# 1Q 2015 ORBIS GROUP RESULTS:

# STRONG OPERATIONAL PERFORMANCE

Novotel Warszawa Centrum, 14 May 2015

Mercure Budapest City Centre

Orbis Hotel Group

SOFITEL LUXURY HOTELS pullman MGALLERY NOVOTEL Mercure ibis ibis STYLES ibis budget

# 1Q 2015 key highlights

**Significant increase** of business scale thanks to acquisition of Accor operations and **new Master Licence Agreement** in Eastern Europe.

Constant enhancement of **operational excellence, strong performance** on growing markets and further significant **product improvement**.

**Organisation already set**: integrated business management structure introduced in the region.

+14%
Record-high growth of RevPAR
driven by occupancy rate increase of +7.0 p.p.

+13%
increase of net sales to PLN 229 million

+39%
growth of EBITDAR to PLN 43 million
increase reported in all geographical markets

# Historical transaction completed

## Transaction snapshot:

**12**
new countries

**6**
operating brands, including 2 new ones

**38**
operating hotels

**7 050**
rooms

New Master Licence Agreement for
**20 years**

**Price: EUR 142.3 M**
(PLN 595 M)

## Orbis Group today:

**No. 1**
hotel operator in Eastern Europe

**9**
brands

**106**
operating hotels

**18 600**
rooms

**9**
operational countries

**7**
countries to be developed

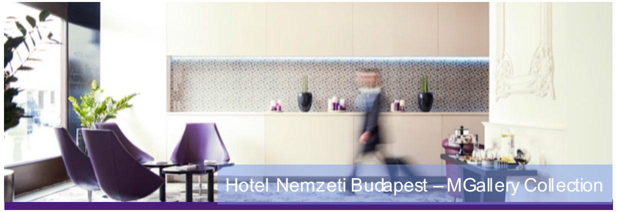
# Changes in the presentation of our business and results

## Introduction of:

New geographical market breakdown
due to the Orbis Group enlargement:

| Poland | Hungary | Czech Republic | Other countries |
| --- | --- | --- | --- |

**EBITDAR** (Earnings Before Interest, Taxes, Amortization and Rent) as **an additional measure of Orbis Group operating performance**.


Hotel Nemzeti Budapest – MGallery Collection


Mercure Bucharest City Center


Novotel Praha Wenceslas Square

# Market

Operating results: 1Q 2015

Financial results: 1Q 2015

Future & plans

Appendix

Mercure Warszawa Grand

# Favourable macroeconomic environment

Continuation of the economic **upwards trend**:

- GDP growth recorded in the whole region in 2014 with **the highest y/y increase in Hungary** (+3.6%) and **Poland** (+3.4%)*. 1Q 2015 GDP growth in Poland estimated at 3.3%**.

- **Positive growth rate** of industrial production in Poland (8.7% y/y)*, despite a further fall of prices in the region.

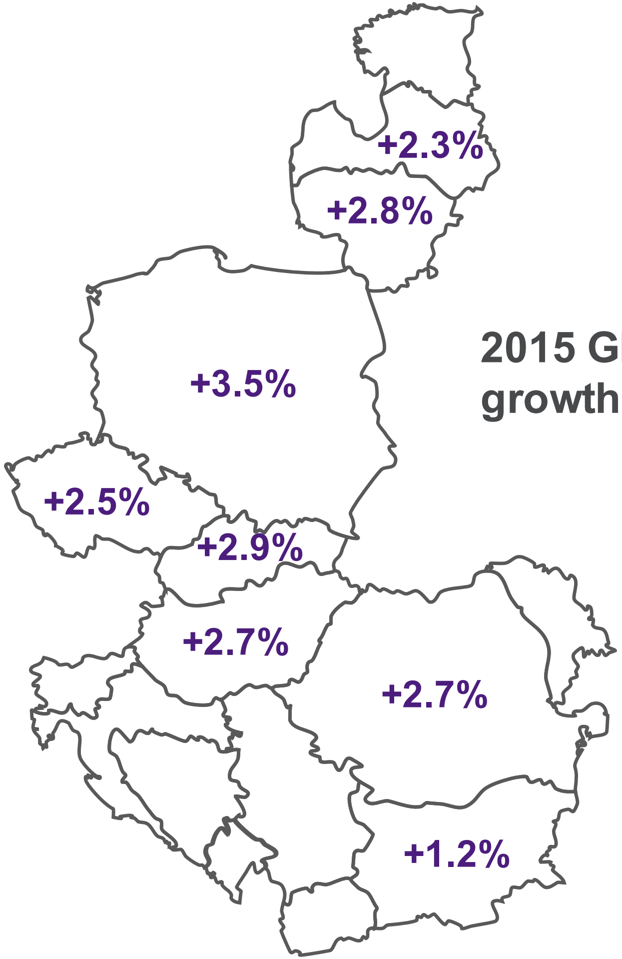



* source: Eurostat
** Polish Ministry of Economy

# Orbis Group operates in countries with growth potential

## RevPAR in selected countries*

| Subsidiary | 1Q 2015 [PLN] | 1Q 2014 Pro forma [PLN] | y/y change [%] |
|---|---|---|---|
| Poland | 105.7 | 91.1 | +16.0% |
| Hungary | 97.2 | 83.9 | +15.9% |
| Czech Republic | 90.5 | 91.3 | -0.9% |
| Others | 156.0 | 146.8 | +6.3% |




2015 GDP growth forecast**

* source: own statistics based on hotels owned by Orbis Group in presented countries
** source: Eurostat, International Monetary Fund, World Economic Outlook, April 2015 (2015-2016 forecast)

Novotel Budapest Centrum

Market

**Operating results: 1Q 2015**

Financial results: 1Q 2015

Future & plans

Appendix

# More diversified business structure

by geographical markets

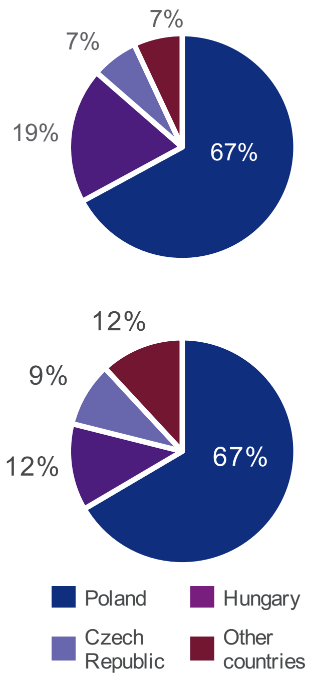
by hotel segments

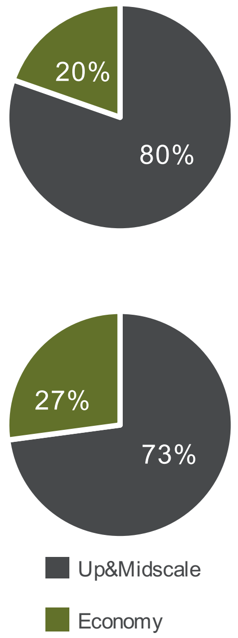
**PLN 229 M**

Net sales
1Q 2015

**PLN 43 M**

EBITDAR
1Q 2015



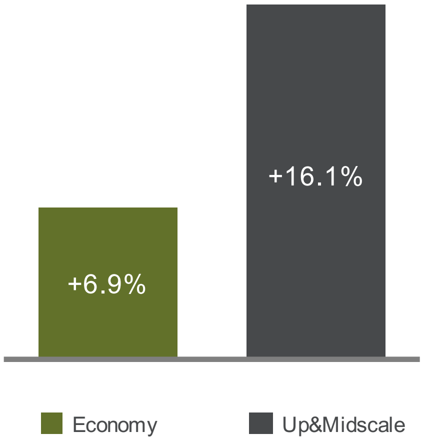




1/3
of net sales and EBITDAR generated outside of Poland

More than 70%
of net sales
and EBITDAR is generated by Up&Midscale hotels

# Record high RevPAR increase in 1Q 2015*

RevPAR change
by hotel segment y/y




**RevPAR**

105.0 PLN

**+13.9%** y/y

**Occupancy**

53.5%

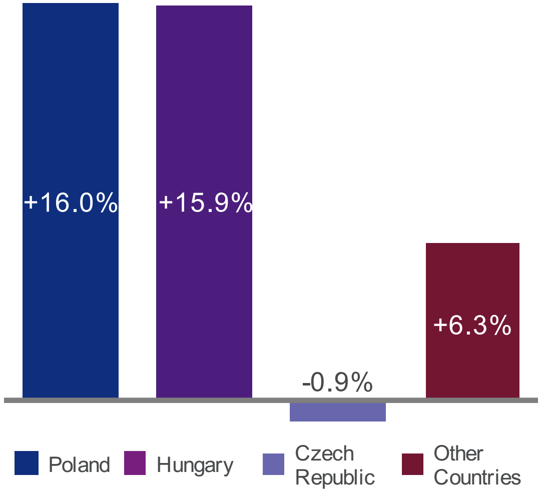
**+7.0 p.p.** y/y

**ARR**

196.3 PLN

**-0.9%** y/y

RevPAR change
by geographical markets y/y

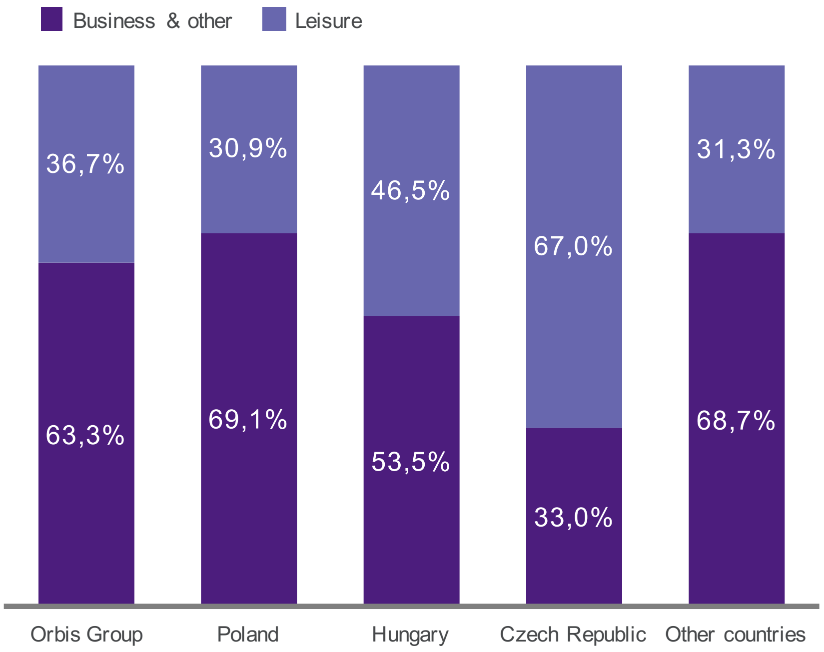



Sales force reinforcement, product improvement and revenue management resulted in a spectacular y/y improvement in occupancy rate and in RevPAR growth.

* all y/y changes on the slide are calculated 1Q 2015 / 1Q 2014 Pro forma

# Our clients

Roomnights sold (by business mix)




Overall stable mix of clients with dominant position of business segment in the whole Group

with strong representation of the leisure segment in Prague and Budapest

# Investment structure 2015

**Regular CAPEX: ~5%**
of net sales

Product Improvement & Development Plan

Asset Management:
potential buy backs, disposal of lowest contributing assets

**Key product improvement and development projects in 1Q 2015:**

- last stage of the Novotel Warszawa Centrum modernisation,
- re-branding projects:
  - Orbis Gdynia (from March 2015 – Mercure),
  - Orbis Posejdon Gdańsk, (from May 2015 – Mercure),
  - Orbis Magura Bielsko-Biała (from July 2015 ibis Styles),
- Sofitel Grand Sopot,
- Novotel Kraków Centrum.

**PLN 10 M**
Total CAPEX in 1Q 2015


Novotel Warszawa Centum

# New developments in 1Q 2015

**Orbis' new development projects**
in key markets, i.e.:


Mercure Kraków Stare Miasto
(200 rooms, city center location)
Construction works in progress.
Opening 2H 2016.


ibis Gdańsk Stare Miasto
(120 rooms, next to Mercure Gdańsk)
General contractor tender in progress.
Opening 2H 2016.

# Food & Beverage business development

**Strong effort and dynamism** in F&B activities as a second core business.

In 1Q 2015 **F&B revenues increased by 11% y/y** to PLN 66.5 million, contributing 29% to Orbis Group revenues.

„Simple Slow Food" already introduced in the entire ibis network in Poland

„The taste of passion" sophisticated restaurants established in 2 Mercure hotels in Warsaw

„A place where life tastes better", implemented in all Novotel hotels in Poland and Lithuania

Roll out plan set up to achieve consistency in the entire group and awareness of all F&B concepts among clients

Le Victoria Brasserie Moderne was awarded The Best French Restaurant title in the 11th edition of Warsaw Insider "Best of Warsaw" contest

# Other important operating issues (1/2)

## Digital plan roll out well on track

- Welcome online check in / check out development
- Le Club Accorhotels loyalty programme
- Improvement of WiFi infrastructure
- Investments in direct distribution channels (especially on mobile devices)

Active members in 1Q 2015:

**23%** in Poland, Lithuania and Latvia

**19%** in remaining countries

**37.1%**

Contribution of 685 000 Orbis Group clients, who are members of Le Club Accorhotels loyalty programme, to net sales in 1Q 2015

# Other important operating issues (2/2)

Sweet Secret by Mercure HOTELS

3rd edition of local action that became already a brand mark – Sweet Secret by Mercure – was launched

Business Center Club award: Diamond to the Golden Statuette of the Polish Business Leader

Early rates launched in ibis budget – as a continuation of the “Explosive Prices” campaign

# CSR

**40%**

of hotel general managers in Orbis Group are women

**PLN 80 000**

donated by "Solidarity Accor" corporate foundation to Nobody's Children Foundation thanks to Orbis employees initiative

## Family Card

Orbis joined the program that gives attractive discounts in Poland for families with at least 3 children

**PLN 100 000**

of economies through further optimisation of water and energy consumption in 1Q 2015

## Ethics & CSR Charter

deployed that gives guidance on work and service attitudes, management behaviour, cooperation principles and commitments in Orbis Group

Market

Operating results: 1Q 2015

**Financial results: 1Q 2015**

Future & plans

Appendix

# 1Q 2015 financial results much better than a year ago

| [mPLN, %, p.p.] | 1Q 2015 | 1Q 2014 Pro forma | y/y |
|---|---|---|---|
| Net sales | 229.2 | 203.6 | +12.6% |
| EBITDAR | 42.9 | 30.9 | +39.0% |
| EBITDA | 18.3 | 6.4 | +186.1% |
| EBIT | -18.5 | -28.7 | +35.5% |
| Profit before tax | -22.2 | -28.7 | +22.6% |
| **EBITDAR margin** | **18.72%** | **15.18%** | **+3.5 p.p.** |

# Significant increase of net sales

Orbis Hotel Group

[mPLN, %]

Other: **+2.2%** (0.3 mPLN)

Czech R.: **+0.9%** (0.1 mPLN)

Hungary: **+14.4%** (5.6 mPLN)

Poland: **+14.6%** (19.6 mPLN)

**+12.6%**

y/y net sales growth*

**High increase** mainly in Poland and Hungary: result of very effective involvement of sales, distribution & RM supported by favourable macroeconomic situation

Economy: **+5.4%** (2.2 mPLN)

Up &Midscale: **+14.3%** (22.5 mPLN)

* all net sales y/y changes on the slide are calculated 1Q 2015 / 1Q 2014 pro forma

# Value creative business model supported by solid financing

Increase of operating cash flow

Get the most of capital employed

Add further leverage

**Product improvement**

**Innovative solutions**

**Sustainable growth of ordinary dividend**

**Network expansion**

## Key cash position indicators

| [mPLN, %] | 31.03.2015 |
|---|---|
| **Total debt** (borrowings) | 474.7 |
| **Total cash** | 119.1 |
| **Net debt** | 355.6 |
| **Net debt /equity** | 21.6% |
| **Net debt /fixed assets** | 18.3% |

Market

Operating results: 1Q 2015

Financial results: 1Q 2015

**Future & plans**

Appendix

Hotel Nemzeti Budapest – MGallery Collection

# Macroeconomic outlook for 2Q 2015 and 2015 FY

**Strong, positive trend** visible on the hotel market in the region.

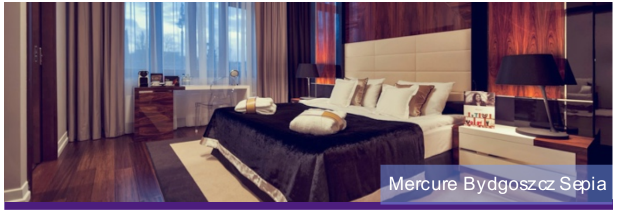
In 2Q 2015 GDP **growth in the region will continue**.

**Poland and Baltic countries - the fastest growing economies** with average growth rate forecasted in the period 2015-2016 above 3%.

**Favourable forecasts** for the economic situation in the region should drive performance of the hotel industry in quarters to come.


Novotel Kraków Centrum


Novotel Bucharest City Center


Mercure Bydgoszcz Sepia

# Summary

## 1Q 2015:

- Historical transaction successfully completed,
- Revenue growth across all markets and all segments,
- Strong operational performance (RevPAR +14%).

## Plans for 2015:

- 2015 forecast after 2Q 2015 results publication,
- MB recommends PLN 1.5 / share as dividend (pay out 77.5%), ca. PLN 1.0 ordinary div. + ca. PLN 0.5 extraordinary div.,
- Focus on operational excellence,
- Maximizing profitability of capital employed,
- Well advanced harmonisation process within the whole Group.

Superior financial and operational results together with improving macroeconomic environment show that

**Orbis Group is ready to win its challenge**

# Contact


**Edyta Pyzara**

**Investor Relations Officer**

**ORBIS SA**

Bracka 16

00-028 Warsaw, Poland

+48 22 829 39 24

www.orbis.pl

e-mail: edyta.pyzara@accor.com

Orbis Hotel Group

Market

Operating results: 1Q 2015

Financial results: 1Q 2015

Future & plans

**Appendix**

ibis Skopje City Center

# Consolidated income statement – selected data

| Exchange impact not material | 1Q 2015 | 1Q 2014 | | y/y |
|---|---|---|---|---|
| [PLN ths, %] | | reported | Pro forma | Pro forma |
| Net sales | 229 201 | 128 494 | 203 557 | +12.6% |
| EBITDAR | 42 896 | 16 463 | 30 852 | +39.0% |
| Operating EBITDA | 18 272 | 15 310 | 6 387 | +186.1% |
| Operating profit (loss) without the effects of one-off events | (16 055) | (12 727) | (28 685) | +44.0% |
| Operating profit (loss) | (18 511) | (12 727) | (28 685) | +35.5% |
| Profit (loss) before tax | (22 233) | (11 793) | (28 742) | +22.6% |

# Consolidated statement of financial position – selected data

| [PLN ths, %] | 31.03.2015 | 31.12.2014 | 31.03.2014 | y/y |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | **2 092 526** | **1 795 751** | **1 796 577** | **+16.5%** |
| Property, plant and equipment | 1 941 254 | 1 662 265 | 1 661 027 | +16.9% |
| **Current assets** | **217 755** | **290 747** | **231 362** | **-5.9%** |
| Trade receivables | 49 763 | 25 344 | 24 995 | +99.0% |
| Other short-term receivables | 42 676 | 16 211 | 23 719 | +79.9% |
| Cash and cash equivalents | 119 062 | 239 503 | 175 453 | -32.1% |
| **Assets classified as held for sale** | **11 046** | **11 046** | **13 476** | **-18.0%** |
| **Total assets** | **2 321 327** | **2 097 544** | **2 041 415** | **13.7%** |
| **EQUITY & LIABILITIES** | | | | |
| **Equity** | **1 642 838** | **1 952 322** | **1 922 182** | **-14.5%** |
| Equity attributable to owners of the parent | 1 642 747 | 1 952 322 | 1 922 182 | -14.5% |
| **Non-current liabilities** | **475 636** | **28 374** | **29 536** | **+1 510.4%** |
| Borrowings | 447 815 | 0 | 0 | - |
| **Current liabilities** | **202 853** | **116 848** | **89 697** | **+126.1%** |
| Borrowings | 26 896 | 0 | 0 | - |
| Trade payables | 82 417 | 40 514 | 31 222 | +164.0% |
| **Total equity & liabilities** | **2 321 327** | **2 097 544** | **2 041 415** | **+13.7%** |

# Consolidated cash flow – selected data

| [PLN ths, %] | 1Q 2015 | 1Q 2014 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| **Loss before tax** | **(22 233)** | **(11 793)** |
| **Adjustments (selected):** | **25 682** | **15 197** |
| Depreciation and amortization | 34 329 | 28 037 |
| Change in receivables | (4 329) | (12 689) |
| Change in current liabilities, excluding borrowings | (18 666) | (11 777) |
| Change in deferred income | 8 170 | 12 171 |
| **Net cash generated by/(used in) operating activities** | **(702)** | **2 492** |
| **INVESTING ACTIVITIES** | | |
| Payments for property, plant and equipment, investment property and intangible assets | (24 935) | (23 323) |
| Payments to acquire interest in related parties | (563 640) | 0 |
| **Net cash generated by/(used in) investing activities** | **(588 263)** | **(17 860)** |
| **FINANCING ACTIVITIES** | | |
| Proceeds from borrowings | 476 445 | 0 |
| Interest paid and other financing cash outflows resulting from received borrowings | (4 858) | 0 |
| **Net cash generated by financing activities** | **(471 587)** | **0** |
| **Change in cash and cash equivalents** | **(117 378)** | **(15 368)** |
| **Effects of exchange rate changes on the balance of cash held in foreign currencies** | **(3 063)** | **0** |
| **Cash and cash equivalents at the beginning of the period** | **239 503** | **190 821** |
| **Cash and cash equivalents at the end of the period** | **119 062** | **175 453** |

# Orbis Group hotels by country and brand as of end of March 2015

| | Sofitel | Pullman | MGallery | Novotel | Mercure | ibis | ibis Styles | ibis budget | Orbis Hotels | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Poland | 3 | | | 12 | 22 | 12 | 3 | 9 | 3 | **64** |
| Hungary | 1 | | 1 | 5 | 5 | 5 | | | | **17** |
| Czech Republic | | | 1 | 1 | 1 | 5 | | | | **8** |
| Slovakia | | | | | 1 | 1 | | | | **2** |
| Romania | | 1 | | 1 | 1 | 4 | | | | **7** |
| Bulgaria | | | | 1 | | 1 | | | | **2** |
| Macedonia | | | | | | 1 | | | | **1** |
| Lithuania | | | | 1 | 1 | 1 | | | | **3** |
| Latvia | | | | - | 1 | | 1 | | | **2** |
| **Total** | **4** | **1** | **2** | **21** | **32** | **30** | **4** | **9** | **3*** | **106** |

* Rebranding of 2 hotels in progress

# List of hotels with ownership structure and no. of rooms (1/2)

| | | |
|---|---|---|
| | | **POLAND** |
| O | 127 | Sofitel Grand Sopot |
| O | 343 | Sofitel Warsaw Victoria |
| L | 205 | Sofitel Wrocław Old Town |
| O | 158 | Novotel Gdańsk Centrum |
| O | 176 | Novotel Gdańsk Marina |
| O | 300 | Novotel Katowice Centrum |
| O | 305 | Novotel Kraków City West |
| O | 198 | Novotel Kraków Centrum |
| O | 161 | Novotel Łódź Centrum |
| O | 480 | Novotel Poznań Centrum |
| O | 149 | Novotel Poznań Malta |
| O | 116 | Novotel Szczecin |
| O | 281 | Novotel Warszawa Airport |
| O | 742 | Novotel Warszawa Centrum |
| O | 145 | Novotel Wrocław |
| F | 90 | Mercure Bydgoszcz Sepia |
| O | 78 | Mercure Cieszyn |
| O | 102 | Mercure Częstochowa Centrum |
| O | 281 | Mercure Gdańsk Stare Miasto |
| O | 294 | Mercure Gdynia Centrum |
| O | 188 | Mercure Jelenia Góra |
| F | 288 | Mercure Kasprowy Zakopane |
| F | 100 | Mercure Krynica Zdrój Resort & Spa |
| O | 110 | Mercure Lublin Centrum |
| O | 214 | Mercure Mrongovia Resort & Spa |
| O | 103 | Mercure Opole |
| F | 62 | Mercure Piotrków Trybunalski Vestil |
| O | 228 | Mercure Poznań Centrum |
| F | 67 | Mercure Racławice Dosłońce Conference & SPA |
| O | 148 | Mercure Skalny Karpacz |
| O | 110 | Mercure Toruń |
| F | 117 | Mercure Warszawa Airport |
| O | 338 | Mercure Warszawa Centrum |
| O | 299 | Mercure Warszawa Grand |
| F | 42 | Mercure Wisła Patria |
| O | 151 | Mercure Wrocław Stare Miasto |
| O | 54 | Mercure Zamość Stare Miasto |
| O | 125 | ibis Częstochowa |
| O | 114 | ibis Katowice-Zabrze |
| O | 114 | ibis Kielce Centrum |
| O | 175 | ibis Kraków Centrum |
| O | 208 | ibis Łódź Centrum |
| O | 146 | ibis Poznań Centrum |
| O | 135 | ibis Stare Miasto Kraków |
| O | 103 | ibis Szczecin Centrum |
| O | 189 | ibis Warszawa Centrum |
| O | 137 | ibis Warszawa Ostrobramska |
| O | 170 | ibis Warszawa Reduta |
| O | 333 | ibis Warszawa Stare Miasto |
| F | 86 | ibis Styles Gdynia Reda |
| F | 130 | ibis Styles Wałbrzych |
| F | 133 | ibis Styles Wrocław Centrum |
| O | 124 | ibis budget Katowice Centrum |
| O | 120 | ibis budget Kraków Bronowice |
| O | 167 | ibis budget Kraków Stare Miasto |
| O | 120 | ibis budget Szczecin |
| O | 83 | ibis budget Toruń |
| O | 176 | ibis budget Warszawa Centrum |
| O | 163 | ibis budget Warszawa Reduta |

O: owned, L: leased, M: managed, F: franchised

# List of hotels with ownership structure and no. of rooms (1/2)

| | | |
|---|---|---|
| O | 108 | ibis budget Wrocław Południe |
| O | 122 | ibis budget Wrocław Stadion |
| O | 133 | Hotel Orbis Magura Bielsko-Biała |
| O | 149 | Hotel Orbis Posejdon Gdańsk |
| O | 294 | Hotel Orbis Wrocław |
| | | **LITHUANIA** |
| L | 157 | Novotel Vilnius |
| F | 47 | Mercure Marijampole |
| M | 125 | ibis Kaunas Centre |
| | | **LATVIA** |
| F | 143 | Mercure Riga Centre |
| F | 76 | ibis Styles Riga |
| | | **HUNGARY** |
| L | 357 | Sofitel Budapest Chain Bridge |
| M | 80 | Hotel Nemzeti Budapest – MGallery Collection |
| L | 227 | Novotel Budapest Centrum |
| O | 319 | Novotel Budapest City |
| L | 175 | Novotel Budapest Danube |
| O | 136 | Novotel Szeged |
| L | 95 | Novotel Szekesfehervar |
| L | 390 | Mercure Budapest Buda |
| L | 227 | Mercure Budapest City Centre |
| O | 130 | Mercure Budapest Duna |
| L | 421 | Mercure Budapest Korona |
| L | 130 | Mercure Budapest Metropol |
| O | 139 | ibis Budapest Aero |
| L | 126 | ibis Budapest Centrum |
| L | 84 | ibis Budapest City |
| L | 139 | ibis Budapest Heroes' Square |
| O | 96 | ibis Gyor |
| | | **CZECH REPUBLIC** |
| L | 174 | Mgallery Praha Old Town |
| O | 146 | Novotel Praha Wenceslas Square |
| O | 139 | Mercure Ostrava Center |
| F | 90 | ibis Olomouc Centre |
| O | 130 | ibis Plzen |
| O | 225 | ibis Praha Mala Strana |
| L | 271 | ibis Praha Old Town |
| O | 181 | ibis Praha Wenceslas Square |
| | | **SLOVAKIA** |
| L | 175 | Mercure Bratislava Centrum |
| L | 120 | ibis Bratislava Centrum |
| | | **ROMANIA** |
| M | 203 | Pullman Bucharest World Trade Centre |
| L | 257 | Novotel Bucharest City Centre |
| M | 114 | Mercure Bucharest City Center |
| M | 250 | ibis Bucuresti Gara de Nord |
| M | 161 | ibis Bucaresti Palatul Parlamentului |
| M | 154 | ibis Constanta |
| M | 195 | ibis Sibiu |
| | | **BULGARIA** |
| M | 178 | Novotel Sofia |
| F | 84 | ibis Sofia Airport |
| | | **MACEDONIA** |
| M | 110 | ibis Skopje City Center |

O: owned, L: leased, M: managed, F: franchised

# Franchised and managed hotels in pipeline

| # | Country | City | Brand | Rooms | Ownership type | Planned opening |
|---|---|---|---|---|---|---|
| 1 | Poland | Białystok | ibis Styles | 130 | Franchise | 3Q 2015 |
| 2 | Poland | Siedlce | ibis Styles | 102 | Franchise | 4Q 2015 |
| 3 | Poland | Nowy Sącz | ibis Styles | 56 | Franchise | 2016 |
| 4 | Poland | Grudziądz | ibis Styles | 82 | Franchise | 2016 |
| 5 | Poland | Poznań | ibis | 77 | Franchise | 2016 |
| 6 | Latvia | Riga | Pullman | 160 | Franchise | 2016 |
| 7 | Poland | Sosnowiec | ibis Styles | 80 | Management | 2017 |
| 8 | Poland | Kraków | ibis Styles | 60 | Franchise | 2017 |
| 9 | Poland | Gdańsk | ibis budget | 120 | Franchise | 2017 |
| 10 | Poland | Sosnowiec | Mercure | 120 | Management | 2017 |
| 11 | Latvia | Riga | ibis | 60 | Franchise | 2017 |