CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

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

Consolidated income statement

(€ in million)	Notes	2019	2020
Revenue	4	**4,049**	**1,621**
Operating expenses	4	(3,224)	(2,012)
EBITDA	4	**825**	**(391)**
Depreciation, amortization and provision expenses		(328)	(274)
EBIT		**497**	**(665)**
Share of net profit of associates and joint-ventures	6	3	(578)
EBIT including profit of associates and joint-ventures		**501**	**(1,243)**
Other income and expenses	7	177	(958)
Operating profit		**678**	**(2,201)**
Financial result	11	(75)	(108)
Income tax	12	(138)	62
Profit from continuing operations		**465**	**(2,247)**
Profit from discontinued operations	3	20	257
Net profit of the year		**485**	**(1,990)**
• Group		**464**	**(1,988)**
from continuing operations		447	(2,244)
from discontinued operations		17	257
• Minority interests		**21**	**(2)**
from continuing operations		18	(2)
from discontinued operations		3	0
Basic earnings per share (in euros)			
Earnings per share from continuing operations		**1.49**	**(8.69)**
Earnings per share from discontinued operations		**0.06**	**0.98**
Basic earnings per share		**1.55**	**(7.71)**
Diluted earnings per share (in euros)			
Diluted earnings per share from continuing operations		**1.49**	**(8.69)**
Diluted earnings per share from discontinued operations		**0.06**	**0.98**
Diluted earnings per share	**13**	**1.55**	**(7.71)**

Consolidated statement of comprehensive income

(€ in million)	Notes	2019	2020
Net profit of the year		**485**	**(1,990)**
Currency translation adjustments	13	153	(310)
Effective portion of gains and losses on hedging instruments	13	1	(28)
Currency translation adjustments from discontinued operations	13	1	(10)
Items that may be reclassified subsequently to profit or loss		**155**	**(348)**
Changes in the fair value of non-consolidated investments	13	4	(27)
Actuarial gains and losses on defined benefit plans	13	(20)	3
Actuarial gains and losses from discontinued operations	13	(0)	0
Items that will not be reclassified to profit or loss		**(16)**	**(24)**
Other comprehensive income, net of tax		**139**	**(372)**
Total comprehensive income of the period		**624**	**(2,362)**
• Group share		607	(2,357)
• Minority interests		17	(5)

Consolidated statement of balance sheet

Assets

(€ in million)	Notes	Dec. 2019 (*)	Dec. 2020
Goodwill	8	**1,947**	**1,879**
Other intangible assets	8	**3,130**	**2,668**
Property, plant & equipment	8	**632**	**242**
Right-of-use assets	9	**531**	**377**
Investments in associates and joint-ventures	6	1,841	1,166
Other non-current financial assets	11	383	170
Non-current financial assets		**2,224**	**1,335**
Deferred tax assets	12	218	157
Contract assets	4	216	201
Other non-current assets		4	3
Non-current assets		**8,903**	**6,862**
Inventories	4	20	21
Trade receivables	4	649	534
Other current assets	4	264	222
Current financial assets	11	61	38
Cash and cash equivalents	11	2,279	2,474
Current assets		**3,274**	**3,289**
Assets classified as held for sale	3	1,761	395
TOTAL ASSETS		**13,937**	**10,546**

(*) Restated amounts following the finalization of purchase price allocation of Rixos acquired in 2019 (see Note 8.1)

Liabilities and shareholders' equity

(€ in million)	Notes	Dec. 2019 (*)	Dec. 2020
Share capital	13	813	784
Additional paid-in capital and reserves	13	4,419	4,296
Net profit of the year		464	(1,988)
Ordinary shareholders' equity		**5,695**	**3,092**
Perpetual subordinated bonds	13	1,127	1,000
Shareholders' equity - Group share		**6,822**	**4,092**
Minority interests	13	153	66
Shareholders' equity	13	**6,975**	**4,158**
Long-term financial debt	11	2,840	2,473
Long-term lease debt	9	461	314
Deferred tax liabilities	12	621	513
Non-current provisions	10	89	132
Non-current contract liabilities	4	26	23
Non-current liabilities		**4,037**	**3,456**
Trade payables	4	441	327
Current liabilities	4	703	579
Current provisions	10	316	423
Current contract liabilities	4	228	205
Short-term financial debt	11	306	969
Short-term lease debt	9	87	102
Current liabilities		**2,080**	**2,606**
Liabilities associated with assets classified as held for sale	3	845	326
TOTAL EQUITY AND LIABILITIES		**13,937**	**10,546**

(*) Restated amounts following the finalization of purchase price allocation of Rixos acquired in 2019 (see Note 8.1)

Consolidated statement of cash flows

	(€ in million)	Notes	2019	2020
+	EBITDA	4	825	(391)
+	Cost of net debt	11	(73)	(66)
+	Income tax paid		(122)	16
-	Non-cash revenue and expenses included in EBITDA		19	152
-	Reversal of provisions included in net financial expenses and non-recurring taxes		(0)	(0)
+	Dividends received from associates and joint-ventures		86	8
+	Funds from operations of discontinued operations	3	47	12
=	**Funds from (used in) operations**		**782**	**(269)**
+	Decrease (increase) in operating working capital	4	(32)	(270)
+	Decrease (increase) in operating working capital of discontinued operations	3	31	(24)
+	Decrease (increase) in contract assets and liabilities	4	(12)	(35)
=	**Net cash flows from (used in) operating activities (before non-recurring items)**		**769**	**(598)**
+	Cash received (paid) on non-recurring items (incl. related taxes)		(126)	135
+	Cash received (paid) on non-recurring items of discontinued operations	3	(3)	(1)
=	**Net cash flows from (used in) operating activities (A)**		**641**	**(463)**
-	Renovation and maintenance expenditure	8	(119)	(58)
-	Development expenditure	8	(200)	(117)
+	Proceeds from disposals of assets		678	1,067
+	Net cash flows used in investing activities of discontinued operations	3	(28)	(7)
=	**Net cash flows from (used in) investing activities (B)**		**330**	**885**
+	Proceeds from issue of perpetual subordinated bonds	13	986	-
-	Repayment of perpetual subordinated bonds	13	(796)	(127)
+	Increase (decrease) of rights granted over share capital		21	61
-	Dividends paid		(294)	(2)
-	Coupons on perpetual subordinated bonds	13	(42)	(34)
-	Repayment of long-term debt		(355)	(255)
+	New long-term debt		546	442
=	**Increase (decrease) in long-term debt**		**65**	**85**
+	Share buy-back program		(489)	(300)
+	Purchase of Orbis' non-controlling interests	3	(339)	-
+	Increase (decrease) in short-term debt		(215)	69
+	Repayment of lease liability		(136)	(83)
+	Net cash flows used in financing activities of discontinued operations	3	(11)	1
=	**Net cash flows from (used in) financing activities (C)**		**(1,123)**	**(229)**
+	Effect of changes in exchange rates (D)		13	(34)
+	Effect of changes in exchange rates on discontinued operations (D)	3	2	(30)
=	**Net change in cash and cash equivalents (E) = (A) + (B) + (C) + (D)**		**(136)**	**129**
-	Cash and cash equivalents at beginning of the year		2,837	2,236
-	Effect of changes in fair value of cash and cash equivalents		3	(2)
-	Reclassification of cash and cash equivalents from discontinued operations		(462)	-
-	Reclassification of cash and cash equivalents from assets held for sale		(6)	1
-	Net change in cash and cash equivalents for discontinued operations			54
+	Cash and cash equivalents at end of the year		2,236	2,419
=	**Net change in cash and cash equivalents**		**(136)**	**129**

Consolidated statement of changes in shareholders' equity

(€ in million)	Number of shares	Share capital	Additional paid-in capital	Currency translation reserve	Retained earnings	Equity Group share	Minority interests	Total Equity
Balance at December 31, 2018	282,607,800	**848**	**2,378**	**(321)**	**3,423**	**6,328**	**115**	**6,443**
Restatements IFRIC 23	-	-	-	-	(38)	(38)	-	(38)
Restated Balance at January 1, 2019	282,607,800	**848**	**2,378**	**(321)**	**3,385**	**6,290**	**115**	**6,405**
Capital increase	(11,675,450)	(35)	(435)	-	491	21	0	21
Dividends paid	-	-	-	-	(283)	(283)	(12)	(294)
Share-based payments	-	-	-	-	29	29	-	29
Perpetual subordinated bonds	-	-	-	-	148	148	-	148
Effects of scope changes (*)	-	-	-	-	14	14	33	46
Other movements	-	-	-	-	(4)	(4)	0	(4)
Transactions with shareholders	(11,675,450)	**(35)**	**(435)**	**-**	**395**	**(75)**	**21**	**(54)**
Net profit of the year	-	-	-	-	464	464	21	485
Other comprehensive income	-	-	-	158	(15)	143	(4)	139
Total comprehensive income	-	**-**	**-**	**158**	**449**	**607**	**17**	**624**
Balance at December 31, 2019	**270,932,350**	**813**	**1,943**	**(163)**	**4,229**	**6,822**	**153**	**6,975**
Balance at January 1, 2020	270,932,350	**813**	**1,943**	**(163)**	**4,229**	**6,822**	**153**	**6,975**
Capital increase	(9,549,622)	(29)	(268)	-	(2)	(299)	(0)	(299)
Dividends paid	-	-	-	-	0	0	(2)	(2)
Share-based payments	-	-	-	-	32	32	-	32
Perpetual subordinated bonds	-	-	-	-	(160)	(160)	-	(160)
OCEANE equity component (**)	-	-	-	-	44	44	-	44
Effects of scope changes	-	-	-	-	11	11	(80)	(69)
Transactions with shareholders	(9,549,622)	**(29)**	**(268)**	**-**	**(76)**	**(373)**	**(82)**	**(455)**
Net profit of the year	-	-	-	-	(1,988)	(1,988)	(2)	(1,990)
Other comprehensive income	-	-	-	(318)	(52)	(369)	(2)	(372)
Total comprehensive income	-	**-**	**-**	**(318)**	**(2,039)**	**(2,357)**	**(5)**	**(2,362)**
Balance at December 31, 2020	**261,382,728**	**784**	**1,675**	**(480)**	**2,113**	**4,092**	**66**	**4,158**

(*) Restated amounts following the finalization of price purchase allocation of Rixos acquired in 2019 (see Note 8.1)
(**) OCEANE bonds are a hybrid instrument composed partially of debt and partially of equity component (see Note 11.2.1)

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Note 1. Basis of preparation

The consolidated financial statements of Accor Group for the year ended December 31, 2020 were authorized for issue by the Board of Directors on February 23, 2021. They will be submitted to shareholders for final approval at the Annual General Meeting on April 29, 2021.

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

1.1. Accounting framework

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (« IASB ») and adopted for use in the European Union at December 31, 2020. These standards can be consulted on the European Commission's website (*).

New accounting standards adopted

At December 31, 2020, the Group applied the same accounting policies and measurement methods as were applied in its consolidated financial statements for the year ended December 31, 2019, except for changes required to meet new IFRS requirements applicable from January 1, 2020 and, if any, changes resulting from the option to early apply a new standard at that date.

The adoption of following amendments had no material impact on the Group's consolidated financial statements:

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

Besides, the Group early applied the amendment to IFRS 16 *Leases Covid-19 Related Rent Concessions* issued by the IASB on May 28, 2020 and endorsed by the European Union on October 9, 2020. This amendment, which is effective for annual periods beginning on or after June 1, 2020, is applicable retrospectively, without restatement of comparative periods. It provides relief to lessees from assessing whether a rent concession obtained as a result of the Covid-19 pandemic, such as deferral of lease payments and payment holidays, is a lease modification under IFRS 16 *Leases*. The Group applied this practical exemption to all qualifying rent concessions, leading to the recognition of a €4 million profit presented as variable lease payments in the consolidated income statement for the year 2020.

Future standards, amendments and interpretations

The Group has not opted for the early application of any other standards, amendments or interpretations applicable to financial years beginning after January 1, 2020 regardless of whether they were adopted by the European Union.

(*) *http://ec.europa.eu/finance/accounting/ias/index.fr.htm*

1.2 Foreign currency translation

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

Translation of the financial statements of foreign operations

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

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

Foreign currency transactions

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

1.3 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 period and accompanying disclosures. Management also needs to exercise judgement in applying the Group's accounting policies. Ultimate results may differ from these estimates, due changes in facts and circumstances.

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

The uncertainty created by the Covid-19 health crisis has made the use of estimates more critical for the preparation of the consolidated financial statements for the year ended December 31, 2020. In this context, 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 of the fair value of consideration transferred and intangible assets acquired in a business combination,
- The measurement of the recoverable amounts of goodwill and other non-current assets,
- The measurement of the recoverable value of equity accounted investments,
- The assessment of lease term and measurement of lease liability,
- The measurement of variable considerations from contracts with hotel owners,
- 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.

Note 2. Significant events in the current period

2.1 Impacts of the Covid-19 health crisis

The spread of the Covid-19 pandemic across the world and related containment measures initiated by the governments (including travel bans, border closings and stay-at-home directives) sharply affected the travel and hospitality industries over the year 2020. The Group's operations were heavily impacted with around 60% of Accor branded hotels closed in April and May. Despite a rebound in activity during summer season, the decline in leisure customers from end of August, combined with the implementation of new travel restrictions due to the second wave of the pandemic, notably in Europe, slowed down the recovery over the second semester. At December 31, 2020 the portion of closed hotels represented 18% of the Group's network, mainly in Europe. In average, the portion of closed hotels was 24% over the year 2020.

Consolidated revenue for the year 2020 amounted to €1,621 million, down by 60% compared to reported revenue of €4,049 million for the year 2019 (see Note 4.1.1).

Cash management and going concern basis

In this unprecedented situation, Accor implemented mitigation measures to adapt its variable costs to the sharp drop in business and preserve its liquidity position, including furloughing and partial unemployment measures, decrease in some variable components of employee compensation, reduction in sales and marketing expenses and recurring investments. The Group benefited from government supports in relation to furloughing, partial employment and job retainer measures in some countries (mainly in Australia, Canada, Germany and France), which are presented as a reduction in staff costs in the income statement of the year, in accordance with IAS 20 *Government grants*.

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

In order to optimize its financial structure, Accor issued bonds convertible and/or exchangeable into new and/or existing shares (OCEANE) for an amount of €500 million on December 7, 2020 (see Note 11.2.1). This new financing enabled the redemption of the €550 million bond maturing in February 2021 (see Note 14.3 on post-closing events).

Accor has a strong financial position, with net cash and cash equivalent totaling €2,445 million at December 31, 2020. Considering the expected maturities of financial liabilities, and assuming a level of operating cash outflows equivalent to the one of the year 2020, the net cash and cash equivalent position of the Group is more than sufficient to cover at least 12 months of operations, and thus face a potential prolongation of the crisis.

In addition, the Group has undrawn credit facilities of €1,760 million, following the negotiation of an additional revolving credit facility of €560 million with a bank consortium in May. This new credit line is covenant free, and the Group obtained a covenant holiday for the already existing credit facility of €1,200 million until June 2021. Further discussions were engaged with the banks resulting, on February 8, 2021, in an extension of this covenant holiday until June 2022 (see Note 14.3 on post-closing events).

Based on the above, and although there are still uncertainties on how the health crisis will impact the Group's operations in future periods, at the date of authorization of the consolidated financial statements at December 31, 2020, the Group concluded that there was no material uncertainty that may cast significant doubt on its ability to continue to operate as a going concern for, at least, the next twelve months.

Impairment test of non-financial assets

The Covid-19 health crisis adversely affected all the regions in which Accor is operating, with particularly material impacts. Therefore, the Group determined that indicators of impairment existed at December 31, 2020 and conducted impairment tests to assess the recoverability of all its non-current assets.

On this basis, the Group recognized impairment losses of €764 million, presented in the line "Other income and expenses" in the consolidated income statement, on following non-financial assets:

- Brands (€263 million),
- Management contracts (€189 million),
- Goodwill (€182 million, of which €101 million on the room distribution and management of hotel common areas activity operated in Australia, €19 million on a hotel property in Egypt, €47 million on the Hotel booking services activity and €13 million on the concierge services activity),
- PP&E (€33 million on hotel properties),
- And equity-accounted investments (€96 million).

Details on the impairment tests conducted are presented in Note 8.3.

Credit losses on financial assets

The Group considered the impacts of the Covid-19 health crisis in assessing the expected credit losses on its financial assets measured at amortized cost, mainly on trade receivables and loans. This resulted in the recognition of a €104 million loss allowance on trade receivables, presented in operating expenses (see Note 4.4.1) and a €266 million loss allowance on the loan granted sbe, prior to its takeover, presented in other income and expenses (see Note 11.2.3).

Deferred tax assets

The Group assessed the recoverability of its deferred tax assets in light of the current situation, based on revised future taxable profit projections covering a 5-year period, consistently with the business assumptions retained in the Group's business plan. On this basis, a €66 million loss was recognized over the year in relation to the US and Germany (see Note 12).

Transformation plan and restructuring plan

Operating in a market undergoing profound changes, particularly competitive for several years, and facing a health crisis of an unprecedented scale, Accor has launched a transformation project in order to achieve its transition to an "asset-light" model. This is the final stage of the Group's long-term strategy aiming at adapting its organizational and operational model to its business model, refocused on the hotel management and franchise business. This project involves structural organizational changes, a rationalization of IT solutions, a reduction in administrative expenses and the cut of approximately 1,000 jobs across the world.

In this context, Accor initiated plans to adapt its workforce in many countries. In that respect, the Group recognized a restructuring charge of €168 million, presented in other income and expenses in the consolidated income statement for the year 2020, mainly consisting in severance costs, of which €35 million of costs incurred over the year.

Other non-current expenses

On April 2, 2020, Accor announced its decision to contribute to global solidarity initiatives to address the current health crisis with the launch of the « All Heartist » initiative. The purpose is to assist the employees of the Group's network by paying for their Covid-19 related medical expenses and, on a case-by-case basis, furloughed employees and individual partners in financial distress. The Group allocated a maximum envelope of €70 million, corresponding to 25% of the planned withdrawn dividend for the year 2019. In 2020, the expense incurred in that respect amounted to €18 million, and is presented in other income and expenses in the consolidated income statement (see Note 7). The Group considers that this initiative, which is driven by an extraordinary situation, is not related to its current operating performance.

2.2. Other significant events

Other significant events that occurred during the year are:

- The disposal of Orbis and Mövenpick's hotel assets on March 2020 (see Note 3.1.3)
- The completion of the share buy-back program initiated in January 2020 for €300 million in March 2020 (see Note 13.1.5)
- The redemption of the €127 million remaining balance of the €900 million perpetual subordinated bonds issued in June 2014 (see Note 13.1.4)
- The takeover of sbe, previously accounted for as an equity-accounted investment, in November 2020 (see Note 3.1.1)
- A €307 million refund received in July 2020 in relation to the "Précompte" dividend withholding tax paid over the period 2002-2004 (see Note 14.2)

Note 3. Group Structure

3.1 Changes in the scope of consolidation

The list of main consolidated companies at December 31, 2020 is presented in Note 15.3.

Accounting policy

1. Basis of consolidation

Full consolidation method

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

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

Equity method (applied to associates and joint ventures)

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

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

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

The principles applied to investments accounted for using the equity method are presented in Note 6.

Investments in non-consolidated companies

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

2. Business combinations

Business combinations are accounted for using the acquisition method.

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

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

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

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

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

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

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

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

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

3. Disposals resulting in a loss of control

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

3.1.1 Acquisitions for the period

On November 24, 2020 Accor took control over 100% of sbe's hotel management business, following a reorganization of the company. sbe operates a portfolio of 22 hotels under several brands, including SLS, Mondrian and The House of Originals. This takeover allows Accor to strengthen its footprint on the fast-growing luxury lifestyle segment, notably on the American market.

This transaction meets the definition of a business combination under IFRS 3 *Business Combinations* and is accounted for using the acquisition method. The consideration transferred amounts to $45 million (€38 million). It comprises a cash payment of $15 million and the remeasurement to fair value of the previously held equity investment contributed in exchange for the takeover. This remeasurement leads to the recognition of a $30 million (€26 million) gain in the consolidated income statement for the year 2020, presented in other income and expense.

Besides, Accor made a $303 million payment to complete sbe's debt restructuring. This cash-out is analyzed as a separate transaction that is not part of the business combination.

These transactions resulted in a total outflow (net of the cash acquired) of $313 million (€275 million) in the Group's consolidated statement of cash flows for the year.

The provisional goodwill amounts to $233 million (€196 million) based on a negative net asset acquired of $187 million (€158 million), including the restructured debt for $288 million (€243 million). The purchase price allocation will be completed within the 12-month measurement period following the acquisition date.

Sbe's contribution to the Group's consolidated revenue and net profit from acquisition date is not material.

3.1.2 Equity-accounted investments

On January 21, 2020 Accor acquired an additional stake in the company that developed the Fairmont Ghirardelli Square residence in San Francisco, then increasing its ownership to 80% of the share capital and voting rights. This transaction has no impact on the consolidation method, considering the governance rules implemented.

On March 10, 2020, Accor acquired an additional stake of 20.1% in Mama Shelter, increasing its ownership to 70% of the share capital and voting rights. The in-depth assessment of governance arrangements carried out over the second semester led the Group to conclude that the criteria to achieve control under IFRS 10 *Consolidated financial statements* were not met. Accordingly, the investment in Mama Shelter was maintained under the equity method at December 31, 2020.

On December 31, 2020 Kasada, the investment fund dedicated to hospitality, accounted for as an equity-investment in the Group's consolidated financial statements, closed its first transaction through the acquisition of 8 hotels in Senegal, Ivory Coast and Cameroon from AccorInvest. This investment was funded by its shareholders in proportion to their equity interest (that is 70% for Katara Hospitality and 30% for Accor) and by additional bank financing. Kasada thus becomes one of the largest hotel owner in West Africa.

The total cost for these three investments amounts to €64 million.

3.1.3 Disposals over the period

Disposal of Orbis' Hotel Assets business

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

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

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

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

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

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

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

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

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

Orbis' contribution to the Group's consolidated net profit and cash flows until the loss of control is detailed below.

Income statement

(€ in million)	**2019**	**2020**
Revenue	**338**	**49**
Operating expenses	(234)	(45)
EBITDAR	**103**	**4**
Property rents	(3)	(0)
EBITDA	**101**	**4**
Depreciation, amortization and provision expense	(26)	0
EBIT	**74**	**4**
Other income and expenses	12	(2)
Net financial expense	(11)	(1)
Income tax	(54)	1
Net Profit	**20**	**3**

Amortization and depreciation of non-current assets have ceased in accordance with IFRS 5 *Non-current assets held for sale and Discontinued operations*.

Cash flows

(€ in million)	**2019**	**2020**
Net cash flows from operating activities	76	(13)
Net cash flows from investing activities	(28)	(7)
Net cash flows from financing activities	(11)	1
Effect of exchange rates changes	2	(30)
Net cash flows	**39**	**(49)**

Disposal of Mövenpick leased hotels

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

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

Accordingly, the assets and liabilities of the entity, which were classified as assets held for sale in the consolidated financial statements at December 31, 2019 in accordance with IFRS 5 *Non-current assets held for sale and Discontinued Operations*, were derecognized on completion date. The retained residual interest held by Accor is recorded under the equity method in the consolidated financial statements, as a result of the significant influence exercised by the Group.

The gain on disposal amounts to €3 million and is reported in other income and expenses in the consolidated income statement for the year (see Note 7).

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

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 under "Liabilities associated with assets classified as held for sale". For the reclassification to be made, (i) the sale must be highly probable; (ii) management must be committed to a plan to sell the asset (or disposal group) and (iii) the asset (or disposal group) must be available for immediate sale in its present condition.

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

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

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

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

At December 31, 2020 assets and liabilities classified as held for sale are as follows:

	Dec. 2019		Dec. 2020	
(€ in million)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Orbis	1,222	357	-	-
Mövenpick	470	459	-	-
John Paul	68	27	-	-
SCI Sequana	-	-	392	307
Others	1	3	4	19
Total	**1,761**	**845**	**395**	**326**

As aforementioned, the assets and liabilities related to Orbis and Mövenpick's Hotel Assets business have been disposed of over the year (see Note 3.1.3 for more details).

Nevertheless, the discussions initiated with potential investors at year-end 2019 with a view to dispose of John Paul's control did not result in an agreement in a highly uncertain environment. At December 31, 2020 the Group considers that the criteria required by IFRS 5 *Non-current assets held for sale and Discontinued operations* are no longer met. Accordingly, at this date, the company's assets and liabilities have been reclassified to their initial line item in the statement of financial position. This reclassification has no material impact on their carrying amount.

In June 2020, discussions were engaged with potential investors in order to sell the shares of the SCI Sequana entity, which owns the Group's head office building located in Issy-Les-Moulineaux and associated financial debt. At June 30, 2020, the assets and liabilities of the company were classified as held for sale, in accordance with IFRS 5. This reclassification was based on the assumption that the contemplated transaction will result in a loss of control of the asset. The discussions with potential investors were pursued over the second semester. At December 31, 2020, completion of the transaction is considered as highly probable. At this date, the comparison of the carrying value of the disposal group with its fair value less costs to sell did not reveal any impairment.

Note 4. Operating 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 as defined by the standard) to assess operating performance and make decisions about resources allocation.

The Group is organized around three strategic businesses.

HotelServices

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

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

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

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

Hotel assets & others

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

New Businesses

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

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

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

Note 4.1.1 Reporting by strategic business

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

			Variation (%)	
(€ in million)	**2019**	**2020**	**Actual**	**L/L (1)**
HotelServices	2,894	1,142	(60.5)%	(59.8)%
• of which Management & Franchise	1,026	292	(71.6)%	(71.4)%
• of which Services to owners	1,867	850	(54.5)%	(53.4)%
Hotel Assets & others	1,077	398	(63.0)%	(45.8)%
New Businesses	159	91	(43.2)%	(42.9)%
Corporate & Intercos	(81)	(9)	N / A	N / A
Revenue	**4,049**	**1,621**	**(60.0)%**	**(54.8)%**
HotelServices	741	(257)	(134.8)%	(132.8)%
• of which Management & Franchise	765	25	(96.8)%	(97.0)%
• of which Services to owners	(24)	(282)	N / A	N / A
Hotel Assets & others	216	3	(98.5)%	(77.5)%
New Businesses	(2)	(25)	N / A	N / A
Corporate & Intercos	(129)	(112)	N / A	N / A
EBITDA	**825**	**(391)**	**(147.4)%**	**(140.2)%**

(1) L/L: Like-for-like change (excl. perimeter effects and foreign exchange changes)

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

Revenue recognized in France amounted to €203 million in 2020 and €473 million in 2019.

4.1.2 Detailed information for Management & Franchise

A. Management & Franchise revenue

			Variation (%)	
(€ in million)	**2019**	**2020**	**Actual**	**L/L (1)**
Europe	525	135	(74.4)%	(74.3)%
Middle East & Africa	107	29	(72.9)%	(74.6)%
Asia Pacific	214	76	(64.6)%	(63.8)%
North America, Central America & Caribbean	132	37	(71.8)%	(72.0)%
South America	49	15	(69.1)%	(65.3)%
Total	**1,026**	**292**	**(71.6)%**	**(71.4)%**

(1) L/L: Like-for-like change (excl. perimeter effects and foreign exchange changes)

Management & Franchise revenue mainly comprises trademark royalty fees and management fees invoiced to hotel owners. In 2020, these fees include c. 15% of incentive fees based on hotel’s profitability.

B. Management & Franchise EBITDA

			Variation (%)	
(€ in million)	**2019**	**2020**	**Actual**	**L/L (1)**
Europe	416	4	(99.0)%	(98.8)%
Middle East & Africa	82	(1)	(101.7)%	(103.1)%
Asia Pacific	152	22	(85.8)%	(85.5)%
North America, Central America & Caribbean	92	4	(95.8)%	(93.5)%
South America	24	(4)	(115.5)%	(131.2)%
Total	**765**	**25**	**(96.8)%**	**(97.0)%**

(1) L/L: Like-for-like change (excl. perimeter effects and foreign exchange changes)

4.2 Revenue

Accounting policy

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

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

Fees billed to franchised hotels and hotels under management contracts

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

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

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

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

Loyalty program

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

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

Hotel revenues

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

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

4.3 Operating expenses

(€ in million)	**2019**	**2020**
Cost of goods sold	(107)	(49)
Personnel expenses	(1,056)	(714)
Personnel expenses recharged to owners	(883)	(402)
Property rents	(62)	(12)
Energy, maintenance and repairs	(70)	(41)
Taxes	(60)	(41)
Other operating expenses	(986)	(753)
Operating expenses	**(3,224)**	**(2,012)**

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

Property rents expense corresponds to the variable part of rents for hotel properties operated under lease contracts, which are contractually based on their performance, hence strongly decreasing in 2020.

Other operating expenses, mainly composed of marketing, advertising, promotional, selling and information systems costs, decreased as a result of cost reduction measures (see Note 2.1).

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

4.4 Working capital

The working capital breaks down as follows:

	Dec. 2019	Cash items	Non-cash items	Dec. 2020
Inventories	20	1	(1)	21
Trade receivables	649	(17)	(98)	534
Other current assets	264	(50)	7	222
Current assets	**933**	**(65)**	**(92)**	**776**
Trade payables	441	(186)	72	327
Other current liabilities	703	(149)	26	579
Current liabilities	**1,144**	**(335)**	**98**	**907**
Working capital	**210**	**(270)**	**190**	**131**

4.4.1 Current assets

Accounting policy

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

Trade receivables break down as follows:

(€ In million)	Dec. 2019	Dec. 2020
Gross value	720	703
Loss allowance	(71)	(169)
Trade receivables, net	**649**	**534**

In 2020, the Group recognized a loss allowance of €104 million, reflecting an increase in expected credit losses on its hotel operator customers, in a context marked by the Covid-19 health crisis.

Other current assets break down as follows:

(€ in million)	Dec. 2019	Dec. 2020
Recoverable VAT	88	56
Income tax and other taxes receivable	12	11
Other receivables	143	104
Prepaid expenses	28	61
Gross value	**271**	**232**
Loss allowance	(7)	(10)
Other current assets, net	**264**	**222**

4.4.2 Current liabilities

Other current liabilities break down as follows:

(€ in million)	Dec. 2019	Dec. 2020
VAT payable	63	36
Wages, salaries and payroll tax payables	219	167
Income tax and other tax payables	161	68
Other payables	193	232
Deferred income	66	76
Other current liabilities	**703**	**579**

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. 2019**	**Dec. 2020**
Advance payments to hotel owners	216	201
Contract assets	**216**	**201**
Loyalty program deferred fees	228	205
Other deferred fees to hotel owners	26	23
Contract liabilities	**254**	**229**
Net contract assets and liabilities	**(38)**	**(27)**

Note 5. Personnel expenses and employee benefits

5.1 Headcount

The Group's headcount is as follows:

	2019	2020
Average employees	17,819	15,247

It corresponds to the arithmetic average of the employees present in the Group at the end of each quarter. Employees recharged to hotel owners, as well as employees from associates and joint-ventures are not included. The decrease over the year is notably due to the disposal of the Mövenpick hotels operated under leases in March 2020 (see Note 3.1.3).

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 analyzed as follows:

(€ in million)	**2019**	**2020**
Salaries and social security charges	(1,028)	(682)
Salaries and social security charges recharged to owners	(883)	(402)
Share-based payments	(28)	(32)
Personnel expenses	**(1,939)**	**(1,115)**

5.3 Pensions and other employee benefits

Accounting policy

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

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

The expense recorded in the consolidated income statement includes:

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

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

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

5.3.1 Pensions and other post-employment benefit obligations

(€ in million)	**Dec. 2019**	**Dec. 2020**
Pension plans	72	71
Other long-term benefits	4	3
Provision	**75**	**74**
Surplus on pension plans	4	3
Pension asset	**4**	**3**
Net commitment	**71**	**70**
• of which net provisions for pensions	68	68
• of which net provisions for other benefits	4	3

5.3.2 Description of the plans

In the Group, the main post-employment defined benefit plans concern:

- **Pension plans:** The main pension plans are located in France (34% of the obligation), in the United Kingdom (28% of the obligation) and in Canada (24% of the obligation). 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 separate 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 plan in France:** this plan provides for the payment of periodic benefits to executive officers and senior executives whose final annual compensation represents more than five times the annual ceiling used for calculating social security contributions ("PASS"), provided that they are employed by the Group up to their retirement.

5.3.3 Actuarial assumptions

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

	Discount rate		Salary growth rate	
	Dec. 2020	**Dec. 2019**	**Dec. 2020**	**Dec. 2019**
France	0.3%	0.5%	3% - 4%	3% - 4%
Canada	2% - 2.5%	2.8% - 3.0%	2.8%	3.0%
United Kingdom	1.25%	1.9%	NA	NA
Belgium	0.3%	0.5%	2.8%	2.8%
Switzerland	0.1%	0.1%	1.0%	1.0%
United States	2.3%	2.3%	NA	3.0%

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

5.3.4 Breakdown and changes in the pension obligations

At December 31, 2020, pension obligations break down by country as follows:

(€ in million)	France	Canada	United Kingdom	Belgium	Switzerland	Others	Total
Present value of obligations	73	52	59	17	4	10	215
Fair value of plan assets	(34)	(37)	(63)	(9)	(3)	(3)	(149)
Irrecoverable surplus	-	1	-	-	-	(0)	1
Net obligation	**39**	**16**	**(3)**	**8**	**1**	**7**	**68**

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

(€ in million)	Present value of obligation	Fair value of plan assets	Irreco-verable surplus impact	Net
At January 1, 2020	**215**	**(151)**	**4**	**68**
Current service cost	5	-	-	5
Interest expense/(income)	3	(3)	-	1
Others	(1)	0	-	(0)
Total recognized in profit or loss	**8**	**(2)**	**-**	**6**
Actuarial gains/(losses) related to experience adjustments	7	(10)	-	(3)
Actuarial gains/(losses) related to changes in demographic assumptions	3	-	-	3
Change in irrecoverable surplus (excluding net interest)	-		(2)	(2)
Actuarial (gains)/losses	**10**	**(10)**	**(2)**	**(2)**
Benefits paid	(11)	8	-	(2)
Exchange differences and others	(8)	6	(0)	(2)
At December 31, 2020	**215**	**(149)**	**1**	**68**

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.

At December 31, 2020, the breakdown of plan assets is as follows:

(€ in million)	Canada	France	United Kingdom	Belgium	Others	Total
Bonds	28	26	-	-	1	55
Shares	9	4	-	-	1	15
Insurance contracts	-	-	-	9	3	12
Real Estate	-	2	-	-	1	3
Liquidity	-	1	3	-	-	4
Others	-	-	59	-	-	60
Plan assets	**38**	**34**	**62**	**9**	**6**	**149**

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

5.3.6 Sensitivity analysis

At December 31, 2020, 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	(3)
Impact of decrease in discount rate by 0.5 pt	3

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)	2021	2022	Hereafter	Total
Expected benefits payments	10	10	80	99

5.4 Share-based payments

Accounting policy

Performance share plans

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

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

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

Stock option plans

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

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

Employee share plans

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

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

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

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

All ongoing plans at December 31, 2020 were equity-settled plans.

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

In 2020, the expense recognized in respect of share-based plans amounts to €32 million:

(€ in million)	2019	2020
2016 plans	1	-
2017 plans	10	5
2018 plans	8	6
2019 plans	7	12
2020 plans	-	8
Performance shares plans	**26**	**32**
Employee share plans	**2**	**-**
Total	**28**	**32**

5.4 1 Performance share plans

The movements over the period are as follows:

Number of shares	2019	2020
Performance shares at beginning of the year	**3,503,637**	**3,819,606**
Shares granted	1,312,795	1,834,941
Shares cancelled or expired during the year	(152,576)	(1,491,686)
Shares vested during the year	(844,250)	(531,219)
Performance shares at end of the year	**3,819,606**	**3,631,642**

New plans

On May 28, 2020, the Group granted 1,796,551 performance shares to its employees, subject to a three-year vesting period. At this date, the fair value of the performance share was €21.89, corresponding to the share price of €25.87 less the discounted present value of dividends not received during the vesting period and the effect of external conditions.

The shares will vest provided that the grantee remains with the Group until the end of the three-year vesting period, and the following performance conditions are fulfilled over the years 2020 to 2023:

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

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

On October 21, 2020, the Group set up a plan of 38 390 performance shares with similar characteristics to the May plan, whose fair value was €21.89.

The fair value of these plans amounts to €40 million and will be recognized on a straight-line basis over the vesting period under employee benefits expenses with a counterpart in equity. The expense recognized in respect of these plans amounted to €8 million in 2020.

Plans modifications

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

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

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

5.4 2 Stock options plans

The movements over the year are as follows:

	December 31, 2019		December 31, 2020	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding at beginning of the year	**459,051**	**29.05 €**	**190,777**	**€26.60**
Options cancelled or expired during the year	(9,330)	€31.72	(86,309)	€26.41
Options exercised during the year	(258,944)	€30.75	(94,468)	€26.41
Options outstanding at end of the year	**190,777**	**€26.60**	**10,000**	**€30.13**
Options exercisable at end of the year	**190,777**	**€26.60**	**10,000**	**€30.13**

At December 31, 2020, the 10,000 outstanding options were granted in September 2013 with a maturity in September 2021.

5.5 Compensation of key management personnel

Key management personnel include the members of the Executive Committee and the smembers of the Board of Directors. At December 31, 2020 the Executive Committee had seventeen members (fifteen at December 31, 2019).

The compensation received by the members of the Executive Committee is as follows:

(€ in million)	2019	2020
Short-term employee benefits	21	18
Share-based payments	9	8
Termination benefits	2	11
Post-employment benefits	(15)	2
Total compensation	**16**	**38**

In 2019, post-employment benefits included a reversal of provision related to the freeze of supplementary pension plans in application of the “PACTE Law” in France.

Members of the Board of Directors do not receive any compensation, they only receive attendance fees. The amount of attendance fees paid in 2020 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 by the equity method. Investments in associates and joint ventures are initially recorded at cost in the consolidated statement of financial position and are subsequently adjusted at each period end to include the Group's share of their undistributed net profit.

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

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

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

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

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

6.1 Share of net results of equity-accounted companies

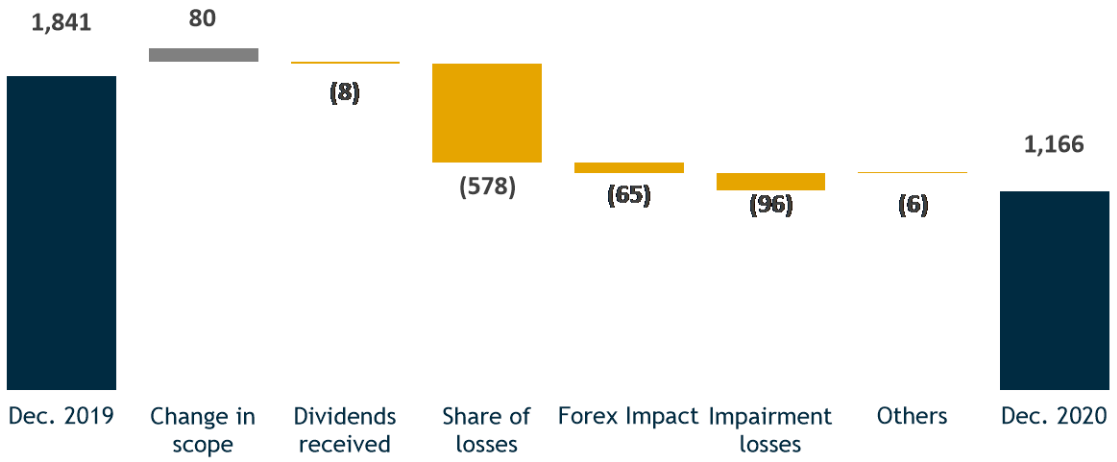
The main contributions of associates and joint-ventures are as follows:

(€ in million)	**2019**	**2020**
AccorInvest	34	(390)
Huazhu Group Ltd	9	(21)
Others	3	(69)
Associates	**45**	**(480)**
sbe	(46)	(66)
Other	4	(32)
Joint ventures	**(42)**	**(98)**
Share of net results of associates and joint-ventures	**3**	**(578)**
• Of which share of result before taxes	35	(630)
• Of which share of taxes	(32)	52

6.2 Carrying value of equity-accounted investments

(€ in million)	**Déc. 2019**	**Déc. 2020**
AccorInvest	1,056	621
Huazhu Group Ltd	113	84
Others	529	417
Associates	**1,698**	**1,122**
sbe	62	0
Others	81	44
Joint ventures	142	44
Carrying value	**1,841**	**1,166**

Change in equity-accounted investments (€m)



As mentioned in Note 2.1, indicators of impairment were identified on the Group's equity-investments in the context of the Covid-19 health crisis. Impairment tests carried out led to the recognition of impairment losses for €96 million for associates presented in the line "Others", of which €55 million on Interglobe Hotels Privated Limited, a company operating ibis hotels in India. Impairment losses are presented as other income and expenses in the consolidated income statement (see Note 7).

The dividend payments primarily concern Huazhu Group Ltd for €5 million.

6.3 Summarized financial information

The following associates are material to the Group:

- AccorInvest, hotel owner-operator (30% interest)
- Huazhu Group Ltd, Chinese Hospitality group listed on the Nasdaq (5% interest), on which the Group exercises a significant influence through its seat on the Company's Board of Directors.

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

(€ in million)	Dec. 2020 AccorInvest	Sep. 2020 Huazhu Group Ltd
Balance sheet		
Current assets	631	1,605
Non-current assets	6,958	6,651
Assets held for sale	116	-
Current liabilities	5,795	1,863
Non-current liabilities	2,579	5,144
Liabilities associated with assets held for sale	3	-
Net assets	**(672)**	**1,249**
Group's share in %	30%	5%
Group's share in net assets	(202)	66
Goodwill	822	18
Carrying amount of equity investment	**621**	**84**
Income statement		
Revenue	1,254	1,276
Net profit/(loss)	**(1,299)**	**(403)**
Other comprehensive income	(147)	31
Total comprehensive income	**(1,445)**	**(373)**
Dividends received by the Group	-	5

In the Group's consolidated financial statements, the share in Huazhu Group Ltd's net profit is based on the 12-month period ending at September 2020. The company issues its financial statements after Accor's publication deadlines.

At December 31, 2020, the net loss recognized by AccorInvest has been considered as an indicator of potential impairment by the Group. An impairment test was carried out and did not lead to the recognition of an impairment loss on the carrying value of the investment, beyond impairment losses already recognized in AccorInvest's income statement as reported in the Group's accounts.

At December 31, 2020, the joint ventures are individually immaterial.

Note 7. Other income and expenses

Accounting policy

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

(€ in million)	**2019**	**2020**
Impairment losses	(181)	(1,031)
Reversal of pension provision	37	-
Restructuring expenses	(8)	(167)
Gains and losses on disposal	352	1
Other non-recurring income and expenses	(22)	240
Other income and expenses	**177**	**(958)**

At December 31, 2020, other income and expenses mainly include:

- Impairment losses for €(1 031) million mainly recognized on following assets:
  - €(668) million on intangible assets and property, plant and equipment as part of the impairment tests (see Note 8.3)
  - €(266) million on the loan granted to sbe prior to its takeover (see Note 11.2.3)
  - €(96) million on equity-accounted investments (see Note 6.2).
- Restructuring costs for €(167) million primarily related to the transformation plan initiated by the Group (see Note 2.1);
- Other income and expenses for €240 million mainly comprising:
  - €254 million gain recognized following the refund received in relation to "précompte" dividend withholding tax paid over the period 2002-2004 (see Note 14.2)
  - Deal and integration costs for €(21) million
  - Costs related to the "All Heartist" initiative as part of the Covid-19 health crisis support for €(18) million (see Note 2.1).

In 2019, other income and expenses mainly included impairment losses on hotel assets for €(150) million, gains on disposals for €352 million, including €301 million on the disposal of 4.9% of Huazhu Group Ltd's capital, and a €37 million reversal of a provision resulting from the freeze of supplementary pension plans in application of the "PACTE law" in France.

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 attributable to the intangible asset during its development.

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 of time to get ready for their intended use (“qualifying assets” as defined in IAS 23 *Borrowing costs*), the initial cost includes borrowing costs that are directly attributable to these assets. After initial recognition, they are measured at cost less accumulated depreciation and any accumulated impairment losses.

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

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

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

Useful lives are reviewed regularly and adjusted prospectively if necessary.

8.1 Intangible assets

Intangible assets breakdown as follows:

€ in million	Goodwill	Trademarks	Contracts	Licences, software	Others	Total
Gross value						
At January 1, 2019	**2,358**	**1,769**	**1,129**	**351**	**259**	**5,866**
Additions (*)	43	99	60	24	53	277
Disposals / reclassifications	(3)	(0)	(10)	(11)	(0)	(24)
Exchange differences	40	56	33	2	1	133
Others	-	2	(6)	(4)	(14)	(22)
Assets held for sale	(142)	(7)	-	(15)	(97)	(261)
At December 31, 2019 (*)	**2,295**	**1,917**	**1,207**	**347**	**202**	**5,969**
Additions	196	91	72	20	19	398
Disposals / reclassifications	(7)	-	(7)	(0)	(0)	(14)
Exchange differences	(84)	(81)	(66)	(3)	(1)	(236)
Others	(2)	0	16	6	(16)	4
Assets held for sale	88	6	-	10	37	140
At December 31, 2020	**2,486**	**1,933**	**1,221**	**379**	**240**	**6,260**
Depreciation and impairment						
At January 1, 2019	**(290)**	**(51)**	**(126)**	**(222)**	**(56)**	**(745)**
Depreciation	-	(1)	(53)	(47)	(18)	(120)
Impairment loss	(174)	-	0	0	-	(174)
Disposals / reclassifications	-	0	-	8	-	8
Exchange differences	(1)	0	(2)	(1)	-	(4)
Others	(1)	(2)	2	-	2	1
Assets held for sale	118	2	-	11	12	143
At December 31, 2019	**(348)**	**(52)**	**(179)**	**(251)**	**(61)**	**(891)**
Depreciation		(3)	(61)	(47)	(23)	(134)
Impairment loss	(182)	(263)	(189)	-	(0)	(634)
Disposals / reclassifications	-	-	1	0	0	1
Exchange differences	(3)	7	16	2	1	23
Others	0	(0)	2	5	3	10
Assets held for sale	(75)	-	-	(6)	(7)	(88)
At December 31, 2020	**(608)**	**(310)**	**(410)**	**(298)**	**(88)**	**(1,714)**
At December 31, 2019 (*)	1,947	1,866	1,028	96	141	5,078
At December 31, 2020	**1,879**	**1,622**	**811**	**81**	**153**	**4,547**

(*) Restated amounts following the finalization of purchase price allocation of Rixos acquired in 2019

As mentioned in Note 3.2, intangible assets of John Paul previously classified as assets held for sale were reclassified in the line "Intangible assets" in the statement of financial position at December 31, 2020 for a net book value of €52 million.

Goodwill

Breakdown of goodwill is as follow:

	Dec. 2019 (*)	Dec. 2020		
(€ in million)	Net book value	Gross value	Impairment loss	Net book value
Europe	360	349	(4)	346
Mediterranean, Middle East & Africa	283	272	(4)	267
Asia Pacific	487	479	(22)	457
North/Central America & Caribbean	288	263	-	263
South America	68	68	-	68
HotelServices	**1,486**	**1,431**	**(30)**	**1,400**
HotelAssets & others	**348**	**511**	**(290)**	**221**
New businesses	**113**	**353**	**(288)**	**66**
Not allocated	**-**	**191**	**-**	**191**
Total	**1,947**	**2,486**	**(608)**	**1,879**

(*) Restated amounts following the finalization of purchase price allocation of Rixos acquired in 2019

In 2020, the Group recognized a $233 million provisional goodwill in relation to the takeover of sbe, which will be allocated in 2021 (see Note 3.1).

The purchase price of Rixos Hospitality, acquired on July 19, 2019, and its allocation, were completed over the year. The final goodwill recognized, using the partial goodwill approach, amounted to €43 million. It corresponds to the difference between:

- on one hand, the €119 million acquisition price (including the fair value of the 50% previously held interest) and minority interests measured at their share in the net assets' fair value for €42 million, and
- on the other hand, the €118 million net assets acquired. It mainly comprises the Rixos brand for €100 million, management and franchise contracts with hotel owners for €50 million, financial debts for €49 million and deferred tax liabilities for €19 million.

Goodwill was allocated to HotelServices Mediterranean, Middle East & Africa (€40 million) and Europe (€2 million).

In accordance with IFRS 3 *Business combinations*, the values resulting from the final purchase price allocation have been adjusted in the restated statement of financial position at December 31, 2019. The impact of this price allocation to depreciations and its effect on income tax in the consolidated income statement for the year 2019 is not material. As a result, the consolidated income statement, statement of comprehensive income and statement of cash flows have not been restated accordingly.

Besides, impairment losses were recognized during the year for €182 million (see Note 8.3) in relation to:

- HotelAssets & others: mainly the room distribution and management of hotel common areas activity in Australia for €101 million and a hotel asset in Egypt for €19 million
- New Businesses: mainly on the hotel booking services activity for €47 million and Concierge services activity for €13 million.

Brands

The carrying amount of brands breaks down as follows:

€ in million	Net book value	Gross value	Impairment loss	Net book value
Fairmont	1,035	965	(136)	830
Swissôtel	248	249	(65)	184
Raffles	152	138	(25)	113
Mövenpick	135	135	-	135
Mantra	124	123	(27)	96
Rixos	99	99	-	99
sbe	-	86	-	86
Orient-Express	40	40	-	40
Other brands	34	98	(58)	40
Brands	**1,866**	**1,933**	**(310)**	**1,623**

(*) Restated amounts following the finalization of purchase price allocation of Rixos acquired in 2019

Over the year, the Group's brands were impaired for €263 million, as part of impairment tests conducted (see Note 8.3).

Contracts

They relates 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 acquired in 2018 and Mövenpick in 2019. They were impaired for €189 million over the year (see Note 8.3).

8.2 Property, plant & equipment

Property, plant & equipment break down as follows:

(€ in million)	Land	Buildings	Leasehold improv.	Equipment, furniture	Assets in progress	Total
Gross value						
At January 1, 2019	73	1,267	371	332	57	2,100
Additions	0	9	20	14	23	66
Disposals / reclassifications	-	(14)	(20)	(41)	(0)	(76)
Exchange differences	(0)	10	3	3	(0)	16
Others	0	8	11	14	(29)	4
Assets held for sale	(49)	(636)	(193)	(186)	(33)	(1,098)
At December 31, 2019	**25**	**643**	**192**	**135**	**17**	**1,012**
Additions	-	4	6	54	5	69
Disposals / reclassifications	-	-	(3)	(1)	(1)	(4)
Exchange differences	(2)	(13)	(4)	(6)	(2)	(27)
Others	(0)	(2)	4	(11)	(4)	(13)
Assets held for sale	(4)	(411)	(6)	(2)	0	(423)
At December 31, 2020	**19**	**221**	**188**	**169**	**15**	**614**
Depreciation and impairment						
At January 1, 2019	(5)	(454)	(227)	(226)	(6)	(918)
Depreciation	-	(33)	(24)	(26)	-	(83)
Impairment loss	(0)	1	1	1	(0)	2
Disposals / reclassifications	-	13	18	16	-	47
Exchange differences	-	(5)	(5)	-	-	(9)
Others	-	(0)	-	-	-	(0)
Assets held for sale	-	334	110	132	3	580
At December 31, 2019	**(5)**	**(144)**	**(126)**	**(104)**	**(2)**	**(380)**
Depreciation	-	(16)	(16)	(15)	-	(48)
Impairment loss	(1)	(27)	(3)	(1)	(2)	(33)
Disposals / reclassifications	-	-	1	1	-	2
Exchange differences	1	9	3	4	0	17
Others	0	3	(2)	11	0	12
Assets held for sale	4	45	6	3	-	58
At December 31, 2020	**(1)**	**(129)**	**(137)**	**(101)**	**(4)**	**(372)**
At December 31, 2019	20	500	66	32	15	632
At December 31, 2020	**18**	**92**	**52**	**68**	**12**	**242**

As at December 31, 2020, the decrease in the carrying amount of property, plant and equipment is mainly explained by the reclassification of SCI Sequana as assets held for sales (see Note 3.2).

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

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

Impairment tests

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

- HotelServices: at the level of the regions as presented in the segment information in Note 4.1,
- HotelAssets & others: at the level of the property for Hotel assets and at the level of the activity for other activities conducted in Asia-Pacific (room distribution and management of hotel common areas, timeshare),
- New Businesses: at the level of the business lines (Digital services, Hotel reservation services, Concierge services, Digital sales and Private rentals).

Determination of recoverable value

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

For all activities, except Hotel Assets, the recoverable value of the groups of CGUs are estimated using the value in use. Cash flow projections over 5 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 values are first estimated using fair values calculated based on a standard EBITDA multiple. For hotel properties, this method is considered as the most appropriate approach to estimating fair value less costs of disposal, as it most closely reflects the amount that would be expected to be recovered through the sale of the asset. The multiples method consists of calculating each hotel's average EBITDA for the last two years and applying a multiple based on the hotel's location and category. At December 31, 2020, the multiples retained by the Group are comprised between 8 and 12. If the recoverable value is less than the carrying amount, the recoverable value is recalculated using the discounted cash flows method.

Impairment loss measurement

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

In accordance with IAS 36 *Impairment of assets*, Accor is required to assess, at each closing date, whether there is an indication that an asset may be impaired and, if so, estimate the recoverable amount of this asset. As indicated in Note 2, the Covid-19 health crisis has led to a sudden deterioration in the travel and hospitality industries. Given the impacts on its business, the Group has determined that indicators of impairment existed in all its businesses and markets. Accordingly, it conducted specific impairment tests at December 31, 2020 on all its non-current assets:

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

8.3.1 Impairment

At December 31, 2020, the impairment tests conducted by the Group led to recognize impairment losses for €764 million presented as other income and expenses in the consolidated income statement for the year (see Note 7) in relation to following assets:

- Brands for €263 million,
- HotelServices management contracts for €189 million,
- The room distribution and management of hotel common areas activity in Australia (€101 million fully allocated to goodwill),
- Hotel properties for €54 million (including €30 million for a hotel in Egypt), of which €21 million is allocated to goodwill and €33 million to property, plant & equipment,
- The hotel booking services and concierge service activities (€47 million and €13 million respectively, fully allocated to goodwill),
- And equity accounted investments for €96 million, including €55 million on the company Interglobe Hotels Private Limited, which operates ibis hotels in India.

In total, impairment losses on goodwill amounted to €182 million, of which €122 million for the segment Hotel Assets & Others and €60 million for New Businesses.

8.3.2 Methodology for impairment tests

The impairment tests were carried out based on discounted future cash flows that reflect the Group's current best estimate, at closing date, of the expected impacts of the health crisis and the economic conditions for recovery. The Group prepared a 5-year business plan, based on a central scenario assuming a return to a "RevPAR" level (revenue per available room) equivalent to that of 2019 in 2024, consistently with available external data at the date on which the consolidated financial statements were issued.

The revenue forecasts were based, on one hand, on the 2021 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 2022-2025 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 flows beyond 5 years based on normative inflation rates by region (perpetuity growth rate) impacted, over a limited period, by development assumptions.

The discount rate retained corresponds to the Group's weighted average cost of capital at December 31, 2020 based on available market data at that date and considering the specific risks of each region. This update led to an increase in the industry beta retained (5-year average based on a sample of comparable companies), reflecting an increased volatility in the hospitality industry on the markets. For New Businesses, the weighted average cost of capital is calculated using a specific industry beta.

The main key assumptions used are detailed below:

	Perpetual growth rate		Discount rate	
	Dec. 2019	**Dec. 2020**	**Dec. 2019**	**Dec. 2020**
HotelServices Europe	+1.5%	+0.9%	+6.9%	+8.2%
HotelServices Middle East and Africa	+3.0%	+2.0%	+9.7%	+10.3%
HotelServices Asia Pacific	+2.0%	+2.5%	+7.8%	+10.0%
HotelServices North America, Central America & Caribbean	+3.0%	+1.9%	+7.7%	+8.6%
HotelServices South America	+4.0%	+3.6%	+12.6%	+13.1%
New Businesses Digital services	+2.0%	+2.5%	+8.0%	+10.1%
New Businesses Hotel booking services	+2.0%	+5.0%	+12.0%	+10.6%

8.3.3 Sensitivity of recoverable values

The Group carried out sensitivity analyses, notably regarding the central recovery assumption retained. Thus, at December 31, 2020:

- Assuming a slower recovery from 2022 resulting in a return to a "RevPAR" level equivalent to that of 2019 in 2025 (instead of 2024), the Group would have recognized at December 31, 2020 an additional impairment loss of c. €71 million, of which:
    - €61 million related to HotelServices (€46 million on brands and €15 million on management contracts),
    - €10 million related to Hotel Assets & others on the room distribution and management of hotel common areas activity and on hotel assets in Australia.
- Conversely, assuming a return to a "RevPAR" level equivalent to that of 2019 in 2023, the amount of impairment losses recognized would have been reduced by €42 million, of which €23 million on brands, €13 million on management contracts and €6 million on the room distribution and management of hotel common areas activity and hotel assets in Australia.

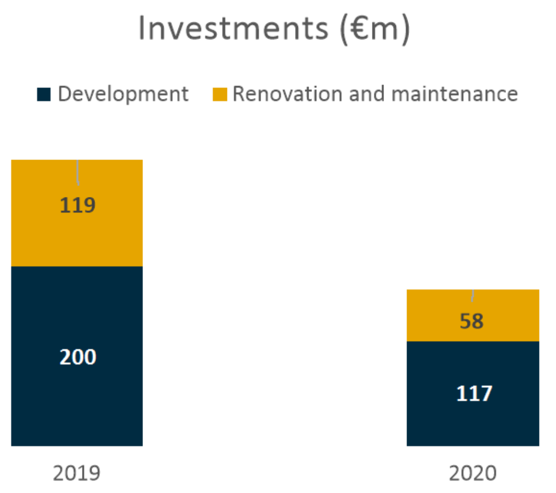
Besides, in order for recoverable values to become equal to the carrying amounts, one or the other of the main financial assumptions used at December 31, 2020 should be modified as follows (in number of basis points):

	Discount rate	Perpetual growth rate
HotelServices Europe	+ 3 086	n/a
HotelServices Middle East and Africa	+ 518	n/a
HotelServices Asia Pacific	+ 1 242	n/a
HotelServices North America, Central America & Caribbean	+ 142	(480)
HotelServices South America	+ 94	(359)
New Businesses Digital services	+ 139	(186)
New Businesses Hotel booking services	+ 162	(238)

8.4 Renovation and maintenance and development expenditure

Accounting policy

- Renovation and maintenance expenditure correspond to capitalized costs for maintaining or improving the quality of assets held by the Group at the beginning of each year as a condition of their continuing operation.
- "Development expenditure" comprise the acquisition of subsidiaries (amount net of net cash or debt acquired), investments in equity accounted entities, acquisitions of non-current assets and construction of new assets.



In 2020, main development expenditure includes:

- Acquisition of additional stakes in equity-accounted investments Kasada, Fairmont Ghirardelli Square Residence and Mama shelter for €64 million in total (see Note 3.1.2);
- A cash-out of €9 million (net of cash acquired) for the takeover of sbe (see note 3.1.1).

In 2019, development expenditure mainly comprised the acquisition of additional stakes in Ken Group, Rixos and 25hours (€80 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 property lease agreements. Accordingly, all fixed payments provided for in the lease agreement, whatever their nature, are included in the lease liability.

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

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

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

Determination of lease term

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

Short-term leases and leases of low-value assets

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

Variable leases payments

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

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

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

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, 2019	**451**	**73**	**8**	**531**
Additions	6	0	0	7
Derecognitions	(54)	(3)	-	(57)
Depreciation expense	(90)	(4)	(1)	(94)
Impairment loss	(1)	-	-	(1)
Exchange differences	(9)	(0)	(0)	(9)
At December 31, 2020	**304**	**66**	**8**	**377**

Note 9.2 Lease liability

At December 31, 2020, changes in the lease liability are analyzed as follows:

(€ in million)	
At December 31, 2019	**548**
Additions	5
Derecognitions	(57)
Accretion of interest	12
Payments	(83)
Foreign exchange impacts	(8)
At December 31, 2020	**416**

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

(€ in million)	2020
Less than 1 year	110
1 to 5 years	225
More than 5 years	113
Total	**448**

Note 9.3 Amounts recognized in the income statement

In 2020, following amounts were recognized in the Group's consolidated income statement in relation to leases:

(€ in million)	2019	2020
Rent expense for variable lease payments	(62)	(14)
Covid-19 related rents concessions	-	4
Rent expense for short-term leases and low-value assets	(5)	(2)
Depreciation expense and impairment of right-of-use assets	(148)	(94)
Interest expense on lease liabilities	(17)	(12)
Total	**(232)**	**(119)**

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

The total cash outflow for leases in 2020 was €107 million of which:

- €83 million presented in cash flows from financing activities for the repayment of lease liability, and
- €24 million presented in cash flows from operating activities for the payment of interests on lease liability (€12 million) and the payment for leases not recognized in the statement of financial position (€12 million).

Note 10. Provisions

Accounting policy

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

Provisions for restructuring costs are recorded when the Group has a detailed formal plan for the restructuring and the plan's main features have been announced to those affected by it as of the period end. Other provisions are intended to cover specifically identified risks and claims and litigation arising in the normal course of business.

Movements in provisions over 2020 can be analyzed as follows:

				Reversal				
(€ in million)	**Dec. 2019**	Global result	Allowance	Utilizations	Unused provisions	Translation adjust. and other	IFRS 5 reclass	**Dec. 2020**
Pensions and other benefits	75	(2)	7	(3)	(1)	(3)	-	74
Litigation and others	294	-	80	(6)	(25)	(2)	1	341
Restructuring	36	-	132	(14)	(15)	(1)	2	140
Provisions	**405**	**(2)**	**219**	**(23)**	**(41)**	**(6)**	**3**	**555**
• of which non-current	89	(2)	61	(4)	(9)	(4)	-	132
• of which current	316	-	158	(19)	(33)	(2)	3	423

Litigation provisions mainly include a provision covering risks associated with guarantees provided as part of AccorInvest disposal for €208 million and a provision recorded on the period for €53 million related to the dividend withholding tax litigation (see Note 14.2).

Changes in restructuring provisions are primarily explained by a €124 million allowance as part of the transformation plan initiated by the Group (cf. Note 2.1).

Note 11. Financing and financial instruments

11.1 Financial result

Accounting policy

Cost of net debt includes interests paid on debts and borrowings, the gain and losses arising from the ineffective portion of related hedges, 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 other hedges, 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 financial result is analyzed as follows:

(€ in million)	**2019**	**2020**
Interests on bonds and bank borrowings	(60)	(60)
Interests on loans and securities	19	19
Interests on lease debt	(17)	(12)
Cost of net debt	(58)	(52)
Other financial income and expenses	(17)	(56)
Net financial result	**(75)**	**(108)**

Other financial income and expenses include the following items:

(€ in million)	**2019**	**2020**
Hedging	(19)	(20)
Exchange gains / (losses)	(2)	(14)
Change in fair value of non-current financial assets	0	(9)
Dividend income	5	1
Others financial expenses	(1)	(14)
Other financial income and expenses	**(17)**	**(56)**

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

The Group may grant put options to non-controlling interests on all or part of their investment. These options represent a financial liability for the Group. This liability is measured at the present value of the option's exercise price, with a corresponding reduction in shareholders' equity attributable to minority interests. The difference between the present value of the option's exercise price and the carrying value of the non-controlling interests is recorded in shareholders' equity – Group share, as a deduction to consolidated reserves. The financial liability is remeasured at each period end to reflect changes in the option's exercise price, with a corresponding adjustment to shareholders' equity.

Convertible bonds

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, 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

At December 31, 2020, the Group net financial debt amounts to €1,346 million and is analyzed as follows:

	Dec. 2019 (*)			Dec. 2020		
(€ in million)	Curent	Non current	Total	Curent	Non current	Total
Bonds	-	2,416	2,416	550	2,305	2,856
Negociable commercial paper	200	-	200	296	-	296
Bank overdraft	3	-	3	29	-	29
Other bank borrowings	12	281	293	(1)	50	49
Bonds and bank borrowings	**215**	**2,697**	**2,912**	**875**	**2,355**	**3,230**
Other financial debts	42	143	186	58	118	177
Derivative financial instruments	48	-	48	36	-	36
Gross financial debt	**306**	**2,840**	**3,146**	**969**	**2,473**	**3,442**
Lease liability	**87**	**461**	**548**	102	314	416
Total financial debt	**393**	**3,301**	**3,694**	**1,071**	**2,787**	**3,859**
Cash and cash equivalents	2,279	-	2,279	2,474	-	2,474
Other current financial assets	54	-	54	28	-	28
Derivative financial instruments	8	-	8	10	-	10
Financial assets	**2,341**	**-**	**2,341**	**2,513**	**-**	**2,513**
Net financial debt	(1,948)	3,301	1,353	**(1,441)**	**2,787**	**1,346**

(*) Restated amounts following the finalization of price purchase allocation of Rixos acquired in 2019 (see Note 8.1)

Changes in financial debt

Over the year 2020, changes in financial debt were as follows:

(€ in million)	Dec. 2019 (*)	Cash flows	Other changes: Scope effects	Other changes: Exchange differences	Other changes: Fair value	Other changes: Others	Other changes: IFRS 5	Dec. 2020
Bonds	2,416	440	-	0	-	-	-	2,856
Negociable commercial paper	200	96	-	-	-	-	-	296
Bank borrowings	296	(200)	291	(13)	-	5	(301)	78
Other financial debts	186	5	1	(4)	-	(11)	(1)	177
Derivative financial instruments	48	(8)	-	-	17	-	(21)	36
Gross financial debt	**3,146**	**332**	**292**	**(16)**	**17**	**(6)**	**(323)**	**3,442**
Lease liability	548	(83)	4	(8)	-	(42)	(2)	416
Total debt	**3,694**	**250**	**296**	**(25)**	**17**	**(48)**	**(325)**	**3,859**

(*) Restated amounts following the finalization of price purchase allocation of Rixos acquired in 2019 (see Note 8.1)

The mortgage loan negotiated in October 2018 to fund the acquisition of the Group's head office and related derivative instruments have been reclassified as liabilities held for sale since June 30, 2020 (see Note 3.2).

On December 7, 2020, Accor issued 10,390,689 bonds convertible into new shares and/or exchangeable into new and/or existing shares (OCEANE) maturing on December 7, 2027 for a nominal amount of €500 million, with an annual coupon of 0.7%. The nominal value per bond is €48.12, reflecting a conversion premium of 65%. This issue will enable the redemption of the €550 million bond issued in February 2014 and maturing in February 2021.

This convertible bond is analyzed as a compound instrument containing a liability and an equity component. On the issue date, the amount reported in financial debt, was measured at €434 million, after deduction of allocated costs, corresponding to the present value of contractual payments using a market rate. The effective interest rate of the debt component is 2.79%.

The conversion option recorded in equity, determined by the difference between the nominal value and the financial debt, was measured at €60 million, or €44 million after deferred tax effect.

The scope effects mainly correspond to the restructuring of sbe's financial debt (see Note 3.1.1).

Breakdown of bonds

At December 31, 2020, bonds break down as follows:

Nominal (in local currency)	Local currency	Nature	Date of issuance	Maturity	Interest rate (%)		Carrying amount	
					nominal	effective	Dec. 2019	Dec. 2020
900	EUR	Bond	02/14	02/21	2.63%	2.83%	552	550
150	CHF	Bond	06/14	06/22	1.75%	1.83%	138	138
60	EUR	Bond	12/14	02/22	1.68%	1.72%	60	60
500	EUR	Bond	09/15	09/23	2.38%	2.41%	491	493
600	EUR	Bond	01/17	01/24	1.25%	1.43%	595	596
600	EUR	Bond	02/19	02/26	1.75%	2.83%	580	583
500	EUR	OCEANE	12/20	12/27	0.70%	2.79%	-	435
Bonds borrowings							**2,416**	**2,856**

11.2.2 Current financial assets

At December 31, 2020, current financial assets break down as follows:

(€ in million)	Dec. 2019	Dec. 2020
Cash	227	1,143
Fixed-term deposits	1,528	803
Mutual funds units	525	529
Cash and cash equivalents	2,279	2,474
Short-term loans	54	28
Other current financial assets	54	28
Derivative instruments	8	10
Current financial assets	**2,341**	**2,513**

11.2.3 Non-current financial assets

Accounting policy

Non-current loan 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.

At December 31, 2020, non-current financial assets break down as follows:

(€ in million)	**Dec. 2019**	**Dec. 2020**
Long-term loans	240	33
Security deposits	35	23
Financial assets at amortized cost	**275**	**56**
Investments in non-consolidated companies	66	47
Other non-curent financial assets	42	66
Financial assets at fair value	**109**	**113**
Total	**383**	**170**

Over the year, the Group fully depreciated the loan granted to sbe, prior to its takeover, for €266 million (of which €163 million classified as non-current financial assets and €103 million classified as current financial assets) given the risks then identified on its recoverability. The impairment loss is presented in other income and expenses in the Group's income statement.

Changes in fair value of financial assets measured at fair value were recognized in other comprehensive income for €(27) million and in financial result for €(11) million.

11.2.4 Derivative instruments

Accounting policy

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

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

Derivative instruments designated as hedging instruments

Accor uses 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: 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 of the hedge effectiveness requirements at inception and throughout the duration of the hedge.

Other derivative instruments

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

At December 31, 2020, derivatives financial instruments are as follows:

	Dec. 2019		Dec. 2020	
(€ in million)	Assets	Liabilities	Asset	Liabilities
Interest rate hedges	8	16	5	(0)
Foreign currency hedges	-	32	4	36
Derivatives financial instruments	**8**	**48**	**10**	**36**

11.2.5 Breakdown of financial assets and liabilities

(€ in million)	By class of instrument At amotized cost	Fair value through equity	Fair value through P&L	Derivatives qualified as hedges	Dec. 2020
Long-term loans	33	-	-	-	33
Deposits	23	-	-	-	23
Investments in non-consolidated companies	-	47	-	-	47
Others non-current financial assets	-	-	66	-	66
Trade receivables	534	-	-	-	534
Cash and cash equivalents	1,945	-	529	-	2,474
Others current financial assets	28	-	-	-	28
Derivative instruments	-	-	4	5	10
Financial assets	**2,564**	**47**	**599**	**5**	**3,216**
Bonds	2,856	-	-	-	2,856
Negociable commercial paper	296	-	-	-	296
Bank borrowings	78	-	-	-	78
Other financial debt	177	-	-	-	177
Trade payables	327	-	-	-	327
Derivative instruments	-	-	9	27	36
Financial liabilities	**3,734**	**-**	**9**	**27**	**3,769**

(€ in million)	By class of instrument At amotized cost	Fair value through equity	Fair value through P&L	Derivatives qualified as hedges	Dec. 2019 (*)
Long-term loans	240	-	-	-	240
Deposits	35	-	-	-	35
Investments in non-consolidated companies	-	66	-	-	66
Others non-current financial assets	-	-	42	-	42
Trade receivables	649	-	-	-	649
Cash and cash equivalents	1,754	-	525	-	2,279
Others current financial assets	54	-	-	-	54
Derivative instruments	-	-	-	8	8
Financial assets	**2,732**	**66**	**568**	**8**	**3,373**
Bonds	2,416	-	-	-	2,416
Negociable commercial paper	200	-	-	-	200
Bank borrowings	296	-	-	-	296
Other financial debt	186	-	-	-	186
Trade payables	441	-	-	-	441
Derivative instruments	-	-	33	15	48
Financial liabilities	**3,539**	**-**	**33**	**15**	**3,587**

(*) Restated amounts following the finalization of price purchase allocation of Rixos acquired in 2019 (see Note 8.1)

Derivative instruments documented in a hedging relationship 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. 2020	Hierarchy		
(€ in million)	Fair value	Level 1	Level 2	Level 3
Investments in non-consolidated companies	47	30	-	17
Other non-current financial assets	66	-	-	66
Mutual funds units	529	529	-	-
Derivative instruments - assets	10	-	10	-
Financial assets	**652**	**559**	**10**	**83**
Derivatives - liabilities	36	-	36	-
Financial liabilities	**36**	**-**	**36**	**-**

	Dec. 2019	Hierarchy		
(€ in million)	Fair value	Level 1	Level 2	Level 3
Investments in non-consolidated companies	66	43	-	23
Other non-current financial assets	42	-	-	42
Mutual funds units	525	525	-	-
Derivative instruments - assets	8	-	8	-
Financial assets	**641**	**568**	**8**	**66**
Derivatives - liabilities	48	-	48	-
Financial liabilities	**48**	**-**	**48**	**-**

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 quoted on an active market, or to an estimate, for unquoted 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 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 €3,001 million at December 31, 2020.

11.3 Financial risk management

11.3.1 Foreign exchange risk

Bonds and bank borrowings by currency

	Before hedging			After hedging		
(€ in million)	Amount	Rate	% of total debt	Amount	Rate	% of total debt
Euro	3,045	2%	94%	1,340	1%	41%
US dollar (USD)	47	3%	1%	673	1%	21%
Australian dollar (AUD)	-	-	-	588	2%	18%
Swiss franc (CHF)	138	2%	4%	319	1%	10%
Pound sterling (GBP)	-	-	-	83	1%	3%
Chinese yen (CNY)	-	-	-	71	2%	2%
Hungarian Florint (HUF)	-	-	-	52	0%	2%
Japanese yen (JPY)	-	-	-	34	1%	1%
UAE Dirham (AED)	-	-	-	29	1%	1%
Canadian dollar (CAD)	-	-	-	27	1%	1%
Other currencies	-	-	-	14	-	0%
Bonds and bank borrowings	**3,230**	**2%**	**100%**	**3,230**	**1%**	**100%**

Foreign currency hedges

At December 31, 2020, characteristics of the foreign currency hedges are as follows:

	Dec. 2020								
(€ in million)	Hedging maturity	Accounting classification	AUD	USD	CHF	GBP	Others currencies	Nominal	Fair value
Currency swaps	< 1 an	Trading	21	(39)	(165)	78	9	(96)	(7)
Currency swaps	< 1 an	Cash Flow Hedge	-	-	(7)	-	-	(7)	(0)
Cross currency swaps	2028	Cash Flow Hedge	561	-	-	-	-	561	(27)
Financing operations			**582**	**(39)**	**(171)**	**78**	**9**	**458**	**(34)**
Commercial operations	< 1 an	Trading	(1)	12	0	6	16	32	0
Trading operations	< 1 an	Trading	-	193	-	-	-	193	2
Total			**581**	**166**	**(171)**	**83**	**25**	**683**	**(32)**

Sensitivity analysis

Accor's policy is to hedge balances in the statement of financial position related to financing. Hence, the sensitivity to the foreign exchange risk on such balances is not material. It should be noted that the external debt in swiss franc (CHF 157 million as of December 31, 2020) is not hedged but is documented as Net Investment Hedge (NIH) of Group's operations in Switzerland.

Regarding commercial operations in the statement of financial position, exposures are mainly centralized at Accor SA level, the Group's policy being to invoice the fees to subsidiaries in their functional currency (with minor exceptions). Most of the trade balances are hedged at December 31, 2020, 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. 2020	
(€ in million)	Fixe	Variable	Fixe	Variable	**Fixe**	**Variable**
Bonds and bank borrowings	847	29	2,313	41	3,160	70
Cash and cash equivalents	(1,765)	(710)	-	-	(1,765)	(710)
Net exposure before hedging	(918)	(681)	2,313	41	**1,395**	**(639)**
Hedging derivative instruments	(300)	300	-	-	(300)	300
Net exposure with derivatives	(1,218)	(381)	2,313	41	**1,095**	**(339)**

At December 31, 2020, 72% of bonds and bank borrowings was at fixed rate, with an average rate of 1.1%, and 28% was with variable rate, with an average rate of 2%. The fixed rate debt is denominated primarily in Euro (41%).

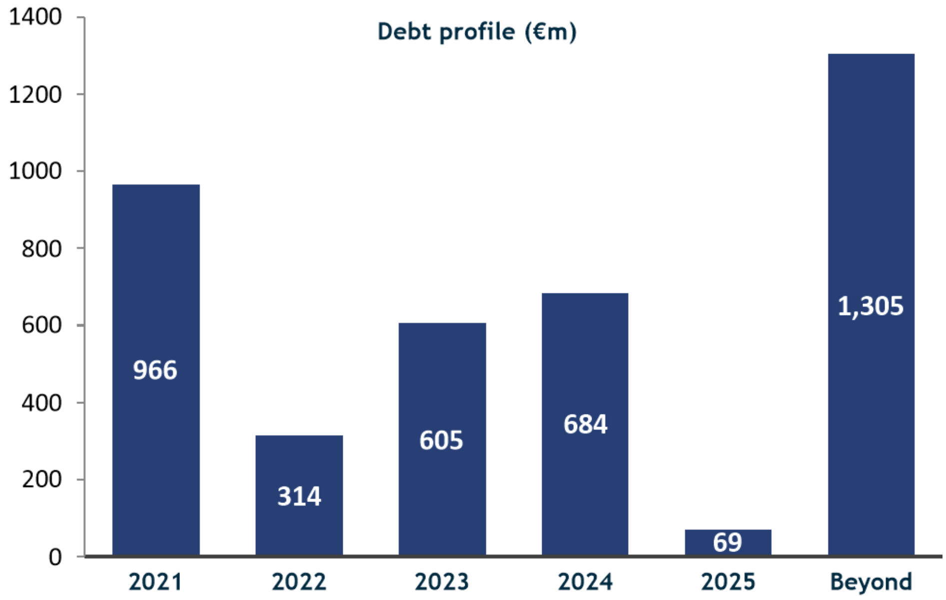
Interest rate hedges

At December 31, 2020, the portfolio mainly comprises interest rate swaps converting part of the Group’s bonds into variable rates, for a nominal of €300 million. The fair value of these instruments, which are designated as fair value hedge, is €5 million.

11.3.3 Liquidity risk

Debt profile

The debt profile (corresponding to contractual undiscounted cash-flows) is one of the indicators used to assess the Group's liquidity position. At December 31, 2020, maturities of long-term and short-term debt were as follows:



Credit lines

On May 18, 2020, the Group signed an agreement with a consortium of 5 banks for a new €560 million revolving credit facility. The new facility has a 12 months tenor with two six-months extension options in the hands of Accor and is covenant free.

At December 31st, 2020, the Group has a total long-term revolving credit facility of €1,760 million, comprising the respectively €1,200 million existing facilities, negotiated in June 2018 maturing in June 2025 and the €560 million facility maturing in May 2022.

Besides Accor has a short-term financing program in the form of commercial paper (NEU CP) capped at €500 million. At December 31, 2020, the program is drawn for €296 million. It is not guaranteed and ranks as a senior bond.

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 (€2,421 million among the €3,230 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 contains 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 Covid-19 health crisis, Accor obtained a first covenant holiday until June 2021, which was extended on February 8, 2021, until June 2022 (see Note 14.3).

Regarding the €300 million mortgage debt negotiated in October 2018 to fund the acquisition of the Group's head office (reclassified as a liability held for sale in the statement of financial position at December 31, 2020), 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.

Finally, 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 group is rated BB+ with a stable outlook according to Fitch and BB+ with a negative outlook according to S&P.

11.3.4 Counterparty risk

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

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

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

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

The Group applies the IFRIC 23 guidance for income tax:

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

12.1. Income tax in consolidated income statement

12.1.1 Income tax expense for the period

(€ in million)	**2019**	**2020**
Current tax	(136)	16
Deferred tax	(2)	46
Income Tax	**(138)**	**62**

In 2020, the deferred tax income of €46 million mainly includes:

- A reversal of deferred tax liabilities on intangible assets for €116 million resulting from impairment losses recognized as part of impairment tests of non-financial assets (see Note 8.3),

- A loss allowance deferred of €(66) million on the United States in relation to tax loss carryforwards and in Germany due to deductible temporary differences on intangible assets.

At December 31, 2020, the Group did not recognize any significant tax income in relation to losses incurred over the year.

12.1.2 Income tax expense analysis

(€ in million)		**2019**	**2020**
Profit before tax	(a)	**603**	**(2,309)**
Non-deductible impairment losses		174	237
Tax on share of profit (loss) of equity investments		32	(52)
Others		6	1
Total permanent differences	(b)	**212**	**186**
Untaxed profit on profit taxed at a reduced rate	(c)	**(444)**	**(94)**
Profit taxed at standard rate	(d) = (a) + (b) + (c)	**371**	**(2,218)**
Standard tax rate in France	(e)	**+34.4%**	**+32.0%**
Theoretical tax at standard French tax rate	(f) = (d) x (e)	**(128)**	**710**
. Differences in foreign tax rates		8	(218)
. Unrecognized tax losses for the year		(40)	(296)
. Utilization of tax loss carryforwards		24	1
. Share of profit (loss) of equity investments		32	(51)
. Net charges to/reversals of provisions for tax risks		(2)	2
. Company value-added contribution (CVAE)		(6)	(2)
. Changes in tax rates		(1)	9
. Other items		(25)	(92)
Total effects on tax at standard French tax rate	(g)	**(10)**	**(647)**
Income tax (expense) / income	(h) = (f) + (g)	**(138)**	**62**

At December 31, 2020, the income tax rate is at 32.02%, including “contribution sociale de solidarité” tax of 3.3% based on the standard tax rate in France of 31%.

12.2. Deferred taxes

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

(€ in million)	**Dec. 2019 (*)**	**Dec. 2020**
Intangible assets	(586)	(468)
Property, plant and equipment	(14)	(13)
Recognized tax losses	67	29
Provision for employee benefits	33	30
Provision for risks and contingencies	63	62
Impairment losses	5	3
Others	30	3
Total net deferred tax	**(402)**	**(356)**
• Deferred tax assets	218	157
• Deferred tax liabilities	(621)	(513)

(*) Restated amounts following the finalization of purchase price allocation of Rixos acquired in 2019 (see Note 8.1)

Deferred taxes liabilities on intangible assets mainly concern assets recognized in the frame of FRHI Hotels & Resort group acquisition in 2016.

Deferred tax assets recognized on provision for risks and contingencies are mainly related to the provision of €201 million set up to cover the future risks associated with the guarantees provided on AccorInvest disposal.

12.3. Unrecognized deferred tax

Unrecognized deferred tax assets amount to €803 million at December 31, 2020 (€439 million at December 31, 2019). They mainly correspond to evergreen tax loss carryforwards in France (€296 million), in the US (€226 million), in Luxembourg (€92 million) and in Belgium (€84 million).

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

(€ in million)	Deductible temporary differences	Tax loss carryforwards	Total
From 2020 to 2023	-	42	42
2024 and beyond	147	23	170
Evergreen	16	575	591
Total	**163**	**640**	**803**

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, instruments that are redeemable at the Group's initiative and that entitle holders to a dividend are classified in shareholders' equity.

13.1. Share capital

13.1.1 Shareholders

At December 31, 2020, Jin Jiang is Accor' leading shareholder with 13% of the share capital corresponding to 17% of voting rights. Moreover, following the acquisition of the FRHI Group, whose capital was held by Qatar Investment Authority (QIA) and Kingdom Holding Company (KHC), these companies became shareholders of Accor SA in July 2016 and respectively hold 11.3% and 6.3% of the Company's share capital, representing 17.3% and 9.7% of voting rights.

Harris Associates also holds 8.3% of the Company's share capital and 6.4% of voting rights.

Finally, China Lodging Group (Huazhu) holds 6.2% of the Company's share capital and 4.8% of voting rights.

13.1.2 Changes in share capital

At December 31, 2020, Accor SA's share capital was made up of 261,382,728 shares with a par value of €3 each, all fully paid. Changes in the number of outstanding shares during 2020 were as follows:

In number of shares	2020
Number of issued shares at January 1, 2020	**270,932,350**
Performance shares vested	531,219
Employee ownership plan	0
Shares issued on exercise of stock options	94,468
Shares cancelled	(10,175,309)
Number of issued shares at December 31, 2020	**261,382,728**

13.1.3 Distribution of dividends

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

13.1.4 Perpetual subordinated notes

On January 24, 2019, Accor issued a €500 million perpetual subordinated bond with a 4.375% coupon. On October 23, 2019, the Group issued a second €500 million perpetual subordinated bond with a coupon of 2.625%.

These two bond issues enabled the Group to partially repurchase €772 million on the €900 million perpetual subordinated bond issued in June 2014. The €127 million remaining balance was redeemed on June 30, 2020 through the exercise of the first call option.

In accordance with the provisions of IAS 32 *Financial Instruments*, these bonds are recorded as an equity instrument in the Group's consolidated financial statements. Accor has an unconditional right to avoid delivering cash: principal is redeemable at its sole discretion and payment of coupons is subject to events under its control, such as a decision to pay dividends to ordinary shareholders.

In 2020, coupons paid to holders amounted to €34 million. These payments are analyzed as a profit distribution, directly deducted from equity.

13.1.5 Share buy-back program

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

Upon completion, the Group acquired 10,175,309 shares at an average price of €29.4831 per share for a total of €300 million. These shares were cancelled by way of a capital decrease completed on June 30, 2020.

13.1.6 Consolidated reserves

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

(€ in million)	**Dec. 2019**	Change	**Dec. 2020**
Currency translation reserve	(163)	(318)	(480)
Changes in fair value of financial Instruments	(25)	(54)	(79)
• of which non-consolidated investments	*(11)*	*(26)*	*(37)*
• of which derivative instruments	*(15)*	*(28)*	*(43)*
Reserve for actuarial gains/losses	(114)	3	(111)
Share based payments	268	31	299
Retained earnings and others	4,100	(2,096)	2,005
Reserves - Group share	**4,066**	**(2,433)**	**1,633**

13.1.7 Currency translation reserve

The currency translation reserve breaks down as follows:

(€ in million)	**2019**	Change	**2020**
British sterling (GBP)	(121)	3	(118)
Brazilian real (BRL)	(93)	(10)	(103)
United States dollar (USD)	81	(165)	(84)
Chinese yuan (CNY)	(33)	(20)	(53)
Canadian dollar (CAD)	12	(63)	(50)
Australian dollar (AUD)	(10)	(8)	(18)
Polish zloty (PLN)	25	(25)	0
Other currencies	(30)	(32)	(62)
Currency translation reserve	**(168)**	**(320)**	**(488)**
Translating foreign operations, Group share	(163)	(317)	(480)
Translating foreign operations, minority interests	(5)	(3)	(8)

Exchange differences on 2020 represent a negative impact of €320 million, mainly explained by the depreciation of the US Dollar (€165 million) and the Canadian Dollar (€63 million).

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

	GBP	BRL	USD	CNY	CAD	AUD	PLN
December 2019	0.8571	4.5220	1.1075	7.7652	1.4577	1.6008	4.2609
December 2020	0.8980	6.3608	1.2193	7.9624	1.5656	1.6039	4.5022

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

13.2 Minority interests

13.2.1 Breakdown of minority interests

Minority interests break down as follows:

(€ in million)	**Dec. 2019 (*)**	Change	**Dec. 2020**
Orbis Group	79	(79)	-
Rixos Hotels & Resorts	30	(6)	24
Orient-Express	17	(0)	17
Others minority interests	27	(2)	25
Minority interests	153	(87)	66

(*) Restated amounts following the finalization of price purchase allocation of Rixos acquired in 2019 (see Note 8.1)

The change over the period is mainly explained by the derecognition of Orbis' minority interests for €79 million, as a result of the disposal of the subsidiary in March 2020 (see Note 3.1.3).

At December 31, 2020, minority interests are individually not significant.

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

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). Stock options are considered as potentially dilutive if they are in the money. The adjustment is performed using the treasury stock method.

Earnings per share are calculated as follows:

(€ in million)	**2019**	**2020**
Net profit, Group share	**464**	(1,988)
Coupons on perpetual subordinated bonds	(42)	(34)
Adjusted Net profit, Group share	**422.00**	**(2,021.24)**
Weighted average number of ordinary shares	271,823,856	262,233,805
Fully diluted weighted average number of shares	272,289,941	-
Earnings per share (in euros)	**1.55**	**(7.71)**
Diluted earnings per share (in euros)	**1.55**	**(7.71)**

At December 31, 2020, the weighted average number of ordinary shares is computed as follows:

Outstanding shares	**261,382,728**
Effect of share issued	(272,211)
Effect for stock option plans exercised during the period	(17,540)
Cancellation of shares	5,032,052
Weighted average number of ordinary shares	**266,125,029**
Average number of own shares	(3,891,223)
Weighted average number of ordinary shares excluding own shares	**262,233,805**

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. At December 31, 2020, 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

Undiscounted off-balance sheet commitments given at December 31, 2020 break down as follows:

(€ in million)	Less than 1 year	1 to 5 years	Beyond 5 years	Total
Commitments given in the normal course of business	70	75	73	219
Commitments increasing net debt	46	34	152	232
Commitments related to development	2	8		10
Commitments given	**118**	**117**	**225**	**460**

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.

Commitments increasing net debt mainly relate to rents guarantees given on behalf of joint-ventures.

14.1.2 Commitments received

Undiscounted off-balance sheet commitments received at December 31, 2020 break down as follows:

(€ in million)	Less than 1 year	1 to 5 years	Beyond 5 years	Total
Guarantees received in the normal course of business	5	1	5	11
Commitments received	**5**	**1**	**5**	**11**

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

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 wholly 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.

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

The main outstanding litigation relates to the "précompte" dividend withholding tax presented below.

Litigation dividend withholding tax

In 2002, Accor SA challenged by 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 then at European level.

As regards the "précompte" dividend withholding tax paid over the period 1999-2001, the Versailles Administrative Tribunal 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 Versailles Administrative Court 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, which is expected to be reviewed in 2021.

As regards the "précompte" dividend withholding tax paid over the period 2002-2004, a decision from the European Union Court of Justice on October 4, 2018 convicted again the French state on the "précompte" refund litigations. On July 7, 2020, the Versailles Administrative Court of Appeal, taking note of the European Court's decision, pronounced the refund to Accor SA of the full "précompte" amount paid over this period along with late interests. On July 23, 2020, Accor SA received a refund of €307 million (€180 million of principal and €126 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.

Therefore, at December 31, 2020 the Group considers it highly probable that Accor will be definitely entitled to up to €254 million on the refund received in July 2020 (€149 million of principal and €105 million of late interests). Accordingly, a gain was recognized in the income statement of the year, presented in other income and expenses (see Note 7).

14.3 Subsequent Events

Exclusive negotiations with Ennismore

On November 24, 2020, Accor announced that it has entered into exclusive negotiations with Ennismore, a London-based hotel operator, with a view to complete a merger through asset contributions and form the world's leading lifestyle operator in the hospitality sector. Focusing on one of the fastest growing segments in the industry, the combined entity would operate a portfolio of 73 existing hotels under 12 brands and over 150 destination restaurant and bars. Completion of the transaction, which will be subject to the employee consultation process and customary regulatory authorizations, is expected to occur in the first half of 2021.

Besides, on January 15, 2021, Accor acquired the remaining 50% stake in 25 hours, investment currently accounted for under the equity method in Group's consolidated financial statements, for €61 million. This transaction is subject to conditions precedent, that would lead to a takeover of 25 hours upon closing of the transaction with Ennismore.

Capital increase of AccorInvest

On January 14, 2021, the Extraordinary General Meeting of AccorInvest's shareholders approved the completion of a €150 million capital increase subscribed by all shareholders in proportion to their ownership, representing €45 million for Accor. Besides, a second tranche amounting to €327 million (including €109 million for Accor) is expected to be proposed for approval to the Extraordinary General Meeting that will be held on March 1, 2021, subject to a subscription by all shareholders.

Redemption of bond

On February 5, 2021 Accor redeemed the maturing €550 million outstanding amount of the €900 million bond issued in February 2014. In 2019, this bond had been partially repurchased in the amount of €350 million. This redemption has been funded through the issuance of bonds convertible and/or exchangeable into new and/or existing shares (OCEANE) on December 7, 2020 (see Note 11.2.1).

Covenant holidays

On February 8, 2021, Accor obtained a one-year extension of the covenant holiday for the €1,200 million revolving credit facility, concluded on June 2018 a bank consortium. The covenant will not be tested on the next two test dates on June 30 and December 31, 2021.

Disposal of Huazhu Group Ltd shares

On February 18, 2021, Accor sold a part of its share in Huazhu Group Ltd which represent 1,5% of share capital of the company for €239 million. After completion of this transaction, the Group retains a 3.3% residual interest in the share capital.

Note 15. Other information

15.1 Related parties

Companies that exercise significant influence over Accor

At December 31, 2020, the following companies Qatar Investment Authority (QIA) and Kingdom Holding Company of Saudi Arabia (KHC), which respectively acquired 11,3% and 6,3% of the Company's capital (representing 17,3% and 9,7% of the voting rights) following the acquisition of FRHI Group by Accor exercise significant influence over the Company. Pursuant to the agreements signed at the time of this transaction, QIA has two seats on the Board of Directors and KHC has one seat.

The following agreements are considered related party agreements:

- Agreement concluded over the second semester 2018 with Katara Hospitality, subsidiary of QIA, with a view to set-up an investment fund (Kasada Capital Management) dedicated to Hospitality in Africa.
- Agreement concluded on February 21th, 2019 with SASP Paris Saint Germain Football, owned by Qatar Sport Investment (QSI), subsidiary of QIA, in order to become the principal partner and official jersey sponsor of Paris-Saint-Germain from the 2019/2020 season.

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

Transactions between the Company and its subsidiaries, joint-ventures and associates are concluded in the normal course of business operations. The transactions with subsidiaries are eliminated in the Group's consolidated financial statements. When appropriate, the main transactions with equity accounted investments are mentioned directly in the associated notes (see Notes 3.1 and 6).

AccorInvest, which is recorded under the equity method in the consolidated financial statements, is the main client of the Group. Revenue with AccorInvest recognized in 2020 represent 9% of the total revenue of the Group. At December 31, 2020, receivables towards AccorInvest amounted to €203 million in the consolidated statement of financial position.

Besides, as mentioned in Note 3.1.3, on March 11, 2020 the Group's stake of 85.8% in Orbis was sold to AccorInvest by way of a public tender offer for €1,051 million. This transaction was concluded on an arm's length basis in the normal course of business operations.

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 income statements in 2020 and prior year:

	2019			2020		
(€ in million)	**PwC**	**EY**	**Total**	PwC	EY	Total
Fees related to certification of accounts						
- Issuer	0.7	1.2	1.9	1.3	1.3	2.6
- Fully consolidated subsidiaries	1.3	1.7	3.0	1.5	1.9	3.4
Subtotal	**1.9**	**2.9**	**4.9**	**2.8**	**3.2**	**5.9**
Fees for services other than certification of accounts						
- Services required by laws and regulations	0.0	0.1	0.2	0.0	-	0.0
- Due diligence services	0.6	-	0.6	0.3	-	0.3
- Tax services (*)	0.7	0.6	1.3	0.4	0.5	0.9
- Others services (**)	0.6	0.2	0.8	0.9	0.4	1.3
Subtotal	**1.9**	**0.9**	**2.8**	**1.6**	**0.9**	**2.5**
Total	**3.8**	**3.9**	**7.7**	4.4	4.0	8.4

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

15.3 Main consolidated companies

The main subsidiaries and associates represent at least 75% of consolidated revenue and EBITDA. The other subsidiaries and associates are not significant for these two aggregates.

To the best of the Group's knowledge, there are no material restrictions on the use and sale by Accor of the assets of subsidiaries controlled by the Group at December 31, 2020.

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

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

ACCOR SA

EUROPE			
ACADEMIE FRANCE	France	IG	100%
IBIS BUDGET	France	IG	98%
SH DEFENSE GRANDE ARCHE	France	IG	100%
MAMA SHELTER FRANCE	France	MEE	70%
ACCORHOTELS SWITZERLAND SA	Switzerland	IG	100%
SWISSOTEL MANAGEMENT GMBH	Switzerland	IG	100%
MÖVENPICK HOTELS & RESORTS MANAGEMENT AG	Switzerland	IG	100%
SOGEMCO SA	Switzerland	MEE	30%
FRHI HOTELS & RESORTS S.A.R.L.	Luxembourg	IG	100%
ACCORHOTELS DEUTSCHLAND GMBH	Germany	IG	100%
ACCOR HOTELBETRIEBS GMBH	Austria	IG	100%
ACCOR HOTELS BELGIUM	Belgium	IG	100%
OU SWISSOTEL ESTONIA	Estonia	IG	100%
LEISURE HOTELS - HOTEL AND TOURISTIC ENTERPRISES SA	Greece	IG	100%
ACCORHOTELS ITALIA S.R.L.	Italy	IG	100%
ACCORHOTELS & COMMUNITY SERVICES SPAIN, S.L.	Spain	IG	100%
ACCOR HOTELS UK	United Kingdom	IG	100%
ACCOR HOTELS SERVICES NETHERLANDS	Netherlands	IG	100%
RUSSIAN MANAGEMENT HOTEL COMPANY	Russia	IG	100%
TAMARIS TURIZM TRY	Turkey	IG	100%
ACCOR SERVICES POLAND	Poland	IG	100%
ACCOR HOTELSERVICES MAGYAORSZAG KFT.	Hungary	IG	100%

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

AFRICA & MIDDLE EAST			
RIXOS CONSULTANCY FZE	United Arab Emirates	IG	70%
ACCOR AFRIQUE	Africa Structures	IG	100%
ACCOR GESTION MAROC	Morocco	IG	78%
ACCOR HOTEL SAE	Egypt	IG	100%
ACCORHOTELS MIDDLE EAST AND AFRICA FZ-LLC	United Arab Emirates	IG	100%
BELLE RIVIERE HOTEL	Mauritius	IG	100%
KASADA HOSPITALITY FUND LP	Mauritius	MEE	30%
EL GEZIRAH HOTELS TOURISM CY	Egypt	IG	66%
FHR GULF MANAGEMENT FZ-LLC	United Arab Emirates	IG	100%
RISMA	Morocco	MEE	33%
SAUDI FRENCH COMPANY HOTEL MGT	Saudi Arabia	IG	100%
MÖVENPICK HOTELS & RESORTS MANAGEMENT	United Arab Emirates	IG	100%

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

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

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

ACCOR INVEST			
ACCOR INVEST GROUP	Luxembourg	MEE	30%