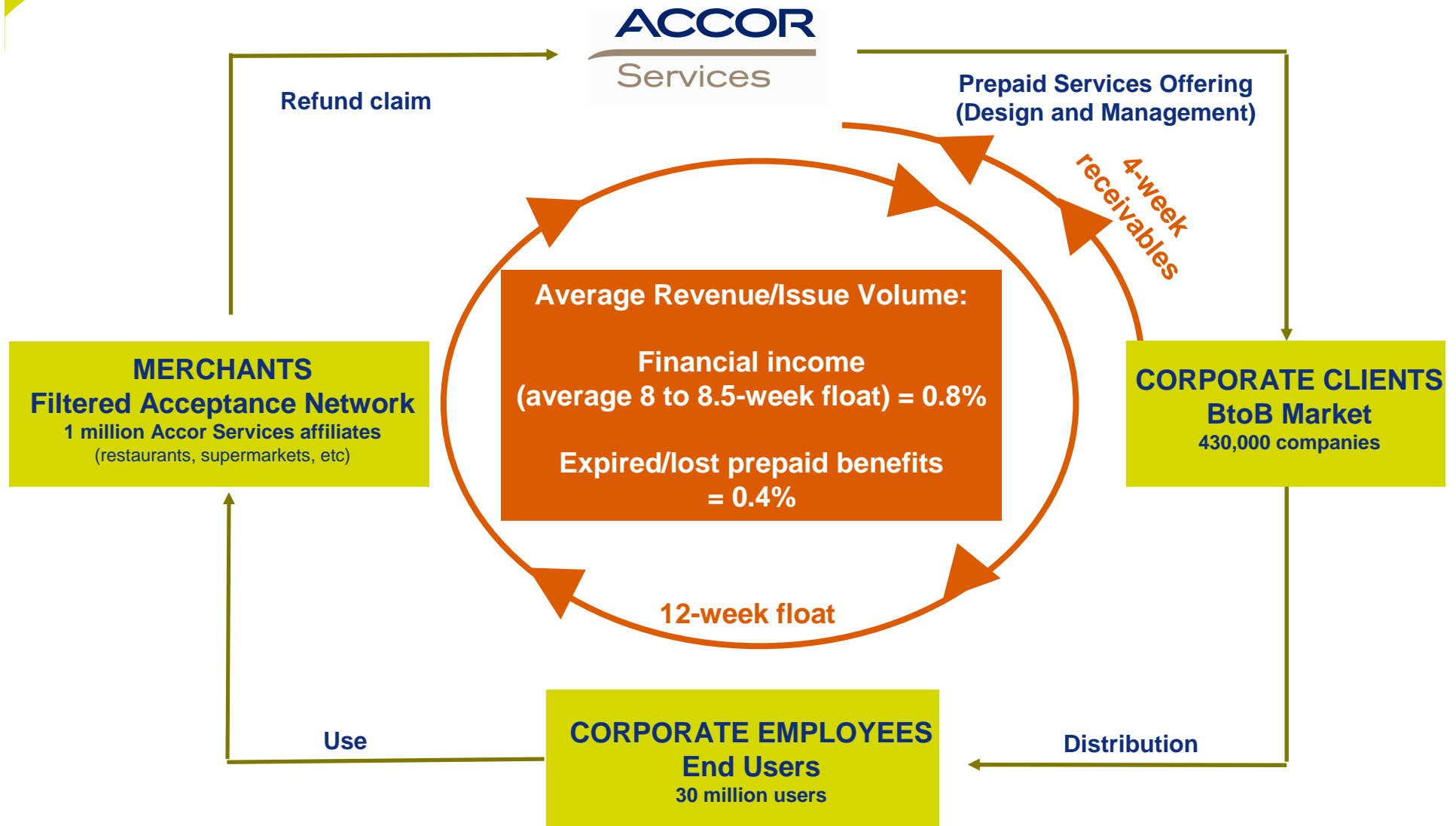
Prepaid benefits: 4 sources of revenue for profitability

#2 - Merchant fees



Prepaid benefits: 4 sources of revenue for profitability

#3 - Financial income #4 - Expired and lost benefits



Prepaid benefits: 4 sources of revenue for profitability

- Large portfolio of corporate clients: commission rate
- Large filtered acceptance network: merchant fees
- Financial income (average 8,5-week float)
- Expired / lost prepaid benefits

Average
revenue/issue volume

1.9%

+ 3.1%

+ 0.8%

+ 0.4%

**Prepaid Benefits:
Steady revenue/issue volume rate (6%-6.5%)
over the past 10 years**

6.3 %

**Prepaid Related Services (equivalent issue Volume)
87m€**

0.8 %

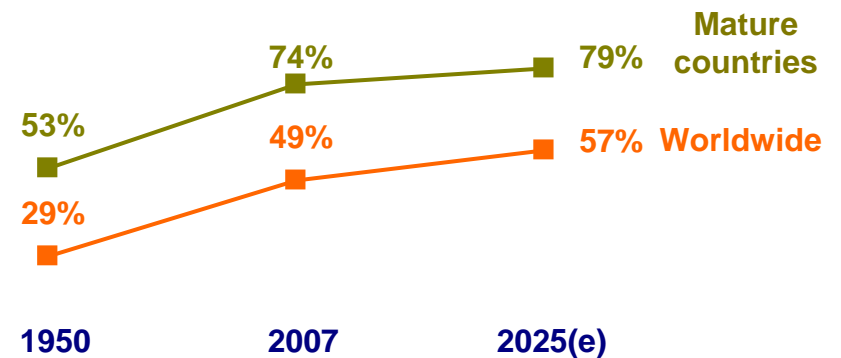
Key Growth Drivers in the Prepaid Benefits Market

In mature markets

For 40 years, favorable socio-demographic factors have driven sustainable growth in the prepaid benefits market

- Increasing employee purchasing power with tax-efficient products
- Fighting against informal economy
- Growing urbanization
- Higher proportion of women in work
- Longer working lives
- More individual needs

Percentage of people living in cities*



Favorable environment to develop value-added prepaid benefits

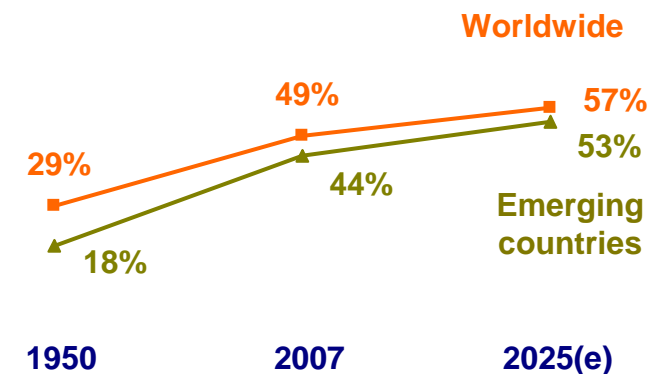
**Source: United Nations Department of Economic and Social Affairs/Population Division*

In emerging markets

Favorable socio-demographic factors are driving high growth in the prepaid benefits market

- Minimum standard of living secured for a large portion of population (ex: Workers Food Plan in Brazil launched in 1976)
- Growing urbanization
- Shift from an industrial to a service economy
- Emerging middle-class
- Need for productivity gains (better employee health)
- Purchasing power is a key political and social issue

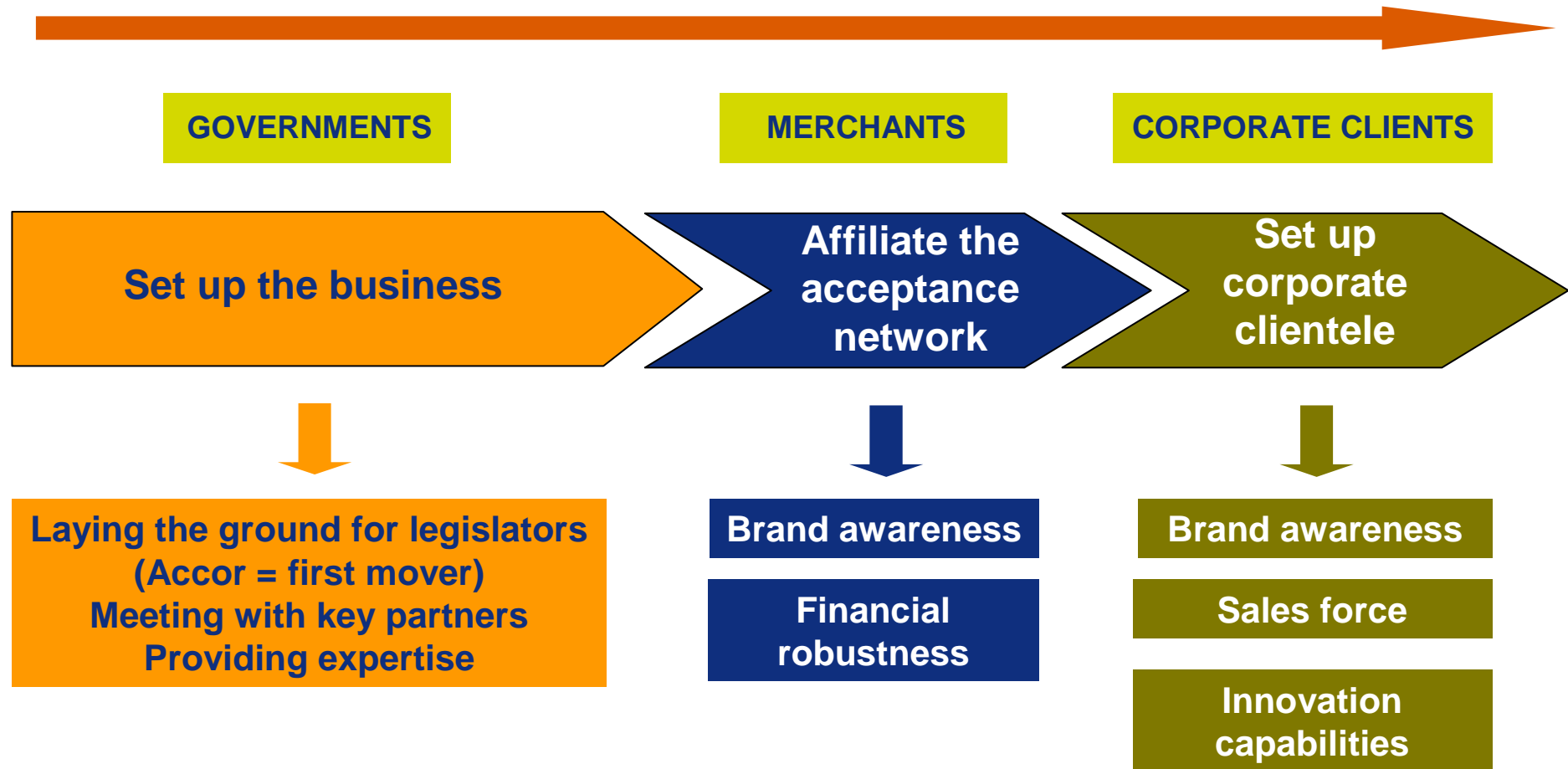
Percentage of people living in cities*



Favorable environment to develop value-added prepaid benefits

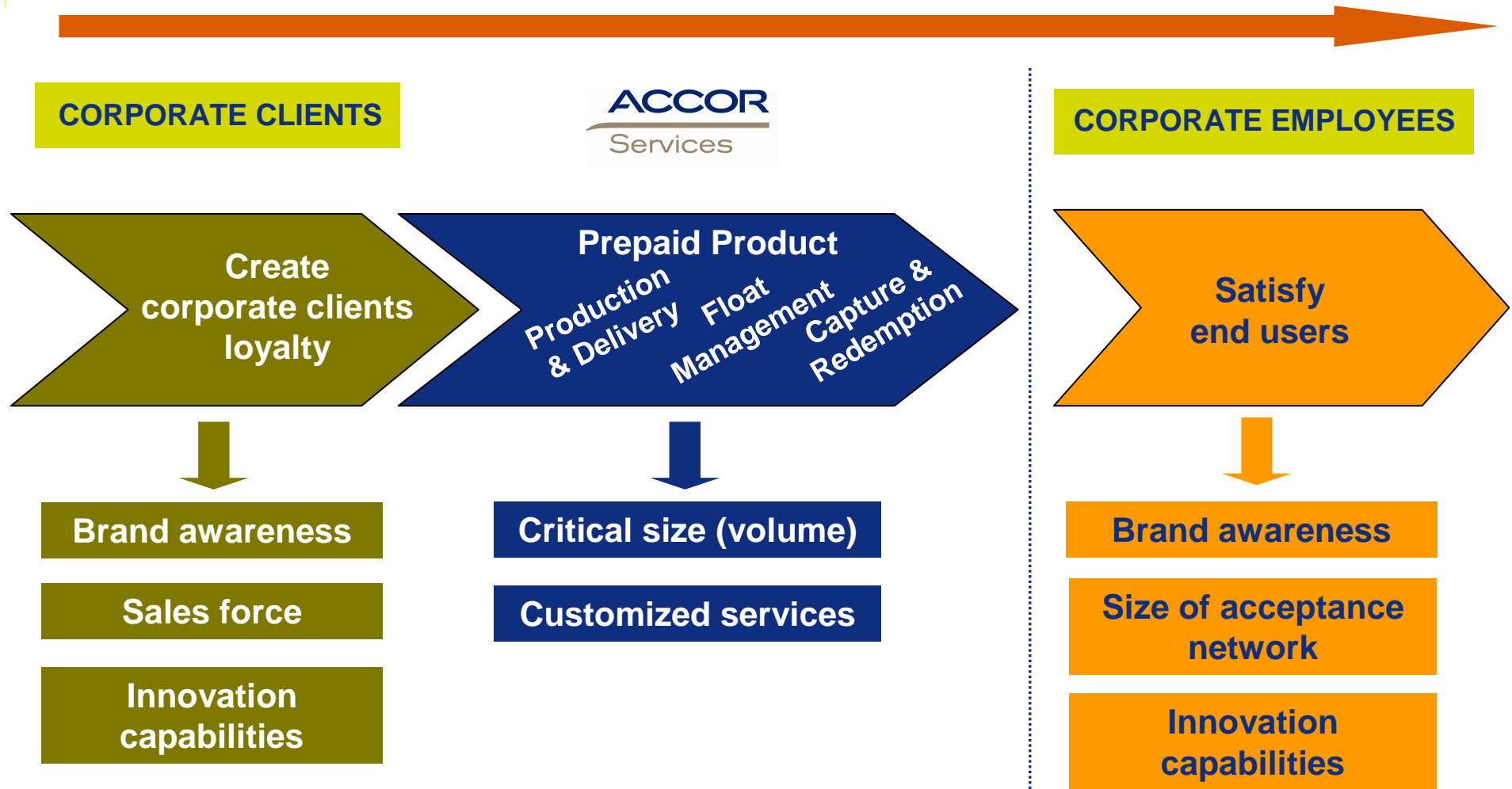
Barriers to entry along the paper-based prepaid benefits value chain

SET UP THE PREPAID BENEFITS BUSINESS



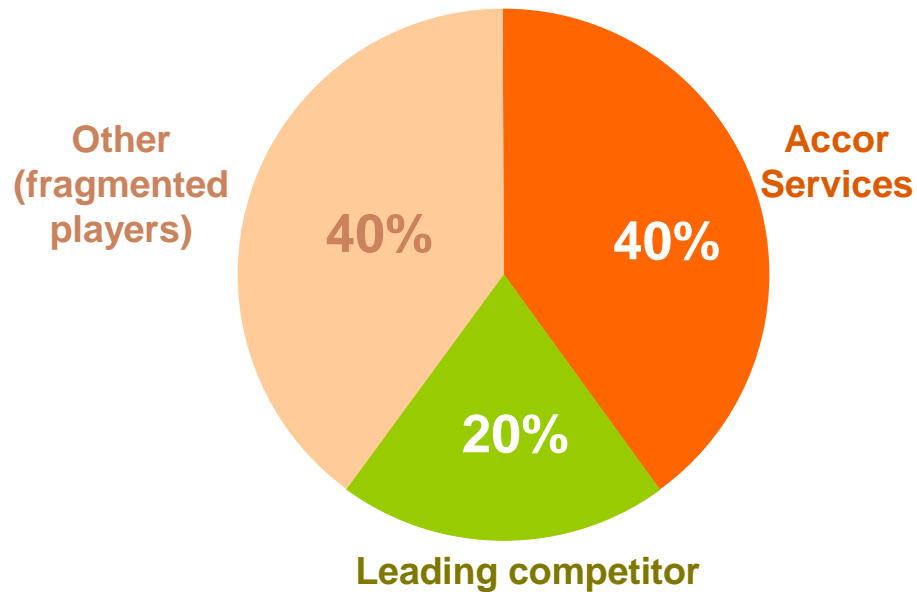
Barriers to entry along the paper-based prepaid benefits value chain

MANAGE THE PREPAID BENEFITS BUSINESS



Prepaid benefits: strong leadership position in a very fragmented competitive landscape

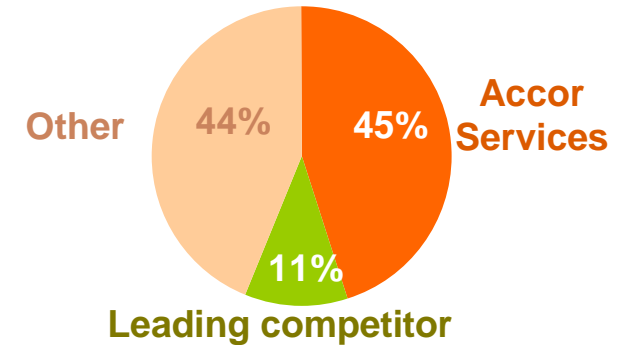
Worldwide Prepaid Benefits Market: €30bn



**Strong leadership,
only one global competitor**

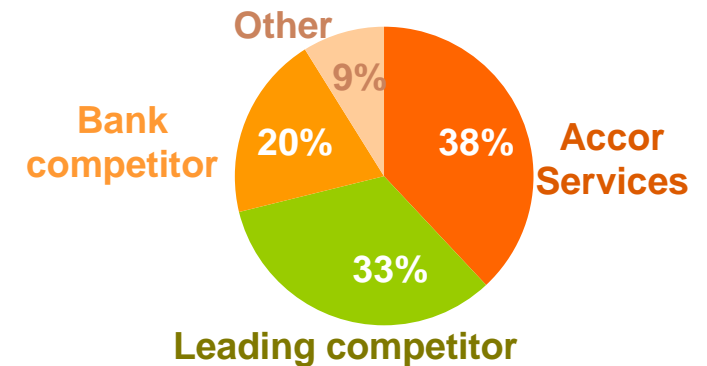
■ Italy:

- 30 competitors
- Top 2 players: 56% of the market



■ Brazil:

- 60 competitors
- Top 3 players: 91% of the market

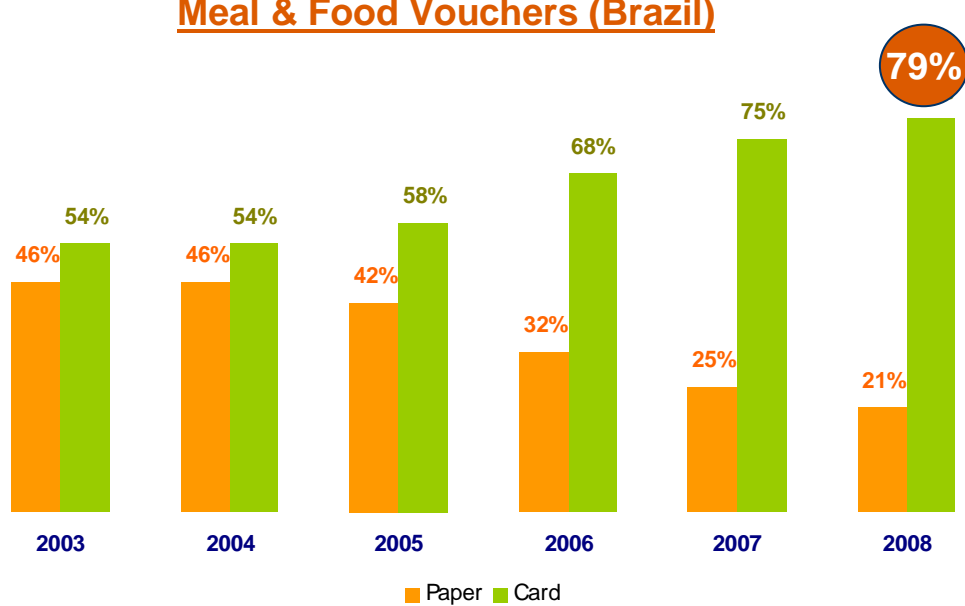


Prepaid benefits: shift from paper to electronic adding new barriers to entry

An internal technological platform already in place for processing

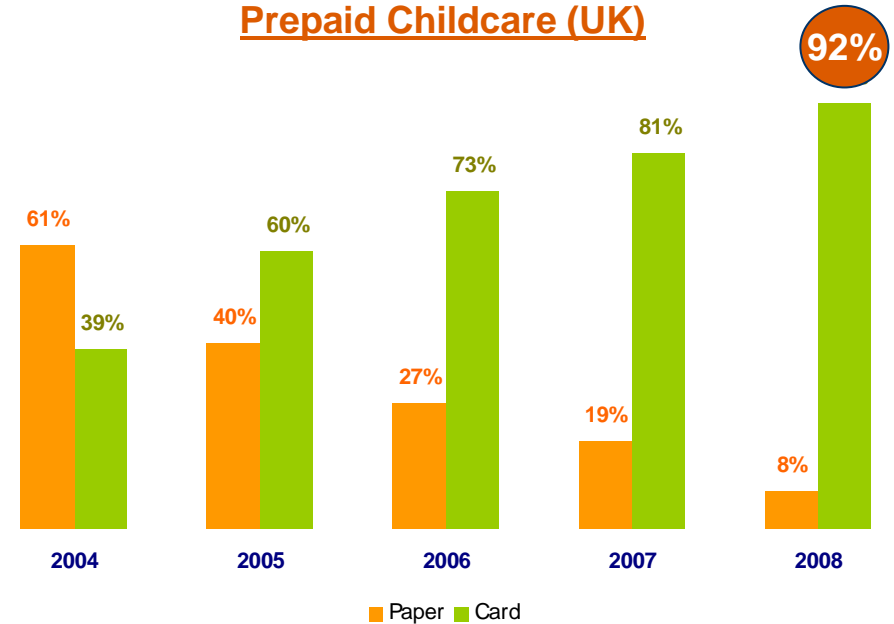
Issue Volume by Medium (Paper vs. Card)

Meal & Food Vouchers (Brazil)



Ebitdar/Revenue: +13pts
(45% in 2007 vs. 32% in 2003)

Prepaid Childcare (UK)



Ebitdar/Revenue: +7pts
(49% in 2007 vs. 42% in 2004)

Technology adding a new barrier to entry, a key success factor for Accor Services

Innovative value-added prepaid benefits solutions

**Technological shift is opening up new opportunities
to develop innovative solutions**



- **2007: Acquisition of Motivano, a UK specialist of outsourced benefits self-administrated by employees**
- **Unique expertise and technology: efficient HR benefits platform**
- **Improved time to market**

Accor Services, specialist in value-added B2B prepaid solutions

Innovative value-added prepaid benefits solutions

Technological shift is opening up new opportunities to develop innovative solutions



- **An innovative project under development, connecting Accor more closely with employees (end users) and merchants**
- **A platform dedicated to optimizing employee lunch breaks**
- **A business model based on multi-source revenues:**
 - **Corporate subscription (fees depending on the number of employees)**
 - **Restaurant fees**
 - **Employee fees**

DejaMidi: an efficient, employee-friendly platform

Accor Services: Key Success Factors in the Prepaid Benefits

- Recognized know-how, proven over the past 40 years
- Global market leadership
- Significant critical mass
- Strong B2B relationships
- Unique sales force to develop large acceptance networks
- Full command across the value chain with internal technological platforms (paper and electronic)
- Ongoing innovation to offer value-added solutions

**Accor Services is capable of maintaining its leadership position
in the fast growing prepaid benefits market**

2000-2008

New Prepaid Products

New needs are constantly emerging from every stakeholder

GOVERNMENTS & UNIONS

Products that effectively meet political issues
Fight against informal economy (ex: CESU in France)
Counter the lack of public social infrastructures
(ex: Kindergarten in the UK)
Improve control/tracking of conditional cash transfer

MERCHANTS

Secure, quick, cost-effective transaction payments
Increased customer loyalty
Client data analytics
Sources of additional revenue

A changing demand environment focused on value-added solutions

EMPLOYER

Productivity gains
Lower staff turnover
Better traceability of corporate expense
Innovative solutions in incentive and loyalty programs for employees and clients

EMPLOYEE

Better work-life balance
More and more personalized needs
More flexibility and choice in daily life
Increased purchasing power

New range of products with similar business models

2000

BENEFITS

Prepaid Meals
Prepaid Food
Prepaid Transit Passes

2008

BENEFITS

Prepaid Meals
Prepaid Food
Prepaid Transit Passes
Prepaid Childcare
Prepaid Eyecare
Public Benefits (Ticket Service)

REWARDS & LOYALTY

Prepaid Gift

EXPENSE MANAGEMENT

Prepaid Fleet Management
Prepaid Fuel

Size of markets targeted by Accor Services:

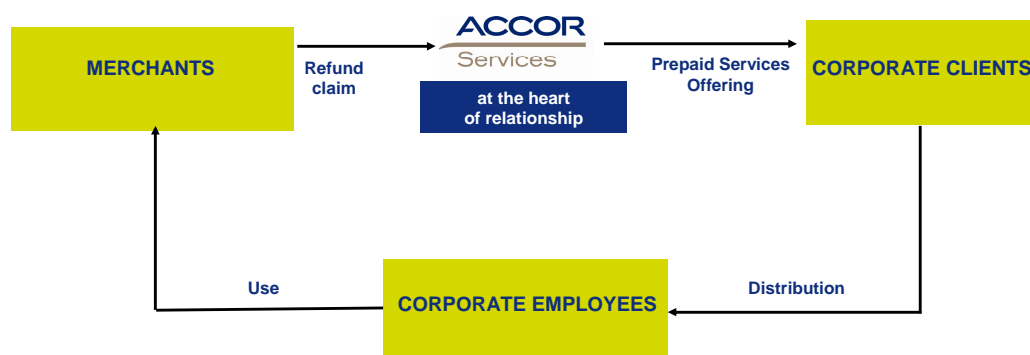
€20bn

x2

€40bn

Market has doubled since 2000

Rewards & Loyalty: the Gift Card business model

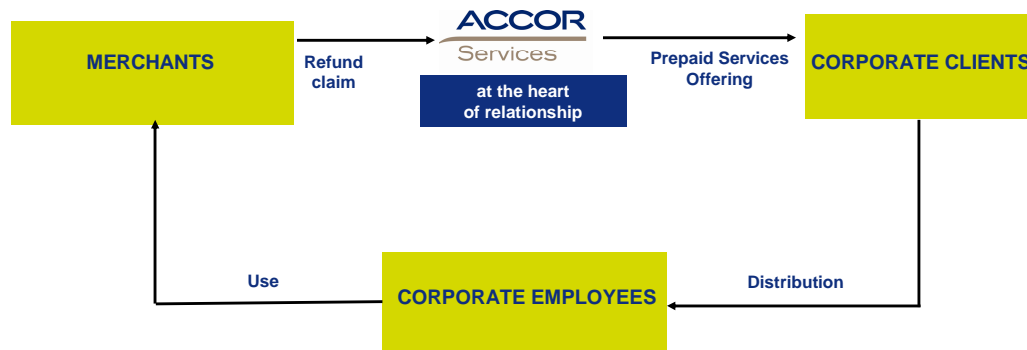


- **Corporate:**
 - Employee recognition, sales incentives, loyalty
- **End user (employee or sales network):**
 - Increased purchasing power, flexible, secure and convenient
- **Acceptance network:**
 - Mostly filtered loop (retailers, groceries, etc)

Rewards & Loyalty	Revenue/Issue Volume
Operating revenue	7,3%
Interest on float	1.6%
Total w/o Program Related Services	8.9%
Program Related Services	2.8%

A worldwide player: already over €1bn in issued volume

Expense Management: the Ticket Car business model



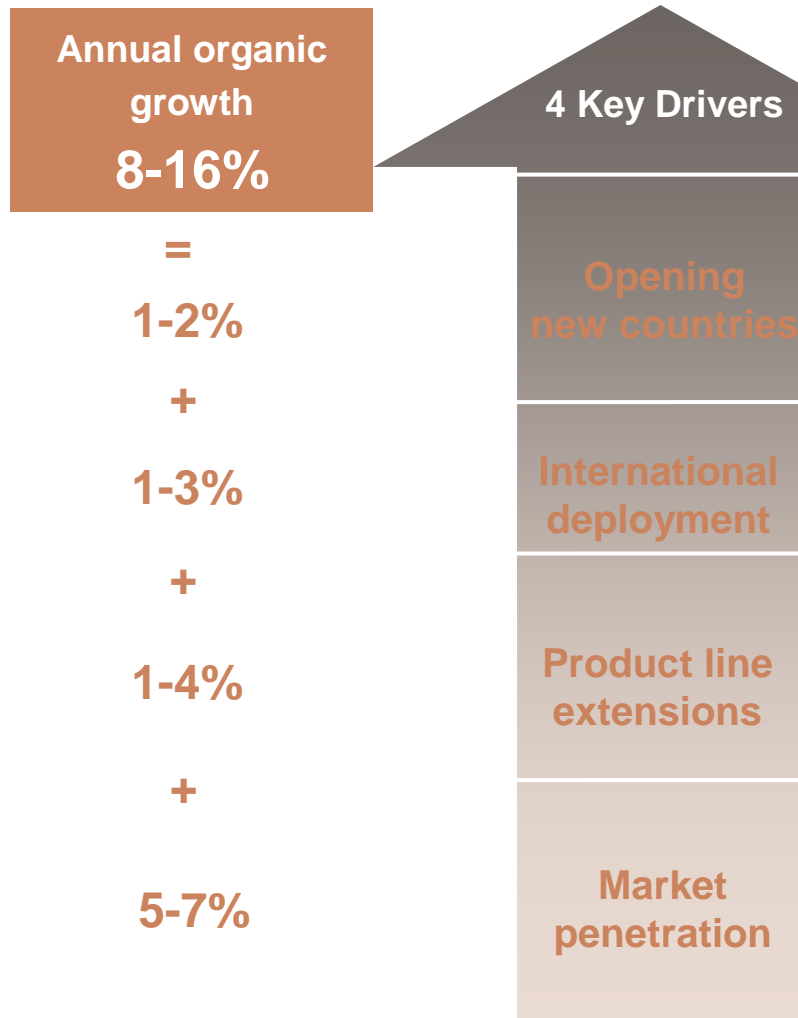
- **Corporate:**
 - Better expense control & reporting, cost savings
- **Employees:**
 - Easy to use, no personal cash out
- **Acceptance network:**
 - Filtered loop (mostly gas stations)

Expense Management	Revenue/Issue Volume
Operating revenue	4.3%
Interest on float	0.8%
Total w/o Program Related Services	5.1%
Program Related Services	0.9%

Accor Services: leading fuel/fleet card issuer in Latin America



Organic growth: 8 to 16%



■ Accor Services' geographical footprint:



■ Rollout of successful existing products into new countries

■ Extended range of products:



■ Penetration rates still very low, even in core markets ex: French meal voucher market: 14% penetration rate in 2008 vs. 12% in 2005

Acquisitions serve our growth strategy

Enabling is to gain market share, bring in value-added services, develop new prepaid products

Benefits

Commuter Check Services (US)

Serial (Italy)

In-Action (Sweden)

Motivano (UK)

Rewards & Loyalty

Stimula (France)

RID (India)

Calicado (Germany)

Kadeos (France)

Tintelingen (Netherlands)

SurfGold (Asia)

Quasar (Germany)

Expense Management

Autocupon (Mexico)

Contribution of 2006/2007 acquisitions to revenue = 4.6%

Increasing market share through acquisitions: the example of Kadeos

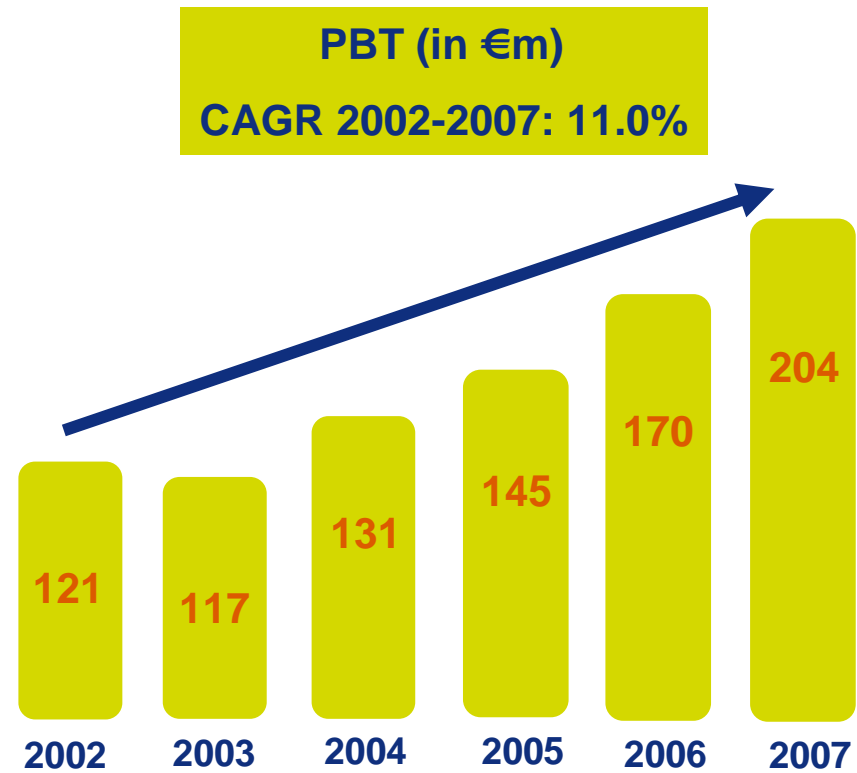
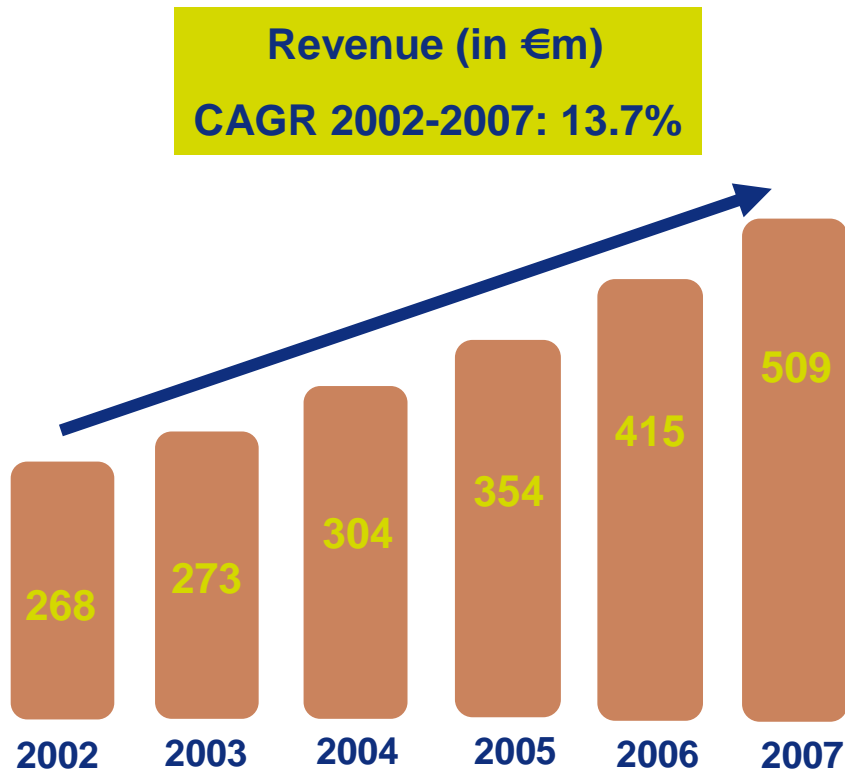
Time to Market

- France's largest issuer of gift cards
- Entering the **gift card market**
- **Total 2007 issue volume: €520m** (up 6% on 2006);
1.7 million Kadeos cards sold in 2007
- **Closed loop acceptance network:** PPR network including Fnac, Conforama and access to 380 brands
...
- **42,500 sales outlets**
- Gift card introduced in Spain in partnership with Fnac
- Launch of Gucci card in Europe



Successful strategy translating into strong figures in mature markets

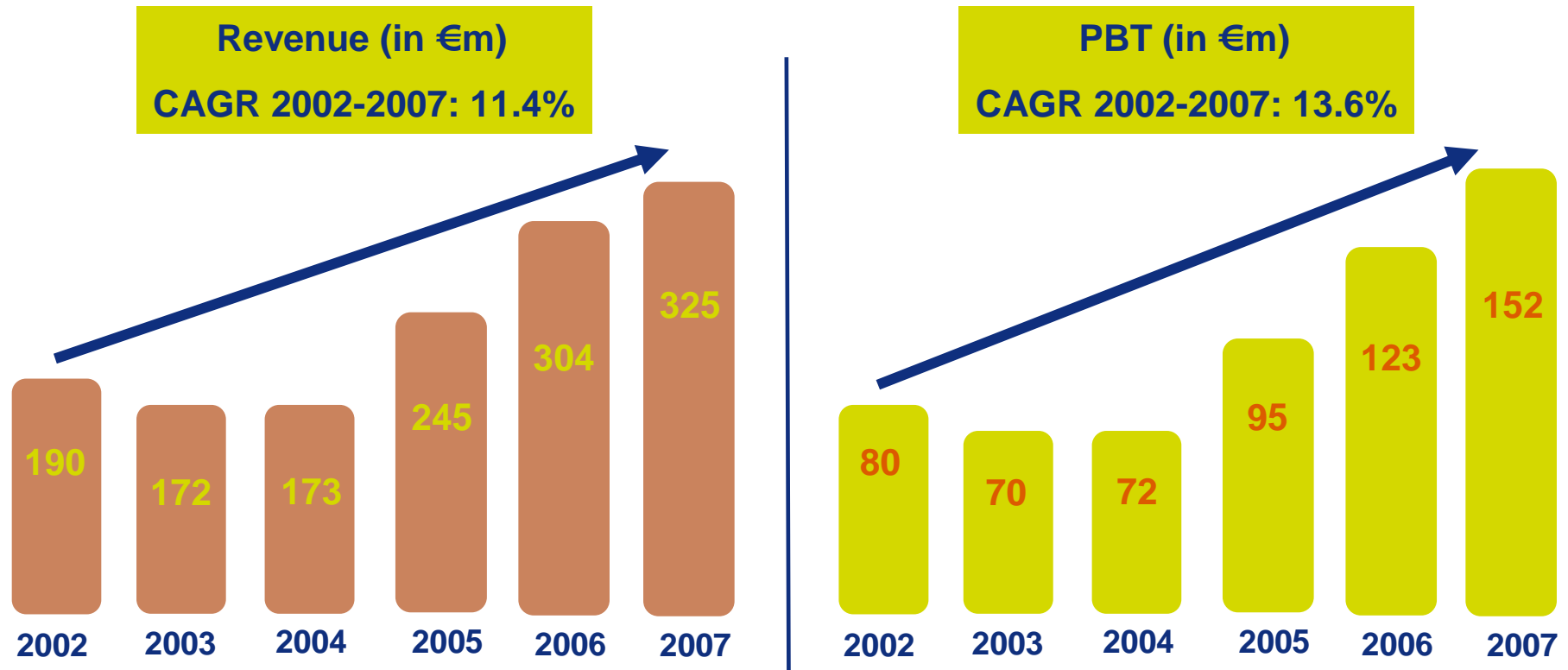
ex: Total Value-Added Prepaid Products Sold in Europe



And more to come with the strong potential in mature markets

Successful strategy translating into strong figures in emerging markets

ex: Total Value-Added Prepaid Products Sold in Latin America



And more to come with the strong potential in emerging markets

**From 2008 Onwards
New Opportunities
In the Prepaid Market**

Prepaid market in 2010^E: > €300bn

Accor Services Targeted Markets

In €bn	Gift	Corporate Benefits/Expense*	Govern. Benefits	Insurance	UUB/ Payroll/ Gal Purpose	Youth/ Gaming	Remittances/ Foreign currency	Consumer travel/ transit	TOTAL
Europe	12	22	2	1	7	8	8	4	64
North America	80	8	48	3	17	20	2	4	182
Latin America	4	17	7	0	14	0	0	0	42
Rest of World	32	4	2	0	3	0	0	4	45
TOTAL	128	51	59	4	41	28	10	12	333

*Including meal and food vouchers (TR/TA)

Source: PSE (2008), Mercator (2008), Accor Services estimates

**Prepaid market in 2010^E,
more than 10 X prepaid meal & food* benefits market**

*Meal and food vouchers = Ticket Restaurant and Ticket Alimentation

Prepaid market targeted by Accor Services in 2010^E: > €200bn

■ Main focus on 4 key sub-segments

■ Benefits

- Corporate Benefits (including Prepaid Meal & Food)
- Corporate Expenses
- Government Benefits

■ Gift (mostly B2B and B2R)

■ Un & Underbanked (UUB) / Payroll / General Purpose

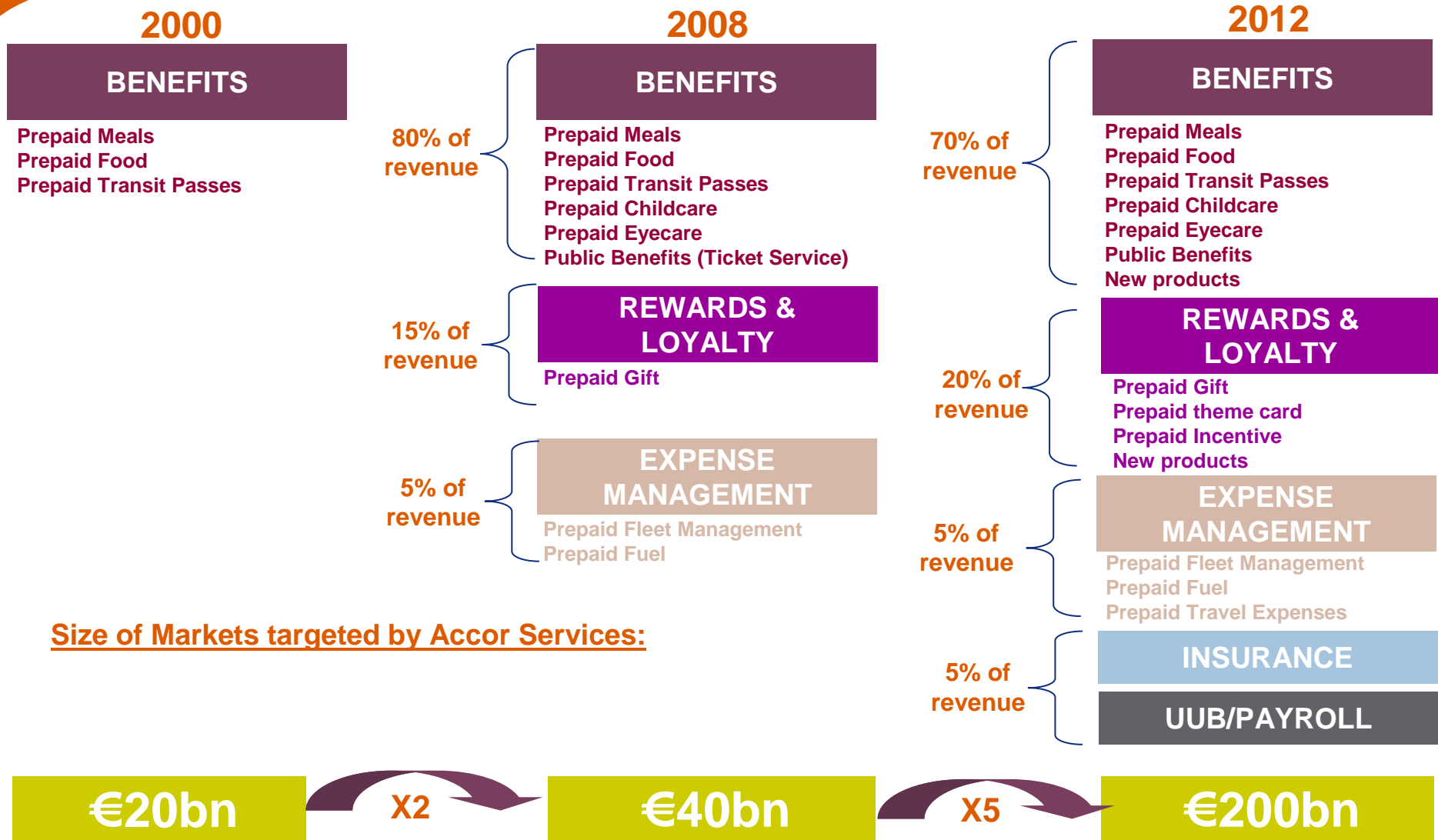
■ Insurance

■ Particularly in Europe and Latin America

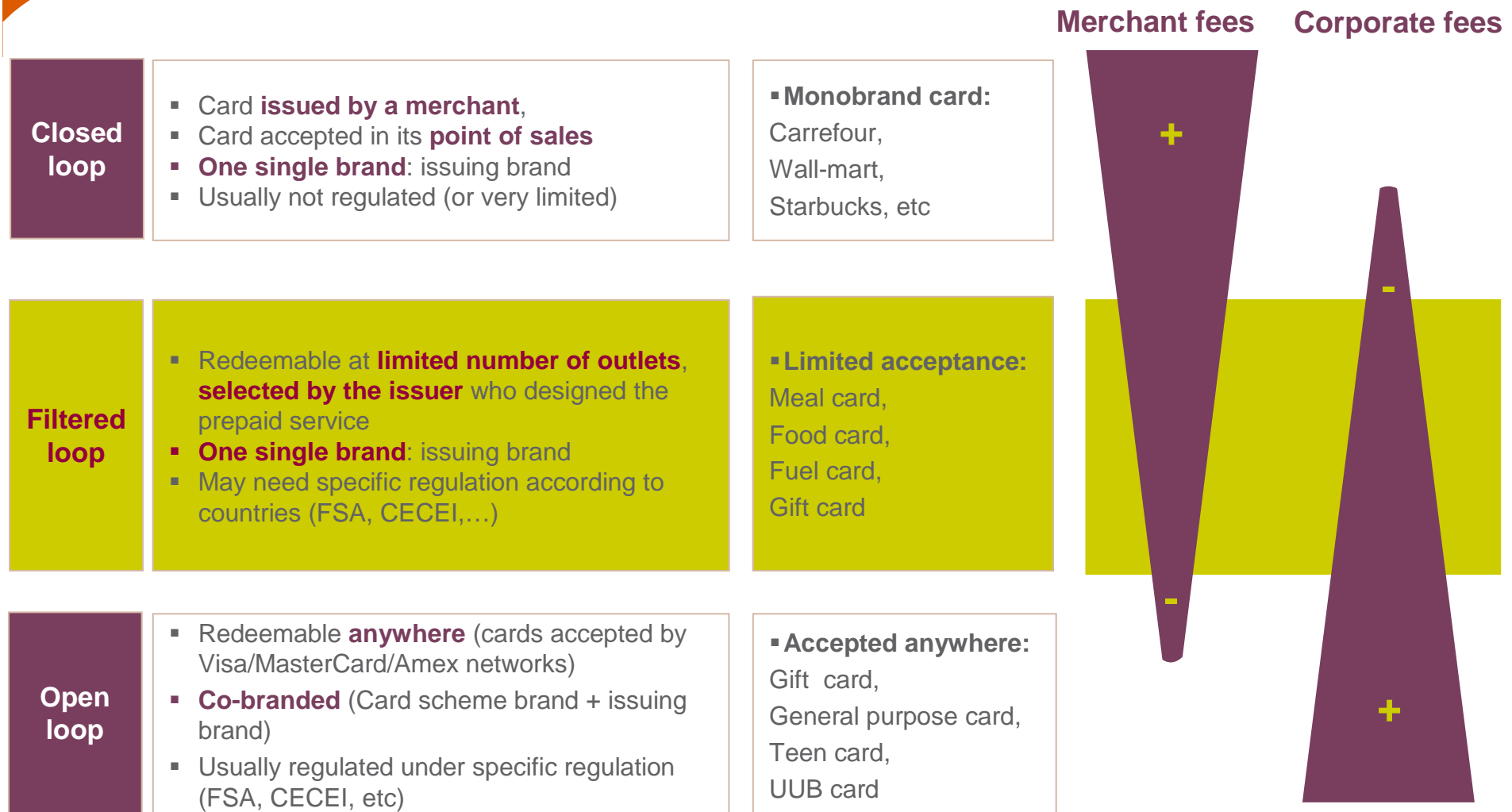
■ Mostly using filtered loop acceptance networks

■ Delivering value-added services to clients

Strong growth potential offered by selected new prepaid products



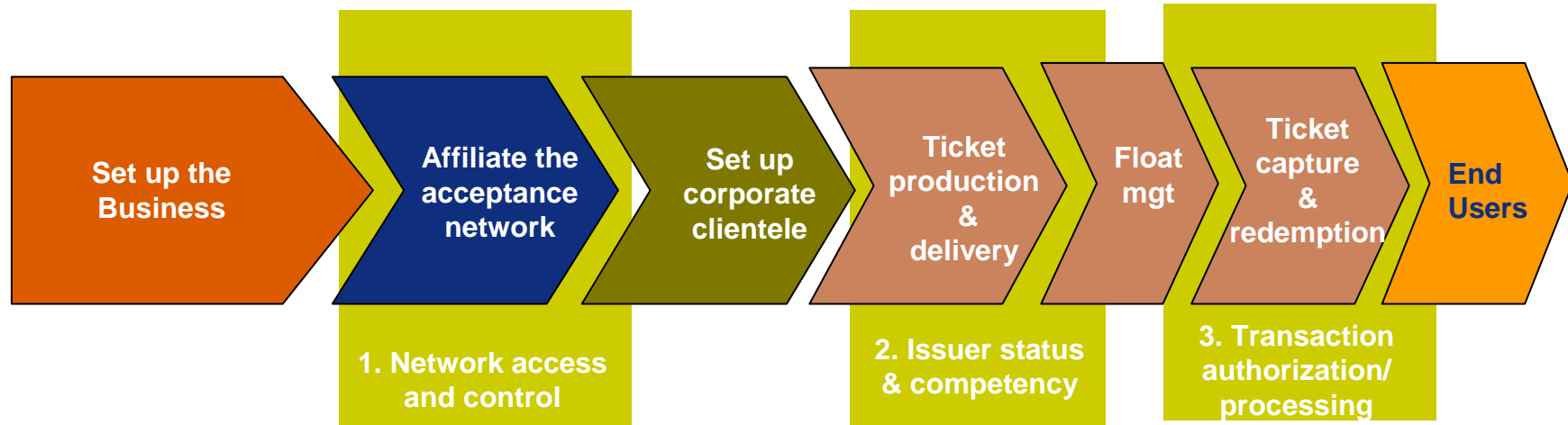
3 types of acceptance networks: open, filtered, closed loops



PrePay Technologies acquisition provides Accor Services with expertise in three strategic capabilities

Accor Services: Prepaid Products Business Model

ACCOR
Services



PPT integrates 3 key stages in the value chain:

1. Network access
2. Issuer status
3. Transaction authorization/processing

... and speeds up our time to market for electronic products

Shortening time to market with the acquisition of PrePay Technologies, a European technological platform

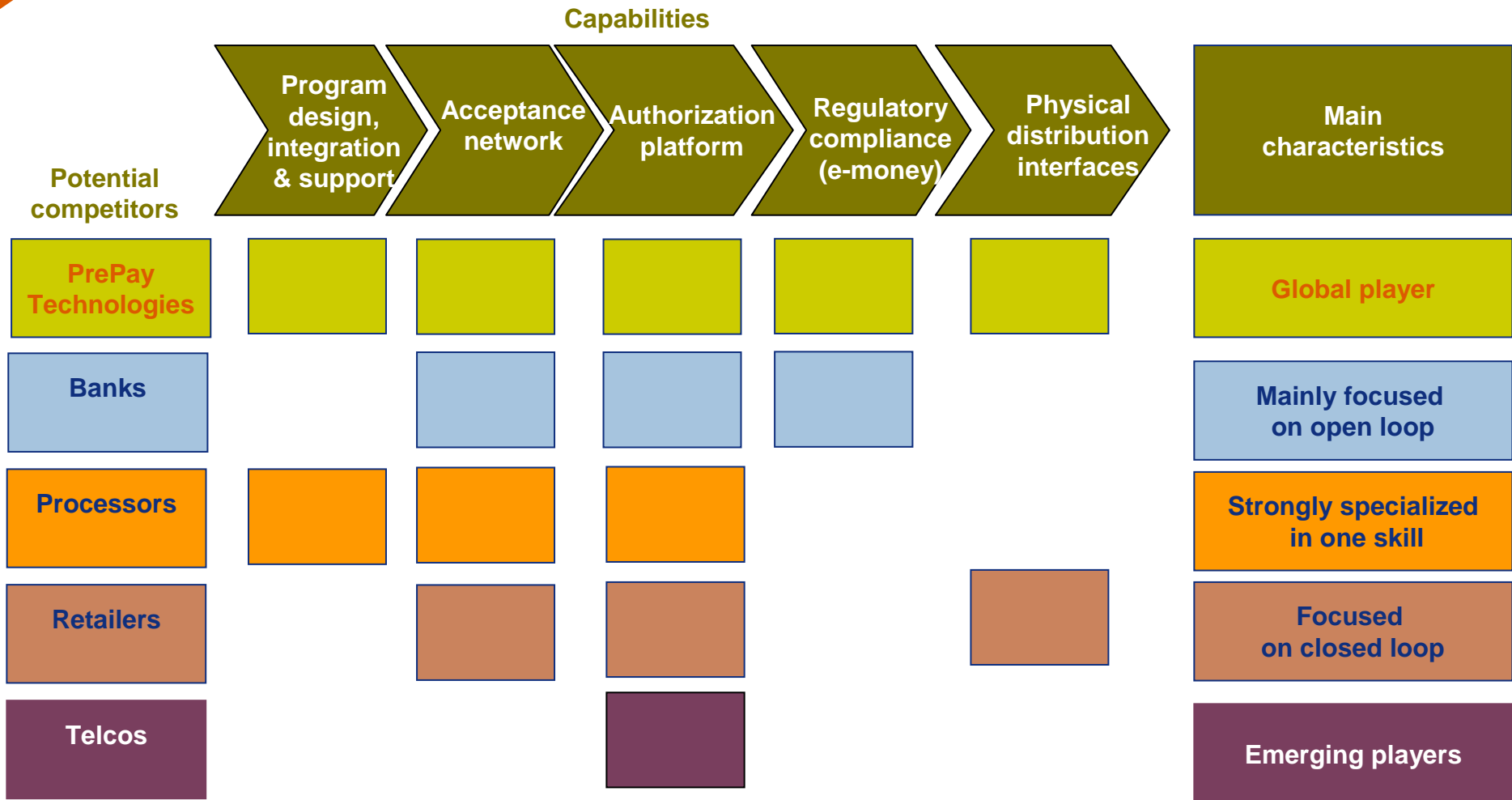
PrePay Technologies: Entering the prepaid card platform market



- **Designs and develops all types of prepaid cards:**
Reloadable or disposable, mono or multi-brand, open/filtered or closed loops
- **Manages payment authorization platforms in real time**
- **Issues E-money in Europe (FSA compliant)**
- **MasterCard certified prepaid platform**
- **A large customer base comprised of leading UK chains:**
Debenhams, Virgin Money, Ticketmaster, The Daily Mirror, Burton, Topshop, etc
- **Access to 30,000 card top-up locations**

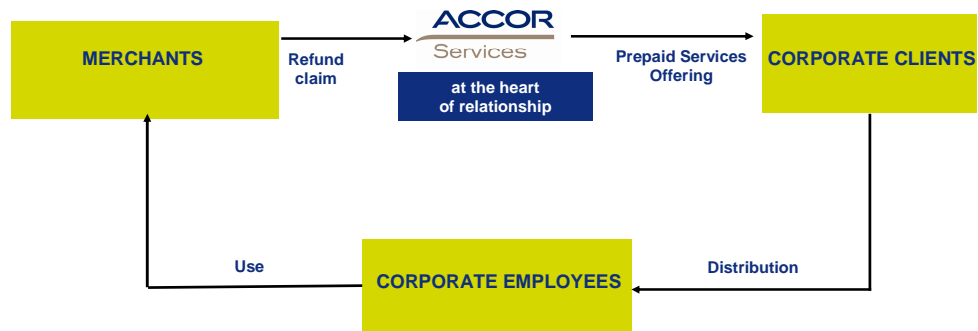


Competitive landscape: potential new entrants at various points on the electronic value chain



**PrePay Technologies:
Proficiency across the electronic value chain**

Example: UUB The Premium Card business model



- **Corporate (Employer):**
 - Security and cost reduction
- **Consumer (Employee):**
 - Security, flexibility in use (including ATM), top-up locations
- **Acceptance network:**
 - Open loop (any POS)

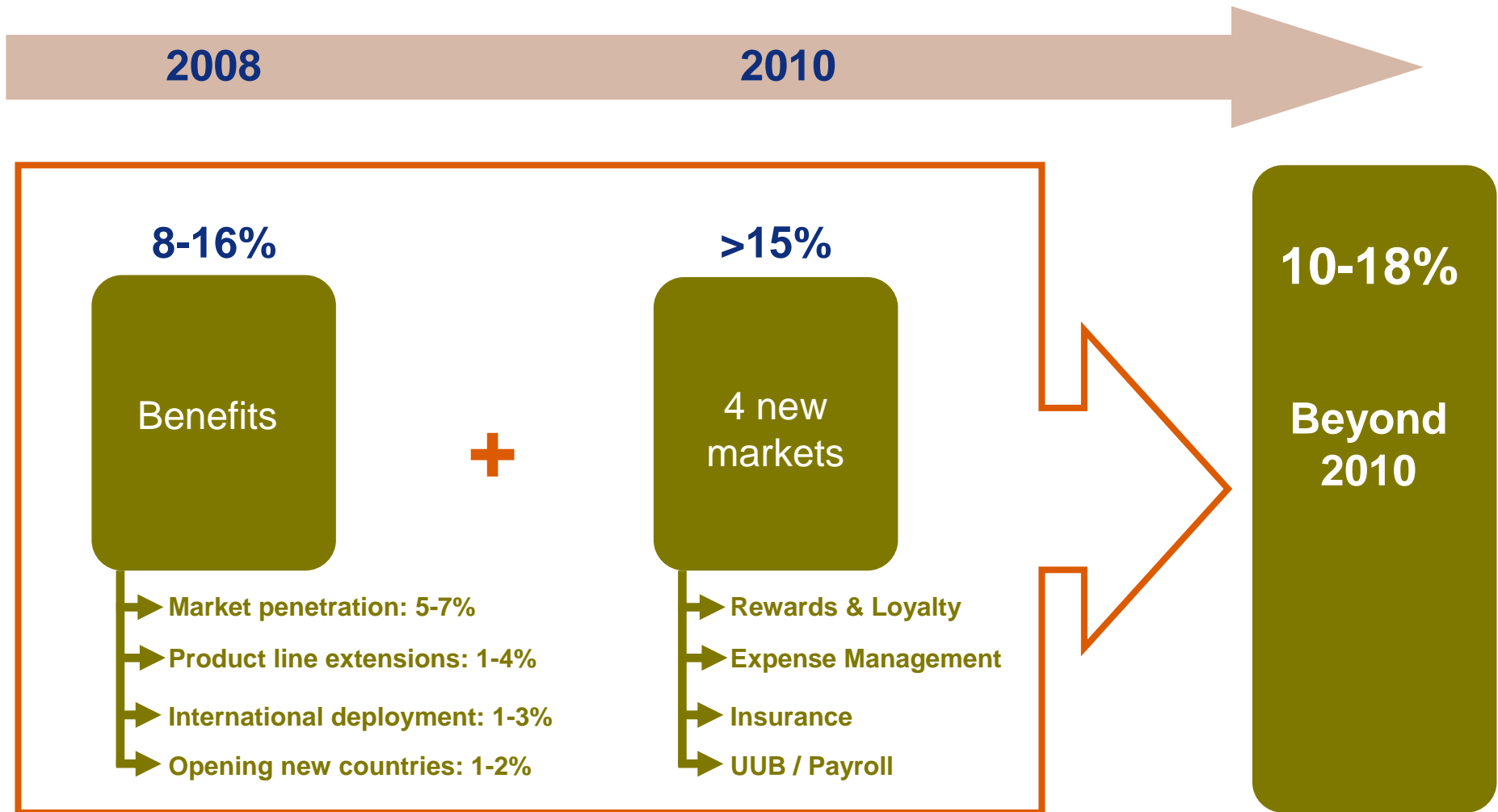


Accor: legitimate leader in the fast growing prepaid market

- **Already leader in the B2B value-added prepaid market**
- **Full command of the prepaid value chain, a high barrier to entry (platform access, transactions, regulation)**
- **Access to corporate clients (existing sales force), targeted marketing and value-added services for corporate employees**
- **Strong relationships with merchants**
- **Potential partnerships in the electronic value chain**
- **Global platforms**

Conclusion

Organic Growth: 10-18% p.a. beyond 2010



Our Strategy

**Continue to Create Value Out of
Our Historical Prepaid Benefits Products**

**Conquer New Markets Worldwide
in the
Fast Expanding Prepaid Markets**

Maintain our Focus on:

B2B relationships

Mostly filtered loop acceptance networks (niche market, value-driven)

Value-added services