**ACCOR**

**A French *société anonyme* (joint stock company) with share capital of 866,355,999 euros**
**Registered office: 82 rue Henri Farman – 92130 ISSY-LES-MOULINEAUX**
**NANTERRE TRADE AND COMPANIES REGISTER 602 036 444**

# Supplementary report of the Board of Directors on the use of the 25th resolution of the Extraordinary Shareholders' Meeting of ACCOR of May 5, 2017 for the implementation of the "SHARE17" international employee share ownership plan

This supplementary report has been prepared pursuant to Article R. 225-116 of the French Commercial Code in connection with the use of the twenty-fifth resolution of the Extraordinary Shareholders' Meeting of ACCOR of May 5 2017 to establish an international employee share ownership plan under the name "SHARE17".

## I. <u>Overview of the SHARE17 international employee share ownership plan</u>

To allow its employees to share fully in their Group's growth and earnings, ACCOR wished to offer them the possibility of investing in ACCOR shares as part of an employee share ownership offer (the ***Offer***).

On May 5, 2017, the Board of Directors of ACCOR approved the principle of the implementation of a share subscription offer reserved for employees who are members of an ACCOR employee savings plan, under the conditions specified below (***SHARE17***).

The implementation of SHARE17 requires the delegation of authority conferred by the Extraordinary Shareholders' Meeting of May 5, 2017, pursuant to the twenty-fifth resolution for the issue of shares with a discount of 20%, within the limit of 2% of the share capital recorded at the end of the Extraordinary Shareholders' Meeting of May 5, 2017, i.e. 5,704,363 shares.

The main features of the Offer are as follows:

### *Beneficiaries of the Offer*

The Offer was proposed to (i) the employees of the Member Companies (as defined below) with an employment contract in force on the last day of the subscription/withdrawal period (scheduled for November 23, 2017) and with at least three months' seniority, acquired between January 1, 2016 and that date, (ii) the corporate officers of Member Companies with fewer than 250 employees, and (iii) the former employees of Member Companies whose registered office is in France, and who left the company to take retirement or early retirement but kept assets in the employee savings plan (the ***Beneficiaries***).

The scope of the Offer extends to:

- ACCOR S.A.;
- the following companies in the scope of consolidation of AccorHotels Group having their registered office in France that are members of an AccorHotels Group employee savings plan (***PEEG***): SHDM, MN Hotel, SNC Roissypole Management, SHEMA, SNC Tour Eiffel, SHGDA, SNC Mer et Montagne, Accor SA, Soluxury HMC, SMI, Fastbooking, AH Fleet Services, CAH, Académie, New LifestyleHotels, Ibis Budget SA; and
- the companies in the scope of consolidation of AccorHotels Group that are members of the AccorHotels Group international employee savings plan (***PEGI***) and having their registered office in the following countries: Austria, Belgium, Germany, Italy, the Netherlands, Spain, Switzerland and the United Kingdom.

(hereinafter collectively referred to as ***Member Companies***).

***Structure of the Offer***

Two investment structures have been proposed to the Beneficiaries as part of the PEEG and PEGI employee savings plans:

In Austria, France, Germany, the Netherlands, Switzerland and the United Kingdom, the Beneficiaries subscribed for ACCOR shares through a company mutual fund (***Mutual Fund***), benefiting from a guarantee of their initial investment plus a multiple of the average protected increase of the ACCOR share price relative to the reference price (the ***Mutual Fund Formula***).

In Belgium, Italy and Spain, due to local legal and/or tax constraints, they benefited from an economically similar formula (the ***Stock + SAR Formula*** (*Stock Appreciation Right*)).

***Subscription price***

The reference price was set by decision of the Chairman and Chief Executive Officer, acting on the authority of the Board of Directors, setting the dates of the subscription/withdrawal period, dated November 20, 2017. It was equal to the arithmetic average of the 20 opening prices of the ACCOR SA share recorded on the Euronext Paris market during the 20 trading days prior to November 20, 2017 (i.e. from October 23 to November 17, 2017 inclusive), rounded to the nearest second decimal place, i.e. 41.88 euros per share (the ***Reference Price***).

The subscription price was set by the same decision at 33.51 euros per share, corresponding to the Reference Price after application of a 20% discount, rounded up to the second decimal place (the ***Subscription Price***).

***Timetable***

The timetable for implementing the Offer was as follows:

- reservation period: from October 3 to 20, 2017 inclusive;

- period of 20 trading days to determine the Reference Price: from October 23 to November 17, 2017 inclusive;

- decision of the Chairman and Chief Executive Officer setting the dates of the subscription/withdrawal period, the Reference Price and the Subscription Price: November 20, 2017;

- subscription/withdrawal period: from November 20 to 23, 2017 inclusive; and

- capital increase: December 21, 2017.

***Ceiling on individual subscriptions***

The Beneficiaries could not invest more than 3,000 euros each (or the equivalent in local currency for the United Kingdom and Switzerland), or, pursuant to the provisions of the PEEG and PEGI plans and Article L. 3332-10 of the French Labor Code, more than a quarter of their gross annual remuneration for 2017 if that amount is lower.

To assess compliance with this ceiling, Beneficiaries were required to take into account ten times the amount of their voluntary payment and for the Beneficiaries of the Member Companies in France nine times the amount of their personal contribution financed by the sale of assets invested the "ACCOR MONETAIRE" Mutual Fund.

***Conservation of ACCOR shares subscribed as part of SHARE17***

The Beneficiaries who subscribed to the Offer hold their shares either directly or through Mutual Funds, and must keep their investment during a lock-up period that runs until December 20, 2022 inclusive. They may however request the early release of their assets in the following cases, provided for in Article R. 3324-22 of the French Labor Code:

- marriage or civil union;
- birth or adoption of a third child (or more);
- divorce, separation or dissolution of a civil union with at least one dependent child;
- creation or takeover of a business by the employee, his/her spouse or one of their children;
- acquisition or extension of the employee's place of residence;
- termination of the employee's employment contract;
- invalidity of the employee, his/her spouse or civil partner or one of their children;
- death of the employee, his/her spouse or civil partner;
- over-indebtedness of the employee.

In Belgium, Italy and Spain, where the Beneficiaries have subscribed under the Stock + SAR Formula, early release is possible in the following circumstances:

- termination of the employee's employment contract[1];
- invalidity of the employee;
- death of the employee.

## II. <u>Framework for the Capital Increase carried out for the purposes of the implementation of the Offer and conditions of use for delegations of authority</u>

(a) <u>Decision of the Board of Directors of May 5, 2017</u>

The Board of Directors of ACCOR has, subject to the adoption of the twenty-fifth resolution by the Extraordinary Shareholders' Meeting of May 5, 2017, (i) decided to establish an employee share ownership offer by carrying out a capital increase, with cancellation of preferential subscription rights, reserved for eligible members of the ACCOR PEEG and PEGI plans and, for this purpose, (ii) has given the Chairman and Chief Executive Officer and the Deputy Chief Executive Officer all powers to determine the terms and conditions of the Offer and in particular the maximum number of shares that may be subscribed within the limit set by the Board of Directors, the dates of the subscription period and the Subscription Price of the shares.

[1] In Belgium, only in the event of retirement or dismissal.

(b) Decision of the Extraordinary Shareholders' Meeting of May 5, 2017

The Extraordinary Shareholders' Meeting of May 5, 2017 approved the twenty-fifth resolution governing the delegation of authority to the Board of Directors to issue shares or securities carrying rights to shares in favor of employees belonging to an employee savings plan.

(c) Decision of the Chairman and Chief Executive Officer of May 5, 2017

Making use of the delegation of authority granted to him by the decision of the Board of Directors mentioned in II. (a) above, the Chairman and Chief Executive Officer of ACCOR set the main terms and conditions of the Offer on May 5, 2017.

He also set the reduction rules in the event of oversubscription so that the overall ceiling of the aforementioned capital increase is respected: if the number of Shares requested under the PEEG and PEGI plans is greater than the total number allowed (5,704,363 Shares as provided for pursuant to the twenty-fifth resolution of the Extraordinary Shareholders' Meeting of May 5, 2017), Beneficiaries' subscription requests will be reduced by capping those with the highest amounts until the total amount of the capital increase falls within the overall ceiling.

(d) Decision of the Chairman and Chief Executive Officer of November 20, 2017

Making use of the delegation of authority granted to him by the decision of the Board of Directors mentioned in II. (a) above, the Chairman and Chief Executive Officer of ACCOR set the dates of the subscription/withdrawal period and set the Reference Price and the Subscription Price proposed as part of the Offer on November 20, 2017.

(d) Decision of the Chairman and Chief Executive Officer of December 21, 2017

Making use of the delegation of authority granted to him by the decision of the Board of Directors mentioned in II. (a) above, the Chairman and Chief Executive Officer of ACCOR noted, on December 21, 2017, the definitive completion of the capital increase with cancellation of preferential subscription rights in favor of employees belonging to the PEEG and PEGI plans as part of the Offer, in a total amount of 18,445,143.87 euros breaking down into 1,651,311 euros of par value and 16,793,832.87 euros of share premium to be entered in the balance sheet and on which the rights of all existing and new shareholders will bear.

## III. Use of the twenty-fifth resolution of the Extraordinary Shareholders' Meeting of May 5, 2017

In the use of the twenty-fifth resolution of the Extraordinary Shareholders' Meeting of May 5, 2017, the number of shares actually issued is equal to the whole number immediately below the number resulting from the division of the sum of the subscriptions made by the Beneficiaries by the Subscription Price of one Share.

On December 21, 2017, the Chairman and Chief Executive Officer of ACCOR noted the final completion of the capital increase reserved for employees belonging to the PEEG and PEGI plans as part of the Offer in the amount of 1,651,311 euros through the creation of 550,437 new shares with a par value of 3 euros each, breaking down as follows:

- 547,449 shares subscribed through the Share17 sub-fund of the "AccorHotels Share Plans" Mutual Fund; and

- 2,988 shares subscribed directly by employees.

The new shares carry dividend rights and are fully fungible with existing shares.

## IV. Impact of the capital increase resulting from the use of the twenty-fifth resolution of the Extraordinary Shareholders' Meeting of May 5, 2017 on the situation of the shareholders

Taking into account subscriptions corresponding to 550,437 new shares pursuant to the twenty-fifth resolution of the Extraordinary Shareholders' Meeting of May 5, 2017, the impact of the capital increase on the interest of a shareholder holding 1% of the Company's capital prior to the capital increase (in which he/she does not take part), calculated (a) on the basis of the number of shares comprising the capital at the date of this report (i.e. 288,785,333 shares) and (b) taking into account all securities or rights giving access to the capital (i.e. 293,259,324 shares on a fully diluted basis), is as follows:

| | Shareholder interest as a % of share capital | | Total number of shares | |
|---|---|---|---|---|
| | Undiluted basis | Fully diluted basis[2] | Undiluted basis | Fully diluted basis[2] |
| Before the issue of the 550,437 new shares resulting from the capital increase carried out pursuant to the 25th resolution of the Shareholders' Meeting of May 5, 2017 | 1% | 0.985% | 2,887,853 | 2,887,853 |
| After the issue of the 550,437 new shares resulting from the capital increase carried out pursuant to the 25th resolution of the Shareholders' Meeting of May 5, 2017 | 0.998% | 0.983% | 2,887,853 | 2,887,853 |

[2] The calculations are made assuming the exercise of all stock options and the delivery of all free shares.

## V. Theoretical impact of the capital increase resulting from the use of the twenty-fifth resolution of the Extraordinary Shareholders' Meeting of May 5, 2017 on the share of parent company shareholders' equity for the owner of one share

On the basis of the shareholders' equity of the Company at June 30, 2017 (date of the last interim financial situation pursuant to Article R.225-116 of the French Commercial Code)[3], i.e. 7,195,465,096 euros, and (a) on the basis of the number of shares comprising the share capital at June 30, 2017 (i.e. 289,262,558 shares on an undiluted basis) and (b) taking into account all securities or rights giving access to the share capital (i.e. 291,902,996 shares on a fully diluted basis), the impact on the share of equity for the holder of one ACCOR share of the issue of 550,437 new shares pursuant to the twenty-fifth resolution of the Extraordinary Shareholders' Meeting of May 5, 2017, would be as follows at June 30, 2017:

| | Share of parent company shareholders' equity (in euros) | |
|---|---|---|
| | Undiluted basis | Fully diluted basis[4] |
| Before the issue of the 550,437 new shares resulting from the capital increase carried out pursuant to the 25th resolution of the Shareholders' Meeting of May 5, 2017 | €24.875 | €24.806 |
| After the issue of the 550,437 new shares resulting from the capital increase carried out pursuant to the 25th resolution of the Shareholders' Meeting of May 5, 2017 | €24.892 | €24.822 |

[3] If the closing is more than six months prior to the envisioned transaction, the impact of the proposed issue on the situation of holders of equity securities and securities giving access to the share capital is assessed in view of an interim financial situation prepared in accordance with the same methods and following the same presentation as the last annual balance sheet.

[4] The calculations are made assuming the exercise of all stock options and the delivery of all free shares.

**VI. Theoretical impact of the capital increase resulting from the use of the twenty-fifth resolution of the Extraordinary Shareholders' Meeting of May 5, 2017 on the share of consolidated shareholders' equity for the owner of one share**

On the basis of the consolidated shareholders' equity of the Company as of June 30, 2017, i.e. 5,517,362,369 euros, and (a) on the basis of the number of shares comprising the share capital as of June 30, 2017 (i.e. 289,262,558 shares on an undiluted basis) and (b) taking into account all securities or rights giving access to the share capital (i.e. 286,271,999 shares on a fully diluted basis), the impact on the share of consolidated shareholders' equity for the holder of one ACCOR share of the issue of 550,437 new shares pursuant to the twenty-fifth resolution of the Extraordinary Shareholders' Meeting of May 5, 2017, would be as follows at June 30, 2017:

| | Share of consolidated shareholders' equity (in euros) | |
|---|---|---|
| | Undiluted basis | Fully diluted basis[5] |
| Before the issue of the 550,437 new shares resulting from the capital increase carried out pursuant to the 25th resolution of the Shareholders' Meeting of May 5, 2017 | €19.074 | €19.273 |
| After the issue of the 550,437 new shares resulting from the capital increase carried out pursuant to the 25th resolution of the Shareholders' Meeting of May 5, 2017 | €19.101 | €19.102 |

**VII. Theoretical impact of the capital increase resulting from the use of the twenty-fifth resolution of the Extraordinary Shareholders' Meeting of May 5, 2017 on the market value of the share**

The theoretical impact of the issue, as it results from the average of the 20 trading days prior to the issue, is as follows:

| | Impact on the market value | |
|---|---|---|
| | Undiluted basis | Fully diluted basis[6] |
| Before the issue of the 550,437 new shares resulting from the capital increase carried out pursuant to the 25th resolution of the Shareholders' Meeting of May 5, 2017 | €42.237 | €42.237 |
| After the issue of the 550,437 new shares resulting from the capital increase carried out pursuant to the 25th resolution of the Shareholders' Meeting of May 5, 2017 | €42.215 | €42.215 |

[5] The calculations are made assuming the exercise of all stock options and the delivery of all free shares.

[6] Idem.

The theoretical impact of the issue of 550,437 new shares at 33.51 euros per share on the market value of the share is calculated as follows:

Share price before the transaction: average of the 20 closing prices of the ACCOR share prior to December 21, 2017 (calculated as the average of the closing prices between November 23 and December 20, 2017). This price is 42.24.

Theoretical share price after the transaction: (average of the last 20 closing prices of the share prior to the transaction x number of shares prior to the transaction) + (issue price x number of new shares))/(number of shares prior to the transaction + number of new shares).

It should be noted that this theoretical approach is purely indicative and is without prejudice to the future performance of the share.

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This report, together with the supplementary report of the Company's Statutory Auditors, will be made available to shareholders at the Company's registered office and will be brought to the attention of shareholders at the next Shareholders' Meeting.

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The Board of Directors