CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

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Unless stated otherwise, the amounts presented are in millions of euros, rounded to the nearest million. In general, the amounts presented in the consolidated financial statements and the notes to the financial statements are rounded to the nearest unit. This may result in a non-material difference between the sum of the rounded amounts and the reported total. All ratios and variances are calculated using the underlying amounts rather than the rounded amounts.

Consolidated income statement

(€ in million)	Notes	2018 (*)	2019
Revenue	3	**3,282**	**4,049**
Operating expenses	3	(2,656)	(3,224)
EBITDA	3	**626**	**825**
Depreciation, amortization and provision expenses		(120)	(328)
EBIT		**505**	**497**
Share of net profit of associates and joint-ventures	5	80	3
EBIT including profit of associates and joint-ventures		**585**	**501**
Other income and expenses	6	(432)	177
Operating profit		**153**	**678**
Financial result	10	(63)	(75)
Income tax	11	(109)	(138)
Profit from continuing operations		**(19)**	**465**
Profit from discontinued operations	2	2,303	20
Net profit of the year		**2,284**	**485**
• Group		**2,233**	**464**
from continuing operations		(41)	447
from discontinued operations		2,274	17
• Minority interests		**51**	**21**
from continuing operations		22	18
from discontinued operations		29	3
Basic earnings per share (in euros)			
Earnings per share from continuing operations		**(0.27)**	**1.49**
Earnings per share from discontinued operations		**7.88**	**0.06**
Basic earnings per share		**7.61**	**1.55**
Diluted earnings per share (in euros)			
Diluted earnings per share from continuing operations		**(0.27)**	**1.49**
Diluted earnings per share from discontinued operations		**7.87**	**0.06**
Diluted earnings per share	**12**	**7.60**	**1.55**

(*) Restated amounts in application of IFRS 5 (see Note 2)

Consolidated statement of comprehensive income

(€ in million)	Notes	2018 (*)	2019
Net profit of the year		**2,284**	**485**
Currency translation adjustments	12	41	153
Effective portion of gains and losses on cash flow hedges	12	(24)	1
Currency translation adjustments from discontinued operations	12	9	1
Items that may be reclassified subsequently to profit or loss		**26**	**155**
Changes in the fair value of non-consolidated investments	12	(3)	4
Actuarial gains and losses on defined benefit plans	12	(24)	(20)
Actuarial gains and losses from discontinued operations	12	7	(0)
Items that will not be reclassified to profit or loss		**(19)**	**(16)**
Other comprehensive income, net of tax		**7**	**139**
Total comprehensive income of the period		**2,291**	**624**
• Group share		2,246	607
• Minority interests		45	17

(*) Restated amounts in application of IFRS 5 (see Note 2)

Consolidated statement of balance sheet

Assets

(€ in million)	Notes	Dec. 2018 (*)	Dec. 2019
Goodwill	7	**2,068**	**1,995**
Other intangible assets	7	**3,053**	**3,049**
Property, plant & equipment	7	**1,183**	**632**
Right of use	8	**-**	**531**
Investments in associates and joint-ventures	5	2,177	1,841
Other non-current financial assets	10	339	383
Non-current financial assets		**2,516**	**2,224**
Deferred tax assets	11	199	218
Contract assets	3	174	216
Other non-current assets		4	4
Non-current assets		**9,197**	**8,869**
Inventories	3	15	20
Trade receivables	3	617	649
Other current assets	3	258	264
Current financial assets	10	55	61
Cash and cash equivalents	10	2,820	2,279
Current assets		**3,764**	**3,274**
Assets classified as held for sale	2	14	1,761
TOTAL ASSETS		**12,975**	**13,904**

(*) Restated amounts following the finalization of purchase price allocation of groups acquired in 2018 (see Note 7.1)

Liabilities and shareholders' equity

(€ in million)	Notes	Dec. 2018 (*)	Dec. 2019
Share capital	12	848	813
Additional paid-in capital and reserves	12	2,361	4,427
Net profit of the year		2,233	464
Ordinary shareholders' equity		**5,441**	**5,703**
Perpetual subordinated bonds	12	887	1,127
Shareholders' equity - Group share		**6,328**	**6,830**
Minority interests	12	115	148
Shareholders' equity	12	**6,443**	**6,978**
Long-term financial debt	10	2,760	2,820
Long-term lease debt	8	-	461
Deferred tax liabilities	11	573	604
Non-current provisions	9	125	89
Non-current contract liabilities	3	27	26
Non-current liabilities		**3,484**	**4,001**
Trade payables	3	426	441
Current liabilities	3	698	703
Current provisions	9	449	316
Current contract liabilities	3	201	228
Short-term financial debt	10	1,268	306
Short-term lease debt	8	-	87
Current liabilities		**3,042**	**2,080**
Liabilities associated with assets classified as held for sale	2	6	845
TOTAL EQUITY AND LIABILITIES		**12,975**	**13,904**

(*) Restated amounts following the finalization of purchase price allocation of groups acquired in 2018 (see Note 7.1)

Consolidated statement of cash flow

(€ in million)	Notes	2018 (*)	2019
+ EBITDA	3	626	825
+ Cost of net debt	10	(50)	(73)
+ Income tax paid		(127)	(122)
- Non cash revenue and expenses included in EBITDA		24	19
- Reversal of provisions included in net financial expenses and non-recurring taxes		6	(0)
+ Dividends received from associates and joint-ventures		60	86
+ Impact of discontinued operations	2	202	47
= Funds from operations excluding non-recurring items		**740**	**782**
+ Decrease (increase) in operating working capital	3	(9)	(32)
+ Impact of discontinued operations	2	(60)	31
+ Decrease (increase) in contract assets and liabilities	3	10	(12)
= Net cash from operating activities (before non-recurring items)		**680**	**769**
+ Cash received (paid) on non-recurring items (incl. related taxes)		(176)	(126)
+ Impact of discontinued operations	2	(13)	(3)
= Net cash from operating activities (A)		**491**	**641**
- Renovation and maintenance expenditure	7	(101)	(119)
- Development expenditure	7	(2,740)	(200)
+ Proceeds from disposals of assets		4,578	678
+ Impact of discontinued operations	2	(214)	(28)
= Net cash from investing activities (B)		**1,523**	**330**
+ Issue of hybrid capital	12	-	986
- Reimbursement of hybrid capital	12	-	(796)
+ Proceeds from issue of shares		(339)	21
- Dividends paid		(306)	(294)
- Interests paid on perpetual subordinated bonds	12	(37)	(42)
- Repayment of long-term debt		(184)	(355)
+ New long term debt		492	546
= Increase (decrease) in long-term debt		**309**	**65**
+ Share buyback program		-	(489)
+ Orbis shares purchase	2	-	(339)
+ Increase (decrease) in short-term debt		243	(215)
+ Repayment of lease liability		-	(136)
+ Impact of discontinued operations	2	(243)	(11)
= Net cash used in financing activities (C)		**(373)**	**(1,123)**
+ Effect of changes in exchange rates (D)		17	13
+ Effect of changes in exchange rates on discontinued operations (D)	2	26	2
= Net change in cash and cash equivalents (E) = (A) + (B) + (C) + (D)		**1,684**	**(136)**
- Cash and cash equivalents at beginning of period		1,048	2,837
- Effect of changes in fair value of cash and cash equivalents		(20)	3
- Reclassification of cash and cash equivalents from assets held for sale		-	(6)
- Net change in cash and cash equivalents for discontinued operations		126	(462)
+ Cash and cash equivalents at end of period		2,837	2,236
= Net change in cash and cash equivalents		**1,684**	**(136)**

(*) Restated amounts in application of IFRS 5 (see Note 2)

Consolidated statement of changes in shareholders' equity

(€ in million)	Number of shares	Share capital	Additional paid-in capital	Currency translation reserve	Retained earnings	Equity Group share	Minority interests	Total Equity
Balance at December 31, 2017	290,122,153	**870**	**2,684**	**(372)**	**2,260**	**5,442**	**341**	**5,783**
Restatements IFRS 9	-	-	-	-	(13)	(13)	-	(13)
Restated Balance at January 1, 2018	290,122,153	**870**	**2,684**	**(372)**	**2,247**	**5,429**	**341**	**5,770**
Capital increase	(7,514,353)	(23)	(307)	-	(500)	(829)	1	(828)
Dividends paid	-	-	-	-	(305)	(305)	(23)	(328)
Share-based payments	-	-	-	-	20	20	-	20
Perpetual subordinated bonds	-	-	-	-	(37)	(37)	-	(37)
Effects of scope changes (*)	-	-	-	-	(196)	(196)	(249)	(445)
Transactions with shareholders	(7,514,353)	**(23)**	**(307)**	**-**	**(1,018)**	**(1,347)**	**(271)**	**(1,618)**
Net profit of the year	-	-	-	-	2,233	2,233	51	2,284
Other comprehensive income	-	-	-	52	(39)	13	(6)	7
Total comprehensive income	-	**-**	**-**	**52**	**2,194**	**2,246**	**45**	**2,291**
Balance at December 31, 2018	**282,607,800**	**848**	**2,378**	**(321)**	**3,423**	**6,328**	**115**	**6,443**
Restatements IFRIC 23 (**)	-	-	-	-	(38)	(38)	-	(38)
Restated Balance at January 1, 2019	282,607,800	**848**	**2,378**	**(321)**	**3,385**	**6,290**	**115**	**6,405**
Capital increase	(11,675,450)	(35)	(435)	-	491	21	0	21
Dividends paid	-	-	-	-	(283)	(283)	(12)	(294)
Share-based payments	-	-	-	-	29	29	-	29
Perpetual subordinated bonds	-	-	-	-	148	148	-	148
Effects of scope changes	-	-	-	-	21	21	28	49
Other movements	-	-	-	-	(4)	(4)	0	(4)
Transactions with shareholders	(11,675,450)	**(35)**	**(435)**	**-**	**403**	**(67)**	**16**	**(51)**
Net profit of the year	-	-	-	-	464	464	21	485
Other comprehensive income	-	-	-	158	(15)	143	(4)	139
Total comprehensive income	-	**-**	**-**	**158**	**449**	**607**	**17**	**624**
Balance at December 31, 2019	**270,932,350**	**813**	**1,943**	**(163)**	**4,237**	**6,830**	**148**	**6,978**

(*) Restated amounts following the finalization of price purchase allocation of groups acquired in 2018 (see Note 7.1)
(**) Restated amounts in application of new accounting standards (see Note 15)

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Note 1. Basis of preparation

The consolidated financial statements of Accor Group for the year ended December 31, 2019 were authorized for issue by the Board of Directors on February 19, 2020. They will be submitted to shareholders for final approval at the Annual General Meeting on April 30, 2020.

The consolidated financial statements comprise the financial statements of Accor SA (« the Company ») and its subsidiaries (collectively « the Group ») as well as the Group's interests in entities accounted for under the equity method (associates and joint-ventures).

1.1. Accounting framework

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (« IASB ») and adopted for use in the European Union at December 31, 2019. These standards can be consulted on the European Commission's website.

1.2 Evolution of accounting framework

1.2.1 New accounting standards adopted

At December 31, 2019, the Group applied the same accounting policies and measurement methods as were applied in its consolidated financial statements for the year ended December 31, 2018, except for changes required to meet new IFRS requirements applicable from January 1, 2019 and, if any, changes resulting from the option to early apply a new standard at that date.

IFRS 16 *Leases*

IFRS 16, the new standard for leases, supersedes IAS 17 *Leases* and related interpretations. The standard removes the distinction between operating and finance leases for lessees. It introduces a single on-balance sheet accounting model for lessees, with recognition of an asset reflecting the right to use the leased item and a liability representing the obligation to make lease payments.

The Group has adopted IFRS 16 retrospectively from January 1, 2019 but has not restated the comparative information for the 2018 reporting period, as permitted under the specific transition provisions in the standard ("Modified retrospective approach"). Accordingly, the reclassifications and the adjustments arising from the initial application of IFRS 16 have been recognized in the opening balance sheet at January 1, 2019. The effect of applying IFRS 16 on the Group's consolidated financial statements is presented in Note 15.

IFRIC Interpretation 23 *Uncertainty over Income Tax Treatment*

IFRIC 23 interpretation addresses the accounting for income taxes when there is uncertainty over tax treatments. It clarifies that an entity must consider the probability that the tax authorities will accept a treatment retained in its income tax filings, assuming that they have full knowledge of all relevant information when making their examination. In such a case, the income taxes shall be determined in line with the income tax filings.

Accor has applied IFRIC 23 using the retrospective approach, without restatement of the comparative information for 2018 as permitted by the specific transition provisions. The cumulative effect of first application has been recognized as an adjustment to the opening consolidated statement of financial position at January 1, 2019 (see Note 15).

Besides, the Group applied the following amendments, which had no material impact on the consolidated financial statements:

- Amendments to IAS 19 *Plan amendment, curtailment or settlement,* which clarifies that the current service cost and net interest for the period after a remeasurement shall be determined based on the revised assumptions used at modification date.

- Amendments to IAS 28 and IFRS 9 *Long-term interests in associates and joint-ventures,* which clarifies that the provisions of IFRS 9, in particular related to impairment, apply to interests that form part of the net investment in an equity accounted investment before any allocation of share in net losses or impairment loss in accordance with IAS 28.

- Annual improvements to IFRS 2015-2017 Cycle, comprising notably the amendment to IAS 12 *Income taxes*, which clarifies that the income tax consequences of dividends shall be recognized in the income statement of the period, unless the transactions that generated distributable profits were initially recognized in other comprehensive income or in equity.

1.2.2 New standards not yet adopted

On January 1, 2019, the Group early applied the amendments to IFRS 9, IAS 39 and IFRS 7 Interest rate benchmark reform (phase 1) issued by the IASB in September 2019 and endorsed by the European Union on January 15th, 2020. These amendments, applicable for periods beginning on or after January 1st, 2020, shall be applied retrospectively. They provide temporary relief from applying specific hedge accounting requirements allowing to maintain, under certain conditions, the hedging relationships directly affected by IBOR reform before its effective application (see details in Note 15).

The Group has not opted for the early application of any other standards, amendments or interpretations applicable to fiscal years starting after December 31, 2019, regardless of whether they were adopted by the European Union.

1.3 Foreign currency translation

The presentation currency is the euro, which is the Company’s functional currency.

Translation of the financial statements of foreign operations

The financial statements of consolidated companies are prepared in their functional currency, corresponding to the currency of the primary economic environment in which the company operates. The financial statements of foreign operations whose functional currency is not the euro are translated into euros as follows:

- Assets and liabilities are translated at the closing exchange rate,
- Income and expenses are translated at the average exchange rate for the period, unless the use of the average rate for a period is inappropriate due to significant fluctuations in exchange rates,
- The resulting translation gains and losses are recognized in other comprehensive income on the line “Currency translation adjustments”, and are recycled to profit or loss when all or part of the investment in the foreign operation is derecognized (i.e. when the Group no longer exercises control, joint control or significant influence over the company).

Foreign currency transactions

Transactions by Group companies that are denominated in a currency other than the company's functional currency are translated at the transaction date exchange rate. At closing date, the corresponding receivables and payables are translated using the closing exchange rate. The resulting unrealized translation gains and losses are generally recognized in financial income and expenses.

1.4 Use of judgments and estimates

The preparation of consolidated financial statements requires the use by management of judgments, estimates and assumptions that may affect the reported amount of certain assets and liabilities, income and expenses as well as the information disclosed in certain notes to the financial statements. Due to the inherent uncertainty of assumptions, actual results may differ from these estimates. In exercising its judgment, management refers to past experiences and all available information that are considered as having a decisive impact, taking into account the prevailing environment and circumstances.

The significant estimates, judgments and assumptions used by Management for the preparation of the consolidated financial statements at December 31, 2019 mainly concern:

- The measurement of intangible assets acquired in business combinations,
- The measurement of the carrying amounts and useful lives of tangible and intangible assets,
- The assessment of lease term and measurement of lease liability,
- The measurement of the recoverable amounts of goodwill and other non-current assets,
- The assumptions used to calculate obligations under pension plans and share-based payment plans,
- The measurement of provisions for contingencies, claims and litigations.
- The recognition of deferred tax assets.

Note 2. Group Structure

Accounting policy

1. Basis of consolidation

Full consolidation method

Entities over which the Group exercises exclusive control, directly or indirectly, are fully consolidated. Control is deemed to exist when the Group is exposed, or has rights, to variable returns from its involvement with an investee and has the ability to affect those returns through its power. In the hospitality industry, assessment of power relies on the ability to make all operational, financial and strategic management decisions. In practice, this means that the investor has the power to appoint the hotel's management and to approve the business plan. In particular, in the case of managed hotels, Accor acts on behalf and for the benefit of the hotel owner and, as such, is considered as an agent of the owner.

All transactions between consolidated companies are eliminated, together with all intra-group profits (gains, dividends, etc.). Newly acquired subsidiaries are consolidated from the date when control is acquired.

Equity method (applied to associates and joint ventures)

Entities over which the Group exercises significant influence (associates) and arrangements whereby the Group shares joint control and has rights only to the net assets of the arrangement (joint ventures) are accounted for by the equity method.

Significant influence is the power to participate in the financial and operating policy decisions of the investee without having control or joint control of those policies. If the Group holds 20% or more of the voting power of the investee, it is presumed to have significant influence. In some countries, Accor may choose to acquire a minority interest in a local company that is then used as a vehicle for developing hotel projects. In exchange for its investment, Accor may be granted the right to manage the hotels concerned. In most cases, Accor has a seat on the Board, allowing it to participate in decisions.

Joint control is the contractually agreed sharing of control of an arrangement between two or more partners, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The principles applied to investments accounted for using the equity method are presented in Note 5.

Investments in non-consolidated companies

Where the Group does not exercise control, joint control or significant influence over the financial and operating policy decisions of an investee, the investment is accounted for as a financial asset measured at fair value, as explained in Note 10.2. It is presented as an investment in non-consolidated companies under "Other non-current financial assets" in the statement of financial position.

2. Business combinations

Business combinations are accounted for using the acquisition method.

The acquisition price corresponds to the acquisition-date fair value of the consideration transferred to the vendor in exchange for control of the investee, including any contingent consideration. Goodwill arising from a business combination is measured as the difference between:

- The fair value of consideration transferred, increased by the amount of any non-controlling interest recognized and, if applicable, the fair value of any previously held interest in the acquiree, and
- The acquisition-date fair value of the assets acquired and liabilities assumed.

In the case of a bargain purchase, the negative goodwill is recognized immediately as profit in the consolidated income statement.

In a business combination involving the acquisition of an interest of less than 100%, non-controlling interests in the acquiree are measured at either:

- Their proportionate share in the acquiree's identifiable net assets, leading to the recognition of a goodwill only for the share acquired (« partial goodwill » method); or
- Their fair value, leading to the recognition of the goodwill attributable to these non-controlling interests (« full goodwill » method).

Identifiable assets acquired and liabilities assumed are initially measured at their fair value at acquisition date. The accounting for the business combination is completed during a 12-month measurement period following the acquisition date.

Contingent consideration is included in the acquisition price at its acquisition-date fair value, regardless of the probability that it will be paid. Adjustments to the provisional accounting for the business combination during the measurement period are recognized by adjusting goodwill when they relate to facts and circumstances that existed at the acquisition date. Where this is not the case, and after the end of the measurement period, adjustments are recognized directly in the income statement.

When a business combination is achieved in stages, the previously held equity interest is remeasured at fair value at the acquisition date through profit or loss. The attributable other comprehensive income, if any, is fully reclassified to profit or loss. In order to determinate the goodwill, the acquisition price is increased with the fair value of previously held interest.

The costs directly related to the acquisition are recorded under "Other income and expenses" in the period in which they are incurred, except for the costs of issuing equity instruments.

3. Disposals resulting in a loss of control

If a transaction leads to a loss of exclusive control, the carrying amounts of the subsidiary's assets (including goodwill) and liabilities are derecognized, together with minority interests, and the disposal gain or loss is recognized in the income statement. If the Group retains a residual interest in the sold subsidiary, the remaining investment is reclassified under "Investments in associates and joint ventures" or "Investments in non-consolidated companies" as appropriate and remeasured at fair value through profit or loss. The total gain or loss recognized on the date when control is lost corresponds to the sum of the gain or loss realized on the sold interest and the gain or loss arising from remeasurement at fair value of the residual interest.

2.1 Changes in the scope of consolidation

The list of main consolidated companies at December 31, 2019 is presented in Note 14.3.

2.1.1 Acquisitions for the period

On July 19, 2019, Accor acquired an additional 20% stake in Rixos Hospitality for €40 million, including a €5m estimated contingent consideration. This transaction increases its ownership to 70% of the share capital and voting rights, enabling the Group to take control over the entity.

The acquisition price amounted to €148 million, including the effect of remeasuring the interest previously held by Accor at fair value, which resulted in a €8 million gain recognized in the income statement for the year. It also included the commitment granted by Accor to pay a dividend contractually agreed to the seller for an estimated amount of €29 million, recognized as a financial liability in the consolidated statement of financial position at December 31, 2019. Besides, the Group benefits from an option to acquire the 30% remaining shares in 2029.

The provisional goodwill amounts to €90 million using the partial goodwill approach. The purchase price allocation will be completed within the 12-month measurement period following the acquisition date.

Rixos Hospitality contributed revenue of €11 million and net profit €4 million to the Group from the period from July 19 to December 31, 2019. If the acquisition had occurred at January 1, 2019 the Group's consolidated revenue and net profit for the year 2019 would have been €4,058 million and €488 million respectively.

This acquisition resulted in an outflow of €28 million (net of the cash acquired) in the consolidated statement of cash flows for the year 2019.

2.1.2 Equity investments of the period

On May 27, 2019, Accor acquired a 40.6% interest in the share capital of Ken Group, the high-end fitness group based in Paris for an amount of €30 million. As a result of the significant influence exercised by the Group, the investment was accounted for under the equity method in the consolidated financial statements.

On July 22, 2019, Accor exercised its option to acquire an additional 20% stake in 25hours for €22 million, thus increasing its ownership interest to 50% of the share capital and voting rights. The Group continued to exercise significant influence over the company as the transaction had no effect on the previously agreed governance principles. Besides, the Group has an option to acquire all the remaining shares in 2023.

2.1.3 Disposals over the period

On December 13, 2019, Accor, which then owned 10.2% of the share capital of Huazhu Group Ltd, sold 4.9% of its shares for $451 million (€405 million). The Group recognized a €301 million gain on disposal, presented as "Other income and expenses" in the consolidated income statement. After completion of the transaction, Accor continued to exercise significant influence over Huazhu Group Ltd, primarily due to its seat on the company's Board of Directors being maintained.

On December 20, 2019, Accor sold an additional 5.2% stake in the share capital of AccorInvest to several existing shareholders of the company for €199 million, allowing to recognize a €19 million gain on disposal. Subsequently, Accor owned 30% of AccorInvest's share capital, corresponding to the lock-up level to which the Group committed in 2018 at the time of the initial sale of AccorInvest, that will end in May 2023.

These two disposals resulted in cash-in flows of €597 million in the consolidated statement of cash flows in 2019.

2.2 Assets or disposal groups held for sale and discontinued operations

Accounting policy

When the carrying amount of a non-current asset or disposal group is expected to be recovered principally through a sale transaction rather than through continuing use, it is presented separately in the consolidated statement of financial position under "Assets classified as held for sale". Any related liabilities are also reported on a separate line under "Liabilities associated with assets classified as held for sale". For the reclassification to be made, (i) the sale must be highly probable; (ii) management must be committed to a plan to sell the asset (or disposal group) and (iii) the asset (or disposal group) must be available for immediate sale in its present condition.

Assets (or disposal groups) held for sale and associated liabilities are measured at the lower of their carrying amount and fair value less costs to sell. Depreciation of the assets ceases when it is reclassified as held for sale.

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations, or is a part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

The post-tax profit or loss of the discontinued operation and related disposal gains or losses are presented as a single amount on a separate line of the income statement, with restatement of the prior year as a comparative. Cash flows from discontinued operations are also reported separately in the consolidated statement of cash flows.

2.2.1 Orbis disposal project

Description of the project

On November 26th 2018, Accor, which owned 52.7% of the share capital of Orbis, a company listed on the Warsaw stock exchange, announced a tender offer for the acquisition in cash of the 21,800,593 shares of Orbis it did not already own, representing 47.3% of the share capital. On January 23rd 2019, after completion of the subscription period, the Group acquired 33.1% of Orbis' share capital for €339 million; thus increasing its ownership to 85.8% of the company's share capital. This transaction was accounted for as a transaction with minority interests, with no change in the consolidation method, as Orbis was already controlled by Accor.

On May 17, 2019 Orbis announced its decision to separate its business into two separate activities: a hotel-owner business ("Hotel assets") and a hotel management and franchise business ("Hotel Services"), with a view to focus on its asset portfolio. On May 29, 2019, Orbis announced its intention to sell its Hotel Services business and entered into exclusive negotiations with Accor. On June 12, 2019, Accor and Orbis agreed on key terms for the acquisition by Accor of the Hotel Services business for 1.2 billion zlotys (c. €286 million). On October 31st, 2019, Orbis disposed its Hotel Services business to Accor and entered into hotel management agreements under which Accor manages all 73 hotels owned and leased by Orbis. This internal transaction has no impact on the Group's key indicators.

In accordance with Polish corporate law, the sale of Orbis Hotel Services business to Accor was approved by the shareholders of Orbis at the Extraordinary General Meeting held on October 18, 2019. The transaction was also approved by the Management Board and the Supervisory Board of Orbis.

In order to pursue its asset light strategy, Accor announced, on June 12, 2019, its intention to sell its 85.8% ownership interest in Orbis which, post-completion of the above-mentioned Hotel Services transaction, comprises the Hotel assets business, with a portfolio of 73 owned and leased hotels.

In June 2019, Accor has initiated discussions with a number of potential investors. On December 16, 2019, the Group entered into a binding agreement to sell its stake in Orbis to AccorInvest at a price of PLN115 per share, corresponding to proceeds for Accor of PLN4.55 billion (€1.06 billion). This sale will be implemented by way of a public tender offer, which has been filed on December 17, 2019 by AccorInvest with the Polish Financial Supervision Authority for all of the shares in Orbis' share capital. Accor irrevocably committed to tender its 85.8% stake to the public tender offer, subject to antitrust clearance by the European Commission.

The closing of the transaction is expected to take place by the end of the first quarter 2020.

Accounting treatment

The assets and liabilities related to the Hotel assets business of Orbis have been classified as held for sale from June 30, 2019, the date at which the conditions for applying IFRS 5 *Non-current assets held for sale and Discontinued operations* have been met. The Group considers that Orbis' Hotel assets business constitutes a separate major line of business as defined by the standard. Indeed, it represents a significant part of the Group Hotel assets segment, and all its operations in Eastern & Central Europe. Accordingly, it is reported as a discontinued operation.

In the consolidated financial statements, Orbis' Hotel assets business is presented as follows:

- The assets held for sale and associated liabilities are presented separately from the Group's other assets and liabilities on specific lines in the consolidated statement of financial position at December 31, 2019. They have been measured at the lower of their carrying amount as stated at June 30, 2019 (with no further subsequent depreciation expense) and fair value less costs to sell. At December 31, 2019, a comparison of these two amounts did not reveal any impairment.
- The net profit for the year is reported on a separate line in the consolidated income statement under "Net profit or loss from discontinued operations", and items of comprehensive income are presented separately. The comparative information for the year 2018 has been restated accordingly.
- Cash flows attributable to Orbis' Hotel assets business are presented on separate lines in the consolidated statement of cash flows, with restatement of the comparative information for the year 2018.

The detail of Orbis' assets and liabilities classified as held for sale at December 31, 2019 and their contribution to the Group's consolidated net profit and cash flows for the years 2018 and 2019 are presented hereafter in Note 2.2.4.

2.2.2 Mövenpick leased hotels disposal project

On December 13, 2019, Accor entered into a binding agreement with HR Group, a German private fund, in order to sell 70% of the share capital and voting rights of its subsidiary Hospitality Swiss Proco AG, which directly and indirectly owns the leasehold interests of 16 Mövenpick hotels located in Germany, Switzerland and the Netherlands, on the basis of a €30 million enterprise value. Accor will retain a 30% minority stake in the company's share capital and will continue to manage the hotels under Mövenpick brand through the implementation of management agreements.

Closing of the transaction is subject to merger control clearance by the German competition authority.

Accor considers that the planned disposal will lead to the loss of control of the company, in accordance with the principles of IFRS 10 *Consolidated financial statements*. On completion of the transaction, the rights held by the Group (voting rights retained combined to contractual rights resulting from the management agreements) will not give it power to unilaterally direct the relevant activities of the company, i.e. operation of the hotels and strategic management of the hotel portfolio. Upon completion, the assets and liabilities of Hospitality Swiss Proco AG will be derecognized and the Group's retained residual stake in the company net assets will be recognized as an equity-accounted investment.

In view of the project's progress, the Group expects to finalize the transaction by the end of the first quarter 2020. Consequently, the assets and liabilities of Hospitality Swiss Proco AG have been classified held for sale at December 31, 2019. In accordance with the principles of IFRS 5 *Non-current assets held for sale and Discontinued operations*, the carrying value of the disposal group has been reduced to its fair value less costs to sell, leading to the recognition of a €23 million impairment loss included in the line "Other income and expenses" in the consolidated income statement. This loss has been fully allocated to the goodwill of the hotel assets in the portfolio.

2.2.3 John Paul disposal project

Accor considers that the conclusion of a partnership with a view to dispose of the control over its subsidiary John Paul during the year 2020 is highly probable and, consequently, applies the provisions of IFRS 5 related to assets and liabilities held for sale at December 31, 2019. At this date, the comparison of the carrying value of the subsidiary's assets and liabilities with their fair value less costs to sell did not reveal any impairment.

2.2.4 Detailed financial information

Assets and disposal groups held for sale

At December 31, 2019 the main assets and liabilities classified as held for sale were as follows:

(€ in million)	Orbis	Mövenpick	John Paul
Intangible assets	62	7	52
Property, plant & equipment	516	24	1
Right-of-use assets	138	423	5
Other non-current assets	(7)	2	(6)
Non-current assets	**709**	**455**	**51**
Trade receivables and other current assets	41	13	13
Cash and cash equivalents	471	3	4
Assets classified as held for sale	2	-	-
Assets classified as held for sale	**1,222**	**471**	**68**
Non-current liabilities	**162**	**406**	**10**
Short-term financial debt	71	-	0
Short-term lease liability	12	32	1
Trade payables and other current liabilities	113	21	15
Liabilities associated with assets classified as held for sale	**358**	**459**	**27**

Discontinued operations

The net result of Orbis' Hotel assets business is analyzed as follows:

(€ in million)	**2018**	**2019**
Revenue	**328**	**338**
Operating expenses	(228)	(234)
EBITDAR	**100**	**103**
Property rents	(13)	(3)
EBITDA	**87**	**101**
Depreciation, amortization and provision expense	(42)	(26)
EBIT	**45**	**74**
Other income and expenses	31	12
Net financial expense	(4)	(11)
Income tax	(10)	(54)
Net Profit	**62**	**20**

The cash flows attributable to Orbis' Hotel assets business are as follows:

(€ in million)	**2018**	**2019**
Net cash flows from operating activities	79	76
Net cash flows from investing activities	(4)	(28)
Net cash flows from financing activities	(15)	(11)
Effect of exchange rates changes	3	2
Net cash flows	**63**	**39**

Note 3. Operating items

Note 3.1 Segment information

Accounting policy

In accordance with IFRS 8 *Operating segments*, the segment information presented below is based on the Group's internal reporting that is provided to the Executive Committee (defined as the Chief Operating Decision Maker as defined by the standard) to assess operating performance and make decisions about resources allocation.

The Group is organized around three strategic businesses.

HotelServices

This segment corresponds to the Group's core business as hotel manager and franchisor, and is split in two businesses:

- **Management & Franchise**: Hotel management and franchise business based on the collection of fees, as well as revenue generated by purchasing;
- **Services to owners**: Activity gathering all the services rendered to hotel owners (sales, marketing and distribution, loyalty program, shared services as well as rebilling of costs incurred on behalf of hotel owners, such as the cost of employees working in the hotels).

The Management & Franchise business is organized around the 5 following operating regions:

- Europe
- Middle East & Africa
- Asia-Pacific
- North America, Central America & the Caribbean
- South America

Hotel assets & others

This segment corresponds to the hotel owner-operator business, comprising the Group's owned and leased hotels. Its business model aims to improve the return on assets and optimize the statement of financial position. It spans all asset portfolio management activities, hotel design, construction, refurbishment and maintenance activities. This segment also includes three activities conducted in Asia-Pacific: AccorPlus (rewards cards program), Accor Vacation Club (timeshare business) and Strata (room distribution and management of hotels common areas).

New Businesses

This segment corresponds to new activities developed by the Group, mainly through external growth transactions:

- **Digital services**, which consists in offering digital solutions to independent hotel owners to drive growth in their direct sales (activity operated by D-edge) and to restaurant owners to optimize table management and supply (activities operated by ResDiary and Adoria);
- **Private luxury home rentals**, operated by onefinestay, with over 5,000 addresses worldwide;
- **Digital sales**, operated by VeryChic, which offers exclusive private sales with luxury and high-end partners;
- **Hotel booking services** for travels agencies and corporates with Gekko;
- **Concierge services** provided by John Paul.

The cost of central support functions (governance, finance, communication, human resources, legal…) is presented separately in a dedicated section « Corporate & Intercos ».

Note 3.1.1 Reporting by strategic business

The Group's performance by strategic business is as follows :

			Variation (%)	
(€ in million)	**2018 (*)**	**2019**	**Actual**	**L/L (1)**
HotelServices	2,618	2,894	+10.5%	+4.6%
• of which Management & Franchise	964	1,026	+6.4%	+3.8%
• of which Services to owners	1,654	1,867	+12.9%	+5.1%
Hotel Assets & others	751	1,077	+43.4%	+2.9%
New Businesses	149	159	+7.2%	+3.8%
Corporate & Intercos	(236)	(81)	N / A	N / A
Revenue	**3,282**	**4,049**	**+23.4%**	**+3.8%**
HotelServices	705	741	+5.1%	+5.8%
• of which Management & Franchise	659	765	+16.1%	+8.3%
• of which Services to owners	46	(24)	(151.3)%	(23.2)%
Hotel Assets & others	80	216	+168.0%	(7.3)%
New Businesses	(28)	(2)	+93.0%	+88.8%
Corporate & Intercos	(132)	(129)	N / A	N / A
EBITDA	**626**	**825**	**+31.9%**	**+5.9%**

(*) Restated amounts in application of IFRS 5
(1) L/L: Like-for-like change

The line « Corporate & Intercos » includes the elimination of the flows realized with AccorInvest prior to its disposal in May 2018 as well as those realized with Orbis, consistently with consolidation principles.

The change for Hotel Assets & others segment is mainly explained by the full-year effect of Mövenpick Hotels & Resorts and Mantra acquisitions. In 2019, the contribution of these acquisitions amounted to €642 million in revenue and €168 million in EBITDA (respectively €350 million and €44 million on comparable period).

Revenue recognized in France amounted to €473 million in 2019 (€374 million in 2018 and €448 million including revenue with AccorInvest over the first five months of 2018).

AccorInvest is the main client of the Group with a contribution to the revenue of 9% and 11% respectively in 2018 and 2019.

3.1.2 Detailed information for Management & Franchise

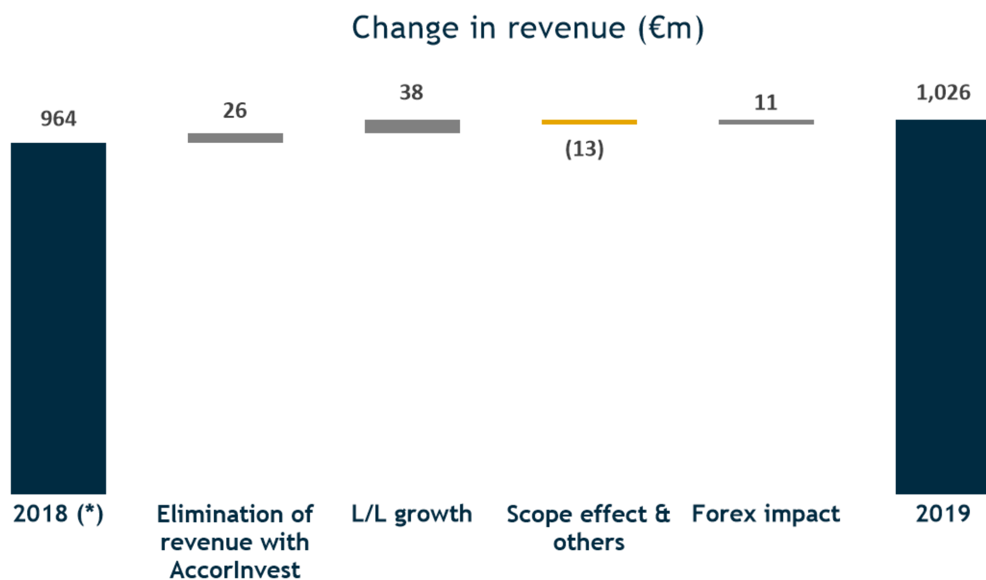
A. Management & Franchise revenue

(€ in million)	2018 (*)	2019	Variation (%) Actual	L/L (1)
Europe	500	525	+4.9%	+4.0%
Middle East & Africa	80	107	+32.9%	+5.3%
Asia Pacific	209	214	+2.1%	+2.3%
North America, Central America & Caribbean	132	132	(0.2)%	+1.5%
South America	43	49	+15.5%	+13.0%
Total	**964**	**1,026**	**+6.4%**	**+3.8%**

(*) Restated amounts in application of IFRS 5

(1) L/L: Like-for-like change

Over the period, the change in Management & Franchise revenue breaks down as follows:



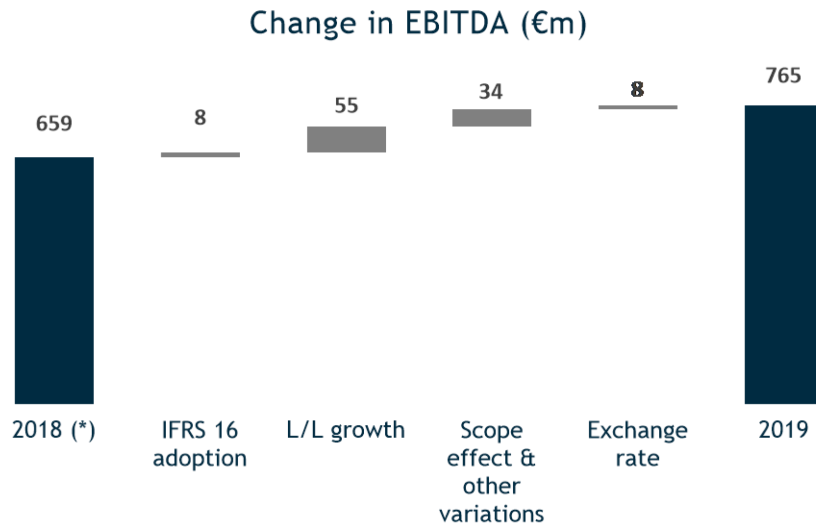
(*) Restated amounts in application of IFRS 5

B. Management & Franchise EBITDA

(€ in million)	2018 (*)	2019	Variation (%) Actual	L/L (1)
Europe	387	416	+7.5%	+6.6%
Middle East & Africa	51	82	+59.3%	+14.5%
Asia Pacific	128	152	+18.4%	+8.9%
North America, Central America & Caribbean	76	92	+19.9%	+7.5%
South America	16	24	+45.1%	+21.4%
Total	**659**	**765**	**+16.1%**	**+8.3%**

(*) Restated amounts in application of IFRS 5
(1) L/L: Like-for-like change

Over the period, the change in Management & Franchise EBITDA breaks down as follows:



(*) Restated amounts in application of IFRS 15

3.2 Revenue

Accounting policy

Revenue corresponds to the value of goods and services sold by the Group in the ordinary course of business. The Group recognizes revenue when it transfers the control of the promised goods and services to the customer, which may be overtime or at a point in time. Revenue is recognized in an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring promised goods or services.

The Group applies the guidance provided in IFRS 15 to determine whether it acts as the principal or an agent in its contractual relationships with hotel owners. It is considered as acting as the principal if it controls the promised service before that service is transferred to a customer. In such a case, revenues and related expenses are reported separately in the income statement. Otherwise, the Group is considered as acting as an agent and only the remuneration corresponding to the agency fee is recognized in revenue.

Fees billed to franchised hotels and hotels under management contracts

- Trademark royalty fees received from hotel owners under licenses for the use of the Group's brands. These fees are generally based on the hotel's Room revenue.
- Management fees received from the owners of hotels managed by the Group. These fees are generally based on hotel's revenue. In some cases, they also include an incentive fee subject to hotel profitability.
- Other fees for support services provided to managed and franchised hotels for marketing, distribution, IT and other services…

The Group applies the IFRS 15 guidance for recognition of revenue related to licenses of intellectual property with sales-based royalties, which allows to account for trademark royalty fees when the hotel's room revenue is recognized.

Other fees relate to services representing distinct performance obligations which are generally satisfied over time, when the hotel owners simultaneously receive and consume the benefits provided. The Group elects the practical expedient to recognize revenue based on amounts invoiced to the customer, when this method of measuring progress best depicts the performance provided. Invoicing is based on contractual prices, which represent the stand-alone selling prices of specified promised goods or services.

The Group may provide a contractually agreed performance to hotel owners, generally during the first years of hotel operations. These variable considerations, which are definitely earned at the end of the period over which they are applied, are estimated using the most likely amount method, based on all reasonably available information, and are, if need be, capped at the minimum amount considered as highly probable. At each reporting period, the Group revises its estimates of variable considerations and assesses whether a constraint should apply.

Loyalty program

Accor manages the loyalty program on behalf of the Group's hotels. This service is considered as a single distinct performance obligation, which is satisfied in full when the reward points are redeemed for a stay by members or expire. Loyalty program fees invoiced to hotel owners are deferred in an amount that reflects the stand-alone selling price of the future benefit to the member. They are recognized as revenue when the reward points are redeemed or when they expire.

The Group acts as an agent for hotel owners to the extent that it does not control the services rendered to members upon redemption. Accordingly, revenue is presented net of the redemption cost paid to the hotel that is providing the service to the member.

Hotel revenues

It corresponds to all the revenues received from guests by owned and leased hotels. The services rendered (including room sales, food and beverage sales and other ancillary services) are distinct performance obligations, for which prices invoiced to the guests are representative of their stand-alone selling prices. These obligations are fulfilled over time when they relate to room sales, along the stay in the hotel, and at a point in time for other goods or services, when they have been delivered or rendered.

The disaggregation of revenue is outlined in the Note 3.1 above.

3.3 Operating expenses

(€ in million)	**2018 (*)**	**2019**
Cost of goods sold	(76)	(107)
Personnel expenses	(1,722)	(1,939)
Property rents	(135)	(62)
Energy, maintenance and repairs	(51)	(70)
Taxes	(46)	(60)
Other operating expenses	(627)	(986)
Operating expenses	**(2,656)**	**(3,224)**

(*) Restated amounts in application of IFRS 5

Upon adoption of IFRS 16 *Leases*, property rents expense recorded in 2019 relates to the variable part of hotel properties operated under lease contracts.

Other operating expenses consist mainly of marketing, advertising, promotional, selling and information systems costs. They include the elimination of intragroup flows with discontinued operations, with AccorInvest over the first five months of 2018 and with Orbis over 2018 and 2019.

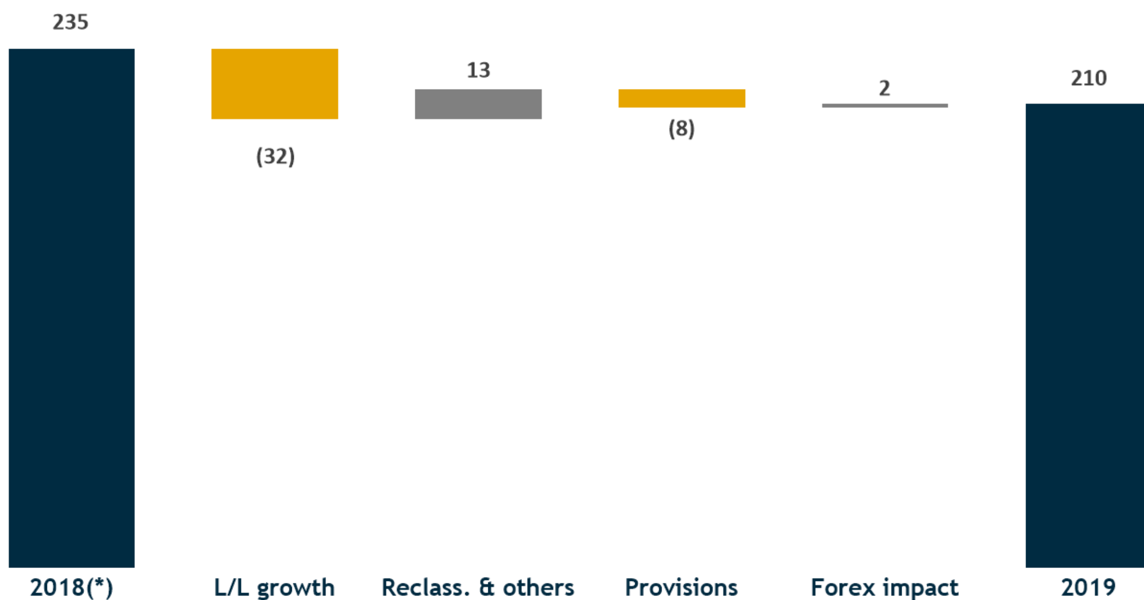
3.4 Working capital

The working capital breaks down as follows:

(€ in million)	Dec. 2018(*)	Variation	Dec. 2019
Inventories	15	5	20
Trade receivables	617	32	649
Other current assets	258	6	264
Current assets	**890**	**43**	**933**
Trade payables	426	15	441
Other current liabilities	698	4	703
Current liabilities	**1,125**	**19**	**1,144**
Working capital	**235**	**(25)**	**210**

(*) Restated amounts following the finalization of purchase price allocation of groups acquired in 2018 (see Note 7.1)

The change in working capital requirements can be analyzed as follows:



(*) Restated amounts following the finalization of purchase price allocation of groups acquired in 2018 (see Note 7.1)

3.4.1 Current assets

Trade receivables break down as follows:

(€ In million)	**Dec. 2018**	**Dec. 2019**
Gross value	687	720
Provisions	(70)	(71)
Trade receivables	**617**	**649**

Other current assets break down as follows:

(€ in million)	**Dec. 2018**	**Dec. 2019**
Recoverable VAT	82	88
Income tax receivable and other taxes	11	12
Other receivables	145	143
Other prepaid expenses	41	28
Gross value	**279**	**271**
Provisions	(21)	(7)
Net book value	**258**	**264**

3.4.2 Current liabilities

Other current liabilities break down as follows:

(€ in million)	**Dec. 2018(*)**	**Dec. 2019**
VAT payable	62	63
Wages salaries and Payroll tax payables	220	219
Other tax payables	91	161
Other payables	250	193
Deferred income	75	66
Other current liabilities	**698**	**703**

(*) Restated amounts following the finalization of purchase price allocation of groups acquired in 2018 (see Note 7.1)

The change in “Other tax payables” is mainly explained by the recognition of a €38 million liability following the first application of IFRIC interpretation 23 at January 1, 2019 and the reclassification of the €27 million income tax provisions into income tax liabilities.

3.5 Contract assets and liabilities

Accounting policy

In accordance with IFRS 15 *Revenue from contracts with customers*, the Group recognizes assets and liabilities on contracts with customers:

- Contract assets represent a right for the Group to receive consideration in exchange for goods or services already transferred to a customer, when that right is conditioned on something other than the passage of time. They also include revenue reductions granted in advance to customers when the corresponding services have not been transferred yet (« key moneys » mainly).
- Contract liabilities represent the Group's obligation to transfer goods or services for which the customer has already paid a consideration, or when the amount is due from the customer. They mainly correspond to deferred revenues related to the loyalty program (including the amount to be paid to hotel owners and partners upon redemption of reward points) and entrance fees invoiced at contract's inception.

(€ in million)	**Dec. 2018(*)**	**Dec. 2019**
Advance payments to hotel owners	174	216
Contract assets	**174**	**216**
Advance invoicing to hotel owners	27	26
Loyalty program deferred points	201	228
Contract liabilities	**227**	**254**
Net contract assets and liabilities	**(53)**	**(38)**

(*) Restated amounts following the finalization of purchase price allocation of groups acquired in 2018 (see Note 7.1)

Note 4. Employee benefit expenses

4.1 Headcount

The Group's workforce breaks down as follows:

Headcount	2018 (*)	2019
Full-time equivalent	18,667	19,254

(*) Restated amounts in application of IFRS 5

Full-time equivalent are based on the ratio between the number of hours worked during the period and the total working legal hours for the period. Employees for associates and joint-ventures are not included.

4.2 Personnel expenses

Accounting policy

Group employees are entitled to short-term benefits such as paid annual leave, paid sick leave, bonuses and profit-shares payable within twelve months of the end of the period in which the corresponding services are rendered. These benefits are recorded in current liabilities and expenses when the service is rendered by the employee.

Employees are also entitled to various long-term benefits, including:

- Post-employment benefits payable after the employee leaves the Group, such retirement termination benefits and pension benefits.
- Other long-term benefits payable during employment, such as long-service bonuses, loyalty bonuses and seniority bonuses.

Benefit plans depend on local legislation and on collective bargaining in force in each of the Group's countries. Post-employment benefits are broken down into two categories:

- Defined contribution plans, under which the Group pays periodic contributions to external organizations that are responsible for the administrative and financial management of the plans. The Group has legal or constructive obligation to pay further contributions. These are recognized as expenses for the period to which they relate.
- Defined benefit plans, under which the Group guarantees a contractually future level of benefits. The Group's obligation is recognized as a liability in the consolidated statement of financial position.

Equity-settled long-term incentive plans have also been set up for executive officers and certain employees. The accounting treatment of these plans is presented in Note 4.4.

The personnel expenses break down as follows:

(€ in million)	**2018 (*)**	**2019**
Salaries and social charges	(1,701)	(1,911)
Share-based payments	(21)	(28)
Personnel expenses	**(1,722)**	**(1,939)**

(*) Restated amounts in application of IFRS 5

4.3 Other employee benefits

Accounting policy

The provision for pensions corresponds to the present value of the projected benefit obligation less the fair value of plan assets in funds allocated to finance such benefits, if any. If plan assets exceed the projected benefit obligation, the surplus is recognized only if it represents future economic benefits that are available to the Group.

The projected benefit obligation is determined by independent actuaries using the projected unit credit method, based on actuarial assumptions such as increase in salaries, retirement age, mortality, employee turnover and discount rate. These assumptions take into account the macro-economic environment and other specific conditions in the various countries in which the Group operates.

The expense recorded in the consolidated income statement includes:

- Current service cost and past service cost resulting from a new plan, a plan amendment or a plan curtailment or settlement, recognized in operating expenses, and
- Net interest cost on defined benefit obligation and plan assets, recognized in net financial expense.

Actuarial gains and losses on post-employment benefit plans that arise from changes in actuarial assumptions and experience adjustments are recognized in the statement of comprehensive income.

Actuarial gains and losses on other long-term benefit plans are recognized immediately in profit or loss.

4.3.1 Pension and other post-employment benefit obligations

(€ in million)	**Dec. 2018**	**Dec. 2019**
Pension plans	95	72
Other long-term benefits	6	4
Provision	**102**	**75**
Surplus on pension plans	4	4
Pension asset	**4**	**4**
Net commitment	**98**	**71**
• of which net provisions for pensions	92	68
• of which net provisions for other benefits	6	4

4.3.2 Description of the plans

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

- **Pension plans:** The main pension plans are located in France (35% of the obligation), in the United Kingdom (27% of the obligation) and in Canada (24% of the obligation). 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. In Holding, the pension plan concerns senior executives. Pension rights are unvested and plan participants receive a regular pension, not a lump sum.
- **Length-of-service awards in France:** these are lump sum benefits determined by reference to the employee's years of service and end-of-career salary.
- **Supplementary pension plan in France:** this plan provides for the payment of periodic benefits to executive officers and senior executives whose final annual compensation represents more than five times the annual ceiling used for calculating social security contributions ("PASS"), provided that they are employed by the Group up to their retirement.

4.3.3 Actuarial assumptions

The main actuarial assumptions used by the Group to estimate the obligations are as follows:

	Discount rate		Rate of future salary increases	
	Dec. 2019	**Dec. 2018**	**Dec. 2019**	**Dec. 2018**
France	0.5%	1.6%	3% - 4%	3% - 4%
Belgium	0.5%	1.6%	2.8%	2.8%
Switzerland	0.1%	1.2%	1.0%	1.0%
Canada	2.8% - 3.0%	3.5% - 3.8%	3.0%	3.0%
United States	2.3%	3.3%	3.0%	3.0%

The discount rate in each country is determined by reference to market yield on investment grade corporate bonds with maturities equivalent to the related employee benefits. If the local corporate bond market is not sufficiently liquid, the government bond rate is used.

4.3.4 Breakdown and changes in the pension obligations

At December 31, 2019, pension obligations break down by country as follows:

(€ in million)	France	Canada	United Kingdom	Belgium	Switzerland	Others	Total
Actuarial debt	76	51	58	15	5	10	215
Fair value of plan assets	(35)	(39)	(61)	(9)	(4)	(2)	(151)
Irrecoverable surplus	-	3	-	-	-	1	4
Net obligation	**41**	**15**	**(3)**	**6**	**1**	**8**	**68**

The movements in the net obligation for pensions over the period are as follows:

(€ in million)	Present value of obligation	Fair value of plan assets	Irrecoverable surplus impact	Net
Situation at January 1, 2019	**225**	**(136)**	**4**	**92**
Current service cost	10	-	-	10
Interest expense/(income)	5	(3)	-	2
Other elements (1)	(40)	-	-	(40)
Total recognized in profit or loss	**(24)**	**(3)**	**-**	**(27)**
Actuarial gains and losses related to experience adjustments	10	(10)	-	(1)
Actuarial gains and losses related to changes in demographic assumptions	(1)	-	-	(1)
Actuarial gains and losses related to changes in financial assumptions	15	-	-	15
Actuarial (gains)/losses	**24**	**(10)**	**0**	**14**
Benefits paid	(12)	2	-	(9)
Exchange differences and others	3	(4)	0	(1)
Situation at December 31, 2019	**215**	**(151)**	**4**	**68**

(1) In accordance with the ordinance published on July 3rd, 2019, in application of the "Pacte Law" (Art.197), the rights acquired by the beneficiaries under existing defined benefits supplementary pension plans have been frozen. The effect resulting from the freeze of these plans has been treated as a plan modification under IAS 19 *Employee benefits*, leading to the release of a €37 million provision, recognized in Other income and expenses in the income statement of the year.

4.3.5 Plan assets

The Group's pension obligations are funded under insured plans or by external funds. The assets of insured plans are invested in investment funds in each of the countries concerned. Plan assets consist mainly of classes of assets held in insurers' general portfolios managed according to conservative investment strategies.

At December 31, 2019, the breakdown of assets is as follows:

(€ in million)	Canada	France	United Kingdom	Belgium	Others	Total
Bonds	29	27	-	-	1	58
Shares	10	5	-	-	1	15
Insurance contracts	-	-	-	9	3	12
Real Estate	-	3	-	-	1	4
Liquidity	-	0	3	-	0	3
Other	-	0	58	-	1	59
Plan assets	**39**	**35**	**61**	**9**	**7**	**151**

The expected long-term return on plan assets is matched to the discount rate.

4.3.6 Sensitivity analysis

At December 31, 2019, the sensitivity of provisions for pensions to a change in discount rate is as follows:

(€ in million)	Impact on obligation
Impact of increase in discount rate by 0.5 pt	(9)
Impact of decrease in discount rate by 0.5 pt	12

4.3.7 Expected cash flows

The following table shows expected cash outflows for the coming years, without taking into account any cash inflows generated by plan assets:

(€ in million)	2020	2021	Hereafter	Total
Expected benefits payments	11	10	96	118

4.4 Share-based payments

Accounting policy

Performance share plans

Performance share plans are set up regularly for Group managers. The plans generally have a vesting period between two and four years and the shares vest only if the grantee is still employed by the Group on the vesting date.

The fair value of the employee benefit is determined by independent experts using the “Monte Carlo” model. It corresponds to the share price at grant date, less (i) the present value of dividends not received during the vesting period, and (ii) a discount reflecting the estimated probability of the external performance conditions being fulfilled. The total cost of each plan is calculated at grant date and is not adjusted in subsequent periods.

Internal performance conditions (continued presence within the Group at vesting date and internal performance objectives) are not taken into account for the fair value calculations. However, they are taken into account for the purpose of estimating the number of shares that are likely to vest. This estimate is updated at each period end.

Stock option plans

No stock options have been granted since 2013. The plans set up in previous years included plans for which the only condition was the grantee’s continued presence within the Group at the exercise date and performance stock option plans.

The cost of these plans corresponds to the fair value of the options, as determined using the Black & Scholes option-pricing model based on the plan’s characteristics and market data (such as the underlying share price and stock market volatility). The number of potentially exercisable options is reviewed at each period end.

Employee share plans

As part of its incentive policy, the Group may organize employee rights issues giving staff the opportunity to purchase Accor SA shares at a discount. The employee benefit corresponds to the difference between the price at which the shares are offered to employees and the Accor SA share price on the date the rights are exercised.

The cost of share-based payment plans is recognized in employee benefits expenses on a straight-line basis over the vesting period, with the corresponding liability recognized in:

- Shareholders' equity for equity-settled plans.
- Employee benefit obligations for cash-settled plans, adjusted at each period end.

If the plan is not subject to any vesting conditions, the cost is recognized in full on the grant date.

Substantially all of the plans in progress at December 31, 2019 were equity-settled plans.

The dilutive effect of plans that have not yet vested is reflected in diluted earnings per share calculations.

In 2019, the cost of share-based payment plans is €28 million, as follows:

(€ in million)	**2018**	**2019**
2015 Plans	1	0
2016 Plans	5	1
2017 Plans	11	10
2018 Plans	4	8
2019 Plans	-	7
Performance shares plans	**21**	**26**
Employee share plans	**-**	**2**
Total	**21**	**28**

4.4 1 Performance share plans

The movements over the period are as follows:

Number of shares	**2018**	**2019**
Performance shares at beginning of period	**3,046,630**	**3,503,637**
Shares granted	655,292	1,312,795
Shares cancelled or expired during the period	(114,050)	(152,576)
Shares vested during the period	(84,235)	(844,250)
Performance shares at end of period	**3,503,637**	**3,819,606**

Performance shares

On May 31, 2019, the Group granted 1,275,675 performance shares to its employees, subject to a three-year vesting period. At this date, the fair value of the performance share was €28.02, corresponding to a share price of €32.97 less the discounted present value of dividends not received during the vesting period and the effect of external conditions.

The shares will vest provided that the grantee remains with the Group until the end of the three-year vesting period, and the three following performance conditions are fulfilled over the years 2019 to 2022:

- Internal conditions (80% weighting): EBITDA margin compared to the budget and free cash flows excluding disposal proceeds and external growth including changes in operating working capital compared to the budget,
- External condition (20% weighting): change in Accor's Total Shareholder Return (TSR) compared with other international hospitality groups' ones. The estimated probability of this performance condition being fulfilled was taken into account to determine the fair value of the performance shares on the grant date.

On October 25, 2019, the Group set up a performance share plan with similar characteristics to the May plan.

The fair value of these plans amounts to €37 million and will be recognized on a straight-line basis over the vesting period under employee benefits expenses with a counterpart in equity. The cost recorded in respect of these plans in 2019 amounts to €7 million.

The plans' main characteristics and the assumptions used to determine their cost are as follows:

	Plan	
Characteristics	**May**	**Oct.**
Number of shares granted	1,275,675	37,120
Vesting period	3 years	3 years
Share price at grant date (in €)	32.97	38.35
Share fair value at grant date	28.02	32.96

4.4 2 Stock options plans

The movements over the period are as follows:

	December 31, 2018		December 31, 2019	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding at beginning of period	**1,267,511**	**28.55 €**	**459,051**	**€29.05**
Options cancelled or expired during the period	(28,283)	€28.32	(9,330)	€31.72
Options exercised during the period	(780,177)	€26.66	(258,944)	€30.75
Options outstanding at end of period	**459,051**	**€29.05**	**190,777**	**€26.60**
Options exercisable at end of period	**459,051**	**€29.05**	**190,777**	**€26.60**

Outstanding options at December 31, 2019 are as follows:

Plan	Grant date	Number of outstanding options	Remaining life	Exercise price
Plan 25	March 2012	167.980	3 months	€26.41
Plan 26	March 2012	12.797	3 months	€26.41
Plan 27	September 2013	10.000	1 year and 9 months	€30.13

4.4.3 Employee share plans

In 2019, Accor launched the “Share 19” leveraged employee share plan for Group employees in ten countries. Eligible employees were given the opportunity to purchase Accor SA shares at a price of €33.11 through a corporate mutual fund (FCPE). In countries where it was not possible or appropriate to set up a corporate mutual fund, the shares could be purchased directly together with stock appreciation rights (“SAR”).

The price corresponded to the average of the opening prices quoted for Accor SA shares over the 20 trading sessions preceding the pricing date less a 15% discount. It was set on November 25, 2019 by the Chairman and Chief Executive Officer. The shares are subject to a five-year lock-up, which may be waived in the specific cases listed in the plan’s rules. The personal investment by participating employees is protected throughout the duration of the plan and they also benefit from any increase in the share price according to a pre-defined formula.

On December 19, 2019, a total of 613,058 shares with a par value of €3 were issued to participants in the “Share 19” plan at a price of €33.11 per share. The issue premium, corresponding to the difference between the aggregate par value of the new shares and the total issue proceeds net of transaction expenses, amounted to €18 million.

The cost recorded in 2019 amounts to €2 million.

4.5 Corporate officer’s compensation

Corporate officers are defined as members of the Executive Committee, which had fifteen members at the end of December 31, 2019 and the Board of Directors.

The following table shows the compensation received by the persons who were members of the Executive Committee during the period:

(€ in million)	**2018**	**2019**
Short-term benefits received	19	21
Share-based payments	8	9
Compensation for loss of office	0	2
Post-employment benefits	3	(15)
Total compensation	**30**	**16**

The decrease of post-employment benefits is mainly related to the freeze of supplementary pension plans in application of the “Pacte Law” in France (see note 4.3).

Members of the Board of Directors do not receive any compensation and receive only attendance fees. Attendance fees paid by the Group amounted to €1 million in 2019.

Note 5. Associates and joint-ventures

Accounting policy

The consolidated financial statements include the Group's share of changes in the net assets of associates and joint-ventures accounted for by the equity method. Investments in associates and joint ventures are initially recorded at cost in the consolidated statement of financial position and are subsequently adjusted at each period end to include the Group's share of their undistributed net profit.

In the following specific cases, the investment is initially recognized at fair value:

- Upon loss of control of an investee with a retained interest providing joint-control or significant influence,
- Upon gain of significant influence or joint control over a previously non-consolidated investment.

Goodwill arising on acquisition of associates and joint-ventures is included in the carrying amount of the investment.

If the carrying amount of an investment is reduced to zero due to the cumulative losses of the associate or joint-venture, the Group's share of any further losses is not recognized unless it has a legal or constructive obligation in relation to the investee's negative net assets. Investments in associates and joint-ventures are tested for impairment when there is an indication that they may be impaired.

Entities accounted for under the equity method are an integral part of the Group's operations.

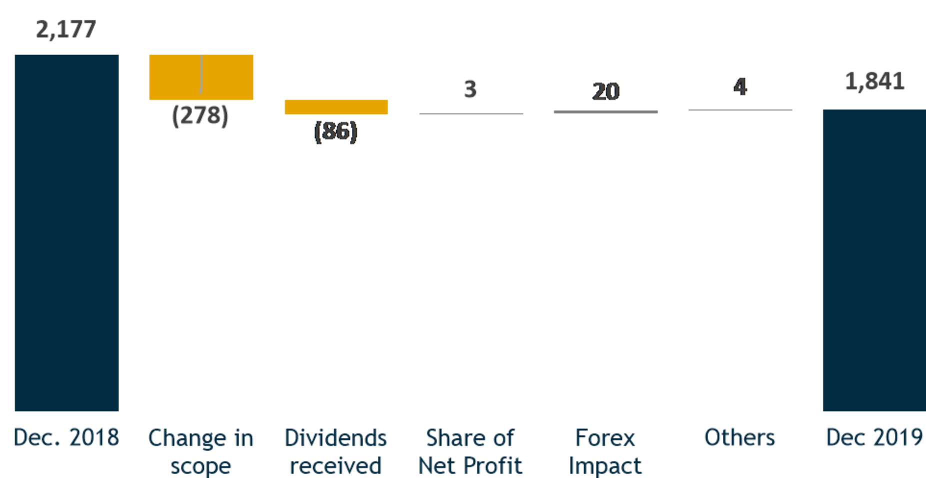
5.1 Share of net profit of associates and joint-ventures

The main contributions of associates and joint-ventures are analyzed as follows:

(€ in million)	2018	2019
AccorInvest	45	34
Huazhu Group Ltd	19	9
Others	13	3
Associates	**77**	**45**
sbe	(5)	(46)
Other	8	4
Joint ventures	**2**	**(42)**
Share in results of companies accounted for using the equity method	**80**	**3**
• Of which share of income before taxes	109	35
• Of which share of taxes	(29)	(32)

5.2 Investments in associates and joint-ventures

(€ in million)	**Déc. 2018**	**Déc. 2019**
AccorInvest	1,275	1,056
Huazhu Group Ltd	200	113
Others	444	529
Associates	**1,919**	**1,698**
sbe	102	62
Others	156	81
Joint ventures	258	142
Total	**2,177**	**1,841**



The decrease in investments over the period corresponds to the disposal of a 5.2% stake in AccorInvest and the disposal of a 4.9% stake in Huazhu Group Ltd (see Note 2).

5.3 Summarized financial information

5.3.1 Material Joint-ventures

Accor owns a 50% stake in sbe Entertainment Group, company that manages and operates hotels and restaurants, mainly in United States.

Key financials of sbe on a 100% basis are as follows:

(€ in million)	**Dec. 2019**
Balance sheet	
Cash & cash equivalents	4
Other current assets	22
Non-current assets	291
Assets classified as held for sale	476
Current liabilities	53
Non-current financial liabilities	559
Liabilities associated with assets classified as held for sale	438
Net assets	**(257)**
Group's share in %	50.0%
Group's share of net assets	(128)
Goodwill	190
Carrying amount	**62**
P&L	
Revenue	238
Depreciation and amortization	(31)
Financial result	(75)
Income tax expense	3
Net profit (loss)	**(93)**
Other comprehensive income	(0)
Total comprehensive income	**(93)**
Dividends received by the Group	-

In the Group's consolidated financial statements, the share in sbe's net result is based on the 12-month period ending at September 2019 considering the deadlines for availability of the company's financial statements.

At December 31, 2019, the Assets and Liabilities held for sale correspond to two hotels assets. Sbe entered into exclusive negotiations with a view to sell these assets. Given the progress of the negotiation process, sbe expects to complete the disposal during the first semester 2020.

At December 31, 2019, the net loss of sbe has been considered as an indicator of a potential impairment by the Group. An impairment test was performed and did not lead to the recognition of an impairment loss. The key assumptions used for this test were a 8.9% discount rate and a 2% perpetual growth rate. For the recoverable value to equal the carrying value, it would be necessary to increase the discount rate by +110 bps.

5.3.2 Material associates

The following associates are material to the Group:

- AccorInvest (30% interest);
- Huazhu Group Ltd, Chinese Hospitality group listed on Nasdaq (5.3% interest).

Key financials on a 100% basis for these two entities are as follows:

(€ in million)	Dec. 2019 AccorInvest	Dec. 2019 Huazhu Group Ltd
Balance sheet		
Current Assets	727	755
Non-current Assets	6,528	4,871
Assets held for sale	276	-
Current Liabilities	1,248	1,334
Non-current Liabilities	5,508	3,326
Liabilities associated with assets held for sale	44	-
Net assets	**730**	**966**
Group's share in %	30.0%	5.3%
	219	51
Goodwill	838	62
Carrying amount	**1,056**	**113**
P&L		
Revenue	3,994	1,420
Net profit (loss)	**96**	**81**
Other comprehensive income	16	(2)
Total comprehensive income	**112**	**79**
Dividends received by the Group	64	1

In the Group's consolidated financial statements, the share in Huazhu Group Ltd's net profit is based on the 12-month period ending at September 2019. The company issues its financial statements after Accor's publication deadlines.

To the best of the Group's knowledge, there are no material restrictions on the ability of any associate or joint venture to transfer funds to Accor in the form of cash dividends or to repay any loans other liabilities.

Note 6. Other income and expenses

Accounting policy

In order to facilitate assessment of the Group's underlying performance, unusual items of income and expenses that are material at the level of the Group and income and expense items which, by definition, do not contribute to the Group's operating performance, are presented separately in the income statement on the line "Other income and expenses". This caption is used primarily to report restructuring costs, impairment losses recognized following impairment tests, gains and losses on disposals of non-current assets as well as the impacts related to scope changes (transaction costs, gains and losses arising on disposals of assets and remeasurement of any previously hold interest).

(€ in million)	**2018 (*)**	**2019**
Impairment losses	(250)	(181)
Reversal of pension provision	-	37
Restructuring expenses	(126)	(8)
Gains and losses on disposal	2	352
Other non recurring income and expenses	(58)	(22)
Other income and expenses	**(432)**	**177**

(*) Restated amounts in application of IFRS 5

At December 31, 2019, this caption mainly includes:

- Impairment losses on hotels assets operated in Australia for €(150) million (see Note 7.4.1) and on Mövenpick leased hotels in the process of disposal for €(23) million (see Note 2.2.2);
- A provision reversal for €37 million resulting from the freeze of supplementary pension plans in application of the "Pacte Law" in France (see note 4.3.4);
- Gains on:
  - disposal of 4.9% of Huazhu Group Ltd's capital for €301 million (see note 2.1.3);
  - disposal of equity investment in Fairmont Claremont in the United States for €32 million;
  - and disposal of 5,2% of AccorInvest's capital for €19 million (see note 2.1.3);
- An expropriation compensation received for €25 million concerning an hotel in the United-Kingdom;
- Directly-related costs on acquisitions and integration for €(17) million, notably concerning Mövenpick Hotels & Resorts, Mantra and FRHI.

In 2018, other income and expenses mainly included impairment losses on New Businesses for €(246) million and restructuring costs for €(126) million notably related to transformation plans in Europe and Parisian headquarters, and acquisition costs for €(23) million.

Note 7. Intangible and tangible assets

7.1 Goodwill

Accounting policy

Goodwill is initially recorded on business combinations. It is not amortized in subsequent periods, but is tested for impairment at least once a year and as soon as there is an indication that it may be impaired. Goodwill is allocated to the cash generating units (CGU) that are expected to benefit from the synergies of the business combination.

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

(€ in million)	Dec. 2018 (*)	Scope impacts	Translation adjustment & others	IFRS 5 Reclass.	Dec. 2019
Europe	355	-	7	-	362
Mediterranean, Middle East & Africa	233	90	14	-	337
Asia Pacific	497	-	13	-	510
North/Central America & Caribbean	279	-	9	-	288
South America	73	-	(5)	-	68
HotelServices	**1,437**	**90**	**38**	**-**	**1,565**
HotelAssets & others	**567**	**(3)**	**3**	**(55)**	**513**
New businesses	**353**	**-**	**(1)**	**(87)**	**265**
Gross value	**2,358**	**87**	**40**	**(142)**	**2,343**
Impairment losses	**(290)**	**-**	**(176)**	**118**	**(348)**
Net book value	**2,068**	**87**	**(136)**	**(24)**	**1,995**

(*) Restated amounts following the finalization of purchase price allocation of groups acquired in 2018

In 2019, the Group recognized a €90 million provisional goodwill in relation to the acquisition of Rixos Hospitality (see Note 2), which was allocated to HotelServices Mediterranean, Middle East & Africa.

The purchase price allocation of Mövenpick Hotels & Resort, acquired on September 3, 2018, was completed over the year. The fair value of net assets acquired amounted to CHF413 million (€367 million) and mainly comprised:

- management agreements concluded with hotels owners for CHF204 million,
- the Mövenpick brand recognized for CHF146 million,
- tangible assets (mainly leasehold improvements) for CHF23 million,
- current assets for CHF137 million of which CHF98 million of cash,
- deferred tax liabilities for CHF30 million,
- provisions for CHF15 million, and
- current liabilities for CHF55 million.

The final goodwill amounted to CHF221 million (€196 million) based on an acquisition price of CHF634 million (€563 million). It was allocated to the HotelServices business for CHF189 million (€168 million) in Mediterranean, Middle East & Africa (CHF78 million), Europe (CHF70 million) and Asia-Pacific (CHF41 million), as well as HotelsAssets business for CHF32 million (€28 million).

The purchase price allocation of 21c Museum Hotels, acquired on September 28, 2018, and Atton Hoteles, acquired on November 12, 2018, was also completed during the year.

The goodwill recognized for 21c Museum, using the partial goodwill approach, amounted to US$20 million (€17 million). It corresponds to the difference between:

- on one hand, the US$52 million acquisition price and minority interests measured at their share in the net assets' fair value for US$6 million, and
- on the other hand, the US$38 million net assets acquired, mainly comprising management agreements and the 21c brand recognized for respectively US$37 million and US$6 million, and deferred tax liabilities for US$6 million.

Goodwill was allocated to HotelServices North America, Central and the Caribbean.

Regarding Atton Hoteles, final goodwill amounted to 7 billion Chilean pesos (€8 million) based on net assets acquired of 32 billion Chilean pesos (€40 million). The purchase price allocation exercise lead to the recognition of management contracts for 34 billion Chilean pesos (€43 million), the Atton brand for 5 billion Chilean pesos (€7 million euros) and deferred taxes for 12 billion Chilean pesos (€15 million euros). Goodwill was allocated to HotelServices South America.

In accordance with IFRS 3 *Business combinations*, the values resulting from the final purchase price allocation for these transactions have been adjusted in the restated statement of financial position at December 31, 2018. The impact of these price allocations to depreciations and their effect on income tax in the consolidated income statement for the year 2018 is not material. As a result, the consolidated income statement, statement of comprehensive income and statement of cash flows have not been restated accordingly.

Besides, impairment losses were recognized during the year on certain hotel assets and the room distribution and management of hotel common areas activity in Australia for €150 million (see Note 7.3) as well as the Mövenpick hotel assets under disposal for €23 million (see Note 2.2).

At December 31, 2019, the goodwill related to John Paul and Mövenpick hotel assets under disposal have been reclassified as assets held for sale for a net value of €12 million and €6 million respectively.

7.2 Intangible assets

Accounting policy

In accordance with IAS 38, *Intangible assets*, separately acquired intangible assets are measured initially at cost. Identifiable intangible assets acquired in a business combination are measured initially at fair value. After initial recognition, intangible assets are measured at cost less accumulated amortization and impairment losses.

Brands and other intangible assets are generally amortized on a straight-line basis over their estimated useful life. These assets are tested for impairment whenever there is an indication that they may be impaired and, at least once a year, for intangible assets, whose useful life cannot be determined.

Software costs incurred during the development phase are capitalized as internally-generated intangible assets if the Group can demonstrate all of the following in accordance with IAS 38, *Intangible assets*: (i) its intention to complete the project and the availability of adequate technical, financial and other resources for this purpose, (ii) how the intangible asset will generate probable future economic benefits, and (iii) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets breakdown as follows:

	Dec. 2018(*)	Dec. 2019		
€ in million	Net book value	Gross value	Amort. & depreciation	Net book value
Trademarks	1,719	1,867	(52)	1,815
Management contracts	1,003	1,176	(179)	997
Licenses, software	128	347	(251)	96
Customer relationships	72	49	(8)	41
Other intangible assets	131	153	(54)	99
Intangible assets	**3,053**	**3,592**	**(544)**	**3,049**

(*) Restated amounts following the finalization of purchase price allocation of groups acquired in 2018 (see Note 7.1)

Changes in the carrying amount of intangible assets in 2019 were as follows:

(€ in million)	Dec. 2018(*)	Increase	Disposals	Translation adjustment & others	Reclass. IFRS 5	Dec. 2019
Trademarks	1,769	48	(0)	58	(8)	1,867
Management contracts	1,129	30	(10)	27	-	1,176
Licenses, software	351	24	(11)	(2)	(15)	347
Customer relationships	81	-	-	0	(32)	49
Other intangible assets	178	53	(0)	(13)	(65)	153
Gross value	**3,508**	**154**	**(20)**	**70**	**(119)**	**3,592**
Accumulated amortizations	(455)	(120)	8	(1)	24	(544)
Net book value	**3,053**	**34**	**(12)**	**69**	**(95)**	**3,049**

(*) Restated amounts following the finalization of purchase price allocation of groups acquired in 2018 (see Note 7.1)

The carrying amount of brands breaks down as follows:

€ in million	Net book value	Gross value	Amort. & depreciation	Net book value
Fairmont	996	1,035	-	1,035
Swissôtel	240	248	-	248
Raffles	146	152	-	152
Mövenpick	130	135	-	135
Mantra	122	124	-	124
Rixos	0	48	-	48
Orient-Express	40	40	-	40
Other trademarks	45	86	(52)	34
Trademarks	**1,719**	**1,867**	**(52)**	**1,815**

(*) Restated amounts following the finalization of purchase price allocation of groups acquired in 2018 (see Note 7.1)

The increase in the carrying value of trademarks mainly results from Rixos trademark acquired during the year, whose value is as included in the net assets acquired before purchase price allocation.

Management contracts relate to the agreements with hotel owners recognized as part of business combinations, mainly in relation to FRHI Hotels & Resort acquired in 2016 (€395 million) and Mantra acquired in 2018 (€244 million). They also comprise the contracts recognized as part of the completion of the purchase price allocation of Mövenpick and 21c for a total of €197 million.

7.3 Property, plant & equipment

Accounting policy

Property, plant & equipment are measured initially at acquisition or production cost. For hotel assets that take a substantial period of time to get ready for their intended use ("qualifying assets" as defined in IAS 23 *Borrowing costs*), the initial cost includes borrowing costs that are directly attributable to these assets. After initial recognition, they are measured at cost less accumulated depreciation and any accumulated impairment losses.

Property, plant & 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, as follows:

	Economy Hotels	Luxury Upscale and Midscale Hotels
Buildings and related cost	35 years	50 years
Building improvements, fixtures and fittings	7 to 25 years	7 to 25 years
Equipments	5 to 15 years	5 to 15 years

In the case leasehold improvements are undertaken in a leased property asset, the depreciation period is aligned with the duration of the lease agreement of the underlying asset.

Useful lives are reviewed regularly and adjusted prospectively if necessary.

Property, plant & equipment break down as follows:

	Dec. 2018(*)	Dec. 2019		
(€ in million)	Net book value	Gross value	Amort. & depreciation	Net book value
Land	68	25	(5)	20
Buildings	814	643	(144)	500
Leasehold improvements	144	192	(126)	66
Equipment and furniture	106	135	(104)	32
Constructions in progress	51	17	(2)	15
Tangibles assets	**1,183**	**1,012**	**(380)**	**632**

(*) Restated amounts following the finalization of purchase price allocation of groups acquired in 2018 (see Note 7.1)

Changes in the carrying amount of tangible assets in 2019 were as follows:

(€ in million)	Déc. 2018(*)	Increase	Decrease	Translation adjustment & others	IFRS 5 Reclass.	Dec. 2019
Land	73	0	-	(0)	(49)	25
Buildings	1,267	9	(14)	18	(636)	643
Leasehold improvements	371	20	(20)	12	(193)	192
Equipment and furniture	332	14	(41)	19	(186)	135
Constructions in progress	57	23	(0)	(29)	(33)	17
Gross value	**2,100**	**66**	**(76)**	**20**	**(1,098)**	**1,012**
Accumulated depreciation	(852)	(83)	46	(10)	564	(335)
Impairment losses	(66)	2	1	1	16	(45)
Net book value	**1,183**	**(15)**	**(29)**	**11**	**(517)**	**632**

(*) Restated amounts following the finalization of purchase price allocation of groups acquired in 2018 (see Note 7.1)

The decrease in net book value is mainly explained by the reclassification of Orbis, John Paul and Mövenpick's property, plant & equipment as assets held for sale.

7.4 Impairment test

Accounting policy

The carrying amounts of property, plant & equipment, intangible assets and right-of-use assets are reviewed and tested for impairment when there is any indication that they may be impaired. These tests are performed at least once a year for goodwill and intangible assets for which the useful life cannot be determined.

Criteria used for impairment tests

The criteria considered as indicators of a possible impairment are the same for all businesses:

- 15% drop in revenue, excluding perimeter effects and foreign exchange differences; or
- 30% drop in EBITDA, excluding perimeter effects and foreign exchange differences.

Impairment tests

Each brand is tested for impairment separately. Goodwill is tested for impairment at the level of the cash-generating unit ("CGU") or group of CGUs to which it is allocated for internal management purposes. A CGU corresponds to the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill is monitored as follows:

- HotelServices: at the level of the regions as presented in the segment information in Note 3.1,
- HotelAssets & others: at the level of the property for Hotel assets and at the level of the activity for other activities conducted in Asia-Pacific (room distribution and management of hotel common areas, timeshare),
- New Businesses: at the level of the business lines (Digital services, Hotel reservation services, Concierge services, Digital sales and Private rentals).

Determination of recoverable value

The recoverable value of a group of CGUs, or a CGU, corresponds to the higher of its fair value less costs to sell and its value in use.

For all activities, except Hotel Assets, the recoverable value of the groups of CGUs are estimated using the value in use. The projection period is limited to five years. Cash flows are discounted at a rate corresponding to the year-end weighted average cost of capital. The projected perpetual growth rate reflects each country/region's economic outlook. Each calculation takes into account the specific features of the country or region concerned.

For the Hotel Assets, recoverable values are first estimated using fair values calculated based on a standard EBITDA multiple. For hotel properties, this method is considered as the most appropriate approach to estimating fair value less costs of disposal, as it most closely reflects the amount that would be expected to be recovered through the sale of the asset. 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 transaction prices observed on the market and are as follows:

Segment	Multiples
Luxury and Upscale	8.1 < x < 11.9
Midscale	7.8 < x < 12.0
Economy	7.6 < x < 12.6

If the recoverable value is less than the carrying amount, the recoverable value will be recalculated according to the discounted cash flows method.

Impairment loss measurement

If the recoverable value is less than the carrying amount, an impairment loss is recognized in the income statement in "Non-current income and expenses". An impairment loss recognized on an asset other than goodwill may be reversed if there has been a change in circumstances indicating that the impairment loss might have decreased or no longer exists. If this is the case, the carrying amount of the asset is increased to its recoverable value. However, the increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss may not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

7.4.1 Impairment

At December 31, 2019, the impairment tests conducted by the Group lead to recognize impairment losses on certain hotel assets operated in Australia under the Mantra brands (€120 million) and the room distribution and management of hotel common areas activity in Australia (€30 million), recognized in the consolidated income statement as non-current income and expenses. These impairment losses mainly reflect a deterioration of the Australian hotel market in a context of supply overcapacity. They have been fully allocated to goodwill.

7.4.2 Main key assumptions

The value in use of a group of CGUs, or a CGU, is determined by discounting its future cash flows, using the cash flow projections used for the budget preparation, in line with the Group strategic plan. They reflect past experience and take into account external sources of information, such as growth forecasts for the hotel industry or the geopolitical and macroeconomic context of the areas concerned.

The table below presents the main key assumptions used to determine the value in use of groups of CGUs, or each CGU, with significant goodwill and / or intangible assets:

	Dec. 2018		Dec. 2019	
	Perpetual growth rate	Discount rate	Perpetual growth rate	Discount rate
HotelServices Europe	+1.5%	+8.0%	+1.5%	+6.9%
HotelServices Middle East and Africa	+3.0%	+9.2%	+3.0%	+9.7%
HotelServices Asia Pacific	+2.0%	+9.1%	+2.0%	+7.8%
HotelServices North America, Central America & Caribbean	+3.0%	+9.1%	+3.0%	+7.7%
HotelServices South America	+4.0%	+13.6%	+4.0%	+12.6%
New Businesses Digital services	n/a	n/a	+2.0%	+8.0%
New Businesses Hotel booking services	n/a	n/a	+2.0%	+12.0%

The discount rate used for the groups of CGUs of HotelServices business corresponds to the Group's weighted average cost of capital, taking into account the specific risks of the regions, in which it operates. For New Businesses, this is the weighted average cost of capital, as determined by independent experts, in order to take into consideration the specific risks of their activity.

7.4.3 Sensitivity of recoverable values

In order for recoverable values to become equal to carrying amounts, the main assumptions used at December 31, 2019 should be modified as follows (in number of basis points):

	Dec. 2019	
	Discount rate	Growth rate
HotelServices Europe	+3,800 pts	n/a
HotelServices Middle East and Africa	+1,007 pts	-2,153 pts
HotelServices Asia Pacific	+1,551 pts	-5,446 pts
HotelServices North America, Central America & Caribbean	+302 pts	-414 pts
HotelServices South America	+626 pts	-1,151 pts
New Businesses Digital services	+139 pts	-186 pts
New Businesses Hotel booking services	+162 pts	-238 pts

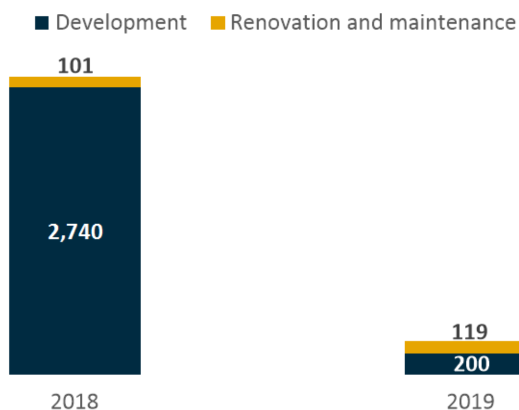
Sensitivity tests on these recoverable values show that a 10% decline in projected discounted operating cash flows would not result in the recognition of any impairment loss.

Concerning Hotel assets, a simultaneous matching change in the underlying macro-economic environment affecting the EBITDA of all the hotels constituting separate CGUs is highly improbable and a general analysis of sensitivities is not considered relevant. However, if the carrying amounts of certain hotels were to become sensitive to such changes, sensitivity analyses would be disclosed for the main hotels concerned.

7.5 Renovation and maintenance and development expenditure

Accounting policy

- 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 year as a condition of their continuing operation.
- “Development expenditure” comprise the acquisition of subsidiaries (amount net of net cash or debt acquired), investments in equity accounted entities, acquisitions of non-current assets and construction of new assets.



In 2019, main development expenditure include:

- €30 million related to the acquisition of a 40.6% stake in Ken Group;
- €28 million related to the acquisition of an additional 20% stake in Rixos;
- €22 million related to the acquisition of an additional 20% stake in 25hours;
- €30 million related to the acquisition of minority investments.

In 2018, development expenditures mainly comprised the acquisition of the Group head office (€388 million), the liability recognized at December 31, 2018 for the acquisition of 33.15% of Orbis (€339 million) and the acquisitions of Mantra, Mövenpick Hotels & Resorts, Gekko, Atton Hoteles, 21c Museum Hotels and ResDiary (€1,598 million).

Note 8. Lease contracts

As indicated in Note 1, the Group applied IFRS 16 *Leases* from January 1, 2019 using the modified retrospective approach. Therefore, the comparative information for the 2018 reporting period has not been restated and continues to be reported under the principles of IAS 17 *Leases*.

Accounting policy applicable until December, 31st 2018

In the comparative period, leases were classified either as finance leases, when they transferred substantially all of the risks and rewards incidental to ownership to the Group, or operating leases otherwise.

For finance leases, the leased assets were recognized as tangible assets in the statement of financial position at an amount equal to the lower of their fair value and the present value of minimum lease payments. A financial liability was recognized for the same amount. Lease payments were allocated between reduction in the lease liability and interest expense.

Payments made under operating leases (net of any incentive received from the lessor) were charged to income statement on a straight-line basis over the period of the lease.

At December 31, 2018, almost all of the Group's leases were classified as operating leases.

Accounting policy applicable from January, 1st 2019

Definition of a lease

A contract is, or contains, a lease when it conveys the right to use an underlying asset for a period of time, in exchange for consideration. At inception of a contract, the Group assesses whether it meets the two following cumulative conditions to be qualified as a lease: its execution involves the use of an identified asset, and it conveys the right to direct the use of that identified asset.

Leases are recognized on the Group's statement of financial position as follows:

- an asset representing the right to use the underlying asset over the lease term,
- a liability for the obligation to make lease payments.

Right-of-use asset

The right-of-use asset is initially measured at cost at the lease commencement date, i.e. the date at which the underlying asset is available for use by the Group. The cost of a right-of-use asset comprises:

- The initial amount of the lease liability recognized;
- Lease prepayments made to the lessor, less any lease incentives received,
- Initial direct costs incurred, and
- Estimated restoration costs of the underlying asset, when applicable.

The right-of-use asset is subsequently depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. It is subject to impairment tests in accordance with IAS 36, *Impairment of assets*.

Lease liability

The lease liability is initially measured at the present value of lease payments to be made over the lease term.

These lease payments comprise:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable,
- Variable lease payments that are based on an index or a rate; and
- Payments of penalties for terminating the lease when the Group is reasonably certain to exercise the exit option at the lease commencement date.

The Group applies the practical expedient permitted by the standard allowing not to separate the lease component from other service components included in its property lease agreements. Accordingly, all fixed payments provided for in the lease agreement, whatever their nature, are included in the lease liability.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the commencement date if the interest rate implicit in the lease is not readily determinable. It corresponds to the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment, with similar terms and conditions. This rate is determined based on sovereign bond yields and credit spreads specific to the country in which the leased asset is located and contract maturity, adjusted for a duration factor in order to reflect the pattern of lease payments.

The lease liability is measured at amortized cost using the effective interest method. At each closing date, the lease liability is increased to reflect the accretion of interests and reduced by the lease payments made.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if the Group changes its assessment of whether it will exercise an option to extend or terminate the lease. In such a case, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded to the income statement if the carrying amount of the right-of-use asset has been reduced to zero.

Determination of lease term

The lease term is defined as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease if it is reasonably certain not to be exercised. Management applies judgement to determine the lease term when lease contracts include renewal options that are exercisable only by the Group. It considers all relevant factors that create an economic incentive to exercise the renewal option, such as the existence of leasehold improvements with a significant remaining value in its leased property assets. After the commencement date, the Group reassesses the lease term if there is a significant event or a change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew, or to terminate the lease.

Short-term leases and leases of low-value assets

The Group applies the recognition exemption for short-term leases (i.e. lease with a lease term of 12 months or less from the commencement date) and leases of low-value assets (mainly comprising IT equipment). Associated lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

Variable leases payments

Some leases for hotel properties contain contingent rent payments that are based on the hotel’s performance, as defined by the agreement. These payment terms are common practice in the Hospitality industry. Variable lease payments are recognized in the income statement in the period in which the condition that triggers those payments occurs.

In the case variable leases include guaranteed amounts payable to the lessor, such guaranteed amounts are considered to be in-substance fixed payments, and are included in the lease liability.

The Group mainly leases lands and buildings for its hotel properties and headquarters. The leases for hotels are typically made for a period from 15 to 20 years, and may include a renewal option. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The Group also identified lease agreements on other assets such as car parks, restaurants and stores located in its hotels and vehicles.

8.1 Right-of-use assets

The table below details the right-of-use assets by category of underlying assets:

	Right-of-use assets			
(€ in million)	Buildings	Other property assets	Vehicles	Total
At December 31, 2018	-	-	-	-
First application at january 1, 2019	999	71	8	1,078
Additions	155	6	3	163
Derecognitions	(4)	(0)	(0)	(4)
Depreciation expense	(144)	(5)	(3)	(152)
Impairment loss	(2)	-	-	(2)
Foreign exchange impacts	12	0	0	13
IFRS 5 reclassification	(565)	-	-	(565)
At December 31, 2019	**451**	**73**	**8**	**531**

8.2 Lease liability

At December 31, 2019, changes in the lease liability are analyzed as follows:

(€ in million)	
At December 31, 2018	-
First application at January, 1 2019	1,069
Additions	162
Accretion of interest	22
Payments	(161)
Foreign exchange impacts	13
IFRS 5 reclassification	(558)
At December 31, 2019	**548**

The maturity analysis of lease payments (before discounting impact) is as follows:

Less than 1 year	111
1 to 5 years	320
More than 5 years	163
Total	**594**

8.3 Amounts recognized in the income statement

In 2019, following amounts were recognized in the Group's consolidated income statement in relation to leases:

(€ in million)	**2019**
Rent expense for variable lease payments	(62)
Rent expense for short-term leases and low-value assets	(5)
Depreciation expense and impairment of right-of-use assets	(148)
Interest expense on lease liabilities	(14)
Total	**(229)**

The total expense recognized in 2019 comprises the full year impact of the acquisitions of Mövenpick Hotels & Resorts (September 2018) and Mantra (May 2018), which operate hotel assets under lease agreements.

Variable lease payments relate to leases for hotel properties that are based on the performance of the hotel, notably in Brazil. The Group does not expect the level of variable lease payments to materially change in future periods.

On the comparative 2018 reporting period, the total lease expense, presented as operating expense, amounted to €160 million, of which €148 million in relation to property assets and €12 millions in relation to non-property assets.

The total cash outflow for leases in 2019 was €219 million, excluding the payments related to Orbis' Hotel assets business classified as discontinued operations, of which:

- €135 million presented in cash flows from financing activities for the repayment of lease liability, and
- €84 million presented in cash flows from operating activities for the payment of interests on lease liability (€17 million) and the payment for leases not recognized in the statement of financial position (€67 million).

Note 9. Provisions

Accounting policy

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, but whose amounts and maturity are uncertain. Provisions are determined based on the best estimate of the expenditure required to settle the obligation, in application of certain assumptions. Provisions are discounted when the effect of the time value of money is material.

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 as of the period end. Where applicable, the amount of the provision includes late interest and penalties, if any. Other provisions are intended to cover specifically identified risks and claims and litigation arising in the normal course of business.

Movements in provisions over 2019 can be analyzed as follows:

(€ in million)	**Dec. 2018(*)**	IFRIC 23 reclass. (**)	Global result	Allowance	Reversal		Translation adjustment and other	IFRS 5 reclass	**Dec. 2019**
					Utilizations	Unused provisions			
Pensions and other benefits	102	-	14	14	(11)	(40)	2	(6)	75
Litigation and others	365	(27)	-	28	(38)	(28)	0	(6)	294
Restructuring	107	-	-	3	(32)	(11)	(29)	(2)	36
Provisions	**574**	**(27)**	**14**	**45**	**(80)**	**(78)**	**(27)**	**(14)**	**405**
• Including non-current	125	-	14	17	(14)	(45)	4	(12)	89
• Including current	449	(27)	-	28	(66)	(33)	(31)	(2)	316

(*) Restated amounts following the finalization of purchase price allocation of groups acquired in 2018 (see Note 7.1)
(**) The reclassification of provisions made as part of IFRIC 23 implementation is detailed in Note 15.3

Litigation provisions mainly include a provision covering risks associated with guarantees provided as part of AccorInvest disposal, recorded in 2018 for €262 million and partially reversed in 2019 for €39 million.

Changes in restructuring provisions are primarily explained by a €32 million reversal related to the transformation plan in Europe and voluntary departures in France, as well as costs related to FRHI Hotels & Resorts.

Changes in pensions provisions are primarily explained by a €37 million reversal related to the freeze of supplementary pension plans in application of the "Pacte Law" in France (see note 4.3).

Note 10. Financing and financial instruments

10.1 Financial result

Accounting policy

Cost of net debt includes interest received or paid on loans, receivables and debts measured at amortized cost, and gains and losses corresponding to the ineffective portion of related hedges. It also includes investment income from marketable securities and miscellaneous income from banks.

Other financial income and expenses mainly include gains and losses corresponding to the ineffective portion of hedges, dividend income from non-consolidated companies, exchange gains and losses and movements in provisions.

The financial result is analyzed as follows:

(€ in million)	**2018 (*)**	**2019**
Interests on bonds and bank borrowings	(57)	(60)
Other interests income and expenses	7	19
Interests on lease debt	-	(17)
Cost of net debt	(50)	(58)
Other financial income and expenses	(13)	(17)
Net financial result	**(63)**	**(75)**

(*) Restated amounts in application of IFRS 5

The €12 million negative impact is mainly attributable to:

- The booking of a €17 million interests expense resulting from the first application of IFRS 16 *Lease contracts* standard at January 1st, 2019, partially offset by an increase in interest income on the loan granted to sbe;
- An increase of €11 million in hedging costs.

Other financial income and expenses include the following items:

(€ in million)	**2018 (*)**	**2019**
Hedging	(9)	(19)
Exchange gains / (losses)	(6)	(2)
Dividend income	4	5
Movements in provisions	(2)	(1)
Other financial income and expenses	**(13)**	**(17)**

(*) Restated amounts in application of IFRS 5

10.2 Financial market instruments

10.2.1 Details of financial assets and liabilities

Accounting policy

Financial instruments are classified under the categories defined by IFRS 9. The classification of financial assets is based on the nature of their contractual cash-flows as well as the Group's business model for managing the assets.

Financial Assets

- Assets at amortized cost: These are financial assets held to collect contractual cash-flows that consist solely of payments of principal and interests at specified dates. They are initially measured at fair value, and subsequently measured at amortized cost using the effective interest method. This category mainly includes cash, trade receivables, time deposits and loans to non-consolidated entities.

- Assets at fair value through other comprehensive income: These are equity instruments not held for trading, for which the Group had irrevocably elected at initial recognition, and on a line-by-line basis, to present changes in fair value in other comprehensive income. This category mainly comprises investments in non-consolidated companies, initially recorded at cost, and subsequently measured at fair value, with no recycling of gains or losses to income statement upon disposal. Only dividends received are recorded in financial result. The cash flow hedge derivative instruments are also classified in this category.

- Assets at fair value through profit or loss: These include equity instruments, for which the Group had not, when applicable, elected the option of fair value through other comprehensive income as well as all other financial assets qualified as debt instruments that are not included in either of the above categories (in particular, when they do not have a fixed maturity or determinable cash flows). This category mainly includes units in mutual funds (SICAV, FCP) as well as derivatives instruments not eligible for hedge accounting.

Financial liabilities

- Financial liabilities at amortized cost: These are initially recognized at the fair value of the consideration transferred and are subsequently measured at amortized cost using the effective interest method. Transaction costs and premiums directly attributable to the issue of a financial liability are deducted from the initial fair value. Financial liabilities at amortized cost are amortized by the yield-to-maturity method over the life of the liability, based on the effective interest rate. This category consists primarily of bonds, drawdowns on bank lines of credit, bank overdrafts, trade payables and other payables.

- Financial liabilities at fair value through profit or loss: these are financial liabilities held for trading. This category corresponds mainly to derivative instruments.

Put options on non-controlling interests

The Group may grant put options to minority (non-controlling) interests on all or part of their investment. These options ("NCI put option") represent a financial liability for the Group. The liability is measured at the present value of the NCI put option' exercise price and a corresponding amount is deducted from shareholders' equity attributable to minority interests. The difference between the present value of the NCI put option and the book value of the minority interests is recorded in shareholders' equity – Group share, as a deduction from reserves. The financial liability is adjusted at each period end to reflect changes in the exercise price of the NCI put option, with a corresponding adjustment to shareholders' equity.

The breakdown of the financial market instruments is as follows:

(€ in million)	Breakdown by financial market instrument classes					
	Fair value through P&L	Fair value through equity	Assets at amotized cost	Debt at amortized cost	Dec. 2019	Dec. 2018
Loans	-	-	240	-	240	219
Non-consolidated investments	-	109	-	-	109	74
Deposits	-	-	35	-	35	45
Trade receivables	-	-	649	-	649	617
Cash and cash equivalents	-	525	1,754	-	2,279	2,820
Receivables on disposals	-	-	54	-	54	25
Derivatives	8	-	-	-	8	30
Financial assets	**8**	**634**	**2,731**	**-**	**3,373**	**3,830**
Bonds	-	-	-	2,416	2,416	2,630
Bank borrowings	-	-	-	290	290	319
Finance lease liabilities	-	-	-	172	172	1,070
Trade payables	-	-	-	441	441	426
Derivatives	33	15	-	-	48	9
Financial liabilities	**33**	**15**	**-**	**3,318**	**3,366**	**4,453**

10.2.2 Hierarchies at fair value

Accounting policy

IFRS 13 establishes a hierarchy of valuation techniques for financial instruments identified as follows:

- Level 1: inputs based on quoted prices (unadjusted) in active markets for a similar instrument;
- Level 2: valorization technique using the observable data in an active market for similar instrument;
- Level 3: prices established using valuation techniques drawing on non-observable inputs.

(€ in million)	Dec. 2019		Hierarchy of fair value		
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Non-consolidated investments	109	109	-	-	109
Mutual funds units	525	525	525	-	-
Derivatives - assets	8	8	-	8	-
Derivatives - liabilities	48	48	-	48	-

The fair value of mutual fund units corresponds to the period-end net asset values.

The fair value of investments in non-consolidated companies corresponds to the market price for shares traded on an active market or the estimated value for other shares, determined using the most appropriate financial criteria under the circumstances.

The fair value of forward foreign exchange contracts and interest rate and currency swaps corresponds to the market price that the Group would have to pay or receive to unwind these contracts.

10.3 Group net debt

10.3.1 Breakdown of net debt

At December 31, 2019, Group net debt amounts to €1,333 million and is analyzed as follows:

(€ in million)	**Dec. 2018**	**Dec. 2019**
Bonds	2,630	2,416
Negociable commercial paper	-	200
Bank borrowings	319	290
Bonds and bank borrowings	**2,949**	**2,906**
Other financial debts	1,070	172
Derivative financial instruments	9	48
Gross financial debt	**4,027**	**3,126**
Lease liability		548
Total financial debt	**4,027**	**3,674**
• Of which, long-term liabilities	2,760	3,281
• Of which, short-term liabilities	1,268	393
Cash and cash equivalents	2,820	2,279
Other current financial assets	25	54
Derivative financial instruments	30	8
Financial assets	**2,874**	**2,341**
Net debt	1,153	**1,333**

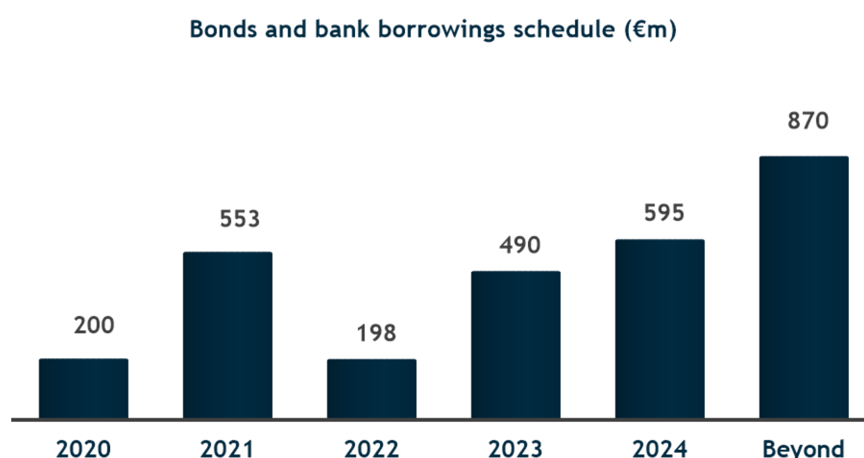
The breakdown of the variation of the period is as follows:

(€ in million)	Dec. 2018	Cash flows	Other changes					Dec. 2019
			IFRS 16	Translation adjustments	Fair value	IFRS 5	Others	
Bonds	2,630	(104)		5	-	(117)	1	2,416
Negociable commercial paper	-	200		-	-	-	-	200
Bank borrowings	319	(23)		(1)	-	(4)	(1)	290
Other financial debts	1,070	(864)		5	-	(2)	(38)	172
Derivative financial instruments	9	-		-	(3)	-	43	48
Gross financial debt	**4,027**	**(791)**	**-**	**9**	**(3)**	**(123)**	**5**	**3,126**
Lease liability	0	(161)	1,069	12	-	(558)	184	548
Total debt	**4,028**	**(952)**	**1,069**	**21**	**(3)**	**(681)**	**189**	**3,674**
Cash and cash equivalents	2,820	(419)		16	-	(153)	16	2,279
Other current financial assets	25	26		2	-	(1)	2	54
Derivative financial instruments	30	-		-	-	-	(22)	8
Financial assets	**2,874**	**(393)**	**-**	**18**	**-**	**(154)**	**(4)**	**2,341**
Net debt/(cash)	**1,153**	**(559)**	**1,069**	**4**	**(3)**	**(527)**	**194**	**1,333**

10.3.2 Analysis of gross financial debt

Bonds and bank borrowings by maturity

The maturity profile of bonds and bank borrowings is one of the indicators used to assess the Group's liquidity position. At December 31, 2019, maturities of long and short-term debt were as follows:



In 2019, financial interests on bonds and bank borrowings amount to €60 million. Financial costs are estimated at €50 million for the period from January 2020 to December 2020.

These estimates are based on the average cost of debt at the end of the period, after hedging, assuming that no facilities will be rolled over at maturity.

Analysis of bonds and bank borrowings by currency

(€ in million)	Before hedging			After hedging		
	Amount	Rate	% of total debt	Amount	Rate	% of total debt
Euro	2,755	+2%	+95%	1,429	2%	49%
Australian dollar	-	-	-	588	4%	20%
US dollar	-	-	-	333	3%	11%
Swiss franc	138	+2%	+5%	288	1%	10%
Pound sterling	-	-	-	108	1%	4%
Chinese cny	-	-	-	35	3%	1%
Japanese yen	-	-	-	35	0%	1%
Maurice roupie	14	+8%	+0%	-	-	-
Other currency	-	-	-	90	3%	3%
Bonds and bank borrowings	**2,906**	**+2%**	**+100%**	**2,906**	**+2%**	**+100%**

Analysis of bonds and bank borrowings by interest rate (after hedging)

At 31 December 2019, 80% of long and short-term debt was fixed rate, with an average rate of 1.8%, and 20% was variable rate, with an average rate of 4%. At December 31st 2019, fixed rate debt was denominated primarily in Euro (49%).

Breakdown of bonds

Bonds at December 31, 2019 break down as follows:

Nominal amount	Local currency	Date of issuance	Maturity	Initial interest rate (%)	Dec. 2018	Dec. 2019
600	M EUR	jan-17	jan-24	1.25%	594	595
600	M EUR	feb-19	feb-26	1.75%	0	580
900	M EUR	feb-14	feb-21	2.63%	904	552
500	M EUR	sep-15	sep-23	2.38%	488	491
150	M CHF	jun-14	jun-22	1.75%	133	138
60	M EUR	dec-14	feb-21	1.68%	60	60
600	M EUR	mar-13	mar-19	2.5%	335	-
300	M PLN	jun-15	jun-20	2.76%	70	-
200	M PLN	jul-16	jul-21	2.69%	47	-
Bonds and bank borrowings					**2,630**	**2,416**

On February 4, 2019, the Group issued a 7-year bond for €600 million, with an annual coupon of 1.75%. The Group took advantage of favorable conditions on the credit market to optimize its cost of debts and lengthen the average maturity of its debt. This new bond enabled the Group to redeem the bond maturing in March 2019 and to partially repurchase €350 million on bonds maturing in 2021 issued in February 2014.

At December 31, 2019, Orbis' bonds are presented in Assets held for sale (see note 2.2.1).

Covenants

None of the loan agreements include any rating triggers. However, certain loan agreements include acceleration clauses that may be triggered in the event of a change of control, following the acquisition of more than 50% of outstanding voting rights. Among the €2,906 million bonds and bank borrowings, a total of €2,628 million worth is subject to such clauses. In the case of bonds, the acceleration clause can be triggered only if the change of control leads to Accor' credit rating being downgraded to non-investment grade.

Note, however, that in the case of the syndicated loan renegotiated in June 2018, the early redemption clause can be triggered if Accor does not comply with the leverage ratio covenant (consolidated net debt to consolidated EBITDA before application of the Leases contracts standard (IFRS 16).

In addition, in the case of the €300 million mortgage loan negotiated in October 2018 to fund the acquisition of the headquarter building of the Group, the early redemption clause can be triggered if the Société Civile Immobilière Sequana does not comply with the Loan-to-Value (debt to the value of the asset) and Interest cover ratios.

None of the loan agreements include a cross default clause requiring immediate repayment in the event of default on another facility. Cross acceleration clauses would be triggered solely for borrowings and only if material amounts were concerned.

Unused confirmed credit line

At December 31st, 2019, The Group has a revolving credit facility for EUR 1,200 million (maturity in June 2023)

10.3.3 Current financial assets

At December 31, 2019, current financial assets break down as follows:

(€ in million)	**Dec. 2018**	**Dec. 2019**
Other negotiable debt securities	1,718	1,528
Mutual funds units convertible into cash	833	525
Cash	268	227
Cash and cash equivalents	2,820	2,279
Short-term loans	20	54
Receivables on disposals of assets	5	0
Other current financial assets	25	54
Derivative instruments in assets	30	8
Current financial assets	**2,874**	**2,341**

10.4 Other non-current financial assets

	Dec. 2018	Dec. 2019		
(€ in million)	Net book value	Gross value	Depreciation	Net book value
Long-term loans	219	246	(6)	240
Deposits	45	35	-	35
non current assets at amortized cost	**264**	**281**	**(6)**	**275**
Investments in non-consolidated companies	74	109	n.a.	109
non current assets at fair value	**74**	**109**	**n.a.**	**109**
Total	**339**	**390**	**(6)**	**383**

10.4.1 Long-term loans

On December 31, 2019, long-term loans breakdown is as follows:

(€ in million)	Dec. 2018	Dec. 2019
sbe	175	202
Hotels, Asia-Pacific	21	17
Others	24	21
Total	**219**	**240**

At December 31, 2019, long-term loans mainly consisted of a loan to sbe for an amount of €202 million, at a rate interest from 5.5% to 7.75%. Interests on this loan are capitalized.

10.4.2 Investments in non-consolidated companies

Investments in non-consolidated companies breakdown is as follows:

(€ in million)	Dec. 2018	Dec. 2019
A-Htrust / Ascott Residence Trust	23	32
Raise Investment	13	14
Banyan Tree	15	11
Others	24	52
Total	**74**	**109**

The change in fair value of investments in non-consolidated companies during the year amounted to 4 million euros.

10.5 Derivative financial Instruments

Accounting policy

Derivative financial instruments are used to hedge exposures to changes (to which it is confronted in the frame activities) in interest rates and exchange rates.

These instruments are recognized in the consolidated statement of financial position and measured at fair value as follows:

- The fair value of currency derivatives is determined based on the forward exchange rate at the period end.
- 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 accounting treatment of changes in fair value of derivative instruments depends on whether or not they are qualified as hedge accounting.

Derivative instruments designated as hedging instruments

Accor uses two types of hedges:

- Fair value hedges of assets and liabilities that are measured at fair value in the statement of financial position. Gains or losses arising from changes in the fair value of the underlying asset or liability are recorded in profit or loss and are offset by the effective portion of the loss or gain on the fair value hedge.

- Cash flow hedges: The effective portion of the gain or loss on the derivative instrument is initially recognized in « Other comprehensive income » and subsequently reclassified to the income statement when the hedged item affects profit or loss. The ineffective portion of the gain or loss is recognized directly in financial result.

- Hedge of a net investment in a foreign operation: The effective portion of the gain or loss on the hedging instrument is initially recognized in « Other comprehensive income » and subsequently reclassified to the income statement on disposal of the investment, either on a full-basis, in case of derecognition, or up to the Group share otherwise. The ineffective portion of the gain or loss is recognized directly in financial result.

Hedge accounting is applied when, at the inception of the hedging relationship, there is a formal designation and documentation of the hedging relationship, and the hedging relationship meets all of the hedge effectiveness requirements at inception and throughout the duration of the hedge.

Other derivative instruments

Other derivative instruments are measured at fair value, with changes in fair value recognized in net result.

At December 31, 2019, derivatives financial instruments are as follows:

(€ in million)	**Dec. 2018**	**Dec. 2019**
Interest rate hedges	10	8
Currency Hedging	20	-
Derivatives financial instruments - assets	**30**	**8**
Interest rate hedges	9	16
Currency Hedging	-	32
Derivatives financial instruments - liabilities	**9**	**48**

10.5.1 Currency hedging

At December 31, 2019, characteristics of the currency hedging are as follows:

(€ in million)	Dec. 2019 Nominal amount	Dec. 2019 Fair value
Zloty (PLN)	1,072	(3)
Australian dollar (AUD)	588	(13)
American dollar (USD)	333	(15)
Swiss Franc (CHF)	150	1
British pound (GBP)	108	(3)
Others	129	0
Currency hedging	**2,380**	**(32)**

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 sold or purchased in this currency (converted at the period-end forward exchange rate) and the amount purchased or sold in the counter currency (converted at the period-end forward exchange rate).

At 31 December 2019, the main covered positions are the following:

- Hedging of an AUD$ 900 million intercompany loan through a EUR/AUD Cross Currency Swap maturing in December 2028 (designated as Cash Flow Hedge),
- Forward sale concerning Orbis disposal project for a nominal amount of PLN 4,845 million, i.e. €1,100 million (designated as Cash Flow Hedge),
- Hedging of the financing granted to sbe for a nominal amount of USD$ 202 million, maturing in 2021 (designated as Fair Value Hedge)
- Hedging of assets in Swiss Franc following Mövenpick Hotels & Resorts acquisition (designated as Net Investment Hedge).

All other currency hedging instruments purchased by the Group relate to intercompany loans loans granted or received in foreign currencies.

At 31 December 2019, the total fair value of currency derivatives was €32 million, recorded in liabilities.

10.5.2. Interest rate hedges

At December 31, 2019, the characteristics of the interest rate hedges are the following:

(€ in million)	Dec. 2019 Nominal Amount	Dec. 2019 Fair Value
Rate swaps	594	(12)
Interest rate hedging	**594**	**(12)**

Hedging instruments on interest rates all have a term beyond 2020.

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.

The portfolio comprises mainly:

- Interest rate swaps converting interest on part of the Group's bond debt to variable rate, designated as Fair Value Hedge (fair value of the swap: €8 million),
- Interest rate swaps fixing interest on the €294 million mortgage loan set up for the acquisition of the head office completed in October 2018, designated as Cash Flows Hedge (fair value of €(20) million).

At 31 December 2019, the total fair value of rates derivatives was €12 million, recorded in liabilities.

Note 11. Income tax

Accounting Policy

Income tax expense (or benefit) includes both current and deferred tax expense.

Deferred taxes are recognized using the liability method on temporary differences between the carrying amount of assets and liabilities and their tax base. They are measured using the tax rates enacted or substantively enacted by the end of the reporting period that are expected to apply to the period when the asset is realized or the liability is settled. The effects of changes in tax rates (and tax laws) are recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive items, for the period in which the rate change is announced.

Deferred tax assets are recognized only to the extent that they can be utilized against future taxable profits. The recoverability of deferred tax assets is reviewed periodically by taxable entity. Based on the results of the review, previously recognized deferred tax assets may be derecognized. The recoverability of deferred tax assets is assessed based on business plans prepared the Group companies, taking into account projected taxable profits (usually over a five-year period), past experience and local legal and tax environment.

The Group recognizes deferred taxes on the temporary differences resulting from the assets and liabilities recognized in relation to its lease agreements. On initial recognition, there is no temporary difference as the values of the asset equals the value of the liability. Subsequently, a deferred tax is recognized for the net amount of taxable and deductible temporary differences.

The tax assessed on the value added by the business (“CVAE”) is included in the income tax for the year.

The Group applies the IFRIC 23 guidance for income tax :

- A liability is recognized in the consolidated statement of financial position when a tax risk arising from positions taken by the Group, or one of its subsidiary, is considered as probable, assuming that the tax authorities have full knowledge of all relevant information when making their examination,
- The Group determines the level, which is the more relevant, to assess a tax risk considering the specific facts and circumstances and the nature of the risk considered,
- When applicable, the liability recognized corresponds to the amount expected to be paid, and is measured using the method, which reflects the Group’s best estimate of the underlying risk.

11.1. Income tax in consolidated income statement

11.1.1 Income tax expense for the period

(€ in million)	**2018 (*)**	**2019**
Current tax	(143)	(136)
Deferred tax	34	(2)
Income Tax	**(109)**	**(138)**

(*) Restated amounts in application of IFRS 5

11.1.2 Income tax expense analysis

(€ in million)		2018	2019
Profit before tax	(a)	**90**	**603**
Non deductible impairment losses		225	174
Tax on share of profit (loss) of associates		30	32
Others		14	6
Total permanent differences	(b)	**269**	**212**
Untaxed profit and profit taxed at a reduced rate	(c)	**91**	**(444)**
Profit taxed at standard rate	(d) = (a) + (b) + (c)	**450**	**371**
Standard tax rate in France	(e)	**+34.4%**	**+34.4%**
Tax at standard French tax rate	(f) = (d) x (e)	**(155)**	**(128)**
. Differences in foreign tax rates		39	8
. Unrecognized tax losses for the period		(68)	(40)
. Utilization of tax loss carryforwards		13	24
. Share of profit (loss) of associates		30	32
. Net charges to/reversals of provisions for tax risks		0	(2)
. Company value-added contribution (CVAE)		(6)	(6)
. Changes in tax rates		16	(1)
. Other items		22	(25)
Total effects on tax at standard French tax rate	(g)	**46**	**(10)**
Income tax expense	(h) = (f) + (g)	**(109)**	**(138)**

(*) Restated amounts in application of IFRS 5

At December 31, 2019, the income tax rate remains unchanged at 34.43%, including “contribution sociale de solidarité” tax of 3.3% based on the standard tax rate in France 33.3%.

11.2. Deferred tax assets and liabilities

The main natures of deferred tax assets and liabilities are the following:

(€ in million)	**Dec. 2018(*)**	**Dec. 2019**
Intangible assets	(564)	(570)
Property, plant and equipment	(17)	(14)
Recognized tax losses	66	67
Provision for employee benefits	39	33
Provision for contingencies	62	63
Impairment losses	8	5
Others	32	30
Total net deferred tax	**(374)**	**(386)**
• Deferred tax assets	199	218
• Deferred tax liabilities	(573)	(604)

(*) Restated amounts following the finalization of purchase price allocation of groups acquired in 2018 (see Note 7.1)

Deferred taxes liabilities on intangible assets mainly concern the FRHI Group acquired in 2016.

Deferred tax assets recognized on provision for contingencies are mainly related to the provision of €224 million set up to cover the future risks associated with the guarantees provided on AccorInvest disposal.

11.3. Unrecognized deferred tax

Unrecognized deferred tax assets amount to €439 million at December 31, 2019 (€420 million at December 31, 2018). They mainly correspond to evergreen tax loss carry-forwards in Luxembourg (€133 million), in France (€101 million), in Belgium (€84 million) and in the US (€33 million).

Unrecognized deferred tax assets will expire in the following periods if not utilized:

(€ in million)	Deductible temporary differences	Tax loss carryforwards	Total
From 2018 to 2021	1	19	20
2022 and beyond	-	2	2
Evergreen	4	412	417
Total	**5**	**433**	**439**

Note 12. Shareholders' Equity and diluted earning per share

Accounting policy

Shareholders' equity is attributable to two categories of owners: owners of the parent (Accor SA shareholders) and owners of non-controlling interests (minority interests).

Transactions with minority interests

Transactions with minority interests leading to a change in a parent's ownership interest in a subsidiary that does not result in the parent losing control of the subsidiary are equity transactions (i.e. transactions with owners in their capacity as owners). If an additional interest is acquired in a controlled company, the difference between the purchase price of the shares and the additional share of net assets acquired is recognized in shareholders' equity, Group share. The carrying amount of the subsidiary's assets and liabilities, including goodwill, is unchanged.

Equity instruments

The classification in shareholders' equity depends on the specific analysis of the characteristics of each instrument issued by the Group. An instrument is classified as an equity instrument if it does not include any contractual obligation to pay cash or another financial asset to the holder. In particular, instruments that are redeemable at the Group's initiative and that entitle holders to a dividend are classified in shareholders' equity.

12.1. Share capital

12.1.1 Shareholders

At December 31, 2019, Jin Jiang is Accor' leading shareholder with 11.6% of the share capital corresponding to 15.8% of voting rights. Moreover, following the acquisition of the FRHI Group, whose capital was held by Qatar Investment Authority (QIA) and Kingdom Holding Company (KHC), these companies became shareholders of Accor SA in July 2016 and respectively hold 10.9% and 6.1% of the Company's share capital, representing 16.9% and 9.2% of voting rights.

Harris Associates also holds 7.3% of the Company's share capital and 5.6% of voting rights.

Finally, China Lodging Group (Huazhu) holds 3.1% of the Company's share capital and 2.4% of voting rights.

12.1.2 Changes in share capital

At December 31, 2019, Accor SA's share capital was made up of 270,932,350 shares with a par value of €3 each, all fully paid. Changes in the number of outstanding shares during 2019 were as follows:

In number of shares	2019
Number of issued shares at January 1, 2019	**282,607,800**
Performance shares vested	844,250
Employee ownership plan	613,058
Shares issued on exercise of stock options	258,944
Shares cancelled	(13,391,702)
Number of issued shares at December 31, 2019	**270,932,350**

On December 19, 2019, the Group carried out an employee rights issue as part of the Share 19 employee share plan. A total of 613,058 new shares with a par value of €3 were issued at a price of €33.11 per share. Share premiums recorded in 2019 totaled €18 million. This amount represents the difference between the par value of the new shares and the issue proceeds received by Accor net of share issuance costs.

12.1.3 Distribution of dividends

On May 14, 2019, the Group paid a dividend of €1.05 per share for 2018 financial year results in the form of a cash payment of €283 million.

12.1.4 Perpetual subordinated notes

On January 24, 2019, Accor placed a €500 million perpetual hybrid bond with a 4.375% coupon. On October 23, 2019, Accor placed a second €500 million perpetual hybrid bond with a 2.625% coupon. These bond issues enabled the Group to partially repurchase €772 million on the €900 million perpetual subordinated bonds issued in June 2014, with a first call date in 2020 and a fixed coupon until that date, then with a step-up clause every 5 years.

In accordance with IAS 32 *Financial instruments*, these two bond issues were recorded as an equity instrument in the Group's consolidated statement of financial position. Accor has an unconditional right to avoid delivering cash: repayment of principal amount is at its sole discretion and payment of coupons is subject to events under its control, such as a decision to pay dividends to holders of ordinary shares.

In 2019, interest payments on perpetual subordinated notes amounted to €42 million. These payments are analyzed as a profit distribution.

12.1.5 Share buy-back program

As authorized by the Annual General meeting on April 20th, 2018, the Group implemented a share buy-back program over a two-year period, through investment services providers, that would cover up to a maximum of 29 million shares.

As at December 31, 2018, the Group had acquired 9,240,421 shares of which:

- 8,378,765 shares at an average price of €42.4947 per share for the first tranche. These shares were then cancelled by way of capital decrease completed on December 31st,2018.
- 861,656 shares at an average price of €36.1091 per share for the second tranche launched on December 20th, 2018. Those shares have been canceled in 2019.

During 2019, the Group completed the second tranche of the program and acquired 12,530,046 shares at an average price of €37.4076 per share. These shares were cancelled by way of capital decrease completed on June 28, 2019.

12.1.6 Consolidated reserves

Items recognized directly in shareholders' equity group share are the following:

(€ in million)	**Dec. 2018**	IFRIC 23	Change	**Dec. 2019**
Currency translation reserve	(321)	-	158	(163)
Changes in fair value of financial Instruments	(43)	-	17	(25)
• of which non-consolidated investments	*(27)*	-	*17*	*(11)*
• of which derivative instruments	*(15)*	-	*1*	*(15)*
Reserve for actuarial gains/losses	(90)	-	(24)	(114)
Share based payments	239	-	29	268
Retained earnings and others	3,317	(38)	829	4,108
Reserves - Group share	**3,102**	**(38)**	**1,010**	**4,074**

12.1.7 Currency translation reserve

The currency translation reserve breaks down as follows:

(€ in million)	**2018**	Change	**2019**
British sterling (GBP)	(124)	3	(121)
Brazilian real (BRL)	(92)	(1)	(93)
Chinese yuan (CNY)	(40)	7	(33)
Canadian dollar (CAD)	(54)	66	12
Polish zloty (PLN)	16	8	25
Swiss Franc (CHF)	6	23	28
United States dollar (USD)	58	23	81
Other currencies	(92)	24	(68)
Currency translation reserve	**(322)**	**154**	**(168)**
Translating foreign operations, Group share	(321)	158	(163)
Translating foreign operations, minority interests	(1)	(4)	(5)

Exchange differences on 2019 represent a positive impact of €154 million, mainly explained by the appreciation of the Canadian Dollar (€66 million), the Swiss Franc (€23 million) and the US Dollar (€23 million).

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

	GBP	BRL	CNY	CAD	PLN	CHF	USD
December 2018	0,8945	4,4440	7,8751	1,5605	4,3014	1,1269	1,1450
December 2019	0,8571	4,5220	7,7652	1,4577	4,2609	1,0870	1,1075

For the period presented, the Group has no significant subsidiaries in hyper-inflationary economies.

12.2 Minority interests

12.2.1 Breakdown of minority interests

Minority interests break down as follows:

(€ in million)	**Dec. 2018 (*)**	Change	**Dec. 2019**
Orbis Group	72	7	79
Others minority interests	43	27	70
Minority interests	115	33	**148**

(*) Restated amounts following the finalization of price purchase allocation of groups acquired in 2018 (see Note 7.1)

The change over the period is mainly explained by the recognition of Rixos Hotels & Resorts's minority interests for €25 million following the takeover of Accor (see note 2).

12.2.2 Information about material minority interests

Material minority interests mainly concern Orbis, of which the Group holds 85.8% of the capital and voting rights. In the frame of Orbis disposal project, the detailed financial information are presented in note 2.2.1.

Minority interests in other subsidiaries are not individually significant.

To the best of the Group's knowledge, no minority shareholders have any particular protective rights that could materially affect Accor' ability to use and dispose of its subsidiaries' assets or use and settle their liabilities.

12.3 Diluted earnings per share

Accounting policy

Basic earnings per share are calculated by dividing net profit Group share, less interest paid to holders of subordinated notes, by the weighted average number of shares outstanding during the year.

Diluted earnings per share are determined by adjusting the weighted average number of shares for the effects of all potentially dilutive instruments (stock options and performance shares). Stock options are considered as potentially dilutive if they are in the money. The adjustment is performed using the treasury stock method.

Earnings per share are calculated as follows:

(€ in million)	**2018**	**2019**
Net profit, Group share	**2,233**	464
Hybrid capital dividend payment	(37)	(42)
Adjusted Net profit, Group share	**2,196**	**422**
Weighted average number of ordinary shares	288,491,096	271,823,856
Fully diluted weighted average number of shares	289,007,464	272,289,941
Earnings per share (in euros)	**7.61**	**1.55**
Diluted earnings per share (in euros)	**7.60**	**1.55**

At December 31, 2019, the weighted average number of ordinary shares is computed as follows:

Outstanding shares	**270,932,350**
Effect of share issued	(982,753)
Effect for stock option plans exercised during the period	(79,534)
Cancellation of shares	6,530,748
Weighted average number of ordinary shares	**276,400,811**
Average number of own shares	(4,576,956)
Weighted average number of ordinary shares excluding own shares	**271,823,856**
Number of shares resulting from the exercise of stock options	74,596
Number of shares resulting from performance shares granted	391,490
Fully diluted weighted average number of shares	**272,289,941**

Note 13. Unrecognized items

13.1 Off-Balance Sheet commitments

Accounting policy

Commitments given and received by the Group correspond to outstanding contractual obligations that are conditional upon the satisfaction of future conditions or the completion of future transactions. At December 31, 2019, to the best of the Group's knowledge, there were no commitments likely to have a material effect on the Group's current or future situation other than those disclosed in this note.

13.1.1 Commitments given

Off-balance sheet commitments (which are not discounted) given at December 31, 2019 break down as follows:

(€ in million)	Less than 1 year	1 to 5 years	Beyond 5 years	Total
Commitments given in the normal course of business	51	46	17	114
Commitments increasing net debt	26	21	8	55
Commitments related to development	3	6	-	9
Commitments given	**79**	**73**	**25**	**177**

Commitments given for current operations are mainly composed of key money, of which €49 million concerned Fairmont hotels and €12 million for Australian hotels.

Following IFRS 16 application, lease commitments related to headquarters and hotels assets are now recognized in the Group statement of financial position (see Note 15).

Commitments given related to assets held for sale and discontinued activities amount to €222 million including lease commitments for contracts not yet started for €164 million.

13.1.2 Commitments received

Off-balance sheet commitments received (not discounted) at December 31, 2019 break down as follows:

(€ in million)	Less than 1 year	1 to 5 years	Beyond 5 years	Total
Guarantees received in the normal course of business	5	4	5	14
Commitments received	**5**	**4**	**5**	**14**

The guarantees received in the normal course of business mainly correspond to bank guarantees.

13.2 Litigations, contingent assets and liabilities

Accounting policy

A contingent asset or liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Contingent assets and liabilities are not recognized in the statement of financial position but are disclosed in the notes to the financial statements.

In the normal course of business, the Group may be exposed to claims, litigation and legal proceedings. All known outstanding claims, litigation and legal proceedings involving Accor or any Group company were reviewed at the period-end and all necessary provisions were set aside to cover the estimated risks. To the best of management's knowledge, there are no contingent liabilities that could have a material adverse effect on the Group's financial position or business.

The main outstanding claims and litigation are presented below.

Litigation Dividend withholding tax

In 2002, Accor SA mounted a legal challenge to its obligation to pay "précompte" dividend withholding tax on the redistribution of European source dividends on the grounds that it breached European Union rules.

In the dispute between Accor SA and the French State, on December 21, 2006 the Versailles Administrative Court ruled that Accor SA 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 SA during the first half of 2007, together with €36 million in late interest due by the French State. The French State appealed the ruling at Court of Appeal, however the Versailles Administrative Court confirmed Accor SA's right to the refund. As the State had not yet exhausted all avenues of appeal, a liability was recognized for the amounts received and the financial impact of the rulings by the Versailles Administrative Court and Court of Appeal was not recognized in the financial statements.

Before ruling on the French State's appeal, the French Supreme Court of Appeal applied to the European Court of Justice (ECJ) for a preliminary ruling on the issue. The ECJ held that the French précompte/tax credit system restricts the freedom of establishment and free movement of capital.

In its ruling handed down on December 10, 2012, the French Supreme Court of Appeal considered that the dividend tax credit and précompte withholding tax systems had been shown to be incompatible and restricted Accor SA right to a refund of €6 million. Therefore, Accor SA refunded to the French state €185 million including the late interest in the first semester of 2013. Accor has noted the Supreme Court of Appeal's decision and intends to continue to use the avenues available to it to defend its position in the dispute with the French tax authorities.

On February 7, 2007, Accor SA filed an application originating proceedings in front of the Cergy Pontoise Court on the same grounds, to obtain a refund of the €187 million in "précompte" dividend withholding tax paid in the period 2002 to 2004.

In a ruling handed down on May 27, 2014, the Cergy Pontoise decided the refund to Accor SA €7 million for the principal and €3 million of interest. These amounts are recorded in the statement of financial position since June 30, 2014, as Accor SA appealed the decision before the Versailles Administrative Court of Appeal on July 23, 2014 and the ruling is therefore not final.

On July 10, 2017, the European Commission summoned France to appear before the EJC due to its failure to comply with the ECJ's ruling referred to above in that the calculation method applied by the French Supreme Court to Accor and other companies restricted their right to a refund of the "précompte". A EUCJ decision on Oct 4, 2018 convicted again the French state on the "précompte" refund litigations. An answer of the French state is expected the earliest possible.

Tax audit at Accor SA

On December 26, 2013, the tax authorities notified the Company of proposed adjustments to its 2010 and 2011 accounts. The tax authorities were challenging the independent valuation of the Accor Services brands that was used by Accor SA to calculate the capital gain on the brands contributed at the time of the Group's demerger in 2010 and they have also queried the alleged waiver by Accor SA of income due by its wholly-owned Brazilian subsidiary, Hotelaria Accor Brasil S.A. The total risk including late interest is estimated at €30 million.

Following Accor SA observations and an appeal to the department head, the tax authorities have only maintained the reassessment concerning the alleged waiver of income from its Brazilian subsidiary, Hotelaria Accor Brasil S.A, This led to a reduction in back taxes due as a result of the reassessments, from €30 million to €8 million (including late interests), of which €4 million paid to the tax authorities in 2015 and the outstanding amount in 2016. As a consequence, the contingency provision has been fully reversed on December 31, 2016.

Accor Group will continue to assert its rights toward the competent authorities and contest this rectification proposal.

Accor Group has gone to the Administrative Court in August 2018 to contest this reassessment. In September 2019, the Group received a partial reimbursement of €1.4 million from tax administration in respect of this dispute.

13.3 Subsequent Events

Share buy-back program

On January 20th 2020, Accor announced it has initiated a share buy-back program, assigned to an investment services provider, for an amount of €300 million. The purchase period goes from January 20th, 2020 to June 30th, 2020. The purchase price per share shall not exceed the maximum price of €70 set by the Ordinary Shareholders' Meeting held on April 30th, 2019. This program aims to complete the share buy-back launched in 2018.

Note 14. Other information

14.1 Related parties

Companies that exercise significant influence over Accor

At December 31, 2019, the following companies exercised significant influence over the Company:

- Jin Jiang, the Company's leading shareholder with 11.6% of the capital and 15.8% of the voting rights.
- Qatar Investment Authority (QIA) and Kingdom Holding Company of Saudi Arabia (KHC), which respectively acquired 10.9% and 6.1% of the Company's capital (representing 16.9% and 9.2% of the voting rights), following the acquisition of FRHI Group by Accor. Pursuant to the agreements signed at the time of this transaction, QIA has two seats on the Board of Directors and KHC has one seat.

The following agreements are considered related party agreements:

- Agreement with Eurazeo concerning the governance of Grape Hospitality, a company controlled by Eurazeo and accounted in Group's consolidated financial statements as investment in associates, and Grape Hospitality's franchise agreements for the operation of hotels under Accor banners.
- Agreement concluded over the second semester 2018 with Katara Hospitality, subsidiary of QIA, with a view to set-up an investment fund (Kasada Capital Management) dedicated to Hospitality in Africa.
- Agreement concluded on February 21th, 2019 with SASP Paris Saint Germain Football, owned by Qatar Sport Investment (QSI), subsidiary of QIA, in order to become the principal partner and official jersey sponsor of Paris-Saint-Germain from the 2019/2020 season.

Fully consolidated companies and all associated companies accounted for by the equity method

Transactions between the Company and its subsidiaries, joint-ventures and associates are concluded in the normal course of business operations. The transactions with subsidiaries are eliminated in the Group's consolidated financial statements. When appropriate, the main transactions with equity accounted investments are mentioned directly in the associated notes (see Notes 3.1, 9 and 10.4).

Members of the Executive Committee and the Board of Directors

Transactions with members of the Executive Committee and Board of Directors are presented in Note 4.
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 normal course of business on arm's length terms and are not material.

14.2 Fees paid to auditors

The table below shows the total fees billed by the Auditors recognized in the Group income statements in 2019 and prior year:

	2018			2019		
(€ in million)	**Deloitte**	**EY**	**Total**	**PwC**	**EY**	**Total**
Fees related to certification of accounts						
- Issuer	0.5	0.6	1.2	0.7	1.2	1.9
- Fully consolidated subsidiaries	1.5	1.4	2.8	1.3	1.7	3.0
Subtotal	**2.0**	**2.0**	**4.0**	**1.9**	**2.9**	**4.9**
Fees for services other than certification of accounts						
- Services required by laws and regulations		-	-	0.0	0.1	0.2
- Due diligence services	0.3	0.2	0.5	0.6	-	0.6
- Tax services (*)	0.4	1.0	1.5	0.7	0.6	1.3
- Others services (**)	0.7	0.4	1.1	0.6	0.2	0.8
Subtotal	**1.4**	**1.6**	**3.1**	**1.9**	**0.9**	**2.8**
Total	**3.4**	**3.6**	**7.1**	**3.8**	**3.9**	**7.7**

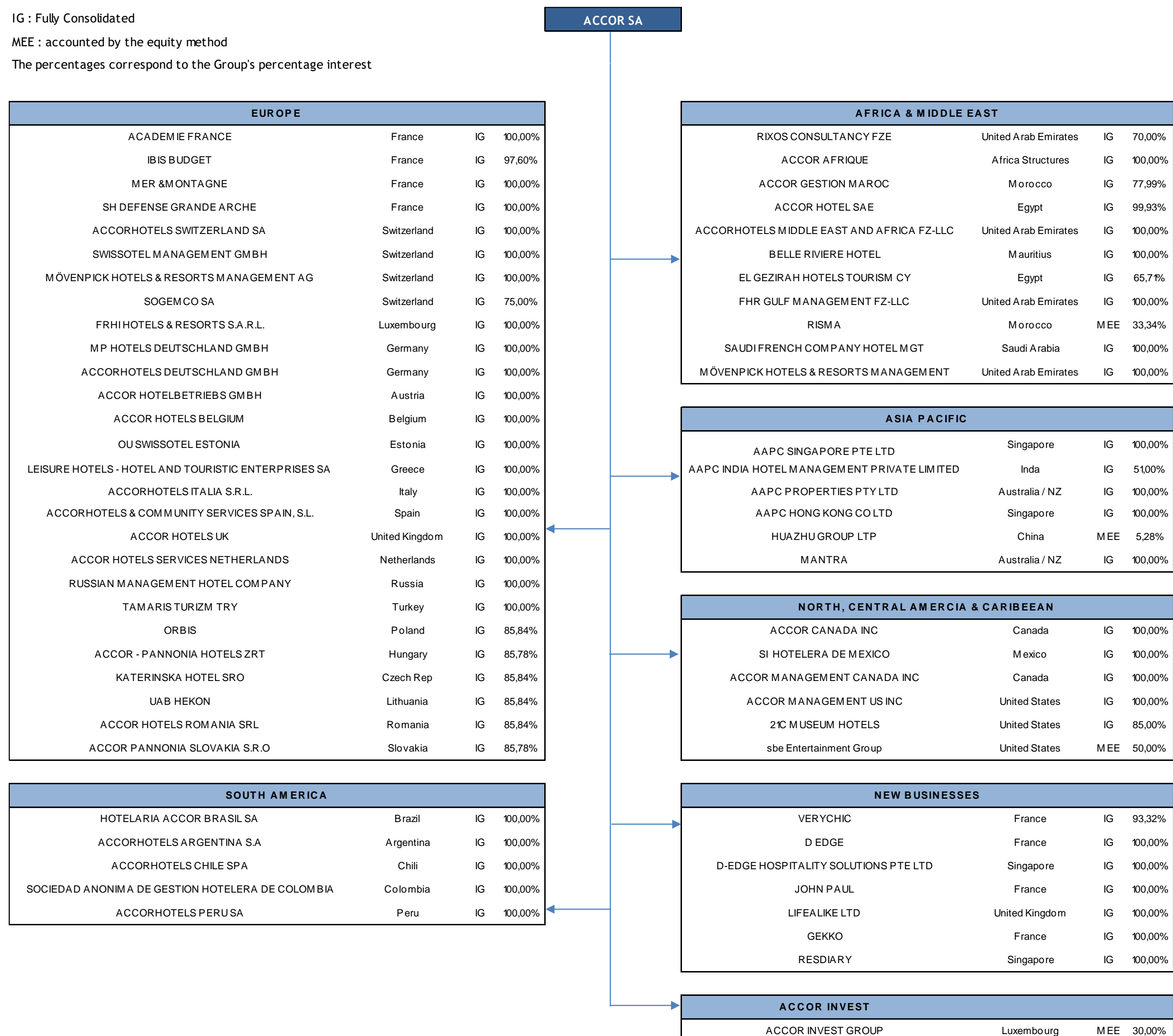
(*) Tax services mainly relate to compliance assignments performed for foreign subsidiaries
(*) Others services mainly relate to assignments performed in France and abroad by members of respective auditors' networks

14.3 Main consolidated companies

The main subsidiaries and associates represent at least 75% of consolidated revenue and 75% of EBITDA. The other subsidiaries and associates represent individually less than 0.07% of these aggregates.

To the best of the Group's knowledge, there are no material restrictions on the use and sale by Accor of the assets of subsidiaries controlled by the Group.

The Group consolidates under the appropriate method the entirety of its subsidiaries.



IG : Fully Consolidated
MEE : accounted by the equity method
The percentages correspond to the Group's percentage interest

ACCOR SA

EUROPE			
ACADEMIE FRANCE	France	IG	100,00%
IBIS BUDGET	France	IG	97,60%
MER &MONTAGNE	France	IG	100,00%
SH DEFENSE GRANDE ARCHE	France	IG	100,00%
ACCORHOTELS SWITZERLAND SA	Switzerland	IG	100,00%
SWISSOTEL MANAGEMENT GMBH	Switzerland	IG	100,00%
MÖVENPICK HOTELS & RESORTS MANAGEMENT AG	Switzerland	IG	100,00%
SOGEMCO SA	Switzerland	IG	75,00%
FRHI HOTELS & RESORTS S.A.R.L.	Luxembourg	IG	100,00%
MP HOTELS DEUTSCHLAND GMBH	Germany	IG	100,00%
ACCORHOTELS DEUTSCHLAND GMBH	Germany	IG	100,00%
ACCOR HOTELBETRIEBS GMBH	Austria	IG	100,00%
ACCOR HOTELS BELGIUM	Belgium	IG	100,00%
OU SWISSOTEL ESTONIA	Estonia	IG	100,00%
LEISURE HOTELS - HOTEL AND TOURISTIC ENTERPRISES SA	Greece	IG	100,00%
ACCORHOTELS ITALIA S.R.L.	Italy	IG	100,00%
ACCORHOTELS & COMMUNITY SERVICES SPAIN, S.L.	Spain	IG	100,00%
ACCOR HOTELS UK	United Kingdom	IG	100,00%
ACCOR HOTELS SERVICES NETHERLANDS	Netherlands	IG	100,00%
RUSSIAN MANAGEMENT HOTEL COMPANY	Russia	IG	100,00%
TAMARIS TURIZM TRY	Turkey	IG	100,00%
ORBIS	Poland	IG	85,84%
ACCOR - PANNONIA HOTELS ZRT	Hungary	IG	85,78%
KATERINSKA HOTEL SRO	Czech Rep	IG	85,84%
UAB HEKON	Lithuania	IG	85,84%
ACCOR HOTELS ROMANIA SRL	Romania	IG	85,84%
ACCOR PANNONIA SLOVAKIA S.R.O	Slovakia	IG	85,78%

SOUTH AMERICA			
HOTELARIA ACCOR BRASIL SA	Brazil	IG	100,00%
ACCORHOTELS ARGENTINA S.A	Argentina	IG	100,00%
ACCORHOTELS CHILE SPA	Chili	IG	100,00%
SOCIEDAD ANONIMA DE GESTION HOTELERA DE COLOMBIA	Colombia	IG	100,00%
ACCORHOTELS PERU SA	Peru	IG	100,00%

AFRICA & MIDDLE EAST			
RIXOS CONSULTANCY FZE	United Arab Emirates	IG	70,00%
ACCOR AFRIQUE	Africa Structures	IG	100,00%
ACCOR GESTION MAROC	Morocco	IG	77,99%
ACCOR HOTEL SAE	Egypt	IG	99,93%
ACCORHOTELS MIDDLE EAST AND AFRICA FZ-LLC	United Arab Emirates	IG	100,00%
BELLE RIVIERE HOTEL	Mauritius	IG	100,00%
EL GEZIRAH HOTELS TOURISM CY	Egypt	IG	65,71%
FHR GULF MANAGEMENT FZ-LLC	United Arab Emirates	IG	100,00%
RISMA	Morocco	MEE	33,34%
SAUDI FRENCH COMPANY HOTEL MGT	Saudi Arabia	IG	100,00%
MÖVENPICK HOTELS & RESORTS MANAGEMENT	United Arab Emirates	IG	100,00%

ASIA PACIFIC			
AAPC SINGAPORE PTE LTD	Singapore	IG	100,00%
AAPC INDIA HOTEL MANAGEMENT PRIVATE LIMITED	Inda	IG	51,00%
AAPC PROPERTIES PTY LTD	Australia / NZ	IG	100,00%
AAPC HONG KONG CO LTD	Singapore	IG	100,00%
HUAZHU GROUP LTP	China	MEE	5,28%
MANTRA	Australia / NZ	IG	100,00%

NORTH, CENTRAL AMERCIA & CARIBEEAN			
ACCOR CANADA INC	Canada	IG	100,00%
SI HOTELERA DE MEXICO	Mexico	IG	100,00%
ACCOR MANAGEMENT CANADA INC	Canada	IG	100,00%
ACCOR MANAGEMENT US INC	United States	IG	100,00%
21C MUSEUM HOTELS	United States	IG	85,00%
sbe Entertainment Group	United States	MEE	50,00%

NEW BUSINESSES			
VERYCHIC	France	IG	93,32%
D EDGE	France	IG	100,00%
D-EDGE HOSPITALITY SOLUTIONS PTE LTD	Singapore	IG	100,00%
JOHN PAUL	France	IG	100,00%
LIFEALIKE LTD	United Kingdom	IG	100,00%
GEKKO	France	IG	100,00%
RESDIARY	Singapore	IG	100,00%

ACCOR INVEST			
ACCOR INVEST GROUP	Luxembourg	MEE	30,00%

Note 15. Adoption of new standards

This note presents the impacts of the adoption of following new standards at January 1, 2019: IFRS 16 *Leases*, IFRIC interpretation 23 *Uncertainty over Income Tax Treatment* and the amendments to IFRS 9, IAS 39 and IFRS 7 *Interest rate benchmark reform* on the Group's consolidated financial statements.

15.1 Impacts on financial statements

As indicated in Note 1.2, IFRS 16 and IFRIC interpretation 23 were applied retrospectively, with the cumulative effect of initial application recognized in the consolidated statement of financial position at January 1, 2019 without restatement of the comparative information for 2018.

Restated opening statement of financial position

(€ in million)	31 Déc. 2018 actual	IFRS 16	IFRIC 23	Jan 1. 2019 restated
Intangible assets	5,052	(14)	-	5,038
Property, plant & equipment	1,192	-	-	1,192
Right-of-use assets	-	1,078	-	1,078
Non-current financial assets	2,516	-	-	2,516
Deferred tax assets & others	379	-	-	379
Non-current assets	**9,139**	**1,065**	**-**	**10,203**
Current assets	**3,764**	**(4)**	**-**	**3,760**
Assets held for sale	14	1	-	15
Total Assets	**12,917**	**1,062**	**-**	**13,979**
Shareholders' Equity	**6,436**	**-**	**(38)**	**6,398**
Long-term financial debt	2,760	-	-	2,760
Long-term lease debt	-	929	-	929
Non-current provisions	118	-	-	118
Deferred tax liabilities & others	558	-	-	558
Non-current liabilities	**3,435**	**929**	**-**	**4,364**
Short-term financial debt	1,268	-	-	1,268
Short-term lease debt	-	140	-	140
Current provisions	449	-	(27)	422
Current liabilities & others	1,323	(8)	64	1,379
Current liabilities	**3,039**	**132**	**38**	**3,209**
Liabilities with assets held for sale	6	1	-	7
Total liabilities & equity	**12,917**	**1,062**	**-**	**13,979**

15.2 Adoption of IFRS 16

15.2.1 Main impacts of first adoption

From January 1, 2019, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets (notably IT equipment). The Group recognized on its balance sheet lease liabilities representing the obligation to make lease payments and right-of-use assets representing the right to use the underlying assets.

Adoption of IFRS 16 lead to the recognition of lease liabilities amounting to €1,069 million. These liabilities are measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at January 1, 2019. The weighted average discount rate applied at transition date was 2.1%.

The lease liabilities at January 1, 2019 can be reconciled to the operating lease commitments at December 31, 2018 as follows:

(€ in million)

Operating lease commitments at December 31, 2018	**1,096**
Add: Contracts that meet the definition of a lease under IFRS 16	178
Add: Rents for extension options reasonably certain to be exercised	94
(Less): Rents for termination options reasonably certain to be exercised	(28)
(Less): Discounting impact	(271)
Lease liability at January 1, 2019	**1,069**

The right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments recognized in the balance sheet at December 31, 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

15.2.2 Practical expedients applied

When first applying IFRS 16, the Group has used the following practical expedients permitted by the standard:

- The exclusion of initial direct costs for the initial measurement of the right-of-use assets,
- Reliance on previous assessments of whether lease contracts were onerous at December 31, 2018 instead of performing an impairment test on right-of-use assets at January 1, 2019,
- The use of hindsight in determining the lease term, where the contracts contain options to extend or terminate the lease.

15.3 Application of IFRIC Interpretation 23

The Group reviewed its income tax treatments in order to determine whether IFRIC Interpretation 23 could have an impact on the consolidated financial statements. In that respect, the Group recognized a €38 million income tax liability, with a corresponding adjustment to retained earnings at January 1, 2019.

Furthermore, the Group reclassified its existing income tax provisions into income tax liabilities.

15.4 Early application of amendments to IFRS 9, IAS 39 and IFRS 7

A fundamental reform of major interest rate benchmarks is being undertaken globally. There is uncertainty as to the timing and the methods of transition for replacing existing benchmark interbank offered rates (IBORs) with alternative rates. In this context, the Group early applied the amendments to IFRS 9, IAS 39 and IFRS 7 *Interest rate benchmark reform*, which were issued by the IASB on September 2019 and endorsed by the European Union on January 15th, 2020. These amendments, applicable for annual periods beginning on or after January 1, 2020, provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by IBOR reform. In particular, they require an entity to assume, during the transition period before the effective application of the reform, that the interest rate benchmark will not be altered in order to assess the “highly probable” requirement on future hedged cash flows and the effectiveness of hedge relationships.

These amendments have been applied retrospectively in accordance with the requirements of IAS 8 *Accounting policies, changes in accounting estimates and errors*. The Group identified one hedging relationship that is affected by the reform: an interest rate swap based on 3-month Euribor fixing the interests on the mortgage loan set-up for the acquisition of the Group head office (cash flows hedge). The initial nominal amounts to €300 million. Hedging will end in October 2026. The new provisions allowed the Group to maintain this hedging relationship.