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Independent Auditor's Report

To the General Shareholders' Meeting and Supervisory Board of ORBIS S.A.

Report on the Audit of the Annual Separate Financial Statements

Qualified Opinion

We have audited the accompanying annual separate financial statements of ORBIS S.A. (the "Entity"), which comprise:

- the statement of financial position as at 31 December 2018,

and, for the period from 1 January to 31 December 2018:

- the statement of profit or loss;
- the statement of comprehensive income;
- the statement of changes in equity;
- the statement of cash flows;

and

- notes comprising a summary of significant accounting policies and other explanatory information

(the "separate financial statements").

In our opinion, except for the effects of matter described in the Basis for Qualified Opinion section, the accompanying separate financial statements of the Entity:

- give a true and fair view of the unconsolidated financial position of the Entity as at 31 December 2018 and of its unconsolidated financial performance and its unconsolidated cash flows for the financial year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union ("IFRS EU") and the adopted accounting policy;
- comply, in all material respects, with regard to form and content, with applicable laws and the provisions of the Entity's articles of association;
- have been prepared, in all material respects, on the basis of properly maintained accounting records in accordance with chapter 2 of the accounting act dated 29 September 1994 (Official Journal from 2018, item 395 with amendments) (the "Accounting Act").

Our audit opinion on the separate financial statements is consistent with our report to the Audit Committee dated 20 February 2019.

KPMG Audyt spółka z ograniczoną odpowiedzialnością sp.k.

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Basis for Qualified Opinion

As presented in note 2.3 of the separate financial statements as of the date of transition to IFRS EU the Entity has recognised perpetual usufruct of land acquired free of charge as a result of privatisation of the Entity at fair value, determined based on independent valuation, in the statement of financial position. As of 31 December 2018 and 31 December 2017 the carrying amount of those rights recognised in the statement of financial position as property, plant and equipment amount to PLN 238 056 thousand and PLN 245 836 thousand, respectively, as investment property amount to PLN 1 505 thousand and PLN 1 526 thousand, respectively, and as assets held for sale amount to PLN 6 752 thousand and PLN 4 402 thousand, respectively. In our view, those rights do not constitute items of property, plant and equipment, investment property or assets held for sale and consequently, in accordance with IFRS 1 *First-time adoption of International Financial Reporting Standards* as of the date of transition to IFRS EU, should not be revalued to fair value.

If the perpetual usufruct of land acquired free of charge were not recognised in the statement of financial position as of 31 December 2018 and 31 December 2017, property, plant and equipment would be decreased by PLN 238 056 thousand, PLN 245 836 thousand, respectively, investment properties would be decreased by PLN 1 505 thousand and PLN 1 526 thousand, respectively, assets held for sale would be decreased by PLN 6 752 thousand and PLN 4 402 thousand, respectively, retained earnings would be decreased by PLN 203 929 thousand and PLN 210 636 thousand, respectively, deferred tax liability would be decreased by PLN 46 799 thousand and PLN 47 835 thousand, respectively, and net profit for the for the year ended 31 December 2018 and for the year ended 31 December 2017 would be increased by PLN 4 415 thousand and PLN 6 707 thousand, respectively.

Additionally, as of 31 December 2018 and 31 December 2017 the Entity has recognised perpetual usufruct of land acquired for consideration in the amount of PLN 58 539 thousand and PLN 59 324 thousand, respectively, as property, plant and equipment. In our view, in accordance with IAS 17 Leases, those rights should be classified as operating leases and the amount paid at acquisition recognised as a non-current prepayment and amortised over the remaining term of the perpetual usufruct of land.

If the perpetual usufruct of land acquired for consideration were presented as non-current prepayments in the statement of financial position as of 31 December 2018 and 31 December 2017, property plant and equipment would be decreased and non-current prepayments would be increased by PLN 58 539 thousand and PLN 59 324 thousand, respectively.We conducted our audit in accordance with:

- International Standards on Auditing as adopted by the National Council of Certified Auditors as National Standards on Auditing (the “NSA”); and
- the act on certified auditors, audit firms and public oversight dated 11 May 2017 (Official Journal from 2017, item 1089 with amendments) (the “Act on certified auditors”); and
- regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-listed entities and repealing Commission Decision 2005/909/EC (Official Journal of the European Union L 158 from 27 May 2014, page 77 and Official Journal of the European Union L 170 from 11 June 2014, page 66) (the “EU Regulation”); and
- other applicable laws.

Our responsibilities under those standards are further described in the Auditor’s Responsibility for the audit of the separate financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Independence and Ethics

We are independent of the Entity in accordance with the Code of Ethics for Professional Accountants ("IFAC Code") issued by the International Ethics Standards Board for Accountants as adopted by the resolutions of the National Council of Certified Auditors, as well as other independence and ethical requirements, applicable to audit engagement in Poland. We have fulfilled all ethical responsibilities resulting from those requirements and IFAC Code. During our audit the key certified auditors and the audit firm remained independent of the Entity in accordance with requirements of the Act on certified auditors and the EU Regulation.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. They are the most significant assessed risks of material misstatements, including those due to fraud, described below and we performed appropriate audit procedures to address these matters. Key audit matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon we have summarised our response to those risks. We do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section of our report we have determined the following key audit matters:

Impairment of property, plant and equipment

The carrying amount of property, plant and equipment as at 31 December 2018: PLN 1 660 408 thousand, net increase in impairment loss for property, plant and equipment of PLN 10 669 thousand, accumulated impairment loss for property, plant and equipment as at 31 December 2018: PLN 25 610 thousand.

We refer to the separate financial statement: Note 5.6 „Revaluation of non-current assets”, Note 9 „Property, plant and equipment”.

Key audit matter	*Our response*
As disclosed in note 9 to the separate financial statements, as at 31 December 2018 the Entity assessed recoverable amount for cash generating units (hotels) for which impairment indicators were identified and for other tangible assets and assets under construction. The recoverable amount representing value in use has been determined based on discounted cash flows model, and for one cash generating unit recoverable amount was determined based on purchase offers obtained by management. Determining the recoverable amount requires significant judgements and assumptions, especially in respect of: • discount rate applied, and • cash flow growth rate in the residual period. In addition, the amount of projected future cash flows are affected by changes in expected occupation and average price per room in the budgeted period and the amount of capital expenditures. These projections are exposed to significant variability due to changing market conditions and require significant management's judgement and therefore impairment of property, plant and equipment has been determined as key audit matter.	Our audit procedures included among others: • evaluation of the appropriateness of the allocation of assets to cash generating units based on our business understanding and taking into consideration requirements of the relevant financial reporting standard; • assessment of the discounted cash flows model used in terms of its compliance with the relevant financial reporting standards; • with support of our own valuation specialists challenging the key assumptions applied by the Entity in the model including the discount rate and cash flow growth rate in the residual period, as well as other assumptions including hotel occupancy rate, average price per room, amount of capital expenditures by comparing them, wherever possible, to market data or the Entity's historical data; • assessing the reasonableness of key assumptions used by analyzing the sensitivity of the model to changes in key assumptions, taking into consideration potential management bias; • evaluating the adequacy of disclosures in respect of impairment of property, plant and equipment.

Other matter

The separate financial statements of the Entity as at and for the year ended 31 December 2017 were audited by another auditor who expressed a qualified opinion on those separate financial statements, on 20 January 2018, in respect of recognition of perpetual usufruct of land.

Responsibility of the Management Board and Supervisory Board of the Entity for the separate financial statements

The Management Board of the Entity is responsible for the preparation, on the basis of properly maintained accounting records, of separate financial statements that give a true and fair view of the unconsolidated financial position of the Entity and of its unconsolidated financial performance in accordance with International Financial Reporting Standards, as adopted by the European Union, the adopted accounting policy, the applicable laws and the provisions of the Entity's articles of association and for such internal control as the Management Board of the Entity determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, the Management Board of the Entity is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board of the Entity either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

According to the Accounting Act, the Management Board and members of the Supervisory Board of the Entity are required to ensure that the separate financial statements are in compliance with the requirements set forth in the Accounting Act. Members of the Supervisory Board of the Entity are responsible for overseeing the Entity’s financial reporting process.

Auditor’s Responsibility for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with NSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

The scope of audit does not include assurance on the future viability of the Entity or on the efficiency or effectiveness with which the Management Board of the Entity has conducted or will conduct the affairs of the Entity.

As part of an audit in accordance with NSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;
- evaluate the appropriateness of accounting policies used and the

reasonableness of accounting estimates and related disclosures made by the Management Board of the Entity;

- conclude on the appropriateness of the Management Board of the Entity's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report on the audit of the separate financial statements to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report on the audit of the separate financial statements. However, future events or conditions may cause the Entity to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Supervisory Board of the Entity regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide the Supervisory Board of the Entity with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board of the Entity, we determine those matters that were of most significance in the audit of the separate financial statements of the current reporting period and are therefore the key audit matters. We describe these matters in our auditors' report on the audit of the separate financial statements unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other information, including the report on activities

Other Information

The other information comprise:

- the report on activities of the Entity for the year ended 31 December 2018 (the "Report on activities"), including the corporate governance statement, which is a separate part of the Report on activities;
- the separate report on non-financial information referred to in art. 49b paragraph 9 of the Accounting Act

(together the "Other information").

Responsibility of the Management Board and Supervisory Board

The Management Board of the Entity is responsible for the Other information in accordance with applicable laws.

The Management Board and members of the Supervisory Board of the Entity are required to ensure that the Report on activities, including the corporate governance statement and the report on non-financial information referred to in art. 49b paragraph 9 of the Accounting Act are in compliance with the requirements set forth in the Accounting Act.

Auditor's Responsibility

Our opinion on the separate financial statements does not cover the Other information.

In connection with our audit of the separate financial statements, our responsibility was to read the Other information and, in doing so, consider whether the Other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we performed, we conclude that there is a material misstatement in the Other information, we are required to report that fact.

In accordance with the Act on certified auditors our responsibility was to report if the Report on activities was prepared in accordance with applicable laws and the information given in the Report on activities is consistent with the separate financial statements.

Moreover, in accordance with the requirements of the Act on certified auditors our responsibility was to report whether the Entity included in the statement on corporate governance information required by the applicable laws and regulations, and in relation to specific information indicated in these laws or regulations, to determine whether it complies with the applicable laws and whether it is consistent with the separate financial statements and to inform whether the Entity prepared a separate report on non-financial information.

Opinion on the Report on activities

Based on the work undertaken in the course of our audit of the separate financial statements, in our opinion, the accompanying Report on activities, in all material respects:

- has been prepared in accordance with applicable laws, and
- is consistent with the separate financial statements.

As described in the *Basis for Qualified Opinion* section of our report the Company should not have recognized perpetual usufruct of land acquired free of charge as property, plant and equipment, investment property and assets held for sale. Furthermore, the Company should have recognized perpetual usufruct of land acquired for consideration as non-current prepayments rather than property, plant and equipment. As a result, we concluded that the Report on activities is materially misstated for the same reason with respect to the amounts and other items included in the Report on activities affected by the departures from the relevant financial reporting standards described in the *Basis for Qualified Opinion* section of our report.

Opinion on the statement on corporate governance

In our opinion, the corporate governance statement, which is a separate part of the Report on activities, includes the information required by paragraph 70 subparagraph 6 point 5 of the Decree of the Ministry of Finance dated 29 March 2018 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent of information required by the laws of a non-member state (Official Journal from 2018, item 757) (the "decree").

Furthermore, in our opinion, the information identified in paragraph 70 subparagraph 6 point 5 letter c-f, h and letter i of the decree, included in the corporate governance statement, in all material respects:

- has been prepared in accordance with applicable laws; and
- is consistent with the separate financial statements.

Information about the statement on non-financial information

In accordance with the requirements of the Act on certified auditors, we report that the Entity has prepared a separate report on non-financial information referred to in art. 49b paragraph 9 of the Accounting Act.

We have not performed any assurance procedures in relation to the separate report on non-financial information and, accordingly, we do not express any assurance conclusion thereon.

Report on other legal and regulatory requirements

Statement on services other than audit of the financial statements

To the best of our knowledge and belief, we did not provide prohibited non-audit services referred to in art. 5 paragraph 1 second subparagraph of the EU Regulation and art. 136 of the act on certified auditors.

Appointment of the audit firm

We have been appointed for the first time to audit the annual separate financial statements of the Entity by resolution of Supervisory Board dated 7 February 2018. Our period of total uninterrupted engagement is 1 year.

On behalf of audit firm
KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.
Registration No. 3546

Signed on the Polish original	*Signed on the Polish original*
Zbigniew Libera	Bogusław Kowal
Key Certified Auditor Registration No. 90047 *Limited Partner, Proxy*	Key Certified Auditor Registration No. 90073 *Limited Partner, Proxy*

Warsaw, 20 February 2019