CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

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

Consolidated Income Statement

In millions of euros	Notes	2015 (*)	2016
CONSOLIDATED REVENUE	4	**1,368**	**1,603**
Operating expense	5	(805)	(998)
EBITDAR	4	**564**	**604**
Rental expense	5	(114)	(110)
EBITDA	4	**450**	**494**
Depreciation, amortization and provision expense	6	(80)	(105)
EBIT	4	**370**	**389**
Net financial expense	7	(70)	(117)
Share of net profit of associates and joint ventures	15	8	6
OPERATING PROFIT BEFORE TAX & NON RECURRING ITEMS (INCL. FINANCIAL RESULT)		**308**	**278**
Non-recurring income and expense	8	(93)	(110)
OPERATING PROFIT BEFORE TAX (INCLUDING FINANCIAL RESULT)		**215**	**169**
Income tax expense	9	(59)	4
PROFIT FROM CONTINUING OPERATIONS		**155**	**172**
Profit from discontinued operations	3	116	127
NET PROFIT OR LOSS		**271**	**299**
Net Profit, Group Share from continuing operations		134	143
Net Profit or Loss, Group Share from discontinued operations		110	123
Net Profit or Loss, Group Share		**244**	**265**
Net Profit, Minority interests from continuing operations		21	30
Net Profit or Loss, Minority interests from discontinued operations		6	4
Net Profit, Minority interests		**27**	**33**

Weighted average number of shares outstanding (in thousands)	18	234,387	259,054
EARNINGS PER SHARE (in €)		**0.88**	**0.88**
Diluted earnings per share (in €)	18	0.88	0.88

Earnings per share from continuing operations (in €)		**0.41**	**0.41**
Diluted earnings per share from continuing operations (in €)		**0.41**	**0.41**

Earnings per share from discontinued operations (in €)		**0.47**	**0.47**
Diluted earnings per share from discontinued operations (in €)		**0.47**	**0.47**

(*) In application of IFRS 5, the 2015 financial statements were restated in relation to the data published for the previous year. The impacts of these restatements are detailed in the Note 33.

Consolidated statement of comprehensive income

In millions of euros		2015 (*)	2016
NET PROFIT OR LOSS		**271**	**299**
Currency translation adjustments		12	109
Effective portion of gains and losses on cash flow hedges		(3)	2
Changes in the fair value of available-for-sale financial assets		12	(14)
Other comprehensive income arising from discontinued operations	3	(15)	30
Items that may be reclassified subsequently to profit or loss		***6***	***128***
Actuarial gains and losses on defined benefit plans		(9)	(3)
Other comprehensive income arising from discontinued operations	3	(0)	(2)
Items that will not be reclassified to profit or loss		***(9)***	***(5)***
Other comprehensive income, net of tax	20	**(3)**	**122**
TOTAL COMPREHENSIVE INCOME		**268**	**421**
Profit or loss, Group share		**241**	**396**
Profit or loss, Minority interests		27	26

(*) In application of IFRS 5, the 2015 financial statements were restated in relation to the data published for the previous year. The impacts of these restatements are detailed in the Note 33.

Consolidated statement of financial position

Assets

ASSETS In millions of euros	Notes	Dec. 2015	Dec. 2016
GOODWILL	10	**697**	**1,496**
OTHER INTANGIBLE ASSETS	11	**307**	**2,401**
PROPERTY, PLANT AND EQUIPMENT	12	**3,024**	**562**
Long-term loans	14	118	77
Investments accounted for using the equity method	15	346	596
Other financial assets	16	191	171
TOTAL NON-CURRENT FINANCIAL ASSETS		**654**	**844**
Deferred tax assets	9	73	233
Other non-current assets	23	-	9
TOTAL NON-CURRENT ASSETS		**4,756**	**5,545**
Inventories	17 & 24	37	8
Trade receivables	17 & 24	432	374
Other receivables and accruals	17 & 24	471	252
Receivables on disposals of assets	21	44	24
Short-term loans	21	43	19
Cash and cash equivalents	21	2,963	1,184
TOTAL CURRENT ASSETS		**3,990**	**1,861**
Assets classified as held for sale	3	208	4,457
TOTAL ASSETS		**8,953**	**11,864**

Equity and Liabilities

EQUITY AND LIABILITIES In millions of euros	Notes	Dec. 2015	Dec. 2016
Share capital		706	854
Additional paid-in capital and reserves		1,925	3,651
Net profit or loss, Group share		244	265
Ordinary Shareholders' Equity, Group Share		**2,875**	**4,771**
Hybrid capital	18	887	887
SHAREHOLDERS' EQUITY, GROUP SHARE		**3,762**	**5,658**
Minority interests	19	225	267
TOTAL SHAREHOLDERS' EQUITY AND MINORITY INTERESTS	18	**3,987**	**5,925**
Other long-term financial debt	21	2,692	2,175
Long-term finance lease liabilities	21	53	1
Deferred tax liabilities	9	29	599
Non-current provisions	23	142	133
TOTAL NON-CURRENT LIABILITIES		**2,916**	**2,907**
Trade payables	17 & 24	736	384
Other payables	17 & 24	1,012	587
Current provisions	23	173	151
Short-term debt and finance lease liabilities	21	91	681
Bank overdrafts and liability derivatives	21	19	51
TOTAL CURRENT LIABILITIES		**2,031**	**1,855**
Liabilities associated with assets classified as held for sale	3	19	1,177

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**8,953**	**11,864**

Consolidated Cash Flow Statement

	In millions of euros	Notes	2015 (*)	2016
+	EBITDA	4	450	494
+	Cost of net debt (**)	7	(70)	(70)
+	Income tax expense		(78)	(86)
-	Non cash revenue and expense included in EBITDA		16	20
-	Elimination of provision movements included in net financial expense and non-recurring taxes		13	9
+	Dividends received from associates		15	12
+	Impact of discontinued operations	3	469	488
=	**Funds from operations excluding non-recurring transactions**		**814**	**867**
+	Decrease (increase) in operating working capital	24	60	2
+	Impact of discontinued operations	3	11	(90)
=	**Net cash from operating activities**		**886**	**779**
+	Cash received (paid) on non-recurring transactions (incl. restructuring costs and non-recurring taxes) (**)		(69)	(217)
+	Impact of discontinued operations	3	(32)	(54)
=	**Net cash from operating activities including non-recurring transactions (A)**		**785**	**508**
-	Renovation and maintenance expenditure	25	(72)	(137)
-	Development expenditure	25	(189)	(3,067)
+	Proceeds from disposals of assets		35	158
+	Impact of discontinued operations	3	(53)	(692)
=	**Net cash used in investments / divestments (B)**		**(280)**	**(3,738)**
+	Proceeds from issue of share capital		52	1,733
-	Dividends paid		(171)	(176)
-	Hybrid capital dividend payment		(37)	(37)
-	Repayment of long-term debt		(684)	(14)
+	New long term debt		657	184
=	**Increase (decrease) in long-term debt**		**(27)**	**170**
+	Increase (decrease) in short-term debt		(21)	(23)
+	Impact of discontinued operations	3	(26)	10
=	**Net cash from financing activities (C)**		**(230)**	**1,677**
+	Effect of changes in exchange rates (D)		2	(23)
+	Effect of changes in exchange rates on discontinued operations (D)	3	(12)	67
=	**Net change in cash and cash equivalents (E) = (A) + (B) + (C) + (D)**		**266**	**(1,509)**

-	Cash and cash equivalents at beginning of period		2,677	2,944
-	Effect of changes in fair value of cash and cash equivalents		-	(11)
-	Cash and cash equivalents reclassified at end of period in "Assets held for sale"		-	(292)
-	Net change in cash and cash equivalents for discontinued operations		1	1
+	Cash and cash equivalents at end of period		2,944	1,133
=	**Net change in cash and cash equivalents**		**266**	**(1,509)**

(*) In application of IFRS 5, the 2015 financial statements were restated in relation to the data published for the previous year. The impacts of these restatements are detailed in the Note 33.

(**) To facilitate readability, net financial expense is now broken out between cost of net debt (included in "Funds from operations excluding non-recurring transactions") and other financial income and expenses, net (reported under "Cash received (paid) on non-recurring transactions"). Both components continue to be included in "Net cash from operating activities including non-recurring transactions".

Changes in Consolidated Shareholders' Equity

In millions of euros	Number of shares outstanding	Share capital	Additional paid-in capital	Currency translation reserve	Fair value adjustments on Financial Instruments reserve	Reserve for actuarial gains/losses	Reserve related to employee benefits	Retained earnings and profit for the period	Shareholders' Equity	Minority interests	Consolidated shareholders' Equity
At January 1, 2015	**231,836,399**	**696**	**1,149**	**(37)**	**(5)**	**(59)**	**172**	**1,741**	**3,657**	**213**	**3,869**
Issue of share capital											
- Performance share grants	**234,645**	1	-	-	-	-	-	(1)	**0**	-	**0**
- On exercise of stock options	**1,911,904**	6	47	-	-	-	-	-	**52**	**0**	**52**
- Cancellation of treasury stock		(0)	(1)	-	-	-	-	-	**(1)**	-	**(1)**
Issue of hybrid capital			-	-	-	-	-	-	-	-	-
Hybrid capital dividend payment								(37)	**(37)**	-	**(37)**
Dividends paid in cash	**1,369,477**	4	59	-	-	-	-	(222)	**(159)**	**(15)**	**(174)**
Changes in reserve related to employee benefits	-	-	-	-	-	-	14	-	**14**	-	**14**
Effects of scope changes	-	-	-	-	-	0	-	(5)	**(5)**	**1**	**(4)**
Other Comprehensive Income	-	**-**	**-**	**(3)**	**10**	**(9)**	**-**	**(0)**	**(3)**	**(0)**	**(3)**
Net Profit or Loss	-							244	**244**	**27**	**271**
Total Profit or Loss and other comprehensive income	**-**	**-**	**-**	**(3)**	**10**	**(9)**	**-**	**244**	**241**	**27**	**268**
At December 31, 2015	**235,352,425**	**706**	**1,254**	**(40)**	**4**	**(68)**	**185**	**1,720**	**3,762**	**225**	**3,987**
Issue of share capital											
- Performance share grants	**416,910**	1	-	-	-	-	-	(1)	**(0)**	-	**(0)**
- On exercise of stock options	**249,874**	1	5	-	-	-	-	-	**6**	-	**6**
- Acquisition of FRHI Group	**46,700,000**	140	1,586	-	-	-	-	-	**1,726**	-	**1,726**
- Cancellation of treasury stock		0	2	-	-	-	-	-	**2**	-	**2**
Hybrid capital dividend payment		-	-	-	-	-	-	(37)	**(37)**	-	**(37)**
Dividends paid in cash	**2,048,461**	6	65	-	-	-	-	(236)	**(165)**	**(18)**	**(182)**
Changes in reserve related to employee benefits	-	-	-	-	-	-	14	-	**14**	-	**14**
Effects of scope changes	-	-	-	1	-	(16)	-	(31)	**(46)**	**34**	**(12)**
Other Comprehensive Income	-	**-**	**(89)**	**147**	**(12)**	**(5)**	**-**	**89**	**130**	**(7)**	**123**
Net Profit or Loss	-	-	-	-	-	-	-	265	**265**	**33**	**299**
Total Profit or Loss and other comprehensive income	**-**	**-**	**(89)**	**147**	**(12)**	**(5)**	**-**	**355**	**396**	**26**	**422**
At December 31, 2016	**284,767,670**	**854**	**2,823**	**108**	**(7)**	**(88)**	**199**	**1,769**	**5,658**	**267**	**5,925**

Notes to the Consolidated Financial Statements

Notes to the Consolidated Financial Statements

The consolidated financial statements at December 31, 2016 have been approved by the Board of Directors of February 21, 2017.

Note 1. Significant Events and Changes in Scope of Consolidation

A. AccorHotels initiates project to turn HotelInvest into a subsidiary

Presentation of the project

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

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

In early December 2016, AccorHotels initiated negotiations with potential investors with a view to selling a majority stake in the new group (referred to hereafter as "Booster"). On completion of the sale, the Group will become a minority shareholder and business partner of Booster. AccorHotels will continue to be the preferred manager of the hotels operated by Booster and will also continue to own the brands, which will be licensed to the hotels under management contracts.

The project will involve various internal legal restructuring operations, in order to carve out the HotelInvest activities of subsidiaries that operate in both businesses (HotelServices and HotelInvest) and transfer the HotelInvest operations to an existing holding company. The transaction with the outside investors will concern all of the hotels operated by HotelInvest, except for the units in Eastern Europe and certain hotels in Brazil operated under variable leases based on a percentage of EBITDAR, which are considered to be incompatible with the owner-operator strategy.

The legal restructuring began on December 31, 2016, with the sale of shares in HotelInvest entities in the United Kingdom to the future Booster group. It will be pursued during the first half of 2017. In France, Accor SA will transfer its entire HotelInvest business to Booster in a transaction qualifying for taxation as a demerger under French tax rules.

AccorHotels expects to complete the sale of Booster by early summer 2017. In light of the significant value of the assets included in the transaction, it will be submitted to the General Shareholders' Meeting for prior approval. In addition, the demerger of the French HotelInvest business will have to be approved in advance by the Board of Directors (at a meeting scheduled to take place in May) and by shareholders (at an Extraordinary Meeting to be called in June or July).

Employee representatives also have to be informed and consulted about the project and this procedure was launched by the Group in early December 2016.

Accounting treatment

AccorHotels considers that the planned divestment will lead to the loss of control of the future Booster structure under IFRS 10. On completion of the transaction, the rights held by the Group (voting rights at Shareholders' Meetings and contractual rights resulting from the agreements governing future relations between the parties, the shareholders' pact and hotel management contracts) will not give it the power to unilaterally direct the relevant activities of Booster, i.e. operation of the hotels and strategic management of the hotel portfolio.

Consequently, on the completion date the assets and liabilities held by the Booster vehicle will be derecognized and the Group's minority stake in Booster's net assets will be recognized under "Investments in associates".

In view of the negotiations in progress with potential investors as of the year-end, the positive initial reaction of employee representatives, the strong probability that the proposed transaction will be approved by the Board of Directors and the shareholders, and the planned transaction completion date, AccorHotels considers that the conditions for applying IFRS 5 have been met. At December 31, 2016, the Group was committed to a plan to sell its HotelInvest business and considered that the sale was highly probable.

For the AccorHotels Group, the business in the process of being sold represents a separate major line of business. For this reason, in the consolidated financial statements the following are presented separately in accordance with IFRS 5:

- The assets held for sale and related liabilities are presented separately from the Group's other assets and liabilities on specific lines of the consolidated statement of financial position at December 31, 2016. They have been measured at that date at the lower of their carrying amount and fair value less costs to sell,

- The 2016 profit of the discontinued operations is reported on a separate line of the consolidated income statement (under "Net profit or loss from discontinued operations") and the consolidated statement of profit or loss and other comprehensive income. The 2015 comparative information has been restated on the same basis (the impact of these restatements is presented in Note 33),

- Cash flows from operating, investing and financing activities for 2016 attributable to the discontinued operations are presented separately in the consolidated cash flow statement, with comparative information restated on the same basis (see Note 33).

Note 3 presents in detail the assets and liabilities reclassified as held for sale at December 31, 2016 and the contribution of the discontinued operations to consolidated net profit and cash flows for 2015 and 2016.

B. Completion of the acquisition of the 3 luxury brands Fairmont, Raffles and Swissôtel

Following the approval of shareholders at the Shareholders' Meeting on July 12, 2016, AccorHotels officially announced the acquisition of Fairmont Raffles Hotels International Group (“FRHI”) and its three prestigious luxury hotel brands: Fairmont, Raffles and Swissôtel. The acquisition positions AccorHotels as a leading player in the global luxury hotel market, increases long term growth potential and profitability, and significantly expands the Group’s footprint in North America, the world’s most influential market in this segment.

The transaction led to a US$840 million (€757 million) cash payment and the issuance of 46.7 million AccorHotels shares as consideration for the contributed FRHI shares (valued at €1,732 million based on the opening share price on July 12, 2016 of €37.09, excluding issuance costs). In early January 2016, AccorHotels purchased euro/dollar currency hedges on the notional amount of US$840 million. These hedges were measured at fair value at July 12, 2016, leading to the recognition of a €12 million loss in the income statement; while €13 million were included in the consideration transferred for the acquisition of FRHI.

The transaction gives FRHI's vendors, QIA and KHC, respective stakes of 10.36% and 5.79% in AccorHotels’ share capital (representing 9.38% and 5.25% of voting rights). QIA has now two seats on the Board and KHC has one seat.

The purchase price allocation mainly led to fair value adjustments on acquired brands for US$893 million (total fair value of US$1,589 million) and acquired management contracts with the hotel owners for an amount of US$337 million (total fair value of US$587 million), and of deferred tax liabilities for US$339 million. The goodwill recognized amounted to US$884 million (€798 million), reflecting specific synergies that the Group expects to deploy and its ability to roll over and develop the acquired portfolio of management contracts.

Since July 12, 2016, expected revenue and cost synergies are in accordance with forecast.

The vast majority of Fairmont, Raffles and Swissôtel’s hotels and resorts (170 of which 46 are under development) spanning 34 countries and five continents are operated under long-term management contracts, with an average term of nearly 30 years; six hotels are leased and one hotel is owned. The Fairmont, Raffles and Swissôtel brands employ more than 45,000 people worldwide. More information about the operation is available within the Document E registered with the AMF on June 17, 2016 and available on accor.com website.

FRHI's contribution to consolidated revenue and profit for the period between July 12 and December 31, 2016 totaled €310 million and €(25) million respectively. Note that six out of seven hotels owned or leased by FRHI are included in the contemplated scope for Booster disposal. Therefore, the contribution of these hotels to consolidated revenue of €171 million was reclassified in discontinued operations.

If the acquisition had been completed on January 1, 2016, AccorHotels would have reported consolidated revenue of €1,708 million. This amount excludes the €219 million contribution, on a full-year basis, of the hotels included in the Booster perimeter.

C. Acquisition of onefinestay, a luxury serviced homes market

On April 5, 2016, AccorHotels announced the acquisition of onefinestay, the leading brand in the luxury segment of the Serviced Homes market, combining the best homes and the finest service. Launched in 2010 in London, the company today operates a portfolio of 2,600 properties under exclusive management with strategic locations in London, New York, Paris, Los Angeles and Rome (representing an estimated asset value of more than £4 billion). With its global presence and strong expertise in both operations and digital services, AccorHotels will support a new development phase of onefinestay. As a result, the company has an ambitious strategy to expand to 40 new cities around the world over the next five years growing revenues tenfold.

The global consideration transferred amounts to €151 million (£123 million), including an earn-out of €7 million that may vary depending on certain performance criteria up to 2023. On the acquisition date, the acquired net assets amounted to €16 million and corresponded mainly to the onefinestay brand for €26 million, negative operating working capital for €(13) million and net debt for €(3)million. The goodwill amounts to €135 million and reflects the company's outstanding growth potential.

This transaction had no significant impact on the 2016's consolidated income statement and would have no significant impact in full year either.

D. Completion of strategic Alliance with Huazhu

AccorHotels and Nasdaq-listed Huazhu Hotels Group (also known as China Lodging) finalised the signature of a strategic alliance in China on January 25, 2016. As part of the arrangement:

- AccorHotels' Economy and Midscale business in China is sold to Huazhu (including franchise and management agreements as well as 12 hotels properties), which now holds an exclusive master franchise agreement for the ibis, ibis Styles and Mercure brands in China,
- Huazhu also becomes a minority shareholder in AccorHotels' Luxury and Upscale business in China, with a 28.1% stake. It will develop and operate the Grand Mercure and Novotel brands as per Co-Development agreements.

AccorHotels has now a 10.8% stake in Huazhu, including a stake of 1.8% acquired from the open market in the first half of 2015 for 22 million euros and a seat on the company's Board of Directors.

Disposals of various assets and businesses generated capital gains of €66 million in the consolidated financial statements for first-half 2016, including €13 million for the remeasurement to fair value of the previously held interests.

Accor exercises significant influence over Huazhu and its investment in this company has therefore been accounted for by the equity method in the consolidated statement of financial position for an amount of €187 million. This amount includes a goodwill for €69 million after remeasurement at fair value of acquired net assets.

Accor has also granted a put option to Huazhu on its non-controlling stake in AccorHotels' Luxury and Upscale operating platform, which is recognized as a liability for €57 million at December 31, 2016.

E. Exclusive negotiation for the acquisition of John Paul

On November 16, 2016 AccorHotels announced the acquisition of John Paul, the leading player in premium customer and employee loyalty services.

This is a major new step in transforming AccorHotels into a travel companion providing innovative services to travelers at every step of their journey. The first technology enabled concierge, equipped with a proprietary Customer Relationship Management (CRM) and data platform based on a behavioral profiling and a 360°personalization, as well as a network of over 50,000 partners in more than 50 countries, the company offers the most exhaustive and global loyalty solutions to prestigious brands in the financial, automotive, travel, consumer, healthcare, pharma, luxury industries and more.

The price paid by AccorHotels to acquire a 79% stake in John Paul was based on an enterprise value of US$150 million for 100%. David Amsellem, John Paul's founder, holds the other 21% of the capital and continues to serve as Chairman and Chief Executive Officer. He has a put option on the remaining shares (exercisable in two equivalent tranches in 2019 and 2020). This put option is recognized as debt in AccorHotels' consolidated statement of financial position at December 31, 2016 for its estimated amount of €41 million.

The provisional goodwill amounts to €106 million. The purchase price allocation will be completed within twelve months of the acquisition, in accordance with IFRS 3.

This transaction had no significant impact on the 2016's consolidated income statement and would have no significant impact in full year either.

F. Acquisition stake in Oasis collections and Squarebreak, marketplaces for luxury

On February 18, 2016, AccorHotels announced the acquisition of stakes in Oasis Collections and Squarebreak:

- <u>Oasis Collections</u> (28%) - Launched in Buenos Aires 2009 and counts 1,500 properties in 18 destinations, in Latin America, the US and Europe. The company offers personalized services to leisure and corporate guests alike, including on-the-ground concierge service and access to members' club venues, as well as targeted exposure to international travelers for home owners.
- <u>Squarebreak</u> (49%) - Offers to guests through a digital platform private upscale properties in resort locations, primarily in France, Spain and Morocco, and leveraging local property managers on behalf of homeowners by using hotel management techniques and services.

These investments were recorded under the equity method in the Group's consolidated financial statements at their cost for €14 million (€11 million for Oasis Collection and €3 million for Squarebreak).

G. Partnership 25Hours

On November 7, 2016, AccorHotels announced the acquisition of a 30% stake in 25hours Hotels, a German company operating seven individual hotels in Hamburg, Frankfurt, Berlin, Vienna and Zurich. The objective of the Group is to accelerate the global expansion of the 25Hours brand offering dynamic and design-oriented boutique hotels that are a great workplace for urban nomads and an ideal starting point for outings into key cities. Five new hotels are due to be opened in Europe over the next two years.

The equity investment amounting to €35 million in Accorhotels books is based on an entreprise value of €112 million. AccorHotels has options to acquire an additional 20% of 25Hours in 2019 and all of the remaining shares in 2023.

H. Changes in share capital

At December 31, 2016, Colony Capital and Eurazeo held 22 756 980 shares, representing 7.93% of the capital and 14.32% of the voting rights, and giving them two seats on the Board.

At the same date, Jin Jiang held 12.56% of the capital and 11.37% of the voting rights.

In connection with the acquisition of the Fairmont Raffles Hotels International Group completed on July 12, 2016, a total of 46.7 million new shares were issued to the vendors, Kingdom Holding Company of Saudi Arabia (KHC) and Qatar Investment Authority (QIA), which now own 5.79% and 10.36% of the Group's capital respectively. The share issue diluted existing shareholders' interests by 16%.

Note 2. Summary of Significant Accounting Policies

Accounting Framework

The consolidated financial statements of AccorHotels Group for the year ended December 31, 2016 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union at that date, which are available on the website of the European Commission:

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

At December 31, 2016, all IFRS issued by the International Accounting Standards Board (IASB) and interpretations issued by the IFRS Interpretation Committee (IFRS IC) had been adopted by the European Union. As a result, the Group's consolidated financial statements have been prepared in accordance with IFRS as published by the IASB.

The new standards and interpretations whose adoption is mandatory for accounting periods beginning on or after January 1, 2016 have no impact on Accor's consolidated financial statements. They mainly relate to:

- Amendment to IAS 1 « Disclosure initiative »
- Amendment to IAS 19 « Defined Benefit Plans – Employee Contributions »
- Amendment to IAS 16 and IAS 38 « Clarification of acceptable methods of depreciation and amortization »
- Annual Improvements 2010-2012 and 2012-2014

The group elected not to early adopt any new standards.

Future standards, amendments to and interpretations of existing standards

Certain new accounting standards have been published but are not applicable for the reporting period ending December 31, 2016. The group's assessment of the impact of these new standards is set out below.

Standard	**IFRS 9 Financial Instruments**
Nature of change	IFRS 9 adresses the classification and measurement of financial assets and financial liabilities, introduces a new impairment model for financial assets and new rules for hedge accounts.
Estimated impact	Based on a preliminary analysis performed by the Group, this new standard may have very few impact on the classification and measurement of the Group's financial assets and liabilities. The new impairment model may result in an earlier recognition of credit losses (mainly on long term loans and accounts receivables) but related impact is not expected to be significant. The Group does not expect a significant impact on the accounting for its hedging relationships.
Date of adoption	Mandatory application for financial years commencing on or after January 1, 2018. The group does not intend to adopt IFRS 9 before its mandatory date.

Standard	IFRS 15 Revenue from contracts with customers
Nature of change	IFRS 15 introduces a single model for all types of transactions. This new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.
Estimated impact	Management is currently assessing the effects of applying the new standards on the group's financial statements. This may potentially affect the timing of the recognition of revenue related to some specific management contracts. At this stage, the Group does not expect a significant impact on its financial statements.
Date of adoption	Mandatory application for financial years commencing on or after January 1, 2018.

Standard	IFRS 16 Leases
Nature of change	IFRS 16 removes the distinction between operating and finance leases, resulting in almost all leases being brought onto the balance sheet. The standard requires to recognize: - an asset reflecting the right to use the leased item ; and - a liability representing the obligation to pay rentals. Exemption applies to short-term and low-value leases.
Estimated impact	Management is currently assessing the effects of applying this new standard. However, given the current disposal project of mostly all HotelInvest activities, which hold the lease contracts for hotel properties (see Note 1 for further details), the Group based on its future organization does not expect any significant impact on its consolidated financial statements. At December 31, 2016 AccorHotels Group (excluding Booster) has non-cancellable operating lease commitments of 526 million euros. The group has not yet determined to what extend these commitments will result in the recognition of an asset and a liability for future payments.
Date of adoption	Mandatory application for financial years commencing on or after January 1, 2019 (subject to the endorsement by the European Union). Early application is possible when applying IFRS 15.

Basis for preparation

The financial statements of consolidated companies, prepared in accordance with local accounting principles, have been restated to conform to Group policies prior to consolidation. All consolidated companies have a December 31st fiscal year-end, except for certain Indian companies that have a March 31st fiscal year-end and are therefore consolidated based on financial statements for the twelve months ended September 30.

Estimates and judgments

The preparation of consolidated financial statements implies the consideration by Group management of estimates and assumptions that can affect the carrying amount of certain assets and liabilities, income and expenses, and the information disclosed in the notes to the financial statements. Group management reviews these estimates and assumptions on a regular basis to ensure that they are appropriate based on past experience and the current economic situation. Items in future financial statements may differ from current estimates as a result of changes in these assumptions.

The main estimates and judgments made by management in the preparation of financial statements concern the valuation and the useful life of intangible assets, property, plant and equipment and goodwill, the amount of provisions for contingencies and the assumptions underlying the calculation of pension obligations, claims and litigation and deferred tax balances.

The main assumptions made by the Group are presented in the relevant notes to the financial statements.

When a specific transaction is not covered by any standards or interpretations, management uses its judgment in developing and applying an accounting policy that results in the production of relevant and reliable information. As a result, the financial statements provide a true and fair view of the Group's financial position, financial performance and cash flows and reflect the economic substance of transactions.

Main Accounting principles

A. Consolidation methods

The Group's organizational policy consists of creating subsidiaries in France and, generally, in all of its host countries. These subsidiaries are, in most cases, controlled exclusively by the Group and fully consolidated.

IFRS 10 states that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Power results from existing rights that give an investor the current ability to direct the relevant activities of the investee, defined as those that most significantly affect its returns. In the hotel business, an investor has power over a managed hotel when it has the ability to make all operational, financial and strategic management decisions. In practice, this means that the investor has the power to appoint the hotel's management and to approve the hotel's business plan and annual budget. In the case of managed and franchised hotels, AccorHotels has no such power and is not in a position to decide on the business plan or the annual budget. In particular, in the case of managed hotels, AccorHotels acts on behalf and for the benefit of the hotel owner and, as such, is defined as an agent of the owner.

The Group has not identified any entities that it controls despite holding less than half of the voting rights. Similarly, The Group has not identified any companies that it does not control despite holding more than half of the voting rights.

In connection with the development of certain hotel businesses, AccorHotels may set up partnerships with other companies to pool their complementary skills. In all cases, the partnerships are organized as separate, independently managed vehicles in which both partners have rights to the net assets. All of these companies are controlled jointly by AccorHotels and the partner under a contractual arrangement, according to which decisions about the relevant activities require the unanimous consent of the parties sharing control. They qualify as joint ventures and have therefore been accounted for under the equity method in the consolidated financial statements in line with the requirements of IFRS 11.

In some countries, AccorHotels may choose to acquire a minority interest (generally less than 40%) in a local company that is then used as a vehicle for developing hotel projects. In exchange for its investment AccorHotels generally acquires the right to manage the hotels concerned. In most cases, AccorHotels has a seat on the Board, allowing it to participate in decisions proportionately to its percentage interest in the company's capital. However, the power to control the company remains in the hands of the other investors. These companies over which AccorHotels exercises significant influence, directly or indirectly, are qualified as associates and are accounted for under the equity method in the consolidated financial statements.

Equity-accounted investments in associates are initially recognized at acquisition cost, including any goodwill. Their carrying amount is then increased or decreased to recognize the Group's share of the associate's profits or losses after the date of acquisition.

AccorHotels may also acquire minority interests in real estate companies that own the hotel properties (land and buildings) managed by the Group under a lease or management contract. These interests do not entitle AccorHotels to a seat on the company's Board, and AccorHotels has no right to participate in the process for developing financial and operating policies. Consequently, they are classified as investments in non-consolidated companies under "Other financial investments" in the consolidated financial statements.

B. Business combinations and acquisition of assets

B.1. Business combinations

Business combinations are accounted for applying the acquisition method. Identifiable assets acquired and liabilities assumed are measured at fair value at the date on which control is gained.

At the acquisition date, the goodwill 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 previously held interest in the acquiree ; and
- The fair value of assets acquired and liabilities assumed.

The accounting for a business combination shall be finalized within a one-year period starting from the acquisition date. Non-controlling interests can be measured at either:

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

A negative goodwill is recognized immediately in profit.

Any contingent consideration shall be recorded at fair value, at the acquisition date, and any subsequent changes occurring after the measurement period shall be accounted for through profit or loss.

Costs related to business combinations are recognized directly as expenses.

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 in operating income.

B.2. Changes in ownership percentage

Transactions with non-controlling interests in fully consolidated companies that do not result in a gain or loss in control, are accounted for as equity transactions, with no effect on profit or loss or on other comprehensive income.

The loss of control while retaining a residual equity interest is analyzed as the disposal of a controlling interest followed by the acquisition of a non-controlling interest. This process involves, as of the date when control is lost:

- The recognition of a gain or loss on disposal, comprising:
    - A gain or loss resulting from the percentage ownership interest sold ;
    - A gain or loss resulting from the remeasurement at fair value of the ownership interest retained.
- Other comprehensive items related to ownership interest disposed are reclassified in profit or loss.

B.3. Acquisitions of assets

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

C. Foreign currencies

The presentation currency is the euro.

Translation of financial statements prepared in foreign currency

The statements of financial position of foreign subsidiaries are translated into euros at the closing exchange rate, and their income statements are translated at the average rate for the period. Differences arising from translation are recorded as a separate component of equity ("Currency translation reserve") and subsequently recognized in profit on disposal of the business.

AccorHotels did not have any subsidiaries operating in hyperinflationary economies in any of the periods presented.

Translation of foreign currency transactions

Each Group entity translates foreign currency transactions into its functional currency at the exchange rate on the transaction date. At closing date, related receivables and payables are translated into euros using the exchange rate at that date (i.e. closing exchange rate). Gains and losses arising from translation are recognized in financial result, except for financial instruments, which are measured at fair value through equity, for which the related impact is recognized in equity.

D. Fair value

The fair value corresponds to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In accordance with IFRS 13, the fair value hierarchies have the following levels:

- Level 1: fair value measured by reference to quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: fair value measured by reference to inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: fair value measured by reference to inputs for the asset or liability that are not based on observable data (unobservable inputs).

E. Non-current assets

E.1. Intangible assets

In accordance with IAS 38, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses.

Brands and lease premium in France ('droit au bail') are considered as having indefinite useful lives because the Group considers that there is no foreseeable limit to the period in which they can be used and are therefore not amortized. Their carrying amount is reviewed at least once a year and more frequently if there is any indication that they may be impaired. If their fair value is less than their carrying amount, an impairment loss is recognized.

Other intangible assets (licenses and software) are considered as having finite useful lives. They are amortized on a straight-line basis over their useful lives.

Software costs incurred during the development phase are capitalized as internally-generated assets if the Group can demonstrate all of the following in accordance with IAS 38:

- Its intention to complete the project and the availability of adequate technical, financial and other resources for this purpose,
- How the intangible asset will generate probable future economic benefits,
- Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

E.2. Property, plant and equipment

Property, plant and equipment are measured at purchase cost less accumulated depreciation and any accumulated impairment losses, in accordance with IAS 16. Assets under construction are measured at cost less any accumulated impairment losses.

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

	Luxury Upscale and Midscale Hotels	Economique
Buildings	50 years	35 years
Building improvements, fixtures and fittings	7 to 25 years	
Capitalized construction-related costs	50 years	35 years
Equipment	5 to 15 years	

E.3. Borrowing costs

Borrowing costs directly attributable to the construction or production of a qualifying asset are included in the cost of the asset. Other borrowing costs are recognized as an expense for the period in which they are incurred.

E.4. Finance leases

In accordance with IAS 17, leases that transfer substantially all the risks and rewards incidental to ownership of an asset to the lessee are qualified as finance leases and accounted for as follows:

- The leased item is recognized as an asset at an amount equal to its fair value or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease,
- A liability is recognized for the same amount, under “Finance lease liabilities”,
- Minimum lease payments are allocated between interest expense and reduction of the lease liability,
- The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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

E.5. Other financial investments

Other financial investments, corresponding to investments in non-consolidated companies, are classified as "Available-for-sale financial assets" and are measured at fair value. Unrealized gains and losses on an investment are recognized directly in equity (in the Fair value adjustments on Financial Instruments reserve) and are subsequently reclassified to profit when the investment is sold. A significant or prolonged decline in the value of the investment leads to the recognition of an irreversible impairment loss in profit.

An impairment test is performed whenever there is objective evidence indicating that an investment's recoverable amount may be less than its carrying amount. Possible indications of impairment include a fall in the share price if the investee is listed, evidence of serious financial difficulties or observable data indicating a measurable decline in estimated cash flows. Whenever there is an indication that an investment may be impaired, an impairment test is performed by comparing the investment's recoverable amount to its carrying amount.

E.6. Impairment tests

In accordance with IAS 36, the carrying amounts of property, plant and equipment, intangible assets and goodwill are reviewed and tested for impairment when there is any indication that they may be impaired and at least once a year for the following:

- Assets with an indefinite useful life such as goodwill, brands and lease premiums,
- Intangible assets not yet available for use.

Criteria used for impairment tests

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

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

Cash-generating unit

Impairment tests are performed individually for each asset except when an asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In this case, it is included in a cash-generating unit (CGU) and impairment tests are performed at the level of the cash-generating unit.

Since 2014, the goodwill is allocated to the HotelServices and HotelInvest strategic businesses.

In the HotelServices strategic business, the CGU's carrying amount includes the property and equipment and intangible assets used in each region or country. Impairment tests are performed by region or country.

In the HotelInvest strategic business, the CGU's carrying amount includes property and equipment and intangible assets for each hotel, including allocated goodwill. Impairment tests are performed at the level of each individual hotel.

Other assets, notably intangibles, are tested individually when they generate separately identifiable cash inflows.

Determination of recoverable value

Impairment tests consist of comparing the carrying amount of the asset or the CGU with its recoverable value. The recoverable value of an asset or a CGU is the higher of its fair value less costs to sell and its value in use.

For property, plant and equipment and goodwill, the recoverable value of all the assets or the CGUs is determined by two methods, the after-tax discounted cash flows method (value in use approach) and the EBITDA multiples method (fair value approach).

For intangible assets except goodwill, the recoverable value of an intangible asset is determined according to the discounted cash flow method only, due to the absence of an active market and comparable transactions.

Description of the methods:

1. Valuation by the discounted cash flows method

For HotelServices, recoverable amounts are estimated using the value in use determined by the discounted cash flows method. The projection period is limited to five years. Cash flows are discounted at a rate corresponding to the year-end weighted average cost of capital. The projected long-term rate of revenue growth reflects each country/region's economic outlook.

This is a level 3 valuation technique under IFRS 13.

2. Valuation by the EBITDA multiples method

For HotelInvest, recoverable amounts are estimated using fair values calculated based on a standard EBITDA multiple. For hotel properties, this method is considered as the most appropriate approach to estimating fair value less costs to sell, as it most closely reflects the amount that would be expected to be recovered through the sale of the asset.

The multiples method consists of calculating each hotel's average EBITDA for the last two years and applying a multiple based on the hotel's location and category. The multiples applied by the Group correspond to the average prices observed on the market for transactions and are as follows:

Segment	Coefficients
Luxury and Upscale Hotels	8,1 < x < 11,9
Midscale Hotels	7,8 < x < 12,0
Economy Hotels	7,6 < x < 12,6

This is a level 2 valuation technique under IFRS 13.

If the recoverable amount is less than the carrying amount, the asset's recoverable amount will be recalculated according to the discounted cash flows method.

Impairment loss measurement

If the recoverable amount is less than the carrying amount, an impairment loss is recognized in the income statement. Regarding HotelInvest, the impairment loss recognized amounts to the lower of the losses calculated by the EBITDA multiples and discounted cash flows methods.

In accordance with IAS 36, impairment losses on goodwill are irreversible. Losses on property, plant and equipment and on intangible assets with an indefinite useful life, such as brands, are reversible in the case of a change in estimates used to determine their recoverable amount.

E.7. Assets or disposal groups held for sale

Assets are classified as "held for sale" when they are available for immediate sale in their present condition, their sale is highly probable, management is committed to a plan to sell the asset and an active program to locate a buyer and complete the plan has been initiated.

In accordance with IFRS 5, assets or group of assets held for sale are presented separately on the face of the statement of financial position, at the lower of their carrying amount and fair value less costs to sell.

F. Prepaid expense

Prepaid expense corresponds to expenses paid during the period that relate to subsequent periods. They include the effect of recognizing rental expense on a straight-line basis over the life of the lease. Prepaid expense is included in “Other receivables and accruals”.

G. Provisions

In accordance with IAS 37, 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. 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, using a discount rate that reflects current market assessments of the time value of money. The most commonly applied rates are the prime long-term corporate bond rate or the government bond rate.

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 close of accounts.

H. Pensions and other post-employment benefits

The Group offers various supplementary pension, length-of-service award and other post-employment benefit plans, in accordance with the laws and practices of the countries where it operates. These plans are either defined contribution or defined benefit plans.

Under defined contribution plans, the Group pays fixed contributions into a separate fund and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay benefits. Contributions under these plans are recognized immediately as an expense.

For defined benefit plans, under which the Group has a legal or constructive obligation to provide agreed benefits to current and future employees in exchange for a given level of service (including multi-employer plans when the manager is able to provide the necessary information), the Group’s obligations are determined in accordance with IAS 19.

The Group’s obligation is determined by the projected unit credit method based on actuarial assumptions related to future salary levels, retirement age, mortality, staff turnover and the discount rate. These assumptions take into account the macro-economic environment and other specific conditions in the various host countries.

Pension and other retirement benefit obligations take into account the market value of plan assets. The amount recognized in the statement of financial position corresponds to the discounted present value of the defined benefit obligation less the fair value of plan assets. Any surpluses, corresponding to the excess of the fair value of plan assets over the projected benefit obligation, are recognized only when they represent the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Current service cost, past service cost, administrative expense, taxes for the year, and paid contributions and benefits are recognized in operating expense, whereas net interest on the net defined benefit liability (asset) is recognized in financial expense (income).

For post-employment benefits, actuarial gains and losses arising from changes in actuarial assumptions and experience adjustments are recognized immediately in equity. However, actuarial gains and losses on long-term benefit obligations towards active employees (such as jubilees, seniority bonuses…) are recognized directly in profit or loss in net financial expense.

The net defined benefit obligation is recognized in the statement of financial position under “Non-current Provisions”.

I. Income taxes

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

Current taxes on taxable profits for the reporting period and previous periods are recognized as liabilities until they are paid.

In accordance with IAS 12, deferred taxes are recognized on temporary differences between the carrying amount of assets and liabilities and their tax base by the liability method. This method consists of adjusting deferred taxes at each period-end, based on the last tax rates (and tax laws) that have been enacted or substantively enacted. The effects of changes in tax rates (and tax laws) are recognized in the income statement or in other comprehensive items for the period in which the rate change is announced.

A deferred tax is recognized for all temporary differences, except when it arises from the initial recognition of non-deductible goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and which, at the time of the transaction, affects neither accounting profit nor taxable profit.

A deferred tax liability is recognized for all taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures except when:

- The Group is able to control the timing of the reversal of the temporary difference; and
- It is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognized for ordinary and evergreen tax loss carryforwards only when it is probable that the asset will be recovered in the foreseeable future based on the most recently updated projections.

Income taxes are normally recognized in the income statement. However, when the underlying transaction is recognized in equity, the related income tax is also recorded in equity.

In accordance with IAS 12, deferred taxes are not discounted.

AccorHotels elected to classify the tax assessed on the value added by the business ("CVAE") as income tax.

A “Crédit d’Impôt pour la Compétitivité et l’Emploi” (CICE) tax credit was introduced in the 3rd 2012 Rectified Finance Act with the aim of making French businesses more competitive by reducing labor costs for certain employees. The CICE consists in substance of a government grant to be spent by companies on measures to improve their competitiveness. It is therefore accounted for in accordance with IAS 20 “Accounting for Government Grants and Disclosure”. As allowed under IAS 20, the Group has chosen to record it as a deduction from the related expenses, i.e. as a deduction from payroll costs. The CICE recorded in the December 31, 2016 financial statements in respect of previously recognized payroll costs amounts to €18.6 million; it amounted to €18.8 million at December 31, 2015.

J. Share-based payments

J.1. Share-based payments

Investments accounted for by the equity method are initially recognized at cost including goodwill, if any. Their carrying amount is subsequently increased or reduced by the Group’s share of their post-acquisition profits or losses.

Performance share plans

AccorHotels’ share-based payment policy consists of making regular performance share grants to members of executive management, other senior executives and middle managers. All of the plans in progress at December 31, 2016 were equity-settled plans. The cost of performance share plans is recognized in employee benefits expense over the vesting period by increasing equity.

In accordance with IFRS 2, the plan cost is determined by reference to the grant-date fair value of the shares, corresponding to the share price at that date less the estimated present value of dividends not received during the vesting period.

The estimated probability of market performance conditions being met reduces the performance shares' fair value on the grant date. Non-market performance conditions (such as continued presence within the Group, or internal performance objectives) are not taken into account for the purpose of measuring grant-date fair value but adjust the final cost of the plan, depending on the actual number of equity instruments that vest.

Stock option plans

Until 2013, the Group granted stock options to members of executive management and other senior executives. Under some of these plans, the options were subject to a single vesting condition that of the grantee's continued presence within the Group on the exercise date. Other plans also included a market performance condition.
These options are also accounted for in accordance with IFRS 2, at their grant-date fair value determined using the Black & Scholes option pricing model.

J.2. Treasury stock

AccorHotels shares held by the Company and/or subsidiaries are recognized as a deduction from equity. Gains and losses on sales of treasury stock (and the related tax effect) are recognized directly in equity without affecting profit. No impairment losses are recognized on treasury stock.

J.3 Perpetual subordinated notes

Perpetual subordinated notes are accounted for in accordance with IAS 32 taking into account their specific characteristics. They are recorded in equity at historical cost when AccorHotels has an unconditional right to avoid delivering cash or another financial asset to settle the contractual obligation.

Interest paid on these notes is recorded as a deduction from equity. The related tax effect is booked in Profit and Loss. The interest paid are tax deductible.

K. Financial instruments

K.1. Financial assets

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

- "Loans and receivables" mainly comprise time deposits and loans to non-consolidated companies. They are initially recognized at fair value and are subsequently measured at amortized cost at each balance-sheet date. If there is an objective indication of impairment, an impairment loss is recognized at the balance-sheet date. The impairment loss corresponds to the difference between the carrying amount and the recoverable amount (i.e. the present value of the expected cash flows discounted using the original effective interest rate) and is recognized in profit or loss. This loss may be reversed if the recoverable amount increases in a subsequent period.

- "Held to maturity investments" mainly comprise bonds and other money market securities intended to be held to maturity. They are initially recognized at fair value and are subsequently measured at amortized cost at each balance-sheet date. If there is an objective indication of impairment, an impairment loss is recognized at the balance-sheet date. The impairment loss corresponds to the difference between the carrying amount and the recoverable amount (i.e. the present value of the expected cash flows discounted using the original effective interest rate) and is recognized in profit or loss. This loss may be reversed if the recoverable amount increases in a subsequent period.

  For these two categories, initial fair value is equivalent to acquisition cost, because no material transaction costs are incurred.

- "Available-for-sale financial assets" mainly comprise investments in non-consolidated companies, equities, mutual fund units and money market securities. These assets are measured at fair value, with changes in fair value recognized in equity. The fair value of listed securities corresponds to market price (level 1 valuation technique: see Note 2.R) and the fair value of unlisted equities and mutual funds corresponds to their net asset value (level 1 valuation technique: see Note 2.R). For unlisted securities, fair value is estimated based on the most appropriate criteria applicable to each individual investment (using level 3 valuation techniques that are not based on observable data: see Note 2.R). Securities that are not traded on an active market, for which fair value cannot be reliably estimated, are carried in the statement of financial position at historical cost plus any transaction expenses. When there is objective evidence of a significant or prolonged decline in value, the cumulative unrealized loss recorded in equity is reclassified to the income statement and can't be reversed.

K.2. Derivative financial Instruments

Derivative financial instruments such as interest rate and currency swaps, caps and forward purchases of foreign currencies, are used to hedge exposures to changes in interest rates and exchange rates.

They are measured at fair value. Changes in fair value are recognized in profit, except for instruments qualified as cash flow hedges (hedges of variable rate debt) for which changes in fair value are recognized in equity.

The fair value of interest rate derivatives is equal to the present value of the instrument's future cash flows, discounted at the interest rate for zero-coupon bonds.

The fair value of currency derivatives is determined based on the forward exchange rate at the period-end.

K.3. Financial liabilities hedged by derivative instruments

Financial liabilities hedged by derivative instruments qualify for hedge accounting. The derivative instruments are classified as either fair value hedges or cash flow hedges.

Financial liabilities hedged by fair value hedges are measured at fair value, taking into account the effect of changes in interest rates. Changes in fair value are recognized in profit and are offset by changes in the fair value of the hedging instrument.
Financial liabilities hedged by cash flow hedges are measured at amortized cost. Changes in the fair value of the hedging instrument are accumulated in equity and are reclassified into profit in the same period or periods during which the financial liability affects profit.

K.4. Bank borrowings

Interest-bearing drawdowns on lines of credit and bank overdrafts are recognized for the amounts received, net of direct issue costs.

K.5. Other financial liabilities

Other financial liabilities are measured at amortized cost. Amortized cost is determined by the effective interest method, taking into account the costs of the issue and any issue or redemption premiums.

K.6. Put Options granted by AccorHotels

In accordance with IAS 32, the value of financial commitment represented by put options granted by AccorHotels to minority interests in subsidiaries is recognized as a debt.

When the exercise price is equal to the fair value of the shares, the amount of the debt is determined based on a multiple of the EBITDA reflected in the 5-year business plan of the subsidiary concerned and is discounted. Changes in the debt arising from business plan adjustments are recognized in equity.

L. Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, and short-term investments in money market instruments. These instruments have maturities of less than three months and are readily convertible into known amounts of cash; their exposure to changes in value is minimal.

M. Income statement and cash flow statement presentation

M.1. Revenue

In accordance with IAS 18, revenue corresponds to the value of goods and services sold in the ordinary course of business by fully consolidated companies. It includes:

- For directly owned and leased hotels, all revenue received from clients for accommodation, catering and other services, and
- For managed and franchised hotels, all management and franchise fees.

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

In accordance with IAS 18, revenue is measured at the fair value of the consideration received or receivable, net of all discounts and rebates, VAT, other sales taxes and fair value of customer loyalty programs.

Revenue from product sales is recognized when the product is delivered and the significant risks and rewards of ownership are transferred to the buyer. Revenue from sales of services is recognized when the service is rendered.

Revenue from sales of loyalty programs is recognized on a straight-line basis over the life of the cards in order to reflect the timing, nature and value of the benefits provided.

When sales of products or services are covered by a customer loyalty program, the revenue invoiced to the customer is allocated between the product or the service sold and the award credits given by the third party granting the loyalty points. The consideration allocated to the award credits, which is measured by reference to the fair value of the points granted, is deferred and recognized as revenue when the customer redeems the award credits – i.e. when an award is received in exchange for converting the loyalty points.

M.2. EBITDAR

Earnings before interest, tax, depreciation, amortization and rental expense and share of profit of associates after tax (EBITDAR) correspond to revenue less operating expense.

M.3. Rental expense and Depreciation, amortization and provision expense

Rental expense and depreciation, amortization and provision expense reflect the operating costs of holding leased and owned assets. Lease payments under operating leases are recognized as an expense on a straight-line basis over the lease term.

For this reason, an additional sub-total has been included in the income statement. Under this presentation:

1. EBITDA corresponds to gross profit after the operating costs of holding leased assets.
2. EBIT corresponds to gross operating profit after the operating costs of holding both leased and owned assets. This indicator is also used as the benchmark for determining senior management and other executive compensation, as it reflects the economic performance of each business.

These two indicators are used regularly by the Group to analyze the impact of the operating costs of holding assets on the consolidated financial statements.

M.4. Operating profit before tax and non-recurring items

Operating profit before tax and non-recurring items corresponds to the results of operations of the Group's businesses less the related financing cost. Net financial expense and the share of profit of associates after tax represent an integral part of consolidated operating profit before tax and non-recurring items to the extent that they contribute to the performance indicators used by the Group.

M.5. Other non-recurring income and expense

This caption relates to income and expenses that are unusual in terms of their amount and frequency or that do not relate directly to the Group's ordinary activities. This includes restructuring costs, impairment losses, gains and losses arising from disposals of hotel assets or other non-current assets as well as non-operating items.

M.6. Profit or loss from discontinued operations

A discontinued operation is a component of AccorHotels that has been disposed of or is classified as held for sale and:

- Represents a separate major line of business or geographical area of operations;
- Is 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.

Profit or loss from discontinued operations corresponds to:

- The profit or loss net of tax of the discontinued operations carried out until the date of transfer or until the closing date if the discontinued operation is not sold at this date.
- The gain or loss net of tax recognized on the disposal of the discontinued operations if the discontinued operation has been sold before the closing date.

M.7. Cash flow statement

The cash flow statement is presented on the same basis as the management reporting schedules used internally to manage the business.

Cash flows from operating activities include:

- Funds from operations, before non-recurring items and after adjustment for changes in deferred taxes and gains and losses on disposals of assets.
- Cash received and paid on non-recurring transactions.
- Changes in working capital.

Cash flows from investing activities comprise:

- Renovation and maintenance expenditure to maintain in a good state of repair operating assets held at January 1 of each year.
- Development expenditure, including the fixed assets and working capital of newly consolidated subsidiaries and additions to fixed assets of existing subsidiaries.
- Development expenditure on non-current assets classified as held for sale.
- Proceeds from disposals of assets.

Cash flows from financing activities include:

- Changes in equity.
- Changes in debt.
- Dividends.

N. Earnings per share

The interest paid in relation to securities recognized as equity (see Note 2 M.3) is deducted from the earnings amount used to calculate earnings per share.

Note 3. Assets and Liabilities Held for Sale and Profit or loss from discontinued operations

As explained in Note 1, AccorHotels considers that the conditions for applying IFRS 5 to the planned sale of the HotelInvest business were met at December 31, 2016. Consequently:

- The assets held for sale and related liabilities are presented separately from the Group's other assets and liabilities on specific lines of the consolidated statement of financial position at December 31, 2016. They have been measured at that date at the lower of their carrying amount and fair value less costs to sell. The expected sale price is based on the gross asset value (GAV) of the hotels included in the deal, as determined by independent valuers at December 31, 2016 using market consistent methods. Gross asset value corresponds to the fair value of the property (for owned hotels) and the fair value of the goodwill (for all hotels, whatever the operating structure). At December 31, 2016, a comparison of gross asset value of the assets held for sale to their carrying amount did not reveal any impairment.

- The 2016 profit of the discontinued operations is reported on a separate line of the consolidated income statement and 2015 comparative information has been restated on the same basis. The transaction will concern substantially all of the hotels operated by HotelInvest, except for the units in Eastern Europe and certain hotels in Brazil operated under variable leases based on a percentage of EBITDAR, which are considered to be incompatible with the owner-operator strategy. The 2016 profit of the discontinued operations was calculated based on the Group's internal management reporting data analyzed by hotel, and includes an allocated share of each country's headquarters income and expenses.

- Cash flows attributable to discontinued operations (HotelInvest) are presented on separate lines.

3.1. Assets and liabilities held for sale

The breakdown of assets and liabilities held for sale is as follows:

In million of euros	Dec. 2015	Dec. 2016
HotelInvest assets held for sale	-	4,407
Other assets classified as held for sale	208	50
Total Assets held for sale	**208**	**4,457**
HotelInvest liabilities related to assets classified as held for sale	-	(1,168)
Liabilities related to assets classified as held for sale	(19)	(9)
Total Liabilities associated with assets classified as held for sale	**(19)**	**(1,177)**

Assets held for sale of HotelInvest operations

In millions of euros	Dec. 2016
Goodwill	321
Intangible assets	32
Tangible assets	3,119
Other non-current assets	167
Non-current assets	**3,639**
Receivables and other current assets	476
Cash and cash equivalents	292
Assets held for sale	**4,407**
Financial debts	133
Other non-current liabilities	148
Non-current liabilities	**281**
Trade payables	368
Other current liabilities	519
Liabilities associated with assets classified as held for sale	**1,168**

Tangible assets correspond to hotel assets mainly in France (€751 million), in Germany (€637 million), in Benelux (€369 million), in South America (€302 million) and in the United Kingdom (€297 million).

Net goodwill is allocated to hotel assets. They mainly concern France (€76 million), Germany (€74 million), Americas (€65 million) and hotels of FRHI Group acquired in 2016 (€54 million).

3.2. Discontinued Operations

The information presented below provides the contribution of HotelInvest activities in the process of being sold on the Group Income and Cash Flow Statements. This excludes the Italian Onboard day Train Services business, which remains classified as discontinued operation in 2016 because of the ongoing liquidation process of the company.

Income statement of HotelInvest discontinued operations

The contribution to 2016 consolidated profit of HotelInvest discontinued operations may be analyzed as follows:

In millions of euros	2015	2016
Consolidated Revenue	**4,213**	**4,029**
Operating expense	(2,997)	(2,852)
EBITDAR	**1,216**	**1,177**
Rental expense	(680)	(633)
EBITDA	**536**	**544**
Depreciation, amortization and provision expense	(241)	(236)
EBIT	**295**	**307**
Other income and expense	(102)	(98)
Income tax expense	(76)	(83)
Net Profit	**117**	**127**

The result of the period can be analyzed as follows:

- **Operating expense** mainly consisting of employee benefits expense for €1,359 million stable compared to 2015 (€1,300 million). Full-time equivalent employees amount to 16,986 (16,371 in 2015),
- A €633 million **rental expense** corresponding to 734 hotels in operating leases of which 195 fixed rents without purchase option, 67 variable rents with a minimum and 410 variable rents without minimum,
- **Other income and expense** consist mainly of:
  - A financial expense and a share of profit of associates after tax of €14 million,
  - Impairment losses for €47 million of which €42 million related to tangible assets and €5 million related to goodwill,
  - Restructuring costs for €16 million mainly in France,
  - Non-recurring income and expense for €(21) million.

Cash flows attributable to HotelInvest discontinued operations

In millions of euros	2015	2016
Funds from operations excluding non-recurring transactions	469	490
Decrease (increase) in operating working capital	11	(90)
Cash received (paid) on non-recurring transactions	(32)	(54)
Cash Flows from operating activities including non-recurring transactions	**448**	**346**
Renovation and maintenance expenditure	(198)	(202)
Development expenditure	(177)	(659)
Proceeds from disposals of assets	321	169
Net cash flows used in investments / divestments	**(53)**	**(692)**
Cash Flows from financing activities	**(26)**	**11**
Effect of changes in exchange rates	(12)	67
Net Cash Flows attributable to HotelInvest discontinued operations	**357**	**(268)**

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

Most important development expenditure concern:

- €178 million related to the buyback of real estate and business of 3 Novotel, 2 Sofitel 1 ibis and 1 ibis *budget* in France,
- €121 million related to the real estate acquisition of the Munich City Novotel for €56 million and 1 Mercure, 2 ibis, 1 ibis *budget* for €65 million in Germany,
- €71 million related to the real estate acquisition of an ibis in the Netherlands,
- €68 million related to the acquisition of a 30% stake in Grape Hospitality (€62 million in shares and €7 million in long term loans).

Proceeds from disposals of assets is mainly composed of the sale of a portfolio of 85 hotels in Europe brought together in Grape Hospitality for €126 million.

Note 4. Operational Segments

In 2016, the Group's business model was organized around two strategic businesses:

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

Each strategic business is organized by region, as follows:

- France
- Europe (excluding France/Mediterranean)
- Mediterranean, Middle East and Africa
- Asia-Pacific
- Americas

The Group's internal reporting is presented based on this Strategic business/Region matrix. The Executive Management, assisted by the Executive Committee (together defined as the Chief Operating Decision Maker in accordance with IFRS 8) assesses the performance of each Strategic business/Region and makes resource allocation decisions based on their respective results.

In 2016, despite the planned divestment of substantially all of the HotelInvest business, the Group continued to be organized according to this Strategic business/Region matrix and its internal reporting presentation continued to be presented based on existing operational segments. Management is currently examining a proposed redefinition of its internal reporting and, consequently, of its operational segments based on the future post-divestment business model and strategy.

Segment information is therefore presented before applying IFRS 5. The following table reconciles the indicators used by Management to measure the operational segments' performance to the consolidated financial statements. These indicators are:

- Revenue
- EBITDAR
- EBITDA
- EBIT

Selected balance sheet information by operating segment is reported to the chief operating decision maker.

A. Business model

HotelServices

HotelServices corresponds to AccorHotels' business as a hotel manager and franchisor. It comprises all of the Group's hotels, as the hotels owned by HotelInvest are managed by HotelServices under management contracts. Its business model focuses entirely on generating fees and services revenue. In the Group's consolidated financial statements, the fees received by HotelInvest hotels are fully eliminated, including those received from hotels classified as held for sale. HotelServices spans Management and Franchising activities, sales and marketing, distribution and information systems as well as other activities such as a timeshare business in Australia, Strata, a company that operates the common areas of hotels in Oceania, and the AccorHotels loyalty program.

HotelInvest

HotelInvest is the Group's hotel owner-operator. It comprises the Group's owned and leased hotels. Its business model aims to improve the return on assets and optimize the impact on the statement of financial position. HotelInvest spans all asset portfolio management activities, hotel design, construction, refurbishment and maintenance activities as well as the legal and finance functions.

HotelInvest hotels are classified into three sub-segments:

- Owned hotels,
- Hotels operated under fixed leases, i.e. for which the rent corresponds to a fixed amount,
- Hotels operated under variable leases, i.e. for which the rent is determined as a percentage of revenue or EBITDA.

HotelServices operates HotelInvest's hotels under management contracts and is paid a fee for this service. The management fees are aligned with market prices in the region or country concerned. In addition, Service Level Agreements (SLAs) have been signed to allocate the cost of the services supplied to themselves and each other by HotelServices and HotelInvest (corresponding to the costs of the finance, human resources, purchasing, IT and legal functions).

B. Information by strategic business

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

At December 31, 2016 In millions of euros	**HotelServices**	**HotelInvest**	**Corporate & Intercos**	**Total**	**IFRS 5 Impact**	**Total reported**
Revenue	1,567	4,617	(553)	5,631	(4,029)	1,603
EBITDAR	484	1,376	(79)	1,781	(1,176)	604
EBITDAR Margin	*30.9%*	*29.8%*	*N/A*	*31.6%*	*29.2%*	*37.7%*
EBITDA	450	663	(76)	1,037	(544)	494
EBITDA Margin	*28.7%*	*14.4%*	*N/A*	*18.4%*	*13.5%*	*30.8%*
EBIT	393	385	(82)	696	(307)	389
EBIT Margin	*25.0%*	*8.3%*	*N/A*	*12.4%*	*7.6%*	*24.2%*

At December 31, 2015 In millions of euros	**HotelServices**	**HotelInvest**	**Corporate & Intercos**	**Total**	**IFRS 5 Impact**	**Total reported**
Revenue	1,339	4,815	(574)	5,581	(4,213)	1,368
EBITDAR	426	1,424	(70)	1,780	(1,216)	564
EBITDAR Margin	*31.8%*	*29.6%*	*N/A*	*31.9%*	*28.9%*	*41.2%*
EBITDA	399	654	(66)	986	(536)	450
EBITDA Margin	*29.8%*	*13.6%*	*N/A*	*17.7%*	*12.7%*	*32.9%*
EBIT	359	378	(71)	665	(295)	370
EBIT Margin	*26.8%*	*7.8%*	*N/A*	*11.9%*	*7.0%*	*27.1%*

As explained above, segment information is presented before applying IFRS 5 to discontinued operations and assets held for sale. In the consolidated financial statements, the revenue and expenses of the HotelInvest hotels held for sale are reclassified on a separate line of the income statement, "Profit or loss from discontinued operations".

The HotelInvest performance by sub-segments breaks down as follows:

In millions of euros	At December 31, 2016				At December 31, 2015			
	Total	*of which*			*Total*	*of which*		
		Owned	*Fixed rent*	*Variable*		*Owned*	*Fixed rent*	*Variable*
Revenue	*4,617*	*1,263*	*1,309*	*1,985*	*4,815*	*1,254*	*1,310*	*2,193*
EBITDAR	*1,376*	*367*	*439*	*569*	*1,424*	*349*	*434*	*645*
EBITDAR Margin	*29.8%*	*29.1%*	*33.5%*	*28.7%*	*29.6%*	*27.8%*	*33.1%*	*29.4%*
EBITDA	*663*	*354*	*141*	*168*	*654*	*334*	*124*	*199*
EBITDA Margin	*14.4%*	*28.0%*	*10.8%*	*8.5%*	*13.6%*	*26.6%*	*9.5%*	*9.1%*
EBIT	*385*	*210*	*91*	*91*	*378*	*190*	*71*	*117*
EBIT Margin	*8.3%*	*16.6%*	*7.0%*	*4.6%*	*7.8%*	*15.2%*	*5.4%*	*5.3%*

Assets break down as follows by business segment:

At December 31, 2016 In millions of euros	**HotelServices**	**HotelInvest**	**Holding / Elim.**	**Total**	**IFRS 5 Impact**	**Total reported**
Goodwill	1,521	296	(0)	1,817	(321)	1,496
Intangible Assets	2,307	109	16	2,433	(32)	2,401
Property, plant and equipment	88	3,561	33	3,682	(3,119)	562
Non-current financial assets	429	656	(99)	987	(143)	844
Deferred tax assets	89	137	31	257	(24)	233
Other non-current assets	9	-	-	9	(0)	9
Current assets	1,487	1,636	(2,007)	1,116	3,977	5,092
Assets break down by business	**5,930**	**6,395**	**(2,025)**	**10,300**	338	**10,638**
Cash and short-term debt				1,564	(338)	1,226
Receivables on disposals of assets						
Total assets				**11,864**	0	**11,864**

At December 31, 2015 In millions of euros	**HotelServices**	**HotelInvest**	**Holding / Elim.**	**Total reported**
Goodwill	440	257	-	697
Intangible Assets	178	115	13	307
Property, plant & equipment	71	2,938	15	3,024
Non-current financial assets	102	557	(5)	654
Deferred tax assets	13	27	33	73
Other current assets	1,293	1,371	(1,723)	940
Assets break down by business	**2,097**	**5,266**	**(1,667)**	**5,695**
Cash and short-term debt				3,050
Receivables on disposals of assets				208
Total assets				**8,953**

C. Information by region

Revenue and earnings indicators by region break down as follows:

At December 31, 2016 In millions of euros	France	Europe (*)	Mediterranean, Middle East and Africa	Asia Pacific	Americas	Worldwide Structures	Total
Revenue	1,564	2,197	527	727	539	78	5,631
EBITDAR	447	857	167	221	104	(14)	1,781
EBITDAR Margin	*28.6%*	*39.0%*	*31.7%*	*30.3%*	*19.2%*	*N/A*	*31.6%*
EBITDA	228	530	106	138	58	(22)	1,037
EBITDA Margin	*14.6%*	*24.1%*	*20.1%*	*18.9%*	*10.7%*	*N/A*	*18.4%*
EBIT	150	381	77	115	31	(59)	696
EBIT Margin	*9.6%*	*17.3%*	*14.7%*	*15.8%*	*5.8%*	*N/A*	*12.4%*

At December 31, 2015 In millions of euros	France	Europe (*)	Mediterranean, Middle East and Africa	Asia Pacific	Americas	Worldwide Structures	Total
Revenue	1,691	2,309	520	*615*	*404*	42	5,581
EBITDAR	496	873	*154*	*159*	*98*	0	1,780
EBITDAR Margin	*29.3%*	*37.8%*	*29.7%*	*25.8%*	*24.2%*	*N/A*	*31.9%*
EBITDA	248	512	*83*	*97*	*48*	(2)	986
EBITDA Margin	*14.7%*	*22.2%*	*16.0%*	*15.8%*	*11.9%*	*N/A*	*17.7%*
EBIT	171	369	*55*	*71*	*29*	(31)	665
EBIT Margin	*10.1%*	*16.0%*	*10.6%*	*11.6%*	*7.2%*	*N/A*	*11.9%*

(*) Europe excl. France and Mediterranean

In the Europe segment, the revenue contribution of Germany and the United Kingdom was €796 million and €566 million respectively in 2016, versus €833 million and €626 million the previous year.

D. Information by strategic business and by region

As indicated before, following information are presented before application of IFRS 5.

D.1. CONSOLIDATED REVENUE

In millions of euros	France	Europe (*)	Mediterranean, Middle East and Africa	Asia Pacific	Americas	Worldwide Structures (**)	2016	2015	Like-for-like change (%)
HOTELSERVICES	346	369	164	416	196	77	1,567	1,339	6.2%
HOTELINVEST	1,398	2,082	413	344	380	0	4,617	4,815	0.6%
CORPORATE & INTERCOS	(180)	(254)	(50)	(33)	(37)	0	(553)	(574)	2.2%
Total 2016	1,564	2,197	527	727	539	78	5,631		
Total 2015	1,691	2,309	520	615	404	42		5,581	
Like-for-like change (%)	(2.8)%	4.1%	3.8%	5.5%	4.7%	9.7%			2.2%

(*) Europe excl. France and Mediterranean

(**) « Worldwide Structures » corresponds to revenue (royalties) that are not specific to a single geographic region.

Note that the Group's revenue is derived from a very large number of transactions, of which less than 10% involve a single external customer. Once the sale of the HotelInvest business has been completed, Booster will become the Group's largest customer.

The period-on-period variation breaks down as follows:

• Like-for-like growth	+123	m€	+2.2%
• Business expansion (owned and leased hotels only)	+418	m€	+7.5%
• Currency effects	(136)	m€	(2.4)%
• Disposals	(355)	m€	(6.4)%
Variation in 2016 Consolidated Revenue	**+50**	**m€**	**+0.9%**

At December 31, 2016, HotelServices revenue breaks down as follows:

In millions of euros	Management fees	Franchise fees	HotelInvest fees	Other Revenues	Total
2016	580	255	518	215	1,567
2015	417	207	538	177	1,339

Total fees for Managed and franchised hotels only, increased by 15.3% in like-for-like change.

D.2. EBITDAR

In millions of euros	France	Europe (*)	Mediterranean, Middle East and Africa	Asia Pacific	Americas	Worldwide Structures (**)	2016	2015	Like-for-like change (%)
HOTELSERVICES	**113**	**134**	**56**	**120**	**37**	**24**	**484**	**426**	**5.6%**
HOTELINVEST	**334**	**723**	**111**	**101**	**67**	**41**	**1,376**	**1,424**	**0.3%**
CORPORATE & INTERCOS	**-**	**-**	**-**	**-**	**-**	**(79)**	**(79)**	**(70)**	**(3.8)%**
Total 2016	**447**	**857**	**167**	**221**	**104**	**(14)**	**1,781**		
Total 2015	**496**	**873**	**154**	**159**	**98**	**0**		**1,780**	
Like-for-like change (%)	**(7.6)%**	**5.2%**	**5.7%**	**12.1%**	**(10.2)%**	**N/A**			**1.5%**

(*) Europe excl. France and Mediterranean

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

The period-on-period EBITDAR variation breaks down as follows:

• Like-for-like growth	+26	m€	+1.5%
• Business expansion	+97	m€	+5.4%
• Currency effects	(47)	m€	(2.6)%
• Disposals	(75)	m€	(4.2)%
Variation in 2016 EBITDAR	**+1**	**m€**	**+0.1%**

D.3. EBITDA

In millions of euros	France	Europe (*)	Mediterranean, Middle East and Africa	Asia Pacific	Americas	Worldwide Structures (**)	2016	2015	Like-for-like change (%)
HOTELSERVICES	**110**	**129**	**54**	**112**	**33**	**13**	**450**	**399**	**5.7%**
HOTELINVEST	**118**	**402**	**52**	**26**	**24**	**41**	**663**	**654**	**3.2%**
CORPORATE & INTERCOS	**-**	**-**	**-**	**-**	**-**	**(76)**	**(76)**	**(66)**	**(6.0)%**
Total 2016	**228**	**530**	**106**	**138**	**58**	**(22)**	**1,037**		
Total 2015	**248**	**512**	**83**	**97**	**48**	**(2)**		**986**	
Like-for-like change (%)	**(8.0)%**	**8.1%**	**8.5%**	**20.6%**	**(12.6)%**	**N/A**			**4.0%**

(*) Europe excl. France and Mediterranean

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

The period-on-period EBITDA variation breaks down as follows:

• Like-for-like growth	+40	m€	+4.0%
• Business expansion	+68	m€	+6.9%
• Currency effects	(25)	m€	(2.6)%
• Disposals	(31)	m€	(3.2)%
Variation in 2016 EBITDA	**+51**	**m€**	**+5.2%**

D.4. EBIT

In millions of euros	France	Europe (*)	Mediterranean, Middle East and Africa	Asia Pacific	Americas	Worldwide Structures (**)	2016	2015	Like-for-like change (%)
HOTELSERVICES	**109**	**125**	**51**	**99**	**26**	**(16)**	**393**	**359**	**4.6%**
HOTELINVEST	**42**	**256**	**27**	**16**	**6**	**39**	**385**	**378**	**3.9%**
CORPORATE & INTERCOS	-	-	-	-	-	**(82)**	**(82)**	**(71)**	**(8.3)%**
Total 2016	**150**	**381**	**77**	**115**	**31**	**(59)**	**696**		
Total 2015	**171**	**369**	**55**	**71**	**29**	**(31)**		**665**	
Like-for-like change (%)	**-13%**	**9%**	**13%**	**32%**	**-18%**	**N/A**			**3.8%**

(*) Europe excl. France and Mediterranean

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

The period-on-period EBIT variation breaks down as follows:

• Like-for-like growth	+25	m€	+3.8%
• Business expansion	+38	m€	+5.7%
• Currency effects	(18)	m€	(2.7)%
• Disposals	(15)	m€	(2.3)%
Variation in 2016 EBIT	**+30**	**m€**	**+4.5%**

E. Restated information

As indicated previously, and despite the reclassification of HotelInvest business as a discontinued operation in a single line item in the income statement, the revenue earned with HotelInvest hotels continues to be eliminated from the consolidated financial statements in accordance with consolidation principles. In addition, as explained in Notes 1 and 4, the proposed sale transaction will concern substantially all of the HotelInvest business, but some hotels will be retained by the AccorHotels Group.

For these reasons, neither the revenue presented in the consolidated financial statements nor the HotelServices revenue presented above is representative of the AccorHotels Group revenue (and related margin) that will be reported once the Booster transaction has been completed.

This note presents the main Group Financial indicators in its future scope provided that it integrates the FHRI Group 6 months' activity in 2016.

At December 31, 2016 In millions of euros	Total reported	Restatements	Total restated
Revenue	1,603	554	2,157
EBITDA	494	-	494
EBITDA Margin	*30.8%*	-	*22.9%*
EBIT	389	-	389
EBIT Margin	*24.3%*	-	*18.0%*

At December 31, 2015 In million euros	Total reported	Restatements	Total restated
Revenue	1,368	563	1,931
EBITDA	450	-	450
EBITDA Margin	32.9%	-	23.3%
EBIT	370	-	370
EBIT Margin	27.0%	-	19.2%

The AccorHotels Group's restated revenue amounted to €2,157 million in 2016 and €1,931 million in 2015, after taking into account:

- The fees billed by the HotelServices business to the hotels included in the Booster transaction that are eliminated in consolidation. These fees have been added back to revenue in the restated financial information for €463 million in 2016 (€483 million in 2015),
- Purchasing commissions and loyalty program commissions recorded as a deduction from expenses in the consolidated financial statements. In the restated financial information, they are included in revenue for €91 million in 2016 (€80 million in 2015). This reclassification has no impact on EBIT.

Restated EBIT margin over the period stands at around 18%-19%.

Note 5. Operating Expense

In millions of euros		2015 (*)	2016
Cost of goods sold		(62)	(61)
Employee benefits expense	(1)	(630)	(706)
Energy, maintenance and repairs		(48)	(49)
Taxes, insurance and service charges (co-owned properties)		(50)	(44)
Other operating expense	(2)	(15)	(137)
Operating expense (excl. rents)		**(805)**	**(998)**
Rents	(3)	(114)	(110)
Total		**(918)**	**(1,109)**

(*) Restated amounts in application of IFRS 5.

(1) The Ratio employee benefits expense / Full-time equivalent (FTE) is presented as follows:

Full-time equivalent	2015 (*)	2016
Full-time equivalent (**)	16,371	17,486
Ratio employee benefits expense / FTE (€k)	(38)	(40)

(*) Restated amounts in application of IFRS 5.
(**) Full time equivalent are based on the ratio between the number of hours worked during the period and the total working legal hours for the period. There is no employee number for associates.

Over 2016, employee benefits expense includes €11 million related to stock option plans and performance share plans (€10 million in 2015) (see Note 18).

(2) Other operating expense consists mainly of marketing, advertising, promotional, selling and information systems costs. The total also includes various fee payments.

(3) Rental expense concerns the Group headquarters and the country headquarters.

Note 6. Depreciation, Amortization and Provision Expense

Depreciation, amortization and provision expense can be analyzed as follows:

In millions of euros	2015 (*)	2016
Depreciation and amortization	(89)	(105)
Provision	9	(0)
Total	**(80)**	**(105)**

(*) Restated amounts in application of IFRS 5.

Note 7. Net Financial Expense

In millions of euros	2015 (*)	2016
Cost of net debt	(64)	(70)
Other financial income and expenses	(6)	(47)
Net financial expense	**(70)**	**(117)**

(*) Restated amounts in application of IFRS 5.

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

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

The decrease of cost of net debt for €6 million mainly reflects:
- A €10 million decrease in financial income from marketable securities,
- A €2 million decrease in interest on the Group's bond issues and other financial expenses.

Other financial income and expenses include the following items:

In millions of euros	2015 (*)	2016
Dividend income from non-consolidated companies	2	7
Exchange gains and losses (excl. financial instruments at fair value)	(3)	(17)
Movements in provisions	(2)	(2)
Hedging	(4)	(34)
Total Other financial income and expenses	**(6)**	**(47)**

(*) Restated amounts in application of IFRS 5.

The €41 million negative change is mainly attributable to:
- A €20 million negative fair value adjustment to an interest rate hedge set up in order to secure lease financing for a real estate acquisition.

  The purpose of the finance lease, which has a deferred start date of end-2018, is to secure financing conditions for a call option relating to a real estate investment (Group's headquarters). While fair value adjustments on the instrument will impact Accor's income statement until the transaction has been finalized, a withdrawal from the transaction would result in a payment being made by Accor. The €20 million loss variation is attributable to the sharp decline in interest rates; an increase in rates would reverse the trend and have a positive impact on the income statement.
- A €13 million loss corresponding to the ineffective portion of the hedge set up in connection with the Fairmont Raffles Hotels International Group acquisition,
- €14 million in net exchange losses, mainly resulting from the steep drop in the Egyptian pound in the latter part of the year,
- Dividends received from non-consolidated companies (mainly FRHI Group companies) for €5 million.

Note 8. Non-recurring income and expense

In millions of euros		2015 (*)	2016
Impairment losses		(7)	(16)
Restructuring expenses	(1)	(10)	(104)
Gains and losses on management of hotel properties	(2)	(12)	78
Other non-recurring income and expense	(3)	(63)	(67)
Total		**(93)**	**(110)**

(*) Restated amounts in application of IFRS 5.

At December 31, 2016, non-recurring income and expense mainly include:

(1) Restructuring expenses linked with Group reorganization mainly following the acquisition of Fairmont Raffles Hotels International Group (FRHI) for €69 million,

(2) A gain on management of hotel properties of €66 million regarding the strategic alliance with Huazhu, including a gain on disposal of activities and associated hotels for €36 million, the remeasurement at fair value of previously held interests for €13 million and the recycling in net result of the period of currency translation adjustment previously recorded in other comprehensive income for €17 million,

(3) Non-recurring income and expense in connection with the acquisition and integration of Fairmont Raffles Hotels International Group (FRHI) for €29 million and the implementation of Booster project for €14 million (mainly composed of fees).

At December 31, 2015, other income and expenses mainly included expenses in connection with the moving of headquarters and acquisition of FRHI Group for €37 million.

Note 9. Income Tax Expense

9.1. Income tax expense for the period

In millions of euros	2015 (*)	2016
Current tax	(68)	(83)
Sub-total, current tax	**(68)**	**(83)**
Deferred taxes (expense) income on new temporary differences and reversals of temporary differences arising in prior periods	9	87
Deferred taxes arising from changes in tax rates or tax laws	(1)	-
Sub-total, deferred tax	**8**	**87**
Tax	**(59)**	**4**

(*) Restated amounts in application of IFRS 5.

9.2. Effective tax rate

In millions of euros		2015 (*)	2016
Operating profit before tax	**(a)**	**215**	**169**
Non deductible impairment losses		-	(7)
Tax on share of profit (loss) of associates		4	8
Other		25	(20)
Total permanent differences (non-deductible expenses)	**(b)**	**30**	**(19)**
Untaxed profit and profit taxed at a reduced rate	**(c)**	**18**	**(196)**
Profit taxed at standard rate	**(d) = (a) + (b) + (c)**	**263**	**(46)**
Standard tax rate in France	**(e)**	**38.00%**	**34.43%**
Tax at standard French tax rate	**(f) = (d) x (e)**	**(100)**	**16**
Effects on tax at standard French tax rate of:			
. Differences in foreign tax rates		45	8
. Unrecognized tax losses for the period		(4)	(58)
. Utilization of tax loss carryforwards		6	65
. Share of profit (loss) of associates		4	8
. Net charges to/reversals of provisions for tax risks		11	3
. Effect of CET business tax in France (see Note 1.L)		(6)	(4)
. Other items		(15)	(34)
Total effects on tax at standard French tax rate	**(g)**	**41**	**(12)**
Income tax expense	**(h) = (f) + (g)**	**(59)**	**4**

(*) Restated amounts in application of IFRS 5.

At December 31, 2015, the standard tax rate in France includes the 3.3% “contribution sociale de solidarité” tax and the 10.7% “contribution additionnelle” surtax, both calculated on the 33.3% corporate income tax.

At December 31, 2016, the standard tax rate in France includes only the 3.3% “contribution sociale de solidarité” tax calculated on the 33.3% corporate income tax.

At December 31, 2016, the effective tax rate amounts to 14.6%.

9.3. Details of deferred tax (Statement of financial position)

In millions of euros	Dec. 2015 (*)	Dec. 2016
Timing differences break down as follows:		
Intangible assets (1)	(13)	(522)
Property, plant and equipment	(47)	(14)
Recognized taxe losses (2)	25	91
Provision for employee benefits	49	42
Impairment losses	16	17
Others	15	19
Total, deferred tax assets, net (liabilities)	**44**	**(366)**
Deferred tax assets	**73**	**233**
Deferred tax liabilities	**29**	**599**

(*) Restated amounts in application of IFRS 5.

(1) Deferred taxes on intangible assets mainly concerned the FRHI Group acquired in 2016 for €(514) million, of which €(295) million recognized in connection with fair value measurements of acquired assets.

(2) Deferred tax assets recognized on tax loss carryforwards include €62 million in respect of the tax losses of Sofitel USA (US ALNA) recorded in 2016 following the merger with FHRUSI (FRHI Group) which has taxable profits.

9.4. Unrecognized deferred tax assets

Unrecognized deferred tax assets amounted to €366 million at December 31, 2016 (€812 million at December 31, 2015).

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

In millions of euros	Deductible temporary differences	Tax loss carryforwards	Tax credits	Total
Y+1	-	18	-	**18**
Y+2	-	0	-	**0**
Y+3	-	0	-	**0**
Y+4	-	0	-	**0**
Y+5 and beyond	-	173	0	**173**
Evergreen	3	172	-	**175**
Deferred tax, net	**3**	**363**	**0**	**366**

In accordance with IAS 12, deferred tax assets are recognized for ordinary and evergreen tax loss carry forwards only to the extent that it is probable that future taxable profits will be available against which the assets can be utilized. The Group generally estimates those future profits over a five-year period, and each year reviews the projections and assumptions on which its estimates are based, in accordance with the applicable tax rules.

Note 10. Goodwill

In millions of euros	Dec. 2015	Dec. 2016
Goodwill (gross value)	792	1,562
Less impairment losses	(94)	(66)
Goodwill, net	**697**	**1,496**

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

In millions of euros	Dec. 2015	Perimeter impacts	Impairment losses	Translation adjustments & others	IFRS 5 Reclass.	Dec. 2016
Australia	127	-	-	3	-	130
France	113	-	-	(24)	-	89
Germany	84	-	-	-	-	84
America	60	-	-	(60)	-	-
Asia	48	-	-	2	-	49
Others	8	1,038	-	67	-	1,113
HOTELSERVICES	**440**	**1,038**	**-**	**(12)**	**-**	**1,467**
Germany	74	-	-	-	(74)	-
France	62	11	(0)	4	(76)	-
America	40	33	(1)	(0)	(65)	8
Others	82	52	(8)	2	(107)	22
HOTELINVEST	**257**	**97**	**(9)**	**5**	**(321)**	**29**
Goodwill, net	**697**	**1,135**	**(9)**	**(7)**	**(321)**	**1,496**

Movements over the period mainly relate to the acquisition of FRHI Hotels & Resorts (€798 million), onefinestay (€135 million) and John Paul (€106 million, representing provisional goodwill at December 31, 2016) (see Note 1). FRHI goodwill has been allocated as follows:

- To the HotelInvest business for €53 million (of which €35 million allocated to the two leased hotels in Singapore and €14 million to the hotel owned in Bermuda),
- To the HotelServices business for €745 million, corresponding to goodwill on hotels operated under management contracts (at this stage, this amount is presented in the line “Others”).

Goodwill allocated to the hotels included in the planned HotelInvest disposal perimeter amounted to €321 million at December 31, 2016 and includes the goodwill allocated to FRHI hotels (see Note 3).

Note 11. Intangible Assets

In millions of euros	Dec. 2015	Dec. 2016
Brands and rights	21	1,537
Licenses, software	55	70
Other intangible assets	231	794
Total intangible assets, net	**307**	**2,401**

Changes in the carrying amount of intangible assets in 2016 were as follows:

In millions of euros	Dec. 2015	Increase	Disposals	Translation differences	IFRS 5 Reclass.	Dec. 2016
Brands and concessions	57	1,459	0	73	(18)	1,572
Licenses, software	220	27	(4)	24	(32)	235
Other intangible assets	307	607	(11)	(2)	(17)	885
Gross value	**584**	**2,093**	**(14)**	**95**	**(67)**	**2,692**
Brands and concessions	(3)	(1)	-	-	4	(0)
Licenses, software	(165)	(32)	3	(0)	28	(165)
Other intangible assets	(76)	(25)	5	2	5	(88)
Amortization	**(244)**	**(57)**	**8**	**1**	**38**	**(254)**
Brands and concessions	(34)	-	-	(1)	-	(34)
Other intangible assets	-	(2)	-	-	-	(2)
Impairment losses	**(34)**	**(2)**	**0**	**(1)**	**0**	**(37)**
Total accumulated amortization and impairment losses	**(278)**	**(59)**	**8**	**0**	**38**	**(291)**
Total intagible assets, net	**307**	**2,027**		**96**	**(29)**	**2,401**

At December 31, 2016, the net carrying amount of brands and rights with an indefinite life was €1,537 million, mainly comprising the Fairmont, Raffles and Swissôtel brands (€1,507 million) and onefinestay brand (€22 million) acquired over the period.

In millions of euros	Dec. 2015	Dec. 2016
Fairmont Brand	-	1,087
Swissôtel Brand	-	261
Raffles Brand	-	159
Onefinestay Brand	-	22
Sebel Brand (Australia)	5	5
Other brands and concessions	2	3
Carrying amount at end of period	**6**	**1,537**

The €794 million net carrying amount of other intangible assets includes:

- €580 million related to hotel management contracts for (of which €550 million related to hotels operated by FRHI Group acquired during the exercise),
- €78 million related to key money paid to secure management contracts (of which €23 million paid during the period in the United Kingdom),
- €72 million related to lease premium of in Eastern Europe.

In 2016, investments related to the Digital Plan amounted to €42 million (license and software purchases and internally-developed intangible assets).

Translation differences of the period mainly concern the intangible assets of the FRHI Group.

Note 12. Property, Plant and Equipment

In millions of euros	Dec. 2015	Dec. 2016
Land	276	33
Buildings	1,508	329
Fixtures	645	85
Equipment and furniture	349	94
Constructions in progress	247	21
Property, plant and equipment, net	**3,024**	**562**

Changes in the carrying amount of property, plant and equipment in 2016 were as follows:

In millions of euros	Dec. 2015	Increase	Decrease	Translation differences	IFRS 5 Reclass.	Dec. 2016
Land	284	163	(9)	8	(412)	34
Buildings	2,298	307	(59)	(14)	(1,867)	664
Fixtures	1,566	191	(56)	(2)	(1,483)	216
Equipment and furniture	1,323	169	(107)	(22)	(1,134)	229
Constructions in progress	261	268	(0)	(8)	(494)	26
Property, plant and equipment, at cost	**5,731**	**1,097**	**(231)**	**(38)**	**(5,390)**	**1,169**
Buildings	(690)	(83)	18	13	429	(312)
Fixtures	(868)	(120)	49	1	810	(128)
Equipment and furniture	(951)	(126)	87	17	841	(132)
Constructions in progress	(3)	(1)	-	-	4	-
Depreciations	**(2,512)**	**(330)**	**154**	**32**	**2,084**	**(572)**
Land	(8)	(0)	4	(0)	3	(1)
Buildings	(100)	(14)	30	(1)	61	(23)
Fixtures	(53)	(14)	4	(1)	61	(3)
Equipment and furniture	(23)	2	3	(0)	17	(2)
Constructions in progress	(11)	-	-	-	6	(5)
Impairment losses	**(195)**	**(27)**	**42**	**(1)**	**147**	**(35)**
Total of accumulated depreciation and impairment losses	**(2,707)**	**(356)**	**196**	**30**	**2,231**	**(606)**
Property, plant and equipment, net	**3,024**	**706**		**(8)**	**(3,159)**	**562**

Increases over the period mainly concern:

- Buybacks of real estate and businesses previously leased or franchised for €404 million (mainly in France and Germany),
- Acquisitions for €250 million, including €167 million related to FRHI and €23 million related to the Santa Teresa operation in Brazil,
- Development expenditure related to constructions for €136 million (mainly in the United Kingdom and France),
- Renovation and maintenance expenditure for €234 million (mainly in France and Germany).

At December 31, 2016, assets reclassified as held for sale related to the Booster project amount to €3,119 million (see Note 3).

Note 13. Impairment tests

A. HotelServices

For HotelServices strategic business, impairment tests are performed for each CGU including the tangible and intangible assets (and goodwill) related to a region or a country. The recoverable amount is estimated using the value in use determined on the basis of discounted cash flows.

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

The main other assumptions used to estimate recoverable amounts were as follows:

December 2016	Germany	France	Asia	Australia	Americas
Growth rate	1.50%	2.00%	2.00%	2.00%	4.25%
Discount rate	7.38%	7.38%	7.56%	6.56%	11.24%
December 2015	**Germany**	**France**	**Asia**	**Australia**	**Americas**
Growth rate	2.00%	2.00%	2.00%	2.00%	4.24%
Discount rate	8.02%	8.02%	8.79%	7.33%	11.94%

Sensitivity tests performed on the main CGUs at December 31, 2016 showed that:

- In Australia, the CGU's carrying amount would exceed its recoverable amount if the discount rate increased by 1,466 basis points or the growth rate to perpetuity was reduced by 5,593 basis points.
- In America, the CGU's carrying amount would exceed its recoverable amount if the discount rate increased by 1,543 basis points or the growth rate to perpetuity was reduced by 5,054 basis points.
- In Germany and in Asia, the CGU's carrying amount would exceed its recoverable amount if the discount rate increased by 2,781 and 5,108 basis points respectively. As the enterprise value would be recovered in five years based on projected discounted cash flows, its carrying amount would represent less than its recoverable amount whatever the growth rate to perpetuity used for the calculation.
- In France, the CGU's carrying amount would exceed its recoverable amount if the discount rate increased by 18,042 basis points. As the enterprise value would be recovered by five years' worth of discounted cash flows, the carrying amount would remain below the recoverable amount whatever the growth rate to perpetuity.

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

In 2016, no impairment loss was recorded for HotelServices.

B. HotelInvest

For HotelInvest strategic business, the recoverable amount is first estimated using fair values based on a standard EBITDA multiple. This method provides the best estimate of a hotel asset's realizable value in a sale transaction. The multiples used correspond to the averages observed for comparable transactions, taking into account the type of hotel and its geographic location. They are presented in Note 2.

Over 2016, an impairment loss of €16 million was recorded on the HotelInvest assets to be retained by the Group (and therefore not reclassified at December 31, 2016 as held for sale as part of the Booster project). This amount breaks down as follows:

- Goodwill for 4 million euros mainly in Asia,
- Property, plant and equipment for 10 million euros, of which 4 million euros in China and 4 million euros in Czech Republic,
- Intangible assets for €2 million euros, mainly in Brazil.

The probability of the EBITDA of all the hotels in a given CGU being affected to the same extent and at the same time by changing macro-economic conditions is extremely remote, with the result that an overall sensitivity analysis would not provide useful insight. However, if the carrying amount of certain hotels with a significant individual value was found to be sensitive to changes in macro-economic factors, a sensitivity analysis would be provided for the hotels concerned.

Note 14. Long-Term Loans

In millions of euros	Dec. 2015	Dec. 2016
Gross value	125	81
Accumulated impairment losses	(7)	(4)
Long-term loans, net	**118**	**77**

In millions of euros	Dec. 2015	Dec. 2016
Hotels, Asia-Pacific	52	54
Other	66	23
Total	**118**	**77**

At December 31, 2016, loans to hotels in the Asia-Pacific region mainly consisted of:

- A loan to A.P.V.C. Finance Pty Limited (a timeshare financing company) for an amount of €19 million at December 31, 2016, paying interest at an average rate of 14.75% and a €9 million loan made to Darling Harbour Hotel Trust, the future owner of the Sydney Darling Harbour Sofitel,

- A loan to Shree Naman Hotels Private to finance the development of the Mumbai Sofitel in India amounting to €19 million.

At December 31, 2016, loans to hotels excluding the Asia-Pacific region mainly consisted of:

- The remaining €7 million guaranteed minimum rent on the Paris Tour Eiffel Pullman payable following the change of owner and the extension of the management contract (€18 million at December 31, 2015). The loan granted to the owner (SHTE) to finance the development of the hotel had been repaid in full at December 31, 2016 (the balance outstanding at December 31, 2015 was €11 million),

- The loan to Laser Mercure Trading Co for the refurbishment of hotels operated under management contracts in the United Kingdom, representing €11 million at an average 3.6% interest (€11 million at December 31, 2015).

Note 15. Associates and Joint-ventures

15.1. Investments in associates and joint-ventures

The main contributions are as follows:

In millions of euros		2015		2016	
		Share of profit	Investment	Share of profit	Investments
China Lodging Group		-	-	NC	191
Asia Pacific Hotels	(*)	(2)	158	(16)	147
25Hours		-	-	-	35
Mama Shelter		(1)	28	(0)	28
TGRE (Sofitel The Grand, Netherlands)		(1)	12	-	-
Fairmont Dubai		-	-	1	13
Swissotel Lima		-	-	(3)	11
SERHR (Orféa)		4	5	5	5
Société Hôtelière Paris Les Halles		2	13	-	-
Other (including Risma)		(1)	81	15	115
Associates		**2**	**297**	**2**	**546**
SIEHA (hospitality Algeria)		2	22	0	22
Reef Casinos		4	19	3	19
Adagio		2	7	2	8
Other		(0)	2	0	1
Joint ventures		**9**	49	**5**	**50**
Associates		**10**	**346**	**6**	**596**

(*) The Asia-Pacific investments primarily include Interglobe Hotels Entreprises Limited (the development company for ibis hotel in India) for €59 million, Caddie Hotels (the development company for a Novotel and a Pullman in New Delhi) for €32 million, a joint-venture for development partnerships under ibis and Novotel brands in India (Triguna) for €19 million and Ambassador Inc., Ambasstel and Ambatel Inc (South Korea) for €30 million.

In 2016, AccorHotels increased its stake in China Lodging Group (Huazhu) from 1.8% to 10.8% pursuant to a strategic alliance entered into with the company in January 2016, and acquired shares of 25Hours, Oasis Collection and Squarebreak (see Note 1).

At December 31, 2016, investments in associates reclassified as “Assets held for sale” amounted to €88 million (including investments in TGRE Sofitel The Grand and Société Hôtelière Paris les Halles).

In 2015, the Group's total share of profit of associates and joint ventures amounted to €10 million, of which €2 million was reclassified under "Net profit or loss from discontinued operations".

In millions of euros	2015	2016
Share of profit of associates before tax	12	14
Share of tax of associates	(4)	(8)
Share of profit of associates after tax	**8**	**6**

15.2. Information about material associates

The following associates are material to the Group:

- Huazhu Hotels Group (China Lodging Group), which is a Chinese group listed on Nasdaq. For confidentiality reasons, AccorHotels does is not allowed to disclose any Huazhu financial information.

- Interglobe Hotels, which owns and operates ibis hotels in India that are managed by AccorHotels under management contracts. Key financials for Interglobe Hotels are as follows:

Interglobe Hotels (Hotels ibis India) **Development ibis India** **(In millions of euros)**	**March 2015**	**March 2016**
Revenue	22	27
Net profit (loss)	(6)	(7)
Total current Assets	14	18
Total non-current Assets	209	207
Equity (including currency translation reserve)	142	135
Total current Liabilities	13	11
Total non-current Liabilities	67	80
Net cash/(Net debt)	(34)	(34)
Market capitalization	N/A	N/A
Dividends paid by the compagny to AccorHotels during the period	-	-
% interest held	40.00%	40.00%

As Interglobe Hotels has a March 31 year-end, the key figures shown above are extracted from Interglobe's latest audited and published financial statements.

15.4. Other information

To the best of the Group's knowledge, there are no material restrictions on the ability of any associate or joint venture to transfer funds to AccorHotels in the form of cash dividends or to repay any loans or other liabilities.

Note 16. Other Financial Assets

In millions of euros	Dec. 2015	Dec. 2016
Investments in non-consolidated companies (Available for sale financial assets)	121	121
Deposits (Loans and Receivables)	90	65
Other financial assets, at cost	**211**	**186**
Accumulated impairment losses	(21)	(15)
Other financial assets, net	**191**	**171**

At December 31, 2016, the fair value reserve for assets classified as available-for-sale amounts to €(7) million (see Note 20), and amounted to €(7) million at December 31, 2015.

Accumulated impairment losses relate almost entirely to investments in non-consolidated companies.

Other financial assets breakdown is as follows:

In millions of euros	Dec. 2015	Dec. 2016
Avendra	-	65
Pullman Tour Eiffel receivable	21	15
A-HTrust (Singapore investment fund)	22	21
Huazhu	36	-
Sofitel Santa Clara purchase price payment	22	-
Stone (French property company)	11	-
Other investments and deposits	79	70
Other financial investments, net	**191**	**171**

At December 31, 2016, the Avendra shares with a carrying amount of €65 million were acquired as part of the FRHI Group acquisition. The investment in Huazhu is now accounted for by the equity method, following an increase in the Group's interest during the period (see Note 1).

At that date, other financial assets reclassified as “Assets held for sale” amounted to €37 million (including shares in Stone).

Note 17. Receivables and Payables

17.1. Trade receivables and related provision

In millions of euros	Dec. 2015	Dec. 2016
Gross value	476	437
Provisions	(44)	(63)
Net	**432**	**374**

At December 31, 2016, the net trade receivables reclassified as assets held for sale amount to €135 million.

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

17.2. Details of other receivables and accruals

In millions of euros	Dec. 2015	Dec. 2016
Recoverable VAT	146	85
Prepaid wages and salaries and payroll taxes	3	2
Other prepaid and recoverable taxes	42	8
Other receivables	243	131
Other prepaid expenses	75	34
Other receivables and accruals, at cost	**509**	**260**
Provisions	**(38)**	**(7)**
Other receivables and accruals, net	**471**	**252**

Over the period, the decrease of net other receivables and accruals is mainly explained by the reclassification in assets held for sale for €275 million.

17.3. Details of other payables

In millions of euros	Dec. 2015	Dec. 2016
VAT payable	88	35
Wages salaries and payroll tax payables	331	180
Other tax payables	80	10
Other payables	427	289
Deferred income	85	74
Other payables and income tax payable	**1,012**	**587**

Over the period, the decrease of other payables and income tax payable is mainly explained by the reclassification in liabilities associated with assets held for sale for €462 million.

17.4. Analysis of other receivables / payables' periods

The following analysis by maturity covers receivables and payables other than deferred revenue and prepaid expenses.

In millions of euros	< 1 year	1 to 5 years	> 5 years	Dec. 2016	Dec. 2015
Inventories	8	-	-	8	37
Trade receivables	374	-	-	374	432
Recoverable VAT	84	1	-	85	146
Prepaid payroll taxes	2	-	-	2	3
Other prepaid and recoverable taxes	8	-	-	8	42
Other receivables	123	-	-	123	205
Current assets	**599**	**1**	**-**	**601**	**865**
Trade payables	384	-	-	384	736
VAT payable	35	-	-	35	88
Wages and salaries and payroll taxes payable	178	1	-	180	331
Other taxes payable	10	-	-	10	80
Other payables	289	0	-	289	427
Current liabilities	**896**	**1**	**-**	**898**	**1,663**

Note 18. Shareholders' Equity

18.1. Changes in share capital

At December 31, 2016, the number of outstanding shares and the number of potential shares that could be issued break down as follows:

Number of issued shares at January 1, 2016	**235,352,425**
Performance shares granted	416,910
Shares issued on exercise of stock options	249,874
Shares issued in payment of dividends	2,048,461
Shares issued for FRHI acquisition	46,700,000
Number of issued shares at December 31, 2016	**284,767,670**
Stock option plans	2,123,250
Performance shares plans	1,093,899
Potential number of shares	**287,984,819**

At December 31, 2016, the share's par value was €3.

18.2. Diluted earnings per share

At December 31, 2016, the average number of ordinary shares before and after dilution is presented as follows:

Outstanding shares at December 31, 2016	**284,767,670**
Effect of share issues on the weighted average number of shares	(182,365)
Adjustment for stock option plans exercised during the period	(132,801)
Effect of stock dividends on weighted average number of shares	(772,371)
Capital increase for the acquisition of FRHI	(24,625,956)
Weighted average number of ordinary shares during the period	**259,054,177**

Diluted earnings per share were therefore calculated as follows:

In millions of euros	2015	2016
Net profit, Group share (continuing and discontinued operations)	**244**	**265**
Hybrid capital dividend payment	(37)	(37)
Adjusted Net profit, Group share	**207**	**228**
Weighted average number of ordinary shares (in thousands)	**234,387**	**259,054**
Number of shares resulting from the exercise of stock options (in thousands)	1,073	557
Number of shares resulting from performance shares grants (in thousands)	529	314
Fully diluted weighted average number of shares (in thousands)	**235,989**	**259,925**
Earnings per share (in euros)	**0.88**	**0.88**
Diluted earnings per share (in euros)	**0.88**	**0.88**

18.3. Exchange differences on translating foreign operations

Exchange differences on translating foreign operations between December 31, 2015 and December 31, 2016, representing a positive impact of €139 million, mainly concern changes in exchange rates against the euro of the US Dollar (€156 million positive impact), the Brazilian Real (€44 million positive impact), the Australian Dollar (€11 million positive impact), the Pound Sterling (€54 million negative impact) and the Chinese Yuan (€25 million negative impact).

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

	USD	AUD	PLN	GBP	CNY
December 2015	1,0887	1,4897	4,2639	0,7340	7,0608
December 2016	1,0541	1,4596	4,4103	0,8562	7,3202

18.4. Payment of dividends

The 2015 and 2016 dividends were as follows:

In euros	2015	2016
Dividend per Share	**1.00**	**1.05**

Part of the 2015 dividend was paid in cash and part in stock.

18.5. Share-based payments

The total cost recognized in profit or loss by adjusting equity in respect of share-based payments amounted to €14 million in 2016 (versus €13 million in 2015), and were mainly related to performance share plans.

The attributable part to the HotelInvest business that was held for sale at December 31, 2016 was €3 million in both 2016 and 2015.

A. Performance share plans

The movements over the period are as follows:

Number of options	**2015**	**2016**
Performance shares at begining of period	817,504	1,045,048
Options granted	480,090	519,025
Options cancelled or expired during the period	(17,901)	(53,264)
Options exercised	(234,645)	(416,910)
Performance shares at end of period	1,045,048	1,093,899

Performance shares granted in 2016

On June 16, 2016 AccorHotels granted 504,500 performance shares to managers and employees. The shares have a three-year vesting period, not followed by any lock-up period, and are subject to three performance conditions. At the grant date, the fair value per performance share was €30.72, corresponding to the quoted share price of €36.01 less the discounted present value of dividends not received during the vesting period, and taking into account the estimated probability of the external performance conditions (see below) being fulfilled. During the period, 12 810 of the performance shares expired following the refusal of employees, leading to the grant of 491,690 performance shares as part of this plan.

On October 26, 2016, 14,525 performance shares were granted to managers and employees with the same performance conditions as for the June plan. At that date, the fair value per performance share calculated using the same principles was €29.41, based on the quoted share price of €34.57.

The performance shares vest if the grantee is still employed by the Group at the end of the vesting period and the following three performance conditions are fulfilled over the three years 2016, 2017 and 2018:

- Internal conditions (80% weighting): Actual versus Budgeted EBIT margin and Actual versus Budgeted free cash flow (net cash provided by operating activities, +/- net cash from/(used in) investments/divestments and +/- decrease (increase) in operating working capital).
- External condition (20% weighting): based on growth in AccorHotels' Total Shareholder Return (TSR) compared with growth in the TSR of other international hotel groups and the CAC 40. The estimated probability of this performance condition being met reduces the performance shares' fair value on the grant date.

The total fair value of performance shares granted under the two 2016 plans, in the amount of €16 million, will be recognized on a straight-line basis over the vesting period under "Employee benefits expense" with a corresponding adjustment to equity.

The cost recognized in 2016 in respect of the two plans amounted to €3 million.

Expense recorded over the period

In millions of euros	2015	2016	Fair value
2013 Plan	1	0	7
2014 Plan	7	3	17
2015 Plan	4	8	20
2016 Plan	0	3	16
Total	**13**	**14**	

B. Stock options plans

The movements over the period are as follows:

	December 31, 2015		December 31, 2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding at beginning of period	**4,521,862**	**27.29 €**	**2,385,431**	**26.93 €**
Options cancelled or expired during the period	(224,527)	30.03 €	(12,307)	26.09 €
Options exercised during the period	(1,911,904)	27.41 €	(249,874)	24.48 €
Options outstanding at end of period	**2,385,431**	**26.93 €**	**2,123,250**	**27.22 €**
Options exercisable at end of period	**1,830,169**	**27.00 €**	**2,083,250**	**27.16 €**

Outstanding options at December 31, 2016 are as follows:

Plan	Grant date	Number of outstanding options	Remaining life	Exercice price
Plan 19	March 31, 2009	187,373	3 months	18.20 €
Plan 20	April 2, 2010	834,913	1 year and 3 months	26.66 €
Plan 21	April 2, 2010	56,197	1 year and 3 months	26.66 €
Plan 22	November 22, 2010	89,440	1 year and 11 months	30.49 €
Plan 23	April 4, 2011	443,054	2 years and 3 months	31.72 €
Plan 24	April 4, 2011	32,031	2 years and 3 months	31.72 €
Plan 25	March 27, 2012	419,515	3 years and 3 months	26.41 €
Plan 26	March 27, 2012	20,727	3 years and 3 months	26.41 €
Plan 27	September 26, 2013	40,000	4 years and 9 months	30.13 €

18.6. Perpetual subordinated notes

On June 30, 2014, AccorHotels issued €900 million worth of perpetual subordinated notes. The interest rate on the notes is set at 4.125% up until June 30, 2020 and will be re-set every five years thereafter, with a 25-bps step-up in June 2020 and a 275-bps step-up in June 2040.

The notes have no fixed maturity. They are repayable at AccorHotels' option on June 30, 2020, June 30, 2025 and on each anniversary of the issue date thereafter. Dividend payment (interest) is payable on the notes only in those periods for which a dividend is paid to shareholders.

Due to their characteristics and in accordance with IAS 32 (see Note 2.J.3), the notes were recorded in equity upon receipt of the issue proceeds for €887 million (net of transaction costs). The dividend payments are also recorded in equity.

In 2016, dividend payment on perpetual subordinated notes amounted to €37 million.

Note 19. Minority Interests

19.1. Changes in Minority Interests

Changes in minority interests break down as follows:

In millions of euros	
December 31, 2014	**213**
Minority interests in net profit for the period	27
Dividends paid to minority interests	(15)
Increase in capital	0
Translation adjustment	(0)
Changes in consolidation perimeter	1
December 31, 2015	**225**
Minority interests in net profit for the period	33
Dividends paid to minority interests	(18)
Capital increase	(0)
Translation adjustment	(7)
Changes in consolidation perimeter	34
December 31, 2016	**267**

Changes consolidation perimeter correspond to minority interests related to acquisitions of the period, of which €17 million related to FRHI Group and €10 million related to acquisitions in South America.

19.2. Information about material minority interests

Material minority interests are as follows:

Orbis/Hekon (Poland)	% interests	% voting rights	Minority interests in net profit for the period	Minority interests in equity at period-end	Dividends paid by AccorHotels to minority interests during the period
December 31, 2015	47.31%	47.31%	19	180	8
December 31, 2016	47.31%	47.31%	23	190	7

Orbis/Hekon (Poland)	Selected financial information about the subsidiary					
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Net Profit or Loss
December 31, 2015	96	486	66	516	300	40
December 31, 2016	147	479	59	566	312	49

This financial information includes adjustments recorded in 2008 when the Group acquired control of Orbis.

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

Note 20. Comprehensive Income

The tax impact of other components of comprehensive income can be analyzed as follows:

In millions of euros	2015			2016		
	Before tax	Income tax expense	Net of tax	Before tax	Income tax expense	Net of tax
Currency translation adjustment	(3)	-	(3)	109	-	109
Change in fair value resulting from Available-for-sale financial assets	12	-	12	(14)	-	(14)
Effective portion of gains and losses on hedging instruments in a cash flow hedge	(3)	-	(3)	2	-	2
Actuarial gains and losses on defined benefits plans	(14)	5	(9)	(5)	(3)	(3)
Total Other Comprehensive income	**(8)**	**5**	**(3)**	**92**	**(3)**	**122**

Fair value adjustments on financial instruments reserve break down as follows:

In millions of euros	Dec. 2015	Dec. 2016
Interest rate and currency swaps	(3)	(0)
Fair value adjustments to non-consolidated investments	7	(7)
Total Fair Value Adjustments on Financial Instruments Reserve	**4**	**(7)**

Note 21. Debt by Currency and Maturity

21.1. Analysis of Long and Short-term debt by nature

Long and short-term debt at December 31, 2016 breaks down as follows:

In millions of euros	Dec. 2015	Dec. 2016	IFRS 5 Impact	Dec. 2016 Reported
Bonds	2,582	2,635	-	2,635
Bank borrowings	123	135	(68)	67
Other borrowings	5	10	(4)	6
Long and short-term borrowings	**2,710**	**2,780**	**(72)**	**2,708**
Long and short-term finance lease liabilities	72	59	(58)	1
Purchase commitments (minority put on interests)	10	116	(13)	103
Liability derivatives	15	35	(1)	34
Other financial liabilities and bank overdrafts	48	62	(0)	62
Long and short-term debt	**2,855**	**3,052**	**(144)**	**2,908**

At December 31, 2016, the HotelInvest business's long and short-term debt was reclassified under "Liabilities associated with assets classified as held for sale" for €144 million. However, this reclassification is not taken into account in internal analyses of debt, which are carried out at the level of the Group as a whole. Consequently, the following analyses are presented before the effects of applying IFRS 5.

21.2. Bonds

Bonds at December 31, 2016 break down as follows:

Nominal amount In local currency	Date of issuance	Maturity	Initial effective interest rate (%)	2015 In millions of euros	2016 In millions of euros
250 M EUR	Aug-09	Nov-17	6.04%	250	250
700 M EUR	Jun-12	Jun-17	2.88%	367	367
600 M EUR	Mar-13	Mar-19	2.50%	334	334
900 M EUR	Feb-14	Feb-21	2.63%	902	906
150 M CHF	Jun-14	Jun-22	1.75%	138	140
60 M EUR	Dec-14	Feb-22	1.68%	60	60
300 M PLN	Jun-15	Jun-20	2.76%	71	68
500 M EUR	Sep-15	Sep-23	2.38%	461	466
200 M PLN	Jul-16	Jul-21	2.69%	-	45
Total bonds				**2,582**	**2,635**

21.3. Analysis of Long and Short-term Debt by maturity

At December 31, 2016, maturities of long and short-term debt before IFRS 5 were as follows:

In millions of euros	Dec. 2015	Dec. 2016
Year N + 1	110	749
Year N + 2	633	33
Year N + 3	16	401
Year N + 4	350	135
Year N + 5	119	993
Year N + 6	908	208
Beyond	719	533
Long and short-term debt	**2,855**	**3,052**

The maturity profile of debt is one of the indicators used to assess the Group's liquidity position.

In this presentation, the fair value of derivative interest rate and currency instruments is classified as short term. Interest rate and currency hedges are analyzed by expiry date in Note 21.8 "Financial instruments". Foreign currency borrowings and investments are translated at year-end exchange rates.

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

2015 financial costs amounted to €64 million. Future financial costs are estimated at €253 million for the period from January 2016 to January 2019 and €85 million thereafter.

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

21.4. Analysis of long and short-term debt by currency before and after hedging

In millions of euros	Before hedging			After hedging		
		Total debt			Total debt	
	Amount	Rate	% of total debt	Amount	Rate	% of total debt
Euro	2,422	2.87%	87%	2,329	2.87%	84%
Swiss franc	149	1.73%	5%	199	1.73%	7%
Polish zloty	141	2.83%	5%	141	2.76%	5%
Japanese yen	-	0.00%	-	35	-0.06%	1%
Mauritian rupee	25	7.68%	1%	25	7.68%	1%
CFA franc	18	7.82%	1%	18	7.66%	1%
Other currencies	25	7.43%	1%	34	5.65%	1%
Long and short-term debt	**2,780**	**2.91%**	**100%**	**2,780**	**2.85%**	**100%**

21.5. Analysis of long and short-term debt by interest rate after hedging

At December 31, 2016, 85% of long and short-term debt was fixed rate, with an average rate of 2.93%, and 15% was variable rate, with an average rate of 2.39%.

At December 31, 2016, fixed rate debt was denominated primarily in EUR (86%), while variable rate debt was denominated mainly in euro (74%), in polish zloty (19%) and in Mauritian rupee (3%).

21.6. Covenants

None of the loan agreements include any rating triggers. However, certain loan agreements include acceleration clauses that may be triggered in the event of a change of control, following the acquisition of more than 50% of outstanding voting rights. Of the overall gross debt of €2,780 million, a total of €2,636 million worth is subject to such clauses. In the case of bonds, the acceleration clause can be triggered only if the change of control leads to AccorHotels' credit rating being downgraded to non-investment grade.

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

None of the loan agreements include a cross default clause requiring immediate repayment in the event of default on another facility. Cross acceleration clauses only concern loans for periods of at least three years; these clauses would be triggered solely for borrowings and only if material amounts were concerned.

21.7. Unused confirmed credit line

At December 31, 2016, unused long-term committed line is amounting to €1,800 million, expiring in June 2019.

21.8. Financial instruments

1. CURRENCY HEDGES

The following tables analyzes the nominal amount of currency hedges by maturity and the carrying amount of these instruments in the statement of financial position, corresponding to their fair value, at December 31, 2016:

Currency swaps In millions of euros	**Maturity 2017**	**Dec. 2016 Nominal amount**	**Dec. 2016 Fair value**
Japanese yen	37	37	2
American dollar	60	60	2
British pound	7	7	(0)
Australian dollar	93	93	(1)
Polish zloty	9	9	0
Other currencies	4	4	(0)
Total currency hedging	**210**	**210**	**3**

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

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

At December 31, 2016, the total fair value of currency derivatives was €3 million, recorded in liabilities.

2. INTEREST RATE HEDGES

The following table analyse the notional amount of interest rate hedges by maturity and the carrying amount of these instruments in the statement of financial position, corresponding to their fair value, at December 31, 2016:

In millions of euros	2016	2017	2018	Beyond	Dec. 2016 Nominal Amount	Dec. 2016 Fair Value
Rate swaps	-	-	-	721	721	17
Interest rate hedges	**-**	**-**	**-**	**721**	**721**	**17**

The "notional amount" corresponds to the amount covered by the interest rate hedge. "Fair value" corresponds to the amount that would be payable or receivable if the positions were unwound on the market.

The portfolio comprises:

- Interest rate swaps converting interest on part of the Group's bond debt to variable rate (fair value of the swap: €12 million),
- A cross-currency swap (fair value: €(0) million) converting EUR debt into CHF in addition to another CHF bond issue, matched by an intragroup loan for the same amount,
- Interest rate swaps set up in connection with a future real estate finance lease (fair value: €(29) million),

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

At December 31, 2016, the total fair value of rates derivatives was €17 million, recorded in liabilities.

3. FAIR VALUE

3.1 Fair value of financial instruments

The carrying amount and fair value of financial instruments at December 31, 2016 are as follows:

In millions of euros		Dec. 2016 Reported	IFRS 5 Impact	Dec. 2016	Dec. 2016 Fair value
FINANCIAL LIABILITIES		**2,908**	**(144)**	**3,052**	**3,247**
Bonds	(1)	2,635	-	2,635	2,830
Bank borrowings		67	(68)	135	135
Finance lease liabilities		1	(58)	59	59
Other financial liabilities		171	(17)	188	188
Derivative instruments - liabilities	(2)	34	(1)	35	35
FINANCIAL ASSETS		**(1,226)**	**338**	**(1,564)**	**(1,565)**
Money market securities		(1,110)	46	(1,156)	(1,157)
Cash		(59)	247	(306)	(306)
Other		(42)	45	(87)	(87)
Derivative instruments - assets	(2)	(15)	-	(15)	(15)
NET DEBT		**1,682**	**194**	**1,488**	**1,682**

(1) The fair value of listed bonds corresponds to their quoted market value on the Luxembourg Stock Exchange and on Bloomberg on the last day of the period (level 1 valuation technique according to IFRS 13).

(2) The fair value of forward foreign exchange contracts and interest rate and currency swaps corresponds to the market price that the Group would have to pay or receive to unwind these contracts (level 2 valuation technique according to IFRS 13).

3.2 Fair value of money market securities

The carrying amount and fair value of money market securities at December 31, 2016 are as follows:

In millions of euros		Dec. 2016	Dec. 2016 Fair value
Other negotiable debt securities	(a)	(720)	(720)
Mutual funds units convertible into cash in less than three months (*)	(b)	(436)	(437)
Other (accrued interest)		-	-
Total money market securities		**(1,156)**	**(1,157)**

(*) The fair value of mutual fund units corresponds to their net asset value (level 1 valuation technique according to IFRS 13).

(a) Loans and receivables issued by the Group
(b) Available-for-sale financial assets

Note 22. Analysis of financial assets and liabilities

	Breakdown by accounting category					Fair value for financial instruments recognized at fair value			
At December 31st 2016 In millions of euros	Fair value through profit or loss	Assets held for sale	Loans, receivables and debts at amortized cost	Derivatives	**Carrying amount**	Level 1*	Level 2*	Level 3*	**Fair value of the class**
Loans			96		96				-
Other financial investments		106	65		171	21		85	106
Trade receivables			374		374				-
Receivables on disposals of assets			24		24				-
Cash and cash equivalents		434	735	15	1,184	437	15		452
ASSETS	**-**	**540**	**1,294**	**15**	**1,849**	**458**	**15**	**85**	**558**
Bonds			2,635		2,635				-
Bank borrowings			67		67				-
Finance lease liabilities			1		1				-
Trade payables			384		384				-
Other debts	34		171		205		34		34
LIABILITIES	**34**	**-**	**3,258**	**-**	**3,292**	**-**	**34**	**-**	**34**

At December 31st 2015 In millions of euros	Fair value through profit or loss	Assets held for sale	Loans, receivables and debts at amortized cost	Other derivatives	**Carrying amount**	Level 1*	Level 2*	Level 3*	**Fair value of the class**
Loans			161		161				-
Other financial investments		100	90		191	58		42	100
Trade receivables			432		432				-
Receivables on disposals of assets			44		44				-
Cash and cash equivalents	4	1,266	1,689	4	2,963	1,268	8		1,276
ASSETS	**4**	**1,366**	**2,416**	**4**	**3,790**	**1,326**	**8**	**42**	**1,376**
Bonds			2,582		2,582				-
Bank borrowings			117		117				-
Finance lease liabilities			72		72				-
Trade payables			736		736				-
Other debts	15		69		84		15		15
LIABILITIES	**15**	**-**	**3,576**	**-**	**3,592**	**-**	**15**	**-**	**15**

* The fair value hierarchies have three levels: see Note 2.D. Fair value hierarchies are presented only for financial instruments measured at fair value.
The methods used to measure the fair value of derivative instruments, mutual fund unit convertible into cash and bonds are described in Note 21. The method used to measure the fair value of investments in non-consolidated companies is described in Note 2.E.5.

Note 23. Provisions

Movements in provisions between December 31, 2015 and December 31, 2016 can be analysed as follows:

In millions of euros	Dec. 2015	Equity impact	Increases	Utilizations	Reversals of unused provisions	Translation adjustment	Change in scope and reclassification	IFRS 5 reclass.	Dec. 2016
Provisions for pensions (4)	120	5	25	(8)	(11)	1	14	(47)	**100**
Provisions for loyalty bonuses (4)	19	-	3	(2)	(1)	0	8	(13)	**14**
Provisions for claims, litigations and others contingencies (1)	2	-	2	-	(2)	1	21	(5)	**19**
TOTAL LONG-TERM PROVISIONS	**142**	**5**	**30**	**(10)**	**(14)**	**2**	**43**	**(65)**	**133**
Tax provisions	28	-	3	(4)	(0)	0	0	(4)	**24**
Restructuring provisions (3)	17	-	89	(60)	(3)	1	32	(7)	**70**
Provisions for claims, litigations and others contingencies (1)	128	-	35	(40)	(31)	(1)	2	(35)	**57**
TOTAL SHORT-TERM PROVISIONS	**173**	**-**	**127**	**(104)**	**(34)**	**0**	**34**	**(45)**	**151**
o/w provisions associated with discountinued operations	**112**	**3**	**34**	**(30)**	**(13)**	**-**	**4**	**(110)**	**-**

(1) Long-term claims, litigations and others contingencies
At December 31, 2016, provisions for long-term litigation and others mainly include provisions recognized as part of the acquisition of FRHI for €15 million (mainly relating to tax litigations existing at the date of the acquisition).

(2) Short-term claims, litigations and other contingencies
At December 31, 2016, ordinary provisions for claims, litigations and others include:

- €31 million in provisions for sinister claims;
- €20 million in provisions for other contingencies;
- €6 million in provisions for employee-related claims.

At December 31, 2016, ordinary provisions for claims, litigations and other contingencies reclassified as held for sale amounted to €(35) million, of which €(8) million for employee-related claims.

(3) Restructuring provisions
At December 31, 2016, restructuring provisions mainly include:

- €33m on ongoing plan on Pullman Montparnasse;
- €22m linked to the integration of FRHI Group.

(4) Provisions for pensions and other post-employment benefits

A. Description of the plans

Group employees receive various short-term benefits (paid vacation, paid sick leave and profit-shares), long-term benefits (long-service awards, long-term disability benefits, loyalty bonuses and seniority bonuses), as well as various post-employment benefits provided under defined contribution and defined benefit plans (length-of-service awards payable on retirement, pension benefits).

Short-term benefit obligations are recognized in the statements of financial position of the Group entities concerned. Post-employment benefits are provided under either defined contribution or defined benefit plans.

Defined contribution plans

Obligations under these plans are funded by periodic contributions to external organizations that are responsible for the administrative and financial management of the plans. The external organization is responsible for all benefit payments and the Group has no liability beyond the payment of contributions. Examples of defined contribution plans include the government-sponsored basic pension and supplementary pension (ARRCO/AGIRC) schemes in France and defined contribution pension schemes in other countries.
Contributions to these plans are recognized in the period to which they relate.

Defined benefit plans

Benefits paid under the Group's defined benefit plans are determined based on employees' years of service with the Group. The benefit obligation is generally funded by plan assets, with any unfunded portion recognized as a liability in the statement of financial position.

The value of the obligation recorded consists of an actuarial valuation performed according to the projected unit credit method. The method is described in Note 2.H.

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

- Length-of-service awards in France:
    - These are lump-sum payments made to employees on retirement. They are determined by reference to the employee's years of service and end-of-career salary,
    - The calculation is based on parameters defined by Corporate Finance and Human Resources once a year during the second half. The related obligation is covered by a provision.
- Length-of-service awards in Italy:
    - These are lump-sum payments made to employees on retirement. They are determined by reference to the employee's years of service, end-of-career salary, and whether they leave on their own initiative or on that of the company.
    - The related obligation is covered by a provision.
- Pensions: the main defined benefit pension plans are for employees in FRHI (42% of the obligation), in France and in the Worldwide Structures (28% of the obligation), in the Netherlands (17% of the obligation), in Belgium (4% of the obligation) and in Germany (3% of the obligation). The plan in the Netherlands is closed to new participants and is fully funded, with the result that no provision has been recognized in the statement of financial position for this plan. Pension benefit obligations are determined by reference to employees' years of service and end-of-career salary. They are funded by payments to external organizations that are legally separate from AccorHotels Group. In the Worldwide Structures, the pension plan concerns senior executives. Pension rights are unvested and plan participants receive a regular pension, not a lump sum. In the Netherlands, the plan concerns all employees and provides for the payment of a lump sum to participants on retirement.

B. Actuarial assumptions

Actuarial valuations are based on a certain number of long-term parameters supplied by the Group, which are reviewed each year.

The main assumptions made by the Group to estimate the obligations at December 31, 2016 and at December 31, 2015 are as follows:

	France		Netherlands		Germany		Belgium		Switzerland		FRHI		Worldwide Structures	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Rate of future salary increases	3.0%	3.0%	1.0%	2.0%	1.5%	1.5%	2.8%	3.0%	1.0%	1.0%	3,0% - 4,3%	3,0% - 4,5%	3.0%	4.0%
Discount rate	1.5%	2.0%	1.5%	2.0%	1.5%	2.0%	1.5%	2.0%	0.5%	1.0%	2,3% - 3,5%	2,8% - 4,0%	1.5%	2.0%

The assumptions concerning the discount rate applied to calculate the present value of benefit obligations were determined based on the recommendations of independent experts. For subsidiaries located in the euro zone, the discount rate is determined based on the iBoxx Corporate AA 10+ euro zone index. For subsidiaries outside the euro zone, the discount rate is based on an analysis of investment grade corporate bond yields in each region. The calculation method is designed to obtain a discount rate that is appropriate in light of the timing of cash flows under the plan. In all other cases, the discount rate is based on government bond rates.

C. Status of post-employment defined benefit plans

The amounts recognized in the balance sheet and the movements over the year are as follows:

In millions of euros	Pensions				Other benefits
	Projected benefit obligation	Fair value of plan assets	Irrecoverable surplus impact	Net provision	
Situation at January 1, 2016	**232**	**(112)**	**-**	**120**	**19**
Current service cost	8	-	-	8	1
Interest (income) / cost	5	(3)	-	2	0
(Gains) losses on curtailments/settlements	(9)	1	-	(8)	(0)
Cost recognized in net profit or loss - continuing operations	**4**	**(3)**	**-**	**2**	**0**
Cost recognized in net profit or loss - discontinued operations	**13**	**0**	**-**	**13**	**2**
Expense for the period	(8)	8	-	(1)	(1)
Employer contributions for the period	-	(4)	-	(4)	-
Employee contributions for the period	0	(0)	-	-	-
Benefits paid - continuing operations	**(8)**	**3**	**-**	**(5)**	**(1)**
Benefits paid - discontinued operations	**(3)**	**(1)**	**-**	**(4)**	**(1)**
Actuarial gains and losses related to experience adjustments	5	(5)	-	0	-
Actuarial gains and losses related to changes in demographic assumptions	0	-	-	0	-
Actuarial gains and losses related to changes in financial assumptions	1	-	-	1	-
Change in irrecoverable surplus (without net interest)	-	-	1	1	-
Actuarial (gains) losses - continuing operations	**7**	**(5)**	**1**	**2**	**-**
Actuarial (gains) losses - discontinued operations	**4**	**(1)**	**-**	**3**	**-**
Scope changes	**133**	**(127)**	**3**	**9**	**8**
Exchange differences and Other	**(6)**	**3**	**-**	**(3)**	**-**
Impact of reclassification in discontinued operations	**(69)**	**22**	**-**	**(46)**	**(13)**
Situation at December 31, 2016	**306**	**(219)**	**4**	**91**	**14**

At December 31, 2016, net post-employment benefit liabilities comprised €100 million recorded under “Provisions” in the consolidated statement of financial position and €9 million recorded under « Other non-current assets » corresponding to surpluses on two pension plans. The surplus recognized is limited to the asset ceiling, determined as the present value of available future reductions in future contributions.

At December 31, 2016, pension obligations break down by region as follows:

In millions of euros	France	Netherlands	Germany	Belgium	Switzerland	FRHI	Worldwide Structures	Other countries	Total
Actuarial debt	5	53	10	12	5	130	85	7	306
(Fair value of plan assets)	-	(53)	(3)	(7)	(4)	(123)	(30)	(0)	(219)
Irrecoverable surplus	-	-	-	-	-	4	-	-	4
Funded status	5	-	8	5	1	11	55	7	91

The present value of unfunded obligation amounts to €29 million at December 31, 2016 (of which €15 million related to pensions and €14 million related to other benefits). At December 31, 2015 it amounted to €64 million (of which €45 million related to pensions and €19 million related to other benefits).

Detail of plan assets

The assets of insured defined benefit plans are invested in investment funds held by insurance companies in each of the countries concerned except for Worldwide Structures.

The following table shows the breakdown of these plan assets by country:

Detail of plan assets In millions of euros	Netherlands	Germany	Belgium	Switzerland	FRHI	Worldwide Structures	Total
Bonds	-	3	6	1	55	24	89
Real Estate	-	-	1	1	-	2	3
Shares	-	-	0	1	11	3	16
Liquidity	-	-	0	0	2	-	3
Insurance contracts	53	-	-	-	32	-	85
Other	-	-	0	0	22	1	23
Total value of plan assets	**53**	**3**	**7**	**4**	**123**	**30**	**219**

The AccorHotels Group's pension obligations are funded under insured plans or by external funds. Plan assets therefore consist mainly of the classes of assets held in insurers' general portfolios managed according to conservative investment strategies. The expected long-term return on plan assets is matched to the discount rate.

Sensitivity analysis

At December 31, 2016, the sensitivity of provisions for pensions and other post-employment benefits to a change in discount rate is as follows: a 0.5 point increase in the discount rate would lead to a €18 million reduction in the projected benefit obligation, a 0.5 point decrease in the discount rate would lead to a €19 million increase in the projected benefit obligation. The impact on the cost for the year would not be material.

At December 31, 2015, the sensitivity of provisions for pensions and other post-employment benefits to a change in discount rate is as follows: a 0.5 point increase in the discount rate would lead to a €13 million reduction in the projected benefit obligation, a 0.5 point decrease in the discount rate would lead to a €15 million increase in the projected benefit obligation. The impact on the cost for the year would not be material.

Expected cash flows

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

Expected cash flows **In millions of euros**	**France**	**Netherlands**	**Germany**	**Belgium**	**Switzerland**	**FRHI**	**Worldwide Structures**	**Other countries**	**Total**
Expected benefits payment in 2017	0	2	0	0	0	7	2	1	13
Expected benefits payment in 2018	0	2	0	-	0	7	2	1	12
Expected benefits payment from 2018 to 2026	1	14	4	5	1	53	18	6	103
Expected contributions in 2017	-	-	0	0	0	2	-	-	2

Note 24. Change in Working Capital

The change in Working Capital can be analyzed as follows:

In millions of euros	Dec. 2015	Dec. 2016	Variation
Inventories	37	8	(29)
Trade receivables	432	374	(57)
Other receivables and accruals	471	252	(218)
Working Capital assets	**940**	**635**	**(305)**
Trade payables	736	384	(352)
Other payables	1,012	587	(424)
Working Capital liabilities	**1,748**	**971**	**(776)**
Net Working Capital	**808**	**336**	**(471)**

Net Working Capital as of December 31, 2015	**808**
Change in operating working capital	2
Change in operating working capital of discontinued operations	(90)
Working capital items included in development expenditure	49
Working capital items included in assets disposals and assets reclassified as held for sale	(0)
Translation adjustment	(3)
Change in provisions	4
Reclassifications	(33)
Working capital reclassifications - discontinued operations	(399)
Net change in Working Capital	**(471)**
Net Working Capital as of December 31, 2016	**336**

Note 25. Renovation and maintenance and Development Expenditure

The amounts reported under "Renovation and maintenance expenditure" correspond to capitalized costs for maintaining or improving the quality of assets held by the Group at the beginning of each period (January 1st) as a condition of their continuing operation.

Development expenditure corresponds to the property, plant and equipment, and acquired net debt of newly consolidated companies and includes the purchase or construction of new assets and the exercise of call options under sale-and-leaseback transactions, as follows:

In millions of euros	**2015 (*)**	**2016**
Renovation and maintenance expenditure	(72)	(137)
Development expenditure	(189)	(3,067)
Total	**(261)**	**(3,204)**

(*) Restated amounts in application of IFRS 5.

At December 31, 2016, most important development expenditure concern:

- €2,466 million related to the acquisition of Fairmont Raffles Hotels International Group (FRHI),
- €154 million related to the acquisition of onefinestay,
- €155 million related to the acquisition of John Paul,
- €152 million related to the additional acquisition of 9% in Huazhu,
- €35 million related to the acquisition of a 30% stake in 25 Hours,
- €29 million related to the buyback of 2 hotels in Hungary,
- €19 million related to the reimbursement of Risma bonds redeemable as shares,
- €14 million related to the acquisition of a 28% stake in Oasis collections and 49% stake in Squarebreak.

Note 26. Claims and Litigation

26.1. Dividend withholding tax (précompte)

In 2002, Accor SA mounted a legal challenge to its obligation to pay "précompte" dividend withholding tax on the redistribution of European source dividends.

Until 2004, French parent companies were entitled to a 50% tax credit on dividends received from French subsidiaries, which could be set off against the "précompte" dividend withholding tax. However, no tax credit was attached to European source dividends.

Accor SA contested this rule, on the grounds that it breached European Union rules.

In the dispute between Accor SA and the French State, on December 21, 2006 the Versailles Administrative Court ruled that Accor SA was entitled to a refund of the "précompte" dividend withholding tax paid in the period 1999 to 2001, in the amount of €156 million. The amount of €156 million was refunded to Accor SA during the first half of 2007, together with €36 million in late interest due by the French State.

However, on March 8, 2007, the French State appealed the ruling before the Versailles Administrative Court of Appeal. The French State's appeal was rejected on May 20, 2008, thereby confirming Accor SA's right to the refund decided by the Versailles Administrative Court.

As the State had not yet exhausted all avenues of appeal, a liability was recognized for the amounts received and the financial impact of the rulings by the Versailles Administrative Court and Court of Appeal was not recognized in the financial statements.

On July 3, 2009, the French Supreme Court of Appeal announced that it would postpone ruling on the French State's appeal and on August 4, 2009, it applied to the Court of Justice of the European Communities (ECJ) for a preliminary ruling on this issue.

After reviewing the matter, the ECJ's final ruling was handed down on September 15, 2011. In this ruling, the ECJ held that the French précompte/tax credit system restricts the freedom of establishment and free movement of capital.

In its ruling handed down on December 10, 2012, the French Supreme Court of Appeal considered that the dividend tax credit and précompte withholding tax systems had been shown to be incompatible. However, the Court also considered that the amount to be refunded was subject to strict rules which, to all intents and purposes, restricted Accor SA's right to a refund. Accordingly, the Court found that Accor SA was entitled to only approximately €6 million of the €156 million in principal already refunded.

In addition to the €150 million to be returned to the French State, Accor SA was also required to repay the late interest received in 2007, amounting to approximately €36 million, less the portion related to the retained refund of €6 million. In all, €185 million in principal and interest was repaid to the French State during first-half 2013.

In the 2012 financial statements, the €6 million "précompte" dividend withholding tax refunded to Accor SA and not repayable to the French State was credited to a reserve account. The estimated €1 million in late interest received on this amount was considered as offsetting the early payment of tax, and was therefore recorded as a tax benefit in the income statement.

AccorHotels has noted the Supreme Court of Appeal's decision and intends to continue to use the avenues available to it to defend its position in the dispute with the French tax authorities.

On February 7, 2007, Accor SA filed an application originating proceedings before the Cergy Pontoise Court on the same grounds, to obtain a refund of the €187 million in ''précompte'' dividend withholding tax paid in the period 2002 to 2004. In a ruling handed down on May 27, 2014, the Cergy Pontoise Court applied the restrictive principles governing the calculation of refunds described by the French Supreme Court of Appeal (Conseil d'Etat) in a decision dated December 10, 2012. In line with these principles, the Court found that Accor SA was entitled to a refund of €7 million in respect of the "précompte" dividend withholding tax for the years 2002, 2003 and 2004 together with interest of €3 million.

These amounts are recorded in the statement of financial position since June 30, 2014, as Accor SA appealed the decision before the Versailles Administrative Court of Appeal on July 23, 2014 and the ruling is therefore not final.

26.2. Tax audit at Accor SA

A tax audit is currently in progress at Accor SA. On December 26, 2013, the tax authorities notified the Company of proposed adjustments to its 2010 and 2011 accounts. The proposal was timed to interrupt the statute of limitations that was due to expire for claims by the tax authorities on December 31, 2013 and December 31, 2014. The tax authorities have not yet provided any indication of the financial consequences of the proposed adjustments for the tax group of which Accor SA is the filing entity, but the total risk including late interest is estimated at €30 million.

The tax authorities were challenging the independent valuation of the Accor Services brands that was used by Accor SA to calculate the taxable capital gain on the brands contributed at the time of the Group’s demerger in 2010. They have also queried the alleged waiver by Accor SA of income due by its wholly-owned Brazilian subsidiary, Hotelaria Accor Brasil S.A., which they say had corporate income tax and withholding tax implications. This represents a relatively minor risk.

Accor SA wrote to the tax authorities in February 2014 and December 2014 contesting the proposed adjustments, but has nevertheless recorded a contingency provision of €15 million in its 2014 financial statements. Following an appeal to the department head, on July 21, 2015 the tax authorities dropped the reassessment of the taxable capital gain on the brands contributed at the time of the Group’s demerger in 2010 but maintained the reassessment concerning the alleged waiver of income from its Brazilian subsidiary, Hotelaria Accor Brasil S.A. This led to a reduction in back taxes due as a result of the reassessments, from €30 million to €8 million (including late interest), of which €4 million was claimed by the tax authorities in December 2015 and recorded as an expense for the year. The contingency provision was therefore reduced from €15 million to €4 million at December 31, 2015. The Group intends to contest the proposed reassessment before the competent tax courts.

26.3. Other claims and litigation

In the normal course of its business, the Group is exposed to claims, litigations and proceedings that may be in progress, pending or threatened. The Company believes that these claims, litigations and proceedings have not and will not give rise to any material costs at Group level and have not and will not have a material adverse effect on the Group's financial position, business and/or results of operations.

Note 27. Off-Balance Sheet Commitments

27.1. Off-Balance Sheets commitments given

Off-balance sheet commitments (which are not discounted) given at December 31, 2016 break down as follows:

In millions of euros		Less than 1 year	1 to 5 years	Beyond 5 years	Total
Security interests given on assets	(1)	**-**	**81**	**-**	**81**
Purchase commitments	(2)	**107**	**1**	**1**	**109**
Capex Commitments		**10**	**4**	**-**	**14**
Loan guarantees given	(3)	**86**	**223**	**266**	**575**
Commitments given in the normal course of business		**27**	**43**	**12**	**82**
Contingent liabilities		**-**	**1**	**-**	**1**
Total		**230**	**354**	**279**	**863**

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

a. In connection with the bond issue carried out in Poland in June, 2015, assets worth €48 million have been mortgaged in favor of the bank. The amount of the mortgage corresponds to the carrying amount of two hotel properties, Warszawa Centrum Novotel and Warszawa Centrum Mercure. This mortgage amounted to €42 million at December 31, 2016.

b. In connection with the transfer by AccorHotels to Orbis of the management of its Central European operations, a facility agreement was signed with a bank. Drawdowns on this facility are secured by a €43 million mortgage. The amount of the mortgage corresponds to the carrying amount of two hotel properties, Warszawa Grand Mercure and Warsaw Victoria Sofitel. They represented €39 million at December 31, 2016.

(2) In connection with property development projects:

a. The Group is committed to acquiring 5 hotel Kft., owner of 5 hotels in Hungary, for €70 million,

b. The Group is also committed to acquiring a 50% stake in a management company (NewCo) located in the Netherlands and owner of Rixos and several management contracts for €36 million.

(3) Other guarantees that increase debt mainly include rent guarantees for the headquarters buildings in the amount of €282 million (€200 million discounted at 7%) and for the first time at December 31, 2016, rent guarantees for hotels related to continued activites (Orbis, etc.) in the amount of €244 million (€169 million discounted at 7%).

Off-balance sheet commitments given related to discontinued activities are not presented in the table above. These commitments amounted to €3,345 million at December 31, 2016, including commitments for the payment of hotel rents for €3,057 million (€1,974 million discounted at 7%), purchase commitments for €89 million, security interests given on assets for €71 million, renovation commitments for €70 million and commitments given in the normal course of business for €33 million.

The Group commits in most of the cases to spend a specified amount on hotel maintenance, generally expressed as a percentage of revenue. These commitments are not included in the above table due to the difficulty of estimating the amounts involved.

From time to time the Group may also issue performance guarantees to the owners of managed hotels. The guarantee may include a clawback clause applicable if the hotel's performance improves in subsequent years.

To the best of the Group's knowledge and in accordance with generally accepted accounting principles, no commitments given have been omitted from the above list.

27.2. Off-balance sheet commitments received

Off-balance sheet commitments (not discounted) received at December 31, 2016 break down as follows:

In millions of euros	Less than 1 year	1 to 5 years	Beyond 5 years	Total
Other guarantees received in the normal course of business	0	0	16	17
Other commitments and guarantees received	**0**	**0**	**16**	**17**
Total	**0**	**0**	**16**	**17**

At December 31, 2016, off-balance sheet commitments received regarding discontinued operations amount to €60 million and mainly concern guarantees received in the normal course of the business for €41 million.

Purchase options under finance leases are not included in this table.

Note 28. Main consolidated companies

The main subsidiaries and associates represent 98% of consolidated revenue, 98% of EBITDAR and 87% of EBIT. The other subsidiaries and associates represent individually less than 0.07% of these aggregates.
To the best of the Group's knowledge, there are no material restrictions on the use and sale by AccorHotels of the assets of subsidiaries controlled by the Group.

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

ACCOR SA

HOSPITALITY

France			
GOLFE D'AJACCIO	France	IG	100,00%
SOCIETE HOTELIERE DU FORUM	France	IG	100,00%
SOFITEL LUXURY HOTELS FRANCE	France	IG	100,00%
IBIS STYLES HOTELS	France	IG	100,00%
STE PADACRINA	France	IG	100,00%
SNC NMP FRANCE	France	IG	100,00%
STE HOTELIERE 61 QUAI DE GRENELLE	France	IG	100,00%
PRADOTEL	France	IG	100,00%
STE DU DOMAINE DE MARLIOZ ET EXTENSIONS	France	IG	100,00%
PARIS PORTE DE SAINT CLOUD	France	IG	100,00%
SHORET	France	IG	100,00%
MONTREUILLOISE	France	IG	100,00%
VAROISE SHTCV	France	IG	94,91%
CIE ETAP HOTEL BAGNOLET	France	IG	96,00%
STE PORTE MONTREUIL	France	IG	99,96%
SIGEST 1	France	IG	100,00%
STE EXPLOITATION HOTEL MONEGASQUE (SEHM)	Monaco	IG	100,00%
GESTAL	France	IG	96,00%
ACADEMIE FRANCE	France	IG	100,00%
STE HOTELIERE PARIS EIFFEL SUFFREN	France	IG	75,00%
PARIS CLICHY	France	IG	100,00%
SH DEFENSE GRANDE ARCHE	France	IG	100,00%
FRHI France	France	IG	100,00%
EXHOTEL	France	IG	100,00%
COMPAGNIE TOULONNAISE D'INVESTISSEMENTS ET DE DEVELOPPEMENT	France	IG	100,00%
SOGECA	France	IG	100,00%
SOCIETE DE MANAGEMENT INTERMARQUES	France	IG	100,00%
SOCIETE HOTELIERE DE MONTPARNASSE (SHDM)	France	IG	100,00%
THALAMER	France	IG	100,00%
SOCIETE HOTELIERE D'EXPLOITATION ECONOMIQUE (HOTEXCO)	France	IG	100,00%
COMPAGNIE ETAP HOTEL ROISSY	France	IG	96,00%
SNC EXPLOITATION HOTELS SUITEHOTEL	France	IG	100,00%
STE HOT EXPLOITATION MARSEILLE	France	IG	100,00%
ECOTEL	France	IG	99,45%
SOCIETE HOTELIERE TOULOUSE CENTRE	France	IG	51,44%
SHNM	France	IG	100,00%
SOCIETE COMMERCIALE DES HOTELS ECONOMIQUES (SCHE)	France	IG	99,96%
SPARHE	France	IG	100,00%
IBIS BUDGET	France	IG	96,00%
SOCIETE D'ETUDE ET DE PROMOTION HOTELIERE INTERNATIONAL (SEPHI)	France	IG	100,00%
ACCOR REDEVANCES FRANCE	France	IG	100,00%
MER &MONTAGNE	France	IG	100,00%

NCEE			
ACCORHOTELS GERMANY GMBH	Germany	IG	100,00%
ACCOR UK BUSINESS & LEISURE	United Kingdom	IG	100,00%
ACCOR UK ECONOMY HOTELS LTD	United Kingdom	IG	100,00%
ACCOR HOSPITALITY NEDERLAND N.V.	The Netherlands	IG	100,00%
ORBIS	Poland	IG	52,69%
ACCOR HOTELS BELGIUM	Belgium	IG	100,00%
ACCOR GESTION HOTELIERE & SERVICES SA	Switzerland	IG	100,00%
ACCOR HOTELBETRIEBS GMBH	Austria	IG	100,00%
ACCOR - PANNONIA HOTELS ZRT	Hungary	IG	99,94%
HEKON-HOTELE EKONOMICZNE	Poland	IG	52,69%
KATERINSKA HOTEL JUR	Czech Republic	IG	100,00%
BERNE MESSE	Switzerland	IG	60,00%
ACCOR HOTELS ROMANIA	Romania	IG	100,00%
RUSSIAN MANAGEMENT HOTEL COMPANY LLC	Russia	IG	100,00%
SOCIETE D'EXPLOITATION HOTELIERE	Switzerland	IG	99,77%
ACCOR HOTELS LUXEMBOURG	Luxembourg	IG	100,00%
FRHI NER	Switzerland	IG	100,00%
ACCOR PANNONIA SLOVAKIA S.R.O	Slovakia	IG	99,94%
UAB HEKON	Lithuania	IG	52,69%
ACCOR AHS	Sweden	IG	100,00%
MOSHOTEL	Russia	IG	100,00%
BALHOTEL	Switzerland	IG	70,00%
GROEN BRUGGE HOTEL	Belgium	IG	100,00%

OTHER SERVICES

MAMA SHELTER	France	MEE	36,60%

Compagnie Internationale des Wagons Lits & du Tourisme (*) - Belgium			
Treno (*)	Italy	Activité destinée à être cédée	99,77%

(*) These entities are not held directly by Accor SA

MMEA			
ACCOR HOTELES ESPAÑA S.A.	Spain	IG	100,00%
ACCOR HOSPITALITY ITALIA SRL	Italy	IG	100,00%
PORTIS - HOTÉIS PORTUGUESES, S.A.	Portugal	IG	100,00%
ACCOR HOTEL SAE	Egypt	IG	99,78%
TAMARIS TURIZM TRY	Turkey	IG	100,00%
FRHI MMEA	United Arab Emirates	IG	100,00%
SAUDI FRENCH COMPANY HOTEL MGT	Saudi Arabia	IG	99,98%
ACCOR GESTION MAROC	Morocco	IG	77,99%
SOCIETE HOTELIERE BARACHOIS	Senegal	IG	90,58%
STE HOTELIERE LA LAGUNE	Ivory Coast	IG	100,00%
UPSITE - INVESTIMENTOS HOTELEIROS, S.A.	Portugal	IG	100,00%
SOCIETE ABIDJANAISE D'HOTELLERIE	Ivory Coast	IG	99,99%
BELLE RIVIERE HOTEL (BRH)	Mauritius	IG	100,00%
STE HOTELIERE ATHENE CENTRE	Greece	IG	100,00%
CIE HOTELIERE PLATEAU ABIDJAN	Ivory Coast	IG	90,85%
EL GEZIRAH HOTELS TOURISM CY	Egypt	IG	65,71%
STE HOTELIERE DE L'AUTOROUTE (SHA)	Ivory Coast	IG	94,70%
PIERRE LOTI S.A	Cameroon	IG	100,00%
HOTEL UNION PULLMAN	Senegal	IG	100,00%

ASPAC			
ACCOR ASIA PACIFIC CORP.	New Zealand	IG	100,00%
FRHI ASPAC	Singapore	IG	100,00%
AAPC INDIA HOTEL MANAGEMENT PRIVATE HS	India	IG	70,00%
AAPC PROPERTIES PTY LTD	Australia	IG	100,00%

AMERIQUES			
HOTELARIA ACCOR BRASIL SA	Brazil	IG	100,00%
FRHI North & Central America & Caribbean	Canada	IG	100,00%
POSADAS DO BRASIL	Brazil	IG	100,00%
HOTELARIA ACCOR BRASIL	Brazil	IG	100,00%
SI HOTELERA DE MEXICO JUR	Mexico	IG	100,00%
ACCOR HOSPITALITY ARG SA	Argentina	IG	100,00%
ACCOR CHILE	Chile	IG	100,00%
SOFITEL SUPPORT USA HI	USA	IG	100,00%
HOTEL SANTA CLARA	Colombia	IG	62,00%
CAESAR PARK ARGENTINA	Argentina	IG	100,00%
SOCIEDAD DE DESARROLLO DE HOTELES PERUANOS S.A (SDHP)	Peru	IG	100,00%
ACCOR BUSINESS AND LEISURE NORTH AMERICA	USA	IG	100,00%
ACCOR CANADA INC	Canada	IG	100,00%
SOCIEDAD INMOBILIARIA Y DE HOTELES LARCOMAR	Peru	IG	100,00%
POSADAS DE CHILE	Chile	IG	100,00%
SOGEDETU	Dominican Republic	IG	100,00%

Note 29. Related Party Transactions

For the purpose of applying IAS 24, the Group has identified the following related parties:

- All fully consolidated companies and all associated companies accounted for by the equity method,
- All members of the Executive Committee and the Board of Directors and the members of their direct families,
- All companies in which a member of the Executive Committee or the Board of Directors holds material voting rights,
- Companies that exercise significant influence over AccorHotels in accordance with IAS 28, and companies fully or jointly controlled by a company that exercises significant influence over AccorHotels.

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

Relationships between the parent company and its subsidiaries, joint ventures and associates are presented in Note 28. Transactions between the parent company and its subsidiaries – which constitute related party transactions – are eliminated in consolidation and are therefore not disclosed in these notes. Transactions between the parent company and its joint ventures and associates were not material in 2015 and 2016.

✓ **Members of the Executive Committee and the Board of Directors**

Transactions with members of the Executive Committee and Board of Directors are disclosed in full in Note 30. Commitments towards members of the Executive Committee and the Board of Directors, and direct or indirect agreements with one or several Board members not entered into on arm's length terms in the normal course of business are described in the Auditors' special report on related party agreements included in the 2016 Registration Document.

✓ **Companies in which a member of the Executive Committee or the Board of Directors holds material voting rights.**

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. Any agreements that did not fulfill this criterion would be discussed in the Statutory Auditors' special report on related-party agreements and commitments.

✓ **Companies that exercise significant influence over AccorHotels**

At December 31, 2016, Colony Capital and Eurazeo, acting in concert, together exercise significant influence over AccorHotels through their shareholders' pact.

During the first half of 2016, in connection with the sale of a portfolio of 85 hotels in Europe to Grape Hospitality, a company controlled by Eurazeo that is accounted for by the equity method in the Group's consolidated financial statements on a 30% basis (see Note 3), a related party agreement was signed with Eurazeo providing for:

- The subscription by Accor, either directly or indirectly, of a 30% interest in the share capital of Grape Hospitality Holding,
- The signature of a shareholders' agreement between Accor and Eurazeo as shareholders of Grape Hospitality Holding,
- The sale by Accor of 85 hotels to Grape Hospitality Holding;
- The signature of franchise agreements for the ongoing operation under AccorHotels brands of the hotels sold;
- A letter of guarantee from Accor that the Accor subsidiaries party to the framework agreement will comply with their obligations thereunder.

An agreement with a Colony Group company concluded on a previous period is discussed in the Statutory Auditors' special report on related-party agreements and commitments.

Furthemore, in the frame of the acquisition of Fairmont Raffles Hotels International Group (FRHI), the vendors Kingdom Holding Company of Saudi Arabia (KHC) and Qatar Investment Authority (QIA) respectively got 10.36% and 5.79% in Accor SA's share capital (representing 9.38% and 5.25% of the voting rights). QIA also has two members in the Board of Directors of Accor SA, whereas KHC has one. At December 31, 2016, these two companies exercise significant influence over AccorHotels regarding IAS 28.

Note 30. Corporate Officer's Compensation

In millions of euros	2015		2016	
	Expenses	Balance sheet amount	Expenses	Balance sheet amount
Short-term benefits received	16	9	16	7
Post-employment benefits	3	17	3	23
Other long-term benefits	-	-	-	-
Compensation for loss of office	2	-	2	-
Share-based payments	4	-	4	-
Total compensation	**24**	**27**	**25**	**30**

Corporate officers are defined as members of the Executive Committee which had thirteen members at the end of December 31, 2016 and December 31, 2015 and the Board of Directors.

The compensation data for corporate officers presented above includes all the different forms of compensation received by the members of the Executive Committee.

Members of the Board of Directors do not receive any compensation and receive only attendance fees. Attendance fees paid by the Group to the members of the Supervisory Board for 2016 amounted to €1,120,000.

Note 31. Fees Paid to the Auditors

The table below shows the total fees billed by the Auditors recognized in the total Group income statements in 2016 and prior year.

In millions of euros	2015	2016
Fees related to certification of accounts	(8)	(9)
Fees for services other than certification of accounts	(2)	(4)
Total fees billed by the Auditors	**(10)**	**(13)**

Note 32. Subsequent Events

A. Bond issue

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

B. Exclusive negotiations to acquire Travel Keys

On February 5, 2017, AccorHotels announced it has begun exclusive negotiations for the acquisition of 100% of Travel Keys, one of the leading players in the private vacation rental market.

Founded in 1991, Travel Keys is an elite travel broker representing a luxury collection of over 5,000 highly curated villas across more than 100 destinations across the Caribbean, Mexico, Hawaii & the United States, Europe, Asia and Africa. A pioneer in the industry, the Atlanta-based company focuses on guest satisfaction, offering professional vacation planning and 24/7 concierge services.

The combination of Travel Keys with onefinestay and Squarebreak will provide AccorHotels with a unique offering of about 8,500 addresses in the luxury private rental market, with highly curated properties in both the vacation & urban segments.

The transaction is expected to close over the second quarter of 2017 after customary due diligence.

C. Change in share capital

On January 31, 2017, Colony Capital disclosed that it had sold the 13,774,992 shares making up its entire interest in AccorHotels and that it no longer held any shares or voting rights. The concert group between Colony Capital and Eurazeo therefore ceased to exist as of that date. Eurazeo continues to hold 4.28% of AccorHotels' capital and 7.71% of the voting rights.

Note 33. Restatment of comparative information

As mentioned in Note 1, the profit and cash flows attributable to discontinued operations (HotelInvest) are presented on separate lines in the 2016 consolidated financial statements. In application of IFRS 5, the comparative financial statements for 2015 have been restated on the same basis. The impact of these restatements on the 2015 consolidated financial statements is presented below.

33.1. Restated Consolidated Income Statement

In millions of euros	Year ended December 31, 2015		
	Reported	IFRS 5 impacts	Restated
CONSOLIDATED REVENUE	**5,581**	**(4,213)**	**1,368**
Operating expense	(3,801)	2,997	(805)
EBITDAR	**1,780**	**(1,216)**	**564**
Rental expense	(794)	680	(114)
EBITDA	**986**	**(536)**	**450**
Depreciation, amortization and provision expense	(321)	241	(80)
EBIT	**665**	**(295)**	**370**
Net financial expense	(71)	1	(70)
Share of profit of associates after tax	10	(3)	8
OPERATING PROFIT BEFORE TAX & NON RECURRING ITEMS INCL. FINANCIAL RESULT	**605**	**(297)**	**308**
Non-recurring income and expense	(197)	104	(93)
OPERATING PROFIT BEFORE TAX INCLUDING FINANCIAL RESULT	**408**	**(194)**	**215**
Income tax expense	(136)	76	(59)
PROFIT FROM CONTINUING OPERATIONS	**273**	**(117)**	**155**
Net profit or Loss from discontinued operations	(1)	117	116
NET PROFIT OR LOSS	**271**	**(0)**	**271**
Net Profit, Group Share from continuing operations	246	(112)	134
Net Profit or Loss, Group Share from discontinued operations	(1)	112	110
Net Profit or Loss, Group Share	**244**	**(0)**	**244**
Net Profit, Minority interests from continuing operations	27	(6)	21
Net Profit or Loss, Minority interests from discontinued operations	-	6	6
Net Profit, Minority interests	27	0	27

Weighted average number of shares outstanding (in thousands)	234,387	0	234,387
EARNINGS PER SHARE (in €)	**0.88**	-	**0.88**
Diluted earnings per share (in €)	0.88	(0.00)	0.88

In millions of euros	Year ended December 31, 2015		
	Reported	IFRS 5	Restated
NET PROFIT OR LOSS	**271**	**-**	**271**
Currency translation adjustment	(3)	15	12
Effective portion of gains and losses on hedging instruments in a cash flow hedge	(3)	-	(3)
Change in fair value resulting from available-for-sale financial assets	12	-	12
Other comprehensive income arising from discontinued operations	-	(15)	(15)
Comprehensive income that will be reclassified subsequently to profit or loss	***6***	**-**	***6***
Actuarial gains and losses on defined benefit plans	(9)	-	(9)
Other comprehensive income arising from discontinued operations	-	(0)	(0)
Comprehensive income that will never be reclassified subsequently to profit or loss	***(9)***	**-**	***(9)***
Comprehensive income, net of tax	**(3)**	**-**	**(3)**
TOTAL PROFIT OR LOSS	**268**	**-**	**268**
Profit or loss, Group share	**241**	**-**	**241**
Profit or loss, Minority interests	**27**	**-**	**27**

33.2. Restated Cash Flow Statement

In millions of euros	Year ended December 31, 2015		
	Reported	IFRS 5 impacts	Restated
+ EBITDA	986	(536)	450
+ Cost of net debt (*)	(71)	1	(70)
+ Income tax expense	(171)	93	(78)
- Non cash revenue and expense included in EBITDA	21	(5)	16
- Elimination of provision movements included in net financial expense and non-recurring taxes	35	(22)	13
+ Dividends received from associates	16	(1)	15
+ Impact of discontinued operations	(2)	471	469
= Funds from operations excluding non-recurring transactions	**814**	(0)	**814**
+ Decrease (increase) in operating working capital	72	(11)	60
+ Impact of discontinued operations	(0)	11	11
= Net cash from operating activities	**886**	0	**886**
+ Cash received (paid) on non-recurring transactions (included restructuring costs and non-recurring taxes) (*)	(101)	32	(69)
+ Impact of discontinued operations	-	(32)	(32)
= Net cash from operating activities including non-recurring transactions (A)	**785**	(0)	**785**
- Renovation and maintenance expenditure	(269)	197	(72)
- Development expenditure	(366)	177	(189)
+ Proceeds from disposals of assets	356	(321)	35
+ Impact of discontinued operations	1	(54)	(53)
= Net cash used in investments / divestments (B)	**(280)**	(0)	**(280)**
+ Proceeds from issue of share capital	52	0	52
- Dividends paid	(174)	3	(171)
- Hybrid capital dividend payment	(37)	-	(37)
- Repayment of long-term debt	(688)	4	(684)
- Payment of finance lease liabilities	(8)	8	-
+ New long term debt	673	(16)	657
= Increase (decrease) in long-term debt	**(23)**	(4)	(27)
+ Increase (decrease) in short-term debt	(47)	26	(21)
+ Impact of discontinued operations	-	(26)	(26)
= Net cash from financing activities (C)	**(230)**	0	**(230)**
+ Effect of changes in exchange rates (D)	(10)	12	2
+ Effect of changes in exchange rates on discontinued operations (D)	-	(12)	(12)
= Net change in cash and cash equivalents (E) = (A) + (B) + (C) + (D)	**266**	(1)	**266**

- Cash and cash equivalents at beginning of period	2,677	0	2,677
- Net change in cash and cash equivalents for discontinued operations	1	(0)	1
+ Cash and cash equivalents at end of period	2,944	(0)	2,944
= Net change in cash and cash equivalents	**266**	(0)	**266**

(*) To facilitate readability, net financial expense is now broken out between cost of net debt (included in "Funds from operations excluding non-recurring transactions") and other financial income and expenses, net (reported under "Cash received (paid) on non-recurring transactions"). Both components continue to be included in "Net cash from operating activities including non-recurring transactions".