



Press Information

Services:

One of Accor's two Strategic Businesses

(Paris – June 22, 2006) — Accor is today holding a day for investors to present its Services business.

Accor Services

Accor Services designs and deploys innovative solutions for corporate customers that improve employee productivity and well-being. It is the world's leading issuer of service vouchers, generating revenue of €630 million and profit before tax of €226 million in 2005.

Service vouchers are intended mainly for service industry employees, a sizeable market that is growing because of the large proportion of people in our societies who live in urban areas.

The Accor Services offering is organized around three product families:

- Human resources.
- Marketing services.
- Expense management.

The Business Model

Accor Services' performance is underpinned by a business model whose characteristics make it unique. The business is profitable over the long term because it delivers sustained growth, is non-cyclical, generates a high operating margin and requires little capital investment. The model is also effective because it offers advantages to all players: government authorities, employee representatives, corporate customers, employees and affiliated service providers. In short, it's a win-win proposition.

During the period 1996-2005, Accor Services enjoyed average annual like-for-like growth of 9.4% in revenue and 12.1% in profit before tax.

Revenue is comprised of commissions on issue volume, which account for 91% of the total, with interest income from the investment of available cash representing the remaining 9%. The biggest cost items are production (29.5%) and marketing (14.0%). Profit before tax represented 2.7% of total issue volume (€8,400 million in 2005).

In 2005, Accor Service generated free cash flow of €144 million, after €16 million in investments (excluding expansion). The time between the cash inflow from the sale of vouchers to corporate customers and the outflow to restaurants generates negative working capital requirement of €1,242 million.



Growth drivers

Organic growth is fueled by four independent growth drivers:

- **Penetration rate: contribution to organic growth of 5% to 7%.**

The meal voucher penetration rate is still very low in most countries. In France, Accor Services' traditional market, it is estimated at only 12%.

- **Extension of the product range: contribution to organic growth of 1% to 4%.**

Building on the Ticket Restaurant meal voucher, the original product, Accor has designed a constantly expanding range of products that meet the needs of both employees and employers.

- **International deployment: contribution to organic growth of 1% to 3%.**

Once a product has proved itself, Accor Services then deploys it in other countries, after adapting it to the local environment.

- **New country openings: contribution to organic growth of 1% to 2%.**

Accor Services currently operates in 35 countries. Out of the 15 new countries under study, five could open within the next five years.

Depending on contributions from these four growth drivers, **Accor could achieve organic growth** (excluding acquisitions and the currency effect) **of 8% to 16% for the period 2006-2010.**

External growth is also an important driver of future development. Accor is pursuing an acquisition strategy and recently acquired companies have delivered an average return on capital employed of 18.3%. Accor is planning to invest €500 million over the next five years to acquire market share or skills, with a target of a 20% return on investment. As of May 31, 2006, €80 million had already been committed.

Given its leadership positions, innovative spirit and considerable growth potential, Accor Services represents a strategic business that, combined with Hotels, offers to Accor a balanced and complementary fit.

With 168,000 people in 140 countries, **Accor** is the European leader and one of the world's largest groups in travel, tourism and corporate services, with two major international activities:

- **Hotels, with the Sofitel, Novotel, Mercure, Suitehotel, Ibis, Etap Hotel, Formule 1, Motel 6 and Red Roof Inn brands**, representing more than 4,000 hotels and 470,000 rooms in 90 countries, as well as such strategically related businesses as restaurants and food services (notably **Lenôtre**), casinos and travel agencies.

- **Services to corporate clients and public institutions:** 21 million people in 35 countries use a broad range of services engineered and managed by **Accor Services**, including restaurant and food vouchers and cards, people care and services, incentive programs and loyalty programs.

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