CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

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

Consolidated income statement

(€ in million)	***Notes***	**2021**	**2022**
Revenue	*4*	**2,204**	**4,224**
Operating expense	*4*	(2,182)	(3,549)
Current EBITDA	*4*	**22**	**675**
Depreciation and amortization		(249)	(228)
Current EBIT		**(228)**	**447**
Share of net profit/(loss) of equity-investments	*6*	(273)	33
Current EBIT including share of net profit/(loss) of equity-investments		**(501)**	**480**
Other income and expenses	*7*	554	63
Operating profit		**53**	**543**
Net financial expense	*11*	(109)	(84)
Income tax	*12*	69	(76)
Profit from continuing operations		**13**	**384**
Profit from discontinued operations	*3*	77	43
Net profit of the year		**90**	**426**
• Group share		**85**	**402**
from continuing operations		8	359
from discontinued operations		77	43
• Minority interests		**6**	**25**
from continuing operations		6	25
from discontinued operations		-	-
Basic earnings per share (in euros)			
Earnings per share from continuing operations		(0.10)	1.23
Earnings per share from discontinued operations		0.29	0.16
Basic earnings per share	***13***	**0.19**	**1.40**
Diluted earnings per share (in euros)			
Diluted earnings per share from continuing operations		(0.10)	1.23
Diluted earnings per share from discontinued operations		0.29	0.16
Diluted earnings per share	***13***	**0.19**	**1.39**

Consolidated statement of other comprehensive income

(€ in million)	***Notes***	**2021**	**2022**
Net profit of the year		**90**	**426**
Currency translation adjustments	*13*	256	101
Effective portion of gains and losses on hedging instruments	*13*	20	69
Items that may be reclassified subsequently to profit or loss		**275**	**171**
Changes in the fair value of non-consolidated investments	*13*	(193)	142
Actuarial gains and losses on defined benefit plans	*13*	14	12
Items that will not be reclassified to profit or loss		**(179)**	**154**
Other comprehensive income, net of tax		**96**	**325**
Total comprehensive income of the year		**186**	**751**
• Group share		177	720
• Minority interests		10	31

Consolidated statement of financial position

Assets

(€ in million)	***Notes***	**Dec. 2021 (*)**	**Dec. 2022**
Goodwill	*8*	**2,053**	**2,282**
Other intangible assets	*8*	**3,112**	**3,128**
Property, plant & equipment	*8*	**230**	**305**
Right-of-use assets	*9*	**318**	**430**
Equity-accounted investments	*6*	898	1,012
Other non-current financial assets	*11*	595	438
Non-current financial assets		**1,494**	**1,450**
Deferred tax assets	*12*	192	193
Non-current contract assets	*4*	289	339
Other non-current assets		3	2
Non-current assets		**7,691**	**8,129**
Inventories	*4*	9	19
Trade receivables	*4*	631	794
Other current assets	*4*	322	403
Current financial assets	*11*	45	37
Cash and cash equivalents	*11*	1,666	1,643
Assets classified as held for sale	*3*	406	687
Current assets		**3,079**	**3,584**
TOTAL ASSETS		**10,769**	**11,713**

(*) Restated amounts following the purchase price allocation of the Lifestyle business acquired in 2021 (see Note 8.1).

Equity and Liabilities

(€ in million)	***Notes***	**Dec. 2021 (*)**	**Dec. 2022**
Share capital	*13*	786	789
Additional paid-in capital and reserves	*13*	2,412	2,868
Net profit of the year		85	402
Ordinary shareholders' equity		**3,283**	**4,059**
Perpetual subordinated bonds	*13*	1,000	1,000
Shareholders' equity - Group share		**4,283**	**5,059**
Minority interests	*13*	314	397
Shareholders' equity	*13*	**4,597**	**5,456**
Non-current financial debt	*11*	2,572	2,261
Non-current lease liabilities	*9*	263	377
Deferred tax liabilities	*12*	561	540
Non-current provisions	*10*	63	79
Pensions and other benefits	*5*	56	47
Non-current contract liabilities	*4*	23	33
Non-current liabilities		**3,537**	**3,337**
Current financial debt	*11*	630	608
Current lease liabilities	*9*	90	92
Current provisions	*10*	282	165
Trade payables	*4*	391	489
Current liabilities	*4*	609	859
Current contract liabilities	*4*	159	193
Loyalty program liabilities	*11*	180	239
Liabilities associated with assets classified as held for sale	*3*	294	276
Current liabilities		**2,635**	**2,920**
TOTAL EQUITY AND LIABILITIES		**10,769**	**11,713**

(*) Restated amounts following the purchase price allocation of the Lifestyle business acquired in 2021 (see Note 8.1).

Consolidated statement of cash flows

(€ in million)	***Notes***	**2021**	**2022**
Recurring EBITDA	*4*	22	675
Interests received / (paid)	*11*	(73)	(75)
Income tax paid		(37)	(65)
Non-cash revenue and expenses included in recurring EBITDA		37	49
Funds from (used in) operations		**(52)**	**584**
Decrease / (increase) in working capital	*4*	(10)	18
Decrease / (increase) in contract assets and liabilities	*4*	(30)	39
Net cash flows from (used in) recurring operating activities		**(92)**	**640**
Cash received / (paid) on non-recurring items		(148)	(129)
Net cash flows from (used in) operating activities (A)		**(240)**	**511**
Acquisition of subsidiaries, net of cash acquired	*8*	(9)	(82)
Acquisition of property, plant and equipment and intangible assets	*8*	(80)	(111)
Acquisition of equity-investments and non-current financial assets	*8*	(250)	(133)
Loans granted to third parties		(13)	(17)
Proceeds from disposal of subsidiaries, net of cash transferred		(7)	7
Proceeds from disposal of equity-investments and non-current financial assets		248	158
Dividends received		12	20
Net cash flows from (used in) investing activities (B)		**(99)**	**(157)**
Increase / (decrease) of rights granted over share capital	*13*	(0)	2
Acquisition of minority interests	*3*	-	(19)
Disposal of minority interests	*3*	-	180
Coupons on perpetual subordinated bonds	*13*	(35)	(35)
Dividends paid		(1)	(12)
New loans issued	*11*	2,194	1,558
Repayment of loans	*11*	(2,517)	(1,977)
Repayment of lease liabilities	*9*	(88)	(73)
Changes in other short-term debts	*11*	(18)	(5)
Net cash flows from (used in) financing activities (C)		**(466)**	**(381)**
Net change in cash and cash equivalents (D) = (A) + (B) + (C)		**(805)**	**(27)**
Cash and cash equivalents at beginning of the period		**2,419**	**1,658**
Net change in cash and cash equivalents		(805)	(27)
Effect of changes in exchange rates on cash and cash equivalents		28	(8)
Fair value restatement on cash and cahs equivalents		26	-
Reclassification of change in cash and cash equivalents from assets held for sale		(11)	1
Cash and cash equivalents at end of the period		**1,658**	**1,625**

Consolidated statement of changes in equity

(€ in million)	Number of shares	**Share capital**	**Additional paid-in capital**	**Currency translation reserve**	**Reserves**	**Equity Group share**	**Minority interests**	**Total Equity**
Balance at January 1, 2021	**261,382,728**	**784**	**1,675**	**(481)**	**2,120**	**4,098**	**66**	**4,164**
Capital increase	473,540	1	(0)	-	(1)	(0)	(0)	(0)
Dividends paid	-	-	-	-	(0)	(0)	(1)	(1)
Share-based payments	-	-	-	-	41	41	-	41
Perpetual subordinated bonds	-	-	-	-	(35)	(35)	-	(35)
Effects of scope changes	-	-	-	-	18	18	182	200
Other movements	-	-	-	-	(6)	(6)	0	(6)
Transactions with shareholders	**473,540**	**1**	**(0)**	**-**	**16**	**17**	**181**	**198**
Net profit of the year	-	-	-	-	85	85	6	90
Other comprehensive income	-	-	-	252	(159)	92	4	96
Total comprehensive income	**-**	**-**	**-**	**252**	**(75)**	**177**	**10**	**186**
Balance at December 31, 2021	**261,856,268**	**786**	**1,675**	**(229)**	**2,061**	**4,292**	**256**	**4,549**

(€ 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, 2021	**261,856,268**	**786**	**1,675**	**(229)**	**2,061**	**4,292**	**256**	**4,549**
Restatements (*)	-	-	-	-	(9)	(9)	58	48
Restated Balance at December 31, 2021	**261,856,268**	**786**	**1,675**	**(229)**	**2,052**	**4,283**	**314**	**4,597**
Saas Restatement	-	-	-	-	(11)	(11)	-	(11)
Restated Balance at January 1, 2022	**261,856,268**	**786**	**1,675**	**(229)**	**2,041**	**4,272**	**314**	**4,586**
Capital increase	1,175,526	4	0	-	(4)	0	(0)	(0)
Change in treasury shares	-	-	-	-	(0)	(0)	-	(0)
Dividends paid	-	-	-	-	(0)	(0)	(8)	(9)
Share-based payments	-	-	-	-	43	43	-	43
Perpetual subordinated bonds	-	-	-	-	(35)	(35)	-	(35)
Effects of scope changes	-	-	-	-	94	94	49	143
Other movements	-	-	-	-	(36)	(36)	13	(24)
Transactions with shareholders	**1,175,526**	**4**	**0**	**-**	**63**	**66**	**53**	**119**
Net profit of the year	-	-	-	-	402	402	25	426
Other comprehensive income	-	-	-	95	223	319	6	325
Total comprehensive income	**-**	**-**	**-**	**95**	**625**	**720**	**31**	**751**
Balance at December 31, 2022	**263,031,794**	**789**	**1,675**	**(133)**	**2,728**	**5,059**	**397**	**5,456**

(*) Restated amounts following the purchase price allocation of the Lifestyle business acquired in 2021 (see Note 8.1).

Notes to the Consolidated Financial Statements

Note 1. Basis of preparation

The consolidated financial statements of Accor Group for the year ended December 31, 2022, were authorized for issue by the Board of Directors on February 22, 2023. They will be submitted to shareholders for final approval at the Annual General Meeting on May 17, 2023.

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

1.1 Accounting framework

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (« IASB ») and adopted for use in the European Union as at December 31, 2022. These standards are available on the European Commission's website (*).

New standards and amendments

As at December 31, 2022, the Group applied the same accounting policies and measurement methods as those applied in its consolidated financial statements for the year ended December 31, 2021, except for changes required by new IFRS applicable from January 1, 2022.

Amendment to IAS 37 *Onerous Contracts – Cost of Fulfilling a Contract*

The application of the amendments to IAS 37 *Onerous Contracts – Cost of Fulfilling a Contract*, mandatory as at January 1, 2022, had no significant impact on the Group's consolidated financial statements. They clarified that the direct costs of fulfilling a contract included both the incremental costs, such as direct labor costs, and an allocation of other costs directly related to fulfilling a contract.

Decision related to configuration and customization costs associated with SaaS contracts

In March 2021, IFRS Interpretation Committee ("IFRS IC") clarified the accounting treatment on configuration and customization costs associated with a Software as a Service (SaaS) cloud arrangement. The contracts covered by this decision provide to the client access to software functionalities presented on an infrastructure operated by an external provider via an internet connection.

The configuration and customization costs associated with a SaaS service must be recognized as operating expenses when the service is received, except:

- when costs incurred results in additional software code that are distinct from the SaaS and controlled by the Group, in which case an intangible asset should be recognized
- when the configuration and customization services do not constitute a separate service from the SaaS arrangement, under IFRS 15, in which case the customization costs are initially recognized as prepayment, and subsequently recognized as operating expenses over the term of SaaS contract.

The application of these new rules resulted in a cancellation of costs capitalized during the implementation of several SaaS solutions before 2022 with an impact of €11 million recorded as a reduction in equity as at January 1, 2022. As the impact is not material, the comparative amounts have not been restated.

(*) https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02008R1126-20230101

Future standards, amendments, and interpretations

The Group has not applied in advance any standards, amendments to standards or interpretations as at January 1, 2022, regardless of whether they were or not adopted by the European Union.

The application of following amendments, mandatory from January 1, 2023, should not have a significant impact on the Group's financial statements:

- Amendments to IAS 12 *Deferred tax related to Assets and Liabilities arising from a Single Transaction* require to recognize a deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences (lease contracts and decommissioning obligations).
- Amendment to IAS 1 *Disclosure of accounting policies* clarifies the information to be provided regarding “material” accounting policies, which are those that could influence the decisions that users make on the basis of the financial statements.
- Amendment to IAS 8 *Definition of an accounting estimates* clarifies how to distinguish changes in accounting policies from changes in accounting estimates as the accounting treatments are not the same.

Furthermore, the amendment to IAS 1 *Classification of liabilities as current or non-current* has not yet been adopted by the European Union. The text clarifies that the classification as a current or non-current liability should be based on the rights, which exist at the end of the reporting period, to defer settlement for at least twelve months after the reporting date.

1.2 Foreign currency translation

The consolidated financial statements are presented in euros, which is the Company’s functional currency.

Translation of the financial statements of foreign operations

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

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

Foreign currency transactions

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

1.3 Use of estimates and judgments

The preparation of the 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 year and accompanying disclosures. Management also needs to exercise judgement in applying the Group's accounting policies. Actual outcome may vary from these estimates, due to 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 main areas that involved significant estimates and a high degree of judgement are:

- The useful lives of PP&E and intangible assets,
- The measurement at fair value of consideration transferred and intangible assets acquired in business combinations,
- The measurement of the recoverable value of goodwill and other non-current assets,
- The measurement of the recoverable value of equity-accounted investments,
- The assessment of lease term and measurement of lease liability,
- The measurement of variable considerations from contracts with hotel owners,
- The measurement of unexercised benefits granted to customers under the loyalty program ("breakage"),
- The assumptions used to determine obligations under pension plans and share-based payment plans,
- 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 provisions.

1.4 Climate risks

The Group continues to analyze the risks related to climate change. The work focuses on potential physical impacts, as well as the risks and opportunities of transition from 2030 on scenarios of a world constrained to +1.5°C and +4°C by 2100.

Accor estimates that climate change could have physical impacts by 2030-2050, particularly in extreme scenarios (temperature increase of 4°C). Some hotels could be threatened by flooding linked to rising water levels or severe heat waves leading to increase investing and operating costs.

Given its "asset-light" model, the Group holds few hotel assets located in high-risk areas, whose book value could be significantly affected by climate change. In addition, Accor has identified management contracts, recognized as intangible assets, for hotels located in areas potentially exposed to climate risks by 2030-2050, in a +4°C scenario. The analyses carried out by the Group concluded that there is an immaterial risk on the total fixed assets as at December 31, 2022.

The Group is studying the risks and opportunities related to climate change that could affect its business. Business travel, which experienced a very sharp drop during the health crisis, could also be negatively affected in the medium term as most companies, committed to reduce carbon emissions may have to reduce the business trips of their employees. At the same time, the paradigm shift will also create multiple revenue opportunities in short-haul leisure travel and for more competitive low carbon hotels, in line with Accor's objectives.

The consequences of climate change on the Group's business, which depends on multiple external factors (business travel, air traffic, consumer choices, etc.) and the remediation plans implemented, remain difficult to foresee, particularly looking beyond 2030. For its five-year business plan used for the impairment tests of non-current assets, the Group adopted assumptions consistent with the macroeconomic trends resulting from independent market studies which reflected a reduction in international travel on medium term. In addition, Accor performed sensitivity analyses on the perpetuity growth rate, presented in Note 8.3.

Furthermore, the Group is accelerating its transition towards a more sustainable model to become carbon neutral by 2050. In line with this strategy, in November 2021, the Group issued Sustainability-Linked Bonds where the bond coupons are linked to the greenhouse gas emission reduction targets of the Group and its network (see note 11.3.2). As at December 31, 2022, when determining the effective interest rate of the debt, the Group considered that the targets will be met. In addition, when drawing up its business plan, the Group has estimated that it would not bear additional costs for the achievement of the objectives assigned to the hotels of its network.

Finally, in April and October 2022, the Group set up share-based payments plans for some of its employees and managers, whose performance criteria include carbon footprint reduction targets by the end of 2024. The achievement of these criteria was considered when assessing the charge relating to these plans (see Note 5).

Based on these elements, the judgments and estimates made by Management regarding the consequences of climate change and the transition to a low-carbon economy did not have a significant impact on the consolidated financial statements as at December 31, 2022.

Note 2. Significant events in the current year

2.1 End of the crisis

Group's activities

After two years severely impacted by the health crisis, the fiscal-year 2022 posted a solid and sustainable rebound in Group's activity. The performance of hotels over the second half of the year surpasses pre-crisis levels in almost all regions. Only Asia, a region impacted by China's strict zero-Covid policy until year end, is still significantly below 2019 activity levels. Worldwide, the recovery was primarily driven by domestic guests, with levels exceeding those of 2019. International customers, even whose number grows sharply, failed to return to 2019 level. The recovery was led by a strong increase in prices, fueled by demand and accentuated by inflation. The "RevPAR" (revenue per available room) of Accor branded hotels is now higher than in 2019 (+2%), whereas it was down 46% in 2021. Only Asia shows a performance lower than pre-crisis level. The hotel occupancy rate regularly increased to reach 60% compared to 42% in 2021.

The consolidated revenue amounts to €4,224 million in 2022, compared to €2,204 million in 2021 (see Note 4.1). It becomes comparable to the €4,049 million of revenue in fiscal year 2019, used as the reference year by the Group in 2020 and 2021.

Cash management

As at December 31, 2022, Accor has a strong financial position, with net cash and cash equivalent of €1,625 million, after the redemption of the two bonds of €60 million and CHF 150 million, issued in 2014, and maturing in February and June 2022 respectively (see Note 11.2.1).

The Group has also an undrawn credit facility for an amount of €1,200 million, maturing June 2024 (for 86 million) and June 2025 (for 1,114 million). The Group has decided not to renew its €560 million credit facility maturing in May 2022.

Other impacts on the consolidated financial statements

Accor reviewed the recoverable amount of its non-current assets (see Note 8.3). The impairment tests carried out on cash-generating units ("CGUs") or groups of CGUs to which goodwill and brands are attached led to the recognition of an impairment loss for €14 million on customer relationships and a net reversal of €6 million on brands.

The Group also performed impairment tests, on a case-by-case basis, on its management contracts and equity-accounted investments, based on a review of impairment indicators or on any indication that an impairment loss recognized in prior periods may no longer exist or may have decreased. This analysis led the Group to a recognition of a net impairment reversal of €70 million (€51 million on equity-accounted investments and €19 million on hotel management contracts).

Those items are presented within other income and expenses in the consolidated income statement (see Note 7).

Furthermore, Accor has not identified any elements that significantly increased the credit risk of its main customers since December 31, 2021.

2.2. Other significant events

Other main features of the financial year are summarized below:

- The takeover of Paris Society in November 2022 to further develop the Lifestyle business of the Group, followed by the sale of 10.8% stake in Ennismore (see Note 3.1.1),
- The acquisition of Lido in February 2022 (see Note 3.1.2),
- The disposal of the subsidiary ResDiary in exchange for shares in Reef Technology Inc. in June 2022, followed by an additional acquisition of shares of Reef Technology Inc. (see Note 3.1.3),
- The acquisition of the remaining 50% stake in Orient Express SAS in June 2022 (see Note 3.1.4),
- The partial disposal of the shares in H World Group Ltd (formerly Huazhu Group Ltd) in November and December 2022 (see Note 3.1.4).

Note 3. Group Structure

3.1 Changes in the scope of consolidation

The list of the main consolidated companies as at December 31, 2022 is presented in Note 15.3.

Accounting policy

Basis of consolidation

Full consolidation method

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

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

Equity method (applied to associates and joint ventures)

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

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

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

The principles applicable to investments accounted for by the equity method are presented in Note 6.

Investments in non-consolidated companies

When the Group does not exercise control, joint control or significant influence over the financial and operating policy decisions of an investee, the investment is accounted for as a financial asset measured at fair value, as explained in Note 11.2. It is presented as an investment in non-consolidated companies under "Other non-current financial assets" in the statement of financial position.

Business combinations

Business combinations are accounted for using the acquisition method.

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

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

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

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

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

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

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

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

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

Disposals resulting in a loss of control

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

3.1.1 Development and simplification of Lifestyle activities

In 2022, the Group continued its strategy of development and simplification pulling together its Lifestyle hotel activities within one single dedicated entity, Ennismore Lifestyle Group Ltd ("Ennismore").

Takeover of Paris Society

On November 16, 2022, Accor exercised its option to acquire an additional 46.9% stake in Paris Society for an amount of €67 million, plus an earn-out of €16 million and took control of it. The Group holds now 95% of the shares and voting rights of Paris Society. With a portfolio of emblematic and high-end assets, particularly on the Parisian market, Paris Society strengthens the Group's skills by bringing its experience in high-end catering and event management.

The transaction qualified as a business combination under IFRS 3 *Business Combinations* and is accounted using the acquisition method. The preliminary goodwill amounts to €180 million based on:

- The transaction price of €84 million for the 46.9% stake,
- The fair value of the share previously held, so far accounted for using the equity method, of €58 million, the revaluation of which leads to a profit of €24 million recognized in other non-recurring income and expenses in the income statement,
- Minority interests measured at their proportionate share of the net assets acquired for €(9) million, and
- Negative net assets acquired of €(47) million, including mainly property, plant and equipment and rights of use (€193 million), cash (€16 million euros) and financial and lease liabilities (€258 million).

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

The contribution of Paris Society to the Group's revenue and consolidated net income since the takeover is not material. This acquisition resulted in a total cash outflow (net of cash acquired) of €51 million in the consolidated statement of cash flows of 2022.

Disposal of a 10.8% stake in Ennismore

On November 17, 2022, Accor sold a 10.8% stake in its subsidiary Ennismore, Lifestyle hotel operator resulting from the merger in October 2021 with Ennismore Holdings Ltd ("EHL"), to QLC, a consortium of Qatari investors, for an amount of €185 million.

Prior to this disposal, the Group contributed its 70% stake in Rixos, a hotel operator specialized in "All-Inclusive" accommodation in the Middle East, to Ennismore in exchange for newly issued shares in Ennismore. The Group has also sold to Ennismore its 95% stake in Paris Society.

As at December 31, 2022, Ennismore owns a unique collection of leading Lifestyle brands, including 21c Museum Hotel, 25hours, Delano, Gleneagles, Hyde, Jo&Joe, Mama Shelter, Mondrian, Morgans Originals, SLS, SO/ and The Hoxton. The new structure includes more than 140 hotels in nearly 40 countries, with more than 275 restaurants and bars. Ennismore now covers all the Group's Lifestyle hotel activities.

Following these transactions, Accor retains a majority stake of 62.2% in Ennismore.

This sale of a minority stake in Ennismore to QLC has no impact on the control of the subsidiary, which remains fully consolidated. It is analyzed as a transaction with shareholders, with no impact on the book value of Ennismore's assets and liabilities. The difference between the consideration received and the carrying amount of the interests disposed of was recognized in Equity - Group share for €74 million.

This transaction resulted in a cash inflow, net of costs of sales, of €180 million presented within cashflows from financing activities in the consolidated statement of cash flows.

3.1.2 Lido Acquisition

On February 9, 2022, Accor acquired the company "Société d'Exploitation et de Gestion de Spectacles de Music Halls Internationaux" (SEGSMHI), whose main activity consists of operating the theater "Le Lido" in Paris. This transaction allows the Group to extend its hospitality offer, especially for ALL program members.

The purchase price amounts to a symbolic €1, increased by a price adjustment of €1 million. Based on the net asset acquired of €11 million, including the fair value of Lido brand (€3 million), the Group has recognized a provisional negative goodwill for €10 million. This amount is accounted for within other income and expenses in the consolidated income statement and reflects primarily the future costs that the Group will incur to restructure and modernize the venue.

This transaction resulted in a total cash inflow of €13 million (including the cash acquired of €14 million) in the consolidated statement of cash flows in 2022.

3.1.3 Disposals of the exercise

Disposal of the subsidiary ResDiary in exchange for shares in Reef Technology Inc.

On June 21, 2022, Accor sold 100% of its shares in ResDiary, its subsidiary specialized in table booking and management optimization tools for restaurants, to Reef Technology Inc., in exchange for shares worth $85 million (€81 million) issued by the latter.

Reef Technology Inc. is a US-based leader in parking real estate and delivery kitchens. It optimizes and transforms open spaces into multi-purpose places to support the on-demand service companies in their development.

The net gain on disposal of ResDiary, recognized in other income and expenses in the consolidated income statement, amounts to €52 million. It is calculated as the difference between:

- On the one hand, the fair value of the shares sold for €81 million, decreased by the reclassification to profit and loss of cumulative exchange losses previously recognized in other comprehensive income for €(5) million, and
- On the other hand, the net assets of ResDiary, as recognized in the Group's financial statements at completion date, for €25 million.

Besides, Accor has subscribed to an increase in shares of Reef Technology Inc. for $75 million (€71 million).

Following these two transactions, Accor holds 4.92% of the company's capital for a total investment of $160 million (€152 million). This investment is recognized as non-consolidated investments at fair value through other comprehensive income.

Those transactions resulted in a total cash outflow of €77 million (net of the cash sold) in the consolidated statement of cash flows.

3.1.4 Other transactions

Acquisition of Orient Express SAS non-controlling interests

On June 8, 2022, Accor, which owned 50%, plus one share, of the capital of Orient Express SAS, acquired the remaining 50% stake owned by SNCF Voyageurs SA for €19 million, increasing its ownership to 100% of the share capital and voting rights of the company. This transaction enables the Group to gain flexibility in the development of this iconic brand.

This transaction has no impact on the control of the company, which has been fully consolidated since 2018 in the Group's financial statements. Being analyzed as a transaction with shareholders, the difference between the purchase price of the shares (€19 million) and the additional share of consolidated equity acquired (€16 million) has been recognized as a reduction in Equity - Group share.

This operation resulted in a total cash outflow of €19 million in the consolidated statement of cash flows.

Disposal of stake in H World Group Ltd (formerly Huazhu Group Ltd)

Between November 29, and December 31, 2022, the Group sold 3.9 million shares (around 1.2% of the company's capital) on the market at an average price of $41.08 per share for a total amount of $162 million (€154 million). The disposal of shares triggers the reclassification, to Group reserves, of €(43) million of cumulative changes in fair value and €7 million of currency translation adjustments recognized in other comprehensive income, representing a cumulative amount of €(36) million.

The remaining shares (around 2.1% of the company's share capital), were sold in January 2023 for $297 million (€276 million). As at December 31, 2022, these shares, whose net book value amounts to €264 million, were classified as assets held for sale (see Note 3.2). At that date, the amount still recognized in other comprehensive income related to H World Group Ltd shares held for sale amounts to €(54) million.

Following those transactions, Accor no longer holds shares in H World Group Ltd. These transactions contribute to the Group's asset light strategy and aim to finalize the value creation on the investment initiated in 2016. The accumulated gain on disposal since 2019 reached $1.2 billion (€1.1 billion) compared to an initial investment of $189 million (€173 million).

3.2 Assets or disposal groups held for sale and discontinued operations

Accounting policy

When the carrying amount of a non-current asset or disposal group is expected to be recovered principally through a sale transaction rather than through continuing use, it is presented separately in the consolidated statement of financial position under "Assets classified as held for sale". Any related liabilities are also reported on a separate line item under "Liabilities associated with assets classified as held for sale". For the reclassification to be made, the following criteria shall be met:

- The sale must be highly probable within a reasonable timeframe,
- Management must be committed to a plan to sell the asset (or disposal group), and
- The asset (or disposal group) must be available for immediate sale in its present condition.

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

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

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

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

3.2.1 Assets held for sale

As at December 31, 2022, assets and liabilities classified as held for sale were as follows:

	Dec. 2021		**Dec. 2022**	
(€ in million)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
SCI Sequana	402	294	422	276
H World Group Ltd	-	-	264	-
Others	3	-	1	-
Total	**406**	**294**	**687**	**276**

Sale-and-lease back project of Group's head office

In September 2022, the Group entered into exclusive negotiations with the Valesco group to sell the entity SCI Sequana which owns its head office building in Issy-les-Moulineaux and the associated financial debt. The sale would be accompanied by a commitment of the Group to lease the building back for a period of 12 years.

As at December 31, 2022, the entity's assets and liabilities were maintained as assets held for sale. The comparison between the carrying value of the disposal group and its fair value less costs to sell did not reveal any impairment.

Disposal of stake in H World Group Ltd (formerly Huazhu Group Ltd)

As indicated in Note 3.1.4, the Group has decided to sell its entire remaining stake in H World Group Ltd. Following the disposal of the 1.2% stake in the market by the end of 2022, the Group executed the disposal of its residual share of 2.1% in January 2023. In accordance with IFRS 5 *non-current assets held for sale and discontinued operations*, those shares, which have a net book value of €264 million as at December 31, 2022, are classified as assets held for sale.

3.2.2 Discontinued operations

In 2022, the net income from discontinued operations amounts to €43 million. It corresponds to items recognized for the guarantees given as part of the sale of AccorInvest in June 2018, including a reversal of the provision, net of deferred taxes, of €30 million on risks related to the assets (see Note 10) and the reversal of the provision for tax risks for €14 million (net of compensation paid to AccorInvest) (see Note 14.2).

In 2021, the net income from discontinued operations amounted to €77 million and mainly corresponded to net reversals of provisions related to these same warranties.

Note 4. Operating activities

Note 4.1 Segment information

Accounting policy

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

After taking into consideration the aggregation criteria as permitted by IFRS 8 *Operating segments*, the reportable segments of Accor are as follows:

- **Five "Management & Franchise" segments** – The hotel management and franchise business consists in collecting fees from hotel owners. It also includes the commissions received on centralized purchases. Its performance is presented for the following five geographic areas:
  - Southern Europe (including France),
  - Northern Europe (including the United Kingdom and Germany),
  - Asia-Pacific which comprises the three hubs Southeast Asia, Greater China and Pacific,
  - Americas which gather North America, Central America & the Caribbean and South America,
  - India, Middle East, Africa and Turkey.
- **"Services to owners" segment** – It gathers all the services rendered by the Division Sales, Marketing, Distribution and Loyalty (sales, marketing and distribution, loyalty program) as well as shared services and reimbursement of costs incurred on behalf of hotel owners.
- **"Hotel assets & other" segment** – It includes the activities that are not part of the Group's core business as hotel operator:
  - Hotel assets – this corresponds to the hotel owner-operator business (owned or leased hotels), comprising accommodation and F&B sales to guests as well as management of the asset portfolio (hotel design, construction, refurbishment and maintenance activities),
  - 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),
  - And the new activities developed by the Group, mainly through external growth transactions (digital services, private luxury home rentals, digital sales, hotel booking services and concierge services).

4.1.1 Revenue

(€ in million)	**2021**	**2022**
Southern Europe	141	267
Northern Europe	91	233
Asia-Pacific	98	157
Americas	111	199
India, Middle East, Africa & Turkey	77	195
Management & Franchise	**518**	**1,052**
Services to owners	**1,064**	**2,143**
HotelServices	**1,582**	**3,194**
Hotel assets & other	633	1,084
Holding/Intercos	(11)	(54)
Revenue	**2,204**	**4,224**

Revenue in France amounted to €627 million in 2022 compared to €342 million in 2021. No other country represents more than 10% of the Group's revenue.

"Services to owners" revenue includes reimbursement of costs incurred on behalf of hotel owners for €1,273 million in 2022 (compared to €555 million in 2021). This financial item also includes reimbursement of costs incurred under the accommodation management agreement for the FIFA World Cup in Qatar in November and December 2022.

4.1.2 EBITDA

(€ in million)	**2021**	**2022**
Southern Europe	96	204
Northern Europe	47	161
Asia-Pacific	51	96
Americas	40	131
India, Middle East, Africa & Turkey	41	144
Management & Franchise	**275**	**737**
Services to owners	**(182)**	**(75)**
HotelServices	**93**	**661**
Hotel assets & other	48	137
Holding/Intercos	(119)	(123)
Recurring EBITDA	**22**	**675**

4.2 Revenue

Accounting policy

Revenue corresponds to the value of goods and services sold by the Group in the ordinary course of business. Revenues are primarily derived from management and franchise contracts with third-party hotel owners, as well as owned and leased hotels. The Group presents revenue net of sales, occupancy, and other taxes collected on behalf of local governmental taxing authorities.

Hotel management and franchise activities

As an asset-light group, the Group offers owners the right to operate their hotels under one of its network's brands (franchise contracts) and may also be entrusted with the management of hotels on their behalf (management contracts).

- Trademark royalty fees

These fees are invoiced to hotel owners for the use of the Group's brands granted to them. They are generally based on the hotel's Room revenue. The Group applies the sales-based royalty guidance on licenses of intellectual property, which allows the recognition of trademark royalty fees as the underlying hotel revenues occur.

- Management fees

Fees invoiced for hotel management generally consist of a base fee based on hotel's revenue and an incentive fee subject to hotel profitability.

The Group may provide a contractually agreed performance to hotel owners, generally during the first years of hotel operations. These variable considerations payable to owners are estimated using the most likely amount method, based on all reasonably available information and are recognized as a reduction of revenue over the contract term. At each reporting period, the Group revises its estimates of variable considerations and assesses whether the revenue recognized is highly probable.

Key money might be paid to incentivize hotel owners to enter management contracts. It constitutes a consideration payable to customers and is recognized as a reduction of revenue over the term of the contract.

Service To Owners

Service To Owners correspond to revenues from the Sales, Marketing, Distribution and Loyalty (SMDL) division, other services provided such as IT and technology services, shared services, as well as the reimbursement of costs incurred in relation to the management of the hotels.

- Sales, Marketing, Distribution fees

These fees cover hotel rooms distribution, access to the Group worldwide distribution and reservations systems (TARS), as well as actions of brand visibility and customer development. Fees are based on a percentage of room revenue or total revenue of the hotel. Those services represent distinct performance obligations which are satisfied over time as services are provided.

- Loyalty program

Accor manages the loyalty program on behalf of the Group's hotels. The loyalty program has one distinct performance obligation that consists of marketing and managing the program. Loyalty program fees invoiced to hotel owners are deferred and are recognized as revenue when the reward points and other advantages are redeemed. The amount of revenue recognized upon redemption is based on a blend of historical funding rates and is impacted, from now on, by the estimate of the breakage for points that members will never redeem. Accor estimates breakage based on our historical experience and expectations of future member behavior. Determining breakage involves significant judgment, and Accor engages third-party actuaries to estimate the ultimate redemption ratios used in the breakage calculations. Changes to the expected ultimate redemption assumptions are reflected in the current period.

The Group is responsible for arranging the redemption of promotional awards, but it do not directly fulfill the award night obligation. Therefore, Accor is agent with respect to this performance obligation. Accordingly, revenue is presented net of the redemption cost paid to the hotels that provide the service to members.

- Reimbursed costs

Accor is entitled to be reimbursed for certain costs incurred on behalf of hotel owners. These costs primarily consist of payroll and related expenses where Accor is the employer of the staff at the properties.

As Accor has generally full discretion over how employee management services are provided, Accor is the principal. Therefore, the reimbursements are recognized over time within revenue for the reimbursement of costs incurred on behalf of owners. Staff costs incurred on behalf of owners are recognized within "Salaries and social security charges recharged to owners" in operating expenses.

Owned and leased hotels

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

For most of the arrangements, Accor consider that the amount invoiced to clients corresponds directly with the value of service performed to date. Therefore, the Group elects the practical expedient to recognize revenue in the amount to which it has the right to invoice.

The disaggregation of revenue is outlined in the Note 4.1 above.

4.3 Operating expenses

(€ in million)	2021	2022
Cost of goods sold	(54)	(82)
Personnel expenses	(1,300)	(2,097)
Rent expense for variable lease payments	(30)	(91)
Energy, maintenance and repairs	(45)	(63)
Taxes	(39)	(50)
Other operating expenses	(715)	(1,166)
Operating expenses	**(2,182)**	**(3,549)**

Personnel expenses are disclosed in Note 5.2.

The increase in property lease payments, which corresponds to the variable lease payments based on the performance of hotel assets operated under lease contracts, mainly concerns Brazil.

Other operating expenses, which mainly comprise marketing, advertising and promotion, distribution and IT costs, increase in line with the recovery in activity, even though the Group has pursued its effort to contain costs. This line item also includes the costs incurred and re-invoiced under the accommodation management agreement for the FIFA World Cup in Qatar in November and December 2022.

4.4 Working capital

The working capital can be analyzed as follows:

(€ in million)	Dec. 2021	Dec. 2022	Variation	Neutralization of non-cash items	Cash flow statement items
Inventories	9	19	10	6	5
Trade receivables	631	794	163	(9)	172
Other current assets	322	403	82	45	37
Current assets	**962**	**1,217**	**255**	**42**	**213**
Trade payables	391	489	98	18	80
Other current liabilities	609	859	250	99	151
Current liabilities	**1,000**	**1,348**	**348**	**117**	**231**
Working capital	**(38)**	**(131)**	**(92)**	**(75)**	**(18)**

As at December 31, 2022, the increase in current assets and liabilities is mainly explained by the activity recovery.

4.4.1 Current assets

Accounting policy

Trade receivables are measured at amortized cost. They are impaired based on their expected lifetime credit losses, using the simplified approach under IFRS 9 *financial instruments*. When a credit event has been identified, the loss allowance is measured on an individual basis considering the risk profile of the counterparty, historical probabilities of default and estimated losses.

Trade receivables can be analyzed as follows:

(€ in million)	**Dec. 2021**	**Dec. 2022**
Gross value	776	945
Loss allowance	(145)	(151)
Trade receivables, net	**631**	**794**

The maturity of trade receivables (excluding accrued receivables) is presented in Note 11.3.4.

Other current assets breakdown as follows:

(€ in million)	**Dec. 2021**	**Dec. 2022**
Recoverable VAT	75	110
Income tax and other taxes receivables	8	33
Other receivables	185	229
Prepaid expenses	69	41
Gross value	**337**	**413**
Loss allowance	(15)	(10)
Other current assets, net	**322**	**403**

4.4.2 Current liabilities

Other current liabilities breakdown as follows:

(€ in million)	**Dec. 2021**	**Dec. 2022**
VAT payable	61	104
Wages salaries and payroll tax payables	192	241
Income tax and other tax payables	60	140
Other payables	297	374
Other current liabilities	**609**	**859**

4.5 Contract assets and liabilities

Accounting policy

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

- Contract assets represent a right for the Group to receive consideration in exchange for goods or services already transferred to a customer, when that right is conditioned on something other than the passage of time. They mainly include amounts paid to hotel owners to secure management and franchise contracts ("key moneys") and, when applicable, expected value of payments under performance guarantees provided to hotel owners. They are subsequently recognized as a reduction to revenue over the life of the contract.
- Contract liabilities represent the Group's obligation to transfer goods or services, for which the customer has already paid a consideration, or when the amount is unconditionally due from the customer. They mainly correspond to loyalty fees invoiced to hotel owners that are deferred in the statement of financial position and, subsequently, recognized in revenue upon redemption or expiry of rewards points and other advantages (net of the amount to be paid to hotel owners and partners, who rendered the service). This category also comprises entrance fees that are invoiced upon signing of management and franchise contracts.

Contract assets and liabilities are as follows:

(€ in million)	**Dec. 2021**	**Dec. 2022**	**Variation**	**Neutralisation of non-cash items**	**Cash flow statement items**
Advance payments to hotel owners	289	339	50	12	39
Contract assets	**289**	**339**	**50**	**12**	**39**
Deferred income	182	225	44	(9)	53
Contract liabilities	**182**	**225**	**44**	**(9)**	**53**
Loyalty program liability	**180**	**239**	**58**	**34**	**25**
Net contract assets and liabilities	**(73)**	**(125)**	**(52)**	**(13)**	**(39)**

Note 5. Personnel expenses and employee benefits

5.1 Headcount

The Group's headcount is as follows:

	2021	2022
Average employees	14,466	17,334

In 2022, it corresponds to the arithmetic average of the employees present in the Group at the end of each month. Employees recharged to hotel owners, as well as employees from equity investments are not included.

5.2 Personnel expenses

Accounting policy

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

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

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

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

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

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

The personnel expenses are presented as follows:

(€ in million)	**2021**	**2022**
Salaries and social security charges	(750)	(986)
Salaries and social security charges recharged to owners	(512)	(1,068)
Share-based payments	(38)	(43)
Personnel expenses	**(1,300)**	**(2,097)**

Staff costs increase over the year, under the combined effect of the business recovery, the reopening of hotels and the end of government support measures.

Personnel expenses incurred on behalf of hotel owners under hotel management contracts (and fully re-invoiced to them) mainly increased in North America reflecting the strong recovery in activity in this area.

5.3 Pensions and other benefits

Accounting policy

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

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

The expense recorded in the consolidated income statement includes:

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

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

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

5.3.1 Pensions and other post-employment benefit obligations

(€ in million)	Dec. 2021	Dec. 2022
Pension plans	54	44
Other long-term benefits	2	3
Pension obligation and other benefits	**56**	**47**
Surplus on pension plans	3	2
Pensions asset	**3**	**2**
Net pension obligation	**53**	**45**
· of which net pension obligation	51	42
· of which other benefits	2	3

5.3.2 Description of the plans

The main post-employment defined benefit plans of the Group concern:

- **Pension plans:** the main pension plans are in France (36% of the obligation), in Canada (26%) and in the United Kingdom (24%). Pension benefit obligations are determined based on end-on-career salaries and number of years of service within the Group. They are funded by payments to external organizations that are legally separated from the Group. Pension rights are unvested and plan participants receive annuities.
- **Length-of-service awards** in France: these are lump sum benefits determined based on the number of years of service and annual salary upon retirement.
- **Supplementary pension plans** in France:
  - Defined benefit plan known as "article 39" (closed and frozen since December 31, 2019): this plan provides for the payment of periodic benefits to executive officers and senior executives whose final annual compensation represents more than five times the annual ceiling used for calculating social security contributions ("PASS"). The granting of this benefit is subject to the beneficiary completing his/her career with the Group.
  - Defined benefit plan with acquired rights pursuant to the provisions of Article L. 137-11-2 of the Social Security Code (in force since January 1, 2021): this plan provides for the payment of periodic benefits to executive officers and senior executives whose final annual compensation represents more than eight times the annual ceiling used for calculating social security contributions ("PASS").

5.3.3 Actuarial assumptions

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

	Discount rate		Salary growth rate	
	Dec. 2021	**Dec. 2022**	**Dec. 2021**	**Dec. 2022**
France	0.9% - 2%(*)	2%(*) - 3.9%	3% - 4%	3% - 4%
Canada	2.8% - 3%	5.0%	2.8%	2.8%
Belgium	0.9%	3.9%	2.8%	3.0%
Switzerland	0.3%	2.4%	1.0%	1.5%
United Kingdom	1.8%	4.8%	n.a	n.a

(*) Rate used one of the supplementary pensions plans closed

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

5.3.4 Breakdown and changes in the pension obligations

As at December 31, 2022, pension obligations breakdown by country as follows:

(€ in million)	France	Canada	Belgium	United Kingdom	Others	**Total**
Present value of obligation	57	40	12	38	10	157
Fair value of plan assets	(32)	(30)	(10)	(40)	(5)	(117)
Asset ceiling	-	1	-	-	-	1
Net pension obligation	**25**	**12**	**3**	**(2)**	**5**	**42**

The change in the net obligation for pensions is as follows:

(€ in million)	**Present value of obligation**	**Fair value of plan assets**	**Asset ceiling**	**Net**
At December 31, 2021	**193**	**(146)**	**3**	**51**
Current service cost	7	-	-	7
Interest expense/(income)	4	(3)	-	1
Others	(1)	-	-	(1)
Total recognized in profit or loss	**9**	**(3)**	**-**	**6**
Actuarial (gains)/losses related to experience adjustments	3	-	-	3
Actuarial (gains)/losses related to changes in demographic assumptions	(1)	-	-	(1)
Actuarial (gains)/losses related to changes in financial assumptions	(36)	24	-	(13)
Change in asset ceiling (excluding net interest)	-	-	(2)	(2)
Actuarial (gains)/losses	**(35)**	**24**	**(2)**	**(13)**
Benefits paid	(10)	6	-	(4)
Exchange differences and others	(0)	2	-	2
At December 31, 2022	**157**	**(117)**	**1**	**42**

5.3.5 Plan assets

The Group's pension obligations are funded under insured plans or by external funds. The assets of insured plans are invested in investment funds in each of the countries concerned.

As at December 31, 2022, the breakdown of plan assets is as follows:

(€ in million)	United Kingdom	France	Canada	Belgium	Others	**Total**
Bonds	-	24	7	-	1	32
Shares	-	5	22	-	1	27
Insurance contracts	-	-	-	10	2	12
Liquidity	2	1	-	-	-	3
Real Estate	-	3	-	-	1	4
Others	38	-	-	-	1	39
Plan assets	**40**	**32**	**30**	**10**	**5**	**117**

The expected long-term return on plan assets is aligned with the discount rate.

5.3.6 Sensitivity analysis

As at December 31, 2022, the sensitivity of provisions for pensions to a change in discount rate is as follows:

(€ in million)	**Impact on obligation**
Impact of increase in discount rate by 0.5 pt	(4)
Impact of decrease in discount rate by 0.5 pt	5

5.3.7 Expected cash flows

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

(€ in million)	**2023**	**2024**	**Hereafter**	**Total**
Expected cash flows	12	9	78	**99**

5.4 Share-based payments

Accounting policy

Performance share plans

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

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

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

Stock option plans

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

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

Employee share plans

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

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

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

If the plan is not subject to any vesting conditions, the cost is fully recognized on the grant date. All ongoing plans as at December 31, 2022 were equity-settled plans. The dilutive effect of plans that have not yet vested is reflected in diluted earnings per share calculations.

In 2022, the expense recognized in respect of share-based plans amounts to €43 million.

(€ in million)	2021	2022
2018 plans	3	-
2019 plans	13	4
2020 plans	15	12
2021 plans	10	19
2022 plans	-	9
Total	**41**	**43**

The movements over the year are as follows:

(Number of shares)	2021	2022
Number of shares at beginning of the year	**3,631,642**	**4,664,858**
Shares granted	1,739,851	1,473,134
Shares cancelled or expired during the year	(233,095)	(141,902)
Shares vested during the year	(473,540)	(1,175,526)
Number of shares at end of the year	**4,664,858**	**4,820,564**

On April 7, 2022, the Group granted 1,437,634 performance shares to some of its employees, subject to a three-year vesting period. At this date, the fair value of the performance share was €24.88, corresponding to a share price of €27.29 adjusted downwards to reflect the expected dividends forgone over the vesting period and the probability of meeting the market conditions.

The shares will vest provided the grantee remains within the Group until the end of the vesting period, and the following performance conditions are fulfilled:

- Non-market conditions (80% weighting): level of achievement of Group EBITDA (40%) and Recurring free cash flows (20%) compared to the budget over the years 2022 to 2024 and carbon reduction targets at the end of 2024 compared to 2019 (20%).
- Market condition (20% weighting): change in Accor's Total Shareholder Return (TSR) compared to a reference synthetic index composed of European and international hotel groups.

On October 26, 2022, the Group set up a plan of 35,500 performance shares with similar characteristics to the April plan, whose fair value was €20.86.

The fair value of these plans amounts to €37 million and will be recognized on a straight-line basis over the vesting period under employee benefits expenses with a corresponding adjustment to equity. The expense recognized in respect of these plans amounted to €9 million.

5.5 Compensation of key management personnel

The Executive Committee and the Board of Directors have respectively nineteen members and twelve members as at December 31, 2021 and 2022.

The compensation granted to the members of the Executive Committee is as follows:

(€ in million)	**2021**	**2022**
Short term employee benefits	21	24
Share-based payments	8	9
Post-employment benefits	4	5
Termination benefits	2	4
Total compensation	**34**	**42**

Members of the Board of Directors do not receive any compensation, they only receive attendance fees. The amount granted in 2022 was €1 million.

Note 6. Equity-accounted investments

Accounting policy

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

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

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

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

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

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

6.1 Share of net results of equity-accounted investments

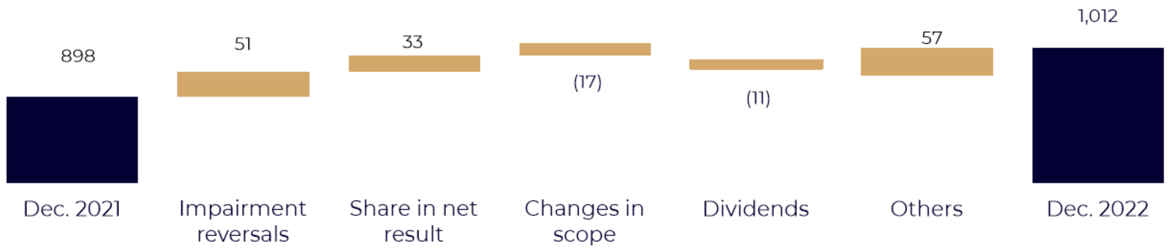
The main contributions of associates and joint ventures are as follows:

(€ in million)	**2021**	**2022**
AccorInvest	(234)	14
Kasada	(3)	7
Risma	(10)	4
Others	(23)	(4)
Associates	**(270)**	**21**
Joint ventures	**(3)**	**13**
Share in net results of equity-accounted investments	**(273)**	**33**

6.2 Carrying value of equity-accounted investments

(€ in million)	Dec. 2021	Dec. 2022
AccorInvest	549	586
Kasada	41	73
Risma	39	41
Atton	19	34
Others	210	232
Associates	**859**	**966**
Joint ventures	**39**	**46**
Carrying value	**898**	**1,012**

Change in equity-accounted investments (*€ in million*)



As indicated in Note 8.3, the impairment tests carried out led to the reversal of impairment losses for an amount of €51 million, including €36 million on the company Interglobe Hotels Private Limited which operates Ibis hotels in India, due to a recovery better than expected.

Scope effects include the derecognition of Paris Society shares (€34 million), partly offset by the recognition of shares in associates and joint ventures held by Paris Society (€12 million) following the takeover of the company.

Other variations include a capital increase in the investment fund Kasada for €23 million, and the Group's share of other comprehensive income from equity-accounted investments (mainly AccorInvest).

6.3 Summarized financial information

Accor owns a 30.5% stake in AccorInvest, a hotel operator.

Key financial information of the entity on a 100% basis is as follows:

(€ in million)	**Déc. 2021**	**Déc. 2022**
Balance sheet		
Current assets	1,108	1,240
Non-current assets	6,614	6,474
Assets held for sale	12	6
Current liabilities	(1,311)	(1,503)
Non-current liabilities	(7,364)	(7,006)
Liabilities associated with assets held for sale	-	(2)
Net assets	**(941)**	**(791)**
Group's share in %	30.5%	30.5%
Group's share in net assets	(287)	(241)
Goodwill	835	827
Carrying amount of equity-accounted investment	**549**	**586**
Income statement		
Revenue	1,663	3,576
Net profit/(loss)	**(768)**	**45**
Other comprehensive income	36	80
Total comprehensive income	**(732)**	**125**

AccorInvest's performance substantially improved in 2022, in particular on its main market, Europe, and supports its perspective of future cash flows. In addition, AccorInvest is committed, as part of its transformation plan, to an asset disposal plan to strengthen its financial situation. These two elements contribute to the company's debt reduction. On this basis, the Group concluded that there was no material uncertainty that may cast significant doubt on AccorInvest's ability to continue to operate as a going concern for, at least, the next twelve months.

Note 7. Other income and expenses

Accounting policy

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

(€ in million)	**2021**	**2022**
Impairment losses	(51)	61
Gains and losses on disposal	646	43
Restructuring costs	(14)	(38)
Other non-recurring income and expenses	(26)	(3)
Other income and expenses	**554**	**63**

In 2022, other income and expenses mainly include:

- Impairment reversal for €61 million, of which €51 million on equity-accounted investments (see Note 8.3.1),
- A €52 million gain recognized from the disposal of ResDiary (see Note 3.1.2),
- Restructuring costs for €(38) million mainly Lido (see Note 10).

In the comparative year, a €649 million gain was recognized from the partial disposal of H World Group Ltd shares as well as impairment losses for €(51) million, of which €(27) million on hotel management contracts and €(17) million on equity-accounted investments.

Note 8. Intangible assets and property, plant and equipment

Accounting policy

Intangible assets

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

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

Software costs incurred during the development phase are capitalized as internally-generated intangible assets if the Group can demonstrate all of the following in accordance with IAS 38, *Intangible assets*: (i) its intention to complete the project and the availability of adequate technical, financial and other resources for this purpose, (ii) how the intangible asset will generate probable future economic benefits, and (iii) its ability to measure reliably the expenditure attributed to the intangible asset during its development. Configuration and customization costs associated with a SaaS service are recognized as intangible asset when costs incurred results in additional software code that are distinct from the SaaS and controlled by the Group.

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

Property, plant and equipment

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

Property, plant & equipment are depreciated on a straight-line basis over their estimated useful lives, determined by the component's method, from the date when they are put in service, as follows:

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

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

8.1 Intangible assets

Intangible assets can be analyzed as follows:

(€ in million)	Goodwill	Trademarks	Contracts	Licences, software	Others	Total
Gross value						
At January 1, 2021	**2,394**	**1,973**	**1,263**	**379**	**242**	**6,251**
Business combinations (*)	256	182	108	-	3	550
Additions	-	15	-	21	72	108
Disposals	(69)	-	-	-	(6)	(75)
Exchange differences	94	99	60	2	1	257
Others	(30)	(5)	(29)	(38)	(58)	(160)
Assets held for sale	-	-	-	-	-	(1)
At December 31,2021 (*)	**2,645**	**2,264**	**1,402**	**365**	**254**	**6,930**
SaaS restatement	-	-	-	(16)	-	(16)
At January 1, 2022	**2,645**	**2,264**	**1,402**	**349**	**254**	**6,914**
Business combinations	183	3	-	2	-	189
Additions	-	-	-	40	34	75
Disposals	(18)	-	(1)	(18)	(2)	(39)
Exchange differences	62	66	20	1	-	149
Others	(4)	-	(60)	22	(31)	(73)
At December 31, 2022	**2,868**	**2,334**	**1,363**	**396**	**255**	**7,215**
Depreciation and impairment						
At January 1, 2021	**(608)**	**(310)**	**(410)**	**(298)**	**(88)**	**(1,714)**
Depreciation	-	-	(55)	(49)	(26)	(130)
Impairment loss	(8)	-	(27)	-	-	(35)
Disposals	-	-	-	-	2	2
Exchange differences	(6)	(13)	(19)	(2)	(1)	(41)
Others	30	3	24	73	22	153
At December 31,2021 (*)	**(592)**	**(321)**	**(486)**	**(275)**	**(91)**	**(1,764)**
SaaS restatement	-	-	-	5	-	5
At January 1, 2022	**(592)**	**(321)**	**(486)**	**(271)**	**(91)**	**(1,759)**
Depreciation	-	-	(43)	(45)	(31)	(119)
Impairment loss	-	6	19	-	(14)	10
Disposals	-	-	-	13	1	13
Exchange differences	3	(13)	(7)	-	-	(17)
Others	4	(1)	60	3	1	67
At December 31, 2022	**(585)**	**(329)**	**(457)**	**(300)**	**(133)**	**(1,805)**
Net Book Value						
At December 31,2021 (*)	2,053	1,943	917	89	163	5,165
At December 31, 2022	**2,282**	**2,005**	**905**	**96**	**121**	**5,410**

(*) Restated amounts following the purchase price allocation of the Lifestyle business acquired in 2021.

Goodwill

As at December 31, 2022, the breakdown of goodwill is as follows:

(€ in million)	**Dec. 2021 (*)**	**Acquisition**	**Disposal**	**Exchange diff. & Others**	**Dec. 2022**
Management & Franchise					
Northern Europe	165	-	-	-	166
Southern Europe	170	-	-	-	170
India, Middle East, Africa & Turkey	285	2	-	18	304
South East Asia	288	-	-	19	307
Pacific	93	-	-	(1)	92
Greater China	79	-	-	(2)	76
North/Central America, the Caribbean	246	-	-	16	262
South America	66	-	-	11	77
HotelServices	**1,392**	**2**	**-**	**61**	**1,454**
Hotel assets & other	**279**	**1**	**(18)**	**(2)**	**259**
Lifestyle	**383**	**180**	**-**	**6**	**569**
Net book value	**2,053**	**183**	**(18)**	**65**	**2,282**

(*) Restated amounts following the purchase price allocation of the Lifestyle business acquired in 2021.

The main variations of the exercise are as follows:

- Provisional goodwill of €180 million recognized as a result of the takeover of Paris Society (see Note 3.1.1), which was fully allocated to Lifestyle business,
- Derecognition of ResDiary goodwill for €18 million following subsidiary disposal (see Note 3.1.2).

Furthermore, the Group finalized the purchase price allocation of the Lifestyle business of Ennismore Holding Ltd (« EHL ») acquired on October 1, 2021. It was determined using the partial goodwill approach, amounting €114 million and corresponds to the difference between:

- On the one hand, the consideration transferred for €218 million, corresponding to the fair value of the interests in Accor's Lifestyle activities transferred to EHL, and minority interests measured at their share in net assets for €51 million, and
- On the other hand, the net asset acquired of €155 million, mainly comprising brands for €105 million, management contracts with hotel owners for €96 million and deferred tax assets for €51 million.

In accordance with IFRS 3 *Business combinations*, the values resulting from the final purchase price allocation have been presented in the restated statement of financial position as at December 31, 2021. The impact of these allocations on amortization and related tax effects in the consolidated income statement of 2021 is not significant. As a result, the consolidated income statement, statement of comprehensive income and statement of cash flows have not been restated.

Brands

The Group's brands are as follows:

	Dec. 2021 (*)	Dec. 2022		
(€ in million)	Net book value	Gross value	Impairment loss	Net book value
Fairmont	878	1,055	(101)	954
Swissôtel	192	273	(103)	170
Raffles	122	159	(27)	132
Mövenpick	140	148	(25)	123
Rixos	99	99	-	99
The Hoxton	84	80	-	80
Mantra	66	88	(9)	80
25hours	50	48	-	48
SLS	45	48	-	48
Mondrian	39	42	-	42
Orient-Express	40	40	-	40
Other trademarks	190	255	(64)	191
Brands	**1,943**	**2,334**	**(329)**	**2,005**

(*) Restated amounts following the purchase price allocation of the Lifestyle business acquired in 2021.

As at December 31, 2022, currency effect on brands was €53 million.

Management contracts

They relate to management and franchise agreements with hotel owners recognized as part of business combinations, mainly in relation to FRHI Hotels & Resort (acquired in 2016), Mantra (2018), Mövenpick (2019) and sbe (2020). In 2022, a net impairment reversal has been recognized for €19 million on management contracts (see Note 8.3).

8.2 Property, plant & equipment

Property, plant & equipment breakdown as follows:

(€ in million)	**Lands, Buildings**	**Leasehold improvements**	**Equipment, furniture**	**Assets in progress**	**Total**
Gross value					
At January 1, 2021	**240**	**188**	**169**	**15**	**614**
Business combinations	3	3	10	-	16
Additions	-	2	6	7	16
Disposals	-	(2)	(5)	-	(7)
Exchange differences	8	5	-	-	13
Others	32	4	(21)	(3)	12
Assets held for sale	(3)	(5)	(9)	-	(17)
At December 31, 2021	**281**	**195**	**150**	**20**	**645**
Business combinations	-	-	51	14	65
Additions	-	4	16	17	37
Disposals	-	(2)	(1)	-	(3)
Exchange differences	1	-	-	2	3
Others	12	(13)	(2)	(14)	(17)
At December 31, 2022	**294**	**184**	**214**	**38**	**730**
Depreciation and impairment					
At January 1, 2021	**(130)**	**(137)**	**(101)**	**(4)**	**(372)**
Depreciation	(5)	(14)	(11)	-	(30)
Disposals	-	3	4	-	7
Exchange differences	(5)	(4)	-	-	(9)
Others	(32)	(4)	20	-	(15)
Assets held for sale	-	2	1	-	3
At December 31, 2021	**(172)**	**(152)**	**(88)**	**(4)**	**(416)**
Depreciation	(7)	(11)	(12)	-	(30)
Impairment loss	(2)	-	-	2	-
Disposals	-	2	1	-	3
Exchange differences	(1)	-	-	-	(1)
Others	5	15	(1)	-	19
At December 31, 2022	**(177)**	**(146)**	**(101)**	**(2)**	**(426)**
Net Book Value					
At December 31, 2021	109	43	62	16	230
At December 31, 2022	**118**	**37**	**114**	**36**	**305**

8.3 Impairment tests

Accounting policy

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

Criteria used for impairment tests

The main criteria considered by the Group as indicator of a possible impairment is the same for all businesses, 15% drop in revenue compared to budget.

Impairment tests

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

- Management & Franchise: at the level of the geographic area as presented in the segment information in Note 4.1,
- Hotel assets & other:
  - at the level of the hotel assets on an individual basis,
  - at the level of the activity for other activities conducted in Asia-Pacific (room distribution and management of hotel common areas, timeshare),
  - at the level of the business lines for other activities (Digital services, Hotel reservation services, Concierge services, Digital sales and Private rentals).

The carrying amount of a CGU includes the carrying amount of the assets that are attributed to the CGU, including the right-of-use assets, but does not include the lease liabilities.

Determination of recoverable value

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

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

For Hotel Assets, recoverable value is first estimated using fair value calculated based on a standard EBITDA multiple. For hotel properties, this method is considered as the most appropriate approach for estimating fair value less costs of disposal, as it most closely reflects the amount that would be expected to be recovered through the sale of the asset. The method consists of calculating each hotel's average EBITDA for the last two years and applying a multiple based on the hotel's location and category. If the recoverable value is less than the carrying amount, the recoverable value is recalculated using the discounted cash flows method.

The recoverable value of brands is determined by applying royalty rates agreed with hotel owners on a five-year revenue projection on hotels managed by the Group.

Impairment loss measurement

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

In accordance with IAS 36 *Impairment of assets*, the Group carried out impairment tests on CGU or group of CGUs to which goodwill and intangible assets whose useful life cannot be determined (mainly brands) are attached:

- Management & Franchise: brands and related goodwill by geographic hub,
- Hotel assets & other: individual hotel assets, room distribution and management of hotel common areas and timeshare, digital services, hotel booking services, concierge services, digital sales and luxury home rentals activities.

The Group also reviewed its hotel management contracts and its equity-accounted investments and conducted impairment tests, on a case-by-case basis, based on a review of impairment indicators or on any indication that an impairment loss recognized in prior periods may no longer exist or may have decreased.

8.3.1 Impairment tests results

As at December 31, 2022, the impairment tests conducted led the Group to recognize a net reversal of impairment of €61 million presented within other income and expenses in the consolidated income statement (see Note 7). It is composed as follows:

- a reversal of impairment on equity-accounted investments of €51 million, of which €36 million on Interglobe Hotels Privated Limited, which operates Ibis hotels in India,
- a net reversal of impairment on Management & Franchise management contracts for €19 million,
- a net reversal of impairment of €6 million on brands, including reversals for €69 million (mainly on Fairmont and Mantra) and impairment losses recognized for €(63) million (notably on Swissôtel and Mövenpick), and
- an impairment loss of €(14) million on concierge services activity allocated to customer relationship.

8.3.2 Methodology for impairment tests

The recoverable amount of assets is determined based on the value in use using a discounted cash flow valuation technique that reflects the surrounding economic conditions. The Group has established a five-year business plan, based on a central scenario assuming a return to a "RevPAR" level equivalent to 2019 in 2023, i.e. one year earlier than the assumption used in the impairment tests carried out in 2021. This central assumption is consistent with the external data available at the date on which impairment tests were performed and the performance recorded in 2022.

The revenue forecasts were based, on one hand, on the 2023 budget prepared by the Group’s entities, in line with “RevPAR” trends by geography and specific local conditions, and, on the other hand, on assumptions by geography retained by the Group for the 2024-2027 period, consistently with macroeconomic trends from market studies prepared by independent firms, and on development perspectives of the Group’s network.

The terminal value was calculated by extrapolating future cashflows beyond five years based on normative inflation rates by region (perpetuity growth rate).

The discount rate used corresponds to the Group's weighted average cost of capital as at December 31, 2022, based on available market data at that date and considering the specific risks of each region. For other activities, 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. 2021	**Dec. 2022**	**Dec. 2021**	**Dec. 2022**
Management & Franchise Southern Europe	+0.9%	+1.7%	+8.5%	+9.5%
Management & Franchise Northern Europe	+1.6%	+2.1%	+8.8%	+10.3%
Management & Franchise Southeast Asia	+0.9%	+2.0%	+8.0%	+11.4%
Management & Franchise Greater China	+2.3%	+2.0%	+9.1%	+10.8%
Management & Franchise Pacific	+1.6%	+2.6%	+8.7%	+10.2%
Management & Franchise North America, Central America & Caribbean	+1.8%	+1.7%	+8.6%	+9.3%
Management & Franchise South America	+4.0%	+3.0%	+11.7%	+15.0%
Management & Franchise India, Middle East, Africa & Turkey	+3.9%	+4.4%	+13.1%	+16.3%
Digital services	+2.5%	+1.7%	+8.5%	+9.5%
Hotel booking services	+5.0%	+1.7%	+9.8%	+10.6%

Projections used for the impairment tests of brands are based on the RevPAR assumptions by geography used by the Group in its business plan.

8.3.3 Sensitivity of recoverable values

The Group performed sensitivity analyses on the main assumptions used in the impairment tests (discount rate, perpetual growth rate, "RevPAR" revenue per available room).

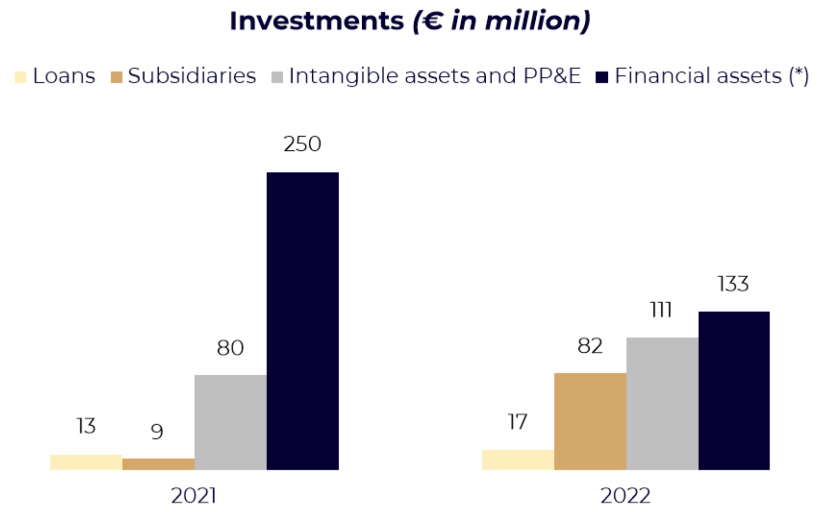
No impairment of the goodwill tested would be recognized in the event of a reasonably possible change in the assumptions used in 2022.

The table below shows the additional impairment (-) or reversal (+) that would have been recognized if the following assumptions had changed:

(€ in million)	**Management & Franchise Brand**	**Management contracts (*)**	**Equity accounted investments (*)**	**Concierge services activity**
Increase in discount rate and perpetual growth rate by 100 pt	(36)	(1)	1	(1)
Decrease in discount rate and perpetual growth rate by 100 pt	38	1	(1)	1
Increase in RevPar by 150 pt	14	1	3	-
Decrease in RevPar by 150 pt	(14)	(1)	(3)	-

(*) Sensitivity test performed when there is an indicator of impairment or an indication that an impairment loss may decrease.

8.4 Capital expenditure



(*) Equity-investments and non-current financial assets

In 2022, main capital expenditures include:

- The acquisition of Reef Technology Inc. shares in exchange of shares in ResDiary and a cash amount of €77 million (net of cash disposed) in June 2022 (see Note 3.1.2),
- The acquisition of an additional stake of 46.9% in Paris Society in November 2022 for €51 million, net of cash acquired (see Note 3.1.1),
- The deferred payments under the acquisition of 25hours and Mama Shelter for €40 million,
- The capital increase in Kasada investment fund for €23 million.

In 2021, capital expenditures comprised the subscription to capital increases of AccorInvest for €154 million, the investment related to the incorporation and the Initial Public Offering of a SPAC (Special Purpose Acquisition Company) for €34 million as well as the acquisition of additional stakes in Mama Shelter, 25hours, Paris Society and Tribe for a total of €34 million.

Note 9. Leases

Accounting policy

Definition of a lease

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

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

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

Right-of-use asset

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

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

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

Lease liability

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

These lease payments comprise:

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

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

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

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

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

Determination of lease term

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

Short-term leases and leases of low-value assets

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

Variable leases

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

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

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

In 2022, the right-of-use assets and the corresponding debt are impacted by scope effects, with the acquisition of Paris Society for €128 million (see Note 3.1.1) and the theater "Le Lido" in Paris for €38 million (see Note 3.1.2).

Note 9.1 Right-of-use assets

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

	Right-of-use assets			
(€ in million)	**Buildings**	**Other property assets**	**Vehicles**	**Total**
At December 31, 2021	**308**	**3**	**7**	**318**
Business combinations	166	-	-	166
Additions	26	-	3	29
Derecognitions	(5)	-	-	(5)
Depreciation expense	(76)	-	(3)	(79)
Exchange differences	2	-	-	2
At December 31, 2022	**420**	**3**	**7**	**430**

Note 9.2 Lease liability

As at December 31, 2022, changes in the lease liability are analyzed as follows:

(€ in million)	
At December 31, 2021	**353**
Business combinations	166
Additions	28
Payment	(82)
Other derecognitions	(7)
Accretion of interest	9
Foreign exchange impacts	2
At December 31, 2022	**469**

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

(€ in million)	**2022**
Less than 1 year	96
1 to 5 years	245
More than 5 years	196
Total	**537**

Note 9.3 Amounts recognized in the income statement

In 2022, the following amounts were recognized in the consolidated income statement in relation to leases:

(€ in million)	**2021**	**2022**
Rent expense for variable lease payments	(30)	(84)
Rent expense for short-term leases and low-value assets	(1)	(7)
Rents concessions related to the health crisis	2	2
Depreciation expense and impairment of right-of-use assets	(88)	(79)
Interest expense on lease liabilities	(9)	(9)
Total	**(125)**	**(178)**

The variable lease payments relate to hotel properties leases that are based on the performance of the hotel, notably in Brazil.

The total cash outflow for leases in 2022 was €173 million of which:

- €73 million presented in cash flows from financing activities for the repayment of lease liability,
- €100 million presented in cash flows from operating activities for the payment of interests on lease liability (€9 million) and the payment for leases not recognized in the statement of financial position (€91 million).

Note 10. Provisions

Accounting policy

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

Provisions for restructuring costs are recognized when the Group has a detailed formal plan for the restructuring and the main features have been announced raising a valid expectation in those affected at the closing date. Other provisions are intended to cover specifically identified risks and claims and litigation arising in the normal course of business.

Movements in provisions in 2022 can be analyzed as follows:

			Reversal			
(€ in million)	**Dec. 2021**	Allowance	Utilizations	Unused provisions	Translation adjustments and other	**Dec. 2022**
Litigation and other risks	269	38	(42)	(75)	19	208
Restructuring	75	26	(55)	(10)	1	36
Provisions	**344**	**63**	**(97)**	**(85)**	**20**	**245**
· of which non-current	63	8	(9)	(12)	30	79
· of which current	282	56	(88)	(73)	(10)	165

Provisions for litigation and other risks mainly include:

- A €53 million provision recorded in 2020 related to the dividend withholding tax litigation (see Note 14.2),
- A provision covering the risks associated with guarantees provided as part of AccorInvest disposal for €50 million. In 2022, the Group has partially reversed this provision for €(39) million, following a reassessment of the risks incurred to date. Furthermore, the provision on tax risks covered by these same guarantees was reversed for €(21) million (see Note 14.2),
- Insurance liabilities for €37 million, stable compared to 2021. The Group, through its subsidiaries specialized in insurance, secure half of the hotels of its network from damages and third-party liability.

The decrease in restructuring provisions is explained by a €(65) million reversal mainly related to the transformation plan initiated by the Group partially compensated by an allowance of €26 million relating in particular to the restructuring plan of the Lido.

Note 11. Financing and financial instruments

11.1 Net Financial result

Accounting policy

Cost of net debt includes interests paid on financial debts, gain and loss on derivates related to financial debt, as well as interests received on loans and income earned from cash and cash equivalents.

Other financial income and expenses mainly comprise the gains and losses arising from ineffective portion of hedging instruments, foreign exchange gains and losses, dividend income from non-consolidated companies, the change in fair value of financial assets measured at fair value through profit or loss, movements in financial provisions and costs on credit lines.

The net financial result is analyzed as follows:

(€ in million)	**2021**	**2022**
Interests on bonds and bank borrowings	(83)	(85)
Interests expenses on current accounts	(2)	(12)
Interests income on loans and securities	4	13
Interests on lease debt	(9)	(9)
Cost of net debt	(89)	(94)
Other financial income and expenses	(20)	10
Net financial result	**(109)**	**(84)**

Other financial income and expenses include the following items:

(€ in million)	**2021**	**2022**
Hedging	(10)	(16)
Exchange gains/(losses)	0	22
Loss on debt modification	(5)	-
Change in fair value of non-current financial assets	10	6
Dividend income	3	7
Others financial expenses	(19)	(9)
Other financial income and expenses	**(20)**	**10**

11.2 Financial instruments

Accounting policy

Financial instruments are classified under the categories defined by IFRS 9 *Financial instruments*.

Financial Assets

The classification of financial assets is based on the nature of their contractual cash-flows as well as the Group's business model for managing the assets.

- Assets at amortized cost: these are financial assets held to collect contractual cash-flows that consist solely of payments of principal and interests at specified dates. They are initially measured at fair value, and subsequently measured at amortized cost using the effective interest method. This category mainly includes cash, trade receivables, security deposits and loans to non-consolidated entities.
- Assets at fair value through other comprehensive income: these are equity instruments not held for trading, for which the Group had irrevocably elected at initial recognition, and on a line-by-line basis, to present changes in fair value in other comprehensive income. This category mainly comprises investments in non-consolidated companies. Derivative instruments that are designated as cash flow hedge are also classified in this category.
- Assets at fair value through profit or loss: these include equity instruments, for which the Group had not, when applicable, elected the option of fair value through other comprehensive income as well as all other financial assets qualified as debt instruments that are not included in either of the above categories (in particular, when they do not have a fixed maturity or cash flows that can be determined). This category mainly includes units in mutual funds, derivatives instruments that are designated as fair value hedge and other derivative instruments that are not eligible to hedge accounting.

Financial liabilities

- Financial liabilities at amortized cost: these are initially recognized at the fair value of the consideration transferred and are subsequently measured at amortized cost using the effective interest method. Transaction costs and premiums directly attributable to issuance of a financial liability are deducted from the initial fair value. Financial liabilities at amortized cost are amortized by the yield-to-maturity method over the life of the liability, based on the effective interest rate. This category consists primarily of bonds, drawdowns on bank lines of credit, bank overdrafts, trade payables and other payables.
- Financial liabilities at fair value through other comprehensive income: this category mainly comprises derivative instruments that are designated as cash flow hedge.
- Financial liabilities at fair value through profit or loss: these are financial liabilities held for trading. This category mainly corresponds to derivative instruments that are designated as fair value hedge and other derivative instruments that are not eligible to hedge accounting.

Put options on non-controlling interests

A commitment to buy the shares held by a minority shareholder (put option) results in the recognition of a debt for the discounted estimated purchase price. The counterpart of the debt is recognized as a reduction in shareholders' equity attributable to minority interests, up to the carrying amount of the minority interests, and shareholders' equity - Group share, for the balance. The debt is remeasured at the end of each reporting period to reflect changes in the option's exercise price, with a corresponding adjustment to shareholders' equity following the same allocation rules as for the initial recognition of the liability.

Convertible bonds (OCEANE)

In accordance with IAS 32 *Financial instruments: Presentation*, convertible bonds are analyzed as compound instruments that contain two elements: (i) a liability and (ii) an equity component for the embedded conversion option into shares, when it is settled through delivery of a fixed number of the Group's own equity instruments for a fixed amount of cash.

On initial recognition, the liability is measured by discounting the contractual stream of future cash flows (interests and repayment value) to the present value, using a market interest rate applicable to instruments of comparable features, but without the conversion option. The value of the conversion option is measured as the residual amount after deducting the fair value of the liability component from the bond's issue price. The option is recorded in equity under "Retained earnings". Issue costs are allocated between the two components in proportion to their respective values.

Subsequently, the liability is measured at amortized cost using the effective interest rate, comprising the interests, the conversion premium and the allocated share of costs. Thus, the carrying amount of the liability in the statement of financial position is increased, at each period, so that at maturity date, it is equal to its repayment value.

The equity component is not remeasured after initial recognition.

11.2.1 Net financial debt

As at December 31, 2022, the Group net financial debt amounts to €1,658 million and is analyzed as follows:

	Dec. 2021			Dec. 2022		
(€ in million)	**Current**	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Bonds	238	2,343	2,581	323	2,069	2,391
Negotiable commercial paper (NEU CP)	302	-	302	109	-	109
Bank overdraft	8	-	8	18	-	18
Other bank borrowings	4	61	65	19	119	139
Bonds and bank borrowings	**551**	**2,404**	**2,955**	**469**	**2,188**	**2,657**
Other financial debts	51	167	218	117	73	190
Derivative financial instruments	29	-	29	22	-	22
Gross financial debt	**630**	**2,572**	**3,202**	**608**	**2,261**	**2,869**
Lease liability	90	263	353	92	377	469
Total financial debt	**720**	**2,835**	**3,555**	**700**	**2,638**	**3,338**
Cash and cash equivalents	1,666	-	1,666	1,643	-	1,643
Other current financial assets	37	-	37	23	-	23
Derivative financial instruments	8	-	8	14	-	14
Financial assets	**1,711**	**-**	**1,711**	**1,680**	**-**	**1,680**
Net financial debt	**(991)**	**2,835**	**1,844**	**(980)**	**2,638**	**1,658**

Changes in financial debt

In 2022, changes in financial debt were as follows:

			Other changes				
(€ in million)	**Dec. 2021**	**Cash flows**	Scope effects	Exchange differences	Fair value	Others	**Dec. 2022**
Bonds	2,581	(208)	0	4	-	14	2,391
Negotiable commercial paper (NEU CP)	302	(193)	-	-	-	-	109
Bank borrowings	73	(19)	82	4	-	17	157
Other financial debts	218	(36)	26	(1)	-	(17)	190
Derivative financial instruments	29	-	-	-	(18)	11	22
Gross financial debt	**3,202**	**(456)**	**109**	**7**	**(18)**	**25**	**2,869**
Lease liability	353	(73)	166	2	-	21	469
Total debt	**3,555**	**(529)**	**274**	**9**	**(18)**	**46**	**3,338**

Repayment of bonds

In 2022, Accor redeemed two bonds:

- The bond of €60 million issued in December 2014 and matured in February 2022,
- The bond of CHF 150 million issued in June 2014 and matured in June 2022.

Short-term financing

Accor has a short-term financing program in the form of negotiable commercial papers (NEU CP) capped at €500 million. As at December 31, 2022, this program is drawn for €109 million, representing a decrease of €193 million compared to December 31, 2021.

Breakdown of bonds

As at December 31, 2022, bonds break down as follows:

Nominal (in local currency)	Local currency	Nature	Date of issuance	Maturity	Interest rate (%)		Carrying amount	
					nominal (*)	effective (**)	Dec. 2021	Dec. 2022
150	CHF	Bond	06/14	06/22	3.00%	1.98%	146	-
60	EUR	Bond	12/14	02/22	2.93%	1.76%	62	-
295	EUR	Bond	09/15	09/23	3.63%	3.95%	296	296
357	EUR	Bond	01/17	01/24	2.50%	1.77%	364	365
600	EUR	Bond	02/19	02/26	3.00%	3.48%	602	606
500	EUR	OCEANE	12/20	12/27	0.70%	0.87%	445	454
700	EUR	Bond	11/21	11/28	2.38%	3.18%	666	671
Bonds borrowings							**2,581**	**2,391**

(*) applicable as at December 31, 2022.

(**) on the basis of a global effective rate since issue including an impact of step-up clauses.

11.2.2 Current financial assets

As at December 31, 2022, current financial assets break down as follows:

(€ in million)	Dec. 2021	Dec. 2022
Cash	816	784
Fixed-term deposits	711	476
Mutual funds units	139	382
Cash and cash equivalents	**1,666**	**1,643**
Short-term loans	37	23
Other current financial assets	**37**	**23**
Derivative instruments	8	14
Current financial assets	**1,711**	**1,680**

11.2.3 Non-current financial assets

Accounting policy

Non-current loans and receivables are measured at amortized cost using the effective interest rate method. On initial recognition, a loss allowance is recognized for credit losses that result from default events that are possible within the next 12-months. In case of significant deterioration of the counterpart's credit risk since initial recognition, the initial loss allowance is completed to cover for credit losses expected over the remaining life of the exposure.

Non-consolidated equity investments are equity instruments initially recorded at cost, and subsequently measured at fair value. The Group generally elects to present changes in the fair value in other comprehensive income. The fair value reserves, thus accumulated, cannot be subsequently recycled in the income statement upon disposal. Only dividends received are recognized in financial result.

Other non-current financial assets correspond to debt instruments that do not meet the definition of a « basic lending arrangement » under IFRS 9 *financial instruments*, because they give rise to cash flows that are not solely payments of principal and interests. This category mainly comprises bonds convertible into shares subscribed by the Group and units held in investment funds. These financial assets are measured at fair value through profit or loss.

As at December 31, 2022, non-current financial assets break down as follows:

(€ in million)	**Dec. 2021**	**Dec. 2022**
Long term loans	71	38
Security deposits	24	30
Financial assets at amortized cost	**96**	**69**
Investments in non-consolidated companies	410	248
Other non-current financial assets	90	121
Financial assets at fair value	**500**	**369**
Total	**595**	**438**

The change in non-consolidated investments mainly includes the acquisition of a shareholding interest in Reef Technology Inc. for €152 million (see Note 3.1.3) and the partial disposal of shares of H World Group Ltd (see Note 3.1.4), followed by a reclassification in assets held for sale of the residual shares for €264 million (see Note 3.2). As at December 2021, the net book value of H World Group Ltd shares was at €349 million.

Other non-current assets are mainly composed of convertible bonds (€21 million), shares in investment funds (€58 million) and the earn-out following the disposal of the Lifestyle hotel assets portfolio to KNSA Hotels France (€42 million).

Changes in fair value of financial assets measured at fair value were recognized in other comprehensive income for €99 million and in the consolidated financial statement for €4 million of which €11 million in financial income and €(7) million in non-recurring income and expenses.

11.2.4 Derivative instruments

Accounting policy

Derivative financial instruments are used to hedge risks exposures, to which the Group is exposed in the frame of its activities, mainly changes in interest rates and exchange rates.

The accounting for fair value changes in derivative instruments depends on whether they are qualified as hedge accounting.

Derivative instruments designated as hedging instruments

Accor uses three types of hedges:

- Fair value hedges of recognized assets and liabilities in the statement of financial position: the hedged items are measured at fair value in the statement of financial position. Changes in fair value are recognized in the income statement and offset by the effective portion of changes in fair value of the derivative instruments.
- Cash flow hedges ("CFH"): the effective portion of the gain or loss on the derivative instruments is recognized in other comprehensive income and, subsequently, reclassified to profit or loss when the hedged item affects profit or loss. The ineffective portion of the gain or loss is recognized immediately in financial result.
- Hedge of a net investment in a foreign operation: the effective portion of the gain or loss on the hedging instrument is initially recognized in other comprehensive income and, subsequently, reclassified to profit or loss upon disposal of the investment, either on a full-basis, in case of loss of control, or up to the Group's share otherwise. The ineffective portion of the gain or loss is recognized immediately in financial result.

The Group uses the "cost of hedging" option permitted by IFRS 9 *Financial instruments,* allowing to limit the volatility in profit or loss resulting from forward points, currency basis spreads and the time value of options.

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

Other derivative instruments

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

As at December 31, 2022, derivative instruments are as follows:

	Dec. 2021		Dec. 2022	
(€ in million)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Interest rate hedges	-	-	-	-
Foreign currency hedges	8	29	14	22
Derivatives financial instruments	**8**	**29**	**14**	**22**

11.2.5 Breakdown of financial assets and liabilities

(€ in million)	By class of instrument: At amortized cost	Fair value through equity	Fair value through P&L	Derivatives qualified as hedges	**Dec. 2021**
Long term loans	71	-	-	-	71
Deposits	24	-	-	-	24
Investments in non-consolidated companies	-	410	-	-	410
Other non-current financial assets	-	-	90	-	90
Trade receivables	631	-	-	-	631
Cash and cash equivalents	1,526	-	139	-	1,666
Other current financial assets	37	-	-	-	37
Derivative instruments	-	-	8	-	8
Financial assets	**2,290**	**410**	**237**	**-**	**2,937**
Bonds	2,581	-	-	-	2,581
Negotiable commercial paper (NEU CP)	302	-	-	-	302
Bank borrowings	73	-	-	-	73
Other financial debt	218	-	-	-	218
Trade payables	391	-	-	-	391
Derivative instruments	-	-	4	25	29
Financial liabilities	**3,564**	**-**	**4**	**25**	**3,593**

(€ in million)	By class of instrument: At amortized cost	Fair value through equity	Fair value through P&L	Derivatives qualified as hedges	**Dec. 2022**
Long term loans	38	-	-	-	38
Deposits	30	-	-	-	30
Investments in non-consolidated companies	-	248	-	-	248
Other non-current financial assets	-	-	121	-	121
Trade receivables	794	-	-	-	794
Cash and cash equivalents	1,261	-	382	-	1,643
Other current financial assets	23	-	-	-	23
Derivative instruments	-	-	9	5	14
Assets classified as held for sale	-	264	-	-	264
Financial assets	**2,147**	**512**	**512**	**5**	**3,176**
Bonds	2,391	-	-	-	2,391
Negotiable commercial paper (NEU CP)	109	-	-	-	109
Bank borrowings	157	-	-	-	157
Other financial debt	190	-	-	-	190
Trade payables	489	-	-	-	489
Derivative instruments	-	-	8	14	22
Financial liabilities	**3,336**	**-**	**8**	**14**	**3,358**

Derivative instruments documented in relation to hedging are reported under the column "Derivatives qualified as hedges". Other derivative instruments are reported under "Fair value through P&L".

11.2.6 Hierarchies at fair value

Accounting policy

IFRS 13 *Fair value* establishes a hierarchy of valuation techniques for financial instruments as follows:

- Level 1 - inputs based on quoted prices (unadjusted) in active markets for a similar instrument,
- Level 2 - valuation techniques using observable data in active markets for a similar instrument,
- Level 3 - valuation techniques primarily using non-observable inputs.

Valuation techniques used to determine the fair value of assets and liabilities measured at fair value in the statement of financial position are as follows:

	Dec. 2021	Hierarchy		
(€ in million)	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Investments in non-consolidated companies	410	382	-	29
Other non-current financial assets	90	-	-	90
Mutual funds units	139	139	-	-
Derivative instruments - assets	8	-	8	-
Financial assets	**647**	**521**	**8**	**118**
Derivative instruments - liabilities	29	-	29	-
Financial liabilities	**29**	**-**	**29**	**-**

	Dec. 2022	Hierarchy		
(€ in million)	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Investments in non-consolidated companies	248	36	-	212
Other non-current financial assets	121	-	-	121
Mutual funds units	382	382	-	-
Derivative instruments - assets	14	-	14	-
Assets classified as held for sale	264	264	-	-
Financial assets	**1,029**	**682**	**14**	**333**
Derivative instruments - liabilities	22	-	22	-
Financial liabilities	**22**	**-**	**22**	**-**

No change in the fair value hierarchy has been carried out in the measurement of assets and liabilities at fair value over the year. The fair value of mutual fund units corresponds to the net asset values at closing date.

The fair value of investments in non-consolidated companies corresponds either to the share price (level 1) for shares listed on an active market, or to an estimate for non-listed shares determined using the most appropriate and specific financial criteria (level 3).

The fair value of derivatives is measured based on models commonly used by market participants to value these financial instruments using observable market data (level 2). The impact of the default risk of the counterparty (CVA) and the entity's own credit risk (DVA) is not material on the derivatives fair value.

The fair value of financial assets and liabilities recognized at amortized cost is equal to the carrying amount, except for bonds. The fair value of the bonds is determined based on quoted prices (level 1) and amounts to €2,255 million as at December 31, 2022.

11.3 Financial risk management

11.3.1 Foreign exchange risk

Bonds and bank borrowings by currency

The bond and bank debt by Group currency after the use of derivatives (with the exception of commercial hedges) breaks down as follows:

	Before hedging			After hedging		
(€ in million)	**Amount**	**Rate**	**% of total debt**	**Amount**	**Rate**	**% of total debt**
Euro	2,601	2%	98%	2,368	2%	89%
Australian dollar (AUD)	-	-	-	574	5%	22%
UAE dirham (AED)	-	-	-	33	3%	1%
Japanese yen (JPY)	-	-	-	30	-1%	1%
Pound sterling (GBP)	-	-	-	(32)	-0%	-1%
US dollar (USD)	56	6%	2%	(69)	-1%	-3%
Swiss franc (CHF)	-	-	-	(205)	1%	-8%
Other currencies	-	-	-	(42)	8%	-2%
Bonds and bank borrowings	**2,657**	**2%**	**100%**	**2,657**	**3%**	**100%**

The table above shows the currency transposition of the Group's financing. They are established according to operational needs whether they are in the sense of a currency lender or borrower.

Foreign currency hedges

As at December 31, 2022, characteristics of the foreign currency hedges are as follows:

	Dec. 2022								
(€ in million)	Hedging maturity	Accounting classification	AUD	USD	CHF	GBP	Others currencies	**Nominal**	**Fair value**
Currency swaps	< 1 an	Trading	-	(103)	(205)	(75)	64	(319)	(1)
Cross currency swaps	2028	CFH	574	-	-	-	-	574	(14)
Financing operations			**574**	**(103)**	**(205)**	**(75)**	**64**	**255**	**(15)**
Forward	< 1 an	Trading	16	31	13	14	32	106	0
Forward	< 1 an	CFH	19	67	12	5	10	112	5
Commercial operations			**35**	**99**	**25**	**19**	**42**	**218**	**5**
Trading operations	< 1 an	Trading	**-**	**(22)**	**-**	**43**	**(43)**	**(23)**	**2**
Total			**609**	**(26)**	**(180)**	**(14)**	**63**	**450**	**(8)**

Trading: Fair value for P&L

CFH: Cash-Flow Hedge

Sensitivity analysis

Accor's policy is to hedge financing positions in the statement of financial position. Hence, the sensitivity of the net result on foreign exchange risks over the balance sheet financing positions is not material.

Regarding commercial operations in the statement of financial position, exposures are mainly centralized at Accor SA level. The Group's policy is to invoice the fees to subsidiaries in their functional currency (with minor exceptions). As at December 31, 2022, most of the trade balances are hedged and the corresponding foreign currency derivatives are qualified as trading instruments.

11.3.2. Interest rate risk

Bonds and bank borrowings by interest rate

	Current		**Non-current**		**Dec. 2022**	
(€ in million)	Fixed	Variable	Fixed	Variable	**Fixed**	**Variable**
Bonds and bank borrowings	444	26	2,141	47	2,585	73
Cash and cash equivalents	(1,260)	(382)	-	-	(1,260)	(382)
Net exposure	(816)	(357)	2,141	47	**1,325**	**(309)**

As at December 31, 2022, 97% of bonds and bank borrowings were at fixed rate, with an average rate of 2.1%, and 3% were at a variable rate, with an average rate of 5%. The fixed rate debt is denominated primarily in euro.

Interest rate hedges

As at December 31, 2022, the Group has one interest rate swap fixing the rate of the €276 million mortgage debt negotiated to fund the acquisition of the Group's head office. This swap and associated debt are classified as liabilities held for sale. The fair value of this instrument, qualified as cash flow hedge, is €21 million. The change in fair value over 2022 was recognized in other comprehensive income for €33 million.

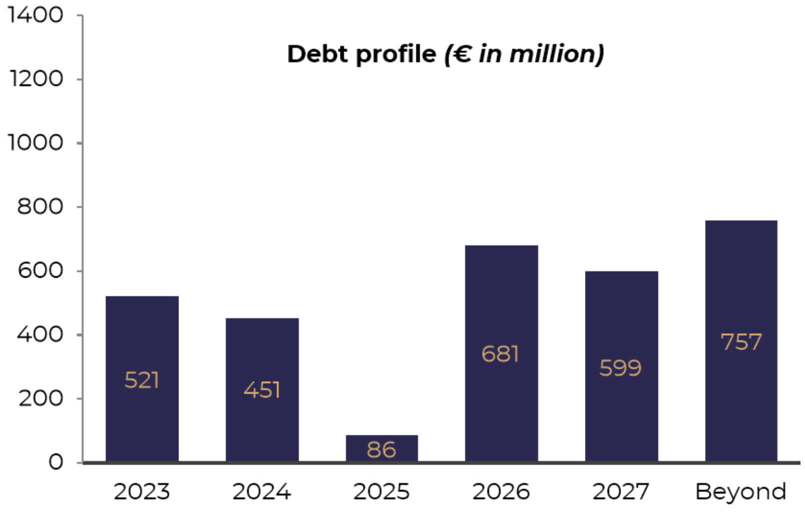
Risk of non-compliance with gas emission reduction targets

Accor issued a bond indexed to the Group’s sustainable development objectives (Sustainability-Linked Bond) for €700 million, with a 2.375% coupon, maturing in November 2028. Issued pursuant to the Sustainability-Linked Bond Framework, these bonds are indexed to the two Group’s greenhouse gas emission reduction targets of 25.2% for Scopes 1 and 2 and 15.0% for Scope 3 by 2025 compared to 2019. In the event of non-compliance with these targets, the Group is exposed to a 12.5bps step-up per target on coupons from 2026 over the residual term of the debt.

11.3.3 Liquidity risk

Debt profile

The bonds and bank borrowings profile (corresponding to contractual nominal and interests included) is one of the indicators used to assess the Group's liquidity position. As at December 31, 2022, maturities were as follows:



Credit lines

The Group has one undrawn confirmed credit line for €1,200 million, maturing in June 2024 (for €86 million) and in June 2025 (for €1,114 million). The €560 million credit line negotiated in May 2020, matured in May 2022.

Covenants

There is no early repayment clause that would be triggered following a deterioration in the Group's rating. However, part of the bonds and bank borrowings (€1,908 million out of the €2,575 million) is subject to an early repayment clause in the event of a change of control (in case 50% of Accor SA's voting rights are acquired by a third party) along with a downgrade of the rating to "Non-Investment Grade".

The €1,200 million undrawn bank credit line contained, at contract inception, an early repayment clause that can be triggered in the event of non-compliance with a financial leverage ratio (consolidated net debt reported to consolidated EBITDA before application of IFRS 16 *Leases*). In the context of the health crisis, Accor obtained a first covenant holiday until June 2021, which was extended on February 8, 2021, until June 2022. Since November 15, 2021, this covenant has been replaced by a minimum liquidity covenant, applicable for the years 2022 and 2023. From 2024, the initial leverage ratio will be applied again.

Regarding the €300 million mortgage debt negotiated in October 2018 to fund the acquisition of the Group's head office (classified as liability held for sale in the statement of financial position as at December 31, 2022), the early redemption clause can be triggered in case of non-compliance with the Loan-to-Value (debt to the value of the asset) and interest cover ratios. At closing date, no contemplated reasonable scenario would lead to trigger such a clause.

Last, no cross-default clause, by which default on one debt can lead to default on another debt, is included in the financing contracts negotiated by Accor. Only cross acceleration clauses exist, these clauses can only be triggered if the cross acceleration relates to financial debts of the same nature and for a significant amount.

Rate

The credit rating agencies Standard & Poor's and Fitch rating are following Accor and attributed the below ratings:

	Long-term rating	Outlook	Last review
Standard & Poor's	BB+	Stable	November 10, 2022
Fitch Rating	BB+	Stable	November 2, 2022

On November 10, 2022, Standard & Poor's revalued the Group's perspective from a negative to a stable rating.

11.3.4 Credit and counterparty risk

The Group is likely to be exposed to a concentration of counterparty risks related to trade receivables, cash, investments and derivatives.

The business relationship between Accor and hotel owners is formalized through services contracts. Accor considers that the concentration of counterparty risks related to its trade receivables is limited given the number of clients, their geographical dispersion, the nature of the services provided and the frequency of invoicing of the services (usually monthly). As at December 31, 2022, the maximum counterparty risk value on trade receivables is the net book value.

The maturity of trade receivables (excluding accrued receivable of €213 million) is as follows:

		Receivables due			
(€ in million)	Receivables not yet due	Less than 90 days	Between 90 and 180 days	More than 180 days	Total
Gross receivables	351	160	76	146	**733**
Provisions	(3)	(4)	(20)	(124)	**(151)**
Net receivables	**348**	**155**	**57**	**22**	**582**

Financial investments are diversified. They relate to first rank securities and are negotiated with first rank banks. The Group subscribes over-the-counter derivatives with first-class banks under agreements to offset the amounts due and received in the event of default by one of the contracting parties. In the Group's financial statements, these derivatives are not compensated.

Note 12. Income tax

Accounting Policy

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

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

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

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

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

The Group applies the IFRIC 23 guidance for income tax:

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

12.1 Income tax in consolidated income statement

12.1.1 Income tax expense of the exercise

(€ in million)	**2021**	**2022**
Current tax	(30)	(117)
Deferred tax	99	41
Income Tax	**69**	**(76)**

In 2022, the Group recognized an income tax expense for €(76) million.

The current income tax expense of €(117) million mainly includes:

- Income tax expenses for €(124) million,
- Reversals of provisions for tax risks for €7 million.

The deferred tax income of €41 million mainly includes the recognition of deferred tax assets in the United States and the Netherlands reflecting the improvement in five-year projections of expected tax results, in line with operational assumptions included in the Group's business plan.

In 2021, the current tax income was the result of the recognition of deferred tax assets for €99 million, mainly in the United States and Germany, reversals of provisions for tax risks for €14 million, notably in China and current tax expense for €(45) million.

12.1.2 Income tax expense analysis

(€ in million)		**2021**	**2022**
Profit before tax		**(56)**	**459**
Share of profit/(loss) of equity investments		273	(33)
Impairment losses		(58)	(134)
Untaxed profit or profit taxed at a reduced rate		(529)	(18)
Others		(2)	(1)
Profit taxed at standard rate	(a)	**(372)**	**274**
Standard tax rate in France	(b)	**+28.4%**	**+25.8%**
Theoretical tax at standard French tax rate	(c) = (a) x (b)	**106**	**(71)**
. Differences in foreign tax rates		9	10
. Unrecognized tax losses for the year		(141)	(30)
. Utilization / recognition of tax losses carryforward		36	39
. Net charges to/reversals of provisions for tax risks		14	7
. Company value-added contribution (CVAE)		(1)	(4)
. Changes in tax rates		1	1
. Other items		44	(28)
Total effects on tax at standard French tax rate	(d)	**(37)**	**(5)**
Income/(Expense) tax	(e) = (c) + (d)	**69**	**(76)**

As at December 31, 2022, the income tax rate in France is at 25.83%, including the French “Contribution sociale de solidarité” tax of 3.3% based on the standard tax rate of 25%.

12.2 Deferred taxes

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

(€ in million)	**Dec. 2021 (*)**	**Dec. 2022**
Intangible assets	(492)	(482)
Property, plant and equipment	(11)	(4)
Recognized tax losses	80	92
Provision for employee benefits	30	28
Provision for risks and contingencies	32	17
Impairment losses	4	6
Others	(12)	(4)
Total net deferred tax	**(369)**	**(347)**
• Deferred tax assets	192	193
• Deferred tax liabilities	(561)	(540)

(*) Restated amounts following the purchase price allocation of the Lifestyle business acquired in 2021 (see Note 8.1).

Deferred taxes liabilities on intangible assets mainly relate to assets recognized as part of FRHI Hotels & Resort group acquisition in 2016.

Deferred tax assets on tax losses are mainly in the United States (€59 million) and Germany (€7 million).

Deferred tax assets on provision for risks and contingencies mainly relate to the €50 million provision covering the future risks associated with the guarantees on assets granted as part of AccorInvest disposal.

12.3 Unrecognized deferred tax

As at December 31, 2022, unrecognized deferred tax assets amount to €835 million (compared to €978 million as at December 31, 2021). They mainly relate to evergreen tax losses carryforwards in France (€398 million), Luxembourg (€74 million) and Belgium (€70 million).

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

(€ in million)	Deductible temporary differences	Tax loss carry forwards	**Total**
From 2022 to 2025	5	26	30
2026 and beyond	19	11	30
Evergreen	124	650	775
Total	**148**	**687**	**835**

Note 13. Shareholders' Equity and Earning per share

Accounting policy

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

Transactions with minority interests

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

Equity instruments

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

13.1 Share capital

13.1.1 Changes in share capital

As at December 31, 2022, Accor SA's share capital was made up of 263,031,794 shares with a par value of €3 each, each fully paid. Changes in the number of outstanding shares during 2022 were as follows:

In number of shares	2022
Number of issued shares at January 1, 2022	**261,856,268**
Performance shares vested	1,175,526
Number of issued shares at December 31, 2022	**263,031,794**

13.1.2 Distribution of dividends

No dividend was paid over the year.

13.1.3 Perpetual subordinated notes

In 2022, coupons paid to holders on perpetual subordinated notes amounted to €35 million. These payments are analyzed as a distribution of profit, directly deducted from equity.

13.1.4 Consolidated reserves

Items recognized directly in shareholders' equity Group share are the followings:

	Dec. 2021(*)	Change	**Dec. 2022**
Currency translation reserve	(229)	95	(133)
Changes in fair value of financial Instruments	(250)	211	(39)
• of which non-consolidated investments	(227)	142	(85)
• of which derivative instruments	(23)	69	46
Reserve for actuarial gains/losses	(95)	12	(83)
Share based payments	339	43	383
Retained earnings and others	2,058	421	2,467
Reserves - Group share	**1,823**	**783**	**2,595**

(*) Restated amounts following the purchase price allocation of the Lifestyle business acquired in 2021 (see Note 8.1).

The variation of €142m in reserve for fair value of non-consolidated investments includes the change in fair value recognized for the year for €99m (see Note 11.2.3) and the reclassification of the negative cumulative change in fair value in Group reserves following the partial disposal of shares in H World Group Ltd for €(43)m (see Note 3.1.4).

13.1.5 Currency translation reserve

The currency translation reserve breaks down as follows:

	2021	Change	**2022**
British sterling (GBP)	(101)	(44)	(145)
Brazilian real (BRL)	(103)	11	(92)
United States dollar (USD)	78	177	254
Chinese yuan (CNY)	(2)	(37)	(39)
Canadian dollar (CAD)	(7)	(20)	(26)
Australian dollar (AUD)	(15)	(3)	(19)
Indian rupee (INR)	(71)	(2)	(73)
Other currencies	(11)	19	8
Currency translation reserve	**(232)**	**101**	**(131)**
• of which Group share	(229)	95	(133)
• of which minority interests	(4)	6	2

The €101 million positive change over the year is mainly driven by the appreciation of the US dollar (€177 million), the depreciation of pound sterling (€44 million) and Chinese yuan (€37 million).

The euro closing rates used to translate foreign operations were as follows:

	GBP	BRL	USD	CNY	CAD	CHF	INR
December 2021	0.8433	- 6.4157	1.1312	7.2087	1.4529	1.0396	84.8105
December 2022	0.8803	5.4834	1.0622	7.4198	1.4433	0.9867	87.9579

13.2 Minority interests

13.2.1 Breakdown of minority interests

Minority interests break down as follows:

(€ in million)	**Dec. 2021 (*)**	Change	**Dec. 2022**
Ennismore	194	115	309
Rixos Hotels & Resorts	17	52	68
Paris Society	-	(9)	(9)
Orient-Express	16	(16)	-
Other minority interests	29	(1)	29
Minority interests	**256**	**141**	**397**

(*) Restated amounts following the purchase price allocation of the Lifestyle business acquired in 2021 (see Note 8.1).

In 2022, the change is mainly explained by the acquisition in June 2022 of minority interests of Orient Express (see Note 3.1.3), the recognition of minority interests following the takeover of Paris Society (see Note 3.1.1) and the recognition of additional minority interests following the sale of 10.8% stake in Ennismore and the prior contribution of the stake in Rixos to Ennismore (see Note 3.1.1).

13.3 Earnings per share

Accounting policy

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

Diluted earnings per share are determined by adjusting the weighted average number of shares for the effects of all potentially dilutive instruments (stock options and performance shares). Instrument shares are treated as dilutive when their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations – Group share.

Earnings per share are calculated as follows:

(€ in million)	Continued activities	Discontinued activities	2021	Continued activities	Discontinued activities	2022
Net profit - Group share	8	77	**85**	359	43	**402**
Coupons on perpetual subordinated bonds	(35)	-	(35)	(35)	-	(35)
Adjusted Net profit - Group share	**(27)**	**77**	**50**	**324**	**43**	**367**
Weighted average number of ordinary shares	261,621,001	261,621,001	261,621,001	262,531,151	262,531,151	262,531,151
Fully diluted weighted average number of shares	-	-	-	263,019,122	263,019,122	263,019,122
Earnings per share *(in euros)*	**(0.10)**	**0.29**	**0.19**	**1.23**	**0.16**	**1.40**
Diluted earnings per share *(in euros)*	**(0.10)**	**0.29**	**0.19**	**1.23**	**0.16**	**1.39**

As at December 31, 2022, the weighted average number of ordinary shares is computed as follows:

Outstanding shares	**263,031,794**
Effect of share issued	(500,643)
Weighted average number of ordinary shares	**262,531,151**
Number of dilutive potential shares	487,971
Fully diluted weighted average number of shares	**263,019,122**

Note 14. Unrecognized items

14.1 Off-Balance Sheet commitments

Accounting policy

Commitments given and received by the Group correspond to outstanding contractual obligations that are conditional upon the satisfaction of future conditions or the completion of future transactions. As at December 31, 2022, to the best of the Group's knowledge, there were no commitments likely to have a material effect on the Group's current or future situation other than those disclosed in this note.

14.1.1 Commitments given

The undiscounted off-balance sheet commitments given as at December 31, 2022 breakdown is as follows:

(€ in million)	< 1 year	1 to 5 years	> 5 years	**Total**
Commitments given in the normal course of business	31	185	75	291
Commitments increasing net debt	65	29	146	240
Commitments related to development	-	27	6	34
Commitments given	**96**	**240**	**228**	**564**

Commitments given for current operations mainly relate to commitments to hotel owners, generally, to secure the signing of a contract ("key money") or in respect of the performance guarantee granted as part of management of the hotel.

14.1.2 Commitments received

The undiscounted off-balance sheet commitments received as at December 31, 2022 breakdown is as follows:

(€ in million)	< 1 year	1 to 5 years	> 5 years	**Total**
Guarantees received in the normal course of business	4	1	5	10
Commitments received	**4**	**1**	**5**	**10**

14.2 Litigations, contingent assets, and liabilities

Accounting policy

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

During the normal course of business, the Group may be exposed to claims, litigation, and legal proceedings. All known outstanding claims, litigation and legal proceedings involving Accor SA or any Group company were reviewed at the date on which the consolidated financial statements were authorized for issue, and all necessary provisions were booked to cover the estimated risks. To the best of Management's knowledge, there are no contingent liabilities that could have a material adverse effect on the Group's financial position or business.

Litigation on dividend withholding tax

In 2002, Accor SA challenged through legal means its obligation to pay "précompte" dividend withholding tax on the redistribution of European source dividends on the grounds that it breached European Union rules. Numerous and long-lasting procedures ensued in France and later at European level.

Regarding the "précompte" dividend withholding tax paid over the period 1999-2001, the Administrative Tribunal of Versailles ruled, in 2006, that Accor SA was entitled to a refund of €192 million (of which €36 million of late interests). This ruling was confirmed by the Administrative Court of Versailles of appeal on May 20, 2008. However, on December 10, 2012, the Supreme Court restricted the right to a refund of €7 million and, in 2013, Accor SA refunded €185 million to the French State. The Group intends to continue to assert his right and has brought an action for State liability at the Paris Administrative Court.

Regarding the "précompte" dividend withholding tax paid over the period 2002-2004, a decision from the European Union (EU) Court of Justice on October 4, 2018, convicted the French State again. On July 7, 2020, the Administrative Court of Appeal of Versailles, taking note of the European Court's decision, pronounced the refund to Accor SA of the full "précompte" amount paid over this period along late interests.

On July 23, 2020, Accor SA received a refund of €307 million (€180 million of principal and €127 million of late interests).

In September 2020, the tax authorities appealed before the French Supreme Court. The Group and its legal advisors were informed of and reviewed the grounds for cassation. On this basis, they concluded that Accor SA has serious chance of prevailing on part of the legal grounds pleaded in the ongoing procedure. In that respect, a €254 million gain was recognized in the income statement of the year 2020, presented in other income and expenses. The difference of €53 million was accounted as a provision.

On May 12, 2022, the Court of Justice of the European Union ("CJEU") ruled that the withholding tax infringed the European parent-subsidiary regime. This decision should force the Council of State to reject the appeal of the tax administration. If confirmed, the Group would not have to reimburse the amount of €307 million received in respect of the withholding tax paid over the period 1999-2004 and related late interests.

As at December 31, 2022, although this decision is favorable to the Group, the provision of €53 million has been maintained until the decision of the Council of State is final.

Tax Audit Accor SA

In June 2021, Accor SA received a reassessment notice in relation to the tax audit of the years 2016 to 2018. The tax authorities challenged the valuation, determined by independent experts, of the shares of a subsidiary sold to AccorInvest as part of the legal restructuring carried out prior to its disposal. The tax base of the reassessment amounts to €37 million. The Group recognized a provision for tax risk of €2 million, corresponding to its net exposure, after use of sponsorship tax credits and tax losses carried forward. A departmental interlocution procedure was held on May 19, 2022, during which Accor SA had the opportunity to present its arguments in which a withdrawal of the main reassessment items occurred. Therefore, the provision for tax risks has been reversed.

Besides, as a collateral effect, the tax authorities notified a reassessment to the subsidiary of AccorInvest, considering that the valuation retained was deemed to be a taxable subsidy. AccorInvest claimed its right to compensation from Accor SA in accordance with the provisions of the share disposal agreement signed between Accor SA and its investors in 2018. In 2021, the Group recognized a provision of €21 million covering the entire risk. The allowance was presented under profit from discontinued operations in the consolidated financial statements.

On May 19, 2022, during the departmental interlocution mentioned above, a request was submitted to withdraw the tax reassessments concerning Accor SA at the level of AccorInvest subsidiary. Therefore, the indemnity was thus reduced to €7 million, amount paid to AccorInvest in November 2022. The balance of the unused provision of €14 million was fully reversed in profit or loss and presented within profit from discontinued operations (see Note 3.2.2)

14.3 Subsequent Events

Disposal of stake in H World Group Ltd

In January 2023, the Group sold its entire remaining 2.1% stake in H World Group Ltd for an amount of 297 million dollars (see Note 3.1.4).

Note 15. Other information

15.1 Related parties

Companies that exercise significant influence over Accor

As at December 31, 2022, the companies Qatar Investment Authority (QIA) and Kingdom Holding Company of Saudi Arabia (KHC), who became shareholders following the acquisition of FRHI Hotels & Resorts in 2016, exercise significant influence over Accor SA. In virtue of the agreements signed at the time of this transaction, QIA has two seats on the Board of Directors and KHC has one.

On June 28, 2022, Accor entered into a new partnership with SASP Paris Saint Germain Football, whose owner is Qatar Sport Investment (QSI), a subsidiary of QIA, to become one of the official sponsors of Paris-Saint-Germain for the next four years from 2022/2023 season. This collaboration aims to promote the ALL-Accor Live Limitless loyalty program using Paris Saint-Germain assets all over the world and to offer unique and privileged experiences to ALL loyalty program members for four seasons until 2026.

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

Transactions between the Company and its subsidiaries, joint ventures and associates are concluded in the normal course of business operations. The transactions with subsidiaries are eliminated in the Group's consolidated financial statements.

When appropriate, the main transactions with equity-accounted investments are mentioned directly in the related notes (see Notes 3.1 and 6). In addition, the following transactions were carried out with equity-accounted investment entities:

- AccorInvest is the main client of the Group. Revenue of AccorInvest recognized in 2022 represents 9% of the total revenue of the Group. As at December 31, 2022, the gross value of receivables towards AccorInvest amounted to €173 million in the consolidated statement of financial position.

- Accor provides premises free of charge to Accor Acquisition Company, a special purpose entity, created by Accor to carry out one or several acquisitions.

Members of the Executive Committee and the Board of Directors

Transactions with members of the Executive Committee and Board of Directors are presented in Note 5. All transactions with companies in which a member of the Executive Committee or the Board of Directors holds material voting rights are conducted in the normal course of business on arm's length terms and are not material.

15.2 Fees paid to auditors

The table below shows the total fees billed by the auditors recognized in the Group's consolidated income statement for the financial years 2021 and 2022:

	2021			2022		
(€ in million)	**PwC**	**EY**	**Total**	**PwC**	**EY**	**Total**
Fees related to certification of accounts						
Issuer	1.1	1.0	2.1	1.6	1.5	3.1
Fully consolidated subsidiaries	1.6	1.4	3.0	1.7	1.2	2.9
Subtotal	**2.7**	**2.4**	**5.1**	**3.3**	**2.8**	**6.0**
Fees for services other than certification of accounts						
Services required by laws and regulations	0.0	0.2	0.2	-	0.2	0.2
Due diligence services	-	-	-	0.6	-	0.6
Tax services (*)	0.4	1.0	1.4	0.2	0.6	0.8
Other services (**)	0.2	0.2	0.4	1.0	-	1.0
Subtotal	**0.6**	**1.4**	**2.0**	**1.8**	**0.8**	**2.5**
Total	**3.3**	**3.8**	**7.1**	**5.0**	**3.5**	**8.6**

(*) Tax services mainly related to compliance assignments performed for foreign subsidiaries

(**) Services mainly related to assignments performed in France and abroad by members of respective auditors' networks

15.3 Main consolidated companies

The main subsidiaries and equity-investments represent at least 75% of consolidated revenue and EBITDA. The other entities are not material on these two aggregates.

As at December 31, 2022 the Group consolidates under the appropriate method all of its subsidiaries.

To the best of the Group's knowledge, there are no material restrictions on Accor's ability to have access to the assets of the subsidiaries controlled by the Group.

Main consolidated companies	Countries	Method	%
Northern Europe			
ACCOR HOTELBETRIEBS GMBH	Austria	FC	100%
ACCOR HOTELS BELGIUM	Belgium	FC	100%
ACCOR HOTELS UK	United Kingdom	FC	100%
ACCOR HOTELSERVICES MAGYAORSZAG KFT.	Hungary	FC	100%
ACCOR SERVICES POLAND	Poland	FC	100%
ACCORHOTELS DEUTSCHLAND GMBH	Germany	FC	100%
ACCORHOTELS SWITZERLAND SA	Switzerland	FC	100%
MÖVENPICK HOTELS & RESORTS MANAGEMENT	Switzerland	FC	100%
OU SWISSOTEL ESTONIA	Estonia	FC	100%
RUSSIAN MANAGEMENT HOTEL COMPANY	Russia	FC	100%
SWISSOTEL MANAGEMENT GMBH	Switzerland	FC	100%
UKRAINIAN MANAGEMENT HOTEL COMPANY	Ukraine	FC	100%
FRHI HOTELS & RESORTS S.A.R.L.	Luxembourg	FC	100%
ACCOR INVEST GROUP	Luxembourg	EM	30%
Southern Europe			
ACADEMIE FRANCE	France	FC	100%
ACCOR SA	France	FC	100%
ACCORHOTELS & COMMUNITY SERVICES SPAIN	Spain	FC	100%
ACCORHOTELS ITALIA S.R.L.	Italy	FC	100%
IBIS BUDGET	France	FC	98%
LEISURE HOTELS - HOTEL AND TOURISTIC ENTERPRISES SA	Greece	FC	100%
SH DEFENSE GRANDE ARCHE	France	FC	100%
SOCIETE DE MANAGEMENT INTERMARQUES	France	FC	100%
South East Asia			
RAFFLES INTERNATIONAL LIMITED	Singapore	FC	100%
PT AAPC INDONESIA	Indonesia	FC	100%
AAPC JAPAN K.K.	Japan	FC	100%
AAPC SINGAPORE PTE LTD	Singapore	FC	100%
AAPC (THAILAND) LIMITED	Thailand	FC	100%
Greater China			
AAPC HONG KONG CO LTD	China	FC	100%
Pacific			
AAPC PROPERTIES PTY LTD	Australia / NZ	FC	100%
MANTRA	Australia / NZ	FC	100%
South America			
SOCIEDAD ANONIMA DE GESTION HOTELERA DE COLOMBIA	Colombia	FC	100%
ACCORHOTELS ARGENTINA S.A	Argentina	FC	100%
ACCORHOTELS CHILE SPA	Chile	FC	100%
ACCORHOTELS PERU SA	Peru	FC	100%
HOTELARIA ACCOR BRASIL SA	Brazil	FC	100%

Main consolidated companies	Countries	Method	%
India, Middle East, Africa & Turkey			
AAPC INDIA HOTEL MANAGEMENT PRIVATE LIMITED	India	FC	51%
ACCOR AFRIQUE	Africa structures	FC	100%
ACCOR GESTION MAROC	Morocco	FC	78%
ACCOR HOTEL SAE	Egypt	FC	100%
ACCORHOTELS MIDDLE EAST AND AFRICA	United Arab Emirates	FC	100%
BELLE RIVIERE HOTEL	Mauritius	FC	100%
EL GEZIRAH HOTELS TOURISM CY	Egypt	FC	66%
FHR GULF MANAGEMENT FZ-LLC	United Arab Emirates	FC	100%
MÖVENPICK HOTELS & RESORTS MANAGEMENT	United Arab Emirates	FC	100%
SAUDI FRENCH COMPANY HOTEL MGT	Saudi Arabia	FC	100%
TAMARIS TURIZM TRY	Turkey	FC	100%
ACCOR MANAGEMENT CONSULTING AND SPORTS EVENTS LLC	Qatar	FC	100%
RISMA	Morocco	EM	33%
Kasada hospitality fund LP	Mauritius	EM	30%
North/Central America, the Caribbean			
Accor Canada Inc	Canada	FC	100%
ACCOR MANAGEMENT CANADA INC	Canada	FC	100%
ACCOR MANAGEMENT US INC	United States	FC	100%
SI HOTELERA DE MEXICO	Mexico	FC	100%
FHR BANFFOPERATIONS CORPORATION	Canada	FC	100%
SCOTTSDALE PRINCESS PARTNERSHIP	United States	FC	100%
FHR AUSTIN HOTEL MANAGEMENT COMPANY	United States	FC	100%
FHR SAN FRANCISCO OPERATIONS LLC	United States	FC	100%
Lifestyle business			
21C MUSEUM HOTELS	United States	FC	53%
FH MIAMI OPERATIONS	United States	FC	62%
Mama Shelter France	France	FC	62%
MHG HOLDCO LLC	United States	FC	62%
ENNISMORE HOTEL MANAGEMENT UK LTD	United Kingdom	FC	62%
ENNISMORE INTERNATIONAL MANAGEMENT LIMITED	United Kingdom	FC	62%
SBE HOTEL GROUP LLC	United States	FC	62%
RIXOS CONSULTANCY FZE	United Arab Emirates	FC	44%
HUDSON LEASECO LLC	United States	FC	62%
MORGANS HOTEL GROUP MANAGEMENT LLC	United States	FC	62%
Other activities			
JOHN PAUL	France	FC	100%
VERYCHIC	France	FC	100%
D EDGE	France	FC	100%
D-EDGE HOSPITALITY SOLUTIONS PTE LTD	Singapore	FC	100%
GEKKO	France	FC	100%
LIFEALIKE LTD	United Kingdom	FC	100%

FC: Fully Consolidated

EM: accounted for by the Equity Method

The percentages correspond to the Group's percentage of interest