ACCORHOTELS

Feel Welcome

2016 Interim Financial Report

July 28th, 2016

Summary

2016 Interim Management Report

Summary

1. Review of the first half of 2016

In a mixed economic environment shaped by strong growth in Europe and emerging markets but a troubled climate for tourism in France and depressed economic conditions in Brazil, the Group owes its strong operating and financial performances to the positive effects of the transformation plan implemented over the past three years.

AccorHotels' acquisitions in the first half, be it the Fairmont Raffles Hotels International Group, onefinestay, Oasis or Squarebreak, all signal the Group's clear determination to accelerate both the consolidation of its strengths and its transformation, notably by seizing new growth opportunities at a time when the hotel industry is in the process of completely reinventing itself.

These deals have made AccorHotels a major player in the global luxury hotel market, allowing it to extend its leadership to the rental of private homes, which is highly complementary to its existing activities. At the same time, it has embarked on numerous projects relating to selective hotel development, the restructuring of real estate, the deployment of digital technology, the reinvention of the food & beverage offer in its hotels, cultural transformation and more. Each of these areas is a defining strategic driver for the Group, for its performance today and, even more, tomorrow.

1.1. A COMPLEX AND CONTRASTED ENVIRONMENT

Following on from 2015, AccorHotels continued its transformation apace in first-half 2016, in a complex global economic environment comprising threats as well as opportunities.

The various uncertainties affecting the Group's business – the slowdown in the French and Brazilian markets, difficulties in ensuring the security conditions essential for tourist and hotel activities, and uncertainties related to the elections pending in a number of countries representing important markets for the Group – are all liable to weigh on the travel industry and the sector's current valuations.

However, the opportunities open to the Group are numerous, via the digitization of tools, activities or services, a process that the industry has taken to with gusto, and one that will transform the industry and drive further value creation. Industry consolidation is naturally also a key issue impacting geographical and segment coverage, development of the brand portfolio and hotel assets, as well as loyalty and synergies. And AccorHotels intends to take full advantage of changes underway to further strengthen its global leadership and growth, and to deliver the best results.

The travel industry will continue to grow strongly in the coming decade. The World Tourism Organization sees global tourism growing by 4% in 2016, in line with previous years, with growth of 3.5% to 4.5% expected in Europe.

From an economic point of view, accommodative monetary policies provide substantial, cheap and readily available liquidity, enabling the Group to continue growing strongly. The drop in raw material prices, including oil, is another economic driver, and one that also encourages tourism worldwide.

Under these conditions, the Group is committed to continuing the transformation of its model by conducting a number of major transactions, strengthening each of its businesses. The strategic objectives remain unchanged, with several major projects for 2016:

- Pursue an ambitious development plan across all segments and geographies.
- Enhance AccorHotels' attractiveness as a hotel operator and franchisor among hotel owners worldwide while accelerating its digital transformation.
- Invest in new businesses in the world of travel, and particularly in collaborative business models.

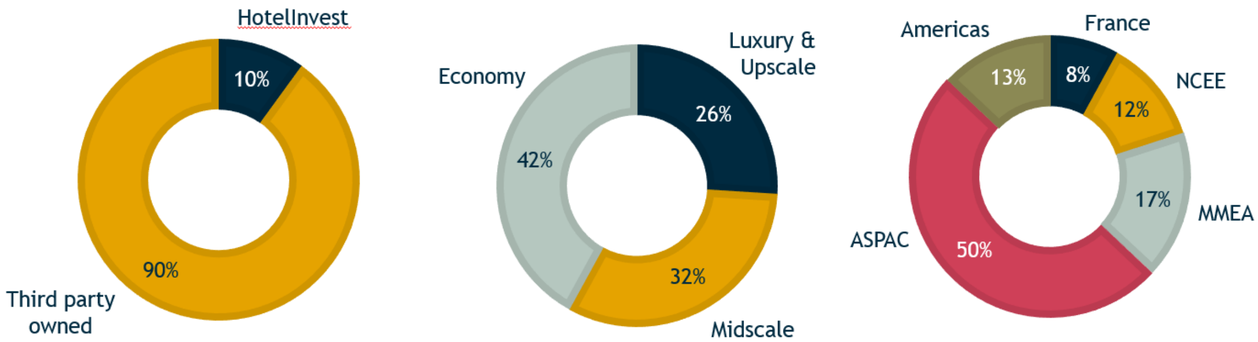
- Strengthen value creation in the asset portfolio by developing an ambitious asset management strategy and consolidating HotelInvest's European leadership as the hotel industry's benchmark owner/investor.

1.2. EXPANSION OF THE ACCORHOTELS PLAYING FIELD

1.2.1. Record development serving growing global demand

The Group's environment is currently very mixed, and hard to predict. As such, AccorHotels' firm international footprint is a major asset.

In the first half of 2016, the Group opened 110 hotels, i.e. a total of 19,366 new rooms worldwide, increasing its portfolio to 3,942 hotels and 524,955 rooms.



This development, which represents more than two hotel openings every three days or 100 rooms every day, was primarily carried out in the form of franchise agreements and management contracts (90%), while leased hotels represented 8% and owned hotels 2%. Of first-half 2016 openings, 80% were outside Europe, breaking down as 50% in the Asia-Pacific region, 13% in Latin America and 17% in the Mediterranean/Africa/Middle East region.

The Group's pipeline is at an all-time high of 173,696 rooms, and integration of the Fairmont Raffles Hotels International Group opens up further perspectives in this regard.

Currently very dynamic, development is a real asset for the Group at a time when AccorHotels is faced with the need to consolidate its market share around the world and strengthen its leadership in numerous fields, while being more demanding on the profitability of its growth.

AccorHotels is Europe's leading hotel operator, with Europe representing 50% of global tourist destinations. The world has 1.3 billion travelers, of which 650 million in Europe and 85 million in France. With nearly 300,000 hotel rooms in Europe, the Group boasts the strongest portfolio in Europe and in France, stronger than its three main competitors combined, and the same can be said of Latin America. Under these conditions, the Group stands to benefit greatly from growth in global tourism flows in the years.

This vision is shared by other players, especially Chinese groups, which are investing heavily in hotel chains and anticipate a significant increase in the number of Chinese travelers worldwide over the next 10 years.

By nature, growth in the hotel portfolio is capped at between 2% and 2.5% per year due to the time needed to complete construction work. This means that aggregate demand is set to remain structurally higher than supply for a relatively long time. This growing demand is also prompting the entry into the market of new players that are not necessarily hotel owners, or even hotel operators.

1.2.2. The industry's digital transformation, and its new players

1.2.2.1. A pertinent digital plan offering a response to sector challenges

As early as 2014, AccorHotels realized that digital technology was poised to bring innovation to the very heart of the hotel and travel industry. This realization prompted the establishment of the digital plan in October 2014. The aim of this five-year €225 million investment plan was to usher in a profound digital transformation within the Group, consolidating its leadership across the customer experience value chain (see the 2015 Registration Document, page 18).

In June 2015, the plan was increased by 10% to finance the creation of the accorhotels.com marketplace, which has since been launched and is continuing to develop.

As of June 2016, a total of €126 million had been committed, of which €5 million in 2014, €78 million in 2015 and €43 million in first-half 2016 (out of a total budget of €87 million in 2016).

Built around the Group's customers, employees and partners, the plan is designed to rethink the role of digital technology and incorporate it into every aspect of the customer experience, while also improving our offering for investor partners and consolidating our distribution market share.

It is based on a comprehensive approach to digital challenges, in a market environment characterized by swift technological change, rapidly changing customer practices and the arrival of new disruptors such as digital platforms.

1.2.2.2. The emergence of digital platforms

Digital platforms, followed more recently by the collaborative economy, have carved out a big place for themselves in the hotel industry, replicating the approach adopted in many other sectors in recent years. Their power lies precisely in being able to escape constraints related to construction, and to focus their resources and expertise closely on connecting people looking for accommodation and people who can provide it.

The technologies implemented by these platforms have quickly launched them on the wave of new customer consumption patterns, allowing significant amounts of personal information to be gathered and considerable pooled offers to be devised. From the Group's perspective, essentially electronic relationships of this nature cannot replace the personalized exchanges that can be established with customers when they are physically welcomed in hotels.

This relationship is a key asset for hotel companies, enabling them to nurture customer loyalty and ensure that guests become and remain customers of the Group rather than of these platforms. Hotel groups are in a position to provide the services sought by customers, and the viral nature of information – considerably amplified by price comparison websites that are an integral part of the sector's digital ecosystem – must be used in this regard as a lever for growth.

In the face of the extremely swift emergence of online agencies, and their growing share of hotel sales, the French competition authority, in agreement with the European Union, has sought to address concerns by establishing regulatory principles guaranteeing a more level playing field for the various players in the hotel industry, after factoring in their respective specificities.

1.2.2.3. A more balanced regulation of the hotel offer

Overall, 70% of online room sales in Europe go through booking centers, and 30% through hotel groups' websites. This means that digital platforms provide a significant amount of business, which can represent between 7% and 20% of hotel groups' total sales, in exchange for commissions. As such, a key challenge for hotel groups is it to increase their direct sales via their hotels or websites.

Until July 2015, hotel groups were denied the possibility of offering lower prices than those charged by online agencies, which provided part of their distribution services, whether on other platforms or via their own websites. But in response to a 2013 complaint lodged by hotel group federations, to which AccorHotels signed up in February 2015, the French competition authority and the Macron law promulgated on August 6, 2015 have rebalanced commercial and partnership relationships between online agencies and hotel groups. 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 groups are free to charge the rates they want, and can display more attractive rates than those offered by online agencies on their websites.
- Hotel groups can now reserve for their direct sales channels (offline and online) a higher number of overnight stays than that offered by online agencies.

These simple measures are important in that they give hotel groups back 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 value-creating hotel business.

The challenge lies in striking the right balance between online agencies, which provide AccorHotels with business volumes that it would not have secured otherwise, and the freedom given to hotel groups to conduct their business on their own terms, bearing in mind that the technological nature of agencies' activities lead them to invest heavily in the visibility of the hotels present in their catalogues, but that hotel groups have obligations, cost structures and margins that cannot be undermined or they will not survive. The key challenge for a group like AccorHotels is to turn customers referred by these platforms, who would not have chosen one of the Group's hotels without the agency's intermediation, into its own customers, making them want to make their future hotel bookings directly through the Group rather than via agencies.

This is the goal of the customer loyalty policy, which has been recast in recent years. This work is starting to pay off, largely thanks to Le Club AccorHotels.

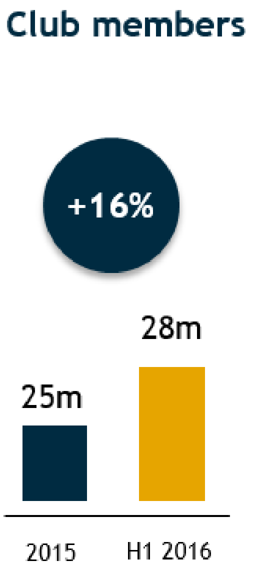
1.2.3. Le Club AccorHotels, loyalty as a growth driver

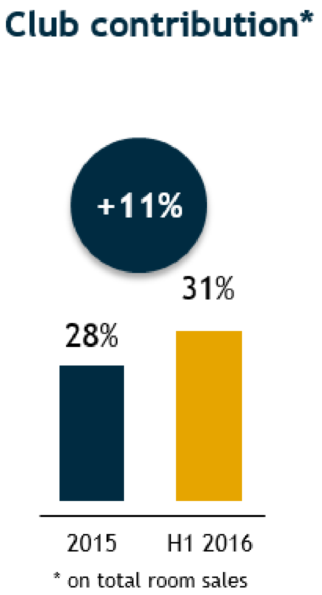
Le Club AccorHotels plays a key role in promoting the loyalty of the Group's customers. Its primary purpose, based on customer recognition and satisfaction, is to allow AccorHotels to continually increase its market share thanks to the quality of the personalized relationship formed between the hotel group and each of its customers.

A loyal customer belonging to Le Club AccorHotels is also generally more active and generates more revenue for the Group. Customers belonging to the Club proportionally consume more than other customers because they can redeem their loyalty points, which tends to encourage consumption.

Loyalty programs have in this sense been substantially recast over the past three years. Between 2014 and 2015, they generated a significant 36% increase in the number of cardholders, with more than 7 million additional cardholders registered over the past 12 months. Compared with previous years, this rate, which varies from 3 to 4 million additional holders each year, has intensified considerably, and currently averages twice that level.

This trend is central to the Group's market share expansion strategy, as it has a big impact on the Club's contribution to overall sales, which has steadily increased, rising from 24% in 2014 to 28% in 2015 and 31% in the six months to end-June 2016, this 31% share of the Group's revenue being derived solely from its loyalty programs.





Securing a growing share of revenue is a key arm for the Group as it confronts competitors of all kinds, because this share of revenue is neither held by nor exposed to other market players.

Moreover, its loyalty programs give the Group a powerful means of persuasion in respect of its customers, as stays in its hotel network can be transformed into reward points, unlike the offers of online agencies.

Using this principle, the Group's hotel group competitors, particularly in America, have secured between 50% and 60% of their own bookings. The Group has similar objectives in this area.

The deployment of the AccorHotels marketplace also helps expand the Group's market share and strengthen its network throughout the world.

1.2.4. The accorhotels.com marketplace, an active source of influence serving the AccorHotels network

AccorHotels integrated FastBooking in June 2015, and has since made it the marketing platform of the accorhotels.com marketplace.

The FastBooking platform has historically referenced Group hotels worldwide. Since June 2015, a growing number of independent hotels selected by AccorHotels in accordance with demanding criteria can also be featured alongside the Group's hotels.

Since it opened a year ago, accorhotels.com has signed up 1,600 hotels worldwide. Openness to other players not operating under the AccorHotels banner not only increases the Group's revenue through newly received commissions, but also strengthens its influence with independent hotel groups and their customers. This is a key challenge, bearing in mind that independent hotel groups account for 80% of global supply.

At the same time, FastBooking continues to expand its range of digital services dedicated to independent hotels. In March 2016, it signed a partnership agreement with TrustYou to help influence travelers' choices and bookings. These new services will allow hotel groups to improve their online reputation and to build both their online visibility and their direct distribution strategy.

Concurrently with the development of the hotel offer via its marketplace, AccorHotels has decided to play a bigger part in the collaborative economy, also known as the sharing economy. This very recent trend has grown to great heights in a very short time and is spreading rapidly throughout the world, in all industries. It dovetails with a strong aspiration among people, deriving its attractiveness from its convenience and low prices, as well as the speed and ease of transactions.

This competition, which also takes the form of digital platforms, is carried out in the field of private accommodation rather than in hotels. Some provide no service other than connecting people looking for accommodation and people who can provide it, while others enrich this relationship with service offerings provided by the operators of these platforms.

This new trend – offering a hotel activity without being a hotel – has accordingly come to be seen as a diversification and growth opportunity for AccorHotels, which decided to carry out a number of equity investments in this area in the first half of 2016.

1.2.5. Expanding the Group'global supply to private property rental platforms

In the first half of 2016, AccorHotels expanded its strategic activities by making equity investments in several upscale and luxury home rental platforms, in line with the Group's choice of position focused on upscale private properties with high-end services.

1.2.5.1. Acquisition of a stake in Squarebreak

AccorHotels has acquired a strategic 49% stake in Squarebreak, a startup offering stays in homes (second homes for their owners) located in key tourist destinations, primarily in France, Spain and Morocco.

The Group plans to offer support to Squarebreak in its development, while at the same time benefiting from the transformation stemming from these new practices in hospitality and travel.

1.2.5.2. Acquisition of a stake in Oasis Collections

AccorHotels has acquired a 30% stake in Oasis Collections, the US company that pioneered the "Home meets Hotel" concept, a new category of accommodation combining the value and authenticity of private rentals with high-quality hotel services provided by Oasis (on-site concierge, access to exclusive clubs, etc.).

Oasis has 1,600 properties spread across 18 destinations in Latin America, the United States and Europe, in which customers enjoy business or leisure stays averaging 20 days. These homes are rental investments for their owners.

1.2.5.3. Acquisition of OneFineStay

AccorHotels has also acquired 100% of onefinestay for €150 million, with investments totaling €64 million planned to accelerate the company's international development.

The company currently manages, on an exclusive basis, a portfolio of 2,600 homes located in the most desirable areas of London, New York, Paris, Los Angeles and Rome. The total real estate value of this portfolio is estimated at more than £4 billion. Combining luxurious mansions with fine service, onefinestay has become the world's leading brand in the luxury segment of the market for serviced private home rentals, with hotel services provided exclusively by onefinestay employees.

It is the most highly integrated platform model and bears the closes resemblance to the Group's luxury hotel operations. This enrichment of AccorHotels' offer allow families who have traditionally stayed in the Group's luxury hotels during their travels, often booking several rooms, to rent via onefinestay an apartment accommodating the same number of people for less. It is well and truly a new form of service, adding another possibility for customers already familiar with the Group's luxury hotels, allowing them to enjoy the same quality of service as in a hotel, but in an extremely different and unique environment.

Building on its strengths, onefinestay plans to roll out an ambitious expansion strategy aimed at extending its operations into 40 new international cities over the coming five years. This expansion should allow the company to increase its revenue tenfold. To support its development, AccorHotels will contribute its expertise as a leader in the global hotel industry, the power of its distribution, its broad customer base, its global footprint, additional synergies and its expertise in digital operations.

The ensuing knock-on effects should be extremely valuable, especially at a time when the Group has acquired the Fairmont, Raffles and Swissôtel brands, whose offers are highly compatible.

1.2.6. Strengthening of the luxury brand portfolio : Acquisition of the Fairmont Raffles Hotels International Group

AccorHotels now owns the three iconic Fairmont, Raffles and Swissôtel brands, their acquisition by the Group having been approved by its Shareholders' Meeting on July 12, 2016. This acquisition positions AccorHotels as a leading player in the global luxury hotel business, giving it a portfolio of 154 new luxury hotels, of which 40 under development. It also gives the Group a much broader footprint in the North American market.

The FRHI Group hotels and resorts are located in 40 countries in the four corners of the globe, including the world's major tourist destinations, particularly in the United States, the leading outbound travel market.

Bringing together nearly 500 establishments in the upscale and luxury segment, AccorHotels now ranks among the leading global players in this segment, key in terms of international reach, development potential and profitability.

The acquisition offers numerous growth and value-creation drivers:

- Enrichment of the Group's databases, enabling more granular knowledge of new high value-added customers, at a time when loyalty has become a critical factor of growth.
- Enhancement of the brand portfolio, with strong and very prestigious new brands, whose positioning fits strategically with Sofitel, Pullman and MGallery.
- Geographical diversification of the Group's activities, the entry into the Americas offering access to loyal clientele with considerable value added.

The acquisition will rebalance the architecture of the Group's brands in favor of the luxury/upscale segment, which previously accounted for 15% of the portfolio in terms of management fees for HotelServices, and will now represent 35% (40% for economy and just under 30% for midscale).

This geographic diversification across all segments should arm AccorHotels more effectively against a challenging geopolitical context, allowing growth opportunities in promising markets to offset countries in difficulty.

AccorHotels expects the acquisition of the FRHI Group to generate approximately €65 million in revenue and cost synergies, thanks to the combination of brands, distribution platforms and loyalty programs. Financed by a cash payment of $840 million and a reserved capital increase representing 46.7 million Accor shares, the deal further allows it to consolidate its shareholder base, with the arrival of two new investors that are specialists in the global hotel industry.

Naturally, these various strategic acquisitions, turned towards the future, have not deviated AccorHotels in any way from its most defining strategic focus of the past three years, the transformation of HotelInvest.

1.3. CONTINUATION OF HOTELINVEST’S TRANSFORMATION

1.3.1. Restructuring of the hotel portfolio remains dynamic

HotelInvest’s transformation is critical to AccorHotels’ performance and value creation. The Group’s objective is to deliver performances comparable with those of its US competitors from 2017.

Ninety percent of the hotels owned by HotelInvest are based in Europe, and are therefore not exposed to currency or interest rate fluctuations. Mainly comprising so-called “cash flow” hotels, operating under the ibis, Novotel and Mercure brands, it is therefore easy to determine the value.

Gross asset value, obtained by adding together the portfolios held by HotelInvest, is a reliable proxy for the division’s value. The increase in this value, reflected in the increase in gross asset value from €5 billion to €7 billion in the past two years, has also resulted from the acquisition, restructuring and intrinsic performance of these hotels.

In line with its strategy of optimizing cash flows and reducing the volatility of its earnings, HotelInvest restructured 120 hotels in the six months to end-June 2016, of which 81 hotels under leases and 39 hotels under direct ownership. Bear in mind that asset turnover is what allows the division to improve the value of its portfolio and the results of its operations, notably by reducing the number of leases.

Given its target of generating 75% of NOI through owned hotels, its transformation, at the projected pace, will deliver strong growth of 65% in this indicator in 2016, compared with 61% in 2015 and 56% in 2014.

At the same time, the Group has set the short-term goal of reducing the number of leased and owned hotels in a range between 1,400 and 1,000 hotels. To this end, HotelInvest recently sold another portfolio of 85 hotels to Grape Hospitality, a newly created hotel platform 70% owned by Eurazeo and 30% by AccorHotels. The platform was created to house these hotels, which are located in Europe and operate under franchise agreements in the economy and midscale segments.

In addition to the restructuring programs carried out during the first half of 2016, the Group also announced the start of a new chapter in its history by planning the transformation of HotelInvest into a subsidiary by the end of the first half of 2017.

1.3.2. HotelInvest to become a free-standing subsidiary by the end of first-half 2017

After three years of transformation that have resulted in the development of two well-structured, strategically related business lines with record performances, the Group deems it appropriate, in view of its trends and significant expansion, to create a dedicated subsidiary for its HotelInvest operations.

The aim of the project is to strengthen AccorHotels’ financial resources in order to accelerate its growth, while also providing a legal structure that will ultimately enable third-party investors to hold the majority of

HotelInvest's capital. AccorHotels will use the additional financial leeway to develop its two business lines and seize new growth opportunities, thereby maximizing the Group’s overall value.

Initiated in 2013 with a new organization, the restructuring of the HotelInvest portfolio has significantly increased the value and profitability of the Group’s assets. Between 2013 and 2015, gross asset value increased from €5.5 billion to €7 billion, and the profitability of the portfolio improved significantly, with operating margin reaching 7.8% in 2015 (versus 4% in 2013). HotelInvest is now Europe’s leading hotel investor.

The project will enable HotelInvest to initiate a new phase of dynamic growth by consolidating its existing asset portfolio through renovations, extensions and repositioning, expanding its network through acquisitions and hotel construction, and implementing an assertive asset turnover strategy.

At a time when the hotel and travel industries are changing dramatically, HotelInvest’s transformation into a subsidiary will give AccorHotels significant room for maneuver and greater financial flexibility to implement new initiatives, develop new products and services and, in doing so, capitalize on growth opportunities in the travel and digital spheres that will strengthen the Group's competitive edge.

As the restructuring begun in late 2013 comes to an end in line with the initial timeframe and objectives, turning HotelInvest into a subsidiary is a new phase offering a wealth of opportunities for AccorHotels. The operation, by making it possible to bring in new investors for part of our operations, will significantly increase the resources available to the Group to consolidate the respective leadership positions of HotelServices and HotelInvest, while also leveraging synergies between the two business lines.

This way, each business will be able to continue to grow within the Group based on a valuation that fully reflects its specific business model and growth outlook. At the same time, all of our teams will remain under the AccorHotels umbrella brand.

2. 2016 Interim Consolidated Results

In € million	H1 2015	H1 2016	Change (as reported)	Change (LFL)(1)
Revenue	2,726	2,598	(4.7%)	2.0%
EBITDAR(2)	**837**	**763**	**(8.8%)**	**(2.3%)**
EBITDAR margin	*30.7%*	*29.4%*	*(1.3 pt)*	*(1.4 pt)*
EBIT	**263**	**239**	**(8.9%)**	**(4.0%)**
Operating profit before tax and non-recurring items and non-recurring items	239	143	-	-
Net profit before profit/(loss) from discontinued operations	**91**	**75**	**-**	**-**
Profit/(loss) from discontinued operations	(1)	(0)	-	-
Net profit, Group share	**91**	**74**	**-**	**-**

(1) Like-for-like: at constant scope of consolidation and exchange rates
(2) Earnings before interest, taxes, depreciation, amortization and rental expense

2.1. REVENUE

Consolidated first-half 2016 **revenue** amounted to €2,598 million, up 2.0% year-on-year at constant scope of consolidation and exchange rates (down 4.7% as reported). The increase resulted from healthy growth in most of the Group's key markets: Northern, Central and Eastern Europe (NCEE: +4.1%), Asia-Pacific (ASPAC: +4.8%), Americas (+1.7%) and the Mediterranean, Middle East, Africa (MMEA: +3.2%).

- **Germany** and the **United Kingdom** were the main drivers in Northern, Central and Eastern Europe, delivering revenue growth of 4.3% and 4.4% respectively in the first half.
- **Spain and Portugal** drove growth in the MMEA area, with revenue up 11.5%.

Revenue was down 2.6% in **France** (RevPAR: -2.2%), with a very pronounced drop in Paris (RevPAR: -12.0%), still affected by the events of November 13, 2015, as well as floods and strikes more recently, in May and June 2016. Regional cities reported excellent first-half activity (RevPAR: +6.0%), particularly thanks to Euro 2016.

Revenue in the **Americas** was up 1.7%, driven chiefly by dynamic activity in Argentina (+57.2%), Mexico (+20.6%), Canada (+9.7%), Peru (+4.6%) and Chile (+1.4%), offsetting slower business in Brazil (-5.5%), notably affecting seminar and meeting activity in hotels.

In €million	H1 2015	H1 2016	Change (as reported)	Change (LFL)
HotelServices	632	658	4.1%	5.9%
HotelInvest	2,373	2,205	(7.1%)	0.5%
Holding & Intercos	(279)	(265)	5.0%	1.7%
Total	**2,726**	**2,598**	**(4.7%)**	**2,0%**

At constant scope of consolidation and exchange rates (like-for-like), first-half 2016 revenue rose by 2.0%, thanks to stronger business in the majority of the Group's key markets.

Reported revenue for the period reflected the following factors:

- Development, which added €46.5 million to revenue and 1.7% to growth, with the opening of 19,366 rooms (110 hotels), of which 90% under management and franchise agreements.
- Disposals, which reduced revenue by €142.7 million and growth by 5.2%.
- Currency effects, which had a negative impact of €85.9 million (-3.2%), resulting mainly from declines in the Brazilian real (€28.7 million), the British pound (€17.5 million) and the Australian dollar (€12.7 million).

2.2. EBITDAR

Consolidated EBITDAR amounted to €763 million in first-half 2016, down 2.3% like-for-like on the year-earlier period and 8.8% as reported. This reflects strong resilience in most regions except France, where the market is challenging (-0.1 points and €9 million), and Brazil, which is still in recession (-0.4 points and €13 million). The results were also impacted by the operating expenses related to the digital plan, for €14 million (-0.5 points) and by the acquisitions and development of onefinestay and FastBooking, for €9 million (-0.5 points). Despite these expenses, the **EBITDAR margin** was virtually stable at 29.4%.

2.3. EBIT

First-half 2016 **EBIT** fell by 8.9% as reported, and by 4.0% like-for-like to €239 million from €263 million in the first half of 2015.

In €million	**H1 2015**	**H1 2016**
EBITDAR	837	763
Rental expense	(398)	(358)
Depreciation, amortization and provision expense	(176)	(166)
EBIT	**263**	**239**

Rental expense amounted to €358 million versus €398 million in first-half 2015, due to the transformation of HotelInvest.

Depreciation, amortization and provision expense stood at €166 million for the period.

2.4. OPERATING PROFIT BEFORE TAX AND NON-RECURRING ITEMS

Operating profit before tax and non-recurring items – corresponding to EBIT less net financial expense plus share of profit of associates – represents the result of operations after the cost of financing Group businesses and before tax.

Operating profit before tax and non-recurring items amounted to €143 million in the first half of 2016, versus €239 million in the year-earlier period.

In €million	H1 2015	H1 2016
EBIT	263	239
Net financial expense	(32)	(97)
Share of profit of associates after tax	8	0
Operating profit before tax and non-recurring items	**239**	**143**

Net financial expense amounted to €97 million versus €32 million in first-half 2015, primarily due to:

- A €41 million negative fair value adjustment to an interest rate hedge set up on behalf of lessors in order to secure lease financing for a real estate acquisition. The purpose of the finance lease, which has a deferred start date of end-2018, is to secure financing conditions for a call option relating to a real estate investment (the Group's corporate headquarters). While fair value adjustments on the instrument will impact Accor's income statement until the transaction has been finalized, a withdrawal from the transaction would result in a payment being made by Accor. The €41 million loss is attributable to the sharp decline in interest rates; an increase in interest rates would reverse the trend and have a positive impact on the income statement.
- A €12 million loss corresponding to the ineffective portion of the hedge set up in connection with the acquisition of the Fairmont Raffles Hotels International Group.
- €7 million in net exchange losses.

The **share of profit of equity-accounted companies** was zero in the first half of 2016, compared with €8 million in first-half 2015.

2.5. NET PROFIT, GROUP SHARE

In €million	H1 2015	H1 2016
Operating profit before tax and non-recurring items	**239**	**143**
Restructuring costs	(5)	(17)
Impairment losses	(35)	(41)
Gains and losses on management of hotel properties	(12)	101
Gains and losses on management of other assets	(19)	(61)
Operating profit before tax	**169**	**124**
Income tax expense	(67)	(39)
Profit/(loss) from discontinued operations	(1)	(0)
Net profit/(loss)	**101**	**84**
Net profit/(loss), Group share	**91**	**74**
Earnings per share (in euros)	**0.23**	**0.16**
Net profit attributable to non-controlling interests	11	10

Restructuring costs for first-half 2016 totaled **€17 million** and mainly concerned a voluntary separation plan in France for €11 million.

Gains and losses on the management of hotel properties represented a net gain of **€101 million**.

Asset impairment losses amounted to **€41 million** (of which €36 million concerned property, plant and equipment) compared with the first-half 2015 figure of €35 million.

Gains and losses on the management of other assets, which was a loss in the amount of €61 million, mainly includes expenses related to the relocation of the Group's Paris headquarters for €10 million, the acquisition of the Fairmont, Raffles and Swissôtel brands for €24 million, and various provisions for €26 million.

Tax expense amounted to **€39 million** in first-half 2016. The Group's effective tax rate (tax expense at the standard rate as a proportion of operating profit before tax, share of profit of equity-accounted companies and non-recurring items) was 36.3%.

After deducting **non-controlling interests** in the amount of €10 million and taking into account the zero **net loss from discontinued operations**, **net profit, Group share** amounted to €74 million, compared with €91 million in first-half 2015.

Based on the weighted average number of shares outstanding during the period (235,930,816), **earnings per share** amounted to **€0.16** in first-half 2016 versus €0.23 in the year-earlier period.

2.6. FINANCIAL FLOWS

In € milliion	**H1 2015**	**H1 2016**
Funds from operations	**365**	**321**
Renovation & maintenance capex	(64)	(84)
Free cash-flow	**301**	**237**
Recurring expansion capex	(88)	(135)
Recurring free cash-flow	**213**	**102**
Acquisitions	(29)	(607)
Proceeds from disposals	80	231
Dividends	(170)	(177)
Change in w orking capital	(44)	(88)
Hybrid financial instruments & interest	(37)	(37)
Others	29	(128)
Cash-flow from discontinued operations	(0)	(0)
(Increase) / decrease in net debt	**41**	**(705)**
Net debt	**118**	**(511)**

Funds from operations amounted to €321 million in the first half of 2016, versus €365 million in the year-earlier period.

Recurring development expenditure amounted to €135 million in the first half of 2016.

Renovation and maintenance expenditure was €84 million, versus €64 million in first-half 2015.

Acquisitions carried out in during the first half of 2016 amounted to **€607 million**, primarily reflecting the acquisition of onefinestay for €162 million, property acquisitions relating to the restructuring of the hotel portfolio for €212 million, the finalization of the strategic alliance with Huazhu for €153 million and the sale of 85 hotels to Grape Hospitality for €68 million.

Proceeds from disposals of assets totaled **€231 million**, compared with €80 million in first-half 2015.

2.7. FINANCIAL RATIOS

In the six months to June 30, 2016, **consolidated recurring cash flow** was €120 million versus €213 million in first-half 2015, mainly due to a €67 million increase in investments.

Consolidated net debt totaled €511 million at June 30, 2016, an increase of €705 million year-on-year, resulting mainly from acquisitions in the amount of €607 million.

Cost of net debt declined once again, to 2.85% at June 30, 2016 from 2.89% at December 31, 2015.

As of June 30, 2016, AccorHotels also had an **unused confirmed long-term line of credit** for an amount of €1,800 million with a maturity of June 2019.

The **ratio of funds from operations excluding non-recurring transactions to adjusted net debt** is calculated according to the method used by the main rating agencies, with net debt adjusted by discounting future minimum lease payments at a rate of 7%. The ratio was 25.1% at June 30, 2016, compared with 31.8% a year earlier.

Return on capital employed (ROCE), corresponding to EBITDA expressed as a percentage of fixed assets at cost plus working capital, edged down to 13.9% in first-half 2016 from 14.2% in the year-earlier period.

3. Consolidated income by strategic business

At June 30, 2016, hotel owner and investor **HotelInvest** had 1,183 owned and leased hotels, representing almost 166,918 rooms. Some 96% of these hotels are in the Economy and Midscale segments, and 82% are located in France and the Northern, Central and Eastern Europe (NCEE) region.

At June 30, 2016, hotel operator and brand franchiser **HotelServices** had 2,759 hotels and 358,037 rooms operated under franchise agreements and management contracts, as well as a development pipeline of close to 20,662 rooms (140 hotels). This business, which enjoys leadership positions in four continents, represented business volume of €6.3 billion in first-half 2016.

All HotelInvest's hotels are operated by HotelServices under management contracts. In first-half 2016, these hotels generated 37.4% of the fees received by HotelServices.

In € million	**HotelServices**	**HotelInvest**	**Holding & Intercos**	**AccorHotels**
Revenue	658	2,205	(265)	2,598
EBITDAR	**177**	**631**	(45)	**763**
EBITDAR margin	*26.9%*	*28.6%*	*N/A*	*29.4%*
EBITDA	**163**	**286**	(44)	**405**
EBITDA margin	*24.8%*	*13,0%*	*N/A*	*15.6%*
EBIT	**141**	**145**	(47)	**239**
EBIT margin	*21.5%*	*6.6%*	*N/A*	*9.2%*
H1 2015 EBIT	**167**	**133**	(37)	**263**
H1 2015 EBIT margin	*26.3%*	*5.6%*	*N/A*	*9.6%*

The consolidated EBIT margin was stable at 9.2%. The HotelServices margin contracted by 4.7 points due to expenses stemming from the ramp-up of the digital plan, and investments related to the marketplace and onefinestay.

The **HotelInvest margin** increased by 1 point to 6.6%, driven by further restructuring of the asset portfolio.

3.1. EBIT BY REGION AND BUSINESS

In € million	HotelServices Revenues (€m)		Change	HotelInvest Revenues (€m)		Change
	H1 2015	H1 2016	Comp.	H1 2015	H1 2016	LFL
France	167	168	1.4%	770	734	(3.6%)
NCEE	158	168	9.6%	1,079	1,009	3.1%
MMEA	67	69	3,0%	206	203	3.5%
Asia-Pacific	175	180	7.8%	134	106	(0.4%)
Americas	52	48	7.5%	184	153	0.2%
Worldwide structures	14	26	2.8%	0	0	N/A
Total(1)	**632**	**658**	**5.9%**	**2,373**	**2,205**	**0.5%**

(1) Of which €265 million in intra-Group revenue and holding

In first-half 2016, HotelServices and HotelInvest posted **revenues** up 5.9% and 0.5% respectively on a year-on-year basis at constant scope of consolidation and exchange rates. Both businesses made solid gains in the NCEE region (9.6% and 3.1%), MMEA region (3.0% and 3.5%) and Asia-Pacific region (7.8% and -4%).

In France, business slowed down, with revenue declining by 3.6% for HotelInvest and rising a slight 1.4% for HotelServices.

The Americas region posted growth of 7.5% and 0.2%, a remarkable improvement on first-half 2015 (when revenue was down 2.7% and 1.7% respectively for the two businesses), with a particularly strong performance in North America (+11.5%).

3.2. EBIT BY REGION AND BUSINESS

	HotelServices		HotelInvest		Accor Hotels		
In € million	H1 2015	**H1 2016**	H1 2015	**H1 2016**	H1 2015	**H1 2016**	**Change LFL**
France	53	55	15	13	68	68	(4.2%)
NCEE	55	55	93	103	149	158	10.5%
MMEA	21	19	1	9	22	28	9.9%
Asia-Pacific	26	32	(0)	0	26	32	27.8%
Americas	10	6	4	(2)	15	4	(54.5%)
Operations	**165**	**167**	**113**	**123**	**278**	**290**	**5.1%**
Worldwide structures	1	(26)	20	22	(15)	(51)	N/A
Total	**167**	**141**	**133**	**145**	**263**	**239**	**(4.0%)**

AccorHotels recorded strong EBIT growth in the majority of its markets, with double-digit increases in the NCEE and MMEA regions. By contrast, France and Brazil adversely affected the Group's profitability, as did HotelServices' worldwide structures, which were impacted by expenses related to the digital plan, and the acquisition and development of onefinestay and FastBooking.

The very solid performance of the NCEE region (+10.5% LFL) was driven by strong demand in Germany, the United Kingdom and Poland, and by the asset management strategy. The MMEA region continues to enjoy traction from the vigorous recovery in the southern European countries.

Lastly, the decline in earnings in France (-4.2%) was mainly attributable to lower demand in the wake of the 2015 terrorist attacks, particularly in Paris, while earnings in the Americas (-54.5%) were dampened by the economic difficulties prevailing in Brazil over the past two years.

4. Analysis of results by strategic business

4.1. HOTELSERVICES

HotelServices' EBITDA declined to €163 million (-5.0% like-for-like). The **EBITDA margin** excluding Sales, Marketing & Digital, the loyalty program and the acquisition of onefinestay was 49.1%, versus 48.4% in first-half 2015, a robust increase of 0.7 points.

As expected, the segment's earnings were reduced by the implementation of the digital plan and expenditure commitments in the amount of €87 million this year, as well as by the acquisition of onefinestay. As a result, **HotelServices** recorded **EBIT** of €141 million, a decline of 7.5% like-for-like. Excluding the impact of commitments related to the digital plan (€32 million in 2016), the **EBIT margin** was slightly higher than in 2015, at 45.9%.

4.1.1. HotelServices detailed results

In €million	H1 2015	H1 2016
Business volume	6,197	6,312
Revenue	632	658
EBITDA	**186**	**163**
EBITDA margin	*29.4%*	*24.8%*
Margin excluding Sales & Marketing Fund, loyalty program and OFS	*48.4%*	*49.1%*
EBIT	**167**	**141**
EBIT margin	*26.3%*	*21.5%*

4.1.2. HotelServices cash flow

In €million	H1 2015	H1 2016
EBITDA	**186**	**163**
Systems and development capex	(32)	(42)
EBITDA - CAPEX	**154**	**121**
% EBITDA	*83.1%*	*74.5%*

HotelServices' cash flow declined due to expenses stemming from the ramp-up of the digital plan, and investments related to the marketplace and onefinestay.

4.1.3. HotelServices P&L Performance

Similarly, the Sales, Marketing & Digital Division's **EBIT margin** was impacted by the digital investments in the first half, narrowing to 18.6% and bringing HotelServices' margin down from 26.3% to 21.5%.

In €million	Managed & Franchised	Sales, Marketing & Digital	Other activities	Hotel Services
Revenue	**325**	**241**	**93**	**658**
EBITDAR	**176**	**(32)**	**33**	**177**
EBITDAR margin	*54.3%*	*(13.5%)*	*35.9%*	*26.9%*
EBITDA	**172**	**(38)**	**30**	**163**
EBITDA margin	*52.8%*	*(15.8%)*	*31.9%*	*24.8%*
EBIT	**162**	**(45)**	**25**	**141**
EBIT margin	*49.8%*	*(18.6%)*	*26.5%*	*21.5%*
H1 2015 EBITDA margin	*51.1%*	*(9.8%)*	*20.7%*	*26.3%*

HotelServices had an excellent first-half, with growth in the hotel portfolio returning to a very brisk pace (110 hotels and 19,366 rooms) and an increase in the pipeline to a high 158,671 rooms. With more than 7 million additional members in 2015, Le Club AccorHotels continued to gain momentum in the first half of 2016, attracting another 3 million members, for a total of 28 million members at June 30, 2016. HotelServices also benefited from the innovations generated by the €250 million digital plan, of which €126 million had been committed by end-June 2016, to rethink the role of digital technology and incorporate it into every aspect of the customer experience, while also improving the Group's offering for investor partners and consolidating its distribution market share.

4.2. HOTELINVEST

HotelInvest's EBITDAR edged down by 0.7% like-for-like to €631 million.

4.2.1. HotelInvest detailed results

In €million	H1 2015	H1 2016
Revenue	2,373	2,205
EBITDAR	**674**	**631**
EBITDAR margin	*28.4%*	*28.6%*
EBITDA	**287**	**286**
EBITDA margin	*12.1%*	*13,0%*
EBIT	**133**	**145**
EBIT margin	*5.6%*	*6.6%*

HotelInvest's EBIT increased by 7.4% like-for-like to €145 million, putting the margin at 6.6%, an improvement of 1.0 points compared with the year-earlier period. The increase is attributable to sustained hotel business, notably in the United Kingdom and Germany, but also to the dynamic management of the Group's assets over the past two years.

4.2.2. HotelInvest cash flow

In €million	H1 2015	H1 2016
EBITDA	**287**	**286**
Renovation & maintenance Capex	(47)	(64)
NOI (EBITDA - maintenance Capex)	**240**	**221**
% EBITDA	*83.7%*	*77.6%*
Development Capex	(72)	(133)
EBITDA - CAPEX	**168**	**109**
% EBITDA	*58.7%*	*38.1%*

HotelInvest's EBITDA was virtually stable at €286 million. **Net operating income**, which corresponds to EBITDA less maintenance expenditure, was €221 million, down from €240 million in first-half 2015, pushing the **EBITDA margin** down from 83.7% to 77.6%.

4.2.3. HotelInvest P&L Performance

In €million	Owned	Fixed lease	Var. lease	Others	Total
Number of hotels	**303**	**291**	**589**		**1,183**
Revenue	**589**	**573**	**1,012**	**30**	**2,205**
EBITDAR	**166**	**187**	**272**	**6**	**631**
EBITDAR margin	*28.2%*	*32.7%*	*26.9%*	*18.9%*	*28.6%*
Rents	(7)	(138)	(201)	N/A	(345)
Depreciations & Amort.	(68)	(24)	(39)	N/A	(141)
EBIT	**91**	**25**	**32**	**(2)**	**145**
EBIT margin	*15.4%*	*4.4%*	*3.1%*	*(7.5%)*	*6.6%*
H12015 EBIT margin	*13.5%*	*2.6%*	*3.6%*	*(24.8%)*	*5.6%*

HotelInvest's P&L Performance reflects the solid performance of owned hotels, with EBIT margin up 1.0 point from first-half 2015.

4.2.4. Asset management policy

A total of **120 hotels** were restructured in the first half of 2016, of which **81 leased** hotels and **39 owned** properties. These transactions had the effect of **reducing adjusted net debt** by **€233 million**.

The Group also sold a portfolio of 85 European hotels in the Economy and Midscale segments to the Grape Hospitality hotel platform, 70% owned by Eurazeo and 30% by AccorHotels.

4.2.5. Gross asset value

To ensure a detailed valuation of HotelInvest in the perspective of its transformation into a subsidiary before the end of first-half 2017, **HotelInvest's gross asset value** will be subject to a new estimate in September 2016. As a reminder, its assets were valued at €6.9 billion at end-December 2015.

5. Full-year 2016 EBIT target

The Group's first-half 2016 results reflect contrasting market situations. With the effectiveness of its strategic plan and substantial investments, its ability to generate robust cash flows and its sound financial position, AccorHotels can weather the difficulties encountered in contracting markets.

The Fairmont Raffles Hotels International group will be consolidated into AccorHotels in the second half of 2016, at a time when the relative impacts of Brexit, the terrorist attacks in France and Germany, and the situation in Turkey are still difficult to measure.

As a result, for the sake of caution, the Group is forecasting a 2016 EBIT of between **€670 million and €720 million**.

6. Hotel portfolio and pipeline at June 30, 2016

The Group is pursuing its development plan in line with its strategy.

In first-half 2016, the Group added 110 hotels (19,366 rooms) to its portfolio through acquisitions and organic growth.

In addition, 41 hotels (5,725 rooms) were closed during the period.

6.1. Hotel portfolio by segment and operating structure

June 30, 2016	Managed		Franchised		HotelInvest (owned & leased)		Total	
	Nb Hotels	*Nb Rooms*	*Nb Hotels*	*Nb Rooms*	*Nb Hotels*	*Nb Rooms*	*Nb Hotels*	*Nb Rooms*
Luxury and Upscale Hotels	247	61,444	95	13,150	51	10,126	393	84,720
Midscale Hotels	390	73,211	533	58,452	337	57,921	1 260	189,584
Economy Hotels	303	50,165	1 165	97,994	793	98,628	2 261	246,787
No brand	17	2,627	9	994,000	2	243,000	28	3,864
Total	957	187,447	1 802	170,590	1 183	166,918	3 942	524,955
Total in %	*24%*	*36%*	*46%*	*32%*	*30%*	*32%*	*100%*	*100%*

6.2. Hotel portfolio by region and operating structure

June 30, 2016	Managed		Franchised		HotelInvest (owned & leased)		Total	
	Nb Hotels	*Nb Rooms*	*Nb Hotels*	*Nb Rooms*	*Nb Hotels*	*Nb Rooms*	*Nb Hotels*	*Nb Rooms*
France	106	13,046	1 068	80,880	440	51,437	1 614	145,363
Europe (excluding France et Méditerrane	119	17,336	339	38,850	467	72,302	925	128,488
Méditerranean, Middle, Africa	131	28,126	119	13,722	128	18,082	378	59,930
Asia Pacific	461	104,496	200	27,224	44	6,336	705	138,056
Americas	140	24,443	76	9,914	104	18,761	320	53,118
Total	**957**	**187,447**	**1 802**	**170,590**	**1 183**	**166,918**	**3 942**	**524,955**
Total in %	*24%*	*36%*	*46%*	*32%*	*30%*	*32%*	*100%*	*100%*

6.3. Hotel portfolio by region and segment

In number of rooms	France	Europe (excluding France et Méditerranean)	Méditerranean , Middle, Africa	Asia Pacific	Americas	Total
Luxury and Upscale Hotels	6,921	9,207	14,710	46,910	6,972	84,720
Midscale Hotels	44,356	58,163	21,533	48,002	17,530	189,584
Economy Hotels	93,963	60,896	23,055	40,257	28,616	246,787
No brand	123	222	632	2,887	0	3,864
Total	**145,363**	**128,488**	**59,930**	**138,056**	**53,118**	**524,955**
Total in %	**28%**	**24%**	**11%**	**26%**	**10%**	**100%**

6.4. Hotel pipeline

Based on the projects underway to date, the number of new rooms scheduled to be completed in the next four years is as follows:

June 30, 2016	Managed		Franchised		HotelInvest (owned & leased)		Total	
	Nb Hotels	*Nb Rooms*	*Nb Hotels*	*Nb Rooms*	*Nb Hotels*	*Nb Rooms*	*Nb Hotels*	*Nb Rooms*
Total	68	12,500	538	114,965	270	31,206	876	158,671

7. First-half 2016 highlights

Acquisition of a 30% stake in Oasis Collections

On February 18, 2016, AccorHotels announced the acquisition of a 30% stake in Oasis Collections, the company that pioneered the “Home meets Hotel” category of accommodation, blending the value and authenticity of private rentals with high-quality hotel services.

Acquisition of a 49% stake in Squarebreak

On February 18, 2016, AccorHotels announced the acquisition of a strategic 49% stake in Squarebreak, which offers stays in private upscale properties in key tourist destinations, primarily in France, Spain and Morocco.

Acquisition of onefinestay

On April 5, 2016, AccorHotels announced the acquisition of onefinestay, a high-end hospitality pioneer specializing in luxury serviced home rentals in key worldwide gateways, for €150 million (£117 million). The Group plans to invest a further €64 million (£50 million) to accelerate the company’s international development.

Sale of a portfolio of 85 hotels to Grape Hospitality

On July 1, 2016, AccorHotels announced the sale of a portfolio of 85 hotels to Grape Hospitality, a European hotel platform 70% owned by Eurazeo and 30% by AccorHotels, for €504 million. The portfolio consists of 1 Pullman, 19 Novotel, 13 Mercure, 35 ibis, 3 ibis Styles and 14 ibis budget hotels, all of which will continue to be operated under franchise contracts and will benefit from an ambitious renovation program over the coming months.

Acquisition of the Fairmont Raffles Hotels International Group

On July 12, 2016, AccorHotels announced the acquisition of the Fairmont Raffles Hotels International Group after approval by the Shareholders’ Meeting. This acquisition positions AccorHotels as a leading player in the global luxury hotel market, giving it 154 facilities of the highest quality, 40 of which under development, strong expertise in luxury hotel marketing, and a substantial footprint in the North American market. The deal resulted in an investment by the Qatar Investment Authority and Kingdom Holding Company of Saudi Arabia funds, and the allocation of seats on the AccorHotels Board of Directors to three of their representatives, as well as three independent directors.

Announcement of a project to turn HotelInvest into a subsidiary

On July 12, 2016, AccorHotels announced plans to turn HotelInvest into a subsidiary, with the aim of strengthening its financial resources in order to accelerate its growth, while also providing a legal structure that will ultimately enable third-party investors to hold the majority of HotelInvest's capital. AccorHotels will use the additional financial leeway to develop its two business lines and seize new growth opportunities, thereby maximizing the Group's overall value.

8. 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 2015 Registration Document under "Risk Factors".

9. Main related-party transactions

The main related-party transactions are presented in detail in Note 24 to the interim consolidated financial statements.

10. Subsequent events

Post-balance sheet events are presented in Note 25 to the interim consolidated financial statements.

2016 Interim Consolidated Financial Statements

Summary

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

Consolidated Income Statements

In millions of euros	Notes	June 2015	June 2016
CONSOLIDATED REVENUE	4	**2,726**	**2,598**
Operating expense	5	(1,890)	(1,835)
EBITDAR	4	**837**	**763**
Rental expense	6	(398)	(358)
EBITDA	4	**439**	**405**
Depreciation, amortization and provision expense		(176)	(166)
EBIT	4	**263**	**239**
Net financial expense	7	(32)	(97)
Share of profit of associates after tax		8	0
OPERATING PROFIT BEFORE TAX AND NON RECURRING ITEMS INCLUDING FINANCIAL		**239**	**143**
Restructuring costs	9	(5)	(17)
Impairment losses	8	(35)	(41)
Gains and losses on management of hotel properties	10	(12)	101
Gains and losses on management of other assets	10	(19)	(61)
OPERATING PROFIT BEFORE TAX INCLUDING FINANCIAL RESULT		**169**	**124**
Income tax expense	11	(67)	(39)
PROFIT FROM CONTINUING OPERATIONS		**102**	**85**
Net profit or Loss from discontinued operations		(1)	(0)
NET PROFIT OR LOSS		**101**	**84**
Net Profit, Group Share from continuing operations		91	75
Net Profit or Loss, Group Share from discontinued operations		(1)	(0)
Net Profit or Loss, Group Share		**91**	**74**
Net Profit, Minority interests from continuing operations		11	10
Net Profit or Loss, Minority interests from discontinued operations		-	-
Net Profit, Minority interests		11	10

Weighted average number of shares outstanding (in thousands)	16	233,450	235,931
EARNINGS PER SHARE (in €)		**0.23**	**0.16**
Diluted earnings per share (in €)	16	0.23	0.16

Earnings per share from continuing operations (in €)		**0.23**	**0.16**
Diluted earnings per share from continuing operations (in €)		**0.23**	**0.16**

Earnings per share from discontinued operations (in €)		**(0.00)**	**(0.00)**
Diluted earnings per share from discontinued operations (in €)		**(0.00)**	**(0.00)**

Statement of profit or loss and other comprehensive income

In millions of euros	June 2015	June 2016
NET PROFIT OR LOSS	**101**	**84**
Currency translation adjustment	84	(71)
Effective portion of gains and losses on hedging instruments in a cash flow hedge	0	(12)
Change in fair value resulting from "Available-for-sale financial assets"	5	(12)
Other comprehensive income that will be reclassified subsequently to profit or loss	***90***	***(95)***
Actuarial gains and losses on defined benefit plans, net of deferred taxes	(6)	(9)
Other comprehensive income that will never be reclassified subsequently to profit or loss	***(6)***	***(9)***
Other comprehensive income, net of tax	**84**	**(104)**
TOTAL PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	**185**	**(19)**
Profit or loss and other comprehensive income, Group share	**171**	**(18)**
Profit or loss and other comprehensive income, Minority interests	14	(1)

Statements of financial position

Assets

Assets In millions of euros	Notes	Dec. 2015	June 2016
GOODWILL	12	**697**	**911**
INTANGIBLE ASSETS	13	**307**	**304**
PROPERTY, PLANT AND EQUIPMENT	14	**3,024**	**3,161**
Long-term loans		118	122
Investments in associates	15	346	621
Other financial investments		191	128
TOTAL NON-CURRENT FINANCIAL ASSETS		**654**	**871**
Deferred tax assets		73	105
TOTAL NON-CURRENT ASSETS		**4,756**	**5,352**
Inventories	21	37	28
Trade receivables	21	432	477
Other receivables and accruals	21	471	474
Receivables on disposals of assets	17	44	118
Short-term loans	17	43	17
Cash and cash equivalents	17	2,963	2,320
TOTAL CURRENT ASSETS		**3,990**	**3,434**
Assets held for sale	18	208	36

TOTAL ASSETS		**8,953**	**8,822**

Equity and Liabilities

EQUITY AND LIABILITIES In millions of euros	Notes	Dec. 2015	June 2016
Share capital		706	714
Additional paid-in capital and reserves		1,925	1,878
Net profit or loss, Group share		244	74
Ordinary Shareholders' Equity, Group Share		**2,875**	**2,666**
Hybrid capital		887	887
SHAREHOLDERS' EQUITY, GROUP SHARE		**3,762**	**3,553**
Minority interests		225	220
TOTAL SHAREHOLDERS' EQUITY AND MINORITY INTERESTS	16	**3,987**	**3,773**
Other long-term financial debt	17	2,692	2,778
Long-term finance lease liabilities	17	53	53
Deferred tax liabilities		29	33
Non-current provisions	19	142	162
TOTAL NON-CURRENT LIABILITIES		**2,916**	**3,027**
Trade payables	21	736	712
Other payables and income tax payable	21	1,012	1,005
Current provisions	19	173	161
Short-term debt and finance lease liabilities	17	91	56
Bank overdrafts and liability derivatives	17	19	79
TOTAL CURRENT LIABILITIES		**2,031**	**2,012**
Liabilities associated with assets classified as held for sale	18	19	10
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**8,953**	**8,822**

Consolidated Cash Flow Statement

	In millions of euros	Notes	June 2015	June 2016
+	EBITDA	4	439	405
+	Cost of net debt (*)	7	(34)	(38)
+	Income tax expense		(73)	(77)
-	Non cash revenue and expense included in EBITDA		6	13
-	Elimination of provision movements included in net financial expense and non-recurring taxes		18	15
+	Dividends received from associates		9	3
+	Impact of discontinued operations		(1)	(1)
=	**Funds from operations excluding non-recurring transactions**	20	**364**	**320**
+	Decrease (increase) in operating working capital	21	(44)	(88)
+	Impact of discontinued operations	21	-	0
=	**Net cash from operating activities**		**320**	**232**
+	Cash received (paid) on non-recurring transactions (included restructuring costs and non-recurring taxes) (*)		(35)	(140)
+	Impact of discontinued operations		-	-
=	**Net cash from operating activities including non-recurring transactions (A)**		**285**	**92**
-	Renovation and maintenance expenditure	22	(64)	(97)
-	Development expenditure	22	(118)	(729)
+	Proceeds from disposals of assets		80	231
+	Impact of discontinued operations		1	1
=	**Net cash used in investments / divestments (B)**		**(102)**	**(595)**
+	Proceeds from issue of share capital		50	6
-	Dividends paid		(170)	(177)
+	Issue of hybrid capital		-	-
-	Hybrid capital dividend payment		(37)	(37)
-	Repayment of long-term debt		(19)	(9)
-	Payment of finance lease liabilities		(6)	-
+	New long term debt		131	113
=	**Increase (decrease) in long-term debt**		**106**	**104**
+	Increase (decrease) in short-term debt		(35)	(91)
+	Impact of discontinued operations		-	-
=	**Net cash from financing activities (C)**		**(86)**	**(196)**
+	Effect of changes in exchange rates (D)		12	20
=	**Net change in cash and cash equivalents (E) = (A) + (B) + (C) + (D)**		**109**	**(680)**

-	Cash and cash equivalents at beginning of period		2,677	2,944
-	Effect of changes in fair value of cash and cash equivalents		-	(23)
-	Net change in cash and cash equivalents for discontinued operations		1	1
+	Cash and cash equivalents at end of period		2,787	2,242
=	**Net change in cash and cash equivalents**		**109**	**(680)**

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

Changes in Consolidated Shareholders' Equity

In millions of euros	Number of shares outstanding	Share capital	Additional paid-in capital	Currency translation reserve	Fair value adjustments on Financial Instruments reserve	Reserve for actuarial gains/losses	Reserve related to employee benefits	Retained earnings and profit for the period	Shareholders' Equity	Minority interests	Consolidated shareholders' Equity
At January 1, 2015	**231,836,399**	**696**	**1,149**	**(37)**	**(5)**	**(59)**	**172**	**1,741**	**3,657**	**213**	**3,869**
Issue of share capital											
- Performance share grants	233,245	1	-	-	-	-	-	(1)	-	-	-
- On exercise of stock options	1,832,194	5	45	-	-	-	-	-	50	0	50
- Cancellation of treasury stock	-	-	0	-	-	-	-	-	0	-	0
Hybrid capital dividend payment	-	-	-	-	-	-	-	(37)	(37)	-	(37)
Dividends paid in cash	1,369,477	4	59	-	-	-	-	(222)	(159)	(11)	(170)
Changes in reserve related to employee benefits	-	-	-	-	-	-	6	-	6	-	6
Effects of scope changes	-	-	-	-	-	0	-	(4)	(4)	1	(3)
Other Comprehensive Income	**-**	**-**	**0**	**81**	**6**	**(6)**	**-**	**(0)**	**81**	**3**	**84**
Net Profit or Loss	-	-	-	-	-	-	-	91	91	11	101
Total Profit or Loss and other comprehensive income	**-**	**-**	**0**	**81**	**6**	**(6)**	**-**	**90**	**171**	**14**	**185**
At June 30, 2015	**235,271,315**	**706**	**1,254**	**44**	**0**	**(64)**	**177**	**1,567**	**3,684**	**217**	**3,901**
Issue of share capital											
- Performance share grants	1,400	**0**	**-**	**-**	**-**	**-**	**-**	**-**	**0**	**-**	**0**
- On exercise of stock options	79,710	**0**	**2**	**-**	**-**	**-**	**-**	**-**	**2**	**0**	**2**
- Cancellation of treasury stock	-	(0)	(1)	-	-	-	-	-	(1)	-	(1)
Hybrid capital dividend payment	-	-	-	-	-	-	-	0	0	-	0
Dividends paid in cash	-	-	-	-	-	-	-	0	0	(4)	(4)
Changes in reserve related to employee benefits	-	-	-	-	-	-	8	-	8	-	8
Effects of scope changes	-	-	-	-	-	0	-	(1)	(1)	(0)	(1)
Other Comprehensive Income	**-**	**-**	**(0)**	**(84)**	**4**	**(4)**	**-**	**0**	**(84)**	**(3)**	**(87)**
Net Profit or Loss	-	-	-	-	-	-	-	154	154	16	170
Total Profit or Loss and other comprehensive income	**-**	**-**	**(0)**	**(84)**	**4**	**(4)**	**-**	**154**	**70**	**13**	**83**
December 31, 2015	**235,352,425**	**706**	**1,254**	**(40)**	**4**	**(68)**	**185**	**1,720**	**3,762**	**225**	**3,987**
Issue of share capital											
- Performance share grants	416,910	1	-	-	-	-	-	(1)	-	-	-
- On exercise of stock options	137,998	0	3	-	-	-	-	-	3	-	3
- Cancellation of treasury stock	-	0	1	-	-	-	-	-	2	-	2
Hybrid capital dividend payment	-	-	-	-	-	-	-	(37)	(37)	-	(37)
Dividends paid in cash	2,048,461	6	65	-	-	-	-	(235)	(164)	(13)	(177)
Changes in reserve related to employee benefits	-	-	-	-	-	-	7	-	7	-	7
Effects of scope changes	-	-	-	-	-	-	-	(1)	(1)	9	7
Other Comprehensive Income	**-**	**-**	**(89)**	**(60)**	**(24)**	**(9)**	**-**	**89**	**(93)**	**(11)**	**(104)**
Net Profit or Loss	-	-	-	-	-	-	-	74	74	10	84
Total Profit or Loss and other comprehensive income	**-**	**-**	**(89)**	**(60)**	**(24)**	**(9)**	**-**	**164**	**(18)**	**(1)**	**(19)**
At June 30, 2016	**237,955,794**	**714**	**1,235**	**(100)**	**(19)**	**(76)**	**193**	**1,608**	**3,553**	**220**	**3,773**

Notes to the Consolidated Financial Statements

Notes to the Consolidated Financial Statements

The condensed consolidated financial statements at June 30, 2016 have been prepared under the responsibility of AccorHotels' Chairman and Chief Executive Officer. They were approved by the Board of Directors of July 27, 2016.

Note 1. Key Management Ratios

	Note	Dec. 2015 (*)	June 2016 (*)
Adjusted Funds from Ordinary Activities / Adjusted Net Debt	(a)	31.8%	25.1%
Return On Capital Employed	(b)	14.4%	13.9%

(*) Based on continuing operations: i.e. excluding the Onboard Train Services business reclassified as a discontinued operation.

Note (a): Adjusted Funds from Ordinary Activities / Adjusted Net Debt is calculated in accordance with the method used by the main rating agencies.

	Note	Dec. 2015 (*)	June 2016 (*)
Net debt at end of the period		**(194)**	**511**
Restatement of perpetual subordinated notes	(1)	443	443
Other restatements	(2)	333	370
Average net debt		**582**	**1,324**
Rental commitments discounted at 7%	(3)	2,539	2,404
Total Adjusted net debt		**3,121**	**3,727**
Funds from Ordinary Activities (on 12 months)		**816**	**771**
Restatement of interests related to perpetual subordinated notes	(1)	(19)	(19)
Rental amortization	(3)	230	221
Other restatements	(4)	(36)	(40)
Adjusted Funds from Ordinary Activities		**991**	**934**
Adjusted Funds from Ordinary Activities / Adjusted Net Debt		**31.8%**	**25.1%**

(*) Based on continuing operations: i.e. excluding the Onboard Train Services business reclassified as a discontinued operation.

(1) Due to the fact that the rating agencies treat 50% of subordinated perpetual securities as debt and 50% as equity, 50% of said securities and the related interest are restated as net debt and 50% as funds from operations excluding non-recurring transactions used to calculate the ratio. In accordance with the same principle, only 50% of the interest paid on these instruments is included in funds from operations excluding non-recurring transactions used for the calculation.

(2) Other adjustments at June 30, 2016, concerned cash and cash equivalents, with the application of a 5% discount (€116 million), provisions for pensions and seniority bonuses after tax (€118 million) and short-term loans and receivables from sales of assets (€135 million). Other adjustments at December 31, 2015 concerned cash and cash equivalents, with the application of a 5% discount (€148 million), provisions for pensions and seniority bonuses after tax (€98 million) and short-term loans and receivables from sales of assets (€87 million).

(3) A 7% discount was applied to rental commitments related to hotels (see Note 6) and headquarters buildings (€177 million at June 30, 2016) with deferred recognition of the commitments on a straight-line basis as from the sixth year, in accordance with the Standard & Poor's method.

(4) At June 30, 2016, other adjustments to funds from operations mainly concerned taxes (€3 million negative adjustment) and restructuring costs (€36 million negative adjustment). At December 31, 2015, other adjustments to funds from operations mainly concerned taxes (€11 million negative adjustment) and restructuring costs (€23 million negative adjustment).

Note (b): Return on Capital Employed (ROCE) is a key management indicator used internally to measure the performance of the Group. ROCE corresponds to the ratio between adjusted EBITDA and average capital employed for the period (on 12 rolling months).
Adjusted EBITDA – which amounted to €962 million – includes EBITDA on 12 rolling months (€942 million) plus revenue from non-current financial assets (€13 million in dividends and financial income from non-Group companies and €7 million in share of profit of associates before tax). Average capital employed in the first half of 2016 amounted to €6,940 million.

Note 2. Summary of Significant Accounting Policies

A. Accounting principles

The Group's consolidated financial statements for the six months ended June 30, 2016 have been prepared in accordance with IAS 34, as adopted by the European Union. As provided for in IAS 34, these interim financial statements do not include all of the information required under IFRS for annual financial statements. They should therefore be read in conjunction with the consolidated financial statements for the year ended December 31, 2015. The business carried out by the Group during the six months ended June 30, 2016 is not materially seasonal.

The accounting principles applied for the preparation of these half-yearly consolidated financial statements are the same as those applied for the preparation of the consolidated financial statements for the year ended December 31, 2015 (see Note 2 in the notes to the consolidated financial statements for the year ended December 31, 2015), except for the standards, amendments and interpretations applicable for the first time on or after January 1, 2016. The accounting principles applied comply with the IFRS standards and interpretations as adopted by the European Union as of June 30, 2016.

B. IFRS basis

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

- Amendment to IAS 19 « Defined Benefit Plans : Employee Contributions »
- Annual improvements to IFRS 2010-2012 and 2012-2014 cycles
- Amendment to IAS 16 and IAS 38 “Clarification of acceptable methods of depreciation and amortisation”
- Amendment to IAS 1 “Disclosure Initiative”

The Group has not early adopted any standards, amendments or interpretations that were not mandatory as of January 1, 2016.

C. Consideration of estimates and assumptions

The preparation of consolidated financial statements implies the consideration by Group management of estimates and assumptions that can affect the carrying amount of certain assets and liabilities, income and expenses, and the information disclosed in the notes to the financial statements. Group management reviews these estimates and assumptions on a regular basis to ensure that they are appropriate based on past experience and the current economic situation. Items in future financial statements may differ from current estimates as a result of changes in these assumptions.
When a specific transaction is not covered by any standards or interpretations, management uses its judgement in developing and applying an accounting policy that results in the production of relevant and reliable information.

Specific methods are applied in the interim financial statements to calculate income taxes and employee benefits. These methods are described in the corresponding notes.

Note 3. Significant Events and Changes in Scope of Consolidation

3.1. HotelServices

A. COMPLETION OF STRATEGIC ALLIANCE WITH HUAZHU

AccorHotels and Nasdaq-listed Huazhu Hotels Group (also known as China Lodging) finalised the signature of a strategic alliance in China on January 25, 2016. As part of the arrangement, AccorHotels' Economy and Midscale hotels in China is sold to Huazhu, which holds an exclusive master franchise agreement for the ibis, ibis Styles and Mercure brands in China. It will also develop and operate the Grand Mercure and Novotel brands as per Co-Development agreements. Huazhu also becomes a minority shareholder in AccorHotels' Luxury and Upscale business in China, with a 28.1% stake. Twelve hotels are also transferred to Huazhu. AccorHotels has now a 10.8% stake in Huazhu, including a stake of 1.8% acquired from the open market in the first half of 2015 for 22 million euros and a seat on the company's Board of Directors.
Disposals of various assets and businesses generated capital gains of €76 million in the consolidated financial statements for first-half 2016, including €12 million on the Huazhu shares retained by the Group.

Accor exercises significant influence over Huazhu and its investment in this company has therefore been accounted for by the equity method in the consolidated statement of financial position for an amount of €187 million. Accor has also granted a put option to Huazhu on its non-controlling stake in AccorHotels' Luxury and Upscale operating platform, which is recognized as a liability for €56 million.

B. ACQUISITION OF A LUXURY SERVICED HOMES MARKET

On April 5, 2016, AccorHotels announced the acquisition of onefinestay for €150 million (£117 million) and makes a further commitment of €64m (£50m) to help the company scale internationally. onefinestay is the leading brand in the luxury segment of the Serviced Homes market, combining the best homes and the finest service. Launched in 2010 in London by Greg Marsh (CEO and co-founder), Demetrios Zoppos, Tim Davey and Evan Frank (co-founders), the company today operates a portfolio of 2,600 properties under exclusive management with strategic locations in London, New York, Paris, Los Angeles and Rome (representing an estimated asset value of more than £4 billion). With its global presence and strong expertise in both operations and digital services, AccorHotels will support a new development phase of onefinestay, accelerating its expansion across new key urban markets, providing it with its powerful distribution capacity, strong customer base, incremental synergies and its know-how as a world-leading hotelier. As a result, onefinestay has an ambitious strategy to expand to 40 new cities around the world over the next five years growing revenues tenfold.
The global consideration transferred amounts to €158 million (£123 million), including an earn-out of €8 million (£6 million) that may vary depending on certain performance criteria up to 2023.
On the acquisition date, the acquired net assets amounted to €(10) million, leading to a provisional goodwill of €169 million.

C. Acquisition of a 30% stake in Oasis collections and of a 49% stake in Squarebreak, marketplaces for luxury

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

Oasis Collections was launched in Buenos Aires 2009 and counts 1,500 properties in 18 destinations, in Latin America, the US and Europe. The company offers personalized services to leisure and corporate guests alike, including on-the-ground concierge service and access to members' club venues, as well as targeted exposure to international travelers for home owners. The equity investment amounts to €11 million in AccorHotels books, corresponding to the acquisition price.

Squarebreak offers to guests through a digital platform private upscale properties in resort locations, primarily in France, Spain and Morocco, and leveraging local property managers on behalf of homeowners by using hotel management techniques and services. The equity investment amounts to €3 million in AccorHotels books at June 30, 2016, corresponding to the acquisition price.

3.2. HotelInvest

As part of its strategy, the HotelInvest division is aiming to streamline its hotel portfolio.

A. Completion of the sale of a portfolio of 85 hotels in Europe

AccorHotels finalized the sale of a portfolio of 85 hotels in Europe in the Economy and Midscale segments, for a total consideration of €504 million. These hotels will now be brought together in Grape Hospitality, a dedicated hotel platform owned 70% by Eurazeo and 30% by AccorHotels. The new investment has been accounted for by the equity method in the consolidated statement of financial position at June 30, 2016, for an amount of €62 million.

The portfolio comprises one Pullman, 19 Novotel, 13 Mercure, 35 ibis, 3 ibis Styles and 14 ibis *budget* hotels. Most of these hotels are located in France and Spain. All of the hotels will remain under AccorHotels brands via franchise agreements and will benefit from an ambitious renovation program over the next few months.

AccorHotels sold all of the hotel businesses included in the transaction, as well as 28 owned hotel properties for a total of €146 million, corresponding to their gross asset value (GAV). The other 57 hotel properties were previously owned by Foncière des Régions, Axa IM-RE and Invesco. They were acquired directly by the new entity for €358 million. The sale generated a capital gain of €18 million (€10 million net of transaction costs) which has been recognized in the consolidated statement of income for first-half 2016. The sale of the last hotel in the portfolio will not be completed until the third quarter of 2016.

B. Summary of real estate transactions

The main real estate transactions carried out by the Group at June 30, 2016 are as follows:

June 2016		Number of transactions	Sale price	Net Debt impact	Adjusted net debt impact
"Sale & Variable Lease-Back" transactions		2	-	-	0
"Sale & Management-Back" transactions	(1)	5	18	16	16
"Sale & Franchise-Back" transactions and outright sales	(2)	113	213	189	216
TOTAL		120	230	206	233

(a) At the end of June 2016, the main transactions are related to the sale of 3 Sofitel in Polynesia (net debt impact: €13 million).

(b) At the end of June 2016, the main operations were:
- sale of 84 hotels to Grape Hospitality (net debt impact including fees: €118 million, see note 3.1) ;
- sale of 12 Chinese hotels to Huazhu (net debt impact: €66 million, see note 3.1);
- individual sale of the Gloucester ibis in the United Kingdom (net debt impact: €8 million) ;

- sale of shares in Hôtel du Parvis de l'Europe, owner of the Novotel Nice Centre (net debt impact: €7 million).

3.3. Changes in share capital

At June 30, 2016, Colony Capital and Eurazeo held 26 080 517 shares, representing 10.96% of the capital and 19.15% of the voting rights, and giving them two seats on the Board.

At the same date, Jin Jiang held 15.03% of the capital and 13.19% of the voting rights.

In connection with the acquisition of the Fairmont Raffles Hotels International Group completed on July 12, 2016, a total of 46.7 million new shares were issued to the vendors, Kingdom Holding Company of Saudi Arabia (KHC) and Qatar Investment Authority (QIA), which now own 5.8% and 10.38% of the Group's capital respectively. The share issue diluted existing shareholders' interests by 16%.

Note 4. Operational Segments

In accordance with IFRS 8, the breakdown used by AccorHotels corresponds to the operating segments regularly reviewed by the Executive Committee, which is the chief operating decision-maker of the Group's management.
The segments defined by the Group are unchanged from those described in Note 4 to the consolidated financial statements for the year ended December 31, 2015.

4.1. Information by business activity

At June 30, 2016 In millions of euros	HotelServices	HotelInvest	Corporate & Intercos	Total
Revenue	658	2,205	(265)	2,598
EBITDAR	177	631	(45)	763
EBITDAR Margin	*26.9%*	*28.6%*	*N/A*	*29.4%*
EBITDA	163	286	(44)	405
EBITDA Margin	*24.8%*	*13.0%*	*N/A*	*15.6%*
EBIT	141	145	(47)	239
EBIT Margin	*21.5%*	*6.6%*	*N/A*	*9.2%*

At June 30, 2015 In millions of euros	HotelServices	HotelInvest	Corporate & Intercos	Total
Revenue	632	2,373	(279)	2,726
EBITDAR	199	674	(37)	837
EBITDAR Margin	*31.5%*	*28.4%*	*N/A*	*30.7%*
EBITDA	186	287	(35)	439
EBITDA Margin	*29.4%*	*12.1%*	*N/A*	*16.1%*
EBIT	167	133	(37)	263
EBIT Margin	*26.3%*	*5.6%*	*N/A*	*9.6%*

At June 30, 2016 In millions of euros	HotelServices	HotelInvest	Corporate & Intercos	Total
Goodwill	590	321	-	911
Intangible Assets	178	110	16	304
Property, plant and equipment	69	3,067	24	3,161
Non-current financial assets	303	577	(8)	871
Total non-current assets excl. deferred tax assets	*1,141*	*4,075*	*31*	*5,247*
Deferred tax assets	14	45	46	105
Total non-current assets	*1,155*	*4,120*	*77*	*5,352*
Cash, short-term debt and receivables on disposals of assets				2,455
Other current assets	1,294	1,386	(1,701)	979
Assets held for sale	0	35	(0)	36
Total assets				**8,822**

At December 31, 2015 In millions of euros	HotelServices	HotelInvest	Corporate & Intercos	Total
Goodwill	440	257	-	697
Intangible Assets	178	115	13	307
Property, plant & equipment	71	2,938	15	3,024
Non-current financial assets	102	557	(5)	654
Total non-current assets excl. deferred tax assets	*791*	*3,868*	*23*	*4,682*
Deferred tax assets	13	27	33	73
Total non-current assets	*804*	*3,895*	*56*	*4,756*
Cash, short-term debt and receivables on disposals of assets				3,050
Other current assets	1,293	1,371	(1,723)	940
Assets held for sale	1	207	0	208
Total assets				**8,953**

4.2. Information by region

Revenue and earnings indicators by region break down as follows:

At June 30, 2016 In millions of euros	France	Europe (excl. France / Mediterranean)	Mediterranean, Middle East and Africa	Asia Pacific	Americas	Worldwide Structures	Total
Revenue	808	1,055	247	276	185	26	2,598
EBITDAR	220	403	71	69	32	(32)	763
EBITDAR Margin	*27.2%*	*38.2%*	*28.8%*	*25.2%*	*17.4%*	*N/A*	*29.4%*
EBITDA	106	238	40	42	13	(34)	405
EBITDA Margin	*13.1%*	*22.5%*	*16.4%*	*15.2%*	*6.9%*	*N/A*	*15.6%*
EBIT	68	158	28	32	4	(51)	239
EBIT Margin	*8.4%*	*15.0%*	*11.2%*	*11.7%*	*2.4%*	*N/A*	*9.2%*

At June 30, 2015 In millions of euros	France	Europe (excl. France / Mediterranean)	Mediterranean, Middle East and Africa	Asia Pacific	Americas	Worldwide Structures	Total
Revenue	838	1,114	250	297	217	10	2,726
EBITDAR	230	411	72	71	53	(1)	837
EBITDAR Margin	*27.5%*	*36.9%*	*29.0%*	*23.9%*	*24.3%*	*N/A*	*30.7%*
EBITDA	108	232	36	40	25	(2)	439
EBITDA Margin	*12.9%*	*20.8%*	*14.3%*	*13.4%*	*11.3%*	*N/A*	*16.1%*
EBIT	68	149	22	26	15	(15)	263
EBIT Margin	*8.1%*	*13.3%*	*8.6%*	*8.7%*	*6.7%*	*N/A*	*9.6%*

At June 30, 2016 In millions of euros	France	Europe (excl. France / Mediterranean)	Mediterranean, Middle East and Africa	Asia Pacific	Americas	Worldwide Structures	Total
Goodwill	194	193	27	197	150	150	911
Intangible assets	8	119	10	51	26	89	304
Property, plant and equipment	604	1,859	311	107	233	46	3,161
Non-current financial assets	121	156	500	442	49	(398)	871
Total non-currend assets excl. deferred tax assets	*928*	*2,328*	*849*	*797*	*458*	*(112)*	5,247
Deferred tax assets	(19)	25	6	13	18	61	105
Total non-current assets	*908*	*2,353*	*855*	*811*	*476*	*(51)*	5,352
Total current assets	1,388	917	295	462	165	207	3,434
Assets held for sale	2	7	22	1	4	0	36
Other assets	*1,390*	*924*	*317*	*463*	*169*	*207*	3,470
Total Assets	**2,299**	**3,277**	**1,171**	**1,274**	**645**	**156**	**8,822**

At December 31, 2015 In millions of euros	France	Europe (excl. France / Mediterranean)	Mediterranean, Middle East and Africa	Asia Pacific	Americas	Worldwide Structures	Total
Goodwill	176	193	27	201	100	-	697
Intangible assets	9	126	10	52	23	87	307
Property, plant and equipment	582	1,773	315	122	194	39	3,024
Non-current financial assets	121	61	483	297	76	(384)	654
Total non-current assets excl. deferred tax assets	*888*	*2,153*	*835*	*672*	*393*	*(258)*	*4,682*
Deferred tax assets	(21)	22	8	11	16	38	73
Total non-current assets excl. deferred tax assets	*866*	*2,175*	*843*	*683*	*409*	*(220)*	*4,756*
Total current assets	1,424	1,016	274	470	136	670	3,990
Assets held for sale	50	36	53	57	11	0	208
Other assets	*1,474*	*1,052*	*327*	*528*	*147*	*670*	4,197
Total Assets	**2,340**	**3,227**	**1,170**	**1,211**	**556**	**449**	**8,953**

4.3. Consolidated Revenue by Strategic Business and by Region

In millions of euros	France	Europe (excl. France / Mediterranean)	Mediterranean, Middle East and Africa	Asia Pacific	Americas	Worldwide Structures (1)	June 2016	June 2015	Like-for-like change (%)
HOTELSERVICES	168	168	69	180	48	26	658	632	5.9%
HOTELINVEST	734	1,009	203	106	153	0	2,205	2,373	0.5%
CORPORATE & INTERCOS	(94)	(122)	(25)	(10)	(16)	0	(265)	(279)	(1.7)%
Total June 2016	808	1,055	247	276	185	26	2,598		
Total June 2015	838	1,114	250	297	217	10		2,726	
Like-for-like change (%)	(2.6)%	4.1%	3.2%	4.8%	1.7%	40.2%			2.0%

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

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

• Like-for-like growth	+54	m€	+2.0%
• Business expansion	+47	m€	+1.7%
• Currency effects	(86)	m€	(3.2)%
• Disposals	(143)	m€	(5.2)%
Variation in first-half 2016 Consolidated Revenue	**(128)**	**m€**	**(4.7)%**

At June 30, 2016, HotelServices revenue breaks down as follows:

In millions of euros	Management fees	Franchise fees	HotelInvest fees	Other Revenues	Total
June 2016	212	112	246	88	658
June 2015	200	95	261	76	632

Total fees for Managed and franchised hotels only, excluding currency and acquisitions, increased by 13.5%.

4.4. EBITDAR by Strategic Business and Region

In millions of euros	France	Europe (excl. France / Mediterranean)	Mediterranean, Middle East and Africa	Asia Pacific	Americas	Worldwide Structures (1)	June 2016	June 2015	Like-for-like change (%)
HOTELSERVICES	**58**	**59**	**20**	**41**	**7**	**(8)**	**177**	**199**	**(4.5)%**
HOTELINVEST	**162**	**344**	**51**	**28**	**25**	**21**	**631**	**674**	**(0.7)%**
CORPORATE & INTERCOS	**-**	**-**	**-**	**-**	**-**	**(45)**	**(45)**	**(37)**	**(0)**
Total June 2016	**220**	**403**	**71**	**69**	**32**	**(32)**	**763**		
Total June 2015	**230**	**411**	**72**	**71**	**53**	**(1)**		**837**	
Like-for-like change (%)	**(4.1)%**	**4.0%**	**2.4%**	**8.4%**	**(23.3)%**	**N/A**			**(2.3)%**

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

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

• Like-for-like growth	(20)	m€	(2.3)%
• Business expansion	(4)	m€	(0.4)%
• Currency effects	(22)	m€	(2.6)%
• Disposals	(29)	m€	(3.4)%
Variation in first-half 2016 EBITDAR	**(74)**	**m€**	**(8.8)%**

4.5. EBITDA by Strategic Business and Region

In millions of euros	France	Europe (excl. France / Mediterranean)	Mediterranean, Middle East and Africa	Asia Pacific	Americas	Worldwide Structures (1)	June 2016	June 2015	Like-for-like change (%)
HOTELSERVICES	**56**	**56**	**20**	**38**	**7**	**(13)**	**163**	**186**	**(5.0)%**
HOTELINVEST	**50**	**181**	**21**	**4**	**6**	**23**	**286**	**287**	**2.1%**
CORPORATE & INTERCOS	**-**	**-**	**-**	**-**	**-**	**(44)**	**(44)**	**(35)**	**(19.4)%**
Total June 2016	**106**	**238**	**40**	**42**	**13**	**(34)**	**405**		
Total June 2015	**108**	**232**	**36**	**40**	**25**	**(2)**		**439**	
Like-for-like change (%)	**(2.2)%**	**6.4%**	**4.8%**	**14.6%**	**(32.5)%**	**N/A**			**(2.3)%**

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

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

• Like-for-like growth	(10)	m€	(2.3)%
• Business expansion	(1)	m€	(0.3)%
• Currency effects	(10)	m€	(2.4)%
• Disposals	(11)	m€	(2.6)%
Variation in first-half 2016 EBITDA	**(33)**	**m€**	**(7.6)%**

4.6. EBIT by Strategic Business and Region

In millions of euros	France	Europe (excl. France / Mediterranean)	Mediterranean, Middle East and Africa	Asia Pacific	Americas	Worldwide Structures (1)	June 2016	June 2015	Like-for-like change (%)
HOTELSERVICES	55	55	19	32	6	(26)	141	167	(7.5)%
HOTELINVEST	13	103	9	0	(2)	22	145	133	7.4%
CORPORATE & INTERCOS	-	-	-	-	-	(47)	(47)	(37)	(21.0)%
Total June 2016	68	158	28	32	4	(51)	239		
Total June 2015	68	149	22	26	15	(15)		263	
Like-for-like change (%)	(4.1)%	10.5%	9.9%	27.8%	(54.6)%	N/A			(4.0)%

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

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

• Like-for-like growth	(10)	m€	(4.0)%
• Business expansion	(7)	m€	(2.6)%
• Currency effects	(6)	m€	(2.2)%
• Disposals	(0)	m€	(0.0)%
Variation in first-half 2016 EBIT	**(23)**	**m€**	**(8.9)%**

Note 5. Operating Expense

In millions of euros	June 2015	June 2016
Cost of goods sold	(159)	(146)
Employee benefits expense	(991)	(953)
Energy, maintenance and repairs	(142)	(127)
Taxes, insurance and service charges (co-owned properties)	(116)	(98)
Other operating expense	(481)	(510)
Operating Expense	**(1,890)**	**(1,835)**

Note 6. Rental Expense

Rental expense breaks down as follows by type of contract:

In millions of euros	Number of hotels June 2016	Rental Expense June 2016	Rental expense June 2015
Hotel fixed rental expense	282	(171)	(183)
Hotel variable rental expense	581	(187)	(217)
Total hotel rental expense	**863**	**(359)**	**(400)**
Others	-	1	2
Rental expense	**863**	**(358)**	**(398)**

Minimal rental commitments (cash basis)

Minimum future rentals in the following tables only correspond to long-term commitments in the Hotels Division for the hotels opened or closed for repairs. Undiscounted minimum lease payments in foreign currencies converted at the average exchange rate based on latest known rates, are as follows:

Years	In millions of euros
2016 (6 months)	(185)
2017	(339)
2018	(322)
2019	(305)
2020	(276)
2021	(232)
2022	(215)
2023	(195)
2024	(180)

Years	In millions of euros
2025	(156)
2026	(139)
2027	(109)
2028	(90)
2029	(75)
2030	(56)
2031	(46)
> 2031	(374)
Total	**(3,294)**

At June 30, 2016, the present value of future minimum lease payments, with a rate of 7% and future payments estimated on a straight-line basis a from the sixth year, used to calculate the “Adjusted funds from ordinary activities/adjusted net debt” ratio amounted to €(2,227) million.

Note 7. Net Financial Expense

In millions of euros	June 2015	June 2016
Cost of net debt	(34)	(38)
Other financial income and expenses	2	(59)
Net financial expense	**(32)**	**(97)**

Cost of net debt include interest received or paid loans, receivables and debts measured at amortized cost, and gains and losses corresponding to the effective portion of related hedges.

Other financial income and expenses mainly include gains and losses corresponding to the ineffective portion of hedges, dividend income from non-consolidated companies, exchange gains and losses and movements in provisions. The €61 million negative change is mainly attributable to:

A. A €41 million negative fair value adjustment to an interest rate hedge set up on behalf of lessors in order to secure lease financing for a real estate acquisition.

   The purpose of the finance lease, which has a deferred start date of end-2018, is to secure financing conditions for a call option relating to a real estate investment (Group's headquarters). While fair value adjustments on the instrument will impact Accor's income statement until the transaction has been finalized, a withdrawal from the transaction would result in a payment being made by Accor. The €41 million loss is attributable to the sharp decline in interest rates; an increase in interest rates would reverse the trend and have a positive impact on the income statement.

B. A €12 million loss corresponding to the ineffective portion of the hedge set up in connection with the Fairmont Raffles Hotels International Group acquisition;

C. €7 million in net exchange losses.

Note 8. Impairment Losses

Impairment losses recognised in the first half 2015 and 2016 can be analysed as follows:

In millions of euros	June 2015	June 2016
Goodwill	(2)	(5)
Intangible assets	(0)	(0)
Property, Plant and Equipment	(33)	(36)
Impairment Losses	**(35)**	**(41)**

- ### HotelInvest

For the HotelInvest business, impairment tests are primarily carried out during the first half of the year.

The definition of cash-generating unit and the methods used to determine recoverable value are presented in the summary of significant accounting policies in the notes to the consolidated financial statements for the year ended December 31, 2015.

HotelInvest recoverable amounts are first estimated using fair values calculated based on a standard EBITDA multiple, which represents the core operational assumption used for the valuation.

Goodwill:

At June 30, 2016, impairment losses are mainly related to the review of the HotelInvest goodwill in Asia Pacific for €(5) million of which €(4) million related to investments in associates.

At June 30, 2015, impairment losses were recognized following a review of the recoverable amounts of hotels in France for €(1) million and in South America for €(1) million. Goodwill allocated to the hotels concerned has been written down in full.

The probability of the EBITDA of all the hotels in a given CGU being affected to the same extent and at the same time by changing macro-economic conditions is extremely remote, with the result that an overall sensitivity analysis would not provide useful insight. This is because the hotels' performance depends above all on their geographic location and specific business environment. However, if the carrying amount of certain hotels was found to be sensitive to changes in macro-economic factors, a sensitivity analysis would be provided for the hotels concerned.

Tangible assets:

In millions of euros	France	Europe (excl. France/ Méditerranean)	Mediterranean, Middle East and Africa	Asia Pacific	Americas	Worldwide Structures	Total
June 2016	**(12)**	**(5)**	**(1)**	**(12)**	**(6)**	**-**	**(36)**
June 2015	**(16)**	**(7)**	**(1)**	**(3)**	**(6)**	**-**	**(33)**

At June 30, 2016, impairment losses on property, plant and equipment related to 133 hotels for €(36) million. No impairment losses were reversed.

At June 30, 2015, impairment losses on property, plant and equipment related to 105 hotels for €(33) million. No significant impairment losses were reversed.

- ### HotelServices

For the HotelServices business, as no indicator of impairment has been identified, impairment tests will be carried out in 2016 second half of the year.

Note 9. Restructuring Costs

Restructuring costs correspond mainly to the costs linked to the reorganisation of the Group. They can be analysed as follows:

In millions of euros	June 2015	June 2016
Movements in restructuring provisions	11	(3)
Restructuring costs	(15)	(15)
Total restructuring costs	**(5)**	**(17)**

In June 2016, restructuring costs included €(11) million related to a voluntary separation plan in France.

Note 10. Gains and Losses on Management of Hotel Properties and Other assets

In millions of euros	June 2015	June 2016
Disposal gains and losses	(2)	91
Provision for losses on hotel properties	(10)	9
Total Gains and Losses on Management of Hotel properties	**(12)**	**101**
Disposal gains and losses	(13)	(0)
Provision movements	6	(3)
Gains and losses on non-recurring transactions	(12)	(57)
Total Gains and Losses on Management of Other Assets	**(19)**	**(61)**

At June 30, 2016, gains and losses on the management of hotel portfolios included a €76 million gain on the sale of Economy and Midscale hotels in China by AccorHotels to Huazhu and a €10 million gain on the sale of a portfolio of 84 hotels to Grape Hospitality.

At June 30, 2016, gains and losses on the management of other assets included:

(a) costs recognized in connection with the acquisition of the Fairmont, Raffles and Swissôtel Group for €(24) million;
(b) costs recognized in connection with the transfer of corporate headquarters for €(10) million;
(c) losses for others claims and litigation for an amount of €(26) million.

At June 30, 2015, gains and losses on the management of hotel portfolios included €(7) million in costs related to the renegotiation of a management contract in Austria.

At June 30, 2015, gains and losses on the management of other assets included:

(d) the write-off of leasehold rights in the UK for an amount of €(4) million;
(e) provisions for others claims and litigation for an amount of €(6) million.

Note 11. Income Tax Expense

For the interim consolidated financial statements, the income tax expense (current and deferred) is calculated by applying the average annual tax rate estimated for the current fiscal year to the operating profit before tax, non-recurring items and share of profit of associates of each entity or tax group for the period. The amount calculated is then adjusted to reflect actual transactions carried out in the first half of the year.

The current tax rate is above the theoretical tax rate of 34.43% in force in France, mainly because no deferred tax asset was recognized for the tax losses of the French tax group.

In millions of euros	**June 2015**	**June 2016**
+ Operating profit before tax and non-recurring items	239	143
- Share of profit of associates after tax	8	0
= Adjusted operating profit before tax and non-recurring items	**231**	**142**
+ Income tax expense	(67)	(39)
- Provision for tax risk	1	4
- Tax on non-recurring items	5	9
= Adjusted tax expense	**(73)**	**(52)**
Adjusted tax / Adjusted PBT	**31.5%**	**36.3%**

Note 12. Goodwill

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

In millions of euros

Net carrying amount at 1st January		**697**
Goodwill recognized on acquisitions for the period and other increases	(1)	241
Disposals		(0)
Impairment losses	Note 8	(5)
Translation adjustment		(18)
Reclassifications to Property, Plant and Equipment		-
Reclassifications to Assets held for sale	Note 18	(0)
Other reclassifications and movements		(3)
Net carrying amount at end of period		**911**

- The increase in goodwill primarily reflects the acquisition of onefinestay for €169 million (see Note 3), the acquisition of control of a Sofitel hotel in Cartagena previously operated under a management contract for €26 million and the acquisition of two hotels (including one off-plan) in Rio de Janeiro for €24 million.

Note 13. Intangible Assets

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

In millions of euros

Carrying amount at 1st January		**307**
Acquisitions		4
Internally-generated assets		15
Intangible assets acquired		2
Amortization for the period		(21)
Impairment losses for the period		(0)
Disposals of the period		(2)
Translation adjustment		(5)
Reclassification to Assets held for sale	Note 18	3
Carrying amount at end of period		**304**

Note 14. Property, plant and Equipment

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

In millions of euros

Carrying amount at 1st January		**3,024**
Acquisitions	(1)	101
Capital expenditure	(2)	259
Depreciation for the period		(142)
Impairment losses for the period recognized in impairment losses or in net loss from discontinued operations	Note 8	(36)
Translation adjustments		(29)
Disposals for the period		(6)
Reclassifications to Assets held for sale	Note 18	(11)
Net carrying amount at end of period		**3,161**

Changes during the period mainly result of €137 million.

(1) In first half 2016, property, plant and equipment acquired correspond mainly to the buyback of Munich City Novotel for €62 million and of 2 hotels in Hungary for €28 million, and the acquisition of a managed Sofitel in Cartagena for €14 million.

(2) In first half 2016, capital expenditure include refurbishment work for €81 million for the most part in France and Germany, as well as new buildings for €179 million for the most part in Germany, Hungary and in France.

Note 15. Investments in Associates

Changes in investments in associates and joint ventures were as follows:

In millions of euros

Carrying amount of investments in associates at 1 st January	**346**
Investments in associates in net profit for the period	0
Dividends paid	(3)
Changes in scope of consolidation	264
Translation adjustments	(13)
Capital increase	27
Others	(0)
Carrying amount of investments in associates at end of period	**621**

The year-on-year change primarily includes €187 million of Huazhu shares following the finalization of the partnership in January 2016 (see Note 3) and €62 million related to the acquisition of stakes in Grape Hospitality, €27 million in capital increases (€19 million related to the reimbursement of Risma bonds redeemable as shares and €6 million related to the development projects in India), and €13 million negative impact from currency effects, of which €7 million negative impact related to the Chinese yuan.

Note 16. Shareholders' Equity

Note 16.1 Changes in share capital

At June 30, 2016, the number of outstanding shares and the number of potential shares that could be issued break down as follows:

Number of issued shares at January 1, 2016	**235,352,425**
Performance shares granted	416,910
Shares issued on exercise of stock options	137,998
Shares issued in payment of dividends	2,048,461
Number of issued shares at June 30, 2016	**237,955,794**
Stock option plans	2,235,126
Performance shares plans	1,115,485
Potential number of shares	**241,306,405**

Note 16.2. Diluted earnings per share

At June 30, 2016, the average number of ordinary shares before and after dilution is presented as follows:

Outstanding shares at June 30, 2016	**237,955,794**
Effect of share issues on the weighted average number of shares	(368,760)
Adjustment for stock option plans exercised during the period	(94,408)
Effect of stock dividends on weighted average number of shares	(1,561,810)
Weighted average number of ordinary shares during the period	**235,930,816**

Diluted earnings per share were therefore calculated as follows:

In millions of euros	June 2015	June 2016
Net profit, Group share (continuing and discontinued operations)	**91**	**74**
Hybrid capital dividend payment	(37)	(37)
Adjusted Net profit, Group share	**53**	**37**
Weighted average number of ordinary shares (in thousands)	**233,450**	**235,931**
Number of shares resulting from the exercise of stock options (in thousands)	1,258	630
Number of shares resulting from performance shares grants (in thousands)	507	484
Fully diluted weighted average number of shares (in thousands)	**235,216**	**237,045**
Earnings per share (in euros)	**0.23**	**0.16**
Diluted earnings per share (in euros)	**0.23**	**0.16**

Note 16.3. Exchange differences on translating foreign operations

Exchange differences on translating foreign operations between December 31, 2015 and June 30, 2016, representing a negative impact of €60 million, mainly concern changes in exchange rates against the euro of the Pound Sterling (€47 million negative impact), the Chinese Yuan (€21 million negative impact), the US dollar (€15 million negative impact), the Polish Zloty (€12 million negative impact) and the Brazilian Real (€31 million positive impact).

Note 16.4. Payment of dividends

The 2014 and 2015 dividends were as follows:

In euros	2014	2015
Dividend per Share	**0.95**	**1.00**

Part of the dividends was paid in cash and part in stock.

Note 16.5. Share-based payments

PERFORMANCE SHARE PLAN

On June 16, 2016, Accor granted 504,500 performance shares to senior executives and employees have a three-year vesting period, with no subsequent lock-up period, and are subject to three vesting conditions.

The performance criteria concern actual EBIT margin versus budgeted margin, free cash flow excluding disposals proceeds (net cash from operating activities excluding non-recurring transactions less disposals and acquisitions, adjusted for the change in operating working capital) and an external performance criterion for the years 2016, 2017 and 2018. The number of vested shares depends on the average annual achievement rate for the various objectives over the three-year vesting period.

The cost of the performance share plan — corresponding to the fair value of the share grants — amounted to €15.5 million at June 16, 2016 and is being recognized on a straight-line basis over the vesting period under "Employee benefits expense" with a corresponding adjustment to equity. The fair value of the share grants was measured as the Accor opening share price on the grant date less the present value of unpaid dividends multiplied by the number of shares granted under the plan.

Plan costs recognized in first-half 2016 amounted to €0.2 million.

COST OF SHARE-BASED PAYMENTS RECOGNIZED IN THE ACCOUNTS

The total cost recognized in profit or loss by adjusting equity in respect of share-based payments amounted to €7.3 million at June 30, 2016 when it amounted to €5.6 million at June 30, 2015.

Note 16.6. Perpetual subordinated notes

On June 30, 2014, AccorHotels issued €900 million worth of perpetual subordinated notes.
In 2016, dividend payment on perpetual subordinated notes amounted to €37 million.

Note 17. Financial Debt and Instruments

Note 17.1. Analysis of Net Debt

Net debt at June 30, 2016 breaks down as follows between gross debt and financial instruments:

In millions of euros		December 31, 2015 Carrying amount	June 2016 Carrying Amount	June 2016 Fair value
LONG AND SHORT-TERM DEBT :		**2,855**	**2,966**	**3,187**
Bonds	(1)	2,582	2,587	2,808
Bank borrowings		123	123	123
Other financial liabilities		5	6	6
Long and short-term borrowings		**2,710**	**2,716**	**2,937**
Long and short-term finance lease liabilities		72	54	54
Purchase commitments (minority put)		10	62	62
Liability derivatives	(2)	15	69	69
Other financial liabilities and bank overdrafts		48	65	65
FINANCIAL ASSETS		**(3,050)**	**(2,455)**	**(2,456)**
Money market securities		(2,799)	(2,036)	(2,037)
Cash		(156)	(269)	(269)
Other		(87)	(135)	(135)
Derivative instruments - assets	(2)	(8)	(15)	(15)
NET DEBT		**(194)**	**511**	**731**

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

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

The carrying amount and fair value of money market securities at June 30, 2016 are as follows:

In millions of euros		December 31, 2015 Carrying amount	June 30, 2016 Carrying amount	June 30, 2015 Fair value
Other negotiable debt securities	(a)	(1,533)	(1,064)	(1,064)
Mutual funds units convertible into cash in less than three months (*)	(b)	(1,266)	(972)	(973)
Other (accrued interest)		-	-	-
Total money market securities		**(2,799)**	**(2,036)**	**(2,037)**

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

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

No assets were transferred between fair value measurements levels during the periods presented.

Note 17.2. Long and short-term debt by currency and maturity

At June 30, 2016, the analysis of long and short-term debt by currency before and after hedging breaks down as follows:

En millions d'euros	Before hedging			After hedging		
	Total debt			Total debt		
	Amount	Rate	% of total debt	Amount	Rate	% of total debt
Euro	2,414	2.97%	89%	2,246	2.97%	83%
Swiss franc	147	1.72%	5%	197	1.73%	7%
Polish zloty	99	2.69%	4%	99	2.69%	4%
Pound sterling	-	-	-	80	0.54%	3%
Japanese yen	-	-	-	37	-0.03%	1%
Mauritian rupee	24	7.68%	1%	24	7.68%	1%
Other currencies	32	7.93%	1%	33	7.73%	1%
Long and short-term debt	**2,716**	**2.94%**	**100%**	**2,716**	**2.85%**	**100%**

At June 30, 2016, maturities of long and short-term debt were as follows:

In millions of euros	Dec. 2015	June 2016
Year N + 1	110	491
Year N + 2	633	272
Year N + 3	16	365
Year N + 4	350	119
Year N + 5	119	967
Year N + 6	908	232
Beyond	719	520
Total Long and short-term debt	**2,855**	**2,966**

This analysis of debt by maturity over the long-term is considered as providing the most meaningful liquidity indicator. In the above presentation, all derivatives are classified as short-term. Borrowings and short-term investments denominated in foreign currencies have been translated into euros at the rate on the closure date.

On June 30, 2016, unused long-term committed line is amounting to €1,800 million, expiring in June 2019.

Note 18. Assets and Liabilities Held for Sale

Assets and Liabilities held for sale break down as follows:

In millions of euros		Dec. 2015	June 2016
Onboard Train Services business		**12**	**11**
France	(1)	49	2
Spain	(1)	23	7
Austria	(1)	15	(0)
Italy	(1)	12	-
Belgium	(1)	9	-
Germany	(1)	5	0
Netherlands	(1)	2	-
Portugal	(1)	1	0
China	(2)	47	1
Colombia	(3)	11	-
United Kingdom		4	1
Other		18	14
Non-current assets classified as held for sale (asset deals)		**195**	**24**
Total Assets classified as Assets held for sale		**208**	**36**
Onboard Train Service business		(8)	(8)
Liabilities related to Disposal groups classified as held for sale		(10)	(2)
Total Liabilities classified as Liabilities associated with assets classified as held for sale		**(19)**	**(10)**

In accordance with IFRS 5, these assets are reclassified in the statement of financial position under “Assets held for sale” and measured at the lower of their carrying amount and fair value less costs to sell.

(a) At December 31, 2015, 85 hotels were reclassified as "Assets held for sale" for a total of €114 million. The properties were intended to be sold to Grape Hospitality in 2016. They include 61 hotels in France for €48 million, 9 in Spain for €23 million, 4 in Austria for €15 million, 3 in Italy for €12 million, 4 in Belgium for €9 million, 1 in Germany for €4 million, 1 in the Netherlands for €2 million and 2 in Portugal for €1 million. As of June 30, 2016, AccorHotels had sold 84 of these 85 hotel businesses and 27 of the 28 directly-owned hotel properties (see Note 3). One hotel in Spain whose sale is due to be completed in the third quarter was still classified under "Assets held for sale" at June 30, 2016.

(b) In 2014, in connection with its partnership with Huazhu, the Group decided to sell twelve ibis hotels in China (see Note 3). These hotels were still classified as assets held for sale and their carrying amount was €46 million at December 31, 2015. These hotels were sold in January 2016.

(c) At December 31 2015, the Cartagena ibis was reclassified as "Assets held for sale". The property was sold under a sale-and-management-back contract in March 2016.

Note 19. Provisions

Post-employment and other long-term employee benefits

The post-employment and other long-term employee benefit obligation recognized at June 30, 2016 was calculated by projecting the December 31, 2015 obligation over a six-month period, taking into account any benefits paid and any changes to plan assets.
In the event of significant changes to certain parameters, such as the discount rate, the actuarial assumptions used to calculate employee benefit obligations for interim accounts may differ from those used for the annual financial statements.

At June 30, 2016, provisions for pensions were adjusted, with a corresponding adjustment to equity, as a result of a change in the discount rate applied in Euro zone and in Switzerland (increase by €16 million), and the suppression of a tax for pensions under certain defined benefit plans for the Worldwide Structures (decrease by €8 million). The provision concerning France was increased by €10 million following a change in the terms of the relevant collective bargaining agreement.

Changes in provisions

Movements in long-term and short-term provisions between December 31, 2015 and June 30, 2016 can be analyzed as follows:

In millions of euros	Dec. 2015	Equity impact	Increases	Utilizations	Reversals of unused provisions	Translation adjustment	Reclassifications and changes in scope	June 2016
Provisions for pensions	120	9	17	(5)	(1)	0	0	**140**
Provisions for loyalty bonuses	19	-	1	(1)	(0)	(0)	(0)	**19**
Provisions for claims and other contingencies	2	-	2	-	(0)	(0)	(1)	**3**
TOTAL LONG-TERM PROVISIONS	**142**	**9**	**20**	**(6)**	**(1)**	**0**	**(1)**	**162**
Tax provisions	28	-	0	(4)	(0)	0	0	**25**
Restructuring provisions	17	-	12	(7)	(2)	0	1	**21**
Provisions for claims and other contingencies	127	-	22	(22)	(14)	1	0	**115**
TOTAL SHORT-TERM PROVISIONS	**173**	**-**	**33**	**(33)**	**(16)**	**2**	**1**	**161**

Note 20. Reconciliation of Funds from Operations

In millions of euros	June 2015	June 2016
Net Profit, Group share	91	74
Minority interests	11	10
Depreciation, amortization and provision expenses	176	170
Share of profit of associates, net of dividends received	1	2
Deferred tax	(5)	(34)
Change in financial provisions and provisions for losses on assets disposals	(2)	3
Impairment losses	35	41
Funds from operations from discontinued operations	(1)	(1)
Funds From Operations including non-recurring transactions	**307**	**267**
(Gains)/Losses on disposals of assets, net	15	(91)
(Gains)/Losses on non-recurring transactions (included restructuring costs and exceptional taxes) (*)	43	145
Non-recurring items from discontinued activities	0	0
Funds From Operations excluding non-recurring transactions	**364**	**320**

(*) Net financial expense is now broken out between cost of net debt (included in "Funds from operations excluding non-recurring transactions") and other financial income and expenses, net (reported under "Cash received (paid) on non-recurring transactions").

Note 21. Change in Working Capital

The variation in Working Capital can be analyzed as follows:

In millions of euros	Dec. 2015	June 2016	Variation
Inventories	37	28	(9)
Trade receivables	432	477	46
Other receivables and accruals	471	474	3
WORKING CAPITAL ITEMS - Assets	**940**	**979**	**39**
Trade payables	736	712	(24)
Other payables	1,012	1,005	(7)
WORKING CAPITAL ITEMS - Liabilities	**1,748**	**1,717**	**(31)**
WORKING CAPITAL	**808**	**738**	**(70)**

The change in working capital related chiefly to operating activities in the amount of €(88) million and translation adjustments in the amount of €(9) million.

Note 22. Renovation and maintenance Expenditure and Development Expenditure

Renovation and Maintenance Expenditure

In millions of euros	June 2015	June 2016
HOTELSERVICES	15	19
HOTELINVEST	47	64
CORPORATE & INTERCOS	2	14
Renovation and maintenance expenditure	**64**	**97**

Development expenditure excluding discontinued operations

In millions of euros	June 2015	June 2016
HOTELSERVICES	17	336
HOTELINVEST	101	393
HOLDING/ELIMINATIONS	0	-
Development expenditure	**118**	**729**

At June 30, 2016, most important development expenditure of HotelServices were:

- €162 million related to the acquisition of onefinestay including a provisional goodwill for €169 million and other assets and liabilities for €(7) million;
- €153 million related to the additional acquisition of 9% in Huazhu;
- €14 million related to the acquisition of a 30% stake in Oasis collections and of a 49% stake in Squarebreak.

At June 30, 2016, most important development expenditure of HotelInvest were:

- €68 million related to the acquisition of a 30% stake in Grape Hospitality (€62 million in shares and €7 million in long term loans);
- €56 million related to the acquisition of the Munich City Novotel;
- €59 million related to the acquisitions of 2 ibis and 1 ibis *budget* in Germany;
- €59 million related to the buyback of 1 Novotel, 1 Sofitel and 2 ibis in France;
- €28 million related to the acquisition of two hotels (including one under construction) in Rio de Janeiro;
- €28 million related to the buyback of 2 hotels in Hungary;
- €19 million related to the reimbursement of Risma bonds redeemable as shares.

At June 30, 2015, most important development expenditure of HotelInvest were:

- €12 million related to the financing of development projects in India through equity-accounted companies;
- €11 million related to the development of London Canary Wharf Novotel;
- €10 million related to the development of Munich Arnulfstrasse ibis and Novotel.

Note 23. Claims, litigation and Off-Balance Sheet Commitments

Note 23.1. Claims and litigation

The main change as regards litigation in which the Group is involved during the first half of 2016 relates to CIWLT tax audit:

Following tax audits covering the year 2003 of the French branch of Compagnie Internationale des Wagons Lits et du Tourisme (CIWLT), a Belgian company that is 99.78%-owned by Accor SA, the French tax authorities concluded that CIWLT's seat of management was in France, not Belgium.

The authorities therefore added CIWLT's profit to the profit taxable in France. CIWLT contested this reassessment before the competent French courts.

The tax and related penalties totaling €17.5 million were paid in July 2011 and late interest of €2.7 million was paid in August 2011. Receivables for the same amounts were recorded in the consolidated statement of financial position at December 31, 2011, offset in full by provisions. The Versailles Administrative Court of Appeal found against CIWLT in a ruling handed down on May 21, 2013 and in August 2013 CIWLT filed a summary motion to institute proceedings before the French Supreme Court of Appeal (Conseil d'Etat).

CIWLT's appeal was rejected by the Conseil d'Etat on March 7, 2016. The Conseil d'Etat's ruling brings the dispute to an end. It has no impact on the financial statements, however, as the receivables booked by CIWLT were written down in full.

Note 23.2. Off Balance Sheet Commitments

The main changes in commitments related to purchases or disposals of shares are presented in the note on significant events.

Off-balance sheet commitments given by the Group decreased by €196 million during the first half of 2016. The change by type breaks down as follows:

In millions of euros

Off-Balance Sheet Commitments at December 31, 2015		**924**
Security interests given on assets		(12)
Capex Commitments		(11)
Purchase commitments	(1)	(162)
Loan guarantees given		(10)
Commitments given in the normal course of business		(1)
Off-Balance Sheet Commitments at June 30, 2016		**727**

(1) Change in purchase commitments is in connection with property development projects (see note 22) and consists primarily of:

a. Write-off of commitments due to the acquisition of Novotel Munich City, 1 ibis and 1 Mercure in Germany: €90 million,

b. Write-off of commitments due to the acquisition of assets related to the Group's memorandum of understanding with Foncière des Murs and Axa: €39 million,

c. Write-off of commitments due to the acquisition of an 80% stake in Compagnie Hôtelière du Brésil, owner of two hotels in Rio de Janeiro: €32 million,

d. Decrease of commitment related to the leaseholder and property development contract for the construction of the ibis Canning Town: €7 million.

Off-balance sheet commitments received are comparable in type and amount with those disclosed in the notes to the consolidated financial statements for the year ended December 31, 2015.

Note 24. Related Party Transactions

The main related parties are equity associates, Executive Committee members and members of the Board of Directors.

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

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

Note 25. Subsequent Events

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

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

The transaction led to a US$ 840 million (€757 million) cash payment and the issuance of 46.7 million AccorHotels shares as consideration for the contributed FRHI shares (valued at €1,732 million based on the opening share price on July 12, 2016 of €37.090). In early January 2016, AccorHotels purchased euro/dollar currency hedges on a total notional amount of $840 million. These hedges were measured at fair value at June 30, 2016, leading to the recognition of a €12 million loss in the first-half income statement and a €13 million negative adjustment to the fair value of the consideration to be transferred for the acquisition of FRHI.

The transaction gives FRHI's vendors, QIA and KHC, respective stakes of 10.4% and 5.8% in AccorHotels’ share capital. QIA has now two seats on the Board and KHC has one seat.

AccorHotels expects to generate revenue and cost synergies of around €65 million thanks to the combination of brands, the maximization of hotel earnings, the increased efficiency of marketing, sales and distribution channel initiatives, and the optimization of support costs. Significant enhancements will also be made in terms of customer data, thanks to the integration of FRHI’s customer base that includes three million loyalty members, of which 75% are in North America.

The vast majority of Fairmont, Raffles and Swissôtel’s 154 hotels and resorts (of which 40 are under development) and 56,000 rooms spanning 34 countries and five continents are operated under long-term management contracts, with an average term of nearly 30 years; six hotels are leased and one hotel is owned. The Fairmont, Raffles and Swissôtel brands employ more than 45,000 people worldwide. More information about the operation is available within the Document E registered with the AMF on June 17, 2016 and available on accor.com website.

In support of the acquisition, and as part of AccorHotels’ larger strategy to strengthen its luxury and upscale business, Chris Cahill is joining the Executive Committee as the Group’s Chief Executive Officer, Luxury Brands.

B. AccorHotels initiates project to turn HotelInvest into a subsidiary

After three years of transformation that have resulted in the development of two well-structured, strategically related business lines with record performances, AccorHotels announced a project to create a dedicated subsidiary for its HotelInvest operations. The project was given the go-ahead by the AccorHotels' Board of Directors at its meeting on July 12. It will be presented to the appropriate employee representative organizations and submitted for approval to AccorHotels' governing bodies, including the Board of Directors and Shareholders' Meeting. It is expected to be completed by the end of first-half 2017.

The aim of the project is to strengthen AccorHotels' financial resources in order to accelerate growth, while also providing a legal structure that will ultimately enable third-party investors to hold the majority of HotelInvest's capital. AccorHotels would use the additional financial leeway to develop its two business lines and seize new growth opportunities, thereby maximizing the Group's overall value.

C. Exclusive negotiation for the acquisition of John Paul

On July 27, 2016 AccorHotels announced it has begun exclusive negotiations for the acquisition of John Paul, the leading player in premium customer and employee loyalty services. Accorhotels should acquire about 80% of John Paul, for an enterprise value of $150 million; the remaining stake being kept by David Amsellem, the founder of the company, who will remain as CEO.

This is a major new step in transforming AccorHotels into a travel companion providing innovative services to travelers at every step of their journey.

The Group is a combined workforce of 1,000 highly skilled and trained people, across all five continents. The team works as a partner to the world’s leading brands and a bespoke concierge available around the clock, 7 days a week, anywhere in the world, to meet their customers’ request from the simplest to the most complex.

The first technology enabled concierge, equipped with a proprietary Customer Relationship Management (CRM) and data platform based on a behavioral profiling and a 360°personalization, as well as a network of over 50,000 partners in more than 50 countries, the company offers the most exhaustive and global loyalty solutions to prestigious brands in the financial, automotive, travel, consumer, healthcare, pharma, luxury industries and more.

Auditors’ Report on the Interim Financial Information

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STATUTORY AUDITORS' REVIEW REPORT ON THE 2016 HALF-YEAR FINANCIAL INFORMATION

(Six months ended June 30, 2016)

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, 2016 ;
- 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.

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 and Neuilly-sur-Seine, July 28, 2016

The Statutory Auditors

French original signed by

ERNST & YOUNG et Autres	DELOITTE & ASSOCIES
Jacques PIERRES	David DUPONT-NOEL

Statement by the Person Responsible for the Interim Financial Report

Statement by the Person Responsible for the 2016 Interim Financial Report

I hereby declare that, to the best of my knowledge, the condensed consolidated financial statements for the first half of 2016 have been prepared in accordance with generally accepted accounting principles and give a true and fair view of the assets, liabilities, financial position and results of all the companies included in 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 and their impact on the interim financial statements, as well as a description of the main related-party transactions and of the principal risks and uncertainties for the remaining six months of the year.

Paris - July 28, 2016

Sébastien Bazin
Chairman and Chief Executive Officer