2020 Interim Financial Report

First-Half 2020

ACCOR

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2020 Interim Management Report

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1. First-half 2020 highlights

After several buoyant decades in international tourism driven by the steady rise in tourist numbers and spending, and by diversification of destinations, 2020 saw the outbreak of an unprecedented health crisis with far-reaching consequences for tourism and travel.

The Covid-19 virus spread rapidly from China westward, first to Asia, then Europe and the Americas gradually gaining ground from region to region.

To reduce risk to world populations and to enable health systems to deal with the huge numbers of sufferers, governments of a great number of countries decided to close their borders and implement exceptional lockdown measures.

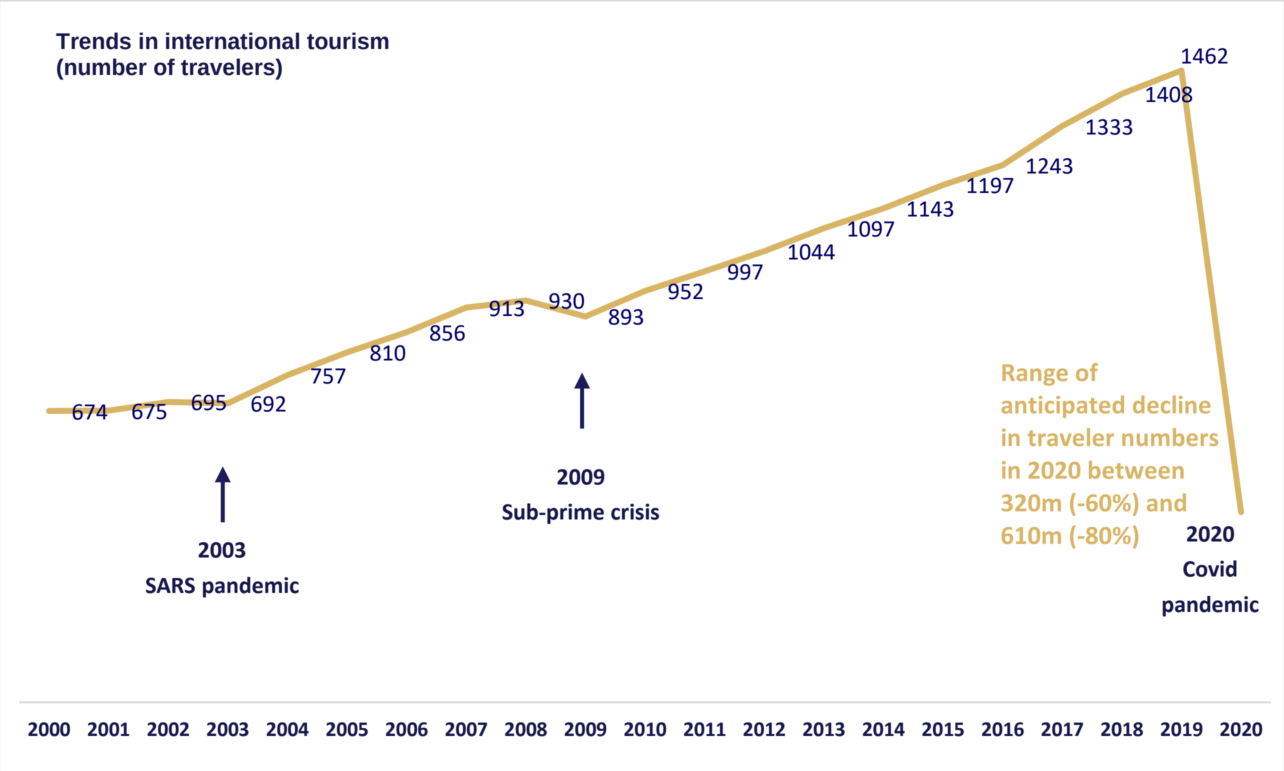
As a result, these measures led to a dramatic halt to international travel and tourism worldwide, and in April reservations for 90% of the Group's hotels were put on hold.

Of the Group's 100 locations, 90 were subject to lockdown restrictions from April.

1.1. A devastating health crisis that paralyzed the industry and Group businesses

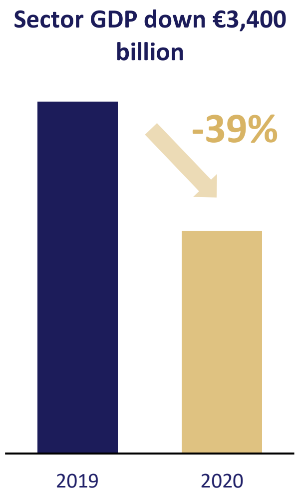
1.1.1. Tourism and Travel sector hit hard

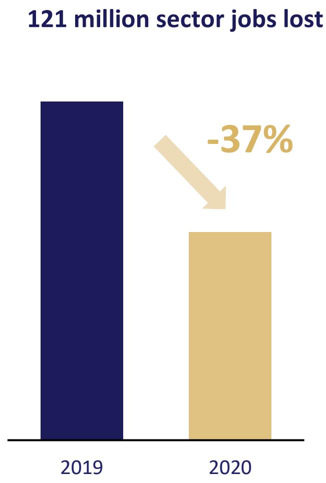
While the tourism and travel sector was relatively immune to health crises in recent decades, the COVID-19 pandemic, on the other hand, hit the sector hard in 2020, and the fall-out will be felt for many years to come.



Over the last 20 years, only the SARS epidemic, in Asia in 2003, and the subprime crisis in the US in 2009, led to declines in the numbers of international travel, of respectively 1.5% and 4%.

But, unlike the current crisis, these crises, although followed by major economic upheavals in Europe and the US, did not cause major disruptions to travel plans, thanks to the rapid recovery, and even acceleration in tourist flows in the years following the crises.

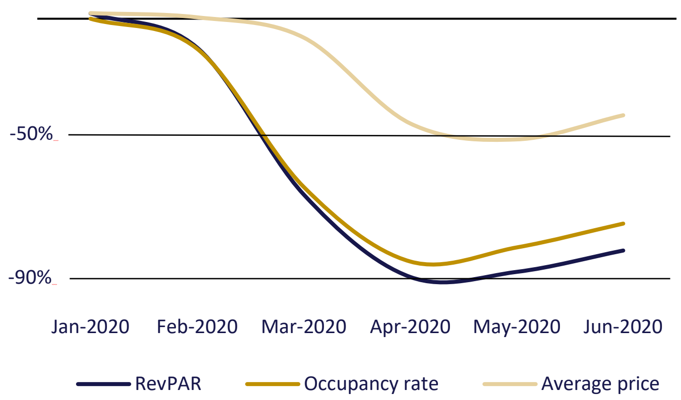




For 2020, the World Tourism Organization forecasts a 65% collapse in the numbers of international tourists, i.e. a decline of nearly one billion tourists compared with 2019.

This will undoubtedly have an impact on the real economy and the decline in wages that has already started. On current projections, this will lead to a decline in worldwide GDP for the sector of 39% compared with 2019, i.e. a decline of USD 3,400 billion in wealth generated and the destruction of 121 million jobs, or a 37% contraction.

1.1.2. Dramatic decline in RevPAR in Q2 2020



Overall, Group RevPAR is recovering from the low at -92% in April and -90% in May.

In Q2 2020, RevPAR was nevertheless down 88.2% versus Q2 2019, and down 25.4% in Q1 2020 compared with a year earlier.

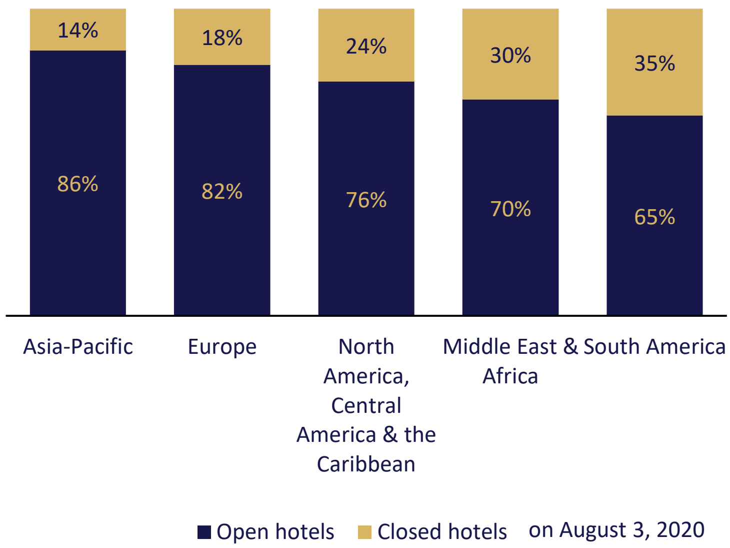
On average, RevPAR was down 59.3% over the first half of 2020, reflecting the sharp decline in occupancy.

1.1.3. A slow and limited recovery in hotel activities

At the height of the health crisis, in April and May, RevPAR was down 91%.

Even though the recovery is gaining traction in countries that have managed to stem the spread of the virus with diagnostic testing or lockdowns, it is clear that the recovery in the hotel business will be slow and limited.

China was the first market to restart, from April, with Accor welcoming business going from -80% to -52% end-June, thanks to local customers, keen to get out after weeks of confinement.



Similar trends have been seen in Europe since early June thanks to the gradual end to the lockdown in a number of countries and the re-opening of borders within the EU since June 15.

At end-June 2020, 68% of Accor hotels had opened, increasing to 81% by August 3, i.e more than 4,000 units.

1.2. Tackling the health crisis and weathering the economic crisis

With the sharp deterioration in business conditions, the Group took all the necessary steps to protect its guests, working closely with governments and healthcare authorities and to support its employees and individual partners by creating the ALL Heartist fund, a Covid-19 special purpose vehicle.

1.2.1. Support for Group employees and individual partners

On 2 April 2020, Accor announced its decision to allocate €70 million, i.e. 25% of the €280 million dividend payment initially planned, on 2019 earnings, to launch the ALL Heartist Fund, a fund set up for Group employees and individual partners impacted by the Covid-2019 crisis.

This initiative illustrates the desire of the Group and its shareholders to provide a meaningful and significant contribution to solidarity initiatives developed throughout the world to address the current health crisis.

Allocating substantial Group resources to continue, complement and extend numerous initiatives already in place in certain geographies, the Fund supports the Group's 300,000 Accor network employees. Such initiatives involve global headquarter teams and Group staff experiencing financial difficulties after being furloughed and suffering significant reductions in income linked to work stoppages caused by the Covid-19 crisis, (leading to their inability to cover basic subsistence spending (food, healthcare, safety, housing, education and/or funeral expenses). The fund also helps those without social security or medical insurance coverage in dealing with hospitalization or the loss of a loved one because of the Covid-19 pandemic.

In addition, the Fund provides support to individual partners of the Group, working either directly for Accor or via their own businesses, who are experiencing personal financial difficulty owing to business stoppages as a result of the pandemic.

1.2.2. Support for professionals, the vulnerable, and hospitals treating recovering patients in the fight against Covid-19

The ALL Heartist Fund also provides support to professionals working on the front line in the fight against Covid-19 who endure difficult working conditions (medical staff, police, armed forces) providing them with housing, support and care solutions on top of the range of initiatives offered by Accor Group hotels and businesses worldwide.

In addition, the Group welcomed in its hotels in France, the UK, Belgium, South America, Africa and the Middle-East, those suffering from the current crisis (the homeless, victims of domestic violence, etc.) as well as recovering patients, to ease the burden on healthcare facilities and enable them to look after patients in greater need.

1.3. Restoring stakeholder confidence with new sanitation standards

Against a backdrop of heightened concern on health issues, Accor decided to enhance its health, safety, hygiene and prevention protocols to ease stakeholder uncertainty and foster ideal business conditions for its hotel and restaurant activities as soon as possible, depending on international tourism flows.

1.3.1. Creation of the 'ALLSAFE' label in partnership with Bureau Veritas

Welcoming, protecting and taking care of others is the very DNA of Accor. The health, safety and well-being of our employees, customers, and partners is our over-riding priority. As a leading hospitality group, Accor anticipates new expectations of travelers and meets their needs to the highest possible standards of health and safety.

Against this backdrop, Accor aims to reassure its stakeholders: employees, customers and partners, on its ability to welcome them in the best conditions possible. In doing so, Accor worked closely with Bureau Veritas, the global leader for testing, inspection and certification, to create new industry standards with the launch of the 'ALLSAFE' label, currently being rolled out to all Group hotels.

This project, carried out with doctors and epidemiologists, was designed in close co-operation with Accor hotel owners, industry representatives and has been shared with the French Tourism Alliance and the French ministries for Tourism, Health and Labor to validate the standards recommended.

This approach has led to the drafting of operating guidelines for all those involved in the sector to enable them to ensure strict compliance with the different recommendations of the relevant health authorities (WTO, French ministry of health, etc.) for accommodation, general and restaurant services.

Before reserving a stay, European customers can consult a dedicated website listing the establishments that have obtained the Bureau Veritas certification. The label certifies that the cleanliness, safety and prevention measures implemented by the Group's hotels are in line with the health protocols that the current crisis has revealed to be essential.

With this label, Accor now meets society's new and upgraded expectations in terms of health and safety. By defining health and safety standards applicable to all Group hotels as well as to other chains and independent hotels, the "ALLSAFE" label contributes to the restart of the whole sector, for both hotels and restaurants.

1.3.2. Creation of medical assistance offering for Group customers in partnership with Axa

Accor also signed a strategic partnership with Axa, the world leading insurance group, to offer medical assistance to the customers of its 5,099 hotels around the globe. From July 2020, this partnership enables Group guests to get the best care, availing of the medical services of AXA partners, the international arm of Axa, specialized in assistance, travel insurance and credit insurance.

Over the past few years, Accor has adopted initiatives to transform its hotels into genuine homes from home. As a result, this exclusive initiative for which both Accor and Axa have been working hard for many months took on a new meaning as the crisis deteriorated, and is now part of a broader review of trends in the hospitality industry which goes way beyond hotel rooms or restaurants.

With this initiative, Accor guests can benefit from all the latest innovations from Axa in terms of remote medical services. Guests will benefit from its extensive network of medical services covering tens of thousands of company-approved healthcare professionals, as well as free access to medical teleconsultations wherever they may be worldwide.

In an increasingly complex environment, the 300,000 Accor network employees are able to assist guests and protect their health and safety during their stays, by transforming each of the Group's hotels in our 110 destinations worldwide into genuine safe havens.

Accor is getting ready for a recovery in business in the wake of the Covid-19 pandemic. This exclusive medical offering complements the current restart plan, and is part of the enhanced health and prevention protocols implemented by the Group, in particular with its ALLSAFE label, to support the re-opening of our hotels throughout the world.

Welcoming, protecting and taking care of our guests is at the very heart of what we do and a true reflection of our philosophy. Therefore, this partnership, together with enhanced cleanliness protocols, is ever-more important to enable our guests to rediscover the joys of travel and enjoy staying in Accor network establishments worldwide.

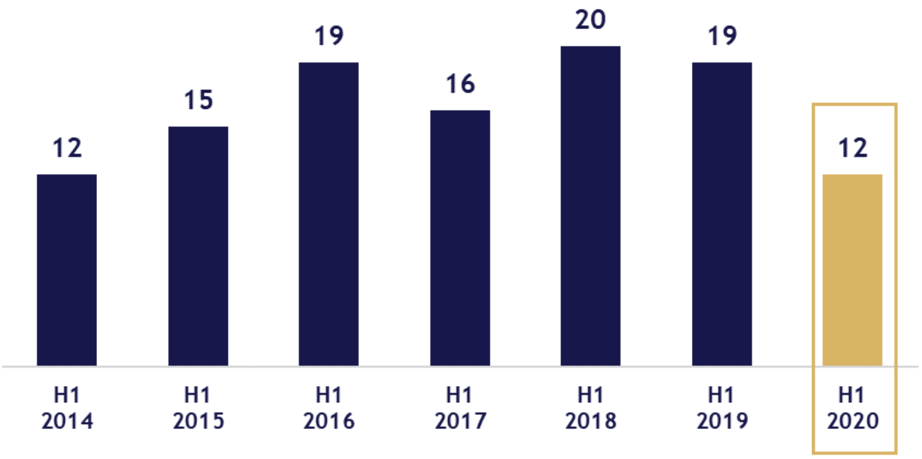
1.4. Development and geographic footprint

After the disposal of the Orbis real estate activity finalized in March 2020 for €1.06 billion, and the sale of 16 Mövenpick hotels as well as part of its stakes in Huazhu and AccorInvest, Accor now operates nearly all the hotels in its network under management contracts (60%) and franchises (36%), i.e. 96% of the hotel portfolio at end-June 2020.

1.4.1. Continued steady organic growth

Despite the health crisis, Group organic growth remained strong over the first six months of the year, with the addition of 12,000 new rooms, or 86 new hotels to the Group's portfolio.

Organic growth *(gross, in thousands of rooms)*

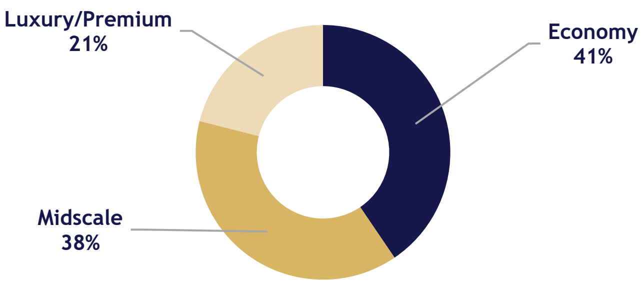


This growth covered all business segments, particularly in the Economy segment, which accounted for 41% of openings, driven by expansion of the ibis network, followed by midscale for 38% with Novotel and Mercure, with the luxury and premium segment making up 21%.

Among the noteworthy openings, Accor opened two Fairmont hotels (558 rooms) in Ireland and Puerto Rico, two Grand Mercure hotels (421 rooms) in Asia-Pacific, as well as two MGallery hotels (418 rooms), two Pullman hotels (316 rooms) and a Mantis hotel (77 rooms) in Africa & the Middle East.

Openings by segment in H1 2020

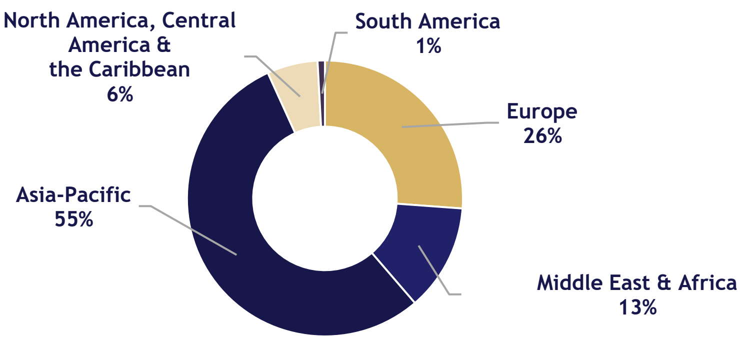
As a % of total number of rooms



By geography, 74% of openings in H1 2020 were located outside Europe: 55% in Asia-Pacific, thanks among other things to the development of the partnership with Huazhu, 13% in Africa and the Middle East and 1% in South America.

Gross openings by geography in H1 2020

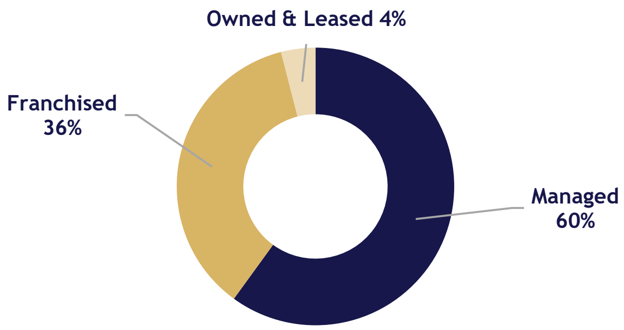
As a % of total number of rooms



At June 30, 2020, the Group's hotel portfolio comprised 5,099 hotels and 747,805 rooms.

Hotel portfolio by operating structure at June 30, 2020

As a % of total number of rooms



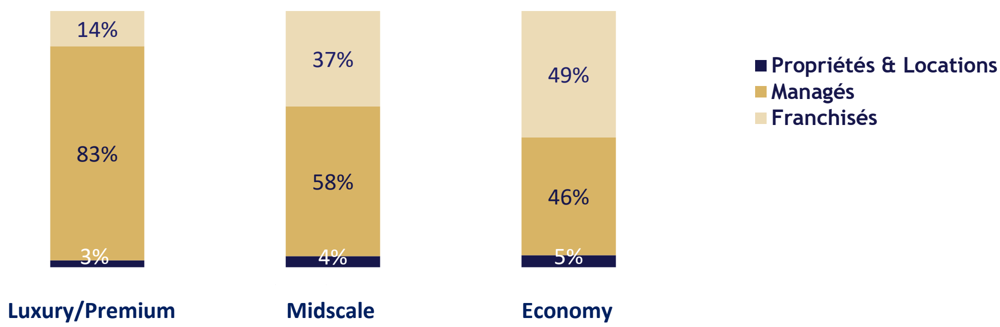
More specifically, the share of management contracts increased from 81% to 83% in the luxury and premium segment compared with H1 2019, with the conversion of Mövenpick hotels to managed hotels, while the proportion of franchise agreements was stable at 14%.

Management contracts account for 58% of the portfolio in the midscale segment and 46% in the economy segment. The proportion of franchise agreements increased by two percentage points to 37% in the midscale segment and by three percentage points to 49% in the economy segment.

Hotel portfolio by segment and operating structure at June 30, 2020

As a % of total number of rooms

Owned & Leased
Managed
Franchised



Management and franchise agreements now account for 95% of hotels in the economy segment, 96% in the midscale segment, and 97% in the luxury and premium segment.

Of the 4% of hotels owned and leased by Accor, one-quarter are the property of Mantra in the Asia-Pacific region. In line with its asset-light strategy, Accor intends to seize any opportunities allowing it to monetize its assets by carrying out value-creating sale and manage-back transactions.

1.4.2. Seamless global coverage spanning all segments

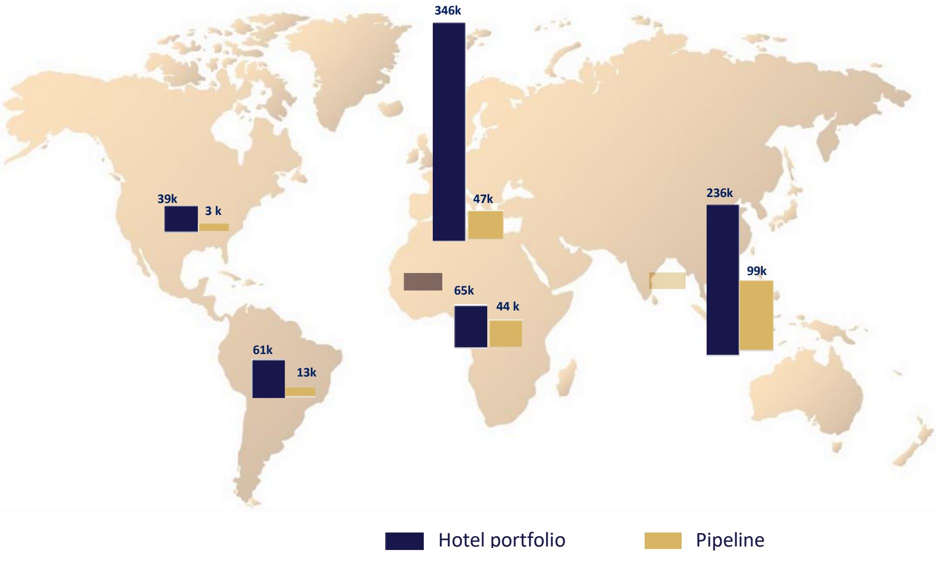
Accor operates on five continents in all market segments, from economy to luxury. A leader in most geographies (other than China and the United States), Accor is consolidating its network thanks to steady development and optimized coverage in all geographies and segments.

As an active player in more than 100 countries worldwide, Accor is the most diversified hotel operator, particularly in geographies with the greatest potential. The Group's largest market is Europe, home to an Accor network of 3,053 hotels and 346,499 rooms, representing 46% of its total portfolio by number of rooms at end-June 2020.

At the same time, Accor has growth drivers in other parts of the world, such as in Asia-Pacific with 1,234 hotels (32% of rooms), North America, Central America & the Caribbean with 122 hotels (5% of rooms), South America with 394 hotels (8% of rooms) and the Middle East & Africa with 296 hotels (9% of rooms).

Hotel portfolio and pipeline by geography as of June 30, 2020

In thousands of rooms



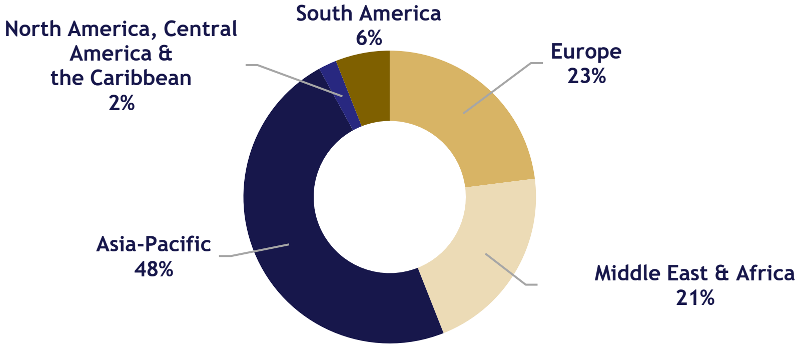
Accor currently ranks as the leading hotel operator in Europe and Asia-Pacific (excluding China) where it has the broadest footprint.

The Group's portfolio is well balanced geographically and resilient.

In a market where hotel chain penetration is weak worldwide (30% in Europe and Asia-Pacific, 35% in Africa and the Middle East and 20% in South America), Accor benefits from its comprehensive global coverage and is extending its lead and stepping up its presence.

Pipeline by geography at June 30, 2020

As a % of total number of rooms

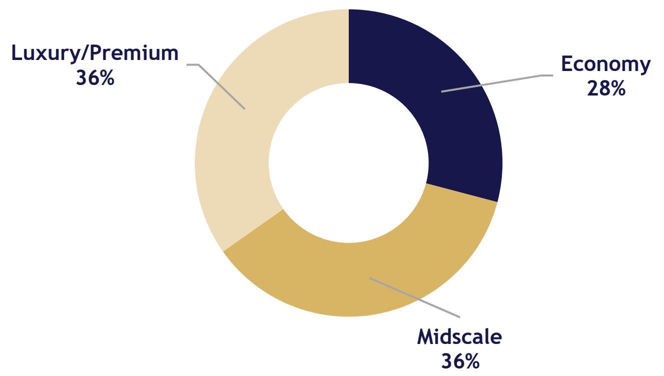


At June 30, 2020, Accor's development pipeline comprised 1,197 hotels (206,000 rooms), with just under 75% in fast-growing markets and 48% in the Asia-Pacific region.

The Group's pipeline has not suffered from project cancellations for now, and amounts to 28% of the current network. Accor is targeting 2020 net organic growth of its portfolio of around 2-3%

Pipeline by segment at June 30, 2020

As a % of total number of rooms



The pipeline represented 28% of Accor's hotel network at June 30, 2020, and concerned all portfolio brands and segments. Key to the Group's growth momentum, the pipeline secures the sustained pace of development for future years.

1.4.3. A firm footprint in emerging markets

The Accor network has undergone a significant transformation over the past four years, as a result of property restructuring and the expansion of the brand portfolio.

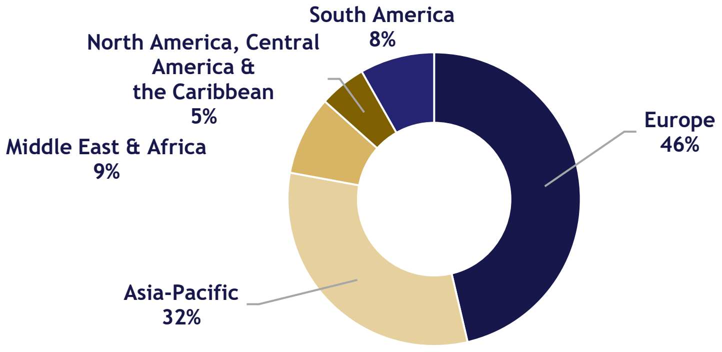
Accor is continuing to focusing its development on hotel management and franchising.

Hotel portfolio by geography and operating structure at June 30, 2020

	Managed		Franchised		Owned & Leased		Total	
	Hotels	**Rooms**	**Hotels**	**Rooms**	**Hotels**	**Rooms**	**Hotels**	**Rooms**
Europe	1,088	163,093	1,910	174,468	55	8,938	3,053	346,499
Middle East & Africa	259	58,348	28	5,249	9	1,586	296	65,183
Asia-Pacific	736	166,107	458	62,756	40	7,114	1,234	235,977
North America, Central America & the Caribbean	101	33,616	20	5,008	1	53	122	38,677
South America	175	28,534	156	20,555	63	12,380	394	61,469
Total	**2,359**	**449 698**	**2,572**	**268,036**	**168**	**30,071**	**5,099**	**747,805**

Hotel portfolio by geography at June 30, 2020

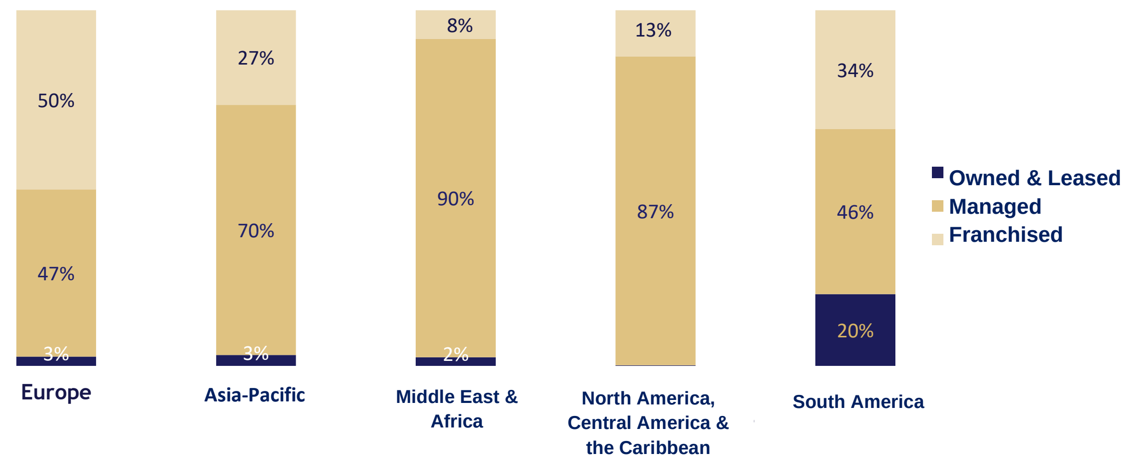
As a % of total number of rooms



Thanks to its expansion and diversification initiatives in recent years, Accor is consolidating its operations in fast-growing areas.

Hotel portfolio by geography and operating structure at June 30, 2020

As a % of total number of rooms



In Asia-Pacific, 97% of the Group's hotels are operated under management and franchise agreements,

while the North America, Central America & the Caribbean, Middle East & Africa and South America regions have 100%, 98% and 80% of hotels under management and franchise agreements, respectively.

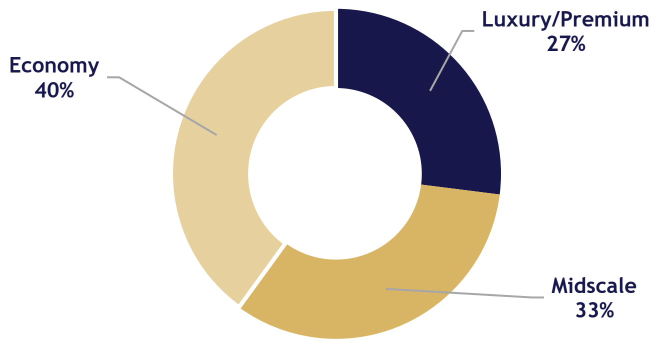
In Europe, 97% of Accor's hotels are under management and franchise agreements.

1.4.4. A stronger network in the luxury and premium segment

In recent years, the Group has rebalanced its portfolio of brands in favor of higher-value markets by broadening its footprint in the luxury and premium segment, which has grown three times faster than the Group's overall network as a result.

Hotel portfolio by segment at June 30, 2020

As a % of total number of rooms

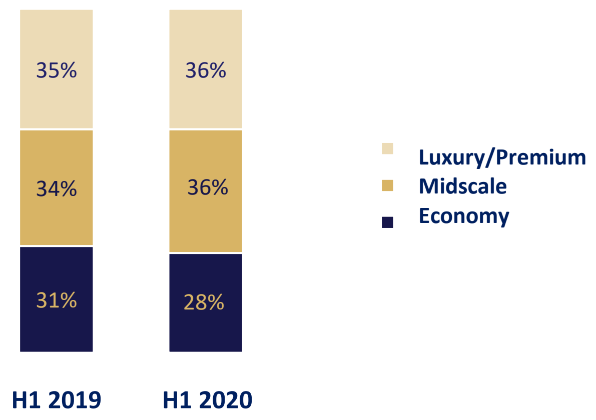


At June 30, 2020, the luxury and premium segment accounted for 27% of the Group's network, representing a year-on-year gain of 1 point, driven by organic growth. Accor's drive to strengthen its operations in these segments is strategic because it significantly improves its image and portfolio of offers and skills, while also optimizing revenue.

This trend should ensure steady expansion in the Group's margins over the coming years, when business levels return to levels comparable with those seen in 2019.

Pipeline by segment at June 30, 2020

As a % of total number of rooms



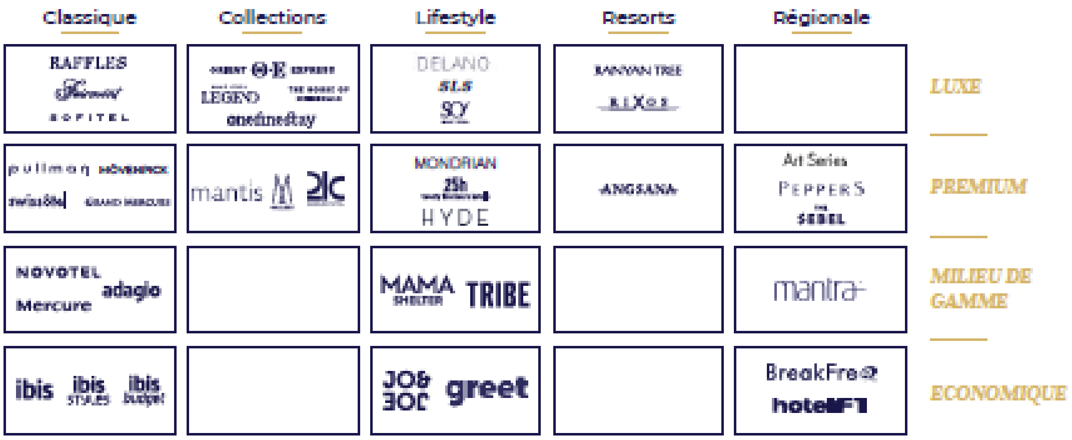
Thanks to dynamic growth, Accor has broad coverage of all geographies and market segments particularly in high-growth areas as well as in the luxury/premium segment.

At end-June 2020, the Group had a portfolio of 39 hotel banners.

1.5. An extended and balanced brand portfolio

Accor's brand portfolio is based on the major historical networks, ibis and Novotel, which have been modernized, as well as premium brands like Pullman And Swissôtel and strong performers including the Sofitel and Fairmont brands.

The Group has extended its reach in each segment, with a transparent approach for both guests and partners, meeting all aspirations, from traditional hotel services to lifestyle and resort offerings as well as other brands with a more local focus.



These banners enable the Group to benefit from the most comprehensive brand portfolio in the industry.

Similarly, Accor consolidated its distribution presence with the signature of a partnership with Sabre in January 2020. The Group also enhanced the appeal of its loyalty program thanks to two partnerships concluded with Grab and Visa.

1.6. Championing the loyalty program with guest recognition, personalized offerings and loyalty rewards.

In line with its ‘asset-light’ policy, Accor offers guests and hotel industry partners an ecosystem of integrated, full-service, attractive offerings tailored to meet all needs. In recent years, Accor has carried out extensive investment to increase the appeal of its offerings:

- increasing digital capacity with a view to ensuring efficient and personalized processing of an increasing quantity of data and traveler requests. Accor boasts 250 million customers, including 66 members of its loyalty program, and membership is likely to increase through the Group’s 39 brands and 80 partnerships;
- implementing a high-quality support system made up of multiple distribution channels that optimize hotel footfall with the best solutions to augment revenues, performance, net profitability, asset management and offer guests a truly personalized experience.
- fostering long-term customer loyalty with an ecosystem covering a broad range of personalized services, to meet growing and increasingly specialized aspirations, strengthening its relationship with guests and partners to offer them unforgettable personalized experiences.

1.6.1. "ALL - Accor Live Limitless" initiative launched in December 2019

With its loyalty program, Accor plans to accompany guests on a daily basis, offering them the broadest range of services and benefits possible. Geared toward satisfying, recognizing and rewarding its guests, the Group’s program reinforces the trust established with each of them by making them want to be a lasting part of its augmented hospitality ecosystem, and to consume through it.

Over the past few years, what guests want and expect from loyalty plans has changed. They now aspire to greater simplicity, immediacy and variety with personalized offerings.

To strengthen its distribution, build its guests’ loyalty and give its brands an indelible impact throughout the world, Accor unveiled a new customer promise in February 2019. Embodied by the “*ALL – Accor Live Limitless”* program, it combines the Group’s distribution platforms with a new experiential loyalty program.

As the Group’s new global digital loyalty platform, *ALL* will accompany its members in their diverse needs and wants (live, work, play) by providing a wide range of hospitality services accessible from a single portal (all.accor.com). Program members will be able to access a full range of services and experiences that represent much more than just a place to stay, combined with advantages negotiated in partnership with other players, including AEG, IMG, and Paris Saint Germain football club, etc.

1.6.2. Strategic partnerships forged in January 2020 as part of the ALL loyalty program.

These partnerships, welcomed by Accor's guests, formed with some of the biggest names and guaranteeing high media exposure, are designed to increase the international visibility of Accor's loyalty program and brands, delivering augmented hospitality as regards its distribution networks.

Seeking to engage guests, these alliances will be a source of value for the brands, whose reputation and attractiveness will be increased, particularly among hotel owners, further boosting the Group's fees, performance and earnings long term. As loyalty points are exchanged for rewards within this ecosystem, Accor will gain knowledge of its members' preferred touchpoints and their purchasing behavior. To this end, the Group will offer them more targeted communication and solutions.

In January 2020, Accor continued to enhance the appeal of its loyalty program by forging new partnerships with other leading-edge market players to offer more services and greater rewards for its guests and partners.

1.6.2.1 The Group formed a strategic partnership with Grab facilitating ALL member access to GrabReward points, the biggest loyalty program in south-east Asia.

Building on this strategic partnership with Grab, the largest loyalty program in south-east Asia, Accor provides both ALL and Grab members access to various rewards and benefits when travelling.

Grab is a Singapore-based company that offers a range of services via its super app, including ride-hailing, deliveries, digital payments, etc. Thanks to this partnership, Grab members can use their GrabReward points to access the full range of Accor offers: hotels, bars, nightclubs, sporting events, entertainment and food festivals and enjoy the experiences provided by the Group's network of 39 different hotel banners. Grab has 36 million regular users and they can now benefit from the broad range of rewards of *ALL – Accor Live Limitless* by becoming members and using their GrabRewards to stay, eat, shop and travel seamlessly across the globe.

Similarly, ALL members will have access to the numerous GrabRewards benefits. Of the 66 million *ALL – Accor Live Limitless* members worldwide, more than 19 million are in the Asia-Pacific region.

1.6.2.2 Strategic partnership with Visa, offering ALL members new payment experiences.

Today's digitally-savvy consumers expect rewards that meet their aspirations, offering them both new and unique experiences.

In this respect, Accor has formed an international partnership with Visa, the world leading digital payments group, to offer new payment solutions to ALL members.

This partnership will bring together Accor's loyalty program and Visa's global payment capabilities to create the new ALL Visa card. Members who apply for the new card, can use it for everyday purchases everywhere Visa is accepted.

The card offers holders tailored rewards based on customer preferences and the ability to earn more loyalty points when staying at an Accor property or when making purchases.

Enhancing the benefits of the Group's loyalty program, this initiative aims to give group guests the incentive to stay in Accor hotels more frequently and more easily. The program makes it possible for guests to win reward points and enjoy new experiences. The new card should also enable Accor to engage guests beyond their stay, and to recruit new members and also increase average spending.

2. Review of the first half of 2020

Lastly, note that Accor is structured around the following strategic divisions:

- **HotelServices**, which houses the hotel franchisor and operator business, as well as activities related to hotel operations. This division has five operating regions: Europe, Middle East & Africa, Asia-Pacific, North America, Central America & the Caribbean, and South America.
- **New Businesses**, which include D-Edge, onefinestay, VeryChic, John Paul, Adoria, ResDiary and Gekko.
- **Hotel Assets**, which include assets held primarily by Orbis in Central Europe, hotels operated under fixed leases in Asia-Pacific (inherited from the consolidation of Mantra) and hotels operated under variable lease agreements based on EBITDA in Brazil.
- **Holding & Intercos**, which comprises inter-company eliminations between each segment and the cost of corporate functions.

2.1. *2020 Interim consolidated results*

(€ in million)	June 2019	June 2020	Change (reported)	Change LFL[(1)]
Revenue	1,926	917	%	%
EBITDA	**375**	**(227)**	**(160.5)%**	**(153.7)%**
EBITDA	19.5%	(24.7)%	(44.2) pts	(42.6) pts
EBIT	**234**	**(363)**		
Operating profit	214	(1,716)		
Earnings per share from continuing operations	**125**	**(1,772)**		
Earnings per share from continuing operations, Group share	16	259		
Net profit, Group share	**141**	**(1,512)**		

(1) Like-for-like: at constant scope of consolidation and exchange rates. This enables the comparison of yearly performance adjusted for the impact of acquisitions and disposals carried out in 2019 as well as currency impacts on Group accounts.

2.1.1. Revenue

Consolidated revenue for the first half of 2020 totaled €917 million, up 48.8% like-for-like and up 52.4% as reported compared with first-half 2019.

(€ in million)	June 2019	June 2020	Change (as reported)	Change LFL [(1)]
HotelServices	1,366	650	%	(52.8)%
Hotel Assets	519	237	(54.4)%	(40.2)%
New Businesses	77	46	(40.3)%	(40.5)%
Holding & Intercos	(36)	(16)	N/A	N/A
Revenue	**1,926**	**917**	**(52.4)%**	**(48.8)%**

(1) Like-for-like: at constant scope of consolidation and exchange rates.

Reported revenue over the year reflected the following factors:

- **Changes in the scope of consolidation** (acquisitions and disposals) had a negative impact of €57 million (-3.0%), linked to the disposal of the Mövenpick leased hotel portfolio, finalized in March 2020;
- **Currency effects** had a negative impact of €13 million (-0.7%), primarily relating to the Australian dollar (-€10 million/-4.6%) and the Brazilian real (-€10 million/-19.1%).

2.1.2. EBITDA

Consolidated EBITDA amounted to -€227 million in the first half of 2020, down 153.7% like-for-like and down 160.5% on a reported basis compared with first-half 2019.

Sensitivity of EBITDA to RevPAR changes amounted to -€20 million for each percentage point decline in RevPAR. It improved in Q2 2020, compared with the first quarter, thanks to savings made from end-March 2020. These savings Impacted both variable costs for the hotel activities and Sales, Marketing, Distribution and Loyalty activities as well as fixed organization costs.

The **EBITDA margin** was negative at **24.7%.**

(€ in million)	June 2019	June 2020	Change (as reported)	Change LFL (1)
HotelServices	344	(141)	(140.9)%	(140.0)%
Hotel Assets	97	(10)	(110.5)%	(87.9)%
New Businesses	(1)	(16)	N/A	N/A
Holding & Intercos	(65)	(60)	N/A	N/A
EBITDA	**375**	**(227)**	**(160.5)%**	**(153.7)%**

(1) Like-for-like: at constant scope of consolidation and exchange rates.

2.1.3. EBIT

First-half 2020 **consolidated EBIT** came to a negative €363 million, from €234 million in the first half of 2019, down 255% on a reported basis.

(€ in million)	June 2019	June 2020
EBITDA	375	(227)
Depreciation, amortization and provision expense	(141)	(137)
EBIT	**234**	**(363)**

Depreciation, amortization and provisions for the period were down €137 million compared with first-half 2019, to €141 million.

2.1.4. Operating profit

Operating profit, which comprises EBIT, the share of net profit of associates and joint ventures, and other income and expenses, represents income from the operations of the Group's various activities before the cost of financing and income tax. The Group reported **an operating loss of €1,716 million** in first-half 2020, compared with operating profit of €214 million in first-half 2019.

(€ in million)	June 2019	June 2020
EBIT	234	(363)
Share of net profit of affiliates and joint-ventures	(14)	(353)
Other income and expenses	(6)	(1,000)
Operating profit	**214**	**(1,716)**

The contribution from affiliates was down by €339 million at end-June 2020 to -€353 million, linked to the combination of operating losses and asset impairments, mainly related to AccorInvest (€216 million), sbe (€66 million) and Huazhu Group Ltd (€27 million).

Other non-operating income and expenses were down sharply to -€1,000 million; versus an expense of €6 million as of end-June 2019, including asset writedowns amounting to €984 million, i.e. 14% of non-current assets. These writedowns were the result of revised prospects of a return to pre-crisis business levels (not before 2023), and an increase in discounting rates owing to market volatility.
They mainly relate to brands (€278 million), management contracts (€173 million), goodwill (€155 million), as well as the loan granted to the sbe equity investment (€260 million) and other equity investments (€91 million), as indicated in notes 2.1 and 6 to the consolidated financial statements. Note that, as of end-June 2019, non-operating income and expenses included restructuring costs of €7 million related to the transformation plan implemented in Europe and North America.

2.1.5. Net profit, Group share

(€ in million)	June 2019	June 2020
Operating profit	**214**	**(1,716)**
Net financial expense	(38)	(52)
Corporate income tax	(43)	(5)
Profit from discontinued operations	19	259
Consolidated net profit	**152**	**(1,514)**
Net profit, Group share	**141**	**(1,512)**
Basic earnings per share (euros)	**0.38**	**(5.78)**
Non-controlling interests	11	(2)

Net financial expense amounted to €52 million in first-half 2020, versus €38 million in first-half 2019.

A **tax charge on earnings** of €5 million was recorded on June 30, 2020, reflecting a tax rate close to 0%. No income tax gain was booked relative to the losses incurred during the first half of 2020.

Profit from discontinued operations amounted to €259 million at end-June 2020 versus €19 million in the six months to June 30, 2019, mainly related to the capital gain on the disposal of Orbis.

The net loss Group share from continuing operations deteriorated to a negative €1,772 million at end-June 2020, versus net profit of 125 million during H1 2019.

Consolidated net profit amounted to -€1,514 million in the six months to June 30, 2020. After deducting **non-controlling interests** totaling -€2 million, **net loss, Group share** stood at €1,512 million, compared with net profit of €141 million in first-half 2019.

Net earnings per share amounted to -€5.78 in first-half 2020, versus €0.38 as of end-June 2019, based on average outstanding shares of 267,660,275 for the first half.

2.1.6. Financial flows and ratios

(€ in million)	June 2019	June 2020
EBITDA	**375**	**(227)**
Cost of net debt	(31)	(28)
Income tax paid	(39)	1
Repayment of lease debt	(67)	(47)
Non-cash revenue and expense included in EBITDA and other	54	69
Gross cash flow before non-recurring items	**293**	**(232)**
Recurring investment on existing assets and assets under development	(75)	(61)
Change in working capital requirement and contract assets	(74)	(180)
Recurring free cash flow	**144**	**(473)**
Cash conversion rate[(1)]	**76%**	**N/A**

(1) Cash conversion rate = (EBITDA - recurring investments - lease payments)/(EBITDA – lease payments).

In accordance with IFRS 16, the Group's lease liability (corresponding to the sum of lease payments due under the lease with the lessor) decrease as payments are made throughout the lease term. These **lease debt repayments** amounted to **€47 million** as of end-June 2020 versus €67 million at end-June 2019, the reduction being attributable to the positive impact of the disposal of the Mövenpick leased hotel portfolio early March 2020.

In the six months to June 30, 2020, **funds from operations** collapsed to **-€232 million**, versus €293 million in the prior-year period. **Recurring investments** – which includes key money paid by HotelServices, digital and IT investments, and maintenance investments in owned and leased hotels – was **down to €61 million** in first-half 2019, versus €75 million in the prior-year period. In this respect, we can note that, end-March, the Group decided to reduce investment plans for 2020 by €60 million.

Group **recurring free cash flow** was negative at €473 million as of end-June 2020 versus €144 million end-June 2019, as a result of negative EBITDA and changes in **working capital requirement (WCR)** and contract assets. The latter includes extensions to payment deadlines granted to hotel owners tackling the health crisis with many of them forced to close their establishments.

The resulting **monthly cash burn** was slightly better than guidance provided with the Q1 2020 revenue numbers, **at around €80 million on average per month** compared with €100 million at the peak of the crisis, thanks to a **series of cost-cutting measures** implemented by the Group from end-March to **protect its liquidity**:

- The Board of Directors withdrew the resolution submitted to the Annual General Meeting of shareholders proposing the payment of a €280 million dividend for 2019.
- It suspended the implementation of the €700 million share buyback program planned for 2020, as well as all other external growth plans.
- It decided to reduce central costs by €60 million, including freezing hiring and travel expenses, and implementing partial unemployment for staff. As a result, the Group closed up to 62% of its network at the height of the crisis, and partially or fully suspended business for 75% of hotel and headquarter staff.
- Accor also rationalized distribution, marketing and IT costs to partially offset the impact of sharply lower revenue and reduced recurring investments for 2020 by €60 million.

At the same time, **the Group strengthened its financial structure** with the signature on 18 May 2020 of a new €560 million revolving credit facility. This new facility, which does not have bank covenants, comes on top of the undrawn €1.2 billion facility signed in July 2018, for which the Group negotiated a postponement to the application of covenants out to June 2021. As of end-June 2020, the Group's **total liquidity** position topped €4 billion:

- €2.4 billion available cash at-hand at end-June 2020
- €1.2 billion revolving credit facility signed in July 2018 - undrawn
- €0.56 billion new revolving credit facility - undrawn

Group **net debt** at end-June 2020 stood at €1,092 million, versus €1,333 million end-December 2019. This €241 million decline can be attributed mainly to:

- the disposal of the Orbis property portfolio in March 2020 for €1,003 million,
- the reclassification of the debt taken on at the time of the acquisition of the Group's headquarters in Paris; the headquarter assets were reclassified as liabilities held for sale for an amount of €310 million to free up Group capital;
- Negative recurring free cash flow of €473 million;
- the completion of the last €300 million tranche of the share buyback program from 2018, before the subsequent suspension of all buybacks to protect Group cash;
- the repayment of a hybrid bond issue from 2014 in June for an amount of €127 million and the payment of the related coupon.

The **average cost of debt came to 1.71%** with an **average maturity of 2.7 years.**

2.2. Analysis of results by strategic business

As part of the transformation of its business model, Accor has overhauled its reporting model to reflect the Group's refocusing on its core hotel operator business, the diversification of its business portfolio as well as its new organization.

The Group is organized around the three main strategic divisions presented below. Costs related to central support functions (governance, finance, communications, HR, legal, etc) are presented separately in the 'Holding & Intercos' section.

HOTELSERVICES	NOUVELLES ACTIVITÉS	ACTIFS HÔTELIERS & AUTRES	HOLDING & INTERCOS
MANAGEMENT & FRANCHISE • Achats SERVICES AUX PROPRIÉTAIRES • Ventes, Marketing, Distribution • Services partagés • Remboursement des coûts de personnel	• Onefinestay • D-Edge • VeryChic • John Paul • Gekko • Resdiary • Adoria	• Hôtels en propriété & location fixe de Mantra • Hôtels en location variable sur RBE au Brésil • Sofitel Gezirah/ BelOmbre • AccorPlus • Strata • Timeshare	• Élimination Interco • Fonctions corporate

2.2.1. Global performance indicators by division

Over the first half of 2020, Accor reported **EBITDA** down 153.7% like-for-like and an **EBITDA margin** down 44.2 points to -24.7%.

(€ in million)	HotelServices	Hotel Assets	New Businesses	Holding & Intercos	Accor [1]
H1 2020 revenue	650	237	46	(16)	917
H1 2020 EBITDA	**(141)**	**(10)**	**(16)**	**(60)**	**(227)**
EBITDA margin	(21.6)%	(4.3)%	(35.1)%	N/A	(24.7)%
H1 2019 revenue	1,366	519	77	(36)	1,926
H1 2019 EBITDA	**344**	**97**	**(1)**	**(65)**	**375**
EBITDA margin	25.2%	18.7	(1.5)%	N/A	19.5%

2.2.2. HotelServices

Note that the HotelServices division regroups the hotel management and franchise businesses, each presented separately:

- **Management & Franchise (M&F):** Hotel management and franchise business based on the collection of fees, as well as revenue generated by purchasing;
  - **Franchise contracts**: Franchised hotels are operated by their owners. Accor provides various services to its franchisees, such as the use of its brands, first and foremost, and access to the Group's centralized booking system. Other services are offered to hotel owners, including central purchasing and access to the Accor Academy (for team training). Remuneration takes the form of license payments, including brand licenses, and, where appropriate, billing of additional services.
  - **Hotels under management contracts** are similar to franchised hotels in that Accor only records the fees paid by the owner and not the hotel's revenue. However, these hotels are managed by Accor. The fees received include franchise fees, as well as a management fee corresponding to a percentage of revenue and, in some cases, a performance-based incentive fee paid by the owner corresponding to a percentage of EBITDA.

  The Management & Franchise business is organized around the five following operating regions: Europe, Africa & Middle East, Asia-Pacific, North America, Central America & the Caribbean and South America.

- **Hotel owner services:** This activity comprises the various services on which the Group spends the sums received from the hotels, including sales, marketing and distribution activities, loyalty program, shared services as well as re-billed costs incurred on behalf of hotels (such as the repayment of costs for personnel working in the hotels).

1.6.2.3 Revenue

HotelServices, which includes fees from Management & Franchise (M&F) and Services to Owners, generated **business volumes of €4.5 billion**, compared with €10.4 billion in H1 2019, and revenue of €650 million, **down 52.8% like-for-like** reflecting the decline in RevPAR as a result of the health crisis and government lockdown measures implemented the world over.

HotelServices Management & Franchise (M&F) revenue amounted to **€139 million**, a **like-for-like decline of 72.0%**. This more marked decline than the 59.3% fall in RevPAR can be attributed to the collapse in incentive fees based on hotel EBITDA for management contracts (down 93%).

Revenue from HotelServices M&F by region

(€ in million)	June 2019	June 2020	Change LFL (1)
Europe	245	62	(74.9)%
Asia-Pacific	100	29	(70.8)%
Middle East & Africa	52	17	(72.5)%
North America, Central America & the Caribbean	65	23	(66.0)%
South America	24	8	(62.1)%
Total	**486**	**139**	**(72.0)%**

(1) Like-for-like: at constant scope of consolidation and exchange rates.

Group RevPAR was down 59.3% overall for the first half, and down 88.2% for the second quarter.

M&F revenue was down by a sharp 74.9% like-for-like in **Europe**, reflecting a 62.1% decline in RevPAR combining all segments.

- In **France**, RevPAR was down 60.4% like-for-like over the first half. Most Accor hotels remained closed during June. Paris and the Paris region (RevPAR down 62.2%) were harder hit than the rest of France (RevPAR down 58.9%). This trend was even more pronounced during July;
- In the **United Kingdom**, RevPAR fell by 64.5%. RevPAR in London was down 64.8%, slightly harder hit than the rest of the country (-63.5%). The end of the lockdown began slightly later in other European countries and 99% of Group hotels remained closed at end-June;
- In **Germany**, RevPAR was down 58.3% as lockdown measures in the country were implemented slightly earlier than in other European countries;
- In **Spain**, RevPAR fell 68.7% in the first half of the year.

M&F revenue in **Asia-Pacific** was down 70.8% like-for-like as a result of a 54.7% decline in RevPAR.

- In **China**, there was a noteworthy recovery in RevPAR, declining 51.9% in June and down 65.2% over the first six months of the year.
- In **Australia**, RevPAR fell 49.3% in the first half of the year. The decline was less significant in other countries owing to the more limited Covid-19 impact over the first quarter (-18.2%). Government-imposed quarantine measures were the main source of business for hotels.

The **Africa & Middle East** reported Management & Franchise revenue down 72.5% with RevPAR declining 55.6% due to the closure of borders. The lack of crowds during religious pilgrimages to the holy cities will continue to weigh on RevPAR over the coming months.

North America, Central America & the Caribbean reported a 66.0% decrease in M&F revenue, in line with the drop in RevPAR of 64.3% over the first half. The collapse in fee income based on hotel EBITDA (aka “incentive fees”) was offset by the relative resilience of other income generated by Management and Franchise contracts.

Lastly, the spread of the pandemic to **South America** had a sharply negative impact on regional RevPAR, down 52.4% in H1, with Management & Franchise revenue down 62.1%.

(€ in million)	Occupancy rate		Average price		RevPAR	
	%	LFL change (pts)	€	% change LFL	€	% change LFL
Luxury & Premium	24.2	-42.1	147	-9.5	36	-67.2
Midscale	28.2	-41.2	88	-7.7	25	-62.8
Economy	30.2	-39.8	60	-8.3	18	-60.5
Europe	28.8	-40.5	77	-9.6	22	-62.1
Luxury & Premium	30.5	-33.5	104	-8.0	32	-56.4
Midscale	35.8	-33.1	70	-8.3	25	-52.6
Economy	40.4	-32.1	36	-15.3	14	-54.3
Asia-Pacific	35.2	-33.0	70	-10.8	25	-54.7
Luxury & Premium	32.2	-33.3	126	-14.8	41	-58.8
Midscale	41.3	-23.3	69	-3.6	29	-36.7
Economy	34.8	-27.8	55	-1.8	19	-43.7
Middle East & Africa	34.4	-30.3	100	-15.3	34	-55.6
Luxury & Premium	29.0	-43.1	217	-11.4	63	-64.5
Midscale	33.7	-44.5	130	-6.7	44	-62.5
Economy	26.4	-34.2	37	-4.9	10	-59.3
North America, Central America & the Caribbean	29.3	-42.5	191	-11.5	56	-64.3
Luxury & Premium	24.1	-31.8	109	9.8	26	-49.5
Midscale	26.7	-31.5	55	1.8	15	-53.4
Economy	25.1	-28.8	35	0.9	9	-52.5
South America	25.4	-29.9	48	2.1	12	-52.4
Luxury & Premium	29.3	-36.5	133	-12.0	39	-60.9
Midscale	31.5	-37.1	79	-8.6	25	-58.4
Economy	31.8	-36.5	50	-10.0	16	-58.6
Total	31.0	-36.6	80	-10.7	25	-59.3

Services to Owners revenue, which includes the sales, marketing, distribution and loyalty division, as well as shared services and the repayment of hotel personnel costs, came to €511 million, versus €879 million in first-half 2019.

- The Sales, Marketing, Distribution and Loyalty division reported sales of €164 million, in line with the decline in RevPAR. Given the significant changes in RevPAR, it is not possible to cut costs to the same extent as sales beyond 50% (partially due to IT and sales and marketing costs).
- Repayments of payroll costs declined as a result of leave, technical unemployment and lay-offs decided at end-March.

1.6.2.4 EBITDA

In first-half 2020, **HotelServices** generated **negative EBITDA of €141 million**, compared with a positive €344 million in the prior-year period, This performance breaks down as **EBITDA at breakeven for Management & Franchise (M&F)** and **a negative contribution from Services to Owners.** The latter stems from high fixed costs coupled with a sharp decline in RevPAR for the Sales, Marketing, Distribution and Loyalty businesses. Repayment of hotel personnel costs remains 100% variable.

The HotelServices EBITDA margin came to -21.6%, compared with 25.2% in the first half of 2019.

(€ in million)	M&F	Sales, Marketing, Distribution, Loyalty	Repayment of costs	Other services	Services to owners:	HotelServices
H1 2020 revenue	139	164	297	49	511	650
H1 2020 EBITDA	**0**	**(131)**	**(0)**	**(9)**	**(141)**	**(141)**
EBITDA	0.0%	*N/A*	*N/A*	*N/A*	(27.5)%	*(21.6)%*
H1 2019 revenue	486	354	470	55	879	1,366
H1 2019 EBITDA	**353**	**(5)**	**(0)**	**(4)**	**(9)**	**344**
EBITDA	*72.6%*	*N/A*	*N/A*	*N/A*	*(1.1)%*	*25.2%*

HotelServices M&F EBITDA by region

(€ in million)	June 2019	June 2020	Change LFL [1]
Europe	191	(2)	(100.4)%
Asia-Pacific	67	(1)	(101.9)%
Middle East & Africa	38	(1)	(106.9)%
North America, Central America & the Caribbean	46	5	(88.7)%
South America	11	(1)	(126.8)%
Total	**353**	**0**	**(100.7)%**

The **Management & Franchise HotelServices** division saw **EBITDA** down 100.7% like-for-like, with each region close to breakeven. The one notable exception was North and Central America & the Caribbean where EBITDA was positive over the first half thanks to a more moderate decline in revenues than in other regions.

Overall, the sharper decline in EBITDA versus revenue can be attributed to the allocation of provisions for doubtful receivables as well as fixed costs.

2.2.3. New Businesses

This division corresponds to New Businesses developed by the Group (mainly through acquisitions), including:

- **digital services,** which offer digital solutions to independent hotel operators that will drive growth in their direct sales (activity operated by D-Edge), and to restaurants owners to optimize table management and supply (operated by Resdiary and Adoria);
- **hotel booking services** for companies and travel agencies with Gekko;
- **concierge services** operated by John Paul;
- **digital sales**, created through VeryChic, which offers exclusive private sales of luxury and premium hotel rooms and breaks;
- **luxury home rentals** operated by onefinestay, which has a portfolio of more than 5,000 addresses worldwide.

1.6.2.5 Revenue

Mirroring trends seen in the Travel and Tourism industry overall, **New Businesses** reported first-half 2020 **revenue of €46 million, down 40.5% like-for-like**. The limited differential versus the 40.3% decline reported is linked to forex movements.

The decline in revenue for businesses linked directly to the travel industry, and hard-hit by the health crisis. These include: onefinestay, VeryChic and Gekko. Performance of the latter contrasts sharply with more diversified activities including John Paul, D-Edge, ResDiary and Adoria which were more resilient.

(€ in million)	June 2019	June 2020
Revenue	77	46
EBITDA	(1)	(16)

1.6.2.6 EBITDA

After an improvement in divisional performance in Q4 2019, **New Businesses** suffered a **significant decline in EBITDA to -€16 million** at end-June 2020. The decision to restructure and rationalize onefinestay and John Paul in particular enabled the Group to contain losses as the health crisis hit business hard.

VeryChic and Gekko have business models that are more exposed to the effects of the health crisis. VeryChic made use of credit notes for bookings owing to the halt to air transport. Moreover, Gekko suffered from cancellation charges.

The **New Businesses' EBITDA margin** ended at -35.1%.

2.2.4. Hotel Assets & Other

The **Hotel Assets & Other** division corresponds to the Group's owner-operator activities of both owned and leased hotels. It encompasses hotels operated in Eastern Europe and the hotels of the Mantra and Mövenpick groups, as well as a number of other hotels, primarily in Brazil, operated under variable rent leases 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. The division spans all asset portfolio management activities, hotel design, construction, refurbishment and maintenance activities. This division also includes the following activities in Asia-Pacific: AccorPlus (discount card program), Accor Vacation Club (timeshare business) and Strata (room distribution and management of common areas).

The **Hotel Assets & Other portfolio** included 168 hotels and 30,071 rooms as of end-June 2020, 23% belonging to Mantra.

1.6.2.7 Revenue

Hotel Assets & Other revenue was down **40.2% like-for-like to €237 million.** This performance illustrates relative resilience in Q1 and a pick-up in Q2, reflecting the lag in the spread of the pandemic to Brazil. The **54.4% decline in revenue as reported** was exacerbated by the disposal of the Mövenpick leased hotel portfolio in early March 2020.

Following the disposal of the Orbis property business, and, more generally, the transformation of the Group's business model, performance of this division was mainly driven by the Asia-Pacific region and Brazil. The 'other' segment, which includes Strata, shared services and Accor Plus, accounted for 45% of divisional revenue.

(€ in million)	June 2019	June 2020
Revenue	519	237
EBITDA	97	(10)

At end-June 2020, RevPAR for Group hotel assets was down 56% like-for-like.

1.6.2.8 EBITDA

Hotel Assets & Other EBITDA came to a negative €10 million at end-June 2020 versus €97 million at end-June 2019. The 87.9% decline like-for-like reflects measures implemented to adjust the cost structure, limiting losses. These measures included headcount reductions and/or use of partial unemployment in Europe and in Australia. The 110.5% decline in revenue as reported was exacerbated by the disposal of the Mövenpick leased hotel portfolio in early March 2020.

The **Hotel Assets & Other EBITDA margin** came to -4.3%.

2.3. Hotel portfolio and pipeline at June 30, 2020

During the first half of 2020, the Group opened 86 hotels or 11,542 rooms, a satisfactory level given the demanding backdrop. At the same time, 36 hotels (4,793 rooms) were closed during the period, i.e. net growth in the Group network of 63 hotels and 8,268 rooms.

2.3.1. Hotel portfolio by segment and operating structure

	Managed		Franchised		Owned & Leased		Total	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
Luxury and Premium	669	165,605	147	27,140	20	5,204	836	197,949
Midscale	754	145,908	775	92,907	73	10,791	1,602	249,606
Economy	936	138,185	1,650	147,989	75	14,076	2,661	300,250
Total	**2,359**	**449,698**	**2,572**	**268,036**	**168**	**30,071**	**5,099**	**747,805**
Total (%)	**46.3%**	**60.1%**	**50.4%**	**35.8%**	**3.3%**	**4.0%**	**100%**	**100%**

2.3.2. Hotel portfolio by region and operating structure

	Managed		Franchised		Owned & Leased		Total	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
Europe	1,088	163,093	1,910	174,468	55	8,938	3,053	346,499
Asia-Pacific	736	166,107	458	62,756	40	7,114	1,234	235,977
Middle East & Africa	259	58,348	28	5,249	9	1,586	296	65,183
North America, Central America & the Caribbean	101	33,616	20	5,008	1	53	122	38,677
South America	175	28,534	156	20,555	63	12,380	394	61,469
Total	**2,359**	**449,698**	**2,572**	**268,036**	**168**	**30,071**	**5,099**	**747,805**
Total (%)	**46.3%**	**60.1%**	**50.4%**	**35.8%**	**3.3%**	**4.0%**	**100%**	**100%**

2.3.3. Hotel portfolio by region and segment

	Europe	Asia-Pacific	Middle East & Africa	North America, Central America & the Caribbean	South America	Total
Luxury and Premium	39,198	80,038	40,342	31,414	6,957	197,949
Midscale	126,536	89,908	13,541	4,111	15,510	249,606
Economy	180,765	66,031	11,300	3,152	39,002	300,250
Total	**346,499**	**235,977**	**65,183**	**38,677**	**61,469**	**747,805**
Total (%)	**46.3%**	**31.6%**	**8.7%**	**5.2%**	**8.2%**	**100.0%**

2.3.4. Hotel pipeline

At June 30, 2020, the Group's pipeline totaled 1,197 hotels, representing 206,000 rooms.

2.4. Outlook

At end-June 2020, the Group continued to operate in a particularly deteriorated market despite initial signs of a recovery with the easing of health restrictions in many countries and the reopening of 81% of Group hotels. Business prospects for the second half of 2020 remain particularly uncertain, both in the US and in South America where the pandemic is still very active, and in Asia-Pacific and Europe where the situation remains fragile with new infection clusters observed in many countries.
After the slowdown in the tourism industry, we could witness a period of stagnation: the EU has recently implemented unprecedented stimulus measures to ensure the health crisis does not morph into a full-blown economic crisis.

After an unprecedented decline in economic activity, economies are observing an automatic rebound since the end of lockdown restrictions. However, this rebound is gradual, with the situation still very delicate, and the air transport sector, which would usually support international tourism, is still not back to normal.

Against this backdrop, the Group's economic scenario calls for a swoosh-shaped economic recovery. After the sharp decline in business, a catch-up is taking place gradually and is having difficulty returning to the growth trajectory seen before the crisis. Based on the loss of business currently being suffered in Group markets, and downtrending RevPAR projections, the Group now believes, as a result, that revenue and cash flow levels are unlikely to return to 2019 levels before 2023.

2.4.1. Full-year 2020 EBITDA target

Accor generally provides guidance on full-year EBITDA with the presentation of interim results. Owing to the uncertainty stemming from the Covid-19 crisis, the Group does not have enough visibility on prospects to provide a reasonable guidance range for this performance indicator.

2.4.2. Towards an operating structure adapted to the new business model

While Accor continued its asset-light business model transformation with the disposal of Orbis and Mövenpick leased hotels, the health crisis and the related financial impacts clearly show that it still needs to evolve and continue to transform.

After emergency measures implemented in recent months, the Group decided to carry out a more in-depth review of operations, its business model and its goals to adapt the organization structure and emerge stronger from the crisis.

Our cost structure is still too rigid, complex and heavy compared with the asset-light model adopted by the Group. Reorganization should provide a platform to better adapt to the ever-changing backdrop.

To tackle the urgency of the crisis, as early as end-March, Accor implemented an exceptional plan to cut central costs by €60 million for 2020. which was already 60% achieved by end-June 2020, as well as a sharp reduction in other operating costs (SMDL, Hotel Assets and New Businesses).

In a second phase, the Group also reviewed its organization through a granular and disciplined analysis ("Zero-Base Budget") in order to shift from its new asset-light business model to an asset-light companies. This will lead to the implementation of a €200 million recurring cost saving plan on a cost base of 1.2 billion in 2019 (i.e. HotelServices and Holding). This plan includes:

- Simplification and realignment of operating structures in different regions;
- Automation of tasks for repetitive processes.

On an annualized basis, 2/3 of these cost savings will be generated by end-2021 and 100% by end-2022.

For now, it is difficult to foresee the lasting changes that will arise from this crisis. However, major crises have always ushered in major change.

For some time, vigilance on health and safety issues has been an essential focus for the tourism and travel sector and this will be particularly true from now on. In this respect, the Group has taken advantage of the health crisis to made constructive progress in this area.

Its organizational structure will now have to be repurposed, against a tougher backdrop, to ensure greater control of operating costs. Unprecedented actions will be implemented in the weeks and months to come to enhance our agility, boost efficiency and strengthen our links with our partners.

The Group's long-term vision remains unchanged. It includes high hopes and unfailing responsibility and commitment.

2.5. First-half 2020 highlights

On January 20, Accor entered into an agreement with an investment services provider to carry out a €300 million share buyback.

On February 18, Accor and Visa, world leader in digital payment solutions, announced an international partnership to offer new payment solutions to ALL-Accor Live Limitless members.

On March 11, Accor announced finalization of the sale of its 85.8% stake in Orbis with AccorInvest for €1.06 billion. During the same week, the Group finalized the disposal of the Mövenpick leased hotels portfolio, making a positive €430 million contribution to Accor's net debt from 2019.

Also, on March 11, Accor announced as of end-February, a decline of 4.5% in RevPAR compared with the same period of 2019 on a like-for-like basis, with February down 10.2% owing to the marked deterioration in the tourism industry as the pandemic spread. Over this two-month period, the decline reflected sharp underperformance in business with a Covid-19 impact of €20 million at the EBITDA level. From the last week of February, the Group observed a sharp decline in business in Europe, particularly in Italy, France and Germany, and took far-reaching measures to cut costs to partially offset the decline in business.

On March 24, Accor announced the finalization of its €300 million share buyback program launched on January 20, 2020. Upon completion of the program, the Group acquired 10,175,309 shares at at an average unit price of €29.48. In order to protect liquidity, Accor announced the suspension of share buyback programs until further notice. On the same day, the liquidity contract was reactivated.

On March 24, against a backdrop of persistent uncertainty and as the pandemic spread throughout the world, the Accor Board of Directors decided to postpone the Annual General Meeting of shareholders initially planned for April 30, 2020 to June 30, 2020.

On April 2, following a sharp deterioration in the business environment in the wake of the health crisis, Accor decided to take aggressive actions. On the same day, the Accor Board of Directors decided to complement the initiatives taken by management by withdrawing its proposal to pay a dividend in respect of 2019, representing €280 million. After consulting with the Group's main shareholders, Accor decided to allocate 25% of the planned dividend (i.e. €70 million) to the launch of the "ALL Heartist Fund," to assist employees and — on a case-by-case basis — individual partners experiencing great financial difficulty, as well as stakeholders providing support to local communities during the crisis. This initiative received the unanimous support of the members of the Board, who agreed to cut their attendance fees by 20% in favor of the ALL Heartist Fund. Similarly, Sébastien Bazin, Accor Chairman and CEO, allocated 25% of his remuneration during the crisis, to the Fund also.

On April 17, 2020, Accor and Bureau Veritas, the world leader in testing, inspections and certification, launched the ALLSAFE Cleanliness & Prevention label certifying that safety and cleanliness measures in hotels and restaurants are appropriate for the restart of business.

On May 15, 2020, Accor also signed a strategic partnership with Axa, the world leading insurance group, with a view to offering medical assistance to the customers of its 5,100 hotels around the globe.

On May 18, 2020, Accor announced it had signed an agreement with a consortium of five banks for a €560 million revolving credit facility (RCF). This line complements the existing €1.2 billion credit line agreed in July 2018 to shore up the Group's liquidity, which currently amounts to more than €4.0 billion.

3. Main risks and uncertainties

3.1. New ranking of significant risks

The main risks and uncertainties that may affect the Group in the last six months of the year are presented in the 2019 Universal Registration Document under “Risk Factors.” Nevertheless, in light of the unprecedented impacts of the Covid-19 pandemic on the tourism and travel industry worldwide during first-half 2020, and the fall-out hitting Accor business and earnings described in this report, Accor decided to review the rankings of these risks, making “Unfavorable change in the geopolitical, health or economic environment” the number one risk, up from second place (of five) behind “Malicious attack on the integrity of digital personal data.”

Indeed, the extent of the global crisis and the paralysis caused to the industry as well as the fall-out for Group earnings warrants making this risk the most critical for the group without understating the importance of other risk factors.

Against this backdrop, the new list of major risks to which the Group is exposed is as follows: Broken down into two categories, risks are presented in critical order in each category.

Category	Risk
RISK LINKED TO BUSINESS ENVIRONMENT	Unfavorable change in the geopolitical, health or economic environment
	Malicious attack on the integrity of digital personal data
	Non-compliance with standards, laws and regulations
RISK LINKED TO BUSINESS MODEL	Integration of acquisitions
	Unavailability of digital operating data

The description of the risk “Unfavorable change in the geopolitical, health or economic environment” and related monitoring have also been updated in light of the impacts of the ongoing crisis on the Group’s ecosystem, the Group itself and the efforts taken to contain them.

Unfavorable change in the geopolitical, health or economic environment

3.2. Description of the risk

The Group’s broad geographic footprint exposes it significantly to a range of geopolitical, health and macroeconomic risks. As explained in 1.6.2, the Group’s operations are largely focused on Europe and Asia-Pacific, which represent respectively 46% and 31% of the network. In light of this, a geopolitical conflict, an epidemic or a sharp economic slowdown in these regions could result in significant restrictions on the movement of people, which could have negative consequences on hotel RevPAR and - consequently Group revenue - but could also force the closure of hotels or the abandonment of development plans in the area or areas concerned.

The outbreak of the Covid-19 pandemic is an extreme example of a global event causing deep and lasting disruption to economic activity. Some fundamentals linked to tourism and movement of people, for whatever reason (work or leisure), have been called into question and will remain uncertain for some time. Hotel sector hard-hit in 2020. The risk for 2021 and beyond, while very tangible, are still unknown in terms of length and depth. Indeed, question marks continue to hang over the mode of transmission of COVID-19 and its progression as well as the impact of a potential vaccine. Clearing up these questions will be a key factor in determining the speed of the recovery in business.

Regarding geopolitical risk, the current disruption linked to the health crisis could lead to greater instability, and potentially topple governments or lead to regional conflict. Lastly, the Group remains exposed to the risk of terrorist attacks, in most of its host countries. A series of large-scale attacks or simultaneous attacks could directly or indirectly impact the Group’s guests and employees in the area or areas concerned.

3.3. Mitigation measures

Protecting guests and employees is a priority for the Group. That is why Accor has adopted a Safety & Security strategy based on an organization, monitoring and appropriate security measures that are subject to change in line with the severity of the risks identified (see section 1.8.3 of the 2019 Universal Registration Document - 2019 URD). In the event of an alert, the crisis management organization described in section 1.8.1 of the 2019 URD is activated to ensure guests' and employees' safety. to reduce the consequences of a pandemic or social unrest on its business, the Group has business continuity plans drawn up by the Group Risk Management Department in collaboration with all relevant departments and circulated to all areas concerned. This plan was naturally activated in response to the spread of COVID-19 in Group host countries, and instructions sent to all head offices and hotels in the network.

In addition, the Group's asset-light strategy (section 1.3 of the 2019 URD) and organic (section 1.6 of the 2019 URD) and external (section 1.4 of the 2019 URD) growth strategy have the notable effect of reducing its exposure to these different risks by diversifying its portfolio geographically. The impact of COVID-19 on Accor has eased thanks to the implementation of this strategy. Similarly, geographical diversification can have a favorable impact in the event of a partial recovery in the hotel business worldwide (in 2019, 71% of openings were outside Europe, and the Group's development pipeline is also predominantly focused on international markets, with 80% of rooms located outside Europe).

To limit the risk of a deep and lasting deterioration in the macroeconomic backdrop, from end-March, Accor implemented an central costs reduction plan targeting savings of €60 million for 2020, as well as a sharp reduction in other operating costs (Sales, Marketing, Distribution and Loyalty, Hotel Assets and New Businesses). In a second phase, the Group also reviewed its organization through a granular and disciplined analysis ("Zero-Base Budget") in order to shift from its new asset-light business model to an asset-light companies. This will lead to the implementation of a €200 million recurring cost saving plan - 2/3 of these cost savings will be generated by end-2021 and 100% by end-2022. Accor also has solid financials, with cash available of €2.4bn at June 30, 2020. The Group also has undrawn credit lines of €1.8bn, following the negotiation of an additional credit line totaling €0.6bn with a banking consortium in May. The latter was added to a pre-existing credit facility of €1.2bn. These decisions mean Accor has sufficient liquidity to address potential extensions to the current crisis.

Lastly, the Group requires its partners to take out insurance against any property damage and related potential business interruption and provides solutions under the Group's insurance program (see section 1.8.4 of the 2019 URD). However, financial losses stemming from the health crisis are excluded from nearly all of the insurance policies held by the Group and its partners.

Other risk factors, unchanged since the release of the 2019 Universal Registration Document on April 9, 2020, are presented in chapter 1.8.3 of the 2019 Universal Registration Document.

4. Main related-party transactions

The main related-party transactions are presented in detail in Note 12.4 to the interim consolidated financial statements.

5. Subsequent events

Pursuant to a decision handed down by the French Administrative Court of Appeal on July 7, 2020, Accor benefited from a refund of €307 million linked to the *précompte*/tax credit dispute, boosting the Group's liquidity position. In October 2018, The European Court of Justice ruled that the *précompte*/tax credit system for intra-European dividend payments was contrary to certain EU regulations. A final ruling from French tax authorities could be handed down within the next two months but a potential decision requiring Accor to refund the amounts received is not anticipated before end-2021. As a result, no tax impact in this respect has been included in Group accounts as of end-June 2020.

Condensed Interim Consolidated Financial Statements and notes

Sommaire

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 related notes 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	1st semester 2019	1st semester 2020
Revenue	4	**1,926**	**917**
Operating expense	4	(1,551)	(1,143)
EBITDA	4	**375**	**(227)**
Depreciation, amortization and provision expense		(141)	(137)
EBIT		**234**	**(363)**
Share of net profit of associates and joint-ventures	5	(14)	(353)
EBIT including profit of associates and joint-ventures		**221**	**(716)**
Other income and expenses	6	(6)	(1,000)
Operating profit		**214**	**(1,716)**
Net financial expense	9	(38)	(52)
Income tax	10	(43)	(5)
Profit from continuing operations		**133**	**(1,774)**
Profit from discontinued operations	3	19	260
Net profit of the period		**152**	**(1,514)**
• Group		**141**	**(1,512)**
from continuing operations		125	(1,772)
from discontinued operations		16	259
• Minority interests		**11**	**(2)**
from continuing operations		8	(2)
from discontinued operations		3	0
Basic earnings per share (in euros)			
Earnings per share from continuing operations		**0.32**	**(6.74)**
Earnings per share from discontinued operations		**0.06**	**0.97**
Basic earnings per share		**0.38**	**(5.78)**
Diluted earnings per share (in euros)			
Diluted earnings per share from continuing operations		**0.32**	**(6.74)**
Diluted earnings per share from discontinued operations		**0.06**	**0.97**
Diluted earnings per share	**11**	**0.38**	**(5.78)**

Consolidated statement of comprehensive income

(€ in million)	Notes	1st semester 2019	1st semester 2020
Net profit of the period		**152**	**(1,514)**
Currency translation adjustments	11	32	(93)
Effective portion of gains and losses on cash flow hedges	11	1	(27)
Currency translation adjustments from discontinued operations	11	4	(10)
Items that may be reclassified subsequently to profit or loss		**37**	**(130)**
Changes in the fair value of non-consolidated investments	11	4	(15)
Actuarial gains and losses on defined benefit plans	11	(9)	2
Actuarial gains and losses from discontinued operations	11	-	0
Items that will not be reclassified to profit or loss		**(5)**	**(14)**
Other comprehensive income, net of tax		**32**	**(143)**
Total comprehensive income of the period		**184**	**(1,657)**
• Group share		177	(1,655)
• Minority interests		6	(2)

Consolidated statement of financial position

Assets

(€ in million)	Notes	Dec. 2019	June 2020
Goodwill	7	**1,995**	**1,814**
Other intangible assets	7	**3,049**	**2,551**
Property, plant and equipment	7	**632**	**357**
Right of use	7	**531**	**513**
Investments in associates and joint-ventures	5	1,841	1,329
Other non-current financial assets	9	383	176
Non-current financial assets		**2,224**	**1,506**
Deferred tax assets	10	218	174
Contract assets		216	199
Other non-current assets		4	3
Non-current assets		**8,869**	**7,117**
Inventories		20	21
Trade receivables		649	523
Other current assets		264	232
Current financial assets	9	61	33
Cash and cash equivalents	9	2,279	2,465
Current assets		**3,274**	**3,274**
Assets classified as held for sale	3	1,761	432
TOTAL ASSETS		**13,904**	**10,824**

Equity and Liabilities

(€ in million)	Notes	Dec. 2019	June 2020
Share capital	11	813	783
Additional paid-in capital and reserves	11	4,427	4,435
Net profit of the year		464	(1,512)
Ordinary shareholders' equity		**5,703**	**3,706**
Perpetual subordinated bonds	11	1,127	1,000
Shareholders' equity - Group share		**6,830**	**4,705**
Minority interests	11	148	81
Shareholders' equity	11	**6,978**	**4,787**
Long-term financial debt	9	2,820	2,012
Long-term lease debt	9	461	435
Deferred tax liabilities	10	604	577
Non-current provisions	8	89	88
Non-current contract liabilities		26	26
Non-current liabilities		**4,001**	**3,137**
Trade payables		441	321
Current liabilities		703	569
Current provisions	8	316	309
Current contract liabilities		228	226
Short-term financial debt	9	306	1,037
Short-term lease debt	9	87	107
Current liabilities		**2,080**	**2,568**
Liabilities associated with assets classified as held for sale	3	845	331
TOTAL EQUITY AND LIABILITIES		**13,904**	**10,824**

Consolidated statement of cash flows

	(€ in million)	Notes	1st semester 2019	1st semester 2020
+	EBITDA	4	375	(227)
+	Cost of net debt	9	(30)	(28)
+	Income tax paid		(39)	1
-	Non-cash revenue and expense included in EBITDA		14	63
-	Reversal of provisions included in net financial expense and non-recurring taxes		(0)	-
+	Dividends received from associates and joint ventures		40	6
+	Impact of discontinued operations	3	35	12
=	**Funds from operations excluding non-recurring items**		**395**	**(173)**
+	Decrease (increase) in operating working capital		(104)	(187)
+	Impact of discontinued operations	3	(9)	(24)
+	Decrease (increase) in contract asset		6	(14)
=	**Net cash from operating activities**		**288**	**(399)**
+	Cash received (paid) on non-recurring items (incl. restructuring costs and non-recurring taxes)		(67)	(70)
+	Impact of discontinued operations		(0)	(1)
=	**Net cash from operating activities including non-recurring items (A)**		**220**	**(469)**
-	Renovation and maintenance expenditure		(44)	(34)
-	Development expenditure		(62)	(46)
+	Proceeds from disposals of assets		7	1,076
+	Impact of discontinued operations	3	(2)	(7)
=	**Net cash from investing activities (B)**		**(102)**	**990**
+	Issue of hybrid capital	11	493	-
+	Reimbursement of hybrid capital	11	(398)	(127)
+	Proceeds from issue of shares		-	(1)
-	Dividends paid		(287)	(0)
-	Interests paid on perpetual subordinated bonds		(36)	(34)
-	Repayment of long-term debt		(353)	(17)
+	New long term debt		542	3
=	**Increase (decrease) in long-term debt**		**189**	**(175)**
+	Share buyback program	11	(489)	(300)
+	Orbis shares purchase	3	(339)	-
+	Increase (decrease) in short-term debt		(168)	148
+	Repayment of lease liability		(67)	(48)
+	Impact of discontinued operations	3	(7)	1
=	**Net cash used in financing activities (C)**		**(1,109)**	**(374)**
+	Effect of changes in exchange rates (D)		10	14
+	Effect of changes in exchange rates on discontinued operations (D)	3	2	(30)
=	**Net change in cash and cash equivalents (E) = (A) + (B) + (C) + (D)**		**(979)**	**130**
-	Cash and cash equivalents at beginning of period		2,837	2,236
-	Effect of changes in fair value of cash and cash equivalents		5	0
-	Reclassification of cash and cash equivalents from assets held for sale		1,713	2,426
-	Net change in cash and cash equivalents from assets held for sale		-	3
-	Net change in cash and cash equivalents for discontinued operations		(150)	54
+	Cash and cash equivalents at end of period		1,713	2,426
=	**Net change in cash and cash equivalents**		**(979)**	**130**

Consolidated changes in 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, 2018	**282,607,800**	**848**	**2,378**	**(321)**	**3,423**	**6,328**	**115**	**6,443**
Restatements IFRIC 23		-	-	-	(38)	(38)	-	(38)
Restated Balance at January 1, 2019	**282,607,800**	**848**	**2,378**	**(321)**	**3,385**	**6,290**	**115**	**6,405**
Capital increase	(12,340,287)	(37)	(453)	-	491	1	0	1
Dividends paid	-	-	-	-	(283)	(283)	(4)	(286)
Share-based payments		-	-	-	12	12	-	12
Perpetual subordinated bonds		-	-	-	59	59	-	59
Effects of scope changes		-	-	-	(7)	(7)	4	(3)
Other movements		-	-	2	(2)	(0)	(0)	(0)
Transactions with shareholders	(12,340,287)	**(37)**	**(453)**	**2**	**269**	**(219)**	**0**	**(219)**
Net profit of the period		-	-	-	141	141	11	152
Other comprehensive income		-	-	41	(4)	37	(5)	32
Total comprehensive income		**-**	**-**	**41**	**137**	**177**	**6**	**184**
Balance at June 30, 2019 (*)	**270,267,513**	**811**	**1,924**	**(278)**	**3,791**	**6,248**	**122**	**6,370**

(€ 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, 2019	**270,932,350**	**813**	**1,943**	**(163)**	**4,237**	**6,830**	**148**	**6,978**
Capital increase	(10,080,841)	(30)	(268)	-	(2)	(301)	0	(301)
Dividends paid	-	-	-	-	(0)	(0)	(0)	(0)
Share-based payments	-	-	-	-	13	13	-	13
Perpetual subordinated bonds	-	-	-	-	(160)	(160)	-	(160)
Effects of scope changes	-	-	-	-	(22)	(22)	(64)	(86)
Transactions with shareholders	(10,080,841)	**(30)**	**(268)**	**-**	**(171)**	**(470)**	**(64)**	**(534)**
Net profit of the period		-	-	-	(1,512)	(1,512)	(2)	(1,514)
Other comprehensive income		-	-	(102)	(40)	(143)	(1)	(143)
Total comprehensive income		**-**	**-**	**(102)**	**(1,553)**	**(1,655)**	**(2)**	**(1,657)**
Balance at June 30, 2020	**260,851,509**	**783**	**1,675**	**(265)**	**2,513**	**4,705**	**81**	**4,787**

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

Notes to the condensed consolidated financial statements

Note 1. Basis of preparation

The interim condensed consolidated financial statements of Accor Group for the six months ended June 30, 2020 were examined by the Board of Directors on August 4, 2020.

1.1. Accounting framework

The interim condensed consolidated financial statements have been prepared in accordance with IAS 34 *Interim financial reporting*. Accordingly, the interim financial report does not include all the information and disclosures required in an annual report and should be read in conjunction with the Group's annual report for the year ended December 31, 2019.

The accounting policies applied are consistent with those of the previous financial year, except for the adoption of new and amended standards effective at January 1, 2020, as set out below. The specific measurement principles applied in the interim reporting period are described in Note 4.3 for employee benefits and Note 10 for income tax.

1.2 Evolution of accounting framework

1.2.1 New standards and amendments adopted by the Group

The adoption of following amendments, which are mandatorily effective from January 1, 2020, had no impact on the interim condensed consolidated financial statements of the Group:

- Amendment to IFRS 3 *Definition of a Business*, which provides a new guidance to determine whether an acquisition shall be accounted for as a business combination or as an asset(s) acquisition. It clarifies that, to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.
- Amendments to IAS 1 and IAS 8 *Definition of Material*, which refine the definition of material for the purpose of preparing financial statements. They clarify that the omission or a misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users of the financial statements.
- Amendments to References to the Conceptual Framework in the IFRS standards, pursuant to the release by the IASB of its revised Conceptual Framework, which introduces some new concepts and provides updated definitions and recognition criteria for assets and liabilities.

1.2.2 Future standards, amendments and interpretations

The Group has not early adopted any other standard, amendment or interpretation applicable to financial years starting after June 30, 2020, regardless of whether they were adopted by the European Union.

Besides, on May 28, 2020 the IASB issued an amendment to IFRS 16 *Leases Covid-19 Related Rent Concessions*, providing lessees with an optional practical exemption to account for rent concessions granted by lessors as a result of the Covid-19 pandemic, such as deferral of lease payments and payment holidays. Lessees are exempted from assessing whether a rent concession is a lease modification, allowing in many cases an accounting as variable lease payments in the income statement. At the date on which the interim condensed consolidated financial statements were issued, this amendment, effective from June 1st, 2020 with retrospective application, has not been adopted by the European Union. The Group does not expect the potential application of this amendment to result in a significant impact on its consolidated financial statements. This analysis will be refined in the coming months considering the evolution of the Covid-19 crisis.

1.3 Estimates and judgments

The preparation of the interim condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at closing date, income and expenses of the period and accompanying disclosures. Management also needs to exercise judgement in applying the Group's accounting policies. Ultimate results may differ from these estimates, due changes in facts and circumstances.

The estimates and assumptions used are reviewed on an on-going basis, based on historical experience and all other factors considered to be decisive given the environment and circumstances.

The uncertainty created by the Covid-19 health crisis has made the use of estimates more critical for the preparation of the interim condensed consolidated financial statements for the period ended on June 30, 2020. In this context, the main areas that involved significant estimates and a higher degree of judgement are:

- The measurement of the recoverable amounts of goodwill and other non-current assets,
- The measurement of the recoverable value of equity accounted investments,
- The assessment of available future taxable profits over which deferred tax assets can be utilized,
- The measurement of the fair value of financial assets,
- The measurement of variable considerations from contracts with hotel owners.

Note 2. Significant events in the current period

2.1 Impacts of the Covid-19 health crisis

The spread of the Covid-19 pandemic across the world and related containment measures initiated by the governments (including travel bans, border closings and stay-at-home directives) sharply affected the travel and hospitality industries over the first half of 2020. The Group's operations were heavily impacted with c. 60% of Accor branded hotels closed in April and May. The month of June showed signs of slight business improvement, especially in China, while some hotels started to re-open across the world, mainly in Asia and in Europe. At June 30, 2020 the portion of closed hotels represented 32% of the Group's network.

Over the first semester 2020, consolidated revenue amounted to €917 million, down by 52.4% compared to reported revenue of €1,926 million over the same period 2019 (see Note 4.1). The Group expects a severe impact on its full year financial performance.

Going concern basis and cash management

In this unprecedented situation, Accor implemented mitigation measures to adapt its variable costs to the sharp drop in business and preserve its liquidity position, including furloughing and partial unemployment measures, decrease in some variable components of employee compensation, reduction in sales and marketing expenses and recurring investments. The Group benefited from government supports in relation to furloughing, partial employment and job retainer measures in some countries (mainly in Australia, Canada and France), which are presented as a reduction in staff costs in the income statement of the period, in accordance with IAS 20 *Government grants*. An extension of the payment term for social charges was also obtained in France for €26 million at June 30, 2020.

Besides, on March 24, 2020 the Group decided to suspend its share buy-back programs, after completion of the program launched in January 2020 for an amount of €300 million. On April 2, 2020 the Board of Directors announced its decision to withdraw the proposal for the 2019 dividend payment of €280 million.

Accor has a strong financial position, with net cash and cash equivalent totaling €2,446 million at June 30, 2020. In addition, the Group has undrawn credit facilities of €1,760 million, following the negotiation of an additional credit facility of €560 million with a bank consortium in May (see Note 9). This new credit facility is covenant free and the Group has obtained a covenant holiday for the already existing facility €1,200 million until June 2021.

Therefore, at the date on which the interim condensed consolidated financial statements were issued, the going-concern basis, for at least the next 12 months, was not questioned.

Impairment test of non-financial assets

The Covid-19 crisis adversely affected all the regions in which Accor is operating, with particularly material impacts. Therefore, the Group determined that indicators of impairment existed at June 30, 2020 and conducted impairment tests to assess the recoverability of its goodwill, intangible assets, PP&E and equity investments.

On this basis, the Group recognized impairment losses of €708 million, presented in the line "Other income and expenses" in the consolidated income statement, on following non-financial assets:

- Brands (€278 million),
- Management contracts (€173 million)
- Goodwill (€155 million, of which €87 million on the room distribution and management of hotel common areas activity operated in Australia, €21 million on a hotel property in Egypt and €47 million on the Hotel booking services activity), and
- Equity accounted investments (€91 million).

Details on the impairment tests conducted are presented in Note 7.4.

Credit losses on financial assets

The Group considered the impacts of the Covid-19 pandemic in assessing the expected credit losses on its financial assets measured at amortized cost, mainly on trade receivables and loans. This resulted in the recognition of a bad debt expense of €49 million, presented in operating expenses, and an impairment loss of €260 million on the loan granted to the equity investment sbe, presented in other income and expenses (see Note 9.4).

Deferred tax assets

The Group assessed the recoverability of its deferred tax assets in light of the current situation, based on revised future taxable profit projections covering a 5-year period, consistently with the business assumptions retained in the Group's business plan. On this basis, a €90 million write-off was recognized over the period, of which €63 million in relation to the tax loss carryforwards in the US and €27 million in relation to Germany (see Note 10).

Non-current expenses

On April 2, 2020, Accor announced its decision to contribute to global solidarity initiatives to address the current health crisis with the launch of the « All Heartist » initiative. The purpose is to assist the employees of the Group's network by paying for their Covid-19 related medical expenses and, on a case-by-case basis, furloughed employees and individual partners in great financial distress. The Group allocated a maximum envelope of €70 million, corresponding to 25% of the planned withdrawn dividend for the year 2019. Over the first semester 2020, the expense incurred in that respect amounted to €6 million, and is presented in other income and expenses in the income statement (see Note 6). The Group considers that this initiative, which is driven by an extraordinary situation, is not related to its current operating performance.

2.2. Other significant events

Other significant events that occurred during the period are:

- The disposal of Orbis and Mövenpick's hotel assets on March 2020 (see Note 3.1.2)
- The acquisition of Mama Shelter through the purchase of an additional 20.1% stake in March 2020 (see Note 3.1.1)
- The completion of the share buy-back program initiated in January 2020 for €300 million in March 2020 (see Note 11.1.4)
- The repayment of the €127 million remaining balance of the €900 million perpetual subordinated bonds issued in June 2014 (see Note 11.1.5)

Note 3. Group Structure

3.1 Changes in the scope of consolidation

3.1.1 Acquisitions for the period

On March 10, 2020, Accor acquired an additional stake of 20.1% in Mama Shelter for €16 million. This transaction increases its ownership to 70% of the share capital and voting rights, enabling the Group to take control over the company. The provisional goodwill amounts to €14 million, and is computed as the difference between:

- The aggregate of the price paid for the additional 20.1% stake, the previously held interest of 49.9% remeasured at fair value at acquisition date and non-controlling interests measured at their share in the net assets acquired,
- And the net assets acquired amounting to €58 million.

The purchase price allocation will be completed within the 12-month measurement period following acquisition date.

Besides, the Group benefits from a call option to acquire the 30% remaining shares in 2021-2022.

Mama Shelter's contribution to the Group's consolidated revenue and net profit was not material, neither from the period from March 10 to June 30, 2020, nor on a proforma basis if the acquisition had occurred on January 1, 2020.

The transaction resulted in a cash outflow of €11 million (net of the cash acquired) in the consolidated statement of cash flows for the period.

3.1.2 Disposals over the period

Disposal of Orbis' Hotel Assets business

On March 11, 2020 Accor completed the disposal of its 85.8% stake in the share capital of its subsidiary Orbis to AccorInvest. Following the acquisition by Accor of Orbis' hotels management and franchise business on October 31st, 2019, this transaction allows the Group to pursue the transformation of its business model to "Asset-light". Orbis' portfolio comprises 73 owned and leased hotel assets.

On December 16, 2019, the Group entered into a binding agreement to sell its stake in Orbis to AccorInvest at a price of PLN115 per share, corresponding to proceeds for Accor of PLN4.55 billion, by way of a public tender offer. On December 17, 2019 AccorInvest filed its tender offer to the Polish Financial Supervision Authority for all of the shares in Orbis' share capital.

On February 19, 2020 the antitrust clearance from the European Commission was obtained. On February 24, 2020 Accor irrevocably tendered its 85.8% stake in Orbis to the public tender offer, whose subscription period ended on March 5, 2020. The settlement and delivery of shares occurred on March 11, 2020.

At this date, the assets and liabilities of Orbis, which were classified as held for sale in the Group's consolidated financial statements from June 30, 2019 in accordance with IFRS 5 *Non-current assets held for sale and Discontinued operations*, were derecognized. Orbis' net result until completion date is reported separately under "Profit from discontinued operations".

The transaction being a sale of a subsidiary to an associate ("downstream" transaction under IAS 28 *Investments in associates and Joint Ventures*), which resulted in loss of exclusive control, the Group applied the principles of IFRS 10 *Consolidated financial statements*, which require to recognize a full gain on disposal.

The pre-tax capital gain on disposal amounts to €280 million, and is computed as the difference between:

- On one hand, the sale proceeds for the 85.8% stake of €1,051 million, adjusted by the changes in fair value of hedging instruments subscribed to hedge the risk of unfavourable change in Euro/PLN exchange rate on the selling price (representing a €8 million gain) and the recycling in the income statement of the Group's share in cumulative exchange losses previously recognized in other comprehensive income for €(43) million, and increased by the €79 million carrying amount of non-controlling interests,
- And, on the other hand, the carrying amount of Orbis' net assets, as recognized in the Group's financial statements on completion date for €815 million.

In the Group's condensed consolidated financial statements, the €260 million profit from discontinued operations comprises the capital gain on disposal net of tax and other direct related costs (€257 million) and Orbis' net profit until completion date (€3 million).

The transaction resulted in a cash inflow of €1,060 million in the consolidated statement of cash flows for the period.

Orbis' contribution to the consolidated net profit and cash flows over the period is detailed below.

Income statement

(€ in million)	1st semester 2019	1st semester 2020(*)
Revenue	**159**	**49**
Operating expenses	(115)	(45)
EBITDA	**44**	**4**
Depreciation, amortization and provision expense	(27)	0
EBIT	**17**	**4**
Other income and expenses	11	(2)
Net financial expense	(5)	(1)
Income tax	(5)	1
Net Profit	**19**	**3**

Cash flows

(€ in million)	1st semester 2019	1st semester 2020(*)
Net cash flows from operating activities	24	(13)
Net cash flows from investing activities	(2)	(7)
Net cash flows from financing activities	(7)	1
Effect of changes in exchange rates	2	(30)
Net cash flows	**17**	**(49)**

(*) Amounts corresponding the activity until the date of disposal

Disposal of Mövenpick leased hotels

On March 2, 2020 Accor completed the disposal of 70% of the share capital and voting rights of Hospitality Swiss PropCo AG, its subsidiary which holds the portfolio of Mövenpick's leased hotels, to the German private fund HR Group. The transaction was previously approved by the German merger control competition authority on February 11, 2020. Accor retains a 30% residual interest in the entity and becomes the manager of the hotels, which continue to be operated under the Mövenpick brand, through the implementation of management agreements.

In accordance with the principles of IFRS 10 *Consolidated Financial statements*, this transaction leads to a loss of control of Hospitality Swiss PropCo AG, insofar as the rights held by Accor (voting rights retained combined with contractual rights resulting from the management agreements) will not give it the power to unilaterally direct its relevant activities, i.e. hotels operation and strategic management of hotel portfolio.

Accordingly, the assets and liabilities of the entity, which were classified as assets held for sale in the consolidated financial statements at December 31, 2019 in accordance with IFRS 5 *Non-current assets held for sale and Discontinued Operations*, were derecognized on completion date. The retained residual interest held by Accor 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 €7 million and is reported in other income and expenses in the consolidated income statement of the period (see Note 6).

The transaction resulted in a cash inflow of €10 million (net of the cash sold) in the consolidated statement of cash flows for the period.

3.2 Assets held for sale and discontinued operations

At June 30, 2020, assets and liabilities held for sale were as follows:

	Dec. 2019		June 2020	
(€ in million)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Orbis	1,222	357	-	-
Mövenpick	470	459	-	-
John Paul	68	27	47	21
SCI Sequana	-	-	384	310
Others	1	3	1	-
Total	**1,762**	**845**	**432**	**331**

As aforementioned, the assets and liabilities related to Orbis and Mövenpick's Hotel Assets business have been disposed of over the period (see Note 3.1 for more details).

At June 30, 2020 John Paul's assets and liabilities have been maintained as assets held for sale. The discussions initiated with potential investors at year-end 2019 were pursued over the period. The Group considers that the conclusion of a partnership with a view to dispose of its control remains highly probable. In accordance with the principles of IFRS 5 *Non-current assets held for sale and Discontinued operations*, the carrying value of the disposal group has been reduced to its fair value less costs to sell, leading to the recognition of a €16 million impairment loss included in the line "Other income and expenses" in the consolidated income statement. This loss has been allocated to the goodwill for €13 million and to the brand for €3 million.

Besides, Accor initiated negotiations with a view to sale-and-lease back its head office in Issy-Les-Moulineaux. In June 2020, discussions have been engaged with potential investors in order to sell the shares of the SCI Sequana entity, which holds the building and the related financial debt. At June 30, 2020, the assets and liabilities of the company were classified as assets held for sale, in accordance with IFRS 5 *Non-current assets held for sale and Discontinued operations*, as completion of the transaction is considered as highly probable. This reclassification is based on the assumption that the contemplated transaction will result in a loss of control of the asset. At June 30, 2020, the comparison of the carrying value of the disposal group with its fair value less costs to sell did not reveal any impairment.

Note 4. Operating items

4.1 Segment reporting

The Group is organized around three strategic businesses.

HotelServices

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

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

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

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

Hotel assets & others

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

New Businesses

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

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

4.1.1 Reporting by strategic business

(€ in million)	1st semester 2019	1st semester 2020	Variation (%) Actual	Variation (%) L/L (1)
HotelServices	1,366	650	(52.4)%	(52.8)%
• of which Management & Franchise	486	139	(71.4)%	(72.0)%
• of which Services to owners	879	511	(41.9)%	(42.1)%
Hotel Assets & others	519	237	(54.4)%	(40.2)%
New Businesses	77	46	(40.3)%	(40.5)%
Corporate & Intercos	(36)	(16)	n.a.	n.a.
Revenue	**1,926**	**917**	**(52.4)%**	**(48.8)%**
HotelServices	344	(141)	(140.9)%	(140.0)%
• of which Management & Franchise	353	0	(100.0)%	(100.7)%
• of which Services to owners	(9)	(141)	n.a.	n.a.
Hotel Assets & others	97	(10)	(110.5)%	(87.9)%
New Businesses	(1)	(16)	n.a.	n.a.
Corporate & Intercos	(65)	(60)	n.a.	n.a.
EBITDA	**375**	**(227)**	**(160.5)%**	**(153.7)%**

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

The line « Corporate & Intercos » includes the elimination of the flows realized with Orbis prior to its disposal in March 2020, consistently with consolidation principles.

Revenue realized in France amounted to €93 million in the first half of 2020.

The revenue recognized with the equity-accounted investment AccorInvest represents 8% of the Group's consolidated revenue over the first semester 2020.

4.1.2 Detailed information for Management & Franchise

A. Management & Franchise revenue

(€ in million)	1st semester 2019	1st semester 2020	Variation (%) Actual	L/L (1)
Europe	245	62	(74.5)%	(74.9)%
Middle East & Africa	52	17	(67.8)%	(72.5)%
Asia Pacific	100	29	(71.0)%	(70.8)%
North America, Central America & Caribbean	65	23	(65.5)%	(66.0)%
South America	24	8	(65.0)%	(62.1)%
Total	**486**	**139**	**(71.4)%**	**(72.0)%**

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

B. Management & Franchise EBITDA

(€ in million)	1st semester 2019	1st semester 2020	Variation (%) Actual	L/L (1)
Europe	191	(2)	(100.9)%	(100.4)%
Middle East & Africa	38	(1)	(102.8)%	(106.9)%
Asia Pacific	67	(1)	(101.7)%	(101.9)%
North America, Central America & Caribbean	46	5	(88.4)%	(88.7)%
South America	11	(1)	(112.9)%	(126.8)%
Total	**353**	**0**	**(100.0)%**	**(100.7)%**

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

4.2 Operating expenses

(€ in million)	1st semester 2019	1st semester 2020
Cost of goods sold	(48)	(29)
Employee benefits expenses	(939)	(663)
Property Rents	(29)	(9)
Energy, maintenance and repairs	(34)	(22)
Taxes, insurance and co-owned properties charges	(31)	(24)
Other operating expenses	(470)	(396)
Total	**(1,551)**	**(1,143)**

The reduction in staff costs over the period is explained, on one hand, by the decrease in costs incurred on behalf of owners as part of hotel management (and recharged to them) due to hotels closures and, on the other hand, by the effect of the mitigation measures implemented by the Group to face the Covid-19 crisis (see Note 2.1) and of government supports obtained in relation to furloughing, partial employment and job retainer measures mainly in Australia, Canada and France.

Property rents expense corresponds to the variable part of hotel properties operated under lease contracts. Other operating expenses consist mainly of marketing, advertising, promotional, selling and information systems costs.

Operating expenses includes the effect of the elimination of intragroup flows with Orbis (classified as discontinued operation) over 2019 and 2020 until its disposal.

4.3 Employee benefit expenses

4.3.1 Pensions and other benefits

Accounting policy

The post-employment and other long-term employee benefits obligation is calculated by projecting the December 31, 2019 obligation over a six-month period, taking into account any benefits paid and any changes to plan assets. At June 30, the actuarial assumptions used in the calculation of the employee benefit obligations are updated in the event of significant change over the period.

At June 30, 2020 the update of discount rates had no material impact on the Group's obligations (€2 million decrease).

4.3.2 Share-based payments

Over the first semester 2020, employee benefits expenses include €13 million related to share-base payments.

On May 28, 2020, the Group granted 1,796,551 performance shares to its employees, subject to a three-year vesting period. At this date, the fair value of the performance share was €21.89, corresponding to the share price of €25.87 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 performance conditions are fulfilled over the years 2020 to 2023:

- Internal conditions (70% weighting): For 2020, level of achievement of the cost savings compared to the revised budget and, for 2021 and 2022, EBITDA margin compared to the budget and level of free cash flows, excluding disposal proceeds and external growth, including changes in operating working capital compared to the budget,

- External condition (30% weighting): change in Accor's Total Shareholder Return (TSR) compared with that of other international hospitality groups. The estimated probability of this performance condition being fulfilled was taken into account to determine the fair value of the performance shares at grant date.

The total fair value of this plan amounts to €39 million and is recognized on a straight-line basis over the vesting period under employee benefits expenses, with a corresponding adjustment to equity. The expense recognized in relation to this plan over the first semester 2020 amounted to €1 million.

Besides, the decision of the Board of Directors held on May 14, 2020 modified over the period the internal conditions attached to the plans granted on May 31 and October 25, 2019. In order to assess the operating performance for the year 2020, the criteria related to the EBITDA margin rate and the level of free cash flows, excluding disposals proceeds and external growth, and including operating working capital compared to the budget have been replaced by a condition related to the level of achievement of cost savings compared to the revised budget.

For the plans granted on June 26 and October 17, 2018 the approach for assessing the operating performance for the year 2020 has been modified. Accordingly, the achievement of the conditions related to EBIT margin and the level of free cash flows, excluding disposals proceeds and external growth, and including operating working capital will be assessed compared to the revised budget (and no longer to the budget).

The Group considered these modifications in the estimate of the probable number of shares that are expected to be vested.

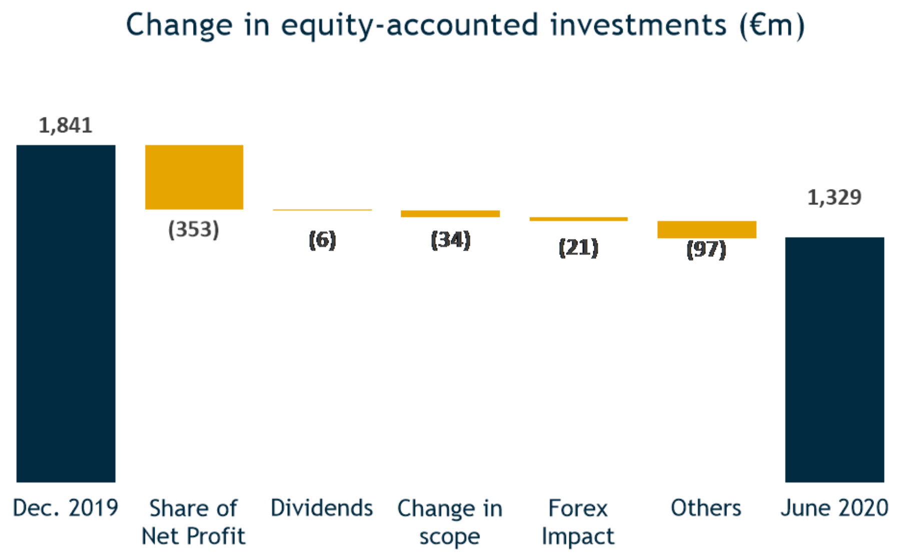
Note 5. Equity accounted investments

5.1 Share in net results of equity accounted investments

The main contributions of equity accounted investments are analyzed as follows:

(€ in million)	**1st semester 2019**	**1st semester 2020**
AccorInvest	0	(216)
Huazhu Group Ltd	(3)	(27)
Others	2	(32)
Associates	**(0)**	**(275)**
sbe	(17)	(66)
Others	4	(13)
Joint ventures	**(13)**	**(78)**
Share in net results of equity-accounted investments	**(14)**	**(353)**

5.2 Carrying value of equity investments



At June 30, 2020, changes in scope mainly correspond the reclassification of Mama Shelter investment following the takeover of the company in March 2020 (see Note 3.1). The dividend payments primarily concern Huazhu Group Ltd for €5 million.

Besides, as indicated in Note 2.1, indicators of impairment were identified on the Group’s investments in the context of Covid-19 health crisis. Impairment tests carried out led to the recognition of impairment losses of €91 million, of which €44 million on Interglobe Hotels Privated Limited, a company operating ibis hotels in India. Impairment losses are presented as other income and expenses in the consolidated income statement (see Note 6).

Note 6. Other income and expenses

(€ in million)	1st semester 2019	1st semester 2020
Impairment losses	(2)	(984)
Restructuring expenses	(7)	(5)
Gains and losses on management of hotel properties	(0)	7
Other non-recurring income and expenses	3	(18)
Other income and expenses	**(6)**	**(1,000)**

Over the first semester 2020, other income and expenses mainly include:

- Impairment losses for €(984) million recognized on the following assets :
    - €(633) million on tangible and intangible assets, of which €(617) million as part of the impairment tests conducted on non-financial assets (see Note 7.4) and €(16) million on John Paul's assets held for sale, for which the carrying value has been reduced to its fair value less costs to sell at June 30, 2020 (see Note 3.2);
    - €(260) million on the loan granted to sbe equity investment (see Note 9.4);
    - €(91) million on equity accounted investments (see Note 5.2);
- A €7 million gain recognized on the disposal of Mövenpick leased hotels (see Note 3.1.2);
- Other income and expenses for €(18) million, of which €(8) million for deal and integration costs and €(6) million related to the « All Heartist » initiative as part of the Covid-19 support (see Note 2.1).

Note 7. Intangible and tangible assets

7.1 Goodwill

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

(€ in million)	Dec. 2019	Changes in scope	Impairment losses	Translation adjustment & others	June 2020
Europe	362	14	-	(7)	369
Middle East & Africa	337	-	-	(9)	328
Asia Pacific	510	-	-	(8)	501
North/Central America & Caribbean	288	-	-	(5)	283
South America	68	-	-	(1)	67
HotelServices	**1,565**	**14**	**-**	**(31)**	**1,549**
HotelAssets & others	**513**	**-**	**-**	**(11)**	**502**
New Businesses	**265**	**0**	**-**	**0**	**265**
Gross value	**2,343**	**14**	**-**	**(42)**	**2,316**
Impairment losses	**(348)**	**-**	**(155)**	**1**	**(502)**
Net book value	**1,995**	**14**	**(155)**	**(40)**	**1,814**

Over the first semester 2020, the Group recognized a provisional goodwill of €14 million following the acquisition of Mama Shelter (see Note 3.1), which was allocated to HotelServices Europe.

Besides, impairment losses were recognized for €155 million (see Note 7.4) in relation to:

- HotelAssets & others: mainly the room distribution and management of hotel common areas activity in Australia (€87 million) and a hotel asset in Egypt (€19 million),
- New Businesses: the hotel booking services activity (€47 million).

7.2 Intangible assets

Changes in the carrying amount of intangible assets in the first half of 2020 were as follows:

(€ in million)	Dec. 2019	Increase	Disposals	Translation adjustment & others	June 2020
Trademarks	1,867	27	-	(26)	1,868
Management contracts	1,176	3	(3)	(4)	1,173
Other intangible assets	549	9	(0)	(3)	555
Gross value	**3,592**	**40**	**(3)**	**(32)**	**3,596**
Accumulated amortization	(484)	(58)	1	5	(536)
Accumulated impairment	(59)	(451)	0	1	(509)
Net book value	**3,049**	**(469)**	**(3)**	**(26)**	**2,551**

The impairment losses recognized over the period relate to trademarks for €278 million and hotel management contracts for €173 million (see Note 7.4).

7.3 Tangible assets and right-of-use assets

Changes in the carrying amount of tangible assets and right-of-use assets over the period were as follows:

(€ in million)	Dec. 2019	Increase	Decrease	Translation adjustment & others	Reclass. IFRS 5	June 2019
Gross value	1,012	168	(1)	(20)	(387)	772
Accumulated amortization and impairment	(380)	(69)	1	11	22	(415)
Tangible assets net book value	**632**	**98**	**(0)**	**(8)**	**(365)**	**357**
Gross value	644	63	(11)	(27)	-	670
Accumulated amortization and impairment	(113)	(48)	3	1	-	(157)
Right-of-use assets net book value	**531**	**16**	**(8)**	**(26)**	**-**	**513**

The decrease in the carrying amount of tangible assets is mainly explained by the reclassification of SCI Sequana as assets held for sale at June 30, 2020 (see Note 3.2).

7.4 Impairment tests

In accordance with IAS 36 *Impairment of Assets*, Accor is required to assess, at each closing date, whether there is an indication that an asset may be impaired and, if so, estimate the recoverable amount of this asset. As indicated in Note 2, the Covid-19 health crisis has led to a sudden deterioration in the travel and hospitality industries. Given the impacts on its business, the Group has determined that indicators of impairment existed in all its businesses and markets. Accordingly, it conducted specific impairment tests at June 30, 2020 on its non-current assets:

- HotelServices: brands, hotels management agreements, contract assets as well as groups of CGUs and associated goodwill by region,
- Hotel Assets & Others: individual hotel assets as well as the room distribution and management of hotel common areas and timeshare activities,
- New Businesses: digital services and hotel booking services activities.

7.4.1 Impairment losses

At June 30, 2020, the impairment tests conducted by the Group led to recognize impairment losses of €708 million, presented as other income and expenses in the interim condensed consolidated income statement (see Note 6) in relation to following assets:

- HotelServices brands for €278 million, notably Fairmont, Raffles and Swissôtel (€264 million),
- HotelServices management contracts for €173 million,
- The room distribution and management of hotel common areas activity in Australia (€87 million fully allocated to goodwill),
- Hotel properties for €32 million, of which €21 million is allocated to goodwill and €11 million to tangible assets,
- The hotel booking services activity (€47 million allocated to goodwill),
- And equity accounted investments for €91 million, including €44 million on the company Interglobe Hotels Private Limited, which operates ibis hotels in India.

As a result, impairment losses on goodwill amounted to €155 million, of which €108 million for the segment Hotel Assets & Others and €47 million for New Businesses.

7.4.2 Methodology for impairment tests

The impairment tests were carried out based on revised discounted future cash flows that reflect the Group's current best estimate, at closing date, of the expected impacts of the health crisis and the economic conditions for recovery. The Group prepared a 5-year business plan, based on a central scenario assuming a return to cash flows equivalent to those of 2019 in 2023, consistently with available external data.

The revenue forecasts were based, on one hand, on the 2020 revised budget prepared by the Group's entities, in line with "RevPar" trends by geography (average revenue per available room) and specific local conditions, and, on the other hand, on assumptions by geography retained by the Group for the 2021-2024 period, consistently with macroeconomic trends from market studies prepared by independent firms.

The terminal value was calculated by extrapolating future flows beyond 5 years based on normative inflation rates by region (perpetuity growth rate) impacted, over a limited period, by development assumptions.

The discount rate retained corresponds to the Group's weighted average cost of capital at June 30, 2020 based on available market data at that date and considering the specific risks of the regions. This update led to an increase in the industry beta retained (5-year average based on a sample of comparable companies), reflecting an increased volatility in the hospitality industry on the markets. For New Businesses, the weighted average cost of capital is calculated using a specific industry beta.

The main key assumptions used are detailed below:

	Perpetual growth rate		Discount rate	
	Dec. 2019	June 2020	Dec. 2019	June 2020
HotelServices Europe	+1.5%	+0.9%	+6.9%	+7.9%
HotelServices Middle East and Africa	+3.0%	+2.0%	+9.7%	+10.7%
HotelServices Asia Pacific	+2.0%	+2.5%	+7.8%	+9.2%
HotelServices North America, Central America & Caribbean	+3.0%	+1.9%	+7.7%	+9.0%
HotelServices South America	+4.0%	+3.6%	+12.6%	+13.9%
New Businesses Digital services	+2.0%	+2.5%	+8.0%	+10.1%
New Businesses Hotel booking services	+2.0%	+5.0%	+12.0%	+10.6%

7.4.3 Sensitivity of recoverable values

The Group carried out sensitivity analyses, notably regarding the central recovery assumption retained. Thus, at June 30, 2020:

- Assuming a slower recovery from 2022 resulting in a return to cash flows equivalent to those of 2019 in 2024 (instead of 2023), the Group would have recognized at June 30, 2020 an additional impairment loss of c. €106 million, of which:
  - €85 million related to HotelServices (€37 million on goodwill, €38 million on brands and €10 million on management contracts),
  - €21 million related to Hotel Assets & others on the room distribution and management of hotel common areas activity and on hotel assets in Australia.
- Conversely, assuming a return to cash flows equivalent to those of 2019 in 2022, the amount of impairment losses recognized would have been reduced by €45 million, of which €27 million on brands, €5 million on management contracts and €13 million on the room distribution and management of hotel common areas activity and hotel assets in Australia.

Besides, in order for recoverable values to become equal to the carrying amounts, the main financial assumptions used at June 30, 2020 should be modified as follows (in number of basis points):

	June 2020	
	Discount rate	Growth rate
HotelServices Europe	+3,962	n/a
HotelServices Middle East and Africa	+52	-166
HotelServices Asia Pacific	+1,140	n/a
HotelServices North America, Central America & Caribbean	+18	-46
HotelServices South America	+635	n/a

Note 8. Provisions

Changes in provisions over the first half of 2020 can be analyzed as follows:

(€ in million)	Dec. 2019	Compre-hensive income	Increases	Reversal: Used provisions	Reversal: Unused provisions	Translation adjustment and others	June 2020
Pensions and other benefits	75	(2)	4	(1)	(0)	(2)	74
Litigation	294	-	7	(2)	(6)	(2)	291
Restructuring	36	-	0	(4)	(4)	2	32
Total	**405**	**(2)**	**11**	**(7)**	**(10)**	**(1)**	**397**
• Including non-current	89	(2)	4	(1)	(0)	(2)	88
• Including current	316	-	8	(6)	(10)	1	309

At June 30, 2020, provisions amounted to €397 million and mainly comprised a €209 million provision covering risks associated with guarantees provided as part of AccorInvest disposal (unchanged amount compared to December 2019).

Note 9. Financing and financial instruments

9.1 Net financial result

The net financial expense is analyzed as follows:

(€ in million)	**1st semester 2019**	**1st semester 2020**
Bonds interests	(31)	(29)
Other interests income and expenses	9	12
Interests on lease debt	(8)	(7)
Cost of net debt	(30)	(24)
Other financial income and expenses	(7)	(28)
Net financial expense	**(38)**	**(52)**

Other financial income and expenses of €(28) million mainly comprise:

- Exchange losses for €(13) million,
- Changes in fair value of derivatives instruments for €(11) million,
- And changes in fair value of financial assets for €(5) million, of which €(7) million related to non-current financial assets (see Note 9.4) and €2 million related to current financial assets (mutual funds units).

9.2 Financial instruments

9.2.1 Details of financial assets and liabilities

(€ in million)	At amortized cost	Fair value through equity	Fair value through P&L	June 2020	Dec. 2019
	Breakdown by category of instruments				
Loans	36	-	-	36	240
Deposits	28	-	-	28	35
Non-consolidated investments	-	64	-	64	76
Others non current financial assets	-	-	49	49	32
Trade receivables	523	-	-	523	649
Cash and cash equivalents	1,860	-	605	2,465	2,279
Others current financial assets	25	-	-	25	54
Derivatives	-	-	8	8	8
Financial assets	**2,471**	**64**	**662**	**3,197**	**3,373**
Bonds	2,423	-	-	2,423	2,416
Negociable commercial paper	400	-	-	400	200
Bank borrowings	15	-	-	15	290
Others financial liabilities	183	-	-	183	172
Trade payables	321	-	-	321	441
Derivatives	-	1	26	28	48
Financial liabilities	**3,341**	**1**	**26**	**3,369**	**3,566**

9.2.2 Fair value hierarchy

	June 2020		Dec. 2019		
(€ in million)	Carrying amount	Fair value	Carrying amount	Fair value	Level
Non-consolidated investments	64	64	76	76	3
Other non current financial assets	49	49	32	32	1
Mutual funds units	605	605	525	525	1
Derivatives - assets	8	8	8	8	2
Financial assets measured at fair value	**726**	**726**	**641**	**641**	
Derivatives - liabilities	28	28	48	48	2
Financial liabilities measured at fair value	**28**	**28**	**48**	**48**	

9.3 Group net financial debt

9.3.1 Breakdown of net financial debt

			Other changes					
(€ in million)	**Dec. 2019**	**Cash flows**	Scope effects	Translation adjustments	Fair value	Others	Reclass. IFRS 5	**June 2020**
Bonds	2,416	5	-	2	-	(0)	-	2,423
Negociable commercial paper	200	200	-	-	-	-	-	400
Bank borrowings	290	12	1	(2)	-	0	(287)	15
Other financial debts	172	17	0	(4)	-	(2)	1	183
Derivative assets	48	(13)	-	-	9	6	(21)	28
Gross financial debt	**3,126**	**220**	**1**	**(4)**	**9**	**3**	**(307)**	**3,049**
Lease liability	548	(47)	63	(9)	-	(17)	4	542
Total debt	**3,673**	**173**	**64**	**(13)**	**9**	**(14)**	**(302)**	**3,590**
• Including non-current	3,281	9	67	(8)	-	(628)	(275)	2,446
• Including current	393	164	(3)	(5)	9	613	(28)	1,144
Cash and cash equivalents	2,279	230	(12)	(19)	-	5	(19)	2,465
Other current financial assets	54	30	(0)	(2)	-	(57)	-	25
Derivative liabilities	8	(5)	-	-	-	6	-	8
Financial assets	**2,341**	**255**	**(12)**	**(21)**	**-**	**(46)**	**(19)**	**2,498**
Net debt/(cash)	**1,333**	**(83)**	**76**	**8**	**9**	**32**	**(283)**	**1,092**

At 30 June 2020, the financial debt of SCI Sequana and related derivative instruments have been reclassified as liabilities held for sale (see Note 3.2).

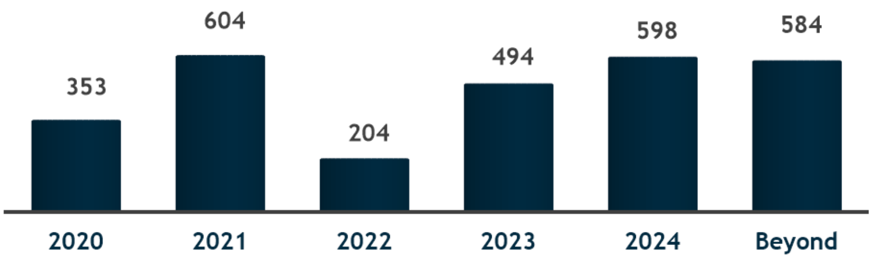
Accor has a short-term financing program in the form of commercial paper (NEU CP) capped at €500 million. At June 30, 2020 this program is drawn for €400 million against €200 million at December 31, 2019.

On May 18, 2020, the Group signed an agreement with a consortium of 5 banks for a new 560 million euros revolving credit facility. The new facility has a 12 months tenor with two six-months extension options and is covenant free. Moreover, the Group obtained a covenant holiday for the already existing €1,200 million facility until June 2021. Thus, at June 30, 2020, the Group has a total undrawn revolving credit facility of 1,760 million euros.

9.3.2 Analysis of gross financial debt

Bonds and bank borrowings by maturity

The maturity profile of bonds and banks borrowings is one of the indicators used to assess the Group's liquidity position. At June 30, 2020, maturities of long term and short-term debt were as follows:



Bonds and bank borrowings by currency

	Before hedging			After hedging		
(€ in million)	Amount	Interest rate	% of total debt	Amount	Interest rate	% of total debt
Euro	2,680	0%	94%	1,167	1%	41%
Australian dollar	-	0%	0%	571	2%	20%
US dollar	-	0%	0%	466	1%	16%
Swiss franc	141	2%	5%	319	1%	11%
Polish zloty	-	2%	0%	89	0%	3%
Pound sterling	-	0%	0%	76	1%	3%
Chinese yen	-	0%	0%	36	2%	1%
Japanese yen	-	0%	0%	36	1%	1%
UAE dirham	-	0%	0%	32	1%	1%
Simporian dollar	-	0%	0%	23	1%	1%
Others	16		1%	23		1%
Bonds and bank borrowings	**2,837**	**+0%**	**+100%**	**2,837**	**+1%**	**+100%**

9.4 Non-current financial assets

	Dec. 2019	June 2020		
(€ in million)	**Net book value**	Gross value	Impairment	Net book value
Long-term loans	240	212	(176)	36
Deposits	35	28	-	28
Financial assets at amortized cost	**275**	**239**	**(176)**	**64**
Investments in non-consolidated companies	76	64	n.a.	64
Other non current financial assets	32	49	n.a.	49
Financial assets at fair value	**109**	**113**	**n.a.**	**113**
Total	**383**	**352**	**n.a.**	**176**

Over the first semester 2020, the Group fully impaired the loan granted to the equity investment sbe for €260 million (of which €170 million classified in non-current financial assets and €90 million in current financial assets) given the high risks identified on its recoverability. This impairment loss is presented in other income and expenses in the Group's income statement (see Note 6).

Changes in fair value of non-consolidated investments, recognized in other comprehensive income for €(15) million, relate to Ascott Residence Trust (€10 million) and Banyan Tree (€5 million).

Other non-current assets are mainly composed of convertible bonds and units in investment funds. Changes in fair value, recorded in financial result, amounted to €(7) million over the period.

Note 10. Income tax

Accounting policy

Income tax expense is recognized based on applying, on one hand, the estimated annual average tax rate expected for the full financial year to profit before tax and non-recurring items of the period and, on the other hand, the current tax rate of each country to the non-recurring items of the period.

(€ in million)	1st semester 2019	1st semester 2020
Current tax	(42)	(2)
Deferred tax	(1)	(3)
Income tax	**(43)**	**(5)**

The deferred tax expense of €(3) million includes :

- A write-off of deferred tax assets for €(90) million mainly in the United States (€63 million in relation to tax loss carryforwards) and in Germany (€27 million),
- And a reversal of deferred tax liabilities on intangible assets for €98 million resulting from impairment losses recognized as part of impairment test of non-financial assets (see Note 7.4).

At June 30, 2020, deferred tax assets on tax loss carryforwards amount to €8 million.

As at June 30, 2020, the Group did not recognize any significant tax income in relation to losses incurred over the first semester.

Note 11. Equity

11.1. Share capital

11.1.1 Shareholders

At June 30, 2020, Jin Jiang is Accor's leading shareholder with 13.0% of the share capital corresponding to 17.0% of voting rights. Qatar Investment Authority (QIA) and Kingdom Holding Company (KHC), which became shareholders as part of FRHI Group acquisition in July 2016, respectively hold 11.3% and 6.3% of the Company's share capital, representing 17.4% and 9.5% of voting rights. Harris Associates holds 8.1% of the Company's share capital and 6.2% of voting rights. Finally, Huazhu Group Ltd holds 2.9% of the Company's share capital and 2.2% of voting rights.

11.1.2 Changes in share capital

Changes in the number of outstanding shares during the first semester 2020 are as follows:

In number of shares	2020
Number of issued shares at January 1st 2020	**270,932,350**
Shares issued on exercise of stock options	94,468
Shares cancelled	(10,175,309)
Number of issued shares at June 30, 2020	**260,851,509**

11.1.3 Dividends distribution

No dividend was paid over the period. As mentioned in Note 2.1, on April 2, 2020, the Board of Directors decided to withdraw its proposal for the 2019 dividend payment (€280 million) to complete management's measures implemented in response to Covid-19 crisis.

11.1.4 Treasury shares

As authorized by the Annual General meeting on April 30, 2019, the Group implemented a share buy-back program, through investment services providers, covering up to a maximum number of shares representing 10% of the share capital. The subscription period started on January 20, 2020 and ended on March 24, 2020.

Upon completion, the Group acquired 10,175,309 shares at an average price of €29.4831 per share. These shares were cancelled by way of a capital decrease completed on June 30, 2020.

11.1.5 Perpetual subordinated notes

On June 30, 2020, Accor reimbursed the €127 million remaining balance of the €900 million perpetual subordinated bond issued in June 2014, through the exercise of the first reimbursement option. As a reminder, it had been partially repurchased in February 2019 (€386 million) and November 2019 (€387 million).

Over the first 2020 semester, interest payments on perpetual subordinated notes amounted to €34 million. These payments are analyzed as a profit distribution.

11.1.6 Reserves

Items recognized directly in shareholders' equity Group share are as follows:

(€ in million)	**Dec. 2019**	Change	**June 2020**
Currency translation reserve	(163)	(102)	(265)
Changes in fair value of financial Instruments	(25)	(42)	(67)
• of which non-consolidated investments	*(11)*	*(15)*	*(26)*
• of which derivative instruments	*(15)*	*(27)*	*(41)*
Reserve for actuarial gains/losses	(114)	2	(112)
Share based payments	268	13	281
Retained earnings and others	4,108	(1,696)	2,412
Total Group share	**4,074**	**(1,826)**	**2,248**

11.2 Minority interests

At June 30, 2020, minority interests breakdown as follows:

€ in million	**Dec. 2019**	Variation	**June 2020**
Orbis	79	(79)	-
Rixos Hospitality	25	(3)	22
Orient-Express	17	(0)	17
Mama Shelter	-	14	14
Others minority interests	27	1	28
TOTAL	148	(67)	**81**

The change over the period is mainly explained by the derecognition of Orbis' minority interests for €79 million, as a result of the disposal of the subsidiary in March 2020, and the recognition of Mama Shelter's minority interests for €16 million following the takeover of the company in March 2020 (see Note 3.1.1).

Note 12. Unrecognized items and related parties

12.1 Off-balance sheet commitments

At June 30, 2020, commitments given by the Group amount to €237 million. They are mainly composed of commitments given in the normal course of the Group's hotel development and commitments on lease contracts not yet commenced. At this date, the Group did not receive any material commitment.

12.2 Litigations, contingent assets and liabilities

Regarding the litigation initiated in 2002 for which Accor SA contests its obligation to pay "précompte" dividend withholding tax on the redistribution of European source dividends, the Versailles Administrative Court of Appeal pronounced on July 7, 2020 the restitution to Accor group of the total "précompte" amount paid over 2002-2004 along with the payment of default interests. Tax administration shall appeal before the French supreme court in the two months following the court of appeal decision. On July 23, 2020, the Group received a reimbursement for €307 million.

No significant change occurred during the first half of 2020 regarding other litigations in which the Group is involved.

12.3 Subsequent Events

No other significant event occurred between the closing date and the date of issuance of the interim condensed consolidated financial statements.

12.4 Related parties

No new related party agreement was signed during the first half of 2020.

AccorInvest, which is recorded under the equity method in the interim condensed consolidated financial statements, is the main client of the Group. Revenue with AccorInvest recognized over the first semester 2020 is mentioned in Note 4.1.1. At June 30, 2020, receivables towards AccorInvest amounted to €119 million in the consolidated statement of financial position.

Besides, as mentioned in Note 3.1.2, on March 11, 2020 the Group's stake of 85.8% in Orbis was sold to AccorInvest by way of a public tender offer for €1,051 million. This transaction was concluded on an arm's length basis in the normal course of business operations.

Other transactions realized over the first semester 2020 are of a similar nature than the transactions with related parties realized over the year ended December 31, 2019.

Statutory Auditors' Review Report on the 2020 Interim Financial Information

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Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

Accor S.A.

Statutory auditors' review report on the half-yearly financial information

To the Shareholders,

In compliance with the assignment entrusted to us by your annual general meeting and in accordance with the requirements of article L. 451-1-2 III of the French monetary and financial code ("code monétaire et financier"), we hereby report to you on:

- the review of the accompanying condensed half-yearly consolidated financial statements of Accor S.A., for the period from January 1, 2020 to June 30, 2020,
- the verification of the information presented in the half-yearly management report.

These condensed half-yearly consolidated financial statements were prepared under the responsibility of the Board of Directors on August 4, 2020 on the basis of the information available at that date in the evolving context of the crisis related to Covid-19 and of difficulties in assessing its impact and future prospects. Our role is to express a conclusion on these financial statements based on our review.

1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 – standard of the IFRSs as adopted by the European Union applicable to interim financial information.

2. Specific verification

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review prepared on August 4, 2020.

We have no matters to report as to its fair presentation and consistency with the condensed half-yearly consolidated financial statements.

Neuilly-sur-Seine and Paris-La Défense, August 5, 2020

The Statutory Auditors
French original signed by:

PricewaterhouseCoopers Audit		ERNST & YOUNG et Autres	
Olivier Lotz	Cédric Haaser	Jean Christophe Goudard	François-Guillaume Postel

Statement by the Person Responsible for the Interim Financial Report

Statement by the person responsible for the 2020 interim financial report

I hereby declare that, having taken all reasonable care to ensure that such is the case, the information contained in this interim financial report is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.

I hereby declare that, to the best of my knowledge, the interim consolidated financial statements have been prepared in accordance with the applicable accounting principles and give a true and fair view of the assets, liabilities, financial position and results of the Company and all of the entities within the scope of consolidation taken as a whole and that the interim management report includes a fair review of the material events that occurred in the first six months of the financial year, their impact on the financial statements and the main related-party transactions, and a description of the principal risks and uncertainties for the remaining six months of the year.

Paris – August 4th, 2020

Sébastien Bazin
Chairman and Chief Executive Officer

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