



Orbis Group

DIRECTORS' REPORT ON THE OPERATIONS FOR THE FIRST HALF OF 2017



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PRESIDENT'S COMMENT TO THE FIRST HALF OF 2017



Novotel Kraków Centrum

1 PRESIDENT'S COMMENT TO THE FIRST HALF OF 2017

- Solid financial performance – revenue up by +6.2% to PLN 679.5 million
- Promising operating results in all countries in the EE region (+7% like-for-like RevPAR growth in total)
- Ambitious operating EBITDA all year target at PLN 450-460 million
- 7 new asset light agreements signed – new destinations added: Serbia and Bosnia-Herzegovina
- New cultural approach across the entire Group

PERFORMANCE

After a remarkable 2016 year for Orbis, the Group continued benefiting from both its sustainable plan and the healthy economies across the region. Financial performance in the first half of 2017 was record high with +6.2% increase of profit up to PLN 679.5 million and a solid double-digit operating EBITDA growth by +23.1% reaching PLN 202,2 million. Orbis can boast +7% like for-like RevPAR growth driven in major part by increase of the average room rates (+4.3% y/y). This result reflects a combined impact of successful revenue and channel management approach, active distribution strategy and is supported by favourable touristic climate all over the region.

In the 1H2017 the Company has also changed its organisational structure and it's now more focused on managing marketplaces basis instead of particular brands. This step allows to operate more efficiently and ably on bed stock in key destinations.

PORTFOLIO

The Group continues its development at a rapid pace. During the first half of 2017, we signed 7 new franchise and management agreements with 940 rooms in total, which will enable us to enter two new destinations – Serbia and Bosnia-Herzegovina – already in 2017. Apart from the asset light expansion we continue development of 6 subsidiary projects (560 rooms in total), which will join the Group in the following years. All in all, Orbis development pipeline is highly robust, secured with 40 hotels – almost 5 000 new rooms, reinforcing our sustainable growth. We also remain active on the market searching for potential acquisition targets thanks to our strong cash position.

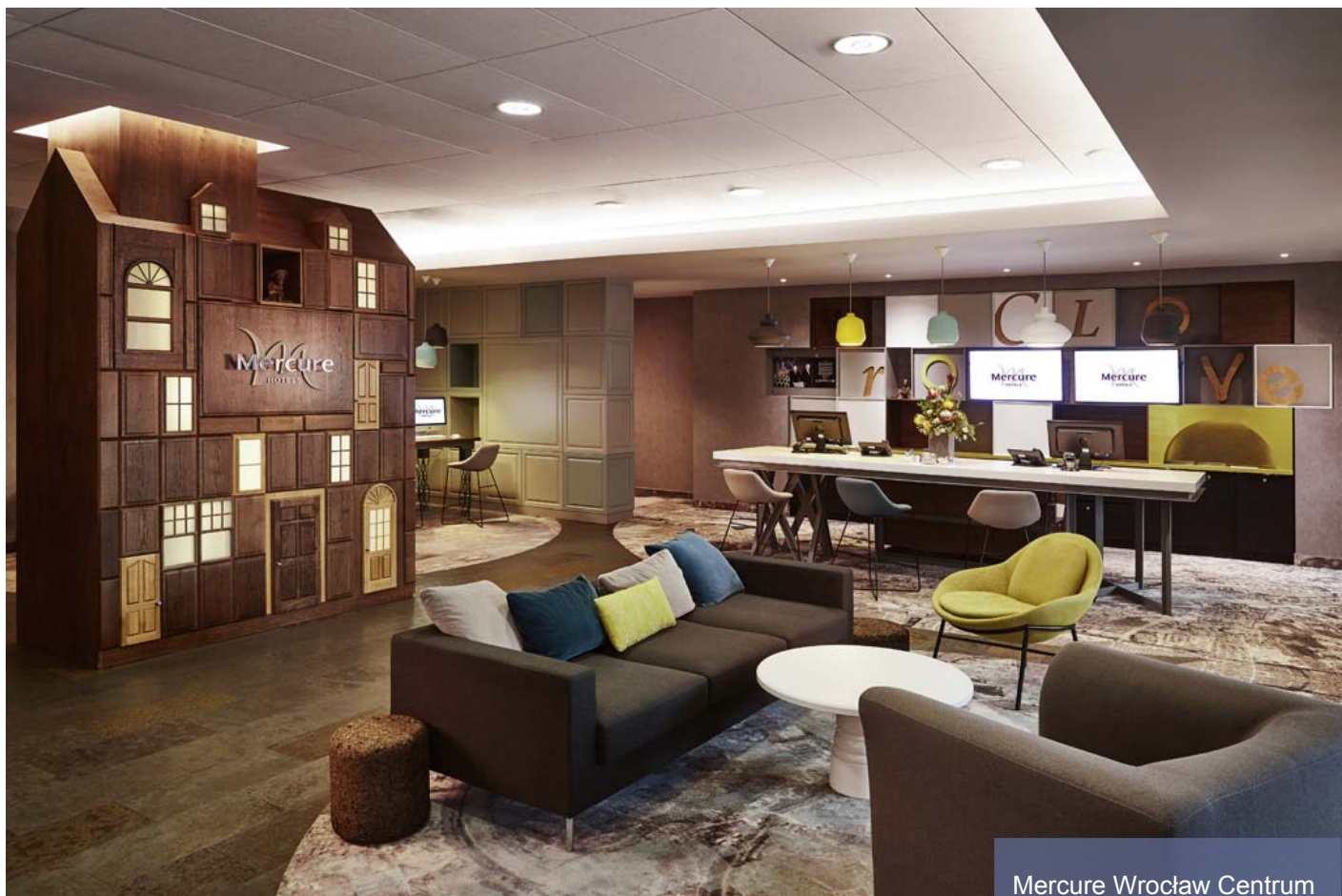
After the phase of portfolio refinancing and buybacks of the hotels in Budapest, we are in the phase of their modernization to ensure better performance and higher return on investment. In the first half of 2017 Orbis spent PLN 518.5 million of capex. The key current renovation projects include e.g.: Mercure Budapest City, Mercure Budapest Buda, Novotel Kraków City West and Novotel Poznan Center, which will be split in two hotels – Novotel and ibis. We are convinced that renewed hotel interiors in line with latest design concepts together with authentic customer approach based on personal touch will convert in even better results.

PEOPLE

Being our most valuable assets People are in the center of Orbis strategy. In the first half of 2017 the Company continued a cultural change process, where talent & culture strategy requires recruiting engaged employees, who are open to demonstrate and share their passion. We have strengthened our relations with hospitality schools, and enhanced students to start their professional carrier with Orbis. To welcome new colleagues we have introduced modern on-boarding procedure, ensuring smooth integration process with the Company's strategy and values. All our talents have great opportunity to grow and Feel Valued. Each employee is empowered to take initiative, learns from others, is engaged in sharing knowledge and experience. The "Talents journey" is to create high-performance, organization that meets our strategic goals.

Our outstanding performance in 1H 2017 and positive outlook for the following months is reflected in the 2017 operating EBITDA forecast at PLN 450-460 million. The future looks promising. We keep strengthening our three strategic pillars: Performance; Portfolio and People to enhance our position in the region and to display resilience to potential economic downturns. Orbis Group becomes stronger and stronger thanks to its consistent and sustainable strategy.

PRESENTATION OF THE ORBIS GROUP



Mercure Wrocław Centrum

2 PRESENTATION OF THE ORBIS GROUP

2.1 Orbis Group at a Glance

“Our ambition is to strengthen our position as the leading, best performing and valued hospitality Group in Eastern Europe”

We create shareholder value shaped by three imperatives: product improvement, further expansion of the hotel network and deploying development projects. These three strategic objectives define all of our thinking – from investment to talent management.

Our objectives comprise product improvement, further expansion and deploying development projects...

We focus on strengthening our portfolio of brands to put us in a position to cater for customers' needs and changing behaviour patterns and life styles more effectively. We execute the network development strategy both through franchise and management contracts as well as own projects. We want to create an efficient, modern and dynamic organisation delivering solid growth in profitability.

We leverage innovation to increase our operational excellence. In the era of digitalisation and globalisation hotel guests all around the world appreciate digital conveniences as much as the location of the hotels, service standard or room ambience. We focus on the food & beverage business - one of strategic priorities in the development of the Orbis Group.

Human factor is central to the hospitality industry. We put strong accent on management culture & human capital, as well as sustainability, ethics and corporate social responsibility.

Our expertise and strong position in the hospitality business allow us to face new challenges to continue the development of the Orbis Group in the region in a sustainable manner.

Our business model

We represent strong brands that are recognisable around the world: Sofitel, Pullman, MGallery, Novotel, Mercure, ibis, ibis Styles and ibis budget.

Upscale and luxury hotels

SOFITEL
HOTELS & RESORTS

PULLMAN
HOTELS AND RESORTS



Midscale hotels

NOVOTEL
HOTELS & RESORTS

Mercure
HOTELS

Economy hotels



Our markets

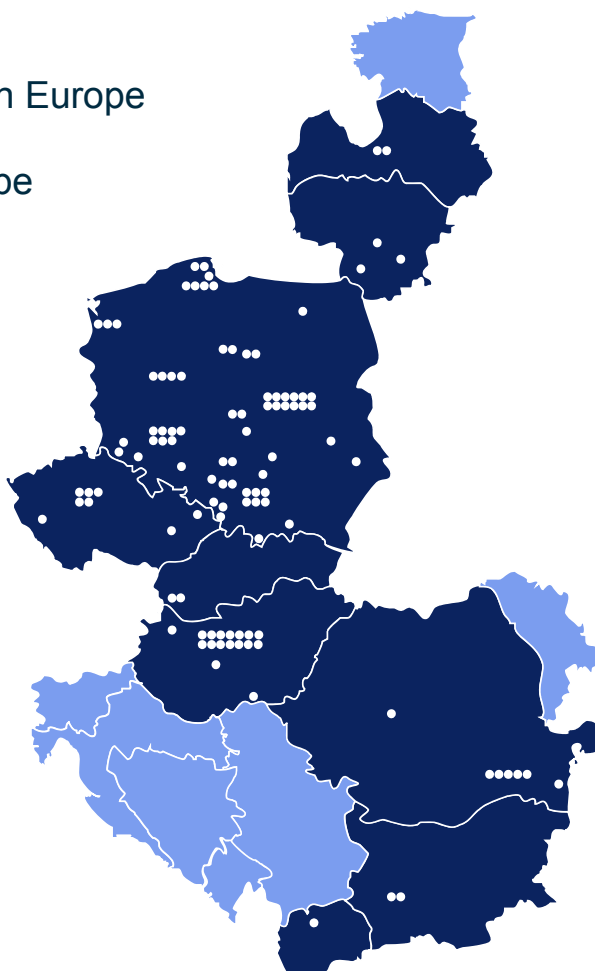
Orbis is the largest hotel operator in Eastern Europe, operating in 9 countries with a potential to expand into further 7 countries of the region. We are the sole licensor of Accor brands in 16 countries including Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Macedonia, Moldova, Montenegro, Poland, Romania, Serbia, Slovakia and Slovenia.

98 hotels in Central & Eastern Europe

10 hotels in South East Europe

9 hotels in the Baltic States

1/3 of our sales
is generated
outside Poland



Highlights of the first half of 2017

PLN 679.5 m (+6.2%)
net sales

PLN 104.8 m (+23.5%)
profit before tax

9.4% RevPAR growth

Financial performance is discussed on pp. 22-37 of the Report.

Our brands



**In the Orbis Group: 4 hotels,
1.0 thousand rooms**

Authentic luxury hotels with a French soul

International luxury non-standardised brand. Hotels combining French origin with the best of local culture. Designed by renowned architects who imbue them with French style and elegance.



**In the Orbis Group: 2 hotels,
360 rooms**

Connecting performance with enjoyment

International upscale brand. High quality designer hotels. Located in major cities and most attractive tourist destinations. Offer a wide array of non-standard services, innovative technologies and a new approach to meetings with the Co-Meeting offer.



**In the Orbis Group: 2 hotels,
250 rooms**

Luxury boutique hotels, inspired and generous

International upscale non-standardised brand. Boutique hotels that offer luxury stays including theme weekends, seminars, business trips. Each hotel is inspired by an ancient or contemporary story.



**In the Orbis Group: 22 hotels,
5.1 thousand rooms**

Modern Easy Living

International midscale standardised brand. At Novotel, everyone is free to live as they want. Modern hotels designed to cater for the needs of businessmen and families with children alike. Our unique approach to hospitality, one that is built on simplicity and elegance, is loved the world over.



In harmony with people and places

**In the Orbis Group: 31 hotels,
5.4 thousand rooms**

International midscale non-standardised brand. Combines the strength of an international brand and guaranteed quality standards, with a laid-back atmosphere typical of personalised hotels. Hotels located in city centres and seaside or mountain resorts.



Well-being at the best price

**In the Orbis Group: 34 hotels,
5.1 thousand rooms**

European leader in the economy hotel segment. Standardised brand. Modern rooms furnished with comfortable beds. A wide selection of restaurants of different styles. Focus on the quality and the environment.



Comfort, unique design, all inclusive

**In the Orbis Group: 13 hotels,
1.4 thousand rooms**

International non-standardised brand. Majority of hotels operated under a franchise agreement. The offer is addressed at persons travelling alone or on business as well as at families and tourists. In addition to the room, the offer includes breakfast, Wi-Fi access and numerous additional services.



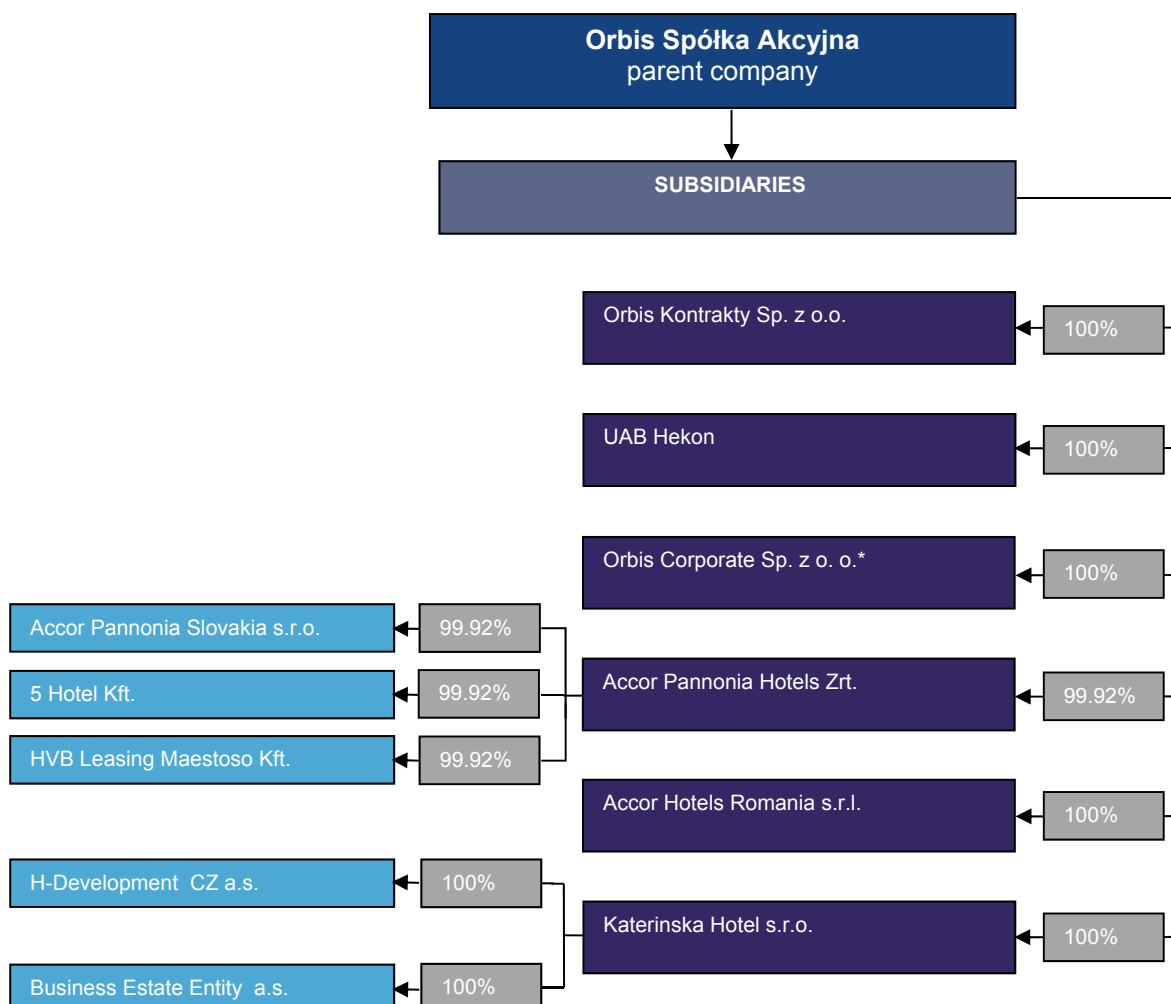
Essential comfort at a budget price

**In the Orbis Group: 9 hotels,
1.2 thousand rooms**

International standardised brand. Modern, simple design. Comfortable Cocoon rooms for 1-3 persons with shower and flat screen TV, Wi-Fi network and all-you-can-eat self-service breakfast buffet.

2.2 Structure of the Orbis Group

On June 30, 2017, the structure of the Orbis Group was as follows:



* Company excluded from consolidation, it does not pursue business activities

On January 1, 2017, a merger of subsidiaries, i.e. Katerinska Hotel s.r.o. (merging company) with Nový Smíchov Gate a.s. (merged company) took place. As at that day, Katerinska Hotel s.r.o. took over the rights and obligations of Nový Smíchov Gate a.s., which was removed from the register of companies.

On January 2, 2017, the subsidiary Accor Pannonia Hotels Zrt. acquired from Erste Group Immorent Holding GmbH with its registered address in Vienna and Subholding Immorent GmbH with its registered address in Vienna a share representing 100% of the share capital in 5 Hotel Kft. with its registered address in Budapest.

Moreover, on May 29, 2017, the subsidiary Accor Pannonia Hotels Zrt. executed with Universale International Realitäten GmbH with its registered address in Vienna an agreement for the purchase of 100% stake in HVB Leasing Maestoso Kft. with its registered address in Budapest.

2.3 Companies of the Orbis Group

Operations in Poland

In Poland, the hotel business is pursued by Orbis S.A.

As at June 30, 2017, the Group had 71 hotels with 12 143 rooms on the Polish market. Cities with the largest number of hotels included:

- Warsaw – 12 hotels,
- Wrocław – 8 hotels,
- Kraków – 7 hotels.

Moreover, the company Orbis Kontrakty Sp. z o.o. operates on the Polish market, dealing with organisation of purchasing for the Group's hotels.

Operations in Hungary

In Hungary, the Orbis Group has three subsidiaries:

- Accor Pannonia Hotels Zrt.
- 5 Hotel Kft.
- HVB Leasing Maestoso Kft

The first of these companies is a hotel operator, operating 17 hotels with 3 270 rooms, including 14 hotels in Budapest as at June 30, 2017.

The remaining two companies, acquired in 2017 by Accor Pannonia Hotels Zrt., are owners of hotel properties, which until the acquisition date were leased by the Hungarian subsidiary Accor Pannonia Hotels Zrt.

Operations in the Czech Republic

In the Czech Republic, the Orbis Group has three subsidiaries:

- Katerinska Hotels s.r.o.
- H-DEVELOPMENT CZ a.s.
- Business Estate Entity a.s.

Until January 1, 2017, the Group also included the company Nový Smíchov Gate a.s., which merged with Katerinska Hotels s.r.o.

The first of these companies is a hotel operator, the other two companies are involved in real property rental and servicing.

As at June 30, 2017, the Group had 8 hotels with 1 351 rooms on the Czech market. 5 hotels operate in Prague.

Operations in other countries

In other countries, the following subsidiaries are engaged in hotel business:

- Accor Hotels Romania s.r.o. with its corporate seat in Bucharest,
- Accor Pannonia Slovakia s.r.o. with its corporate seat in Bratislava,
- UAB Hekon with its corporate seat in Vilnius.

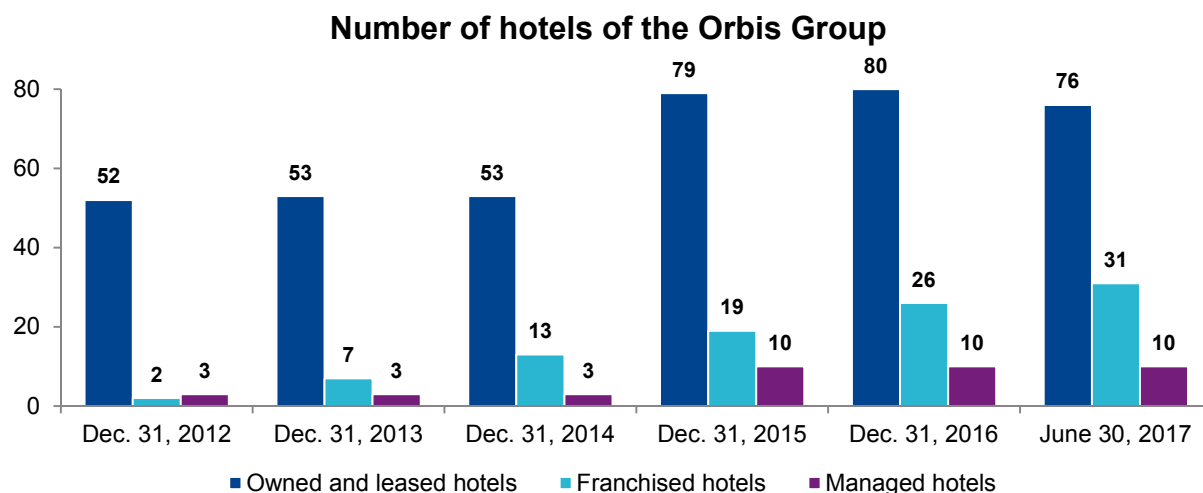
As at June 30, 2017, the network of Orbis hotels located in other countries of the region comprised:

- Romania: seven hotels offering 1 335 rooms in total; five hotels, including a Pullman hotel, operated in Bucharest,
- Lithuania: five hotels, including two in Vilnius, with a total of 567 rooms,
- Latvia: four hotels in Riga, with 498 rooms in aggregate,
- Bulgaria: two hotels in Sofia, with 262 rooms,
- Slovakia: two hotels located in Bratislava, with a total of 295 rooms,
- Macedonia: one hotel in Skopje, with 110 rooms.

Financial results and operating ratios of individual countries are presented in Section 4.3.

2.4 Hotel portfolio of the Orbis Group

The Orbis Group is the largest hotel operator in Poland and in the Central & Eastern Europe. As at the end of June 2017, the Group's network comprised a total of 117 hotels with nearly 19.8 thousand rooms. The majority of these hotels (71 establishments) operate in Poland.



Hotel portfolio	Jun. 30, 2017	Dec. 31, 2016	Jun. 30, 2016	Jun. 30, 2017 / Dec. 31, 2016	Jun. 30, 2017 / Jun. 30, 2016
Number of hotels, of which:	117	116	114	0.9%	2.6%
Owned and leased hotels	76	80	79	-5.0%	-3.8%
Managed hotels	10	10	10	0.0%	0.0%
Franchised hotels	31	26	25	19.2%	24.0%
Number of rooms, of which:	19 831	19 741	19 403	0.5%	2.2%
Owned and leased hotels	14 752	15 312	15 092	-3.7%	-2.3%
Managed hotels	1 571	1 571	1 571	0.0%	0.0%
Franchised hotels	3 508	2 858	2 740	22.7%	28.0%

Change in the number of owned and franchised hotels in the first half of 2017 is the result of sale and franchise-back transactions relating to the following hotels:

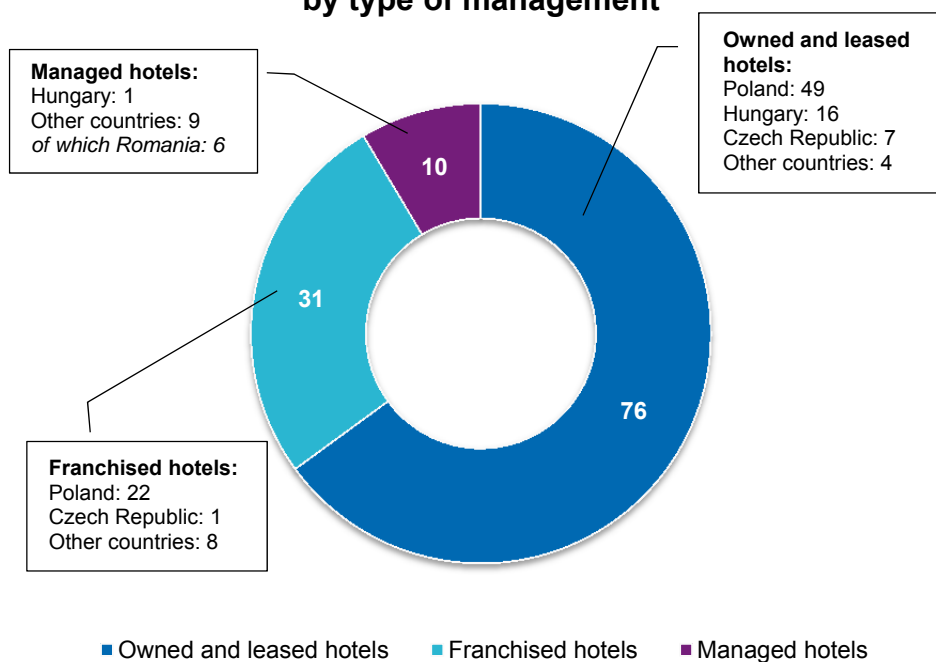
- Mercure Częstochowa Centrum (launch of operations as a franchised hotel as of February 2017)
- ibis Częstochowa (launch of operations as a franchised hotel as of February 2017)
- Mercure Jelenia Góra (launch of operations as a franchised hotel as of April 2017)
- Mercure Karpacz Resort (launch of operations as a franchised hotel as of April 2017)

and the opening, in April 2017, of a franchised ibis Styles hotel in Grudziądz.

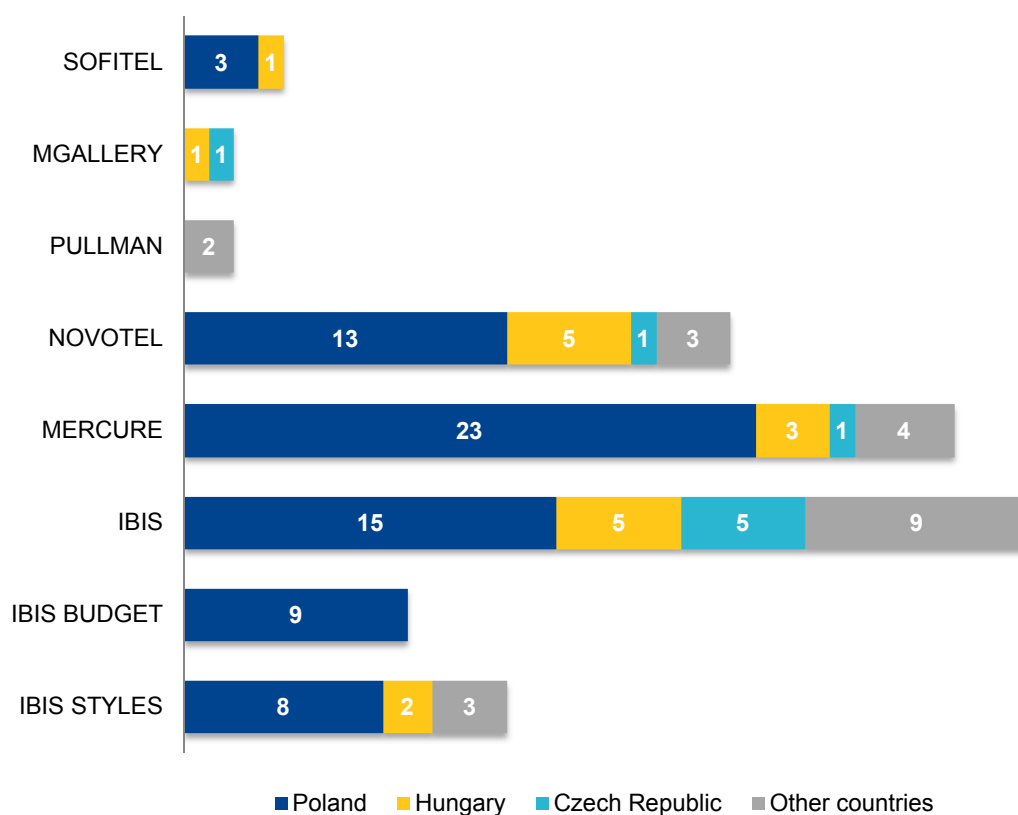
Change in the number of hotels as compared to June 30, 2016, was additionally caused by:

- a) the sale and franchise-back transaction of the Mercure Opole hotel (launch of operations as a franchised hotel as of December 2016),
- b) new hotel openings:
 - ibis Gdańsk Stare Miasto (August 2016)
 - Mercure Kraków Stare Miasto (September 2016)
- c) launch of operations in ibis Styles Nowy Sącz hotel under a franchised agreement (as of July 2016),
- d) termination of franchise cooperation with Mercure Wisła Patria hotel (termination of the agreement as of November 30, 2016).

Number of hotels in the Orbis Group by type of management



Number of hotels in the Orbis Group per brand



2.5 Directions of the Orbis Group's development

A diversified portfolio of brands, from economy to luxury, boosts our growth on the attractive Eastern European market. The dynamic development of the Orbis Group results directly from the pursuance of key objectives of the Group's strategy. The strategy is founded on three basic pillars:

- Focus on advancement of operating performance:
 - ▶ Growing RevPAR
 - ▶ Maximising EBITDAR margin
- Allocation of capital to the most promising markets and brands.
- Responding to our guests' needs and building our success on talented employees. We are a CSR trendsetter in the hospitality industry.

Only full achievement of each of the above goals, coupled with a dynamic expansion in the region, determines the Group's ability to generate higher and higher value for Shareholders.

Hotel acquisitions in Eastern Europe: a new era in the Group's development

The year 2015 was a breakthrough period in the Group's history. Orbis executed an agreement for the purchase of a network of 38 operating hotels in Eastern Europe and concluded the Master License Agreement with its strategic partner AccorHotels and companies from its group, which has given the Orbis Group the right to pursue hotel business under the AccorHotels brands until 2035, in the following 16 countries: Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Lithuania, Latvia, Macedonia, Moldova, Montenegro, Poland, Romania, Serbia, Slovakia and Slovenia. This right has been given to Orbis on an exclusivity basis, for a minimum term of 10 years.

This transaction fitted perfectly into the Group's strategy, contributing to a considerable intensification of its development in the region. Orbis markedly expanded the scope of its business activity: from nearly 70 hotels as at the end of 2014, located predominantly in Poland and partly in the Baltic countries, to over 120 hotels in the Eastern European region at the end of 2016.

Portfolio: asset management

In line with the adopted strategy, the Orbis Group expands by both entering into franchise and management agreements and by deploying own development projects in business hubs and capital cities of the Eastern Europe. Presently, the Orbis network comprises more than 120 hotels that operate in 9 countries of Eastern Europe. As the sole licensor of all AccorHotels brands in 16 countries of the region, Orbis has a great potential to expand further, including markets in 7 countries where AccorHotels brands are not present yet.

As envisaged in its development plans, Orbis monitors potential projects in terms of maximising return on investment, focusing on key geographical locations, mainly in city centres. Furthermore, the Group analyses hotel lease agreements and contemplates potential buy-back transactions. At the same time, the Group considers transactions of sale of assets of least significance for the Group with an aim to accelerate the development based on highly profitable investments in own hotels.

The expansion of the hotel network through own projects and optimisation of the structure of assets, also in terms of type of ownership, creates a need to secure proper sources of financing. The Orbis Group endeavours to maintain debt at a safe level.

Direction: operational excellence

The cornerstone to the Orbis Group's success is its striving for operational excellence by putting in place a business management model based on innovative, effective and practical solutions. Thanks to its ability to understand customers' expectations as regards services provided by the hotels, Orbis focuses its efforts on perfecting major areas of its business, all while putting guests' needs in the focus of its attention.

Whilst striving for operational excellence, the Orbis Group not only modernises its hotel portfolio but also implements state-of-the-art solutions in all areas of its operations. Operating on numerous markets, the Orbis Group achieves synergy in terms of:

- Implementing state-of-the-art technologies and solutions such as e-check-in and e-check-out, virtual concierge and electronic check-in and check-out (Welcome project),
- Promoting loyalty programmes, such as Le Club AccorHotels, the programme with over 1 million members in Eastern Europe (Le Club AccorHotels is a 100% Internet-based programme with all the benefits available on-line; each member may manage his/her preferences, check bookings, select rewards and take advantage of personalised offers at preferential prices),
- Implementing best practices and solutions in the area of Revenue Management, common order management system, reporting system and internal control system,
- Promoting the latest F&B concepts (Orbis has innovated the Winestone and NOVO² restaurant networks, concepts based on dynamically evolving trends in interior design and menu).

People and CSR: sustainable development leader in the region

As the leader of the hospitality sector in Eastern Europe, Orbis aspires to be a trendsetter in sustainable development and ethics in the hotel market in this region.

Managing diversity of employees who act as the Group's Ambassadors on a daily basis, streamlining consumption of energy and water, green investments, taking major social initiatives in Poland such as protection of children against abuse and effective, long-term assistance for young people at risk of social exclusion are just a few examples proving that "sustainable development" and "ethics" are not groundless declarations of Orbis.

Planet 21 is a key programme implemented in the Orbis Group hotels, while the Ethics & CSR Charter offers guidelines and principles concerning the development of desired attitudes stemming from ethical values applicable in the Group. The objective of the Charter is to set out principles of cooperation both within the Group and in its relations with key stakeholders.

Presently, sustainable development and observance of principles of ethics in pursued business determine the development of companies, and the non-financial perspective is gaining on significance. Orbis' stakeholders - starting from employees, through shareholders, and ending with business partners, analysts and customers - expect transparency and reliability that Orbis wishes to deliver.

FACTORS IMPACTING THE GROUP'S OPERATIONS



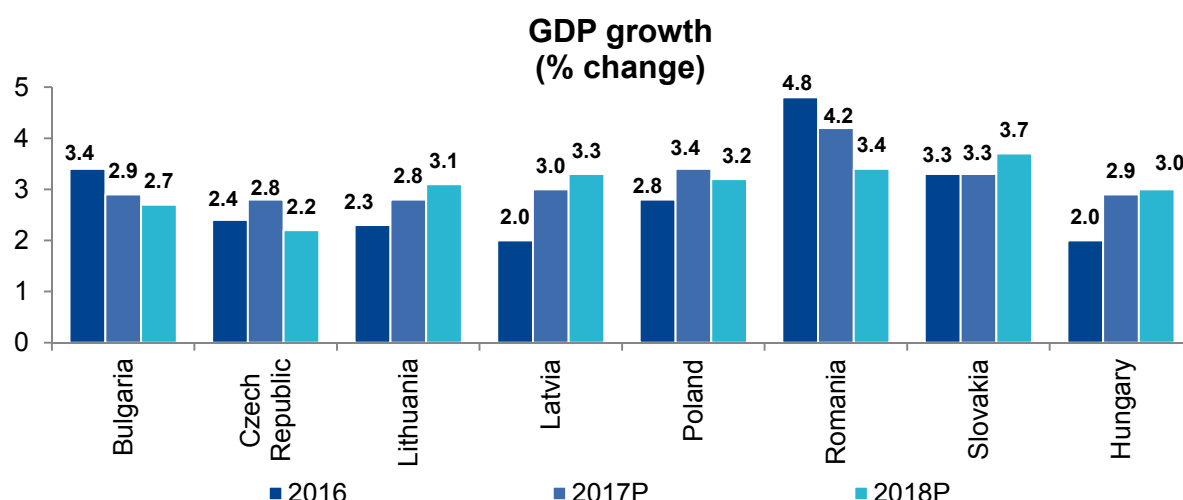
Mercure Budapest
City Center

3 FACTORS IMPACTING THE GROUP'S OPERATIONS

3.1 Macroeconomic Environment

Upward business trend

The positive trend in the economy accelerated in the fourth quarter of 2016 and continued to last during the first half of 2017. The acceleration of the business environment in the region of the Central and Eastern Europe is attributable to, among others, strong private consumption supported by favourable pace of wage growths. Revival of foreign trade supported by growth in the Euroland also boosted the lasting business growth. The projected average GDP growth in the Central and Eastern Europe in 2017 totals 3.2% and is driven by private consumption, growth of exports and investments. The uncertainty surrounding the economic boom in the world remains a risk factor for the further economy growth.



Source: International Monetary Fund, World Economic Outlook, April 2017 (2017 – 2018 projection)

High turnover of the manufacturing sector in Poland and in the region

The PMI index that measures the economic trend remains positive. In Poland the PMI index was at 53.1 at the end of June 2017. In the Czech Republic and Hungary, the PMI index remains well above 50 points (at 56.4 and 57.2, respectively), indicating an increase in industrial turnover. The revival has been fuelled by the inflow of export contracts as a result of trend improvement in Europe (the PMI index in Euroland rose to 57.3 in June, i.e. which is its highest in 73 months).

Improvement in the labour market

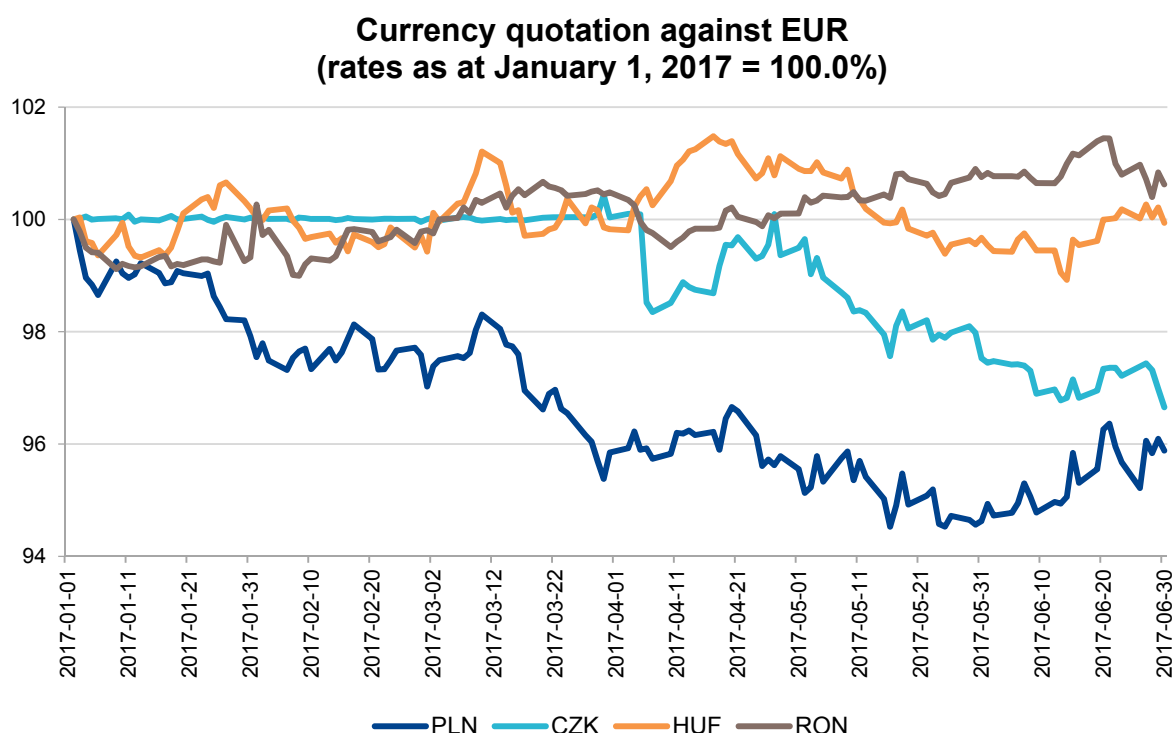
In the majority of countries in the region, a clear decline in the unemployment rate was observable as compared to the corresponding period of the past year, which translated into single-digit rates of unemployment. The unemployment rate in some economies (i.e. in Poland, the Czech Republic, Romania and Hungary) has reached their historical bottom levels in recent months. Due to low unemployment and staff shortages, employers must increase salaries to attract and retain employees, which to date was partially halted by an inflow of employees from Ukraine and by other factors.

Inflation above expectations

The inflation rate in Poland exceeded 2% at the beginning of the year and then stabilized below this level. Price pressure seems to be under control and should remain below the inflation target of 2.5%. The inflation rate was at 1.5% at the end of June. Likewise, low CPI indexes of 0.5% and 2.4% respectively were reported in Hungary and the Czech Republic.

Currency appreciation against the EUR

Improvement of economic sentiment has positively influenced the level of currencies in the region. In the first months of 2017, we have observed a significant appreciation of the Polish Zloty against the Euro, boosted by positive consumer sentiment and lesser investor concerns for domestic economic policy. At the end of June 2017, the PLN/EUR rate was around PLN 4.25. We also witnessed a significant strengthening of the Czech koruna against the euro in the second quarter. Fluctuations of other currencies against the EURO were not significant.



Source: Thomson Reuters

Forecasts reveal stabilized economic growth

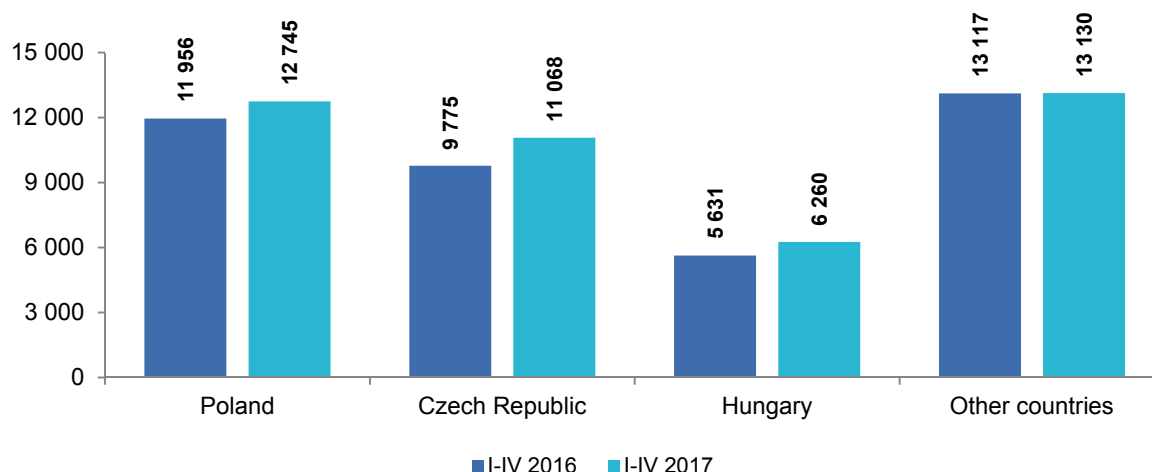
GDP growth forecasts for the years to come remain positive for the countries in which Orbis operates and run around 3.2% on average. An important factor contributing to the positive trend is demography, which will exert pressure on the labour market. Despite rising salary pressure, signals of economic recovery accompanied by very good sentiment in the industry are prevalent across many economies. Strong current consumption remains an important growth factor in 2017, as revealed by retail trade data and investment growth.

3.2 Hotel market – positive trends

The continued positive trend in the hospitality industry is attributable to several factors, including amongst others favourable macroeconomic conditions and the shift towards more affluent economies, major improvement of transportation infrastructure (mainly in Poland) and conference infrastructure as well as increased local government commitment to promoting tourist destinations which boosts tourist traffic. Some of these changes are structural changes that will support these positive trends in the industry in the years to come.

In the first half of 2017, operating ratios of hotels in major cities of the Central and Eastern Europe improved as compared to the past year. Both the Occupancy Rate and Average Room Rate rose in the capitals of most countries where the Orbis Group operates.

Number of rooms and nights spent in hotels and similar establishments (in PLN thousand)



Source: Eurostat

From among the cities, where Orbis Group hotels are located, the highest increase in Occupancy Rate as compared to the past year was reported in Budapest (+5.6 pp as compared to the first half of 2016). It is attributable to the growing attractiveness of this city as a tourist destination in the light of uncertain situation in the Western Europe. Considerable increases in Occupancy Rates have also been reported on the Prague market (+4.8 p.p. compared to the corresponding period of the previous year). In the first half of 2017, the highest Occupancy Rates have been achieved by hotels in Warsaw, Budapest and Prague (above 70%).

In the reporting period, the average room rates in the region went up as well. The sharpest year-to-year increase was observed in Warsaw (+12.8%) and Poznań (+10.0%) .

The steepest increase in RevPAR at the level of 17.5% was reported in Sofia (a result of relatively high price and occupancy). Among the Eastern Europe cities, where the Group operates, a high RevPAR was reported in hotels in Budapest, Prague and Warsaw.

3.3 People and Social Responsibility (CSR)

In the first half of 2017, the Orbis Corporate Social Responsibility Report, i.e. a report presenting the Orbis Group's non-financial results for 2016, was compiled. Being the largest hotel network in Eastern Europe, Orbis has published a document that presents the social and environmental footprint of the business conducted by companies of the Orbis Group. The report can be downloaded from the following website: <http://www.orbis.pl/relacje-inwestorskie/raporty-pozafinansowe>. Together with the financial results, this report presents the full picture of the Orbis Group business. The report was compiled based on recognized international reporting Global Reporting Initiative (GRI G4) guidelines. This type of reporting is required of large companies under the amended Accounting Act, however, this requirement will apply to reports from 2017 onwards. Thus the Orbis Group acts ahead of legislative requirements and market expectations. Notably it is the first report of this type in the hospitality industry in Poland and in this part of Europe.

Along with the growth in importance of non-financial factors, sustainable development and ethical issues have gained in prominence in the Orbis Group. New regulations are introduced and commitments are made under the Planet 21 strategy. Orbis group stakeholders, i.e. employees, shareholders, business partners, investors, analysts and clients expect sensitivity to current social problems and environmental responsibility of our Company.

On the people side, in the first half of 2017 Orbis was focused on attracting and retaining the best talents and supporting its employees in the era of digitalisation and cultural transformation of the entire Company. Training programs aimed at continuing and completing the corporate culture transformation, such as the "Happy Guest Come Back" or the "Heartist" program (a new cycle of workshops sensitising employees to empathy, authenticity or hearty approach to guests) were continued. As regards its food&beverage strategy, Orbis also invested in broadening the professional prospects of young chefs through the "Culinary Excellence" program – close to 100 participants (chefs, external experts and young talents from vocational schools across Poland) attended a series of workshops lasting from January till June 2017. Given the popularity and business success of the "Culinary Excellence" program, it will be expanded and continued.

In the first half of 2017, the Women At AccorHotels Generation (WAAG) network in the company that at present comprises more than 230 members in Orbis Group, ran a successive series of workshops on development of soft skills and continued the mentoring program for Orbis Group employees in Poland, the Czech Republic, Romania and Bulgaria. In March 2017 in Poland, more than 20 participants began a successive women empowerment workshops, which are the driver of further professional success for WAAG members. At present, 40% of hotel general managers in the Orbis Group are women and the Company spares no effort to maintain the gender balance in amongst its top management.

Furthermore, Orbis has equipped 40 hotels with defibrillators. The "Hotel with a Heart" program has been launched across Poland by the Orbis Group to increase guest safety and to thus fulfil this important mission of corporate social responsibility. Automated External Defibrillators (AEDs) have been placed in central, publicly accessible areas in hotels to minimize incident witness response time.

Committed to child protection policy, with the support of the "Empowering Children Foundation" („Dajemy Dzieciom Siłę”) (formerly the "Nobody's Children Foundation" „Dzieci Niczyje”), in the first half of 2017, trainings were organised for hotel employees in Poland and Lithuania. In April 2017, in the Novotel Vilnius in Lithuania, the President of Orbis S.A. together with a representative of the local *Paramos vaikams centras* foundation signed a Code of Conduct counteracting the abuse of children in tourism. Thus, the policy of protecting children against sexual abuse, which the Orbis Group and AccorHotels have initiated in the Eastern Europe, already operates in 6 countries of the region.

On the environmental side, Orbis continued the "Plant for the Planet" program in two countries – in Romania through the cooperation with Mihai Eminescu Trust foundation (the reforestation program thanks to which the 2 millionth tree was planted in Transylvania in June 2017) and in Poland in cooperation with the AgriNatura foundation, thanks to which 10 000 organic fruit trees of traditional Polish varieties (such as the "kosztela" variety) have been planted, thus bringing substantial help to farmers owning small parcels of lands who decided to cultivate bio farming that became the only source of income for the family. Moreover, during the period from January to June 2017, under the "Healthy & Sustainable Food Charter" program, the management made successive decisions focused on objectives such as downsizing food waste (by 30% by the end of 2020). In the Novotel Warszawa Centrum hotel and the Sofitel Budapest Chain Bridge, systems supporting the minimisation of generated food waste have been installed. The first results are promising. For instance, the Novotel Warszawa Centrum hotel generated savings of PLN 130 000. Moreover, in the food and beverage area, the company launches successive step by step changes aiming at preference of local suppliers, promoting products obtained from ecological and sustainable farming.

In April this year, Orbis S.A. was the only tourism company in Poland to be honoured and invited by the UN World Tourism Organization to participate in the International Congress on Ethics and Tourism. Furthermore, in the presence of Mr. Taleb Rifai, the Secretary General of the UN WTO, Orbis signed "The Code of Ethics for Tourism" – a document that obliges the Company to promote 10 principles of sustainable tourism listed in the Code.

3.4 Human resources

In the first half of 2017, the average employment in the Orbis Group stood at 4 000 full time equivalents, having risen by 3.7% compared to the same period of last year.

Average employment (in full-time equivalents)	1st half of 2017	1st half of 2016	% change
Poland	2 592	2 500	3.7%
Hungary	928	884	5.0%
Czech Republic	221	212	4.2%
Other countries	259	261	-0.6%
Total	4 000	3 857	3.7%

In the 1st half of 2017, the Orbis Hotel group completed over 2 617 training days for nearly 2 210 employees (3 757 participants) in the form of both traditional and e-learning training courses.

3.5 Factors to affect the Orbis Hotel Group's operations in the second half of 2017

The hotel market in the Central and Eastern European region has been developing dynamically for a number of years now and still has good growth prospects. It is estimated that the growth of the hospitality industry ratios observed in recent years which depict the condition of the hotel market, such as the Occupancy Rate, the Average Room Rate, and the Revenue per Available Room, will be continued. Forecasts indicate that the Room Rate should be the key driver of growth in 2017.

Macroeconomic factors

The hotel market is strongly correlated with economic trends. The macroeconomic forecasts are optimistic for the hospitality industry in the coming months. The GDP is forecasted to grow in 2017 versus the 2016 level in the majority of the countries, in which the Group operates its hotels.

The continued growth of the economy will be conducive to the growth in the demand for labour, resulting in a low rate of unemployment. Furthermore, lowering of the retirement age in Poland beginning from October 2017 will translate to a decrease in the number of citizens who are active in the labour market, making it increasingly difficult to find the right employees. Strong entrepreneurial demand for labour combined with its declining supply will fuel salary growths in Central and Eastern Europe.

Further improvements in the labour market and the implementation of the 500+ Family Program ("Rodzina 500+") should contribute towards increased consumption and improved household sentiment as well as boost the propensity to travel.

Poland and other countries of the Central and Eastern Europe are an attractive destination for Western European tourists for a number of reasons. Apart from the relatively low prices in these countries, the development of tourism and improvement of transportation infrastructure in the form of new roads, railway connections and cheap flights will be the driving factor of tourist inflow. The growth in the hotel market of the Central and Eastern Europe is also correlated with the entire region being perceived as safe in the face of continued economic and political uncertainty and terrorist threat in the Western Europe.

The propensity to travel will also be impacted by a range of cultural and sporting events. In 2017, a number of prestigious events will take place in the largest cities of the Central and Eastern Europe. In the third quarter, Poland will host the Men's European Volleyball Championships 2017. The tournament will be held in Poland's largest cities: Gdańsk, Katowice, Kraków and Szczecin. In July Wrocław organised The World Games 2017 and in October the prestigious world music fair, namely the WOMEX World Music Expo, will take place in Katowice. The Tour de Pologne will be held at the turn of July and August. On the other hand, in the third quarter Budapest will host two

large sporting events: 2017 World Judo Championships and the FINA World Championships; the Formula 1 Grand Prix race will traditionally take place in August.

Furthermore, the sound condition of companies in Europe boosts the demand for hotel services, which translated into a growth of the segment of corporate guests and improvement in the MICE segment in the first half of 2017 as compared to the past year. This trend is forecasted to continue in the following months.

Portfolio management

Asset management and development of the Group's hotel portfolio is an important pillar of its strategy. In the coming months of 2017, the Group will continue its efforts to increase its market share. The Group has already launched works related i.e. to the construction of new hotels, namely the ibis Styles Warszawa Centrum hotel and the ibis budget Gdańsk Posejdon hotel; the investment process related to the construction of a new ibis Styles Szczecin hotel and ibis hotel in Vilnius has started as well. Moreover, modernisation works are progressively carried out in hotels of the Group.

In order to optimize the hotel portfolio, the Group focuses on high-return investments, at the same time executing sale and franchise-back transactions of hotels of non-strategic importance for the Group.

Furthermore, to optimize the hotel business by eliminating lease-associated costs, a buy back transaction of five leased hotels in Hungary operating under the Mercure, ibis and ibis Styles brands was finalized at the beginning of January. In June 2017, the Sofitel Budapest Chain Bridge hotel buy back transaction took place (description in Section 4.8).

The Group also intends to continue its expansion based on the asset light model. In the first half of 2017, the Group signed 7 franchise and management agreements (940 rooms in aggregate). The "asset light" development of the Orbis Group will expand the Group's portfolio to include hotels operating in Poland (ibis Styles Warsaw City and MGallery by Sofitel Wrocław) and Romania (Mercure Sighisoara and ibis Bucharest) and facilitate the Group's entry into two new markets – Bosnia and Hercegovina (Novotel Sarajevo and MGallery by Sofitel Tarcin Forest Resort) and Serbia (Mercure Balgrad). The development plan of the Orbis Group provides for the inclusion of almost 40 new hotels operating on the basis of franchise and management agreements into the network by the year 2020. Agreements of this type boost the presence of our hotel brands across countries of the Central and Eastern Europe without the need to invest capital in the hotel construction and maintenance.

Competition in the hospitality market

The continually growing number of arrivals to Central and Eastern European countries, both for tourism as well as for business, persuades investors to continue investing their capital in the hospitality market. Further growth in supply on the hotel market, which will intensify the increasing competition, particularly in terms of prices, is expected in 2017. It is anticipated that the highest investment activity will be observable in Warsaw and in Budapest due to the attractiveness of these cities in terms of tourism and business as well as due to their opportunities of spatial development for hotel investments (limited in the case of, for instance, Prague). Many new hotel facilities are built in Poland and other countries in the region, including hotels to operate under well-known international brands. The share of branded hotels is increasing throughout Central and Eastern Europe as a result of the recent intensive franchise development. Hotels will face increasing competition from serviced apartments and new style hostels.

Basic risks and threats viewed as factors of significance for the development of the Group are described in Section 5.

FINANCIAL RESULTS OF ORBIS GROUP



ibis Styles Grudziądz

4 FINANCIAL RESULTS OF ORBIS GROUP

4.1 Important events of the first half of 2017

The most important events of the first half of 2017 which affected the financial information of Orbis Group include:

Mercure Jelenia Góra Hotel and Mercure Karpacz Resort Hotel sale transactions

On March 31, 2017, executing the preliminary sale agreement dated January 9, 2017, Orbis S.A. executed the final sale agreement of organized parts of the enterprise, namely the "**Mercure Jelenia Góra**" hotel and the "**Mercure Karpacz Resort**" hotel for the total net price of PLN 26 500 thousand.

Starting from April 1, 2017, the Mercure Jelenia Góra hotel and the Mercure Karpacz Resort hotel continue their operations under the "Mercure" brand basis on the long-term franchise agreements executed by Orbis S.A. and the buyer.

Buyback agreement of 5 leased hotels by subsidiary Accor Pannonia Hotels Zrt.

On December 23, 2016 Orbis' subsidiary, Accor Pannonia Hotels Zrt. with its registered address in Budapest, executed with Erste Group Immorent Holding GmbH with its registered address in Vienna and Subholding Immorent GmbH with its registered address in Vienna (the sellers) a buyback agreement of the following five hotels (real properties): **Mercure Budapest Korona, ibis Styles Budapest Center, ibis Budapest City, ibis Budapest Centrum and Mercure Budapest Buda**, operated under Accor brands by the Hungarian subsidiary company on the basis of lease agreements.

The buyback transaction was executed by way of acquisition by Accor Pannonia Hotels Zrt. from the sellers of interest representing 100% of the share capital in **5 Hotel Kft.** with its registered address in Budapest (the owner of the above hotels). The final 5 Hotel Kft. net acquisition price totalled EUR 65.9 million. This price is adjusted (by EUR 1.8 million) pursuant to the buyback agreement on the basis of the financial data of 5 Hotel Kft. audited as at December 31, 2016.

Closing of the transaction (payment of the initially agreed purchase price and application for registration of the new owner in 5 Hotel Kft.) took place on January 2, 2017. The liability resulting from the price adjustment was paid on April 3, 2017. As a result of this transaction, the sum of PLN 300.9 million was recognized as assets (incl. PLN 291.9 million of property, plant and equipment) and PLN 1.7 million as liabilities.

Buyback agreement and potential disposal of Sofitel Budapest Chain Bridge hotel by subsidiary Accor Pannonia Hotels Zrt.

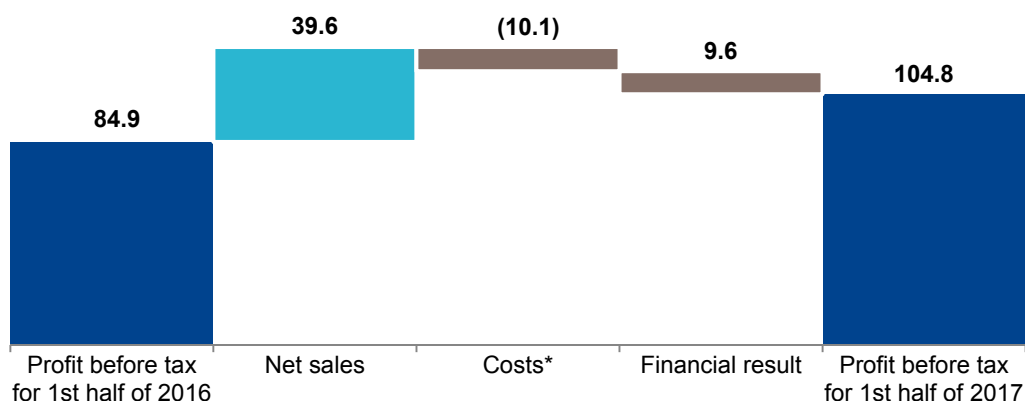
On May 29, 2016, the subsidiary Accor Pannonia Hotels Zrt. executed with Universale International Realitäten GmbH with its registered address in Vienna (the seller) an agreement for the purchase of 100% stake in **HVB Leasing Maestoso Kft.** with its corporate seat in Budapest, which is the owner of the **Sofitel Budapest Chain Bridge** hotel operated by the Hungarian subsidiary on the basis of lease agreement. The company HVB Leasing Maestoso Kft. was purchased by exercise of the hotel call option dated January 30, 2017, by the majority shareholder of Orbis S.A., i.e. Accor S.A. The net price for the purchase of the company totalled PLN 42.3 million and was paid on June 1, 2017. As a result of this transaction, PLN 179.9 million was recognised as assets (including PLN 179.6 million of property, plant and equipment classified as held for sale) and PLN 0.4 million was recognized as liabilities. More information on the transaction is provided in the current reports no: 2/2017, 18/2017 and 25/2017.

On April 12, 2017, the subsidiary Accor Pannonia Hotels Zrt. signed a letter of intent with a third-party investor interested in the purchase of the Sofitel Budapest Chain Bridge hotel. After selling the hotel, Accor Pannonia Hotels Zrt. will manage the hotel on the basis of a long-term management agreement. The sale price of the hotel, declared by the parties, amounts to EUR 76 million, with potential adjustments arising as a result of due diligence carried out by the buyer. The sale of the hotel is subject to satisfactory finalization of the negotiation over the terms and conditions of the transaction and fulfilment of conditions provided in the letter of intent, including positive result of due diligence carried out by the buyer.

4.2 Financial results of the Orbis Group

In the first half of 2017, the Orbis Group generated profit before tax amounting to PLN 104.8 million, i.e. 23.5% higher as compared to the figures for the first half of 2016.

Sources of creation of profit before tax in the 1st half of 2017



*Costs including the result from other operating activities

Income statement – analytical approach	1st half of 2017	1st half of 2016	change (%)
Net sales	679 530	639 874	6.2%
<i>Net sales „like-for-like”</i>	664 821	627 117	6.0%
EBITDAR	237 101	213 328	11.1%
Operating EBITDA	202 171	164 289	23.1%
<i>EBITDA „like-for-like”</i>	197 173	163 127	20.9%
Operating profit (EBIT) without the effects of one-off events	119 985	91 437	31.2%
Operating profit (EBIT)	121 069	91 523	32.3%
Net result from financing activities	(16 252)	(6 598)	-146.3%
Profit before tax	104 817	84 864	23.5%

Income statement – analytical approach	2nd quarter of 2017	2nd quarter of 2016	change (%)
Net sales	413 579	392 660	5.3%
<i>Net sales „like-for-like”</i>	403 463	384 109	5.0%
EBITDAR	180 196	161 905	11.3%
Operating EBITDA	164 043	137 741	19.1%
<i>EBITDA „like-for-like”</i>	159 807	136 710	16.9%
Operating profit (EBIT) without the effects of one-off events	123 459	100 486	22.9%
Operating profit (EBIT)	121 434	100 715	20.6%
Net result from financing activities	(4 460)	(447)	-897.8%
Profit before tax	116 974	100 374	16.5%

In the first half of 2017, the Group's net sales were at the level of PLN 679.5 million, i.e. rose by 6.2% as compared to figures for the first half of 2016.

Positive business trends in the countries of the Central and Eastern Europe, increased demand for hospitality services as well as numerous promotional actions and flexible pricing strategy tailored to the current conditions on each individual market, contributed to increase in the Occupancy Rate and the Average Room Rate and, consequently, the Revenue per Available Room (RevPAR) in the Group's hotels.

During 6 months of 2017, the Revenue per Available Room (RevPAR) in owned hotels¹ of the Orbis Group stood at PLN 170.2, i.e. was by 7.0% higher compared to the like-for-like figures for the first half of 2016. In the second quarter of 2017, the Revenue per Available Room in owned hotels of the Orbis Group reached PLN 214.0, i.e. it grew by 5.2% as compared to corresponding period of the past year.

Operating ratios of owned hotels	1st half of 2017	1st half of 2016	change (%)	1st half of 2017	1st half of 2016	change (%)
	as reported			like-for-like		
	Orbis Hotel Group					
Occupancy Rate (%)	69.9	67.6	2.3 p.p.	70.0	68.2	1.8 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	244.1	230.8	5.8%	243.0	233.0	4.3%
Revenue per Available Room (RevPAR) in PLN	170.7	156.1	9.4%	170.2	159.0	7.0%

Operating ratios of owned hotels	2nd quarter of 2017	2nd quarter of 2016	change (%)	2nd quarter of 2017	2nd quarter of 2016	change (%)
	as reported			like-for-like		
Orbis Hotel Group						
Occupancy Rate (%)	80.5	79.5	1.0 p.p.	80.5	80.6	-0.1 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	267.4	249.4	7.2%	265.8	252.5	5.3%
Revenue per Available Room (RevPAR) in PLN	215.3	198.3	8.6%	214.0	203.5	5.2%

A detailed list of the Orbis Group's operational ratios for the 1st half of 2017 and for Q2 2017 from various angles was attached as Appendix No. 1 to this Report.

There were no significant changes in the **structure of Group's revenue from major products and services** versus the first half of 2016. In the first half of 2017, room revenue totalled PLN 462.0 million, which accounted for 68.0% of all the Group's revenues. The room revenue increased by 7.3% as compared to the first half of the past year.

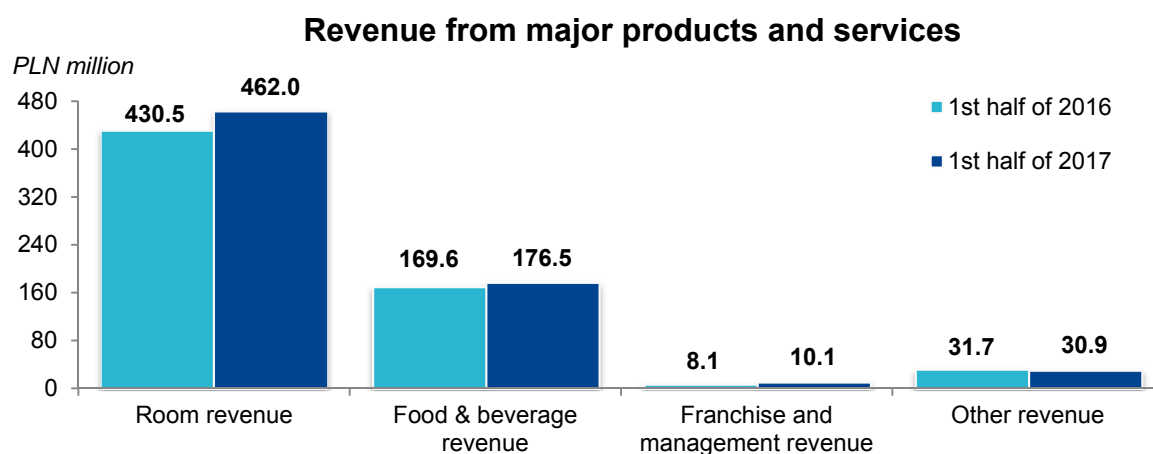
Growth in the number of guests in Orbis Group hotels had a positive impact on food&beverage revenue, which stood at PLN 176.5 million across the entire Group, accounting for 26.0% of consolidated revenues. As compared to the data for the first half of 2016, the food&beverage revenue increased by 4.1%.

Revenue from franchise and management contributed 1.5% to the Group's revenue. As compared to the figures for the first half of the past year, revenues from franchise and management grew by 24.7%. It is particularly attributable to the expansion of the Group's hotel portfolio from 25 franchised hotels as at June 30, 2016, to 31 hotels at the end of the first half of 2017.

Other revenue, comprising chiefly proceeds from real property and car park rentals, accounted for 4.5% of consolidated revenue and decreased by 2.5% as compared to corresponding period of the previous year.

¹ Incl. the results of owned and leased hotels of the following companies: Orbis S.A., UAB Hekon, Katerinska Hotel s.r.o., Accor Pannonia Hotels Zrt., Accor Pannonia Slovakia s.r.o., Accor Hotels Romania s.r.l.

In the first half of 2017 and 2016, the structure of revenue from major products and services of the Orbis Group was as follows:



The growing Occupancy Rate in the Group's hotels in the first half of 2017 versus the first half of 2016 resulted in increase in direct operating costs, although the share of individual types of costs in net sales remained unchanged as compared to the past year. The greatest increase was reported in the cost of outsourced services, mainly costs of services related to sales, which are correlated with the number of hotel guests. These services include, amongst others, supply of booking systems, servicing loyalty programs, and commissions for sales agents. Moreover, certain items of outsourced services expense, such as maintenance and repair costs, laundry and cleaning costs, advertising costs, IT and security costs, have also increased. Compared to the first half of 2016, the employee benefits' expenses also increased as a result of higher employment as well as salary and wage increases. The expense of raw materials and energy used remained at past year's level; the increase in consumption of raw materials in the food&beverage department was directly attributable to a greater Occupancy Rate in hotels resulting in greater sales of food&beverage services, which was partially offset by savings in energy consumption.

Growth in expenses was lower than the revenue growth momentum. Consequently, the Group generated **EBITDAR of PLN 237.1 million**, which translates into an increase by 11.1% versus the first half of 2016.

In the reporting period, the rental expenses went down, while depreciation and amortisation went up at the same time. It is the result of a buyback transaction of six formerly leased hotels as well as a growth in the value of assets thanks to capital expenditure incurred on new and existing hotels.

As a result of the above, the **operating EBITDA grew by 23.1% up to PLN 202.2 million**, while the **operating result excluding one-off events** amounted to **PLN 120.0 million**, i.e. improved by 31.2% against corresponding period of the previous year.

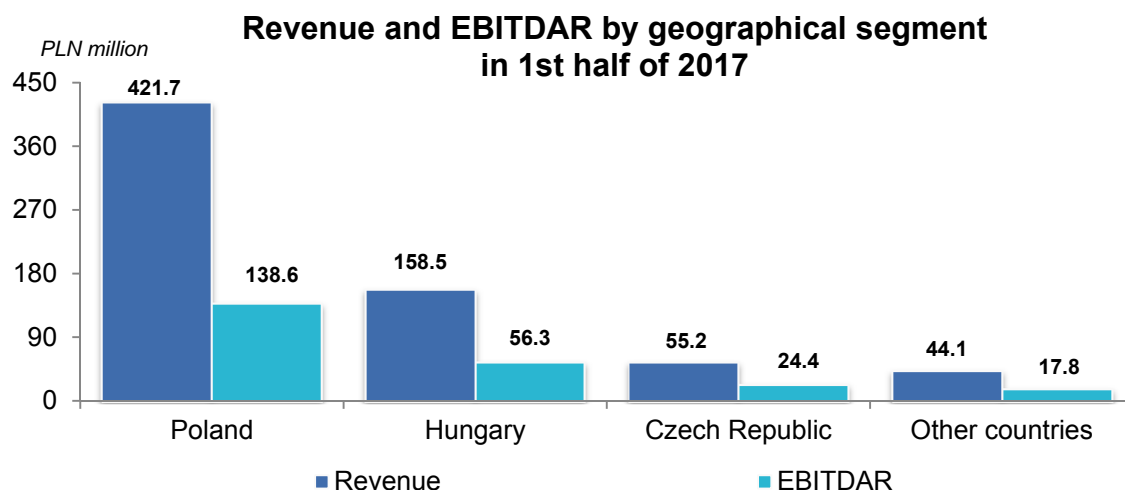
In the reporting period, the Orbis Group reported positive result of PLN 1.1 million from one-off events. Gain of PLN 3.9 million from the sale of two Mercure hotels, namely the Jelenia Góra and Karpacz Resort hotels, was reduced by restructuring costs amounting to PLN 1.8 million and costs of PLN 1.1 million incurred in connection with the buyback of leased hotels. As a result, the Group generated **operating profit (EBIT) in the amount of PLN 121.1 million** (growth by 32.3%).

During 6 months of 2017, the Group generated lower result on financing activities as compared to the first half of the past year, which was attributable to much higher than in the past year (by PLN 7.1 million) exchange rate losses on the balance of cash held and transactions in foreign currencies as well as higher interest on bonds (by PLN 2.9 million) in connection with the issue, on July 29, 2016, of additional bonds with a total nominal value of PLN 200 000 thousand.

The Orbis Group ended the first half of 2017 with a **net profit of PLN 82.3 million**, comparing to a net profit of PLN 71.4 million in corresponding period of 2016, which means an improvement of the result by 15.3%.

4.3 Geographical information

In geographic terms, the highest share to the Group's net sales was contributed by hotels located in Poland (62.1%) and in Hungary (23.3%). Net sales generated by hotels in the Czech Republic and in other countries accounted for, respectively, 8.1% and 6.5% of consolidated sales.



Poland

Financial results (in PLN million) and operating ratios of owned hotels located in Poland	1st half of 2017	1st half of 2016	% change
Net sales	421.7	404.8	4.2%
EBITDAR	138.6	129.0	7.4%
Operating EBITDA	134.6	125.1	7.6%
EBIT without the effects of one-off events	71.7	65.2	10.0%
Capital expenditure	30.7	66.3	-53.7%
Occupancy Rate (%)	68.3	67.4	0.9 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	236.2	220.8	7.0%
Revenue per Available Room (RevPAR) in PLN	161.2	148.9	8.3%
Clients: Business	75.1%	67.2%	7.9 p.p.
Clients: Leisure	24.9%	32.8%	-7.9 p.p.

Hotels operating in Poland generated net sales of PLN 421.7 million, which constitutes 62.1% of the consolidated sales for the first half of 2017. Polish hotels reported a 4.2% sales growth as compared to the corresponding period of the past year. Room revenue grew thanks to higher Average Room Rate and slightly higher Occupancy Rate.

The largest increase in the quantity of rooms sold was reported in the segment of individual guests travelling for business. It was possible thanks to a flexible pricing strategy tailored to the conditions on individual markets and the introduction of attractive business packages. The highest sales growth in this segment was reported by hotels in Warsaw, Tri-City, Kraków and Wrocław.

A major growth was also reported in the tourist groups' segment. The highest growth momentum was reported in Warsaw in March thanks to groups from Israel. Furthermore, hotels in the Kraków, Toruń and Szczecin markets also reported growths. A positive trend is also observed in the segment of corporate guests thanks to regular guests, new guests, and key account long-term projects.

In the MICE segment, the growth trend that prevailed in Q1 slowed down in Q2 due to past year's large one-off conferences, cultural and sporting events that could not be compensated in 2017 (such as events accompanying the European capital of culture in Wrocław 2016 and NATO forces accommodation in connection with the Anaconda project).

As regards food&beverage, the growth of revenues in the first half of 2017 involved predominantly revenue from breakfasts as well as from banquets and conferences.

Hungary

Financial results (in PLN million) and operating ratios of owned hotels located in Hungary	1st half of 2017	1st half of 2016	% change
Net sales	158.5	140.4	12.9%
EBITDAR	56.3	47.5	18.5%
Operating EBITDA	40.4	17.8	127.0%
EBIT without the effects of one-off events	28.0	11.3	147.8%
Capital expenditure	480.6	131.8	264.6%
Occupancy Rate (%)	71.3	64.9	6.4 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	257.2	248.5	3.5%
Revenue per Available Room (RevPAR) in PLN	183.3	161.3	13.6%
Clients: Business	47.3%	46.4%	0.9 p.p.
Clients: Leisure	52.7%	53.6%	-0.9 p.p.

Hotels in Hungary generated operating revenues of PLN 158.5 million, accounting for 23.3% of the Orbis Group's revenue. Higher-than-last-year's results (by 12.9%), both in the rooms and food&beverage segments, were achieved due to higher Occupancy Rates and Average Room Rates as compared to the past year.

Major increase in the quantity of rooms sold was possible thanks to high demand for accommodation services in Budapest, both in the segment of individual guests and groups, with the predominance of business guests. Almost all hotels in this market generated better results, with Novotel reporting the greatest growths.

The positive trend in Hungary is observed in all the segments. The largest increase in the number of rooms sold was reported in the MICE segment due to a larger number of business groups, predominantly one-off, and conferences. High demand throughout the entire first half of 2017 also prevailed in the segment of tourist groups. A significant increase was also reported in the corporate segment, largely due to long-term projects implemented by key clients. The number of rooms sold also grew in the segment of individual guests staying for leisure. Furthermore, different cultural and sporting events held in Budapest had a positive impact on the results.

The Czech Republic

Financial results (in PLN million) and operating ratios of owned hotels located in the Czech Republic	1st half of 2017	1st half of 2016	% change
Net sales	55.2	51.8	6.6%
EBITDAR	24.4	22.2	9.9%
Operating EBITDA	17.7	15.3	15.7%
EBIT without the effects of one-off events	11.6	10.0	16.0%
Capital expenditure	6.0	2.6	130.8%
Occupancy Rate (%)	73.7	68.9	4.8 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	253.0	245.4	3.1%
Revenue per Available Room (RevPAR) in PLN	186.4	169.0	10.3%
Clients: Business	42.5%	39.7%	2.8 p.p.
Clients: Leisure	57.5%	60.3%	-2.8 p.p.

In the first half of 2017, revenues generated by hotels located in the Czech Republic amounted to PLN 55.2 million (8.1% of the total revenues of the Group). These hotels reported a growth in sales as compared to the corresponding period of the past year thanks to higher Occupancy Rate as well as the Average Room Rate.

The highest growth momentum in the Czech Republic was achieved in the MICE segment, above all thanks to a greater number of business clients in the ibis hotel in Plzen and in the MGallery hotel in Prague. Increase in the number of rooms sold was also reported by hotels located in Prague, mainly in the segment of individual guests staying for leisure. Growth was achieved thanks to promotional offers and a greater number of reservations made via online distribution channels and tour operators. Revenues in the corporate guests' segment were at the past year's level, while a significant decrease of revenues in the segment of tourist groups was reported as compared to the first half of 2016.

Other countries

Financial results (in PLN million) and operating ratios of owned hotels located in other countries	1st half of 2017	1st half of 2016	% change
Net sales	44.1	42.9	2.8%
EBITDAR	17.8	14.6	21.9%
Operating EBITDA	9.5	6.1	55.7%
EBIT without the effects of one-off events	8.7	5.0	74.0%
Capital expenditure	1.2	0.1	1100.0%
Occupancy Rate (%)	80.0	79.8	0.2 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	270.1	263.5	2.5%
Revenue per Available Room (RevPAR) in PLN	216.0	210.4	2.7%
Clients: Business	59.0%	56.7%	2.3 p.p.
Clients: Leisure	41.0%	43.3%	-2.3 p.p.

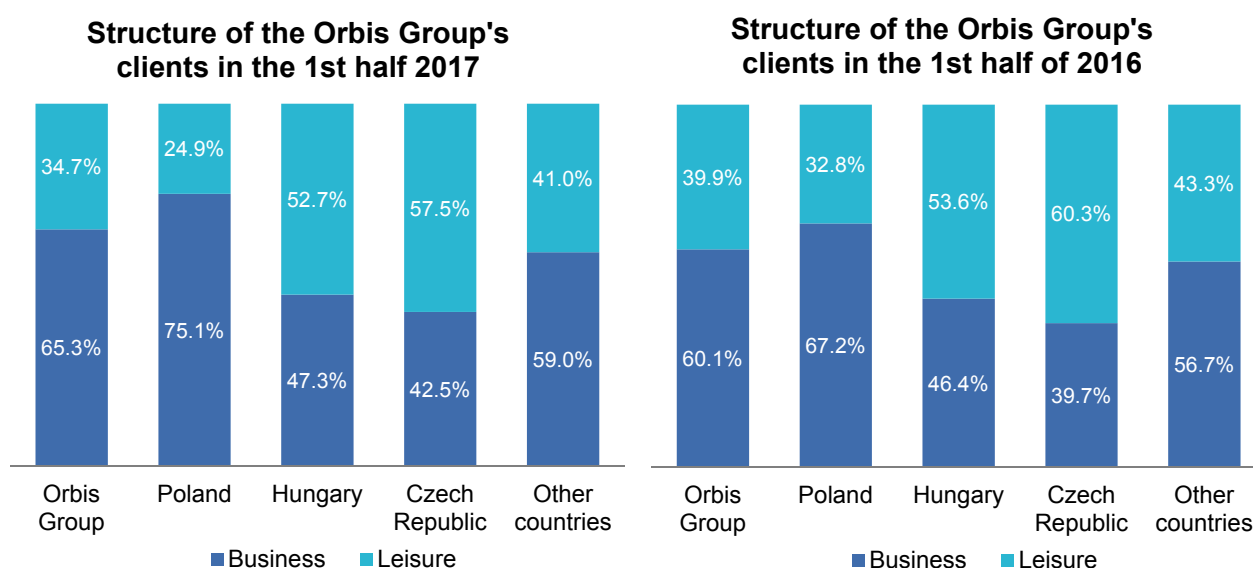
Revenues for the period of 6 months of 2017 generated in other countries where the hotels of the Group are located reached the level of PLN 44.1 million, i.e. 6.5% of consolidated revenues. Hotels located in Lithuania, Slovakia and Romania reported sales revenues higher by 2.9% than in the corresponding period of the past year.

The Novotel in Vilnius achieved slightly higher operating revenues as compared to the first half of the past year thanks to higher Average Room Rate, with the Average Room Rates being slightly below the past year's level. Increase in the number of guests was reported both in the tourist group segment, particularly in Q2 2017, as well as in the corporate guest segment (thanks to demand from regular clients). On the other hand, a significant drop was reported in the segment of individual guests staying both for both business and leisure and in the MICE segment (due to a smaller number of business groups).

Slovakia is represented by two hotels located in Bratislava: Mercure and ibis. In the first half of 2017, both of these hotels generated significantly higher room revenue thanks to increased Average Room Rate and higher Occupancy Rate in the Mercure hotel. The Average Room Rate grew thanks to a flexible pricing policy and its adjustment to the market conditions. During the reporting period, the increase in the number of rooms sold was mainly attributable to the corporate segment thanks to key client stays and to the tourist group segment. A minor increase was observed in the MICE segment due to a greater quantity of both local and regional meetings, trainings and conferences. The number of rooms sold in the individual guest segment went down.

The Novotel in Bucharest achieved a growth in operating revenues thanks to higher Average Room Rate in spite of the Occupancy Rate being slightly below the past year's level. Increase in the number of rooms sold was reported in the segment of individual business guests. Change in the pricing policy and launch of a new business package had a positive impact. Other segments reported a decline, which was highest in the segment of individual guests traveling for leisure, as well as in the MICE segment. However, guest segmentation change has positively impacted the Average Room Rate, contributing to higher room revenues.

The client mix of the Orbis Group and in the countries where the Group operates is as follows:



4.4 Financial results per Operating Segments

The Orbis Group distinguishes two reportable operating segments:

- Up & Midscale hotels that comprise hotels of the Sofitel, Pullman, MGallery, Novotel and Mercure brands,
- Economy hotels that include ibis, ibis budget and ibis Styles hotels.

Segment performance is evaluated based on, first and foremost, revenue as well as results at the level of EBIT (operating profit/loss) and EBITDA (operating profit/loss before depreciation & amortisation), with the exclusion of non-recurring and one-off events. The capital expenditure incurred is analysed on a regular basis.

The tables below present figures pertaining to revenue, results as well as capital expenditure of the individual operating segments of the Orbis Group. The figures presented below include the results of owned and leased hotels.

More information on segments is provided in Note 4.1 to the Consolidated Financial Statements of the Orbis Group for the first half of 2017.

Operating segments – analytical approach (in PLN million)	1st half of 2017	1st half of 2016	% change
Up&Midscale Hotels			
Net sales	516.6	494.4	4.5%
EBITDAR	206.5	188.5	9.5%
Operating EBITDA	176.3	146.8	20.1%
EBIT without the effects of one-off events	118.3	94.9	24.7%
Capital expenditure	416.2	160.3	159.6%
Occupancy Rate (%)	68.9	66.9	2.0 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	283.0	264.1	7.2%
Revenue per Available Room (RevPAR) in PLN	195.1	176.8	10.4%
Economy Hotels			
Net sales	147.0	130.6	12.6%
EBITDAR	71.3	63.0	13.2%
Operating EBITDA	66.8	56.5	18.2%
EBIT without the effects of one-off events	45.0	37.4	20.3%
Capital expenditure	101.6	39.8	155.3%
Occupancy Rate (%)	71.8	69.0	2.8 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	173.2	164.4	5.4%
Revenue per Available Room (RevPAR) in PLN	124.3	113.4	9.6%

During 6 months of 2017, revenue of the Up&Midscale segment amounted PLN 516.6 million and was by 4.5% higher as compared to the revenues of this segment in the first half of 2016. On the other hand, revenue of the economy hotel segment amounted PLN 147.0 million in the first half of 2017, i.e. rose by 12.6%.

The average Revenue per Available Room ranged from PLN 124.3 in economy hotels to PLN 195.1 in hotels of the Up&Midscale segment in the first half of 2017 and from PLN 113.4 to PLN 176.8 respectively in the corresponding period of 2016. RevPAR growth is attributable in particular to higher Average Room Rates (ARR growth rate in economy hotels by 5.4% and by 7.2% in hotels of the Up&Midscale segment), as well as higher Occupancy Rate as compared to the year 2016 (increase of occupancy by 2.8 pp in economy hotels and by 2.0 pp in hotels of the Up&Midscale segment).

4.5 Statement of financial position

Statement of financial position – analytical approach	Jun. 30, 2017	Share in total assets / equity & liabilities	Dec. 31, 2016	Share in total assets / equity & liabilities	Jun. 30, 2017/ Dec. 31, 2016
Non-current assets	2 425 107	81.4%	2 193 359	76.7%	10.6%
Current assets	362 429	12.2%	643 145	22.5%	-43.6%
Assets classified as held for sale	189 525	6.4%	23 631	0.8%	702.0%
TOTAL ASSETS	2 977 061	100.0%	2 860 135	100.0%	4.1%
Equity	1 938 470	65.1%	1 950 676	68.2%	-0.6%
Non-current liabilities	619 053	20.8%	624 954	21.9%	-0.9%
Current liabilities	419 538	14.1%	284 505	9.9%	47.5%
TOTAL EQUITY AND LIABILITIES	2 977 061	100.0%	2 860 135	100.0%	4.1%

On June 30, 2017, Orbis Group's assets totalled PLN 2 977.1 million, i.e. increased by PLN 116.9 million as compared to December 31, 2016.

The major component of the Group's assets are non-current assets, accounting for 81.4% of total assets. The predominant item of non-current assets are property, plant and equipment valued at PLN 2 261.0 million, accounting for 75.9% of total assets. Due to the type of business pursued, the major item of property, plant and equipment are buildings and structures as well as land and titles to perpetual usufruct of land. Property, plant and equipment increased by 11.0% as compared with its value as at December 31, 2016. It is above all the result of a buyback, at the beginning of January, of five hotels leased till then by Accor Pannonia Hotels Zrt. The purchase price of these hotels totalled PLN 291.9 million. Moreover, the value of property, plant and equipment as at the end of the first half of 2017, was impacted by depreciation and amortisation (PLN -80.6 million) and capital expenditure (PLN +45.3 million).

Intangible assets (mainly goodwill) valued at PLN 112.1 million also constitute a major item of non-current assets. The contribution of intangible assets to the Group's assets was at 3.8% at the end of June 2017.

At the end of June 2016, Orbis Group held interest of PLN 10.4 million in an associated company Blaha Hotel Szállodaüzemeltető Kft. In December 2016, Accor Pannonia Hotels Zrt. sold its minority holdings (44.46%) in Blaha.

Other financial assets grew as compared to December 31, 2016. Under "other financial assets", the item "cash on the escrow account" increased due to the increase, by PLN 8.5 million, of cash deposited on the escrow account by a subsidiary UAB Hekon and allocated for the acquisition of ibis hotel in Vilnius.

As regards current assets, the most significant changes in the first half of 2017, occurred with regard to cash and cash equivalents and trade receivables.

Under the current assets item, the most important sub-item are cash and cash equivalents of PLN 242.6 million, accounting for 8.1% of total assets. Decrease in cash and cash equivalents by PLN 298.2 million (55.1%) as compared to December 31, 2016, is above all attributable to capital expenditures (incl. leased hotel buybacks).

Increase of trade receivables by 29.2% as compared to December 31, 2016, is the result of a significant growth in the volume of rooms sold in June 2017 against year end.

A major item of current assets as at June 30, 2017, were other current receivables (PLN 35.3 million). This item comprises predominantly of receivables from sale of tangible assets, VAT receivables and prepayments. As at June 30, 2017, the Group held receivables resulting from the sale of tangible assets of PLN 8.4 million (23.9% of other current receivables), including PLN 4.5 million from the sale of the Mercure Mrągowo Resort & SPA hotel and PLN 3.9 million from the sale of the Mercure Kasprowy hotel in Zakopane. As at the end of 2016, of receivables resulting from sale of tangible assets amounted to PLN 14.7 million and included, apart from amounts brought forward as at June 30, 2017, also the receivables from the sale of non-hotel real property located at Łopuszańska Street in Warsaw, which was paid in March 2017.

As at June 30, 2017, the Groups reported higher prepayments as compared to December 31, 2016, mainly including the fees for perpetual usufruct of land.

Moreover, as at June 30, 2017, Orbis Group reported assets of PLN 189.5 million classified as assets held for sale, which include the title to perpetual usufruct of land at Heweliusza Street in Gdańsk as well as the components of property, plant and equipment of the Sofitel Budapest Chain Bridge hotel in Hungary and of the ibis Zabrze hotel. As at December 31, 2016, this item included, apart from the above-mentioned real properties located in Gdańsk, also property, plant and equipment (including the title to perpetual usufruct and the building) of the Mercure Jelenia Góra hotel and the Mercure Karpacz Resort hotel. The sale transaction of both these real properties was finalized at the end of March 2017.

Orbis Group financed its assets predominantly from equity. As at June 30, 2017, the Group's equity accounted for 65.1% of the total equity and liabilities (PLN 1 938.5 million). On the other hand, the Group's net debt stood at PLN 418.7 million, i.e. accounted for 21.6% of equity.

As at June 30, 2017, Orbis Group had the following non-current liabilities bearing interest:

- liabilities under the bond issue of PLN 501.5 million (16.8% of liabilities),
- borrowings of PLN 70.3 million (2.4% of the total carrying amount of assets/equity and liabilities),

and current liabilities (borrowings) of PLN 89.6 million.

In the first half of 2017, the Hungarian subsidiary Accor Pannonia Hotels Zrt. had an overdraft in its current account, the value of which totalled PLN 54.3 million as at June 30, 2017. On the other hand, Orbis S.A. repaid, in accordance with the agreement, the successive instalment of the loan amounting to PLN 17.6 million in the first half of 2017. More information about borrowings is provided in Note 7.4 to the Consolidated Financial Statements of the Orbis Group for the first half of 2017.

Change of non-current deferred revenue results from the advance payment of PLN 9.5 million received in April 2017 against the sale of the Giewont hotel in Zakopane.

The biggest item of current liabilities of the Group as at June 30, 2017, was other current liabilities (37.6%), including mainly tax and social security liabilities, accrued expenses of employee benefits (also for bonus payments and unused holiday leaves) and liability of Orbis S.A. associated with the declared dividend of PLN 73.7 million. The date of dividend payment was set for August 3, 2017.

A higher level of tax and social security liabilities as compared to the end of December 2016 and June 2016 results predominantly from the recognition of the tax resulting from the acquisition of 5 Hotel Kft. and HVB Leasing Maestoso Kft. totalling PLN 10.5 million. The increase of these liabilities was partially offset by a drop in the balance of provisions for employee benefits due to payout of bonuses and awards.

A significant item of liabilities comprises trade liabilities (26.3%). Its decline is connected with the decrease of inter-company liabilities within the Accor Group.

A much higher level of current deferred revenue as at June 30, 2017, results predominantly from prepayments received for accommodation services during the summer period.

Decline of liabilities associated with tangible assets in the first half of 2017 results in particular from recognition of capital expenditure incurred for the modernisation of the following hotels: the Novotel Poznań Centrum, the Sofitel Warszawa Victoria, the Novotel Szczecin, the Novotel Kraków Centrum and the Novotel Wrocław Centrum.

4.6 Statement of changes in equity

On June 30, 2017, equity amounted to PLN 1 938.5 million against PLN 1 950.7 million at the end of 2016.

The retained earnings of the Orbis Group include a net profit of PLN 82.3 million for the first half of 2017. The dividend for 2016 amounting to PLN 73.7 million had an adverse impact upon the value of retained earnings as at the end of June 2017.

On the other hand, the foreign currency translation reserve of the Group decreased from PLN 17.4 million at the end of 2016 down to PLN -3.3 million at the end of June of 2017. This change is attributable to translation of foreign operations into the currency of presentation (PLN). The negative level of the foreign currency translation reserve was greatly impacted by the decline of average rates of exchange of foreign currencies as at the end of June 2017 as compared to December 31, 2016 (refer to Section 1 of the Condensed Interim Consolidated Financial Statements for the First Half of 2017).

The change in the Group's other reserves in the six months of 2017 resulted from valuation of the derivative instrument hedging against the risk of interest rate change.

4.7 Statement of cash flows

Statement of cash flow	1st half of 2017	1st half of 2016	% change
Cash generated by operating activities	172 180	161 075	6.9%
Net cash used in investing activities	(493 382)	(188 406)	-161.9%
Net cash generated by financing activities	27 742	(8 622)	-
Total net cash	(293 460)	(35 953)	-716.2%
Cash and cash equivalents at the end of period	242 619	236 359	2.6%

During the first six months of 2017, the net cash flows of the Orbis Group amounted to PLN -293.5 million (PLN -36.0 million in the first half of 2016). Cash flows comprised:

- **Cash flows from operating activities**

A considerable rise in sales in 1H 2017, achieved both thanks to higher prices and increase in the Occupancy Rate, resulted in higher operating cash flows compared to the corresponding period of the last year. As a result, in the reporting period, the operating activities generated cash flows in the amount of PLN 172.2 million (PLN 161.1 million in the first half of 2016).

- **Cash flows from investing activities**

The main reason for the cash outflow of PLN 493.4 million in the first quarter of 2017 (PLN 188.4 million in the first half of 2016) was the expenses of PLN 468.1 million incurred on the buyback of six leased hotels (the Mercure Budapest Korona, the ibis Styles Budapest Center, the ibis Budapest City, the ibis Budapest Centrum, the Mercure Budapest Buda and the Sofitel Budapest Chain Bridge) by Accor Pannonia Hotels Zrt. Under the first five hotels buy back transaction, the Hungarian subsidiary made a payment of EUR 65.9 million (approx. PLN 291.2 million). On the other hand, under the Sofitel Budapest Chain Bridge hotel buy back transaction, Accor Pannonia Hotels Zrt. paid EUR 42.3 million (approx. PLN 176.9 million).

Other investing cash outflows in the first half of 2017 include the cash deposited on the escrow account by a subsidiary UAB Hekon, designated for the acquisition of ibis hotel in Vilnius, which is to be built by mid-2018. In the first half of 2017 the Group generated inflows from investing activities resulting from sale agreement of the Mercure Jelenia Góra hotel and the Mercure Karpacz Resort hotel (PLN 26.5 million) and from payment of a part of the price as a result of sale of non-hotel real property located at Łopuszańska Street in Warsaw (PLN 5.1 million).

Moreover, in the first half of 2017, the Group generated other cash inflows from investing activities in the amount of PLN 10.3 million, including the advance payment of PLN 9.5 million received in April 2017 against the sale of the Giewont hotel in Zakopane.

- **Cash flows from financing activities**

In 6 months of 2017 Orbis Group generated cash flows on financing activities amounting to PLN 27.7 million. Positive flows were attributable to the overdraft in the current account incurred by the Hungarian subsidiary Accor Pannonia Hotels Zrt., the value of which surpassed the total value of financial expenses, including the repayment of the loan instalment by Orbis S.A. under the incurred loan and payment of interest on credit facility and bonds issued.

4.8 Capital expenditure

In the first half of 2017, capital expenditure of the Orbis Group amounted to PLN 518.5 million (PLN 200.8 million in the corresponding period of past year).

Capital expenditure of the Group	1st half of 2017	1st half of 2016
Leased hotels buyback	471 495	123 969
Development projects	30 595	50 811
Other expenditure	16 395	26 038
Total	518 485	200 818

Capital expenditure of PLN 471.5 million was allocated for two buy back transactions of a total of six hotels located in Budapest, so far leased by Accor Pannonia Hotels Zrt.

The first transaction was finalised at the beginning of January 2017 and involved the following five hotels: the **Mercure Budapest Korona**, the **ibis Styles Budapest Center**, the **ibis Budapest City**, the **ibis Budapest Centrum** and the **Mercure Budapest Buda**. The total acquisition price for the above-mentioned hotels (including transaction costs) equalled PLN 291.9. On the other hand, the buy back transaction of the **Sofitel Budapest Chain Bridge** hotel for a purchase price of PLN 179,6 million took place in June 2017. Both these transactions were implemented by way of acquisition of 100% stake in the companies that owned these hotels. The purpose of leased hotels buyback is to optimise the hotel business of the Orbis Group, in particular to eliminate lease costs. More information about the accounting for these transactions is presented in Section 4.1.

Expenditure incurred in the first half of 2017 was also allocated for development projects in the Group's companies. A total sum of PLN 30.6 million was appropriated for the following investment projects:

- **Novotel Poznań Centrum.** The modernization of the hotel scheduled for the years 2016-2017, involving the division of the hotel and its partial rebranding into ibis was continued in the first half of 2017. Room modernisation will be implemented in four phases. During the reporting period, the first phase of the modernization was finalised, i.e. amongst others a contract was signed with the General Contractor, model rooms were finished. At present, the modernisation works focus on the re-arrangement of the public areas (conference rooms, the lobby, the restaurant, the bar and the fitness centre), to be followed by the technical facilities of the hotel. Technical installations and equipment of the hotel will also be modernised. The last phase of the modernization project will be carried out in the first quarter of 2018. The total estimated expenditure for this investment project during the period 2016–2017 will come to approx. PLN 50 million.
- **Novotel Kraków City West.** Modernization works commenced at the end of the past year involve 28 rooms with bathrooms, leisure area (saunas and fitness areas), replacement of part of installations and technical equipment as well as facade and window replacement. Most of the bathrooms and a few rooms were modernised in the first half of 2017 (the rooms are being modernised in accordance with the latest Novotel brand guidelines - N'Room); the civil engineering design is being developed for the leisure area. The total estimated expenditure for this investment project during the period 2016–2018 will come to approx. PLN 17 million.
- **Mercure Budapest City Center.** Modernization of the hotel which will cover hotel rooms on all the 7 floors of the building began in November 2016. The theme of the renovation is Budapest's monuments and tourist attractions. In the first half of 2017, work on model rooms was continued. Besides, more than half of hotel rooms was completely renovated. The last phase of modernization will be launched in the last quarter of 2017 and will cover the remaining floors of the hotel and the lobby. The total estimated expenditure for this investment project during the period 2016–2018 will come to approx. EUR 3.9 million.

- **MGallery Praha Old Town.** The renovation of the hotel was commenced in the autumn of 2015 and involves upgrading the hotel to MGallery by Sofitel standard. The result is 169 renovated hotel rooms, modernised corridors, the lobby, the restaurant and a new bar. The investment entered its last phase and its total estimated expenditure will come to approx. EUR 3.2 million.

During the reporting period works relating to the construction of new hotels, namely ibis Styles Warszawa Centrum, ibis Styles Szczecin and ibis budget Gdańsk Posejdon were commenced.

The **ibis Styles Warszawa Centrum hotel**, the opening of which is scheduled for 2018, will be BREEAM-certified (certification for green buildings) and will have 178 rooms, 4 conference rooms, a restaurant and a bar. The construction design and the interior design were completed in the first half of 2017. The building permit was granted at the beginning of June this year. The next phase involves signing a contract with the general contractor of the investment project and commencement of works around the hotel. The total estimated expenditure for the construction of the hotel during the period 2016–2018 will exceed PLN 44 million.

The **ibis Styles Szczecin hotel** is planned to be built on the plot of land on which the former Orbis Arkona hotel was located. In the first half of 2017, the construction design was completed and agreements relating to obtaining the construction permit are underway.

A modern **ibis budget Gdańsk Posejdon** economy hotel will be built in Gdansk, on a plot in the immediate vicinity of the Mercure Gdańsk Posejdon hotel. The hotel will offer 76 rooms, including 3 family suites and an external car park for guests. Each room will be equipped with air conditioning and will have a WiFi access. The hotel is scheduled for completion in the first quarter of 2018. Quick construction is possible thanks to the use of entirely prefabricated ready-made spatial modules, which will be assembled on site. In the first half of 2017, the model room of the new hotel was completed, the general contractor of the investment project was selected, the foundations were laid and the earthworks started.

At the beginning of 2017, the construction of the **ibis hotel in Vilnius** was also commenced. The hotel is to offer 164 rooms on 7 floors, 2 conference rooms, a bar and a restaurant. In the mid-2017, the investment process was started, i.e. all works related to the construction of the building structure were completed and the general contractor began the installation works. The opening of the hotel is scheduled in Q3 2018. The total estimated expenditure for the construction of the hotel during the period 2016–2018 will exceed EUR 11 million.

Other expenditure incurred in the first half of 2017 (PLN 16.4 million) was allocated for upgrading the standard of hotels operating in the Group, increasing their security, fire safety and IT investments.

The most important investment projects implemented during the 6 months of 2017 include:

- rearrangement of 27 rooms in the **Sofitel Grand** hotel in Sopot,
- modernization and replacement of equipment of rooms of the **Sofitel Victoria** hotel in Warsaw as well as creating three new conference rooms in this hotel,
- renovation of 37 rooms and a suite at the **Novotel Kraków Centrum** hotel,
- modernization of restaurants and conference rooms at the **Mercure Poznań Centrum** hotel,
- creating new conference rooms in the **Mercure Warszawa Centrum** hotel and a model room in connection with the planned rearrangement of a part of rooms in this hotel,
- modernization of 36 bathrooms in the **Mercure Gdynia Centrum** hotel,
- modernization of 65 rooms and a corridor in the **ibis budget Warszawa Centrum** hotel,
- rearrangement of bathrooms and refurbishment of the façade of the **ibis Warszawa Ostrobramska** hotel,
- renovation of 45 rooms in the **Novotel Warszawa Centrum** hotel,
- renovation of 54 rooms in the **Novotel Warszawa Airport** hotel,
- replacement of the carpeting in 84 rooms and rearrangement of the garden with a playground and leisure zone in the **Novotel Gdańsk Centrum** hotel, and
- small renovation of the conference area in the **Mercure Wrocław Centrum** hotel.

Expenditures on IT in the first half of 2017 were focused on the replacement of the hotel PMS/POS (Property Management System/ Points of Sale) systems, replacement of TV sets in hotels and modernization of the existing IT infrastructure in hotels and in the Head Office. Modernisation of the WiFi network in selected hotels of the Orbis Group was also started in the reporting period.

4.9 Financial ratios

An analysis covering margin, profitability, efficiency and financing ratios has been made on the basis of the financial statements (income statement and statement of financial position).

In the first half of 2017, the Orbis Group generated better profitability ratios compared to figures for the first half of 2016.

Selected financial ratios of the Orbis Group	1st half of 2017	1st half of 2016
Margin ratios		
EBITDAR margin in %	34.9	33.3
EBITDA margin in %	29.8	25.7
EBIT margin in %	17.8	14.3
Profitability ratios		
Return on equity (ROE)	4.2%	4.0%
Return on assets (ROA)	2.8%	2.8%
Return on sales (ROS)	12.1%	11.2%
Efficiency ratios		
Receivables collection period	18	17
Payables deferral period	37	31
Inventory turnover	2	2
Financing ratios		
Net debt (in PLN million)	418.7	203.3
Debt-to-equity*	34.9%	30.3%
Non-current assets cover ratio	79.9%	81.3%
Liquidity ratios		
Current ratio	1.32	1.07

* total liabilities/total equity and liabilities

4.10 Projections of EBITDA for 2017

The Management Board of Orbis S.A. took decision to prepare and publish on, July 27, 2017, the forecasted EBITDA of the Orbis Group for 2017. In the opinion of the Management Board, the forecasted EBITDA for 2017 should be in the range of PLN 450 and 460 million.

The forecasted EBITDA includes the result of operating activities, excluding the effects of one-off events such as sale of real properties, revaluation of non-current assets or costs of employment restructuring.

The projection has been prepared on the basis of financial results generated in the first half of 2017 and forecasted sales in hotels in the coming quarters of the current year.

The fulfilment of the projection will be monitored by the Management Board of Orbis S.A. on an ongoing basis, with a particular focus on an analysis of financial results generated in the months to come. In case of major deviations (at least 10%) from the bottom limit of the projected result, the Company will adjust the projection and disclose it to the public in a current report.

The projection has not been reviewed by the licensed auditor.

RISK AREAS



MGallery Praha Old Town

5 RISK AREAS

5.1 Business risk

5.1.1 Risk related to the macroeconomic situation and condition of the hospitality sector

The situation of companies operating in the hospitality sector depends largely on the overall macroeconomic landscape that is beyond its control. Main risk factors affecting demand for hotel services include:

- economic recession or stagnation affecting demand for hotel services, both from individual and business clients. Deteriorating financial situation of the population and rising unemployment not only limit financial capacity but adversely affect the mood and propensity to travel as well. Poor financial standing of companies leads to the curbing of budgets for trainings, corporate travel and, consequently, results in the cancellation, postponement or renegotiation of contracts for business groups,
- growth in fuel, energy and food prices that is mirrored in the level of hotel operators' operating expenses,
- strengthening of the local currency that reduces attractiveness of the country for foreign tourists,
- reduction of the number of airline and railway connections,
- adversely changing geopolitical situation, also as a result of social conflicts and tensions, that curbs the number of travellers.

5.1.2 Competition risk

The hotel industry is a highly competitive market. Year in, year out, new hotels open in large cities where the Orbis Group operates. Some of them belong to global operators with a wide network of establishments operating under recognisable brands, effective loyalty programmes and high marketing budgets. Hotel operators compete also in terms of gaining new franchisees in attractive locations.

Growing competition may have an adverse impact on the price and occupancy of hotel establishments run by the Orbis Group companies and, consequently, on financial performance.

The Orbis Group pursues an active product and pricing policy in all its hotels and lays special emphasis on the addition of new and interesting products to its offer, thereby staying ahead of its competitors on the hotel market.

5.1.3 Risk related to cooperation with travel agents

The objective of the Orbis Group is to sell through traditional channels and the Accor website. However, nowadays customers regularly use the websites of on-line travel agencies. Some of these major intermediaries develop their own loyalty programmes for their booking systems. In case of a considerable rise in the level of sales via On-line Travel Agencies (OTAs), it could have an adverse effect of the Group's performance.

5.2 Financial risk

The main areas of risk to which the Orbis Group is exposed include credit risk, currency risk, liquidity risk and interest rate risk resulting from money and capital markets' volatility, reflected in the statement of financial position and in the income statement.

The Group pursues a uniform policy of financial risk management and permanent monitoring of risk areas, using available strategies and mechanisms aimed at minimizing the negative effects of market volatility and securing cash flows.

The Group curbs financial risk (defined as cash flows volatility) and restrains the risk related to money and capital market volatility. This objective is implemented using methods described below.

Exposure to additional risks not related to the accepted business operations is deemed improper.

The Orbis Group does not use any financial instruments, including derivatives, for speculative purposes.

The risk management policy and strategy are defined and monitored by the Management Board of Orbis S.A. Current responsibilities in the area of risk management are dealt with by special units established for this purpose in Orbis S.A. and the Group companies.

5.2.1 Currency risk

A portion of sales revenue and costs of the conducted business is generated by foreign companies of the Orbis Group. Similarly, Polish companies execute transactions denominated in foreign currencies. Hence, a risk of fluctuations in foreign currency exchange rates arises. In case incurred costs and generated revenue are denominated in different foreign currencies, the Group may be exposed to the foreign exchange risk. Certain expenses, like rent costs and fees to companies of the Accor Group, for example, are denominated in or indexed to foreign currencies, predominantly the euro. There is a risk that unfavourable changes in the exchange rate will adversely impact return on sales and, thereby, the financial result of the Group.

In order to reduce the risk of its currency exposure, the Group seeks first of all to use the natural hedging mechanism. Furthermore, derivative instruments, such as forwards, swaps and options, may be used for the purpose of managing risk.

As at June 30, 2017, only the Hungarian subsidiary Accor Pannonia Hotels Zrt. had an overdraft in the current account denominated in a foreign currency (EUR 12.8 million equivalent to PLN 54.3 million). The remaining Group companies had no foreign currency borrowings nor borrowings denominated in a foreign currency.

5.2.2 Interest rate risk

The Group is exposed to the interest rate risk since it has obtained financing at variable interest rates, i.e. credit facilities and issued bonds.

A potential rise in interest rates on credit facilities and bonds issued will increase finance costs and adversely affect Group's financial result.

As at June 30, 2017, Orbis S.A.'s liabilities with variable interest rates comprised:

- Credit facility at Bank Pekao S.A. and Société Générale S.A. of PLN 105.6 million bearing interest at a rate equal to WIBOR 3M plus margin. Interest rate on this credit facility is based on variable reference rates that are updated on a quarterly basis.
- Liabilities arising from the bond issue – PLN 500.0 million. The first tranche of bonds issued on June 26, 2015 (PLN 300.0 million) bears interest per annum at a variable interest rate equal to WIBOR for six-month deposits (WIBOR 6M), plus interest rate margin of 0.97 p.p. The second tranche of bonds issued on July 29, 2016 (PLN 200.0 million) bears interest per annum at a variable interest rate equal to WIBOR for six-month deposits (WIBOR 6M), plus interest rate margin of 1.05 p.p.

In case of bonds, cash flow volatility is offset by means of the executed Interest Rate Swap transaction.

5.2.3 Credit risk

The credit risk to which the Group is exposed may result from:

- credit risk following from creditworthiness of financial institutions (banks, brokers), parties to security agreements or security agents,
- creditworthiness of entities whose securities the Group purchases or invests in,
- creditworthiness of franchisees and investors with which the Group companies execute franchise and management agreements,
- creditworthiness of corporate clients that, owing to the absence of any significant concentration of credit risk and a large share of relatively small transactions in total turnover, does not require the application of special transaction hedges, apart from the monitoring of customers from the point of view of their credit ratings.

In the Group's assessment, the risk related to its clients does not differ from the average credit risk on the markets on which Group companies operate.

In settlements with clients, preference is given to payments by credit card, cash and prepayments. Credit decisions are made taking into account results of a solvency study, contract value, payment date, and forecasted outstanding balance.

Solvency checks are performed before a credit is granted to each new customer and at each renewal of the contract for a successive term. To meet these requirements, the hotels and the Head Office units may use the following set of tools:

- reports from information agencies to help in assessing customers' creditworthiness,
- customer payment history: significant payment delays, particularly inclusion on the internal "debtor blacklist" of the Group prevents further crediting,
- presence of other negative information on customer's solvency: any information from the local or global market about the customer's payment failures must be carefully examined and the credit blocked, where justified.

It is a policy that if a solvency check is not positive in all the above aspects, additional guarantees (bank guarantee or credit card preauthorisation) must be required.

The Group's exposure to customer creditworthiness risk is constantly monitored. Credit risk control is ensured through regular meetings of the Credit Management Committee held to discuss all major risks relative to merchant credit and to take decisions on granting a credit to new customers with unclear financial standing.

To minimize the credit risk, the Group cooperates with reputable banks with good financial standing.

5.2.4 Liquidity risk

The Orbis Group hedges liquidity through credit facilities, external long-term loans and overdrafts.

The amount of unused credit lines under overdrafts as at June 30, 2017, was PLN 53.4 million, of which the credit lines unused by Orbis S.A. amounted to PLN 20.0 million, those of subsidiary Accor Pannonia Hotels Zrt. - PLN 9.2 million (i.e. EUR 2.2 million) and those of subsidiary Katerinska Hotel s.r.o. - PLN 24.2 million (i.e. CZK 150.0 million). The remaining Group companies did not have unused credit lines under overdrafts.

Temporarily disposable cash is invested in short-term bank deposits.

The Group monitors financial liquidity on the basis of the debt-to-equity ratio and current ratio.

5.2.5 Price risk

In pursuing its business, the Orbis Group is exposed to the following price risk factors:

- Competition. The hotel market is marked by a high growth in the number of rooms rendered operational in recent years, which has brought about a pressure on prices of hotel services.
- Market environment in Poland and globally. Economic development stimulates growing interest in hotel services due to a higher number of business trips and increasing propensity to travel.
- Exchange rates. Particularly the exchange rate of the euro against the currencies of the majority of countries where the Group operates represents a significant factor of price risk in hotel business, as well as incoming and outgoing tourism. A low rate of exchange of the euro translates into a drop in revenue denominated in local currencies, mainly in Hungary, Czech Republic and Romania.

Price risk is minimised by way of implementing a policy of active room availability and price management (yield management).

5.3 Legal risk

The hotel sector is exposed to legal risk relating to changes in regulations governing:

- protection of personal data,
- obligations and fees imposed on owners and users of land as well as buildings and structures,
- protection of the environment,
- employment, e.g. in terms of minimum wages, obligatory pension and health insurance contributions,
- taxes and other public law fees levied on entrepreneurs.

The Orbis Group monitors changes in the Group's legal environment on a current basis.

5.4 Reputational risk

Brands under which hotels of the Orbis Group operate and their reputation are the Group's most important assets. Customer acquisition and maintenance depend on the standard and quality of services and application of best market (commercial) practices in management. Incidents undermining guests' confidence and safety may harm the brands' image. In addition, the Orbis Group's image may be adversely affected by non-compliance with corporate governance rules, incidents impairing the environment, violation of employees' rights and improper relations with local authorities. Given the expansion of social media, the potential scale (range) of negative perception and public disclosure of such events may be large, even disproportionate to the adverse effects such events actually produce. The occurrence of the above-mentioned situations may contribute to the growth in operating expenses or may have an adverse impact on revenue.

The Orbis Group monitors media activity on a current basis and responds to problems notified on social portals. Also, the Group has implemented detailed procedures for responding to (acting in) crisis situations in order to prevent negative events and, if they occur, to minimise their effects.

5.5 Risk factors related to the Bonds

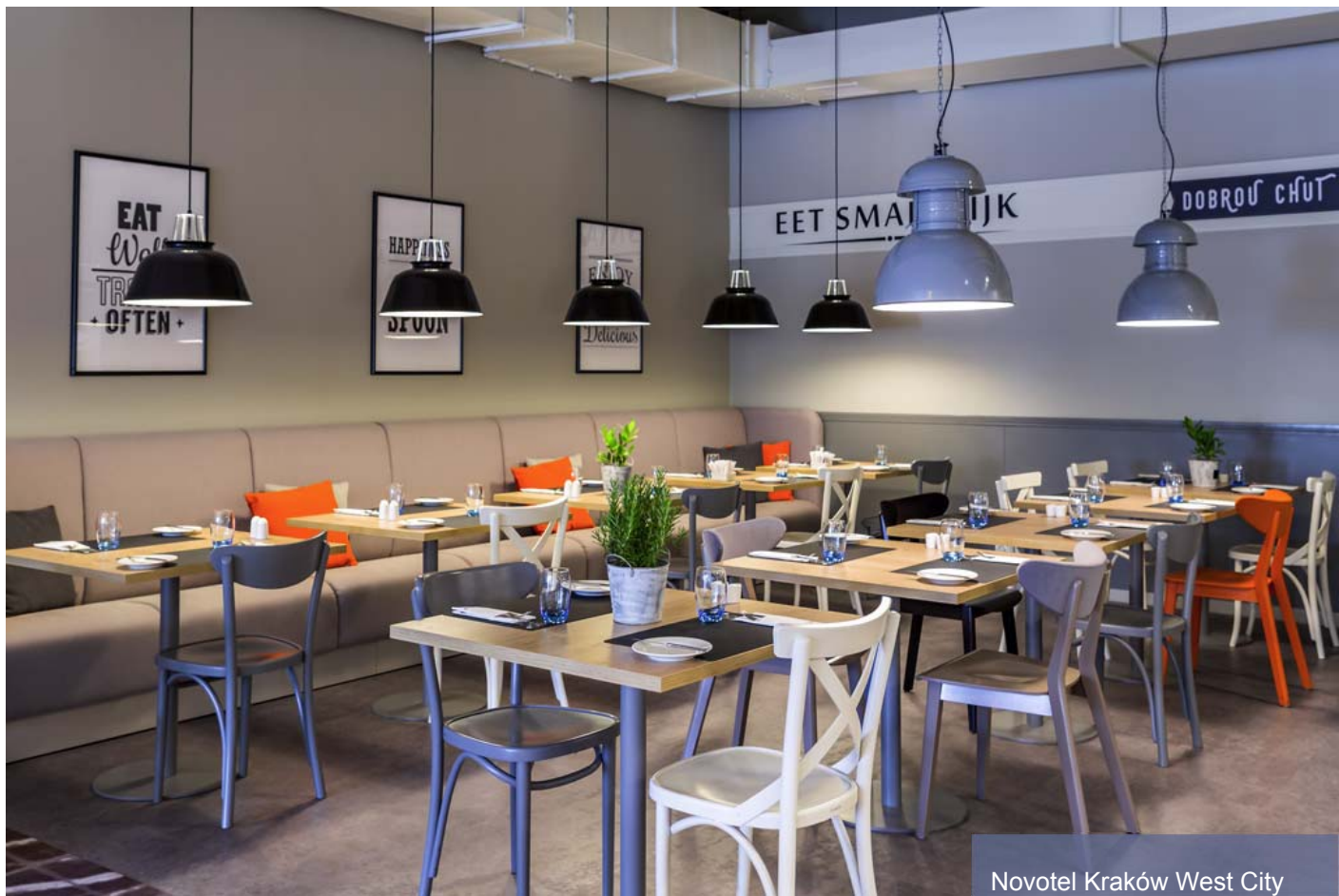
5.5.1 Risk of earlier redemption of the Bonds for reasons other than on the Bondholder's request

Pursuant to Article 74.5 of the Bonds Act, in the event of liquidation of Orbis S.A., the Bonds become immediately redeemable on the date of commencing the liquidation, even if their redemption date has not yet lapsed.

5.5.2 Risk of earlier redemption of the Bonds on the Bondholder's request

The Conditions of Bonds Issue contain several clauses that, if defaulted, give the bondholder (upon taking specific actions and following a proper procedure) the right to request earlier redemption of the Bonds by Orbis S.A. There is a risk that in case an earlier redemption of the Bonds is requested, Orbis S.A. will not have sufficient funds to fulfil such a request. Nevertheless, the Company stresses that the Bonds have been secured by mortgages established on the Issuer's real properties (hotels) whose value exceeds that of the issued Bonds.

ADDITIONAL INFORMATION

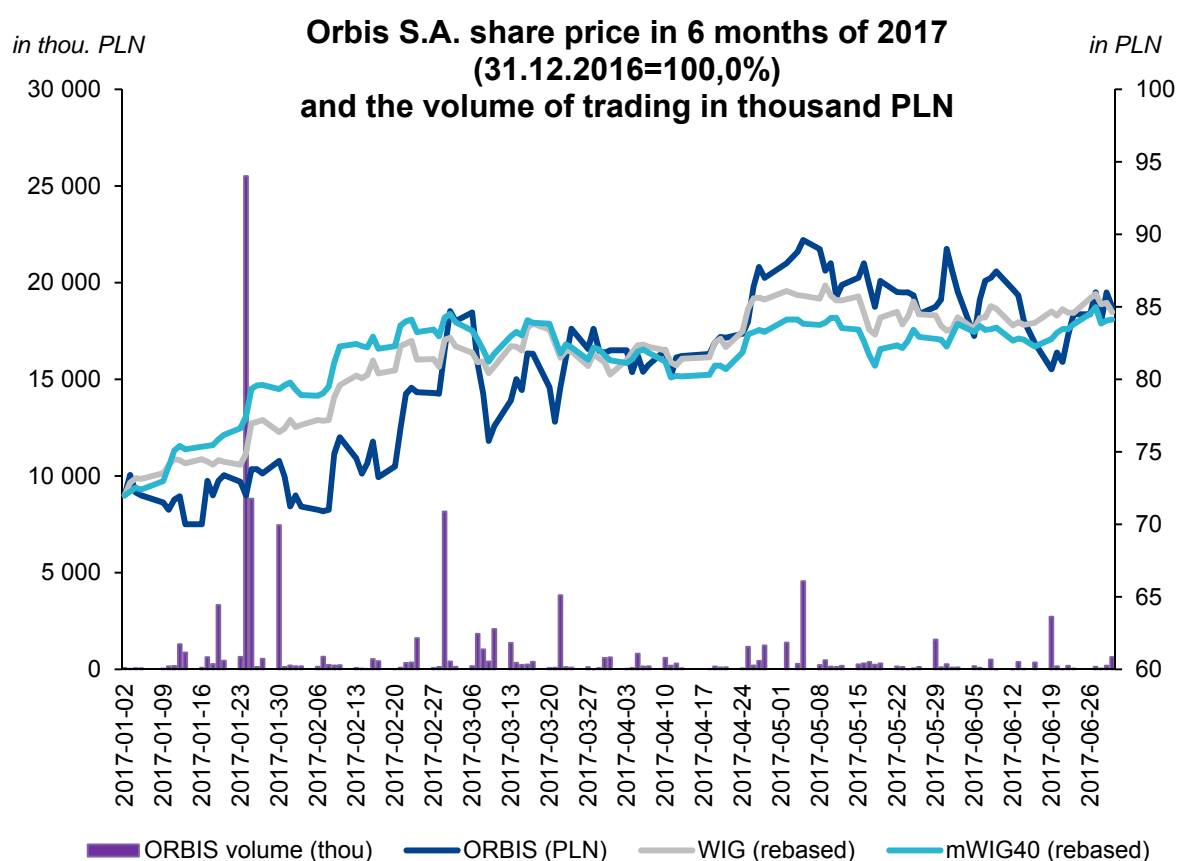


Novotel Kraków West City

6 ADDITIONAL INFORMATION

6.1 Share price

From January 1 to June 30, 2017, the price of Orbis S.A. shares ranged from PLN 70.0 (as at January 13) to PLN 89.6 (during the stock exchange session of May 5). The spread between the highest and the lowest quotations was PLN 19.6, which accounted for 28% of the lowest price. The Orbis share closing price at the end of the first half of 2017 stood 1% above both the WIG index and the mWIG40 index. On June 30, 2017, Orbis S.A. shares achieved the level of PLN 85.0, which represents an increase by 16.4% as compared to PLN 73.0 as at the end of 2016. During the first half of 2017, the average trading volume in Orbis stocks equalled 10 700 shares.



6.2 Shareholder structure

As at June 30, 2017, the share capital of Orbis S.A. comprised the share capital disclosed in the amount set out in the Statutes and entered in the court register, adjusted for effects of hyperinflation, i.e.:

- Number of shares: 46 077 008,
- Par value per share: PLN 2,
- Share capital set out in the Statutes of Orbis S.A.: PLN 92 154 thousand,
- Hyperinflation restatement of share capital: PLN 425 600 thousand,
- Carrying amount of share capital: PLN 517 754 thousand.

The value of Orbis S.A. share capital did not change throughout the first half 2017 and till the date of publication of this Report.

As at the date of publication of the financial statements, shareholders who held, directly or indirectly through subsidiaries, at least 5% of the total number of voting rights at the General Meeting of Orbis S.A. Shareholders, determined on the basis of notifications specified in Article 69 of the Act on Public Offering and the Conditions Governing the Introduction of Financial Instruments to Organised Trading and Public Companies, included:

Shareholder (description)	Number of shares held and voting rights at the GM (based on notifications)	% of total number of shares and voting rights at the GM
Accor S.A.	24 276 415	52.69
<i>of which: Accor S.A. subsidiary – Accor Polska Sp. z o.o.</i>	<i>2 303 849</i>	<i>4.99</i>
Aviva Otworthy Fundusz Emerytalny Aviva BZ WBK	4 577 880	9.94
Metlife Otworthy Fundusz Emerytalny and Metlife Dobrowolny Fundusz Emerytalny managed by Metlife Powszechnie Towarzystwo Emerytalne S.A.	2 357 156	5.12
Nationale-Nederlanden Otworthy Fundusz Emerytalny	2 391 368	5.19

According to Orbis S.A. Statutes, each share carries one vote at the General Meeting of Shareholders.

The Orbis S.A. shareholding status determined based on notifications received (above) differs from the shareholding status of individual shareholders established on the basis of lists of shareholders present at the Annual General Meeting of Shareholders.

The Annual General Meeting of Shareholders was held on June 8, 2017, and the following shareholders holding at least 5% of the total number of votes had the right to participate in this Meeting:

- Accor S.A. 24 276 415 shares (52.69% of all the shares),
of which Accor Polska Sp. z o.o. 2 303 849 shares (4.99% of all the shares),
- Aviva Otworthy Fundusz Emerytalny Aviva BZ WBK 4 596 000 shares (9.97% of all the shares),
- Nationale-Nederlanden Otworthy Fundusz Emerytalny 3 990 000 shares (8.66% of all the shares),
- Metlife Otworthy Fundusz Emerytalny 3 000 000 shares (6.51% of all the shares).

As at the date of publication of these financial statements, the Company did not have any information about agreements that may in the future bring about changes in the proportionate holding of shares by the present shareholders.

Orbis' strategic investor is AccorHotels - the world's leading hotel operator and leader of the European market. AccorHotels is present in 95 countries where it operates more than 4.1 thousand hotels under 20 brands, from luxury to economy segments, with a total of more than 580 thousand rooms. AccorHotels employs approx. 250 thousand employees worldwide.

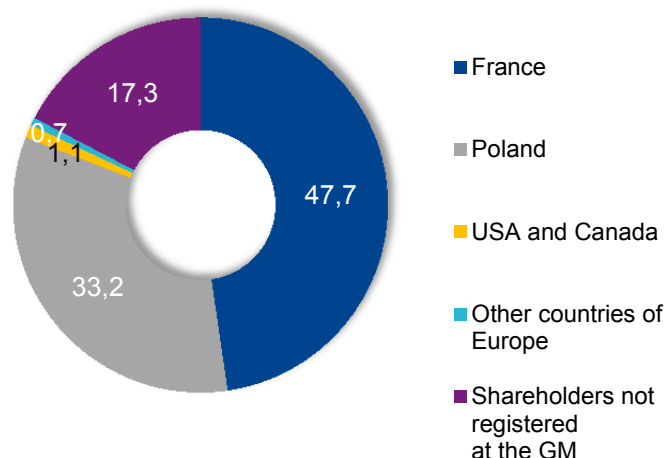
AccorHotels shares are listed at the Euronext Paris stock exchange (ISIN code: FR0000120404) and traded at the OTC market in the United States (code: ACRYF).

As at the date of publication of this Director's Report, the Vice-President of the Management Board, Mr. Ireneusz Andrzej Węglowski, held 3 000 shares in Orbis S.A. Other members of the Management Board did not hold any Company shares.

Amongst members of the Supervisory Board, only Mr. Jacek Kseń held Orbis S.A. shares. During the first half of 2017, Mr. Jacek Kseń made few trades in the Company's shares. On May 9, 2017, Mr. Kseń acquired 210 shares and on June 1, 2017, Mr. Kseń sold 127 shares; on June 2, 2017, Mr. Kseń acquired 127 shares and on June 16, 2017, Mr. Kseń acquired 100 shares. As a result of the above-mentioned transactions, as at the date of publication of this report, Mr. Kseń held 2 320 Orbis shares.

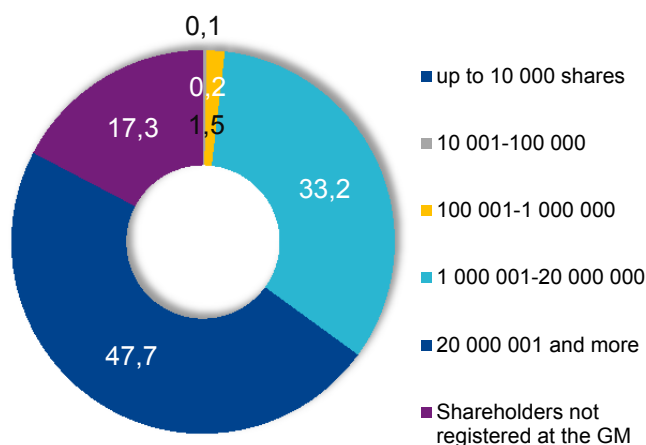
Shareholders by country of origin*

Countries	Total number of shares
France	21 972 566
Poland	15 289 270
USA and Canada	524 427
Other countries	315 881
Shareholders not registered at the GM	7 974 864
Total	46 077 008



Shareholders according to the number of shares registered at the AGM*

Number of registered shares	Total number of shares
up to 10 000 shares	25 853
10 001-100 000	114 896
100 001-1 000 000	699 560
1 000 001-20 000 000	1 399 420
20 000 001 and more	35 862 415
Shareholders not registered at the GM	7 974 864
Total	46 077 008



*Simulation based on the list of shareholders empowered to attend the Annual General Meeting convened for June 8, 2017. The list comprised shareholders representing 82.69% of share capital (as at the day of compiling the list).

6.3 Statutory bodies of the Issuer

The Management Board

During the period from January 1 till June 30, 2017, Orbis S.A. Management Board was composed of the following Members:

- Gilles Clavie – President of the Management Board, Chief Executive Officer,
- Ireneusz Węglowski – Vice-President of the Management Board,
- Marcin Szewczykowski – Member of the Management Board, Finance Director,
- Dominik Sołtysik - Member of the Management Board.

On June 8, 2017, the Supervisory Board appointed all the above-mentioned Members as Members of the Management Board for the successive 10th tenure of the Board.

The Supervisory Board

During the period from January 1, 2017, till June 30, 2017, Orbis S.A. Supervisory Board was composed of the following Members:

- Jan Ozinga – Chairman,
- Bruno Coudry – Member (resigned from his position of a Supervisory Board Member effective as of March 31, 2017),
- Jean-Jacques Dessors – Member (appointed member of the Supervisory Board from March 22, 2017, effective as of April 1, 2017),
- Artur Gabor – Independent Member
- Christian Karaoglanian – Member,
- Jacek Kseń – Independent Member
- Jean-Jacques Morin – Member,
- Laurent Picheral – Member,
- Andrzej Procajło – Member,
- Andrzej Przytuła – Member,
- Jarosław Szymański – Member.

6.4 Entity authorised to audit the financial statements

The financial statements of the Orbis Group and of Orbis S.A. are audited by Deloitte Polska Spółka z ograniczoną odpowiedzialnością Spółka komandytowa, registered under the number 73 on the list of licensed entities maintained by the National Chamber of Statutory Auditors.

6.5 Investor relations

Whilst fulfilling exhaustively its information disclosure obligations, Orbis pursues an open information policy. The Management Board of the Company offers comments and responds to investor inquiries during teleconferences organised after publication of quarterly results. All conferences are webcasted live in Orbis TV at the Company's website. Individual meetings with investors and analysts are held at the Company's Head Office. Company representatives also participate in the so-called Investor's Days organised by financial institutions.

In the first half of 2017, Orbis S.A. held:

- meetings devoted to publication of 2016 results and Q1 2017 results,
- „investor day” in cooperation with the Millenium brokerage house,
- investor chat after publication of the annual results.

All financial data and information published by Orbis are available on the corporate website www.orbis.pl. Corporate sections of the website are updated and expanded with new content in line with service users' requests. “Orbis TV” platform is available on the Company's website, allowing users to follow on-line videos of corporate events and browse the archives with films, reports and interviews about Orbis. To facilitate communication, particularly for individual investors, a live chat is held after the publication of quarterly results. The investor service meets the requirements set for issuers by the Warsaw Stock Exchange, allows to search archived current and interim reports that the Company sends via the ESPI system, and to follow the share price.

Orbis S.A. is a supporting member of the Association of Stock Exchange Issuers, an association representing companies listed at the Warsaw Stock Exchange. The Company protects its corporate image among individual investors and the public as well as initiates and implements Corporate Social Responsibility projects.

APPENDIX 1: OPERATING RATIOS OF THE ORBIS GROUP

Owned hotels²

Operating ratios of owned hotels by main category	1st half of 2017	1st half of 2016	change (%)	1st half of 2017	1st half of 2016	change (%)
	As reported			Like-for-like		
Orbis Group						
Occupancy Rate (%)	69.9	67.6	2.3 p.p.	70.0	68.2	1.8 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	244.1	230.8	5.8%	243.0	233.0	4.3%
Revenue per Available Room (RevPAR) in PLN	170.7	156.1	9.4%	170.2	159.0	7.0%
Economy Hotels						
Occupancy Rate (%)	71.8	69.0	2.8 p.p.	72.0	69.2	2.8 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	173.2	164.4	5.4%	172.4	164.6	4.7%
Revenue per Available Room (RevPAR) in PLN	124.3	113.4	9.6%	124.1	113.9	9.0%
Up & Midscale Hotels (3 stars and more)						
Occupancy Rate (%)	68.9	66.9	2.0 p.p.	69.1	68.2	0.9 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	283.0	264.1	7.2%	281.2	268.4	4.8%
Revenue per Available Room (RevPAR) in PLN	195.1	176.8	10.4%	194.2	183.0	6.1%

Operating ratios of owned hotels by main category	2nd quarter of 2017	2nd quarter of 2016	change (%)	2nd quarter of 2017	2nd quarter of 2016	change (%)
	As reported			Like-for-like		
Orbis Group						
Occupancy Rate (%)	80.5	79.5	1.0 p.p.	80.5	80.6	-0.1 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	267.4	249.4	7.2%	265.8	252.5	5.3%
Revenue per Available Room (RevPAR) in PLN	215.3	198.3	8.6%	214.0	203.5	5.2%
Economy Hotels						
Occupancy Rate (%)	82.0	80.2	1.8 p.p.	81.6	81.3	0.3 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	192.3	179.2	7.3%	191.3	180.0	6.3%
Revenue per Available Room (RevPAR) in PLN	157.6	143.8	9.6%	156.1	146.3	6.7%
Up & Midscale Hotels (3 stars and more)						
Occupancy Rate (%)	79.7	79.2	0.5 p.p.	79.7	80.6	-0.9 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	308.7	286.2	7.9%	306.4	291.3	5.2%
Revenue per Available Room (RevPAR) in PLN	246.1	226.6	8.6%	244.2	234.7	4.0%

² Incl. the results of hotels owned and leased by the following companies: Orbis S.A., UAB Hekon, Katerinska Hotel s.r.o., Accor Pannonia Hotels Zrt., Accor Pannonia Slovakia s.r.o., Accor Hotels Romania s.r.l.

Operating ratios of owned hotels by geographical segment	1st half of 2017	1st half of 2016	change (%)	1st half of 2017	1st half of 2016	change (%)
	As reported			Like-for-like		
Poland						
Occupancy Rate (%)	68.3	67.4	0.9 p.p.	68.4	68.4	0.0 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	236.2	220.8	7.0%	234.1	223.7	4.6%
Revenue per Available Room (RevPAR) in PLN	161.2	148.9	8.3%	160.1	153.0	4.6%
Hungary						
Occupancy Rate (%)	71.3	64.9	6.4 p.p.	71.3	64.9	6.4 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	257.2	248.5	3.5%	257.2	248.5	3.5%
Revenue per Available Room (RevPAR) in PLN	183.3	161.3	13.6%	183.3	161.3	13.6%
Czech Republic						
Occupancy Rate (%)	73.7	68.9	4.8 p.p.	73.7	68.9	4.8 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	253.0	245.4	3.1%	253.0	245.4	3.1%
Revenue per Available Room (RevPAR) in PLN	186.4	169.0	10.3%	186.4	169.0	10.3%
Other countries						
Occupancy Rate (%)	80.0	79.8	0.2 p.p.	80.0	79.8	0.2 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	270.1	263.5	2.5%	270.1	263.5	2.5%
Revenue per Available Room (RevPAR) in PLN	216.0	210.4	2.7%	216.0	210.4	2.7%

Operating ratios of owned hotels by geographical segment	2nd quarter of 2017	2nd quarter of 2016	change (%)	2nd quarter of 2017	2nd quarter of 2016	change (%)
	As reported			Like-for-like		
Poland						
Occupancy Rate (%)	77.2	78.3	-1.1 p.p.	77.1	79.9	-2.8 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	255.9	236.8	8.1%	252.9	241.2	4.9%
Revenue per Available Room (RevPAR) in PLN	197.5	185.5	6.5%	194.9	192.7	1.1%
Hungary						
Occupancy Rate (%)	86.7	80.9	5.8 p.p.	86.7	80.9	5.8 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	283.5	267.8	5.9%	283.5	267.8	5.9%
Revenue per Available Room (RevPAR) in PLN	245.9	216.8	13.4%	245.9	216.8	13.4%
Czech Republic						
Occupancy Rate (%)	85.2	80.2	5.0 p.p.	85.2	80.2	5.0 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	299.9	281.6	6.5%	299.9	281.6	6.5%
Revenue per Available Room (RevPAR) in PLN	255.5	226.0	13.1%	255.5	226.0	13.1%
Other countries						
Occupancy Rate (%)	88.7	88.5	0.2 p.p.	88.7	88.5	0.2 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	277.1	276.9	0.1%	277.1	276.9	0.1%
Revenue per Available Room (RevPAR) in PLN	245.8	245.2	0.2%	245.8	245.2	0.2%

Managed and franchised hotels

Operating ratios of managed and franchised hotels by main category	1st half of 2017	1st half of 2016	change (%)	1st half of 2017	1st half of 2016	change (%)
	As reported			Like-for-like		
Orbis Group						
Occupancy Rate (%)	59.5	59.0	0.5 p.p.	63.5	60.4	3.1 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	188.0	184.6	1.8%	190.8	185.4	2.9%
Revenue per Available Room (RevPAR) in PLN	111.8	108.9	2.7%	121.2	112.0	8.2%
Economy Hotels						
Occupancy Rate (%)	61.3	60.1	1.2 p.p.	67.7	62.2	5.5 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	145.4	142.3	2.2%	146.4	143.0	2.4%
Revenue per Available Room (RevPAR) in PLN	89.1	85.6	4.1%	99.2	88.9	11.6%
Up & Midscale Hotels (3 stars and more)						
Occupancy Rate (%)	57.6	57.8	-0.2 p.p.	59.1	58.6	0.5 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	234.6	230.3	1.9%	243.1	231.2	5.1%
Revenue per Available Room (RevPAR) in PLN	135.2	133.2	1.5%	143.7	135.6	6.0%

Operating ratios of managed and franchised hotels by main category	2nd quarter of 2017	2nd quarter of 2016	change (%)	2nd quarter of 2017	2nd quarter of 2016	change (%)
	As reported			Like-for-like		
Orbis Group						
Occupancy Rate (%)	64.8	64.6	0.2 p.p.	68.3	66.2	2.1 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	188.8	185.4	1.8%	191.0	185.9	2.7%
Revenue per Available Room (RevPAR) in PLN	122.3	119.7	2.2%	130.5	123.2	5.9%
Economy Hotels						
Occupancy Rate (%)	69.5	68.0	1.5 p.p.	76.0	69.9	6.1 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	151.4	149.1	1.5%	152.9	149.7	2.1%
Revenue per Available Room (RevPAR) in PLN	105.1	101.4	3.6%	116.2	104.7	11.0%
Up & Midscale Hotels (3 stars and more)						
Occupancy Rate (%)	60.2	61.0	-0.8 p.p.	60.3	62.4	-2.1 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	231.0	227.2	1.7%	241.2	227.7	5.9%
Revenue per Available Room (RevPAR) in PLN	139.0	138.6	0.3%	145.5	142.2	2.3%

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Directors' Report on the Operations for the First Half of 2017

Operating ratios of managed and franchised hotels by geographical segment	1st half of 2017	1st half of 2016	change (%)	1st half of 2017	1st half of 2016	change (%)
	As reported			Like-for-like		
Poland						
Occupancy Rate (%)	47.7	47.5	0.2 p.p.	50.8	49.8	1.0 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	187.8	191.1	-1.7%	206.4	194.2	6.3%
Revenue per Available Room (RevPAR) in PLN	89.6	90.7	-1.2%	104.9	96.7	8.5%
Hungary						
Occupancy Rate (%)	71.0	70.4	0.6 p.p.	71.0	70.4	0.6 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	320.5	282.3	13.5%	320.5	282.3	13.5%
Revenue per Available Room (RevPAR) in PLN	227.6	198.7	14.5%	227.6	198.7	14.5%
Czech Republic						
Occupancy Rate (%)	64.7	50.9	13.8 p.p.	64.7	50.9	13.8 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	148.6	148.7	-0.1%	148.6	148.7	-0.1%
Revenue per Available Room (RevPAR) in PLN	96.1	75.7	26.9%	96.1	75.7	26.9%
Other countries						
Occupancy Rate (%)	70.3	67.1	3.2 p.p.	71.5	67.4	4.1 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	185.0	178.6	3.6%	180.3	178.4	1.1%
Revenue per Available Room (RevPAR) in PLN	130.1	119.8	8.6%	128.9	120.2	7.2%

Operating ratios of managed and franchised hotels by geographical segment	2nd quarter of 2017	2nd quarter of 2016	change (%)	2nd quarter of 2017	2nd quarter of 2016	change (%)
	As reported			Like-for-like		
Poland						
Occupancy Rate (%)	50.3	48.8	1.5 p.p.	51.2	50.8	0.4 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	179.1	179.2	-0.1%	194.3	181.5	7.1%
Revenue per Available Room (RevPAR) in PLN	90.0	87.4	3.0%	99.5	92.3	7.8%
Hungary						
Occupancy Rate (%)	86.2	84.9	1.3 p.p.	86.2	84.9	1.3 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	362.2	318.6	13.7%	362.2	318.6	13.7%
Revenue per Available Room (RevPAR) in PLN	312.1	270.4	15.4%	312.1	270.4	15.4%
Czech Republic						
Occupancy Rate (%)	72.8	63.1	9.7 p.p.	72.8	63.1	9.7 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	154.5	155.4	-0.6%	154.5	155.4	-0.6%
Revenue per Available Room (RevPAR) in PLN	112.4	98.0	14.7%	112.4	98.0	14.7%
Other countries						
Occupancy Rate (%)	79.4	75.9	3.5 p.p.	79.8	76.6	3.2 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	190.3	183.9	3.5%	183.9	183.5	0.2%
Revenue per Available Room (RevPAR) in PLN	151.1	139.5	8.3%	146.9	140.6	4.5%

APPENDIX 2 : GLOSSARY OF TERMS

ARR – Average Room Rate, revenue from accommodation services divided by the number of roomnights sold

CAPEX – Capital Expenditure

CSR – Corporate Social Responsibility

EBIT – Earnings Before Interest & Taxes, operating result before interest and taxes.

EBITDA - Earnings Before Interest, Taxes, Depreciation and Amortisation, operating result before depreciation/amortisation, result from financing activities and taxes

EBITDAR – Earnings Before Interest, Taxes, Depreciation, Amortisation, and Rent Expense, operating result before rent expense, depreciation/amortisation, effects of one-off events, result from financing activities and taxes

Economy hotels – one of the two reportable operating segments of the Orbis Group that comprises hotels of the ibis, ibis Styles and ibis budget brands. These hotels have two or fewer stars

Le Club Accorhotels (LCAH) – a free loyalty programme of the Accor Group hotels. Points may be earned not only at Accor hotels but also at Group's partners, including over 20 airlines such as Air France or Lufthansa. Le Club Accorhotels is 100% Internet-based, all benefits are available on-line where the Programme Member may manage his preferences, check bookings, select rewards and take advantage of personalised offers at preferential prices

"Like-for-like" results - results of comparable hotel portfolio excluding the results of sold, closed and newly opened hotels

MICE – Meetings, Incentives, Conventions, and Events, business tourism, a segment of tourism where trips are made in connection with pursued profession

NOVO² – combination of a bar and a restaurant in Novotels. NOVO² is based on three values: Vitality (health) entails the selection of environmentally-friendly produce and a balanced diet; Connect-ainment (entertainment) to ensure that each guest will feel at ease thanks to international interior design and cuisine; Imagination (inspirations) is reflected in the presentation of the most intriguing culinary trends from all around the world

Occupancy Rate – rooms occupied by hotel guests as a percentage of all available rooms

RevPAR – Revenue Per Available Room, revenue from accommodation services divided by the number of available rooms (may be calculated as Occupancy Rate multiplied by the Average Room Rate)

Up & Midscale hotels – one of the two reportable operating segments of the Orbis Group that comprises hotels of the following brands: Sofitel, Pullman, MGallery, Novotel and Mercure. These are hotels of upper or middle standard (three or more stars)

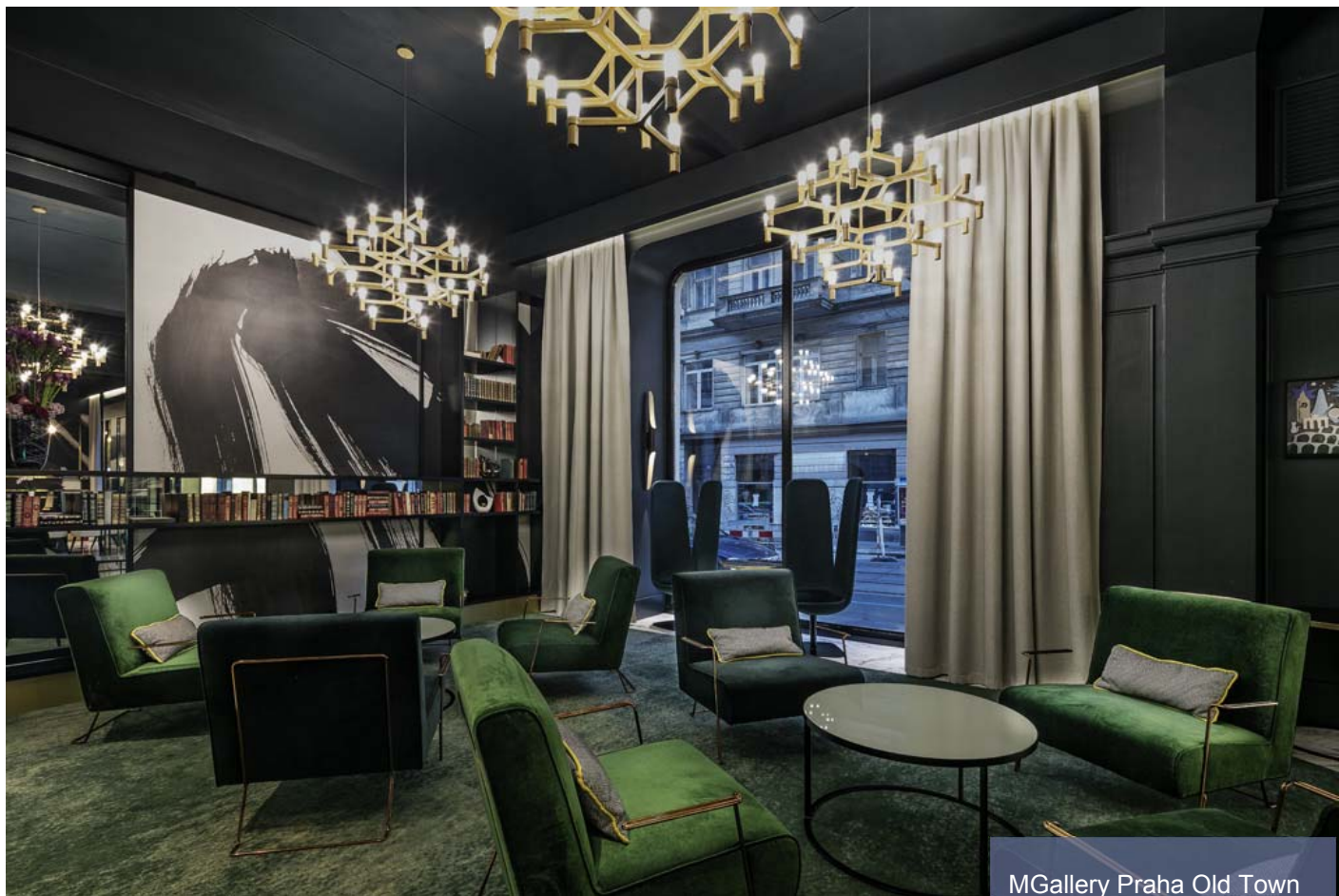
WAAG – Woman At Accor Generation, a women's network of the Accor Group/Orbis that supports women in pursuing their professional ambitions

WineStone – a restaurant concept in Mercure hotels based on two elements: a collection of wines selected on the basis of sommeliers' knowledge and experience, and dishes served on *les planches* – stone plates originating in the trendiest French restaurants

SIGNATURES OF ALL MEMBERS OF THE MANAGEMENT BOARD

Date	Name and Surname	Position/Function	Signature
July 26, 2017	Gilles Stephane Clavie	President of the Management Board	
July 26, 2017	Ireneusz Andrzej Węglowski	Vice-President of the Management Board	
July 26, 2017	Dominik Sołtysik	Member of the Management Board	
July 26, 2017	Marcin Szewczykowski	Member of the Management Board	

DECLARATIONS OF THE MANAGEMENT BOARD



MGallery Praha Old Town

DECLARATIONS OF THE MANAGEMENT BOARD

True and fair view of the financial statements

The Management Board of Orbis S.A. hereby declares that according to its best knowledge the condensed interim consolidated financial statements of the Orbis Group for the first half of 2017 and comparative figures for the first half of 2016 and for the year 2016 have been prepared in accordance with the accounting principles applied by the Group and with the International Financial Reporting Standards and reflect, in a true, fair and transparent manner, the economic and financial standing of the Orbis Group and its financial result.

At the same time, the Management Board of Orbis S.A. declares that according to its best knowledge the attached condensed interim financial statements of Orbis S.A. for the first half of 2017 and comparative figures for the first half of 2016 and for the year 2016 have been prepared in accordance with the accounting policy applied by the Company and with the International Financial Reporting Standards and reflect, in a true, fair and transparent manner, the economic and financial standing and financial result of Orbis S.A.

The Directors' Report on the Operations of the Orbis Group for the first half of 2017 contained in this document depicts the true image of development and achievements as well as condition of the Orbis Group, including description of main threats and risks.

Selection of an entity authorised to audit the financial statements

The Management Board of Orbis S.A. hereby declares that the entity authorised to audit the financial statements, entrusted with the task of reviewing the condensed interim financial statements of Orbis S.A. and the condensed interim consolidated financial statements of the Orbis Group for the first half of 2017 has been selected in conformity with the law. This entity and the licensed auditors in charge of the said review met the requirements necessary to issue an unbiased and independent report on the review, pursuant to the applicable regulations and professional standards.

Signatures of Members of the Management Board of Orbis S.A.:

Gilles Clavie

President of the Management Board, Chief Executive Officer

Ireneusz Węglowski

Vice-President of the Management Board

Dominik Sołtysik

Member of the Management Board

Marcin Szewczykowski

Member of the Management Board, Finance Director

Warsaw, July 26, 2017