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. Generally speaking, 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 millions of euros)	Notes	2016(*)	2017
Revenue	4	**1,646**	**1,937**
Operating expense	4	(1,139)	(1,311)
EBITDA	5	**506**	**626**
Depreciation, amortization and provision expense		(109)	(134)
EBIT	5	**397**	**492**
Share of net profit of associates	7	6	28
EBIT including profit of associates and joint-ventures		**403**	**520**
Other income and expenses		(96)	(107)
Operating profit		**307**	**413**
Net financial expense	11	(117)	(54)
Income tax	12	2	51
Profit from continuing operations		**193**	**411**
Profit from discontinued operations	3	106	71
Net profit of the year		**299**	**481**
• Group		**265**	**441**
from continuing operations		161	374
from discontinued operations		104	67
• Minority interests		**33**	**40**
from continuing operations		31	36
from discontinued operations		2	4
Basic earnings per share (in euros)			
Earnings per share from continuing operations		**0.41**	**1.17**
Earnings per share from discontinued operations		**0.47**	**0.23**
Basic earnings per share		**0.88**	**1.40**
Diluted earnings per share (in euros)			
Diluted earnings per share from continuing operations		**0.41**	**1.17**
Diluted earnings per share from discontinued operations		**0.47**	**0.23**
Diluted earnings per share	**13**	**0.88**	**1.40**

(*) Restated amounts in application of IFRS 5 (see Note 1.5)

Consolidated statement of comprehensive income

(in millions of euros)	Notes	2016(*)	2017
Net profit of the year		**299**	**481**
Currency translation adjustments	13	70	(428)
Effective portion of gains and losses on cash flow hedges	13	-	9
Changes in the fair value of available-for-sale financial assets	13	(14)	7
Currency translation adjustments from discontinued operations	13	69	(49)
Items that may be reclassified subsequently to profit or loss		**125**	**(461)**
Actuarial gains and losses on defined benefit plans	13	(3)	8
Actuarial gains and losses from discontinued operations	13	(2)	4
Items that will not be reclassified to profit or loss		**(5)**	**12**
Other comprehensive income, net of tax		**120**	**(449)**
Total Comprehensive income of the period		**419**	**32**
• Group share		394	(12)
• Minority interests		26	43

(*) Restated amounts in application of IFRS 5 (see Note 1.5)

Consolidated statement of financial position

Assets

(in millions of euros)	Notes	Dec. 2016	Dec. 2017
Goodwill	9	**1,496**	**1,500**
Other intangible assets	9	**2,401**	**2,302**
Property, plant and equipment	9	**562**	**662**
Investments in associates and joint-ventures	7	596	672
Other non-current financial assets	11	248	157
Non-current financial assets		**844**	**830**
Deferred tax assets	12	233	124
Other non-current assets		9	12
Non-current assets		**5,545**	**5,430**
Inventories		8	8
Trade receivables	4	374	403
Other current assets	4	252	294
Current financial assets	11	57	53
Cash and cash equivalents	11	1,169	1,063
Current assets		**1,861**	**1,821**
Assets classified as held for sale	2	4,457	4,824
TOTAL ASSETS		**11,864**	**12,076**

Equity and Liabilities

(in millions of euros)	Notes	Dec. 2016	Dec. 2017
Share capital	13	854	870
Additional paid-in capital and reserves	13	3,651	3,287
Net profit of the year		265	441
Ordinary shareholders' equity		**4,771**	**4,598**
Hybrid capital	13	887	887
Shareholders' equity - Group share		**5,658**	**5,485**
Minority interests	13	267	341
Shareholders' equity and minority interests	13	**5,925**	**5,826**
Long-term financial debt	11	2,176	2,768
Deferred tax liabilities	12	599	416
Non-current provisions	10	133	103
Non-current liabilities		**2,907**	**3,287**
Trade payables		384	398
Current liabilities	4	587	690
Current provisions	10	151	106
Short-term financial debt	11	733	237
Current liabilities		**1,855**	**1,431**
Liabilities associated with assets classified as held for sale	2	1,177	1,532
TOTAL EQUITY AND LIABILITIES		**11,864**	**12,076**

Consolidated cash flow statement

	(in millions of euros)	Notes	2016(*)	2017
+	EBITDA	5	506	626
+	Cost of net debt	11	(71)	(71)
+	Income tax paid		(90)	(74)
-	Non cash revenue and expense included in EBITDA		22	28
-	Elimination of provision movements included in net financial expense and non-recurring taxes		9	26
+	Dividends received from associates and joint-ventures		13	23
+	Impact of discontinued operations	3	474	411
=	**Funds from operations excluding non-recurring transactions**		**865**	**970**
+	Decrease (increase) in operating working capital	4	(4)	37
+	Impact of discontinued operations	3	(85)	200
=	**Net cash from operating activities**		**776**	**1,207**
+	Cash received (paid) on non-recurring transactions (incl. restructuring costs and non-recurring taxes)		(216)	(155)
+	Impact of discontinued operations		(52)	(63)
=	**Net cash from operating activities including non-recurring transactions (A)**		**508**	**989**
-	Renovation and maintenance expenditure	9	(138)	(110)
-	Development expenditure	9	(3,101)	(408)
+	Proceeds from disposals of assets		212	147
+	Impact of discontinued operations	3	(711)	(877)
=	**Net cash used in investments / divestments (B)**		**(3,738)**	**(1,248)**
+	Proceeds from issue of share capital		1,733	26
-	Dividends paid		(178)	(163)
-	Dividends paid on hybrid capital		(37)	(37)
-	Repayment of long-term debt		(17)	(18)
+	New long term debt		183	617
=	**Increase (decrease) in long-term debt**		**167**	**599**
+	Increase (decrease) in short-term debt		(29)	(472)
+	Impact of discontinued operations	3	21	101
=	**Net cash from financing activities (C)**		**1,677**	**54**
+	Effect of changes in exchange rates (D)		(26)	(113)
+	Effect of changes in exchange rates on discontinued operations (D)	3	70	56
=	**Net change in cash and cash equivalents (E) = (A) + (B) + (C) + (D)**		**(1,509)**	**(262)**
-	Cash and cash equivalents at beginning of period		2,944	1,133
-	Effect of changes in fair value of cash and cash equivalents		(11)	10
-	Reclassification of cash and cash equivalents from discontinued operations		(292)	-
-	Net change in cash and cash equivalents for discontinued operations		1	167
+	Cash and cash equivalents at end of period		1,133	1,048
=	**Net change in cash and cash equivalents**		**(1,509)**	**(262)**

(*) Restated amounts in application of IFRS 5 (see Note 1.5)

Changes in consolidated shareholders' equity

(in millions of euros)	Number of shares	Share capital	Additional paid-in capital	Currency translation reserve	Retained earnings	Equity Group share	Minority interests	Total Equity
Balance at January 1, 2016	235,352,425	**706**	**1,254**	**(40)**	**1,842**	**3,762**	**225**	**3,987**
Capital increase	47,366,784	142	1,591	-	(1)	1,732	(0)	1,732
Change in treasury shares	-	(0)	2	-	-	2	-	2
Dividends paid	2,048,461	6	(24)	-	(146)	(165)	(18)	(182)
Share-based payments	-	-	-	-	14	14	-	14
Hybrid capital	-	-	-	-	(37)	(37)	-	(37)
Effects of scope changes	-	-	-	1	(45)	(44)	34	(9)
Transactions with shareholders	49,415,245	**148**	**1,569**	**1**	**(216)**	**1,502**	**16**	**1,519**
Net profit of the year	-	-	-	-	265	265	33.3	299
Other Comprehensive Income	-	-	-	147	(19)	128	(8)	120
Total comprehensive income	-	**-**	**-**	**147**	**247**	**394**	**26**	**419**
Balance at December 31, 2016	284,767,670	**854**	**2,823**	**108**	**1,873**	**5,658**	**267**	**5,925**
Capital increase	1,378,515	4	34	-	(0)	38	(15)	23
Change in treasury shares		-	-	-	-	-	-	-
Dividends paid	3,975,968	12	(173)	-	9	(152)	(15)	(168)
Share-based payments	-	-	-	-	19	19	-	19
Hybrid capital	-	-	-	-	(37)	(37)	-	(37)
Effects of scope changes	-	-	-	1	(30)	(30)	61	31
Transactions with shareholders	5,354,483	**16**	**(139)**	**1**	**(40)**	**(162)**	**30**	**(131)**
Net profit of the year	-	-	-	-	441	441	40	481
Other Comprehensive Income	-	-	-	(480)	28	(452)	3	(449)
Total comprehensive income	-	**-**	**-**	**(480)**	**469**	**(11.5)**	**43.3**	**32**
Balance at December 31, 2017	290,122,153	**870**	**2,684**	**(372)**	**2,302**	**5,485**	**341**	**5,826**

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Note 1. Basis for preparation of consolidated financial statements

The consolidated financial statements of AccorHotels Group for the year ended December 31, 2017 were approved for publication by the Board of Directors on February 20, 2018. They will be submitted to shareholders for final approval at the Annual General Meeting on April 20, 2018.

The consolidated financial statements comprise the financial statements of Accor SA (« the Company ») and its subsidiaries (together « the Group ») and the Group's share of the profits and losses and net assets of entities accounted for by the equity method (associates and joint-ventures).

1.1. Accounting framework

The consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (« IASB ») and adopted for use in the European Union at December 31, 2017. These IFRS can be consulted on the European Commission's website (*). The consolidated financial statements include the information deemed material as required by the ANC rule n°2016-09.

1.2 Evolution of accounting framework

1.2.1 New standards and amendments compulsory at December 31, 2017

At December 31, 2017 the Group applied the same accounting policies and calculation methods as were applied in its consolidated financial statements for the year ended December 31, 2016, except for changes resulting from the following amendments that were applicable at January 1, 2017:

- Amendment to IAS 12 « Recognition of deferred tax assets for unrealized losses »

This amendment, which clarifies how to account for deferred tax assets related to debt instruments measured at fair value, had no material impact on the Group's consolidated financial statements.

- Amendment to IAS 7 « Reconciliation of liabilities arising from financing activities »

This amendment requires to disclose information that will allow users of financial statements to understand changes in liabilities arising from financing activities, including those from cash flows and other non-cash changes. Consequently, the Group provides a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities in Note 11.3.1.

1.2.2 New standards and amendments applicable after December 31, 2017

The Group has not opted for the early application of the other standards, amendments or interpretations applicable to fiscal years starting after December 31, 2017, regardless of whether they were adopted by the European Union.

Among these new standards, those that might affect the future consolidated financial statements are IFRS 15, IFRS 9 and IFRS 16, which were subject to a dedicated Group project.

Standard	**IFRS 15 « Revenue from contracts with customers »** Standard applicable on January 1st, 2018
Principles	This new standard introduces a single revenue recognition model applicable to all types of customer contracts, regardless of the entity's business. This model, which follows five key steps, is based on the principle that revenue is recognized when control of goods or services is transferred to a customer, which may be overtime or at a point in time. Revenue is recognized for the amount that reflects the consideration expected in exchange for the goods or services transferred.
Implementation	The Group has launched an assessment of the impact of applying IFRS 15. Working with teams in the operating units, a map of existing contracts with customers was prepared and a representative sample of contracts was selected. The conclusions of the hospitality industry working group of the American Institute of Certified Public Accountants (AICPA) were also reviewed, to ensure the consistency of the accounting policies applied for the industry-specific issues raised by the new standard.
Consequences for the Group	The above reviews led to the following issues being identified as potentially affecting the Group's consolidated revenue: Reimbursement of costs incurred on behalf of hotel owners AccorHotels' management contracts may require the Group to incur hotel operating costs on behalf of the properties' owners. These costs are generally reinvoiced to the owners without any mark-up. They mainly correspond to the cost of hotel staff who are employed by AccorHotels to comply with local regulations or as a result of specific negotiations with the owners. The Group currently considers that it acts as the owners' agent because it is not exposed to the significant risks and rewards associated with the rendering of the services based on the criteria in IAS 18. The reinvoiced amounts are therefore presented as a deduction from the related costs, and only the margin (if any) is recognized in revenue. Based on IFRS 15, the Group considers that it acts as the principal because it controls the services before transferring them to the hotels' owners. The reinvoiced costs will therefore be reported under "Revenue" in the consolidated income statement, leading to an equivalent increase in the reported amount of operating expenses. This change of presentation is expected to lead to the recognition of additional revenues of approximately €700 million. The reclassification will have no impact on either operating profit or net profit. Loyalty program The Group analyzes the loyalty program as giving rise to a single performance obligation. The promised service consists of managing the program on behalf of the Group's hotels and ensuring that program members will receive a benefit in exchange for their award credits. Under IFRS 15, this performance obligation is considered as having been satisfied when the award credits are used or expire. Consequently, loyalty program fees will be deferred and recognized as revenue in the period in which the award credits are used or expire. Adoption of IFRS 15 will lead to (i) the liability corresponding to award credits being restated in the opening consolidated statement of financial position by adjusting equity, (ii) a change in the timing of revenue recognition and (iii) loyalty program revenues being stated net of the cost of the room. Estimates of the effect of the change are currently being finalized but the impact on the consolidated financial statements is not expected to be material.

Standard	**IFRS 15 « Revenue from contracts with customers »** (next)
Consequences for the Group (next)	Payments to hotel owners In the course of its business, the Group may make payments to hotel owners, either upfront in the form of key money (in order to secure the signing of the contract) or during the contract period based on actual performance. Under IFRS 15, these payments are analyzed as revenue reductions to be recognized over the life of the contract, except for loans granted to owners on arm's length terms. Amounts depending on the occurrence of uncertain future events are estimated and recognized for the minimum amount considered as highly probable. This change is not expected to have a material impact on either consolidated revenue or consolidated operating profit. Entrance fees When a contract is signed, the Group frequently invoices an entrance fee to the hotel owner in exchange for the owner's access to the AccorHotels network. These non-refundable initial payments are currently recognized in revenue for the period in which they are billed as the Group has no subsequent performance obligation. Under IFRS 15, they are analyzed as an advance payment for future services and are recognized as revenue on a straight-line basis over the life of the contracts. This change is not expected to have a material impact on either consolidated revenue or consolidated operating profit.
Transition	The Group intends to apply IFRS 15 using the full retrospective approach. This approach consists in recognizing the cumulative effect of applying IFRS 15 as an adjustment to opening retained earnings at January 1, 2017 and restating 2017 comparative information.

Standard	**IFRS 9 « Financial Instruments »** Standard applicable on January 1st, 2018
Principles	IFRS 9 addresses the classification and measurement of financial assets and financial liabilities, introduces a new impairment model for financial assets and new rules for hedge accounting.
Consequences for the Group	Following the clarifications published recently by the IFRS Interpretations Committee (IFRIC) on the accounting treatment for a modification of financial liabilities that does not result in the liabilities being derecognized, the Group believes that it will have to retrospectively restate the 2015 “liability management” transaction. This transaction was treated as a modification of financial liabilities, without this resulting in a derecognition in application of IAS 39. The difference between the original and modified cash flows was amortized over the remaining life of the modified liability by re-calculating the effective interest rate. Upon application of IFRS 9, this difference will be treated as having been recognized immediately in the income statement on the modification date. Taking into account the net cost of the debt restructuring, the restatement is expected to have the effect of increasing consolidated financial liabilities by approximately €11 million at January 1, 2018, through a reduction in opening retained earnings. It will also automatically generate a future saving in financial costs of approximately €2 million over the period to 2023. The new standard is expected to have only a limited impact on the classification and measurement of the Group’s other financial assets and liabilities. In addition, the new impairment model recommended by the standard – which consists of recognizing impairment losses on financial assets based on expected credit losses – is not expected to have a material impact on the Group’s financials. Similarly, the impact on the Group’s hedging relationships is not expected to be material.
Transition	IFRS 9 will be applied retrospectively, by recognizing the cumulative transition effect as an adjustment to opening retained earnings at January 1, 2018.

Standard	**IFRS 16 « Leases »** Standard applicable on January 1st, 2019
Principles	IFRS 16 removes the distinction between operating and finance leases, resulting in almost all leases being brought onto the balance sheet. The standard requires recognition of: ▪ an asset reflecting the right to use the leased item ; and ▪ a liability representing the obligation to pay rentals. An exemption applies to short-term and low-value leases.
Consequences for the Group	Management is currently assessing the effects of applying this new standard. However, given the current project to dispose of AccorInvest, which holds most of the lease contracts for hotel properties (see Note 3), the Group, based on its future organization, does not expect any significant impact on its consolidated financial statements beyond the restatement of leases on headquarters. At December 31, 2017 AccorHotels Group (excluding AccorInvest) had non-cancellable operating lease commitments (corresponding to undiscounted minimum future lease payments) of €369 million. The Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments.
Transition	The Group has not yet decided whether to apply the full or simplified retrospective restatement approach.

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 reserve", 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 or 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 the period end, the corresponding receivables and payables are translated at the closing exchange rate. The resulting unrealized translation gains and losses are generally recognized in Other financial income and expenses.

1.4 Estimates and judgments

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 experience 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 for the preparation of the consolidated financial statements at December 31, 2017 mainly concern:

- The measurement of intangible assets acquired in business combinations,
- The measurement of the carrying amounts and useful lives of property, plant and equipment and intangible assets,
- 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.

1.5 Restatement of comparative information

In application of IFRS 5, the comparative financial statements for 2016 have been restated in order to reflect the change in scope that occurred in 2017 regarding the subsidiary AccorInvest, which has been classified as discontinued operations (See Note 3 for further details on the contemplated disposal). This change mainly corresponds to one hotel, which was finally excluded from the contributions to AccorInvest.

The impact of these restatements is as follows:

In millions of euros	2016 Reported	IFRS 5 impact	2016 Restated
Consolidated revenue	1,603	43	1,646
EBITDA	494	13	506
EBIT	389	9	397
Operating profit before tax & non recurring items	395	8	403
Operating Profit before tax	**285**	**22**	**307**
Net financial expense	(117)	-	(117)
Income tax expense	4	(1)	2
Profit from continuing operations	**172**	**20**	**193**
Net profit or Loss from discontinued operations	127	(20)	106
Net Profit or Loss	**299**	**-**	**299**

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 over the investee. In the hospitality industry, assessment of power over a managed hotel 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 hotel's business plan. In particular, in the case of managed hotels, AccorHotels 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 but is not 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, AccorHotels 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 AccorHotels generally acquires the right to manage the hotels concerned. In most cases, AccorHotels has a seat on the Board, allowing it to participate in decisions proportionately to its percentage interest in the investee's capital.

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 7.

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 an available-for-sale financial asset, as explained in Note 11. It is presented as an investment in non-consolidated companies under "Other non-current financial assets" in the consolidated financial statements.

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 in 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).

At the acquisition date, the assets acquired and liabilities assumed are identified and measured at their acquisition-date fair values. The accounting for a business combination is completed during a measurement period of no more than one year.

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 they are incurred, except for the costs of issuing equity instruments.

3. Acquisitions of assets

As part of its strategy, the Group may acquire hotels that were previously operated under leases. These acquisitions are generally treated as asset acquisitions other than business combinations since the strategic business processes (i.e. hotel operations) and the generation of economic benefits (i.e. revenues from hotel operations) are already controlled by AccorHotels. In such a case, the assets and liabilities are initially recognized at cost including transaction expenses.

4. Disposals resulting as 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 the main consolidated companies at December 31, 2017 is presented in Note 15.3. Significant changes in the scope of consolidation during 2017 are presented below.

2.1.1 Acquisitions for the period

Acquisition of VeryChic

On March 31, 2017, AccorHotels acquired 75% of the share capital and voting rights of VeryChic, a digital platform for the private sale of luxury hotel rooms and apartments, cruises, breaks and packages. Created in 2011, the company offers, via its website and mobile application, more than 4,000 exclusive private sales at attractive prices, throughout the year, to a member base of more than 5 million. Through this transaction, AccorHotels intends to develop its expertise in the creation of exceptional private sales and also to enable VeryChic to accelerate its international development and become the global leader in its sector.

The acquisition price amounted to €22 million, including a €5 million earn-out payment that may be adjusted depending on the business's performance. The goodwill recognized using the "partial goodwill" approach amounted to €15 million.

The selling shareholders have retained a 25% share in VeryChic's capital. They benefit from a put option on all their shares based on a formula that is exercisable in two tranches in 2019 and 2020. This option represents a liability on non-controlling interests for AccorHotels and has been recognized in debt in the consolidated statement of financial position at December 31, 2017 for its estimated amount of €10 million.

Acquisition of Availpro

On April 5, 2017, AccorHotels announced the acquisition of 83.3% of the share capital and voting rights of Availpro. Created in 2001, this company is the leader in France and one of the leading European software providers to hoteliers, with more than 6,500 clients. Following the acquisition of Fastbooking in 2015, this acquisition will allow the Group to create the leading European digital services provider for independent hotels. By combining the talents of these two companies, AccorHotels will be able to offer its hotelier clients an ever wider, more innovative and high performance application suite, enabling them to increase their visibility and sales.

The acquisition price amounted to €24 million, including a €2 million earn-out payment that may be adjusted depending on the business performance. The goodwill recognized using the "partial goodwill" approach amounted to €13 million.

AccorHotels has committed to acquire the remaining shares in two tranches in April 2018 and April 2019 at a total price of €5 million. This commitment has been recognized in debt in the consolidated statement of financial position at December 31, 2017.

Acquisition of Travel Keys and Squarebreak

On May 3, 2017, AccorHotels finalized the acquisition of Travel Keys, one of the leading players in the luxury private vacation rental market. Founded in 1991, Travel Keys has a portfolio of over 5,000 luxury villas across more than 100 destinations. On August 3, 2017, the Group obtained control of Squarebreak, a digital platform offering upscale private properties primarily in France, Spain and Morocco, in which it had previously a 49.2% interest.

These acquisitions consolidate AccorHotels' leadership in the luxury private rental market. The combination of–Travel Keys and Squarebreak with onefinestay will provide the Group with a unique offering of addresses in the luxury private rental market, in both vacation and urban settings.

The acquisition price for these two entities amounted to €21 million, including the effect of remeasuring the previously held interest in Squarebreak at fair value. In accordance with IFRS 3, the transition from the equity method to the full consolidation method for this entity led to the recognition of a €5 million income in “Other income and expenses”. Goodwill recognized on these acquisitions amounted to €23 million.

In all, acquisitions for the period contributed €21 million to 2017 consolidated revenue. Their pro forma full-year contribution, determined as if the acquisitions had been completed on January 1, 2017 would be €26 million. The impact on net profit was not material on either a reported or a pro forma basis.

These acquisitions resulted in an outflow of €69 million (net of the cash acquired) in the consolidated statement of cash flows for 2017.

2.1.2 Equity investments of the period

Over the period, four investments were recorded under the equity method in the Group’s consolidated financial statements for a total cost of €94 million.

Strategic partnership with Rixos Hotels & Resorts

On March 6, 2017 AccorHotels and Rixos Hotels announced a strategic partnership, illustrating the Group's strategy to expand its presence in the Upper Upscale/Luxury market, with a primary focus on developing the international resort segment. Under a long-term joint-venture, both parties intend to collaborate, develop and manage Rixos branded resorts and hotels worldwide.

On June 14, 2017 AccorHotels acquired 50% of the share capital of this joint-venture. Through this partnership, AccorHotels will integrate in its network 15 iconic hotels that are ideally located in premium resort markets in Turkey, Egypt, the United Arab Emirates, Russia and Europe. As part of this transaction, Rixos plans to reflag five city-center hotels to AccorHotels brands, which will also be managed by the Group.

Acquisition stake in Potel & Chabot

On May 17, 2017, AccorHotels finalized the acquisition of a 39.5% interest in Potel & Chabot Group. Following exclusive negotiations, a consortium made up of Edmond de Rothschild Investment Partners, AccorHotels and Potel & Chabot managers acquired the group's entire share capital. The transaction will provide Potel & Chabot Group with new development prospects. Founded in 1820, the group has unparalleled expertise in the organization of tailor-made prestigious reception events. Through its two brands, the group has become the industry standard in both the luxury (Potel & Chabot) and premium (Saint Clair le Traiteur) segments. AccorHotels exercises significant influence over Potel & Chabot through its two seats on the company’s Supervisory Board.

Acquisition stake in Noctis

On June 6, 2017, AccorHotels completed the acquisition of a 31% stake in the Noctis group. The transaction consisted of acquiring all of the convertible bonds held by the FCDE ("Fonds de Consolidation et de Développement des Entreprises") and converting them immediately into Noctis shares.

A top-tier Paris-based events, catering and entertainment specialist, Noctis has a portfolio of upscale, emblematic assets, particularly in Paris, and organizes over 3,000 events a year.

Through this investment, AccorHotels is cementing its leadership in the center of Paris, a prominent destination for international and local customers seeking original and exclusive venues. AccorHotels, which has two seats on Noctis' Supervisory Board, exercises significant influence over the entity.

Strategic partnership avec Nextdoor

On July 25, 2017, AccorHotels and Bouygues Immobilier, the real estate development subsidiary of Bouygues Group, created a 50/50 joint venture, with the aim of accelerating the growth of Nextdoor in France and Europe. The entity was set up in 2014 by Bouygues Immobilier to tap into the collaborative workspace market, offering an expanded range of services available seven days a week. At year-end 2017, Nextdoor operates 8 sites in France and has more than 4,000 clients.

AccorHotels and Bouygues Immobilier are combining their respective expertise in order to make Nextdoor the European leader in Business Hospitality, whose key challenges will be to secure the best locations and rapidly reach a critical size. Together, the two groups aim to create 80 collaborative Nextdoor workspaces by 2022, at a development rate of 10 to 15 launches per year starting 2018. Nextdoor, which is jointly controlled by AccorHotels and Bouygues Immobilier, is analyzed as a joint venture.

2.1.3 Disposals over the period

Disposal of Avendra investments

On October 16, 2017, AccorHotels sold its entire interest in the equity-accounted investment Avendra for €113 million. Avendra was one of the companies in the FRHI Hotels & Resorts Group acquired in 2016. It was set up in 2001 by leading US hoteliers and is North America's leading hospitality procurement services provider. Avendra was sold to Aramark, an American foodservices group.

The disposal gain, in the amount of €48 million before tax, is reported under "Other income and expenses" in the consolidated income statement. The net disposal proceeds of €103 million (after the tax effect) are reported in the consolidated statement of cash flows for 2017.

2.2 Assets or disposal groups held for sale

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.

At December 31, 2017 assets and liabilities held for sale were as follows:

		Dec. 2016		Dec. 2017	
In million of euros	Notes	Assets	Liabilities	Assets	Liabilities
AccorInvest	3	4,435	1,168	4,769	1,526
Others		22	9	56	7
Assets held for sale		**4,457**	**1,177**	**4,824**	**1,532**

In 2017, the €71 million net profit from discontinued operations corresponds to the net result of AccorInvest, which is in the process of being sold as explained in Note 3.

Note 3. Spin-off and contemplated disposal of AccorInvest

3.1 Presentation of the project

In 2013, AccorHotels launched a plan to reorganize its business model around two strategic businesses, HotelServices (hotel management and franchising business) and HotelInvest (hotel owner-operator business).

On July 12, 2016, after three years of transformation to create a more efficient business model, the Group announced a project to turn HotelInvest into a subsidiary and open up its share capital to external investors. The aim of the project is to strengthen AccorHotels' financial resources in order to maximize the Group's overall value by stepping up the pace of business growth and seizing new development opportunities.

In early December 2016, AccorHotels initiated negotiations with potential investors with a view to selling a significant stake in the new group, while maintaining business relationships. AccorHotels would continue to be the preferred manager of the hotels operated by the new group and would also continue to own the brands, which would be licensed to the hotels under management contracts.

3.2 Project implementation

The internal restructuring operations launched in late 2016 were pursued during first-half 2017 to legally separate the HotelInvest business from the HotelServices business in 26 countries and contribute HotelInvest business to Accor Hotels Luxembourg, a Luxembourg limited company renamed AccorInvest Group.

The contributed business comprises 900 hotels in 26 countries, corresponding to all the hotels operated by HotelInvest, with the exception of those operated in Eastern Europe and some hotels in Brazil that are operated under variable lease contracts based on a percentage of EBITDAR, which are not considered to be compatible with the owner-operator strategy.

In France, Accor SA contributed its entire HotelInvest business in Continental Europe to AccorInvest SAS by way of a spin-off governed by the law on demerger ("apport partiel d'actifs"), and the AccorInvest SAS shares were then contributed to AccorInvest Group. First, the company's staff representative bodies have been informed and consulted. The Health and Safety Committee gave its opinion on March 22, 2017 and the central Works Council on April 12, 2017.

On May 18, 2017 the Board of Directors authorized the HotelInvest spin-off and signature of the contribution and spin-off agreement between Accor SA and AccorInvest SAS.

On June 13, 2017 the proposed asset contributions paving the way for the sale of AccorInvest were approved by the General Meeting of Accor bondholders. This means that the bonds' terms will not be affected by this sale.

At the Extraordinary Meeting held on June 30, 2017 AccorHotels' shareholders approved the contribution agreement as previously approved by the Board of Directors, based on the reports on the value of the contributed assets and the consideration prepared by the demerger auditors appointed by Presiding Magistrate of Evry Commercial Court.

The spin-off was therefore completed on June 30, 2017. Effective from that date, AccorInvest Group owns all of the HotelInvest assets contributed in continental Europe through its French AccorInvest SAS subsidiary, as well as the other HotelInvest assets included the transaction perimeter in Africa, Latin and South America, Australia, Japan, Singapore and the United Kingdom through various AccorInvest subsidiaries.

3.3 Accounting treatment

The AccorInvest assets and liabilities were classified as assets held for sale at December 31, 2016, in accordance with IFRS 5. AccorHotels considers that the planned divestment will lead to the loss of control of AccorInvest under IFRS 10. On completion of the transaction, the rights held by the Group (voting rights at Shareholders' Meetings and contractual rights resulting from the agreements governing future relations between the parties, the shareholders' agreement and hotel management contracts) will not give it the power to unilaterally direct its relevant activities, i.e. operation of the hotels and strategic management of the hotel portfolio. Consequently, on completion date, the assets and liabilities of AccorInvest will be derecognized and the Group's stake in the company net assets will be recognized under "Investments in associates", to the extent of the retained residual interest.

The classification as assets held for sale was maintained at December 31, 2017. As of that date, the spin-off of AccorInvest had been approved by the Group's governance bodies (Board of Directors and General Shareholders Meeting), the bondholders and the employee representatives. Discussions were pursued throughout 2017 with a group of French and international investors. On December 27, 2017, the Group announced that it had received several detailed confirmations of interest and expects to sign a final agreement shortly.

Accor SA shall consult its shareholders (during an ordinary general meeting) prior to the disposal, which is considered as a major asset disposal. The probability of obtaining such approval is deemed high by the Management of the Group.

In the Group's consolidated financial statements, AccorInvest business is presented separately in accordance with IFRS 5. Therefore, the assets held for sale and related liabilities are presented separately on specific lines of the consolidated statement of financial position. They are measured, as a whole, at the lower of their carrying amount and fair value less costs to sell. At December 31, 2017, the comparison of these two amounts did not reveal any impairment. The net profit and cash flows from operating, investing and financing activities attributable to AccorInvest are presented separately in the consolidated profit and loss and cash-flow statement.

3.4 Financial information of AccorInvest

3.4.1 Assets and liabilities of AccorInvest

The contribution of AccorInvest to the consolidated balance sheet is as follows:

In millions of euros	**Dec. 2016**	**Dec. 2017**
Goodwill and other intangible assets	352	345
Tangible assets	3,119	3,683
Other non-current assets	167	168
Non-current assets	**3,639**	**4,196**
Receivables and other current assets	476	442
Cash and cash equivalents	292	128
Assets held for sale	28	3
Total Assets	**4,435**	**4,769**
Financial debts	133	234
Other non-current liabilities	148	202
Non-current liabilities	**281**	**436**
Trade payables	368	363
Other current liabilities	519	726
Total Liabilities	**1,168**	**1,526**

AccorInvest net assets primarily comprise property, plant and equipment, which increased by a net €564 million over the period, primarily due to:

- The acquisition of a portfolio of 102 hotels under finance lease previously operated under operating leases under the brand name hotelF1, as part of the relaunch plan for the brand (+€184 million);
- The acquisition of 15 hotel properties in Australia operated under the ibis and ibis Budget brands for €158 million. The transaction was part of an agreement with the owner, a wholly owned subsidiary of Abu Dhabi Investment Authority (ADIA), concerning the restructuring of a portfolio of 30 hotels,
- Renovation and maintenance expenditure for €226 million mainly in France and Singapore.

The increase in financial liabilities is mainly explained by the finance lease debt related to the portfolio of leased assets acquired over the period (€102 million). Other current liabilities comprise the tax liability resulting from the legal restructuring operations carried out in connection with the AccorInvest spin-off for €170 million.

3.4.2 Income statement of AccorInvest

The contribution of AccorInvest to consolidated net profit is as follows:

In millions of euros	**2016 (*)**	**2017**
Revenue	**3,986**	**3,985**
Operating expenses	(2,823)	(2,848)
EBITDAR	**1,163**	**1,137**
Rental expense	(632)	(615)
EBITDA	**531**	**522**
Depreciation, amortization and provision expense	(233)	-
EBIT	**298**	**522**
Other income and expenses	(111)	(113)
Income taxes	(82)	(338)
Net Profit	**106**	**71**

(*) Amounts restated in application of IFRS 5 in order to reflect the changes in AccorInvest scope

Over 2017, the net result of AccorInvest can be analyzed as follows:

- A stable revenue compared to 2016,
- Operating expenses mainly consisting of employee benefits expenses for €1,291 million stable compared to 2016 (€1,284 million),
- A €615 million rental expense, corresponding to 775 hotels under operating lease,
- A €233 million favorable impact on D&A due to amortization on non-current assets classified as held for sale being ceased starting from January 1, 2017 in accordance with IFRS 5,
- Other income and expenses including notably the costs of implementing the entity on a stand-alone basis for €52 million.
- An income tax expense of €338 million including the tax impacts of the legal restructuring carried out in connection with the spin-off.

3.4.3 Cash flows attributable to AccorInvest

In millions of euros	2016 (*)	2017
Funds from operations excluding non-recurring transactions	474	411
Decrease (increase) in operating working capital	(85)	200
Cash received (paid) on non-recurring transactions	(52)	(63)
Cash Flows from operating activities (including non-recurring transactions)	**337**	**548**
Renovation and maintenance expenditure	(158)	(227)
Development expenditure	(668)	(496)
Proceeds from disposals of assets	116	(154)
Net cash flows used in investments / divestments	**(711)**	**(877)**
Cash Flows from financing activities	**21**	**101**
Effect of changes in exchange rates	70	56
Net Cash Flows attributable to HotelInvest discontinued operations	**(283)**	**(172)**

(*) Amounts restated in application of IFRS 5 in order to reflect the changes in AccorInvest perimeter

Cash flows from non-recurring transactions mainly concern restructuring operations in France.

Cash flows for development expenditure mainly concern:

- €151 million related to the acquisition of 15 hotels in Australia to ADIA (net of 2016 deposit),
- €95 million related to the acquisition of a portfolio of hotelF1 assets under finance lease (net of cash acquired and related finance lease liability).

Cash flows from disposals of assets include the tax cost resulting from the legal restructuring operations carried out in connection with the AccorInvest spin-off (with a counterpart in working capital).

Note 4. Operating Items

4.1 Revenue

Accounting policy

Revenue corresponds to the value of goods and services sold in the ordinary course of business by fully consolidated companies. AccorHotels' revenue mainly includes:

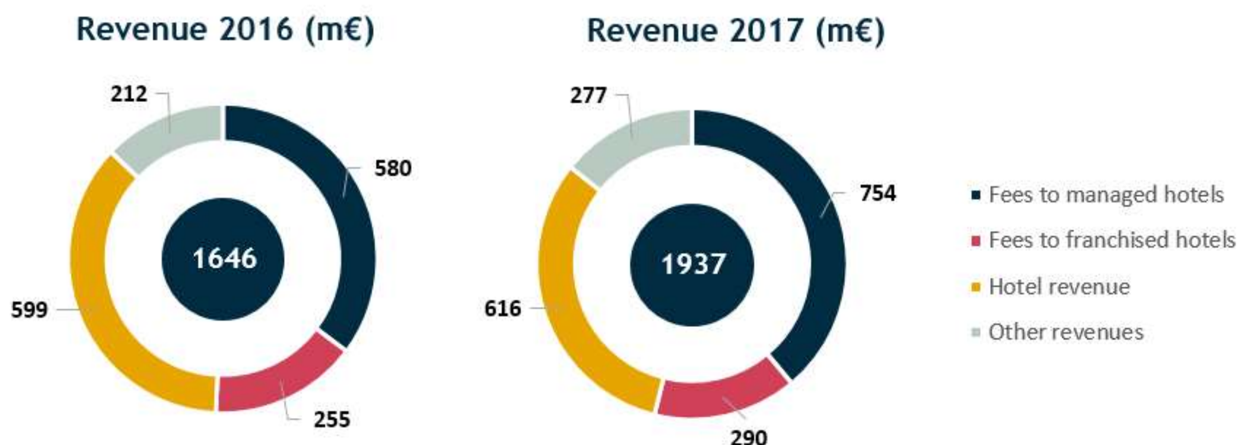
- **Fees** billed to franchised hotels and hotels under management contracts:
  - **Trademark royalty fees** received from hotel owners under licenses for the use of the Group's brands. These fees are generally based on the hotel's room revenue.
  - **Management fees** received from the owners of hotels managed by the Group. These fees are generally based on hotel's revenue. In some cases, they also include an incentive fee subject to performance criteria.
  - **Other fees** for support services provided to managed and franchised hotels for marketing, distribution, IT and other services.
- **Hotel revenues**, corresponding to all the revenues (for accommodation, food and other services) received from guests by owned and leased hotels.

Revenue is measured at the fair value of the consideration received or receivable, net of all discounts and rebates, VAT and other sales taxes. Service revenues are recognized in the period when the services are rendered and revenues from the sale of goods are recognized when the goods are delivered and ownership is transferred.

The Group applies the guidance provided in IAS 18 to determine whether it acts as the principal or an agent in its contractual hotel management relationships. The Group is considered as acting as the principal when it has exposure to the significant risks and rewards associated with the rendering of services. In this case, the revenues and related expenses are reported separately in the income statement. When the above criterion is not met, the Group is considered as acting as an agent and only the remuneration corresponding to the agency fee is recognized in revenue.

Award credits granted to members of the Club AccorHotels loyalty program are accounted for as a separate component of the sale transaction. Revenues arising from award credits are deferred and recognized when they are converted by members into benefits.

Consolidated revenue breaks down as follows:



The Group's revenue is derived from a very large number of transactions, less than 10% of which involve a single external customer. In the consolidated financial statements, fees received by AccorInvest hotels continue to be eliminated pending completion of the sale of this subsidiary, in accordance with consolidation principles. Once the sale has been completed, AccorInvest will become the Group's largest customer.

Revenue realized in France amounted to €251 million in 2017 (€271 million in 2016).

4.2 Operating expenses

In millions of euros	**2016 (*)**	**2017**
Cost of goods sold	(64)	(67)
Employee benefits expenses	(723)	(810)
Rents	(112)	(104)
Energy, maintenance and repairs	(52)	(53)
Taxes, insurance and co-owned properties charges	(45)	(47)
Other operating expense	(144)	(230)
Total	**(1,139)**	**(1,311)**

(*) Restated amounts in application of IFRS 5.

Rental expense concerns the Group headquarters and the country headquarters.

Other operating expenses consist mainly of marketing, advertising, promotional, selling and information systems costs.

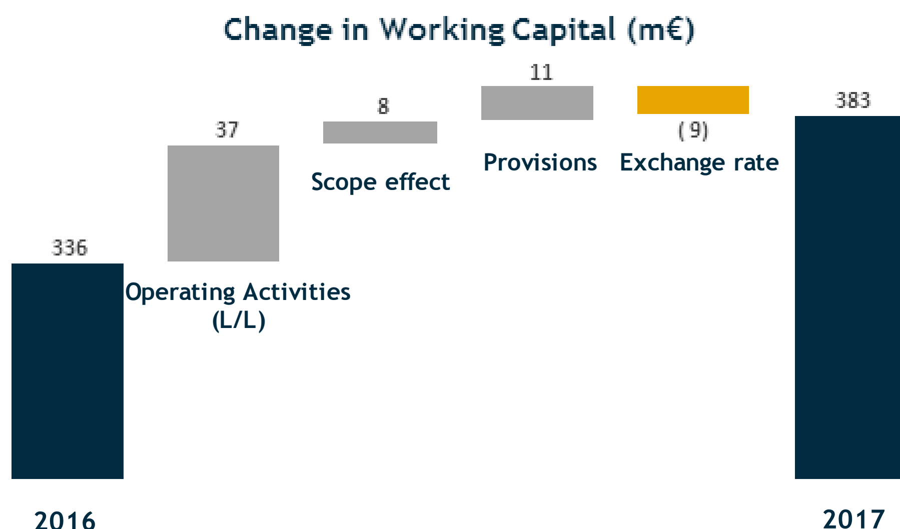
4.3 Working capital

4.3.1 Change in working capital

The working capital can be analyzed as follows:

In millions of euros	**Dec. 2016**	**Variation**	**Dec. 2017**
Inventories	8	(0)	8
Trade receivables	374	29	403
Other current assets	252	42	294
Current assets	**635**	**70**	**705**
Trade payables	384	13	398
Other current liabilities	587	103	690
Current liabilities	**971**	**116**	**1,087**
Working capital	**336**	**47**	**383**

The change in working capital requirements breaks down as follows:



4.3.2 Current assets

Trade receivables break down as follows:

In millions of euros	**Dec. 2016**	**Dec. 2017**
Gross value	437	470
Provisions	(63)	(68)
Net	**374**	**403**

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

Other current assets break down as follows:

In millions of euros	**Dec. 2016**	**Dec. 2017**
Recoverable VAT	85	107
Prepaid wages and salaries and payroll taxes	2	3
Income tax receivable and other taxes	8	9
Other receivables	131	160
Other prepaid expenses	34	24
Gross value	**260**	**304**
Provisions	(7)	(10)
Net book value	**252**	**294**

Prepaid expenses include mainly the effect of linearization of rents.

4.3.3 Current liabilities

Other current liabilities break down as follows:

In millions of euros	Dec. 2016	Dec. 2017
VAT payable	35	52
Wages salaries and Payroll tax payables	180	193
Other tax payables	10	41
Other payables	289	340
Deferred income	74	64
Total	**587**	**690**

Other payables mainly include the liability for loyalty rewards points and other current operating debts.

Note 5. Segment reporting

Accounting policy

In accordance with IFRS 8, the segment information presented below is based on data from the Group's internal reporting system that is regularly reviewed by the Executive Committee (defined as the Chief Operating Decision Maker as defined by the standard) to make decisions about resources to be allocated to the segments and assess their performance.

Until year-end 2016, the Group's business model was organized around two strategic businesses:

- HotelServices: Hotel manager and brand franchisor,
- HotelInvest: Hotel owner-operator.

Each strategic business was organized by region.

As part of the contemplated disposal of substantially all of its HotelInvest business, which was contributed to AccorInvest subsidiary on June 30, 2017, AccorHotels has implemented a new organizational structure that resulted in a redefinition of its internal reporting. As from the beginning of 2017, the internal reporting is organized around 3 strategic activities: HotelServices, Hotels assets and New Businesses.

The performance of the HotelServices segment continues to be followed by geographic region. However, the regional breakdown has been adjusted to reflect the Group's new business organization:

- France & Switzerland
- Europe
- Middle East & Africa
- North America, Central America & the Caribbean
- South America
- Asia-Pacific
- Worldwide structures, which correspond to support entities, whose flows are not specific to a single region.

Hotel assets and New Businesses constitute separate single operating segments.

In accordance with IFRS 8, comparative segment information for the year 2016 has been restated in order to reflect the Group's new organization.

HotelServices

HotelServices corresponds to AccorHotels' business as a hotel manager and franchisor. Its business model focuses entirely on generating fees and services revenue.

All of the Group's hotels, including those contributed to AccorInvest, are managed by HotelServices under management or franchise contracts. The management fees are aligned with market prices in the region or country concerned. In addition, Service Level Agreements (SLAs) have been signed to allocate the cost of services supplied (corresponding to the finance, human resources, purchasing, IT and legal functions), reflecting the country or region organizational structure. On completion of the sale of AccorInvest, the hotels operated by AccorInvest will continue to be managed by HotelServices under management contracts.

HotelServices also includes sales and marketing, distribution and information systems as well as other activities such as a timeshare business in Australia, Strata in Oceania and the AccorHotels loyalty program.

Hotel assets

This operating segment is the Group's hotel owner-operator, comprising the Group's owned and leased hotels. It comprises hotels operations in Eastern Europe and certain hotels, mainly in Brazil, that are operated under variable lease contracts based on a percentage of EBITDAR (corresponding to the perimeter of hotel assets not contributed to AccorInvest). Its business model aims to improve the return on assets and optimize the impact on the statement of financial position. Hotel assets segment spans all asset portfolio management activities, hotel design, construction, refurbishment and maintenance activities as well as the legal and finance functions.

New Businesses

This operating segment corresponds to new businesses developed by the Group (mainly through acquisitions) that were previously included in the HotelServices segment and that are now presented separately:

- Digital services for independent hotels: this business, currently organized around Fastbooking, consists of offering digital solutions to independent hotel operators that will drive growth in their direct sales. The acquisition of Availpro rounds out the suite of products and services offered to hotel operators and create the European leader in digital services for independent hotels.
- Private luxury home rentals, comprising onefinestay and the newly acquired Travel Keys and Squarebreak, with over 10,000 addresses worldwide.
- Digital sales, created through the acquisition of VeryChic, which operates a website and mobile applications offering exclusive private sales of luxury and upscale hotel rooms and breaks.
- Concierge services, with the integration of John Paul within the Group, and which in parallel has taken over the Accor Customer Care Service and is managing the launch of AccorLocal project currently being tested in 80 hotels and 5 cities in France.

For each of the segments presented, management monitors the following indicators:

- Revenue,
- EBITDA, corresponding to operating profit before depreciation, amortization and provisions, share of net profit of associates and joint ventures and other income and expenses,
- EBIT, corresponding to operating profit before share of net profit of associates and joint ventures and other income and expenses.

No balance sheet information by segment is reported to the chief operating decision maker.

5.1 Reporting by strategic business

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

			Variation (%)	
In millions of euros	**2016**	**2017**	**Actual**	**L/L (1)**
HotelServices	1,524	1,746	+14.6%	+5.1%
Hotel Assets	599	616	+2.9%	+7.0%
New Businesses	44	100	N/A	+6.9%
Corporate & Intercos	(520)	(525)	+0.8%	(1.2)%
Revenue	**1,646**	**1,937**	**+17.7%**	**+7.9%**
HotelServices	524	656	+25.4%	+9.7%
Hotel Assets	78	96	+22.7%	+18.8%
New Businesses	(23)	(25)	+7.9%	+12.7%
Corporate & Intercos	(72)	(101)	+40.2%	(38.0)%
EBITDA	**506**	**626**	**+23.6%**	**+8.1%**
HotelServices	467	576	+23.4%	+8.6%
Hotel Assets	36	50	+38.1%	+40.7%
New Businesses	(25)	(33)	+35.4%	+13.2%
Corporate & Intercos	(81)	(100)	+23.5%	(22.6)%
EBIT	**397**	**492**	**+23.9%**	**+10.1%**

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

In segment reporting, the data for HotelServices business include the flows with the subsidiary AccorInvest, under the process of being sold. The elimination of these flows is presented on the line « Corporate & Intercos».

5.2 Detailed information for HotelServices

5.2.1 Revenue

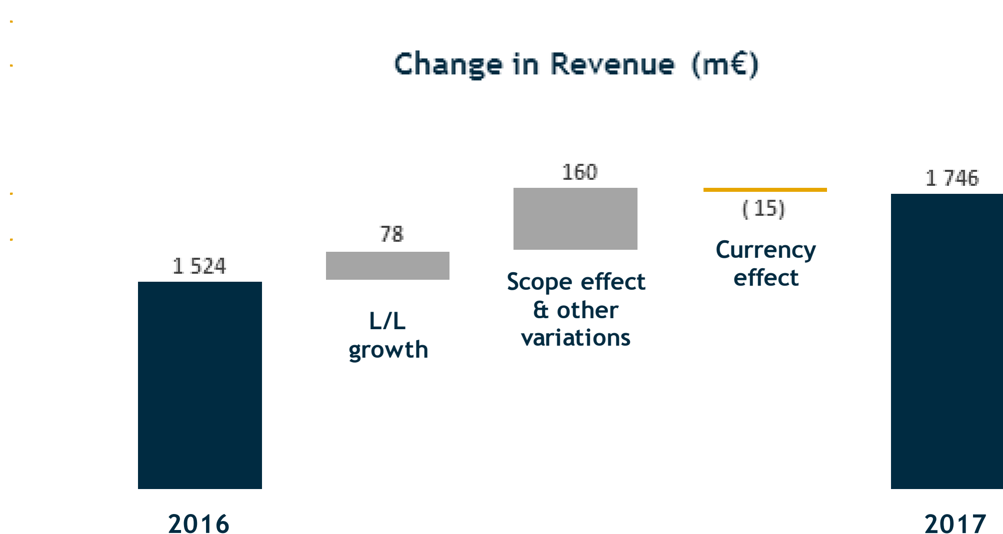
In millions of euros	2016	2017	Variation (%) Actual	L/L (1)
France & Switzerland	374	389	+4.1%	+2.5%
Europe	400	430	+7.6%	+7.2%
Middle East and Africa	105	114	+8.2%	+2.7%
Asia Pacific	416	462	+11.0%	+7.7%
North America, Central America & Caribbean	126	159	+26.0%	+5.2%
South America	69	71	+1.6%	(3.3)%
World Structures (2)	34	122	N/A	+2.9%
Total	**1,524**	**1,746**	**+14.6%**	**+5.1%**

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

(2) « Worldwide Structures » corresponds to revenue that is not specific to a single geographic region

In 2017, fees invoiced to AccorInvest amounted to €462 million (€461 million in 2016). In the Group consolidated financial statements, these fees continue to be eliminated until the closing of the disposal, in accordance with consolidation principles.

The period-on-period variation of HotelServices revenue breaks down as follows:



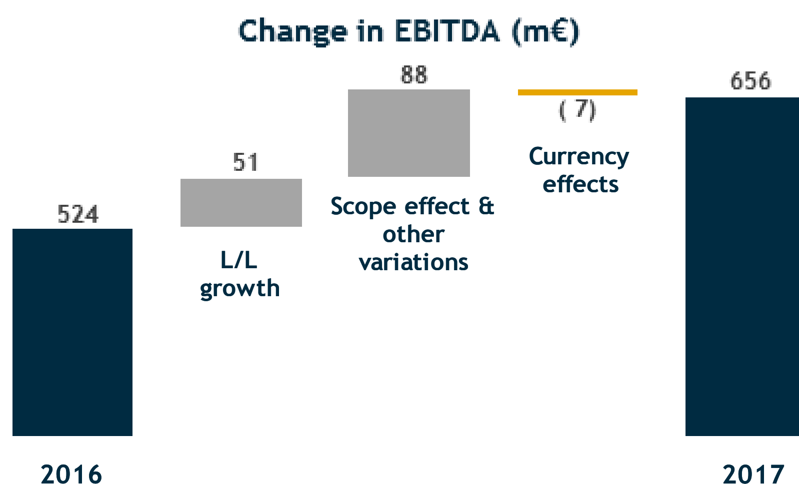
5.2.2 EBITDA

In millions of euros	2016	2017	Variation (%) Actual	L/L (1)
France & Switzerland	123	129	+5.5%	+5.2%
Europe	134	152	+13.8%	+7.4%
Middle East and Africa	36	36	(0.6)%	(21.4)%
Asia Pacific	112	146	+30.5%	+20.7%
North America, Central America & Caribbean	17	96	N/A	+33.0%
South America	17	13	(23.1)%	(26.0)%
World Structures (2)	86	84	(2.0)%	+20.8%
Total	**524**	**656**	**+25.4%**	**+9.7%**

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

(2) « Worldwide Structures » corresponds to revenue and costs that are not specific to a single geographic region

The period-on-period change in HotelServices EBITDA breaks down as follows:



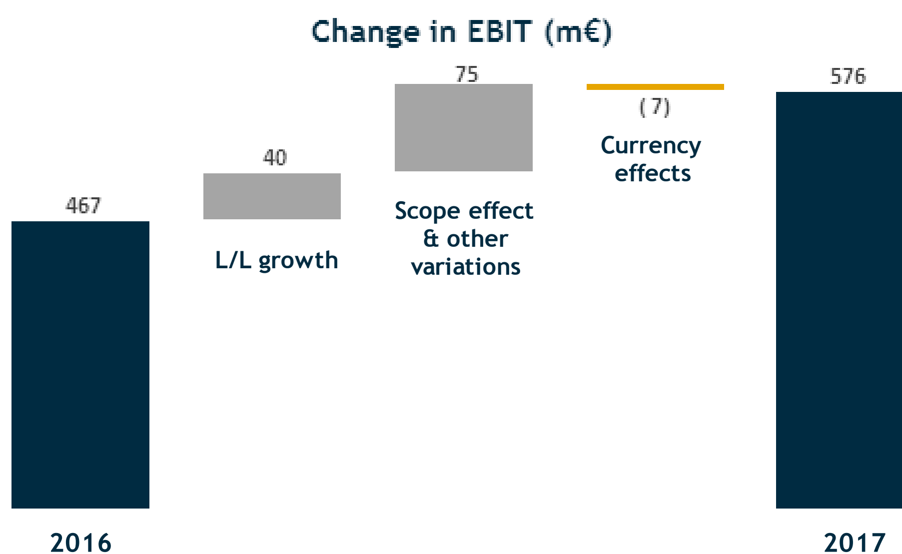
5.2.3 EBIT

In millions of euros	2016	2017	Variation (%) Real	L/L (1)
France & Switzerland	122	126	+4.1%	+4.1%
Europe	130	146	+12.6%	+6.1%
Middle East and Africa	33	30	(9.8)%	(28.0)%
Asia Pacific	99	130	+32.0%	+18.1%
North America, Central America & Caribbean	10	86	N/A	+22.3%
South America	16	12	(25.3)%	(28.1)%
World Structures (2)	59	46	(22.2)%	+35.7%
Total	**467**	**576**	**+23.4%**	**+8.6%**

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

(2) « Worldwide Structures » corresponds to revenue and costs that are not specific to a single geographic region

The period-on-period change in HotelServices EBIT breaks down as follows:



Note 6. Employee benefit expenses

6.1 Headcount

The Group's workforce breaks down as follows:

Headcount	2016	2017
Full-time equivalent	18,499	18,393

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.

6.2 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 expensed 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 6.4.

The personnel expenses break down as follows:

In millions of euros	2016	2017
Salaries and social charges	(709)	(793)
Share-based payments	(14)	(17)
Total	**(723)**	**(810)**

6.3 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 expense, 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.

6.3.1 Pension and other post-employment benefit obligations

In millions of euros	Dec. 2016	Dec. 2017
Pension plans	100	80
Other long-term benefits	14	10
Provision	**114**	**91**
Surplus on pension plans	9	12
Pension asset	**9**	**12**
Net commitment	**105**	**78**
• of which net provisions for pensions	91	68
• of which net provisions for other benefits	14	10

The €12 million non-current asset corresponds to the surplus recognized on two pension plans in the United Kingdom and in Canada. It is limited to the asset ceiling, determined as the present value of available future reductions in future contributions.

6.3.2 Description of the plans

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

- **Pension plans:** The main pension plans are located in Worldwide Structures and France (36% of the obligation), in the United-Kingdom (28% of the obligation) and in Canada (23% 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 AccorHotels Group. In Worldwide Structures, 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.

6.3.3 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. 2017	**Dec. 2016**	**Dec. 2017**	**Dec. 2016**
France	1.6%	1.5%	3.0%	3.0%
Netherlands	1.6%	1.5%	1.0%	1.0%
Germany	1.6%	1.5%	1.5%	1.5%
Belgium	1.6%	1.5%	2.8%	2.8%
Switzerland	0.7%	0.5%	1.0%	1.0%
FRHI	2,5% - 3,75%	2,3% - 3,5%	3% - 4,9%	3% - 4,3%
Worldwide Structures	1.6%	1.5%	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 that of the employee benefits concerned. If the local corporate bond market is not sufficiently liquid, the government bond rate is used.

6.3.4 Breakdown and changes in the pension obligations

At December 31, 2017, pension obligations break down by region as follows:

In millions of euros	Canada	Worldwide structures	United-Kingdom	Belgium	France	Switzerland	Others	Total
Actuarial debt	51	75	64	13	6	5	11	224
Fair value of plan assets	(41)	(30)	(75)	(8)	0	(4)	(2)	(160)
Irrecoverable surplus	4	-	-	-	-	-	(0)	4
Net obligation	**14**	**45**	**(11)**	**5**	**6**	**1**	**8**	**68**

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

In millions of euros	Present value of obligation	Fair value of plan assets	Irrecoverable surplus impact	Net
Situation at January 1, 2017	**306**	**(219)**	**4**	**91**
Transfers related to AccorInvest	**(53)**	**51**	**-**	**(2)**
Current service cost	8	-	-	8
Interest expense/(income)	6	(4)	-	2
Past service cost	(6)	-	-	(6)
Total recognized in profit or loss	**8**	**(4)**	**-**	**4**
Actuarial gains and losses related to experience adjustments	(6)	(6)	-	(11)
Actuarial gains and losses related to changes in demographic assumptions	(0)	-	-	(0)
Actuarial gains and losses related to changes in financial assumptions	(2)	-	-	(2)
Change in irrecoverable surplus (without net interest)	-	-	0	0
Actuarial (gains)/losses	**(8)**	**(6)**	**0**	**(14)**
Benefits paid	(9)	6	-	(4)
Scope changes	0	-	-	0
Exchange differences and others	(19)	12	(0)	(8)
				-
Situation at December 31, 2017	**224**	**(160)**	**4**	**68**

6.3.5 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 except for Worldwide Structures. Plan assets consist mainly of classes of assets held in insurers' general portfolios managed according to conservative investment strategies. At December 31, 2017, the breakdown of assets is as follows:

In millions of euros	United-Kingdom	Canada	Worldwide structures	Belgium	Others	Total
Bonds	21	31	24	-	1	77
Real Estate	-	-	2	-	1	3
Shares	18	10	3	-	1	33
Liquidity	2	0	-	-	0	3
Insurance contracts	34	-	-	8	2	44
Other	0	-	0	-	0	1
Value of plan assets	**75**	**41**	**30**	**8**	**6**	**160**

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

6.3.6 Sensitivity analysis

At December 31, 2017, the sensitivity of provisions for pensions to a change in discount rate is as follows:

In millions of euros	Impact on obligation
Impact of increase in discount rate by 0.5 pt	(11)
Impact of decrease in discount rate by 0.5 pt	12

6.3.7 Expected cash flows

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

In millions of euros	2018	2019	Hereafter	Total
Expected benefits payments	10	9	113	132

6.4 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. If the shares are subject to any sale restrictions, this is reflected in the valuation of the employee benefit.

The cost of share-based payment plans is recognized in employee benefits expense 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, 2017 were equity-settled plans.

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

In 2017, the cost of share-based payment plans was €19 million, of which €17 million was recognized in employee benefits expense from continuing operations as follows:

In millions of euros	2016	2017
2013 Plans	0	0
2014 Plans	3	1
2015 Plans	8	4
2016 Plans	3	4
2017 Plans		6
Performance shares plans	**14**	**14**
Employee share plans	**0**	**3**
Total	**14**	**17**

6.4 1 Performance share plans

The movements over the period are as follows:

Number of shares	2016	2017
Performance shares at beginning of period	**1,045,048**	**1,093,899**
Shares granted	506,215	2,043,841
Shares cancelled or expired during the period	(40,454)	(49,215)
Shares vested during the period	(416,910)	(41,895)
Performance shares at end of period	**1,093,899**	**3,046,630**

Details of performance share rights granted during the year are presented below.

Co-investment plans

On June 20 and December 14, 2017, AccorHotels set up a co-investment plan for its key managers. In exchange for an initial personal investment in Accor SA shares, plan participants will receive after three years up to three shares for each share originally acquired, provided that certain performance conditions are fulfilled. The shares will vest provided that the grantee remains with the Group until the end of the three-year vesting period and retains his or her personal investment throughout this period, and the following two performance conditions are both fulfilled:

- Internal condition: Achievement of 90% of cumulative targeted EBIT for the years 2017, 2018 and 2019,
- External condition: Share price of at least €55 (triggering the vesting of two performance shares for each share purchased) and €60 (three performance shares for each share purchased). 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.

Performance shares

On June 30, 2017, the Group granted a performance shares plan to senior executives and certain employees under performance conditions. The shares plan is subject to a three-year vesting period but no lock-up period applies. The shares will vest provided that the grantee remains with the Group until the end of the three-year vesting period, and the following three performance conditions are fulfilled over the years 2017, 2018 and 2019:

- Internal conditions (80% weighting): EBIT margin compared to the budget and free cash flows excluding disposal proceeds (net cash from operating activities, less net cash used in/from investments and divestments, adjusted for changes in operating working capital),

- External condition (20% weighting): change in AccorHotels' Total Shareholder Return (TSR) compared with that of other international hotel groups and the CAC 40 index. 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 18, 2017, the Group set up a performance share plan with similar characteristics to the June plan.

The total cost of plans set up in 2017 was €36 million. This amount is being recognized on a straight-line basis over the vesting period, including €6 million in 2017.

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

	Performance shares		Co-investment	
Characteristics	**Jun.**	**Oct.**	**Jun.**	**Dec.**
Number of shares granted	570,579	27,340	1,304,754	141,168
Vesting period	3 years	3 years	3 years	3 years
Share price at grant date (in €)	41.05	43.20	41.45	41.94
Share fair value at grant date	34.34	36.01	10.35	10.71

6.4 2 Stock options plans

The movements over the period are as follows:

	December 31, 2016		December 31, 2017	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding at beginning of period	**2,385,431**	**26.93 €**	**2,123,250**	**27.22 €**
Options cancelled or expired during the period	(12,307)	26.09 €	(69,556)	23.35 €
Options exercised during the period	(249,874)	24.48 €	(786,183)	25.42 €
Options outstanding at end of period	**2,123,250**	**27.22 €**	**1,267,511**	**28.55 €**
Options exercisable at end of period	**2,083,250**	**27.16 €**	**1,267,511**	**28.55 €**

Outstanding options at December 31, 2017 are as follows:

Plan	Grant date	Number of outstanding options	Remaining life	Exercise price
Plan 20	April 2010	383,188	3 months	26.66 €
Plan 21	April 2010	12,724	3 months	26.66 €
Plan 22	November 2010	84,916	11 months	30.49 €
Plan 23	April 2011	388,892	1 year and 3 months	31.72 €
Plan 24	April 2011	30,469	1 year and 3 months	31.72 €
Plan 25	March 2012	336,595	2 years and 2 months	26.41 €
Plan 26	March 2012	20,727	2 years and 2 months	26.41 €
Plan 27	September 2013	10,000	3 years and 9 months	30.13 €

6.4.3 Employee share plans

In 2017, AccorHotels launched the “Share 17” leveraged employee share plan for Group employees in nine countries. Eligible employees were given the opportunity to purchase Accor SA shares at a price of €33.51 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 20% discount. It was set on November 20, 2017 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 21, 2017, a total of 550,437 shares with a par value of €3 were issued to participants in the “Share 17” plan at a price of €33.51 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 €17 million.

The cost recorded in 2017 was €3 million.

6.5 Corporate officer’s compensation

Corporate officers are defined as members of the Executive Committee which had fourteen members at the end of December 31, 2017 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 millions of euros	**2016**	**2017**
Short-term benefits received	16	18
Share-based payments	4	6
Compensation for loss of office	2	5
Post-employment benefits	3	1
Total compensation	**25**	**30**

Members of the Board of Directors do not receive any compensation and receive only attendance fees. Attendance fees paid by the Group to the members of the Supervisory Board for 2017 amounted to €1 million.

Note 7. 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:

- When the Group acquires significant influence or joint control over an investee that was previously controlled exclusively by the Group, or
- When the Group acquires significant influence or joint control over an investee that was not previously consolidated.

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.

7.1 Investments in associates and joint-ventures

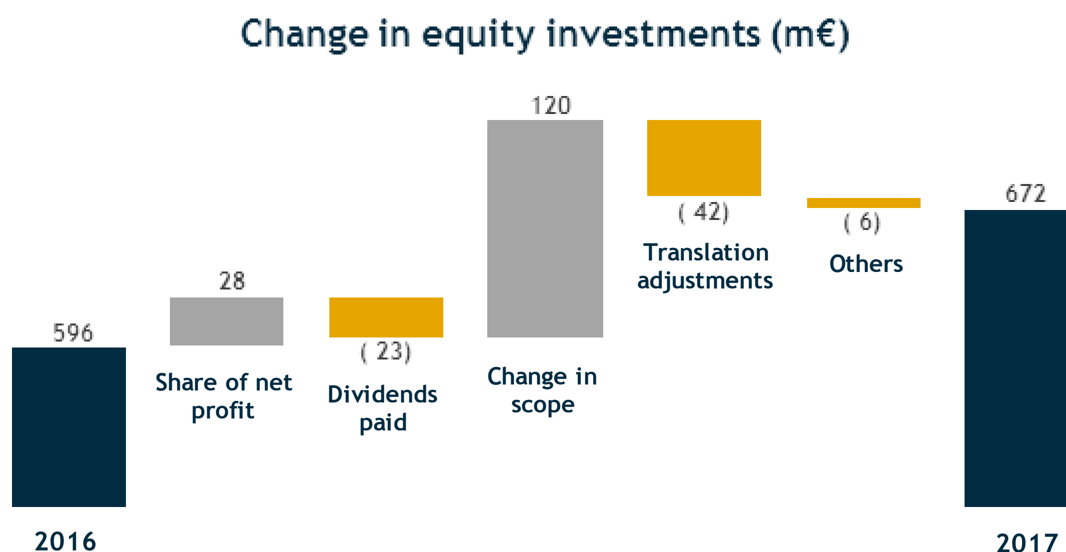
The main contributions of associates and joint-ventures are analyzed as follows:

In millions of euros	2016	2017
China Lodging Group	10	16
Asia Pacific Hotels	(16)	(14)
Avendra	-	9
Société Hôtelière Paris Les Halles	-	3
SERHR (Orféa)	5	3
Others (including Risma)	1	5
Associates	**0**	**22**
Joint ventures	**5**	**6**
Share in results of companies accounted for using the equity method	**6**	**28**
• Of which share of income before taxes	14	40
• Of which share of taxes	(8)	(12)

7.2 Investments in associates and joint-ventures

In millions of euros	Dec. 2016	Dec. 2017
China Lodging Group	191	191
Asia Pacific Hotels	147	140
25Hours	35	36
Mama Shelter	28	28
Noctis	-	22
Others (including Risma)	145	147
Associates	**546**	**564**
Partnership with Rixos	-	37
Nextdoor	-	22
SIEHA	22	19
Others	28	68
Joint ventures	50	**109**
Investments in associates and joint-ventures	**596**	**672**

The Asia-Pacific investments primarily include Interglobe Hotels Private Limited (a company which operates ibis hotels in India) for €55 million, Caddie Hotels Private (a company which operates a Novotel and a Pullman in New Delhi) for €24 million, three companies which operate Novotel and ibis hotels in South Korea for €26 million and Triguna, a company dedicated to development partnerships under ibis and Novotel brands in India for €17 million.



Scope changes mainly include acquisition of interests in Noctis, Potel & Chabot, Nextdoor and the partnership with Rixos for a total of €94 million.

Note that Avendra' shares, acquired as part of the FRHI Hotels & Resorts business combination in 2016 and previously included in "Investments in non-consolidated companies" has been reclassified as "Investments in associates" in 2017 as part of the finalization of the acquisition accounting, in order to reflect the significant influence exercised by the Group. These shares were then sold, as noted in Note 2.1.3.

7.3 Information about material associates and joint ventures

The following associates are material to the Group:

- Huazhu Hotels Group (China Lodging), which is a Chinese Hospitality group listed on Nasdaq (10.8% interest),
- Interglobe Hotels, which owns ibis hotels in India that are managed by AccorHotels (40% interest), and
- Risma, which is a tourism operator listed on the Casablanca Stock exchange (33.3% interest).

In the Group's consolidated financial statements, the share of net profit for the two first companies is based on the 12-month period ending as of September 2017. China Lodging Group (Huazhu) publishes its financial statements after the publication deadlines of the Group. Intergloble, for its part, closes its annual accounts at March 31st.

Key financials for the 12-month period ended September 2017 for these two entities are as follows:

In millions of euros	Huazhu	Interglobe
P&L		
Revenue	999	29
Net profit (loss)	**162**	**(9)**
Balance sheet		
Total current Assets	653	19
Total non-current Assets	1369	213
Equity	809	129
Total current Liabilities	464	14
Total non-current Liabilities	750	90
Total balance sheet	**2,022**	**233**

Financial data for China Lodging are based on the data published by the entity for the aforementioned period.

For confidentiality reasons, AccorHotels is not able to disclose any financial information for Risma, which published its financial information after AccorHotels publication. At December 31, 2017 the company had a market capitalization of €184 million.

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 AccorHotels in the form of cash dividends or to repay any loans other liabilities.

Note 8. Other income and expenses

Accounting policy

In order to facilitate assessment of the Group's underlying performance, unusual items of income and expense 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 millions of euros	2016 (*)	2017
Impairment losses	(16)	(3)
Restructuring expenses	(105)	(44)
Gains and losses on management of hotel properties	93	(5)
Other non recurring income and expenses	(68)	(55)
Other income and expenses	**(96)**	**(107)**

(*) Restated amounts in application of IFRS 5

At December 31, 2017, this caption mainly include:

- Restructuring costs for €(44) million notably related to restructuring plans in France and headquarters;
- Costs incurred for the spin-off and planned divestment of AccorInvest for €(56) million (mainly bank fees, legal fees and governance and management consulting fees);
- Litigation costs in Brazil for €(9) million;
- Transactions costs, internal projects and FRHI Hotels & Resorts Group integration costs for €(21) million.

In addition, a gain related to the disposal of Avendra's shares (investments in associates) is recorded for €48 million (See Note 2.1.3).

In 2016, other income and expenses included restructuring costs and expenses in connection with FRHI Hotels & Resorts integration for €(98) million, fees related to the AccorInvest spin-off project for €(14) million and a gain of €66 million related to the divestment of AccorHotel's Economy and Midscale hotels businesses in China to Huazhu.

Note 9. Intangible and tangible assets

9.1 Intangible assets

Accounting policy

Goodwill

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. For impairment testing purposes, goodwill is allocated to the cash generating unit (CGU) that is expected to benefit from the synergies of the business combination.

Other intangible assets

In accordance with IAS 38, 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 any accumulated impairment losses.

Brands and lease premiums in France ("droit au bail") are considered as having indefinite useful lives because the Group considers that there is no foreseeable limit to the period in which they can be used. Consequently, these assets are tested for impairment at least once a year and whenever there is an indication that they may be impaired. Other intangible assets are amortized on a straight-line basis over their estimated useful life.

At the time of signature of management or franchise contracts, AccorHotels may have to pay key money to the owners of the hotels. These payments are necessary to secure the signing of the contracts and are qualified as intangible assets under IAS 38. Key money is amortized over the life of the contract to which it relates.

Software costs incurred during the development phase are capitalized as internally-generated assets if the Group can demonstrate all of the following in accordance with IAS 38: (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. 2016	Dec. 2017		
In millions of euros	Net book value	Gross value	Amort. & depreciation	Net book value
Goodwill	1,496	1,564	(63)	1,500
Brands and rights	1,537	1,430	(34)	1,396
Management contracts	580	587	(46)	541
key moneys	78	141	(39)	102
Licenses, software	70	298	(209)	90
Other intangible assets	136	214	(41)	173
Total	**3,897**	**4,234**	**(431)**	**3,803**

9.1.1 Goodwill

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

In millions of euros	Dec. 2016	Scope impacts	Translation adjustment & others	IFRS 5 Reclass.	Dec. 2017
France & Switzerland	108	38	(3)	-	144
Europe	91	49	(4)	-	136
Mediterranean, Middle East & Africa	6	171	(13)	-	164
Asia Pacific	206	284	(35)	-	455
North/Central America & Caribbean	-	269	(20)	-	249
South America	60	-	-	-	60
Worldwide Structures	786	(744)	(42)	-	(0)
HotelServices	**1,257**	**68**	**(116)**	**-**	**1,209**
HotelAssets	**64**	**-**	**(2)**	**19**	**82**
New businesses	**241**	**33**	**(1)**	**-**	**273**
Gross value	**1,562**	**101**	**(119)**	**19**	**1,564**
Impairment losses	**(66)**	**(0)**	**3**	**-**	**(63)**
Net book value	**1,496**	**101**	**(116)**	**19**	**1,500**

As explained in Note 5, the Group's operating segments have been redefined to reflect the new organization of the Group. As a result, HotelServices goodwill is now aggregated based on the new geographic areas and goodwill for New Businesses previously included in HotelServices is now presented separately. Comparative information at December 31, 2016 has been restated for comparability purposes.

The FRHI Hotels & Resorts purchase price allocation determined provisionally in July 2016 was completed during 2017. Final goodwill amounts to €865 million (US$959 million), representing a €68 million increase compared to the goodwill recognized initially. The main adjustments were as follows:

- Recognition of a €39 million impairment loss on the lands of a hotel property,
- Recognition of additional contingent liabilities for €12 million,
- Recognition of additional deferred tax liabilities for €23 million.

The final goodwill has been allocated as follows:

- €812 million to the HotelServices, mainly for the geographical areas (i) Asia Pacific, (ii) North America, Central America and Caribbean, (iii) Mediterranean and Middle East and Africa (initially presented in Worldwide structures),
- €53 million to AccorInvest (already reclassified as "Assets held for sale" at December 31, 2016).

Changes in goodwill allocated to New Businesses is explained by the recognition of a goodwill on the acquisitions of Squarebreak, Travel Keys, VeryChic and Availpro for a total of €51 million. In addition, completion of the purchase price allocation of John Paul, acquired in November 2016, led to the recognition of intangible assets for €37 million and related deferred tax liabilities of €13 million. Final goodwill amounts to €87 million.

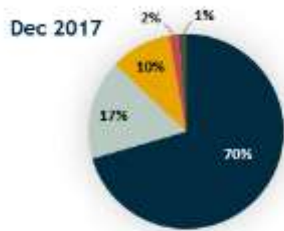
Concerning the HotelAssets business, the IFRS 5 adjustment corresponds mainly to the €19 million goodwill arising on acquisition of a Sofitel in Egypt, which was finally excluded, from the assets contributed to AccorInvest.

9.1.2 Other intangible assets

Changes in the carrying amount of intangible assets in 2017 were as follows:

In millions of euros	Dec. 2016	Increase	Disposals	Translation adjustment & others	IFRS 5 Reclass.	Dec. 2017
Trademarks	1,572	11	0	(153)	0	1,430
Management contracts	609	50	(4)	(67)	0	587
Key moneys	111	10	(1)	21	0	141
Licenses, software	235	34	(11)	39	1	298
Leasehold rights	77	0	(1)	4	0	80
Customer relationships	0	48	0	0	0	48
Other intangible assets	88	33	(2)	(32)	0	87
Gross value	**2,692**	**185**	**(18)**	**(188)**	**1**	**2,670**
Accumulated amortizations	(291)	(85)	12	(4)	(0)	(368)
Net book value	**2,401**	**100**	**(6)**	**(192)**	**0**	**2,302**

The carrying amount of brands breaks down as follows:



In millions of euros	Dec. 2016	Dec. 2017
Fairmont	1,087	984
Swissôtel	261	231
Raffles	159	142
Onefinestay	22	22
Other trademarks	7	17
Total	**1,537**	**1,396**

The main brands are Fairmont, Raffles and Swissôtel (for €1,356 million) and onefinestay acquired in 2016.

Management contracts primarily consist of contracts recognized in connection with the FRHI Hotels & Resorts business combination in 2016. In November 2017, the Group entered into a strategic partnership with Brazil Hospitality Group (BHG), the country's third largest hotel group, covering the acquisition of a portfolio of management contracts for 26 hotels owned or managed by BHG for €57 million.

Contractual customer relationships were recognized as part of the purchase price allocation for John Paul, VeryChic and Availpro for a total of €47 million. These assets were measured using the super profit method which consists of discounting to present value the additional profits generated by the underlying assets.

Translation differences for the period mainly concerned the FRHI Hotels & Resorts brands and management contracts which are recorded in US dollars.

9.2 Tangible assets

Accounting policy

Property, plant and 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), the initial cost includes borrowing costs that are directly attributable to these assets. After initial recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation periods

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, determined by the components method, from the date when they are put in service, 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

Useful lives are reviewed at regular intervals and adjusted prospectively if necessary.

Finance leases

When long-term real estate and other leases are signed, the lease terms are examined to determine whether they qualify as operating or finance leases. Leases that transfer substantially all the risks and rewards incidental to ownership of an asset to AccorHotels are qualified as finance leases and accounted for as follows:

- The leased item is recognized as an asset at an amount equal to its fair value or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.
- A liability is recognized for the same amount, under "Finance lease liabilities".
- Minimum lease payments are allocated between interest expense and reduction of the lease liability.

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

Property, plant and equipment break down as follows:

	Dec. 2016	**Dec. 2017**		
In millions of euros	**Net book value**	**Gross value**	**Amort. & depreciation**	**Net book value**
Land	33	59	(5)	54
Buildings	329	782	(417)	365
Fixtures	85	279	(162)	117
Equipment and furniture	94	253	(160)	93
Constructions in progress	21	36	(2)	33
Total	**562**	**1,408**	**(746)**	**662**

Changes in the carrying amount of property, plant and equipment in 2017 were as follows:

In millions of euros	**Dec. 2016**	**Increase**	**Decrease**	**Translation adjustment & others**	**IFRS 5 Reclass.**	**Dec. 2017**
Land	34	32	(1)	(0)	(8)	59
Buildings	664	37	(32)	26	86	782
Fixtures	216	56	(16)	15	9	279
Equipment and furniture	229	13	(17)	10	19	253
Constructions in progress	26	37	(0)	2	(30)	36
Gross value	**1,169**	**177**	**(66)**	**53**	**76**	**1,408**
Accumulated depreciation	(572)	(73)	51	(34)	(61)	(688)
Impairment losses	(35)	5	5	1	(34)	(58)
Net book value	**562**	**109**	**(10)**	**20**	**(19)**	**662**

Increases over the period mainly concern:

- Buyback of real estate of five hotels in Budapest, which were operated under fixed leases under the Mercure, ibis and *ibis styles* brands, representing a total investment of €66 million,
- Acquisition for subsequent resale of a Sofitel in Budapest for €43 million (this hotel was immediately reclassified as held for sale).

Decreases over the period mainly comprise the disposal of 4 Mercure and 2 ibis in Poland representing a net book value of €8 million.

Moreover, over the period, a Sofitel in Egypt finally excluded from the contributions to AccorInvest was excluded from Assets held for sale for a net amount of €29 million.

9.3 Impairment test

Accounting policy

The carrying amounts of property, plant and equipment, intangible assets and goodwill are reviewed and tested for impairment when there is any indication that they may be impaired. These tests are performed at least once a year for goodwill and intangible assets with an indefinite useful life.

Criteria used for impairment tests

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

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

Impairment tests

Each brand is tested for impairment separately. Goodwill is tested for impairment at the level of the CGU or group of CGUs to which it is allocated for internal management purposes. A cash-generating unit (CGU) is 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. The Group considers that goodwill is allocated for internal management purposes to:

- HotelServices CGUs corresponding to the regions used for the segment analysis.
- HotelAssets CGUs corresponding to the individual hotels.
- New Businesses CGUs corresponding to the business lines (Digital Services, Private Vacation Rentals, Digital Sales and Concierge Services).

Determination of recoverable value

The recoverable amount of goodwill is estimated taking into account the specific features of each business:

- For the **HotelServices and New Businesses** CGUs, recoverable amounts 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 long-term rate of revenue growth reflects each country/region's economic outlook. Each calculation also takes into account the specific features of the country or region concerned. This is a level 3 valuation technique under IFRS 13.

- For the **HotelAssets** CGUs, recoverable amounts are 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 to sell, 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	$7.6 < x < 12.6$

This is a level 2 valuation technique under IFRS 13. If the recoverable amount is less than the carrying amount, the asset's recoverable amount will be recalculated according to the discounted cash flows method.

Impairment loss measurement

If the recoverable amount is less than the carrying amount, an impairment loss is recognized in the income statement. All or part of an impairment loss on an asset other than goodwill may be reversed if there has been a change in the estimates used to determine the asset's recoverable amount. If this is the case, the carrying amount of the asset is increased to its recoverable amount. 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.

Impairment losses recognized in 2017 amounted to €3 million.

The core assumptions used to determine the recoverable amount of an asset are consistent with those used to prepare the Group's business plans and budgets. They reflect past experience and also take into account information from external sources such as hotel industry growth forecasts and forecasts concerning geopolitical and macro-economic developments in the regions concerned.

The main assumptions used to estimate recoverable amounts for HotelServices CGUs were as follows:

	December 2016		December 2017	
	Growth rate	Discount rate	Growth rate	Discount rate
France & Switzerland	+2.0%	+7.4%	+2.0%	+8.1%
Europe	+1.5%	+7.4%	+1.5%	+8.1%
Middle East and Africa	N/A	N/A	+3.0%	+9.5%
Asia Pacific	+2.0%	+7.6%	+2.0%	+9.2%
North America, Central America & Caribbean	N/A	N/A	+3.0%	+9.2%
South America	+4.3%	+11.2%	+4.0%	+13.9%

Sensitivity tests performed on the main CGUs at December 31, 2017 showed that:

- France & Switzerland – The CGU's carrying amount would exceed its recoverable amount only if the discount rate unlikely increased by 4,032 basis points. The carrying amount would remain below the recoverable amount whatever the perpetuity growth rate ;
- Europe - The CGU's carrying amount would exceed its recoverable amount if the discount rate increased by 1,551 basis points. The carrying amount would remain below the recoverable amount whatever the perpetuity growth rate ;
- Middle East and Africa - The CGU's carrying amount would exceed its recoverable amount if the discount rate increased by 112 basis points or the perpetuity growth rate was reduced by 158 basis points ;
- Asia Pacific - The CGU's carrying amount would exceed its recoverable amount if the discount rate increased by 559 basis points or the perpetuity growth rate was reduced by 1,143 basis points ;
- North America, Central America & Caribbean - The CGU's carrying amount would exceed its recoverable amount if the discount rate increased by 36 basis points or the perpetuity growth rate was reduced by 49 basis points ;
- South America – The CGU's carrying amount would exceed its recoverable amount if the discount rate increased by 1,561 basis points. The carrying amount would remain below the recoverable amount whatever the perpetuity growth rate.

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

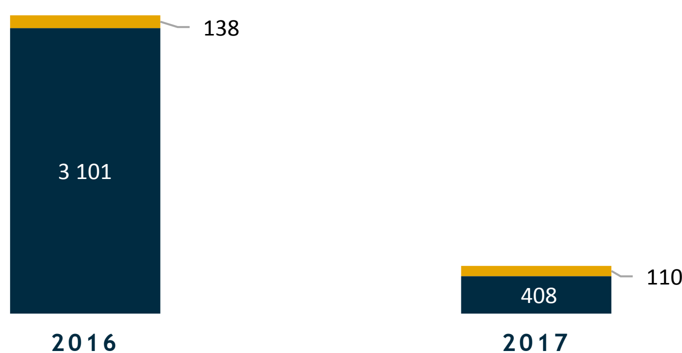
Concerning Hotel assets goodwill, a simultaneous, matching change in the underlying macro-economic environment affecting the EBITDA of all the hotels constituting separate CGUs is highly improbable and a general analysis of sensitivities is not considered relevant. However, if the carrying amounts of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

Concerning New Businesses, impairment tests performed did not reveal any impairment loss.

9.4 Renovation and maintenance and development expenditure

Accounting policy

- The amounts reported under "Renovation and maintenance expenditure" correspond to capitalized costs for maintaining or improving the quality of assets held by the Group at the beginning of each period (January 1st) as a condition of their continuing operation.
- "Development expenditure" comprise acquired subsidiaries (amount net of net cash or debt acquired), investments in equity accounted entities, acquisitions of non-current assets, construction of new assets and the exercise of call options under sale-and-leaseback transactions.



In 2017, most important development expenditure concern:

- €94 million related to the acquisition stake in investments recorded under the equity method (Noctis, Potel & Chabot, Nextdoor and partnership with Rixos),
- €66 million related to the acquisition of a company holding five hotels in Budapest,
- €69 million related to the acquisitions of Availpro, Travel Keys, Squarebreak and VeryChic (amount paid net of cash acquired),
- €57 million related to the acquisition of a portfolio of 26 management contracts from the Brazilian group BHG (Brazilian Hospitality Group),
- €43 million related to the acquisition of a Sofitel in Budapest.

In 2016, development expenditure mainly concerned the acquisition of FRHI Hotels & Resorts, onefinestay and John Paul, representing a net outlay of €2,775 million.

Note 10. 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. Tax provisions correspond to the probable risks arising from positions taken by the Group or one of its subsidiaries. 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 2017 can be analyzed as follows:

				Reversal					
In millions of euros	Dec. 2016	Global result	Increases	Utilizations	Unused provisions	Translation adjustment	Change in scope and reclassification	IFRS 5 reclass.	**Dec. 2017**
Pensions and other benefits	114	(10)	14	(9)	(7)	(2)	(11)	1	91
Litigation and others	76	-	17	(4)	(18)	(4)	0	1	67
Tax litigation	24	-	1	(8)	(0)	(0)	(2)	0	14
Restructuring	70	-	23	(51)	(4)	(2)	2	-	38
Total	**284**	**(10)**	**54**	**(72)**	**(30)**	**(8)**	**(10)**	**2**	**210**
• Including non-current	133	(10)	14	(9)	(7)	(3)	(14)	1	103
• Including current	151	-	41	(63)	(22)	(5)	4	1	106

At December 31, 2017 provisions amounted to €210 million. The decrease of €74 million compared with December 31, 2016 was mainly due to the reversal of €51 million in restructuring provisions set up to mainly cover the cost of restructuring of the Pullman Montparnasse (€27 million) and integration costs for FRHI Hotels & Resorts Group (€15 million). New restructuring provisions were set aside in 2017 for a total of €23 million, covering restructuring plans in France, Headquarters and Africa-Middle East region.

Changes in provisions for claims and litigations primarily concerned a €9 million allowance for litigations in Brazil and €11 million reversals for various claims. Lastly, the €8 million provision set up in connection with the tax audit at Accor SA covering the years 2008 and 2009 was reversed following the settlements paid during the year.

Provisions for pensions and other post-employment benefits are analyzed in Note 6.3.

Note 11. Financing and financial instruments

11.1 Net Financial Expense

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 net financial expense is analyzed as follows:

In millions of euros	**2016(*)**	**2017**
Bonds interests	(79)	(80)
Other interests expenses	(11)	(13)
Financial income	18	23
Cost of net debt	(71)	(71)
Other financial income and expenses	(46)	17
Net financial expense	**(117)**	**(54)**

(*) Restated amounts in application of IFRS 5

The improvement of the financial result is due to the favorable variation of other financial income and expenses, the net cost of net debt remains stable in the period.

Other financial income and expenses include the following items:

In millions of euros	**2016 (*)**	**2017**
Hedging	(35)	10
Exchange gains / (losses)	(15)	6
Dividend income	7	4
Movements in provisions	(2)	(3)
Total other financial income and expenses	**(46)**	**17**

(*) Restated amounts in application of IFRS 5

The €62 million positive variation is mainly attributable to:

- A €31 million positive fair value adjustment related to an interest rate derivative set up in order to secure a potential lease financing the real estate investment of the Group's headquarters. The positive impact is attributable to the increase in interest rates,
- A €13 million expense in 2016 related to the ineffective portion of the hedge set up in connection with the FRHI Hotels & Resorts Group acquisition,
- Favorable exchange rates, which led to the recognition of a €6 million translation gain (versus a €15 million loss in 2016, mainly due to the fall in value of the Egyptian pound at the end of the year).

11.2 Financial market instruments

11.2.1 Details of financial assets and liabilities

Accounting policy

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

Financial Assets

- Assets at fair value through profit or loss: these are financial assets acquired principally for the purpose of selling them in the near term or that are designated upon initial recognition as at fair value through profit or loss. They are measured at fair value, with changes in fair value recognized in profit or loss.

  This category mainly comprises derivative instruments.

- Loans and receivables: these are financial assets with fixed or determinable payments that are not quoted on an active market and are not held for trading. They are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest method.

  This category includes cash, trade receivables, time deposits and loans to non-consolidated companies.

- Available-for-sale financial assets: these correspond to all financial assets not included in either of the above categories. They are measured at fair value. Changes in fair value are accumulated in "Other comprehensive income" until the assets are sold, when they are reclassified to profit or loss. If their recoverable amount is less than their carrying amount due to a prolonged or significant impairment in value, an impairment loss is recognized in the income statement.

  This category mainly comprises investments in non-consolidated companies and units in SICAV and FCP mutual funds.

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.

Non controlling interests puts

The Group may grant put options to minority (non-controlling) interests on all or part of their investment. These options ("NCI puts") represent a financial liability for the Group. The liability is measured at the present value of the NCI puts' exercise price and a corresponding amount is deducted from shareholders' equity attributable to minority interests. The difference between the present value of the NCI puts 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 NIC puts, with a corresponding adjustment to shareholders' equity.

The breakdown of the financial market instruments is as follows:

	Breakdown by financial market instrument classes					
In millions of euros	Fair value through P&L	Fair value through equity	Loans, receivables	Debt at amortized cost	Dec.2017	Dec.2016
Loans	-	-	45	-	45	77
Non-consolidated investments	-	68	-	-	68	106
Deposits	-	-	44	-	44	65
Trade receivables	-	-	403	-	403	374
Cash and cash equivalents	-	220	844	-	1,063	1,169
Receivables on disposals	-	-	30	-	30	42
Derivatives	12	11	-	-	24	15
Financial assets	**12**	**299**	**1,366**	**-**	**1,677**	**1,848**
Bonds	-	-	-	2,748	2,748	2,635
Bank borrowings	-	-	-	31	30	67
Finance lease liabilities	-	-	-	202	202	172
Trade payables	-	-	-	398	398	384
Derivatives	24	-	-	-	24	34
Financial liabilities	**24**	**-**	**-**	**3,379**	**3,402**	**3,292**

11.2.2 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.

	Dec. 2017		Hierarchy of fair value		
In millions of euros	Carrying amount	Fair value	Level 1	Level 2	Level 3
Non-consolidated investments	68	68	-	-	68
Mutual funds units	220	220	220	-	-
Derivatives - assets	24	24	-	24	-
Derivatives - liabilities	24	24	-	24	-

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.

11.3 Group net debt

11.3.1 Breakdown of net debt

Au December 31, 2017, Group net debt amounts to €1,888 million and is analyzed as follows:

In millions of euros	Dec. 2016	Dec. 2017
Bonds	2,635	2,748
Bank borrowings	67	30
Bonds and bank borrowings	**2,702**	**2,779**
Other financial debts	172	202
Derivative financial instruments	34	24
Gross financial debt	**2,908**	**3,005**
• Of which, long-term liabilities	2,176	2,768
• Of which, short-term liabilities	733	237
Cash and cash equivalents	1,169	1,063
Other current financial assets	42	30
Derivative financial instruments	15	24
Financial assets	**1,226**	**1,117**
Net debt	**1,682**	**1,888**

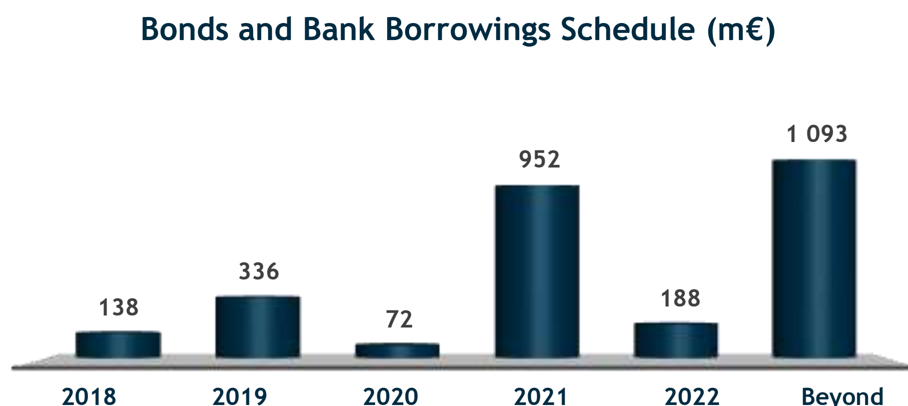
The breakdown of the variation of the period is as follows:

			Other variations				
In millions of euros	Dec. 2016	Cash flows	Scope effects	Translation adjustments	Fair value	Others	Dec. 2017
Bonds	2,635	117	(1)	(5)	-	0	2,748
Bank borrowings	67	(31)	(3)	(1)	-	(0)	30
Other financial debts	172	21	0	(19)	-	29	202
Derivative financial instruments	34	-	-	0	(0)	(10)	24
Gross financial debt	**2,908**	**107**	**(5)**	**(25)**	**(0)**	**19**	**3,005**
Cash and cash equivalents	1,169	-	25	(35)	(0)	(94)	1,063
Other current financial assets	42	(20)	0	(2)	-	9	30
Derivative financial instruments	15	-	-	(0)	9	(1)	24
Financial assets	**1,226**	**(20)**	**25**	**(37)**	**9**	**(86)**	**1,117**
Net debt	**1,682**	**127**	**(30)**	**12**	**(9)**	**105**	**1,888**

11.3.2 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, 2017, maturities of long and short-term debt were as follows:



In 2017 financial costs amount to €71 million. Future financial costs are estimated at €163 million for the period from January 2018 to December 2020 and €70 million thereafter.

In 2016 financial costs amounted to €70 million. Future financial costs were estimated at €252 million for the period from January 2017 to December 2020 and €69 million thereafter.

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

Analysis of bonds and bank borrowings by currency

	Before hedging			After hedging		
In millions of euros	Amount	Interest rate	% of total debt	Amount	Interest rate	% of total debt
Euro	2,509	+2%	+90%	2,386	+2%	+86%
Swiss franc	128	+2%	+5%	128	+2%	+5%
Polish zloty	120	+3%	+4%	120	+3%	+4%
Pound sterling	-	-	-	91	+1%	+3%
Japanese yen	-	-	-	32	(0)%	+1%
Mauritian rupee	22	+8%	+1%	22	+8%	+1%
US dollar	-	-	-	1	+2%	-
Bonds and bank borrowings	**2,779**	**+2%**	**+100%**	**2,779**	**+2%**	**+100%**

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

At December 31, 2017, 86% of long and short-term debt was fixed rate, with an average rate of 2.04%, and 14% was variable rate, with an average rate of 2.12%. At December 31, 2017, fixed rate debt was denominated primarily in EUR (88%), while variable rate debt was denominated mainly in euro (76%), in polish zloty (21%) and in Mauritian rupee (3%).

Breakdown of bonds

Bonds at December 31, 2017 break down as follows:

Nominal amount	Local currency	Date of issuance	Maturity	Initial interest rate (%)	Dec. 2016	Dec. 2017
700	M EUR	June 2012	June 2017	2.88%	367	-
250	M EUR	August 2009	November 2017	6.04%	250	-
138	M EUR	December 2017	December 2018	0.05%	-	138
600	M EUR	March 2013	March 2019	2.50%	334	335
300	M PLN	June 2015	June 2020	2.76%	68	72
900	M EUR	February 2014	February 2021	2.63%	906	904
200	M PLN	July 2016	July 2021	2.69%	45	48
60	M EUR	December 2014	February 2022	1.68%	60	60
150	M CHF	June 2014	June 2022	1.75%	139	128
500	M EUR	September 2015	September 2023	2.38%	466	471
600	M EUR	January 2017	January 2024	1.25%	-	593
Total bonds					**2,635**	**2,748**

On January 18, 2017, AccorHotels successfully set the terms of a 7-year bond issue for an amount of €600 million with an annual coupon of 1.25%. With this issue, AccorHotels took advantage of the favorable conditions on the credit market to optimize its average cost of debt and extend the average maturity.

On December, 20 2017, the Group issued a one year bond for €138 million with an annual coupon of 0.05%.

During the year, the Group reimbursed two bonds at maturity.

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. Of the bonds and bank borrowings of €2,779 million, 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 AccorHotels' credit rating being downgraded to non-investment grade.

Note, however, that in the case of the syndicated loan renegotiated in June 2014 and 2017, the early redemption clause can be triggered if AccorHotels does not comply with the leverage ratio covenant (consolidated net debt to consolidated EBITDA).

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 31, 2017, AccorHotels had two unused confirmed lines of credit representing a total of €2,150 million, one for €350 million expiring in June 2018 and the other for €1,800 million expiring in June 2019.

11.3.3 Current financial assets

Au December 31, 2017, current financial assets break down as follows:

In millions of euros	Dec. 2016	Dec. 2017
Other negotiable debt securities	675	655
Mutual funds units convertible into cash	434	220
Cash	59	189
Cash and cash equivalents	1,169	1,063
Short-term loans	19	15
Receivables on disposals of assets	24	15
Other current financial assets	42	30
Derivative instruments in assets	15	24
Current financial assets	**1,226**	**1,117**

11.4 Other financial assets

	Dec. 2016	Dec. 2017		
In millions of euros	Net book value	Gross value	Depreciation	Net book value
Long-term loans	77	52	(7)	45
Investments in non-consolidated companies	106	86	(17)	68
Deposits	65	44	-	44
Total	**248**	**182**	**(24)**	**157**

11.4.1 Long-term loans

At December 31, 2017, long term loans breakdown is as follows:

In millions of euros	Dec. 2016	Dec. 2017
Hotels, Asia-Pacific	54	26
Others	23	19
Total	**77**	**45**

At December 31, 2017, loans to hotels in the Asia Pacific region mainly consisted of a loan to APVC (a timeshare financing company) for an amount of €17 million paying interest at an average rate of 14,75%. The other loans include:

- A loan of €7 million allowed to the Pullman Paris Tour Eiffel hotel ; and
- A loan granted to Laser Mercure Trading Co for the refurbishment of hotels operated under management contracts in the United Kingdom for €3 million at an average 3.6% interest.

11.4.2 Other non-current financial assets

- Investments in non-consolidated companies breakdown is as follows:

In millions of euros	Dec. 2016	Dec. 2017
Avendra	65	0
A-HTrust (Singapore investment fund)	21	25
Banyan Tree	-	16
Others	20	28
Investments in non-consolidated companies	**106**	**68**

As previously described, Avendra shares have been reclassified in 2017, as associates, as part of a finalization of the FRHI acquisition accounting, before being disposed of (see Note 2.1.3 and 7.2). Over the period, AccorHotels acquired a stake in Banyan Tree, a company based in Singapore, for €16 million as part of the strategic partnership concluded with the company.

11.5 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

AccorHotels 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 recognized directly in "Other comprehensive income" and reclassified to the income statement when the hedged cash flows affect profit or loss. The ineffective portion of the gain or loss is recognized directly in net financial expense.

Hedge accounting is applied when, at the inception of the hedging relationship, there is 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 financial expense.

Au December 31, 2017, derivatives financial instruments are as follows:

In millions of euros	Dec.2016	Dec.2017
Interest rate hedges	15	12
Currency Hedging	-	11
Derivatives financial instruments - assets	**15**	**24**
Interest rate hedges	31	24
Currency Hedging	3	-
Derivatives financial instruments - liabilities	**34**	**24**

11.5.1 Currency hedging

Au December 31, 2017, characteristic of the currency hedging are as follows:

In millions of euros	Dec. 2017 Nominal amount	Dec. 2017 Fair value
Australian dollar (USD)	770	10
British pound (GBP)	127	-
Japanese yen (JPY)	32	1
American dollar (USD)	18	-
Polish zloty (PLN)	10	-
Mexican peso (MXN)	4	-
Swedish krona (SEK)	4	-
Total currency hedging	**964**	**11**

All the currency instruments have a maturity date in 2018.

For each currency, the nominal amount corresponds to the amount of currency sold or purchased forward. Fair value corresponds to the difference between the amount of the currency sold (purchased) and the amount of the currency purchased (sold), converted in both cases at the period-end forward exchange rate.

At December 31, 2017, the main covered position relates to a forward purchase (*contingent forwards*) of AUD 1.1 billion (€770 million) in the frame of Mantra Group Acquisition (see Note 14.3). This operation aim at covering part of purchase price fixed in Australian dollars, which will be paid in cash.

Based on the Group's analysis, the instruments qualify for hedge accounting as cash flow hedges because the transaction is considered as highly probable. In particular, the Group believes that approval of the transaction by Mantra's shareholders and by the supervisory authorities (Australian Foreign Investment Review Board, Federal Court of Australia and Australian Competition and Consumer Commission) is highly probable.

The hedging instruments have therefore been recognized in assets in the consolidated statement of financial position under "Derivative instruments", at fair value. Gains and losses from remeasurement of the instruments at fair value are recorded in the section of the consolidated statement of comprehensive income corresponding to "Items that may be reclassified subsequently to profit or loss". In 2017, an unrealized gain of €9 million was recorded on the hedges.

Except the contingent forwards related to the acquisition of the society Mantra for AUD 1 100 million, all the currency instruments purchased by the Group are designated and documented fair value hedges of intra-group loans.

At December 31, 2017, the total fair value of currency derivatives was €11 million, recorded in assets.

11.5.2. Interest rate hedges

At December 31, 2017, the characteristics of the interest rate hedges are the following:

In millions of euros	Dec. 2017 Nominal Amount	Dec. 2017 Fair Value
Rate swaps	746	12
Interest rate hedges	**746**	**12**

Hedging instruments on interest rates all have a term beyond 2019.

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 (fair value of the swap: €10 million),
- Interest rate swaps set up in connection with a future real estate finance lease (fair value: €(22) million),

Only the fixed-to-variable rate swaps on bond debt represent designated and documented fair value hedges.

At December 31, 2017, the total fair value of rates derivatives was €12 million, recorded in liabilities.

Note 12. Income tax expense

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

12.1. Income tax

12.1.1 Income tax expense for the period

In millions of euros	2016 (*)	2017
Current tax	(87)	(58)
Deferred tax	89	109
Tax	**2**	**51**

(*) Restated amounts in application of IFRS 5.

In 2017, the Group has a €51 million income tax benefit, favorably driven by the following one-off items:

- Tax relief of €37 million (including interests) received following the Steria ruling confirming the to right a 5% expense deduction on European-source dividends for the period 2009 to 2013;
- Accrual for a €26 million income tax receivable for retroactive cancellation of the 3% dividend tax paid over 2015 to 2017, as a result of the French Constitutional Council decision;
- Deferred tax benefits recognized on differences between the tax basis and the net book value of intangible assets acquired to AccorInvest in Germany and Netherlands for €73 million as part of the spin-off of the company;
- Favorable adjustment on deferred taxes for €59 million resulting from the change in US Federal tax rate from 35% to 21% enacted as part of the US Tax Cuts and Jobs Act.

12.1.2 Income tax expense analysis

In millions of euros		2016 (*)	2017
Profit before tax	(a)	**190**	**359**
Non deductible impairment losses		(7)	(4)
Tax on share of profit (loss) of associates		7	12
Others		(20)	68
Total permanent differences	(b)	**(20)**	**76**
Untaxed profit and profit taxed at a reduced rate	(c)	**(193)**	**(53)**
Profit taxed at standard rate	(d) = (a) + (b) + (c)	**(23)**	**383**
Standard tax rate in France	(e)	**+34.4%**	**+34.4%**
Tax at standard French tax rate	(f) = (d) x (e)	**8**	**(132)**
Effects on tax at standard French tax rate of:			
. Differences in foreign tax rates		10	18
. Unrecognized tax losses for the period		(58)	(41)
. Utilization of tax loss carryforwards		66	66
. Share of profit (loss) of associates		7	12
. Net charges to/reversals of provisions for tax risks		3	8
. Company value-added contribution (CVAE)		(4)	(5)
. Changes in tax rates		0	58
. Tax relief (Steria ruling)		-	37
. Tax receivable for retroactive cancellation of the 3% dividend tax		-	26
. Deferred tax benefits related to AccorInvest spin-off		-	73
. Other items		(30)	(68)
Total effects on tax at standard French tax rate	(g)	**(6)**	**183**
Income tax expense	(h) = (f) + (g)	**2**	**51**

(*) Restated amounts in application of IFRS 5.

At December 31, 2017, the income tax rate remains unchanged at 34.43%, including “contribution sociale de solidarité” tax 3.3% based on the standard tax rate in France 33.3%.

At December 31, 2017, the effective tax rate represents 30.3% of the Group current profit.

12.2. Deferred tax

The main natures of deferred tax are the following:

In millions of euros	Dec. 2016	Dec. 2017
Intangible assets	(522)	(404)
Property, plant and equipment	(14)	(13)
Recognized tax losses	91	68
Provision for employee benefits	42	30
Impairment losses	17	7
Others	19	20
Total net deferred tax	**(366)**	**(292)**
• Deferred tax assets	233	124
• Deferred tax liabilities	(599)	(416)

Deferred taxes on intangible assets mainly concern the FRHI Group acquired in 2016 for €(428) million. The change over the period results from:

- Recognition of deferred tax assets for €73 million arising from differences between the tax basis and carrying amount of intangible assets acquired from AccorInvest in Germany and Netherlands,
- The change in US Federal tax rate from 35% to 21% leading to a €59 million decrease in deferred tax liabilities.

These items are partly offset by the recognition of deferred tax liabilities of €(18) million in connection with fair value measurements of acquired assets for John Paul, VeryChic and Availpro acquisitions.

Deferred tax assets recognized on tax loss carry-forwards include €60 million in the United States. The Group believes that utilization of these tax losses is probable, based on taxable profits projections for the next five years.

12.3. Unrecognized deferred tax

Unrecognized deferred tax assets amount to €348 million at December 31, 2017 (€366 million at December 31, 2016). They mainly correspond to evergreen tax loss carry-forwards in Belgium (€91 million), in France (€46 million) and in several FRHI Hotels & Resorts entities (€135 million in total).

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

In millions of euros	Deductible temporary differences	Tax loss carryforwards	Total
From 2018 to 2021	1	9	11
2022 and beyond	4	2	6
Evergreen	1	330	331
Total	**6**	**342**	**348**

Note 13. Shareholders' Equity

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 transaction costs are also recorded in shareholders' equity. 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.

13.1. Share capital

13.1.1 Shareholders

At December 31, 2017, Jin Jiang is AccorHotels' leading shareholder with 12.32% of the capital corresponding to 11.55% of the 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 and hold 10.17% and 5.69% of the Company's capital respectively, representing 9.53% and 5.33% of the voting rights.

Lastly, at December 31, 2017 Eurazeo held 4.20% of Accor SA's capital corresponding to 7.87% of the voting rights.

13.1.2 Changes in share capital

At December 31, 2017, Accor SA's share capital was made up of 290,122,153 shares with a par value of €3 each, all fully paid. Changes in the number of outstanding shares during 2017 were as follows:

In number of shares	2017
Number of issued shares at January 1, 2017	**284,767,670**
Performance shares vested	41,895
Employee ownership plan	550,437
Shares issued on exercise of stock options	786,183
Shares issued in payment of dividends	3,975,968
Number of issued shares at December 31, 2017	**290,122,153**

On December 21, 2017, the Group carried out an employee rights issue as part of the Share 17 employee share plan. A total of 550,437 new shares with a par value of €3 were issued at a price of €33.51 per share.
Share premiums recorded in 2017 totaled €17 million. This amount represents the difference between the par value of the new shares and the issue proceeds received by AccorHotels net of share issuance costs.

13.1.3 Distribution of dividends

On June 6, 2017, the Group paid a dividend of 1.05 euro per share for 2016 financial year results in the form of:

- a payment in shares through the delivery of 3,975,968 new shares issued, following an increase in share capital (€12 million) and issue premiums (€136 million) for a total amount of €148 million
- a cash payment to shareholders who have not used the stock payment option for €152 million.

13.1.4 Perpetual subordinated notes

On June 30, 2014, AccorHotels issued €900 million worth of perpetual subordinated notes. The notes have no fixed maturity; their first call date is June 30, 2020. The interest rate on the notes is set at 4.125% up until June 30, 2020 and will be reset every five years thereafter, with a 25-bps step-up in June 2020 and a 275-bps step-up in June 2040. Interest is payable on the notes only in those periods for which a dividend is paid to shareholders.

Due to their characteristics and in accordance with IAS 32, the notes have been recorded in equity for €887 million net of transaction costs.

Interest on the notes is also recorded in equity.

In 2017, interest payments on perpetual subordinated notes amounted to €37 million.

13.1.5 Consolidated reserves

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

In millions of euros	**Dec. 2016**	Change	**Dec. 2017**
Currency translation reserve	108	(480)	(372)
Changes in fair value of financial Instruments	(7)	16	8
• *of which available for sales shares*	*(7)*	*7*	*(1)*
• *of which derivative instruments*	*(0)*	*9*	*9*
Reserve for actuarial gains/losses	(88)	12	(76)
Share based payments	199	19	219
Retained earnings and others	1,769	382	2,151
Total Group share	**1,981**	**(51)**	**1,930**

13.1.6 Gap on translating foreign operations

The currency translation reserve breaks down as follows:

In millions of euros	**2016**	Change	**2017**
British sterling (GBP)	(101)	(9)	(111)
United States dollar (USD)	284	(393)	(109)
Brazilian real (BRL)	(65)	(35)	(100)
Argentine peso (ARS)	(29)	(3)	(32)
Other currencies	17	(60)	(43)
Total	**110**	**(477)**	**(367)**
Translating foreign operations, Group share	108	(480)	(372)
Translating foreign operations, minority interests	2	(2)	0

Exchange differences on translating foreign operations between December 31, 2016 and December 31, 2017, representing a negative impact of €480 million, mainly concern changes in exchange rates against the euro of the US Dollar (€393 million negative impact) and the Brazilian Real (€35 million negative impact).

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

	GBP	USD	BRL	ARS	PLN
December 2016	0,8562	1,0541	3,4305	16,7397	4,4103
December 2017	1,0541	1,4596	3,9729	22,4709	4,177

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

13.2 Minority interests

13.2.1 Breakdown of minority interests

Minority interests break down as follows:

In million of euros	**Dec. 2016**	Variation	**Dec. 2017**
Orbis Group	190	25	215
Others minority interests	77	49	126
TOTAL	267	74	**341**

13.2.2 Information about material minority interests

The Group holds 52.69% of the capital and voting rights of Orbis SA, the Orbis Group's parent company which is listed on the Warsaw Stock Exchange. The following table presents selected financial information for Orbis:

In millions of euros	**2016**	**2017**
P&L:		
Revenue	315	342
Net profit	50	**53**
Of which Group	27	28
Of which Minority interests	23	25

In millions of euros	**Dec. 2016**	**Dec. 2017**
Balance Sheet:		
Non current assets	479	560
Current assets	147	147
Current liabilities	59	68
Non current Liabilities	566	639
Total Balance Sheet	626	**707**
Dividends paid to minority interests	7	8

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 AccorHotels' ability to use and dispose of its subsidiaries' assets or use and settle their liabilities.

13.3 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 millions of euros	2016	2017
Net profit, Group share	**265**	441
Hybrid capital dividend payment	(37)	(37)
Adjusted Net profit, Group share	**228**	**404**
Weighted average number of ordinary shares	259,054,177	287,487,659
Fully diluted weighted average number of shares	259,925,059	288,290,924
Earnings per share (in euros)	**0.88**	**1.40**
Diluted earnings per share (in euros)	**0.88**	**1.40**

At December 31, 2017, the weighted average number of ordinary shares is computed as follows:

Outstanding shares	**290,122,153**
Effect of share issued	(546,271)
Effect for stock option plans exercised during the period	(388,905)
Effect of stock dividends	(1,699,318)
Weighted average number of ordinary shares	**287,487,659**
Number of shares resulting from the exercise of stock options	505,056
Number of shares resulting from performance shares granted	298,209
Fully diluted weighted average number of shares	**288,290,924**

Note 14. Off-Balance Sheet items

14.1 Off-Balance Sheets 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, 2017, 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.

14.1.1 Commitments given

Off-balance sheet commitments (which are not discounted) given at December 31, 2017 break down as follows:

In millions of euros	Less than 1 year	1 to 5 years	Beyond 5 years	Total
Commitments related to development	1,032	1	-	1,032
Commitments increasing net debt	69	183	196	448
Commitments given in the normal course of business	25	51	11	87
Security interests given on assets	-	81	-	81
Contingent liabilities	-	1	-	1
Total	**1,125**	**317**	**207**	**1,649**

Commitments of development projects are mainly include a commitment linked to the acquisition of Mantra Group for €908 million (see Note 14.3), Gekko acquisition for €85 million and €35 million for a commitment to acquire a stake in Orient- Express and additional stake in Mama Shelter.

Commitments that increase debt mainly include rent guarantees for the headquarters buildings in the amount of €240 million (€172 million discounted at 7%) and rent guarantees for hotels related to continued activities (Orbis, etc.) in the amount of €129 million (€86 million discounted at 7%).

Security interests given on assets correspond to pledges and mortgages valued at the net book value of the underlying assets.

- In connection with the bond issue carried out in Poland in June, 2015, assets worth €48 million have been mortgaged in favor of the bank. The amount of the mortgage corresponds to the carrying amount of two hotel properties, Warszawa Centrum Novotel and Warszawa Centrum Mercure. This mortgage amounted to €42 million at December 31, 2017.
- In connection with the transfer by AccorHotels to Orbis of the management of its Central European operations, a facility agreement was signed with a bank. Drawdowns on this facility are secured by a €43 million mortgage. The amount of the mortgage corresponds to the carrying amount of two hotel properties, Warszawa Grand Mercure and Warsaw Victoria Sofitel. They represented €39 million at December 31, 2017.

The Group may provide performance guarantees to the owners of managed hotels. These guarantees may include a claw-back clause applicable if the hotel's performance improves in subsequent years. The Group commits in most cases to spend a specified amount on hotel maintenance, generally expressed as a percentage of revenue. These commitments are not included in the above table due to the difficulty of estimating the amounts involved.

Off-balance sheet commitments given related to discontinued activities are not presented in the table above. These commitments amounted to €3,681 million at December 31, 2017, including commitments for the payment of hotel rents for €3,319 million (€2,044 million discounted at 7%), commitments given in the normal course of business for €173 million, development projects for €110 million, security interests given on assets for €71 million.

14.1.2 Commitments received

Off-balance sheet commitments (not discounted) received at December 31, 2017 break down as follows:

In millions of euros	Less than 1 year	1 to 5 years	Beyond 5 years	Total
Purchase commitments received	75	-	-	75
Guarantees received in the normal course of business	2	4	4	9
Total	**77**	**4**	**4**	**85**

Purchase commitment received mainly relate to the disposal of Sofitel Budapest Chain Bridge in Hungary for €75 million.

At December 31, 2017, off-balance sheet commitments received regarding discontinued operations amount to €58 million and mainly concern guarantees received in the normal course of the business for €43 million.

14.2 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 AccorHotels 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 Court of Justice of the European Communities (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.AccorHotels 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 before 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”.

Tax audit at Accor SA

A tax audit is currently in progress 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 has 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.

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

14.3 Subsequent Events

Agreement to acquire Mantra Group Limited

On October 11, AccorHotels announced the signature of an agreement with Mantra Group Limited with the view to acquire all of the issued capital in Mantra. Mantra is one of Australia's largest hotel and resort marketers and operators with 127 properties (hotels, resorts and serviced apartments) across Australia, New Zealand, Indonesia and Hawaii under three key brands: Peppers, Mantra and BreakFree. AccorHotels and Mantra's combined geographic footprint, together with enhanced distribution and systems, would form a favorable base from which AccorHotels can expand further in the region.

The offer price is AUD 3.96 per share. AccorHotels will pay AUD1.3 billion, equivalent to €0.9billion. The Group purchased financial instruments to hedge the risk of an unfavorable change in euro/dollar exchange rate on the AUD1.1 billion (see Note 11.5.1).

This engagement is mentioned in the off-balance sheet commitments.

The transaction is expected to be close over the first semester of 2018.

Agreement to acquire Gekko

On October 2, 2017, AccorHotels announced that it has signed an agreement to acquire Gekko, a major player in the business travel hotel reservation segment. This transaction is in line with the strategy aimed at strengthening AccorHotels' leadership across the entire customer experience by enhancing the range of services offered to business travelers, the Group's key customer segment.

Thanks to its expertise and cutting-edge technology, Gekko offers search and reservation solutions via an interface connected to more than 500,000 hotels worldwide.Gekko today serves more than 300 corporate customers and 14,000 travel agencies.

Gekko will be fully consolidated in the Group's financial statements from January 2018, based on a value of €100 million. The founders remain as shareholders of the company.

Agreement for the development of the Orient Express brand

On October 4, 2017, AccorHotels signed a strategic partnership with SNCF Group to continue the development of the Orient Express brand within the luxury hospitality sector globally. As part of this partnership, which combines the expertise and savoir-faire of the two groups, AccorHotels acquired on January 25, 2018 a stake in the share capital (50% plus 1 share) of Orient Express, owner of the brand, previously fully-owned by SNCF. AccorHotels intends to build on this partnership to strengthen its leadership in the luxury segment, by developing a new collection of prestigious hotels under the Orient Express banner. In addition, the historic wagons will remain the physical property of the state-owned rail group, and will be operated by Orient Express for private journeys and events.

Note 15. Other information

15.1 Related parties

Companies that exercise significant influence over AccorHotels

At December 31, 2017, the following companies exercised significant influence over the Company:

- Jin Jiang, the Company's leading shareholder with 12.32% of the capital and 11.55% of the voting rights.
- Qatar Investment Authority (QIA) and Kingdom Holding Company of Saudi Arabia (KHC), which acquired 10.17% and 5.69% of the Company's capital respectively (representing 9.53% and 5.33% of the voting rights), following AccorHotels' acquisition of the FRHI Group. 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 concluded prior years are described in the Statutory Auditors' special report on related party agreements and commitments:

- Agreement with a Colony Group company, which had a seat on the Company's Board of Directors until February 21, 2017.
- 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 AccorHotels banners.

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

Relationships between the parent company and its subsidiaries, joint ventures and associates are presented in Note 15.3. Transactions between the parent company and its subsidiaries – which constitute related party transactions – are eliminated in consolidation and are therefore not disclosed in these notes. Transactions between the parent company and its joint ventures and associates were not material in 2016 and 2017.

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 6. Commitments given on behalf of corporate officers and all agreements entered into with one or several members of the Board of Directors, directly or indirectly, that do not concern transactions carried out in the normal course of business on arm's length terms are described in the auditors' special report on related party agreements and commitments.

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.

15.2 Fees paid to auditors

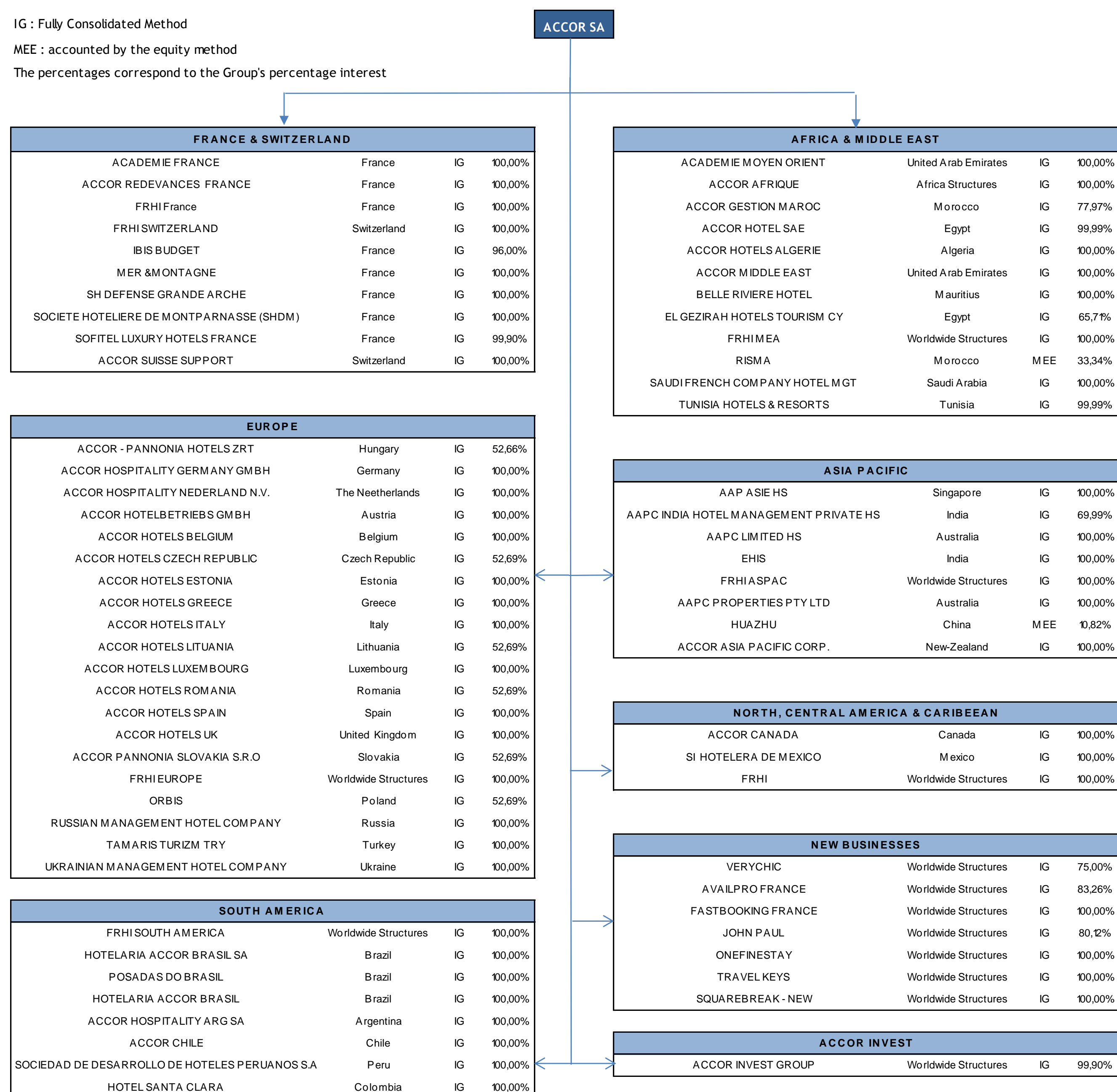
The table below shows the total fees billed by the Auditors recognized in the total Group income statements in 2017 and prior year.

	2016			2017		
In millions of euros	**Deloitte**	**EY**	**Total**	**Deloitte**	**EY**	**Total**
Fees related to certification of accounts	4	4	9	5	4	9
Fees for services other than certification of accounts	2	3	4	3	7	10
Total fees billed by the auditors	**6**	**7**	**13**	**8**	**12**	**20**

Fees for services other than certification of accounts billed in 2017 mainly concern due diligence engagements regarding the spin-off AccorInvest.

15.3 Main consolidated companies

The main subsidiaries and associates represent 94% of consolidated revenue and 87% of EBIT. 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 AccorHotels of the assets of subsidiaries controlled by the Group.



IG : Fully Consolidated Method

MEE : accounted by the equity method

The percentages correspond to the Group's percentage interest

ACCOR SA

FRANCE & SWITZERLAND			
ACADEMIE FRANCE	France	IG	100,00%
ACCOR REDEVANCES FRANCE	France	IG	100,00%
FRHI France	France	IG	100,00%
FRHI SWITZERLAND	Switzerland	IG	100,00%
IBIS BUDGET	France	IG	96,00%
MER &MONTAGNE	France	IG	100,00%
SH DEFENSE GRANDE ARCHE	France	IG	100,00%
SOCIETE HOTELIERE DE MONTPARNASSE (SHDM)	France	IG	100,00%
SOFITEL LUXURY HOTELS FRANCE	France	IG	99,90%
ACCOR SUISSE SUPPORT	Switzerland	IG	100,00%

EUROPE			
ACCOR - PANNONIA HOTELS ZRT	Hungary	IG	52,66%
ACCOR HOSPITALITY GERMANY GMBH	Germany	IG	100,00%
ACCOR HOSPITALITY NEDERLAND N.V.	The Neetherlands	IG	100,00%
ACCOR HOTELBETRIEBS GMBH	Austria	IG	100,00%
ACCOR HOTELS BELGIUM	Belgium	IG	100,00%
ACCOR HOTELS CZECH REPUBLIC	Czech Republic	IG	52,69%
ACCOR HOTELS ESTONIA	Estonia	IG	100,00%
ACCOR HOTELS GREECE	Greece	IG	100,00%
ACCOR HOTELS ITALY	Italy	IG	100,00%
ACCOR HOTELS LITUANIA	Lithuania	IG	52,69%
ACCOR HOTELS LUXEMBOURG	Luxembourg	IG	100,00%
ACCOR HOTELS ROMANIA	Romania	IG	52,69%
ACCOR HOTELS SPAIN	Spain	IG	100,00%
ACCOR HOTELS UK	United Kingdom	IG	100,00%
ACCOR PANNONIA SLOVAKIA S.R.O	Slovakia	IG	52,69%
FRHI EUROPE	Worldwide Structures	IG	100,00%
ORBIS	Poland	IG	52,69%
RUSSIAN MANAGEMENT HOTEL COMPANY	Russia	IG	100,00%
TAMARIS TURIZM TRY	Turkey	IG	100,00%
UKRAINIAN MANAGEMENT HOTEL COMPANY	Ukraine	IG	100,00%

SOUTH AMERICA			
FRHI SOUTH AMERICA	Worldwide Structures	IG	100,00%
HOTELARIA ACCOR BRASIL SA	Brazil	IG	100,00%
POSADAS DO BRASIL	Brazil	IG	100,00%
HOTELARIA ACCOR BRASIL	Brazil	IG	100,00%
ACCOR HOSPITALITY ARG SA	Argentina	IG	100,00%
ACCOR CHILE	Chile	IG	100,00%
SOCIEDAD DE DESARROLLO DE HOTELES PERUANOS S.A	Peru	IG	100,00%
HOTEL SANTA CLARA	Colombia	IG	100,00%

AFRICA & MIDDLE EAST			
ACADEMIE MOYEN ORIENT	United Arab Emirates	IG	100,00%
ACCOR AFRIQUE	Africa Structures	IG	100,00%
ACCOR GESTION MAROC	Morocco	IG	77,97%
ACCOR HOTEL SAE	Egypt	IG	99,99%
ACCOR HOTELS ALGERIE	Algeria	IG	100,00%
ACCOR MIDDLE EAST	United Arab Emirates	IG	100,00%
BELLE RIVIERE HOTEL	Mauritius	IG	100,00%
EL GEZIRAH HOTELS TOURISM CY	Egypt	IG	65,71%
FRHI MEA	Worldwide Structures	IG	100,00%
RISMA	Morocco	MEE	33,34%
SAUDI FRENCH COMPANY HOTEL MGT	Saudi Arabia	IG	100,00%
TUNISIA HOTELS & RESORTS	Tunisia	IG	99,99%

ASIA PACIFIC			
AAP ASIE HS	Singapore	IG	100,00%
AAPC INDIA HOTEL MANAGEMENT PRIVATE HS	India	IG	69,99%
AAPC LIMITED HS	Australia	IG	100,00%
EHIS	India	IG	100,00%
FRHI ASPAC	Worldwide Structures	IG	100,00%
AAPC PROPERTIES PTY LTD	Australia	IG	100,00%
HUAZHU	China	MEE	10,82%
ACCOR ASIA PACIFIC CORP.	New-Zealand	IG	100,00%

NORTH, CENTRAL AMERICA & CARIBEEAN			
ACCOR CANADA	Canada	IG	100,00%
SI HOTELERA DE MEXICO	Mexico	IG	100,00%
FRHI	Worldwide Structures	IG	100,00%

NEW BUSINESSES			
VERYCHIC	Worldwide Structures	IG	75,00%
AVAILPRO FRANCE	Worldwide Structures	IG	83,26%
FASTBOOKING FRANCE	Worldwide Structures	IG	100,00%
JOHN PAUL	Worldwide Structures	IG	80,12%
ONEFINESTAY	Worldwide Structures	IG	100,00%
TRAVEL KEYS	Worldwide Structures	IG	100,00%
SQUAREBREAK - NEW	Worldwide Structures	IG	100,00%

ACCOR INVEST			
ACCOR INVEST GROUP	Worldwide Structures	IG	99,90%