Orbis S.A.

Report for the First Half of 2018

Condensed Interim Separate Financial Statements

July 26, 2018

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(all amounts are quoted in PLN thousand, unless otherwise stated)

INCOME STATEMENT

for the first half of 2018 with comparable figures for the year 2017

	3 months ended June 30, 2018 *(unaudited)*	6 months ended June 30, 2018 *(unaudited)*	3 months ended June 30, 2017 *(unaudited)*	6 months ended June 30, 2017 *(unaudited)*
Net sales	**257 704**	**429 658**	**248 009**	**422 141**
Outsourced services	(52 235)	(95 478)	(51 459)	(93 486)
Employee benefit expense	(60 986)	(122 134)	(55 735)	(112 398)
Raw materials and energy used	(34 038)	(65 021)	(33 979)	(66 211)
Taxes and charges	(7 527)	(15 045)	(7 272)	(14 835)
Other expenses by nature	(1 749)	(3 474)	(1 717)	(3 301)
Impairment of receivables	75	22	(14)	(35)
Net other operating income/(expenses)	(131)	(366)	518	302
EBITDAR	**101 113**	**128 162**	**98 351**	**132 177**
Rental expense	(1 896)	(3 755)	(1 876)	(3 955)
Operating EBITDA	**99 217**	**124 407**	**96 475**	**128 222**
Depreciation and amortisation	(30 770)	(62 605)	(31 418)	(62 928)
Operating profit without the effects of one-off events	**68 447**	**61 802**	**65 057**	**65 294**
Result on sale of real property	27	906	(20)	3 927
Restructuring costs	132	132	(293)	(970)
Operating profit	**68 606**	**62 840**	**64 744**	**68 251**
Finance income	28 823	35 130	16 125	18 560
Finance costs	(4 032)	(7 605)	(4 390)	(26 054)
Profit before tax	**93 397**	**90 365**	**76 479**	**60 757**
Income tax expense	(16 010)	(15 491)	(12 453)	(10 086)
Net profit for the period	**77 387**	**74 874**	**64 026**	**50 671**
Earnings per ordinary share				
Basic and diluted earnings per share (in PLN)	1.68	1.62	1.39	1.10

(all amounts are quoted in PLN thousand, unless otherwise stated)

STATEMENT OF COMPREHENSIVE INCOME

for the first half of 2018 with comparable figures for the year 2017

	3 months ended June 30, 2018 *(unaudited)*	6 months ended June 30, 2018 *(unaudited)*	3 months ended June 30, 2017 *(unaudited)*	6 months ended June 30, 2017 *(unaudited)*
Net profit for the period	**77 387**	**74 874**	**64 026**	**50 671**
Items that will not be reclassified subsequently to profit or loss:				
Actuarial gains/losses arising from the defined employee benefit plan				
Income tax relating to items that will not be reclassified subsequently				(22)
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	75	75	70	(12)
Income tax relating to items that may be reclassified subsequently	(14)	(14)	(13)	2
Other comprehensive income/(loss) after tax	**61**	**61**	**57**	**(32)**
Total comprehensive income for the period	**77 448**	**74 935**	**64 083**	**50 639**

(all amounts are quoted in PLN thousand, unless otherwise stated)

STATEMENT OF FINANCIAL POSITION

as at June 30, 2018, December 31, 2017 and June 30, 2017

Assets	As at:		
	June 30, 2018 *(unaudited)*	December 31, 2017 *(audited)*	June 30, 2017 *(unaudited)*
Non-current assets	**2 332 200**	**2 517 115**	**2 548 975**
Property, plant and equipment	1 580 697	1 587 720	1 610 734
Investment property	4 847	6 099	10 197
Intangible assets, of which:	109 477	110 488	111 030
- goodwill	107 252	107 252	107 252
Investments in subsidiaries	467 529	467 529	465 921
Loans granted	156 170	329 500	333 894
Derivative financial instruments	0	885	0
Other financial assets	6 944	6 944	10 944
Deferred tax assets	5 401	6 637	5 434
Other non-current assets	1 135	1 313	821
Current assets	**454 085**	**195 240**	**282 608**
Inventories	3 806	3 839	3 783
Trade receivables	37 889	28 250	30 488
Income tax receivables	0	506	0
Other current receivables	16 030	15 969	19 899
Loans granted	40 562	68 866	70 096
Derivative financial instruments	0	837	0
Cash and cash equivalents	355 798	76 973	158 342
Assets classified as held for sale	**32 292**	**23 514**	**8 777**
TOTAL ASSETS	**2 818 577**	**2 735 869**	**2 840 360**

(all amounts are quoted in PLN thousand, unless otherwise stated)

STATEMENT OF FINANCIAL POSITION, continued

as at June 30, 2018, December 31, 2017 and June 30, 2017

Equity and liabilities	As at:		
	June 30, 2018 *(unaudited)*	December 31, 2017 *(audited)*	June 30, 2017 *(unaudited)*
Equity	**2 055 408**	**2 056 754**	**1 981 235**
Share capital	517 754	517 754	517 754
Reserves	133 333	133 272	133 228
Retained earnings	1 404 321	1 405 728	1 330 253
Non-current liabilities	**539 500**	**538 551**	**606 877**
Borrowings	0	0	70 266
Bonds	501 892	501 778	501 515
Deferred revenue	12 922	12 202	12 351
Other non-current liabilities	5 908	5 777	5 045
Provision for retirement benefits and similar obligations	18 778	18 794	17 700
Current liabilities	**223 669**	**140 564**	**252 248**
Borrowings	0	0	35 289
Other financial liabilities	0	74	129
Trade payables	54 527	52 486	50 554
Liabilities associated with tangible assets	8 695	18 024	5 768
Income tax liabilities	3 848	0	5 407
Deferred revenue	27 922	14 142	29 064
Other current liabilities	124 170	50 729	122 438
Provision for retirement benefits and similar obligations	2 970	3 014	2 822
Provisions for liabilities	1 537	2 095	777
TOTAL EQUITY AND LIABILITIES	**2 818 577**	**2 735 869**	**2 840 360**

(all amounts are quoted in PLN thousand, unless otherwise stated)

STATEMENT OF CHANGES IN EQUITY

for the first half of 2018 with comparable figures for the year 2017

	Share capital	Reserves	Retained earnings	Total
Twelve months ended December 31, 2017				
Balance as at January 1, 2017	**517 754**	**133 238**	**1 353 327**	**2 004 319**
- net profit for the period	0	0	126 603	**126 603**
- other comprehensive income/(loss)	0	34	(479)	**(445)**
Total comprehensive income for the period	**0**	**34**	**126 124**	**126 158**
- dividends	0	0	(73 723)	**(73 723)**
Balance as at December 31, 2017 *(audited)*	**517 754**	**133 272**	**1 405 728**	**2 056 754**
of which: six months ended June 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	50 671	**50 671**
- other comprehensive income/(loss)	0	(10)	(22)	**(32)**
Total comprehensive income/(loss) for the period	**0**	**(10)**	**50 649**	**50 639**
- dividends	0	0	(73 723)	**(73 723)**
Balance as at June 30, 2017 *(unaudited)*	**517 754**	**133 228**	**1 330 253**	**1 981 235**
Six months ended June 30, 2018				
Balance as at January 1, 2018 (as reported)	**517 754**	**133 272**	**1 405 728**	**2 056 754**
- adjustments for IFRS 9	0	0	(1 395)	**(1 395)**
- adjustments for IFRS 15	0	0	(1 163)	**(1 163)**
Balance as at January 1, 2018 (restated)*	**517 754**	**133 272**	**1 403 170**	**2 054 196**
- net profit for the period	0	0	74 874	**74 874**
- other comprehensive income/(loss)	0	61	0	**61**
Total comprehensive income for the period	**0**	**61**	**74 874**	**74 935**
- dividends	0	0	(73 723)	**(73 723)**
Balance as at June 30, 2018 *(unaudited)*	**517 754**	**133 333**	**1 404 321**	**2 055 408**

** description of restatements is in Note 1.3.1.*

(all amounts are quoted in PLN thousand, unless otherwise stated)

STATEMENT OF CASH FLOWS

for the first half of 2018 with comparable figures for the year 2017

	6 months ended June 30, 2018 *(unaudited)*	6 months ended June 30, 2017 *(unaudited)*
OPERATING ACTIVITIES		
Profit before tax	**90 365**	**60 757**
Adjustments:	**31 804**	**54 188**
Depreciation and amortisation	62 605	62 928
Foreign exchange (gains)/losses	(17 559)	15 791
Interest, borrowing costs and dividends	(10 286)	(9 294)
(Gain)/loss from investing activities	(851)	(3 547)
Change in receivables	(13 523)	(16 226)
Change in liabilities, excluding borrowings	248	(6 999)
Change in deferred revenue	11 755	13 368
Change in provisions	(618)	(2 159)
Change in inventories	33	320
Other adjustments	0	6
Cash generated from operations	**122 169**	**114 945**
Income taxes paid	(9 316)	(5 990)
Net cash generated by operating activities	**112 853**	**108 955**
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment and intangible assets	1 843	31 572
Dividends and share of profits	12 360	13 412
Loans repaid	252 404	0
Interest received	3 465	759
Other investing cash inflows	5 445	9 531
Payments for property, plant and equipment and intangible assets	(70 910)	(40 500)
Loans granted	(33 418)	(56 665)
Net cash generated by/(used in) investing activities	**171 189**	**(41 891)**
FINANCING ACTIVITIES		
Repayment of borrowings	0	(17 645)
Interest paid and other financing cash outflows resulting from received borrowings	0	(1 969)
Interest paid and other financing cash outflows resulting from issue of bonds	(7 117)	(7 096)
Net cash used in financing activities	**(7 117)**	**(26 710)**
Change in cash and cash equivalents	**276 925**	**40 354**
Effects of exchange rate changes on the balance of cash held in foreign currencies	1 900	30
Cash and cash equivalents at the beginning of the period	**76 973**	**117 958**
Cash and cash equivalents at the end of the period	**355 798**	**158 342**

1. BACKGROUND

The attached condensed interim financial statements of Orbis S.A. (the "Company") for the first half of 2018 present a statement of financial position as at June 30, 2018, as well as at December 31, 2017 and June 30, 2017, statement of changes in equity for the first half of 2018, as well as for 2017 and the first half of 2017, income statement, statement of comprehensive income covering the data for 3 months ended June 30, 2018 and June 30, 2017 and for 6 months ended June 30, 2018 and June 30, 2017 and statement of cash flows, covering the data for the first half of 2018, as well as for 2017, as well as explanatory notes to the above-mentioned financial statements.

Orbis S.A. with its corporate seat in Warsaw, at Bracka 16, 00-028 Warsaw, Poland, 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 22622. According to the Polish Classification of Business Activity [PKD], the Company's business operations are classified under section I, item 5510Z. On the Warsaw Stock Exchange, the Company's operations are classified as hotels and restaurants.

Orbis S.A. is Poland's largest hotel company that employs 2.6 thousand persons (average full-time equivalent employment). As at June 30, 2018, the Company operated a network of 47 hotels (9 369 rooms) in 14 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 in the Central & Eastern Europe. As at the balance sheet date, 39 hotels (offering a total of 4 425 rooms) operated under franchise agreements and 16 hotels (with a total of 2 429 rooms) operated under management agreements.

Moreover, Orbis S.A., as the general franchisee, was granted the right to operate and expand the network of aparthotels bearing the following Adagio brands: Aparthotels Adagio, Aparthotels Adagio Access and Aparthotels Adagio Premium. Orbis S.A. is authorized to develop the Adagio network both in the form of owned hotels and by granting such rights to third parties under management, subfranchise or license agreements. The General Franchise Agreement was executed in October 2017 for a term of 15 years with the option of renewal for subsequent five-year terms; it covers the following eight countries: Poland, Czech Republic, Hungary, Romania, Serbia, Estonia, Latvia and Lithuania.

The financial statements are presented in the Polish zloty (PLN) which is the presentation and functional currency of the Company.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions and applying the following methodology:

- sale of foreign currency and payment of receivables – at the foreign currency buy rate applicable by the bank which provides services to the Company;
- purchase of foreign currency and payment of liabilities – at the foreign currency sell rate applicable by the bank which provides services to the Company;
- other transactions – at the average foreign currency exchange rate published by the National Bank of Poland.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities according to exchange rates as at the end of June 2018 are recognised in the income statement. The exchange rate PLN 4.3616 (the average exchange rates table of the National Bank of Poland as at June 29, 2018) was used to translate the figures from euro (EUR).

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

1.1 BASIS OF PREPARATION OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

These condensed interim separate financial statements have been prepared in accordance with the International Accounting Standard 34 Interim Financial Reporting and in compliance with the International Financial Reporting Standards applicable to interim financial reporting, accepted by the European Union, issued and effective as at the date of these financial statements.

The basic accounting policies and calculation methods applied in the preparation of these condensed interim financial statements were presented in Note 2.4 to the annual separate financial statements of Orbis S.A. for the year 2017. These policies have been consistently applied to all the years presented in the financial statements and have not undergone any significant changes since the last annual financial statements, except for the changes resulting from amendments of regulations described in note 1.3 and the entry into force of new accounting standards: IFRS 15 and IFRS9. For a description of the impact of the new standards, see Note 1.3.1.

Preparing financial statements in accordance with IFRSs requires applying certain key accounting estimates. The Management Board must also take a number of subjective decisions concerning the application of the Company's accounting policies. The areas which are more complex or require a subjective judgement, as well as areas in which the assumptions and estimates are significant for the financial statements as a whole, are described in the notes to the attached financial statements.

Orbis S.A. is the parent company of the Orbis Group and prepares consolidated financial statements. The attached condensed interim separate financial statements of Orbis S.A. should be read in conjunction with the condensed interim consolidated financial statements of the Orbis Group as at June 30, 2018 and for 6 months ended June 30, 2018 as well as with the audited separate and consolidated financial statements for the annual period from January 1, 2017 till December 31, 2017, including notes, and prepared in compliance with the International Financial Reporting Standards (IFRSs).

The financial statements have been prepared on the assumption that Orbis S.A. will continue as a going concern in the foreseeable future.

These financial statements were approved by the Management Board on July 25, 2018.

1.2 POSITION OF THE MANAGEMENT BOARD OF ORBIS S.A. RELATED TO THE QUALIFICATION RAISED BY THE ENTITY AUTHORIZED TO AUDIT THE FINANCIAL STATEMENTS IN THE REPORT ON THE REVIEW OF THE CONDENSED INTERIM SEPARATE FINANCIAL STATEMENTS OF ORBIS S.A.

The report of the licensed auditor KPMG Spółka z ograniczoną odpowiedzialnością Sp. k. on the review of the condensed interim separate financial statements of Orbis S.A. for the period from January 1, 2018, to June 30, 2018, contains a qualification relating to the classification of the rights to perpetual usufruct of land.

The Management Board of Orbis S.A. is of the opinion that the accepted accounting treatment of rights to perpetual usufruct of land contributes to transparent and fair presentation of information on the economic standing of the Company.

As at the date of the first financial statements prepared in accordance with the International Financial Reporting Standards, the Management Board and the Supervisory Board gave due consideration to various available interpretations of IAS 17 and, guided by the above-mentioned principle of fair presentation of the Company's standing, decided that the rights to perpetual usufruct of land obtained as a result of an administrative decision should be recognized in the statement of financial position. The lands as well as rights to perpetual usufruct of land alike, constitute a component part of hotel properties of the Company (i.e. cash generating units), since they contribute to the profit and cash flows generated by hotels. Therefore, they constitute a part of the fair value of real property. Some rights to perpetual usufruct of land have been purchased by the Company and recognized in accounting books at purchase price (i.e. market value). The remaining rights have been obtained from the State Treasury as components of hotel properties and recognized in accounting books at values determined as a result of an independent valuation pursuant to IFRS 1.

Despite different interpretations of IAS 17, including treatment of the lease of land as operating lease on account of the fact that land usually has an unlimited period of economic utility, in the opinion of the Management Board the specific nature of the rights to perpetual usufruct of land makes it much more similar to ownership titles than to any contractual right. Even without a detailed analysis of legal regulations that apply to perpetual usufruct, a number of elements vested in the perpetual usufructuary in a manner virtually identical to real property owner can easily be identified, namely:
- the use of the land to the exclusion of other persons;
- the capacity to freely dispose of the right by, inter alia, its sale, disposal by way of an in kind contribution, donation or establishing any encumbrance thereon, for example mortgage;
- the holder of this right enjoys full ownership title to buildings and other facilities raised on the land under perpetual usufruct;
- provisions on the protection of the right to property apply accordingly to protection of the right to perpetual usufruct.

Doubts can also arise as to the legal nature of the fee paid by the perpetual usufructuary, which can be regarded as a substitute for the real estate (land) tax paid by a real property owner.

At the same time, considering the specific features of the right to perpetual usufruct of land, such as:
- the marketability of the right to perpetual usufruct,
- the right to extend the period of use (during the last five years, prior to the expiry of the term stipulated in the contract, the perpetual usufructuary may request its extension for a further term of forty to ninety nine years, and in such case the refusal to extend the contract is admissible only for reasons of important public interest),
- the option of a unilateral waiver of the right to perpetual usufruct by the perpetual usufructuary, resulting in forfeiture of such right,

the choice of the period of use to be taken into account for the purpose of calculating lease is problematic (unclear). In the case of Orbis, it should furthermore be taken into account that, considering that hotel buildings have been built on the land held under the right to perpetual usufruct, it is highly unlikely that in the future the Company will refrain from exercising the option of extending the term of the right to perpetual usufruct or the land acquisition option.

The above problems and doubts as to whether the right to perpetual usufruct may be qualified as lease are the result of not only a subjective assessment of the Management Board of Orbis S.A., but also have an objective dimension, meaning that no uniform approach has so far been developed amongst both issuers listed on regulated markets as well as the leading audit firms as to how to qualify and recognise perpetual usufruct of land in accordance with IAS 17.

Considering the specific features of the rights to perpetual usufruct of land, the Management Board and the Supervisory Board are of an opinion that these rights should be reported in accordance with the IAS 16 Property, Plant and Equipment.

The value of purchased perpetual usufruct of land as at June 30, 2018, amounted to PLN 58 932 thousand (which accounted for 2.1% of total assets), PLN 59 324 thousand (which accounted for 2.2% of total assets) as at December 31, 2017, and PLN 59 716 thousand (which accounted for 2.1% of total assets) as at June 30, 2017.

Were the purchased rights to perpetual usufruct of land classified as operating leases, the value of these rights should be recognised in non-current prepayments.

The value of the perpetual usufruct of land obtained free of charge, as recognized in the statement of financial position, amounted to PLN 248 853 thousand (8.8% of total assets) as at June 30, 2018, PLN 251 764 thousand (9.2% of total assets) as at December 31, 2017 and PLN 255 570 thousand (9.0% of total assets) as at June 30, 2017. The value of the related deferred tax liabilities amounted to PLN 47 282 thousand (1.7% of total equity and liabilities) as at June 30, 2018, PLN 47 835 thousand (1.7% of total equity and liabilities) as at December 31, 2017 and PLN 48 558 thousand (1.7% of total equity and liabilities) as at June 30, 2017.

If the rights to perpetual usufruct of land obtained free of charge had not been recognised in the statement of financial position, the financial result for the period of 6 months ended June 30, 2018, for the period of 12 months ended December 31, 2017, and for the period of 6 months ended June 30, 2017, taking into account deferred tax, would have been higher by, respectively, PLN 2 357 thousand (3.1% of net profit), PLN 6 707 thousand (5.3% of net profit) and PLN 3 624 thousand (7.2% of net profit) and the previous years' profit/loss as at June 30, 2018, as at December 31, 2017 and as at June 30, 2017 would have been lower by, respectively, PLN 203 928 thousand (7.2% of total equity and liabilities), PLN 210 636 thousand (7.7% of total equity and liabilities) and PLN 210 636 thousand (7.4% of total equity and liabilities).

In the opinion of the Management Board and the Supervisory Board, treatment of the rights to perpetual usufruct of land as a form of an operating lease and their recognition off the statement of financial position does not reflect the economic nature of these rights and would lead to a distortion of the information on the actual value of assets held by the Company, i.e. its significant undervaluation.

In connection with the foregoing, the Management Board intends to consistently pursue the approach to the presentation of perpetual usufruct of land and until the entry into force of new provisions on leases and development of consistent interpretation of these regulations on the Polish market, the Board has no plans to revise the separate financial statements (more information about the influence of IFRS 16 can be found in Note 1.3 of these financial statements).

When evaluating the financial statements of Orbis S.A. for the period from January 1, 2018, to June 30, 2018, alike in the past years, the Supervisory Board has given due consideration to the arguments of the Management Board as well as to the auditor's position on the relevant issues. The Supervisory Board of Orbis S.A. agrees with and gives its positive opinion on the position of the Management Board of Orbis S.A. that the accepted accounting treatment of rights to perpetual usufruct of land contributes to transparent and fair presentation of information on the economic standing of the Company.

1.3 CHANGES IN ACCOUNTING POLICIES, CHANGES IN PRESENTATION OF DATA AND CORRECTION OF PRIOR PERIOD ERRORS

In 2018, no changes occurred in the accounting principles as compared to the last annual financial statements except for the changes of regulations, as presented below.

The following new standards, amendments to the existing standards and interpretation, issued by the International Accounting Standards Board (IASB) and adopted by the European Union, come into force in 2018:

- **IFRS 15 "Revenue from Contracts with Customers" and amendments to IFRS 15 "Effective date of IFRS 15"** - adopted by the EU on September 22, 2016 (effective for annual periods beginning on or after January 1, 2018),

- **Amendments to IFRS 15 "Revenue from Contracts with Customers"** - Clarifications to IFRS 15 "Revenue from Contracts with Customers" – adopted by the EU on October 31, 2017 (effective for annual periods beginning on or after January 1, 2018),

- **IFRS 9 "Financial Instruments"** - adopted by the EU on November 22, 2016 (effective for annual periods beginning on or after January 1, 2018),

- **Amendments to IFRS 4 "Insurance Contracts"** - Applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts" – adopted by the EU on November 3, 2017 (effective for annual periods beginning on or after January 1, 2018 or when IFRS 9 "Financial Instruments" is applied first time),

- **Amendments to IFRS 2 "Share-based Payment"** - Classification and Measurement of Share-based Payment Transactions – adopted by the EU on February 27, 2018 (effective for annual periods beginning on or after January 1, 2018),

- **Amendments to IAS 40 "Investment Property"** - Transfers of Investment Property – adopted by the EU on March 14, 2018 (effective for annual periods beginning on or after January 1, 2018),

- **IFRIC 22 "Foreign Currency Transactions and Advance Consideration"** – adopted by the EU on March 28, 2018 (effective for annual periods beginning on or after January 1, 2018),

- **Amendments to IFRS 1 and IAS 28 due to "Improvements to IFRSs (cycle 2014 -2016)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on February 7, 2018 (amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after January 1, 2018).

As at July 25, 2018 the following new standards and amendments to the existing standards have been issued by the IASB and adopted by the European Union but have not become effective yet:

- **IFRS 16 "Leases"** - adopted by the EU on October 31, 2017 (effective for annual periods beginning on or after January 1, 2019),

- **Amendments to IFRS 9 "Financial Instruments"** - Prepayment Features with Negative Compensation – adopted by the EU on March 22, 2018 (effective for annual periods beginning on or after January 1, 2019).

Moreover, the following new standards, amendments to standards and new interpretation have been adopted by the IASB, but not yet approved by the European Union as at July 25, 2018:

- **IFRS 17 "Insurance Contracts"** (effective for annual periods beginning on or after January 1, 2021),

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after January 1, 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,

- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),

- **Amendments to IAS 19 "Employee Benefits"** - Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after January 1, 2019),

- **Amendments to IAS 28 "Investments in Associates and Joint Ventures"** - Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after January 1, 2019),

- **Amendments to various standards due to “Improvements to IFRSs (cycle 2015 -2017)”** resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording (effective for annual periods beginning on or after January 1, 2019),

- **IFRIC 23 “Uncertainty over Income Tax Treatments”** (effective for annual periods beginning on or after January 1, 2019).

According to the entity’s estimates, the above listed standards, interpretations and amendments to the standards, with the exception of IFRS 16 “Leases” effective from January 1, 2019, would not exert any substantial impact on the financial statements if applied by the Company as at the end of the reporting period. The impact of the application of IFRS 16 on the financial statements of the Company is described below.

The impact of applying the new IFRS 15 “Revenue from Contracts with Customers” and IFRS 9 “Financial Instruments”, applicable since 1 January 2018, is presented in Note 1.3.1.

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated.

According to the entity’s estimates, application of hedge accounting for the portfolio of financial assets or liabilities pursuant to IAS 39 “Financial Instruments: Recognition and Measurement” would not significantly impact the financial statements if applied as at the end of the reporting period.

Influence of IFRS 16 "Leases" on the financial statements of Orbis S.A.

The application of the new standard concerning leases will influence the Company’s financial statements.

IFRS 16 introduces significant changes in the lessee’s settlements, including elimination of the differentiation between financial leases (shown in the statement of financial position) and operating leases (shown off the statement of financial position). With respect to all lease agreements (except for short-term agreements and leases of low value assets), the lessee recognises the right to use an asset and the lease liability. The right to use an asset is depreciated and tested for impairment, just like the acquired non-current assets. The lease liability is initially measured at the present value of lease payments discounted at the interest rate specified in the lease agreement (in case it is impossible to determine this rate, the marginal lending rate should be determined). Lease payments include the fixed fees, the guaranteed residual value, some conditional fees and fees paid in periods after termination of the agreement if its extension for subsequent periods is reasonably certain. As at the end of the subsequent reporting periods, the liability is measured similarly to financial liabilities using an effective interest rate.

Currently, the costs resulting from lease agreements are presented, in case of operating leases, as costs of outsourced services or costs of renting property, after the changes they will be presented as depreciation costs and interest costs.

In the statement of cash flows, lease payments concerning agreements previously classified as operating leases will not be recognised in full in the cash flows from operating activities. Part of the lease payments reflecting the repayment of the principal amount of the lease liability will be recognised in financial activities. Cash payments connected with interest on the lease liability will be presented in the same way as other interest payments (in operating or financing activities).

As at June 30, 2018, the Company was a party to an operating lease agreement concerning the Sofitel hotel in Wrocław and lease agreements concerning 91 motorcars. Disclosures currently required by IAS 17, including information about the future minimum lease payments under those agreements, are presented in Note 6.1.

At the same time, the Company conducted a preliminary analysis of the existing/concluded agreements concerning use of assets to determine if the agreements met the definition of leases under IFRS 16. After the preliminary analysis, the Company classified the following types of material agreements that clearly met the definition of leases:

- Hotel lease agreements,
- Car lease agreements.

Bearing in mind that as at June 30, 2018 the Company used mainly financing in the Polish zloty (PLN), the current cost of debt taken out by Orbis S.A. was assumed to be the marginal lending rate; it stood at approx. 3%. Had the Company first applied IFRS 16 as at June 30, 2018, the statement of financial position would recognize rights to use the aforementioned assets and lease liabilities at PLN 24 463 thousand. If the discount rate were higher/lower by 1.0%, the amount would be lower/higher by PLN 587 thousand.

It should be noted that the value of assets/liabilities under the lease as at the date of first application of IFRS 16 would be affected by both the discount rate applicable on that date as well as the current foreign exchange rates.

The Company is also taking steps to determine the direction and estimate the potential impact of IFRS 16 (the scale of impact) on the future financial statements with respect to the right to perpetual usufruct of land, the right which is after all the basis for Orbis S.A. using many properties where the Company operates hotels.

According to the Company's Management Board, based on the literal wording of IFRS 16.9 according to which a lease means every contract that conveys to the client the right to control the use of the identified asset for a period of time in exchange for consideration, the right to perpetual usufruct of land could purely theoretically be regarded a lease. However, considering the specific nature of this right (described in Note 1.2 to these statements), its clear-cut classification as lease is difficult. Furthermore, major doubts arise as to whether the value of such lease liabilities can be reliably assessed, due to the difficulties in specifying the lease term, the relevant discount as well as due to lack of accurate and unequivocal legal analyses of the nature of fees (i.e. variable or fixed ones), which has a decisive importance for the classification and calculation of the liability.

In connection with the foregoing, the Management Board of Orbis S.A. emphasises that the Company continues to take action aimed at determining the potential impact of IFRS 16 upon its future financial statements with respect to all the rights to perpetual usufruct of land.

1.3.1 THE IMPACT OF NEW STANDARD APPLICATION ON THE FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2018

Since January 1, 2018, the Company has modified its accounting principles in connection with the entry into force of the new accounting standards, i.e. IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments".

The impact of the new accounting principles on individual areas of the accounting policy and the restatement of data as at the date of the first application of the new standards, i.e. January 1, 2018, is described below. Furthermore, to ensure comparability of data for particular periods, the impact of IFRS 15 application on the results of the Orbis Company in the first half of 2018 and on items of the statement of financial position as at June 30, 2018, was presented.

(all amounts are quoted in PLN thousand, unless otherwise stated)

IFRS 15 "Revenue from Contracts with Customers"

Based on the analysis performed, the area where changes introduced by the new standard appear is the one-off entrance fees (charged for joining the hotel network), payable on the franchise agreements. The fee is non-refundable and is usually calculated as the product of the number of rooms at a given hotel and a rate per room specified in the agreement. Pursuant to the accounting principles applicable till the end of 2017, entrance fees were recognised under revenue as a single transaction, at the time when the agreement requires them to be paid. In the light of the new standard, revenue from one-off entrance fees should be recognised over time during the whole term of the agreement giving rise to a certain fee (i.e. during the term of operation of a hotel, which usually equals 10 years). The fee is connected with other franchise fees and is not separate from the other services, hence the revenue from such fees should be recognised gradually, over the period when the obligations under these agreements are performed. Other accounting principles that regulate the recognition of sales revenues remained unchanged.

The new accounting policy applicable to revenue recognition, applied by the Company as from January 1, 2018, has been presented in Note 1.3.2.

The Company chose the approach of retrospective application of IFRS 15 "Revenues from Contracts with Customers" with the aggregate effect of the new standard's first application recognised on the date of its first application, i.e. on January 1, 2018 (in accordance with paragraph C3 (b) of the above-mentioned standard). The total impact of the first application of the new standard was recognized as an adjustment to the initial balance of retained earnings, i.e. as an adjustment of retained earnings as at January 1, 2018. The Company did not deploy fully retrospective application of IFRS 15 (and did not restate comparative data) due to the immaterial nature of the new standard's impact on the past reporting periods.

The Company used full historical data in order to determine the influence of IFRS 15 on the opening balance of the Orbis Company financial statements for the first half of 2018. The tables below present the impact of applying the new accounting principles resulting from the implementation of IFRS 15 on the restatement of individual items of the statement of financial position as at January 1, 2018. Furthermore, to ensure comparability of data for particular periods, the subsequent tables present the impact of the IFRS 15 application on the results of the Orbis Company for the first half of 2018 and on the items of the statement of financial position as at June 30, 2018.

Data restatement as at the date of the first application of IFRS 15 and IFRS 9, i.e. January 1, 2018

	January 1, 2018 (no IFRS 15 & IFRS 9 impact)	IFRS 15 impact	IFRS 9 impact	January 1, 2018 (restated data)
Non-current assets	**2 517 115**	**273**	**(558)**	**2 516 830**
Derivative financial instruments	885	-	(885)	0
Deferred tax assets	6 637	273	327	7 237
Current assets	**195 240**	**-**	**(837)**	**194 403**
Derivative financial instruments	837	-	(837)	0
Assets classified as held for sale	**23 514**	**-**	**-**	**23 514**
TOTAL ASSETS	**2 735 869**	**273**	**(1 395)**	**2 734 747**
Equity	**2 056 754**	**(1 163)**	**(1 395)**	**2 054 196**
Retained earnings	1 405 728	(1 163)	(1 395)	1 403 170
Non-current liabilities	**538 551**	**1 436**	**-**	**539 987**
Deferred revenue	12 202	1 436	-	13 638
Current liabilities	**140 564**	**-**	**-**	**140 564**
TOTAL EQUITY AND LIABILITIES	**2 735 869**	**273**	**(1 395)**	**2 734 747**

(all amounts are quoted in PLN thousand, unless otherwise stated)

The impact of IFRS 15 application on the financial statements for the first half of 2018

	1st half of 2018 (no IFRS 15 impact)	IFRS 15 impact	1st half of 2018 (as reported)
Net sales	430 223	(565)	429 658
EBITDAR	**128 727**	**(565)**	**128 162**
Operating EBITDA	**124 972**	**(565)**	**124 407**
Operating profit without the effects of one-off events	**62 367**	**(565)**	**61 802**
Operating profit	**63 405**	**(565)**	**62 840**
Profit before tax	**90 930**	**(565)**	**90 365**
Income tax expense	(15 598)	107	(15 491)
Net profit for the period	**75 332**	**(458)**	**74 874**
Total comprehensive income/(loss) for the period	**75 393**	**(458)**	**74 935**

	June 30, 2018 (no IFRS 15 impact)	IFRS 15 impact	June 30, 2018 (as reported)
Non-current assets	**2 331 820**	**380**	**2 332 200**
Deferred tax assets	5 021	380	5 401
Current assets	**454 085**	**-**	**454 085**
Assets classified as held for sale	**32 292**	**-**	**32 292**
TOTAL ASSETS	**2 818 197**	**380**	**2 818 577**
Equity	**2 057 030**	**(1 622)**	**2 055 408**
Retained earnings	1 405 943	(1 622)	1 404 321
Non-current liabilities	**537 630**	**1 870**	**539 500**
Deferred revenue	11 052	1 870	12 922
Current liabilities	**223 537**	**132**	**223 669**
Deferred revenue	27 790	132	27 922
TOTAL EQUITY AND LIABILITIES	**2 818 197**	**380**	**2 818 577**

IFRS 9 "Financial instruments"

According to the new standard, financial assets are classified into three categories only: financial assets measured at amortised cost, financial assets measured at Fair Value Through Other Comprehensive Income (FVTOCI), or financial assets measured at Fair Value Through Profit or Loss (FVTP&L). The classification of financial assets depends on the business model of financial assets management and the characteristics of the contractual cash flows of the financial asset. Classification of financial assets is made at the inception and may be changed only if the business model of managing the financial assets has changed.

According to IFRS 9, financial asset is measured at amortised cost if both of the following conditions are met:

- the asset is held by a Company whose objective is to hold assets in order to collect contractual cash flows, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI, solely payment of principal and interest).

(all amounts are quoted in PLN thousand, unless otherwise stated)

On the other hand, a financial asset is measured at Fair Value Through Other Comprehensive Income (FVTOCI), if both of the following conditions are met:

- the asset is held by the Company in which assets are managed to achieve a particular objective by both collecting contractual cash flows and selling financial assets, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI, solely payment of principal and interest).

Other financial assets are measured at Fair Value Through Profit or Loss (FVTP&L).

IFRS 9 did not change the classification of financial liabilities.

The tables below present changes in the classification of financial assets at the first application of IFRS 9. Application of the new standard, in place of IAS 39, did not affect the approach to financial assets valuation. The amortised cost method remains to be the measurement approach.

	Classification according to:		As at January 1, 2018 according to:	
	IAS 39	IFRS 9	IAS 39	IFRS 9
Financial assets				
Cash and cash equivalents	Loans and receivables (amortised cost)	Amortised cost	76 973	76 973
Loans granted	Loans and receivables (amortised cost)	Amortised cost	398 366	398 366
Derivative embedded in loans granted	Financial assets at Fair Value Through Profit or Loss	Not subject to separation and separate valuation	1 722	0
Other financial assets	Loans and receivables (amortised cost)	Amortised cost	6 944	6 944
Trade receivables and other non-current receivables	Loans and receivables (amortised cost)	Amortised cost	37 420	37 420

IFRS 9 also implements changes in the loss impairment model by replacing the incurred loss model with the expected loss model. As of January 1, 2018, the Company implemented the expected credit loss model in accordance with the simplified approach permitted under IFRS 9. The following arguments justify the adoption of this model:

- the receivables of the Company did not contain a significant financing component within the scope of IFRS 15, i.e. there was no significant financing component that could adjust the promised amount of consideration,
- the receivables met the condition of maturity of one year or less.

The simplified approach permits recognition of lifetime credit losses. The approach uses a provision matrix that takes into account historical information on credit losses and the expectations about the future. To create a provision matrix, the Company:

- determined a default definition, and
- estimated the probability of default (PD).

Counterparty default is defined by the Company to have occurred when the receivables are above 180 days overdue. This duration was established based on Group’s historical analysis of receivables repayments.

The probability of default (PD) is estimated based on the number of days of counterparty payment delay. To estimate the PD parameter, the Company graded risk into five risk groups:

1. not overdue,
2. from 1 to 30 days overdue,
3. from 31 to 90 days overdue,
4. from 91 to 180 days overdue,
5. above 180 days overdue *(default).*

For each of the groups specified above the Company estimates the PD parameter taking into account the historical payment of sales invoices by the counterparty.

The value of expected credit loss is calculated by multiplying the level of receivables in a given risk group by the estimated PD parameter.

In addition, when estimating the expected credit loss, in accordance with IFRS 9, the Company takes into account the potential impact of macroeconomic factors on different markets where the Company operates.

With due regard for the above approach to calculation of expected credit losses, the value of receivables is also revaluated individually, particularly with respect to:

- receivables from debtors in liquidation or bankruptcy,
- receivables challenged by debtors and overdue receivables, where according to assessment of the debtor's assets and financial condition, the repayment of the contractual value of receivables is not likely (under such circumstances, the doubtful receivables impairment loss may be created for 100% of the previously recognized debt),
- other overdue receivables as well as receivables which are not overdue, where the risk of their non recovery is significant according to the individual assessment of the Management Board.

As a result of individual assessment, despite the receivables being more than 180 days overdue, if the Company has a reliable and formalised counterparty payment declaration, the creation of the impairment loss may be suspended.

Furthermore, IFRS 9 also amended IAS 1 (paragraph 82 (ba)), i.e. from 1 January 2018, an impairment loss on receivables must be presented separately in the statement of comprehensive income (before the separation, it was recognised under Other expenses by nature). The Company also restated the comparative data for the first half of 2017. The introduced changes affect the presentation only and have no impact on the result.

IFRS 9 also changed recognition of derivatives embedded within a hybrid (combined) contract. According to IAS 39, a derivative embedded in other financial instruments or derivatives that are not closely related to their hosts must be separately accounted for (if the requirements set in the standard were met). According to IFRS 9, if a hybrid contract (with an embedded derivative) is a financial asset (within the scope of IFRS 9), then classification and measurement requirements applicable to such contract depend on the business model and contractual cash flows. Such derivative embedded within a hybrid (combined) contract is not accounted for separately.

As regards hedge accounting, the Company decided to continue the classification and measurement approach in line with IAS 39 "Financial Instruments: Recognition and Measurement" in accordance with the paragraph 2 of IAS 39.

When implementing the IFRS 9 "Financial Instruments", the Company availed of the option provided for in paragraph 7.2.15 of the standard, i.e. it did not restate the data relating to past periods. In the retained earnings the Company included, as at January 1, 2018, the adjustment for recognition of a floor derivative embedded in loans granted to subsidiaries and deferred tax. Unlike IAS 39, according to IFRS 9, a derivative is not accounted for separately. On the other hand, the amounts of asset impairment losses calculated as at January 1, 2018, in accordance with the adopted model of expected credit losses did not differ significantly from the amounts of impairment losses already recognised in the financial statements as at December 31, 2017, therefore the Company did not adjust the initial balance of the Company's retained earnings as a result of IFRS 9 implementation.

1.3.2 REVENUE RECOGNITION ACCOUNTING POLICY

The revenue accounting principles applied by the Company as from January 1, 2018, are presented below. Apart from recognition of one-off fee for network entrance (the so-called Entrance Fee), the principles of recognising the Company's individual revenues have not changed as a result of IFRS 15 implementation.

Revenue recognition

Sales revenues are recognised at a point in time and to the extent depicting the Company's satisfaction of the performance obligation to transfer the promised goods or services. Obligation is performed when the control over the asset is passed to the customer. Revenues from sales are recognised at the transaction price, i.e. the amount of consideration which an entity expects in exchange for transferring the promised goods or services.

Depending on the criteria specified in IFRS 15 "Revenue from Contracts with Customers", revenue may be recognized at a point in time (when the control over goods and services is passed to the customer) or over time to depict the performance of the service.

The structure of sales revenue broken down by kinds is as follows:

- Sales of hotel services – this is revenue from renting out rooms in hotels owned or leased by the Company. Revenue from sales of hotel services is recognised when the service is provided, i.e. when the room is rented by the customer to the extent depicting the provision of the service by the Company.
- Sales of food&beverage services – they include revenue from sales of food and beverages in hotels owned or leased. The revenue is recognised when the products/goods are handed over to the customer. This group of revenues also includes revenues from the organization of conferences, banquets and events.
- Other revenue – includes income from auxiliary services provided by hotels (among others, rental of parking places, sports and leisure services), as well as revenue from renting out non-hotel properties. These revenues are recognised at a point in time and to the extent depicting the provision of the service.
- Revenue from franchise fees – the Company receives franchise fees in connection with the licenses it grants for using brands owned by the Company, usually under long-term agreements with the hotel owners. The Company charges its franchisees the following fees:
    - One-off entrance fees (charged for joining the hotel network). The fee is non-refundable and is usually calculated as the product of the number of rooms at a given hotel and a rate per room specified in the agreement. Revenue from one-off entrance fees should be recognised over time during the whole term of the agreement giving rise to a certain fee (i.e. during the term of operation of a hotel, which usually equals 10 years). The fee is connected with other franchise fees and is not separate from the other services, hence the revenue from such fees should be recognised gradually, over the period when the obligations under these agreements are performed.
    - Flexible charges for use of the trademark, the know-how, marketing support, hotel affiliation with the global distribution and reservation systems, and participation in loyalty programs. Flexible charges are calculated as a percentage of revenue from provision of hotel room accommodation service by franchised hotels specified in the contract. Revenue from flexible charges are recognised at a point in time of the provision of the service for franchised hotels by the Company.

- Management fees – these fees are paid by hotels managed by the Company, usually on the basis of long-term management agreements executed with hotel owners. The management revenue comprises the basic fee, usually calculated as a percentage of hotel revenue, and an additional management fee defined as a specific percentage of the hotel's operating profit before tax. Moreover, under management agreements, the Company charges variable fees (fee for using the trademark, marketing fee, distribution fee) calculated as contractually-determined percentages of the revenue from the hotel services provided by the managed hotels.

The revenue from franchise and management fees includes also contractual penalties received or receivable for early termination of the agreement.

Interest income is recognised on a time-proportion basis using the effective interest rate if the receipt of income is not doubtful.

Dividend income is recognised at the time of acquisition of the right to receive payment.

2. DESCRIPTION OF MAJOR EVENTS OF THE FIRST HALF OF 2018

The most important events of the first half of 2018 which affected the financial information of Orbis S.A. include:

Executing a preliminary sale agreement of the Mercure Cieszyn and the ibis Styles Bielsko-Biała hotels

On February 8, 2018, Orbis S.A. entered into a preliminary sale agreement of organised parts of the enterprise in the form of the Mercure Cieszyn hotel and the ibis Styles Bielsko-Biała hotel for a total net price of PLN 8 100 thousand, where:

- 10% of the net sale price, i.e. PLN 810 thousand was paid in as earnest money prior to the signing of the preliminary sale agreement,
- the remaining 90% of the net sale price, i.e. PLN 7 290 thousand will be paid no later than within 5 business days after the execution of the final sale agreement.

According to the preliminary agreement, the final sale agreement is scheduled to be executed before July 31, 2018, provided that the General Shareholders Meeting of Orbis S.A. will grant its consent for the sale of the hotels (this condition was met on April 4, 2018).

Both the hotels will continue operations under their brands on the basis of long-term franchise agreements.

Transaction of real property purchase for new hotel construction in Cracow

On February 20, 2018, Orbis S.A. purchased real property (plot of land) of a total area of 771 square meters, located in Cracow, at Worcella Street, for a net price of PLN 13 000 thousand. The property was purchased in order to implement an investment project (construction of hotel), and now Orbis is conducting an analysis of the technical and operational details of the investment, which will determine the choice of the optimum economy brand under which the hotel will operate. The above transaction is in line with the Group's strategy assuming concentrating its subsidiary properties in the region's key cities, which offer long-term value growth and attractive return on investment.

3. SEGMENT INFORMATION

Pursuant to the requirements of IFRS 8, the Company identifies itsoperating segments on the basis of internal reports which are regularly reviewed by the Management Board of Orbis S.A. to allocate resources to the individual segments and evaluate their performance.

Orbis S.A. pursues hospitality business in Poland and distinguishes two reportable operating segments:
- Up&Midscale hotels that comprise hotels of the Sofitel, Novotel and Mercure brand,
- Economy hotels that include ibis, ibis budget and ibis Styles hotels.

As at June 30, 2018 and December 31, 2017, the individual operating segments included:
- the Up&Midscale segment: 3 Sofitel hotels, 13 Novotel hotels and 9 Mercure hotels,
- the Economy segment: 12 ibis hotels, 9 ibis budget hotels and 1 ibis Styles hotel.

As at June 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.

The tables below present figures pertaining to revenues, results as well as assets of the individual operating segments of the Orbis Company. Presented figures comprise results of owned and leased hotels.

Unallocated operations comprise revenues and expenses of the Head Office (including franchise and management revenue, 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.

With regard to figures presented in the statement of financial position, the Company allocates all assets, with the exception of assets of the Head Office (including predominantly investment property, cash, loans granted, other financial assets, public imposts and deferred tax assets) to operating segments.

(all amounts are quoted in PLN thousand, unless otherwise stated)

Operating segment revenues and results in the first half and in the second quarter of 2018, as well as in the corresponding periods of 2017 are as follows:

Figures for the first half of 2018	Operating segments		Unallocated operations and exclusions	TOTAL
	Up&Midscale Hotels	Economy Hotels		
Segment revenue, of which:	**330 043**	**88 831**	**10 784**	**429 658**
Sale to external clients	330 043	88 831	10 784	429 658
EBITDAR	**127 523**	**40 682**	**(40 043)**	**128 162**
Operating EBITDA	**123 768**	**40 682**	**(40 043)**	**124 407**
Depreciation and amortisation	(46 906)	(13 861)	(1 838)	(62 605)
Operating profit/(loss) without the effects of one-off events	**76 862**	**26 821**	**(41 881)**	**61 802**
Result of one-off events	0	0	1 038	1 038
Operating profit/(loss) (EBIT)	**76 862**	**26 821**	**(40 843)**	**62 840**
Finance income/(costs)	(366)	(44)	27 935	27 525
Income tax expense	0	0	(15 491)	(15 491)
Net profit/(loss)	**76 496**	**26 777**	**(28 399)**	**74 874**

Figures for the second quarter of 2018	Operating segments		Unallocated operations and exclusions	TOTAL
	Up&Midscale Hotels	Economy Hotels		
Segment revenue, of which:	**199 185**	**52 565**	**5 954**	**257 704**
Sale to external clients	199 185	52 565	5 954	257 704
EBITDAR	**93 000**	**27 705**	**(19 592)**	**101 113**
Operating EBITDA	**91 104**	**27 705**	**(19 592)**	**99 217**
Depreciation and amortisation	(22 987)	(6 928)	(855)	(30 770)
Operating profit/(loss) without the effects of one-off events	**68 117**	**20 777**	**(20 447)**	**68 447**
Result of one-off events	0	0	159	159
Operating profit/(loss) (EBIT)	**68 117**	**20 777**	**(20 288)**	**68 606**
Finance income/(costs)	(316)	(42)	25 149	24 791
Income tax expense	0	0	(16 010)	(16 010)
Net profit/(loss)	**67 801**	**20 735**	**(11 149)**	**77 387**

(all amounts are quoted in PLN thousand, unless otherwise stated)

Figures for the first half of 2017	Operating segments		Unallocated operations and exclusions	TOTAL
	Up&Midscale Hotels	Economy Hotels		
Segment revenue, of which:	**324 278**	**89 027**	**8 836**	**422 141**
Sale to external clients	324 278	89 027	8 836	422 141
EBITDAR	**126 216**	**41 684**	**(35 723)**	**132 177**
Operating EBITDA	**122 321**	**41 624**	**(35 723)**	**128 222**
Depreciation and amortisation	(45 649)	(15 423)	(1 856)	(62 928)
Operating profit/(loss) without the effects of one-off events	**76 672**	**26 201**	**(37 579)**	**65 294**
Result of one-off events	0	0	2 957	2 957
Operating profit/(loss) (EBIT)	**76 672**	**26 201**	**(34 622)**	**68 251**
Finance income/(costs)	(296)	(39)	(7 159)	(7 494)
Income tax expense	0	0	(10 086)	(10 086)
Net profit/(loss)	**76 376**	**26 162**	**(51 867)**	**50 671**

Figures for the second quarter of 2017	Operating segments		Unallocated operations and exclusions	TOTAL
	Up&Midscale Hotels	Economy Hotels		
Segment revenue, of which:	**190 560**	**52 740**	**4 709**	**248 009**
Sale to external clients	190 560	52 740	4 709	248 009
EBITDAR	**87 690**	**28 191**	**(17 530)**	**98 351**
Operating EBITDA	**85 814**	**28 191**	**(17 530)**	**96 475**
Depreciation and amortisation	(22 826)	(7 644)	(948)	(31 418)
Operating profit/(loss) without the effects of one-off events	**62 988**	**20 547**	**(18 478)**	**65 057**
Result of one-off events	0	0	(313)	(313)
Operating profit/(loss) (EBIT)	**62 988**	**20 547**	**(18 791)**	**64 744**
Finance income/(costs)	(306)	(39)	12 080	11 735
Income tax expense	0	0	(12 453)	(12 453)
Net profit/(loss)	**62 682**	**20 508**	**(19 164)**	**64 026**

(all amounts are quoted in PLN thousand, unless otherwise stated)

The tables below present other selected financial figures of operating segments for the first half of 2018 and for the year 2017:

Figures as at June 30, 2018	Operating segments		Unallocated operations	TOTAL
	Up&Midscale Hotels	Economy Hotels		
Non-current assets, of which:	1 125 744	443 012	763 444	2 332 200
- goodwill	37 803	69 449	0	107 252
- investments in subsidiaries	0	0	467 529	467 529
- financial assets	0	0	163 114	163 114
- deferred tax assets	0	0	5 401	5 401
Current assets, of which:	38 426	7 325	408 334	454 085
- cash and cash equivalents	0	0	355 798	355 798
Assets classified as held for sale	10 824	16 805	4 663	32 292
Investment expenditure	33 144	29 666	414	63 224

Figures as at December 31, 2017	Operating segments		Unallocated operations	TOTAL
	Up&Midscale Hotels	Economy Hotels		
Non-current assets, of which:	1 186 046	496 816	834 253	2 517 115
- goodwill	37 803	69 449	0	107 252
- investments in subsidiaries	0	0	467 529	467 529
- financial assets	0	0	337 329	337 329
- deferred tax assets	0	0	6 637	6 637
Current assets, of which:	23 819	3 986	167 435	195 240
- cash and cash equivalents	0	0	76 973	76 973
Assets classified as held for sale	2 131	16 759	4 624	23 514
Investment expenditure	63 262	28 340	1 952	93 554

(all amounts are quoted in PLN thousand, unless otherwise stated)

Figures as at June 30, 2017	Operating segments		Unallocated operations	TOTAL
	Up&Midscale Hotels	Economy Hotels		
Non-current assets, of which:	1 196 722	507 304	844 949	2 548 975
- goodwill	37 803	69 449	0	107 252
- investments in subsidiaries	0	0	465 921	465 921
- financial assets	0	0	344 838	344 838
- deferred tax assets	0	0	5 434	5 434
Current assets, of which:	32 473	6 814	243 321	282 608
- cash and cash equivalents	0	0	158 342	158 342
Assets classified as held for sale	1 193	7 584	0	8 777
Investment expenditure	20 272	9 828	638	30 738

3.1 OPERATING SEGMENT REVENUE PER TYPE OF SERVICE

The tables below present the revenues of Orbis S.A. for the first half of 2018 and for the second quarter of 2018 as well as for the corresponding periods for the previous year per type of services with their reconciliation to the operating segments presented in Note 3.

First half of 2018	Operating segments		Unallocated operations and exclusions	TOTAL
	Up&Midscale Hotels	Economy Hotels		
Revenue per type of service:	**330 043**	**88 831**	**10 784**	**429 658**
Room revenue	223 233	69 022	0	292 255
Food & beverage revenue	94 310	16 646	0	110 956
Franchise and management revenue	0	0	6 450	6 450
Other revenue	12 500	3 163	4 334	19 997

Second quarter of 2018	Operating segments		Unallocated operations and exclusions	TOTAL
	Up&Midscale Hotels	Economy Hotels		
Revenue per type of service:	**199 185**	**52 565**	**5 954**	**257 704**
Room revenue	137 926	41 581	0	179 507
Food & beverage revenue	54 684	9 321	0	64 005
Franchise and management revenue	0	0	3 614	3 614
Other revenue	6 575	1 663	2 340	10 578

(all amounts are quoted in PLN thousand, unless otherwise stated)

First half of 2017	Operating segments		Unallocated operations and exclusions	TOTAL
	Up&Midscale Hotels	Economy Hotels		
Revenue per type of service:	**324 278**	**89 027**	**8 836**	**422 141**
Room revenue	216 445	69 370	0	285 815
Food & beverage revenue	95 106	16 363	0	111 469
Franchise and management revenue	0	0	4 831	4 831
Other revenue	12 727	3 294	4 005	20 026

Second quarter of 2017	Operating segments		Unallocated operations and exclusions	TOTAL
	Up&Midscale Hotels	Economy Hotels		
Revenue per type of service:	**190 560**	**52 740**	**4 709**	**248 009**
Room revenue	130 659	41 688	0	172 347
Food & beverage revenue	53 450	9 288	0	62 738
Franchise and management revenue	0	0	2 642	2 642
Other revenue	6 451	1 764	2 067	10 282

4. SEASONALITY OR CYCLICALITY OF OPERATIONS

Orbis S.A. sales throughout the year are marked by seasonality. Owing to weather conditions and the holiday period in Poland falling in the months of July - September, the majority 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 the sales volume, while the fourth quarter is ranked as the third, and the first quarter as the last in terms of sales.

(all amounts are quoted in PLN thousand, unless otherwise stated)

5. INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

NET SALES	3 months ended June 30, 2018	6 months ended June 30, 2018	3 months ended June 30, 2017	6 months ended June 30, 2017
Room revenue	179 507	292 255	172 347	285 815
Food & beverage revenue	64 005	110 956	62 738	111 469
Franchise and management revenue	3 614	6 450	2 642	4 831
Other revenue	10 578	19 997	10 282	20 026
including revenue from rental of real properties	*3 568*	*7 267*	*3 622*	*7 423*
Total net sales	**257 704**	**429 658**	**248 009**	**422 141**
of which: revenue from related parties	919	*1 784*	838	*1 603*

EXPENSES BY NATURE	3 months ended June 30, 2018	6 months ended June 30, 2018	3 months ended June 30, 2017	6 months ended June 30, 2017
Depreciation and amortisation	(30 770)	(62 605)	(31 418)	(62 928)
Rental expense	(1 896)	(3 755)	(1 876)	(3 955)
Outsourced services	(52 235)	(95 478)	(51 459)	(93 486)
Employee benefit expense	(60 986)	(122 134)	(55 735)	(112 398)
Raw materials and energy used	(34 038)	(65 021)	(33 979)	(66 211)
Taxes and charges	(7 527)	(15 045)	(7 272)	(14 835)
Other costs by nature, of which:	(1 749)	(3 474)	(1 717)	(3 301)
business trips	(909)	(1 644)	(668)	(1 242)
insurance premiums	(390)	(880)	(484)	(964)
royalties	(353)	(707)	(352)	(726)
other	(97)	(243)	(213)	(369)
Impairment of receivables	75	22	(14)	(35)
Total expenses by nature	**(189 126)**	**(367 490)**	**(183 470)**	**(357 149)**

OTHER OPERATING INCOME / (EXPENSES), NET	3 months ended June 30, 2018	6 months ended June 30, 2018	3 months ended June 30, 2017	6 months ended June 30, 2017
Reversal of provision for costs of fees for perpetual usufruct of land	0	0	774	774
Compensation received	105	207	351	415
Gain on disposal of non-financial non-current assets	1	33	4	10
Costs refund	134	151	24	32
Other	56	124	117	180
Total other operating income	**296**	**515**	**1 270**	**1 411**
Receivables redeemed and written off	(179)	(320)	(200)	(402)
Indemnities, fines and penalties paid	(15)	(60)	(40)	(51)
Costs of hotel closing and assets liquidation	(10)	(76)	(510)	(532)
Losses arising from fortuitous events	(49)	(103)	0	(4)
Donations	(73)	(88)	(1)	(10)
Other	(101)	(234)	(1)	(110)
Total other operating expenses	**(427)**	**(881)**	**(752)**	**(1 109)**
Other operating income/(expenses), net	**(131)**	**(366)**	**518**	**302**

(all amounts are quoted in PLN thousand, unless otherwise stated)

RESULT ON SALE OF REAL PROPERTY	3 months ended June 30, 2018	6 months ended June 30, 2018	3 months ended June 30, 2017	6 months ended June 30, 2017
Net proceeds from disposal of real properties	0	2 000	0	26 500
Net value of real properties disposed of	0	(1 106)	0	(22 432)
Additional costs related to disposal	27	12	(20)	(141)
Total result on sale of real property	**27**	**906**	**(20)**	**3 927**

On March 29, 2018, Orbis S.A. executed a sale agreement of non-hotel real property located in Karpacz, at Konstytucji 3 Maja Street, including the right to perpetual usufruct of land and buildings. The revenue from the sale transaction of this property totalled PLN 2 000 thousand, and the profit on this transaction (incl. additional costs) totalled PLN 906 thousand.

RESTRUCTURING COSTS	3 months ended June 30, 2018	6 months ended June 30, 2018	3 months ended June 30, 2017	6 months ended June 30, 2017
Costs of employment restructuring	(267)	(426)	(666)	(1 651)
(Recognised)/released provisions for employment restructuring	399	558	373	681
Total restructuring costs	**132**	**132**	**(293)**	**(970)**

FINANCE INCOME	3 months ended June 30, 2018	6 months ended June 30, 2018	3 months ended June 30, 2017	6 months ended June 30, 2017
Dividends and share of profits *	12 360	12 360	13 412	13 412
Interest income on loans granted and receivables	2 225	4 656	2 287	4 388
Interest on deposits	262	475	426	760
Foreign exchange gains **	13 976	17 639	0	0
Total finance income	**28 823**	**35 130**	**16 125**	**18 560**

** In the first half of 2018, the Company recognised income from dividends from its subsidiary Orbis Kontrakty Sp. z o.o. in the amount of PLN 12 360 thousand and in the first half of 2017 in the amount of PLN 13 412 thousand.*

*** Exchange rate gains in the amount of PLN 17 639 thousand in the first half of 2018 result from the measurement, as at the date of the statement of financial position, of loans granted in EUR to the Hungarian subsidiary Accor Pannonia Hotels Zrt. and to the Lithuanian subsidiary UAB Hekon. In the first half of 2017, the Company recognized exchange rate losses of PLN 15 604 thousand from this measurement.*

FINANCE COSTS	3 months ended June 30, 2018	6 months ended June 30, 2018	3 months ended June 30, 2017	6 months ended June 30, 2017
Interest and debt service costs accrued on credit facilities	0	0	(1 050)	(2 090)
Interest and debt service costs accrued on bonds	(3 667)	(7 231)	(3 678)	(7 239)
Interest expense arising from provisions for employee benefits	(360)	(360)	(345)	(345)
Foreign exchange losses **	0	0	839	(16 220)
Other	(5)	(14)	(156)	(160)
Total finance costs	**(4 032)**	**(7 605)**	**(4 390)**	**(26 054)**

(all amounts are quoted in PLN thousand, unless otherwise stated)

INCOME TAX	3 months ended June 30, 2018	6 months ended June 30, 2018	3 months ended June 30, 2017	6 months ended June 30, 2017
Current income tax	(14 267)	(13 669)	(13 814)	(13 012)
Deferred income tax	(1 743)	(1 822)	1 361	2 926
Tax charge in the income statement	**(16 010)**	**(15 491)**	**(12 453)**	**(10 086)**

Reconciliation of income tax recognised in the income statement with profit or loss:

	3 months ended June 30, 2018	6 months ended June 30, 2018	3 months ended June 30, 2017	6 months ended June 30, 2017
Profit before tax	**93 397**	**90 365**	**76 479**	**60 757**
Tax calculated at the statutory rate of 19%	(17 745)	(17 169)	(14 531)	(11 544)
Tax effect of dividends received	2 348	2 348	2 548	2 548
Tax effect of non-taxable revenue and non-deductible expenses	(613)	(670)	(470)	(1 090)
Tax charge at the effective tax rate	**(16 010)**	**(15 491)**	**(12 453)**	**(10 086)**
Income tax recognised in the income statement	**(16 010)**	**(15 491)**	**(12 453)**	**(10 086)**

(all amounts are quoted in PLN thousand, unless otherwise stated)

6. STATEMENT OF FINANCIAL POSITION

6.1 NON-CURRENT ASSETS

Property, plant and equipment include tangible assets and assets under construction.

PROPERTY, PLANT AND EQUIPMENT	as at Jun. 30, 2018	as at Dec. 31, 2017	as at Jun. 30, 2017
Tangible assets	1 511 773	1 543 561	1 586 333
Assets under construction	68 924	44 159	24 401
Total	**1 580 697**	**1 587 720**	**1 610 734**

TANGIBLE ASSETS	as at Jun. 30, 2018	as at Dec. 31, 2017	as at Jun. 30, 2017
Opening gross book amount	**3 436 242**	**3 541 534**	**3 541 534**
Accumulated depreciation and impairment	(1 892 681)	(1 908 971)	(1 908 971)
Opening net book amount	**1 543 561**	**1 632 563**	**1 632 563**
Additions	**38 383**	**73 092**	**23 757**
purchase	38 383	51 884	23 751
reclassification from investments in progress	0	14 177	0
other	0	7 031	6
Disposals	**(8 760)**	**(42 869)**	**(8 390)**
sale	0	(18 484)	0
liquidation	(15)	(607)	(530)
other	0	(7 031)	0
reclassification to assets held for sale	(8 745)	(16 449)	(7 562)
reclassification to investment property	0	(298)	(298)
Increase in impairment loss	0	(1 416)	0
Decrease in impairment loss	0	4 690	0
Depreciation charge for the period	(61 411)	(122 499)	(61 597)
Closing net book amount	**1 511 773**	**1 543 561**	**1 586 333**
Closing gross book amount	**3 451 939**	**3 436 242**	**3 506 791**
Accumulated depreciation and impairment	(1 940 166)	(1 892 681)	(1 920 458)
Closing net book amount	**1 511 773**	**1 543 561**	**1 586 333**

The disposal due to reclassification to assets held for sale in the first half of 2018 relates predominantly to the transfer of non-hotel real property, including rights of perpetual usufruct of land, buildings and facilities located in Wrocław in connection with the signing of a preliminary sale agreement.

(all amounts are quoted in PLN thousand, unless otherwise stated)

The table below presents assets under construction and impairment losses thereon as at June 30, 2018:

ASSETS UNDER CONSTRUCTION	as at Jun. 30, 2018	as at Dec. 31, 2017	as at Jun. 30, 2017
Gross value of assets under construction	68 924	44 159	35 765
Impairment loss on assets under construction	0	0	(11 364)
Total	**68 924**	**44 159**	**24 401**

Change in the value of assets under construction during the period from December 31, 2017 to June 30, 2018 in the amount of PLN 24 765 thousand is the result of capital expenditure incurred in the amount of PLN 63 224 thousand and additions to tangible assets of PLN 38 459 thousand.

Capital expenditure incurred in the first half of 2018 was allocated mainly for the purchase of a plot of land located at Worcella Street in Kraków, construction of a new ibis Styles Warszawa Centrum hotel, renovation of the SPA and all rooms and corridors on the 3rd and 4th floor of the Sofitel Warszawa Victoria hotel, as well as for further modernization of the Novotel Poznań Centrum hotel in connection with its division and partial rebranding into ibis. The remaining resources were allocated for improving the standard of hotels operating in the network, including in particular the Novotel Kraków City West hotel, the Novotel Katowice Centrum hotel and the Novotel Warszawa Centrum hotel. More information about capital expenditure is provided in Section 4.8 of the Directors' Report on the Operations of the Orbis Group in the first half of 2018.

Detailed information on collaterals established on property, plant and equipment is provided in Note 9 to the financial statements.

The Company does not have any tangible assets held under finance leases as at June 30, 2018.

The approach applied to the recognition of rights to perpetual usufruct of land in accordance with IAS 16 Property, Plant and Equipment is explained in Note 1.2.

As at June 30, 2018, the Company had operating lease liabilities resulting from the operating lease of the Sofitel Wrocław Old Town hotel. The monthly fee for the lease of the hotel amounts to EUR 148.7 thousand. The agreement term is expected to expire at the end of September, 2021. Moreover, as at June 30, 2018, the Company held 91 motorcars under operating leases (agreements with ALD Automotive Polska Sp. z o.o.). The concluded car lease agreements expire in 1 to 3 years.

Future minimum operating lease payments of the Company are as follows:

FUTURE MINIMUM OPERATING LEASE PAYMENTS	as at Jun. 30, 2018	as at Dec. 31, 2017	as at Jun. 30, 2017
Future minimum operating lease payments, due in:			
one year	8 448	8 143	8 717
from 1 to 5 years	17 916	20 941	25 417
Total future minimum operating lease payments*	**26 364**	**29 084**	**34 134**

** The amounts of future minimum lease fees expressed in foreign currencies are translated at the exchange rate applicable at the end of the reporting period.*

In the current period, lease payments disclosed in the income statement amounted to PLN 4 113 thousand, of which PLN 3 755 thousand was presented under real property rent costs, while PLN 358 thousand in respect of car leases was presented under outsourced services. In the first half of 2017 the Company incurred a cost of PLN 3 955 thousand in respect of lease of the Sofitel Wrocław Old Town hotel and PLN 409 thousand in respect of car leases.

(all amounts are quoted in PLN thousand, unless otherwise stated)

INVESTMENT PROPERTY	as at Jun. 30, 2018	as at Dec. 31, 2017	as at Jun. 30, 2017
Opening gross book amount	**16 386**	**24 221**	**24 221**
Accumulated depreciation and impairment	(10 287)	(14 160)	(14 160)
Opening net book amount	**6 099**	**10 061**	**10 061**
Additions	**0**	**298**	**298**
reclassification from tangible assets	0	298	298
Disposals	**(1 145)**	**(3 937)**	**0**
sale	0	(418)	0
reclassification to assets held for sale	(1 145)	(3 519)	0
Depreciation charge for the period	(107)	(323)	(162)
Closing net book amount	**4 847**	**6 099**	**10 197**
Closing gross book amount	**14 306**	**16 386**	**25 050**
Accumulated depreciation and impairment	(9 459)	(10 287)	(14 853)
Closing net book amount	**4 847**	**6 099**	**10 197**

Disposals resulting from reclassification to assets held for sale in the first half of 2018 concerns the reclassification of non-hotel real property located at 1 Sierpnia Street in Warsaw in connection with the signing of the preliminary sale agreement for this real property.

INTANGIBLE ASSETS	as at Jun. 30, 2018	as at Dec. 31, 2017	as at Jun. 30, 2017
Opening gross book amount	**121 729**	**122 867**	**122 867**
Accumulated depreciation and impairment	(11 241)	(10 989)	(10 989)
Opening nett book amount	**110 488**	**111 878**	**111 878**
Additions	**76**	**2 081**	**343**
purchase	76	1 046	343
other	0	1 035	0
Disposals	**0**	**(1 129)**	**(22)**
sale	0	(65)	0
other	0	(1 035)	0
reclassification to assets held for sale	0	(29)	(22)
Depreciation charge for the period	(1 087)	(2 342)	(1 169)
Closing net book amount	**109 477**	**110 488**	**111 030**
Closing gross book amount	**121 533**	**121 729**	**121 776**
Accumulated depreciation and impairment	(12 056)	(11 241)	(10 746)
Closing net book amount	**109 477**	**110 488**	**111 030**

(all amounts are quoted in PLN thousand, unless otherwise stated)

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	Share / interest value at cost	Revaluation adjustments	Carrying amount of shares / interests
Orbis Kontrakty Sp. z o.o.	directly 100%	directly 100%	Poland	organisation of purchasing	100	0	100
Orbis Corporate Sp. z o.o.	directly 100%	directly 100%	Poland	tourism, transport, hotel and F&B services	45	(45)	0
UAB Hekon	directly 100%	directly 100%	Lithuania	hotel and F&B services	13 688	0	13 688
Katerinska Hotel s.r.o.	directly 100%	directly 100%	Czech Republic	hotel and F&B services	279 260	0	279 260
Accor Pannonia Hotels Zrt.	directly 99.92%	directly 99.92%	Hungary	hotel and F&B services	82 677	0	82 677
Accor Hotels Romania s.r.l.	directly 100%	directly 100%	Romania	hotel and F&B services	91 804	0	91 804
Total					**467 574**	**(45)**	**467 529**

All investments in subsidiaries are recognised at cost.

The below-presented data concerns share of equity, share of voting rights at the General Meeting and the core business operations of subsidiaries in which Orbis S.A. indirectly holds interests.

Name of subsidiary	% share of equity	% share of votes at the GM	Country of registration	Business operations
H-DEVELOPMENT CZ a.s.	indirectly 100%	indirectly 100%	Czech Republic	real property services
Business Estate Entity a.s.	indirectly 100%	indirectly 100%	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

On May 31, 2018, a subsidiary company of Orbis S.A., i.e. Accor Pannonia Hotels Zrt. with its registered address in Budapest (the seller) and two controlled subsidiaries of the Starwood Capital Group (the buyer) finalised the sale transaction of a stake representing 100% of share capital of 5 Star Hotel Kft., the owner of the Sofitel Budapest Chain Bridge.

INVESTMENTS IN OTHER ENTITIES

As at June 30, 2018 Orbis S.A. also held minority shares and interest in the company Polskie Hotele Sp. z o. o. in liquidation, which were fully written off.

LOANS GRANTED

As at June 30, 2018, Orbis S.A. had receivables under loans granted to subsidiaries: Accor Pannonia Hotels Zrt. (EUR 32.0 million), UAB Hekon (EUR 8.2 million) and Accor Hotels Romania s.r.l. (RON 21.0 million).

A loan was granted to the Hungarian company in 2016 for a total of EUR 81.0 million (which by virtue of an annex to the agreement dated June 30, 2017, was divided into two loans with a value of EUR 35.0 million and EUR 46.0 million).

In 2017, Accor Pannonia Hotels Zrt. repaid EUR 3.0 million of loan, and on June 4, 2018 – EUR 46.0 million. Pursuant to the agreement, repayment of remaining EUR 32.0 million of the loan should be done no later than by December 31, 2019, of which EUR 1.5 million by the end of 2018.
Interest 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%. Interest is payable for 6-month periods, at the end of June and December of each year.

The loan in the amount of EUR 81.0 million 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).

At the end of December 2017, Orbis S.A. had also receivable due to loan granted to the Hungarian company on May 25, 2017 in the amount of EUR 12.5 million. The loan was granted 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 Hungarian company repaid the loan in full on June 4, 2018.

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%.

On June 30, 2018, Orbis S.A. had also the following loans granted to the Lithuanian subsidiary UAB Hekon: EUR 1.0 million (agreement signed on June 1, 2017), EUR 1.0 million (agreement signed on July 27, 2017), EUR 3.0 million (agreement signed on October 31, 2017), EUR 1.5 million (agreement signed on May 9, 2018) and EUR 1.7 million (agreement signed on June 26, 2018). Loans were granted to finance the acquisition of a hotel building located in Vilnius, including the ownership title to the land and parking places.

The interest rate of the above mentioned loans 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 repayment dates are as follows: December 31, 2018, February 28, 2019, May 31, 2019, December 31, 2018, and December 31, 2020.

At the end of June 2018, the Company also had a receivable of RON 21.0 million under the loan granted on June 28, 2018, to a subsidiary Accor Hotels Romania s.r.l. The loan was granted for the purpose to finance the purchase of the Mercure Unirii hotel by the Romanian company.

(all amounts are quoted in PLN thousand, unless otherwise stated)

The interest rate on the loan was determined as a variable rate equal to ROBOR 6M, plus interest rate margin of 2.2%. Pursuant to the agreement if ROBOR 6M is lower than zero, the loan interest rate equals the interest rate margin, i.e. 2.2%. Interest is payable for 6-month periods, at the end of June and December of each year. The loans mature on June 30, 2022. Accor Hotels Romania s.r.l. should repay at least RON 4.2 million in any 12-month period from the date of signing the agreement.

In the first half of 2018, Orbis S.A. received PLN 2 960 thousand as interest on the loans granted, of which PLN 2 664 thousand from Accor Pannonia Hotels Zrt. (equivalent to EUR 617 thousand) and PLN 296 thousand from UAB Hekon (equivalent to EUR 68 thousand).

OTHER FINANCIAL ASSETS

The item “Other financial assets” includes receivables on account of sale of real properties on which the Mercure Mrągowo Resort & SPA hotel is located. An organised part of the enterprise (OPE) formed by the Mercure Mrągowo Resort & SPA hotel was sold on February 29, 2016, whereas sale of the real property where the organised part of the enterprise is run was finalised on December 16, 2016. Pursuant to the agreement, the real property of the above hotel was sold for PLN 18 600 thousand, of which PLN 7 100 thousand was paid on the day of agreement execution, PLN 4 500 thousand was paid in 2017, while PLN 7 000 thousand will be paid in the following instalments:

- PLN 4 000 thousand will be paid by the buyer by December 31, 2018,
- PLN 3 000 thousand will be paid by December 31, 2019.

The receivable of PLN 3 000 thousand was presented in “Other financial assets”, meanwhile the remaining part, i.e. PLN 4 000 thousand, was presented in “Other current receivables” item.
The total amount of receivable of PLN 11 500 thousand was secured with a mortgage established on the real property of the Mercure Mrągowo Resort & SPA hotel.

Moreover, the "Other financial assets" item comprise also receivables on account of disposal of an organised part of the enterprise of the Mercure Kasprowy hotel in Zakopane. In accordance with the concluded sale and purchase agreement, 20% of the price, i.e. an amount of PLN 11 270 thousand will be paid in instalments. This amount receivable has been secured at an escrow account. Individual instalments are due on follows:

- 6% of the sale price, i.e. PLN 3 381 thousand was paid into the bank account of Orbis S.A. on January 4, 2016,
- 7% of the price, i.e. PLN 3 944 thousand was paid into the bank account of Orbis S.A. on January 2, 2018,
- 7% of the price, i.e. PLN 3 944 thousand will be transferred into Orbis’ account by December 31, 2019; this amount is presented in “Other financial assets” item.

OTHER NON-CURRENT ASSETS	as at Jun. 30, 2018	as at Dec. 31, 2017	as at Jun. 30, 2017
Non-current prepayments - insurance costs	733	855	363
Other non-current investments - works of art	402	458	458
Total other non-current assets	**1 135**	**1 313**	**821**

(all amounts are quoted in PLN thousand, unless otherwise stated)

6.2 CURRENT ASSETS

INVENTORIES	as at Jun. 30, 2018	as at Dec. 31, 2017	as at Jun. 30, 2017
Raw materials	3 750	3 790	3 740
Merchandise	56	49	43
Total inventories	**3 806**	**3 839**	**3 783**

TRADE RECEIVABLES	as at Jun. 30, 2018	as at Dec. 31, 2017	as at Jun. 30, 2017
Trade receivables	38 457	28 995	31 040
of which: receivables from related parties	*1 546*	*1 850*	*1 158*
Impairment loss on receivables	(568)	(745)	(552)
Net trade receivables	**37 889**	**28 250**	**30 488**

OTHER CURRENT RECEIVABLES	as at Jun. 30, 2018	as at Dec. 31, 2017	as at Jun. 30, 2017
Current receivables	**4 661**	**14 510**	**8 881**
Taxes, social insurances and other benefits receivables	36	5 340	39
Disputed receivables	2 472	2 324	2 268
Amount receivable on account of sale of tangible assets	4 000	7 944	8 444
Other receivables	625	1 226	398
Impairment loss on receivables	(2 472)	(2 324)	(2 268)
Current prepayments	**11 369**	**1 459**	**11 018**
Prepayments, of which:	11 369	1 459	11 018
taxes and charges	5 996	1	5 909
prepaid insurance	373	237	435
prepaid employee benefit expense	1 762	0	1 767
prepaid TV fees and other	1 161	8	1 204
prepaid IT services	636	410	430
other	1 441	803	1 273
Net other current receivables	**16 030**	**15 969**	**19 899**

CASH AND CASH EQUIVALENTS	as at Jun. 30, 2018	as at Dec. 31, 2017	as at Jun. 30, 2017
Cash at bank and in hand	61 406	53 738	91 598
Short-term bank deposits	293 498	21 786	66 086
Other cash and cash equivalents	894	1 449	658
Total cash and cash equivalents	**355 798**	**76 973**	**158 342**

(all amounts are quoted in PLN thousand, unless otherwise stated)

6.3 ASSETS CLASSIFIED AS HELD FOR SALE

As at June 30, 2018, assets classified as held for sale comprise:

- the components of property, plant and equipment of the ibis budget Toruń hotel (including the right to perpetual usufruct of land with a building and its fixtures and fittings),
- land located in Toruń, built up with an unfinished building, initially planned as an ibis hotel,
- assets of the Mercure Cieszyn hotel (including the right to perpetual usufruct of land with a building, fixtures and fittings),
- tangible and intangible assets of the ibis Styles Bielsko-Biała hotel,
- land with the ownership title of buildings located in Poznań at Prusimska Street,
- non-hotel real property located in Wrocław, including the right of perpetual usufruct of land, buildings and facilities,
- residential and non-residential premises with two car parks located at 1 Sierpnia Street in Warsaw.

The table below presents changes in assets classified as held for sale:

ASSETS CLASSIFIED AS HELD FOR SALE	as at Jun. 30, 2018	as at Dec. 31, 2017	as at Jun. 30, 2017
Opening balance	**23 514**	**23 631**	**23 631**
Additions	**9 890**	**24 591**	**7 584**
reclassification from tangible assets and assets under construction	8 745	16 493	7 562
reclassification from intangible assets	0	29	22
reclassification from investment property	1 145	3 519	0
reversal of impairment loss	0	4 550	0
Disposals	**(1 112)**	**(24 708)**	**(22 438)**
sale of real property	(1 106)	(23 624)	(22 432)
recognised impairment loss	0	(1 084)	0
other	(6)	0	(6)
Closing balance	**32 292**	**23 514**	**8 777**

Increase in the first half of 2018 results from reclassification of non-hotel real estates located in Wroclaw and in Warsaw. On the other hand, decrease of assets classified as held for sale is related to the sale of perpetual usufruct of land with the buildings located on it, in Karpacz at Konstytucji 3 Maja Street, at the end of March 2018.

6.4 CURRENT AND NON-CURRENT LIABILITIES

BORROWINGS

As at June 30, 2018, and December 31, 2017, Orbis S.A. did not have any liabilities arising from credit facilities. On December 29, 2017, Orbis S.A. made an early repayment of the credit facility based on the credit facility agreement of December 19, 2014, executed with Bank Polska Kasa Opieki S.A. and Société Générale S.A. for a total amount of PLN 480 000 thousand, of which PLN 476 445 thousand was drawn.

As at June 30, 2017, Orbis S.A. had liabilities under a credit facility of PLN 105 555 thousand.

As at June 30, 2018, the Company had unused credit lines amounting to PLN 20 000 thousand under an overdraft facility available at Bank Handlowy w Warszawie S.A.

BONDS

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 had the right to 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 took place. The Company did not exercise this right.

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 **the 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.

The bonds bear interest per annum at a variable interest rate at WIBOR for six-month deposits (WIBOR 6M) plus interest rate margin of 1.05%. Interest will be payable in 6-month interest periods.

The bonds will be redeemed on July 29, 2021, at their nominal value. Prior to the redemption date, on July 29, 2019, 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 October 20, 2016, the bonds of the ORB B 290721 series, were introduced to trading in the debt securities alternative trading system BondSpot 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.

(all amounts are quoted in PLN thousand, unless otherwise stated)

In the first half of 2018, Orbis paid PLN 7 042 thousand as interest on issued bonds. Moreover, in June, 2018, the Company paid PLN 75 thousand as interest payments under the IRS transaction (please refer to Note 10.3 of these financial statements).

BONDS	as at Jun. 30, 2018	as at Dec. 31, 2017	as at Jun. 30, 2017
Liability resulting from the bond issue (outstanding principal)	500 000	500 000	500 000
Valuation of bonds at amortised cost	1 892	1 778	1 515
Total bonds	**501 892**	**501 778**	**501 515**

Information on securities established in connection with the issue of bonds is provided in Note 9.1 to the financial statements.

DEFERRED REVENUE

NON-CURRENT DEFERRED REVENUE	as at Jun. 30, 2018	as at Dec. 31, 2017	as at Jun. 30, 2017
Advance payments received	12 922	12 202	12 351
Total non-current deferred revenue	**12 922**	**12 202**	**12 351**

Advance payments received in the amount of PLN 10 928 thousand are a result of a preliminary sale and purchase agreement concerning the Giewont hotel in Zakopane executed on April 3, 2012 and the accompanying rental contract. Pursuant to the executed preliminary sale and purchase agreement, Orbis received an advance payment towards the selling price amounting to PLN 5 428 thousand in 2012 as well as PLN 9 500 thousand in April, 2017. Also, rent for the first three years of the hotel lease was paid in advance on the date of execution of the contract of lease. Pursuant to the executed contract, starting from the fourth year, i.e. from April 2015, the rent of PLN 1 000 thousand per year will be covered from the received advance payment towards the sale price.

The final hotel sale and purchase agreement will be concluded after the legal title to real properties possessed by Orbis S.A. is entered in land and mortgage registers.

Moreover, the non-current deferred revenue as at June 30, 2018 includes the non-current portion of fees received for affiliation with the hotel network (the so-called Entrance Fee) in the total amount of PLN 1 870 thousand.

CURRENT DEFERRED REVENUE	as at Jun. 30, 2018	as at Dec. 31, 2017	as at Jun. 30, 2017
Advance payments towards the sale of real property	1 519	191	2 105
Other prepayments and advances	26 403	13 951	26 959
Total current deferred revenue	**27 922**	**14 142**	**29 064**

As at June 30, 2018, the balance of deferred revenue arising from the sale of real property comprises the earnest money for the sale of the Mercure Cieszyn hotel and the ibis Styles Bielsko-Biała hotel (PLN 810 thousand in total) and advance payment for the sale of a non-hotel real property located in Poznań (PLN 690 thousand). At the end of December 2017, the Company reported the advance payment for the sale of the right to perpetual usufruct to a land in Karpacz under this item, and as at June 30, 2017, an advance payment for the sale of the right to perpetual usufruct of land at Heweliusza Street in Gdańsk.

Other prepayments and advances result predominantly from prepayments received for rooms.

(all amounts are quoted in PLN thousand, unless otherwise stated)

OTHER NON-CURRENT LIABILITIES	as at Jun. 30, 2018	as at Dec. 31, 2017	as at Jun. 30, 2017
Liabilities associated with tangible assets	5 308	5 199	4 463
Deposits received	600	578	582
Total other non-current liabilities	**5 908**	**5 777**	**5 045**

The balance of non-current liabilities associated with tangible assets comprises deposits received by the Company by way of security for any claims resulting from faulty performance of agreements for repair and construction services. Other non-current liabilities also include non-current deposits received on account of rental of real properties.

TRADE PAYABLES	as at Jun. 30, 2018	as at Dec. 31, 2017	as at Jun. 30, 2017
Trade payables	54 527	52 486	50 554
of which: liabilities towards related parties	*13 603*	*8 478*	*8 470*
Total trade payables	**54 527**	**52 486**	**50 554**

LIABILITIES ASSOCIATED WITH TANGIBLE ASSETS	as at Jun. 30, 2018	as at Dec. 31, 2017	as at Jun. 30, 2017
Liabilities associated with tangible assets	8 695	18 024	5 768
Total liabilities associated with tangible assets	**8 695**	**18 024**	**5 768**

The decrease in the balance of liabilities associated with tangible assets in the first half of 2018 results in particular from recognition of capital expenditure incurred for the modernisation of the following hotels: the Novotel Poznań Centrum, the ibis Styles Warszawa Centrum, the Novotel Warszawa Airport, the Sofitel Warszawa Victoria and the Novotel Warszawa Centrum.

As at June 30, 2018, Orbis S.A. had future capital commitments under executed contracts totalling PLN 55.9 million. The highest amount of future investment liabilities concerns the construction of the ibis Styles Warszawa Centrum hotel and the ibis Styles Szczecin hotel and the division of the Novotel Poznan Centrum hotel into two hotels under different brands, Novotel and ibis, operating in a single building. Furthermore, significant amounts of liabilities concern modernization works carried out in, among others, the Novotel Kraków City West hotel, the Sofitel Warszawa Victoria hotel, the Novotel Wrocław City hotel, the Mercure Gdańsk Stare Miasto hotel and the ibis Warszawa Stare Miasto hotel.

OTHER CURRENT LIABILITIES	as at Jun. 30, 2018	as at Dec. 31, 2017	as at Jun. 30, 2017
Current liabilities	**83 438**	**6 814**	**83 840**
Dividends payable	73 723	0	73 723
Taxes, social insurance and other benefits payable	8 379	6 285	9 233
Settlements with employees	179	115	103
Deposits received	757	414	456
Other liabilities	400	0	325
Accrued expenses	**40 732**	**43 915**	**38 598**
Obligations towards employees	29 448	33 516	28 263
Public law liabilities	9 345	8 582	6 972
Other	1 939	1 817	3 363
Total other current liabilities	**124 170**	**50 729**	**122 438**

Accrued expenses relating to obligations towards employees comprise provisions for bonuses and awards as well as for unused holidays.

As at June 30, 2018, December 31, 2017 and June 30, 2017, the Company does not have any finance lease liabilities. Future minimum operating lease payments are described in Note 6.1 to the financial statements.

7. DIVIDENDS RECEIVED, PAID AND APPROVED

By virtue of resolution of the General Meeting of Shareholders dated June 12, 2018, net profit generated by Orbis S.A. in 2017, was appropriated for the dividend totalling PLN 73 723 thousand, i.e. PLN 1.60 per share. The dividend payment date was set for August 3, 2018. A decision was also made to keep the remaining part of profit, amounting to PLN 52 880 thousand, in the Company as retained earnings.

On the other hand, by virtue of the resolution of the IV Annual Meeting of Shareholders of **Orbis Kontrakty Sp. z o.o.** dated April 20, 2018, it was decided that the total net profit generated by this subsidiary in 2017 amounting to PLN 12 360 thousand would be appropriated for the payment of dividend to Orbis S.A. The payment in the amount of PLN 11 000 thousand was credited to the bank account of Orbis S.A. on April 24, 2018, and the remaining amount of PLN 1 360 thousand - on May 18, 2018.

(all amounts are quoted in PLN thousand, unless otherwise stated)

8. CHANGES IN ESTIMATES OF AMOUNTS

8.1 IMPAIRMENT OF ASSETS

IMPAIRMENT LOSS ON TANGIBLE ASSETS AND ASSETS UNDER CONSTRUCTION	as at Jun. 30, 2018	as at Dec. 31, 2017	as at Jun. 30, 2017
Opening balance	**(14 941)**	**(42 359)**	**(42 359)**
recognised impairment loss on tangible assets	0	(1 416)	0
reversed impairment loss on tangible assets	0	4 690	0
decrease in impairment losses in connection with sale/liquidation	0	5 231	0
impairment loss on tangible assets not subject to reversal *	414	755	425
reclassification to assets held for sale	0	18 158	3 711
Closing balance	**(14 527)**	**(14 941)**	**(38 223)**

IMPAIRMENT LOSS OF INVESTMENT PROPERTY	as at Jun. 30, 2018	as at Dec. 31, 2017	as at Jun. 30, 2017
Opening balance	**(578)**	**(592)**	**(592)**
impairment loss on investment property not subject to reversal *	7	14	7
reclassification to assets held for sale	571	0	0
Closing balance	**0**	**(578)**	**(585)**

** 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 impairment closing balance as at the end of the period equals the amount reversible in the event of expiry of circumstances underlying the impairment.*

IMPAIRMENT LOSS ON ASSETS CLASSIFIED AS HELD FOR SALE	as at Jun. 30, 2018	as at Dec. 31, 2017	as at Jun. 30, 2017
Opening balance	**(14 692)**	**(17 882)**	**(17 882)**
recognised impairment loss	0	(1 084)	0
reversed impairment loss	0	4 550	0
decrease in impairment losses in connection with sale/liquidation	0	17 882	17 882
reclassification from tangible assets	0	(18 158)	(3 711)
reclassification from investment property	(571)	0	0
Closing balance	**(15 263)**	**(14 692)**	**(3 711)**

IMPAIRMENT LOSS ON INTERESTS IN SUBSIDIARIES AND OTHER COMPANIES	as at Jun. 30, 2018	as at Dec. 31, 2017	as at Jun. 30, 2017
Opening balance	**(47)**	**(1 655)**	**(1 655)**
reversed impairment loss	0	1 608	0
Closing balance	**(47)**	**(47)**	**(1 655)**

(all amounts are quoted in PLN thousand, unless otherwise stated)

IMPAIRMENT LOSS ON RECEIVABLES	as at Jun. 30, 2018	as at Dec. 31, 2017	as at Jun. 30, 2017
Opening balance	**(3 069)**	**(2 846)**	**(2 846)**
recognised impairment loss	(478)	(959)	(367)
reversed impairment loss	500	660	332
utilised impairment loss	7	76	61
Closing balance	**(3 040)**	**(3 069)**	**(2 820)**

In the first half of 2018 and in 2017, no circumstances occurred in Orbis S.A. that would indicate a need to recognise impairment losses on inventories.

8.2 PROVISIONS FOR EMPLOYEE BENEFITS

PROVISIONS FOR EMPLOYEE BENEFITS	Jubilee awards	Retirement & disability benefits	Total liabilities
Present value of obligation - as at January 1, 2018	**15 017**	**6 791**	**21 808**
Current service cost	552	156	708
Interest cost	249	111	360
Benefits paid	(957)	(171)	(1 128)
Present value of obligation - as at June 30, 2018	**14 861**	**6 887**	**21 748**
Short-term provisions	1 849	1 121	2 970
Long-term provisions	13 012	5 766	18 778
Total present value of obligation - as at June 30, 2018	**14 861**	**6 887**	**21 748**

PROVISIONS FOR EMPLOYEE BENEFITS	Jubilee awards	Retirement & disability benefits	Total liabilities
Present value of obligation - as at January 1, 2017	**15 446**	**6 554**	**22 000**
Current service cost	987	275	1 262
Past service cost and (gain)/loss from settlements	(1 483)	(618)	(2 101)
Interest cost	510	215	725
Remeasurement (gains)/losses:			
actuarial gains and losses arising from changes in demographic assumptions	(47)	3	(44)
actuarial gains and losses arising from changes in financial assumptions	292	484	776
actuarial gains and losses arising from experience adjustments	1 221	77	1 298
Benefits paid	(1 909)	(199)	(2 108)
Present value of obligation - as at December 31, 2017	**15 017**	**6 791**	**21 808**
Short-term provisions	2 005	1 009	3 014
Long-term provisions	13 012	5 782	18 794
Total present value of obligation - as at December 31, 2017	**15 017**	**6 791**	**21 808**

(all amounts are quoted in PLN thousand, unless otherwise stated)

PROVISIONS FOR EMPLOYEE BENEFITS	Jubilee awards	Retirement & disability benefits	Total liabilities
Present value of obligation - as at January 1, 2017	**15 446**	**6 554**	**22 000**
Current service cost	499	139	638
Past service cost and (gain)/loss from settlements	(1 134)	(457)	(1 591)
Interest cost	251	94	345
Benefits paid	(810)	(60)	(870)
Present value of obligation - as at June 30, 2017	**14 252**	**6 270**	**20 522**
Short-term provisions	1 777	1 045	2 822
Long-term provisions	12 475	5 225	17 700
Total present value of obligation - as at June 30, 2017	**14 252**	**6 270**	**20 522**

Net interest relating to the valuation of provisions for employee benefits as well as actuarial gains/losses arising from the valuation of provisions for jubilee awards are presented in the income statement as finance costs.

Actuarial gains/losses arising from the valuation of provisions for retirement & disability benefits are disclosed under other comprehensive income.

Other changes in provisions for employee benefits are presented in the income statement as employee benefit expense.

8.3 PROVISIONS FOR LIABILITIES

PROVISIONS FOR LIABILITIES	Provision for litigations	Provision for restructuring costs	Total provisions for liabilities
As at January 1, 2018	**777**	**1 318**	**2 095**
Provision recognised in the period	0	488	488
Provision utilised in the period	0	(426)	(426)
Provision reversed in the period	0	(620)	(620)
As at June 30, 2018	**777**	**760**	**1 537**
Short-term provisions	777	760	1 537
Long-term provisions	0	0	0
Total provisions as at June 30, 2018	**777**	**760**	**1 537**

PROVISIONS FOR LIABILITIES	Provision for litigations	Provision for restructuring costs	Total provisions for liabilities
As at January 1, 2017	**777**	**681**	**1 458**
Provision recognised in the period	0	1 642	1 642
Provision utilised in the period	0	(957)	(957)
Provision reversed in the period	0	(48)	(48)
As at December 31, 2017	**777**	**1 318**	**2 095**
Short-term provisions	777	1 318	2 095
Long-term provisions	0	0	0
Total provisions as at December 31, 2017	**777**	**1 318**	**2 095**

(all amounts are quoted in PLN thousand, unless otherwise stated)

PROVISIONS FOR LIABILITIES	Provision for litigations	Provision for restructuring costs	Total provisions for liabilities
As at January 1, 2017	**777**	**681**	**1 458**
Provision recognised in the period	0	324	324
Provision utilised in the period	0	(957)	(957)
Provision reversed in the period	0	(48)	(48)
As at June 30, 2017	**777**	**0**	**777**
Short-term provisions	777	0	777
Long-term provisions	0	0	0
Total provisions as at June 30, 2017	**777**	**0**	**777**

8.4 DEFERRED TAX ASSETS AND LIABILITIES

DEFERRED TAX *	As at:		Impact on statement of comprehensive income
	June 30, 2018	December 31, 2017	
Deferred tax assets	18 967	21 628	(2 661)
Deferred tax liabilities	(13 566)	(14 991)	1 425
Change in deferred tax assets and liabilities, of which:			**(1 236)**
impact on profit or loss			(1 822)
impact on other comprehensive income			(14)
impact on the initial balance of retained earnings			600

** The deferred tax assets and liabilities are presented as per account balance.*

9. CONTINGENT LIABILITIES

9.1 LIABILITIES ARISING FROM BOND ISSUE

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 hotels encumbered by mortgage, 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 June 30, 2018, is PLN 222 441 thousand.

9.2 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 imposts after the lapse of 5 full financial years.

(all amounts are quoted in PLN thousand, unless otherwise stated)

10. FINANCIAL INSTRUMENTS

10.1 CATEGORIES OF FINANCIAL INSTRUMENTS

The following table presents the main categories of financial instruments:

	as at Jun. 30, 2018	as at Dec. 31, 2017	as at Jun. 30, 2017
Financial assets			
Cash and cash equivalents	355 798	76 973	158 342
Loans and receivables (including trade receivables)	246 190	442 730	454 264
Derivative financial instruments (assets)	0	1 722	0
Financial liabilities			
Amortised cost (including trade payables)	646 081	578 594	743 044
Derivative instruments in designated hedge accounting relationships	0	74	129

10.2 FAIR VALUE OF FINANCIAL INSTRUMENTS

As at June 30, 2018, December 31, 2017 and June 30, 2017, the 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 included derivative instruments, i.e. interest rate swap. As at June 30, 2018, the Company did not hold the interest rate swap (description in Note 10.3).

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 Jun. 30, 2018		as at Dec. 31, 2017		as at Jun. 30, 2017	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets						
Cash and cash equivalents	355 798	355 798	76 973	76 973	158 342	158 342
Loans granted	196 732	196 732	398 366	398 366	403 990	403 990
Derivative financial instruments (assets)	0	0	1 722	1 722	0	0
Other financial assets	6 944	6 944	6 944	6 944	10 944	10 944
Trade receivables and others current receivables	42 514	42 514	37 420	37 420	39 330	39 330
Financial liabilities						
Borrowings	0	0	0	0	105 555	107 094
Debt securities - bonds issued	501 892	504 800	501 778	504 500	501 515	507 200
Derivative instruments (liabilities)	0	0	74	74	129	129
Trade payables and other current and non-current liabilities	144 189	144 189	76 816	76 816	135 974	135 974

According to the Management Board, as at June 30, 2018, December 31, 2017 and June 30, 2017, the carrying amount of financial instruments of the Company, except for liabilities arising from credit facilities and issued bonds, was close to 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 as at June 30, 2017. As at June 30, 2018 and December 31, 2017, Orbis S.A. did not have any liabilities resulting from credit facilities.

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 at December 31, 2017 and as at June 30, 2017 as the present value of estimated future cash flows on the basis of monitoring of yield curves. As at June 30, 2018, the Company did not hold any derivative instruments.

In terms of applied measurement procedures, issued bonds are classified to Level 1 of fair value hierarchy (fair value is 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 is 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.

10.3 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 matured on June 26, 2018. Interest payment dates fell every six months, starting from June 27, 2016, and were correlated with dates of payment of interest on bonds. In the first half of 2018, the Company paid PLN 75 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 2018, no ineffectiveness arising from cash flow hedges occurred that would require to be disclosed in the financial result of the Company.

(all amounts are quoted in PLN thousand, unless otherwise stated)

11. 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.).

Purchases from subsidiary companies comprise predominantly mutually provided services.

Finance income comprises dividends from related parties as well as interest on loans granted to subsidiaries: Accor Pannonia Hotels Zrt., UAB Hekon and Accor Hotels Romania s.r.l. (more information about loans granted is provided in Note 6.1).

REVENUES AND EXPENSES	3 months ended June 30, 2018	6 months ended June 30, 2018	3 months ended June 30, 2017	6 months ended June 30, 2017
Net sales of services:	**919**	**1 784**	**838**	**1 603**
- from the parent company	354	747	388	753
- from other Accor Group companies	243	470	171	367
- from subsidiaries	322	567	279	483
Finance income:	**14 579**	**17 011**	**15 691**	**17 788**
- from subsidiaries	14 579	17 011	15 691	17 788
Total sales	**15 498**	**18 795**	**16 529**	**19 391**
Purchases of services:	**11 490**	**20 323**	**10 746**	**18 416**
- from the parent company	9 116	15 719	8 013	13 442
- from other Accor Group companies	2 367	4 492	2 733	4 974
- from subsidiaries	7	112	0	0
Total purchases	**11 490**	**20 323**	**10 746**	**18 416**

RECEIVABLES	as at Jun. 30, 2018	as at Dec. 31, 2017	as at Jun. 30, 2017
Trade receivables:	**1 546**	**1 850**	**1 158**
- from the parent company	876	778	731
- from other Accor Group companies	541	321	327
- from subsidiaries	129	751	100
Receivables under loans granted:	**196 732**	**398 366**	**403 990**
- from subsidiaries	196 732	398 366	403 990
Total receivables	**198 278**	**400 216**	**405 148**

(all amounts are quoted in PLN thousand, unless otherwise stated)

PAYABLES	as at Jun. 30, 2018	as at Dec. 31, 2017	as at Jun. 30, 2017
Trade payables:	**13 603**	**8 478**	**8 470**
- to the parent company	9 799	5 622	7 339
- to other Accor Group companies	851	963	1 131
- to subsidiaries	2 953	1 893	0
Dividends payables:	**38 842**	**0**	**38 842**
- to the parent company	35 156	0	35 156
- to other Accor Group companies	3 686	0	3 686
Total payables	**52 445**	**8 478**	**47 312**

As at June 30, 2018, December 31, 2017 and June 30, 2017, 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 6-month periods ended June 30, 2018, and 2017, amounted to PLN 3 505 thousand and PLN 3 376 thousand, respectively.

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.

12. ISSUANCES, REPURCHASES AND REPAYMENTS OF DEBT AND EQUITY SECURITIES

No issuances, repurchases and repayments of debt and equity securities occurred in the period covered by these financial statements. The information concerning bonds issued in the past years was presented in Note 6.4.

(all amounts are quoted in PLN thousand, unless otherwise stated)

13. LEGAL CLAIMS

The Company has not identified any proceedings of major value pending before any courts, arbitration bodies or public administration authorities concerning the Company's liabilities or receivables, except for those described below.

As at June 30, 2018, 11 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 (the ibis & ibis budget Reduta hotel, the ibis Warszawa Centrum hotel, a plot of land in Łopuszańska street - concerning the fees up to the day of sale of the real property),
- Sopot (the Sofitel Grand hotel),
- Gdańsk (the Novotel Centrum hotel, the Mercure Gdańsk Stare Miasto hotel, the ibis Gdańsk Stare Miasto hotel and adjacent area, the Mercure Posejdon hotel, the Novotel Marina hotel),
- Zegrze (built-up plot of land),
- Łódź (the Novotel Łódź Centrum hotel).

In the Company'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 Company totals PLN 8 443 thousand and is disclosed under other current liabilities.

14. STATEMENT OF CASH FLOWS

Explanations to adjustments of result in cash flows from operating activities

Change in inventories and provisions presented in the statement of cash flows is equal to the change in the balance of this item.

	6 months ended June 30, 2018	6 months ended June 30, 2017
Change in receivables in the statement of financial position	**(9 700)**	**(11 230)**
change in other non-current receivables and prepayments	122	67
change in receivables on account of sale of tangible assets	(3 945)	(5 063)
Change in the statement of cash flows	**(13 523)**	**(16 226)**
Change in liabilities, except borrowings, in the statement of financial position	**66 284**	**56 962**
change in investment liabilities	7 687	9 762
dividend from profit payable	(73 723)	(73 723)
Change in the statement of cash flows	**248**	**(6 999)**
Change in deferred revenue presented in the statement of financial position	**14 500**	**22 899**
advance payments received towards the sale of real property	(1 309)	(9 531)
adjustment under IFRS 15	(1 436)	0
Change in the statement of cash flows	**11 755**	**13 368**

15. EVENTS AFTER THE REPORTING PERIOD

No important events occurred in Orbis S.A. after the end of the reporting period.

(all amounts are quoted in PLN thousand, unless otherwise stated)

SIGNATURES OF ALL MEMBERS OF THE MANAGEMENT BOARD

Date	Name and Surname	Position/Function	Signature
July 25, 2018	Gilles Stephane Clavie	President of the Management Board	
July 25, 2018	Ireneusz Andrzej Węgłowski	Vice-President of the Management Board	
July 25, 2018	Dominik Sołtysik	Member of the Management Board	
July 25, 2018	Marcin Szewczykowski	Member of the Management Board	

SIGNATURE OF THE MEMBER IN CHARGE OF BOOKKEEPING

Date	Name and Surname	Position/Function	Signature
July 25, 2018	Marcin Szewczykowski	Member of the Management Board	