# 2018 Interim Financial Report

Thursday, July 26, 2018

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# 2018 Interim Management Report

# Contents

# 1. Review of the first half of 2018

In today's rapidly changing world, the hotel industry is completely reinventing itself to move closer in line with the expectations of travelers, and to meet the challenges of geographical coverage, segmentation, brand development, property portfolio, loyalty, synergies and offerings.

After a year that marked a turning point for the Group in 2017, with shareholders approving the legal separation of HotelServices and HotelInvest (now AccorInvest), AccorHotels completed the sale of 57.8% of the capital of AccorInvest to sovereign wealth funds Public Investment Fund (PIF) and GIC, institutional investors Colony NorthStar, Crédit Agricole Assurances and Amundi, and private investors in the first half of 2018.

AccorHotels also continued to expand its brand portfolio with new concepts and new addresses via the acquisitions of Mantra in Asia-Pacific and Mantis in Africa, and the upcoming acquisitions of Mövenpick, with its market presence primarily in Europe and the Middle East, and Atton Hoteles in Chile, Peru, Colombia and Florida.

The Group acquired 50% of sbe Entertainment Group to expand its offering in the luxury hotel and lifestyle segments in North America, and notably in Los Angeles, Miami, Las Vegas and New York, and entered into a strategic partnership with Dalmata Hospitality, France's leading independent hotel management group in the Economy segment, offering a seamless approach to purchasing, renovating, managing and boosting the value of low-cost hotels.

In addition, AccorHotels consolidated its catering business by acquiring ResDiary, a leading platform for restaurant reservation and table management, offering restaurant owners a high-end table management service, and Adoria, the European leader in management solutions for corporate and contract catering, enabling restaurant operators to optimize supply management.

Lastly, the Group has formed a partnership with Ctrip, China's preeminent travel agency, enabling Ctrip's more than 300 million registered users to access the personalized experiences offered by the AccorHotels brand portfolio.

Enjoying brisk growth in virtually all of its markets, AccorHotels delivered a robust operating and financial performance in the first half of 2018, underpinned by the dynamic development of 45,150 rooms.

## *1.1 A VERY DYNAMIC SECTOR, FAVORABLE TO THE GROUP*

### 1.1.1. A BROAD GLOBAL FOOTPRINT IN A HOTEL ENVIRONMENT CHARACTERIZED BY SLOWER GROWTH IN SUPPLY THAN DEMAND

The hotel industry is the world's second most dynamic business sector. It is expected to drive 23% of job creations worldwide over the coming 10 years, and also to account for 7% of global exports[1].

Europe represents 50% of international tourism (global inbound tourist arrivals total 1.3 billion, of which 650 million for Europe and 85 million for France). Overnight stays booked in hotels worldwide totaled 7 billion at the end of 2010 and 8.5 billion in 2017, and are expected to reach roughly 10.5 billion by 2020[1].

Spending on tourism and travel grew by 28% between 2010 and 2017, i.e. 3.5% per year, a pace that is poised to double to approximately 7% per year between 2017 and 2020.

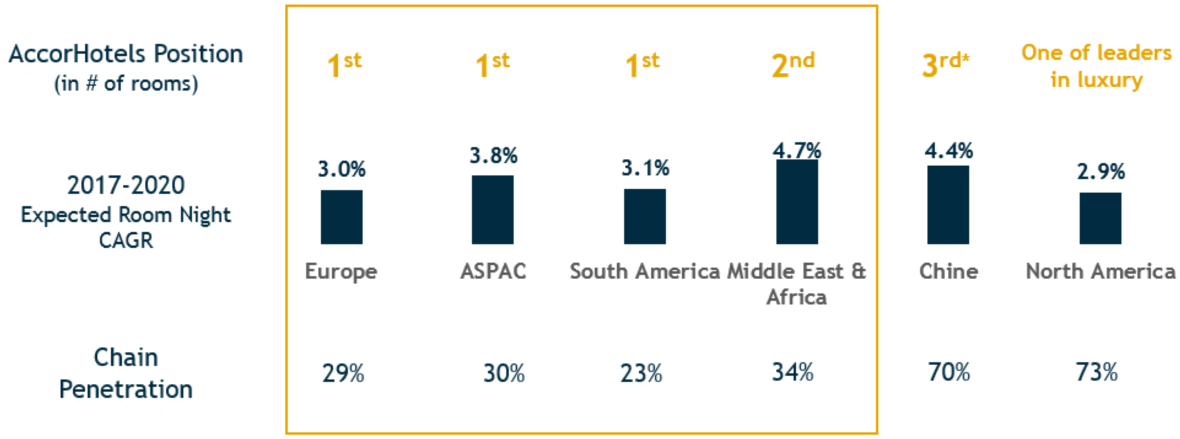
The Group expects its growth to benefit greatly from this momentum in the coming years. With nearly 320,000 rooms in Europe, AccorHotels boasts the broadest footprint in Europe and France, bigger than those of its three main competitors combined. The same applies in emerging markets, where growth is strongest: in South America and Asia-Pacific (excluding China) where the Group is also leader, in the Middle East & Africa, and in China with its partner Huazhu.

[1]World Travel & Tourism Council (WTTC).

Projected growth in tourism is significant in each of these regions, although hotel chain penetration rates remain relatively low.

Growth in overnight stays is set to continue in Asia-Pacific and the Middle East & Africa where hotel chain penetration stands at a respective 30% and 34% of supply, with projected annual rates of 3.8% and 4.7% respectively until 2020. The same goes for Latin America, where annual growth is expected to average 3.1% in the years to 2020, and where the hotel chain penetration rate is running at just 23%. It is also true of China, where hotel chain penetration is already much stronger (70%) in a persistently buoyant market, and where growth is expected to average 4.9% per annum until 2020.

#### 1.1.1.1. *Competitive positioning and development prospects in key markets*




*Including Huazhu

Overall growth is inversely proportional to the maturity of the markets in question. Europe's growth projection is a moderate 3.0%. However, spending on travel is greatest in these areas, and is projected to grow to $1 trillion between 2016 and 2020. By contrast, while spending on travel is lower in emerging markets, be they in Asia, South America or the Middle East & Africa, these markets enjoy higher growth rates in tourism, offsetting a lower average spend.

Benefiting from a balanced global footprint, the Group accordingly stands to benefit significantly from growth in international tourism flows in the coming years.

Chinese tourism abroad is intensifying each year, and Chinese tourists already spend twice as much as their American counterparts. Tourist arrivals are currently enjoying the fastest growth in Europe and Asia-Pacific, with rates of 8% and 5% respectively, compared with just 2% in North America.

But despite being very significant, these international tourist flows represent only about 30% of the global tourism market. Domestic travel accounts for more than 70% of travel and tourism expenditure, which is why the Group is also reinforcing its positions in countries where it is already a leader. Leisure also makes up a very large proportion of travelers' expenses, accounting for more than 75% of their overall budget. This is why the Group's acquisition strategy in the world of resorts makes so much sense.

The factors explaining the strength of emerging markets include burgeoning middle classes, as well as the advent of new generations who are more inclined, or more motivated to travel.

This is especially so since the overall cost of travel has declined in recent years, in large part thanks to private home rental platforms, which offer cheaper alternatives to hotels. Travelers want greater authenticity and originality, and their demand for this type of accommodation has surged over the last 10 years, as it has for cruises and other less standardized experiences.

Against this backdrop, while the hotel industry is growing, it only managed to keep its share of all types of accommodation stable at 75% between 2005 and 2015, at a time when demand for overnight stays surged from 7.7 to 11.3 billion (+46%)[2].

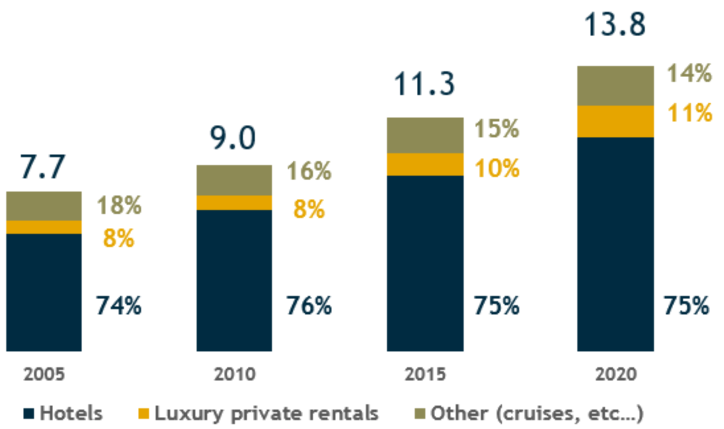
This shows that the hotel industry has kept pace with growth in global demand, but that demand has at the same time turned to other types of accommodation, which have managed to secure their market share of roughly 25% since 2005.

Between 2005 and 2015, private home rental platforms (10% of accommodation at the end of 2015) accordingly gained 2 points on other types of accommodation (cruises, B&B, representing 15% of accommodations at the end of 2015).

These trends are expected to continue in the years to 2020, with growth in demand for overnight stays expected to average roughly 22% between 2015 and 2020[3].

The hotel industry's share is expected to remain stable at 75%, but the share of private home rental platforms is set to continue growing at the expense of other types of accommodation. This is what explains the Group's decision to acquire onefinestay in 2016 and Squarebreak and Travel Keys in 2017.

#### *1.1.1.2. Demand by type of accommodation (in billions of overnight stays)*




While growth in the global hotel base will necessarily be restricted to around 2 to 2.5% per year due to the time needed to complete construction work, overall demand for accommodation is expected to increase by roughly 5%. Structurally superior to supply, this trend is set to stay, guaranteeing the sector significant growth potential going forward.

The growing demand has encouraged a certain number of hospitality groups to increase their share of the global hotel offer, particularly in the last three years.

### 1.1.2. CONSOLIDATION OF THE GLOBAL HOTEL SECTOR

The last two years have seen unprecedented consolidation in the global hotel industry, led primarily by Chinese, American and European groups.

[2] World Tourism Organization, Euromonitor International, the World Bank
[3] World Tourism Organization, Euromonitor International, the World Bank

These M&A strategies are designed to help hospitality groups meet several core objectives:

- acquire new geographic growth drivers;
- deepen local hotel networks in fast-growing regions;
- enrich brand portfolios and acquire brands in new segments;
- leverage guest loyalty programs;
- leverage synergies and economies of scale;
- expand the service offer;
- enhance the business model and corporate image.

International hospitality groups cannot just cover the most dynamic regions; they need to deepen their presence in these regions by establishing the banners that are most closely aligned with guest profiles and demand.

In addition to covering more geographic markets, hospitality groups with large brand portfolios cover a wide variety of segments; they are able to diversify their offering and propose a personalized guest experience. AccorHotels, for instance, has chosen to position itself as its customers' travel companion by maximizing hotel comfort and developing service offerings backed by digital innovation to facilitate their stays.

Mergers and acquisitions enable hospitality groups to leverage the best aspects of the various loyalty programs, which can be combined, and to enhance the cardholder experience with rewards such as free hotel nights and exclusive offers.

Lastly, mergers and acquisitions create opportunities to pool best practices, share overheads, and generate significant economies of scale from operational and administrative synergies.

Taking advantage of these strengths, AccorHotels made a major contribution to sector consolidation with its July 2016 acquisition of the Fairmont Raffles Hotels International Group (FRHI) and its three flagship brands, Fairmont, Raffles and Swissôtel (FRS).

In line with consolidation between hotel players in recent years, digital technology has profoundly transformed the competitive landscape within the sector, enriching hotel service offerings in the process.

### 1.1.3. THE INDUSTRY'S DIGITAL TRANSFORMATION, AND ITS NEW PLAYERS

Digital technology has been driving innovation at the very heart of the tourism and travel industry for several years. Numerous players in the digital field have penetrated the market, prompting the Group to put together an ambitious and innovative digital strategy geared towards serving its customers, partners and employees.

#### *1.1.3.1. The multiplication of digital intermediaries*

Online travel agencies, metasearch engines and, more recently, players in the collaborative economy have carved out big places for themselves in the hospitality industry in recent years.

Their power lies precisely in being able to escape bricks-and-mortar constraints to focus their resources and expertise closely on the preliminary steps before the customer actually books a room, by publishing consumer opinions, highlighting the hosting ads generating the highest commissions for them and connecting people looking for accommodation with people who can provide it.

#### 1.1.3.1.1. Online travel agencies

The online travel agency business model is built on combining the widest possible choice of offers, delivering an excellent experience to site users, investing in the brand to generate growth, and forging close ties with hotel operators and owners of rental properties.

The technologies implemented by these disruptors have quickly launched them on the wave of new customer consumption patterns, allowing them to gather significant amounts of personal information and to combine a vast number of offers.

#### 1.1.3.1.2. Metasearch engines or aggregators

While exerting real influence on consumer behavior, metasearch engines also impact the reality of competition between hotel operators and online travel agencies – not to mention their margins – by taking the accommodation offers of the most generous hotel and digital players directly to prospects.

Unlike online travel agencies, which are paid by hotel operators on a commission basis for each booking made through them, metasearch engines allow hotel operators to freely set the price they would like to pay for each click made by a prospect on their advertisement, determining the price display ranking on the results page on that basis. This transforms digital players into advertising channels that hotel operators evaluate on the basis of the return on their advertising spend.

Moreover, two metasearch engines recently decided to expand their business into direct hotel bookings via their website. Building on their joint digital expertise with online travel agencies, a number of metasearch engines have been purchased by such agencies in recent years. Other hybrid formats are also blossoming, combining a pay-per-click model based on the total cost of the potential booking and a performance-based model taking a percentage of the bookings made.

Responding to the very rapid emergence of these digital players and their growing share of hotel sales, the French competition authority, in agreement with the European Union, has sought to address hotel operators' concerns by establishing regulatory principles guaranteeing a more level playing field for the various players in the hospitality industry, taking into account their respective specific characteristics.

### 1.1.3.2. More balanced regulation of the hotel offer

Commission-based digital platforms can generate between 7% and 20% of a hotel group's total sales. The challenge for hospitality groups is to increase their direct sales via their hotels or websites.

Until July 2015, hospitality groups were denied the possibility of offering lower prices than those quoted by online agencies that listed their hotels, either on other platforms or on their own websites. In response to a 2013 complaint lodged by hospitality industry federations, to which AccorHotels signed up in February 2015, the French competition authority and the government, through the Macron Act dated August 6, 2015, have rebalanced commercial and partnership relationships between online agencies and hotel operators. The new rules are based on a few simple principles:

- a digital platform can no longer prevent a hotel using its services from offering the same deals at lower rates on other platforms, or directly on site, by phone or by email;
- hotel operators are free to charge the rates they want, and can display more attractive rates on their websites than those offered by online agencies;
- hotel operators can now reserve for their direct sales channels (offline and online) a higher number of hotel nights than that offered by online agencies.

These measures are important in that they give back to hotel operators the commercial and pricing flexibility they had lost, while allowing those that wish to do so to benefit from the effectiveness of online booking platforms. This has positively impacted hotel profitability, particularly in France and Germany, by enabling margins to be reintegrated into the hospitality businesses.

The challenge lies in striking the right balance between online agencies, which provide hotel operators with business volumes that they would not have secured otherwise, and the hotel operators' freedom to conduct their business on their own terms, bearing in mind that the agencies' technology-driven business model leads them to invest heavily in raising the visibility of the hotels presented in their catalogues, while hotel operators have obligations, cost structures and margins that cannot be undermined or they will not survive.

The key challenge for AccorHotels is to tap customers who would not have chosen one of its hotels without the intermediation of these agencies by making them want to make their future hotel bookings directly through the Group rather than via online agencies.

Other digital disruptors, competing more directly with conventional hotels, have also made the choice to offer their customers the rental of private homes.

#### *1.1.3.3. Alternatives to conventional hotels matching new expectations*

This new form of competition, operated by rental platforms offering private homes, is being waged outside the hotel market, in the market for private residences made available to these platforms by their owners. Some platforms simply put people looking for accommodation in contact with people who can provide it, without providing any other services, while others enhance the relationship by offering additional services.

Responding to new consumer aspirations, their offerings focus on residences marketed as authentic and unique, providing an exclusive customer experience by virtue of their personalized nature.

The Group saw this new trend – which is akin to offering basic hotel services without being a hotel – as an opportunity for diversification, in the same way as the private sale of luxury vacations, hotel distribution for business customers, digital services for independent hotels, rental of collaborative workspaces, events and entertainment; a host of new offers allowing AccorHotels to enrich its package of hospitality services and give its customers the most compelling experiences.

## 1.2 ACCORHOTELS, AN ASSET-LIGHT HOSPITALITY SERVICES GROUP SPECIALIZING IN TRAVEL AND MOBILITY

While AccorHotels' hotel model has been transformed considerably in recent years as a result of its hotel and non-hotel acquisitions, it was changed as never before in the first half of 2018 when it refocused its activities exclusively on hotel management and franchising through the sale of 57.8% of AccorInvest.

### 1.2.1. ACCORINVEST, AN ACCORHOTELS PARTNER IN ITS OWN RIGHT

In 2014 and 2015 AccorHotels focused on restructuring its hotel base, investing €2 billion in the acquisition of asset portfolios. Accounting for 30% of the investments made by the Group from 2014, these acquisitions and restructuring measures enabled it to strengthen its portfolio of profitable assets, dispose of those that no longer meet its investment criteria and improve the overall value of the AccorInvest property portfolio by €1.5 billion.

Today, AccorInvest has 30,000 employees in 27 countries worldwide, and owns 891 hotels (128,000 rooms) out of the 1,182 assets owned and leased by AccorHotels. Of these, 324 are wholly owned by AccorInvest and 567 operated through fixed- and variable-rent leases.

Restructured and consisting of attractive hotels generating strong cash flows, the AccorInvest portfolio now ranks amongst those of the world's leading property companies. Moreover, the portfolio still enjoys immense growth potential in a European hotel industry that remains far from mature.

- 84% of the hotels owned by AccorInvest are located in Europe, which is renowned for its stable property markets and easily predictable returns.

- The valuations of 80% of the Group's sites are immune to wide fluctuations, being located in city centers or in highly sought-after places.
- With 90% of Economy and Midscale hotels operating under the ibis, Novotel and Mercure brands, the portfolio is also fairly well sheltered against cyclical swings in business volumes.
- Lastly, with 60% of the hotels fully owned, AccorInvest's portfolio offers management flexibility, making it adaptable to the Group's future restructuring needs.

On May 31, 2018, AccorHotels announced the completion of the sale of 57.8% of the capital of AccorInvest to sovereign funds Public Investment Fund (PIF) and GIC, institutional investors Colony NorthStar, Crédit Agricole Assurances and Amundi, and private investors.

The sale resulted in a gross cash injection of €4.6 billion, which was marginally higher than the €4.4 billion announced in February in line with the increase in the percentage of the final stake sold.

At June 30, 2018, AccorHotels held a 42.2% stake in AccorInvest, which will henceforth be deconsolidated from the Group's financial statements, although the two Groups will maintain a sustainable and special partnership embodied in very long-term agreements.

The €3.6 billion in funding for AccorInvest was secured with some 20 international banks.

AccorInvest's medium-term objective is to deliver a yield of 10% per year, half in dividends and half from the appreciation of the gross asset value of its portfolio, reflecting the impact of three drivers:

- ongoing restructuring focused on the best-performing assets, with some portfolios still subject to variable-rent leases for which solutions are currently being sought;
- hotel repositioning operations, with a major capital spending budget earmarked for bringing many hotels into compliance with current market standards based on their location, changes in local supply and the potential offered by each market. AccorInvest already has a specific plan in this respect, hotel by hotel, so that planned renovations consolidate the Group's market share and create value;
- renewed development momentum, backed up by hotel building and acquisition plans in key locations.

Formerly an owner-investor, AccorHotels is refocusing on an asset-light model, following the lead of its rivals, which separated their businesses back in the 1990s.

At the same time, Group continues to transform and diversify, becoming a hospitality services group, specializing in travel and mobility, committed to serving its guests and its partners.

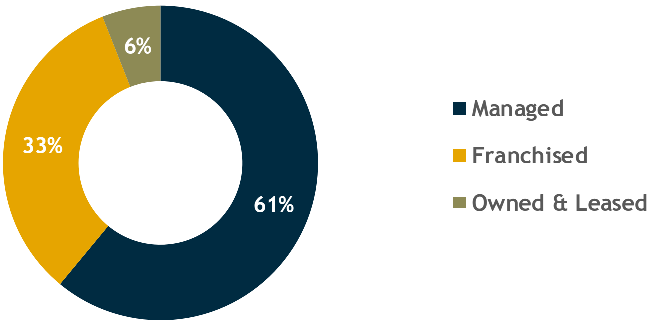
### 1.2.2. GROUP HOTEL SERVICES: A NEW CONFIGURATION

Focused on the customer experience in the various service universes it develops for them, AccorHotels has for two years been extending the principle of hospitality under three complementary verticals, namely hotels, the world of travel and local services.

### 1.2.2.1. A hotels business refocused on management and franchise contracts and on the Luxury/Upscale segment

At June 30, 2018, 94% of the AccorHotels hotel portfolio consisted of hotels operated under management contracts and franchise agreements, leaving 6% of assets owned or leased.

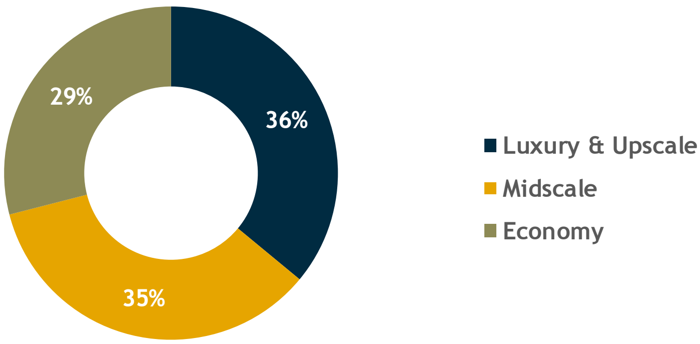
***Hotel portfolio by operating structure at June 30, 2018 (% based on number of rooms)***




Revenues for HotelServices' hotel management and franchise business (M&F) are derived from the collection of management and franchise contract fees, as well as revenue generated by purchasing and services to owners which regroup all of the services for which the Group is paid a fee by the hotels: sales, marketing and distribution, loyalty programs, shared services and the reimbursement of costs incurred on behalf of hotel owners.

Its development focuses and will continue to focus on the Luxury/Upscale segment which offers higher returns and which is already the biggest contributor to Group revenues.

***Breakdown in revenue for HotelServices M&F by segment at June 30, 2018***

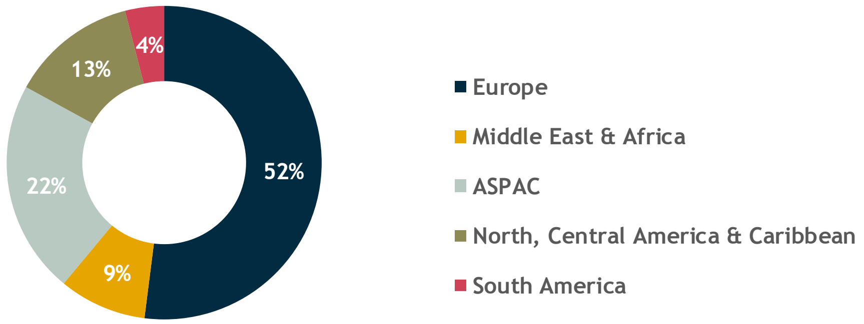



### 1.2.2.2. A more balanced breakdown of the Group's results

The Group's new focus rebalances the weight of the various regions in its revenue and EBITDA, while improving its defensive profile.

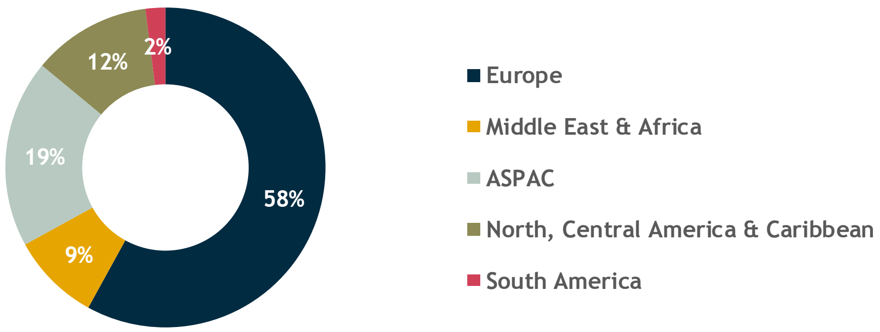
*Breakdown in revenue for HotelServices M&F by region at June 30, 2018*

*At the end of June 2018, Europe accounted for 52% of total revenues and emerging regions for 48%.*




*Breakdown in EBITDA for HotelServices M&F by region at June 30, 2018*

*At the end of June 2018, Europe accounted for 58% of total EBITDA and emerging regions for 42%.*




The sale of 57.8% of AccorInvest completes the Group's transformation, changing the very nature of its model and making it much leaner and more agile.

HotelServices also enjoys a closer correlation between growth in its fees and its network and the revenue per room observed in its various markets.

AccorHotels continues to Increase its expertise as a hotel operator in all of its markets.

### 1.2.3. STRENGTHENING OF THE GROUP'S GEOGRAPHIC LEADERSHIP POSITIONS

AccorHotels has gained new market share in new customer segments in recent years.

It has acquired or partnered with new brands that have significantly strengthened its operations in the Luxury/Upscale segment. Since 2014, AccorHotels has invested €2.8 billion in the acquisitions of Fairmont, Raffles and Swissôtel, as well as Mama Shelter, BHG and Mantra. Strategic partnerships have also been signed with Huazhu, 25hours, Orient Express, Banyan Tree and Rixos Hotels.

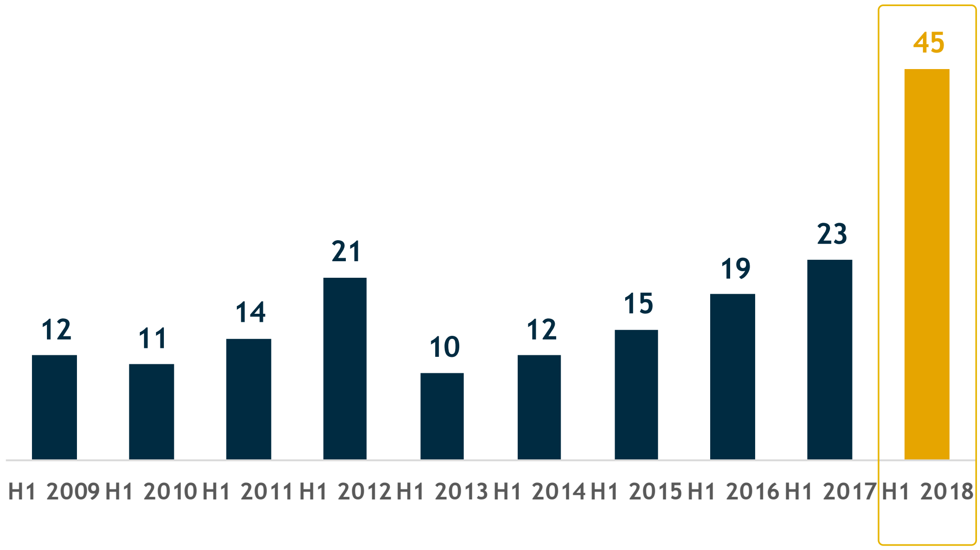
The challenge for AccorHotels going forward will be to reinforce its geographic positions by repositioning itself on segments with high added value. Investments in hospitality have accounted for 60% of the Group's total capital expenditure over the last four years, namely €3.7 billion.

### *1.2.3.1. A rapidly expanding hotel base*

Following on from 2017, a favorable economic backdrop saw AccorHotels continue to develop at a brisk pace in the first half of 2018. The Group's dynamic development and prime locations are key assets its growth.

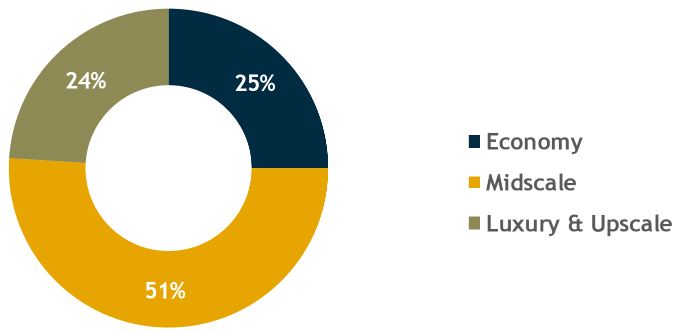
The Group's organic development was robust in the first half of 2018. A total of 135 hotels, comprising 19,757 rooms, were opened worldwide. In line with the Group's annual target, this development is poised to intensify in the second half of 2018, stabilizing at an average of roughly 45,000 rooms per year at cruising speed. In line with its asset right strategy, 100% of the expansion program has involved franchising and management contracts.

***Record organic growth (gross, in thousands of rooms)***

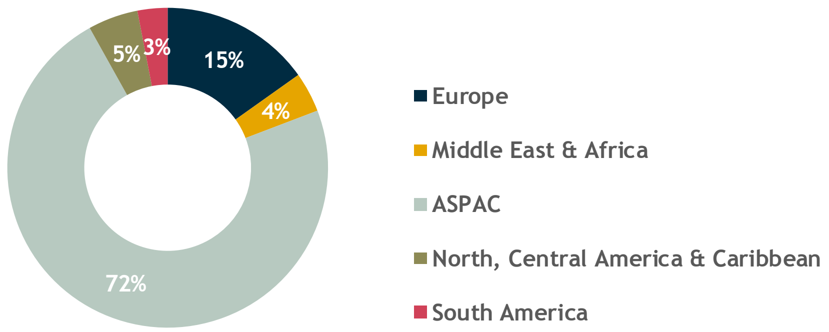



More broadly, including the hotels acquired, the Group's overall development in the first half of 2018 totaled 301 hotels, or 45,150 rooms, representing five hotel openings every three days, and 250 rooms each day.

***Breakdown of openings by segment at June 30, 2018 (% based on number of rooms)***




***Breakdown of openings by region at June 30, 2018 (gross, in thousands of rooms)***




85% of openings at end-June 2018 were outside Europe: 72% in Asia-Pacific, 4% in the Middle East & Africa, 3% in South America and 5% in North America, Central America & the Caribbean.

In Asia-Pacific, China was the driving force of the Group's development thanks to the strength of its strategic partner, Huazhu.

### *1.2.3.2. Fast development in China, boosted by Huazhu*

The Group's development in China was excellent, thanks to the strategic alliance with Huazhu signed in January 2016. Since the alliance was formed, AccorHotels has experienced a sharp acceleration in growth in the country through its Economy and Midscale brands, with contracts signed with 221 hotels at end-June 2018. More than 290 are currently under negotiation.

A total of 1,100 of the Group's hotels can now be booked via the Huazhu distribution platforms and 370 Huazhu hotels can be booked via the accorhotels.com platform. Members of the Huazhu loyalty program can also take advantage of AccorHotel's loyalty program.

Moreover, in view of Huazhu's strong growth in China, the 10.8% equity interest acquired in January 2016 for $193 million was worth $1.25 billion as of June 30, 2018. The 6.5-fold increase in two years and a half years has exceeded the Group's initial expectations and substantially contributed to its performance.

The Group has also strengthened its presence in Asia-Pacific with the acquisition of the Mantra Group.

### *1.2.3.3. Reinforcing AccorHotels' leadership in Asia-Pacific with the acquisition of the Mantra Group*

On May 31, 2018, Accor announced the acquisition of the Mantra Group for €830 million, making it the Group's sole shareholder.

Trading under the Peppers, Mantra and BreakFree banners, Mantra Group Limited's establishments range from luxury beach resorts to hotel apartments in cities and major tourist destinations.

Mantra Group Limited's know-how in apartment management represents a new growth opportunity for AccorHotels, allowing it to access new locations, new forms of accommodation and new customers, and complementing its hotel offering in Australia, New Zealand, Indonesia and Hawaii.

The merger of the two Groups provides the new entity with new facilities, know-how and complementary offers, as well as better distribution and improved operating systems, reinforcing its growth.

The Group has also consolidated its presence in Europe and the Middle East with the announcement of an agreement for the acquisition of Mövenpick Hotels & Resorts for €482 million.

### *1.2.3.4. Reinforcing AccorHotels' leadership in Europe and the Middle East with the acquisition of Mövenpick*

The acquisition of Mövenpick by AccorHotels is part of the Group's strategy to seize tactical opportunities to strengthen its positions and consolidate its leaderships, as well as leverage its growth.

Founded in 1973 in Switzerland, Mövenpick Hotels & Resorts operates in 27 countries with 84 hotels (more than 20,000 rooms) and a particularly strong presence in Europe and the Middle East. Mövenpick Hotels & Resorts also plans to open 42 additional hotels by 2021, representing almost 11,000 rooms, with significant expansion in the Middle East, Africa and Asia-Pacific

The Group, which has high-end expertise in the main hotel-related services, employs more than 16,000 people worldwide. The Mövenpick brand is the perfect combination of modernity and authenticity and ideally complements the portfolio of AccorHotels. Its European-Swiss heritage is a perfect fit with AccorHotels. By joining the Group, the Mövenpick Hotels & Resorts hotels will benefit from the strength of AccorHotels' loyalty program, distribution channels and operating systems, which will help optimize their performance.

The acquisition, subject to the approval of the regulatory authorities, consolidates the Group's footprint in Europe and the Middle East, and accelerates its growth, notably in key regions where the Group has been established for many years, such as Africa and Asia-Pacific.

The transaction implies a 2019e EV/EBITDA of 10X before synergies and the committed development pipeline. The transaction will have an accretive impact on Group earnings from the first year.

The Group has also strengthened its presence in America with the acquisition of Atton Hoteles.

### *1.2.3.5. Reinforcing AccorHotels' leadership in America with the acquisition of Atton Hoteles*

AccorHotels and Chilean group Algeciras have announced that they have signed an agreement with the shareholders of Atton Hoteles in order to acquire the company.

Founded in Chile in 2000, the Atton Hoteles brand caters to business travelers on the Midscale and Upscale segment. It has 3 hotels under development to add to the 11 it currently operates.

In order to capitalize on Atton's existing brand equity, most of these properties will be co-branded with AccorHotels brands, before being fully rebranded to Pullman, Novotel, MGallery & Mercure in the midterm.

This acquisition further consolidates the current footprint of AccorHotels in Latin America, where the Group has built leadership for many years, with 335 hotels operating, and 166 under development, while strengthening its presence in fast growth markets such as Chile & Peru.

As per the agreement, AccorHotels will acquire 100% of the management company that operates 11 Atton hotels (2,259 rooms) across Chile, Peru, Colombia and Florida, USA. AccorHotels will also acquire 20% of the property company that owns these assets, the remaining 80% being bought by Algeciras.

Total cash consideration for AccorHotels will be approximately €89 million, including €67 million for the operating company and €22 million for the 20% stake in the real estate arm, implying a 2020e EV/EBITDA of 10X and 9X respectively post-synergies and pipeline. The transaction will have an accretive impact on Group earnings from the first year.

AccorHotels has also signed a strategic agreement with Mantis Group, a South African conglomerate operating in the hospitality and travel sector, acquiring a 50% stake.

### *1.2.3.6. Strengthening AccorHotels' leadership in Africa with the acquisition of 50% of Mantis Group*

Mantis is a pioneer in exceptional tailor-made travel, with some of the most imaginative hotels in the world.

This strategic partnership will allow AccorHotels to strengthen its footprint in Africa and to join forces with a brand boasting strong roots and a rich history, recognized for its commitment to preserving the natural environment and its prestigious references in the hospitality sector.

Mantis operates a collection of extraordinary destinations, owned and managed by the group or bearing the Mantis banner. The Mantis network includes 28 properties, plus an international portfolio of hotels and residences operating under the Mantis banner, including boutique villas and establishments such as the Founders Lodge at the Eastern Cape Wildlife Reserve, Mantis St Helena which is a boutique hotel nestled on the remote island of St. Helena, and the Draycott Hotel in London. The Group also owns and operates several cruise ships and a luxury lodge under the Zambezi Queen Collection brand.

The partnership is accompanied by the launch of Community Conservation Fund Africa (CCFA), a non-profit organization that aims to amplify both Groups' commitment to slowing the accelerating decline of Africa's wildlife and bringing together three conservation organizations: Wilderness Foundation, Tusk Trust and African Parks.

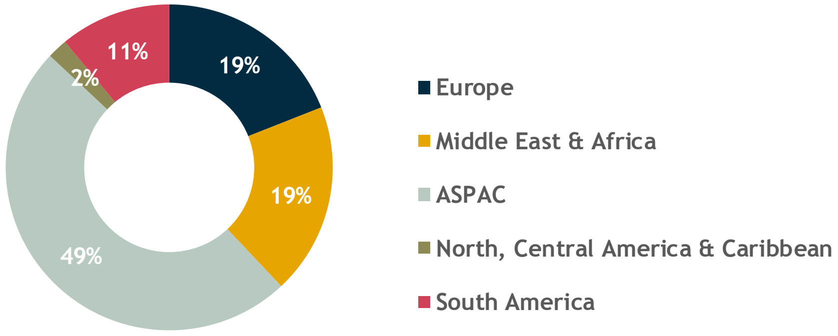
Mantis also strives to conserve the biodiversity of the landscapes that host its properties and to share the benefits of ecotourism with local communities via job creation. The partnership agreement is subject to regulatory approvals.

AccorHotels' very dynamic development is a real asset at a time when the Group, like all of its competitors, needs to consolidate its market share around the world and extend its leading positions, while raising the bar in terms of the return on investment in development.

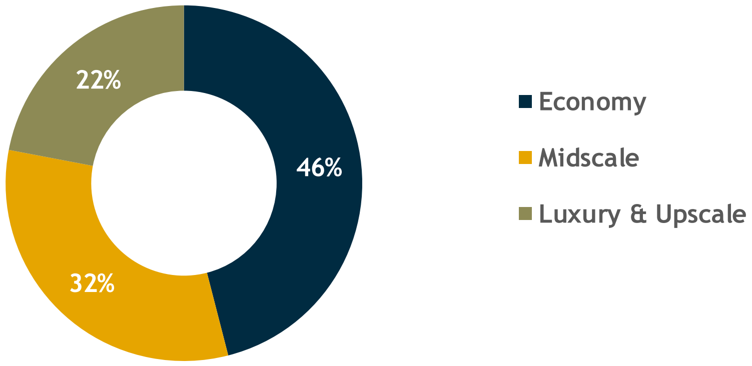
### *1.2.3.7. A pipeline supported by acquisitions and strategic partnerships*

AccorHotels' development pipeline as of June 30, 2018 includes 959 hotels (167,000 rooms), with nearly 79% in fast-growing markets and 49% in the Asia-Pacific region.

**Pipeline by region at June 30, 2018**




**Pipeline by segment at June 30, 2018**




Accounting for 26% of the portfolio at the end of June 2018, the pipeline spans all AccorHotels brands and segments. Markets tapped by the Group through partnerships and investments concluded over the last three years secure growth prospects and the promise of sustained development in the coming years.

As of June 30, 2018, the hotel base comprised 4,530 hotels and 652,939 rooms.

These partnerships and acquisitions have enabled AccorHotels to extend its brand portfolio. Today, the Group counts 30 brands across all segments.

In addition to reinforcing its leadership in its key markets, AccorHotels is banking on innovation to position itself as the sector's digital leader, and to enrich its activities to create a form of augmented hospitality.

## 1.3 DISCIPLINED INVESTMENTS TO CREATE AN EFFICIENT DIGITAL SALES AND LOYALTY ECOSYSTEM, AND TO ENRICH ITS SERVICES OFFERINGS

In an environment shaped by the accelerating pace of change in both technologies and usage, the arrival of new digital disruptors and the need to refresh the codes of the conventional hotel market, the Group has meticulously crafted a new ecosystem in a comprehensive approach to digital challenges, with a view to enhancing the exclusive nature of the experiences offered to guests.

### 1.3.1. DIGITAL INNOVATION AS A CUSTOMER EXPERIENCE ENHANCER

#### *1.3.1.1. The hotel operator, central to the exclusive experience sought by guests*

Hotel operators benefit from undeniable competitive advantages when it comes to making a difference on the ground and pursuing their growth in a very competitive environment. They can create customer preference by offering a wide choice of products, strong brands, competitive prices, innovative digital tools and - last but not least - memorable experiences to attract and retain them, fostering closer relationships through the loyalty program.

This is compounded by the fact that guests have upstream access to all the necessary information on hotels and their services via online agencies and metasearch engines, allowing them to get a good grasp of the products on offer and access the opinions of fellow consumers very quickly.

The human touch is the key differentiating factor in today’s market. Regardless of the distribution channel used by the guest, the operator is still central to the customer’s experience in the hotel. Ensuring that the experience of staying in the hotel is a pleasurable one is the only way to retain loyalty to the hotel, the brand or the Group, thereby prompting guests to use the AccorHotels distribution channels the next time they travel via the loyalty program. The relationship established between an agency or a metasearch engine and a customer cannot be self-sufficient, precisely because the intermediary is in no way the custodian of or responsible for the hotel services provided to guests by the hotel operator. This is why service must be as closely aligned with customer expectations as possible.

Today’s travelers are looking for personalized experiences, which was not the case a decade ago. They want to be pleasantly surprised by the service in their hotel, by its staff, and by its setting. This puts the onus on the hotel operator to work on the design, architecture, furniture or food and beverage offerings of its various venues.

Hotel operators have the capacity to provide the services sought by guests, and the viral nature of information – considerably amplified by price comparison websites that are an integral part of the competitive space – must be leveraged to drive growth. To integrate these new trends into its business model and profoundly modernize its digital tools and the digital experience of its customers, partners and employees, the Group has implemented a wide-ranging digital plan aimed at meeting these different challenges over the last five years.

#### *1.3.1.2. An efficient digital sales and loyalty ecosystem to ensure the best experience for group customers and to drive value creation for its partners*

Digital technology is a potent accelerator of personalization. This is why AccorHotels has profoundly modernized its digital services at all stages of the customer experience and started rolling out a database known as the Accor Customer Digital Card (ACDC) to gather customer data with a view to facilitating predictive analysis of individual preferences and delivering the highest level of personalization during peoples' stays. In place at all Group hotels since June 2018, the ACDC allow all of the Group's hotels to know their customers better, drawing lessons from their previous stays and their consumption patterns to inform them of any specific expectations in terms of welcome, service, etc.

It all starts with a desire to travel. With that in mind, to help prospects choose the offer corresponding to their needs among the 30 hotel brands and 4,530 hotels comprising the Group at December 31, June 2018, accorhotels.com lists some 2,300 different destinations. Six new brands were added to the platform during the first half of 2018. Translated into 18 languages, accorhotels.com receives an average of 12 million visits each month.

At the same time, AccorHotels decided to facilitate its customers’ mobile uses, rolling out a single mobile app combining its 25 brands, along with services designed to streamline service before, during and after their stays. It allows one-click booking, which makes it a lot easier to book a stay. The French travel industry's second-most-popular mobile application, the AccorHotels app is downloaded an average of four times each minute and registers 2.9 million visits per month.

Downstream, the AccorHotels reservation system (TARS) is extremely efficient. Registering an annual business volume of €7.7 billion, it responds each second to 280 availability requests, adjusting 9 million prices every day and logging 1.7 bookings per second. In 2017, the system recorded its 400 millionth booking since its implementation in 1996. The look-to-book ratio, reflecting the number of queries on our IT infrastructure prior to each reservation, was up 65% compared with 2016, and has increased by 450% since 2014.

In support of these essential tools as leverage for booking volumes, AccorHotels sends its customers 1.2 billion increasingly personalized e-mails every year.

Partnering with roughly 20 search engines, its activity also involves the mobilization of 47 sales offices and the commitment of 700 sales representatives.

To give its customers as much help as possible in preparing their stays, AccorHotels also offers travelers 70 guides to the world's most popular cities on accorhotels.com.

Once at their hotel, customers have the option of checking in online instead of at the reception desk. This option is increasingly popular, as are fast check-out solutions or the dematerialization of payment solutions.

Lastly, once their stay is over, AccorHotels gives its customers the opportunity to share their feedback on Voice of the Guests, a centralized customer platform accessible in each of the Group's hotels since the end of 2015 and developed by TrustYou, international leader in e-reputation management. TrustYou's role is to analyze customer feedback, share it with employees, interact with customers via satisfaction surveys, and respond to them on social media and customer review sites. It also compares the performance of the Group's hotels with those of competitors. The system is of critical importance for AccorHotels, enabling it to assess the quality of the services it provides the 25 million fans who regularly share their experiences of AccorHotels' hotels on social networks.

After its customers' stays, AccorHotels awards them loyalty points, maintaining frequent contact with them through its loyalty program, Le Club AccorHotels.

This is the whole purpose of the loyalty policy, and the Group's work to recast it in recent years is already starting to pay off.

#### *1.3.1.3. Le Club AccorHotels: loyalty as a growth driver*

21,000 new members join Le Club AccorHotels each day.

Le Club AccorHotels plays a key role in promoting the loyalty of the Group's guests. Its primary purpose, based on customer recognition and satisfaction, is to drive a steady increase in market share thanks to the quality of the personalized relationship formed with guests.

Le Club AccorHotels members proportionally consume more than other guests because they can redeem their loyalty points, which tends to encourage consumption. They are also generally more active and generate more revenue for the Group.

With this in mind, the Group's loyalty programs have been largely recast over the past four years, resulting in a 100% increase in the number of cardholders since 2014, bringing their number to 45 million at the end of June 2018. Forty partnerships, particularly in the automotive, rail, hotel and restaurant sectors, have been concluded for Club members.

The Group's various loyalty programs – Le Club AccorHotels but also the programs operated by Raffles, Fairmont and Swissôtel, and that of Huazhu, the Group's partner in China – have increased its visibility with 150 million cardholders, including more than 100 million in China, through earn, burn and other benefits.

Cardholder growth is central to the strategy to expand AccorHotels' market share, as it directly influences the Club's contribution to total revenue. This contribution has grown steadily over the last four years, climbing from 24% at the end of 2014 to 30% at the end of June 2018, captured directly through Group loyalty programs. Locking in a growing share of revenue is an essential defensive weapon against all forms of competitive attack, because the revenue concerned is not controlled by other market players and does not risk being appropriated by them.

The Group's Only-on program offering special rates to Club members who book on line has further helped to lock in new cardholders, who contribute more to revenue, while also providing the Group with high-quality customer data.

AccorHotels also continued to make acquisitions to enrich its ecosystem of offers and services, particularly in the areas of hotel distribution dedicated to business and catering customers.

## 1.3.2. DIVERSIFICATION OF THE GROUP'S DISTRIBUTION CHANNELS AND CUSTOMERS

Over the past four years, AccorHotels has committed €600 million to new businesses considered as future growth drivers for the Group.

Representing 10% of the investments made, these equity investments have enabled the Group to extend its accommodation activities to the rental of private residences (onefinestay, Travel Keys and Squarebreak) and collaborative workspaces (Nextdoor), to diversify into digital services for the independent hotel industry (Fastbooking and Availpro), distribution activities such as private sales of hotel accommodation and luxury vacations (VeryChic), and to enrich its offers of personalized services (John Paul) and services in events, gastronomy and entertainment (Noctis and Potel & Chabot).

At the same time, the Group also expanded its business to hotel distribution for business customers with the acquisition of Gekko in the first half of 2018.

### *1.3.2.1. Acquisition of Gekko, a specialist in hotel distribution solutions dedicated to business customers*

The acquisition of Gekko is part of AccorHotels' strategy of strengthening its leadership across the customer value chain by rounding out its service offering for business travelers. AccorHotels' strong international presence combined with Gekko's technological leadership has created a world leader in B2B hotel distribution.

Business tourism is a key part of the Group's business. Gekko can meet the specific needs of business customers throughout the value chain, through its subsidiaries HCorpo (key accounts), Teldar Travel (leisure travel agencies), Teldar Travel Biz (travel agencies for SMEs), Miles Attack (loyalty program) and Infinite Hotel (wholesaler dedicated to independent French hotels).

Gekko gives the Group a network of 300 large companies and 14,000 travel agencies, and extends its sphere of influence in terms of distribution via a connected interface to 600,000 hotels around the world, across all segments. The Group now also has a range of innovative turnkey management tools for these customers, enabling them to manage their payments online, and to track and optimize their expenses.

The Group has also consolidated its catering activities by acquiring Adoria and ResDiary.

### *1.3.2.2. Acquisition of Adoria, European leader in management solutions for corporate and contract catering*

In addition to its recent acquisitions in the catering sector, AccorHotels has announced the acquisition of Adoria, a SaaS platform used by restaurant operators to optimize their supply management.

The deal is in line with the Group's strategy of acquiring the most innovative and visionary players in their market in order to provide our customers and partners with an increasingly broad range of complementary services.

Founded in France in 2003, Adoria offers centralized solutions for the management of tenders, supplies, logistics and production. This modular suite guarantees the level of service and profitability of all the players in the restaurant chain, from producer to consumer. Adoria equips 2,700 venues (30 food service groups), bringing together 300,000 active users and more than 800 manufacturers and distributors.

AccorHotels will support Adoria's international development while benefiting from its expertise and a highly qualified team.

AccorHotels is also strengthening itself in restaurant reservation and table management with the acquisition of ResDiary.

#### *1.3.2.3. Acquisition of ResDiary, the leading platform for restaurant reservation and table management*

This acquisition complements AccorHotels' equity investments in the food service sector (Potel & Chabot and Noctis), and is perfectly in line with its strategy of increasing the number of points of contact with an increasingly fast-growing customer base.

ResDiary offers restaurant owners a high-end table management service with technology allowing them to optimize their revenue while keeping their operating costs on a tight rein. Its yield management and distribution channel management solutions serve to control the tables made available to third-party distributors in order to optimize the amounts of commissions paid to them.

Founded in Glasgow in 2004, ResDiary employs more than 100 people in six countries. With a particularly strong footprint in the Asia-Pacific region and in Great Britain, the platform is active in 60 countries worldwide, with 166 million places distributed per year for 8,600 venues.

AccorHotels will support ResDiary's international development while benefiting from its expertise to offer an increasingly large range of services to its customers.

Through these investments, AccorHotels is not only keeping pace with the trends shaping its industry, it is also reinventing itself by capitalizing on new growth and value-creation drivers.

Countless opportunities for emulation and synergies exist between AccorHotels and its partners, as well as between its partners themselves, each contributing to a rich ecosystem of hospitality services that offers new growth prospects.

## *1.4 OUTLOOK*

### 1.4.1. FIVE-YEAR GROWTH TARGET

Change in the AccorHotels business model is aimed at doubling the Group's EBITDA to €1.1 billion between now and 2021, with 70% of earnings growth coming from the hotels and 30% from new business lines. As such, the EBITDA of €500 million achieved in 2016 will be compounded by the approximate €350 million generated by the hotels by 2021 and a further €150 million by new initiatives, representing 15% of EBITDA by that date.

Investments aimed at extending and cementing the Group's leadership in its various business lines will continue on the basis of exacting financial indicators (EPS, EBITDA, ROCE, FCF), whether to accelerate AccorHotels' growth in specific markets or segments, or to round out its service offerings.

Medium-sized companies will be targeted primarily for their earnings, growth and integration potential and the scope they offer to enrich the Group's ecosystem.

AccorHotels will commit the majority of its investment outlay to developing HotelServices and growing Hotel Assets and digital initiatives, while devoting 10% to new businesses.

## 1.4.2. A BROADER BUSINESS MODEL, WITH A MORE ROBUST FINANCIAL STRUCTURE

Many strategic levers have been used over the past four years to achieve a profound transformation at AccorHotels and to strengthen its leadership in a highly competitive hotel sector:

- product diversification (hotels, residences, apartments, office spaces, etc.);
- expansion of the customer base (leisure, business, millennials, independent hotel operators, local residents);
- broadening of the brand portfolio, diversification of service offerings;
- consolidation of geographical leadership, strengthening in fast-growing areas;
- reinforcement in the Luxury/Upscale segment, in new segments;
- digital innovations in hotels, distribution and CRM, etc.

AccorHotels is tirelessly expanding its network and cementing its leadership thanks to dynamic development and the optimization of its coverage of all geographies and segments. At the same time, the Group is consolidating its multi-faceted skills as an operator in the field of hospitality services by gradually developing an abundant ecosystem of businesses and consistent services enabling it to offer innovative and exclusive personalized experiences.

By selling 58% of AccorInvest, AccorHotels has significantly reduced the number of assets owned and leased by the Group, as well as the debt contracted to finance them. In its asset-light form, AccorHotels only invests very little in real estate, and benefits from lighter overheads based on an optimized fee-based model. This reduces the Group's exposure to the ups and downs of business cycles.

The sale has also provided it with a gross cash injection of €4.6 billion to strengthen its balance sheet and allow it to pursue its external growth and diversification in adjacent high-potential businesses. The new cash will allow it to buy back own shares representing approximately 10% of its share capital over the coming two years.

Together, the new cash and new model gives AccorHotels significant financial flexibility, supported by structurally larger cash flows. Its investment and shareholder return capacity will also be strengthened.

A new dividend policy will be implemented as early as 2018, directly linked to the profitability of the operating cycle and the Group's value creation. The dividend will no longer be set on the basis of recurring profit after tax, but on recurring free cash flow, to which a payout ratio of 50% will be applied. In the future, while ensuring the quality of its credit profile and its rating, the Group will allocate its excess cash flow to further growth transactions or additional returns to shareholders.

In this context, building on its long-standing strengths, and now more agile, innovative and richer in areas adjacent to its core business, the Group is confident in its ability to intensify its growth in the coming years. The various transactions carried out in recent years to make it stronger by making it more present in the daily lives of its customers, more profitable and more value-creating, have already started to pay off nicely, and make it possible to look to the future with confidence.

## 2. 2018 Interim consolidated results

AccorHotels Group is now structured around the following segments:

- **HotelServices**, which houses the hotel franchisor and operator business, as well as activities related to hotel operations. This division is split into five operating regions: Europe, Africa & Middle East, Asia-Pacific, North America, Central America & the Caribbean, and South America.
- **New Businesses**, which currently brings together FastBooking and Availpro, onefinestay, Travel Keys, VeryChic and John Paul (previously part of HotelServices).
- **Hotel Assets,** which includes HotelInvest assets not transferred to AccorInvest, mainly corresponding to Orbis, the hotels operated under variable lease agreements based on a percentage of EBITDAR (also known as management leases) in Brazil, and a few assets intended to be restructured before the close of the Booster transaction.
- **Holding and Intercos**, which includes inter-company eliminations between each segment and the cost of central functions.

AccorHotels benefited from solid business levels in most of its key markets in the first half of 2018. With the opening of 45,150 rooms (301 hotels) during the period, of which 19,757 through organic growth and 25,393 via the acquisitions of Mantra and Mantis, at June 30, 2018 the Group had a portfolio of 652,939 rooms (4,530 hotels) and a pipeline of 167,000 rooms (959 hotels), of which 79% in emerging markets.

| *In € millions* | **H1 2017 (1)** | **H1 2018** | **Change (as reported)** | **Change (LFL)(2)** |
|---|---|---|---|---|
| Revenue | 1,363 | 1,459 | 7.0% | 8.0% |
| **EBITDA** | **308** | **291** | **-5.5%** | **4.2%** |
| *EBITDA margin* | *22.6%* | *20.0%* | *-2.6pt* | *-0.8pt* |
| **EBIT** | **236** | **220** | **-7.0%** | **2.6%** |
| Operating profit before tax and non-recurring items | 210 | 207 | - | - |
| **Net profit/(loss) before profit/(loss) from discontinued operations** | **175** | **(94)** | - | - |
| Profit/(loss) from discontinued operations | (88) | 2,274 | - | - |
| **Net profit, Group share** | **87** | **2,179** | - | - |

(1) Figures restated for the application of IFRS 15.
(2) Like-for-like: at constant scope of consolidation and exchange rates.

## 2.1. CONSOLIDATED REVENUE

**Consolidated revenue** for the first half of 2018 amounted to €1,459 million, up 8.0% like-for-like and 7.0% as reported compared with first-half 2017.

| *In €millions* | H1 2017 (1) | H1 2018 | Change (as reported) | Change (LFL) (2) |
|---|---|---|---|---|
| HotelServices | 1,213 | 1,205 | -0.6% | 6.8% |
| New Businesses | 43 | 70 | 61.5% | 7.1% |
| Hotel Assets | 365 | 389 | 6.5% | 8.6% |
| Holding & Intercos | (258) | (205) | N/A | N/A |
| **Total** | **1,363** | **1,459** | **7.0%** | **8.0%** |

(1) Figures restated for the application of IFRS 15.
(2) Like-for-like: at constant scope of consolidation and exchange rates.

**Reported revenue** for the period reflects:

- **Changes in the scope of consolidation** (acquisitions and disposals) and the positive contribution of €42 million (+3.0%) linked to the contributions of VeryChic, Availpro, Mantra, Mantis, Gekko, ResDiary and Adoria.

- **Currency effects** and the negative impact of €113 million (8%) primarily linked to the US dollar (-€63.2 million), the Australian dollar (-€17.6 million), the Brazilian real (-€15.3 million) and the Turkish lira (-€4.1 million).

## 2.2. EBITDA

**Consolidated EBITDA** amounted to €291 million in the first half of 2018, up 4.2% like-for-like and down 5.5% as reported, compared with first-half 2017. The currency effect had a negative impact of €19 million over the period.

The **EBITDA margin** dropped by a slight 1.3 points to 20.0%.

| *In €millions* | H1 2017 (1) | H1 2018 | Change (as reported) | Change (LFL) (2) |
|---|---|---|---|---|
| HotelServices | 311 | 312 | 0.5% | 6.7% |
| New Businesses | (14) | (15) | -11.0% | -53.7% |
| Hotel Assets | 53 | 54 | 2.6% | 7.0% |
| Holding & Intercos | (41) | (60) | N/A | N/A |
| **Total** | **308** | **291** | **-5.5%** | **4.2%** |

(1) Figures restated for the application of IFRS 15.
(2) Like-for-like: at constant scope of consolidation and exchange rates.

## 2.3. EBIT

**Consolidated EBIT** for the first half of 2018 amounted to €220 million, down 7.0% as reported and 2.6% like-for-like on the €237 million posted for the first half of 2017.

| *In €millions* | H1 2017 (1) | H1 2018 |
|---|---|---|
| EBIT | 308 | 291 |
| Depreciation, amortization and provision expense | (72) | (72) |
| **EBITDA** | **236** | **220** |

(1) Figures restated for the application of IFRS 15.

The **depreciation, amortization and provision expense** is stable on the prior-year period at €72 million.

## *2.4. OPERATING PROFIT*

**Operating profit**, which is EBIT plus the share of net profit of associates and non-current income and expenses, corresponds to the operating profit of the Group's various activities before the cost of financing and taxes.

It was a negative €10 million for the six months to June 30, 2018, compared with a positive €193 million in the first half of 2017.

| *In €millions* | H1 2017 (1) | H1 2018 |
|---|---|---|
| EBIT | 236 | 220 |
| Share of profit of associates and joint ventures after tax | 13 | 20 |
| Other non-current income and expenses | (57) | (249) |
| **Operating profit** | **193** | **(10)** |

(1) Figures restated for the application of IFRS 15.

The **share of profit of associates and joint ventures** was €20 million in the six months to June 30, 2018, compared with €13 million in the first half of 2017, and is primarily linked to the Group's share in AccorInvest (€11 million) and the China Lodging Group (€10 million).

**Other non-current income and expenses** mainly include €246 million in impairment linked to New Businesses.

## *2.5. NET PROFIT, GROUP SHARE*

| *In € millions* | H1 2017(1) | H1 2018 |
|---|---|---|
| **Operating profit/(loss)** | **193** | **(10)** |
| Net financial expense | (39) | (33) |
| Income tax | 37 | (23) |
| Net profit/(loss) from discontinued operations | (86) | 2,272 |
| **Net profit/(loss)** | **105** | **2,206** |
| **Net profit, Group share** | **87** | **2,179** |
| **Earnings per share** (in euros) | **0.18** | **7.37** |
| Net profit attributable to non-controlling interests | 18 | 27 |

(1) Figures restated for the application of IFRS 15.

AccorHotels' **net financial expense** amounted to €33 million in the six months to June 30, 2018, compared with €39 million in the first half of 2017. This favorable variation of €6 million in the first half of 2018 can be attributed to the following factors:

- A decline of €13 million in interest on bonds resulting from the repayment of two bonds in June and November 2017.
- A negative €11 million fair value adjustment related to an interest rate derivative set up in order to secure a potential lease financing the real estate investment of the Group's headquarters.

An **income tax expense** of €23 million was also recorded for the six months to June 30, 2018, compared with a tax gain of €37 million in the first half of 2017. As a reminder, this benefit resulted from the recognition of deferred tax assets in the amount of €56 million tied to the spin-off of AccorInvest and tax relief of €36.5 million on income tax granted on settlement and in relation to default interest resulting from the European tax on dividends between 2009 and 2013.

**Net profit/(loss) from discontinued operations** includes the capital gain of €2.4 billion on the disposal of part of AccorInvest (57.8%), net of costs directly related to the transaction but including the profit for AccorInvest up to the date of the transfer.

After deducting **non-controlling interests** in the amount of €27 million and taking into account the **consolidated net profit** of €2,206 million, **net profit, Group share** amounted to €2,179 million in the six months to June 30, 2018, compared with €87 million in first-half 2017.

Based on the weighted average number of shares outstanding during the period (290,606,051), **earnings per share** amounted to €7.37 in first-half 2018, versus €0.18 in the prior-year period.

## *2.6. FINANCIAL FLOWS AND RATIOS*

| *In € millions* | H1 2017(1) | H1 2018 |
|---|---|---|
| **EBITDA** | **308** | **291** |
| Borrowing costs | (45) | (29) |
| Taxes and levies (cash) | (20) | (32) |
| Non cash and other | 15 | 5 |
| **Funds from operations before non-recurring items** | **258** | **235** |
| Recurring investments | (66) | (60) |
| Change in operating working capital | (70) | 22 |
| **Recurring free cash flow** | **122** | **196** |
| Sale of 57.8% of AccorInvest | - | 4,575 |
| Acquisitions & disposals of assets | (237) | (949) |
| Dividends | (162) | (317) |
| Hybrid financial instruments (net of issuance expenses) | (37) | (37) |
| Other | (360) | (595) |
| **(Increase)/decrease in net debt** | **(673)** | **2,873** |
| **Net debt** | **(2,355)** | **985** |

(1) Figures restated for the application of IFRS 15.

In the six months to June 30, 2018, **funds from operations** dropped to €235 million, versus €258 million in the prior-year period.

**Recurring investments**, which include HotelServices' digital and IT investments, as well as Hotel Assets' maintenance and development investments, mainly related to the Orbis scope, amounted to **€60 million** compared with €66 million in first-half 2017.

The change in **operating working capital** (including the change in assets and liabilities on contracts) is positive at €22 million. As a result, **recurring cash flow** rose to €196 million, compared with €122 million in first-half 2017.

The **sale of 57.8% of AccorInvest** generated a positive cash impact of €4,575 million.

**Acquisitions and disposals of assets** in the first half of 2018 amounted to €949 million and chiefly relate to the acquisitions of Mantra, Mantis, Gekko, Resdiary and Adoria for €1,033 million. **Proceeds from disposals of assets** totaled €84 million, compared with €10 million in first-half 2017.

The improvement in **net debt** during the first half resulted in a positive net cash position of €985 million at June 30, 2018. The change notably reflects net acquisitions for €949 million and €317 million for shareholder dividends, which were amply offset by the €4.6 billion cash injection from the sale of 57.8% of AccorInvest.

At June 30, 2018, the **average cost of debt** was approximately 1.74%.

On July 2, 2018, AccorHotels signed a new €1.2 billion **revolving credit facility**, whose margin is linked to the Group's environmental, social and governance (ESG) performance, replacing the undrawn credit line of €1.8 billion signed in June 2014, which was reduced to €1.2 billion after completion of the sale of AccorInvest.

Lastly, as announced on February 27, following the signature of a project to dispose of a majority stake in the capital of AccorInvest, the Group has confirmed its intention to rapidly implement a share buyback program capped at €1.35 billion.

# 3. Analysis of results by strategic business

At June 30, 2018, Accor Hotels had **4,530 hotels and 652,939 rooms** operated under franchise agreements and management contracts, as well as a development pipeline of close to 167,000 rooms (959 hotels).

| *In € millions* | HotelServices | New Businesses | Hotel Assets | Holding & Intercos | AccorHotels |
|---|---|---|---|---|---|
| H1 2018 revenue | 1,205 | 70 | 389 | (205) | 1,459 |
| **H1 2018 EBITDA** | **312** | **(15)** | **54** | **(60)** | **291** |
| *EBITDA margin* | *25.9%* | *-21.6%* | *13.9%* | *N/A* | *20.0%* |
| | | | | | |
| H1 2017 revenue [1] | 1,213 | 43 | 365 | (258) | 1,363 |
| **H1 2017 EBITDA [1]** | **311** | **(14)** | **53** | (41) | **308** |
| *EBITDA margin [1]* | *25.5%* | *-31.5%* | *14.5%* | *N/A* | *22.6%* |

(1) Figures restated for the application of IFRS 15.

## 3.1. HOTELSERVICES

HotelServices corresponds to AccorHotels' business as a hotel manager and franchisor, and is now split into two activities.

- **Management & Franchise**: the hotel management and franchise business, based on the collection of management and franchise contract fees, as well as revenue generated by Purchasing;
  - **Management contracts:** hotels under management contracts are similar to franchised hotels in that Accor only records the fees paid by the owner and not the hotel's revenue. However, these hotels are managed by AccorHotels. The royalties received include the trademark and sales and marketing fees paid by franchisees, as well as a management fee corresponding to a percentage of EBITDAR and, in some cases, a performance-based incentive fee paid by the owner.
  - **Franchise agreements**: purchased hotels are operated by their owners. AccorHotels provides various services to its franchisees, such as the use of its brands, first and foremost, and access to the Group's centralized booking system. The other services offered to hotel owners include access to the centralized purchasing system and to Académie AccorHotels for employee training. Accor is remunerated for these services via fees, including trademark fees and sales and marketing fees, as well as through the invoicing of additional services, where applicable.

- **Services to Owners:** all of the services for which the Group spends the remuneration received from hotels: sales, marketing and distribution activities, loyalty program, shared services as well as re-invoicing of costs incurred on behalf of hotels.

Until the end of 2017, the performance of the HotelServices segment was tracked by geographic region. This geographic monitoring is now carried out for the Management & Franchise business. The regional breakdown has been adjusted to reflect the Group's new business organization. France and Switzerland are now included under Europe. Worldwide Structures, which comprised support entities whose financial flows were not specific to a single geographic region, has been shut down, resulting in the allocation of various revenue and expense streams to the regions. Today, the Management & Franchise activity is divided into the following five operating regions:

- Europe (including France and Switzerland)
- Middle East & Africa
- Asia-Pacific
- North America, Central America & the Caribbean
- South America

### 3.1.1 REVENUE

**HotelServices** reported **business volumes** of €8.9 billion, up 10.3% at constant exchange rates, and revenue of €1,205 million, up 6.8% like-for-like thanks to healthy activity levels and the fast pace of development.

**HotelServices Management & Franchise (M&F) revenue** amounted to €433 million, a like-for-like increase of 6.8% that reflects the solid growth seen in most of the Group's key markets.

***Revenue from HotelServices M&F by region***

| *In €millions* | H1 2017 (1) | H1 2018 | Change (LFL) (2) |
|---|---|---|---|
| Europe | 218 | 223 | 4.2% |
| Asia-Pacific | 93 | 94 | 10.0% |
| Middle East & Africa | 41 | 38 | -0.2% |
| North America, Central America and the Caribbean | 56 | 58 | 15.9% |
| South America | 19 | 19 | 9.0% |
| **HotelServices M&F** | **427** | **433** | **6.8%** |

(1) Figures restated for the application of IFRS 15.
(2) Like-for-like: at constant scope of consolidation and exchange rates.

Robust business levels drove revenue growth in Asia-Pacific (+10.0%), North America, Central America & the Caribbean (+15.9%), South America (+9.0%) and Europe (+4.2%), while the Middle East & Africa region recorded a slight decline (-0.2%), primarily attributable to the Gulf region.

**HotelServices RevPAR** rose by 5.1% overall, reflecting gains in all segments: Midscale (+5.4%), Economy (+5.2%) and Luxury/Upscale (+4.6%).

In **Europe**, M&F revenue was up 4.2% on a like-for-like basis, underpinned by a 5.4% increase in RevPAR thanks to higher average room rates.

- RevPAR in France rose by 5.6% on the back of strong growth in Paris (+9.5%). The capital benefited from the best occupancy rates (+3.3 points) and much higher room rates (+4.6%) as a result of an influx of foreign tourists.
- RevPAR in the United Kingdom climbed by a moderate 1.3%, with the provinces driving growth (+2.1%). These results reflect an improvement in the second quarter, following a slight decline in the first three months of the year.
- Germany recorded a 1.5% increase in RevPAR for the first half, thanks primarily to a favorable trade fair calendar in June, including in particular the International Metallurgical Trade Fair (METEC) and the World Exhibition Congress on Chemical Engineering (ACHEMA).
- The very favorable RevPAR trends seen in Eastern Europe continued during first-half 2018, with a 6.2% gain overall.

The **Asia-Pacific** region performed very well, turning in growth of 5.0% in RevPAR and 10.0% in M&F revenue.

With RevPAR down a slight 0.3%, the **Middle East & Africa** region posted stable M&F revenue (-0.2%).

**North America, Central America & the Caribbean** recorded a sharp increase of 15.9% in M&F revenue. The region's RevPAR (+4.8%) reflected very robust activity in Canada (+7.5%), with strong growth in both the Leisure and Business segments.

Lastly, the situation continued to improve in **South America**, with RevPAR up 11.5% for the region. The increase was driven by business growth in Brazil, despite the strikes that paralyzed the country in May and the situation in Rio, which continued to be affected by a depressed socioeconomic environment and the overcapacity generated by the Olympic Games.

**Organic development** reached new record levels in the first half of 2018. Excluding acquisitions, AccorHotels opened 135 new hotels during the period, representing a total of 19,757 rooms. The future also looks very promising, thanks to a pipeline of 959 hotels and 167,000 rooms at June 30, which is a sharp increase on the end of the first quarter (157,000 rooms).

**Services to Owners revenue**, which includes the sales, marketing, distribution and loyalty division, as well as shared services and the repayment of hotel personnel costs, came to €773 million, versus €788 million at end-June 2017.

| | Occupancy rate | | Average room rate | | RevPAR | |
|---|---|---|---|---|---|---|
| | | chg pts LFL | € | chg % LFL | € | chg % LFL |
| Luxury & Upscale | 68.6 | +1.7 | 170 | +2.7 | 117 | +5.4 |
| Midscale | 69.1 | +1.6 | 94 | +3.5 | 65 | +5.9 |
| Economy | 69.6 | +0.7 | 63 | +3.8 | 44 | +5.0 |
| **Europe** | **69.3** | **+1.1** | **83** | **+3.6** | **58** | **+5.4** |
| Luxury & Upscale | 64.2 | +1.9 | 169 | -2.1 | 108 | +1.0 |
| Midscale | 64.7 | +2.8 | 69 | -9.1 | 45 | -4.9 |
| Economy | 64.2 | +1.6 | 56 | -5.2 | 36 | -3.0 |
| **MEA** | **63.6** | **+2.2** | **116** | **-3.8** | **73** | **-0.3** |
| Luxury & Upscale | 65.6 | +0.7 | 110 | +2.9 | 72 | +4.0 |
| Midscale | 69.3 | +1.6 | 79 | +2.9 | 55 | +5.3 |
| Economy | 70.7 | +3.4 | 44 | +1.1 | 31 | +6.3 |
| **ASPAC** | **68.4** | **+1.7** | **80** | **+2.4** | **55** | **+5.0** |
| Luxury & Upscale | 70.9 | +0.4 | 228 | +4.2 | 161 | +4.9 |
| Midscale | 74.7 | +0.5 | 122 | +0.6 | 91 | +1.3 |
| Economy | 67.7 | +0.1 | 39 | +2.9 | 27 | +3.1 |
| **NCAC** | **71.0** | **+0.5** | **200** | **+4.2** | **142** | **+4.8** |
| Luxury & Upscale | 53.8 | +4.4 | 115 | +7.7 | 62 | +17.2 |
| Midscale | 57.6 | +5.1 | 62 | +1.4 | 36 | +11.3 |
| Economy | 53.7 | +3.8 | 42 | +2.3 | 23 | +9.7 |
| **South America** | **54.7** | **+4.2** | **55** | **+3.1** | **30** | **+11.5** |
| **Luxury & Upscale** | **66.4** | **+1.2** | **152** | **+2.7** | **101** | **+4.6** |
| **Midscale** | **68.2** | **+1.9** | **87** | **+2.5** | **59** | **+5.4** |
| **Economy** | **67.6** | **+1.5** | **57** | **+2.8** | **39** | **+5.2** |
| **Total** | **67.5** | **+1.6** | **88** | **+2.6** | **60** | **+5.1** |

### 3.1.2. HOTELSERVICES EBITDA BY BUSINESS

**Up 6.7% like-for-like**, **HotelServices EBITDA** amounted to **€312 million** for first-half 2018, versus €311 million for the prior-year period. Gaining 0.4 points, **HotelServices' *EBITDA margin*** firmed to 25.9%, compared with 25.5% in the first half of 2017.

| *In €millions* | M&F | Services to Owners | HotelServices |
|---|---|---|---|
| H1 2018 Revenue | 433 | 773 | 1,205 |
| **H1 2018 EBITDA** | **307** | **6** | **312** |
| *EBITDA margin* | *70.9%* | *0.7%* | *25.9%* |
| | | | |
| H1 2017 Revenue[1] | 427 | 788 | 1,213 |
| **H1 2017 EBITDA [1]** | **303** | **8** | **311** |
| *EBITDA margin [1]* | *70.1%* | *1.0%* | *25.5%* |

(1) Figures restated for the application of IFRS 15.

**HotelServices M&F** reported **EBITDA** of €307 million for the first half of 2018, an increase of 7.4% like-for-like on the €303 million recorded in the prior-year period. Up 0.8 points, the **EBITDA margin for HotelServices M&F** also increased to 70.9% from 70.1% in first-half 2017.

#### *HotelServices M&F EBITDA by region*

| *In €millions* | H1 2017[1] | H1 2018 | Change (LFL) [2] |
|---|---|---|---|
| Europe | 175 | 179 | 5.5% |
| Asia-Pacific | 59 | 57 | 6.4% |
| Middle East & Africa | 27 | 28 | 12.7% |
| North America, Central America and the Caribbean | 35 | 35 | 12.6% |
| South America | 7 | 7 | 9.9% |
| **HotelServices M&F** | **303** | **307** | **7.4%** |

(1) Figures restated for the application of IFRS 15.
(2) Like-for-like: at constant scope of consolidation and exchange rates.

In line with the healthy levels of business observed in the regions, the **HotelServices M&F** division recorded **strong EBITDA** gains in all of its markets.

- **Europe (+5.5%)** profited from positive revenue trends.
- The **Asia-Pacific region (+6.4%)** held up well despite a high basis for comparison and including non-recurring costs in China.
- The **Middle East & Africa region (+12.7%)** benefited from the reversal of a doubtful debt provision.
- In the **North America, Central America & the Caribbean region (+12.6%)**, robust business levels drove an increase in incentive fees.
- **South America (+9.9%)** benefited from the strong recovery in Brazil excluding Rio.

The **EBITDA** and ***EBITDA margin*** for **Services to Owners** activity dropped to €6 million and 0.7% respectively.

## 3.2. NEW BUSINESSES

This operating segment corresponds to **new businesses** developed by the Group (mainly through acquisitions), including:

- **Digital services for independent hotels:** the purpose of this business, carried out by Fastbooking and Availpro, is to provide independent hotels with digital solutions designed to foster the development of their direct sales.
- **Luxury home rentals:** which includes the acquisitions of onefinestay, Travel Keys and Squarebreak with a network of nearly 10,000 luxury destinations worldwide.
- **Digital sales**, with the acquisition of VeryChic, offering a range of exclusive private sales with partners in the luxury and upscale segments.
- **Hotel distribution solutions for business customers** with the acquisition of Gekko, a hotel booking platform for business and leisure travel with a network of 300 corporate customers, 14,000 travel agencies in seven countries, and 600,000 hotels and private rentals spread around the world.
- **Restaurant reservation and table management, and management solutions for corporate and contract catering** with the acquisitions of ResDiary and Adoria.
- **Concierge services,** corresponding to the integration within the Group of John Paul, which is now taking charge of Customer Care.

### 3.2.1 REVENUE

**New Businesses** recorded **revenue** of €70 million for the first half of 2018, up 7.1% like-for-like and 61.5% as reported on the €43 million posted for first-half 2017.

| *In €millions* | H1 2017 (1) | H1 2018 |
|---|---|---|
| **Revenue** | 43 | 70 |
| **EBITDA** | (14) | (15) |
| **EBIT** | (17) | (21) |

(1) Figures restated for the application of IFRS 15.

While the unit's reported growth was boosted by acquisitions carried out in recent months, its like-for-like performance benefited from growth in revenue from the Digital Factory division (Availpro and Fastbooking) and VeryChic, but was weighed down by disappointing results from onefinestay.

### 3.2.2. EBITDA

At a negative €15 million, **EBITDA** for **New Businesses** was stable as reported and down 53.7% like-for-like.

The division's negative results are primarily linked to onefinestay and John Paul, whose revenue growth is closely correlated with development plans and synergies with AccorHotels' that have not yet been implemented as planned. This, combined with growing development costs, has led to a negative scissor effect weighing on their current performance.

In light of these factors, the Group booked a provision for impairment for an aggregate amount of €246 million at June 30, 2018.

Despite these difficulties, the Group firmly belives in the strong potential for the luxury home rentals and concierge services offers in its ecosystem.

## 3.3. HOTEL ASSETS

HotelInvest is the Group's hotel owner-operator, comprising the Group's owned and leased hotels. The division combines hotels operated in Central Europe with a number of other hotels, primarily in Brazil, operated under variable rent leases based on a percentage of EBITDAR. Its business model aims to improve the return on assets and optimize the impact on the statement of financial position. HotelInvest spans all asset portfolio management activities, hotel design, construction, refurbishment and maintenance activities.

This division now also includes three activities carried out in Asia-Pacific that were previously part of HotelServices: AccorPlus (cost-cutting program), Accor Vacation Club (timeshare activity) and Strata (hotel distribution and management of common areas of hotels). It also includes the recently launched AccorLocal project currently being tested in 80 hotels and 5 cities in France.

At June 30, 2018, Asset Hotel's **hotel base** included 229 hotels and 41,890 rooms.

### 3.3.1. REVENUE

**Hotel Assets revenue** increased by 8.6% like-for-like to €389 million. Europe accounted for 54% of the division's revenue, Asia-Pacific (Timeshare, Strata and Accor+) for 25% and South America for 16%, and its RevPAR rose by 10.6% like-for-like.

| *In €millions* | H1 2017 (1) | H1 2018 |
|---|---|---|
| Revenue | 365 | 389 |
| EBITDA | 53 | 54 |
| EBIT | 28 | 28 |

(1) Figures restated for the application of IFRS 15.

### 3.3.2. EBITDA

**EBITDA** for **Hotel Assets** increased slightly in first-half 2018 to stand at €54 million, versus €53 million in first-half 2017. Its **EBITDA margin** came to 13.9%.

## 4. Full-year 2018 EBITDA target

In light of the following factors:

- sound business volumes in all markets during the first half;
- the organic development of more than 42,000 rooms over the full year;
- a slowdown in growth for New Businesses in 2018, with a target of breakeven earnings maintained for 2019;
- the positive impact of recently announced acquisitions (Mövenpick and Atton) during the second half;

the Group is forecasting full-year 2018 **EBITDA** of **between €690 million and €720 million**.

## 5. Hotel portfolio and pipeline at June 30, 2018

In line with its strategy, AccorHotels continues its development at a strong pace.

In the first half of 2018, the Group opened 301 hotels, or a total of 45,150 rooms, of which 19,757 were organic growth rooms and 25,393 obtained through the Mantra and Mantis acquisitions. At the same time, 54 hotels (8,342 rooms) were closed during the period.

### 5.1. Hotel portfolio by segment and operating structure

| At June 30, 2018 | Franchised | | Managed | | Hotel assets (owned/leased) | | Total | |
|---|---|---|---|---|---|---|---|---|
| | Hotels | Rooms | Hotels | Rooms | Hotels | Rooms | Hotels | Rooms |
| Luxury & upscale | 122 | 22,174 | 480 | 123,546 | 20 | 5,129 | 622 | 150,849 |
| Midscale | 635 | 72,765 | 707 | 132,668 | 96 | 17,268 | 1,438 | 222,701 |
| Economy | 1,385 | 119,412 | 929 | 134,474 | 112 | 19,442 | 2,426 | 273,328 |
| Unbranded | 13 | 1,479 | 30 | 4,531 | 1 | 51 | 44 | 6,061 |
| Total | 2,155 | 215,830 | 2,146 | 395,219 | 229 | 41,890 | 4,530 | 652,939 |
| Total as a % | 47.6% | 33.1% | 47.4% | 60.5% | 5.1% | 6.4% | 100.0% | 100.0% |

### 5.2. Hotel portfolio by region and operating structure

| At June 30, 2018 | Franchised | | Managed | | Hotel assets (owned/leased) | | Total | |
|---|---|---|---|---|---|---|---|---|
| | Hotels | Rooms | Hotels | Rooms | Hotels | Rooms | Hotels | Rooms |
| Europe | 1,728 | 155,540 | 1,030 | 148,048 | 121 | 21,882 | 2,879 | 325,470 |
| Asia-Pacific | 290 | 40,740 | 677 | 149,266 | 39 | 6,624 | 1,006 | 196,630 |
| Middle East & Africa | 21 | 3,905 | 192 | 42,223 | 9 | 1,586 | 222 | 47,714 |
| North America, Central America & the Caribbean | 12 | 2,659 | 74 | 27,472 | 0 | 0 | 86 | 30,131 |
| South America | 104 | 12,986 | 173 | 28,210 | 60 | 11,798 | 337 | 52,994 |
| Total | 2,155 | 215,830 | 2,146 | 395,219 | 229 | 41,890 | 4,530 | 652,939 |
| Total as a % | 47.6% | 33.1% | 47.4% | 60.5% | 5.1% | 6.4% | 100.0% | 100.0% |

## 5.3. Hotel portfolio by region and segment

| At June 30, 2018 | Europe | Asia-Pacific | Middle East & Africa | North America, Central America & the Caribbean | South America | Total |
|---|---|---|---|---|---|---|
| Luxury & Upscale | 31,592 | 66,288 | 23,598 | 23,394 | 5,977 | 150,849 |
| Midscale | 120,949 | 72,824 | 11,767 | 3,944 | 13,217 | 222,701 |
| Economy | 172,373 | 54,031 | 10,654 | 2,470 | 33,800 | 273,328 |
| Unbranded | 556 | 3,487 | 1,695 | 323 | 0 | 6,061 |
| Total | 325,470 | 196,630 | 47,714 | 30,131 | 52,994 | 652,939 |
| Total as a % | 49.8% | 30.1% | 7.3% | 4.6% | 8.1% | 100.0% |

## 5.4. Hotel pipeline

At June 30, 2018, the Group's pipeline totaled 959 hotels, representing 167,000 rooms.
The number of new rooms in the pipeline and scheduled to be completed in the next four years is as follows:

| At June 30, 2018 | Managed | | Franchised | | Hotel assets (owned/leased) | | Total | |
|---|---|---|---|---|---|---|---|---|
| | Hotels | Rooms | Hotels | Rooms | Hotels | Rooms | Hotels | Rooms |
| Total | 2,146 | 395,219 | 2,155 | 215,830 | 229 | 41,890 | 4,530 | 652,939 |

# 6. First-half 2018 highlights

On January 9, 2018, AccorHotels acquired 89.2% of the capital and voting rights of Gekko, a leading player in hotel bookings for business customers. As a reminder, AccorHotels signed the agreement covering this acquisition, which is part of the Group's strategy of strengthening AccorHotels' leadership over the entire customer experience, on October 2, 2017.

On February 27, 2018, AccorHotels announced that it plans to put in place a share buyback program over two years on a maximum of 10% of the Group's share capital, representing €1,350 million based on its market capitalization at the end of February 2018.

On March 6, 2018, Legendre Holding 19 (Eurazeo) announced that it had sold all of its stake in Accor, namely 12,185,303 shares, and that it no longer held any voting rights.

On April 5, 2018, AccorHotels announced the conclusion of a strategic partnership with the Mantis group, a South African hospitality and travel conglomerate, with a view to acquiring a 50% stake. Mantis operates a collection of five-star hotels and lodges across the world, under direct ownership, or lease or franchise contracts. The agreement strengthens AccorHotels' leadership in the field of exceptional and personalized escapes, while resonating with its environmental protection initiative, Planet 21.

On April 9, 2018, AccorHotels announced the acquisition of ResDiary, a leading platform for restaurant booking and table management. With a particularly strong footprint in the Asia-Pacific region and Great Britain, the platform is active in 60 countries worldwide, with 166 million places distributed per year for 8,600 venues. ResDiary has been profitable for 6 years. It offers restaurant owners a high-end table management service with technology that maximizes revenue while keeping operating costs on a tight rein. Its yield management and distribution channel management solutions serve to control the tables made available to third-party distributors so as to optimize the amounts of commissions paid to them.

On April 20, 2018, AccorHotels announced the signing of a memorandum of understanding with Ctrip to offer the best experiences to Chinese travelers. This is a milestone in cementing cooperation between the two companies. It will enable Ctrip's more than 300 million users to access the personalized experiences offered by the AccorHotels brand portfolio, and will significantly expand the international services offered to Chinese travelers, a fast-growing customer segment. The partnership will focus on four strategic pillars: enhancing the visibility of Ctrip-certified AccorHotels hotels, creating a Flagship store for AccorHotels, jointly developing loyalty programs and cooperating in the field of information technology.

On April 30, 2018, AccorHotels announced an agreement with Mövenpick Holding and Kingdom Holding to acquire Mövenpick Hotels & Resorts for €482 million in cash. The acquisition consolidates the Group's footprint in Europe and the Middle East and will boost its growth, notably in key regions where it has been established for many years, such as Africa and Asia-Pacific.

On May 14, 2018, AccorHotels and Chilean group Algeciras announced the signing of an agreement with the shareholders of Atton Hoteles in order to acquire the company. AccorHotels has acquired 100% of the operating management company, and will acquire 20% of the Property Company that owns the assets, the remaining 80% being bought by Algeciras. The total cost of the acquisition for AccorHotels will be approximately €105 million. At the end of a five-year period, AccorHotels will also benefit from a put option in Algeciras for its 20% stake in the property company. This acquisition further consolidates AccorHotels' footprint in Latin America, where the Group has already established its leadership, while strengthening its presence in fast-growth markets such as Chile and Peru.

On March 31, 2018, AccorHotels announced the sale of 57.8% of the capital of AccorInvest to sovereign wealth funds Public Investment Fund (PIF) and GIC, institutional investors Colony NorthStar, Crédit Agricole Assurances and Amundi, and other private investors. As a reminder, on February 27, 2018, AccorHotels announced the signing of agreements with a group of investors with a view to selling a majority of the capital of AccorInvest. AccorHotels benefited from a gross cash injection of €4.6 billion.

On May 31, 2018, AccorHotels announced the completion of the acquisition of Mantra Group for €830 million paid in cash. As a reminder, AccorHotels signed an agreement with Mantra Group Limited for this acquisition on October 11, 2017.

On June 6, 2018, AccorHotels announced the acquisition of Adoria, a SaaS platform that enables the catering industry to optimize supply management. Adoria offers centralized solutions for the management of tenders, supplies, logistics and production. This modular suite guarantees the level of service and profitability of all the players in the restaurant chain, from producer to consumer.

On June 11, 2018, AccorHotels announced the creation of a strategic partnership with Dalmata Hospitality, France's leading independent hotel management company in the economy segment. Dalmata Hospitality will transfer 20 of its hotels (more than 1,500 rooms) held under franchise agreements to the AccorHotels' ibis Styles, ibis, ibis budget and hotelF1 banners. This partnership, which combines AccorHotels' key know-how in terms of development, purchasing, technology, IT, marketing and revenue management with the expertise of the Dalmata Hospitality teams, reinforces AccorHotels' leadership In the economy segment in France and demonstrates the attractiveness of these Group brands for hotel operators.

On June 29, 2018, AccorHotels announced that it had signed a letter of intent with sbe Entertainment, and entered into exclusive negotiations to acquire a 50% stake in the company. This deal is part of AccorHotels' strategy to expand its offering in the luxury hotel segment and will combine the expertise and know-how of both groups. AccorHotels' will invest a total of $319 million in this transaction.

# 7. Main risks and uncertainties

The main risks and uncertainties that may affect the Group in the last six months of the year are presented in the 2017 Registration Document under "Risk Factors".

# 8. Main related-party transactions

The main related-party transactions are presented in detail in Note 12.4 to the interim consolidated financial statements.

# 9. Subsequent Events

On July 2, 2018, AccorHotels announced the signing of an agreement with a consortium of 15 banks establishing a new €1.2 billion revolving credit facility for which the Group's environmental, social and governance (ESG) performance will be taken into account in calculating the margin. This new five-year credit facility has two one-year renewal options, exercisable in 2019 and 2020, and replaces the €1.8 billion undrawn line of credit signed in June 2014, which was reduced to €1.2 billion after the completion of the sale of AccorInvest.

On July 23, 2018, Katara Hospitality, one of the world's leading hotel owners, developer and manager of upscale hotels based in Qatar, and AccorHotels announced the creation of an investment fund with capacity of more than €1 billion, which will target the hotel sector in various Sub-Saharan African countries. The fund will have $500 million in equity, contributed by Katara Hospitality and AccorHotels in the amounts of $350 million and $150 million respectively over the next five to seven years. These financial resources will be used to build new hotels, as well as to acquire and rebrand existing properties, in a region that offers solid growth opportunities.

On July 25, 2018, AccorHotels received a firm offer from Colony NorthStar for the acquisition of an additional tranche of 7% of the capital of AccorInvest for a total of €250 million. On completion of the transaction, which is subject to the approval of the Board of Directors of AccorInvest, AccorHotels will retain a 35.2% stake in AccorInvest.

## Air France-KLM

On June 3, 2018, AccorHotels indicated that, as part of its strategy to enrich its range of travel services, it was considering an alliance with Air France-KLM, including the possibility of acquiring a minority stake in the airline company alongside French and European joint investors.

While the Group believes that closer partnerships between hotels and airlines have great potential in the creation of value, it also believes that the requisite conditions for the acquisition of a minority stake are not yet met and will therefore not be pursuing this particular avenue.

# 2018 Interim Consolidated Financial Statements

# 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 2017 (*) | 1st semester 2018 |
|---|---|---|---|
| **Revenue** | 4 | **1,363** | **1,459** |
| Operating expense | 4 | (1,055) | (1,168) |
| **EBITDA** | 4 | **308** | **291** |
| Depreciation, amortization and provision expense | | (72) | (72) |
| **EBIT** | 4 | **236** | **220** |
| Share of net profit of associates and joint-ventures | 5 | 13 | 20 |
| **EBIT including profit of associates and joint-ventures** | | **250** | **240** |
| Other income and expenses | 6 | (57) | (249) |
| **Operating profit** | | **193** | **(10)** |
| Net financial expense | 9 | (39) | (33) |
| Income tax | 10 | 37 | (23) |
| **Profit from continuing operations** | | **191** | **(66)** |
| Profit from discontinued operations | 3 | (86) | 2,272 |
| **Net profit of the year** | | **105** | **2,206** |
| **• Group** | | **87** | **2,179** |
| from continuing operations | | 175 | (94) |
| from discontinued operations | | (88) | 2,274 |
| **• Minority interests** | | **18** | **27** |
| from continuing operations | | 15 | 29 |
| from discontinued operations | | 3 | (1) |
| **Basic earnings per share (in euros)** | | | |
| Earnings per share from continuing operations | | **0.48** | **(0.45)** |
| Earnings per share from discontinued operations | | **(0.31)** | **7.82** |
| **Basic earnings per share** | | **0.18** | **7.37** |
| **Diluted earnings per share (in euros)** | | | |
| Diluted earnings per share from continuing operations | | **0.48** | **(0.45)** |
| Diluted earnings per share from discontinued operations | | **(0.31)** | **7.81** |
| **Diluted earnings per share** | **11** | **0.17** | **7.36** |

(*) Restated amounts in application of IFRS 15 (see Note 13)

# Consolidated statement of comprehensive income

| *(€ in million)* | Notes | 1st semester 2017 (*) | 1st semester 2018 |
|---|---|---|---|
| **Net profit of the year** | | **105** | **2,206** |
| Currency translation adjustments | 11 | (239) | 9 |
| Effective portion of gains and losses on cash flow hedges | 11 | (0) | (9) |
| Changes in the fair value of available-for-sale financial assets | 11 | 5 | - |
| Currency translation adjustments from discontinued operations | 11 | (34) | 19 |
| **Items that may be reclassified subsequently to profit or loss** | | **(268)** | **18** |
| Changes in the fair value of non-consolidated investments | 11 | - | (3) |
| Actuarial gains and losses on defined benefit plans | 11 | (0) | - |
| Actuarial gains and losses from discontinued operations | 11 | - | (1) |
| **Items that will not be reclassified to profit or loss** | | **(0)** | **(4)** |
| **Other comprehensive income, net of tax** | | **(268)** | **14** |
| **Total comprehensive income of the period** | | **(163)** | **2,221** |
| • Group share | | (183) | 2,204 |
| • Minority interests | | 20 | 17 |

(*) Restated amounts in application of IFRS 15 (see Note 13)

# Consolidated statement of financial position

## Assets

| *(€ in million)* | Notes | Dec. 2017 (*) | June 2018 |
|---|---|---|---|
| **Goodwill** | 7 | **1,500** | **1,971** |
| **Other intangible assets** | 7 | **2,156** | **2,400** |
| **Property, plant and equipment** | 7 | **662** | **727** |
| Investments in associates and joint-ventures | 5 | 672 | 2,240 |
| Other non-current financial assets | 9 | 157 | 149 |
| **Non-current financial assets** | | **830** | **2,389** |
| Deferred tax assets | | 140 | 199 |
| Contract assets | 13 | 174 | 188 |
| Other non-current assets | | 12 | 12 |
| **Non-current assets** | | **5,474** | **7,888** |
| Inventories | | 8 | 13 |
| Trade receivables | 4 | 403 | 566 |
| Other current assets | 4 | 255 | 329 |
| Current financial assets | 9 | 53 | 52 |
| Cash and cash equivalents | 9 | 1,063 | 3,930 |
| **Current assets** | | **1,782** | **4,890** |
| Assets classified as held for sale | 2 | 4,824 | 20 |
| **TOTAL ASSETS** | | **12,080** | **12,798** |

(*) Restated amounts in application of IFRS 15 (see Note 13)

## Equity and Liabilities

| *(€ in million)* | Notes | Dec. 2017 (*) | June 2018 |
|---|---|---|---|
| Share capital | 11 | 870 | 872 |
| Additional paid-in capital and reserves | 11 | 3,244 | 3,344 |
| Net profit of the year | | 441 | 2,179 |
| **Ordinary shareholders' equity** | | **4,555** | **6,394** |
| Perpetual subordinated bonds | 11 | 887 | 887 |
| **Shareholders' equity - Group share** | | **5,442** | **7,281** |
| Minority interests | 11 | 341 | 244 |
| **Shareholders' equity** | 11 | **5,783** | **7,525** |
| Long-term financial debt | 9 | 2,768 | 2,451 |
| Deferred tax liabilities | | 416 | 466 |
| Non-current contract liabilities | 13 | 22 | 24 |
| Non-current provisions | 8 | 103 | 103 |
| **Non-current liabilities** | | **3,309** | **3,044** |
| Trade payables | | 398 | 443 |
| Current liabilities | 4 | 530 | 722 |
| Current provisions | 8 | 106 | 323 |
| Current contract liabilities | 13 | 185 | 190 |
| Short-term financial debt | 9 | 237 | 546 |
| **Current liabilities** | | **1,456** | **2,223** |
| Liabilities associated with assets classified as held for sale | 2 | 1,532 | 6 |
| **TOTAL EQUITY AND LIABILITIES** | | **12,080** | **12,798** |

(*) Restated amounts in application of IFRS 15 (see Note 13)

# Consolidated statement of cash flows

| | (€ in million) | Notes | 1st semester 2017 (*) | 1st semester 2018 |
|---|---|---|---|---|
| + | EBITDA | 4 | 308 | 291 |
| + | Cost of net debt | 9 | (45) | (29) |
| + | Income tax paid | | (23) | (35) |
| - | Non cash revenue and expense included in EBITDA | | 9 | 3 |
| - | Reversal of provisions included in net financial expense and non-recurring taxes | | 4 | 2 |
| + | Dividends received from associates and joint-ventures | | 5 | 4 |
| + | Impact of discontinued operations | 3 | 199 | 129 |
| = | **Funds from operations excluding non-recurring items** | | **458** | **366** |
| + | Decrease (increase) in operating working capital | 4 | (85) | 17 |
| + | Impact of discontinued operations | 3 | 132 | (66) |
| + | Decrease (increase) in contract assets and liabilities | | 12 | (4) |
| = | **Net cash from operating activities** | | **517** | **313** |
| + | Cash received (paid) on non-recurring items (incl. restructuring costs and non-recurring taxes) | | (74) | (99) |
| + | Impact of discontinued operations | | (28) | (14) |
| = | **Net cash from operating activities including non-recurring items (A)** | | **415** | **199** |
| - | Renovation and maintenance expenditure | 7 | (43) | (35) |
| - | Development expenditure | 7 | (268) | (1,050) |
| + | Proceeds from disposals of assets | | 10 | 4,395 |
| + | Impact of discontinued operations | 3 | (563) | (210) |
| = | **Net cash from investing activities (B)** | | **(864)** | **3,099** |
| + | Proceeds from issue of shares | | 14 | 15 |
| - | Dividends paid | | (162) | (317) |
| - | Interests paid on perpetual subordinated bonds | | (37) | (37) |
| - | Repayment of long-term debt | | (1) | (170) |
| + | New long term debt | | 609 | 175 |
| = | **Increase (decrease) in long-term debt** | | **608** | **5** |
| + | Increase (decrease) in short-term debt | | (353) | (11) |
| + | Impact of discontinued operations | 3 | (2) | (228) |
| = | **Net cash used in financing activities (C)** | | **55** | **(573)** |
| + | Effect of changes in exchange rates (D) | | (39) | 10 |
| + | Effect of changes in exchange rates on discontinued operations (D) | 3 | 30 | 23 |
| = | **Net change in cash and cash equivalents (E) = (A) + (B) + (C) + (D)** | | **(403)** | **2,759** |
| - | Cash and cash equivalents at beginning of period | | 1,133 | 1,048 |
| - | Effect of changes in fair value of cash and cash equivalents | | - | (9) |
| - | Net change in cash and cash equivalents for discontinued operations | | (18) | 125 |
| + | Cash and cash equivalents at end of period | | 711 | 3,924 |
| = | **Net change in cash and cash equivalents** | | **(403)** | **2,759** |

(*) Restated amounts in application of IFRS 15 (see Note 13)

# 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, 2016** | 284,767,670 | **854** | **2,823** | **108** | **1,873** | **5,658** | **267** | **5,925** |
| Restatements IFRS 15 (*) | | - | - | - | (47) | (47) | (0) | (47) |
| **Restated Balance at January 1, 2017** | 284,767,670 | **854** | **2,823** | **108** | **1,826** | **5,611** | **267** | **5,878** |
| Capital increase | 518,920 | 1 | 9 | - | (0) | 10 | (14) | (3) |
| Dividends paid | 3,975,968 | 12 | (173) | - | 9 | (152) | (14) | (166) |
| Share-based payments | | - | - | - | 5 | 5 | - | 5 |
| Perpetual subordinated bonds | | - | - | - | (37) | (37) | - | (37) |
| Effects of scope changes | | - | - | 0 | (19) | (19) | (16) | (35) |
| **Transactions with shareholders** | 4,494,888 | **13** | **(164)** | **0** | **(42)** | **(193)** | **(44)** | **(236)** |
| Net profit of the year | | - | - | - | 87 | 87 | 18 | 105 |
| Other comprehensive income | | - | - | (275) | 5 | (270) | 2 | (268) |
| **Total comprehensive income** | | **-** | **-** | **(275)** | **92** | **(183)** | **20** | **(163)** |
| **Balance at June 30, 2017** | **289,262,558** | **868** | **2,659** | **(166)** | **1,875** | **5,236** | **244** | **5,479** |

| *(€ 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)** | **2,302** | **5,485** | **341** | **5,826** |
| Restatements IFRS 15 (*) | | - | - | (1) | (42) | (43) | (0) | (43) |
| **Restated 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 | - | - | - | - | (305) | (305) | (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 year | | - | - | - | 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** |

(*) Restated amounts in application of new accounting methods (see Note 13)

# Notes to the condensed consolidated financial statements

# Note 1. Basis of preparation

The condensed consolidated interim financial statements of AccorHotels Group for the six months ended June 30, 2018 were authorized for issue by the Board of Directors on July 25, 2018.

## 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, 2017.

The accounting policies adopted are consistent with those of the 2017 financial year, except for the adoption of new standards effective at January, 1 2018, as detailed in Note 1.2, 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 benefit obligation is calculated by projecting the December 31, 2017 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, 2018 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, 2018.

#### IFRS 15 *Revenue from contracts with customers*

On May 28$^{th}$, 2014, the IASB issued a new standard on revenue recognition that supersedes the former IFRS guidance (IAS 18 and IAS 11 standards, along with related interpretations). It was endorsed by the European Union on October 29, 2016. This new standard introduces a single revenue recognition model applicable to all types of customer contracts, regardless of the entity's business. This model, which follows five key steps, is based on the principle that revenue is recognized when control of goods or services is transferred to a customer, which may be overtime or at a point in time.

The Group adopted IFRS 15 using the full retrospective method of adoption. Thus, the cumulative effect of applying this standard was recognized as an adjustment to opening consolidated retained earnings at January 1, 2017 with restatement of 2017 financial information presented as a comparative. The Group applied the practical expedient proposed by the standard allowing not to restate the completed contracts at January 1, 2018. The effect of applying IFRS 15 on the consolidated financial statements at June 30, 2017 and December 31, 2017 is presented in Note 13. The disaggregated revenue information required by IFRS 15 is presented in Note 4.1 on segment reporting.

### IFRS 9 *Financial instruments*

This new standard was published by the IASB on July 24, 2014 and endorsed by the European Union on November 29, 2016. It introduces new principles for classification and measurement of financial instruments (phase 1), impairment for credit risk on financial assets (phase 2) and hedge accounting (phase 3).

The Group applied the provisions related to phases 1 and 2 retrospectively. Thus, the cumulative transition effect was recognized as an adjustment to opening consolidated retained earnings at January 1, 2018, without restatement of the comparative period, as permitted by the transitional provisions of the standard. The specific provisions related to hedge accounting are applied prospectively starting from January 1, 2018. The first application impact of IFRS 9 is not material for the Group and is presented in Note 13.

Besides, the Group applied following texts that had no significant impact on the consolidated financial statements:

- Amendment to IFRS 2 *Share-based payments* which clarifies the principles relating to the measurement of cash-settled share-based payments, the accounting for plan modifications that change its classification and the net settlement features associated with withholding tax.
- IFRIC 22 interpretation *Foreign Currency Transactions and Advance Consideration* which provides clarifications on exchange rate to retain when accounting for foreign currency transactions that include advance payments.

## 1.2.2 Future standards, amendments and interpretations

The Group has not early adopted any standard, amendment or interpretation applicable to financial years starting after June 30, 2018, regardless of whether they were adopted by the European Union.

The main text in force within the European Union that will affect the future consolidated financial statements is IFRS 16, which was subject to a dedicated project.

### IFRS 16 *Leases*

On January 13, 2016, the IASB issued IFRS 16, the new standard on leases, which will supersede IAS 17, along with the associated interpretations. This new standard removes the distinction between operating and finance leases, resulting for lessees in almost all leases being brought onto the balance sheet. The standard requires recognition of:

- an asset reflecting the right to use the leased item ; and
- a liability representing the obligation to pay rentals.

Exemptions apply to short-term and low-value leases.

The impacts assessment of applying this new standard is still ongoing. The Group launched a data collection to identify lease contracts and their main provisions. Expected impacts are limited to the restatement of leases on headquarters and hotel properties, which were not contributed to AccorInvest and lease contracts held by entities acquired over the period.

At June 30, 2018, the Group has non-cancellable operating lease commitments of €808 million (undiscounted amount). The Group has not yet determined to what extent these commitments should result in the recognition of an asset and a liability for future payments. In addition to the effect on the statement of financial position, the income statement and cash-flows statement will be affected as follows:

- Operating lease expenses (excluding variable leases based on use or performance of the underlying asset) will be replaced by a depreciation and interest expense;
- Operating lease payments (excluding variable leases based on use or performance of the underlying asset) will be replaced by repayment of principal and interests.

The Group has not yet decided on its transition method.

# Note 2. Group Structure

## 2.1 Changes in the scope of consolidation

### 2.1.1 Acquisitions over the period

#### Acquisition of Mantra Group

On May 31, 2018, AccorHotels acquired all of the issued capital and voting rights of Mantra Group Ltd, one of Australia's largest hotel and resort marketers and operators. Mantra operates 127 properties (hotels, resorts and serviced apartments) across Australia, New Zealand, Indonesia and Hawaii under three key brands: Mantra, Peppers and BreakFree. AccorHotels and Mantra's combined geographic footprint, together with enhanced distribution and systems, would form a favorable base from which AccorHotels can expand further in the Asia Pacific region.

The transaction was approved by the supervisory authorities, notably the Australian Competition and Consumer Commission (ACCC), the Federal Court and the Foreign Investment Review Board, as well as by Mantra Group shareholders on May 23, 2018.

The acquisition price paid to Mantra shareholders amounted to AU$1.1 billion fully-paid in cash (€736 million) based on a price per share of AU$3.8, after payment of a special dividend of AU$0.16 prior to the closing. At year-end 2017, the Group purchased financial instruments to hedge the risk of unfavorable change in Euro/Australian dollar exchange rate on the acquisition price between signing and closing date. The change in fair value of these instruments, representing a €7 million loss deferred in other comprehensive income until closing, was included in the value of shares, then reducing the acquisition price of Mantra Group to €729 million.

The provisional goodwill amounts to AU$827 million (€536 million). The purchase price allocation will be completed within the 12-month period following the acquisition date.

#### Acquisition of Gekko

On January 9, 2018, AccorHotels acquired 89.2% of the share capital and voting rights of Gekko, a major player in the business travel hotel reservation segment. Thanks to its expertise and cutting-edge technology, Gekko offers search and reservation solutions via an interface connected to more than 500,000 hotels worldwide. Gekko serves more than 300 corporate customers and 14,000 travel agencies. This transaction is in line with the strategy aimed at strengthening AccorHotels' leadership across the entire customer experience by enhancing the range of services offered to business travelers, the Group's key customer segment.

The acquisition price amounts to €96 million and related provisional goodwill to €90 million.

The founders have retained a share of 11% in Gekko's capital. They benefit from two put options on their shares based on post-acquisition performances, exercisable in 2019 and 2022. These options represent for the Group a liability on non-controlling interests, which has been recognized as debt in the consolidated statement of financial position at June 30, 2018 for its estimated amount of €23 million.

### Other acquisitions

On January 25, 2018, AccorHotels concluded a strategic partnership with SNCF Group to continue the development of the Orient Express brand within the luxury hospitality sector globally. The Group acquired a stake in the share capital (50% plus 1 share) of Orient Express, owner of the brand previously fully-owned by SNCF. The historic trains will remain the physical property of the state-owned rail group, and will be operated by Orient Express for private journeys and events. This partnership will also allow to strengthen AccorHotels' leadership in the luxury segment, by developing a new collection of prestigious hotels under the Orient Express banner. In accordance with IFRS 10, this transaction allows AccorHotels to take control over Orient Express. The governance rules implemented allow the Group to unilaterally direct its relevant activities.

On April 6, 2018, AccorHotels acquired ResDiary, a leading platform for restaurant reservation and table management. Established in Glasgow in 2004, the company provides venues with a high-end table management solution, using technology that optimizes their food and beverage revenues and helps control operational costs. Notably well established in the Asia Pacific region and in the UK, the platform has a footprint in 60 countries.

On June 5, 2018, AccorHotels acquired the SaaS platform Adoria that enables the catering industry to optimize supply management. Founded in France in 2003, Adoria offers centralized solutions for managing tendering, procurement, logistics and production.

The provisional goodwill recognized on these three acquisitions amounts to €63 million, based on a total acquisition price of €70 million.

## 2.1.2 Equity investments over period

On May 31, 2018, AccorHotels acquired 50% of Mantis Group, the South Africa-based hospitality and travel conglomerate. The Mantis network features 28 five-star properties and lodges, privately owned or under management contracts, plus a global network of branded hotels and residences. The Mantis Group also owns and operates a number of luxury houseboats and a lodge under the Zambezi Queen Collection. This strategic partnership will strengthen AccorHotels' leadership position in Africa.

Through its representation by half of the members on the Board of Directors, AccorHotels exercises joint control with other partners over the Mantis Group. The investment was recorded under the equity method in the Group's consolidated financial statements for a cost of €13 million. Besides, AccorHotels benefits from a call option to acquire additional interest up to 20% in three years. Mantis Group has a put option on all its shares, exercisable during three months after the exercise of the call option by AccorHotels.

## 2.1.3 Disposals over the period

The main transaction that occurred over the period relates to the disposal of AccorInvest subsidiary, whose financial impacts are presented in the dedicated Note 3.

## 2.2 Assets or disposal groups held for sale

At June 30, 2018, assets and liabilities held for sale were as follows:

| | | Dec. 2017 | | June 2018 | |
|---|---|---|---|---|---|
| *(€ in million)* | Note | Assets | Liabilities | Assets | Liabilities |
| AccorInvest | 3 | 4,769 | 1,526 | - | - |
| Others | | 56 | 7 | 20 | 6 |
| **Total** | | **4,824** | **1,532** | **20** | **6** |

AccorInvest net assets, which were classified as assets held for sale at 2017 year-end, have been derecognized since May 31, 2018 after the loss of control over the entity (see Note 3). The net profit and cash flows attributable to AccorInvest until this date are presented separately in the consolidated income statement and statement of cash flows as discontinued operations.

# Note 3. Disposal of AccorInvest subsidiary

## 3.1 Financial impacts on Group's accounts

On May 31, 2018, AccorHotels completed the disposal of 57.8% of the share capital of AccorInvest, its subsidiary formed on June 30, 2017 following legal restructuring operations to hold most of the Group's hotel assets (owned and operated under lease contracts). The separation procedures as well as the perimeter of the contributed business were presented in Note 3 of the 2017 consolidated financial statements, integrated in the Group's Registration Document. This disposal represents for the Group the achievement of the transformation process of its business model.

Since the project was launched in 2016, AccorHotels initiated negotiations with long-term potential investors. They resulted in the signing of agreements on February 27, 2018 with a group of investors composed of the Public Investment Fund (PIF) and GIC sovereign funds, Institutional Investors, namely Colony NorthStar, Credit Agricole Assurances and Amundi, and other private investors.

According to AMF's position-recommendation on major asset disposals, the project was submitted to the consultative vote of Accor SA's shareholders during the Annual General Meeting held on April 20, 2018. Following a favourable vote, and after obtaining antitrust and regulatory approvals, the disposal of 57.8% of AccorInvest was completed on May 31, 2018. The Group retains a 42.2% residual interest in the entity.

In accordance with IFRS 10 principles, this transaction leads to a loss of control of AccorInvest, insofar as the rights held by the Group (voting rights at Shareholders' Meetings and contractual rights resulting from the agreements governing future relationships between the parties) will not give it the power to unilaterally direct its relevant activities, i.e. operation of hotels and strategic management of hotel portfolio. Accordingly, the assets and liabilities of AccorInvest, which were classified as assets held for sale in consolidated financial statements at year-end 2017 in accordance with IFRS 5, were derecognized on completion date. Starting from June 1, 2018, the retained residual interest held by AccorHotels is recorded under the equity method in the consolidated financial statements, as a result of the significant influence exercised by the Group.

The transaction resulted for AccorHotels in a gross cash contribution of €4.6 billion, including the €2.1 billion proceeds for the sale of the 57.8% controlling stake, based on an enterprise value of €6.3 billion, and the cash repayment by AccorInvest of a €2.5 billion shareholders' loan.

The gain on disposal amounts to €2.4 billion, and is computed as the difference between:

- The total proceeds on disposal of €3.7 billion, including the proceeds from the sale of the 57.8% controlling stake (€2.1 billion), the fair value of the 42.2% investment retained (€1.5 billion) and the carrying amount of non-controlling interests (€0.1 billion); and

- The carrying amount of AccorInvest net assets, as recognized in the Group's financial statements on completion date (€1.3 billion after repayment of the shareholders' loan).

In the interim condensed consolidated financial statements, the net profit from discontinued operations includes the gain realized on AccorInvest disposal, after any directly-related transactions costs, as well as AccorInvest's net result until the loss of control.

## 3.2 Financial information of AccorInvest

The contribution of AccorInvest to the consolidated net profit and cash flows until the loss of control is as follows:

### Income statement of AccorInvest

| *(€ in million)* | 1st semester 2017 (*) | 1st semester 2018 (**) |
|---|---|---|
| **Revenue** | **1,963** | **1,517** |
| Operating expenses | (1,431) | (1,131) |
| **EBITDAR** | **532** | **386** |
| Rental expense | (314) | (235) |
| **EBITDA** | **218** | **151** |
| Depreciation, amortization and provision expense | 0 | 0 |
| **EBIT** | **218** | **151** |
| Other income and expenses | (50) | (22) |
| Income taxes | (253) | (39) |
| **Net Profit** | **(85)** | **90** |

(*) Amounts restated in application of IFRS 5 in order to reflect the changes in AccorInvest perimeter
(**) Five-month activity in 2018

Amortization and depreciation of non-current assets have been ceased in accordance with IFRS 5 principles. In 2017, the tax impacts of the legal restructuring carried out in connection with the separation of AcccorInvest impacted the net profit for €205 million.

### Cash flows attributable to AccorInvest

| *(€ in million)* | 1st semester 2017 (*) | 1st semester 2018 (**) |
|---|---|---|
| Funds from operations excluding non-recurring transactions | 199 | 129 |
| Decrease (increase) in operating working capital | 132 | (66) |
| Cash received (paid) on non-recurring items | (28) | (14) |
| **Cash flows from operating activities** | **303** | **49** |
| Renovation and maintenance expenditure | (90) | (114) |
| Development expenditure | (296) | (102) |
| Proceeds from disposals of assets | (177) | 5 |
| **Cash flows used in investing activities** | **(563)** | **(210)** |
| **Cash flows used in financing activities** | **(2)** | **(228)** |
| Effect of changes in exchange rates | 30 | 23 |
| **Net cash flows** | **(232)** | **(366)** |

(*) Amounts restated in application of IFRS 5 in order to reflect the changes in AccorInvest perimeter
(**) Five-month activity in 2018

# Note 4. Operating items

## 4.1 Segment reporting

As a result of its business model transformation, AccorHotels has redefined its internal reporting in order to reflect the Group's refocusing on its core business as a hotel operator, the diversification of its activities' portfolio as well as the resulting new organizational structure. The effects on the Group's margin ratios of applying IFRS 15 were also considered, as the Group is now required to report as revenue the reimbursements of costs incurred on behalf of hotel owners (see details in Note 13).

The Group is still organized around three strategic businesses, whose outlines have evolved.

### HotelServices

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

- « **Management & Franchise** »: Hotel management and franchise business based the collection of fsees, 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.

Until 2017 year-end, the performance of HotelServices was monitored by geographic regions. This geographic follow-up is now performed at Management & Franchise's business level. Besides, the regional breakdown has been adjusted to reflect the Group's new operational organization. France and Switzerland have been merged into the Europe region. The Worldwide Structures, which corresponded to support entities, whose flows were not specific to a single region, has been removed, leading to reallocate related revenues and expenses to the regions.

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

- Europe (including France and Switzerland)
- 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. It corresponds to hotels operations in Central Europe and certain hotels, mainly in Brazil, that are operated under lease contracts with variable rent based on a percentage of EBITDAR. 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 now includes three activities conducted in Asia-Pacific, previously reported in HotelServices: AccorPlus (rewards cards program), Accor Vacation Club (timeshare business) and Strata (room distribution and management of hotels common areas), as well as the AccorLocal project launched in 2017, previously presented in the New Businesses segment.

## New Businesses

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

- **Digital services,** activity operated by Fastbooking, and more recently by Availpro, which consists in offering digital solutions to independent hotel operators that will drive growth in their direct sales.

- **Private luxury home rentals,** comprising onefinestay, Travel Keys and Squarebreak, with over 10,000 addresses worldwide.

- **Digital sales,** created through the acquisition 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.

In accordance with IFRS 8, comparative segment information presented at June 30, 2017 has been restated in order to reflect the Group's new reporting.

### 4.1.1 Reporting by strategic business

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

| | | | Variation (%) | |
|---|---|---|---|---|
| *(€ in million)* | 1st semester 2017 (*) | 1st semester 2018 | Actual | L/L (1) |
| HotelServices | 1,213 | 1,205 | (0.6)% | +6.8% |
| • of which Management & Franchise | 427 | 433 | +1.4% | +6.8% |
| • of which Services to owners | 788 | 773 | (1.9)% | +6.7% |
| Hotel Assets & others | 365 | 389 | +6.5% | +8.6% |
| New Businesses | 43 | 70 | +61.5% | +7.1% |
| Corporate & Intercos | (258) | (205) | +20.4% | (1.4)% |
| **Revenue** | **1,363** | **1,459** | **+7.0%** | **+8.0%** |
| HotelServices | 311 | 312 | +0.5% | +6.7% |
| • of which Management & Franchise | 303 | 307 | +1.4% | +7.4% |
| • of which Services to owners | 8 | 6 | (31.6)% | N/A |
| Hotel Assets & others | 53 | 54 | +2.6% | +7.0% |
| New Businesses | (14) | (15) | (11.0)% | (53.7)% |
| Corporate & Intercos | (41) | (60) | (44.3)% | (9.2)% |
| **EBITDA** | **308** | **291** | **(5.5)%** | **+4.2%** |
| HotelServices | 278 | 279 | +0.4% | +6.8% |
| • of which Management & Franchise | 292 | 298 | +2.1% | +8.0% |
| • of which Services to owners | (14) | (19) | (35.7)% | N/A |
| Hotel Assets & others | 28 | 28 | (0.2)% | +12.8% |
| New Businesses | (17) | (21) | (20.2)% | (46.2)% |
| Corporate & Intercos | (52) | (66) | (28.6)% | (16.1)% |
| **EBIT** | **236** | **220** | **(7.0)%** | **+2.6%** |

(*) Restated amounts in application of IFRS 15
(1) L/L: Like-for-like change

Financial information for HotelServices includes the flows realized with AccorInvest subsidiary prior to its disposal. The elimination of these flows is presented on the line « Corporate & Intercos».

Revenue realized in France amounted to €143 million in the first half of 2018 (€167 million in the first half of 2017).

### 4.1.2 Detailed information for Management & Franchise

#### A. Management & Franchise revenue

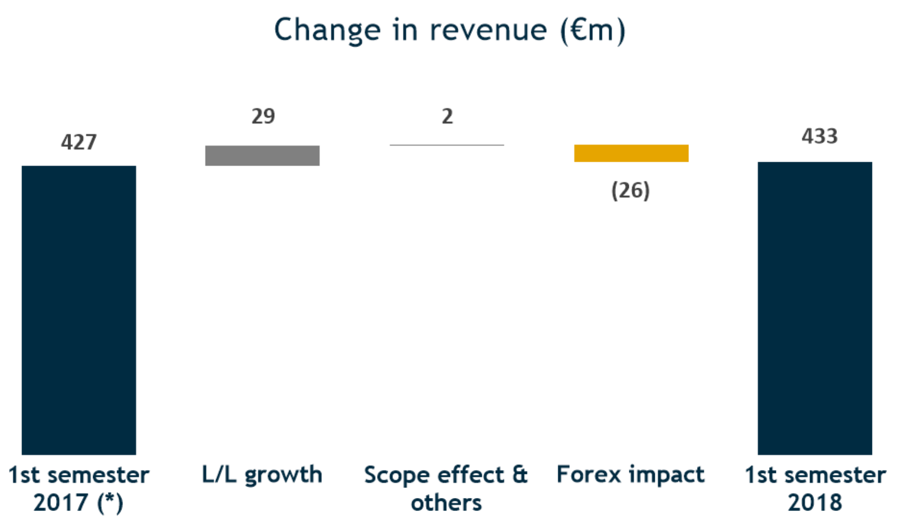
| *(€ in million)* | 1st semester 2017 (*) | 1st semester 2018 | Variation (%) Actual | Variation (%) L/L (1) |
|---|---|---|---|---|
| Europe | 218 | 223 | +2.3% | +4.2% |
| Middle East & Africa | 41 | 38 | (8.3)% | (0.2)% |
| Asia Pacific | 93 | 94 | +1.3% | +10.0% |
| North America, Central America & Caribbean | 56 | 58 | +3.3% | +15.9% |
| South America | 19 | 19 | (0.2)% | +9.0% |
| **Total** | **427** | **433** | **+1.4%** | **+6.8%** |

(*) Restated amounts in application of IFRS 15

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

Fees invoiced to AccorInvest amounted to €174 million in the first half of 2018 (€182 million in the first half of 2017). In the Group consolidated financial statements, these fees are eliminated until the loss of control of the entity, in accordance with consolidation principles.

Over the period, the change in Management & Franchise revenue breakdowns as follows:



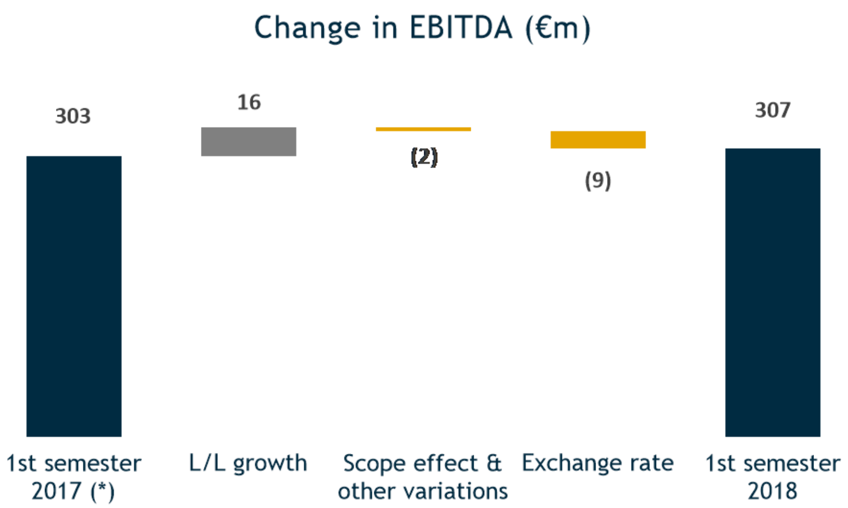

(*) Restated amounts in application of IFRS 15

## B. Management & Franchise EBITDA

| *(€ in million)* | 1st semester 2017 (*) | 1st semester 2018 | Variation (%) Actual | Variation (%) L/L (1) |
|---|---|---|---|---|
| Europe | 175 | 179 | +2.3% | +5.5% |
| Middle East & Africa | 27 | 28 | +2.5% | +12.7% |
| Asia Pacific | 59 | 57 | (2.5)% | +6.4% |
| North America, Central America & Caribbean | 35 | 35 | +0.0% | +12.6% |
| South America | 7 | 7 | +8.2% | +9.9% |
| **Total** | **303** | **307** | **+1.4%** | **+7.4%** |

(*) Restated amounts in application of IFRS 15
(1) L/L: Like-for-like change

Over the period, the change in Management & Franchise EBITDA breakdowns as follows:




(*) Restated amounts in application of IFRS 15

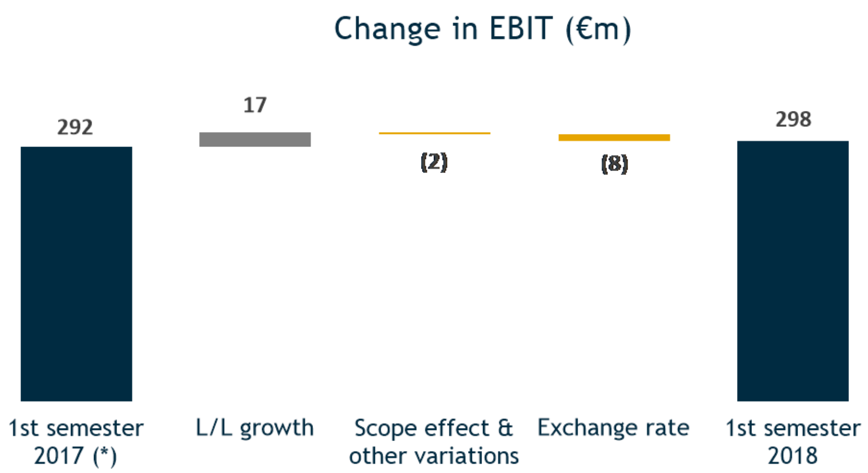
## C. Management & Franchise EBIT

| (€ in million) | 1st semester 2017 (*) | 1st semester 2018 | Variation (%) Real | L/L (1) |
|---|---|---|---|---|
| Europe | 173 | 178 | +3.1% | +6.2% |
| Middle East and Africa | 25 | 26 | +1.9% | +11.9% |
| Asia Pacific | 57 | 57 | (1.4)% | +7.5% |
| North America, Central America & Caribbean | 31 | 31 | +2.9% | +15.9% |
| South America | 7 | 7 | (1.3)% | (1.2)% |
| **Total** | **292** | **298** | **+2.1%** | **+8.0%** |

(*) Restated amounts in application of IFRS 15

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

Over the period, the change in Management & Franchise EBIT breakdowns as follows:




(*) Restated amounts in application of IFRS 15

## 4.2 Operating expenses

| *(€ in million)* | **1st semester 2017 (*)** | **1st semester 2018** |
|---|---|---|
| Cost of goods sold | (32) | (34) |
| Employee benefits expenses | (834) | (822) |
| Rents | (53) | (58) |
| Energy, maintenance and repairs | (27) | (30) |
| Taxes, insurance and co-owned properties charges | (25) | (26) |
| Other operating expense | (82) | (198) |
| **Total** | **(1,054)** | **(1,168)** |

(*) Restated amounts in application of IFRS 15

Rental expense relates to the Group headquarters and hotel assets operated under lease contracts.

Other operating expenses consist mainly of marketing, advertising, promotional, selling and information systems costs.

## 4.3 Employee benefit expenses

Over the first semester 2018, employee benefits expenses include €9 million related to share-base payments.

On June 26, 2018, the Group granted 632,462 performance shares to employees, subject to a three-year vesting period. At this date, the fair value of the performance share was €35.24, corresponding to the share price of €41.90 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 three performance conditions are fulfilled over the years 2018 to 2020:

- Internal conditions (80% weighting): EBIT margin compared to the budget and free cash flows excluding disposal proceeds (net cash from operating activities, less net cash used in/from investments activities, adjusted for changes in operating working capital),
- External condition (20% weighting): change in AccorHotels' Total Shareholder Return (TSR) compared with that of other international hotel groups and the CAC 40 index. 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 €22 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 is almost nil over the first semester 2018.

## 4.4 Working capital

The working capital can be analyzed as follows:

| *(€ in million)* | Dec. 2017 (*) | Variation | June 2018 |
|---|---|---|---|
| Inventories | 8 | 5 | 13 |
| Trade receivables | 403 | 163 | 566 |
| Other current assets | 255 | 74 | 329 |
| **Current assets** | **666** | **242** | **908** |
| Trade payables | 398 | 45 | 443 |
| Other current liabilities | 530 | 192 | 722 |
| **Current liabilities** | **927** | **237** | **1,164** |
| **Working capital** | **262** | **(5)** | **256** |

(*) Restated amounts in application of IFRS 15

# Note 5. Associates and joint-ventures

## 5.1 Share in net results of associates and joint-ventures

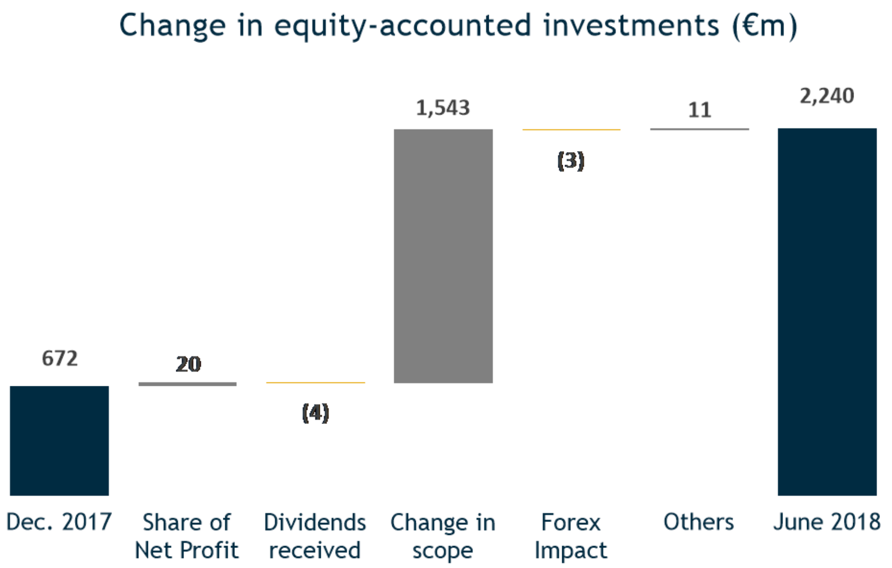
The main contributions of associates and joint-ventures are analyzed as follows:

| *(€ in million)* | 1st semester 2017 (*) | 1st semester 2018 |
|---|---|---|
| AccorInvest (**) | - | 11 |
| China Lodging Group | 3 | 10 |
| Others | 7 | (1) |
| **Associates** | **10** | **20** |
| **Joint ventures** | **2** | **0** |
| **Share in net results of equity-accounted investments** | **13** | **20** |

(*) Restated amounts in application of IFRS 15

(**) Corresponding to one month of activity

## 5.2 Investments in associates and joint-ventures




The increase in investments over the period mainly corresponds to the integration of the residual share in AccorInvest under equity method for €1.5 billion (see Note 3). It also includes the investment in Mantis Group and the additional stake of 13.4% in Mama Shelter, taking the Group's interest to 49.9% (€24 million in total).

## Note 6. Non-current operating items

| (€ in million) | 1st semester 2017 (*) | 1st semester 2018 |
|---|---|---|
| Impairment losses | (0) | (246) |
| Restructuring expenses | (8) | (12) |
| Gains and losses on management of hotel properties | (6) | 32 |
| Other non-recurring income and expenses | (42) | (23) |
| **Other income and expenses** | **(57)** | **(249)** |

(*) Restated amounts in application of IFRS 15

Over the first semester 2018, other income and expenses mainly include:

- Impairment losses on New Businesses for €(246) million (see Note 7.3);
- Restructuring costs for €(12) million mainly related to restructuring plans in France;
- A gain related to the disposal of Sofitel Budapest Chain Bridge for €33 million; and
- Directly-related costs on acquisitions and internal projects, notably €(18) million deal costs on Mantra Group and Mövenpick acquisitions and integration costs of FRHI Group.

# 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. 2017 | Changes in scope | Translation adjustment & others | June 2018 |
|---|---|---|---|---|
| Europe | 280 | - | 8 | 288 |
| Mediterranean, Middle East & Africa | 164 | - | 4 | 169 |
| Asia Pacific | 455 | 536 | (11) | 980 |
| North/Central America & Caribbean | 249 | - | 7 | 256 |
| South America | 60 | - | - | 60 |
| Worldwide Structures | (0) | - | 0 | (0) |
| **HotelServices** | **1,209** | **536** | **8** | **1,753** |
| **HotelAssets & others** | **82** | **20** | **2** | **103** |
| **New Businesses** | **273** | **133** | **0** | **406** |
| **Gross value** | **1,564** | **689** | **10** | **2,262** |
| Impairment losses | **(63)** | **-** | **(227)** | **(290)** |
| **Net book value** | **1,500** | **689** | **(218)** | **1,971** |

The changes in scope over the period mainly relate to preliminary goodwill recognized as part of the acquisitions of Mantra Group (€536 million) and Gekko (€90 million) (see Note 2.1). In addition, the goodwill related to New Businesses has been impaired by €(228) million (see Note 7.3).

## 7.2 Intangible and tangible assets

Changes in the carrying amount of intangible and tangible assets in the first half of 2018 were as follows:

| *(€ in million)* | Dec. 2017 (*) | Increase | Disposals | Translation adjustment & others | June 2018 |
|---|---|---|---|---|---|
| Gross value | 2,487 | 423 | (18) | 0 | 2,892 |
| Accumulated amortization and depreciation | (330) | (162) | (8) | 9 | (492) |
| **Intangible assets net book value** | **2,156** | **261** | **(26)** | **9** | **2,400** |
| Gross value | 1,408 | 215 | (20) | (75) | 1,528 |
| Accumulated amortization and depreciation | (746) | (110) | 17 | 38 | (800) |
| **Tangible assets net book value** | **662** | **105** | **(3)** | **(37)** | **727** |

(*) Restated amounts in application of IFRS 15

The increase in net book value is mainly explained by the recognition of the assets of Mantra Group acquired over the period (€371 million). Moreover, intangible assets related to New Businesses have been depreciated for €(18) million.

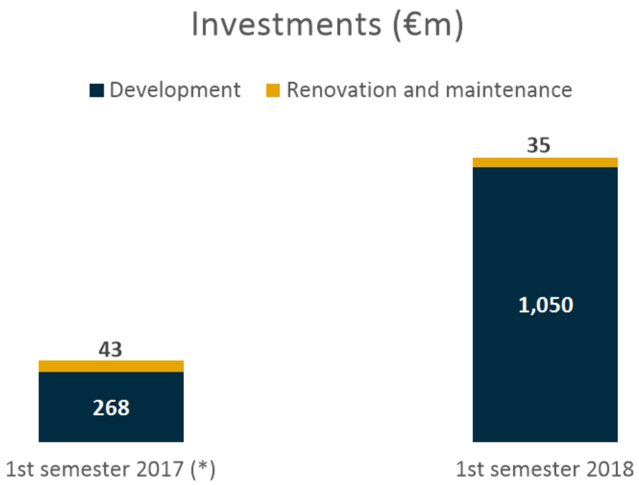
## 7.3 Impairment test

The Group carried out a review of goodwill and other non-current assets at June 30, 2018 in order to determine whether there was any evidence of impairment, as defined in the notes to the 2017 consolidated financial statements. Evidences of impairment were identified on Cash-Generating Units (CGUs) related to New Businesses, due to an increased competition combined with a slowdown trend on the markets and a declining profitability.

The Group estimated the recoverable amount of these CGUs based on the cash-flow projections used for budget preparation and the weighted average cost of capital, as determined at acquisition date of the entities involved. As a result, the Group recognized impairment losses for €(246) million (see Note 6). These losses were first allocated to corresponding goodwill (see aforementioned Notes 7.1 and 7.2).

No evidence of impairment was identified for other Group activities.

## 7.4 Capital expenditures over the period




(*) Restated amounts in application of IFRS 15

Over the first half of 2018, the main development expenditures relate to the acquisitions of the period (mainly Mantra, Gekko, ResDiary) representing a total cash out of €976 million (amount paid net of cash acquired) as well as investments recorded under the equity method for €24 million (stake acquisition in Mantis and additional interest in Mama Shelter).

## Note 8. Provisions

Changes in provisions over the first half of 2018 can be analyzed as follows:

| *(€ in million)* | Dec. 2017 | Increases | Reversal | | Translation adjustment | Change in scope and reclassification | June 2018 |
|---|---|---|---|---|---|---|---|
| | | | Utilizations | Unused provisions | | | |
| Pensions and other benefits | 91 | 6 | (5) | (0) | (1) | 0 | 90 |
| Litigation and others | 67 | 244 | (3) | (12) | (2) | 3 | 296 |
| Tax litigation | 14 | 0 | (2) | - | (0) | 0 | 12 |
| Restructuring | 38 | 11 | (18) | (4) | (0) | (0) | 27 |
| **Total** | **210** | **260** | **(28)** | **(16)** | **(3)** | **3** | **426** |
| • Including non-current | 103 | 6 | (5) | (0) | (1) | 0 | 103 |
| • Including current | 106 | 254 | (23) | (16) | (2) | 3 | 323 |

At June 30, 2018, provisions amounted to €426 million, increasing by €216 million compared to December 31, 2017, due notably to the allowance of €225 million set up to cover the future risks associated with the guarantees provided on AccorInvest disposal (see Note 3).

Changes in restructuring provisions are primarily explained by:

- A €18 million reversal related to restructuring costs in France and headquarters as well as integration costs related to FRHI Hotels & Resorts Group ; and
- A €11 million allowance covering restructuring plans in France.

# Note 9. Financing and financial instruments

## 9.1 Net financial expense

The net financial expense is analyzed as follows:

| *(€ in million)* | 1st semester 2017 (*) | 1st semester 2018 |
|---|---|---|
| Bonds interests | (43) | (30) |
| Other interests income and expenses | (1) | 1 |
| Cost of net debt | (45) | (29) |
| Other financial income and expenses | 6 | (4) |
| **Net financial expense** | **(39)** | **(33)** |

(*) Restated amounts in application of IFRS 15

The €6 million positive impact is mainly attributable to:

- A €13m decrease in bonds interests resulting from reimbursement of two bonds in June and November 2017;
- A €(11) million negative fair value adjustment related to an interest rate derivative set up in order to secure a potential lease financing the real estate investment of the Group's headquarters.

## 9.2 Group net debt

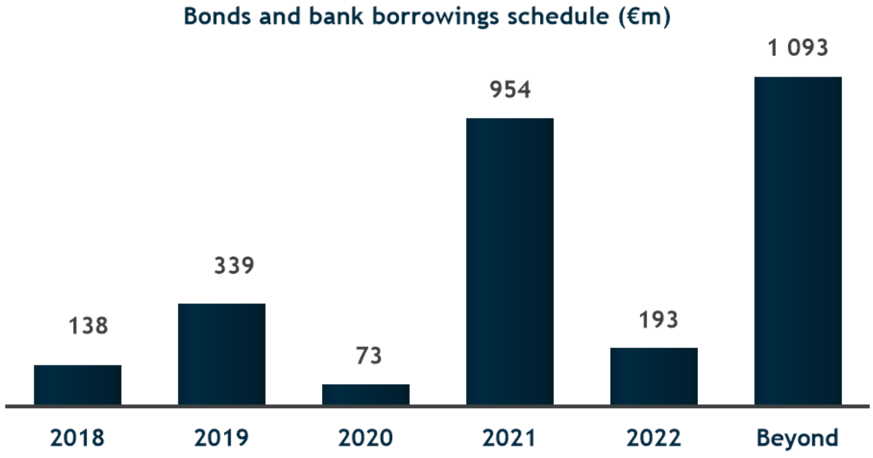
### 9.2.1 Breakdown of net debt

| | | | Other changes | | | | |
|---|---|---|---|---|---|---|---|
| *(€ in million)* | Dec. 2017 | Cash flows | Scope effects | Translation adjustments | Fair value | Others | June 2018 |
| Bonds | 2,748 | 7 | - | (8) | - | 13 | 2,760 |
| Bank borrowings | 30 | 2 | - | (2) | - | - | 30 |
| Other financial debts | 202 | (22) | (0) | (5) | - | 8 | 183 |
| Derivative financial instruments | 24 | - | - | (0) | (0) | (1) | 23 |
| **Gross financial debt** | **3,005** | **(13)** | **(0)** | **(15)** | **(0)** | **20** | **2,997** |
| Cash and cash equivalents | 1,063 | 2,812 | 67 | (12) | - | - | 3,930 |
| Other current financial assets | 30 | (7) | (0) | (0) | - | 5 | 28 |
| Derivative financial instruments | 24 | - | - | - | (9) | 9 | 24 |
| **Financial assets** | **1,117** | **2,805** | **67** | **(12)** | **(9)** | **15** | **3,982** |
| **Net debt/(cash)** | **1,888** | **(2,818)** | **(67)** | **(2)** | **9** | **5** | **(985)** |

At June 30, 2018 the Group has a net cash position of €1 billion, primarily as a result of AccorInvest disposal cash proceeds. In this context, the Group invested in bank deposits (€1.7 billion) and short term bonds funds (€2 billion), which meet the criteria for presentation as cash equivalents.

## 9.2.2 Analysis of gross financial debt

### Bonds and bank borrowings by maturity




### 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 | 2,525 | 2% | 90% | 1,467 | 2% | 53% |
| Australian dollar | - | - | - | 868 | 1% | 31% |
| Swiss franc | 129 | 2% | 5% | 129 | 2% | 5% |
| Polish zloty | - | - | - | 122 | 1% | 4% |
| Pound sterling | 114 | 3% | 4% | 114 | 3% | 4% |
| Japanese yen | - | - | - | 33 | 0% | 1% |
| UAE dirham | - | - | - | 28 | 0% | 1% |
| Mauritian rupee | 21 | 8% | 1% | 21 | 8% | 1% |
| US dollar | - | - | - | 7 | 2% | 0% |
| **Bonds and bank borrowings** | **2,790** | **+2%** | **+100%** | **2,790** | **+2%** | **+100%** |

## Note 10. Income tax

| *(€ in million)* | 1st semester 2017 (*) | 1st semester 2018 |
|---|---|---|
| Current tax | (5) | (46) |
| Deferred tax | 42 | 23 |
| **Income tax** | **37** | **(23)** |

(*) Restated amounts in application of IFRS 15

Over the first semester 2018, the Group has a €(23) million income tax expense compared to an income of €37 million over the prior period. This income was driven by one-off items, notably deferred tax benefits recognized for €56 million in the frame of AccorInvest separation and a tax relief of €37 million.

# Note 11. Equity

## 11.1. Share capital

### 11.1.1 Shareholders

In March 2018, Eurazeo sold its whole stake in Accor SA whereas China Lodging Group (Huazhu) realized various acquisitions of stake during the semester leading to hold 4.50% of the Company's capital and 4.05% of the voting rights.

### 11.1.2 Changes in share capital

Changes in the number of outstanding shares during the first semester 2018 are as follows:

| *In number of shares* | 2018 |
|---|---|
| **Number of issued shares at January 1, 2018** | **290,122,153** |
| Performance shares vested | 83,550 |
| Shares issued on exercise of stock options | 675,948 |
| **Number of issued shares at June 30, 2018** | **290,881,651** |

### 11.1.3 Distribution of dividends

On May 15, 2018, the Group paid a dividend of 1.05 euro per share for 2017 financial year results in the form a cash payment of €305 million.

### 11.1.4 Treasury shares

On February 27, 2018, AccorHotels announced its intention to implement over a two-year period a share buyback program up to €1,350 billion, representing 10% of the Group's share capital based on market capitalization at this date. At June 30, 2018, no operation was realized in that respect.

### 11.1.5 Reserves

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

| *(€ in million)* | **Dec. 2017 (*)** | Change | **June 2018** |
|---|---|---|---|
| Currency translation reserve | (372) | 39 | (333) |
| Changes in fair value of financial Instruments | 8 | (34) | (26) |
| • of which non-consolidated investments | - | *(26)* | *(26)* |
| • of which available for sales shares | *(1)* | *1* | *-* |
| • of which derivative instruments | *9* | *(9)* | *(0)* |
| Reserve for actuarial gains/losses | (76) | (1) | (78) |
| Share based payments | 219 | 9 | 228 |
| Retained earnings and others | 2,109 | 1,813 | 3,922 |
| **Total Group share** | **1,887** | **1,825** | **3,712** |

(*) Restated amounts in application of IFRS 15

Over the period, the €39 million exchange gain on translating foreign operations is mainly driven by the rise in the US Dollar (€47 million) and Argentina Peso (€30 million), partly offset by a depreciation of the Australian Dollar (€(26) million).

## 11.2 Minority interests

Minority interests are as follows:

| *€ in million* | **Dec. 2017** | Change | **June 2018** |
|---|---|---|---|
| Orbis Group | 215 | 5 | 221 |
| Others minority interests | 125 | (102) | 24 |
| **TOTAL** | 341 | (96) | **244** |

The change over the period is mainly explained by the derecognition of AccorInvest's minority interests, which represented €106 million, as a result of the disposal of the subsidiary.

# Note 12. Unrecognized items and related parties

## 12.1 Commitments

### 12.1.1 Commitments given

At June 30, 2018, commitments given by the Group amount to €1,850 million. They are mainly composed of lease commitments related to headquarters and hotels assets for €808 million (representing an increase by €439 million compared to December 31, 2017 following the acquisition of Mantra) and development projects commitments for €846 million. Main development projects are the followings:

- **Acquisition project of Mövenpick Hotels & Resorts**

On April 30, 2018, AccorHotels announced that it has signed an agreement with Mövenpick Holding and Kingdom Holding to acquire Mövenpick Hotels & Resorts, for a cash amount of CHF560 million (€482 million).

Founded in 1973 in Switzerland, Mövenpick Hotels & Resorts has high-end expertise in the main hotel-related services. The Group operates in 27 countries with 84 hotels (more than 20,000 rooms) and has a particularly strong presence in Europe and the Middle East. It also plans to open 42 additional hotels by 2021, representing almost 11,000 rooms. This acquisition will allow AccorHotels to consolidate its leadership in the European market and further accelerate its growth in emerging markets, in particular in Middle East, Africa and Asia-Pacific.

- **Strategic partnership with sbe Entertainment Group**

On June 29, 218, AccorHotels announced the signature of a letter of intent and entered into exclusive negotiations with sbe Entertainment Group to acquire a 50% stake in sbe. The latter is a leading lifestyle hospitality company that develops, manages and operates award-winning global properties and brands. Its portfolio includes branded luxury residences and serviced apartments, wellness and spa platforms and dining & entertainment experiences.

AccorHotels' investment will amount to US$319 million, of which US$125 million for the acquisition of 50% of sbe's common equity, held in part by Cain International, and US$194 million in a new preferred debt instrument that will be used to redeem all existing preferred units, also held in part by Cain International.

- **Agreement with Algeciras to buy Chilean group Atton Hoteles**

On May 14, 2018, AccorHotels and Chilean group Algeciras announced that they signed an agreement with the shareholders of Atton Hoteles in order to acquire the company. As per the agreement, AccorHotels will acquire 100% of the management company that operates 11 Atton hotels across Chile, Peru, Colombia and Florida, USA. Besides, the Group will acquire a 20% interest in the property company that owns these assets, the remaining 80% being bought by sAlgeciras. The total cash consideration for these operations will be US$105 million. AccorHotels will have a put option to sell its 20% in the property company to Algeciras after five years.

Atton Hoteles was founded in Chile in 2000. The hotels cater to the business travelers on the midscale and upscale segment. It has three hotels under development. This transaction will allow AccorHotels to further consolidate its footprint in Latin America, while strengthening its presence in fast growth markets such as Chile & Peru.

The above transactions are subject to regulatory approvals. They should be completed during the second half of 2018.

### 12.1.2 Commitments received

At June 30, 2018, the Group did not receive any material commitment.

## 12.2 Litigations, contingent assets and liabilities

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

## 12.3 Subsequent Events

### New banking credit facility of €1.2 billion

On July 2, 2018, AccorHotels announced the signing of an agreement with a consortium of 15 banks for a new €1.2 billion revolving credit facility, which margin will be notably dependent on the Group's performance in terms of Environment, Social and Governance. This new 5-year facility has two one-year extension options to be exercised in 2019 and 2020. It replaces the undrawn €1.8 billion facility signed in June 2014, which had been reduced to €1.2 billion following the completion of AccorInvest disposal. This facility will reinforce AccorHotels liquidity and increase the average maturity of its financial resources.

### Creation of an investment fund dedicated to hospitality in Sub-Saharan African countries

On July 23, 2018, Katara Hospitality, a leading global hotel owner, developer and operator based in Qatar, and AccorHotels announced the creation of an investment fund with a targeted capacity of over US$1 billion dedicated to hospitality in various Sub-Saharan African countries. The fund will amount to up to US$500 million in equity, of which Katara Hospitality and AccorHotels will contribute respectively up to US$350 million and US$150 million over the next 5-7 years, with additional financing capacity reached through leverage and co-investments. It will target new hotels building projects and conversions of existing hotels through acquisitions, in a region which offers robust growth opportunities. With this initiative, Katara Hospitality and AccorHotels aim at creating the number one sustainable hospitality fund dedicated to Africa long-term development, operating in compliance with UN sustainable development goals.

This investment will be accounted for by the equity method in AccorHotels Group's consolidated financial statements.

### Offer from Colony NorthStar to acquire an additional tranche in AccorInvest

On July 25, 2018, AccorHotels received a binding offer from Colony NorthStar to acquire an additional tranche of 7% of AccorInvest's share capital, for €250 million. After completion of this transaction, which is subject to AccorInvest Board of Directors' approval, AccorHotels will retain a 35.2% stake in AccorInvest's share capital.

## 12.4 Related parties

During the first half of 2018, no new related party agreement was signed.

# Note 13. Adoption of IFRS 15 and IFRS 9 standards

This note presents the impact of the adoption of IFRS 15 *Revenue from contracts with customers* and IFRS 9 *Financial instruments* new standards on the Group's consolidated financial statements, and also discloses the new accounting policies that have been applied since January 1, 2018, where they are different to those applied in prior periods.

## 13.1 Impacts on financial statements

As a result of the adoption of these new standards, prior year financial statements had to be restated. The Group has adopted IFRS 15 using the full retrospective method. Thus, the first adoption impact was recorded in Group's consolidated retained earnings at January 1, 2017, with restatement of the comparative period. IFRS 9 principles on classification, measurement and impairment of financial instruments have been applied retrospectively, but without restating comparative information, in accordance with the transitional provisions in the standard. The first adoption impact is therefore recorded in the consolidated retained earnings at January 1, 2018.

### 13.1.1 Restated income statement

| *(€ in million)* | 1st semester 2017 Reported | IFRS 15 impact | 1st semester 2017 Restated |
|---|---|---|---|
| **Revenue** | **922** | 442 | **1,363** |
| Operating expense | (619) | (436) | (1,055) |
| **EBITDA** | **303** | 6 | **308** |
| Depreciation, amortization and provision expense | (77) | 5 | (72) |
| **EBIT** | **226** | 11 | **236** |
| Share of profit of associates after tax | 13 | - | 13 |
| **Operating profit before tax & non-recurring items** | **239** | 11 | **250** |
| Non-recurring income and expense | (58) | 2 | (57) |
| **Operating Profit before tax** | **181** | **12** | **193** |
| Net financial expense | (40) | 1 | (39) |
| Income tax expense | 39 | (3) | 37 |
| **Profit from continuing operations** | **181** | **10** | **191** |
| Net profit or Loss from discontinued operations | (86) | - | (86) |
| **Net Profit or Loss** | **95** | **10** | **105** |

### 13.1.2 Restated opening statement of financial position

| | Jan 1. 2017 | | | Dec. 31 2017 | | | Jan 1. 2018 | |
|---|---|---|---|---|---|---|---|---|
| *(€ in million)* | actual | IFRS 15 | restated | actual | IFRS 15 | restated | IFRS 9 | restated |
| Intangible assets | 3,897 | (78) | 3,819 | 3,802 | (146) | 3,656 | - | 3,656 |
| Property, plant & equipments | 562 | - | 562 | 662 | - | 662 | - | 662 |
| Non-current financial assets | 844 | - | 844 | 830 | - | 830 | (3) | 827 |
| Contracts assets | - | 100 | 100 | - | 174 | 174 | - | 174 |
| Deferred tax assets & others | 242 | 24 | 266 | 136 | 16 | 152 | 4 | 156 |
| **Non-current assets** | **5,545** | **46** | **5,591** | **5,430** | **43** | **5,474** | **1** | **5,474** |
| Current assets | 634 | (33) | 602 | 705 | (39) | 666 | - | 666 |
| Current financial assets | 1,226 | - | 1,226 | 1,116 | (0) | 1,116 | 0 | 1,117 |
| **Current assets** | **1,861** | **(33)** | **1,828** | **1,822** | **(39)** | **1,782** | **0** | **1,782** |
| Assets held for sale | 4,457 | - | 4,457 | 4,824 | - | 4,824 | - | 4,824 |
| **Total Assets** | **11,864** | **13** | **11,877** | **12,076** | **4** | **12,080** | **1** | **12,081** |
| **Shareholders' Equity & min. interests** | **5,925** | **(47)** | **5,878** | **5,826** | **(43)** | **5,783** | **(13)** | **5,770** |
| Long term Debt | 2,176 | - | 2,175 | 2,768 | - | 2,768 | 14 | 2,781 |
| Non-current provisions | 133 | - | 133 | 103 | - | 103 | - | 103 |
| Non-current contract liabilities | - | 22 | 22 | - | 22 | 22 | - | 22 |
| Deferred tax liabilities | 599 | - | 599 | 416 | - | 416 | - | 416 |
| **Non-current liabilities** | **2,907** | **22** | **2,929** | **3,287** | **22** | **3,309** | **14** | **3,322** |
| Current liabilities | 971 | (138) | 833 | 1,087 | (160) | 928 | - | 928 |
| Current provisions | 151 | - | 151 | 106 | - | 106 | - | 106 |
| Current contract liabilities | - | 176 | 176 | - | 185 | 185 | - | 185 |
| Short-term Debt & Bank overdraft | 733 | - | 733 | 237 | - | 237 | - | 237 |
| **Current liabilities** | **1,855** | **38** | **1,893** | **1,431** | **25** | **1,456** | **-** | **1,456** |
| Liabilities with assets held for sale | 1,177 | - | 1,177 | 1,532 | - | 1,532 | - | 1,532 |
| **Total Liabilities & Equity** | **11,864** | **13** | **11,877** | **12,076** | **4** | **12,080** | **1** | **12,081** |

## 13.2 Adoption of IFRS 15

### 13.2.1 Main impacts of first adoption

The impact of applying IFRS 15 on the Group's consolidated retained earnings is as follows:

| *(€ in million)* | | Jan. 1, 2017 | Jan. 1, 2018 |
|---|---|---|---|
| **Consolidated reserves before restatement** | | **1,981** | **1,930** |
| Hotel costs reimbursements | (a) | - | - |
| Loyalty program | (b) | (43) | (47) |
| Entrance fees | (c) | (16) | (16) |
| Payments to hotel owners | (d) | 9 | 14 |
| Other restatements | | 3 | 6 |
| **Restated consolidated reserves** | | **1,934** | **1,887** |

#### (a) Reimbursement of costs incurred on behalf of hotel owners

AccorHotels' management contracts may require the Group to incur hotel operating costs on behalf of the properties' owners. These costs are generally reinvoiced to the owners without any mark-up. They mainly correspond to the cost of hotel staff who are employed by AccorHotels to comply with local regulations or as a result of specific negotiations with the owners. The Group considered so far that it acted as the owners' agent because it was not exposed to the significant risks and rewards associated with the rendering of the services based on the criteria outlined under prior standard. The reinvoiced amounts were therefore presented as a deduction from the related costs, and only the margin (if any) was recognized in revenue.

Under IFRS 15, the Group considers that it acts as the principal because it controls the services, which are not distinct from the overall performance delivered under management contracts, before transferring them to the hotels' owners. The reinvoiced costs are therefore reported under revenue in the consolidated income statement, leading to an equivalent increase in the reported amount of operating expenses. For the six month ended June 2017, this change of presentation leads to the recognition of additional revenues for €457 million. This reclassification has no impact on either Group's operating profit or net profit.

#### (b) Loyalty program

The Group analyzes the loyalty program as giving rise to a single performance obligation. The promised service consists of managing the program on behalf of the Group's hotels and ensuring that program members will receive a benefit in exchange for their award credits. Under IFRS 15, this performance obligation is considered as being satisfied in full when the award credits are redeemed or expire. Accordingly, loyalty program fees are now deferred for an amount that reflects the stand-alone selling price of the future benefit to the member and recognized as revenue in line with the award credits redemption or expiry. This change in policy leads to an increase in the deferred revenue liability by €59 million at January 1, 2017, with a corresponding negative adjustment to retained earnings of €(43) million after tax effect. The loyalty program liability is now presented in the new « Contract liabilities » caption, as defined under IFRS 15.

The Group considers that it acts as an agent for hotel owners to the extent that it does not control the services rendered to the members on redemption, since such services can be performed by third parties. Therefore, loyalty revenue is from now on presented net of the cost of reimbursing the hotel that is providing the night stay. For the six month ended June 2017, the adoption of IFRS 15 leads to a reduction in consolidated revenues for €(22) million. The impact on operating profit due to change in timing of revenue recognition is not material.

### (c) Entrance fees

When a contract is signed, AccorHotels sometimes invoices an entrance fee to hotel owners in exchange for the access to the Group's network. Under prior standard, these non-refundable initial payments were recognized in revenue in the period in which they were billed. Under IFRS 15, these payments do not transfer any additional service to the customer, which is distinct from the promise to render services under the management contract. Therefore, they are analyzed as an advance payment for future services, to be recognized on a straight-line basis over the contract term. This change in policy led to the recognition of a €22 million deferred revenue liability presented within « Contract liabilities » at January 1, 2017 and a corresponding negative restatement to retained earnings for €(16) million after tax effect. This restatement had no material impact on either Group's revenue or operating profit over the period presented.

### (d) Payments to hotel owners

In the course of its business, the Group may make payments to hotel owners, either upfront in the form of key money (to secure the signing of the contract) or during the contract period based on actual performance. Under prior standard, key moneys were capitalized as intangible assets and amortized over the life of related contracts. Payments made based on performance conditions were expensed when definitely due to the customer.

Under IFRS 15, these payments are treated as consideration payable to a customer and therefore recognized as a deduction to revenue over the contract term, except for loans granted to owners on arm's length terms. Amounts depending on the occurrence of uncertain future events are estimated and recognized for the minimum amount considered as highly probable.

This change in policy led to a positive restatement of the Group's consolidated retained earnings for €9 million at January 1, 2017. It had no material impact on either Group's revenue or operating profit over the period presented. The difference between the right to rebate granted to the owners and revenue reductions recognized in the income statement leads to the recognition of a « Contract Asset », as defined by the new standard, for €100 million in the restated consolidated financial statement of position at January 1, 2017. It mainly includes the reclassification of key moneys previously capitalized as intangible assets.

## 13.2.2 New accounting principles and methods

The Group revised its accounting policies following the adoption of IFRS 15.

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

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

### Fees billed to franchised hotels and hotels under management contracts

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

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

Other fees relate to services representing distinct performance obligations which are generally satisfied over time, when the hotel owners simultaneously receive and consume the benefits provided. The Group elects the practical expedient to recognize revenue based on amounts invoiced to the customer, when this method of measuring progress best depicts the performance provided. Invoicing is based on contractual prices, which represent the stand-alone selling prices of specified promised goods or services. Variable considerations depending on the occurrence of uncertain future events are estimated using the most likely amount method, based on all reasonably available information, and are, if need be, capped at the minimum amount considered as highly probable. At each reporting period, the Group revises its estimates of variable considerations and assesses whether a constraint should apply.

### Loyalty program

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

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

### Hotel revenues

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

### Contract assets and liabilities

The IFRS 15 introduced a new class of assets and liabilities in the financial statement of position:

- Contract assets represent a right for the Group to receive consideration in exchange for goods or services already transferred to a customer, when that right is conditioned on something other than the passage of time. They also include revenue reductions granted in advance to customers when the corresponding services have not been transferred yet (key moneys mainly).

- Contract liabilities represent the Group's obligation to transfer goods or services for which the customer has already paid a consideration, or when the amount is due from the customer. They mainly correspond to deferred revenues related to the loyalty program and entrance fees invoiced at contract's inception.

## 13.3 Adoption of IFRS 9

### 13.3.1 Main impacts of first adoption

**Phase 1 - Classification and measurement of financial instruments**

#### Financial instruments previously classified as Available-for-sale financial assets

The Group assessed the main features of its financial assets, and which business model applies to these assets, in order to classify them into the appropriate IFRS 9 categories. The main first time adoption impact consists in the removal of the « Available-for-sale » category. Under the prior standard, these financial assets were measured at fair value, with changes in fair value deferred in other comprehensive income, and subsequently reclassified to income statement on disposal. The measurement of financial assets, which are concerned is modified as follows:

- Investments in non-consolidated companies: the Group elected to account for these financial assets at fair value through other comprehensive income, with no subsequent recycling in the income statement, in accordance with the option permitted by IFRS 9. They form part of a long-term investment strategy, and are not intended to be sold at short or medium term. These financial assets are no longer subject to an impairment assessment.

- Units in mutual funds (SICAV, FCP): these instruments are not eligible to the option for fair value through other comprehensive income measurement; they are now measured at fair value through profit or loss, in accordance with IFRS 9 provisions.

The impact first time adoption of this phase is not material on the Group's consolidated financial statements.

#### Treatment of financial debt restructurings

Based on IFRS 9 provisions, which were completed by the IFRS Interpretations Committee (IFRIC) statement in late 2017, which clarified the accounting treatment for a modification of financial liabilities that does not result in the liabilities being derecognized, the Group retrospectively restated the 2015 "liability management" transaction. This transaction was analyzed as a modification of financial liabilities, without derecognition, under IAS 39 principles, considering the original debt was not substantially modified. Accordingly, the financial debt was maintained in the financial statement of position. The impact of renegotiation, corresponding to the difference between the original and modified cash flows was amortized over the remaining life of the modified liability by re-calculating the effective interest rate.

Under IFRS 9, this difference is now treated as having been recognized immediately in the income statement on modification date. Given the net restructuring cost generated, the restatement of this operation led to a €14m increase in the Group's financial debt at January 1, 2018, and a negative restatement to retained earnings for €(10) million after tax effect. This mechanically generates a future gain in interest expenses for about €2 million per year until 2023.

**Phase 2 - Impairment of financial assets**

IFRS 9 standard introduces a new impairment model which consists in recognizing impairment losses on financial assets based on expected credit losses. The Group assessed the risk of non-collectability of its main financial assets (trade receivables and loans) throughout its whole geographical scope, taking into account the country risk and the probability of counterpart default. Following this analysis, and based on the nature of its activities and customers, the Group concluded that the impact of adopting this new model was not significant on consolidated financial statements at transition date.

**Phase 3 - Hedge accounting**

The new standard's provisions do not question the eligibility of the hedging relationships already prevailing at January 1, 2018. They have no material impact on consolidated financial statements over the period.

### 13.3.2 New accounting principles and methods

The adoption of IFRS 9 resulted in the following changes in the Group's accounting policies.

Financial instruments are classified under the categories defined by IFRS 9. The classification of financial assets is based on the nature of their contractual cash-flows as well as the Group's business model for managing the assets.

- Assets at amortized cost – These are financial assets held to collect contractual cash-flows that consist solely of payments of principal and interests at specified dates. They are initially measured at fair value, and subsequently measured at amortized cost using the effective interest method.
  This category mainly includes cash, trade receivables, time deposits and loans to non-consolidated entities.

- Assets at fair value through other comprehensive income – These are equity instruments not held for trading, for which the Group had irrevocably elected at initial recognition, and on a line-by-line basis, to present changes in fair value in other comprehensive income. This category mainly comprises investments in non-consolidated companies, initially recorded at cost, and subsequently measured at fair value, with no recycling of gains or losses to income statement upon disposal. Only dividends received are recorded in financial result.
  The cash flow hedge derivative instruments are also classified in this category.

- Assets at fair value through profit or loss – These include equity instruments, for which the Group had not, when applicable, elected the option of fair value through other comprehensive income as well as all other financial assets qualified as debt instruments that are not included in either of the above categories (in particular, when they do not have a fixed maturity or determinable cash flows).
  This category mainly includes units in mutual funds (SICAV, FCP) as well as derivatives instruments not eligible for hedge accounting.

The other accounting policies relating to financial instruments, and described in consolidated financial statements at December 31, 2017 remain unchanged.

# Auditors' Report on the Interim Financial Information

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# *STATUTORY AUDITORS' REVIEW REPORT ON THE 2018 HALF-YEAR FINANCIAL INFORMATION*

**(Six months ended June 30, 2018)**

*This is a free translation into English of the Statutory Auditors' review report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

To the Shareholders,

In compliance with the assignment entrusted to us by your Shareholders' Annual General Meeting and in accordance with the requirements of article L. 451-1-2 III of the French Monetary and Financial Code ("*Code monétaire et financier*"), we hereby report to you on:

- the review of the accompanying condensed half-year consolidated financial statements of Accor, for the six months ended June 30, 2018 ;

- the verification of the information contained in the half-year management report.

These condensed half-year consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

## 1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of half-year financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-year consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - standard of the IFRSs as adopted by the European Union applicable to interim financial information.

Without qualifying the conclusion expressed above, we draw your attention to the notes 1.2.1 and 13 of the condensed interim consolidated financial statements which describes the changes in accounting methods resulting from the mandatory application on January 1st, 2018, of IFRS 15 “Revenue from contracts with customers” and IFRS 9 “Financial instruments” standards.

## 2. Specific verification

We have also verified the information given in the half-year management report on the condensed half-year consolidated financial statements subject to our review.

We have no matters to report as to its fair presentation and consistency with the condensed half-year consolidated financial statements.

Paris-La Défense, July 26, 2018

The Statutory Auditors

*French original signed by*

ERNST & YOUNG et Autres

Jean-Christophe GOUDARD François-Guillaume POSTEL

DELOITTE & ASSOCIES

David DUPONT-NOEL Guillaume CRUNELLE

# Statement by the Person Responsible for the Interim Financial Report

# Statement by the Person Responsible for the 2018 Interim Financial Report

I hereby declare that, having taken all reasonable care to ensure that such is the case, the information contained in this interim financial report is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.

I hereby declare that, to the best of my knowledge, the interim consolidated financial statements have been prepared in accordance with the applicable accounting principles and give a true and fair view of the assets, liabilities, financial position and results of the Company and all of the entities within the scope of consolidation taken as a whole and that the interim management report includes a fair review of the material events that occurred in the first six months of the financial year, their impact on the financial statements and the main related-party transactions, and a description of the principal risks and uncertainties for the remaining six months of the year.

Paris - July 26, 2018

Sébastien Bazin
Chairman and Chief Executive Officer

ACCORHOTELS

Feel Welcome