CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

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

Consolidated income statement

(€ in million)	Notes	1st semester 2018 (*)	1st semester 2019
Revenue	3	**1,300**	**1,926**
Operating expense	3	(1,046)	(1,551)
EBITDA	3	**254**	**375**
Depreciation, amortization and provision expense		(51)	(141)
EBIT		**202**	**234**
Share of net profit of associates and joint-ventures	4	20	(14)
EBIT including profit of associates and joint-ventures		**222**	**221**
Other income and expenses	5	(280)	(6)
Operating profit		**(58)**	**214**
Net financial expense	8	(31)	(38)
Income tax	9	(16)	(43)
Profit from continuing operations		**(106)**	**134**
Profit from discontinued operations	2	2,312	19
Net profit of the period		**2,206**	**152**
• Group		**2,179**	**141**
from continuing operations		(115)	125
from discontinued operations		2,294	16
• Minority interests		**27**	**11**
from continuing operations		10	8
from discontinued operations		18	3
Basic earnings per share (in euros)			
Earnings per share from continuing operations		**(0.52)**	**0.32**
Earnings per share from discontinued operations		**7.90**	**0.06**
Basic earnings per share		**7.37**	**0.38**
Diluted earnings per share (in euros)			
Diluted earnings per share from continuing operations		**(0.52)**	**0.32**
Diluted earnings per share from discontinued operations		**7.88**	**0.06**
Diluted earnings per share	**10**	**7.36**	**0.38**

(*) Restated amounts in application of IFRS 5 (see Note 2)

Consolidated statement of comprehensive income

(€ in million)	Notes	1st semester 2018 (*)	1st semester 2019
Net profit of the period		**2,206**	**152**
Currency translation adjustments	10	29	32
Effective portion of gains and losses on cash flow hedges	10	(9)	1
Currency translation adjustments from discontinued operations	10	(1)	4
Items that may be reclassified subsequently to profit or loss		**18**	**37**
Changes in the fair value of non-consolidated investments	10	(3)	4
Actuarial gains and losses on defined benefit plans	10	-	(9)
Actuarial gains and losses from discontinued operations	10	(1)	-
Items that will not be reclassified to profit or loss		**(4)**	**(5)**
Other comprehensive income, net of tax		**14**	**32**
Total comprehensive income of the period		**2,221**	**184**
• Group share		2,204	177
• Minority interests		17	6

(*) Restated amounts in application of IFRS 5 (see Note 2)

Consolidated statement of financial position

Assets

(€ in million)	Notes	Dec. 2018	June 2019
Goodwill	6	**2,399**	**2,392**
Other intangible assets	6	**2,653**	**2,576**
Property, plant and equipment	6	**1,192**	**691**
Right of use	12	**-**	**876**
Investments in associates and joint-ventures	4	2,177	2,173
Other non-current financial assets	8	339	343
Non-current financial assets		**2,516**	**2,516**
Deferred tax assets		199	205
Contract assets		176	188
Other non-current assets		4	4
Non-current assets		**9,139**	**9,447**
Inventories		15	19
Trade receivables		617	655
Other current assets		258	279
Current financial assets	8	55	42
Cash and cash equivalents	8	2,820	1,734
Current assets		**3,764**	**2,729**
Assets classified as held for sale	2	14	882
TOTAL ASSETS		**12,917**	**13,058**

Equity and Liabilities

(€ in million)	Notes	Dec. 2018	June 2019
Share capital	10	848	811
Additional paid-in capital and reserves	10	2,361	4,303
Net profit of the year		2,233	141
Ordinary shareholders' equity		**5,441**	**5,254**
Perpetual subordinated bonds	10	887	994
Shareholders' equity - Group share		**6,328**	**6,248**
Minority interests	10	108	115
Shareholders' equity	10	**6,436**	**6,363**
Long-term financial debt	8	2,760	2,825
Long-term lease debt	12	-	752
Deferred tax liabilities		531	541
Non-current provisions	7	118	118
Non-current contract liabilities		27	26
Non-current liabilities		**3,435**	**4,263**
Trade payables		426	427
Current liabilities		696	669
Current provisions	7	449	375
Current contract liabilities		201	218
Short-term financial debt	8	1,268	305
Short-term lease debt	12	-	130
Current liabilities		**3,039**	**2,125**
Liabilities associated with assets classified as held for sale	2	6	308
TOTAL EQUITY AND LIABILITIES		**12,917**	**13,058**

Consolidated statement of cash flows

	(€ in million)	Notes	1st semester 2018 (*)	1st semester 2019
+	EBITDA	3	254	375
+	Cost of net debt	8	(27)	(30)
+	Income tax paid		(26)	(39)
-	Non cash revenue and expense included in EBITDA		2	14
-	Reversal of provisions included in net financial expense and non-recurring taxes		(1)	(0)
+	Dividends received from associates and joint-ventures		4	40
+	Impact of discontinued operations	2	160	35
=	**Funds from operations excluding non-recurring items**		**366**	**395**
+	Decrease (increase) in operating working capital	3	10	(104)
+	Impact of discontinued operations	2	(58)	(9)
+	Decrease (increase) in contract asset		(4)	6
=	**Net cash from operating activities**		**313**	**288**
+	Cash received (paid) on non-recurring items (incl. restructuring costs and non-recurring taxes)		(99)	(67)
+	Impact of discontinued operations		(14)	(0)
=	**Net cash from operating activities including non-recurring items (A)**		**200**	**220**
-	Renovation and maintenance expenditure		(30)	(44)
-	Development expenditure		(1,033)	(62)
+	Proceeds from disposals of assets		4,320	7
+	Impact of discontinued operations	2	(157)	(2)
=	**Net cash from investing activities (B)**		**3,099**	**(102)**
+	Issue of hybrid capital	10	-	493
+	Reimbursement of hybrid capital	10	-	(398)
+	Proceeds from issue of shares		15	-
-	Dividends paid		(300)	(287)
-	Interests paid on perpetual subordinated bonds		(37)	(36)
-	Repayment of long-term debt		(170)	(353)
+	New long term debt		175	542
=	**Increase (decrease) in long-term debt**		**5**	**189**
+	Share buyback program	10	-	(489)
+	Orbis shares purchase	2	-	(339)
+	Increase (decrease) in short-term debt		(8)	(168)
+	Repayment of lease liability		-	(67)
+	Impact of discontinued operations	2	(248)	(7)
=	**Net cash used in financing activities (C)**		**(573)**	**(1,109)**
+	Effect of changes in exchange rates (D)		6	10
+	Effect of changes in exchange rates on discontinued operations (D)	2	27	2
=	**Net change in cash and cash equivalents (E) = (A) + (B) + (C) + (D)**		**2,759**	**(979)**
-	Cash and cash equivalents at beginning of period		1,048	2,837
-	Effect of changes in fair value of cash and cash equivalents		(9)	5
-	Net change in cash and cash equivalents for discontinued operations		125	(150)
+	Cash and cash equivalents at end of period		3,924	1,713
=	**Net change in cash and cash equivalents**		**2,759**	**(979)**

(*) Restated amounts in application of IFRS 5 (see Note 2)

Consolidated changes in equity

(€ in million)	Number of shares	Share capital	Additional paid-in capital	Currency translation reserve	Retained earnings	Equity Group share	Minority interests	Total Equity
Balance at December 31, 2017	290,122,153	**870**	**2,684**	**(372)**	**2,260**	**5,442**	**341**	**5,783**
Restatements IFRS 9		-	-	-	(13)	(13)	-	(13)
Restated Balance at January 1, 2018	290,122,153	**870**	**2,684**	**(372)**	**2,247**	**5,429**	**341**	**5,770**
Capital increase	759,498	2	13	-	(1)	14	1	15
Dividends paid		-	-	-	(306)	(306)	(14)	(320)
Share-based payments		-	-	-	9	9	-	9
Perpetual subordinated bonds		-	-	-	(37)	(37)	-	(37)
Effects of scope changes		-	-	1	(32)	(32)	(100)	(132)
Transactions with shareholders	759,498	**2**	**13**	**1**	**(368)**	**(352)**	**(114)**	**(466)**
Net profit of the period		-	-	-	2,179	2,179	27	2,206
Other comprehensive income		-	-	39	(14)	25	(11)	14
Total comprehensive income		**-**	**-**	**39**	**2,165**	**2,204**	**17**	**2,221**
Balance at June 30, 2018	**290,881,651**	**872**	**2,697**	**(333)**	**4,045**	**7,281**	**244**	**7,525**

(€ in million)	Number of shares	Share capital	Additional paid-in capital	Currency translation reserve	Retained earnings	Equity Group share	Minority interests	Total Equity
Balance at December 31, 2018	282,607,800	**848**	**2,378**	**(321)**	**3,423**	**6,328**	**108**	**6,436**
Restatements IFRIC 23(*)		-	-	-	(38)	(38)	-	(38)
Restated Balance at January 1, 2019	282,607,800	**848**	**2,378**	**(321)**	**3,385**	**6,290**	**108**	**6,398**
Capital increase	(12,340,287)	(37)	(453)	-	491	1	0	1
Dividends paid		-	-	-	(283)	(283)	(4)	(287)
Share-based payments		-	-	-	12	12	-	12
Perpetual subordinated bonds		-	-	-	59	59	-	59
Effects of scope changes		-	-	-	(7)	(7)	4	(3)
Other movements		-	-	2	(2)	(0)	(0)	(0)
Transactions with shareholders	(12,340,287)	**(37)**	**(453)**	**2**	**269**	**(219)**	**0**	**(219)**
Net profit of the period		-	-	-	141	141	11	152
Other comprehensive income		-	-	41	(4)	37	(5)	32
Total comprehensive income		**-**	**-**	**41**	**137**	**177**	**6**	**184**
Balance at June 30, 2019	**270,267,513**	**811**	**1,924**	**(278)**	**3,791**	**6,248**	**115**	**6,363**

(*) Restated amounts in application of new accounting methods (see Note 12)

Notes to the condensed consolidated financial statements

Note 1. Basis of preparation

The interim condensed consolidated financial statements of Accor Group for the six months ended June 30, 2019 were examined by the Board of Directors on July 31, 2019.

1.1. Accounting framework

The condensed consolidated financial statements have been prepared in accordance with Accounting Standard IAS 34 *Interim financial reporting*. They do not contain all the information and disclosures required in the annual financial statements. Accordingly, they should be read in conjunction with the Group's consolidated financial statements for the year ended December 31, 2018.

The accounting policies adopted are consistent with those of the 2018 financial year, except for the adoption of new standards effective at January 1, 2019, as set out below, and following specific measurement principles applied for the interim financial reporting:

- Income Tax Expense: the income tax expense (current and deferred) is calculated by applying, on the one hand, the estimated annual average tax rate for the current fiscal year for each entity or tax group to profit before tax and non-recurring items of the period and, on the other hand, the current tax rate of each country to the non-recurring items of the period.
- Employee benefits: the post-employment and other long-term employee benefits obligation is calculated by projecting the December 31, 2018 obligation over a six-month period, taking into account any benefits paid and any changes to plan assets. The actuarial assumptions used in the calculation of the employee benefit obligations are updated in the event of significant change over the period.

The business carried out by the Group during the six months ended June 30, 2019 is not materially seasonal.

1.2 Evolution of accounting framework

1.2.1 New standards adopted by the Group

The Group applied the new standards, amendments or interpretations, which are mandatorily effective for financial years beginning on or after January 1, 2019.

IFRS 16 *Leases*

IFRS 16, the new standard for leases, supersedes IAS 17 *Leases* and related interpretations. The standard removes the distinction between operating and finance leases for lessees. It introduces a single on-balance sheet accounting model for lessees, with recognition of an asset reflecting the right to use the leased item and a liability representing the obligation to pay the rents.

The Group has adopted IFRS 16 retrospectively from January 1, 2019 but has not restated the comparative information for 2018, as permitted under the specific transitional provisions in the standard ("Modified retrospective approach"). Accordingly, the reclassifications and the adjustments arising from the initial application of IFRS 16 have been recognized in the opening balance sheet at January 1, 2019. The effect of applying IFRS 16 on the Group's consolidated financial statements is presented in Note 12.

IFRIC 23 Interpretation *Uncertainty over Income Tax Treatment*

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

Accor has applied IFRIC 23 using the retrospective approach, without restatement of the comparative information for 2018 as permitted by the specific transitional provisions. The cumulative effect of first application has been recognized as an adjustment to the opening consolidated statement of financial position at January 1, 2019 (see details in Note 12).

Several other amendments and interpretations are effective from January 1, 2019, but they do not have any material impact on the interim condensed consolidated financial statements.

1.2.2 Future standards, amendments and interpretations

The Group has not early adopted any other standard, amendment or interpretation applicable to financial years starting after June 30, 2019, regardless of whether they were adopted by the European Union.

1.3 Estimates and judgments

In preparing these interim condensed consolidated financial statements, management has made judgements and estimates that may affect the reported amounts of assets and liabilities, income and expenses. The significant estimates and judgements were the same as those described in the latest annual consolidated financial statements, except for the new significant judgements related to lease accounting under IFRS 16 (in particular, the assessment of lease term and the determination of discount rate used for the measurement of lease liabilities and right-of-use assets).

Note 2. Group Structure

2.1 Changes in the scope of consolidation

On May 27, 2019, Accor acquired a 40.6% interest in the share capital of Ken Group, the high-end fitness group based in Paris. The investment amounting to €30 million has been made through the acquisition of ordinary shares and the subscription to convertible bonds. As a result of the significant influence exercised by Accor, the investment was accounted for under the equity method in the consolidated financial statements.

2.2 Assets held for sale and discontinued operations

At June 30, 2019, assets and liabilities held for sale were as follows:

	Dec. 2018		June 2019	
(€ in million)	Assets	Liabilities	Assets	Liabilities
Orbis	3	-	870	301
Others	11	6	12	6
Total	**14**	**6**	**882**	**308**

Description of the disposal project of Orbis

On November 26th 2018, Accor, which owned 52.7% of the share capital of Orbis, a company listed on the Warsaw stock exchange, announced a tender offer for the acquisition in cash of the 21,800,593 shares of Orbis it did not already own, representing 47.3% of the share capital. On January 23rd 2019, after completion of the subscription period, the Group acquired 33.1% of Orbis' share capital for €339 million; thus increasing its ownership to 85.8% of the company's share capital. This transaction was accounted for as a transaction with minority interests, with no change in the consolidation method, as Orbis was already controlled by Accor.

On May 17, 2019 Orbis announced its decision to separate its business into two separate activities: a hotel-owner business ("Hotel assets") and a hotel management and franchise business ("Hotel Services"), with a view to focus on its asset portfolio. On May 29, 2019, Orbis announced its intention to sell its Hotel Services business and entered into exclusive negotiations with Accor. On June 12, 2019, Accor and Orbis agreed on key terms for the acquisition by Accor of the Hotel Services business for 1.2 billion zlotys (c. €286 million). This transaction is a transaction under common control, as defined by IFRS 3 *Business Combinations*, that will have no impact on the Group's key indicators (EBITDA, net debt). It is expected to be completed by the end of 2019.

In accordance with Polish corporate law, the proposed sale of Orbis Hotel Services business to Accor shall be approved by the shareholders of Orbis through a resolution at the General Meeting (with a 75% majority vote). The transaction is also subject to approval by the Management Board and the Supervisory Board of Orbis. The probability of obtaining such approvals is deemed high by the Group.

In order to pursue its asset light strategy, Accor announced, on June 12, 2019, its intention to sell its 85.8% ownership interest in Orbis which, post-completion of the above-mentioned Hotel Services transaction, will comprise the Hotel assets business, with a portfolio of 73 owned and leased hotels.

In June 2019, Accor has initiated discussions with a number of potential investors for the sale of its shareholding in Orbis, which will be conducted by way of a tender offer.

Accounting treatment

At June 30, 2019 the assets and liabilities related to the Hotel assets business of Orbis have been classified as held for sale. Accor considers that the conditions for applying IFRS 5 have been met at that date. The Group is committed to a plan to sell its shareholding in Orbis and considers that the transaction is highly probable, in view of the negotiations in progress with potential investors.

Accor considers that Orbis Hotel assets business constitutes a separate major line of business as defined by IFRS 5. It represents a significant part of the Group Hotel assets segment, and all its operations in Eastern & Central Europe. Accordingly, it is classified as a discontinued operation.

In the interim condensed consolidated financial statements, Orbis Hotel assets business is presented in accordance with IFRS 5 principles:

- 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 June 30, 2019. They have been measured at that date at the lower of their carrying amount and fair value less costs to sell. At June 30, 2019, a comparison of the gross asset value of the assets held for sale to their carrying amount did not reveal any impairment.
- The profit over the period is reported on a separate line in the consolidated income statement under "Net profit or loss from discontinued operations", and items of comprehensive income are presented separately. The comparative information over the 6 months ending June 30, 2018 has been restated accordingly.
- Cash flows attributable to Orbis Hotel assets are presented on separate lines, with restatement of the comparative information.

The detail of assets and liabilities reclassified as held for sale at June 30, 2019 and the contribution of Orbis Hotel assets business to the consolidated net profit and cash flows for the first semester 2018 and 2019 is presented below.

Assets and liabilities of Orbis held for sale

(€ in million)	**June 2019**
Intangible assets	62
Property, plant & equipments	493
Other non-current assets	140
Non-current assets	**694**
Trade receivables and other current assets	30
Cash and cash equivalents	146
Assets classified as held for sale	**870**
Non-current liabilities	**166**
Short-term financial debt	78
Trade payables and other current liabilities	58
Liabilities associated with assets classified as held for sale	**301**

Income statement of Orbis

(€ in million)	1st semester 2018	1st semester 2019
Revenue	**159**	**159**
Operating expenses	(115)	(114)
EBITDAR	**44**	**45**
Property rents	(7)	(1)
EBITDA	**38**	**44**
Depreciation, amortization and provision expense	(20)	(27)
EBIT	**17**	**17**
Other income and expenses	31	11
Net financial expense	(1)	(5)
Income tax	(7)	(5)
Net Profit	**40**	**19**

Cash flows attributable to Orbis

(€ in million)	1st semester 2018	1st semester 2019
Net cash flows from operating activities	37	24
Net cash flows from investing activities	53	(2)
Net cash flows from financing activities	(19)	(7)
Effect of changes in exchange rates	1	2
Net cash flows	**72**	**17**

Note 3. Operating items

3.1 Segment reporting

The Group is organized around three strategic businesses.

HotelServices

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

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

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

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

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

Hotel assets & others

This operating segment is the Group's hotel owner-operator, comprising 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. It spans all asset portfolio management activities, hotel design, construction, refurbishment and maintenance activities. This segment includes three activities conducted in Asia-Pacific: AccorPlus (rewards cards program), Accor Vacation Club (timeshare business) and Strata (room distribution and management of hotels common areas).

New Businesses

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

- **Digital services,** which consists in offering digital solutions to independent hotel operators that will drive growth in their direct sales (activity operated by D-Edge, merger of Fastbooking and Availpro), and, more recently, to restaurants owners to optimize table management and supply (operated by Resdiary and Adoria).

- **Private luxury home rentals,** operated by onefinestay, with over 5,000 addresses worldwide.

- **Digital sales,** with the integration of VeryChic, which offers exclusive private sales with luxury and high-end partners.

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

- **Hospitality booking services** for companies and travel agencies with the integration of Gekko.

3.1.1 Reporting by strategic business

(€ in million)	1st semester 2018 (*)	1st semester 2019	Variation (%) Actual	Variation (%) L/L (1)
HotelServices	1,205	1,366	+13.3%	+5.0%
• of which Management & Franchise	433	486	+12.4%	+5.0%
• of which Services to owners	773	879	+13.8%	+5.1%
Hotel Assets & others	225	519	+130.5%	+7.1%
New Businesses	70	77	+10.3%	+4.5%
Corporate & Intercos	(202)	(36)	N / A	N / A
Revenue	**1,300**	**1,926**	**+48.2%**	**+4.8%**
HotelServices	312	344	+10.0%	+3.7%
• of which Management & Franchise	307	353	+15.1%	+7.1%
• of which Services to owners	6	(9)	N / A	(69.4)%
Hotel Assets & others	16	97	+492.7%	+0.2%
New Businesses	(15)	(1)	+92.6%	+84.7%
Corporate & Intercos	(60)	(65)	N / A	N / A
EBITDA	**254**	**375**	**+47.7%**	**+5.1%**

(*) Restated amounts in application of IFRS 5
(1) L/L: Like-for-like change

Over the first semester 2018, the line « Corporate & Intercos » includes the elimination of the flows realized with AccorInvest prior to its disposal, consistently with consolidation principles.

The change in Hotel Assets & others is mainly driven by the acquisitions of Mövenpick and Mantra, which contributed to €313 million of revenue and €79 million of EBITDA over the first semester 2019 (respectively €35 million and €2 million over the comparative period, corresponding to one month of Mantra's activity).

Revenue realized in France amounted to €213 million in the first half of 2019 (€143 million in the first half of 2018 and €217 million including the revenue with AccorInvest over the first five months of 2018).

AccorInvest is the main client of the Group, with a contribution to consolidated revenue of 11% over the first semester 2019.

3.1.2 Detailed information for Management & Franchise

A. Management & Franchise revenue

(€ in million)	1st semester 2018 (*)	1st semester 2019	Variation (%) Actual	Variation (%) L/L (1)
Europe	223	245	+9.8%	+5.7%
Middle East & Africa	38	52	+36.2%	+4.6%
Asia Pacific	94	100	+6.5%	(0.0)%
North America, Central America & Caribbean	58	65	+13.3%	+7.2%
South America	19	24	+24.4%	+16.1%
Total	**433**	**486**	**+12.4%**	**+5.0%**

(*) Restated amounts in application of IFRS 5

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

B. Management & Franchise EBITDA

(€ in million)	1st semester 2018 (*)	1st semester 2019	Variation (%) Actual	Variation (%) L/L (1)
Europe	179	191	+6.8%	+7.9%
Middle East & Africa	28	38	+36.6%	(4.8)%
Asia Pacific	57	67	+17.0%	+3.2%
North America, Central America & Caribbean	35	46	+30.1%	+17.8%
South America	7	11	+49.0%	+17.4%
Total	**307**	**353**	**+15.1%**	**+7.1%**

(*) Restated amounts in application of IFRS 5

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

3.2 Operating expenses

(€ in million)	**1st semester 2018 (*)**	**1st semester 2019**
Cost of goods sold	(24)	(48)
Employee benefits expenses	(772)	(939)
Property Rents	(51)	(29)
Energy, maintenance and repairs	(20)	(34)
Taxes, insurance and co-owned properties charges	(21)	(31)
Other operating expenses	(157)	(470)
Total	**(1,046)**	**(1,551)**

(*) Restated amounts in application of IFRS 5

Upon adoption of IFRS 16 *Leases*, property rents expense over the first semester 2019 relates to the variable part of hotel properties operated under lease contracts.

Other operating expenses consist mainly of marketing, advertising, promotional, selling and information systems costs. They include the elimination of intragroup flows with discontinued operations, mostly AccorInvest over the first semester 2018 and Orbis over the first semester 2019.

3.3 Employee benefit expenses

Over the first semester 2019, employee benefits expenses include €12 million related to share-base payments.

On May 30, 2019, the Group granted 1,275,675 performance shares to its employees, subject to a three-year vesting period. At this date, the fair value of the performance share was €28.02, corresponding to the share price of €32.97 less the discounted present value of dividends not received during the vesting period and the effect of external conditions.

The shares will vest provided that the grantee remains with the Group until the end of the three-year vesting period, and the three following performance conditions are fulfilled over the years 2019 to 2022:

- Internal conditions (80% weighting): EBITDA margin compared to the budget and free cash flows excluding disposal proceeds and external growth including changes in operating working capital compared to the budget,
- External condition (20% weighting): change in Accor' Total Shareholder Return (TSR) compared with that of other international hospitality groups. The estimated probability of this performance condition being fulfilled was taken into account to determine the fair value of the performance shares on the grant date.

The total fair value of this plan amounts to €36 million and is being recognized on a straight-line basis over the vesting period under employee benefits expenses with a corresponding adjustment to equity. The cost recorded in respect of this plan over the first semester 2019 amounts to €1 million.

Note 4. Associates and joint-ventures

4.1 Share in net results of associates and joint-ventures

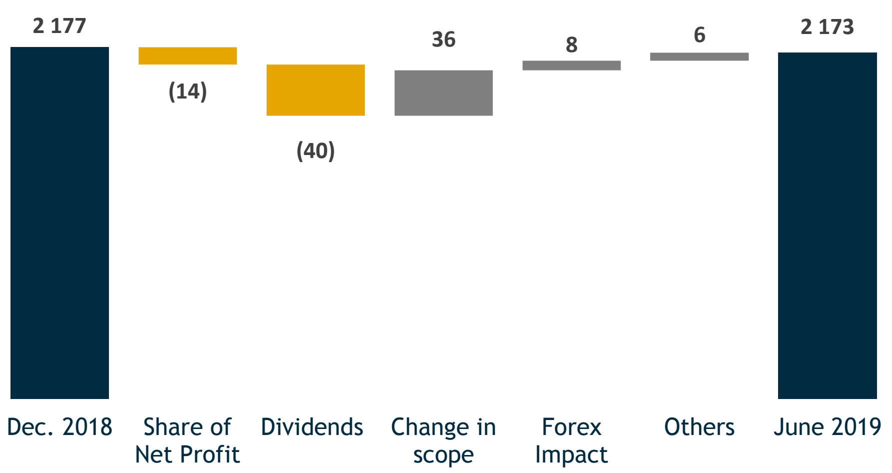
The main contributions of associates and joint-ventures are analyzed as follows:

(€ in million)	1st semester 2018	1st semester 2019
AccorInvest (*)	11	0
China Lodging Group	10	(3)
Others	(1)	2
Associates	**20**	**(0)**
Joint ventures	**(0)**	**(13)**
Share in net results of equity-accounted investments	**20**	**(14)**

(*) Corresponding to one month activity in 2018

4.2 Investments in associates and joint-ventures

Change in equity-accounted investments (€m)



At June 30, 2019, changes in scope mainly correspond to the investment in Ken Group. Dividends paid relate to AccorInvest for €32 million.

Note 5. Other income and expenses

(€ in million)	1st semester 2018 (*)	1st semester 2019
Impairment losses	(246)	(2)
Restructuring expenses	(12)	(7)
Gains and losses on management of hotel properties	1	(0)
Other non-recurring income and expenses	(23)	3
Other income and expenses	**(280)**	**(6)**

(*) Restated amounts in application of IFRS 5

Over the first semester 2019, other income and expenses include restructuring costs for €(7) million mainly related to transformation plans in Europe and North Amercia.

Over the first semester 2018, other income and expenses included impairment losses on New Businesses for €(246) million.

Note 6. Intangible and tangible assets

6.1 Goodwill

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

(€ in million)	Dec. 2018	Translation adjustment & others	IFRS 5 Reclass.	June 2019
Europe	289	4	-	293
Middle East & Africa	172	1	-	172
Asia Pacific	459	0	-	459
North/Central America & Caribbean	304	1	-	305
South America	109	(2)	-	107
HotelServices	**1,333**	**5**	**-**	**1,337**
HotelAssets & others	**538**	**(9)**	**(25)**	**504**
New Businesses	**353**	**(0)**	**-**	**353**
Not allocated	**465**	**6**	**-**	**471**
Gross value	**2,688**	**3**	**(25)**	**2,666**
Impairment losses	**(290)**	**(4)**	**19**	**(274)**
Net book value	**2,399**	**(1)**	**(6)**	**2,392**

6.2 Intangible and tangible assets

Changes in the carrying amount of intangible and tangible assets in the first half of 2019 were as follows:

(€ in million)	Dec. 2018	Increase	Disposals	Translation adjustment & others	Reclass. IFRS 5	June 2019
Gross value	3,122	24	(9)	(3)	(66)	3,068
Accumulated amortization and depreciation	(468)	(44)	7	2	10	(492)
Intangible assets net book value	**2,653**	**(19)**	**(2)**	**(1)**	**(56)**	**2,576**
Gross value	2,109	41	(29)	8	(989)	1,140
Accumulated amortization and depreciation	(917)	(51)	26	(3)	496	(448)
Tangible assets net book value	**1,192**	**(10)**	**(3)**	**5**	**(493)**	**691**

The decrease in net book value is mainly explained by the reclassification of Orbis' assets as assets held for sale (see Note 2).

Note 7. Provisions

Changes in provisions over the first half of 2019 can be analyzed as follows:

(€ in million)	Dec. 2018	IFRIC 23 reclass. (*)	Compre-hensive income	Increases	Reversal Used provisions	Reversal Unused provisions	Translation adjustment and others	IFRS 5 relcass.	June 2019
Pensions and other benefits	102	-	7	7	(2)	0	1	(6)	109
Litigation	357	(27)	-	13	(28)	(24)	0	(2)	289
Restructuring	107	-	-	1	(11)	(3)	2	(0)	96
Total	**566**	**(27)**	**7**	**21**	**(42)**	**(28)**	**3**	**(7)**	**494**
• Including non-current	118	-	7	7	(6)	(4)	2	(6)	118
• Including current	449	(27)	-	14	(36)	(24)	1	(1)	375

(*) The reclassification of provisions made as part of IFRIC 23 implementation is detailed in Note 12

At June 30, 2019, provisions amounted to €494 million, decreasing by €72 million compared to December 31, 2018, due mainly to the partial reversal of €39 million related to guarantees provided as part of AccorInvest disposal.

Note 8. Financing and financial instruments

8.1 Net financial expense

The net financial expense is analyzed as follows:

(€ in million)	1st semester 2018 (*)	1st semester 2019
Bonds interests	(28)	(31)
Other interests income and expenses	1	9
Interests on lease debt	0	(8)
Cost of net debt	(27)	(30)
Other financial income and expenses	(4)	(7)
Net financial expense	**(31)**	**(38)**

(*) Restated amounts in application of IFRS 5

8.2 Group net debt

8.2.1 Breakdown of net debt

			Other changes					
(€ in million)	**Dec. 2018**	**Cash flows**	IFRS 16	Translation adjustments	Fair value	Others	Reclass. IFRS 5	**June 2019**
Bonds	2,630	95	-	3	-	6	(117)	2,617
Bank borrowings	319	(24)	-	(1)	-	(8)	0	287
Other financial debts	1,070	(870)	-	(1)	-	4	2	205
Derivative financial instruments	9	-	-	-	(5)	19	-	22
Gross financial debt	**4,027**	**(799)**	**-**	**2**	**(5)**	**21**	**(115)**	**3,131**
Lease liability	-	(84)	1,069	1	-	19	(122)	882
Total debt	**4,027**	**(883)**	**1,069**	**2**	**(5)**	**40**	**(237)**	**4,013**
Cash and cash equivalents	2,820	(941)	-	2	-	(1)	(146)	1,734
Other current financial assets	25	9	-	2	-	1	(1)	36
Derivative financial instruments	30	-	-	-	-	(24)	-	6
Financial assets	**2,874**	**(932)**	**-**	**4**	**-**	**(23)**	**(147)**	**1,776**
Net debt/(cash)	**1,153**	**49**	**1,069**	**(2)**	**(5)**	**63**	**(91)**	**2,237**

On January 24th 2019, Accor placed a €600 million 7-years senior bonds with a 1.75% coupon. This issue enabled the Group to partially repurchased €350 million on the €900 million bonds maturing in 2021 issued in February 2014 (for €750 million) and September 2014 (for €150 million) with a fixed coupon of 2.625%. The exchanged portion of the bond was analyzed as a debt modification to the extent that the terms and conditions were not substantially modified.

The debt was maintained in the Group's statement of financial position at its original effective interest rate adjusted for transaction costs. The €1 million gain resulting from the renegotiation was recognized immediately in the income statement.

Moreover, the Group redeemed its €335 million bonds maturing in March 2019.

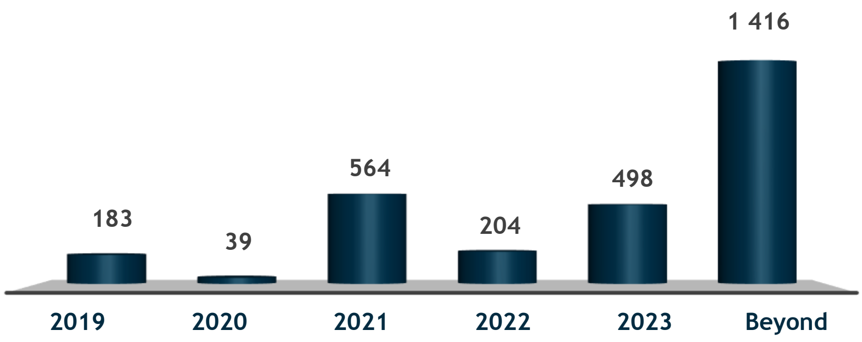
At 31 December 31, 2018, other financial debts mainly included the commitments regarding the acquisition of Orbis' minority interests and the share buy back program.

8.2.2 Analysis of gross financial debt

Bonds and bank borrowings by maturity

The maturity profile of bonds borrowings is one of the indicators used to assess the Group's liquidity position. At June 30, 2019, maturities of long term and short-term debt were as follows:

Bonds and bank borrowings schedule (€m)



Bonds and bank borrowings by currency

	Before hedging			After hedging		
(€ in million)	Amount	Interest rate	% of total debt	Amount	Interest rate	% of total debt
Euro	2,749	2%	94%	1,603	2%	55%
Australian dollar	-	-	-	595	1%	20%
US dollar	-	-	-	269	3%	9%
Swiss franc	135	2%	5%	135	2%	5%
Pound sterling	-	-	-	117	1%	4%
Singapourian dollar	-	-	-	98	2%	3%
Japanese yen	-	-	-	35	0%	1%
UAE dirham	-	-	-	30	3%	1%
Mauritian rupee	20	8%	1%	20	8%	1%
Israelian shekel	-	-	-	2	0%	0%
Bonds and bank borrowings	**2,904**	**+2%**	**+100%**	**2,904**	**+2%**	**+100%**

Note 9. Income tax

(€ in million)	**1st semester 2018 (*)**	**1st semester 2019**
Current tax	(39)	(42)
Deferred tax	23	(1)
Income tax	**(16)**	**(43)**

(*) Restated amounts in application of IFRS 5

Over the first semester 2019, the Group has a €(43) million income tax expense compared to €(16) million over the prior period. The deferred tax income over the first semester 2018 included non-recurring items for €27 million, mainly related to changes in tax rate as part of internal disposals of management contracts between the Group’s operating regions.

Note 10. Equity

10.1. Share capital

10.1.1 Shareholders

At June 30, 2019, Jin Jiang is Accor' leading shareholder with 12.5% of the share capital corresponding to 16.6% of voting rights. Moreover, following the acquisition of the FRHI Group, whose capital was held by Qatar Investment Authority (QIA) and Kingdom Holding Company (KHC), these companies became shareholders of Accor SA in July 2016 and respectively hold 10.9% and 6.1% of the Company's share capital, representing 16.9% and 9.5% of voting rights.

Harris Associates realized various acquisitions of stake during the semester leading to hold 7.8% of the Company's share capital and 6.0% of voting rights.

Finally, China Lodging Group (Huazhu) holds 4.8% of the Company's share capital and 3.8% of voting rights.

10.1.2 Changes in share capital

Changes in the number of outstanding shares during the first semester 2019 are as follows:

In number of shares	2019
Number of issued shares at January 1, 2019	**282,607,800**
Performance shares vested	829,825
Shares issued on exercise of stock options	221,590
Shares cancelled	(13,391,702)
Number of issued shares at June 30, 2019	**270,267,513**

10.1.3 Distribution of dividends

On May 14, 2019, the Group paid a dividend of 1.05 euro per share for 2018 financial year results in the form a cash payment of €283 million.

10.1.4 Treasury shares

As authorized by the Annual General meeting on April 20th, 2018, the Group implemented a share buy-back program over a two-year period, through investment services providers, that would cover up to a maximum of 29 million shares.

As at December 31, 2018, the Group had acquired 9,240,421 shares of which :

- 8,378,765 shares at an average price of €42.4947 per share for the first tranche. These shares were then cancelled by way of capital decrease completed on December 31st,2018.
- 861,656 shares at an average price of €36.1091 per share for the second tranche launched on December 20th, 2018

On the first 2019 semester, the Group completed the second tranche of the program and acquired 12,530,046 shares at an average price of €37.4076 per share. These shares were cancelled by way of capital decrease completed on June 28, 2019.

10.1.5 Perpetual subordinated notes

On January 24th 2019, Accor placed a €500 million perpetual hybrid bond with a 4.375% coupon which, according to its characteristics, is recorded as an equity instrument in the Group's consolidated financial statements, in compliance with IAS 32 *Financial instruments*.

This bond issue enabled the Group to partially repurchase €386 million on the €900 million perpetual subordinated bonds issued in June 2014, with a first call date in 2020 and a fixed coupon until that date, then with a step-up clause every 5 years.

10.1.6 Reserves

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

(€ in million)	**Dec. 2018**	IFRIC 23	Change	**June 2019**
Currency translation reserve	(321)	-	43	(278)
Changes in fair value of financial Instruments	(43)	-	5	(37)
• of which non-consolidated investments	*(27)*	-	*4*	*(23)*
• of which derivative instruments	*(15)*	-	*1*	*(14)*
Reserve for actuarial gains/losses	(90)	-	(13)	(104)
Share based payments	239	-	12	251
Retained earnings and others	3,317	(38)	402	3,681
Total Group share	**3,102**	**(38)**	**448**	**3,513**

Over the period, the €43 million exchange gain on translating foreign operations is mainly driven by the rise in the Canadian Dollar (€34 million) and Swiss Franc (€13 million), partly offset by a depreciation of the US Dollar (€(11) million).

10.2 Minority interests

Minority interests are as follows:

€ in million	**Dec. 2018**	Variation	**June 2019**
Orbis Group	72	4	76
Others minority interests	36	3	39
TOTAL	108	7	**115**

Note 11. Unrecognized items and related parties

11.1 Off balance sheet Commitments

11.1.1 Commitments given

At June 30, 2019, commitments given by the Group amount to €474 million. They are mainly composed of commitments given in the normal course of Group' hotel development and lease commitments on contracts not yet commenced. Following IFRS 16 application, lease commitments related to headquarters and hotels assets are now recognized in the Group statement of financial position.

11.1.2 Commitments received

At June 30, 2019, the Group has no material commitment received.

11.2 Litigations, contingent assets and liabilities

No significant change occurred during the first half of 2019 regarding litigations in which the Group is involved.

11.3 Subsequent Events

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

11.4 Related parties

On February 21th, 2019, Accor concluded an agreement with Qatar Sport Investment (QSI), subsidiary of Qatar Investment Authority, in order to become the principal partner and official jersey sponsor of Paris-Saint-Germain from the 2019/2020 season. QSI owns the club since 2011.

The others transactions realized over the first semester 2019 are of a similar nature than the transactions with related parties realized over the year ended December 31, 2018.

Note 12. Adoption of new standards

This note presents the impact of the adoption of IFRS 16 *Leases* and IFRIC 23 *Uncertainty over Income Tax Treatment* on the Group's consolidated financial statements, and also discloses the new accounting policies that have been applied since January 1, 2019, where they are different to those applied in prior periods.

12.1 Impacts on financial statements

IFRS 16 and IFRIC 23 have been applied retrospectively, with the cumulative effect of initial application recognized in the consolidated balance sheet at January 1, 2019 without restatement of the comparative information for 2018.

Restated opening statement of financial position

(€ in million)	31 Déc. 2018 actual	IFRS 16	IFRIC 23	Jan 1. 2019 restated
Intangible assets	5,052	(14)	-	5,038
Property, plant & equipments	1,192	-	-	1,192
Right of use	-	1,078	-	1,078
Non-current financial assets	2,516	-	-	2,516
Deferred tax assets & others	379	-	-	379
Non-current assets	**9,139**	**1,065**	**-**	**10,203**
Current assets	**3,764**	**(4)**	**-**	**3,760**
Assets held for sale	14	1	-	15
Total Assets	**12,917**	**1,062**	**-**	**13,979**
Shareholders' Equity & min. interests	**6,436**	**-**	**(38)**	**6,398**
Long-term financial debt	2,760	-	-	2,760
Long-term lease debt	-	929	-	929
Non-current provisions	118	-	-	118
Deferred tax liabilities & others	558	-	-	558
Non-current liabilities	**3,435**	**929**	**-**	**4,364**
Short-term financial debt	1,268	-	-	1,268
Short-term lease debt	-	140	-	140
Current provisions	449	-	(27)	422
Current liabilities & others	1,323	(8)	64	1,379
Current liabilities	**3,039**	**132**	**38**	**3,209**
Liabilities with assets held for sale	6	1	-	7
Total liabilities & equity	**12,917**	**1,062**	**-**	**13,979**

12.2 Adoption of IFRS 16

12.2.1 Main impacts of first adoption

(a) Impacts on transition

The Group mainly leases lands and buildings for its hotel properties and headquarters. The leases for hotels are typically made for a period from 15 to 20 years, and may include a renewal option. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Until December 31, 2018, the Group classified leases either as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership, in accordance with IAS 17. At December 31, 2018, almost all of the Group's leases were classified as operating leases. Lease payments (net of any incentive received from the lessor) were recognized as rent expense in the income statement on a straight-line basis over the lease term.

From January 1, 2019, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets (e.g. IT equipment). The Group recognized on its balance sheet lease liabilities representing the obligation to pay the rents and right-of-use assets representing the right to use the underlying assets.

Adoption of IFRS 16 lead to the recognition of lease liabilities amounting to €1,069 million. These liabilities are measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at January 1, 2019. The weighted average discount rate applied at transition date is 2.1%.

The lease liabilities at January 1, 2019 can be reconciled to the operating lease commitments at December 31, 2018 as follows:

(€ in million)

Operating lease commitments at December 31, 2018	**1,096**
Add: Contracts that meet the definition of a lease under IFRS 16	178
Add: Rents for extension options reasonably certain to be exercised	94
(Less): Rents for termination options reasonably certain to be exercised	(28)
(Less): Discounting impact	(271)
Lease liability at January 1, 2019	**1,069**

The right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments recognized in the balance sheet at December 31, 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

(b) Impacts over the period

Set out below are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

	Right-of-use assets				Lease liability
(€ in million)	**Buildings**	**Lands**	**Vehicles**	**Total**	
At January 1, 2019	**999**	**71**	**8**	**1078**	**1069**
Additions	8	-	1	9	9
Amortization and depreciation expenses	(73)	(1)	(1)	(75)	-
Interest expense	-	-	-	-	10
Rents payments	-	-	-	-	(84)
Foreign exchange impacts	0	1	-	1	1
IFRS 5 reclassification	(69)	(69)	0	(138)	(122)
At June 30, 2019	**865**	**2**	**8**	**876**	**882**

The amounts recognized in P&L over the semester are as follows:

(€ in million)	1st semester 2019
Rent expense for variable lease payments	(28)
Rent expense for short-term leases and low-value assets	(3)
Amortization and depreciation of right-of-use assets	(69)
Interest on lease liabilities	(8)
Total	**(108)**

Variable lease payments relate to leases for Hotel properties that are based on the performance of the Hotel. The Group does not expect the level of variable lease payments to materially change in future periods.

(c) Practical expedients applied

When first applying IFRS 16, the Group has used the following practical expedients permitted by the standard:

- the exclusion of initial direct costs for the initial measurement of the right-of-use assets,
- reliance on previous assessments of whether lease contracts were onerous at December 31, 2018 instead of performing an impairment test on right-of-use assets at January 1, 2019,
- the use of hindsight in determining the lease term, where the contracts contain options to extend or terminate the lease.

12.2.2 New accounting principles and methods

Set out below are the new accounting policies of the Group upon adoption of IFRS 16.

Definition of a lease

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

Leases are recognized on the Group's balance sheet as follows:

- an asset representing the right to use the underlying asset over the lease term,
- a liability for the obligation to pay the lease payments.

Right-of-use asset

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

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

The right-of-use asset is subsequently depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. It is subject to impairment test.

Lease liability

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

The lease payments comprise:

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

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the commencement date if the interest rate implicit in the lease is not readily determinable. It corresponds to the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment, with similar terms and conditions.

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

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

Determination of lease term

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

Short-term leases and leases of low-value assets

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

Variable leases payments

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

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

12.3 Application of IFRIC 23

The Group reviewed its income tax treatments in order to determine whether IFRIC 23 interpretation could have an impact on the consolidated financial statements. In that respect, the Group recognized a €38 million income tax liability, with a corresponding adjustment to retained earnings at January 1, 2019.

Furthermore, the Group reclassified its existing income tax provisions into income tax liabilities, consistently with the current discussions held at the IFRS Interpretation Committee, which clarify that uncertain tax positions are part of the income tax measurement.

The accounting policies related to income tax described in the consolidated financial statements at December, 31, 2018 remain unchanged, with the exception of the following clarifications:

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