

President's Statement

The world of hospitality is changing constantly and over the recent years we have been observing evolution of our guests' expectations. Assessment of their stay today is definitively more based on experience, rather than product itself, which builds real relations with brands and has huge impact on guests' loyalty. That is why our efforts have been intended to build a long-term relationship with our clients through personalisation of their stay and through making them "Feel Welcome". To support this approach Orbis is undergoing cultural transformation, which empowers our employees and at the same time strengthens our foundations for further solid development.

Financial and Operational Highlights

2017 was a year full of business and financial success. Orbis delivered record high results as a consequence of our consistent strategy execution. We were also taking advantage of favourable macroeconomic environment across the entire Eastern Europe region. The best performing markets were Budapest, Warsaw and Prague with double-digit RevPAR growths. In total RevPAR of Orbis hotels in 2017 increased by +6.5% (up to PLN 184.1) comparing to 2016 like-for-like. The growth was largely possible thanks to leverage our average price by +5% y/y, which derived, among other, from active Revenue Management and focusing more on ad-hoc clients who were higher contributors.

The significant growth of operating indicators translated into record high financial results of the Group. In 2017, Orbis like for like revenues totalled PLN 1 433 million, which represented +6.2% growth comparing to 2016. Consequently we delivered remarkable operating EBITDA at the level of PLN 468 million and reported an extraordinary double-digit +20.2% year on year increase. Also increasing profitability and generating higher margins (e.g. +4 pp at the EBITDA level) was a clear proof of effective management, taking into account challenging situation on the labour market.

Continuation of Rapid Portfolio Development

Through 2017 Orbis has made remarkable development of its network by opening 8 new asset-light hotels, with 650 new rooms and entering 2 new markets: Serbia and Bosnia & Hercegovina. We still keep on strengthening our footprint in the region through signing 13 new agreements (1 600+ new rooms), which secured a remarkable pipeline comprised 38 projects with over 5 000 rooms in total. We also have been continuing our subsidiary development projects, i.e. ibis Vilnius Center (164 rooms), ibis Styles Warszawa (178 rooms), which will be open by the end of 2018. To support Orbis growth in the region we added new complementary hotel brand to our portfolio – Adagio, representing aparthotels market. We believe that this step will allow to generate for the Group additional profits in top locations.

Our development and asset management activities have driven us to a more diversified and balanced portfolio, not only geographically, but also considering modes of operation, having now over 40% asset light share vs. asset heavy hotels. In 2017 we did a lot to make our portfolio operate more effectively through 6 hotels buyback transactions in Hungary and number of renovation projects in flagship locations. Over the year more than PLN 620 million of CAPEX has been invested for these projects.

Maintaining our focus on the performance and profitability growth we want to empower Orbis leading position in the region not only by organic growth but also thorough hotel acquisitions, aspiring to be the leader in each of our geographic location we are present in.

Increasing the appeal of our brands to enhance top line results

One of our key priorities is making our guests “Feel Welcome”, through delivering excellent service and truly relevant experience. Striving for operational excellence we have launched the Customer Strategy that covered all areas of Top Line operations: Revenue Management, Sales, Marketing & E-commerce and Guests’ Culture. A higher guest satisfaction ratio, comparing to previous years, confirms that we are heading the right direction. To improve our profitability we are targeting to enlarge direct demand by brand awareness increase. In 2017 several campaigns and life style events have been run like: Mercure Fashion, ibis Music Lives Here, Real Time Marketing for Novotel and Sziget Festival in Hungary, becoming powerful brand anchors reinforcing relations with our guests and enhancing their loyalty. Having in mind, loyalty of the guests is one of our main strengths, we have been also empowering our Le Club AccorHotels program by recruitment of over 100 thousand new members in 2017 up to 1.2 million in the Eastern European region.

We have also focused our efforts to further develop F&B business, which contributes an important part of our revenues (25%). We have been changing our approach to a hotel restaurants concept, making them more open with friendly atmosphere and attracting non only hotel guests, but also other customers and benchmarking to different restaurants in the market. Taking into account our guests’ expectations, who tends to be more and more responsible consumers, we have enlarged our F&B offer, by introducing a new concept – Wise Café which integrates the healthy & sustainable food trend. The results indicate that it was a right step. Our F&B business in total grew by (+4%).

Talent and Culture drive the change

In 2017 we could observe real fruits of the People strategy in the Orbis Group. The results of engagement survey for all employees increased again comparing to previous year and for example in Poland Orbis were in the Top Quartile of Employers (AON Hewitt benchmark). It is a great confirmation that the cultural change, new leadership model, revamped learning & development program are bringing tangible results. Also, in such a competitive job market we managed to lower down the people turnover in Poland by almost 3 pp y/y. In 2017 Orbis

received prestigious rewards for its T&C and CSR activities, in Poland, Hungary and Czech Republic. It shows that the changes we made are recognized not only inside but also outside the company.

Excellent results we achieved in 2017 prove the proper direction of Orbis strategic plan, therefore I strongly confirm our continuing declaration and ability to create value for our shareholders in the future, based on Performance, Portfolio and People strategy. Consistent delivery of our targets were appreciated by our investors, being in the Top 10 performing mid-cap companies in 2017 with +27% share return for the year. Looking ahead, we have still aspirations to accelerate Orbis' growth in coming months, having in mind strong capital position and considerable experience in running investment projects. I believe that our cultural transformation will support the Company's growth in terms of enriching relations with our clients and strengthening organisational foundations.

I would also like to take this opportunity to thank the Orbis team for their work and enabling us to achieve outstanding performance in 2017. We believe together that our engagement will drive us to further success.

Yours sincerely,

Gilles Clavie

President of the Management Board and CEO

Orbis S.A.