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

Consolidated statement of comprehensive income

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

Consolidated statement of financial position

Assets

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

Equity and Liabilities

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

Consolidated statement of cash flows

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

Consolidated changes in equity

(€ in million)	Number of shares	Share capital	Additional paid-in capital	Currency translation reserve	Retained earnings	Equity Group share	Minority interests	Total Equity
Balance at December 31, 2018	**282,607,800**	**848**	**2,378**	**(321)**	**3,423**	**6,328**	**115**	**6,443**
Restatements IFRIC 23		-	-	-	(38)	(38)	-	(38)
Restated Balance at January 1, 2019	**282,607,800**	**848**	**2,378**	**(321)**	**3,385**	**6,290**	**115**	**6,405**
Capital increase	(12,340,287)	(37)	(453)	-	491	1	0	1
Dividends paid	-	-	-	-	(283)	(283)	(4)	(286)
Share-based payments		-	-	-	12	12	-	12
Perpetual subordinated bonds		-	-	-	59	59	-	59
Effects of scope changes		-	-	-	(7)	(7)	4	(3)
Other movements		-	-	2	(2)	(0)	(0)	(0)
Transactions with shareholders	**(12,340,287)**	**(37)**	**(453)**	**2**	**269**	**(219)**	**0**	**(219)**
Net profit of the period		-	-	-	141	141	11	152
Other comprehensive income		-	-	41	(4)	37	(5)	32
Total comprehensive income		**-**	**-**	**41**	**137**	**177**	**6**	**184**
Balance at June 30, 2019 (*)	**270,267,513**	**811**	**1,924**	**(278)**	**3,791**	**6,248**	**122**	**6,370**

(€ in million)	Number of shares	Share capital	Additional paid-in capital	Currency translation reserve	Retained earnings	Equity Group share	Minority interests	Total Equity
Balance at December 31, 2019	**270,932,350**	**813**	**1,943**	**(163)**	**4,237**	**6,830**	**148**	**6,978**
Capital increase	(10,080,841)	(30)	(268)	-	(2)	(301)	0	(301)
Dividends paid	-	-	-	-	(0)	(0)	(0)	(0)
Share-based payments	-	-	-	-	13	13	-	13
Perpetual subordinated bonds	-	-	-	-	(160)	(160)	-	(160)
Effects of scope changes	-	-	-	-	(22)	(22)	(64)	(86)
Transactions with shareholders	**(10,080,841)**	**(30)**	**(268)**	**-**	**(171)**	**(470)**	**(64)**	**(534)**
Net profit of the period		-	-	-	(1,512)	(1,512)	(2)	(1,514)
Other comprehensive income		-	-	(102)	(40)	(143)	(1)	(143)
Total comprehensive income		**-**	**-**	**(102)**	**(1,553)**	**(1,655)**	**(2)**	**(1,657)**
Balance at June 30, 2020	**260,851,509**	**783**	**1,675**	**(265)**	**2,513**	**4,705**	**81**	**4,787**

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

Notes to the condensed consolidated financial statements

Note 1. Basis of preparation

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

1.1. Accounting framework

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

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

1.2 Evolution of accounting framework

1.2.1 New standards and amendments adopted by the Group

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

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

1.2.2 Future standards, amendments and interpretations

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

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

1.3 Estimates and judgments

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

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

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

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

Note 2. Significant events in the current period

2.1 Impacts of the Covid-19 health crisis

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

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

Going concern basis and cash management

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

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

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

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

Impairment test of non-financial assets

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

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

- Brands (€278 million),
- Management contracts (€173 million)
- Goodwill (€155 million, of which €87 million on the room distribution and management of hotel common areas activity operated in Australia, €19 million on a hotel property in Egypt and €47 million on the Hotel booking services activity), and
- Equity accounted investments (€91 million).

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

Credit losses on financial assets

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

Deferred tax assets

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

Non-current expenses

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

2.2. Other significant events

Other significant events that occurred during the period are:

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

Note 3. Group Structure

3.1 Changes in the scope of consolidation

3.1.1 Acquisitions for the period

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

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

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

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

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

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

3.1.2 Disposals over the period

Disposal of Orbis' Hotel Assets business

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

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

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

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

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

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

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

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

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

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

Income statement

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

Cash flows

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

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

Disposal of Mövenpick leased hotels

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

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

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

The gain on disposal amounts to €7 million and is reported in other income and expenses in the consolidated income statement of the period (see Note 6).

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

3.2 Assets held for sale and discontinued operations

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

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

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

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

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

Note 4. Operating items

4.1 Segment reporting

The Group is organized around three strategic businesses.

HotelServices

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

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

- « **Services to owners** »: Activity gathering all the services rendered to hotel owners (sales, marketing and distribution, loyalty program, shared services as well as rebilling of costs incurred on behalf of hotel owners).

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

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

Hotel assets & others

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

New Businesses

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

- **Digital services,** which consists in offering digital solutions to independent hotel owners to drive growth in their direct sales (activity operated by D-Edge), and to restaurants owners to optimize table management and supply (activities operated by Resdiary and Adoria);

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

- **Digital sales,** operated by VeryChic, which offers exclusive private sales with luxury and high-end partners;

- **Hospitality booking services** for travel agencies and corporates with Gekko;

- **Concierge services,** provided by John Paul.

4.1.1 Reporting by strategic business

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

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

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

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

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

4.1.2 Detailed information for Management & Franchise

A. Management & Franchise revenue

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

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

B. Management & Franchise EBITDA

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

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

4.2 Operating expenses

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

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

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

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

4.3 Employee benefit expenses

4.3.1 Pensions and other benefits

Accounting policy

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

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

4.3.2 Share-based payments

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

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

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

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

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

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

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

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

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

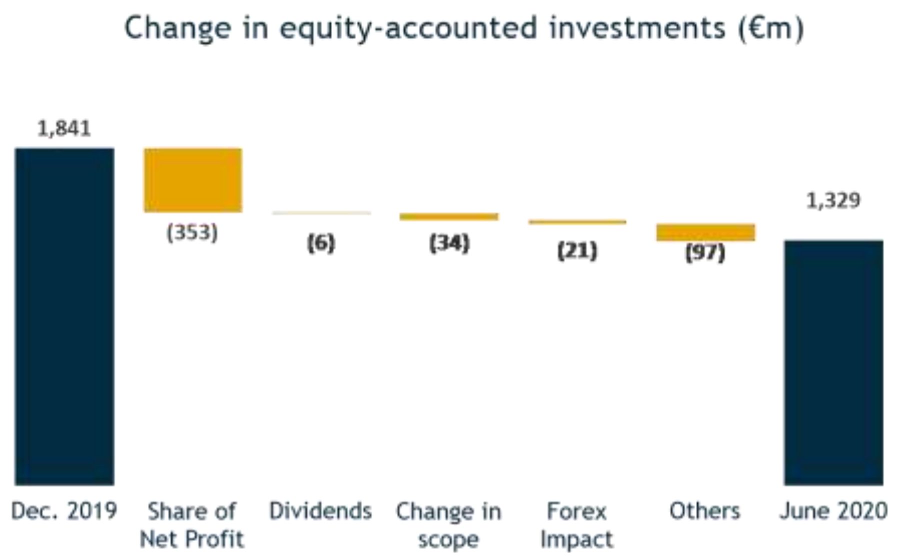
Note 5. Equity accounted investments

5.1 Share in net results of equity accounted investments

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

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

5.2 Carrying value of equity investments



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

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

Note 6. Other income and expenses

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

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

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

Note 7. Intangible and tangible assets

7.1 Goodwill

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

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

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

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

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

7.2 Intangible assets

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

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

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

7.3 Tangible assets and right-of-use assets

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

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

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

7.4 Impairment tests

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

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

7.4.1 Impairment losses

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

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

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

7.4.2 Methodology for impairment tests

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

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

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

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

The main key assumptions used are detailed below:

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

7.4.3 Sensitivity of recoverable values

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

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

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

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

Note 8. Provisions

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

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

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

Note 9. Financing and financial instruments

9.1 Net financial result

The net financial expense is analyzed as follows:

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

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

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

9.2 Financial instruments

9.2.1 Details of financial assets and liabilities

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

9.2.2 Fair value hierarchy

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

9.3 Group net financial debt

9.3.1 Breakdown of net financial debt

			Other changes					
(€ in million)	Dec. 2019	Cash flows	Scope effects	Translation adjustments	Fair value	Others	Reclass. IFRS 5	June 2020
Bonds	2,416	5	-	2	-	(0)	-	2,423
Negociable commercial paper	200	200	-	-	-	-	-	400
Bank borrowings	290	12	1	(2)	-	0	(287)	15
Other financial debts	172	17	0	(4)	-	(2)	1	183
Derivative assets	48	(13)	-	-	9	6	(21)	28
Gross financial debt	**3,126**	**220**	**1**	**(4)**	**9**	**3**	**(307)**	**3,049**
Lease liability	548	(47)	63	(9)	-	(17)	4	542
Total debt	**3,673**	**173**	**64**	**(13)**	**9**	**(14)**	**(302)**	**3,590**
• Including non-current	3,281	9	67	(8)	-	(628)	(275)	2,446
• Including current	393	164	(3)	(5)	9	613	(28)	1,144
Cash and cash equivalents	2,279	218	0	(19)	-	5	(19)	2,465
Other current financial assets	54	30	(0)	(2)	-	(57)	-	25
Derivative liabilities	8	(5)	-	-	-	6	-	8
Financial assets	**2,341**	**244**	**0**	**(21)**	**-**	**(46)**	**(19)**	**2,498**
Net debt/(cash)	**1,333**	**(71)**	**64**	**8**	**9**	**32**	**(283)**	**1,092**

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

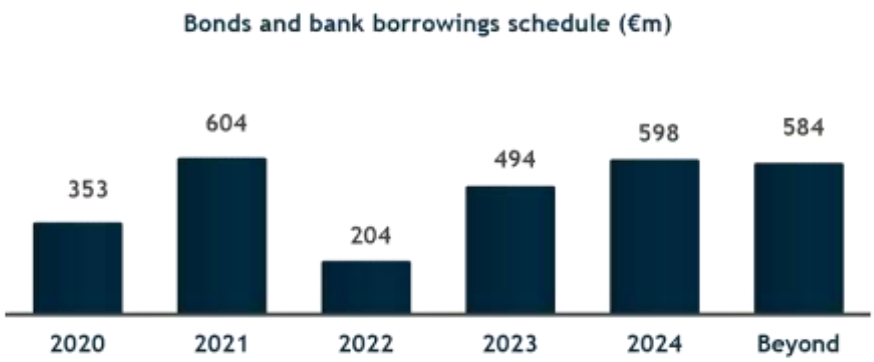
Accor has a short-term financing program in the form of commercial paper (NEU CP) capped at €500 million. At June 30, 2020 this program is drawn for €400 million against €200 million at December 31, 2019.

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

9.3.2 Analysis of gross financial debt

Bonds and bank borrowings by maturity

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



Bonds and bank borrowings by currency

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

9.4 Non-current financial assets

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

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

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

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

Note 10. Income tax

Accounting policy

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

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

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

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

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

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

Note 11. Equity

11.1. Share capital

11.1.1 Shareholders

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

11.1.2 Changes in share capital

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

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

11.1.3 Dividends distribution

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

11.1.4 Treasury shares

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

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

11.1.5 Perpetual subordinated notes

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

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

11.1.6 Reserves

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

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

11.2 Minority interests

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

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

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

Note 12. Unrecognized items and related parties

12.1 Off-balance sheet commitments

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

12.2 Litigations, contingent assets and liabilities

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

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

12.3 Subsequent Events

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

12.4 Related parties

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

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

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

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