Orbis Group

REPORT FOR THE THIRD QUARTER OF 2017

Warsaw, October 26, 2017

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1 MAJOR EVENTS OF THE THIRD QUARTER OF 2017 – PRESIDENT'S COMMENT

- Solid financial performance continues – revenue up by 6.3% to PLN 1 101.5 million
- Operating results increase in all markets in the EE region (6.6% like-for-like RevPAR growth in total), driven by ARR growth (5.1% y/y)
- Reinforcing network development in strategic marketplaces and targeting new destinations
- Adagio® - new hotel brand entering in our portfolio
- Undergoing cultural transformation supported by the Heartist® program

PERFORMANCE

Our results after 9 months 2017 reflect the rightness of Orbis business model and power of the implemented strategy. Orbis has taken full advantage of favourable economic climate, and thanks to its business approach gained solid results. Robust financial outcomes were confirmed by 6.3% increase of net sales up to PLN 1 101.5 million and EBITDAR growth of 10.4% (up to PLN 416.2 million) as compared to 9M in 2016. Operating EBITDA amounted to PLN 366.8 million, which represented double-digit growth of 21.1% comparing to last year.

We delivered these very strong results in most of the Groups' key markets at the operational level as well, represented by 6.6% RevPAR increase up to PLN 186.6 for the whole Group. This growth reflected strong increase in ARR visible in all markets of the EE region. These results and the business model we have implemented are systematically consolidating our leadership position in hospitality in Eastern Europe.

PORTFOLIO

Orbis continues reinforcing its presence in strategic geographical markets and targeting high potential destinations. Only in the 3Q we have added 3 asset light hotels (311 rooms) entering two new markets: Serbia and Bosnia-Hercegovina and signed 5 new agreements (610 rooms) to the hotels which will join the Group in the following years.

Asset light model, being a strategic axis of the Orbis development plan, apart from financial gains, provides also non-financial benefits. New hotels that join the Group increase and strengthen brand awareness, network diversification, loyalty program offer and brand reputation. Therefore network development with franchised and managed hotels enrich our guest offer. We also continue to develop our network through own investments, i.e. 6 hotels with 906 rooms – 4 new subsidiaries and 2 renovation projects. Altogether our strong pipeline is record-high and secured with 42 hotels with over 5 100 rooms in total for the next 3 years. Taking into account our strong cash position we are also actively looking for new growth opportunities and unchartered destinations. Enlarging our brand portfolio by adding Adagio (no. 1 aparthotels brand in Europe) Orbis Group will diversify its network development and enter the Aparthotels market as a development acceleration lever.

PEOPLE

Taking into account our cultural transformation, we continue the direction taken in the previous months, focusing our actions on recruitment, on-boarding and engagement of our employees. The first positive results can be already observed e.g. drop of people turnover in some countries or the region, including Poland. We have also been creating perception of professional and modern image of Orbis as an employer brand, on the Internet and in social media by launching a brand new web page, facebook funpage, profile at LinkedIn etc.

In 3Q 2017 Orbis started implementation of the new service culture of AccorHotels, called Heartist®. This comprehensive project is aimed at making the world a more welcoming place by putting people (both employees and guests) in the heart of everything we do for them. In-depth cultural transformation is designed to make each employee "Feel Valued" and each guest "Feel Welcome".

"I express my satisfaction looking at Orbis results after 9 months of 2017. Our operating performance is extraordinary solid and we are on target with our objectives – these make me re-confirm with confidence Orbis operating EBITDA target set in July. We still have ambitious goals to achieve in coming months, in terms of further hotel network development and Group's efficiency."

2 SELECTED FINANCIAL AND OPERATING FIGURES

2.1 Orbis Group

Consolidated income statement	PLN `000		EUR `000	
	9 months ended Sep. 30, 2017	9 months ended Sep. 30, 2016	9 months ended Sep. 30, 2017	9 months ended Sep. 30, 2016
Net sales	1 101 454	1 036 248	258 764	237 193
Operating profit	250 157	196 342	58 769	44 942
Net profit for the period	188 185	151 427	44 210	34 661
Net profit for the period attributable to owners of the parent	188 143	151 419	44 200	34 659
Basic and diluted profit per share attributable to owners of the parent (in PLN)	4.08	3.29	0.96	0.75

Consolidated statement of cash flows	PLN `000		EUR `000	
	9 months ended Sep. 30, 2017	9 months ended Sep. 30, 2016	9 months ended Sep. 30, 2017	9 months ended Sep. 30, 2016
Net cash generated by operating activities	298 356	279 512	70 093	63 979
Net cash used in investing activities	(511 663)	(224 152)	(120 205)	(51 307)
Net cash generated by /(used in) financing activities	(82 358)	120 597	(19 348)	27 604
Net cash flow, total	(295 665)	175 957	(69 460)	40 276

Consolidated statement of financial position	PLN `000		EUR `000	
	Sep. 30, 2017	Dec. 31, 2016	Sep. 30, 2017	Dec. 31, 2016
Non-current assets	2 404 699	2 193 359	558 051	495 786
Current assets	387 511	643 145	89 929	145 376
Assets classified as held for sale	191 522	23 631	44 446	5 342
Equity	2 054 864	1 950 676	476 866	440 930
Equity attributable to owners of the parent	2 054 665	1 950 514	476 820	440 894
Non-current liabilities	619 722	624 954	143 817	141 264
Current liabilities	309 146	284 505	71 743	64 309

Selected operating figures	9 months ended Sep. 30, 2017	9 months ended Sep. 30, 2016
Number of hotels (at the end of period)	120	117
Number of rooms (at the end of period)	20 142	19 779
Occupancy rate (%)	74.7	73.2
Revenue per Available Room in PLN	187.5	171.9

2.2 Orbis S.A.

Income statement	PLN `000		EUR `000	
	9 months ended Sep. 30, 2017	9 months ended Sep. 30, 2016	9 months ended Sep. 30, 2017	9 months ended Sep. 30, 2016
Net sales	672 486	518 144	157 987	118 601
Operating profit	135 845	92 875	31 914	21 259
Net profit for the period	109 936	118 934	25 827	27 223
Basic and diluted profit per share (in PLN)	2.39	2.58	0.56	0.59

Statement of cash flows	PLN `000		EUR `000	
	9 months ended Sep. 30, 2017	9 months ended Sep. 30, 2016	9 months ended Sep. 30, 2017	9 months ended Sep. 30, 2016
Net cash generated by operating activities	175 942	137 377	41 334	31 445
Net cash generated by /(used in) investing activities	(50 928)	13 112	(11 964)	3 001
Net cash generated by /(used in) financing activities	(104 056)	121 991	(24 446)	27 923
Net cash flow, total	20 958	272 480	4 924	62 370

Statement of financial position	PLN `000		EUR `000	
	Sep. 30, 2017	Dec. 31, 2016	Sep. 30, 2017	Dec. 31, 2016
Non-current assets	2 531 597	2 597 617	587 500	587 165
Current assets	280 797	176 323	65 164	39 856
Assets classified as held for sale	8 701	23 631	2 019	5 342
Equity	2 040 497	2 004 319	473 532	453 056
Non-current liabilities	607 400	617 251	140 958	139 523
Current liabilities	173 198	176 001	40 194	39 783

The following exchange rates were used to translate the presented figures into EUR:

- For items of the income statement and the statement of cash flows:
  - 4.2566 – the exchange rate calculated as the average of exchange rates quoted by the National Bank of Poland on the last day of each month of 9 months of 2017,
  - 4.3688 – the exchange rate calculated as the average of exchange rates quoted by the National Bank of Poland on the last day of each month of 9 months of 2016.
- For items of the statement of financial position:
  - 4.3091 – the exchange rate quoted by the National Bank of Poland on September 29, 2017,
  - 4.4240 – the exchange rate quoted by the National Bank of Poland on December 30, 2016.

3 CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF THE ORBIS GROUP

3.1 Consolidated income statement

	3 months ended Sep. 30, 2017	9 months ended Sep. 30, 2017	3 months ended Sep. 30, 2016	9 months ended Sep. 30, 2016
Net sales	**421 924**	**1 101 454**	**396 374**	**1 036 248**
Outsourced services	(86 533)	(234 088)	(80 602)	(217 334)
Employee benefit expense	(90 123)	(263 944)	(85 348)	(253 282)
Raw materials and energy used	(52 504)	(147 925)	(52 146)	(147 483)
Taxes and charges	(10 619)	(31 162)	(10 846)	(31 373)
Other expenses by nature	(3 951)	(10 479)	(3 682)	(10 417)
Net other operating income/(expenses)	876	2 315	(189)	530
EBITDAR	**179 070**	**416 171**	**163 561**	**376 889**
Rental expense	(14 446)	(49 376)	(25 038)	(74 077)
Operating EBITDA	**164 624**	**366 795**	**138 523**	**302 812**
Depreciation and amortisation	(41 126)	(123 312)	(36 989)	(109 841)
Operating profit without the effects of one-off events	**123 498**	**243 483**	**101 534**	**192 971**
Result on sale of real property	6 947	10 874	4 282	5 859
Revaluation of non-current assets	0	0	0	(909)
Restructuring costs	(725)	(2 511)	(140)	(371)
Result of other one-off events	(632)	(1 689)	(857)	(1 208)
Operating profit	**129 088**	**250 157**	**104 819**	**196 342**
Finance income	434	1 307	833	1 946
Finance costs	(2 541)	(19 666)	(7 115)	(14 826)
Share of net profits of associates	0	0	188	127
Profit before tax	**126 981**	**231 798**	**98 725**	**183 589**
Income tax expense	(21 067)	(43 613)	(18 676)	(32 162)
Net profit for the period	**105 914**	**188 185**	**80 049**	**151 427**
- attributable to owners of the parent	105 889	188 143	80 049	151 419
- attributable to non-controlling interests	25	42	0	8
Profit per ordinary share				
Basic and diluted profit per share attributable to owners of the parent for the period (in PLN)	2.30	4.08	1.74	3.29

3.2 Consolidated statement of comprehensive income

	3 months ended Sep. 30, 2017	9 months ended Sep. 30, 2017	3 months ended Sep. 30, 2016	9 months ended Sep. 30, 2016
Net profit for the period	**105 914**	**188 185**	**80 049**	**151 427**
Items that will not be reclassified subsequently to profit or loss:				
Actuarial gains/losses arising from the defined benefit plan				62
Income tax relating to items that will not be reclassified subsequently	(1)	(23)	0	(12)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	10 483	(10 239)	(4 906)	6 361
The effective portion of the gain or loss on the hedging instrument entered into for cash flow hedges	(2)	(14)	375	261
Income tax relating to items that may be reclassified subsequently	0	2	(71)	(50)
Other comprehensive income/(loss) after tax	**10 480**	**(10 274)**	**(4 602)**	**6 622**
Total comprehensive income for the period	**116 394**	**177 911**	**75 447**	**158 049**
- attributable to owners of the parent	116 367	177 874	75 447	158 037
- attributable to non-controlling interests	27	37	0	12

3.3 Consolidated statement of financial position

Assets	As at:			
	Sep. 30, 2017	Jun. 30, 2017	Dec. 31, 2016	Sep. 30, 2016
Non-current assets	**2 404 699**	**2 425 107**	**2 193 359**	**2 216 418**
Property, plant and equipment	2 237 198	2 261 011	2 037 338	2 047 912
Investment property	8 765	8 856	8 720	8 813
Intangible assets, of which:	111 860	112 102	112 692	112 631
- goodwill	107 252	107 252	107 252	107 252
Investments in associates	0	0	0	10 536
Other financial assets	28 728	24 025	15 510	7 888
Deferred tax assets	16 805	18 292	18 206	27 848
Other non-current assets	1 343	821	893	790
Current assets	**387 511**	**362 429**	**643 145**	**554 700**
Inventories	6 457	6 642	7 167	6 770
Trade receivables	92 885	76 174	58 953	77 399
Income tax receivables	0	1 660	3 079	518
Other current receivables	46 468	35 334	33 152	23 410
Cash and cash equivalents	241 701	242 619	540 794	446 603
Assets classified as held for sale	**191 522**	**189 525**	**23 631**	**28 494**
TOTAL ASSETS	**2 983 732**	**2 977 061**	**2 860 135**	**2 799 612**

Equity and Liabilities	As at:			
	Sep. 30, 2017	Jun. 30, 2017	Dec. 31, 2016	Sep. 30, 2016
Equity	**2 054 864**	**1 938 470**	**1 950 676**	**1 886 223**
Equity attributable to owners of the parent	**2 054 665**	**1 938 298**	**1 950 514**	**1 886 078**
Share capital	517 754	517 754	517 754	517 754
Reserves	133 226	133 228	133 238	132 900
Retained earnings	1 396 510	1 290 622	1 282 113	1 226 254
Foreign currency translation reserve	7 175	(3 306)	17 409	9 170
Non-controlling interests	**199**	**172**	**162**	**145**
Non-current liabilities	**619 722**	**619 053**	**624 954**	**642 393**
Borrowings	70 388	70 266	87 656	105 225
Bonds	502 319	501 515	501 372	501 896
Deferred tax liabilities	4 899	4 820	282	737
Deferred revenue	12 277	12 351	4 001	4 100
Other non-current liabilities	5 187	5 045	5 114	4 860
Provision for retirement benefits and similar obligations	17 899	18 363	19 765	22 188
Provisions for liabilities	6 753	6 693	6 764	3 387
Current liabilities	**309 146**	**419 538**	**284 505**	**270 996**
Borrowings	57 070	89 559	35 289	35 289
Other financial liabilities	131	129	118	534
Trade payables	111 468	110 293	117 429	115 929
Liabilities associated with tangible assets	8 437	9 302	24 945	7 651
Current tax liabilities	9 793	6 799	3 143	8 579
Deferred revenue	33 858	42 054	21 466	31 875
Other current liabilities	84 788	157 715	77 673	67 315
Provision for retirement benefits and similar obligations	2 823	2 909	2 983	2 757
Provisions for liabilities	778	778	1 459	1 067
TOTAL EQUITY AND LIABILITIES	**2 983 732**	**2 977 061**	**2 860 135**	**2 799 612**

3.4 Consolidated statement of changes in equity

	Equity attributable to owners of the parent				Non-controlling interests	Total
	Share capital	Reserves	Retained earnings	Foreign currency translation reserve		
Twelve months ended December 31, 2016						
Balance as at January 1, 2016	**517 754**	**132 689**	**1 129 899**	**2 813**	**133**	**1 783 288**
- net profit for the period	0	0	207 125	0	22	207 147
- other comprehensive income/(loss)	0	549	203	14 596	7	15 355
Total comprehensive income for the period	**0**	**549**	**207 328**	**14 596**	**29**	**222 502**
- transaction with a shareholder	0	0	17 286	0	0	17 286
- income tax relating to transaction with a shareholder	0	0	(3 284)	0	0	(3 284)
- dividends	0	0	(69 116)	0	0	(69 116)
Balance as at December 31, 2016	**517 754**	**133 238**	**1 282 113**	**17 409**	**162**	**1 950 676**
of which: nine months ended September 30, 2016						
Balance as at January 1, 2016	**517 754**	**132 689**	**1 129 899**	**2 813**	**133**	**1 783 288**
- net profit for the period	0	0	151 419	0	8	151 427
- other comprehensive income/(loss)	0	211	50	6 357	4	6 622
Total comprehensive income for the period	**0**	**211**	**151 469**	**6 357**	**12**	**158 049**
- transaction with a shareholder	0	0	17 286	0	0	17 286
- income tax relating to transaction with a shareholder	0	0	(3 284)	0	0	(3 284)
- dividends	0	0	(69 116)	0	0	(69 116)
Balance as at September 30, 2016	**517 754**	**132 900**	**1 226 254**	**9 170**	**145**	**1 886 223**
Nine months ended September 30, 2017						
Balance as at January 1, 2017	**517 754**	**133 238**	**1 282 113**	**17 409**	**162**	**1 950 676**
- net profit for the period	0	0	188 143	0	42	188 185
- other comprehensive income/(loss)	0	(12)	(23)	(10 234)	(5)	(10 274)
Total comprehensive income/(loss) for the period	**0**	**(12)**	**188 120**	**(10 234)**	**37**	**177 911**
- dividends	0	0	(73 723)	0	0	(73 723)
Balance as at September 30, 2017	**517 754**	**133 226**	**1 396 510**	**7 175**	**199**	**2 054 864**
of which: three months ended September 30, 2017						
Balance as at July 1, 2017	**517 754**	**133 228**	**1 290 622**	**(3 306)**	**172**	**1 938 470**
- net profit for the period	0	0	105 889	0	25	105 914
- other comprehensive income/(loss)	0	(2)	(1)	10 481	2	10 480
Total comprehensive income/(loss) for the period	**0**	**(2)**	**105 888**	**10 481**	**27**	**116 394**
Balance as at September 30, 2017	**517 754**	**133 226**	**1 396 510**	**7 175**	**199**	**2 054 864**

3.5 Consolidated statement of cash flows

	3 months ended Sep. 30, 2017	9 months ended Sep. 30, 2017	3 months ended Sep. 30, 2016	9 months ended Sep. 30, 2016
OPERATING ACTIVITIES				
Profit before tax	**126 981**	**231 798**	**98 725**	**183 589**
Adjustments:	**13 824**	**94 208**	**35 426**	**134 165**
Share of net profits of associates	0	0	(188)	(127)
Depreciation and amortisation	41 126	123 312	36 989	109 841
Foreign exchange (profits)/ losses	(2 169)	2 527	2 440	2 733
Interest and other borrowing costs	4 227	12 678	3 797	10 313
Gain from investing activities	(6 943)	(8 487)	(4 207)	(5 662)
Change in receivables	(13 506)	(31 649)	3 227	(24 684)
Change in liabilities, excluding borrowings	460	(12 787)	4 046	34 187
Change in deferred revenue	(9 023)	10 486	(9 835)	5 222
Change in provisions	(574)	(2 518)	362	1 504
Change in inventories	226	640	(198)	(7)
Other adjustments	0	6	(1 007)	845
Cash generated from operations	**140 805**	**326 006**	**134 151**	**317 754**
Income taxes paid	(14 629)	(27 650)	(15 714)	(38 242)
Net cash generated by operating activities	**126 176**	**298 356**	**118 437**	**279 512**
INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment, intangible assets and investment properties	11 751	43 346	4 423	6 907
Interest received	405	1 226	600	1 298
Other investing cash inflows	571	10 911	1 050	8 249
Leased hotels buyback	0	(468 056)	0	(109 342)
Other payments for property, plant and equipment, intangible assets and investment properties	(26 598)	(85 916)	(41 819)	(131 254)
Increase in share capital of related parties	0	0	0	(10)
Other investing cash outflows	(4 410)	(13 174)	0	0
Net cash used in investing activities	**(18 281)**	**(511 663)**	**(35 746)**	**(224 152)**
FINANCING ACTIVITIES				
Proceeds from borrowings	(32 754)	21 698	0	0
Issue of bonds	0	0	200 000	200 000
Proceeds from a shareholder	0	0	0	17 286
Dividends and other payments to owners	(73 723)	(73 723)	(69 116)	(69 116)
Repayment of borrowings	0	(17 645)	0	(19 039)
Interest paid and other financing cash outflows resulting from received borrowings	(786)	(2 755)	(1 058)	(3 700)
Interest paid and other financing cash outflows resulting from issue of bonds	(2 837)	(9 933)	(607)	(4 834)
Net cash generated by/(used in) financing activities	**(110 100)**	**(82 358)**	**129 219**	**120 597**
Change in cash and cash equivalents	**(2 205)**	**(295 665)**	**211 910**	**175 957**
Effects of exchange rate changes on the balance of cash held in foreign currencies	1 287	(3 428)	(1 666)	(1 037)
Cash and cash equivalents at the beginning of the period	**242 619**	**540 794**	**236 359**	**271 683**
Cash and cash equivalents at the end of the period	**241 701**	**241 701**	**446 603**	**446 603**

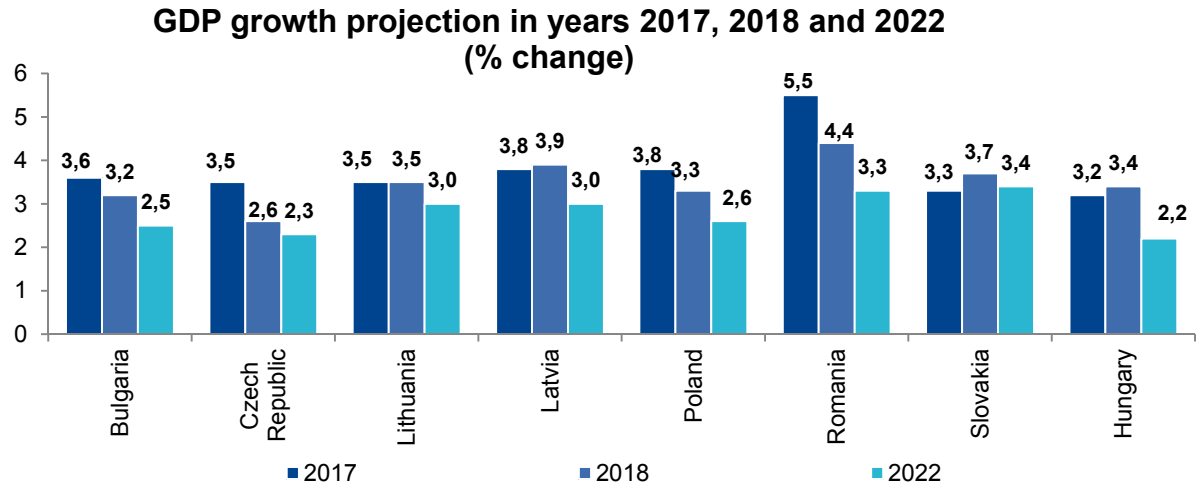
4 COMMENTS ON THE RESULTS OF THE ORBIS GROUP

4.1 Macroeconomic environment

Upward business trend

Strong labour markets, revival of investments and growth of economic activity in the Euroland, Poland's key trading partner, support the dynamic growth in the Central and Eastern Europe, which outdid most of the emerging markets this year.

As regards individual economies, the highest GDP growth since Q4 2015 was recorded in the Czech Republic, thanks to increasing salaries, strong motor car market and growing foreign demand. In addition, the GDP momentum was very strong in Romania thanks to a stimulus policy that boosted household consumption. The projected average GDP growth in the Central and Eastern Europe in year 2017 totals 3.8% 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, October 2017 (2017,2018 and 2022 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 53.7 at the end of September 2017. In the Czech Republic and Hungary, the PMI index remains well above 50 points (at 56.6 and 59.3, respectively), indicating a major 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 56.7 in September).

Improvement in the labour market

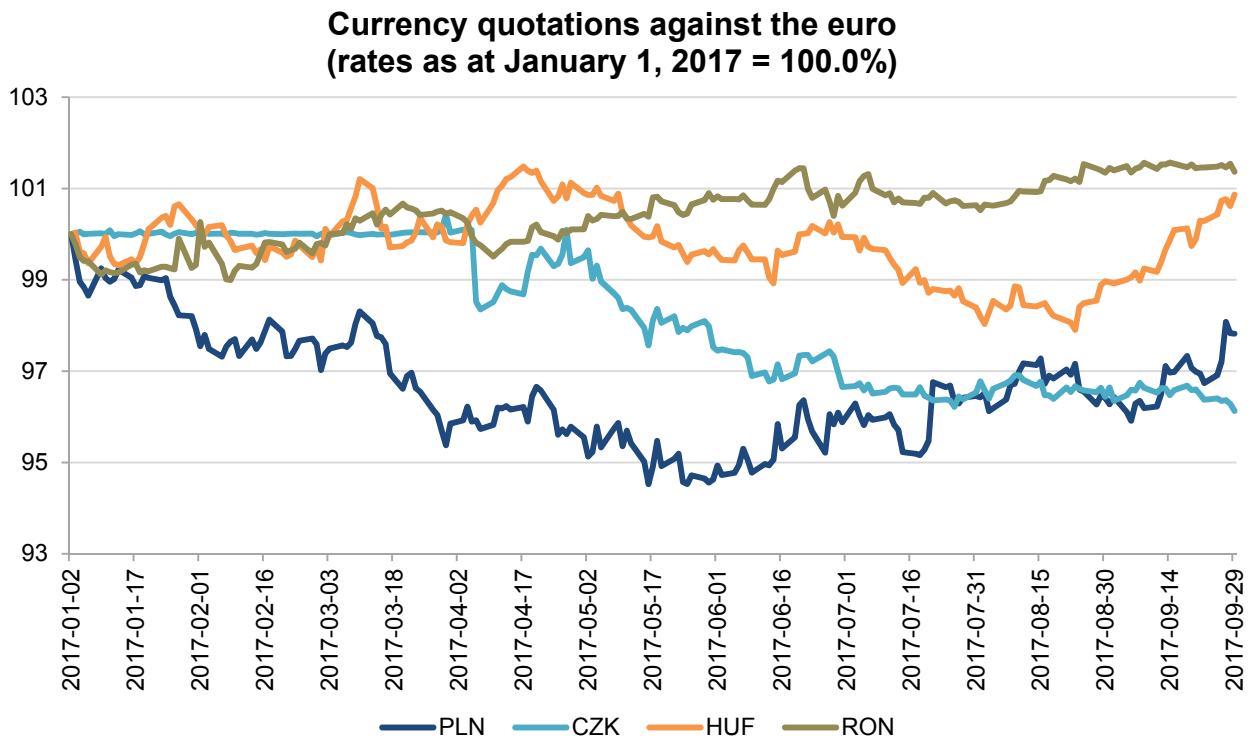
In the majority of countries in the region, a clear decline in the unemployment rate was observable as compared to the corresponding period of the past year, which translated into single-digit rates of unemployment. The unemployment rate in some economies has reached their historical bottom levels in recent months (i.e. in Poland – 7%, the Czech Republic – 4%, Romania – 4.2% and Hungary – 4.2%). Due to low unemployment and staff shortages, employers must increase salaries to attract and retain employees. To date labour cost was partially halted by an inflow of employees from Ukraine and by other factors.

Stable inflation rate

Inflation in the Eastern Europe remained at approx. 2% in the third quarter despite a very easy monetary policy across the whole region. In August, the Hungarian central bank decided once again not to change its monetary policy given stable price pressures and healthy growths. The Romanian central bank has not changed its monetary policy as well. Decision makers in the Czech Republic raised their rates for the first time in nine years. 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%. Likewise, low CPI indexes of 0.9% and 2.5% respectively were reported in Hungary and the Czech Republic.

Currencies' appreciation against the EUR

Improvement of economic sentiment has positively influenced the level of currencies in the region. Following growths reported in the first quarter, the Polish zloty began to weaken against the euro and at the end of September 2017, the PLN/EUR rate was around PLN 4.30. We also witnessed a significant strengthening of the Czech koruna against the euro in the third quarter .Fluctuations of other currencies against the EURO were not significant.



Source: Thomson Reuters

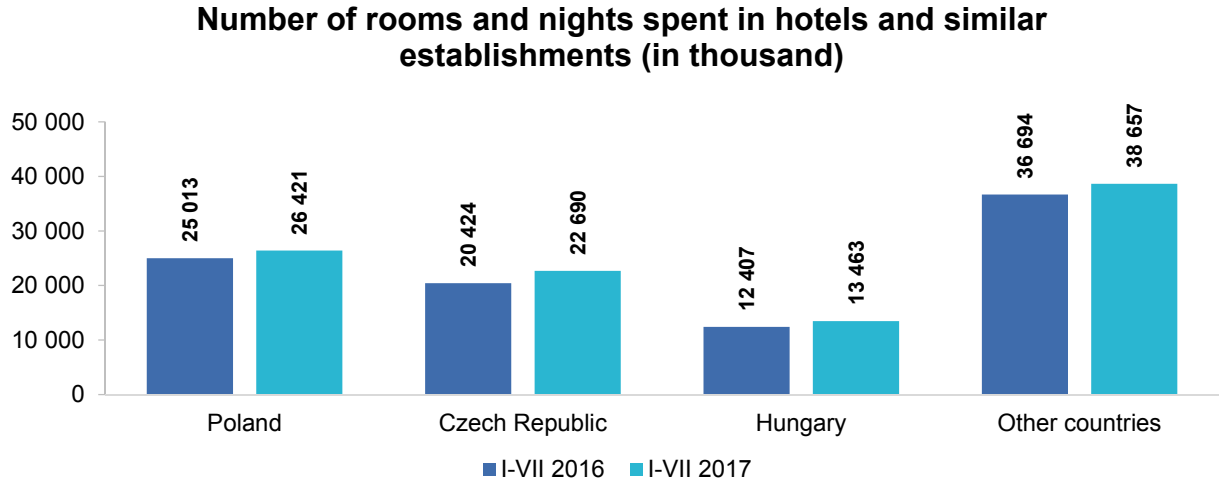
Forecasts reveal stabilization of economic growth

GDP growth forecasts for the years to come remain positive for the countries in which Orbis operates and run around 3.8% 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.

4.2 Hotel market

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 9 months 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.



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 (by 3.4 p.p. as compared to 9 months 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 (by 3.3 p.p. compared to the corresponding period of the previous year). In 9 months of 2017, the highest Occupancy Rates have been achieved by hotels in Warsaw, Budapest and Prague (above 80%).

In the reporting period, the average room rates in the region went up as well. The sharpest year-to-year increase was observed in Budapest (by 13.3%) and Warsaw (by 8.3%).

The steepest increase in RevPAR at the level of 18.4% was reported in Budapest (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 Prague, Warsaw and Tricity.

4.3 Important events of 9 months of 2017

The most important events of 9 months of 2017 which affected the financial information of Orbis Group include:

Hotel sale transactions

By September 30, 2017, Orbis S.A. finalized the following real property sale transactions, which were recognized in the income statement under the “Result on sale of real property”:

- On March 31, 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;
- On September 30, 2017 the sale agreement of organized parts of the enterprise, namely the **ibis Katowice Zabrze** was executed. The total net price of the of organized parts of the enterprise amounted to PLN 7 600 thousand;
- On September 30, 2017 the sale agreement of organized parts of the enterprise, namely the **Mercure Toruń Centrum** was finalized. The total net price amounted to PLN 18 000 thousand, of which PLN 3 600 thousand was received by the end of September and the remaining part of the amount, i.e. PLN 14 400 thousand, was paid in October 2017.

Moreover, in connection with the closed sale transactions of the above-mentioned hotels, long-term franchise agreements were signed, by virtue of which hotel buyers will continue to operate the hotels under the Mercure and ibis brands.

Execution of a preliminary agreement for the sale of the ibis budget Toruń hotel and a real property located in Toruń, built up with an undeveloped hotel building.

On August 30, 2017, Orbis S.A. executed a preliminary sale agreement of an organized part of the enterprise in the form of the **ibis budget Toruń** hotel and a property built up with an undeveloped building initially targeted as an ibis hotel ("Property"), for a total net price of PLN 11 000 thousand. The preliminary agreement provides that the final sale agreement for the ibis budget Toruń and the Property will be completed by September 30, 2018.

Moreover, alongside the preliminary agreement, 2 long-term franchise agreements were executed, under which after finalization of the sale, the buyer will continue to operate the ibis budget Toruń hotel under its brand and will finish off the construction of the hotel on the Property within the term of 3 years after the acquisition of the Property, which afterwards will be operated under the ibis Styles brand.

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

On December 23, 2016 Orbis' subsidiary, Accor Pannonia Hotels Zrt., 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, 2017, 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**. (after acquisition, the name was changed to **5 Star Hotel 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. (at present: 5 Star Hotel 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.

4.4 Hotel portfolio of the Orbis Group

The Orbis Group is the largest hotel operator in Poland and in Central & Eastern Europe. As at the end of September 2017, the Group's network comprised a total of 120 hotels with over 20.1 thousand rooms. The majority of these hotels (71 establishments) operate in Poland.

Hotel portfolio	Sep. 30, 2017	Jun. 30, 2017	Dec. 31, 2016	Sep. 30, 2016	Sep. 30, 2017/ Dec. 30, 2016	Sep. 30, 2017/ Sep. 30, 2016
Number of hotels, of which:	**120**	**117**	**116**	**117**	**3.4%**	**2.6%**
Owned and leased hotels	76	76	80	81	-5.0%	-6.2%
Managed hotels	12	10	10	10	20.0%	20.0%
Franchised hotels	32	31	26	26	23.1%	23.1%
Number of rooms, of which in:	**20 142**	**19 831**	**19 741**	**19 779**	**2.0%**	**1.8%**
Owned and leased hotels	14 752	14 752	15 312	15 412	-3.7%	-4.3%
Managed hotels	1 696	1 571	1 571	1 571	8.0%	8.0%
Franchised hotels	3 694	3 508	2 858	2 796	29.3%	32.1%

Change in the number of owned and franchised hotels during 9 months 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 opening of 2 franchised hotels, i.e. the ibis Styles hotel in Grudziądz in April 2017 and the Novotel Sarajevo in Bosnia and Hercegovina in September 2017.

On the other hand, the increase in the number of manager hotels results from the opening, in September 2017, of two new hotels, the Mercure Sighisoara Binderbubi in Romania and the Mercure Belgrade Excelsior in Serbia.

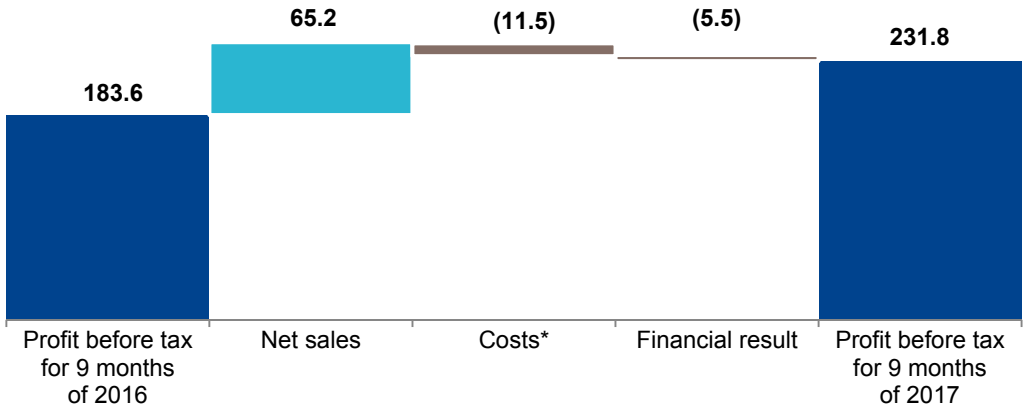
Change in the number of hotels as compared to September 30, 2016, was additionally caused by:

- the sale and franchise-back transaction of the Mercure Opole hotel (launch of operations as a franchised hotel as of December 2016),
- termination of franchise cooperation with Mercure Wisła Patria hotel (termination of the agreement as of November 30, 2016).

4.5 Financial results of the Orbis Group

In 9 months of 2017, the Orbis Group generated profit before tax amounting to PLN 231.8 million, while in 9 months of 2016, its profit stood at PLN 183.6 million (the result improved by 26.3%).

Sources of creation of profit before tax in 9 months of 2017



**Costs including the result from other operating activities*

Income statement – analytical approach	9 months ended Sep. 30, 2017	9 months ended Sep. 30, 2016	change (%)
Net sales	1 101 454	1 036 248	6.3%
Net sales „like-for-like"	*1 076 574*	*1 012 218*	*6.4%*
EBITDAR	416 171	376 889	10.4%
Operating EBITDA	366 795	302 812	21.1%
EBITDA „like-for-like"	*357 466*	*299 024*	*19.5%*
Operating profit (EBIT) without the effects of one-off events	243 483	192 971	26.2%
Operating profit (EBIT)	250 157	196 342	27.4%
Net result from financing activities	(18 359)	(12 880)	-42.5%
Profit before tax	231 798	183 589	26.3%

Income statement – analytical approach	3rd quarter of 2017	3rd quarter of 2016	change (%)
Net sales	421 924	396 374	6.4%
Net sales „like-for-like"	*411 753*	*385 101*	*6.9%*
EBITDAR	179 070	163 561	9.5%
Operating EBITDA	164 624	138 523	18.8%
EBITDA „like-for-like"	*160 293*	*135 897*	*18.0%*
Operating profit (EBIT) without the effects of one-off events	123 498	101 534	21.6%
Operating profit (EBIT)	129 088	104 819	23.2%
Net result from financing activities	(2 107)	(6 282)	66.5%
Profit before tax	126 981	98 725	28.6%

In 9 months of 2017, the Group's net sales were at the level of PLN 1 101.5 million, i.e. rose by 6.3% as compared to figures for 9 months of 2016.

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

During 9 months of 2017, the Revenue per Available Room (RevPAR) in owned hotels[1] of the Orbis Group stood at PLN 186.6, i.e. was by 6.6% higher compared to the like-for-like figures for the 9 months of 2016. During the reporting period, customers of Orbis Group hotels paid on average PLN 249.6 per room, i.e. 5.1% more than in the corresponding period of the past year. Moreover, during the period from January to September 2017, the Occupancy Rate in owned hotels increased by 1.1 p.p. as compared to the data for the 9 months of 2017, up to 74.8%.

Operating ratios of owned hotels	9 months of 2017	9 months of 2016	change (%)	9 months of 2017	9 months of 2016	change (%)
	as reported			like-for-like		
Orbis Hotel Group						
Occupancy Rate (%)	74.7	73.2	1.5 p.p.	74.8	73.7	1.1 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	251.0	235.0	6.8%	249.6	237.4	5.1%
Revenue per Available Room (RevPAR) in PLN	187.5	171.9	9.1%	186.6	175.1	6.6%

Operating ratios of owned hotels	3rd quarter of 2017	3rd quarter of 2016	change (%)	3rd quarter of 2017	3rd quarter of 2016	change (%)
	as reported			like-for-like		
Orbis Hotel Group						
Occupancy Rate (%)	84.3	84.1	0.2 p.p.	84.2	84.8	-0.6 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	262.8	241.5	8.8%	260.9	244.5	6.7%
Revenue per Available Room (RevPAR) in PLN	221.4	203.2	9.0%	219.6	207.3	5.9%

A detailed list of the Orbis Group's operational ratios for 9 months of 2017 and for Q3 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 9 months of 2016. During the period from January to September 2017, room revenue totalled PLN 762.2 million, which accounted for 69.2% of all the Group's revenues. The room revenue increased by 6.7% as compared to the figures for 9 months of the past year.

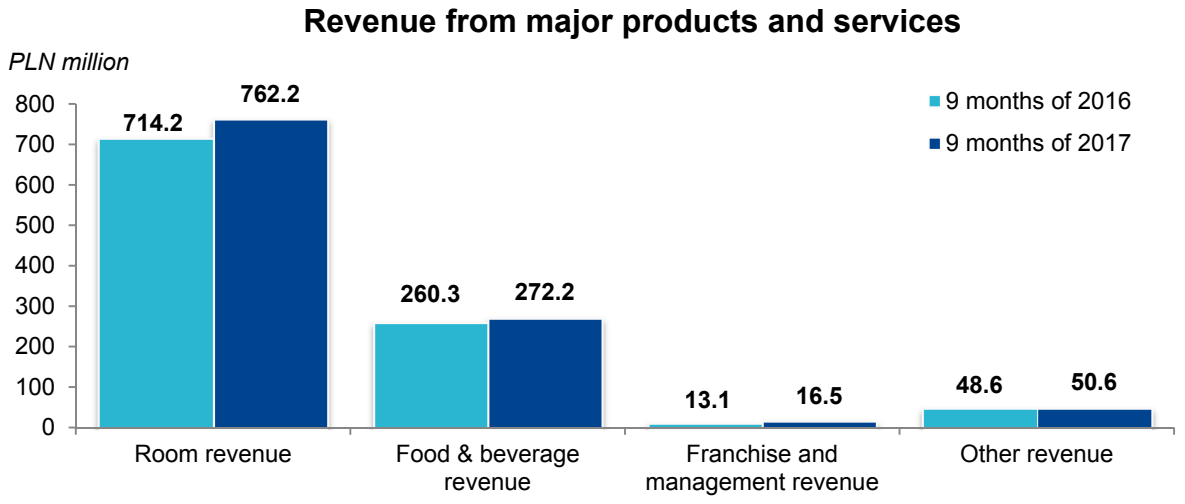
Growth in the number of guests in Orbis Group hotels had a positive impact on F&B revenue, which stood at PLN 272.2 million across the entire Group, accounting for 24.7% of consolidated revenues. As compared to the data for 9 months 2016, the F&B revenue increased by 4.6%.

Revenue from franchise and management contributed 1.5% to the Group's total revenues. As compared to the figures for nine months of the past year, revenues from franchise and management grew by 26.0%. It is particularly attributable to the expansion of the Group's hotel portfolio from 36 franchised and managed hotels as at September 30, 2016, to 44 hotels at the end of September 2017.

The other revenue, which is mainly derived from lease of property and car park spaces, accounted for 4.6% of consolidated revenue and increased by 4.1% as compared to the corresponding period of the past 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 Romiania s.r.l.

The structure of Orbis Group sales broken down into products/services in the period of 9 months of 2017 and 2016 was as follows:



The growing Occupancy Rate in the Group's hotels in 9 months of 2017 versus the corresponding period of 2016 resulted in the 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, cleaning costs, security costs, advertising costs and IT costs, have also increased. Compared to the 9 months of 2016, the employee benefits' expenses also increased as a result of higher employment as well as salaries and wages 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 416.2 million**, which translates into an increase by 10.4% versus 9 months of 2016.

In the reporting period, the rental expenses went significantly down, while depreciation and amortisation went up at the same time. It is the result of a buyback transaction of five 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 21.1% up to PLN 366.8 million**, while the **operating result excluding one-off events amounted to PLN 243.5 million**, i.e. improved by 26.2% against corresponding period of 2016.

In the reporting period, the Orbis Group reported a positive result of PLN 6.7 million from one-off events. During 9 months ended September 30, 2017, the Group generated a profit from the sale of non-strategic hotels, namely the Mercure Jelenia Góra, Mercure Karpacz Resort, Mercure Toruń Centrum and ibis Katowice Zabrze. Each of those hotels was sold as an organised part of the enterprise and the total gain from those transactions, including additional costs of sale, equalled PLN 10.9 million. Gain from the sale of the properties was reduced by restructuring costs amounting to PLN 2.5 million and costs of PLN 1.7 million incurred in connection with the buyback of leased hotels. As a result, the Group generated **operating profit (EBIT) in the amount of PLN 250.2 million** (growth by 27.4%).

During 9 months of 2017, the Group generated lower result on financing activities as compared to 9 months of the past year as a result of higher than in the past year (by PLN 2.2 million) exchange rate losses on the balance of cash held and transactions in foreign currencies as well as higher costs of interest on issued bonds (by PLN 3.4 million) in connection with the issue, on July 29, 2016, of additional bonds of a total nominal value of PLN 200 000 thousand.

The Orbis Group ended 9 months of 2017 with a **net profit of PLN 188.2 million**, comparing to a net profit of PLN 151.4 million in the corresponding period 2016, which means an improvement of the result by 24.3%.

4.6 Segment reporting

The Orbis Group distinguishes two reportable operating segments:

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

Apart from results of the operating segments, the Management Board of the Parent Company also analyses the results per individual geographic segments.

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

4.6.1 Results per operating segments

As at September 30, 2017, the individual operating segments included:

- the Up&Midscale segment: 4 Sofitel hotels, 21 Novotel hotels, 15 Mercure hotels and 1 MGallery hotel;
- the Economy segment: 23 ibis hotels, 9 ibis budget hotels and 3 ibis Styles hotels.

On the other hand, as at September 30, 2016, the individual operating segments included:

- the Up&Midscale segment: 4 Sofitel hotels, 21 Novotel hotels, 19 Mercure hotels and 1 MGallery hotel;
- the Economy segment: 24 ibis hotels, 9 ibis budget hotels and 3 ibis Styles hotels.

Unallocated operations comprise revenues and expenses of the Head Office (including revenues and expenses of investment property rentals) as well as one-off and non-recurring events, such as revaluation of non-financial non-current assets, result on disposal of real property and restructuring costs. Also, current and deferred income tax expense is recognised under unallocated operations (the Group does not calculate income tax for the respective operating segments).

9 months of 2017	Operating segments		Unallocated operations and consolidation adjustments	Consolidated value
	Up&Midscale Hotels	Economy Hotels		
Segment revenue, of which:	**834 970**	**240 957**	**25 527**	**1 101 454**
Sale to external clients	834 970	240 957	25 527	1 101 454
EBITDAR	**349 655**	**120 950**	**(54 434)**	**416 171**
Operating EBITDA	**308 368**	**114 290**	**(55 863)**	**366 795**
Depreciation and amortisation	(87 601)	(32 262)	(3 449)	(123 312)
Operating profit/(loss) without the effects of one-off events	**220 767**	**82 028**	**(59 312)**	**243 483**
Result of one-off events	0	0	6 674	6 674
Operating profit/(loss) (EBIT)	**220 767**	**82 028**	**(52 638)**	**250 157**
Finance income/(costs)	(921)	(583)	(16 855)	(18 359)
Income tax	0	0	(43 613)	(43 613)
Net profit/(loss)	**219 846**	**81 445**	**(113 106)**	**188 185**
Capital expenditure	434 469	108 098	1 795	544 362

3rd quarter of 2017	Operating segments		Unallocated operations and consolidation adjustments	Consolidated value
	Up&Midscale Hotels	Economy Hotels		
Segment revenue, of which:	**318 380**	**93 934**	**9 610**	**421 924**
Sale to external clients	318 380	93 934	9 610	421 924
EBITDAR	**143 117**	**49 670**	**(13 717)**	**179 070**
Operating EBITDA	**132 065**	**47 467**	**(14 908)**	**164 624**
Depreciation and amortisation	(29 580)	(10 405)	(1 141)	(41 126)
Operating profit/(loss) without the effects of one-off events	**102 485**	**37 062**	**(16 049)**	**123 498**
Result of one-off events	0	0	5 590	5 590
Operating profit/(loss) (EBIT)	**102 485**	**37 062**	**(10 459)**	**129 088**
Finance income/(costs)	(259)	(162)	(1 686)	(2 107)
Income tax	0	0	(21 067)	(21 067)
Net profit/(loss)	**102 226**	**36 900**	**(33 212)**	**105 914**
Capital expenditure	18 274	6 537	1 066	25 877

9 months of 2016	Operating segments		Unallocated operations and consolidation adjustments	Consolidated value
	Up&Midscale Hotels	Economy Hotels		
Segment revenue, of which:	**795 135**	**217 986**	**23 127**	**1 036 248**
Sale to external clients	795 135	217 986	23 127	1 036 248
EBITDAR	**322 173**	**109 951**	**(55 235)**	**376 889**
Operating EBITDA	**259 181**	**99 976**	**(56 345)**	**302 812**
Depreciation and amortisation	(77 893)	(29 036)	(2 912)	(109 841)
Operating profit/(loss) without the effects of one-off events	**181 288**	**70 940**	**(59 257)**	**192 971**
Result of one-off events	0	0	3 371	3 371
Operating profit/(loss) (EBIT)	**181 288**	**70 940**	**(55 886)**	**196 342**
Share of net profits of associates	0	0	127	127
Finance income/(costs)	(1 062)	(719)	(11 099)	(12 880)
Income tax	0	0	(32 162)	(32 162)
Net profit/(loss)	**180 226**	**70 221**	**(99 020)**	**151 427**
Capital expenditure	189 166	45 555	1 621	236 342

3rd quarter of 2016	Operating segments		Unallocated operations and consolidation adjustments	Consolidated value
	Up&Midscale Hotels	Economy Hotels		
Segment revenue, of which:	**300 742**	**87 338**	**8 294**	**396 374**
Sale to external clients	300 742	87 338	8 294	396 374
EBITDAR	**133 668**	**46 913**	**(17 020)**	**163 561**
Operating EBITDA	**112 426**	**43 497**	**(17 400)**	**138 523**
Depreciation and amortisation	(26 044)	(9 990)	(955)	(36 989)
Operating profit/(loss) without the effects of one-off events	**86 382**	**33 507**	**(18 355)**	**101 534**
Result of one-off events	0	0	3 285	3 285
Operating profit/(loss) (EBIT)	**86 382**	**33 507**	**(15 070)**	**104 819**
Share of net profits of associates	0	0	188	188
Finance income/(costs)	(292)	(247)	(5 743)	(6 282)
Income tax	0	0	(18 676)	(18 676)
Net profit/(loss)	**86 090**	**33 260**	**(39 301)**	**80 049**
Capital expenditure	28 895	5 797	832	35 524

During 9 months of 2017, the revenues of the Up&Midscale segment accounted for 75.8% of consolidated revenues and were by 5.0% higher as compared to revenues in 9 months of 2016. This growth is above all attributable to higher Average Room Rates (growth by 5.4%). Revenues of the economy hotels' segment accounted for 21.9% of the Group's revenues and rose by 10.5%. The reported growth momentum is the result of higher Average Room Rates (growth by 5.2%) and higher occupancy rate (growth by 1.9 p.p.).

The table below presents the operating ratios of owned hotels in the Orbis Group broken down into Up&Midscale hotels and economy hotels for 9 months of 2017, Q3 2017 and corresponding periods of 2016:

Operating ratios of owned hotels by main category	9 months of 2017	9 months of 2016	change (%)	9 months of 2017	9 months of 2016	change (%)
	as reported			like-for-like		
Economy Hotels						
Occupancy Rate (%)	76.1	74.0	2.1 p.p.	76.1	74.2	1.9 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	178.7	168.2	6.2%	176.9	168.1	5.2%
Revenue per Available Room (RevPAR) in PLN	136.1	124.5	9.3%	134.7	124.7	8.0%
Up&Midscale Hotels (3 stars and more)						
Occupancy Rate (%)	74.0	72.7	1.3 p.p.	74.0	73.8	0.2 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	290.4	268.8	8.0%	288.4	273.5	5.4%
Revenue per Available Room (RevPAR) in PLN	214.8	195.5	9.9%	213.5	201.9	5.7%

Operating ratios of owned hotels by main category	3rd quarter of 2017	3rd quarter of 2016	change (%)	3rd quarter of 2017	3rd quarter of 2016	change (%)
	as reported			like-for-like		
Economy Hotels						
Occupancy Rate (%)	84.7	83.5	1.2 p.p.	84.3	83.9	0.4 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	188.3	174.1	8.2%	184.9	173.5	6.6%
Revenue per Available Room (RevPAR) in PLN	159.5	145.3	9.8%	155.9	145.6	7.1%
Up&Midscale Hotels (3 stars and more)						
Occupancy Rate (%)	84.0	84.4	-0.4 p.p.	83.9	85.3	-1.4 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	303.0	276.4	9.6%	300.7	281.6	6.8%
Revenue per Available Room (RevPAR) in PLN	254.5	233.4	9.0%	252.4	240.2	5.1%

The average Revenue per Available Room ranged from PLN 134.7 in economy hotels to PLN 213.5 in hotels of the Up&Midscale segment in 9 months of 2017 and from PLN 124.7 to PLN 201.9 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 5.2% and by 5.4% in hotels of the Up&Midscale segment), as well as higher Occupancy Rate as compared to the year 2016 (increase of occupancy by 1.9 p.p. in economy hotels and by 0.2 pp in hotels of the Up&Midscale segment).

On the other hand, in the 3rd quarter of 2017, the average Revenue per Available Room amounted to PLN 155.9 in economy hotels (increase by 7.1% as compared to the 3rd quarter of 2016), and amounted to PLN 252.4 in three-star hotels and hotels of higher standard (increase by 5.1%). RevPAR growth is attributable in particular to higher Average Room Rates (ARR growth rate in economy hotels by 6.6% and by 6.8% in hotels of the Up&Midscale segment. The Occupancy Rate in the economy hotels in the 3rd quarter of 2017 grew by 0.4 p.p. up to 84.3%, while in the Up&Midscale hotels the Occupancy Rate fell slightly as compared with the past year (by 1.4 p.p.) reaching 83.9% for the reporting period.

4.6.2 Geographical information

The division into geographical segments is based on the criterion of location of points where services are provided and other assets are located, whereby the Group applies the division into operating regions used in internal reporting.

As at September 30, 2017, the individual geographic segments included:

- Poland: 3 Sofitel hotels, 13 Novotel hotels, 10 Mercure hotels, 13 ibis hotels, 9 ibis budget hotels and 1 ibis Styles hotel,
- Hungary: 1 Sofitel hotel, 5 Novotel hotels, 3 Mercure hotels, 5 ibis hotels and 2 ibis Styles hotels,
- The Czech Republic: one hotel of each of the Novotel, Mercure and MGallery brands and 4 ibis hotels,
- Other countries (Lithuania, Romania, Slovakia): 2 Novotel hotels, 1 Mercure hotel and 1 ibis hotel.

On the other hand, as at September 30, 2016, the individual geographic segments included:

- Poland: 3 Sofitel hotels, 13 Novotel hotels, 14 Mercure hotels, 14 ibis hotels, 9 ibis budget hotels and 1 ibis Styles hotel,
- Hungary: 1 Sofitel hotel, 5 Novotel hotels, 3 Mercure hotels, 5 ibis hotels and 2 ibis Styles hotels,
- The Czech Republic: one hotel of each of the Novotel, Mercure and MGallery brands and 4 ibis hotels,
- Other countries (Lithuania, Romania, Slovakia): 2 Novotel hotels, 1 Mercure hotel and 1 ibis hotel.

9 months of 2017	Geographical segments				Mutual eliminations and consolidation adjustments	Consolidated value
	Poland	Hungary	Czech Republic	Other countries		
Segment revenue, of which:	**672 396**	**269 861**	**91 290**	**68 587**	**(680)**	**1 101 454**
Sale to external clients	671 716	269 861	91 290	68 587	0	1 101 454
Sale to other segments	680	0	0	0	(680)	0
EBITDAR	**237 681**	**108 589**	**42 830**	**27 069**	**2**	**416 171**
Operating EBITDA	**231 831**	**88 285**	**32 634**	**14 043**	**2**	**366 795**
Depreciation and amortisation	(94 246)	(18 620)	(9 345)	(1 101)	0	(123 312)
Operating profit without the effects of one-off events	**137 585**	**69 665**	**23 289**	**12 942**	**2**	**243 483**

3rd quarter of 2017	Geographical segments				Mutual eliminations and consolidation adjustments	Consolidated value
	Poland	Hungary	Czech Republic	Other countries		
Segment revenue, of which:	**250 315**	**111 349**	**36 077**	**24 440**	**(257)**	**421 924**
Sale to external clients	250 058	111 349	36 077	24 440	0	421 924
Sale to other segments	257	0	0	0	(257)	0
EBITDAR	**98 694**	**52 283**	**18 419**	**9 669**	**5**	**179 070**
Operating EBITDA	**96 800**	**47 901**	**14 956**	**4 962**	**5**	**164 624**
Depreciation and amortisation	(31 313)	(6 212)	(3 237)	(364)	0	(41 126)
Operating profit without the effects of one-off events	**65 487**	**41 689**	**11 719**	**4 598**	**5**	**123 498**

9 months of 2016	Geographical segments				Mutual eliminations and consolidation adjustments	Consolidated value
	Poland	Hungary	Czech Republic	Other countries		
Segment revenue, of which:	**651 158**	**232 525**	**86 352**	**67 015**	**(802)**	**1 036 248**
Sale to external clients	650 356	232 525	86 352	67 015	0	1 036 248
Sale to other segments	802	0	0	0	(802)	0
EBITDAR	**226 114**	**86 478**	**40 273**	**24 031**	**(7)**	**376 889**
Operating EBITDA	**220 273**	**42 178**	**29 981**	**10 387**	**(7)**	**302 812**
Depreciation and amortisation	(90 313)	(9 872)	(8 044)	(1 612)	0	(109 841)
Operating profit/(loss) without the effects of one-off events	**129 960**	**32 306**	**21 937**	**8 775**	**(7)**	**192 971**

3rd quarter of 2016	Geographical segments				Mutual eliminations and consolidation adjustments	Consolidated value
	Poland	Hungary	Czech Republic	Other countries		
Segment revenue, of which:	**245 858**	**92 093**	**34 570**	**24 106**	**(253)**	**396 374**
Sale to external clients	245 605	92 093	34 570	24 106	0	396 374
Sale to other segments	253	0	0	0	(253)	0
EBITDAR	**97 091**	**38 952**	**18 108**	**9 413**	**(3)**	**163 561**
Operating EBITDA	**95 135**	**24 396**	**14 678**	**4 317**	**(3)**	**138 523**
Depreciation and amortisation	(30 325)	(3 402)	(2 700)	(562)	0	(36 989)
Operating profit/(loss) without the effects of one-off events	**64 810**	**20 994**	**11 978**	**3 755**	**(3)**	**101 534**

In geographic terms, the highest share to the Group's net sales in 9 months of 2017 was contributed by hotels located in Poland (61.0%) and in Hungary (24.5%). Net sales generated by hotels in the Czech Republic and in other countries accounted for, respectively, 8.3% and 6.2% of consolidated sales.

Poland

Selected figures and operating ratios of owned hotels located in Poland	9 months of 2017	9 months of 2016	% change
Net sales	671 716	650 356	3.3%
Capital expenditure	52 415	97 242	-46.1%
Occupancy Rate (%)	72.9	72.1	0.8 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	239.7	225.4	6.3%
Revenue per Available Room (RevPAR) in PLN	174.8	162.6	7.5%
Clients: Business	71.0%	65.0%	6.0 p.p.
Clients: Leisure	29.0%	35.0%	-6.0 p.p.

Hotels operating in Poland generated net sales of PLN 671.7 million, which constitutes 61.0% of the consolidated sales for the nine months of 2017. Polish hotels reported a 3.3% sales growth as compared to the corresponding period of the past year. Room revenue grew thanks to higher Average Room Rate, with the Occupancy Rate being close to the past year's level.

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, followed by Wrocław, Szczecin and Łódź. The number of rooms sold also grew in the tourist groups' segment. A major growth was also reported in the tourist groups' segment. The highest growth momentum was reported in Warsaw. A positive trend is also observed in the segment of corporate guests thanks to regular guests, new guests, and key account long-term projects. Decline in the number of guests was reported in the MICE segment which was caused by past year's large one-off conferences, cultural and sporting events that could not be compensated in the current year (such as events accompanying the European capital of culture in Wrocław 2016 and NATO forces accommodation in connection with the Anaconda project).

The upward trend in the corporate guest segment continued to prevail during the third quarter. Projects implemented by shipyards in Tricity and by international companies in Poznań and Wrocław have positively contributed to the growth of this segment. Growth has also been reported in the MICE segment thanks to, amongst others, the Men's Volleyball European Championship in August, conferences and congresses in September and the US military forces' presence in Poznań.

Hungary

Selected figures and operating ratios of owned hotels located in Hungary	9 months of 2017	9 months of 2016	% change
Net sales	269 861	232 525	16.1%
Capital expenditure	483 602	133 516	262.2%
Occupancy Rate (%)	77.1	73.3	3.8 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	273.8	249.3	9.8%
Revenue per Available Room (RevPAR) in PLN	211.0	182.7	15.5%
Clients: Business	48.8%	43.9%	4.9 p.p.
Clients: Leisure	51.2%	56.1%	-4.9 p.p.

Hotels in Hungary generated operating revenues of PLN 269.9 million, accounting for 24.5% of Orbis Group's consolidated revenues. Higher-than-last-year's results (by 16.1%), 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.

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. All the brands reported growth in this segment. On the other hand, the growth in the number of corporate guests (the highest in the Mercure and ibis brands) occurred above all thanks to long-term projects implemented above all by key accounts. The number of rooms sold also increased in the segment of tourist groups. Furthermore, different cultural and sporting events held in Budapest had a positive impact on the results. High demand for accommodation services allowed generating higher Average Room Rate thanks to a flexible pricing policy.

A major increase in the segment of business groups occurred in the third quarter thanks to large sporting events such as the 17th FINA World Championships and the World Judo Championships as well as cultural events such as the large Sziget music festival. The upward trend also continued in the corporate guests segment, which nearly compensated for the decline in leisure clients segment (both group and individual).

The Czech Republic

Selected figures and operating ratios of owned hotels located in the Czech Republic	9 months of 2017	9 months of 2016	% change
Net sales	91 290	86 352	5.7%
Capital expenditure	6 856	4 814	42.4%
Occupancy Rate (%)	78.1	75.2	2.9 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	264.4	254.3	4.0%
Revenue per Available Room (RevPAR) in PLN	206.5	191.3	7.9%
Clients: Business	45.7%	39.7%	6.0 p.p.
Clients: Leisure	54.3%	60.3%	-6.0 p.p.

In 9 months of 2017, revenues generated by hotels located in the Czech Republic amounted to PLN 91.3 million (8.3% 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 in 9 months of 2017 was achieved in the business groups segment, primarily in the ibis, Mercure and MGallery brands. Increase in the number of rooms sold was also reported 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. The number of guests in the corporate guests' segment was close to the past year's level, while a significant decrease in the number of guests in the segment of tourist groups was reported as compared to the corresponding period of 2016.

In the third quarter of 2017, the upward trend in the business segments continued thanks to high demand from individual customers, long-term demand from multinational corporations (also in the ibis brand) and a greater number of groups in the MGallery brand. Furthermore, the Mercure brand reported a positive impact of the NATO days organized in Ostrava in September.

Other countries

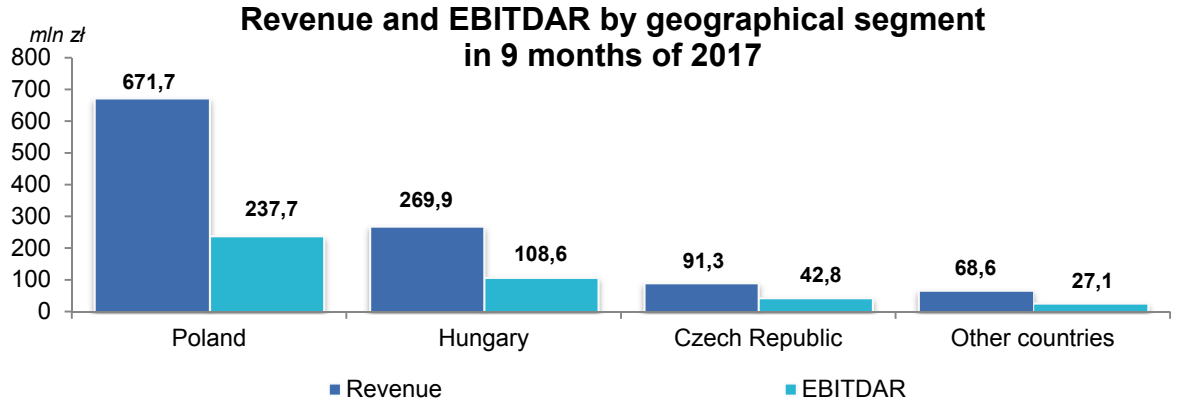
Selected figures and operating ratios of owned hotels located in other countries	9 months of 2017	9 months of 2016	% change
Net sales	68 587	67 015	2.3%
Capital expenditure	1 489	770	93.4%
Occupancy Rate (%)	82.7	83.4	-0.7 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	270.0	263.8	2.4%
Revenue per Available Room (RevPAR) in PLN	223.4	219.9	1.6%
Clients: Business	57.0%	56.7%	0.3 p.p.
Clients: Leisure	43.0%	43.3%	-0.3 p.p.

Revenues for the period of 9 months of 2017 generated in other countries where the hotels of the Group are located reached the level of PLN 68.6 million, i.e. 6.2% of consolidated revenues. Hotels located in Lithuania, Slovakia and Romania reported sales revenues higher by 2.3% than in the corresponding period of the past year.

The Novotel in Vilnius achieved slightly lower operating revenues as compared to the past year due to Occupancy Rate being lower than in the current year accompanied by slightly higher Average Room Rate than in the past year. Decrease in the number of individual guests during the last quarter was caused, above all, by the closure of the airport for one month due to its repairs. It also had an adverse impact on the corporate guests and MICE segments. In order to partially compensate for the decline, more tourists groups were accepted.

Slovakia is represented by two hotels located in Bratislava: Mercure and ibis. Both these hotels generated significantly higher operating revenues 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 attributable to the corporate segment thanks to key account stays in both these hotels. On the other hand, the individual guests segment reported a decrease in the number of rooms sold and the segment of tourist and business groups remained at past year's level. The upward trend in the corporate guests segment continued in the third quarter of the year and the number of individual guests staying on business increased although all the travel segments reported declines at the same time.

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 part year's level. Increase in the number of rooms sold was reported in the segment of individual guests, chiefly thanks to business guests and tourists groups. 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 and the MICE segment (numerous one-off projects were implemented in the past year). A major growth in the tourist group segment was reported in the third quarter of 2017. The festival of classical music organized in Bucharest every two years in honour of the Romanian composer G. Enescu has contributed to this growth.



4.7 Seasonality or cyclicality of operations

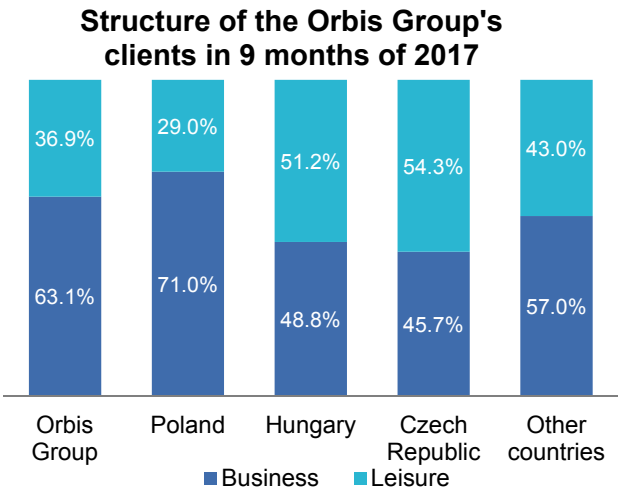
Sales of the Orbis Group throughout the year are marked by seasonality. Usually, the major value of sales is generated during the third quarter of the year. The second quarter of the year is the second best in terms of contribution to sales volume. The first quarter is the last in terms of sales.

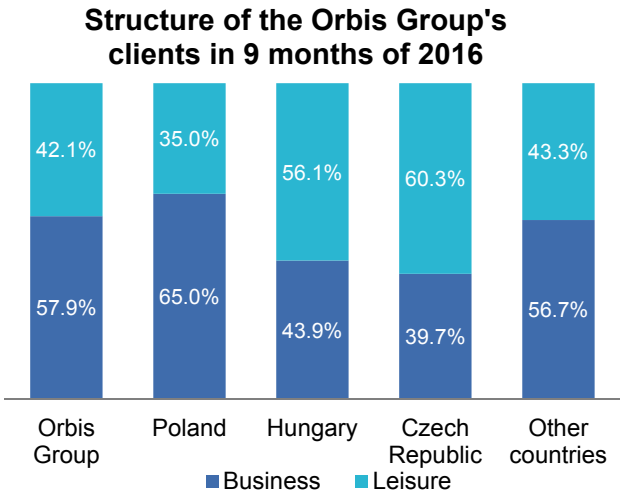
Net sales	2015		2016		2017	
	PLN `000	% share of annual revenue	PLN `000	% share of annual revenue	PLN `000	% share of annual revenue
1st quarter	229 201	18.2%	247 214	17.9%	265 951	-
2nd quarter	362 425	28.7%	392 660	28.4%	413 579	-
3rd quarter	362 903	28.7%	396 374	28.7%	421 924	-
4th quarter	308 197	24.4%	346 631	25.0%		
Total	**1 262 726**	**100.0%**	**1 382 879**	**100.0%**	**1 101 454**	-

4.8 Clients of the Orbis Group

In 9 months of 2017 business clients accounted for 63.1% of customers of the Orbis Group hotels. They formed the dominant group in the Group's hotels in Poland and in other countries (71.0% and 57.0% of all customers respectively). Conversely, in Hungary and in the Czech Republic it was tourists who formed the most numerous group of hotel customers, accounting respectively for 51.2% and 54.3% of all the customers.

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





4.9 Statement of financial position

On September 30, 2017, Orbis Group's assets totalled PLN 2 983.7 million, i.e. increased by PLN 123.6 million as compared to December 31, 2016.

The major component of the Group's assets are non-current assets, accounting for 80.6% of total assets. The predominant item of non-current assets are property, plant and equipment valued at PLN 2 237.2 million, accounting for 75.0% 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 9.8% 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 September, 2017, was impacted by depreciation and amortisation (PLN -120.9 million) and capital expenditure (PLN +70.9 million).

Intangible assets (mainly goodwill) valued at PLN 111.9 million also constitute a major item of non-current assets. The contribution of intangible assets to the Group's assets was at 3.7% at the end of September 2017.

At the end of September 2016, Orbis Group held interest of PLN 10.5 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 13.2 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 9 months of 2017 versus December 31, 2016, occurred with regard to cash and cash equivalents, trade receivables and other current receivables.

Under the current assets item, the most important sub-item are cash and cash equivalents of PLN 241.7 million, accounting for 8.1% of total assets. Decrease in cash and cash equivalents by PLN 299.1 million (55.3%) as compared to December 31, 2016, is above all attributable to capital expenditures (incl. leased hotel buybacks).

Increase of trade receivables by 57.6% as compared to December 31, 2016, is the result of a significant growth in the volume of rooms sold in September 2017 against year end.

A major item of current assets as at September 30, 2017, were other current receivables (PLN 46.5 million). This item comprises predominantly of receivables from sale of tangible assets and prepayments. As at the end of September 2017, the Group held receivables resulting from the sale of tangible assets of PLN 22.3 million (48.1% of other current receivables), including PLN 14.4 million from the sale of the Mercure Toruń Centrum hotel, PLN 4.0 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 concerned the sale of the Mercure Mrągowo Resort & SPA hotel, sale of an organised part of the enterprise of the Mercure Kasprowy hotel in Zakopane and non-hotel real property located at Łopuszańska Street in Warsaw), which were paid in March 2017. As at September 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 September 30, 2017, Orbis Group reported assets of PLN 191.5 million classified as assets held for sale, which include the title to perpetual usufruct of land at Heweliusza Street in Gdańsk, components of property, plant and equipment of the Sofitel Budapest Chain Bridge hotel in Hungary the and the ibis budget Torun hotel and a property in Toruń built up with the undeveloped building initially targeted as hotel "ibis". As at December 31, 2016, this item also included assets classified under 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.

The Orbis Group financed its assets predominantly from equity. As at September 30, 2017, the Group's equity accounted for 68.9% of the total equity and liabilities (PLN 2 054.9 million). On the other hand, the Group's net debt stood at PLN 388.1 million, i.e. accounted for 18.9% of equity.

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

- liabilities under the bond issue of PLN 502.3 million (16.8% of liabilities),
- borrowings of PLN 70.4 million (2.4% of the total carrying amount of assets/equity and liabilities),

and current liabilities (borrowings) of PLN 57.1 million.

In 9 months of 2017, the Hungarian subsidiary Accor Pannonia Hotels Zrt. had an overdraft in its current account, the value of which totalled PLN 21.8 million as at the end of September 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 9 months of 2017. More information about borrowings is provided in Note 5.10 to this Report.

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 most significant item of current liabilities as at September 30, 2017, comprises trade liabilities (36.1%). Its slight decline is connected with the decrease of inter-company liabilities within the Accor Group.

A significant item of current liabilities comprises other current liabilities (27.4%), including mainly tax and social security liabilities and accrued expenses of employee benefits (also for bonus payments and unused holiday leaves). A higher level of these liabilities as compared to the end of December 2016 results predominantly from the recognition of liability resulting the tax on acquisition of 5 Hotel Kft. and HVB Leasing Maestoso Kft. (presently 5 Star Hotel Kft.) amounting to PLN 10.6 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 for the year 2016.

A much higher level of deferred revenue as at September 30, 2017, results predominantly from prepayments received for accommodation services during the spring and summer period (80.4% of the balance).

Decline of liabilities associated with tangible assets in 9 months 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.

4.10 Statement of changes in equity

On September 31, 2017, equity amounted to PLN 2 054.9 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 188.1 million for 9 months 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 September 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 7.2 million at the end of September 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 September 2017 as compared to December 31, 2016 (foreign currency applied for translation of financial statements of foreign subsidiaries is presented in Section 5.9).

The change in the Group's other reserves in 9 months of 2017 resulted from valuation of the derivative instrument hedging against the risk of interest rate change.

4.11 Statement of cash flows

During 9 months of 2017, the net cash flows of the Orbis Group amounted to PLN -295.7 million (PLN 176.0 million in 9 months of 2016). The change in the balance of cash during 3 months ended September 30, 2017 amounted to PLN -2.2 million (PLN 211.9 million in the same period of 2016). The cash outflow in the 3rd quarter of 2017 resulted from the following factors:

- **Cash flows from operating activities**
  The profit before tax of PLN 127.0 million (PLN 98.7 million in the corresponding period of the past year) in the third quarter of 2017, generated mainly thanks to higher prices with the occupancy rate being slightly below past year's level, had a direct impact on positive net cash inflows from operating activities of PLN 126.2 million (PLN 118.4 million in the third quarter of 2016).

- **Cash flows from investing activities**
  The main reason for the cash outflow of PLN 18.3 million in the third quarter of 2017 (PLN -35.7 million in the third quarter of 2016) was the expenses of PLN 26.6 million incurred on development and modernization property, plant and equipment of Orbis Group. Moreover, in the reporting period, the Group generated other cash inflows from investing activities including 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 3rd quarter of 2017 the Group generated inflows from investing activities resulting from the sale, on September 30, 2017, of the ibis Katowice Zabrze hotel (PLN 7.6 million) and the Mercure Toruń Centrum hotel (PLN 3.6 million), and received a part of the sale price for the Mercure Mrągowo Resort & SPA sold in December 2016 (PLN 0.5 million).

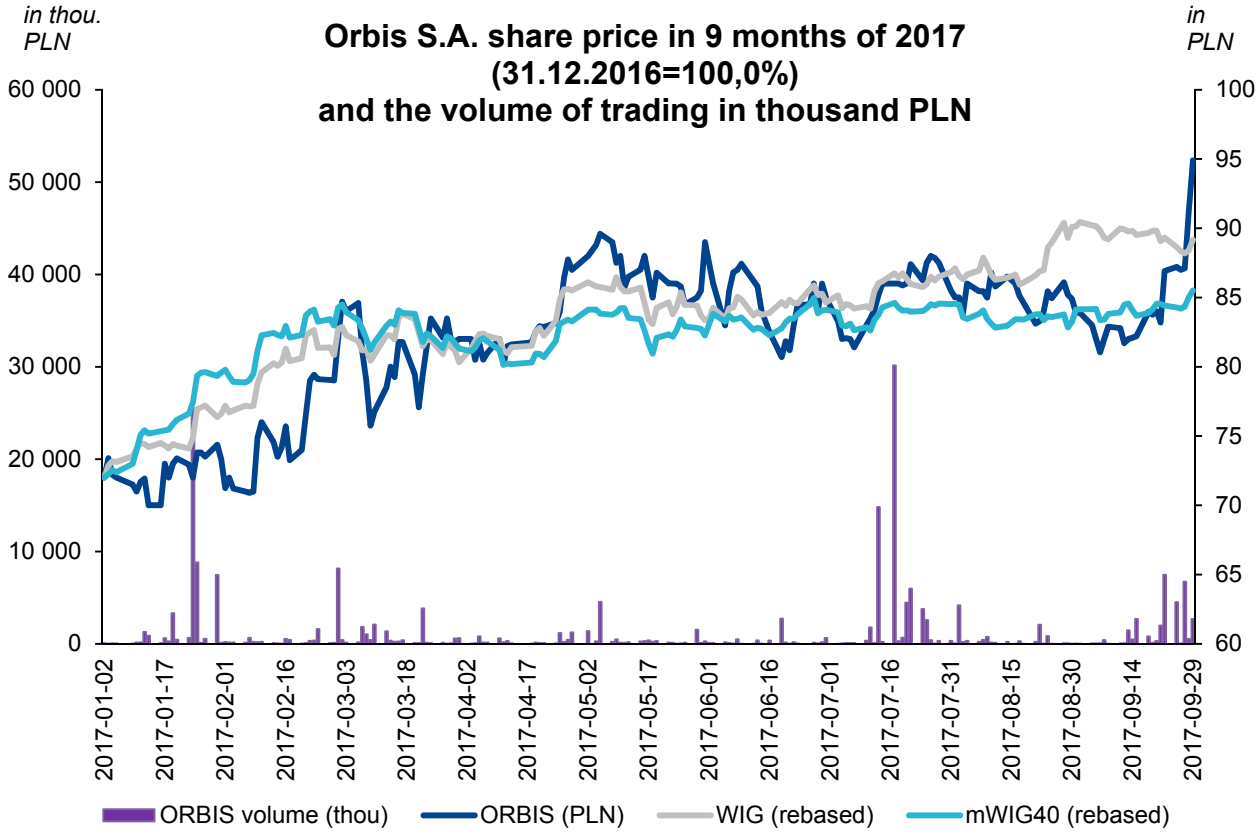
  In 9 months of 2017, the cash flows from investing activities totalled PLN -511.7 million. Apart from the events of the third quarter, the cash flows from investing activities were also impacted by the expenses of PLN 468.1 million incurred on the buyback of six leased hotels (the Mercure Budapest Korona, 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).
  On the other hand, the inflows during that period included, apart from gains from the sale of these hotels, also cash inflows from the sale 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). Furthermore, in April 2017 Orbis received the advance payment of PLN 9.5 million against the sale of the Giewont hotel in Zakopane, which was recognized as other investing cash inflows.

- **Cash flows from financing activities**
  During the period of 3 months ended on September 30, 2017, the Orbis Group paid out dividend on August 2, 2017 (PLN 73.7 million), partially repaid the loan incurred by the Hungarian company Accor Pannonia Hotels Zrt. (PLN 32.8 million in aggregate), as well as paid interest and other debt costs arising under the loans incurred and bonds issued (PLN 3.6 million). Consequently, in the third quarter of 2017, the Group generated negative cash flows from financing activities of PLN 110.1 million.

  The negative cash flows from financing activities for 9 months of 2017 at the level of PLN 82.4 million resulted additionally from higher costs of external financing and repayment of an instalment with a principal amount of the loan incurred by Orbis S.A. The inflow during the period January – September 2017 resulted from an overdraft in the current account of the Hungarian subsidiary, Accor Pannonia Hotels Zrt.

4.12 Share price

From January 1 to September 29, 2017, the price of Orbis S.A. shares ranged from PLN 70.0 (as at January 13) to PLN 94.9 (during the stock exchange session of September 29). The spread between the highest and the lowest quotations was PLN 24.9, which accounted for 36% of the lowest price. The Orbis share closing price at the end of the first quarter of 2017 stood 8% above WIG index, and by 13% above the mWIG40 index. During the 3 quarters of 2017, the average trading volume in Orbis stocks equalled 13 700 shares.



4.13 Capital expenditure

During 9 months of 2017, capital expenditure of the Orbis Group amounted to PLN 544.4 million (PLN 236.3 million in the corresponding period of the past year).

Capital expenditure of the Group	9 months ended Sep. 30, 2017	9 months ended Sep. 30, 2016
Leased hotels buyback	471 495	123 969
Development projects	41 423	73 767
Other expenditure	31 444	38 606
Total	**544 362**	**236 342**

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 4.3.

Expenditure incurred in 9 months of 2017 was also allocated for development projects in the Group's companies. A total sum of PLN 41.4 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 reported period. Room modernisation will be implemented in four phases. In the 3rd quarter, the modernisation works focus on the re-arrangement of the public areas (conference rooms, the lobby, the restaurant, the bar and the fitness centre) as well as the technical facilities of the hotel. 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 up to the end of September 2017 (the rooms are being modernised in accordance with the latest Novotel brand guidelines - N'Room); a building permit was issued 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 9 months 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.

In 2017, 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 as well as construction works started up to the end of September, 2017. The total estimated expenditure for the construction of the hotel during the period 2016–2018 will exceed PLN 48 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. Up to the end of September 2017, the construction design was completed and the construction permit was granted. The general contractor is to be appointed in November.

A modern **ibis budget Gdańsk Posejdon** economy hotel will be built in Gdansk, on a plot in the immediate vicinity of the Mercure Gdańsk Poseidon 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 will be rendered operational in the first half 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 reporting period, 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 present the modules for hotel construction are being manufactured. The total estimated expenditure for the construction of the hotel will exceed PLN 11 million.

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 9 months of 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 2017 (PLN 31.4 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 9 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, renovation of the La Brasserie Moderne restaurant terrace entrance, 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 completion of the renovation of 33 rooms in this hotel,
- modernization of 36 bathrooms and the audiovisual system in the meeting rooms in the **Mercure Gdynia Centrum** hotel,
- renovation of 46 rooms in the **Novotel Warszawa Centrum** hotel,
- renovation of 56 rooms in the **Novotel Warszawa Airport** hotel,
- modernization of the cooling systems in the **Novotel Katowice Centrum** and the **Novotel i ibis Wrocław Centrum** hotels,
- small renovation of the conference area in the **Mercure Wrocław Centrum** hotel.

Expenditures on IT in the period from January to September 2017 were focused on the replacement of the iPMS reception desk systems and implementation of the WiFi Internet access project in line with the present guest expectations and technology standards. Both projects are scheduled to be completed in early 2018. Apart from offering top quality service to guests, investment in WiFi and new iPMS systems make the Orbis Group fully ready for new projects within the framework of the “Digital Plan” implemented since 2015.

Other IT expenditure was allocated for regular replacement and upgrading of components of the existing IT infrastructure in hotels and the Head Office resulting from the period of operation, the security policy, the need to eliminate technologically outdated solutions and the current business needs.

4.14 Human resources

During 9 months of 2017, the average employment in the Orbis Group stood at 4 005 full time equivalents, having risen by 2.5% compared to the same period of last year.

Average employment (in full-time equivalents)	9 months ended Sep. 30, 2017	9 months ended Sep. 30, 2016	% change
Poland	2 588	2 530	2.3%
Hungary	934	895	4.4%
Czech Republic	224	224	0.0%
Other countries	259	260	-0.4%
Total	**4 005**	**3 909**	**2.5%**

During 9 months of 2017 the Orbis Hotel Group completed, in the form of both traditional and e-learning training courses, over 3 519 training days for nearly 2 416 employees (4 730 participants).

4.15 Corporate Social Responsibility (CSR)

With the growing importance of non-financial factors, sustainable development and ethical aspects are gaining prominence in the Orbis Group. New regulations, projects and initiatives are launched and commitments are undertaken under the Planet 21 strategy. Orbis Group stakeholders, i.e. employees, shareholders, business partners, investors, analysts and customers expect the Company to be sensitive to the current social issues and take responsibility for the environment.

Therefore, in the third quarter of 2017, the Management Board of Orbis S.A. appointed the Compliance Officer of the Orbis Group and thus launched the deployment of a comprehensive compliance program in the Orbis Group. The role and mission of the Compliance Officer is to define, present, deploy and monitor the compliance program in the Orbis Group. In the first months, efforts focused on mapping potential risks in the Company, following which selected areas, such as preventing corruption, were targeted. So far the Compliance Officer organised workshops for almost 70 participants aimed at raising awareness on the subject of counteracting corruption amongst Orbis management.

In the area of human resources management, in 9 months of 2017, Orbis focused on attracting, retaining and developing the most promising talents. Furthermore, training programs aimed at a comprehensive cultural transformation of the company, such as “Happy Guest Come Back”, “Heartist”, and a new cycle of workshops sensitising hotel employees to emotions such as empathy and authenticity towards guests were continued. As part of its F&B strategy, Orbis also invested in widening the professional perspectives of young cooks via the “Culinary Excellence” program (309 participants, including 92 employees of the Orbis Group and 217 young talents from vocational schools across Poland participated in a cycle of workshops from January till the end of September 2017). The “Culinary Excellence” program is presently implemented by Orbis across Poland. Moreover, within the frame of its diversity policy, the Orbis Group spares no effort to retain gender equality amongst managers and executives. At present, 40% general managers of hotels under AccorHotels brands in Easter Europe are women.

In terms of environmental protection, Orbis continued the implementation of the “Plant for the Planet” program in two countries, i.e. the reforestation program in Romania in cooperation with the Mihai Emiscu Trust, thanks to which more than 2 million trees were planted in Transylvania, and a program in Poland in cooperation with the AgriNatura foundation, thanks to which 15 000 organic fruit trees of the old Polish varieties (such as the “kosztela” variety) were planted providing solid help to those farmers who have very small farmlands and for whom small organic farms are the only source of family livelihood. Furthermore, in the third quarter 2017, under the “Healthy and Sustainable Food Charter”, the management took sequential decisions to reduce food waste (by 30% in 2020) and launched systems helping to minimise food waste in, amongst others, the Novotel Warszawa Centrum, Sofitel Budapest Chain Bridge and Novotel Budapest City hotels. Besides, the food and beverage solutions introduced step-by-step by the Group involve progressive changes in favour of local suppliers and promoting products from organic and sustainable farming. In recognition of hotels under AccorHotels brands involvement in preventing food waste and promoting healthy food, Orbis was invited to join, as a partner, the first “Warsaw Culinary Festival: Plants, Insects and Honey” (Warszawski Festiwal Kulinarny: Rośliny, Owady i Miód).

4.16 Position of the Management Board as regards viability of previously published forecasts

On July 27, 2017, the forecasted EBITDA of the Orbis Group for 2017 in the range from PLN 450 to 460 million was disclosed in the current report no. 27/2017. The forecasted EBITDA includes the result of operating activities, excluding the impact of one-off events, such as sale of properties, revaluation of non-current assets or costs of employment restructuring.

The Orbis Group’s EBITDA for 9 months of 2017 amounts to PLN 366.8 million. In the Management Board’s opinion, as at the date of publication of the financial statements, there are no factors that might pose a threat to the viability of the forecast.

4.17 Factors to affect the Orbis Hotel Group's operations in subsequent quarters

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 growth driver in the coming months.

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 and 2018 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 into a decrease in the number of citizens who are active in the labour market, making it increasingly difficult to find the right employees. Staff shortages will be particularly visible amongst blue collar and junior staff, who so far were substituted by employees from behind Poland's eastern border. Strong entrepreneurial demand for labour combined with its declining supply will trigger salary growths in Central and Eastern Europe.

Another important aspect of the labour market is the generation change. At present, more and more members of hotel staff come from the so-called millennial generation (the Y generation), i.e. persons born after 1980. This young social group stands out for self-confidence, initiative and entrepreneurship of its members. Millennials expect an individualized approach from their employer, a life-work balance, and high flexibility and freedom in aspects such as working time, decision-making, etc. Therefore, hoteliers face the need to adapt their management style to the changing conditions.

Further improvements of employees' situation in the labour market and the implementation of the 500+ Family Program ("Rodzina 500+") in Poland should contribute towards increased consumption and improved household sentiment. Increasing affluence of societies in the region coupled with growing appetites for active leisure time and ever increasing numbers of people doing remote work contribute to the growing propensity to travel.

Economic prosperity, increasing purchasing power in the societies and a desire to travel foster the need for personalized tourist service. Furthermore, guest expectations are growing, venue selection becomes more and more premeditated and guests increasingly identify themselves with a chosen brand.

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 as well as construction of new sporting and conference facilities will be the driving factor of tourist inflow. The growth in the hotel market of the Central and Eastern Europe is also correlated with less tangible aspects, such as the perception of the entire region 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. Poland and other countries of the Central and Eastern Europe more and more often host a number of European or international events, such as the 2017 Men's European Volleyball Championship organised in the third quarter of 2017 in 4 cities of Poland, the World Games 2017 (the Olympics of non-Olympic sports) organised in Wrocław or the World Judo Championships held in Budapest. These events have been organized thanks to local authorities and are an effective form of promoting the region of Central and Eastern Europe.

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, the ibis budget Gdańsk Posejdon hotel and the ibis hotel in Vilnius; the investment process related to the construction of a the ibis Styles Szczecin hotel has started as well. Moreover, modernisation works are progressively carried out in hotels of the Group.

In addition, to reinforce its market presence Orbis has decided to expand its portfolio by adding Adagio, the no. 1 modern aparthotels brand in Europe that offers the service of apartment rental in a hotel system (per night).

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.

The Group also continues its expansion based on the asset light model. In the 3rd quarter of 2017 alone the Group signed 5 new franchise and management agreements (610 rooms in aggregate). The development plan of the Orbis Group provides for the inclusion of almost 36 new hotels (over 4.2 thousand rooms) 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, which directly translates into good results of the hospitality industry in recent years, is an incentive for both local and international investors to invest in this market. Further growth in the supply of hotels is anticipated in the coming months, particularly in the top locations (i.e. major cities of the region), and this in turn will intensify the growing competition, particularly in terms of prices. 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. Moreover, venues that combine the function of an office building or a commercial facility with a hotel are gaining in popularity. To effectively compete with the long-blooming private apartment rental market, operating amongst others via the AirBnB reservation platform, hotel operators more and more often decide to enter the aparthotel segment (the segment of apartments rented in the hotel system, i.e. per night). To attract guests, hotels will have to stand out against their competition and offer more attractions, amenities and will need to provide different types of personalized service.

To sum up, favourable macroeconomic forecasts coupled with a growing number of incoming foreign tourists in the countries of the Central and Eastern Europe and an increase in the affluence of local societies cast an optimistic light on the fourth quarter and the coming year. However, the growing supply of accommodation properties on the market, fierce competition on many levels, trends in the labour market that shift the market in favour of employees and rising inflation may bring a slowdown in the industry in a near future. Despite the hospitality industry being impacted by many factors, some of which are sometimes difficult to anticipate, the forecasts for the industry in the coming months remain optimistic.

Basic risks and threats viewed as factors of significance for the development of the Group are described in Note 31 to the Consolidated Financial Statements for 2016.

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5.1 Basic information about the Issuer

The Group's parent company is Orbis Spółka Akcyjna with its corporate seat in Warsaw, ul. Bracka 16, 00-028 Warsaw, Poland. The parent company of the Group is entered in the Register of Business Operators maintained by the District Court in Warsaw, XII Commercial Division of the National Court Register under the number KRS 0000022622. According to the Polish Classification of Business Activity [PKD], the Company's business operations are classified under section I, item 5510Z.

5.2 Business operations

The scope of core business operations of Orbis S.A. includes mainly:

- hotels and other lodging units,
- food and beverage services,
- activities related to organisation of fairs, exhibitions and congresses,
- lease and management of own or leased real estate,
- management of real estate on mandate basis.

The term of Orbis S.A. and the companies forming the Group is unlimited.

The Orbis Group is the largest hotel operator in Poland and Central & Eastern Europe. As at the end of March, the Group's structure comprised 120 hotels located in 11 countries. The Orbis Group hotels operate under Accor brands: Sofitel, Pullman, MGallery, Novotel, Mercure, ibis, ibis Styles and ibis budget.

5.3 The Issuer's shareholders

As at the day of publication, the shareholders who hold at least 5% of the total number of votes at the General Meeting of Orbis S.A. Shareholders included:

Shareholder	Number of shares and votes	% of the total number of shares and votes at the GM
Accor S.A.	24 276 415	52.69
of which: subsidiary Accor S.A.- Accor Polska Sp. z o.o.	*2 303 849*	*4.99*
Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK	4 577 880	9.94
Metlife Otwarty Fundusz Emerytalny and Metlife Dobrowolny Fundusz Emerytalny managed by Metlife Powszechne Towarzystwo Emerytalne S.A.	2 357 156	5.12
Nationale-Nederlanden Otwarty 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 who had the right to participate in the Annual General Meeting of Shareholders.

An 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 Otwarty Fundusz Emerytalny Aviva BZ WBK 4 596 000 shares (9.97% of all the shares),
- Nationale-Nederlanden Otwarty Fundusz Emerytalny 3 990 000 shares (8.66% of all the shares),
- Metlife Otwarty 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 - a global leader in travel and lifestyle offering unique experiences in more than 4.2 thousand hotels, resorts and residences, and in more than 10 thousand private residences worldwide. The AccorHotels Group is the owner of 20 hotel brands, from upscale to economy. With its dual expertise as an investor and operator, AccorHotels operates in 95 countries through its HotelInvest and HotelServices divisions and has a global team of more than 240 thousand employees.

Accor S.A. shares are listed at the Euronext Paris stock exchange (ISIN code: FR0000120404) and traded at the OTC market in the United States (code: ACRFY).

5.4 Statutory bodies of the Issuer

The Management Board

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

- Gilles Clavie – President of the Management Board, Chief Executive Officer,
- Ireneusz Węgłowski – 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 Board Members for a successive 10th tenure of the Management Board.

The Supervisory Board

During the period from January 1, 2017, till September 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.

5.5 The holding of Orbis S.A. shares by members of the Supervisory Board and the Management Board

As at the day of publication of the report, Vice-President of the Management Board, Mr. Ireneusz Andrzej Węgłowski, held 3 000 Orbis S.A. shares. 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 9 months 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, Mr. Kseń sold 127 shares; on June 2, Mr. Kseń acquired 127 shares and on June 16, Mr. Kseń acquired 100 shares, on July 28, Mr. Kseń sold 100 shares and on September 22, Mr. Kseń sold 50 shares. As a result of the above-mentioned transactions, as at the date of publication of this report, Mr. Kseń held 2 170 Orbis shares.

5.6 Share capital and dividends paid

As at September 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.:

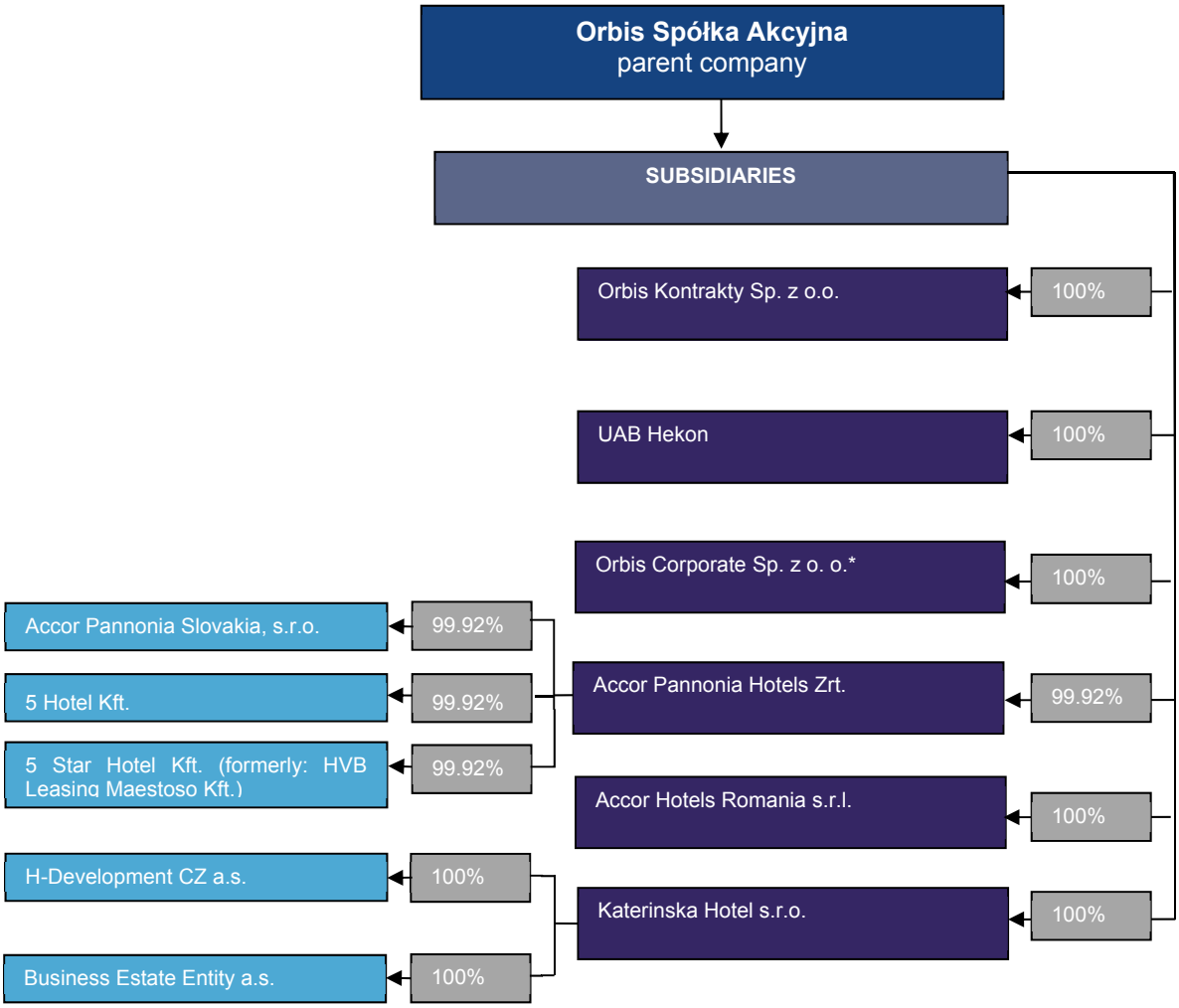
- Number of shares – 46 077 008,
- Par value per share - PLN 2,
- Share capital set out in the Statutes of Orbis S.A. – PLN 92 154 thousand,
- Hyperinflation restatement of share capital – PLN 425 600 thousand,
- Carrying amount of share capital – PLN 517 754 thousand.

During 9 months of 2017 and till the date of publication of this Report the value of share capital did not change.

By virtue of resolution of the General Meeting of Shareholders dated June 8, 2017, net profit generated by Orbis S.A. in 2016, was appropriated for the dividend totalling PLN 73 723 thousand, i.e. PLN 1.60 per share. The dividend was paid on August 2, 2017. A decision was also made to keep the remaining part of profit, amounting to PLN 81 021 thousand, in the Company as retained earnings.

5.7 The structure of the Group

As at September 30, 2017, the Orbis Group comprised the following companies:



** The 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. Following this acquisition, HVB Leasing Maestoso Kft. was renamed 5 Star Hotel Kft.

5.8 Description of principal accounting policies

The presented condensed interim consolidated financial statements are in compliance with the International Financial Reporting Standards approved by the European Union, issued and valid on the date of these financial statements, including the International Accounting Standard 34 *Interim Financial Reporting*.

The principal accounting policies applied in the preparation of the consolidated financial statements are set out in Note 2.4 to the annual consolidated financial statements for 2016. The accounting policies have been consistently applied to all the years presented in the financial statements.

The consolidated financial statements have been prepared on the assumption that the Parent Company and the Orbis Group companies will continue as a going concern in the foreseeable future.

The financial statements of the companies forming the Group have been prepared in the currency of the primary economic environment in which the respective companies operate (in “the functional currency”). The consolidated financial statements are prepared in the Polish zloty (PLN), which is the presentation and functional currency of the parent company.

All financial figures are quoted in PLN thousand, unless otherwise stated.

5.9 Currency exchange rates

Items of statements of financial position of foreign subsidiary companies were translated into the Polish currency at the average exchange rate quoted by the National Bank of Poland as at September 30, 2017. Items of the income statement, statement of comprehensive income and statements of cash flows of foreign subsidiary companies were translated into the Polish currency at the exchange rates being the arithmetic mean of average exchange rates quoted by the National Bank of Poland at the day ending each month of 9 months of 2017 and 2016. Exchange rates used to translate statements of foreign subsidiary companies are presented in the table below:

Currency	Average exchange rate in the reporting period		Exchange rate at the end of the reporting period			
	9 months ended Sep. 30, 2017	9 months ended Sep. 30, 2016	Sep. 30, 2017	Jun. 30, 2017	Dec. 31, 2016	Sep. 30, 2016
EUR/PLN	4.2566	4.3688	4.3091	4.2265	4.4240	4.3120
HUF/PLN	0.0138	0.0140	0.0138	0.0137	0.0142	0.0139
CZK/PLN	0.1604	0.1616	0.1655	0.1611	0.1637	0.1596
RON/PLN	0.9348	0.9742	0.9368	0.9269	0.9749	0.9675

5.10 Borrowings

On December 19, 2014, Orbis S.A. executed a credit facility agreement with Bank Polska Kasa Opieki S.A. and Société Générale S.A. by virtue of which the Banks granted to Orbis S.A. a credit facility of up to the sum of PLN 480 000 thousand. According to the executed agreement, the credit facility was allocated for:

- financing 80% of the price payable for interests in companies in Eastern Europe purchased by Orbis S.A.;
- corporate purposes of Orbis S.A., up to the sum not higher than PLN 50 000 thousand.

The interest rate on the credit facility was determined according to a variable interest rate equal to WIBOR for three-month deposits (WIBOR 3M) plus the banks' margin. Interest will be paid at the end of each quarter, while capital instalments at the end of June and December. Pursuant to the current payment schedule, the date of payment of the last instalment falls on June 26, 2020.

As at September 30, 2017, Orbis S.A. had liabilities of PLN 105 677 thousand under the credit facility.

As at September 30, 2017, a subsidiary Accor Pannonia Hotels Zrt. had liabilities of PLN 21 781 thousand (EUR 5 063 thousand) under an overdraft facility.

During 9 months of 2017, Orbis S.A. repaid a principal instalment under the credit facility in total amount of PLN 17 645 thousand, as well as PLN 2 622 thousand as interest on credit facilities and PLN 133 thousand as other borrowing costs resulting from credit facilities.

Borrowings	As at:			
	Sep. 30, 2017	Jun. 30, 2017	Dec. 31, 2016	Sep. 30, 2016
Liabilities arising from credit facilities (outstanding principal)	105 867	105 867	123 512	141 156
Credit facilities valued at amortised cost	(190)	(312)	(567)	(642)
Overdrafts	21 781	54 270	0	0
Total borrowings	**127 458**	**159 825**	**122 945**	**140 514**

The amount of undrawn credit lines under overdrafts of the Orbis Group as at September 30, 2017, was PLN 87.6 million, of which the credit lines undrawn by Orbis S.A. amounted to PLN 20.0 million, those of Accor Pannonia Hotels Zrt.: PLN 42.8 million (i.e. EUR 9.9 million) and those of Katerinska Hotel s.r.o.: PLN 24.8 million (i.e. CZK 150.0 million). The remaining Group companies did not have undrawn credit lines under overdrafts.

5.11 Issue, redemption and repayment of debt and equity securities

On **June 26, 2015**, Orbis S.A. issued **300 thousand ordinary bearer bonds of the ORB A 260620 series**, of a nominal value of PLN 1 000 each and a total nominal value of PLN 300 000 thousand. The issue price of the bonds is equal to their nominal value. The funds raised from this bond issue were used for partial repayment of a credit facility.

The bonds bear interest per annum at a variable interest rate at WIBOR for six-month deposits (WIBOR 6M) plus interest rate margin of 0.97%. Interest will be payable in 6-month interest periods.

The bonds will be redeemed on June 26, 2020, at their nominal value. Prior to the redemption date, on June 26, 2018, Orbis may redeem all the issued bonds or 50% of the issued bonds by paying to bondholders the nominal value of the bonds plus premium of 1% of the nominal value of the bonds and the amount of interest due for the interest period ending on the date on which the early bond redemption takes place.

On September 17, 2015, Orbis bonds of the ORB A 260620 series were launched in the BondSpot alternative trading system operating on the Catalyst market.

Moreover, on **July 29, 2016**, Orbis S.A. issued another **200 thousand ordinary bearer bonds of ORB B 290721 series** of a nominal value of PLN 1 000 each and of a total nominal value of PLN 200 000 thousand. The issue price of the bonds equals their nominal value.

Bonds bear interest per annum at a variable interest rate at WIBOR 6M plus interest rate margin of 1.05%. The interest shall be payable in 6 monthly (six) interest periods.

The bonds shall be redeemed on July 29, 2021 at their nominal value. Orbis has the right to redeem 100% or 50% of Bonds prior to their redemption date, on July 29, 2019, by way of paying to bondholders a 1% premium for earlier redemption of bonds in addition to the nominal value of the bonds and the amount of interest for the interest period ending on the date of the earlier redemption of bonds.

On October 20, 2016, the bonds of the ORB B 290721 series, were introduced to trading in the debt securities alternative trading system BondSpot S.A. operating on the Catalyst market.

Cash obtained from the bond issue has been allocated for projects implemented by the Company, connected with the optimization of the Company's hotel portfolio, in particular through the buyout of hotels leased by the companies of the Orbis Group in order to reduce the burdens of lease payments and to refinance the Company's debt.

During 9 months of 2017, Orbis S.A. paid PLN 9 859 thousand of interest on issued bonds. Moreover, in June, 2017, the Company paid PLN 74 thousand as interest payments under the IRS transaction (please refer to Section 5.12.2).

Bonds	As at:			
	Sep. 30, 2017	Jun. 30, 2017	Dec. 31, 2016	Sep. 30, 2016
Liability resulting from the bond issue (outstanding)	500 000	500 000	500 000	500 000
Valuation of bonds at amortised cost	2 319	1 515	1 372	1 896
Total bonds	**502 319**	**501 515**	**501 372**	**501 896**

5.12 Financial instruments

5.12.1 Fair value of financial instruments

As at September 30, 2017, June 30, 2017, December 31, 2016, and September 30, 2016, the only financial instruments that were subject to measurement at fair value following their initial recognition and were recognised at fair value in the statement of financial position were derivative instruments, i.e. interest rate swap.

The table below presents fair values and carrying amounts of financial assets and liabilities (including items that are not measured at fair value, but in respect of which fair value disclosures are required):

	As at Sep. 30, 2017		As at Jun. 30, 2017		As at Dec. 31, 2016		As at Sep. 30, 2016	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets								
Cash and cash equivalents	241 701	241 701	242 619	242 619	540 794	540 794	446 603	446 603
Other financial assets	28 728	28 728	24 025	24 025	15 510	15 510	7 888	7 888
Trade receivables and other non-current receivables	122 205	122 205	89 615	89 615	78 192	78 192	81 973	81 973

	As at Sep. 30, 2017		As at Jun. 30, 2017		As at Dec. 31, 2016		As at Sep. 30, 2016	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities								
Borrowings	127 458	128 870	159 825	161 364	122 945	124 904	140 514	142 759
Debt securities - bonds issued	502 319	507 200	501 515	507 200	501 372	507 500	501 896	504 681
Derivative instruments (liabilities)	131	131	129	129	118	118	534	534
Trade payables and other non-current and current payables	133 659	133 659	206 944	206 944	155 722	155 722	136 834	136 834

According to the Management Board, as at September 30, 2017, June 30 ,2017, December 31, 2016, and September 30, 2016, the carrying amount of financial instruments of the Group, except for liabilities arising from credit facilities and issued bonds, approximated their fair value.

The fair value of liabilities arising from credit facilities was determined as the present value of future cash flows, discounted at a current interest rate.

The fair value of bonds was determined based on their price on the Catalyst bond market as at the end of the reporting period (or a date close to that day).

The fair value of a derivative instrument was determined as the present value of estimated future cash flows on the basis of monitoring of yield curves.

In terms of applied measurement procedures, issued bonds are classified to Level 1 of fair value hierarchy (fair value determined on the basis of prices quoted on an active market). Liabilities under credit facilities and derivative instruments are classified to Level 2 of fair value hierarchy (fair value determined on the basis of observable market data, other than direct market quotations).

The Group did not perform any reclassifications between fair value levels in the current period.

5.12.2 Hedge accounting

To reduce the risk of changing interest rates and hedge future cash flows, on September 15, 2015, Orbis S.A. entered into a pay-floating receive-fixed Interest Rate Swap with the bank Société Générale S.A. The amount of the hedging instrument is PLN 150 million, which accounts for 50% of the value of the first tranche of bonds issued in the amount of PLN 300 million. The swap matures on June 26, 2018. Interest payment dates fall every six months, starting from June 27, 2016, and have been correlated with dates of payment of interest on bonds. During 9 months of 2017, the Group paid PLN 74 thousand as interest payments under the IRS transaction.

At the end of the presented reporting periods, the swap's valuation at fair value was disclosed in the Group's equity through other comprehensive income. In 2017, no ineffectiveness arising from cash flow hedges occurred that would require to be disclosed in the financial result of the Group.

5.13 Changes in estimates of amounts

5.13.1 Impairment of assets

Movements in impairment loss - 9 months of 2017	Impairment loss on:						
	property, plant & equipment	investment property	intangible assets	assets held for sale	shares	receivables	financial assets
As at January 1, 2017	**(87 987)**	**(592)**	**(576)**	**(17 882)**	**(47)**	**(6 532)**	**(1 078)**
Recognised impairment loss	0	0	0	0	0	(1 307)	0
Utilised impairment loss	0	0	0	0	0	95	594
Reversed impairment loss	0	0	0	0	0	478	0
Decrease in impairment losses due to sale	5 231	0	0	17 882	0	0	0
Impairment loss on tangible assets not subject to reversal *	4 034	11	3	0	0	0	0
Reclassification	13 377	0	0	(13 377)	0	0	0
Exchange differences on translation	748	0	16	0	0	115	13
As at September 30, 2017	**(64 597)**	**(581)**	**(557)**	**(13 377)**	**(47)**	**(7 151)**	**(471)**

Movements in impairment loss – 3rd quarter of 2017	Impairment loss on:						
	property, plant & equipment	investment property	intangible assets	assets held for sale	shares	receivables	financial assets
As at July 1, 2017	**(80 052)**	**(585)**	**(547)**	**(3 711)**	**(47)**	**(6 342)**	**(466)**
Recognised impairment loss	0	0	0	0	0	(879)	0
Utilised impairment loss	0	0	0	0	0	34	0
Reversed impairment loss	0	0	0	0	0	80	0
Decrease in impairment losses due to sale	5 231	0	0	0	0	0	0
Impairment loss on tangible assets not subject to reversal *	1 314	4	0	0	0	0	0
Reclassification	9 666	0	0	(9 666)	0	0	0
Exchange differences on translation	(756)	0	(10)	0	0	(44)	(5)
As at September 30, 2017	**(64 597)**	**(581)**	**(557)**	**(13 377)**	**(47)**	**(7 151)**	**(471)**

** The value of impairment recognised in the previous periods, which cannot be reversed (due to IAS 36, according to which the net book value of property, plant and equipment, investment property and intangible assets arising from the reversal of an impairment should not exceed the amount that would have been determined if no impairment had been recognised).This value of impairment is recognised as accumulated depreciation. As a result, the balance of impairment as at the end of the period equals the amount reversible in the event of expiry of circumstances underlying the impairment.*

During 9 months of 2017 and in 2016, no circumstances occurred in the Group that would indicate a need to recognise impairment losses on inventories.

5.13.2 Provisions for liabilities

Movements in provisions - 9 months of 2017	Provision for:				
	jubilee awards	retirement & disability benefits	litigations	restructuring	other liabilities
As at January 1, 2017	**15 446**	**7 302**	**777**	**681**	**6 765**
Provision recognised	1 396	320	0	324	918
Provision utilised	(1 496)	(120)	0	(957)	0
Provision released	(1 489)	(617)	0	(48)	(749)
Exchange differences on translation	0	(20)	0	0	(180)
As at September 30, 2017, of which:	**13 857**	**6 865**	**777**	**0**	**6 754**
Short-term provisions	1 714	1 109	777	0	1
Long-term provisions	12 143	5 756	0	0	6 753

The release of provisions for jubilee awards and retirement and disability benefits during 9 months ended September 30, 2017, results from the sale of Orbis S.A. hotels, i.e. the Mercure Jelenia Góra hotel, the Mercure Karpacz Resort hotel, the Mercure Częstochowa Centrum hotel, the ibis Częstochowa hotel, the Mercure Toruń Centrum hotel and ibis Katowice Zabrze hotel.

Movements in provisions - 3rd quarter of 2017	Provision for:				
	jubilee awards	retirement & disability benefits	litigations	restructuring	other liabilities
As at July 1, 2017	**14 252**	**7 020**	**777**	**0**	**6 694**
Provision recognised	646	57	0	0	236
Provision utilised	(686)	(60)	0	0	0
Provision released	(355)	(160)	0	0	(252)
Exchange differences on translation	0	8	0	0	76
As at September 30, 2017, of which:	**13 857**	**6 865**	**777**	**0**	**6 754**
Short-term provisions	1 714	1 109	777	0	1
Long-term provisions	12 143	5 756	0	0	6 753

5.14 Deferred tax assets and liabilities

Deferred tax	As at:		Impact on statement of comprehensive income
	Sep. 30, 2017	Dec. 31, 2016	
Deferred tax assets	16 805	18 206	(1 401)
Deferred tax liabilities	4 899	282	(4 617)
Change in deferred tax assets and liabilities, of which:			**(6 018)**
impact on profit or loss			(5 884)
impact on other comprehensive income (incl. exchange differences on translation)			(134)

5.15 Contingent assets and liabilities

5.15.1 Contingent assets under executed contracts

On August 30, 2017, Orbis S.A. (the Seller) and Cube Sp. z o.o. (the Buyer) executed a preliminary conditional sale agreement for an organised part of the enterprise in the form of the ibis budget Toruń hotel and the a preliminary conditional sale agreement for a real property with an undeveloped hotel building which was initially planned to be an "ibis" hotel, located in Toruń. According to these agreements, if by September 30, 2018, the Buyer does not perform or improperly performs its obligations under the preliminary agreements, specifically if the Buyer fails to fulfil the obligation to execute the final sale agreements before the date specified above, the Buyer shall pay to Orbis S.A. a contractual penalty of a total sum of PLN 2 000 thousand on a date and according to the procedure stipulated in the said agreements.

To secure the payment of contractual penalties to Orbis S.A. by Cube Sp. z o.o., a contractual joint mortgage was established up to the amount of PLN 2 000 thousand for the benefit of Orbis S.A. on real properties specified below:

- two real properties comprising of land located in Bydgoszcz, registered in the land and mortgage registers no. BY1B/00010043/3 and BY1B/00020673/1 - the buyer is the holder of the title to perpetual usufruct of these properties,
- real property comprising of land located in Bydgoszcz, registered in the land and mortgage register no. BY1B/00010215/0 - the buyer is the holder of the ownership title to these properties.

5.15.2 Liabilities arising from credit facility agreements, lease agreements and bonds issue

On December 19, 2014, Orbis S.A. executed a credit facility agreement with Bank Polska Kasa Opieki S.A. and Société Générale S.A. by virtue of which the Banks granted to Orbis S.A. a credit facility of up to the sum of PLN 480 000 thousand, used in the amount of PLN 476 445 thousand.

Orbis S.A.' s liabilities under the credit facility agreement have been secured by way of:

- aggregate contractual mortgage of up to PLN 720 000 thousand, established for the benefit of Bank Polska Kasa Opieki S.A. (Mortgage Administrator) on the right to perpetual usufruct and ownership title of the building situated in it, in which building Orbis S.A. runs the Sofitel Warsaw Victoria hotel (registers No. WA4M/00193711/1 and No. WA4M/00193710/4),
- assignment as a collateral security of Orbis S.A.'s rights under the insurance policies of the above-mentioned real properties;
- commitment made by Orbis S.A. to each of the Banks to submit itself to voluntary debt enforcement procedure;
- financial pledge on cash deposited on bank accounts kept by Bank Polska Kasa Opieki S.A.;
- granting a power of attorney to all the bank accounts of Orbis S.A. to Bank Polska Kasa Opieki S.A. (credit agent and collateral agent).

The market value of the Sofitel Warsaw Victoria hotel, encumbered by mortgage under a credit facility, determined by independent property valuers as at December 1, 2016, amounted to PLN 227 866 thousand. The book value of the real properties as at September 30, 2017 is PLN 113 382 thousand.

The issued bonds have been secured by a joint contractual mortgage established on the Mercure Warszawa Grand hotel (KW No. WA4M/00159685/9), the Novotel Warszawa Centrum hotel (KW No. WA4M/00072550/0) and the Mercure Warszawa Centrum hotel (KW No. WA4M/00097244/3) up to the sum of PLN 625 000 thousand. The mortgage was established for the benefit of the mortgage administrator, that is, Bank Polska Kasa Opieki S.A. with its corporate seat in Warsaw, which will act in its own name, but for the account of bondholders. The total market value of the above-mentioned mortgaged hotels, determined by independent property valuers as at May 19, 2017, by the valuation survey dated June 1, 2017, was PLN 773 176 thousand. The book value of these real properties as at September 30, 2017, is PLN 233 577 thousand.

In order to secure the claims under the agreement for the lease of the Novotel hotel in Vilnius, executed on July 12, 2002, by UAB Hekon and UAB Pinus Proprius, a bank guarantee has been issued by Société Générale S.A. Branch in Poland for the benefit of UAB Pinus Proprius (Beneficiary of the Guarantee) for the liabilities of UAB Hekon (Applicant of the Guarantee) that may arise under the executed agreement The amount of the bank guarantee is EUR 250 thousand, the guarantee remains valid till March 31, 2019.

5.15.3 Liabilities arising from agreements for the sale of assets

Under the agreement for the sale of interests in Wioska Turystyczna Wilkasy Sp. z o.o., entered into on May 26, 2014, by and between Orbis S.A. and three natural persons, Orbis S.A. (as the seller) submitted surety for breach of representations and warranties made to the buyers in connection with the executed agreement, up to the amount of PLN 1 750 thousand.

Orbis S.A. will be released from its liability for representations relating to tax issues and public law liabilities after the lapse of 5 full financial years.

5.16 Legal claims

Litigation pending before courts, arbitration or public administration bodies:

Proceedings for handing over of real property located in Warsaw, in the district of Wilanów, at ul. St.Kostki Potockiego 27

The proceedings were instituted on September 29, 2005, by an action instituted by the of State Treasury, represented by the Municipal Office of the Capital City of Warsaw. The Plaintiff determined the value of litigation at PLN 5 million, as the value of real property or, alternatively, at PLN 377 thousand which corresponds to the 3-month lease/tenancy rent due for this type of real property. Orbis S.A. motioned that the claim be dismissed in its entirety. Presently, the case is being examined by the Court of Appeals in Warsaw (court of second instance). Proceedings have been suspended until final resolution of the issue concerning the ownership title to the real property in administrative proceedings.

Proceedings for declaration of invalidity of an administrative decision of the President of the City of Warsaw dated April 11, 1950 concerning refusal to reinstate a time limit for filing an application for a temporary ownership title to the land located at ul. Wspólna 19, land and mortgage reg. no. 1651/2 letter C

The land subject to this litigation is the area of a former real property with land and mortgage reg. no. 1651/2 letter C, which partially corresponds to the current plot of land no. 133/2 administered by Orbis S.A., on which a driveway to the building of the Grand Warszawa hotel is situated, and to the plot of land no. 133/1 that is held by Orbis S.A. in perpetual usufruct, on which a part of the Hotel building is situated. The proceedings were initiated by a statement of claim dated March 2, 2000. The parties to this proceedings are: J.Ostrowska-Bazgier – the successor of Abraham Juda vel Adam Kaltman (the claimant), ”Parking-Wspólnota” Sp. z o.o. in liquidation and Orbis S.A. (participants). The value of the litigation is unknown. The case is pending.

Request to reimburse aid received from the Polish Agency for Enterprise Development (PARP)

The proceedings were instituted on July 21, 2014, by the Polish Agency for Enterprise Development (Polska Agencja Rozwoju Przedsiębiorczości - PARP) and the value of the dispute is estimated at PLN 616 thousand plus interest. As a beneficiary under the Human Capital Operational Programme 2007-2013, Orbis S.A. received aid for a training programme, co-financed by the European Union. As a result of a control of programme implementation, PARP claimed that Orbis S.A. had violated the terms of the programme by applying discriminating criteria and assessments in drawing up the offer. Hence, PARP requested Orbis S.A., under the sanction of issuing a decision, to pay a penalty of 25% of eligible expenditure under the programme, which is equivalent to an amount of PLN 616 thousand. Orbis S.A. challenged PARP’s position in its entirety. Despite absence of an administrative decision on the reimbursement, in 2014 PARP used the bank guarantee and drew an amount of approx. PLN 504 thousand. Orbis S.A. claims this amount by means of civil proceedings. In 2016, a decision reaffirming PARP’s position was delivered. In this decision, PARP demands reimbursement of PLN 200 thousand with interest accruing from different payment deadlines specified in the decision. Orbis S.A. appealed against this decision. The Minister of Infrastructure upheld PARP decision. In July , 2016 Orbis S.A. paid to PARP a sum of PLN 261 thousand and then has filed an appeal with the Voivodship Administrative Court.

On October 11, 2017, the Voivodship Administrative Court issued a judgement on this case in which it accepted Orbis S.A. appeal and revoked, for formal reasons, the PARP decision by virtue of which Orbis was to pay the sum of PLN 616 thousand. The litigation will continue. The anticipated duration of the litigation is approx. 4 years.

Statement of claim for determining that the contractual penalty for the delay in constructing a hotel in Elbląg was not due, or was invalidly reserved

The proceedings were instituted on April 19, 2013 by Hekon-Hotele Ekonomiczne S.A. (after the merger with the subsidiary on September 1, 2016, Orbis S.A. became the legal successor of the pending litigation) against the Municipality of Elbląg. The value of the litigation is PLN 350 thousand.

In 2016 the Appellate Court issued a ruling on this case and statement of reasons. The Court ruled that only the contractual penalty of PLN 100 thousand for the year 2010 is due to the town of Elbląg. According to the statement of reasons for this judgement, contractual penalties for subsequent years are not due, since according to the position of the Supreme Court contained in the last-resort (cassation) appeal, the contractual penalty so imposed would have to be paid indefinitely, however, this issue was not finally determined in the conclusion of the judgement. The Court dismissed the remaining claims of Hekon and ruled on the value of costs. In June 2016 Hekon filed a last-resort (cassation) appeal against the judgment of the Appellate Court in Gdańsk. Moreover, the issue of replacement of Hekon S.A. by Orbis S.A. as the party to the proceedings was raised.

In June 2017 the Supreme Court at a closed session adjudged the claim of Orbis S.A. (the legal successor of Hekon). The Court overturned the ruling of the Appellate Court of 2016 and sent it back for reconsideration. By the date of publication of this report, the Company did not receive the statement of reasons to the overturned judgement determining the scope of instructions for the Regional Court for case reconsideration.

No major changes in the above-described litigations, to which Orbis Group is a party (except the proceedings concerning reimburse aid received from the Polish Agency for Enterprise Development (PARP)) has occurred from the date of publication of the last annual consolidated financial statements of Orbis Group.

Furthermore, as at September 30, 2017, 10 proceedings were pending before the Self-Government Appellate Board concerning revaluation of annual rates of fees for perpetual usufruct of land located in the following cities:

- Warsaw (ibis & ibis budget Reduta, ibis Warszawa Centrum, plot of land in Łopuszańska street - concerning the fees up to the day of sale of the real property);
- Sopot (Sofitel Grand);
- Gdańsk (Novotel Centrum, Mercure Gdańsk Stare Miasto, ibis Gdańsk Stare Miasto and adjacent area, Mercure Posejdon, Novotel Marina);
- Zegrze (built-up plot of land).

In the Group's opinion, fee revaluations made by Presidents of respective cities are either unjustified or calculations should be based on different rates. As at the end of the reporting period, accumulated value of the fees challenged by the Group totals PLN 7 294 thousand and is disclosed in other current liabilities.

In 9 months of 2017, Orbis received a favourable ruling concerning revaluation of the fee for perpetual usufruct of land in Poznań on which the Novotel Malta Poznań hotel is located. The Appellate Court in Poznań ruled that the termination of the annual fee for perpetual usufruct of the said land by the President of the City of Poznań in 2010 was unjustified, therefore, the value of annual fees remains at the same unchanged level since 2011. Accordingly, under this final and binding court judgement, Orbis does not need to pay additional fees for the preceding years and for the year 2017, since it paid a proper fee every year, which the Court has now upheld in force. Therefore, the difference between the former fee and the fee unjustifiably updated by the President of the City of Poznań for the period from 2011 till 2016 in respect of the Novotel Malta Poznań hotel recognized in other current liabilities has been posted to other operating revenues during the reporting period.

5.17 Related party transactions

Within the meaning of IAS 24, parties related to the Group include members of the managing and supervising staff and close members of their families, non-consolidated subsidiaries and associates, as well as Accor S.A. (significant shareholder) and its related parties.

Revenues from related parties comprise revenues for sales support, promotion of the Accor network and development of the Le Club Accorhotels program in Poland and in the Baltic States.

Purchases of services from related parties comprise mainly:

- franchise fees;
- reservation fees;
- fees for using IT applications;
- costs connected with the Le Club Accorhotels loyalty program.

Sales and purchases	3 months ended Sep. 30, 2017	3 months ended Sep. 30, 2016	9 months ended Sep. 30, 2017	9 months ended Sep. 30, 2016
Net sales	**2 078**	**1 716**	**5 266**	**5 319**
- to the parent company	1 527	1 147	4 114	4 487
- to other Accor Group companies	551	546	1 152	729
- to associates	0	23	0	103
Purchases	**19 807**	**17 272**	**49 894**	**45 839**
- from the parent company	14 321	12 110	36 208	33 510
- from other Accor Group companies	5 486	5 162	13 686	12 329

Receivables and payables	As at:			
	Sep. 30, 2017	Jun. 30, 2017	Dec. 31, 2016	Sep. 30, 2016
Receivables	**5 076**	**5 052**	**4 897**	**5 427**
- from the parent company	4 667	4 553	4 242	4 579
- from other Accor Group companies	409	499	655	514
- from associates	0	0	0	334
Payables	**14 571**	**11 974**	**17 674**	**17 544**
- to the parent company	12 533	10 355	15 145	13 901
- to other Accor Group companies	2 038	1 619	2 529	3 613
- to associates	0	0	0	30
Dividends payable	**0**	**38 842**	**0**	**0**
- to the parent company	0	35 156	0	0
- to other Accor Group companies	0	3 686	0	0

No impairment loss was recognised on the presented receivables.

Transactions with related companies are executed at arms' length.

Benefits (including wages and salaries, awards, post-employment benefits and retirement benefits) paid in accordance with contractual obligations to the Members of the Management Board and the Supervisory Board of Orbis S.A. in 9-month periods ended September 30, 2017, and September 30, 2016, amounted to PLN 4 401 thousand and PLN 3 650 thousand, respectively. The difference between the value of benefits paid out in 9 months of 2017 versus the corresponding period of 2016 results from enlarged number of members of the Management Board as of June 2, 2016.

No transactions involving transfer of rights or obligations, either free of charge or against consideration, were executed between the Group and related parties:

- members of the Management Board and the Supervisory Board of Orbis S.A.,
- spouses, next-of-kin or relatives of the first and second degree of members of the Management Board and the Supervisory Board of Orbis S.A., Orbis S.A. subsidiaries and associates,
- persons linked by a relation of guardianship, adoption or custody with members of the Management Board and the Supervisory Board of Orbis S.A., Orbis S.A. subsidiaries and associates.

5.18 Important events after the reporting period

By virtue of the Master Franchise Agreement entered into with Adagio SAS, a limited liability company organised under the laws of France, whose registered office is L'Artois-Espace Pont de Flandre 11 rue de Cambrai, Paris Cedex 19 (France), the Company Orbis S.A. was granted the right to operate and develop the network of aparthotels under brands: APARTHOTELS ADAGIO, APARTHOTELS ADAGIO ACCESS and APARTHOTELS ADAGIO PREMIUM (the "Adagio Brands"), which are owned by Adagio SAS.

The Master Franchise Agreement has been concluded for 15 years term, with possible extension for successive periods of 5 years and it covers following countries: Poland, Czech Republic, Hungary, Romania, Serbia, Estonia, Latvia, Lithuania.

Within the right to operate aparthotels under the Adagio Brand, Orbis obtained access to the all services, tools, know-how and Adagio SAS support dedicated to Adagio Brands. Orbis is entitled to develop Adagio network through its own hotels or, as the master franchisee, by granting the rights in this regard to third parties, on the basis of management, subfranchise or licence agreements.

The aparthotels under Adagio Brands operate from economy to upscale segment and combines spacious apartments and hotel services.

The Master Franchise Agreement gives Orbis S.A. the opportunity to develop its business in the rapidly growing aparthotels market.

CONDENSED INTERIM FINANCIAL STATEMENTS OF ORBIS S.A.

Mercure Wrocław Centrum

6 CONDENSED INTERIM FINANCIAL STATEMENTS OF ORBIS S.A.

6.1 Income statement

	3 months ended Sep. 30, 2017	9 months ended Sep. 30, 2017	3 months ended Sep. 30, 2016	9 months ended Sep. 30, 2016
Net sales	**250 345**	**672 486**	**211 275**	**518 144**
Outsourced services	(52 813)	(146 299)	(45 334)	(113 574)
Employee benefit expense	(58 746)	(171 144)	(47 689)	(132 777)
Raw materials and energy used	(34 595)	(100 806)	(29 340)	(78 480)
Taxes and charges	(7 354)	(22 189)	(7 152)	(20 558)
Other expenses by nature	(1 984)	(5 320)	(1 316)	(4 606)
Net other operating income/(expenses)	(268)	34	99	283
EBITDAR	**94 585**	**226 762**	**80 543**	**168 432**
Rental expense	(1 895)	(5 850)	(1 956)	(5 841)
Operating EBITDA	**92 690**	**220 912**	**78 587**	**162 591**
Depreciation and amortisation	(31 310)	(94 238)	(26 187)	(73 731)
Operating profit without the effects of one-off events	**61 380**	**126 674**	**52 400**	**88 860**
Result on sale of real property	6 936	10 863	4 282	4 370
Restructuring costs	(722)	(1 692)	(124)	(355)
Operating profit	**67 594**	**135 845**	**56 558**	**92 875**
Finance income	10 962	21 602	472	56 783
Finance costs	(4 613)	(22 747)	(6 672)	(14 300)
Profit before tax	**73 943**	**134 700**	**50 358**	**135 358**
Income tax expense	(14 678)	(24 764)	(10 119)	(16 424)
Net profit for the period	**59 265**	**109 936**	**40 239**	**118 934**
Earnings per ordinary share				
Basic and diluted earnings per share (in PLN)	1.29	2.39	0.87	2.58

6.2 Statement of comprehensive income

	3 months ended Sep. 30, 2017	9 months ended Sep. 30, 2017	3 months ended Sep. 30, 2016	9 months ended Sep. 30, 2016
Net profit for the period	**59 265**	**109 936**	**40 239**	**118 934**
Items that will not be reclassified subsequently to profit or loss:				
Actuarial gains/losses arising from the defined benefit plan				62
Income tax relating to items that will not be reclassified subsequently	(1)	(23)	0	(12)
Items that may be reclassified subsequently to profit or loss:				
The effective portion of the gain or loss on the hedging instrument entered into for cash flow hedges	(2)	(14)	375	261
Income tax relating to items that may be reclassified subsequently	0	2	(71)	(50)
Other comprehensive income/(loss) after tax	**(3)**	**(35)**	**304**	**261**
Total comprehensive income for the period	**59 262**	**109 901**	**40 543**	**119 195**

6.3 Statement of financial position

Assets	As at:			
	Sep. 30, 2017	Jun. 30, 2017	Dec. 31, 2016	Sep. 30, 2016
Non-current assets	**2 531 597**	**2 548 975**	**2 597 617**	**2 346 905**
Property, plant and equipment	1 582 837	1 610 734	1 650 320	1 682 155
Investment property	10 095	10 197	10 061	10 154
Intangible assets, of which:	110 852	111 030	111 878	111 784
- goodwill	107 252	107 252	107 252	107 252
Investments in subsidiaries	465 921	465 921	465 921	465 921
Loans granted	344 728	333 894	345 072	60 368
Other financial assets	10 944	10 944	10 944	7 888
Deferred tax assets	4 877	5 434	2 528	7 845
Other non-current assets	1 343	821	893	790
Current assets	**280 797**	**282 608**	**176 323**	**389 719**
Inventories	3 652	3 783	4 103	3 758
Trade receivables	37 682	30 488	22 251	33 575
Income tax receivables	0	0	1 616	0
Other current receivables	30 998	19 899	16 906	9 990
Loans granted	69 513	70 096	13 489	8 870
Cash and cash equivalents	138 952	158 342	117 958	333 526
Assets classified as held for sale	**8 701**	**8 777**	**23 631**	**37 637**
TOTAL ASSETS	**2 821 095**	**2 840 360**	**2 797 571**	**2 774 261**

Equity and Liabilities	As at:			
	Sep. 30, 2017	Jun. 30, 2017	Dec. 31, 2016	Sep. 30, 2016
Equity	**2 040 497**	**1 981 235**	**2 004 319**	**1 968 164**
Share capital	517 754	517 754	517 754	517 754
Reserves	133 226	133 228	133 238	132 900
Retained earnings	1 389 517	1 330 253	1 353 327	1 317 510
Non-current liabilities	**607 400**	**606 877**	**617 251**	**637 550**
Borrowings	70 388	70 266	87 656	105 225
Bonds	502 319	501 515	501 372	501 896
Deferred revenue	12 277	12 351	4 001	4 100
Other non-current liabilities	5 187	5 045	5 114	4 860
Provision for retirement benefits and similar obligations	17 229	17 700	19 108	21 469
Current liabilities	**173 198**	**252 248**	**176 001**	**168 547**
Borrowings	35 289	35 289	35 289	35 289
Other financial liabilities	131	129	118	534
Trade payables	50 330	50 554	52 441	49 167
Liabilities associated with tangible assets	5 223	5 768	17 651	4 906
Current tax liabilities	7 484	5 407	0	6 600
Deferred revenue	22 592	29 064	14 515	24 503
Other current liabilities	48 637	122 438	51 637	44 103
Provision for retirement benefits and similar obligations	2 735	2 822	2 892	2 668
Provisions for liabilities	777	777	1 458	777
TOTAL EQUITY AND LIABILITIES	**2 821 095**	**2 840 360**	**2 797 571**	**2 774 261**

6.4 Statement of changes in equity

	Share capital	Reserves	Retained earnings	Total
Twelve months ended December 31, 2016				
Balance as at January 1, 2016	**517 754**	**132 689**	**1 274 440**	**1 924 883**
- net profit for the period	0	0	154 744	154 744
- other comprehensive income/(loss)	0	549	57	606
Total comprehensive income for the period	**0**	**549**	**154 801**	**155 350**
- transaction with a shareholder	0	0	17 286	17 286
- income tax relating to transaction with a shareholder	0	0	(3 284)	(3 284)
- accounting for business combination with a subsidiary	0	0	(20 800)	(20 800)
- dividends	0	0	(69 116)	(69 116)
Balance as at December 31, 2016	**517 754**	**133 238**	**1 353 327**	**2 004 319**
of which: nine months ended September 30, 2016				
Balance as at January 1, 2016	**517 754**	**132 689**	**1 274 440**	**1 924 883**
- net profit for the period	0	0	118 934	118 934
- other comprehensive income/(loss)	0	211	50	261
Total comprehensive income for the period	**0**	**211**	**118 984**	**119 195**
- transaction with a shareholder	0	0	17 286	17 286
- income tax relating to transaction with a shareholder	0	0	(3 284)	(3 284)
- accounting for business combination with a subsidiary	0	0	(20 800)	(20 800)
- dividends	0	0	(69 116)	(69 116)
Balance as at September 30, 2016	**517 754**	**132 900**	**1 317 510**	**1 968 164**
Nine months ended September 30, 2017				
Balance as at January 1, 2017	**517 754**	**133 238**	**1 353 327**	**2 004 319**
- net profit for the period	0	0	109 936	109 936
- other comprehensive income/(loss)	0	(12)	(23)	(35)
Total comprehensive income/(loss) for the period	**0**	**(12)**	**109 913**	**109 901**
- dividends	0	0	(73 723)	(73 723)
Balance as at September 30, 2017	**517 754**	**133 226**	**1 389 517**	**2 040 497**
of which: three months ended September 30, 2017				
Balance as at July 1, 2017	**517 754**	**133 228**	**1 330 253**	**1 981 235**
- net profit for the period	0	0	59 265	59 265
- other comprehensive income/(loss)	0	(2)	(1)	(3)
Total comprehensive income/(loss) for the period	**0**	**(2)**	**59 264**	**59 262**
Balance as at September 30, 2017	**517 754**	**133 226**	**1 389 517**	**2 040 497**

6.5 Statement of cash flows

	3 months ended Sep. 30, 2017	9 months ended Sep. 30, 2017	3 months ended Sep. 30, 2016	9 months ended Sep. 30, 2016
OPERATING ACTIVITIES				
Profit before tax	**73 943**	**134 700**	**50 358**	**135 358**
Adjustments:	**5 088**	**59 276**	**34 077**	**24 621**
Depreciation and amortisation	31 310	94 238	26 187	73 731
Foreign exchange (profits)/losses	(8 072)	7 719	2 761	2 076
Interest, borrowing costs and dividends	1 738	(7 556)	3 916	(44 589)
Gain from investing activities	(7 018)	(10 565)	(4 413)	(4 375)
Change in receivables	(4 915)	(21 141)	20 341	(4 359)
Change in liabilities, excluding borrowings	(412)	(7 411)	(7 647)	(893)
Change in deferred revenue	(7 116)	6 252	(6 929)	3 631
Change in provisions	(558)	(2 717)	0	(798)
Change in inventories	131	451	(139)	187
Other adjustments	0	6	0	10
Cash generated from operations	**79 031**	**193 976**	**84 435**	**159 979**
Income taxes paid	(12 044)	(18 034)	(9 995)	(22 602)
Net cash generated by operating activities	**66 987**	**175 942**	**74 440**	**137 377**
INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment, intangible assets and investment properties	11 731	43 303	4 423	5 056
Dividends and share of profits	0	13 412	0	55 272
Repayment of loans granted	0	0	7 716	7 716
Interest received	4 891	5 650	383	746
Cash acquired due to business combination with a subsidiary	0	0	46 825	46 825
Other investing cash inflows	571	10 102	1 050	8 249
Payments for property, plant and equipment, intangible assets and investment properties	(21 965)	(62 465)	(35 057)	(110 742)
Increase in share capital of related parties	0	0	0	(10)
Loans granted	(4 265)	(60 930)	0	0
Net cash generated by/(used in) investing activities	**(9 037)**	**(50 928)**	**25 340**	**13 112**
FINANCING ACTIVITIES				
Issue of bonds	0	0	200 000	200 000
Proceeds from a shareholder	0	0	0	17 286
Dividends and other payments to owners	(73 723)	(73 723)	(69 116)	(69 116)
Repayment of borrowings	0	(17 645)	0	(17 645)
Interest paid and other financing cash outflows resulting from received borrowings	(786)	(2 755)	(1 058)	(3 700)
Interest paid and other financing cash outflows resulting from issue of bonds	(2 837)	(9 933)	(607)	(4 834)
Net cash generated by/(used in) financing activities	**(77 346)**	**(104 056)**	**129 219**	**121 991**
Change in cash and cash equivalents	**(19 396)**	**20 958**	**228 999**	**272 480**
Effects of exchange rate changes on the balance of cash held in foreign currencies	6	36	(1 666)	(895)
Cash and cash equivalents at the beginning of the period	**158 342**	**117 958**	**106 193**	**61 941**
Cash and cash equivalents at the end of the period	**138 952**	**138 952**	**333 526**	**333 526**

7 COMMENTS ON ORBIS S.A. RESULTS

7.1 External environment

Information on the macroeconomic landscape and the situation of the hotel industry is provided in Section 4.1 of this Report.

7.2 Income statement

In 9 months of 2017, Orbis S.A. generated net profit of PLN 109.9 million as compared to the net profit of PLN 118.9 million in 9 months of 2016.

Income statement – analytical approach	9 months ended Sep. 30, 2017	9 months ended Sep. 30, 2016	Change	
			PLN `000	%
Net sales	**672 486**	**518 144**	**154 342**	**29.8**
of which:				
Room revenue	463 974	321 361	142 613	44.4
Food & beverage revenue	169 914	134 197	35 717	26.6
Franchise and management revenue	7 887	9 948	(2 061)	-20.7
Other revenue	30 711	52 638	(21 927)	-41.7
EBITDAR	**226 762**	**168 432**	**58 330**	**34.6**
Operating EBITDA	**220 912**	**162 591**	**58 321**	**35.9**
Operating profit (EBIT)	**135 845**	**92 875**	**42 970**	**46.3**
Net result from financing activities, of which:	(1 145)	42 483	(43 628)	-
Foreign exchange differences	*(8 300)*	*(2 295)*	*(6 005)*	*-261.7*
Profit before tax	**134 700**	**135 358**	**(658)**	**-0.5**
Net profit	**109 936**	**118 934**	**(8 998)**	**-7.6**

Income statement – analytical approach	3 months ended Sep. 30, 2017	3 months ended Sep. 30, 2016	Change	
			PLN `000	%
Net sales	**250 345**	**211 275**	**39 070**	**18.5**
of which:				
Room revenue	178 159	142 008	36 151	25.5
Food & beverage revenue	58 445	49 681	8 764	17.6
Franchise and management revenue	3 056	3 272	(216)	-6.6
Other revenue	10 685	16 314	(5 629)	-34.5
EBITDAR	**94 585**	**80 543**	**14 042**	**17.4**
Operating EBITDA	**92 690**	**78 587**	**14 103**	**17.9**
Operating profit (EBIT)	**67 594**	**56 558**	**11 036**	**19.5**
Net result from financing activities, of which:	6 349	(6 200)	12 549	-
Foreign exchange differences	*7 920*	*(2 295)*	*10 215*	-
Profit before tax	**73 943**	**50 358**	**23 585**	**46.8**
Net profit	**59 265**	**40 239**	**19 026**	**47.3**

The registration, on September 1, 2016, of merger with Hekon-Hotele Ekonomiczne S.A. had a major impact upon the improvement of the operating result of Orbis S.A. in 9 months of 2017 as compared to the corresponding period of the past year. Under this merger, Orbis took over 25 hotels of this subsidiary.

In addition, the following factors positively contributed to the result of 9 months of 2017:

- **Improvement of operating results on all the markets.** In 9 months of 2017, the net sales were at the level of PLN 672.5 million, i.e. rose by 29.8% as compared to the figure for the corresponding period of the past year. It was the result of both merger with Hekon-Hotele Ekonomiczne S.A. as well as improvement of operating performance in majority of the Company's hotels. The Average Room Rate (ARR) rose as compared to the corresponding period of the past year (with the Occupancy Rate being at a comparable level as during 9 months of 2016), which translated into higher Revenue per Available Room. The food&beverage revenues also rose during 9 months ended September 30, 2017. Positive effects were owed to the concept of WineStone restaurant in Mercure hotels and joined bars and a restaurants (the NOVO[2] project) in Novotel hotels.
  On the other hand, operating expenses (including rental expense and depreciation/amortisation) totalled PLN 545.8 million, i.e. were by 27.1% higher than in 9 months of 2016. Growth in expenses was lower than the revenue growth momentum, although the share of individual types of costs in the net sales remained unchanged as compared to the corresponding period of the past year. Major increases were reported in the costs of outsourced services such as costs of services related to sales, maintenance and repair costs, cleaning costs, security costs, outsourcing costs and IT costs. Compared to 9 months 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 greater sales of food&beverage services, which was partially offset by savings in energy consumption.

As a result of the above changes, **EBITDAR grew by 34.6% and amounted to PLN 226.8 million, operating EBITDA grew by 35.9% up to PLN 220.9 million**, while **the operating result excluding one-off events amounted to PLN 126.7 i.e. improved by 42.6%** against corresponding period of the previous year.

- **Positive results from one-off events.** In the reporting period, Orbis reported a gain from the sale of four non-strategic hotels: the Mercure Jelenia Góra hotel, the Mercure Karpacz Resort hotel, the Mercure Toruń Centrum hotel and the ibis Katowice Zabrze hotel. Each of these hotels was sold as organised part of the enterprise, and the total gain from those transactions, including additional costs of sale, equalled PLN 10.9 million. The gain on the sale of the real property was reduced by the costs of restructuring of PLN 1.7 million.

As a result, the Company generated **operating profit (EBIT) in the amount of PLN 135.8 million** (as compared to a profit of PLN 92.9 million in 9 months of 2016).

- **A significant change in the net finance income**. For the period of 9 months 2017, Orbis S.A. generated a net finance loss of PLN 1.1 million as compared to a profit of PLN 42.5 million generated in the corresponding period of the past year. It is, on the one hand, attributable to an increase in finance costs, and on the other hand, to a drop in the finance income.
  High finance costs incurred by the Company during the period January – September 2017 resulted mainly from unrealised currency translation differences on the loan granted to the subsidiary Accor Pannonia Hotels Zrt. Moreover, the Company incurred higher costs of interest on bonds than in the corresponding period of the past year (by PLN 3.4 million) in connection with the issue, in July 2016, of additional bonds of a total nominal value of PLN 200 000 thousand.
  Change in the finance income is primarily attributable to a lower dividend as compared to the past year (as a result of merger with Hekon-Hotele Ekonomiczne S.A. and no dividend from Accor Hotels Romania s.r.l.), as well as recognition of interest income of PLN 7.0 million charged on loans granted to related parties.

Orbis S.A. ended 9 months of 2017 with a net profit of PLN 109.9 million as compared to net profit of PLN 118.9 million in 2016.

7.3 Orbis S.A. financial results per operating segments

Orbis S.A. pursues hotel business in Poland. Beginning from the date of its merger with its subsidiary Hekon-Hotele Ekonomiczne S.A., i.e. as of September 1, 2016, the Company distinguishes two reportable operating segments:

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

As at September 30, 2017, the individual operating segments included:

- the Up&Midscale segment: 3 Sofitel hotels, 13 Novotel hotels and 10 Mercure hotels,
- the Economy segment: 13 ibis hotels, 9 ibis budget hotels and 1 ibis Styles hotel.

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

Unallocated operations comprise revenues and expenses of the Head Office (including revenues and expenses of investment property rentals) as well as one-off and non-recurring events, such as revaluation of non-financial non-current assets, result on disposal of real property and restructuring costs. Also, current and deferred income tax expense is recognised under unallocated operations (the Company does not calculate income tax for the respective operating segments).

Exclusions contain reconciliations of data pertaining to segment data relating to income statement items for 9 months of 2017.

During the period from January to August 2016 Orbis S.A. pursued hotel business predominantly under hotel brands of the Up&Midscale segment. Hotels of the ibis and ibis budget brands were leased to a subsidiary company Hekon-Hotele Ekonomiczne S.A. and were classified as investment property. Considering that the revenue from the rental of these properties for the period from January till August 2016 as well as revenues of economy hotels for September 2016 did not exceed 10% of the total revenues, the Company does not disclose the information concerning segments of operations for 9 months and for the third quarter of 2016.

The tables below present figures pertaining to revenues, results as well as capital expenditure of the operating segments of Orbis S.A. for 9 months of 2017 and for the 3rd quarter of 2017. The figures presented include the results of owned and leased hotels.

9 months of 2017	Operating segments		Unallocated operations and exclusions	TOTAL
	Up&Midscale Hotels	Economy Hotels		
Segment revenue, of which:	**516 620**	**142 115**	**13 751**	**672 486**
Sale to external clients	516 620	142 115	13 751	672 486
EBITDAR	**212 863**	**69 405**	**(55 506)**	**226 762**
Operating EBITDA	**207 073**	**69 345**	**(55 506)**	**220 912**
Depreciation and amortisation	(68 765)	(22 667)	(2 806)	(94 238)
Operating profit/(loss) without the effects of one-off events	**138 308**	**46 678**	**(58 312)**	**126 674**
Result of one-off events	0	0	9 171	9 171
Operating profit/(loss) (EBIT)	**138 308**	**46 678**	**(49 141)**	**135 845**
Finance income/(costs)	(353)	(38)	(754)	(1 145)
Income tax expense	0	0	(24 764)	(24 764)
Net profit/(loss)	**137 955**	**46 640**	**(74 659)**	**109 936**
Capital expenditure	35 790	15 233	1 387	52 410

3rd quarter of 2017	Operating segments		Unallocated operations and exclusions	TOTAL
	Up&Midscale Hotels	Economy Hotels		
Segment revenue, of which:	**192 342**	**53 088**	**4 915**	**250 345**
Sale to external clients	192 342	53 088	4 915	250 345
EBITDAR	**86 647**	**27 721**	**(19 783)**	**94 585**
Operating EBITDA	**84 752**	**27 721**	**(19 783)**	**92 690**
Depreciation and amortisation	(23 116)	(7 244)	(950)	(31 310)
Operating profit/(loss) without the effects of one-off events	**61 636**	**20 477**	**(20 733)**	**61 380**
Result of one-off events	0	0	6 214	6 214
Operating profit/(loss) (EBIT)	**61 636**	**20 477**	**(14 519)**	**67 594**
Finance income/(costs)	(57)	1	6 405	6 349
Income tax expense	0	0	(14 678)	(14 678)
Net profit/(loss)	**61 579**	**20 478**	**(22 792)**	**59 265**
Capital expenditure	15 518	5 405	749	21 672

7.4 Statement of financial position

On September 30, 2017, Orbis S.A.'s assets totalled PLN 2 821.1 million, i.e. decreased by PLN 23.5 million as compared to the end of 2016.

The major component of the Group's assets are non-current assets, accounting for 89.7% of total assets. The predominant item of non-current assets are property, plant and equipment valued at PLN 1 582.8 million, accounting for 56.1% 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 decreased by PLN 67.5 million as compared with the value of this item as at December 31, 2016, which resulted mainly from sale of two hotels: Mercure Toruń Centrum and ibis Katowice Zabrze (PLN 18.5 million) as well as depreciation charge (PLN 92.2 million). Decrease of the property, plant and equipment during the period of 9 months 2017 was partially offset by incurred capital expenditure (PLN 51.6 million). A more detailed description of capital expenditure was presented in Section 4.13.

The second biggest item of the statement of financial position of Orbis S.A. in terms of share in the total carrying amount of assets/equity and liabilities is investments in subsidiaries, valued at PLN 465.9 million (16.5% of assets). More detailed information about Orbis investments in subsidiaries is contained in Section 8.4.

The major component of non-current assets are also intangible assets valued at PLN 110.9 million, including the goodwill of PLN 107.3 million, which has been recognized as from the moment of takeover of the subsidiary, i.e. as of the date of purchase of shares in Hekon-Hotele Ekonomiczne S.A. The intangible assets' contribution to the Group's assets was at 3.9% at the end of September 2017.

As regards non-current assets, 13.6% of their value at the end of September 2017 are non-current loans. On September 30, 2017, Orbis had a total of PLN 414.2 million of receivables under the loan granted to related parties, of which PLN 344.7 million was classified as non-current loan and PLN 69.5 million as current loan. As at September 30, 2017, the Company has receivables under loans granted to Accor Pannonia Hotels Zrt. (PLN 405.6 million) and to UAB Hekon (PLN 8.6 million). More detailed information about granted loans is presented in Section 8.7.

As regards current assets, the most significant changes in 9 months of 2017 occurred with regard to cash and cash equivalents, trade receivables and other current receivables.

Under the current assets item, the most important sub-item are cash and cash equivalents of PLN 139.0 million, accounting for 4.9% of total assets. An increase of this item (by PLN 21.0 million, i.e. 17.8%) as compared to December 2016 was primarily the result of higher inflows from operating activities.

Increase of trade receivables by 69.3% as compared to December 31, 2016, is the result of a significant growth in the volume of rooms sold in September 2017 against December 2016.

Other current receivables (PLN 31.0 million as at the end of the third quarter of 2017) comprise predominantly of receivables resulting from sale of tangible assets and prepayments. As at September 30, 2017, the Company had receivables resulting from the sale of tangible assets of PLN 22.3 million (72.1% of other current receivables), including PLN 14.4 million from the sale of the Mercure Toruń Centrum hotel, PLN 4.0 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, receivables resulting from sale of tangible assets amounted to PLN 14.7 million (and concerned the sale of the Mercure Mrągowo Resort & SPA hotel, the Mercure Kasprowy hotel in Zakopane and non-hotel real property located at Łopuszańska Street in Warsaw, which were paid in March 2017). As at September 30, 2017, the balance of the Group's prepayments is higher as compared to 31 December 2016, mainly due to fees for perpetual usufruct of land.

As at September 30, 2017, Orbis S.A. also reported assets of PLN 8.7 million classified as assets held for sale, which include the title to perpetual usufruct of land at Heweliusza Street in Gdańsk, selected fixed assets of the ibis budget Toruń hotel and a real property in Toruń with an undeveloped hotel building which was initially planned to be an "ibis" hotel. As at December 31, 2016, apart from the land at Heweliusza Street in Gdańsk, this item also included assets classified under 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 S.A. finances its assets predominantly from equity which accounted for 72.3% of the total equity and liabilities (PLN 2 040.5 million) as at September 30, 2017. The external capital equalled PLN 780.6 million, of which 77.8% were non-current liabilities and long-term provisions.

As at September 30, 2017, Orbis S.A. had the following non-current liabilities bearing interest:

- liabilities under the bond issue of PLN 502.3 million (17.8% of liabilities),
- borrowings of PLN 70.4 million (2.5% of the total carrying amount of assets/equity and liabilities),

and current liabilities (borrowings) of PLN 35.3 million.

On September 30, 2017, the net debt of Orbis S.A. stood at PLN 469.0 million, i.e. accounted for 23.0% of equity.

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 Company as at September 30, 2017, was trade payables (29.1%) and other current liabilities (28.1%), including above all liabilities under taxes and social insurance and accrued expenses of employee benefits (incl. bonuses and unused employee leaves) as well as statutory liabilities (mainly under the challenged fees for the title to perpetual usufruct of land). A lower level of these liabilities as at September 30, 2017, as compared to the end of December 2016 results predominantly from the drop in the balance of provisions for employee benefits due to payout of bonuses and awards. Decline of trade payables is connected with the decrease of inter-company liabilities within the Accor Group.

A higher level of deferred revenue as at September 30, 2017, results predominantly from prepayments received for accommodation services during the upcoming periods (84.5% of the sum total). At the end of the third quarter the highest sum of prepayments were reported by hotels located in Warsaw (the Sofitel Warszawa Victoria, the Novotel Warszawa Centrum, the Mercure Warszawa Centrum and the Mercure Warszawa Grand), followed by hotels in Kraków (the Novotel Kraków Centrum and the Mercure Kraków Stare Miasto) and Tricity (the Mercure Gdańsk Stare Miasto and the Sofitel Grand Sopot).

Decline of liabilities associated with tangible assets in 9 months 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.

7.5 Statement of changes in equity

On September 30, 2017, equity amounted to PLN 2 040.5 million against PLN 2 004.3 million at the end of 2016. The increase resulted from the posting of net profit for 9 months of 2017, amounting to PLN 109.9 million, to retained earnings. The dividend for the year 2016 paid out in the total amount of PLN 73.7 million had a negative impact on retained earnings as at the end of September 2017.

The change in other reserves of Orbis S.A. in 9 months of 2017 resulted from valuation of the derivative instrument hedging against the risk of interest rate change.

7.6 Statement of cash flows

During 9 months ended September 30, 2017, the net cash flows of Orbis S.A. amounted to PLN 21.0 million (PLN 272.5 million in 9 months of 2016). Change in the balance of cash during 3 months ended September 30, 2017, totalled PLN -19.4 million (PLN 229.0 million in the corresponding period of 2016). The following factors had contributed to the negative cash flows in the third quarter of 2017:

- **Cash flows from operating activities**
  The profit before tax of PLN 73.9 million (PLN 50.4 million in the corresponding period of 2016) generated in the third quarter of 2017 had a direct impact on positive net cash flows from operating activities of PLN 67,0 million (PLN 74.4 million in the third quarter of 2016). Despite a better result attained mainly due to higher prices, in the third quarter of 2017 the Company generated lower net cash flows from operating activities than during 3 months ended September 30, 2016. Higher cash flows in the third quarter of 2016 were attributable primarily to inflows of PLN 14.5 million from the subsidiary Hekon-Hotele Ekonomiczne S.A. for the sale of services to this company during the second quarter of 2016.

- **Cash flows from investing activities**
  The main reason for the cash outflow of PLN 9.0 million in the third quarter of 2017 (PLN 25.3 million in the third quarter of 2016) was the expense of PLN 22.0 million incurred on development and modernization of Orbis S.A. hotels. Moreover, during the reporting period, the Company gave a loan of EUR 1.0 million to its subsidiary UAB Hekon with its registered address in Vilnius. The loan was granted for the acquisition of the ibis hotel in Vilnius which is to be built by mid-2018.
  In the third quarter of 2017 the Company generated inflows from investing activities resulting from sale, executed on September 30, 2017, of the ibis Katowice Zabrze hotel (PLN 7.6 million) and the Mercure Toruń hotel (PLN 3.6 million) and from payment of a part of the price as a result of sale in December, 2016, of the Mrągowo Resort & SPA hotel (PLN 0.5 million) .
  Moreover, during the reporting period the Company received interest income of PLN 4.9 million, of which PLN 4.5 million from loans granted to subsidiaries.

  Cash outflows of PLN 50.9 million during 9 months of 2017 resulted additionally from the granting of a loan of EUR 12.5 million to Accor Pannonia Hotels Zrt. and EUR 1.0 million to UAB Hekon. Moreover, during that period the Company incurred expenditure of PLN 62.5 million on construction and modernisation of hotels. On the other hand, the inflows during 9 months ended September 30, 2017, included, apart from inflows from investing activities in the third quarter, also cash inflows from the sale 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) and the advance payment of PLN 9.5 million against the sale of the Giewont hotel in Zakopane.

- **Cash flows from financing activities**
  In the period of 3 months ended September 30, 2017 Orbis S.A. generated negative cash flows from financing activities of PLN 77.3 million, resulting from expenditure related to external financing amounting to PLN 3.6 million as well as a payment of dividend (PLN 73.7 million) on August 2, 2017.

  The cash flows from financing activities during 9 months of 2017 were by PLN 26.7 million lower than the corresponding cash flows during the third quarter of 2017. It was attributable to the repayment by Orbis S.A. of an instalment (the principal amount) under the loan incurred and payment of the costs of external financing for a period of additional 6 months.

8 NOTES TO THE FINANCIAL STATEMENTS

8.1 General information

8.1.1 Basic information about the Issuer

The attached financial statements present the financial figures of Orbis Spółka Akcyjna with its corporate seat in Warsaw, ul. Bracka 16 street, 00-028 Warsaw. The Company is entered into the Register of Business Operators maintained by the District Court in Warsaw, XII Commercial Division of the National Court Register under the number KRS 0000022622.

8.1.2 Business operations

According to the Polish Classification of Business Activity [PKD], Orbis S.A.'s business operations are classified under section I, item 5510Z.

Orbis S.A. is Poland's largest hotel company that employs 2.6 thousand persons (average full-time equivalent employment). As at September 30, 2017, the Company operated a network of 49 hotels (9 590 rooms) in 15 cities, towns and resorts in Poland. The hotels owned by Orbis S.A. operate under the following Accor brands: Sofitel, Novotel, Mercure, ibis, ibis budget and ibis Styles.

Orbis S.A. is the sole licensor of Accor brands in 16 countries of Eastern and Central Europe. As at the balance sheet date, 32 hotels (offering a total of 3 694 rooms) operated under franchise agreements and 12 hotels (with a total of 1 696 rooms) operated under management agreements.

As at September 30, 2017, Orbis S.A. was the parent company of the Orbis Group. The structure of the Group is presented in Section 5.7 of this Report.

8.2 The Issuer's shareholders

Orbis S.A. shareholding structure as at the day of publication is presented in Section 5.3 of this Report.

8.3 The holding of Orbis S.A. shares by members of the Supervisory Board and the Management Board

Information on the holding of Orbis S.A. shares by members of the Company's statutory bodies is provided in Section 5.5.

8.4 Investments in subsidiaries

The table below presents basic information about subsidiaries.

Name of subsidiary	% share of share capital	% share of voting rights at the GM	Country of registration	Business operations	Method of investment recognition	Share / interest value at cost	Revaluation adjustment	Carrying amount of shares / interests
Orbis Kontrakty Sp. z o.o.	directly 100.00%	directly 100.00%	Poland	organisation of purchasing	cost	100	0	100
Orbis Corporate Sp. z o.o.	directly 100.00%	directly 100.00%	Poland	tourism, transport, hotel and F&B services	cost	45	(45)	0
UAB Hekon	directly 100.00%	directly 100.00%	Lithuania	hotel and F&B services	cost	13 688	(1 608)	12 080
Katerinska Hotel s.r.o.	directly 100.00%	directly 100.00%	Czech Republic	hotel and F&B services	cost	279 260	0	279 260
Accor Pannonia Hotels Zrt.	directly 99.92%	directly 99.92%	Hungary	hotel and F&B services	cost	82 677	0	82 677
Accor Hotels Romania s.r.l.	directly 100.00%	directly 100.00%	Romania	hotel and F&B services	cost	91 804	0	91 804
Total						**467 574**	**(1 653)**	**465 921**

The table below presents information on the companies in which Orbis S.A. holds interests indirectly.

Investments in subsidiaries	% share of equity	% share of votes at the GM	Country of registration	Business operations
H-DEVELOPMENT CZ a.s.	indirectly 100.00%	indirectly 100.00%	Czech Republic	real property services
Business Estate Entity a.s.	indirectly 100.00%	indirectly 100.00%	Czech Republic	real property rental
Accor Pannonia Slovakia s.r.o.	indirectly 99.92%	indirectly 99.92%	Slovakia	hotel and F&B services
5 Hotel Kft.	indirectly 99.92%	indirectly 99.92%	Hungary	real property rental
5 Star Hotel Kft. (formerly: HVB Leasing Maestoso Kft.)	indirectly 99.92%	indirectly 99.92%	Hungary	real property rental

The following changes took place in 9 months of 2017 as regards subsidiary companies of Orbis S.A.:

- On January 1, 2017, the subsidiary Katerinska Hotel s.r.o. (the merging company) merged with the subsidiary Novy Smichov Gate a.s. (the merged company), a wholly owned subsidiary of the merging company.
- 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 (the sellers) a share representing 100% of the share capital in 5 Hotel Kft. with its registered address in Budapest, which owns 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. As a result of this transaction, as of January 2, 2017, Orbis S.A. indirectly holds 99.92% in the share capital of 5 Hotel Kft.
- On May 29, 2017, 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. (presently 5 Star Hotel Kft.). with its registered address in Budapest, which owns the Sofitel Budapest Chain Bridge hotel operated by the Hungarian subsidiary on the basis of lease agreement. On June 13, 2017, the Hungarian Competition Authority issued a merger clearance which allowed Accor Pannonia Hotels Zrt. to take control over the HVB Leasing Maestoso Kft. (presently 5 Star Hotel Kft.). As a result of this transaction, as of June 1, 2017, Orbis S.A. indirectly holds 99.92% in the share capital of HVB Leasing Maestoso Kft. (presently 5 Star Hotel Kft.).

8.5 Borrowings

Information on borrowings is presented in Section 5.10 of this Report.

8.6 Issue, redemption and repayment of debt and equity securities

Information on issue, redemption and repayment of debt and equity securities is presented in Section 5.11 of of this Report .

8.7 Loans granted

As at September 30, 2017, receivables under granted loans included loans granted to the following subsidiaries:

A loan granted in 2016 to the Hungarian company **Accor Pannonia Hotels Zrt.** with its corporate seat in Budapest for a total of **EUR 81.0 million** was divided, by virtue of an annex to the agreement dated **June 30, 2017**, into two loans with a value of EUR 35.0 million and EUR 46.0 million.

Pursuant to the agreement, both these loans should be repaid no later than by December 31, 2019. However, in the case of the first loan (EUR 35.0 million), the repayment should not be less than EUR 3.0 million by the end of 2017 and EUR 1.5 million by the end of 2018; and in the case of the second loan (EUR 46.0 million), the Hungarian company should repay no less than EUR 1.5 million until the end of 2018.

Interest on loans remains the same as in the 2016 agreement, i.e. it was determined as a variable rate equal to EURIBOR 6M, plus interest rate margin of 2.5%. Pursuant to the agreement if EURIBOR 6M is lower than zero, the loan interest rate equals the interest rate margin, i.e. 2.5%. Interest is payable for 6-month periods, at the end of June and December of each year.

The loan was granted to the Hungarian subsidiary Accor Pannonia Hotels Zrt. to finance the buyback of seven leased hotels:

- The first transaction finalised at the beginning of 2016 concerned two hotels located in Budapest: the ibis Budapest Heroes Square hotel and the Mercure Budapest City Center hotel,
- The second transaction finalised at the beginning of January 2017 concerned the following five hotels: the Mercure Budapest Korona hotel, the ibis Styles Budapest Center hotel, the ibis Budapest City hotel, the ibis Budapest Centrum hotel and the Mercure Budapest Buda hotel. The buyback transaction was executed by way of acquisition of interest representing 100% of the share capital in 5 Hotel Kft. with its registered address in Budapest (the owner of the above hotels).

On **May 25, 2017,** Orbis S.A. granted to **Accor Pannonia Hotels Zrt.** with its corporate seat in Budapest a loan in the amount of **EUR 12.5 million** in order to finance the agreement of buy-back of the Sofitel Budapest Chain Bridge hotel, operated by the Hungarian company under lease agreements. The transaction of buy-back of the hotel was completed by acquisition of 100% of the share capital of company HVB Leasing Maestoso Kft. with its corporate seat in Budapest, which owns this hotel. More information on the transaction is provided in the current report no. 18/2017 and in Section 4.3 of this Report.

The interest rate on the loan was determined as a variable rate equal to EURIBOR 6M, plus interest rate margin of 2.5%. Pursuant to the agreement if EURIBOR 6M is lower than zero, the loan interest rate equals the interest rate margin, i.e. 2.5%. According to the agreement, the final date of repayment of the loan with the accrued interest is December 31, 2017.

On the other hand, **on June 1, 2017** Orbis S.A. and **UAB Hekon** with its registered address in Vilnius signed a loan agreement whereupon Orbis granted a loan to the Lithuanian company in the amount of **EUR 1.0 million** to finance the acquisition of a hotel building located in Vilnius, including the ownership title to the land and parking places. On **July 27, 2017** Orbis S.A. granted to **UAB Hekon** another loan of EUR **1.0 million EUR** for the same purpose.

The interest rate on both the loans was determined as a variable rate equal to EURIBOR 6M, plus interest rate margin of 2.5%. Pursuant to the agreements, if EURIBOR 6M is lower than zero, the loan interest rate equals the interest rate margin, i.e. 2.5%. Interest is payable for 6-month periods, at the end of June and December of each year. The date of repayment of the first loan is December 31, 2018, and the second loan, February 28, 2019.

The balance of loans was as follows as at the end of the reporting periods:

Loans granted	As at:			
	Sep. 30, 2017	Jun. 30, 2017	Dec. 31, 2016	Sep. 30, 2016
Long-term loans	344 728	333 894	345 072	60 368
Short-term loans	69 513	70 096	13 489	8 870
Total loans granted	**414 241**	**403 990**	**358 561**	**69 238**

8.8 Financial instruments

8.8.1 Fair value of financial instruments

As at September 30, 2017, June 30, 2017, December 31, 2016 and September 30, 2016, the only assets and liabilities that were subject to measurement at fair value following their initial recognition and were recognised at fair value in the statement of financial position were derivative instruments, i.e. interest rate swap.

The table below presents fair values and carrying amounts of financial assets and liabilities (including items that are not measured at fair value, but in respect of which fair value disclosures are required):

	As at Sep. 30, 2017		As at Jun. 30, 2017		As at Dec. 31, 2016		As at Sep. 30, 2016	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets								
Cash and cash equivalents	138 952	138 952	158 342	158 342	117 958	117 958	333 526	333 526
Loans granted	414 241	414 241	403 990	403 990	358 561	358 561	69 238	69 238
Other financial assets	10 944	10 944	10 944	10 944	10 944	10 944	7 888	7 888
Trade receivables and others non-current receivables	60 900	60 900	39 330	39 330	37 364	37 364	34 083	34 083
Investment in subsidiaries (excluded from the scope of IAS 39)	465 921	-	465 921	-	465 921	-	465 921	-
Financial liabilities								
Borrowings	105 677	107 089	105 555	107 094	122 945	124 904	140 514	142 759
Debt securities - bonds issued	502 319	507 200	501 515	507 200	501 372	507 500	501 896	504 681
Derivative instruments (liabilities)	131	131	129	129	118	118	534	534
Trade payables and other current and non-current liabilities	61 455	61 455	135 974	135 974	76 089	76 089	59 664	59 664

According to the Management Board, as at September 30, 2017, June 30, 2017, December 31, 2016, and September 30, 2016, the carrying amount of financial instruments of the Company, with the exception of liabilities arising from credit facilities and issued bonds, was close to their fair value.

The Company does not disclose the fair value in respect of interests and shares in subsidiaries. Shares in subsidiaries and jointly controlled entities (joint ventures) – financial assets excluded from the scope of IAS 39 – pursuant to the Company's accounting policy are measured at purchase cost less impairment losses.

The fair value of liabilities arising from credit facilities was determined as the present value of future cash flows, discounted at a current interest rate.

The fair value of bonds was determined based on their price on the Catalyst bond market as at the end of the reporting period (or a date close to that day).

The fair value of a derivative instrument was determined as the present value of estimated future cash flows on the basis of monitoring of yield curves.

In terms of applied measurement procedures, issued bonds are classified to Level 1 of fair value hierarchy (fair value determined on the basis of prices quoted on an active market). Liabilities under credit facilities and derivative instruments are classified to Level 2 of fair value hierarchy (fair value determined on the basis of observable market data, other than direct market quotations).

The Company did not perform any reclassifications between fair value levels in the current period.

8.8.2 Hedge accounting

To reduce the risk of changing interest rates and hedge future cash flows, on September 15, 2015, Orbis S.A. entered into a pay-floating receive-fixed Interest Rate Swap with the bank Société Générale S.A. The amount of the hedging instrument is PLN 150 million, which accounts for 50% of the value of the first tranche of bonds issued in the amount of PLN 300 million. The swap matures on June 26, 2018. Interest payment dates fall every six months, starting from June 27, 2016, and have been correlated with dates of payment of interest on bonds. During 9 months of 2017, the Company paid PLN 74 thousand in settlement of the Interest Rate Swap interest payment. At the end of the presented reporting periods, the swap's valuation at fair value was disclosed in the Company's equity through other comprehensive income. In 2017, no ineffectiveness arising from cash flow hedges occurred that would require to be disclosed in the financial result of the Company.

8.9 Changes in estimates of amounts

8.9.1 Impairment of assets

Movements in impairment loss - 9 months of 2017	Impairment loss on:				
	property, plant & equipment	investment property	assets held for sale	investment in subsidiaries and other companies	receivables
As at January 1, 2017	**(42 359)**	**(592)**	**(17 882)**	**(1 655)**	**(2 846)**
Recognised impairment loss	0	0	0	0	(720)
Utilised impairment loss	0	0	0	0	69
Reversed impairment loss	0	0	0	0	409
Decrease in impairment losses in connection with sale	5 231	0	17 882	0	0
Impairment loss not subject to reversal *	599	11	0	0	0
Reclassification	13 377	0	(13 377)	0	0
As at September 30, 2017	**(23 152)**	**(581)**	**(13 377)**	**(1 655)**	**(3 088)**

Movements in impairment loss - 3rd quarter of 2017	Impairment loss on:				
	property, plant & equipment	investment property	assets held for sale	investment in subsidiaries and other companies	receivables
As at July 1, 2017	**(38 223)**	**(585)**	**(3 711)**	**(1 655)**	**(2 820)**
Recognised impairment loss	0	0	0	0	(353)
Utilised impairment loss	0	0	0	0	8
Reversed impairment loss	0	0	0	0	77
Decrease in impairment losses in connection with sale	5 231	0	0	0	0
Impairment loss not subject to reversal *	174	4	0	0	0
Reclassification	9 666	0	(9 666)		
As at September 30, 2017	**(23 152)**	**(581)**	**(13 377)**	**(1 655)**	**(3 088)**

** The value of impairment recognised in the previous periods, which cannot be reversed (due to IAS 36, according to which the net book value of property, plant and equipment and investment property arising from the reversal of an impairment should not exceed the amount that would have been determined if no impairment had been recognised).This value of impairment is recognised as accumulated depreciation. As a result, the balance of impairment as at the end of the period equals the amount reversible in the event of expiry of circumstances underlying the impairment.*

In 9 months of 2017 and in 2016, no circumstances occurred in Orbis S.A. that would indicate a need to recognise impairment losses on inventories.

8.9.2 Provisions for liabilities

Movements in provisions - 9 months of 2017	Provision for:			
	jubilee awards	retirement & disability benefits	litigations	restructuring
As at January 1, 2017	**15 446**	**6 554**	**777**	**681**
Provision recognised	1 396	290	0	324
Provision utilised	(1 496)	(120)	0	(957)
Provision released	(1 489)	(617)	0	(48)
As at September 30, 2017, of which:	**13 857**	**6 107**	**777**	**0**
Short-term provisions	1 714	1 021	777	0
Long-term provisions	12 143	5 086	0	0

The release of provisions for jubilee awards and retirement and disability benefits in 9 months ended September 30, 2017, results from the sale of Orbis S.A. hotels, i.e. the Mercure Jelenia Góra hotel, the Mercure Karpacz Resort hotel, the Mercure Częstochowa Centrum hotel, the ibis Częstochowa hotel, the Mercure Toruń Centrum hotel and the ibis Katowice Zabrze hotel.

Movements in provisions - 3rd quarter of 2017	Provision for:			
	jubilee awards	retirement & disability benefits	litigations	restructuring
As at July 1, 2017	**14 252**	**6 270**	**777**	**0**
Provision recognised	646	57	0	0
Provision utilised	(686)	(60)	0	0
Provision released	(355)	(160)	0	0
As at September 30, 2017, of which:	**13 857**	**6 107**	**777**	**0**
Short-term provisions	1 714	1 021	777	0
Long-term provisions	12 143	5 086	0	0

8.10 Deferred tax assets and liabilities

Deferred tax	As at:		Impact on statement of comprehensive income
	Sep. 30, 2017	Dec. 31, 2016	
Deferred tax assets	19 347	19 354	(7)
Deferred tax liabilities	(14 470)	(16 826)	2 356
Total:	**4 877**	**2 528**	**2 349**
impact on profit or loss			2 370
impact on other comprehensive income			(21)

8.11 Legal claims

Description of major litigations pending before courts, arbitration or public administration bodies is provided in Section 5.16.

8.12 Related party transactions

Within the meaning of IAS 24, parties related to the Company include members of the managing and supervising staff and close members of their families, subsidiaries and associates, as well as Accor S.A. (significant shareholder) and its related parties.

Revenue from the sale of services to the Accor Group companies comprise primarily revenues for sales support, promotion of the Accor network and development of the Le Club Accorhotels program in Poland and in the Baltic States.

Costs of purchase of services from the Accor Group companies comprise mainly:

- franchise fees,
- reservation fees,
- fees for the use of IT applications,
- costs connected with the Le Club Accorhotels loyalty program.

Revenue from the sale of services to subsidiaries comprise mainly management fees (Orbis Kontrakty Sp. z o.o.). In 2016, till the date of merger with Hekon-Hotele Ekonomiczne S.A., Orbis additionally recognised revenues from the sale of services comprising management fees and revenues from lease of hotel properties to the subsidiary.

Purchases from subsidiary companies comprise predominantly mutually provided services.

Finance income comprises dividends from related parties as well as interest on loans granted to the Hungarian subsidiary Accor Pannonia Hotels Zrt. and to the Lithuanian subsidiary UAB Hekon.

Sales and purchases	3 months ended Sep. 30, 2017	3 months ended Sep. 30, 2016	9 months ended Sep. 30, 2017	9 months ended Sep. 30, 2016
Net sales of services:				
- to the parent company	373	69	1 126	1 130
- to other Accor Group companies	437	417	804	425
- to subsidiaries	287	7 991	770	31 003
Total sales	**1 097**	**8 477**	**2 700**	**32 558**
Finance income:				
- from subsidiaries	2 642	90	20 430	55 448
Total revenue	**3 739**	**8 567**	**23 130**	**88 006**
Purchases of services:				
- from the parent company	8 909	7 113	22 351	17 793
- from other Accor Group companies	3 268	3 261	8 242	6 190
- from subsidiaries	171	1	171	3
Total purchases	**12 348**	**10 375**	**30 764**	**23 986**

Receivables and payables	As at:			
	Sep. 30, 2017	Jun. 30, 2017	Dec. 31, 2016	Sep. 30, 2016
Trade receivables:				
- from the parent company	373	731	767	345
- from other Accor Group companies	175	327	471	337
- from subsidiaries	120	100	85	95
Receivables under loans granted:				
- from subsidiaries	414 241	403 990	358 561	69 238
Total receivables	**414 909**	**405 148**	**359 884**	**70 015**
Trade payables:				
- to the parent company	6 787	7 339	11 314	8 643
- to other Accor Group companies	346	1 131	438	1 352
- to subsidiaries	43	0	6	0
Dividend payables :				
- to the parent company	0	35 156	0	0
- to other Accor Group companies	0	3 686	0	0
Total payables	**7 176**	**47 312**	**11 758**	**9 995**

The significant drop in revenue in 9 months of 2017 was caused by the merger of Orbis S.A. and Hekon – Hotele Ekonomiczne S.A.

Finance income and receivables under granted loans comprise a loan granted to Accor Pannonia Hotels Zrt. and UAB Hekon (see also Section 8.7).

Furthermore, finance income for the period from January 1 to September 30, 2017, include dividend received from Orbis Kontrakty Sp. z o.o. During the corresponding period of the past year, Orbis S.A. received dividends from Orbis Kontrakty Sp. z o.o., Hekon-Hotele Ekonomiczne S.A. and Accor Hotels Romania s.r.l.

At the end of the reporting periods, the Company did not receive any loans from related parties.

No impairment loss was recognised on the presented receivables in the period under analysis.

Transactions with related companies are executed at arms' length.

Benefits (including wages and salaries, awards, post-employment benefits and retirement benefits) paid in accordance with contractual obligations to the Members of the Management Board and the Supervisory Board of Orbis S.A. in 9-month periods ended September 30, 2017, and September 30, 2016, amounted to PLN 4 401 thousand and PLN 3 650 thousand, respectively. The difference between the value of benefits paid out in 9 months of 2017 versus the corresponding period of 2016 results from enlarged number of members of Orbis S.A. Management Board as of June 2, 2016.

No transactions involving transfer of rights and obligations, either free of charge or against consideration, were executed between Orbis S.A. and related parties:

- members of the Management Board and the Supervisory Board of Orbis S.A.,
- spouses, next-of-kin or relatives of the first and second degree of members of the Management Board and the Supervisory Board of Orbis S.A., Orbis S.A. subsidiaries,
- persons linked by a relation of guardianship, adoption or custody with members of the Management Board and the Supervisory Board of Orbis S.A., Orbis S.A. subsidiaries.

8.13 Important events after the reporting period

Important events after the end of the reporting period are discussed in Section 5.18 of this Report.

APPENDIX 1: OPERATING RATIOS OF THE ORBIS GROUP

Owned hotels[2]

Operating ratios of owned hotels by main category	9 months of 2017	9 months of 2016	change (%)	9 months of 2017	9 months of 2016	change (%)
	as reported			like-for-like		
Orbis Hotel Group						
Occupancy Rate (%)	74.7	73.2	1.5 p.p.	74.8	73.7	1.1 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	251.0	235.0	6.8%	249.6	237.4	5.1%
Revenue per Available Room (RevPAR) in PLN	187.5	171.9	9.1%	186.6	175.1	6.6%
Economy Hotels						
Occupancy Rate (%)	76.1	74.0	2.1 p.p.	76.1	74.2	1.9 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	178.7	168.2	6.2%	176.9	168.1	5.2%
Revenue per Available Room (RevPAR) in PLN	136.1	124.5	9.3%	134.7	124.7	8.0%
Up & Midscale Hotels (3 stars and more)						
Occupancy Rate (%)	74.0	72.7	1.3 p.p.	74.0	73.8	0.2 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	290.4	268.8	8.0%	288.4	273.5	5.4%
Revenue per Available Room (RevPAR) in PLN	214.8	195.5	9.9%	213.5	201.9	5.7%

Operating ratios of owned hotels by main category	3rd quarter of 2017	3rd quarter of 2016	change (%)	3rd quarter of 2017	3rd quarter of 2016	change (%)
	as reported			like-for-like		
Orbis Hotel Group						
Occupancy Rate (%)	84.3	84.1	0.2 p.p.	84.2	84.8	-0.6 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	262.8	241.5	8.8%	260.9	244.5	6.7%
Revenue per Available Room (RevPAR) in PLN	221.4	203.2	9.0%	219.6	207.3	5.9%
Economy Hotels						
Occupancy Rate (%)	84.7	83.5	1.2 p.p.	84.3	83.9	0.4 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	188.3	174.1	8.2%	184.9	173.5	6.6%
Revenue per Available Room (RevPAR) in PLN	159.5	145.3	9.8%	155.9	145.6	7.1%
Up & Midscale Hotels (3 stars and more)						
Occupancy Rate (%)	84.0	84.4	-0.4 p.p.	83.9	85.3	-1.4 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	303.0	276.4	9.6%	300.7	281.6	6.8%
Revenue per Available Room (RevPAR) in PLN	254.5	233.4	9.0%	252.4	240.2	5.1%

[2] Include 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.

Operating ratios of owned hotels by geographical segment	9 months of 2017	9 months of 2016	change (%)	9 months of 2017	9 months of 2016	change (%)
	as reported			like-for-like		
Poland						
Occupancy Rate (%)	72.9	72.1	0.8 p.p.	72.9	73.0	-0.1 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	239.7	225.4	6.3%	237.1	228.8	3.6%
Revenue per Available Room (RevPAR) in PLN	174.8	162.6	7.5%	172.9	166.9	3.6%
Hungary						
Occupancy Rate (%)	77.1	73.3	3.8 p.p.	77.1	73.3	3.8 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	273.8	249.3	9.8%	273.8	249.3	9.8%
Revenue per Available Room (RevPAR) in PLN	211.0	182.7	15.5%	211.0	182.7	15.5%
Czech Republic						
Occupancy Rate (%)	78.1	75.2	2.9 p.p.	78.1	75.2	2.9 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	264.4	254.3	4.0%	264.4	254.3	4.0%
Revenue per Available Room (RevPAR) in PLN	206.5	191.3	7.9%	206.5	191.3	7.9%
Other countries						
Occupancy Rate (%)	82.7	83.4	-0.7 p.p.	82.7	83.4	-0.7 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	270.0	263.8	2.4%	270.0	263.8	2.4%
Revenue per Available Room (RevPAR) in PLN	223.4	219.9	1.6%	223.4	219.9	1.6%

Operating ratios of owned hotels by geographical segment	3rd quarter of 2017	3rd quarter of 2016	change (%)	3rd quarter of 2017	3rd quarter of 2016	change (%)
	as reported			like-for-like		
Poland						
Occupancy Rate (%)	82.2	81.4	0.8 p.p.	82.0	82.2	-0.2 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	245.5	233.0	5.4%	242.0	237.3	2.0%
Revenue per Available Room (RevPAR) in PLN	201.9	189.6	6.5%	198.5	194.9	1.8%
Hungary						
Occupancy Rate (%)	88.4	89.9	-1.5 p.p.	88.4	89.9	-1.5 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	300.9	250.6	20.1%	300.9	250.6	20.1%
Revenue per Available Room (RevPAR) in PLN	266.1	225.3	18.1%	266.1	225.3	18.1%
Czech Republic						
Occupancy Rate (%)	86.8	87.8	-1.0 p.p.	86.8	87.8	-1.0 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	284.9	267.5	6.5%	284.9	267.5	6.5%
Revenue per Available Room (RevPAR) in PLN	247.3	235.0	5.2%	247.3	235.0	5.2%
Other countries						
Occupancy Rate (%)	88.2	90.3	-2.1 p.p.	88.2	90.3	-2.1 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	269.9	264.0	2.2%	269.9	264.0	2.2%
Revenue per Available Room (RevPAR) in PLN	237.9	238.5	-0.3%	237.9	238.5	-0.3%

Managed and franchised hotels

Operating ratios of managed and franchised hotels by main category	9 months of 2017	9 months of 2016	change (%)	9 months of 2017	9 months of 2016	change (%)
	as reported			like-for-like		
Orbis Hotel Group						
Occupancy Rate (%)	64.5	62.8	1.7 p.p.	68.0	63.7	4.3 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	190.1	184.6	3.0%	193.2	185.4	4.2%
Revenue per Available Room (RevPAR) in PLN	122.6	115.9	5.8%	131.4	118.1	11.3%
Economy Hotels						
Occupancy Rate (%)	66.2	64.4	1.8 p.p.	71.3	65.8	5.5 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	151.8	147.0	3.3%	153.6	147.4	4.2%
Revenue per Available Room (RevPAR) in PLN	100.5	94.7	6.1%	109.5	97.0	12.9%
Up & Midscale Hotels (3 stars and more)						
Occupancy Rate (%)	62.8	61.0	1.8 p.p.	64.5	61.5	3.0 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	230.2	226.9	1.5%	240.1	228.5	5.1%
Revenue per Available Room (RevPAR) in PLN	144.5	138.4	4.4%	154.8	140.4	10.3%

Operating ratios of managed and franchised hotels by main category	3rd quarter of 2017	3rd quarter of 2016	change (%)	3rd quarter of 2017	3rd quarter of 2016	change (%)
	as reported			like-for-like		
Orbis Hotel Group						
Occupancy Rate (%)	73.7	69.2	4.5 p.p.	75.5	69.1	6.4 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	193.1	184.5	4.7%	196.7	185.3	6.2%
Revenue per Available Room (RevPAR) in PLN	142.3	127.7	11.4%	148.5	128.1	15.9%
Economy Hotels						
Occupancy Rate (%)	75.6	71.5	4.1 p.p.	77.0	71.5	5.5 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	161.9	153.4	5.5%	163.5	153.4	6.6%
Revenue per Available Room (RevPAR) in PLN	122.3	109.8	11.4%	125.9	109.8	14.7%
Up & Midscale Hotels (3 stars and more)						
Occupancy Rate (%)	71.8	66.6	5.2 p.p.	73.8	66.4	7.4 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	224.2	221.6	1.2%	236.2	224.2	5.4%
Revenue per Available Room (RevPAR) in PLN	161.1	147.7	9.1%	174.3	148.9	17.1%

Operating ratios of managed and franchised hotels by geographical segment	9 months of 2017	9 months of 2016	change (%)	9 months of 2017	9 months of 2016	change (%)
	As reported			like-for-like		
Poland						
Occupancy Rate (%)	53.9	51.4	2.5 p.p.	56.4	52.7	3.7 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	184.2	187.7	-1.9%	197.3	190.4	3.6%
Revenue per Available Room (RevPAR) in PLN	99.3	96.4	3.0%	111.3	100.4	10.9%
Hungary						
Occupancy Rate (%)	74.8	76.4	-1.6 p.p.	74.8	76.4	-1.6 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	346.0	293.5	17.9%	346.0	293.5	17.9%
Revenue per Available Room (RevPAR) in PLN	258.7	224.3	15.3%	258.7	224.3	15.3%
Czech Republic						
Occupancy Rate (%)	66.1	56.5	9.6 p.p.	66.1	56.5	9.6 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	148.4	153.9	-3.6%	148.4	153.9	-3.6%
Revenue per Available Room (RevPAR) in PLN	98.1	87.0	12.8%	98.1	87.0	12.8%
Other countries						
Occupancy Rate (%)	74.6	70.9	3.7 p.p.	75.9	71.1	4.8 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	190.4	179.7	6.0%	187.2	179.6	4.2%
Revenue per Available Room (RevPAR) in PLN	142.1	127.4	11.5%	142.2	127.7	11.4%

Operating ratios of managed and franchised hotels by geographical segment	3rd quarter of 2017	3rd quarter of 2016	change (%)	3rd quarter of 2017	3rd quarter of 2016	change (%)
	As reported			like-for-like		
Poland						
Occupancy Rate (%)	64.9	57.6	7.3 p.p.	64.8	57.2	7.6 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	179.5	183.1	-2.0%	186.6	185.3	0.7%
Revenue per Available Room (RevPAR) in PLN	116.5	105.5	10.4%	120.9	105.9	14.2%
Hungary						
Occupancy Rate (%)	82.1	88.4	-6.3 p.p.	82.1	88.4	-6.3 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	390.2	311.1	25.4%	390.2	311.1	25.4%
Revenue per Available Room (RevPAR) in PLN	320.6	275.0	16.6%	320.6	275.0	16.6%
Czech Republic						
Occupancy Rate (%)	68.9	67.6	1.3 p.p.	68.9	67.6	1.3 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	148.1	159.0	-6.9%	148.1	159.0	-6.9%
Revenue per Available Room (RevPAR) in PLN	102.0	107.5	-5.1%	102.0	107.5	-5.1%
Other countries						
Occupancy Rate (%)	82.7	77.6	5.1 p.p.	83.7	77.6	6.1 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	199.2	181.3	9.9%	197.8	181.3	9.1%
Revenue per Available Room (RevPAR) in PLN	164.7	140.8	17.0%	165.6	140.8	17.6%

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 of 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

NOVO^2 – combination of a bar and a restaurant in Novotels. NOVO^2 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, Mercure and Orbis Hotels

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