CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

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

Consolidated income statement

(€ in million)	Notes	2017 (*)	2018
Revenue	4	**2,774**	**3,610**
Operating expenses	4	(2,151)	(2,897)
EBITDA	4	**622**	**712**
Depreciation, amortization and provision expenses		(126)	(162)
EBIT		**497**	**550**
Share of net profit of associates and joint-ventures	6	28	80
EBIT including profit of associates and joint-ventures		**525**	**630**
Other income and expenses	7	(99)	(401)
Operating profit		**425**	**229**
Financial result	10	(53)	(67)
Income tax	11	43	(119)
Profit from continuing operations		**416**	**44**
Profit from discontinued operations	3	71	2,241
Net profit of the year		**486**	**2,284**
• Group		**446**	**2,233**
from continuing operations		379	(8)
from discontinued operations		67	2,241
• Minority interests		**40**	**51**
from continuing operations		36	52
from discontinued operations		4	(1)
Basic earnings per share (in euros)			
Earnings per share from continuing operations		**1.19**	**(0.16)**
Earnings per share from discontinued operations		**0.23**	**7.77**
Basic earnings per share		**1.42**	**7.61**
Diluted earnings per share (in euros)			
Diluted earnings per share from continuing operations		**1.19**	**(0.16)**
Diluted earnings per share from discontinued operations		**0.23**	**7.76**
Diluted earnings per share	**12**	**1.42**	**7.60**

(*) Restated amounts in application of IFRS 15 (see Note 15)

Consolidated statement of comprehensive income

(€ in million)	Notes	2017 (*)	2018
Net profit of the year		**486**	**2,284**
Currency translation adjustments	12	(429)	31
Effective portion of gains and losses on cash flow hedges	12	9	(24)
Changes in the fair value of available-for-sale financial assets	12	7	-
Currency translation adjustments from discontinued operations	12	(49)	19
Items that may be reclassified subsequently to profit or loss		**(462)**	**26**
Changes in the fair value of non-consolidated investments	12	-	(3)
Actuarial gains and losses on defined benefit plans	12	8	(24)
Actuarial gains and losses from discontinued operations	12	4	7
Items that will not be reclassified to profit or loss		**12**	**(19)**
Other comprehensive income, net of tax		**(450)**	**7**
Total comprehensive income of the period		**36**	**2,291**
• Group share		(7)	2,246
• Minority interests		43	45

(*) Restated amounts in application of IFRS 15 (see Note 15)

Consolidated statement of balance sheet

Assets

(€ in million)	Notes	Jan 1. 2017 (*)	Dec. 2017 (*)	Dec. 2018
Goodwill	8	**1,496**	**1,500**	**2,399**
Other intangible assets	8	**2,323**	**2,156**	**2,653**
Tangible assets	8	**562**	**662**	**1,192**
Investments in associates and joint-ventures	6	596	672	2,177
Other non-current financial assets	10	248	157	339
Non-current financial assets		**844**	**830**	**2,516**
Deferred tax assets		257	140	199
Contract assets	4	100	174	176
Other non-current assets		9	12	4
Non-current assets		**5,591**	**5,474**	**9,139**
Inventories		8	8	15
Trade receivables	4	374	403	617
Other current assets	4	220	255	258
Current financial assets	10	57	53	55
Cash and cash equivalents	10	1,169	1,063	2,820
Current assets		**1,828**	**1,782**	**3,764**
Assets classified as held for sale	2	4,457	4,824	14
TOTAL ASSETS		**11,877**	**12,080**	**12,917**

(*) Restated amounts in application of IFRS 15 (see Note 15)

Liabilities and shareholders’ equity

(€ in million)	Notes	Jan 1. 2017 (*)	Dec. 2017 (*)	Dec. 2018
Share capital	12	854	870	848
Additional paid-in capital and reserves	12	3,605	3,239	2,360
Net profit of the year		265	446	2,233
Ordinary shareholders' equity		**4,725**	**4,555**	**5,441**
Perpetual subordinated bonds	12	887	887	887
Shareholders' equity - Group share		**5,611**	**5,442**	**6,328**
Minority interests	12	267	341	108
Shareholders' equity	12	**5,878**	**5,783**	**6,436**
Long-term financial debt	10	2,175	2,768	2,760
Deferred tax liabilities		599	416	531
Non-current provisions	9	133	103	118
Non-current contract liabilities	4	22	22	27
Non-current liabilities		**2,929**	**3,309**	**3,435**
Trade payables		384	398	426
Current liabilities	4	449	530	696
Current provisions	9	151	106	449
Current contract liabilities	4	176	185	201
Short-term financial debt	10	733	237	1,268
Current liabilities		**1,893**	**1,456**	**3,039**
Liabilities associated with assets classified as held for sale	2	1,177	1,532	6
TOTAL EQUITY AND LIABILITIES		**11,877**	**12,080**	**12,917**

(*) Restated amounts in application of IFRS 15 (see Note 15)

Consolidated statement of cash flow

(€ in million)	Notes	2017 (*)	2018
+ EBITDA	4	622	712
+ Cost of net debt	10	(71)	(53)
+ Income tax paid		(74)	(136)
- Non cash revenue and expenses included in EBITDA		28	23
- Reversal of provisions included in net financial expenses and non-recurring taxes		26	6
+ Dividends received from associates and joint-ventures		23	60
+ Impact of discontinued operations	3	411	129
= Funds from operations excluding non-recurring items		**967**	**740**
+ Decrease (increase) in operating working capital	4	17	(4)
+ Impact of discontinued operations	3	199	(66)
+ Decrease (increase) in contract assets and liabilities		13	10
= Net cash from operating activities		**1,197**	**680**
+ Cash received (paid) on non-recurring items (incl. restructuring costs and non-recurring taxes)		(146)	(176)
+ Impact of discontinued operations		(71)	(13)
= Net cash from operating activities including non-recurring items (A)		**979**	**491**
- Renovation and maintenance expenditure	8	(110)	(132)
- Development expenditure	8	(397)	(2,793)
+ Proceeds from disposals of assets		147	4,657
+ Impact of discontinued operations	3	(877)	(210)
= Net cash from investing activities (B)		**(1,238)**	**1,523**
+ Proceeds from issue of shares		26	(339)
- Dividends paid		(163)	(323)
- Interests paid on perpetual subordinated bonds		(37)	(37)
- Repayment of long-term debt		(18)	(184)
+ New long term debt		617	493
= Increase (decrease) in long-term debt		**599**	**309**
+ Increase (decrease) in short-term debt		(472)	245
+ Impact of discontinued operations	3	101	(228)
= Net cash used in financing activities (C)		**54**	**(373)**
+ Effect of changes in exchange rates (D)		(113)	20
+ Effect of changes in exchange rates on discontinued operations (D)	3	56	23
= Net change in cash and cash equivalents (E) = (A) + (B) + (C) + (D)		**(262)**	**1,684**
- Cash and cash equivalents at beginning of period		1,133	1,048
- Effect of changes in fair value of cash and cash equivalents		10	(20)
- Net change in cash and cash equivalents for discontinued operations		167	126
+ Cash and cash equivalents at end of period		1,048	2,837
= Net change in cash and cash equivalents		**(262)**	**1,684**

(*) Restated amounts in application of IFRS 15 (see Note 15)

Changes in consolidated shareholders' equity

(€ in million)	Number of shares	Share capital	Additional paid-in capital	Currency translation reserve	Retained earnings	Equity Group share	Minority interests	Total Equity
Balance at December 31, 2016	284,767,670	**854**	**2,823**	**108**	**1,873**	**5,658**	**267**	**5,925**
Restatements IFRS 15 (*)	-	-	-	-	(47)	(47)	(0)	(47)
Restated Balance at January 1, 2017	284,767,670	**854**	**2,823**	**108**	**1,826**	**5,611**	**267**	**5,878**
Capital increase	1,378,515	4	34	-	(0)	38	(15)	23
Dividends paid	3,975,968	12	(173)	-	9	(152)	(15)	(168)
Share-based payments	-	-	-	-	19	19	-	19
Perpetual subordinated bonds	-	-	-	-	(37)	(37)	-	(37)
Effects of scope changes	-	-	-	1	(31)	(30)	61	31
Transactions with shareholders	5,354,483	**16**	**(139)**	**1**	**(40)**	**(162)**	**30**	**(131)**
Net profit of the year	-	-	-	-	446	446	40	486
Other comprehensive income	-	-	-	(481)	28	(453)	3	(450)
Total comprehensive income	-	**-**	**-**	**(481)**	**474**	**(7)**	**43**	**36**
Balance at December 31, 2017	**290,122,153**	**870**	**2,684**	**(372)**	**2,260**	**5,442**	**341**	**5,783**
Restatements IFRS 9 (*)	-	-	-	-	(13)	(13)	-	(13)
Restated Balance at January 1, 2018	290,122,153	**870**	**2,684**	**(372)**	**2,247**	**5,429**	**341**	**5,770**
Capital increase	(7,514,353)	(23)	(307)	-	(500)	(829)	1	(828)
Dividends paid	-	-	-	-	(305)	(305)	(23)	(328)
Share-based payments	-	-	-	-	20	20	-	20
Perpetual subordinated bonds	-	-	-	-	(37)	(37)	-	(37)
Effects of scope changes	-	-	-	-	(196)	(196)	(256)	(452)
Transactions with shareholders	(7,514,353)	**(23)**	**(307)**	**-**	**(1,018)**	**(1,347)**	**(278)**	**(1,625)**
Net profit of the year	-	-	-	-	2,233	2,233	51	2,284
Other comprehensive income	-	-	-	52	(39)	13	(6)	7
Total comprehensive income	-	**-**	**-**	**52**	**2,194**	**2,246**	**45**	**2,291**
Balance at December 31, 2018	**282,607,800**	**848**	**2,378**	**(321)**	**3,423**	**6,328**	**108**	**6,436**

(*) Restated amounts in application of new accounting methods (see Note 15)

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Note 1. Basis of preparation

The consolidated financial statements of AccorHotels Group for the year ended December 31, 2018 were authorized for issue by the Board of Directors on February 20, 2019. They will be submitted to shareholders for final approval at the Annual General Meeting on April 30, 2019.

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

1.1. Accounting framework

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (« IASB ») and adopted for use in the European Union at December 31, 2018. These standards can be consulted on the European Commission's website.

1.2 Evolution of accounting framework

1.2.1 New and amended standards adopted

At December 31, 2018, the Group applied the same accounting policies and measurement methods as were applied in its consolidated financial statements for the year ended December 31, 2017, except for changes required to meet new IFRS requirements applicable from January 1, 2018.

IFRS 15 *Revenue from contracts with customers*

On May 28th, 2014, the IASB issued a new standard on revenue recognition that supersedes the former IFRS guidance (IAS 18 and IAS 11 standards, along with related interpretations). It was endorsed by the European Union on October 29, 2016. 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.

The Group adopted IFRS 15 using the full retrospective method of adoption. Thus, the cumulative effect of applying this standard was recognized as an adjustment to opening consolidated retained earnings at January 1, 2017 with restatement of 2017 financial information presented as a comparative. The Group applied the practical expedient proposed by the standard allowing not to restate the completed contracts at January 1, 2018. The effect of applying IFRS 15 on the consolidated financial statements at January 1st and December 31, 2017 is presented in Note 15.

IFRS 9 *Financial instruments*

This new standard was published by the IASB on July 24, 2014 and endorsed by the European Union on November 29, 2016. It introduces new principles for classification and measurement of financial instruments (phase 1), impairment for credit risk on financial assets (phase 2) and hedge accounting (phase 3).

The Group applied the provisions related to phases 1 and 2 retrospectively. Thus, the cumulative transition effect was recognized as an adjustment to opening consolidated retained earnings at January 1, 2018, without restatement of the comparative period, as permitted by the transitional provisions of the standard. The specific provisions related to hedge accounting are applied prospectively starting from January 1, 2018. The first application impact of IFRS 9 is not material for the Group and is presented in Note 15.

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

- Amendment to IFRS 2 *Share-based payments* which clarifies the principles relating to the measurement of cash-settled share-based payments, the accounting for plan modifications that change its classification and the net settlement features associated with withholding tax.
- IFRIC interpretation 22 *Foreign Currency Transactions and Advance Consideration* which provides clarifications on exchange rate to retain when accounting for foreign currency transactions that include advance payments.

1.2.2 New standards and interpretations not yet adopted

The Group has not opted for the early application of the other standards, amendments or interpretations applicable to fiscal years starting after December 31, 2018, regardless of whether they were adopted by the European Union.

IFRS 16 *Leases*

On January 13, 2016, the IASB issued IFRS 16, the new standard on leases, which will supersede IAS 17, along with the associated interpretations. This new standard removes the distinction between operating and finance leases, resulting for lessees 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 rents.

Exemptions apply to short-term and low-value leases.

The Group has launched a data collection in order to identify its leasing arrangements and their main provisions. The assessment of the implementation impacts is in the process of being finalized. Based on the information currently available, the Group expects that it will recognize a lease liability in the range of 1 billion euros at January 1, 2019 related to the hotel properties, which were not contributed to AccorInvest, the hotel properties operated by entities acquired over the period (Movenpick and Mantra) and the Group headquarters.

In addition to the effect on the statement of financial position, the income statement and cash-flows statement will be affected as follows:

- Operating lease expenses (excluding variable leases based on use or performance of the underlying asset) will be replaced by a depreciation and interest expense;
- Operating lease payments (excluding variable leases based on use or performance of the underlying asset) will be replaced by repayment of principal and interests.

The Group plans to apply IFRS 16 using the modified retrospective approach and will not restate, as a consequence, the comparative amounts for the year 2018 in its 2019 consolidated financial statements. The right-of-use assets will generally be measured at the amount of the lease liability at January 1, 2019 and adjusted, where appropriate, for any prepaid lease payments as presented in the Group’s statement of financial position at December 31, 2018.

IFRIC Interpretation 23 *Uncertainty over Income Tax Treatment*

On June 7, 2017, the IASB issued the interpretation IFRIC 23, which addresses the accounting for income taxes when there is uncertainty over tax treatments. It clarifies that an entity must consider the probability that the tax authorities will accept a treatment retained in its income tax filings, assuming that they have full knowledge of all relevant information when making their examination. In such a case, the income taxes shall be determined in line with the income tax filings.

The Group is currently reviewing its income tax treatments and does not expect, at this stage, any material impact on its consolidated financial statements.

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 experiences and all available information that are considered as having a decisive impact, taking into account the prevailing environment and circumstances.

The significant estimates, judgments and assumptions used for the preparation of the consolidated financial statements at December 31, 2018 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.

Note 2. Group Structure

Accounting policy

1. Basis of consolidation

Full consolidation method

Entities over which the Group exercises exclusive control, directly or indirectly, are fully consolidated. Control is deemed to exist when the Group is exposed, or has rights, to variable returns from its involvement with an investee and has the ability to affect those returns through its power. In the hospitality industry, assessment of power relies on the ability to make all operational, financial and strategic management decisions. In practice, this means that the investor has the power to appoint the hotel's management and to approve the business plan. In particular, in the case of managed hotels, 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 without having control or joint control of those policies. If the Group holds 20% or more of the voting power of the investee, it is presumed to have significant influence. In some countries, 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 6.

Investments in non-consolidated companies

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

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

2.1 Changes in the scope of consolidation

The list of the main consolidated companies at December 31, 2018 is presented in Note 14.3. Significant changes in the scope of consolidation over 2018 are presented below.

2.1.1 Acquisitions for the period

Acquisition of Mantra Group

On May 31, 2018, AccorHotels acquired all of the issued capital and voting rights of Mantra Group Ltd, one of Australia's largest hotel and resort marketers and operators. Mantra operates 127 properties (hotels, resorts and serviced apartments) across Australia, New Zealand, Indonesia and Hawaii under three key brands: Mantra, Peppers 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 Asia Pacific region.

The transaction was approved by the supervisory authorities, notably the Australian Competition and Consumer Commission (ACCC), the Federal Court and the Foreign Investment Review Board, as well as by Mantra Group shareholders on May 23, 2018.

The acquisition price paid to Mantra shareholders amounted to AU$1.1 billion fully-paid in cash (€736 million) based on a price per share of AU$3.8, after payment of a special dividend of AU$0.16 prior to the closing. At year-end 2017, the Group purchased financial instruments to hedge the risk of unfavorable change in Euro/Australian dollar exchange rate on the acquisition price between signing and closing date. The change in fair value of these instruments, representing a €7 million loss deferred in other comprehensive income until closing, was included in the value of shares, then reducing the acquisition price of Mantra Group to €729 million.

The fair value of net assets acquired amounts to AU$394 million (€256 million). It mainly includes the contracts with property owners (AU$404 million), the brands (AU$198 million), PP&E (AU$167 million) as well as net financial debt (AU$156 million) and deferred tax liabilities (AU$176 million). The goodwill, which has been recognized using the partial goodwill method, amounts to AU$729 million (€473 million).

Mantra's contribution to the Group consolidated revenue and net result on the period amounts to €290 million and €19 million respectively. If the acquisition had occurred on January 1, its contribution to the consolidated revenue would have amounted to €485 million.

Acquisition of Mövenpick Hotels & Resorts

On September 3, 2018, AccorHotels acquired all of the issued capital and voting rights of Mövenpick Hotel & Resorts. Founded in 1973 in Switzerland, the Group has high-end expertise in the main hotel-related services. It operates in 27 countries with 84 hotels (more than 20,000 rooms) and has a particularly strong presence in Europe and the Middle East. This acquisition will enable AccorHotels to consolidate its leadership in the European market and further accelerate its growth in emerging markets, in particular in Middle East, Africa and Asia-Pacific.

The acquisition price amounts to €563 million, corresponding to the cash payment to the sellers of CHF651 million (€578 million) reduced by the €15 million loss incurred on the financial instruments implemented to hedge the risk of unfavorable change in the Euro/Swiss Franc exchange rate between signing and closing date.

The provisional goodwill amounts to CHF523 million (€465 million). The purchase price allocation will be completed within the 12-months period following the acquisition date.

Mövenpick Hotel & Resorts' contribution to the 2018 consolidated revenue and net result amounts to €77 million and €6 million, respectively. On a full-year basis, its contribution to the revenue would have amounted to €219 million.

Acquisition of Gekko

On January 9, 2018, AccorHotels acquired 89.1% of the share capital and voting rights of Gekko, a major player in the business travel hotel reservation 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. The entity serves more than 300 corporate customers and 14,000 travel agencies. 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.

The acquisition price amounts to €96 million and net assets acquired to €45 million, mainly comprising intangible assets (customer relationships and technology for €48 million), a net cash position (€9 million) and differed tax liabilities (€14 million). On this basis, the goodwill recognized, under the partial goodwill method, amounts to €56 million.

The founders have retained a share of 10.9% in Gekko's capital and benefit from put options on their shares based on post-acquisition performances. This commitment on non-controlling interests has been recognized as a financial liability in the Group's statement of financial position at December 31, 2018 for its estimated amount of €20 million.

In 2018, Gekko's contribution to the Group's consolidated revenue and net result amounted to €24 million and €4 million, respectively.

Other acquisitions

On January 25, 2018, AccorHotels concluded a strategic partnership with SNCF Group to continue the development of the Orient Express brand within the luxury hospitality sector globally. The Group acquired a stake in the share capital (50% plus 1 share) of Orient Express, owner of the brand previously fully-owned by SNCF. The historic trains will remain the physical property of the state-owned rail group, and will be operated by Orient Express for private journeys and events. This partnership will also allow to strengthen AccorHotels' leadership in the luxury segment, by developing a new collection of prestigious hotels under the Orient Express banner. The entity has been fully consolidated since January 25, 2018; the governance rules implemented allowing the Group to unilaterally direct its relevant activities.

On April 6, 2018, AccorHotels acquired ResDiary, a leading platform for restaurant reservation and table management. Established in Glasgow in 2004, the company provides venues with a high-end table management solution, using technology that optimizes their food and beverage revenues and helps control operational costs. Notably well established in the Asia Pacific region and in the UK, the platform has a footprint in 60 countries.

On June 5, 2018, AccorHotels acquired the SaaS platform Adoria that enables the catering industry to optimize supply management. Founded in France in 2003, Adoria offers centralized solutions for managing tendering, procurement, logistics and production.

On September 26, 2018, AccorHotels acquired 85% of the share capital and voting rights of 21c Museum Hotels, a hospitality management company that combines modern art museums, boutique hotels and chef-driven restaurants in 8 establishments throughout the United States. 21C Museum Hotels will join AccorHotels' MGallery collection of boutique hotels, marking the introduction of the brand into the North American market.

On November 12, 2018, AccorHotels acquired 100% of Atton Hoteles, the management company that operates 11 Atton hotels across Chile, Peru, Colombia and USA. The Group also acquired a 20% interest in the property company that owns these assets; the remaining 80% share being acquired by the Chilean Group Algeciras. Atton Hoteles brand was created in Chile in 2000. The hotels cater to the business travelers on the midscale and upscale segment. This transaction will enable AccorHotels to further consolidate its footprint in Latin America, while strengthening its presence in fast growth markets such as Chile and Peru.

The goodwill recognized on these acquisitions amounts to €121 million, based on a total acquisition price of €164 million. At December 31, 2018, the purchase price allocation for 21C Museum and Atton Hoteles was determined on a provisional basis.

In 2018, these acquisitions contributed €20 million to the Group's consolidated revenue.

2.1.2 Equity investments of the period

The main transaction of the period corresponds to the accounting for the residual interest retained in AccorInvest, following the loss of control that occurred in May 31, 2018. Starting from this date, the entity is recorded under the equity method, as a result of the significant influence exercised by the Group (see details of the operation in Note 3).

Strategic partnership with sbe Entertainment Group

On October 5, 2018, AccorHotels acquired a 50% stake in sbe Entertainment Group, a leading lifestyle hospitality company that develops, manages and operates award-winning global properties and brands. Its portfolio includes branded luxury residences and serviced apartments, wellness and spa platforms and dining & entertainment experiences. Through this partnership, AccorHotels intends to strengthen its footprint on the fast-growing luxury lifestyle segment, in particular in gateway cities across North America.

AccorHotels exercises joint control with sbe's founder, who retains a share in the entity's capital. The investment has been accounted under the equity method in the Group's consolidated financial statements at cost for €104 million. The Group benefits from a call option to purchase all of the remaining shares in 2023. Besides, as part of the transaction, AccorHotels has granted a US$200 million loan to the entity.

Other equity investments

On January 9, 2018, Accor acquired an additional stake of 13.35% in the company Mama Shelter, increasing its participation to 49.94%, without any impact on the consolidation method.

On May 31, 2018, AccorHotels acquired 50% of Mantis Group Ltd, the South Africa-based hospitality and travel conglomerate. The Mantis network features 28 five-star properties and lodges, directly owned or under management contracts, plus a global network of branded hotels and residences. It also owns and operates a number of luxury houseboats and a lodge under the Zambezi Queen Collection. This strategic partnership will strengthen AccorHotels' leadership position in Africa. Through its representation by half of the members on the Board of Directors, AccorHotels exercises joint control with other partners over Mantis Group. Besides, AccorHotels benefits from a call option to acquire an additional interest up to 20% in three years.

On July 26, 2018 Accor acquired a 15.01% interest in Onepark, a mobile app and online car park booking platform. As a result of the significant influence exercised by the Group, the investment has been accounted for under the equity method.

On November 12, 2018, AccorHotels acquired a 20% interest in the property company that owns the assets operated by Atton Hoteles, as part of the alliance with Algeciras to acquire Atton Group, as detailed previously.

The total cost for these equity investments amounts to €80 million.

2.1.3 Disposals over the period

The main transaction that occurred over the period relates to the disposal of AccorInvest subsidiary, whose financial impacts are presented in the dedicated Note 3.

2.1.4 Other information

Creation of an investment fund dedicated to hospitality in Sub-Saharan African countries

On July 23, 2018, Katara Hospitality, a leading global hotel owner, developer and operator based in Qatar, and AccorHotels announced the creation of an investment fund with a targeted capacity of over US$1 billion dedicated to hospitality in various Sub-Saharan African countries. The fund will amount to up to US$500 million in equity, of which Katara Hospitality and AccorHotels will contribute respectively up to US$350 million and US$150 million over the next 5-7 years, with additional financing capacity reached through leverage and co-investments. At December 31, 2018, the project is still in progress. This investment will be accounted for under the equity method in AccorHotels Group's consolidated financial statements.

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, 2018 assets and liabilities held for sale were as follows:

		Dec. 2017		Dec. 2018	
(€ in million)	**Note**	**Assets**	**Liabilities**	**Assets**	**Liabilities**
AccorInvest	3	4,769	1,526	-	-
Others		56	7	14	6
Assets held for sale		**4,824**	**1,532**	**14**	**6**

AccorInvest net assets, which were classified as assets held for sale at 2017 year-end, have been derecognized since May 31, 2018 after the loss of control over the entity (see Note 3). The net profit and cash flows attributable to AccorInvest until this date are presented separately in the consolidated income statement and statement of cash flows as discontinued operations.

Note 3. Disposal of AccorInvest subsidiary

3.1 Financial impacts on Group's accounts

On May 31, 2018, AccorHotels completed the disposal of 57.8% of the share capital of AccorInvest, its subsidiary formed on June 30, 2017 following legal restructuring operations to hold most of the Group's hotel assets (owned and operated under lease contracts). The separation procedures as well as the perimeter of the contributed business were presented in Note 3 of the 2017 consolidated financial statements, integrated in the Group's Registration Document. This disposal represents for the Group the achievement of the transformation process of its business model.

Since the project was launched in 2016, AccorHotels initiated negotiations with long-term potential investors. They resulted in the signing of agreements on February 27, 2018 with a group of investors composed of the Public Investment Fund (PIF) and GIC sovereign funds, Institutional Investors, namely Colony NorthStar, Credit Agricole Assurances and Amundi, and other private investors.

According to AMF's position-recommendation on major asset disposals, the project was submitted to the consultative vote of Accor SA's shareholders during the Annual General Meeting held on April 20, 2018. Following a favourable vote, and after obtaining antitrust and regulatory approvals, the disposal of 57.8% of AccorInvest was completed on May 31, 2018. The Group retains a 42.2% residual interest in the entity.

In accordance with IFRS 10 principles, this transaction leads to a loss of control of AccorInvest, insofar as the rights held by the Group (voting rights and contractual rights resulting from the agreements governing future relationships between the parties) will not give it the power to unilaterally direct its relevant activities, i.e. operation of hotels and strategic management of hotel portfolio. Accordingly, the assets and liabilities of AccorInvest, which were classified as assets held for sale in consolidated financial statements at year-end 2017 in accordance with IFRS 5, were derecognized on completion date.

The transaction resulted for AccorHotels in a gross cash contribution of €4.6 billion, including the €2.1 billion proceeds for the sale of the 57.8% controlling stake, based on an enterprise value of €6.3 billion, and the cash repayment by AccorInvest of a €2.5 billion shareholders' loan.

Starting from June 1, 2018, the retained residual interest held by AccorHotels is recorded under the equity method in the consolidated financial statements, as a result of the significant influence exercised by the Group.

The gain on disposal amounts to €2.4 billion, and is computed as the difference between:

- The total proceeds on disposal of €3.7 billion, including the proceeds from the sale of the 57.8% controlling stake (€2.1 billion), the fair value of the 42.2% investment retained (€1.5 billion) and the carrying amount of non-controlling interests (€0.1 billion); and

- The carrying amount of AccorInvest net assets, as recognized in the Group's financial statements on completion date (€1.3 billion after repayment of the shareholders' loan).

In the consolidated financial statements, the net profit from discontinued operations includes the gain realized on AccorInvest disposal, after any directly-related transactions costs, as well as AccorInvest's net result until the loss of control.

On July 25, 2018, AccorHotels sold an additional tranche of 7% of AccorInvest's share capital to Colony NorthStar for €250 million, determined on the same basis as the initial disposal. This transaction has no impact on the Group's result as the residual interest retained in AccorInvest has been revalued to its fair value when initially accounted for under the equity method. AccorHotels now holds a 35.2% stake in AccorInvest's share capital.

3.2 Financial information of AccorInvest

The contribution of AccorInvest to the consolidated net profit and cash flows until the loss of control is as follows:

Income statement of AccorInvest

(€ in million)	**2017 (*)**	**2018 (**)**
Revenue	**3,985**	**1,517**
Operating expenses	(2,848)	(1,131)
EBITDAR	**1,137**	**386**
Rental expenses	(615)	(235)
EBITDA	**522**	**151**
Depreciation, amortization and provision expenses	-	0
EBIT	**522**	**151**
Other income and expenses	(113)	(22)
Income taxes	(338)	(39)
Net Profit	**71**	**90**

(*) Amounts restated in application of IFRS 5 in order to reflect the changes in AccorInvest perimeter
(**) Five-month activity in 2018

Amortization and depreciation of non-current assets have been ceased in accordance with IFRS 5 principles. In 2017, the tax impacts of the legal restructuring carried out in connection with the separation of AcccorInvest impacted the net profit for €338 million.

Cash flows attributable to AccorInvest

(€ in million)	**2017 (*)**	**2018 (**)**
Funds from operations excluding non-recurring transactions	411	129
Decrease (increase) in operating working capital	200	(66)
Cash received (paid) on non-recurring items	(63)	(14)
Cash flows from operating activities	**548**	**49**
Renovation and maintenance expenditure	(227)	(114)
Development expenditure	(496)	(102)
Proceeds from disposals of assets	(154)	5
Net cash flows used in investing activities	**(877)**	**(210)**
Cash flows used in financing activities	**101**	**(228)**
Effect of changes in exchange rates	56	23
Net cash flows	**(172)**	**(366)**

(*) Amounts restated in application of IFRS 5 in order to reflect the changes in AccorInvest perimeter
(**) Five-month activity in 2018

Note 4. Operating items

Note 4.1 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.

As a result of its business model transformation, AccorHotels has redefined its internal reporting in order to reflect the Group's refocusing on its core business as a hotel operator, the diversification of its activities' portfolio as well as the resulting new organizational structure. The effects on the Group's margin ratios of applying IFRS 15 were also considered, as the Group is now required to report as revenue the reimbursements of costs incurred on behalf of hotel owners (see details in Note 15).

The Group is organized around three strategic businesses, whose outlines have evolved.

HotelServices

This operating segment, which corresponds to AccorHotels' core business as hotel manager and franchisor, is now split in two businesses:

- « **Management & Franchise** »: Hotel management and franchise business based on the collection of fees, as well as revenue generated by purchasing;

- « **Services to owners** »: Activity gathering all the services for which the Group spends the remuneration received from hotel owners: sales, marketing and distribution, loyalty program, shared services as well as rebilling of costs incurred on behalf of hotel owners (such as the cost of employees working in the hotels).

Until 2017 year-end, the performance of HotelServices was monitored by geographic regions. This geographic follow-up is now performed at Management & Franchise's business level. Besides, the regional breakdown has been adjusted to reflect the Group's new operational organization. France and Switzerland have been merged into the Europe region. The Worldwide Structures, which corresponded to support entities, whose flows were not specific to a single region, has been removed, leading to reallocate related revenues and expenses to the regions.

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

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

Hotel assets & others

This operating segment is the Group's hotel owner-operator business, comprising owned and leased hotels. It corresponds to hotels operations in Central Europe, the operations of Mantra and Movenpick hotels acquired over the period, as well as certain hotels, mainly in Brazil, that are operated under lease contracts with variable rent based on a percentage of EBITDAR. Its business model aims to improve the return on assets and optimize the impact on the statement of financial position. It spans all asset portfolio management activities, hotel design, construction, refurbishment and maintenance activities.

This segment now includes three activities conducted in Asia-Pacific, previously reported in HotelServices: AccorPlus (rewards cards program), Accor Vacation Club (timeshare business) and Strata (room distribution and management of hotels common areas), as well as the AccorLocal project launched in 2017, previously presented in the New Businesses segment.

New Businesses

This operating segment corresponds to new businesses developed by the Group, mainly through external growth operations:

- **Digital services,** which consists in offering digital solutions to independent hotel operators that will drive growth in their direct sales (activity operated by Fastbooking and Availpro) and, more recently, to restaurant owners that will allow optimizing table management and procurement (with the acquisition of ResDiary and Adoria);

- **Hotel booking services** for travels agencies and corporates with the acquisition of Gekko;

- **Concierge services,** with the integration of John Paul, which in parallel has taken over the Accor Customer Care Service;

- **Digital sales** created through the acquisition of VeryChic, which offers exclusive private sales with luxury and high-end partners;

- **Private luxury home rentals,** comprising onefinestay, Travel Keys and Squarebreak with over 10,000 addresses worldwide.

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

In accordance with IFRS 8, comparative segment information presented at December 31, 2017 has been restated in order to reflect the Group's new reporting.

Note 4.1.1 Reporting by strategic business

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

(€ in million)	2017 (*)	2018	Variation (%) Actual	L/L (1)
HotelServices	2,443	2,618	+7.2%	+8.4%
• of which Management & Franchise	877	965	+10.0%	+9.0%
• of which Services to owners	1,566	1,654	+5.6%	+8.0%
Hotel Assets & others	755	1,086	+43.8%	+8.4%
New Businesses	100	149	+49.4%	+2.4%
Corporate & Intercos	(525)	(243)	N / A	N / A
Revenue	**2,774**	**3,610**	**+30.2%**	**+8.8%**
HotelServices	635	705	+11.0%	+12.3%
• of which Management & Franchise	619	659	+6.4%	+9.7%
• of which Services to owners	16	46	+187.2%	N / A
Hotel Assets & others	126	167	+32.6%	+9.4%
New Businesses	(25)	(28)	(11.0)%	(70.5)%
Corporate & Intercos	(114)	(132)	N / A	N / A
EBITDA	**622**	**712**	**+14.5%**	**+8.0%**

(*) Restated amounts in application of IFRS 15
(1) L/L: Like-for-like change

Financial information for HotelServices includes the flows realized with AccorInvest subsidiary prior to its disposal. The elimination of these flows is presented on the line « Corporate & Intercos».

Fees invoiced to AccorInvest amounted to €174 million in the first five month of 2018 (€462 million in 2017).

Revenue recognized in France amounted to €374 million in 2018 including revenue from AccorInvest since June 1, 2018, which is not eliminated since then.

4.1.2 Detailed information for Management & Franchise

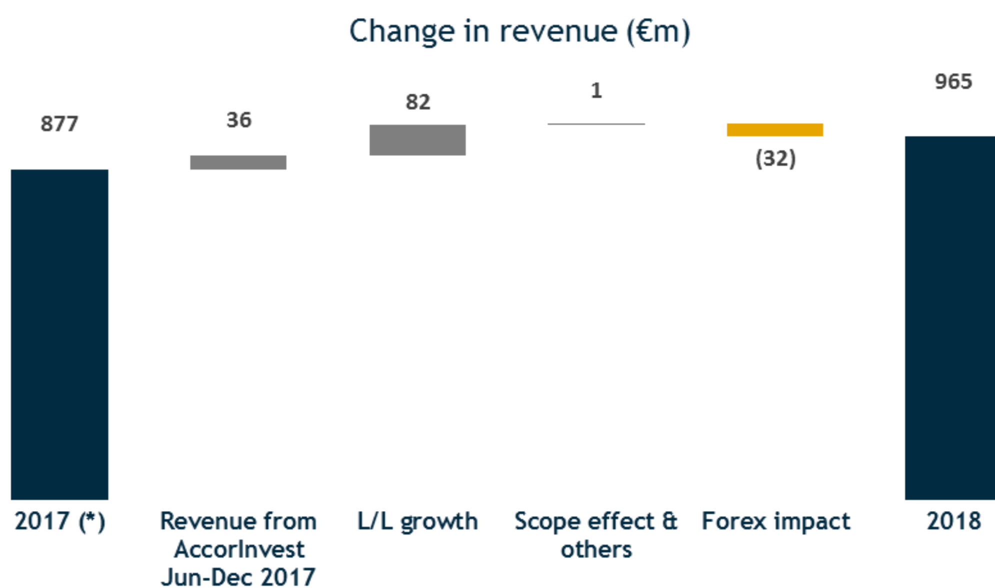
A. Management & Franchise revenue

(€ in million)	2017 (*)	2018	Variation (%) Actual	Variation (%) L/L (1)
Europe	449	500	+11.3%	+8.7%
Middle East & Africa	76	81	+6.0%	(1.1)%
Asia Pacific	194	209	+8.1%	+8.4%
North America, Central America & Caribbean	116	132	+13.4%	+17.1%
South America	41	43	+3.2%	+13.8%
Total	**877**	**965**	**+10.0%**	**+9.0%**

(*) Restated amounts in application of IFRS 15

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

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



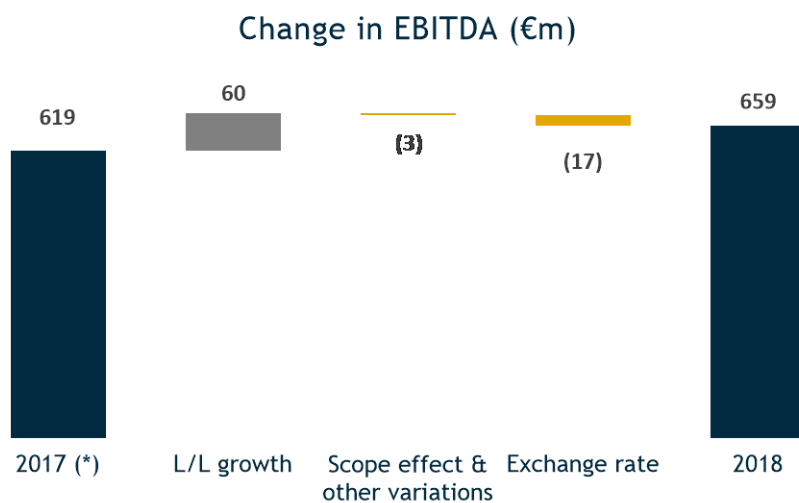
(*) Restated amounts in application of IFRS 15

B. Management & Franchise EBITDA

(€ in million)	2017 (*)	2018	Variation (%) Actual	L/L (1)
Europe	363	387	+6.7%	+11.0%
Middle East & Africa	46	51	+12.1%	+2.6%
Asia Pacific	128	128	+0.2%	+6.9%
North America, Central America & Caribbean	72	76	+6.7%	+9.6%
South America	12	16	+35.3%	+22.8%
Total	**619**	**659**	**+6.4%**	**+9.7%**

(*) Restated amounts in application of IFRS 15
(1) L/L: Like-for-like change

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



(*) Restated amounts in application of IFRS 15

4.2 Revenue

Accounting policy

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

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

Fees billed to franchised hotels and hotels under management contracts

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

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

Other fees relate to services representing distinct performance obligations which are generally satisfied over time, when the hotel owners simultaneously receive and consume the benefits provided. The Group elects the practical expedient to recognize revenue based on amounts invoiced to the customer, when this method of measuring progress best depicts the performance provided. Invoicing is based on contractual prices, which represent the stand-alone selling prices of specified promised goods or services. Variable considerations depending on the occurrence of uncertain future events are estimated using the most likely amount method, based on all reasonably available information, and are, if need be, capped at the minimum amount considered as highly probable. At each reporting period, the Group revises its estimates of variable considerations and assesses whether a constraint should apply.

Loyalty program

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

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

Hotel revenues

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

The revenue breakdown is outlined in the Note 4.1 Segment reporting.

4.3 Operating expenses

(€ in million)	**2017 (*)**	**2018**
Cost of goods sold	(67)	(97)
Personnel expenses	(1,607)	(1,818)
Rents	(104)	(148)
Energy, maintenance and repairs	(53)	(69)
Taxes, insurance and co-owned properties charges	(47)	(56)
Other operating expenses [(1)]	(274)	(710)
Operating expenses	**(2,151)**	**(2,897)**

(*) Restated amounts in application of IFRS 15

(1) Other rental expenses include fees from AccorInvest in 2017 for €462 million and during the first five month of 2018 for €174 million. Following consolidation principles, those fees are eliminated in the consolidated accounts of the group until the loss of control of the entity

Rental expenses relate to the Group headquarters and hotel assets operated under lease contracts.

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

4.4 Working capital

The working capital can be analyzed as follows:

(€ in million)	Dec. 2017 (*)	Variation	Dec. 2018
Inventories	8	8	15
Trade receivables	403	214	617
Other current assets	255	3	258
Current assets	**666**	**224**	**890**
Trade payables	398	28	426
Other current liabilities	530	166	696
Current liabilities	**928**	**195**	**1,122**
Working capital	**262**	**(29)**	**233**

(*) Restated amounts in application of IFRS 15

The change in working capital requirements breaks down as follows:

(*) Restated amounts in application of IFRS 15

4.4.1 Current assets

Trade receivables break down as follows:

(€ In million)	**Dec. 2017**	**Dec. 2018**
Gross value	470	687
Provisions	(68)	(70)
Trade receivables	**403**	**617**

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 million)	**Dec. 2017 (*)**	**Dec. 2018**
Recoverable VAT	107	82
Prepaid wages and salaries and payroll taxes	3	1
Income tax receivable and other taxes	9	11
Other receivables	121	144
Other prepaid expenses	24	41
Gross value	**265**	**279**
Provisions	(10)	(21)
Net book value	**255**	**258**

(*) Restated amounts in application of IFRS 15

4.4.2 Current liabilities

Other current liabilities break down as follows:

(€ in million)	**Dec. 2017 (*)**	**Dec. 2018**
VAT payable	52	62
Wages salaries and Payroll tax payables	193	218
Other tax payables	41	91
Other payables	180	250
Deferred income	64	75
Other current liabilities	**530**	**696**

(*) Restated amounts in application of IFRS 15

4.5 Contract assets and liabilities

Accounting policy

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

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

(€ in million)	**Dec. 2017 (*)**	**Dec. 2018**
Advance payments to hotel owners	174	176
Contract assets	**174**	**176**
Advance invoicing to hotel owners	22	27
Loyalty program deferred points	185	201
Contract liabilities	**207**	**227**
Contracts assets and liabilities - net	**(33)**	**(51)**

(*) Restated amounts in application of IFRS 15

Revenue recognized in 2018 related to contracts liabilities accounted at opening January 1st 2018 amounts to €128 million, mainly related to the loyalty program.

Note 5. Employee benefit expenses

5.1 Headcount

The Group's workforce breaks down as follows:

Headcount	2017	2018
Full-time equivalent	18,393	22,935

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.

5.2 Personnel expenses

Accounting policy

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

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

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

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

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

Equity-settled long-term incentive plans have also been set up for executive officers and certain employees. The accounting treatment of these plans is presented in Note 5.4.

The personnel expenses break down as follows:

(€ in million)	2017 (*)	2018
Salaries and social charges	(1,590)	(1,797)
Share-based payments	(17)	(21)
Personnel expenses	**(1,607)**	**(1,818)**

(*) Restated amounts in application of IFRS 15

5.3 Other employee benefits

Accounting policy

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

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

The expense recorded in the consolidated income statement includes:

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

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

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

5.3.1 Pension and other post-employment benefit obligations

(€ in million)	Dec. 2017	Dec. 2018
Pension plans	80	95
Other long-term benefits	10	6
Provision	**91**	**102**
Surplus on pension plans	12	4
Pension asset	**12**	**4**
Net commitment	**78**	**98**
• of which net provisions for pensions	68	92
• of which net provisions for other benefits	10	6

5.3.2 Description of the plans

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

- **Pension plans:** The main pension plans are located in France (43% of the obligation), in the United Kingdom (23% of the obligation) and in Canada (21% 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 Holding, the pension plan concerns senior executives. Pension rights are unvested and plan participants receive a regular pension, not a lump sum.

- **Length-of-service awards** in France: these are lump sum benefits determined by reference to the employee's years of service and end-of-career salary.

- **Supplementary pension plan** in France: this plan provides for the payment of periodic benefits to executive officers and senior executives whose final annual compensation represents more than five times the annual ceiling used for calculating social security contributions ("PASS"), provided that they are employed by the Group up to their retirement.

5.3.3 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. 2018	**Dec. 2017**	**Dec. 2018**	**Dec. 2017**
France	1.6%	1.6%	3% - 4%	3.0%
Belgium	1.6%	1.6%	2.8%	2.8%
Switzerland	1.2%	0.7%	1.0%	1.0%
Canada	3,50% - 3,75%	3,25% - 3,50%	3.0%	3.0%
United States	3.3%	2.5%	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.

5.3.4 Breakdown and changes in the pension obligations

At December 31, 2018, pension obligations break down by region as follows:

(€ in million)	France	Canada	United Kingdom	Belgium	Switzerland	Others	Total
Actuarial debt	97	48	51	14	5	11	225
Fair value of plan assets	(30)	(36)	(54)	(9)	(4)	(2)	(136)
Irrecoverable surplus	0	3	-	-	-	0	3
Net obligation	**67**	**14**	**(4)**	**5**	**1**	**8**	**92**

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

(€ in million)	Present value of obligation	Fair value of plan assets	Irrecoverable surplus impact	Net
Situation at January 1, 2018	**224**	**(160)**	**4**	**68**
Current service cost	7	-	-	7
Interest expense/(income)	5	(4)	-	1
Past service cost	(0)	-	-	(0)
Total recognized in profit or loss	**12**	**(4)**	**-**	**8**
Actuarial gains and losses related to experience adjustments	8	14	-	22
Actuarial gains and losses related to changes in demographic assumptions	(1)	-	-	(1)
Actuarial gains and losses related to changes in financial assumptions	(4)	-	-	(4)
Change in irrecoverable surplus (without net interest)	-	-	(1)	(1)
Actuarial (gains)/losses	**4**	**14**	**(1)**	**17**
Benefits paid	(9)	7	-	(3)
Scope changes	0	-	-	0
Exchange differences and others	(6)	7	(0)	1
Situation at December 31, 2018	**225**	**(136)**	**3**	**92**

5.3.5 Plan assets

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

At December 31, 2018, the breakdown of assets is as follows:

(€ in million)	United-Kingdom	Canada	France	Belgium	Others	Total
Bonds	-	27	24	-	2	53
Real Estate	-	-	2	-	1	3
Shares	-	9	3	-	0	12
Liquidity	3	0	-	-	0	4
Insurance contracts	-	-	-	9	2	11
Other	51	-	0	-	1	52
Plan assets	**54**	**36**	**30**	**9**	**7**	**136**

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

5.3.6 Sensitivity analysis

At December 31, 2018, the sensitivity of provisions for pensions to a change in discount rate is as follows:

(€ in million)	Impact on obligation
Impact of increase in discount rate by 0.5 pt	(10)
Impact of decrease in discount rate by 0.5 pt	11

5.3.7 Expected cash flows

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

(€ in million)	2019	2020	Hereafter	Total
Expected benefits payments	10	11	92	113

5.4 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 expenses on a straight-line basis over the vesting period, with the corresponding liability recognized in:

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

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

Substantially all of the plans in progress at December 31, 2018 were equity-settled plans.

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

In 2018, the cost of share-based payment plans is €21 million, as follows:

(€ in million)	**2017**	**2018**
2013 Plans	1	-
2014 Plans	4	0
2015 Plans	4	1
2016 Plans	6	5
2017 Plans	-	11
2018 Plans	-	4
Performance shares plans	**14**	**21**
Employee share plans	**3**	**-**
Total	**17**	**21**

5.4 1 Performance share plans

The movements over the period are as follows:

Number of shares	**2017**	**2018**
Performance shares at beginning of period	**1,093,899**	**3,046,630**
Shares granted	2,043,841	655,292
Shares cancelled or expired during the period	(49,215)	(114,050)
Shares vested during the period	(41,895)	(84,235)
Performance shares at end of period	**3,046,630**	**3,503,637**

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

Performance shares

On June 26, 2018, the Group granted 632,462 performance shares to employees, subject to a three-year vesting period. At this date, the fair value of the performance share was €35.24, corresponding to the share price of €41.90 less the discounted present value of dividends not received during the vesting period and the effect of external conditions.

The shares will vest provided that the grantee remains with the Group until the end of the three-year vesting period, and the following three performance conditions are fulfilled over the years 2018 to 2020:

- 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 activities, 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 17, 2018, the Group set up a performance share plan with similar characteristics to the June plan.

The fair value of these plans amounts to €23 million and will be recognized on a straight-line basis over the vesting period under employee benefits expenses with a counterpart in equity. The cost recorded in respect of these plans in 2018 amounts to €4 million.

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

	Plan	
Characteristics	**Jun.**	**Oct.**
Number of shares granted	632,462	22,830
Vesting period	3 years	3 years
Share price at grant date (in €)	41.90	41.62
Share fair value at grant date	35.24	35.00

5.4 2 Stock options plans

The movements over the period are as follows:

	December 31, 2017		December 31, 2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding at beginning of period	**2,123,250**	**27.22 €**	**1,267,511**	**€28.55**
Options cancelled or expired during the period	(69,556)	23.35 €	(28,283)	€28.32
Options exercised during the period	(786,183)	25.42 €	(780,177)	€26.66
Options outstanding at end of period	**1,267,511**	**28.55 €**	**459,051**	**€29.05**
Options exercisable at end of period	**1,267,511**	**28.55 €**	**459,051**	**€29.05**

Outstanding options at December 31, 2018 are as follows:

Plan	Grant date	Number of outstanding options	Remaining life	Exercise price
Plan 23	April 2011	211,094	3 months	31.72 €
Plan 24	April 2011	9,766	3 months	31.72 €
Plan 25	March 2012	214,300	1 year and 2 months	26.41 €
Plan 26	March 2012	20,727	1 year and 2 months	26.41 €
Plan 27	September 2013	10,000	2 years and 9 months	30.13 €

5.5 Corporate officer's compensation

Corporate officers are defined as members of the Executive Committee, which had fifteen members at the end of December 31, 2018 and the Board of Directors.

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

(€ in million)	**2017**	**2018**
Short-term benefits received	18	19
Share-based payments	6	8
Compensation for loss of office	5	0
Post-employment benefits	1	3
Total compensation	**30**	**30**

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

Note 6. 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.

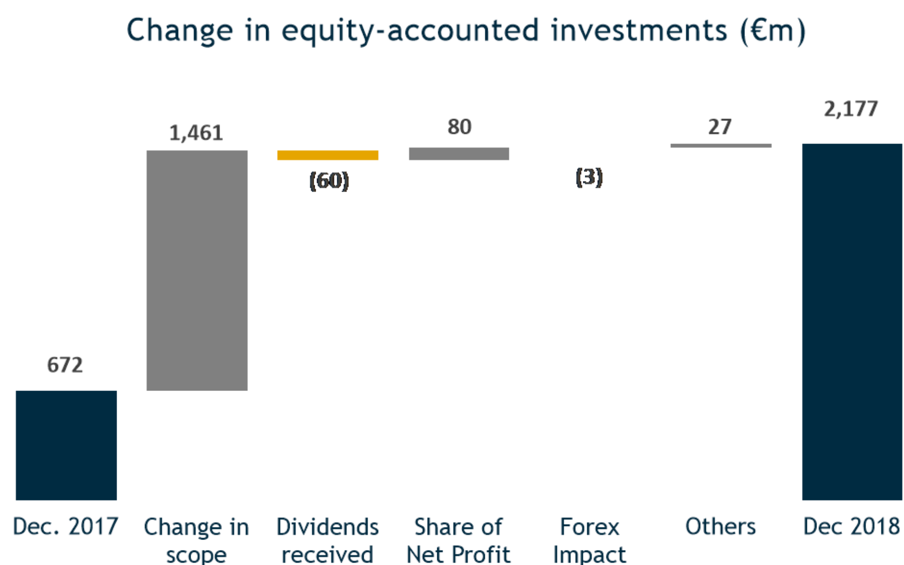
6.1 Investments in associates and joint-ventures

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

(€ in million)	**2017**	**2018**
AccorInvest	-	45
China Lodging Group	16	19
Others	6	13
Associates	**22**	**77**
Joint ventures	**6**	**2**
Share in results of companies accounted for using the equity method	**28**	**80**
• Of which share of income before taxes	40	109
• Of which share of taxes	(12)	(29)

6.2 Investments in associates and joint-ventures

(€ in million)	**Dec. 2017**	**Dec. 2018**
AccorInvest	-	1,275
China Lodging Group	191	200
Interglobe	55	60
Others	318	384
Associates	**564**	**1,919**
SBE	-	102
Others	109	156
Joint ventures	109	**258**
Investments in associates and joint-ventures	**672**	**2,177**



The increase in investments over the period corresponds to the integration of the residual share in AccorInvest under the equity method for €1.3 billion (see Note 3) and also includes investment in SBE Group for €0.1 billion (see Note 2).

6.3 Information about material associates and joint-ventures

The following associates are material to the Group:

- AccorInvest (35.2% interest),
- China Lodging Group (Huazhu Hotels), which is a Chinese Hospitality group listed on Nasdaq (10.8% interest),

In the Group's consolidated financial statements, the share of net profit is based for AccorInvest on the period from June to December 2018 and for China Lodging Group on the 12-month period ending as of September 2018. China Lodging Group (Huazhu) publishes its financial statements after the publication deadlines of the Group.

Key financials for these two entities are as follows:

(€ in million)	AccorInvest	China Lodging
P&L		
Revenue	2,448	1,229
Net profit (loss)	**121**	**151**
Balance sheet		
Total current Assets	851	776
Total non-current Assets	3,899	2,194
Assets held for sale	177	0
Equity	924	940
Total current Liabilities	1,140	581
Total non-current Liabilities	2,845	1,449
Liabilities associated with assets held for sale	18	0
Total balance sheet	**4,927**	**2,970**

Financial statements for AccorInvest and China Lodging are based on the data published by these entities for the aforementioned period, before potential goodwill allocation.

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 7. Other income and expenses

Accounting policy

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

(€ in million)	2017 (*)	2018
Impairment losses	(3)	(250)
Restructuring expenses	(44)	(125)
Gains and losses on management of hotel properties	(5)	33
Other non recurring income and expenses	(47)	(58)
Other income and expenses	**(99)**	**(401)**

(*) Restated amounts in application of IFRS 15

At December 31, 2018, this caption mainly includes:

- Impairment losses on New Businesses for €(246) million (see Note 8.3);
- Restructuring costs for €(125) million, notably related to transformation plans in Europe and Parisian headquarters;
- A gain related to the disposal of Sofitel Budapest Chain Bridge for €33 million; and
- Directly-related costs on acquisitions and internal projects, notably €(23) million deal costs on Mantra Group and Mövenpick acquisitions and integration costs of FRHI Group for €(9) million.

In 2017, other income and expenses mainly included costs incurred for the spin-off and planned divestment of AccorInvest for €(56) million, restructuring costs for €(44) million (notably related to restructuring plans in France and headquarters) and directly-related costs on acquisitions for €(23) million.

Note 8. Intangible and tangible assets

8.1 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.

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. 2017 (*)	Dec. 2018		
€ in million	Net book value	Gross value	Amort. & depreciation	Net book value
Goodwill	1,500	2,688	(290)	2,399
Brands and rights	1,396	1,641	(64)	1,577
Management contracts	498	871	(126)	745
Licenses, software	90	351	(222)	128
Other intangible assets	172	259	(56)	203
Intangible assets	**3,656**	**5,810**	**(758)**	**5,052**

(*) Restated amounts in application of IFRS 15

8.1.1 Goodwill

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

(€ in million)	Dec. 2017	Scope impacts	Translation adjustment & others	Dec. 2018
Europe	280	-	9	289
Mediterranean, Middle East & Africa	164	-	7	172
Asia Pacific	455	-	3	459
North/Central America & Caribbean	249	41	14	304
South America	60	49	-	109
HotelServices	**1,209**	**90**	**34**	**1,333**
HotelAssets & others	**82**	**478**	**(22)**	**538**
New businesses	**273**	**81**	**(1)**	**353**
Not allocated	**-**	**465**	**-**	**465**
Gross value	**1,564**	**1,114**	**11**	**2,689**
Impairment losses	**(63)**	**-**	**(227)**	**(290)**
Net book value	**1,500**	**1,114**	**(215)**	**2,399**

The changes in scope over the period mainly relate to goodwill recognized following the acquisitions of Mantra Group for €473 million (allocated to HotelsAssets & others), Gekko for €56 million (allocated to New Businesses) and the acquisition of Mövenpick for €465 million (provisional goodwill which will be allocated in 2019) (see Note 2). In addition, the goodwill related to New Businesses has been impaired by €(228) million.

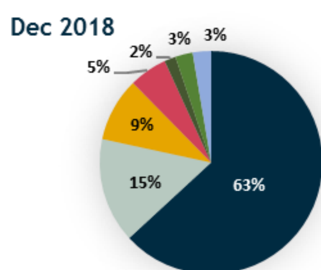
8.1.2 Other intangible assets

Changes in the carrying amount of intangible assets in 2018 were as follows:

(€ in million)	Dec. 2017 (*)	Increase	Disposals	Translation adjustment & others	Dec. 2018
Trademarks	1,430	196	(0)	16	1,641
Management contracts	544	341	(10)	(5)	871
Licenses, software	298	70	(43)	26	351
Leasehold rights	80	0	(0)	(5)	75
Customer relationships	48	33	0	0	81
Other intangible assets	87	50	(9)	(25)	103
Gross value	**2,487**	**690**	**(62)**	**7**	**3,122**
Accumulated amortizations	(330)	(186)	35	13	(468)
Net book value	**2,156**	**504**	**(27)**	**20**	**2,653**

(*) Restated amounts in application of IFRS 15

The carrying amount of brands breaks down as follows:



(€ in million)	Dec. 2017	Dec. 2018
Fairmont	984	996
Swissôtel	231	240
Raffles	142	146
Mantra	-	87
Peppers	-	26
Orient-Express	-	40
Other trademarks	40	42
Brands	**1,396**	**1,577**

The main brands are Fairmont, Raffles and Swissôtel (€1,381 million), as well as Mantra (€122 million) and Orient-Express (€40 million) acquired in 2018.

The management contracts mainly relate to contracts with hotel owners recognized as part of business combinations, in particular in connection with FRHI Hotels & Resort acquired in 2016 and Mantra acquired in 2018 (€341 million).

Licenses and software primarily comprise the technologies recognized following the acquisitions of Gekko and ResDiary (€42 million).

Customer relationships mainly relate to John Paul, VeryChic and Availpro acquired in 2017 and Gekko in 2018 (€30 million).

8.2 Tangible assets

Accounting policy

Tangible assets 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, tangible assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation periods

Tangible assets, 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.

Tangible assets break down as follows:

(€ in million)	Dec. 2017	Dec. 2018		
	Net book value	Gross value	Amort. & depreciation	Net book value
Land	54	73	(5)	68
Buildings	365	1,267	(454)	814
Fixtures	117	373	(227)	146
Equipment and furniture	93	338	(226)	113
Constructions in progress	33	57	(6)	51
Tangibles assets	**662**	**2,109**	**(917)**	**1,192**

Changes in the carrying amount of tangible assets in 2018 were as follows:

(€ in million)	Dec. 2017	Increase	Decrease	Translation adjustment & others	IFRS 5 Reclass.	Dec. 2018
Land	59	12	(1)	(1)	5	73
Buildings	782	504	(16)	(21)	19	1,267
Fixtures	279	105	(15)	(9)	13	373
Equipment and furniture	253	108	(26)	(4)	7	338
Constructions in progress	36	82	0	(1)	(60)	57
Gross value	**1,408**	**811**	**(57)**	**(37)**	**(16)**	**2,109**
Accumulated depreciation	(689)	(233)	45	17	8	(852)
Impairment losses	(58)	(11)	4	0	(1)	(66)
Net book value	**662**	**567**	**(8)**	**(20)**	**(9)**	**1,192**

Increases in net value over the period mainly comprise:

- Acquisition of the Sequana building, head office of AccorHotels based in Issy-les-Moulineaux, for €388 million;
- Assets held by Mantra (€115 million) and Mövenpick (€26 million) acquired over the period;
- Various renovations including Ibis Vilnius for €10 million, three Mercure in Budapest for €10 million, Ibis Styles Warsawa Centrum for €9 million and Sofitel Warszawa Victoria for €4 million.

8.3 Impairment test

Accounting policy

The carrying amounts of tangible assets, 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, Hotel reservation services, Concierge services, Digital sales and Private rentals).

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.

Evidences of impairment were identified on Cash-Generating Units (CGUs) related to New Businesses, due to an increased competition combined with a slowdown trend on the markets and a declining profitability. The Group estimated the recoverable amount of these CGUs based on the cash-flow projections used for budget preparation and the weighted average cost of capital, as determined at acquisition date of the entities involved. As a result, the Group recognized impairment losses for €(246) million (see Note 7). These losses were first allocated to corresponding goodwill (see aforementioned Notes 8.1.1 and 8.1.2).

Regarding other activities, the Group recognized impairment losses for €(4) million for the HotelAssets operating segment.

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:

	Dec. 2017		Dec. 2018	
	Growth rate	Discount rate	Growth rate	Discount rate
Europe	+1.5%	+8.1%	+1.5%	+8.0%
Middle East and Africa	+3.0%	+9.5%	+3.0%	+9.2%
Asia Pacific	+2.0%	+9.2%	+2.0%	+9.1%
North America, Central America & Caribbean	+3.0%	+9.2%	+3.0%	+9.1%
South America	+4.0%	+13.9%	+4.0%	+13.6%

Sensitivity tests performed on the main CGUs at December 31, 2018 showed that:

- Europe - The CGU's carrying amount would exceed its recoverable amount if the discount rate increased by 582 basis points or the perpetuity growth rate was reduced by 982 basis points;
- Middle East and Africa - The CGU's carrying amount would exceed its recoverable amount if the discount rate increased by 2,318 basis points. The carrying amount would remain below the recoverable amount whatever the perpetuity growth rate;
- Asia Pacific - The CGU's carrying amount would exceed its recoverable amount if the discount rate increased by 350 basis points or the perpetuity growth rate was reduced by 1,538 basis points;
- North America, Central America & Caribbean - The CGU's carrying amount would exceed its recoverable amount if the discount rate increased by 363 basis points or the perpetuity growth rate was reduced by 545 basis points;
- South America – The CGU's carrying amount would exceed its recoverable amount if the discount rate increased by 1,090 basis points or if the perpetuity growth rate was reduced by 2,853 basis points.

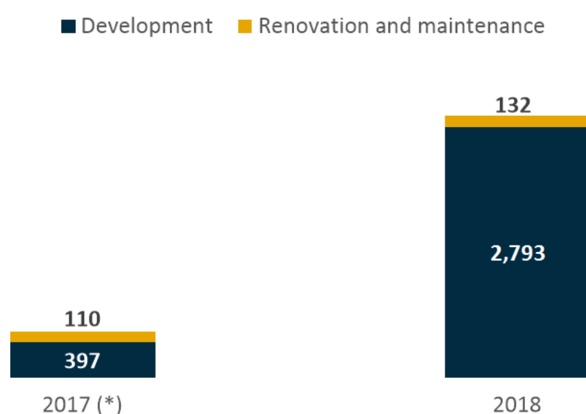
Sensitivity tests on these recoverable amounts show that a 10% decline in projected discounted operating cash flows would not result in the recognition of any impairment loss.

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.

8.4 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.



(*) Restated amounts in application of IFRS 15

In 2018, main development expenditure relate to:

- €1.598 million related to the acquisitions of Mantra, Mövenpick Hotels & Resorts, Gekko, Atton Hoteles, 21c Museum Hotels et ResDiary (amount paid net of cash acquired);
- €292 million related to the acquisition stake in investments recorded under equity method (sbe Entertainment Group, Mantis);
- €388 million related to the acquisition of the Sequana building, the Group head office;
- €339 million related to the debt accounted for at December 31, 2018 for the acquisition of 33.15% of Orbis.

In 2017, development expenditure mainly concerned the acquisition stake in investments recorded under equity method (Rixos, Noctis, Potel & Chabot and Nexdoor), the acquisition of a company holding five hotels in Budapest and €69 million related to the acquisition of VeryChic, Availpro, Travel Keys and Squarebreak.

Note 9. Provisions

Accounting policy

A provision is recognized when the Group has a present obligation (legal, contractual or implicit) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, but whose amounts and maturity are uncertain. Provisions are determined based on the best estimate of the expenditure required to settle the obligation, in application of certain assumptions. Provisions are discounted when the effect of the time value of money is material.

Provisions for restructuring costs are recorded when the Group has a detailed formal plan for the restructuring and the plan's main features have been announced to those affected by it as of the period end. 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 2018 can be analyzed as follows:

				Reversal				
(€ in million)	Dec. 2017	Global result	Allowance	Utilizations	Unused provisions	Translation adjustment	Change in scope and reclassifi-cation	Dec. 2018
Pensions and other benefits	91	9	11	(6)	(2)	(1)	1	102
Litigation and others	67	-	299	(18)	(10)	(1)	8	344
Tax litigation	14	-	1	(2)	(1)	(0)	0	13
Restructuring	38	-	102	(24)	(7)	(0)	(1)	107
Provisions	**210**	**9**	**413**	**(50)**	**(20)**	**(3)**	**8**	**566**
• Including non-current	103	9	11	(6)	(3)	(1)	4	118
• Including current	106	-	402	(44)	(17)	(2)	3	449

At December 31, 2018, provisions amounted to €566 million, increasing by €356 million compared to December 31, 2017, due notably to the allowance of €262 million mainly set up to cover the future risks associated with the guarantees provided as part of AccorInvest disposal.

Changes in restructuring provisions are primarily explained by:

- A €24 million reversal related to restructuring costs in France and headquarters as well as integration costs related to FRHI Hotels & Resorts Group ; and
- A €102 million allowance mainly related to the transformation plan in Europe and Parisian headquarters.

Note 10. Financing and financial instruments

10.1 Financial result

Accounting policy

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

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

The financial result is analyzed as follows:

(€ in million)	**2017(*)**	**2018**
Bonds interests	(80)	(61)
Other interests expenses	(13)	(15)
Financial income	23	22
Cost of net debt	(71)	(53)
Other financial income and expenses	18	(14)
Financial result	**(53)**	**(67)**

(*) Restated amounts in application of IFRS 15

The €14 million negative impact is mainly attributable to:

- A €19 million decrease in bonds interests resulting from reimbursement of two bonds in June and November 2017;
- A €14 million loss partially offsetting the positive impact of €18 million in 2017, related to the exchange effects between the Swiss Franc and the Euro on internal and external balance sheet items, mainly due to the legal restructuring of AccorInvest.

Other financial income and expenses include the following items:

(€ in million)	**2017 (*)**	**2018**
Hedging	10	(9)
Exchange gains / (losses)	6	(7)
Dividend income	4	4
Movements in provisions	(3)	(3)
Other financial income and expenses	**18**	**(14)**

(*) Restated amounts in application of IFRS 15

10.2 Financial market instruments

10.2.1 Details of financial assets and liabilities

Accounting policy

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

Financial Assets

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

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

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

Financial liabilities

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

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

Put options on non-controlling interests

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

The breakdown of the financial market instruments is as follows:

(€ in million)	Breakdown by financial market instrument classes					
	Fair value through P&L	Fair value through equity	Assets at amotized cost	Debt at amortized cost	Dec. 2018	Dec. 2017
Loans	-	-	219	-	219	45
Non-consolidated investments	-	74	-	-	74	68
Deposits	-	-	45	-	45	44
Trade receivables	-	-	617	-	617	403
Cash and cash equivalents	-	833	1,986	-	2,820	1,063
Receivables on disposals	-	-	25	-	25	30
Derivatives	10	20	-	-	30	24
Financial assets	**10**	**927**	**2,892**	**-**	**3,830**	**1,677**
Bonds	-	-	-	2,630	2,630	2,748
Bank borrowings	-	-	-	319	319	30
Finance lease liabilities	-	-	-	1,070	1,070	202
Trade payables	-	-	-	426	426	398
Derivatives	9	-	-	-	9	24
Financial liabilities	**9**	**-**	**-**	**4,445**	**4,453**	**3,402**

10.2.2 Hierarchies at fair value

Accounting policy

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

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

	Dec. 2018		Hierarchy of fair value		
(€ in million)	Carrying amount	Fair value	Level 1	Level 2	Level 3
Non-consolidated investments	74	74	-	-	74
Mutual funds units	220	220	220	-	-
Derivatives - assets	30	30	-	30	-
Derivatives - liabilities	9	9	-	9	-

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

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

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

10.3 Group net debt

10.3.1 Breakdown of net debt

At December 31, 2018, Group net debt amounts to €1,153 million and is analyzed as follows:

(€ in million)	**Dec. 2017**	**Dec. 2018**
Bonds	2,748	2,630
Bank borrowings	30	319
Bonds and bank borrowings	**2,779**	**2,949**
Other financial debts *	202	1,070
Derivative financial instruments	24	9
Gross financial debt	**3,005**	**4,027**
• Of which, long-term liabilities	2,768	2,760
• Of which, short-term liabilities	237	1,268
Cash and cash equivalents	1,063	2,820
Other current financial assets	30	25
Derivative financial instruments	24	30
Financial assets	**1,117**	**2,874**
Net debt	**1,888**	**1,153**

*This amount includes commitments of €339 million in respect of tender offer for the purchase of Orbis shares and €489 million in respect of the second tranche of the share buyback program launched on 20 December 2018.

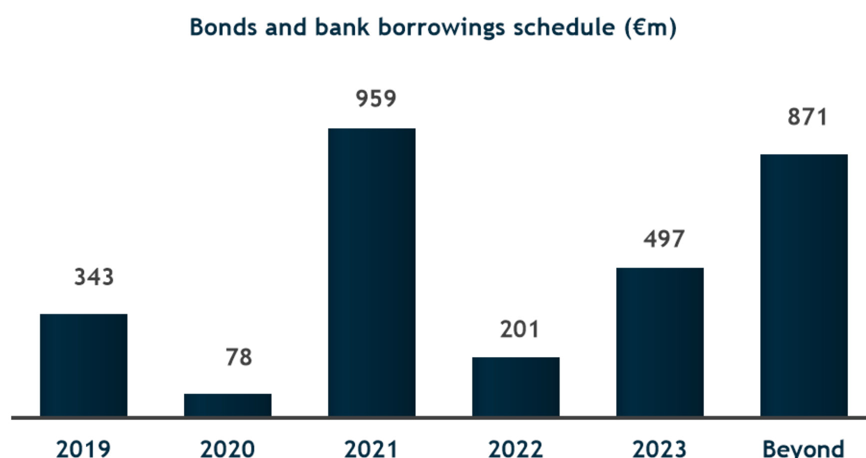
The breakdown of the variation of the period is as follows:

			Other changes				
(€ in million)	**Dec. 2017**	**Cash flows**	Scope effects	Translation adjustments	Fair value	Others	**Dec. 2018**
Bonds	2,748	(128)	-	(3)	-	12	2,630
Bank borrowings	30	294	-	(3)	-	(1)	319
Other financial debts	202	862	(0)	(2)	-	7	1,070
Derivative financial instruments	24	-	-	(0)	9	(24)	9
Gross financial debt	**3,005**	**1,029**	**(0)**	**(8)**	**9**	**(6)**	**4,027**
Cash and cash equivalents	1,063	1,611	154	(10)	-	-	2,820
Other current financial assets	30	(15)	0	(0)	-	10	25
Derivative financial instruments	24	-	-	-	(12)	18	30
Financial assets	**1,117**	**1,596**	**154**	**(10)**	**(12)**	**28**	**2,874**
Net debt/(cash)	**1,888**	**(568)**	**(154)**	**1**	**20**	**(34)**	**1,153**

10.3.2 Analysis of gross financial debt

Bonds and bank borrowings by maturity

The maturity profile of bonds and bank borrowings is one of the indicators used to assess the Group's liquidity position. At December 31, 2018, maturities of long and short-term debt were as follows:



In 2018, financial costs amount to €53 million. Future financial costs are estimated at €158 million for the period from January 2019 to December 2021 and €110 million thereafter.

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

Analysis of bonds and bank borrowings by currency

	Before hedging			After hedging		
(€ in million)	Amount	Rate	% of total debt	Amount	Rate	% of total debt
Euro	2,679	+2%	+91%	1,524	2%	52%
Australian dollar				793	1%	27%
US dollar				184	3%	6%
Swiss franc	133	+2%	+4%	133	2%	5%
Polish zloty	116	+3%	+4%	116	3%	4%
Pound sterling				114	1%	4%
Japanese yen				34	0%	1%
UAE dirham				29	0%	1%
Maurice roupie	21	+8%	+1%	23	8%	0%
Bonds and bank borrowings	**2,949**	**+2%**	**+100%**	**2,949**	**+2%**	**+100%**

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

At 31 December 2018, 86% of long and short-term debt was fixed rate, with an average rate of 1.79%, and 14% was variable rate, with an average rate of 2.17%. At December 31st 2018, fixed rate debt was denominated primarily in Euro (50%), in Australian dollar (31%), in US dollar (7%). While variable rate debt was denominated mainly in euro (70%), in Polish zloty (27%) and in Mauritian rupee (3%).

Breakdown of bonds

Bonds at December 31, 2018 break down as follows:

Nominal amount	Local currency	Date of issuance	Maturity	Initial interest rate (%)	Dec. 2017	Dec. 2018
138	M EUR	Dec-17	Dec-18	0.05%	138	-
600	M EUR	Mar-13	Mar-19	2.50%	335	335
300	M PLN	Jun-15	Jun-20	2.76%	72	70
900	M EUR	Feb-14	Feb-21	2.63%	904	904
200	M PLN	Jul-16	Jul-21	2.69%	48	47
60	M EUR	Dec-14	Feb-22	1.68%	60	60
150	M CHF	Jun-14	Jun-22	1.75%	128	133
500	M EUR	Sep-15	Sep-23	2.38%	471	488
600	M EUR	Jan-17	Jan-24	1.25%	593	594
Bonds					**2,748**	**2,630**

On December 20, 2017, the Group issued a one year bond for €138 million with an annual coupon of 0.05%, which was reimbursed on December 20, 2018.

Covenants

None of the loan agreements include any rating triggers. However, certain loan agreements include acceleration clauses that may be triggered in the event of a change of control, following the acquisition of more than 50% of outstanding voting rights. Among the €2,949 million bonds and bank borrowings, a total of €2,538 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 2018, the early redemption clause can be triggered if AccorHotels does not comply with the leverage ratio covenant (consolidated net debt to consolidated EBITDA. The calculation of this ratio excludes any impact from IFRS 16).

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

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

Unused confirmed credit line

On July 2, 2018, AccorHotels signed an agreement with a consortium of 15 banks for a new €1.2 billion revolving credit facility (maturity in June 2023), which margin will be notably dependent on the Group's performance in terms of Environment, Social and Governance. This new 5-year facility has two one-year extension options to be exercised in 2019 and 2020. It replaces the undrawn €1.8 billion facility signed in June 2014, which had been reduced to €1.2 billion following the completion of AccorInvest disposal. This facility will reinforce AccorHotels liquidity and increase the average maturity of its financial resources.

10.3.3 Current financial assets

At December 31, 2018, current financial assets break down as follows:

(€ in million)	Dec. 2017	Dec. 2018
Other negotiable debt securities	655	1,718
Mutual funds units convertible into cash	220	833
Cash	189	268
Cash and cash equivalents	1,063	2,820
Short-term loans	15	20
Receivables on disposals of assets	15	5
Other current financial assets	30	25
Derivative instruments in assets	24	30
Current financial assets	**1,117**	**2,874**

10.4 Other non-current financial assets

	Dec. 2017	Dec. 2018		
(€ in million)	Net book value	Gross value	Depreciation	Net book value
Long-term loans	45	225	(6)	219
Investments in non-consolidated companies	68	75	(0)	74
Deposits	44	45	-	45
Other financial assets	**157**	**345**	**(6)**	**338**

10.4.1 Long-term loans

On December 31, 2018, long-term loans breakdown is as follows:

(€ in million)	**Dec. 2017**	**Dec. 2018**
SBE	-	175
Hotels, Asia-Pacific	26	21
Others	19	24
Long-term loans	**45**	**219**

At December 31, 2018, long-term loans mainly consisted of a loan to SBE (see note 2.1.2) for an amount of €175 million, at a rate interest of 7.75%.

Loans to Asia Pacific region were mainly composed by a €14 million loan to A.P.V.C Finance Pty. Limited, with a paying interest at average rate of 14.75%.

10.4.2 Investments in non-consolidated companies

Investments in non-consolidated companies breakdown is as follows:

(€ in million)	**Dec. 2017**	**Dec. 2018**
A-HTrust (Singapore investment fund)	25	23
Banyan Tree	16	15
Raise Investment	9	13
Others	18	24
Investments in non-consolidated companies	**68**	**74**

10.5 Derivative financial Instruments

Accounting policy

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

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

- The fair value of currency derivatives is determined based on the forward exchange rate at the period end.
- The fair value of interest rate derivatives is equal to the present value of the instrument's future cash flows, discounted at the interest rate for zero-coupon bonds.

The accounting treatment of changes in fair value of derivative instruments depends on whether or not they are qualified as hedge accounting.

Derivative instruments designated as hedging instruments

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 initially recognized in « Other comprehensive income » and subsequently reclassified to the income statement when the hedged item affects profit or loss. The ineffective portion of the gain or loss is recognized directly in financial result.

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

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

Other derivative instruments

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

At December 31, 2018, derivatives financial instruments are as follows:

(€ in million)	**Dec. 2017**	**Dec. 2018**
Interest rate hedges	12	10
Currency Hedging	11	20
Derivatives financial instruments - assets	**24**	**30**
Interest rate hedges	24	9
Derivatives financial instruments - liabilities	**24**	**9**

10.5.1 Currency hedging

At December 31, 2018, characteristics of the currency hedging are as follows:

(€ in million)	Dec. 2018 Nominal amount	Dec. 2018 Fair value
Australian dollar (USD)	673	25
American dollar (USD)	303	(5)
British pound (GBP)	117	-
Swiss Franc (CHF)	77	1
Canadian Dollar (CAD)	34	(1)
Japanese yen (JPY)	34	(1)
United Arab Emirates Dirham (AED)	30	-
Swedish krona (SEK)	4	-
Currency hedging	**1,271**	**20**

With the exception of hedging instruments on US dollar for an amount equivalent to €176 million maturing in 2021, all currency hedging instruments have maturities in 2019.

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.

The main covered position relates to a forward sale of AU$ 1.1 billion (€673 million) in relation with the intra-group funding for the Mantra Group Acquisition completed in May 2018.

All currency instruments purchased by the Group are designated and documented fair value hedges of intra-group loans.

At 31 December 2018, the total fair value of currency derivatives was €20 million, recorded in assets.

10.5.2. Interest rate hedges

At December 31, 2018, the characteristics of the interest rate hedges are the following:

(€ in million)	Dec. 2018 Nominal Amount	Dec. 2018 Fair Value
Rate swaps	600	1
Interest rate hedging	**600**	**1**

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 fixing interest on the €300 million mortgage loan set up for the acquisition of the Sequana tower, completed in October 2018 (with a fair value of €(9) million).

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

At 31 December 2018, the total fair value of rates derivatives was €1 million, recorded in assets.

Note 11. Income tax

Accounting Policy

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

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

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

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

11.1. Income tax in consolidated income statement

11.1.1 Income tax expense for the period

(€ in million)	2017 (*)	2018
Current tax	(58)	(152)
Deferred tax	101	33
Income Tax	**43**	**(119)**

(*) Restated amounts in application of IFRS 15

In 2018, the Group has a €(119) million income tax expense compared to an income of €43 million over the prior period. This income was driven by one-off items, notably deferred tax benefits recognized for €73 million in the frame of AccorInvest spin-off and a tax relief of €37 million.

11.1.2 Income tax expense analysis

(€ in million)		**2017 (*)**	**2018**
Profit before tax	(a)	**359**	**162**
Non deductible impairment losses		(4)	225
Tax on share of profit (loss) of associates		12	30
Others		68	14
Total permanent differences	(b)	**76**	**269**
Untaxed profit and profit taxed at a reduced rate	(c)	**(53)**	**91**
Profit taxed at standard rate	(d) = (a) + (b) + (c)	**383**	**522**
Standard tax rate in France	(e)	**+34.4%**	**+34.4%**
Tax at standard French tax rate	(f) = (d) x (e)	**(132)**	**(180)**
Effects on tax at standard French tax rate of:			
. Differences in foreign tax rates		18	54
. Unrecognized tax losses for the period		(41)	(68)
. Utilization of tax loss carryforwards		66	13
. Share of profit (loss) of associates		12	30
. Net charges to/reversals of provisions for tax risks		8	0
. Company value-added contribution (CVAE)		(5)	(6)
. Changes in tax rates		58	16
. 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		(76)	22
Total effects on tax at standard French tax rate	(g)	**175**	**61**
Income tax expense	(h) = (f) + (g)	**43**	**(119)**

(*) Restated amounts in application of IFRS 15

At December 31, 2018, the income tax rate remains unchanged at 34.43%, including “contribution sociale de solidarité” tax of 3.3% based on the standard tax rate in France 33.3%.

11.2. Deferred tax assets and liabilities

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

(€ in million)	**Dec. 2017 (*)**	**Dec. 2018**
Intangible assets	(404)	(519)
Property, plant and equipment	(13)	(19)
Recognized tax losses	68	72
Provision for employee benefits	30	38
Provision for contingencies	4	62
Impairment losses	7	8
Others	32	25
Total net deferred tax	**(276)**	**(333)**
• Deferred tax assets	140	199
• Deferred tax liabilities	(416)	(531)

(*) Restated amounts in application of IFRS 15

Deferred taxes on intangible assets mainly concern the FRHI Group acquired in 2016 for €(416) million. The variation over the period result from:

- Recognition of deferred tax assets for €106 million in connection with fair value measurements of acquired assets for Mantra acquisition,
- Recognition of deferred tax liabilities of €28 million in connection with fair value measurements of acquired assets for Gekko, Orient Express, Availpro and Resdiary acquisitions

Deferred tax assets recognized on provision for contingencies are mainly related to the provision of €262 million set up to cover the future risks associated with the guarantees provided on AccorInvest disposal.

11.3. Unrecognized deferred tax

Unrecognized deferred tax assets amount to €425 million at December 31, 2018 (€348 million at December 31, 2017). They mainly correspond to evergreen tax loss carry-forwards in Belgium (€91 million), in France (€76 million) and in several FRHI Hotels & Resorts entities (€171 million in total).

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

(€ in million)	Deductible temporary differences	Tax loss carryforwards	Total
From 2018 to 2021	1	8	9
2022 and beyond	0	12	12
Evergreen	5	395	399
Total	**6**	**414**	**420**

Note 12. 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.

12.1. Share capital

12.1.1 Shareholders

At December 31, 2018, Jin Jiang is AccorHotels' leading shareholder with 12.0% of the capital corresponding to 16.0% 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 10.4% and 5.8% of the Company's capital respectively, representing 16.4% and 9.2% of the voting rights.

In March 2018, Eurazeo sold its whole stake in Accor SA whereas China Lodging Group (Huazhu) realized various acquisitions of stake during the semester leading to hold 4.6% of the Company's capital and 3.6% of the voting rights.

12.1.2 Changes in share capital

At December 31, 2018, Accor SA's share capital was made up of 282,607,800 shares with a par value of €3 each, all fully paid. Changes in the number of outstanding shares during 2018 were as follows:

In number of shares	2018
Number of issued shares at January 1, 2018	**290,122,153**
Performance shares vested	84,235
Shares issued on exercise of stock options	780,177
Shares cancelled	(8,378,765)
Number of issued shares at December 31, 2018	**282,607,800**

12.1.3 Distribution of dividends

On May 15, 2018, the Group paid a dividend of €1.05 per share for 2017 financial year results in the form of a cash payment of €305 million.

12.1.4 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 2018, interest payments on perpetual subordinated notes amounted to €37 million.

12.1.5 Share buy-back program

As authorized by the Annual meeting on April 20th, 2018, the Group implemented a share buy-back program over a two-year period, through an investment services provider, that would cover up to a maximum of 29 million shares. A first tranche was completed between July 27th and November 8th 2018. These operations led to the acquisition of 8,378,765 shares at an average price of €42.4947 per share. These shares were then cancelled by way of capital decrease completed on December 31st,2018.

A second tranche, covering up to a maximum amount of €500 million, was launched on December 20th, 2018 and shall end on June 20th, 2019. As at December 31st, 2018, the Group acquired 861,656 shares at an average price of €36.1091 per share. A €489 million debt was recognized in the statement of financial position to reflect the contractual obligation of the Group to buy back the shares that will be acquired by the investment services provider on the remaining duration of this second tranche.

12.1.6 Consolidated reserves

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

(€ in million)	**Dec. 2017 (*)**	Change	**Dec. 2018**
Currency translation reserve	(372)	52	(321)
Changes in fair value of financial Instruments	8	(27)	(43)
• of which available for sales shares	*(1)*	*(3)*	*(27)*
• of which derivative instruments	*9*	*(24)*	*(15)*
Reserve for actuarial gains/losses	(76)	(14)	(90)
Share based payments	219	20	239
Retained earnings and others	2,109	1,197	3,317
Reserves - Group share	**1,887**	**1,228**	**3,102**

(*) Restated amounts in application of IFRS 15

12.1.7 Currency translation reserve

The currency translation reserve breaks down as follows:

(€ in million)	**2017**	Change	**2018**
British sterling (GBP)	(111)	(13)	(124)
Brazilian real (BRL)	(100)	8	(92)
Canadian dollar (CAD)	4	(58)	(54)
Chinese yuan (CNY)	(22)	(17)	(40)
Argentine peso (ARS)	(32)	30	(3)
Polish zloty (PLN)	28	(12)	16
United States dollar (USD)	(109)	167	58
Other currencies	(25)	(59)	(84)
Currency translation reserve	**(367)**	**44**	**(322)**
Translating foreign operations, Group share	(372)	51	(321)
Translating foreign operations, minority interests	5	(6)	(1)

Exchange differences on translating foreign operations between December 31, 2017 and December 31, 2018, representing a positive impact of €44 million, mainly concern changes in exchange rates against the euro of the US Dollar (€167 million positive impact) and the Canadian Dollar (€58 million negative impact).

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

	GBP	BRL	CAD	ARS	CNY	PLN	USD
December 2017	0,8872	3,9729	1,5039	22,4709	7,8044	4,1770	1,1993
December 2018	0,8945	4,4440	1,5605	43,0719	7,8751	4,3014	1,1450

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

12.2 Minority interests

12.2.1 Breakdown of minority interests

Minority interests break down as follows:

(€ in million)	Dec. 2017	Change	Dec. 2018
Orbis Group	215	(143)	72
Others minority interests	126	(90)	36
Minority interests	341	(233)	**108**

The change over the period is mainly explained by:

- the derecognition of AccorInvest's minority interests, which represented €106 million, as a result of the disposal of the subsidiary
- the decrease of Orbis' minority interests for €168 million in counterpart of the recognition of a short-term debt in the frame of the tender offer launched on November 26, 2018 (see note 13.3).

12.2.2 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 million)	2017	2018
P&L:		
Revenue	342	338
Net profit	53	**84**
Of which Group	28	44
Of which Minority interests	25	40

(€ in million)	Dec. 2017	Dec. 2018
Balance Sheet:		
Non current assets	560	560
Current assets	147	160
Asset Classified as held for sale	-	3
Total Assets	707	**724**
Current liabilities	68	396
Non current Liabilities	639	328
Total Liabilities	707	**724**
Dividends paid to minority interests	8	17

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.

12.3 Diluted earnings per share

Accounting policy

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

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

Earnings per share are calculated as follows:

(€ in million)	**2017 (*)**	**2018**
Net profit, Group share	**446**	2,233
Hybrid capital dividend payment	(37)	(37)
Adjusted Net profit, Group share	**409**	**2,196**
Weighted average number of ordinary shares	287,487,659	288,491,096
Fully diluted weighted average number of shares	288,290,924	289,007,464
Earnings per share (in euros)	**1.42**	**7.61**
Diluted earnings per share (in euros)	**1.42**	**7.60**

(*) Restated amounts in application of IFRS 15

At December 31, 2018, the weighted average number of ordinary shares is computed as follows:

Outstanding shares	**282,607,800**
Effect of share issued	(39,290)
Effect for stock option plans exercised during the period	(185,492)
Cancellation of shares	8,355,809
Weighted average number of ordinary shares	**290,738,827**
Average number of own shares	(2,247,731)
Weighted average number of ordinary shares excluding own shares	**288,491,096**
Number of shares resulting from the exercise of stock options	211,394
Number of shares resulting from performance shares granted	304,973
Fully diluted weighted average number of shares	**289,007,464**

Note 13. Off-Balance Sheet items

13.1 Off-Balance Sheet commitments

Accounting policy

Commitments given and received by the Group correspond to outstanding contractual obligations that are conditional upon the satisfaction of future conditions or the completion of future transactions. At December 31, 2018, to the best of the Group's knowledge, there were no commitments likely to have a material effect on the Group's current or future situation other than those disclosed in this note.

13.1.1 Commitments given

Off-balance sheet commitments (which are not discounted) given at December 31, 2018 break down as follows:

(€ in million)	Less than 1 year	1 to 5 years	Beyond 5 years	Total
Commitments increasing net debt	179	631	437	1,247
Commitments given in the normal course of business	79	71	12	162
Security interests given on assets	-	51	-	51
Commitments related to development	4	1	-	5
Commitments given	**262**	**754**	**449**	**1,464**

Commitments that increase debt mainly include rent guarantees for the headquarters buildings in the amount of €89 million (€69 million discounted at 7%) and rent guarantees for hotels in the amount of €1.007 million (€664 million discounted at 7%).

Security interests given on assets correspond to pledges and mortgages valued at the net book value at December 31, 2018, of the underlying assets:

- A mortgage of €48 million, in connection with the bond issued in Poland in June, 2015, corresponding to the carrying amount of two hotel properties (€38 million).
- A mortgage of €15 million, in connection with a secured facility agreement, corresponding to the carrying amount of an hotel in Central Europe (€13 million).

13.1.2 Commitments received

Off-balance sheet commitments (not discounted) received at December 31, 2018 break down as follows:

(€ in million)	Less than 1 year	1 to 5 years	Beyond 5 years	Total
Guarantees received in the normal course of business	3	9	5	17
Commitments received	**3**	**9**	**5**	**17**

13.2 Litigations, contingent assets and liabilities

Accounting policy

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

In the normal course of business, the Group may be exposed to claims, litigation and legal proceedings. All known outstanding claims, litigation and legal proceedings involving 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 European Court of Justice (ECJ) for a preliminary ruling on the issue. The ECJ held that the French précompte/tax credit system restricts the freedom of establishment and free movement of capital.

In its ruling handed down on December 10, 2012, the French Supreme Court of Appeal considered that the dividend tax credit and précompte withholding tax systems had been shown to be incompatible and restricted Accor SA right to a refund of €6 million. Therefore, Accor SA refunded to the French state €185 million including the late interest in the first semester of 2013. 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 in front of the Cergy Pontoise Court on the same grounds, to obtain a refund of the €187 million in "précompte" dividend withholding tax paid in the period 2002 to 2004. In a ruling handed down on May 27, 2014, the Cergy Pontoise decided the refund to Accor SA €7 million for the principal and €3 million of interest. These amounts are recorded in the statement of financial position since June 30, 2014, as Accor SA appealed the decision before the Versailles Administrative Court of Appeal on July 23, 2014 and the ruling is therefore not final.

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

Tax audit at Accor SA

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

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

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

AccorHotels Group has gone to the Administrative Court in August 2018 to contest this reassessment.

13.3 Subsequent Events

Tender Offer on Orbis shares

On November 26th 2018, AccorHotels, which owned 52.69% of the share capital of Orbis, a company listed on the Warsaw stock exchange, announced a tender offer for the acquisition in cash of the 21,800,593 shares of Orbis it did not already own, representing 47.31% of the share capital, at a price of 87 PLN per share. The subscription period opened on December 17th 2018 and, on January 10th 2019, AccorHotels raised the offer price to 95 PLN. On January 28th 2019, after completion of the subscription period, AccorHotels acquired 33.15% of Orbis for €339 million, thus owning 85.84% of the company's share capital.

Orbis is the largest hotel operator in Central & Eastern Europe and the exclusive master franchisee of certain AccorHotels brands in the region. Its portfolio comprises 128 hotels (21,000 rooms), of which 57% are directly owned, located in 16 countries and operated under the Sofitel, Pullman, MGallery, Novotel, Mercure, ibis, ibis Styles and ibis budget brands. Through this transaction, AccorHotels intends to consolidate its leadership in Central & Eastern Europe, to strengthen its control on Orbis and further pursue its asset management strategy.

Refinancing operations

On January 24th 2019, AccorHotels successfully placed two bond issues for an amount of €1.1 billion:

- A €600 million 7-years senior bonds with a 1.75% coupon
- A €500 million perpetual hybrid bonds with a 4.375% coupon which, according to its characteristics, will be recorded as an equity instrument in the Group's consolidated financial statements, in accordance with the provisions of IAS 32.

These issues enabled the Group to partially repurchased two existing bonds:

- €350 million on the €900 million bonds maturing in 2021 issued in February 2014 (for €750 million) and September 2014 (for €150 million) with a fixed coupon of 2.625%;
- €386 million on the €900 million perpetual subordinated bonds issued in June 2014, with a first call date in 2020 and a fixed coupon until that date, then with a step-up clause every 5 years.

Moreover, the Group will redeem its €335 million bonds maturing in March 2019. As a result of this Liability management operation, the group will lengthen the average maturity of its debt by more than one year, while optimizing its cost of funding.

New Marketing, Distribution and Loyalty Strategy

On February 21st, 2019, AccorHotels announced its new strategy, which will consist in strengthening Brands, Loyalty, Distribution and Awareness through new initiatives, bringing Augmented Hospitality to life.

This program will lead to an additional expense of €225 million (equivalent to the current average annual Marketing and Loyalty spending) over the 4 next years, of which c.€55 million in 2019.

Note 14. Other informations

14.1 Related parties

Companies that exercise significant influence over AccorHotels

At December 31, 2018, the following companies exercised significant influence over the Company:

- Jin Jiang, the Company's leading shareholder with 12.0% of the capital and 16.0% of the voting rights.
- Qatar Investment Authority (QIA) and Kingdom Holding Company of Saudi Arabia (KHC), which acquired 10.4% and 5.8% of the Company's capital respectively (representing 16.4% and 9.2% 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 are described in the Statutory Auditors' special report on related party agreements and commitments:

- Agreement concluded over the second semester 2018 with Katara Hospitality, subsidiary of QIA, with a view to set-up an investment fund (Kasada Capital Management) dedicated to Hospitality in Africa.
- Agreement 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 14.3. 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 2017 and 2018.

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 5. Commitments given on behalf of corporate officers and all agreements entered into with one or several members of the Board of Directorss, 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.

14.2 Fees paid to auditors

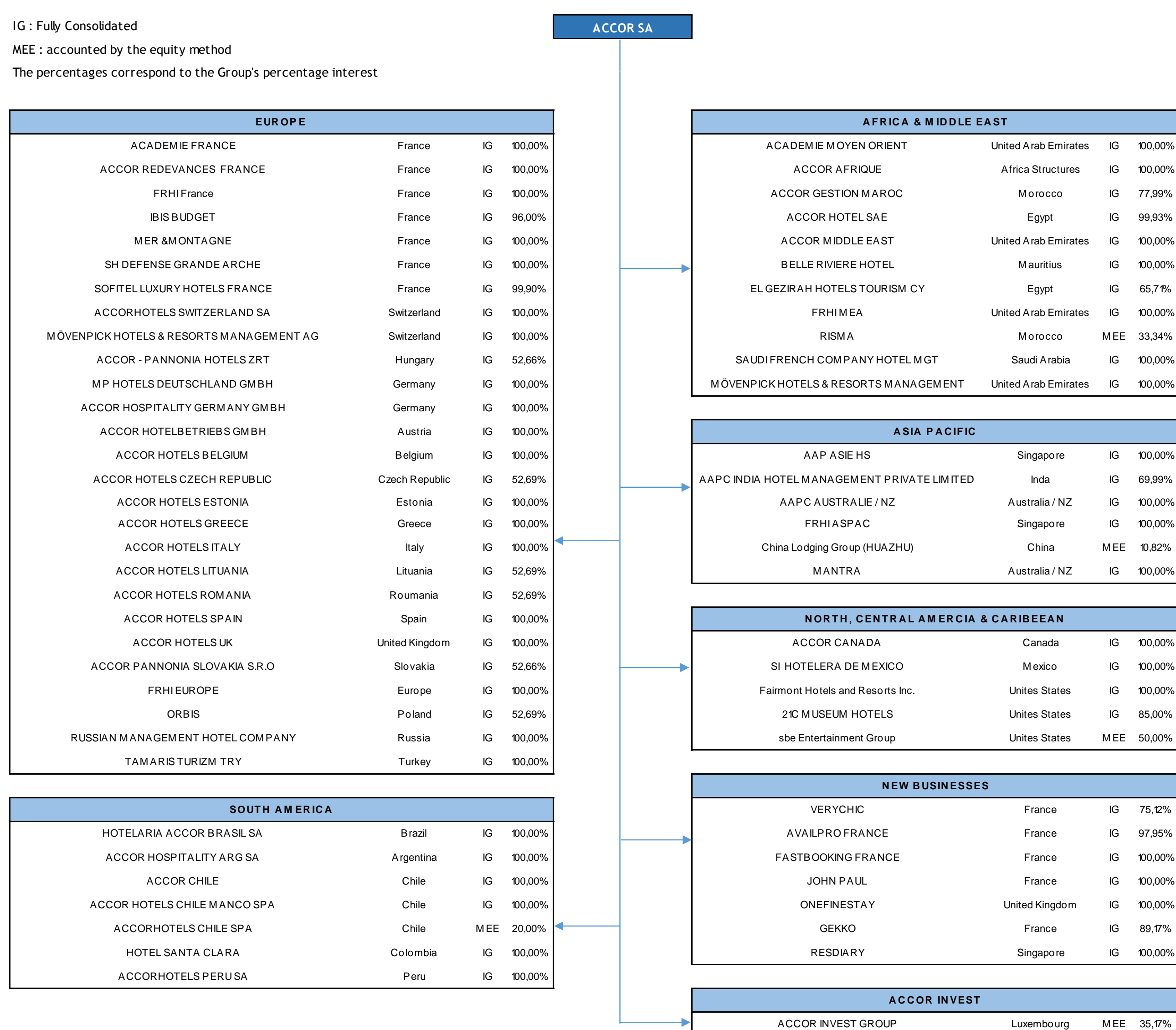
The table below shows the total fees billed by the Auditors recognized in the total Group income statements in 2018 and prior year.

	2017			2018		
(€ in million)	**Deloitte**	**EY**	**Total**	**Deloitte**	**EY**	**Total**
Fees related to certification of accounts	5	4	9	2	2	4
Fees for services other than certification of accounts	3	7	10	1	2	3
Total fees billed by the auditors	**8**	**12**	**20**	**3**	**4**	**7**

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

14.3 Main consolidated companies

The main subsidiaries and associates represent 75% of consolidated revenue and 75% of EBITDA. The other subsidiaries and associates represent individually less than 0.07% of these aggregates.
To the best of the Group's knowledge, there are no material restrictions on the use and sale by AccorHotels of the assets of subsidiaries controlled by the Group.



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

ACCOR SA

EUROPE			
ACADEMIE FRANCE	France	IG	100,00%
ACCOR REDEVANCES FRANCE	France	IG	100,00%
FRHI France	France	IG	100,00%
IBIS BUDGET	France	IG	96,00%
MER & MONTAGNE	France	IG	100,00%
SH DEFENSE GRANDE ARCHE	France	IG	100,00%
SOFITEL LUXURY HOTELS FRANCE	France	IG	99,90%
ACCORHOTELS SWITZERLAND SA	Switzerland	IG	100,00%
MÖVENPICK HOTELS & RESORTS MANAGEMENT AG	Switzerland	IG	100,00%
ACCOR - PANNONIA HOTELS ZRT	Hungary	IG	52,66%
MP HOTELS DEUTSCHLAND GMBH	Germany	IG	100,00%
ACCOR HOSPITALITY GERMANY GMBH	Germany	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	Lituania	IG	52,69%
ACCOR HOTELS ROMANIA	Roumania	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	52,66%
FRHI EUROPE	Europe	IG	100,00%
ORBIS	Poland	IG	52,69%
RUSSIAN MANAGEMENT HOTEL COMPANY	Russia	IG	100,00%
TAMARIS TURIZM TRY	Turkey	IG	100,00%

SOUTH AMERICA			
HOTELARIA ACCOR BRASIL SA	Brazil	IG	100,00%
ACCOR HOSPITALITY ARG SA	Argentina	IG	100,00%
ACCOR CHILE	Chile	IG	100,00%
ACCOR HOTELS CHILE MANCO SPA	Chile	IG	100,00%
ACCORHOTELS CHILE SPA	Chile	MEE	20,00%
HOTEL SANTA CLARA	Colombia	IG	100,00%
ACCORHOTELS PERU SA	Peru	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	77,99%
ACCOR HOTEL SAE	Egypt	IG	99,93%
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	United Arab Emirates	IG	100,00%
RISMA	Morocco	MEE	33,34%
SAUDI FRENCH COMPANY HOTEL MGT	Saudi Arabia	IG	100,00%
MÖVENPICK HOTELS & RESORTS MANAGEMENT	United Arab Emirates	IG	100,00%

ASIA PACIFIC			
AAP ASIE HS	Singapore	IG	100,00%
AAPC INDIA HOTEL MANAGEMENT PRIVATE LIMITED	Inda	IG	69,99%
AAPC AUSTRALIE / NZ	Australia / NZ	IG	100,00%
FRHI ASPAC	Singapore	IG	100,00%
China Lodging Group (HUAZHU)	China	MEE	10,82%
MANTRA	Australia / NZ	IG	100,00%

NORTH, CENTRAL AMERCIA & CARIBEEAN			
ACCOR CANADA	Canada	IG	100,00%
SI HOTELERA DE MEXICO	Mexico	IG	100,00%
Fairmont Hotels and Resorts Inc.	Unites States	IG	100,00%
21C MUSEUM HOTELS	Unites States	IG	85,00%
sbe Entertainment Group	Unites States	MEE	50,00%

NEW BUSINESSES			
VERYCHIC	France	IG	75,12%
AVAILPRO FRANCE	France	IG	97,95%
FASTBOOKING FRANCE	France	IG	100,00%
JOHN PAUL	France	IG	100,00%
ONEFINESTAY	United Kingdom	IG	100,00%
GEKKO	France	IG	89,17%
RESDIARY	Singapore	IG	100,00%

ACCOR INVEST			
ACCOR INVEST GROUP	Luxembourg	MEE	35,17%

Note 15. Impacts of IFRS 15 and IFRS 9 standards adoption

This note presents the impact of the adoption of IFRS 15 *Revenue from contracts with customers* and IFRS 9 *Financial instruments* new standards on the Group's consolidated financial statements.

15.1 Impacts on financial statements

As a result of the adoption of these new standards, prior year financial statements had to be restated. The Group has adopted IFRS 15 using the full retrospective method. Thus, the first adoption impact was recorded in Group's consolidated retained earnings at January 1, 2017, with restatement of the comparative period. IFRS 9 principles on classification, measurement and impairment of financial instruments have been applied retrospectively, but without restating comparative information, in accordance with the transitional provisions in the standard. The first adoption impact is therefore recorded in the consolidated retained earnings at January 1, 2018.

15.1.1 Restated income statement

(€ in million)	2017 Reported	IFRS 15 impact	2017 Restated
Revenue	**1,937**	837	**2,774**
Operating expenses	(1,311)	(840)	(2,151)
EBITDA	**626**	(3)	**622**
Depreciation, amortization and provision expenses	(134)	8	(126)
EBIT	**492**	5	**497**
Share of profit of associates after tax	28	-	28
Operating profit before tax & non-recurring items	**520**	5	**525**
Non-recurring income and expenses	(107)	8	(99)
Operating Profit before tax	**413**	**13**	**425**
Net financial expense	(54)	0	(53)
Income tax expenses	51	(8)	43
Profit from continuing operations	**411**	**5**	**416**
Net profit or Loss from discontinued operations	71	-	71
Net Profit or Loss	**481**	**5**	**486**

15.1.2 Restated opening statement of financial position

	Jan 1. 2017			Dec. 31 2017			Jan 1. 2018	
(€ in million)	actual	IFRS 15	restated	actual	IFRS 15	restated	IFRS 9	restated
Intangible assets	3,897	(78)	3,819	3,802	(146)	3,656	-	3,656
Tangible assets	562	-	562	662	-	662	-	662
Non-current financial assets	844	-	844	830	-	830	(3)	827
Contracts assets	-	100	100	-	174	174	-	174
Deferred tax assets & others	242	24	266	136	16	152	4	156
Non-current assets	**5,545**	**46**	**5,591**	**5,430**	**43**	**5,474**	**1**	**5,474**
Current assets	634	(33)	602	705	(39)	666	-	666
Current financial assets	1,226	-	1,226	1,116	(0)	1,116	0	1,117
Current assets	**1,861**	**(33)**	**1,828**	**1,822**	**(39)**	**1,782**	**0**	**1,782**
Assets held for sale	4,457	-	4,457	4,824	-	4,824	-	4,824
Total Assets	**11,864**	**13**	**11,877**	**12,076**	**4**	**12,080**	**1**	**12,081**
Shareholders' Equity & min. interests	**5,925**	**(47)**	**5,878**	**5,826**	**(43)**	**5,783**	**(13)**	**5,770**
Long term Debt	2,176	-	2,175	2,768	-	2,768	14	2,781
Non-current provisions	133	-	133	103	-	103	-	103
Non-current contract liabilities	-	22	22	-	22	22	-	22
Deferred tax liabilities	599	-	599	416	-	416	-	416
Non-current liabilities	**2,907**	**22**	**2,929**	**3,287**	**22**	**3,309**	**14**	**3,322**
Current liabilities	971	(138)	833	1,087	(160)	928	-	928
Current provisions	151	-	151	106	-	106	-	106
Current contract liabilities	-	176	176	-	185	185	-	185
Short-term Debt & Bank overdraft	733	-	733	237	-	237	-	237
Current liabilities	**1,855**	**38**	**1,893**	**1,431**	**25**	**1,456**	**-**	**1,456**
Liabilities with assets held for sale	1,177	-	1,177	1,532	-	1,532	-	1,532
Total Liabilities & Equity	**11,864**	**13**	**11,877**	**12,076**	**4**	**12,080**	**1**	**12,081**

15.2 Adoption of IFRS 15

15.2.1 Main impacts of first adoption

The impact of applying IFRS 15 on the Group's consolidated retained earnings is as follows:

(€ in million)		Jan. 1, 2017	Jan. 1, 2018
Consolidated reserves before restatement		**1,981**	**1,930**
Hotel costs reimbursements	(a)	-	-
Loyalty program	(b)	(43)	(47)
Entrance fees	(c)	(16)	(16)
Payments to hotel owners	(d)	9	14
Other restatements		3	6
Restated consolidated reserves		**1,934**	**1,887**

(a) 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 considered so far that it acted as the owners' agent because it was not exposed to the significant risks and rewards associated with the rendering of the services based on the criteria outlined under prior standard. The reinvoiced amounts were therefore presented as a deduction from the related costs, and only the margin (if any) was recognized in revenue.

Under IFRS 15, the Group considers that it acts as the principal because it controls the services, which are not distinct from the overall performance delivered under management contracts, before transferring them to the hotels' owners. The reinvoiced costs are therefore reported under revenue in the consolidated income statement, leading to an equivalent increase in the reported amount of operating expenses. Over the year 2017, this change of presentation leads to the recognition of additional revenues for €895 million. This reclassification has no impact on either Group's operating profit or net profit.

(b) 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 being satisfied in full when the award credits are redeemed or expire. Accordingly, loyalty program fees are now deferred for an amount that reflects the stand-alone selling price of the future benefit to the member and recognized as revenue in line with the award credits redemption or expiry. This change in policy leads to an increase in the deferred revenue liability by €59 million at January 1, 2017, with a corresponding negative adjustment to retained earnings of €(43) million after tax effect. The loyalty program liability is now presented in the new « Contract liabilities » caption, as defined under IFRS 15.

The Group considers that it acts as an agent for hotel owners to the extent that it does not control the services rendered to the members on redemption, since such services can be performed by third parties. Therefore, loyalty revenue is from now on presented net of the cost of reimbursing the hotel that is providing the night stay. Over the year 2017, the adoption of IFRS 15 led to a reduction in consolidated revenues for €(56) million. The impact on operating profit due to change in timing of revenue recognition is not material.

(c) Entrance fees

When a contract is signed, AccorHotels sometimes invoices an entrance fee to hotel owners in exchange for the access to the Group's network. Under prior standard, these non-refundable initial payments were recognized in revenue in the period in which they were billed. Under IFRS 15, these payments do not transfer any additional service to the customer, which is distinct from the promise to render services under the management contract. Therefore, they are analyzed as an advance payment for future services, to be recognized on a straight-line basis over the contract term. This change in policy led to the recognition of a €22 million deferred revenue liability presented within « Contract liabilities » at January 1, 2017. This restatement had no material impact on either Group's revenue or operating profit over the period presented.

(d) 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 (to secure the signing of the contract) or during the contract period based on actual performance. Under prior standard, key moneys were capitalized as intangible assets and amortized over the life of related contracts. Payments made based on performance conditions were expensed when definitely due to the customer.

Under IFRS 15, these payments are treated as consideration payable to a customer and therefore recognized as a deduction to revenue over the contract term, 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 in policy led to a positive restatement of the Group's consolidated retained earnings for €9 million at January 1, 2017. It had no material impact on either Group's revenue or operating profit over the period presented. The difference between the right to rebate granted to the owners and revenue reductions recognized in the income statement leads to the recognition of a « Contract Asset », as defined by the new standard, for €100 million in the restated consolidated financial statement of position at January 1, 2017. It mainly includes the reclassification of key moneys previously capitalized as intangible assets.

15.3 Adoption of IFRS 9

15.3.1 Main impacts of first adoption

Phase 1 - Classification and measurement of financial instruments

Financial instruments previously classified as Available-for-sale financial assets

The Group assessed the main features of its financial assets, and which business model applies to these assets, in order to classify them into the appropriate IFRS 9 categories. The main first time adoption impact consists in the removal of the « Available-for-sale » category. Under the prior standard, these financial assets were measured at fair value, with changes in fair value deferred in other comprehensive income, and subsequently reclassified to income statement on disposal. The measurement of financial assets, which are concerned is modified as follows:

- Investments in non-consolidated companies: the Group elected to account for these financial assets at fair value through other comprehensive income, with no subsequent recycling in the income statement, in accordance with the option permitted by IFRS 9. They form part of a long-term investment strategy, and are not intended to be sold at short or medium term. These financial assets are no longer subject to an impairment assessment.

- Units in mutual funds (SICAV, FCP): these instruments are not eligible to the option for fair value through other comprehensive income measurement; they are now measured at fair value through profit or loss, in accordance with IFRS 9 provisions.

The impact first time adoption of this phase is not material on the Group's consolidated financial statements.

Treatment of financial debt restructurings

Based on IFRS 9 provisions, which were completed by the IFRS Interpretations Committee (IFRIC) statement in late 2017, which clarified the accounting treatment for a modification of financial liabilities that does not result in the liabilities being derecognized, the Group retrospectively restated the 2015 "liability management" transaction. This transaction was analyzed as a modification of financial liabilities, without derecognition, under IAS 39 principles, considering the original debt was not substantially modified. Accordingly, the financial debt was maintained in the financial statement of position. The impact of renegotiation, corresponding to 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.

Under IFRS 9, this difference is now treated as having been recognized immediately in the income statement on modification date. Given the net restructuring cost generated, the restatement of this operation led to a €14 million increase in the Group's financial debt at January 1, 2018, and a negative restatement to retained earnings for €(10) million after tax effect. This mechanically generates a future gain in interest expenses for about €2 million per year until 2023.

Phase 2 - Impairment of financial assets

IFRS 9 standard introduces a new impairment model which consists in recognizing impairment losses on financial assets based on expected credit losses. The Group assessed the risk of non-collectability of its main financial assets (trade receivables and loans) throughout its whole geographical scope, taking into account the country risk and the probability of counterpart default. Following this analysis, and based on the nature of its activities and customers, the Group concluded that the impact of adopting this new model was not significant on consolidated financial statements at transition date.

Phase 3 - Hedge accounting

The new standard's provisions do not question the eligibility of the hedging relationships already prevailing at January 1, 2018. They have no material impact on consolidated financial statements over the full year 2018.