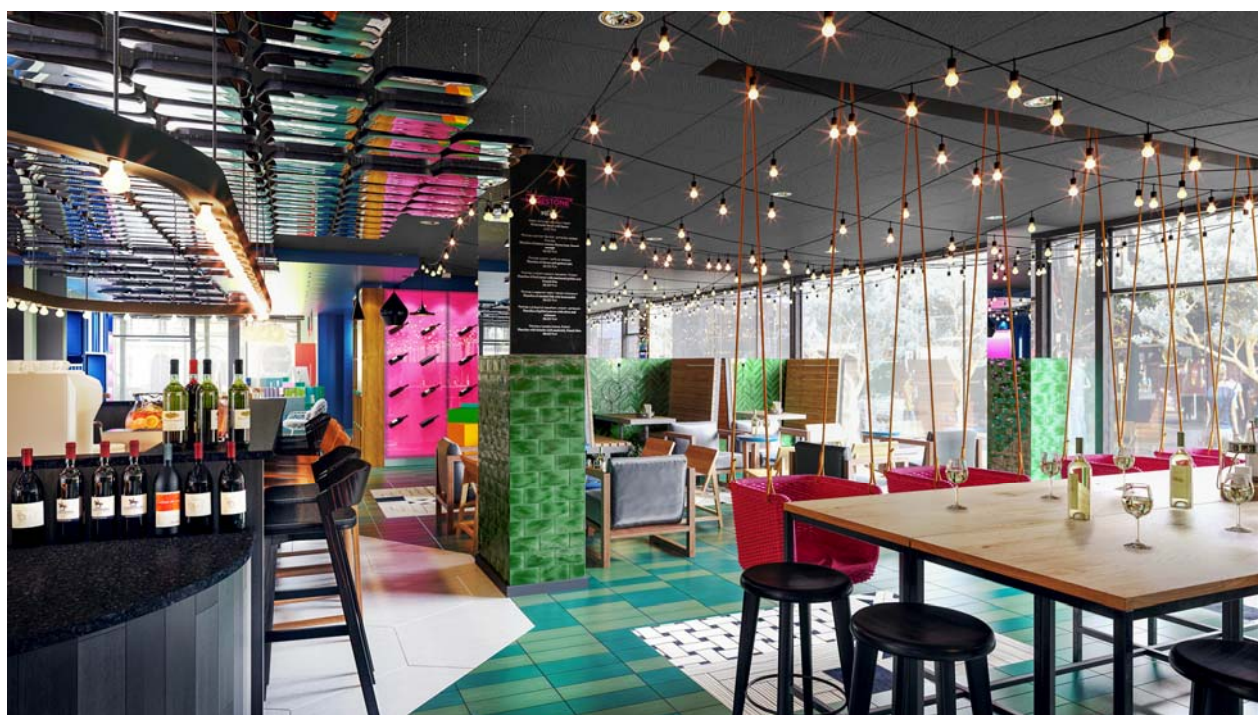




# Orbis Group

## REPORT FOR THE THIRD QUARTER OF 2018



Warsaw, October 26, 2018

## Table of contents

<b>1</b>	<b>MAJOR EVENTS OF THE THIRD QUARTER OF 2018 – PRESIDENT’S COMMENT</b>	<b>3</b>
<b>2</b>	<b>SELECTED FINANCIAL AND OPERATING FIGURES</b>	<b>5</b>
2.1	ORBIS GROUP	5
2.2	ORBIS S.A.	6
<b>3</b>	<b>CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF THE ORBIS GROUP</b>	<b>7</b>
3.1	CONSOLIDATED INCOME STATEMENT	7
3.2	CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	8
3.3	CONSOLIDATED STATEMENT OF FINANCIAL POSITION	9
3.4	CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	11
3.5	CONSOLIDATED STATEMENT OF CASH FLOWS	12
<b>4</b>	<b>COMMENTS ON THE RESULTS OF THE ORBIS GROUP</b>	<b>13</b>
4.1	MACROECONOMIC ENVIRONMENT	13
4.2	HOTEL MARKET – POSITIVE TRENDS	15
4.3	IMPORTANT EVENTS OF 9 MONTHS OF 2018	15
4.4	HOTEL PORTFOLIO OF THE ORBIS GROUP	18
4.5	FINANCIAL RESULTS OF THE ORBIS GROUP	19
4.6	SEGMENT REPORTING	22
4.6.1	RESULTS PER OPERATING SEGMENTS	22
4.6.2	GEOGRAPHICAL INFORMATION	25
4.7	OPERATING SEGMENT REVENUE PER TYPE OF SERVICE AND GEOGRAPHICAL AREA	30
4.8	SEASONALITY OR CYCLICALITY OF OPERATIONS	31
4.9	CLIENTS OF THE ORBIS GROUP	32
4.10	STATEMENT OF FINANCIAL POSITION	32
4.11	STATEMENT OF CHANGES IN EQUITY	33
4.12	STATEMENT OF CASH FLOWS	34
4.13	SHARE PRICE	35
4.14	CAPITAL EXPENDITURE	35
4.15	HUMAN RESOURCES	38
4.16	CORPORATE SOCIAL RESPONSIBILITY (CSR)	38
4.17	POSITION OF THE MANAGEMENT BOARD AS REGARDS VIABILITY OF PREVIOUSLY PUBLISHED FORECASTS	39
4.18	FACTORS TO AFFECT THE ORBIS HOTEL GROUP’S OPERATIONS IN SUBSEQUENT QUARTERS	39
<b>5</b>	<b>NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS</b>	<b>42</b>
5.1	BASIC INFORMATION ABOUT THE ISSUER	42
5.2	BUSINESS OPERATIONS	42
5.3	THE ISSUER’S SHAREHOLDERS	42
5.4	STATUTORY BODIES OF THE ISSUER	43
5.5	THE HOLDING OF ORBIS S.A. SHARES BY MEMBERS OF THE SUPERVISORY BOARD AND THE MANAGEMENT BOARD	43
5.6	SHARE CAPITAL AND DIVIDENDS PAID	43
5.7	THE STRUCTURE OF THE GROUP	44
5.8	DESCRIPTION OF PRINCIPAL ACCOUNTING POLICIES	45
5.8.1	THE IMPACT OF NEW STANDARDS APPLICATION ON THE FINANCIAL STATEMENTS	45
5.8.2	REVENUE RECOGNITION ACCOUNTING POLICY	49
5.9	CURRENCY EXCHANGE RATES	51
5.10	BORROWINGS	51
5.11	ISSUE, REDEMPTION AND REPAYMENT OF DEBT AND EQUITY SECURITIES	51
5.12	FINANCIAL INSTRUMENTS	52
5.12.1	FAIR VALUE OF FINANCIAL INSTRUMENTS	52
5.12.2	HEDGE ACCOUNTING	53
5.13	CHANGES IN ESTIMATES OF AMOUNTS	54
5.13.1	IMPAIRMENT OF ASSETS	54

5.13.2	PROVISIONS FOR LIABILITIES	55
5.14	DEFERRED TAX ASSETS AND LIABILITIES	55
5.15	CONTINGENT LIABILITIES	56
5.15.1	LIABILITIES ARISING FROM BONDS ISSUE AND THE APPLICABLE LAW	56
5.15.2	LIABILITIES ARISING UNDER GUARANTEE AGREEMENTS	56
5.15.3	LIABILITIES ARISING FROM AGREEMENTS FOR THE SALE OF ASSETS	56
5.16	LEGAL CLAIMS	56
5.17	RELATED PARTY TRANSACTIONS	57
5.18	IMPORTANT EVENTS AFTER THE REPORTING PERIOD	58
<b>6</b>	<b>CONDENSED INTERIM FINANCIAL STATEMENTS OF ORBIS S.A.</b>	<b>60</b>
6.1	INCOME STATEMENT	60
6.2	STATEMENT OF COMPREHENSIVE INCOME	61
6.3	STATEMENT OF FINANCIAL POSITION	61
6.4	STATEMENT OF CHANGES IN EQUITY	63
6.5	STATEMENT OF CASH FLOWS	64
<b>7</b>	<b>COMMENTS ON ORBIS S.A. RESULTS</b>	<b>65</b>
7.1	EXTERNAL ENVIRONMENT	65
7.2	INCOME STATEMENT	65
7.3	ORBIS S.A. FINANCIAL RESULTS PER OPERATING SEGMENTS	67
7.4	OPERATING SEGMENT REVENUE PER TYPE OF SERVICE	70
7.5	STATEMENT OF FINANCIAL POSITION	71
7.6	STATEMENT OF CHANGES IN EQUITY	72
7.7	STATEMENT OF CASH FLOWS	72
<b>8</b>	<b>NOTES TO THE FINANCIAL STATEMENTS</b>	<b>74</b>
8.1	GENERAL INFORMATION	74
8.1.1	BASIC INFORMATION ABOUT THE ISSUER	74
8.1.2	BUSINESS OPERATIONS	74
8.2	THE ISSUER'S SHAREHOLDERS	74
8.3	THE HOLDING OF ORBIS S.A. SHARES BY MEMBERS OF THE SUPERVISORY BOARD AND THE MANAGEMENT BOARD	74
8.4	DESCRIPTION OF PRINCIPAL ACCOUNTING POLICIES	74
8.5	INVESTMENTS IN SUBSIDIARIES	77
8.6	BORROWINGS	78
8.7	ISSUE, REDEMPTION AND REPAYMENT OF DEBT AND EQUITY SECURITIES	78
8.8	LOANS GRANTED	78
8.9	FINANCIAL INSTRUMENTS	79
8.9.1	FAIR VALUE OF FINANCIAL INSTRUMENTS	79
8.9.2	HEDGE ACCOUNTING	80
8.10	CHANGES IN ESTIMATES OF AMOUNTS	80
8.10.1	IMPAIRMENT OF ASSETS	80
8.10.2	PROVISIONS FOR LIABILITIES	81
8.11	DEFERRED TAX ASSETS AND LIABILITIES	82
8.12	LEGAL CLAIMS	82
8.13	RELATED PARTY TRANSACTIONS	82
8.14	IMPORTANT EVENTS AFTER THE REPORTING PERIOD	84
	<b>APPENDIX 1: OPERATING RATIOS OF THE ORBIS GROUP</b>	<b>85</b>
	<b>APPENDIX 2: GLOSSARY OF TERMS</b>	<b>89</b>

## 1 MAJOR EVENTS OF THE THIRD QUARTER OF 2018 – PRESIDENT'S COMMENT

- **Sound business volumes and operating performance** in all markets
- Confirmation of **the 2018 operating EBITDA target** (PLN 465-480 million)
- EBITDA margin at the level of 33.2%, despite challenging labour market
- **Acceleration of new asset light development** - 15 hotels signed (over 1,800 new rooms) year-to-date
- **2 new owned hotels added:** ibis Vilnius Centre (164 rooms, new development) and Mercure Bucharest Unirii (95 rooms, acquisition)
- **Corporate culture change** - brings positive fruits, i.e. lower staff turnover and higher guests satisfaction

### Performance

Orbis benefited from solid business levels in most of its key markets over the 9 months of 2018. With the 3% like-for-like RevPAR growth in the EE region, driven mainly by average rate, the Group noted +3.2% like-for-like increase in total revenue (up to PLN 1 079.4 million), despite a high base for comparison of record-high 2017.

We have continued to observe a positive momentum in the tourism industry, with the dynamic growth of tourist arrivals to the region, spending on travel and development of new players. However, the growing demand has encouraged a certain number of our competitors to increase their share of the hotel offer, also in our strategic markets. Their growing pipeline is very visible especially in Warsaw, Tricity and Bucharest. This, together with incremental increase of labour cost have a significant impact on Orbis performance. Despite these factors, thanks to our actions, the operating EBITDA amounted to PLN 357.9 million, which represents 2.7% like-for-like growth comparing to last year and EBITDA margin came to 33.2% (-0.1 pp change y/y). Based on these results and the outlook for the coming months, we confirm the full year operating EBITDA forecast in the range of PLN 465-480 million.

### Portfolio

Orbis is on track with achieving its ambitious development goals. During the first 3 quarters we continued increasing our portfolio with 15 new asset light agreements signed with over 1,800 new rooms. New hotels will cover almost whole region from Poland, Czech Republic, Hungary, through Romania, Lithuania, Bulgaria, Bosnia & Herzegovina, and ending with new country - Croatia. Moreover, in 2018 we opened 7 new hotels in all operating modes based on the previously signed agreements adding over 800 new rooms to our network (one of them is our new subsidiary hotel ibis Vilnius (164 rooms) which was opened in August). Responding to the new, more balanced network of the hotels and rapid growth of asset light portfolio we are more and more focused on our partners' experience. In this context we have introduced a new project dedicated to our business partners, aiming at closer cooperation, expanding the service offer and personalisation in order to strengthen our relations with clients and to potentially further expand our new asset light projects together. We believe it will generate an additional source of revenues.

Apart from organic development, in 3Q Orbis also finalized the acquisition of Mercure Bucharest Unirii and a plot in Cracow to build another hotel in the city centre. Having in mind best use of our assets, Orbis is transferring its Head Office from Bracka St. to another location with the aim of converting the current office building into a new lifestyle hotel in this top location of Warsaw.

### People

In environment shaped by services, we are very exposed to challenges in the labour market. The lowest unemployment levels in history in our strategic markets have impact not only on the salary increase but also generate manpower shortage.

To attract new employees and also to retain our talents we have been continuing our actions on EVP – Employees Value Proposition, having in mind that being best employer (we have been recognized as “Best Employer” in Poland by Aon Hewitt) magnifies also guest experience. Our efforts are visible in the decrease, for a second year in the row, of the employees' rotation rate in Poland from 15.8% last year down to 14.5% this year. We also engage in many innovation projects to attract younger generation, i.e. hackathon in Budapest and designing the “Room of The Future”; creation of social learning platform for employees and new innovation recruitment process in ibis Vilnius Centre and ibis Styles Warszawa Centrum which are joining the Group this year.

We are on track with our strategy in our key areas of focus: Performance, Portfolio and People. We keep emphasis on sustainable top line growth having in mind financial discipline. Our development pipeline remains strong and secured with 47 projects, i.e. over 6,300 rooms, which gives us fuel for growth in upcoming quarters. I am convinced that we can expand further also through M&A activities, benefiting from our solid cash position. All that proves that Orbis will empower its strong position in the region.

## 2 SELECTED FINANCIAL AND OPERATING FIGURES

### 2.1 Orbis Group

Consolidated income statement	PLN `000		EUR `000	
	9 months ended Sep. 30, 2018	9 months ended Sep. 30, 2017	9 months ended Sep. 30, 2018	9 months ended Sep. 30, 2017
Net sales	1 082 005	1 101 454	254 380	258 764
Operating profit	363 540	250 157	85 468	58 769
Net profit for the period	298 682	188 185	70 220	44 210
Net profit for the period attributable to owners of the parent	298 534	188 143	70 185	44 200
Basic and diluted profit per share attributable to owners of the parent (in PLN)	6.48	4.08	1.52	0.96

Consolidated statement of cash flows	PLN `000		EUR `000	
	9 months ended Sep. 30, 2018	9 months ended Sep. 30, 2017	9 months ended Sep. 30, 2018	9 months ended Sep. 30, 2017
Net cash generated by operating activities	287 172	298 356	67 514	70 093
Net cash used in investing activities	117 424	(511 663)	27 606	(120 205)
Net cash generated by/(used in) financing activities	(124 611)	(82 358)	(29 296)	(19 348)
Net cash flow, total	279 985	(295 665)	65 825	(69 460)

Consolidated statement of financial position	PLN `000		EUR `000	
	Sep. 30, 2018	Dec. 31, 2017	Sep. 30, 2018	Dec. 31, 2017
Non-current assets	2 452 470	2 392 340	574 161	573 579
Current assets	634 918	325 869	148 644	78 129
Assets classified as held for sale	23 210	201 093	5 434	48 213
Equity	2 314 975	2 080 877	541 971	498 904
Equity attributable to owners of the parent	2 314 632	2 080 676	541 891	498 855
Non-current liabilities	547 812	548 571	128 251	131 523
Current liabilities	247 811	289 854	58 016	69 494

Selected operating figures	9 months ended Sep. 30, 2018	9 months ended Sep. 30, 2017
Number of hotels (at the end of period)	129	120
Number of rooms (at the end of period)	21 196	20 142
Occupancy rate (%)	73.7	74.7
Revenue per Available Room in PLN	192.0	187.5

## 2.2 Orbis S.A.

Income statement	PLN `000		EUR `000	
	9 months ended Sep. 30, 2018	9 months ended Sep. 30, 2017	9 months ended Sep. 30, 2018	9 months ended Sep. 30, 2017
Net sales	673 007	672 486	158 224	157 987
Operating profit	120 144	135 845	28 246	31 914
Net profit for the period	113 136	109 936	26 598	25 827
Basic and diluted profit per share (in PLN)	2.46	2.39	0.58	0.56

Statement of cash flows	PLN `000		EUR `000	
	9 months ended Sep. 30, 2018	9 months ended Sep. 30, 2017	9 months ended Sep. 30, 2018	9 months ended Sep. 30, 2017
Net cash generated by operating activities	183 269	175 942	43 087	41 334
Net cash generated by/(used in) investing activities	146 040	(50 928)	34 334	(11 964)
Net cash generated by/(used in) financing activities	(83 676)	(104 056)	(19 672)	(24 446)
Net cash flow, total	245 633	20 958	57 748	4 924

Statement of financial position	PLN `000		EUR `000	
	Sep. 30, 2018	Dec. 31, 2017	Sep. 30, 2018	Dec. 31, 2017
Non-current assets	2 331 617	2 517 115	545 867	603 494
Current assets	417 522	195 240	97 748	46 810
Assets classified as held for sale	23 210	23 514	5 434	5 638
Equity	2 093 661	2 056 754	490 158	493 120
Non-current liabilities	540 072	538 551	126 439	129 121
Current liabilities	138 616	140 564	32 452	33 701

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

- For items of the income statement and the statement of cash flows:
  - 4.2535 – the exchange rate calculated as the average of exchange rates quoted by the National Bank of Poland on the last day of each month of 9 months of 2018,
  - 4.2566 – the exchange rate calculated as the average of exchange rates quoted by the National Bank of Poland on the last day of each month of 9 months of 2017.
- For items of the statement of financial position:
  - 4.2714 – the exchange rate quoted by the National Bank of Poland on September 28, 2018,
  - 4.1709 – the exchange rate quoted by the National Bank of Poland on December 29, 2017.



### 3 CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF THE ORBIS GROUP

#### 3.1 Consolidated income statement

	3 months ended Sep. 30, 2018	9 months ended Sep. 30, 2018	3 months ended Sep. 30, 2017	9 months ended Sep. 30, 2017
<b>Net sales</b>	<b>391 693</b>	<b>1 082 005</b>	<b>421 924</b>	<b>1 101 454</b>
Outsourced services	(81 826)	(233 713)	(86 533)	(234 088)
Employee benefit expense	(85 868)	(273 542)	(90 123)	(263 944)
Raw materials and energy used	(43 871)	(136 143)	(52 504)	(147 925)
Taxes and charges	(10 695)	(31 900)	(10 619)	(31 162)
Other expenses by nature	(3 576)	(10 113)	(3 152)	(9 650)
Impairment of receivables	580	1 016	(799)	(829)
Net other operating income/(expenses)	747	2 661	876	2 315
<b>EBITDAR</b>	<b>167 184</b>	<b>400 271</b>	<b>179 070</b>	<b>416 171</b>
Rental expense	(13 999)	(42 281)	(14 446)	(49 376)
<b>Operating EBITDA</b>	<b>153 185</b>	<b>357 990</b>	<b>164 624</b>	<b>366 795</b>
Depreciation and amortisation	(42 605)	(124 927)	(41 126)	(123 312)
<b>Operating profit without the effects of one-off events</b>	<b>110 580</b>	<b>233 063</b>	<b>123 498</b>	<b>243 483</b>
Result on sale of real property	32	129 380	6 947	10 874
Revaluation of non-current assets	2 336	2 336	0	0
Restructuring costs	(491)	(388)	(725)	(2 511)
Result of other one-off events	(851)	(851)	(632)	(1 689)
<b>Operating profit</b>	<b>111 606</b>	<b>363 540</b>	<b>129 088</b>	<b>250 157</b>
Finance income	626	1 221	434	1 307
Finance costs	(9 164)	(16 330)	(2 541)	(19 666)
<b>Profit before tax</b>	<b>103 068</b>	<b>348 431</b>	<b>126 981</b>	<b>231 798</b>
Income tax expense	(19 402)	(49 749)	(21 067)	(43 613)
<b>Net profit for the period</b>	<b>83 666</b>	<b>298 682</b>	<b>105 914</b>	<b>188 185</b>
- attributable to owners of the parent	83 644	298 534	105 889	188 143
- attributable to non-controlling interests	22	148	25	42
<b>Profit per ordinary share</b>				
Basic and diluted profit per share attributable to owners of the parent for the period (in PLN)	1.82	6.48	2.30	4.08



### 3.2 Consolidated statement of comprehensive income

	3 months ended Sep. 30, 2018	9 months ended Sep. 30, 2018	3 months ended Sep. 30, 2017	9 months ended Sep. 30, 2017
<b>Net profit for the period</b>	<b>83 666</b>	<b>298 682</b>	<b>105 914</b>	<b>188 185</b>
<b>Items that will not be reclassified subsequently to profit or loss:</b>				
Actuarial gains/losses arising from the defined benefit plan				
Income tax relating to items that will not be reclassified subsequently	(9)	(9)	(1)	(23)
<b>Items that may be reclassified subsequently to profit or loss:</b>				
Exchange differences on translating foreign operations	(5 715)	10 250	10 483	(10 239)
The effective portion of the gain or loss on the hedging instrument entered into for cash flow hedges	0	75	(2)	(14)
Income tax relating to items that may be reclassified subsequently	0	(14)	0	2
<b>Other comprehensive income/(loss) after tax</b>	<b>(5 724)</b>	<b>10 302</b>	<b>10 480</b>	<b>(10 274)</b>
<b>Total comprehensive income for the period</b>	<b>77 942</b>	<b>308 984</b>	<b>116 394</b>	<b>177 911</b>
- attributable to owners of the parent	77 922	308 842	116 367	177 874
- attributable to non-controlling interests	20	142	27	37

### 3.3 Consolidated statement of financial position

Assets	As at:			
	Sep. 30, 2018	Jun. 30, 2018	Dec. 31, 2017	Sep. 30, 2017
<b>Non-current assets</b>	<b>2 452 470</b>	<b>2 369 525</b>	<b>2 392 340</b>	<b>2 404 699</b>
Property, plant and equipment	2 315 669	2 232 250	2 251 515	2 237 198
Investment property	3 837	3 836	5 088	8 765
Intangible assets, of which:	114 600	110 428	111 568	111 860
- goodwill	111 647	107 252	107 252	107 252
Other financial assets	6 944	6 944	6 944	28 728
Deferred tax assets	10 323	14 932	15 912	16 805
Other non-current assets	1 097	1 135	1 313	1 343
<b>Current assets</b>	<b>634 918</b>	<b>705 848</b>	<b>325 869</b>	<b>387 511</b>
Inventories	5 812	6 185	6 785	6 457
Trade receivables	97 768	83 173	68 579	92 885
Income tax receivables	569	1 203	541	0
Other current receivables	33 607	32 647	35 120	46 468
Other current financial assets	0	620	0	0
Cash and cash equivalents	497 162	582 020	214 844	241 701
<b>Assets classified as held for sale</b>	<b>23 210</b>	<b>42 102</b>	<b>201 093</b>	<b>191 522</b>
<b>TOTAL ASSETS</b>	<b>3 110 598</b>	<b>3 117 475</b>	<b>2 919 302</b>	<b>2 983 732</b>

Equity and Liabilities	As at:			
	Sep. 30, 2018	Jun. 30, 2018	Dec. 31, 2017	Sep. 30, 2017
<b>Equity</b>	<b>2 314 975</b>	<b>2 237 033</b>	<b>2 080 877</b>	<b>2 054 864</b>
<b>Equity attributable to owners of the parent</b>	<b>2 314 632</b>	<b>2 236 710</b>	<b>2 080 676</b>	<b>2 054 665</b>
Share capital	517 754	517 754	517 754	517 754
Reserves	133 333	133 333	133 272	133 226
Retained earnings	1 664 017	1 580 382	1 440 378	1 396 510
Foreign currency translation reserve	(472)	5 241	(10 728)	7 175
<b>Non-controlling interests</b>	<b>343</b>	<b>323</b>	<b>201</b>	<b>199</b>
<b>Non-current liabilities</b>	<b>547 812</b>	<b>547 755</b>	<b>548 571</b>	<b>619 722</b>
Borrowings	0	0	0	70 388
Bonds	502 655	501 892	501 778	502 319
Deferred tax liabilities	1 905	2 095	3 969	4 899
Deferred revenue	12 879	12 987	12 202	12 277
Other non-current liabilities	6 236	5 908	5 777	5 187
Provision for retirement benefits and similar obligations	18 771	19 185	19 180	17 899
Provisions for liabilities	5 366	5 688	5 665	6 753
<b>Current liabilities</b>	<b>247 811</b>	<b>332 687</b>	<b>289 854</b>	<b>309 146</b>
Borrowings	0	0	40 873	57 070
Other financial liabilities	0	0	74	131
Trade payables	97 885	102 873	101 471	111 468
Liabilities associated with tangible assets	12 107	12 742	28 358	8 437
Current tax liabilities	21 360	16 345	1 758	9 793
Deferred revenue	36 989	41 684	23 623	33 858
Other current liabilities	75 368	154 175	88 251	84 788
Provision for retirement benefits and similar obligations	2 962	3 035	3 080	2 823
Provisions for liabilities	1 140	1 833	2 366	778
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3 110 598</b>	<b>3 117 475</b>	<b>2 919 302</b>	<b>2 983 732</b>

### 3.4 Consolidated statement of changes in equity

	Equity attributable to owners of the parent				Non-controlling interests	Total
	Share capital	Reserves	Retained earnings	Foreign currency translation reserve		
<b>Twelve months ended December 31, 2017</b>						
Balance as at January 1, 2017	517 754	133 238	1 282 113	17 409	162	1 950 676
- net profit for the period	0	0	232 391	0	50	232 441
- other comprehensive income/(loss)	0	34	(403)	(28 137)	(11)	(28 517)
Total comprehensive income/(loss) for the period	0	34	231 988	(28 137)	39	203 924
- dividends	0	0	(73 723)	0	0	(73 723)
Balance as at December 31, 2017	517 754	133 272	1 440 378	(10 728)	201	2 080 877
<b>of which: nine months ended September 30, 2017</b>						
Balance as at January 1, 2017	517 754	133 238	1 282 113	17 409	162	1 950 676
- net profit for the period	0	0	188 143	0	42	188 185
- other comprehensive income/(loss)	0	(12)	(23)	(10 234)	(5)	(10 274)
Total comprehensive income/(loss) for the period	0	(12)	188 120	(10 234)	37	177 911
- dividends	0	0	(73 723)	0	0	(73 723)
Balance as at September 30, 2017	517 754	133 226	1 396 510	7 175	199	2 054 864
<b>Nine months ended September 30, 2018</b>						
Balance as at January 1, 2018 (as reported)	517 754	133 272	1 440 378	(10 728)	201	2 080 877
- adjustment for IFRS 15	0	0	(1 163)	0	0	(1 163)
Balance as at January 1, 2018 (restated)*	517 754	133 272	1 439 215	(10 728)	201	2 079 714
- net profit for the period	0	0	298 534	0	148	298 682
- other comprehensive income/(loss)	0	61	(9)	10 256	(6)	10 302
Total comprehensive income for the period	0	61	298 525	10 256	142	308 984
- dividends	0	0	(73 723)	0	0	(73 723)
Balance as at September 30, 2018	517 754	133 333	1 664 017	(472)	343	2 314 975
<b>of which: three months ended September 30, 2018</b>						
Balance as at July 1, 2018	517 754	133 333	1 580 382	5 241	323	2 237 033
- net profit for the period	0	0	83 644	0	22	83 666
- other comprehensive income/(loss)	0	0	(9)	(5 713)	(2)	(5 724)
Total comprehensive income/(loss) for the period	0	0	83 635	(5 713)	20	77 942
Balance as at September 30, 2018	517 754	133 333	1 664 017	(472)	343	2 314 975

\* description of the restatement in Section 5.8

### 3.5 Consolidated statement of cash flows

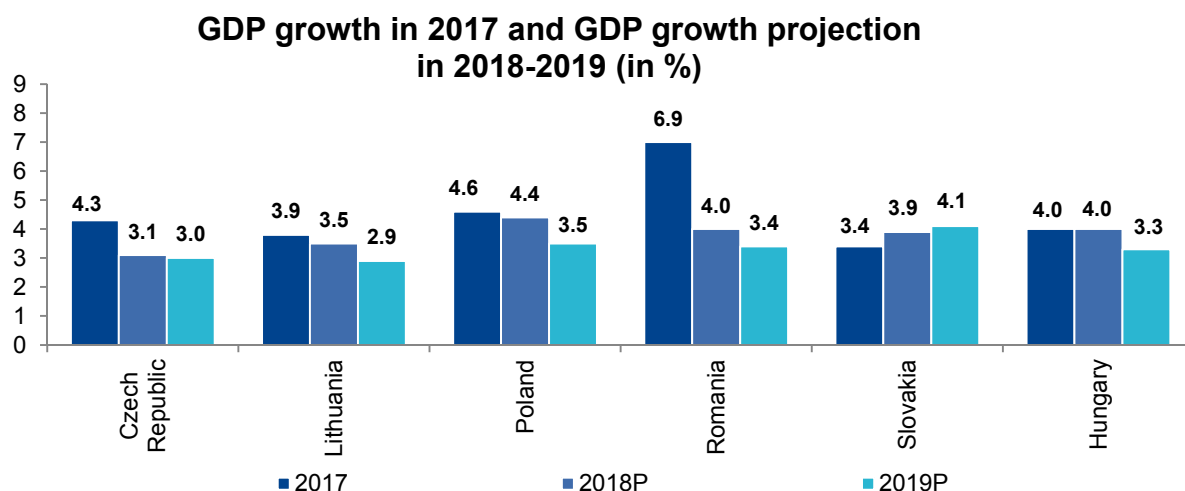
	3 months ended Sep. 30, 2018	9 months ended Sep. 30, 2018	3 months ended Sep. 30, 2017	9 months ended Sep. 30, 2017
<b>OPERATING ACTIVITIES</b>				
<b>Profit before tax</b>	<b>103 068</b>	<b>348 431</b>	<b>126 981</b>	<b>231 798</b>
<b>Adjustments:</b>	<b>18 094</b>	<b>(36 266)</b>	<b>13 824</b>	<b>94 208</b>
Depreciation and amortisation	42 605	124 927	41 126	123 312
Foreign exchange (profits)/losses	5 229	15 114	(2 169)	2 527
Interest and other borrowing costs	2 914	9 965	4 227	12 678
Gain from investing activities	(448)	(144 102)	(6 943)	(8 487)
Change in receivables	(16 251)	(33 122)	(13 506)	(31 649)
Change in liabilities, excluding borrowings	(9 606)	(18 155)	460	(12 787)
Change in deferred revenue	(3 839)	11 922	(9 023)	10 486
Change in provisions	(1 467)	(1 931)	(574)	(2 518)
Change in inventories	1 283	1 442	226	640
Other adjustments	(2 326)	(2 326)	0	6
<b>Cash generated from operations</b>	<b>121 162</b>	<b>312 165</b>	<b>140 805</b>	<b>326 006</b>
Income taxes paid	(9 403)	(24 993)	(14 629)	(27 650)
<b>Net cash generated by operating activities</b>	<b>111 759</b>	<b>287 172</b>	<b>126 176</b>	<b>298 356</b>
<b>INVESTING ACTIVITIES</b>				
Proceeds from disposal of property, plant and equipment, intangible assets and investment properties	20 129	353 022	11 751	43 346
Interest received	477	1 074	405	1 226
Other investing cash inflows	(810)	4 635	571	10 911
Leased hotels buyback	0	0	0	(468 056)
Hotel acquisition expense	(46 689)	(46 689)	0	0
Other payments for property, plant and equipment and intangible assets	(87 822)	(194 003)	(26 598)	(85 916)
Loans granted	(8)	(605)	0	0
Increase in share capital of related parties	(10)	(10)	0	0
Other investing cash outflows	0	(0)	(4 410)	(13 174)
<b>Net cash generated by/(used in) investing activities</b>	<b>(114 733)</b>	<b>117 424</b>	<b>(18 281)</b>	<b>(511 663)</b>
<b>FINANCING ACTIVITIES</b>				
Proceeds from borrowings	0	0	(32 754)	21 698
Dividends and other payments to owners	(73 723)	(73 723)	(73 723)	(73 723)
Repayment of borrowings	182	(40 545)	0	(17 645)
Interest paid and other financing cash outflows resulting from received borrowings	(14)	(390)	(786)	(2 755)
Interest paid and other financing cash outflows resulting from issue of bonds	(2 836)	(9 953)	(2 837)	(9 933)
<b>Net cash used in financing activities</b>	<b>(76 391)</b>	<b>(124 611)</b>	<b>(110 100)</b>	<b>(82 358)</b>
<b>Change in cash and cash equivalents</b>	<b>(79 365)</b>	<b>279 985</b>	<b>(2 205)</b>	<b>(295 665)</b>
Effects of exchange rate changes on the balance of cash held in foreign currencies	(5 493)	2 333	1 287	(3 428)
<b>Cash and cash equivalents at the beginning of the period</b>	<b>582 020</b>	<b>214 844</b>	<b>242 619</b>	<b>540 794</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>497 162</b>	<b>497 162</b>	<b>241 701</b>	<b>241 701</b>

## 4 COMMENTS ON THE RESULTS OF THE ORBIS GROUP

### 4.1 Macroeconomic environment

#### Favourable economic conditions

Although analysts herald the end of the economic boom in Eastern Europe, the GDP growth did not differ significantly from what we saw in the past quarters. The average GDP growth in the countries where Orbis operates continues to be high, with an average growth rate of 3.8% in 2018. Private consumption remains strong and is the key driver of economic growth and no major change in this trend is expected in the coming quarters.



Source: International Monetary Fund, World Economic Outlook, October 2018 (2018-2019 projection)

#### High activity of the manufacturing sector in the region

The value of the PMI index which gauges the economic environment remains above 50 points. The PMI index in Poland was at 50.5 at the end of September 2018 (the lowest since October 2016). In the remaining Orbis' key markets, i.e. the Czech Republic and Hungary, the PMI remains at a high level of 53.4 and 53.8 points respectively, which indicates a significant industry growth. The economic conditions in Europe also remain at a solid level (PMI of 54.7 in the Euroland).

#### Strong labour market

The difficult labour market, i.e. shortage of employees and the growing wage & salary dynamics is one of the main challenges for future business and economy growth. In most countries of the region, we are observing a significant decrease in unemployment as compared to the same period of the past year, which translates into one-digit unemployment rates. The unemployment rates in some economies in recent months reached their lowest ever levels (Poland - 5.8%, the Czech Republic - 3.0%, Romania - 3.5% and Hungary - 3.7%). Low unemployment and employee shortages compel employers to increase salaries significantly to attract and retain employees, which contributes to shrinking margins.

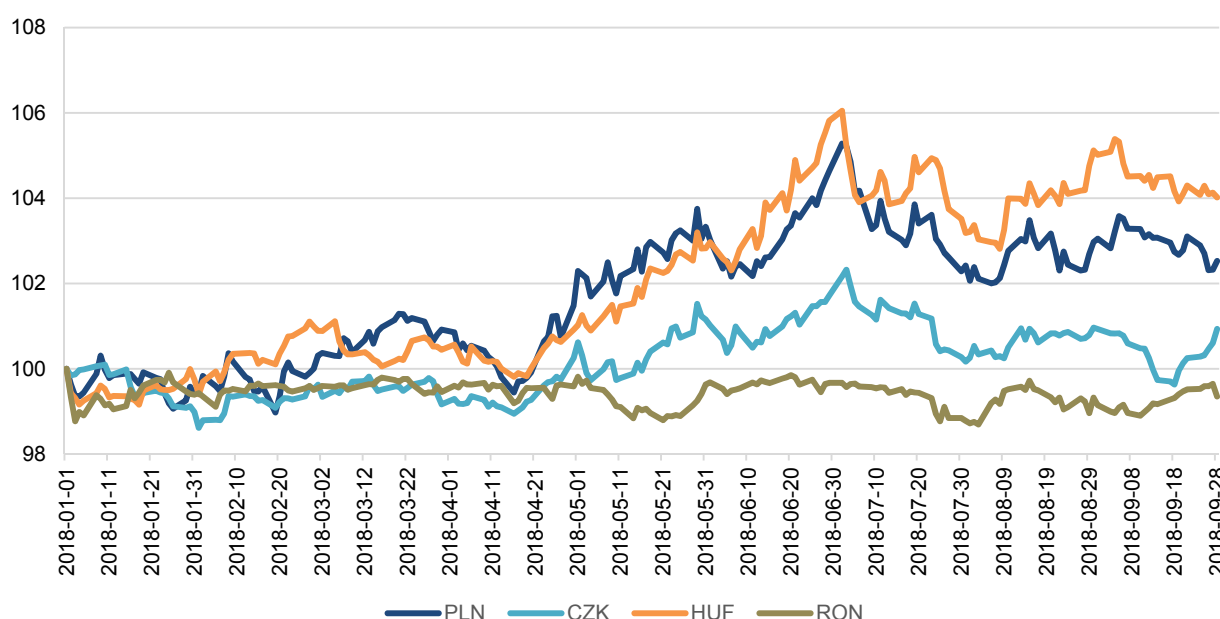
#### Stable inflation

The inflationary environment continues to be surprisingly mild across the whole region (inflation at around 2% on average). In Poland we witnessed the first in this cycle more pronounced turnaround of the base inflation in recent months, which came surprisingly late given the wage & salary pressure generated by the tensions in the labour market. Prices of services also started to rise more quickly, which may herald the beginning of an upward trend.

## Weakening of the currency market against the euro in recent months

Following the turmoil in the currency market at the end of the second quarter and a major drop in currency value, the currency market calmed down during the summer months. At the end of August, however, the mood at emerging markets deteriorated sharply in the face intensified tensions between the United States and Turkey. As a result, the lira dropped to its bottom low in history, which definitely translated into an increase in risk aversion in countries of the Eastern Europe and currency weakening. At the end of September 2018, the PLN/EUR rate fluctuated around PLN 4.30, the CZK/EUR rate around CZK 25.60, and the Hungarian forint around 325 HUF. Numerous geopolitical risk factors may curb the room for currency growth.

### Currency quotations against the euro (rates as at January, 2018 = 100,0%)



Source: Thomson Reuters

## Forecasts indicate stabilised economic growth rate

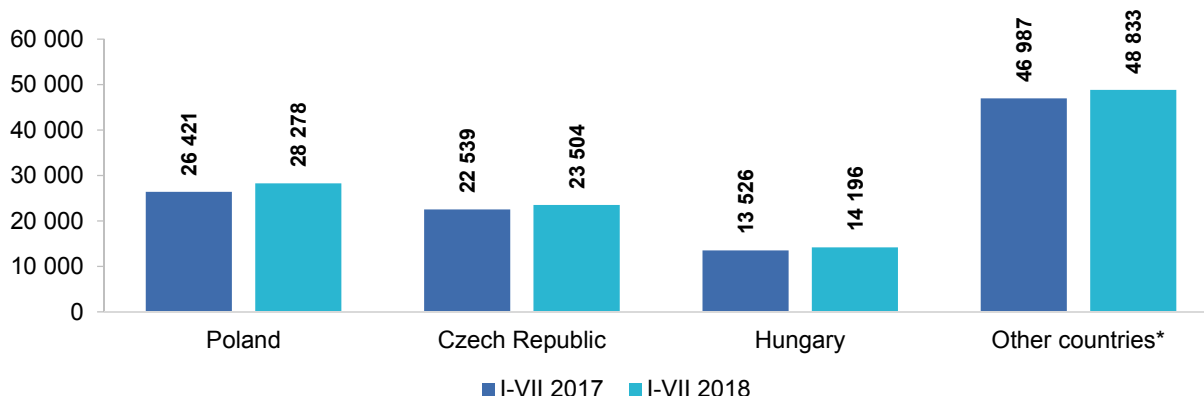
Concerns and fear of an adverse reversal of the economic trend is gaining strength. The IMF has lowered growth forecasts for the world economy, pointing to rising interest rates and volatility of emerging markets as the main causes of increasing tensions in international trade. Low unemployment, wages & salaries increases and continued investment growth are expected to fuel further growth of economies in the Central and Eastern Europe, however, the growth momentum may be slower than in recent period. Also, the positive impact of earlier fiscal stimuli will weaken, and rising inflation may restrain consumption, which has so far been a strong driving force of the economic boom. GDP growth forecasts for the coming years remain positive for the countries where the Orbis Group operates and average 3.6%. A growth of 3.3% is expected in 2019.



## 4.2 Hotel market – positive trends

Despite a high base of the past year, the majority of hotel locations operating in the region of the Central and Eastern Europe reported an improvement in the key hotel operating ratios during the period of 9 months of 2018.

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



\* Other countries comprise Lithuania, Latvia, Estonia, Romania, Slovakia and Serbia

Source: Eurostat

In most capitals of the countries where the Orbis Group operates, the growth was driven by the Average Room Rate (ARR). Decrease of the Occupancy Rate at the cost of a higher Average Room Rate was observable in certain locations. Among the cities where the Orbis Group's hotels are located, the highest increase in the Average Room Rate compared to the past year was reported in Sofia (+18.4%), Riga (+10.9%) and Poznań (+7.1%). Poznań also achieved the highest (+14.3%) RevPAR increase among all Polish cities. On the other hand, Wrocław, Warsaw and the Tri-City recorded a RevPAR decrease by -2.1%, -2.9% and -1.5%, respectively, resulting from a significant number of new room openings on these markets in recent months. Amongst the Eastern European cities where the Group operates, hotels in Sofia and Riga reported a high Revenue per Available Room (RevPAR).

## 4.3 Important events of 9 months of 2018

The most important events of 9 months of 2018 which affected the financial figures of the Orbis Group include:

### Finalisation of the Mercure Cieszyn and the ibis Styles Bielsko-Biała hotels sale transaction

On July 31, 2018, Orbis S.A. executed the preliminary conditional sale agreement of February 8, 2018, and sold 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. The sale price was fully paid by August 3, 2018.

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

### Transaction of real property purchase in Cracow and execution of a preliminary purchase agreement of real estate in Krakow for construction of a new hotel

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 8, Worcella Street, for a net price of PLN 13.0 million.

On the other hand, on September 28, 2018, Orbis S.A. executed a preliminary sale agreement based on which Orbis intends to purchase a real property (plot of land) with a total area of 595 square meters, located in Krakow at 6, Worcella Street for a net price of PLN 9.2 million. The final sale and purchase agreement of the Real Property will be executed by September 30, 2020 at the latest, subject to fulfilment of conditions laid down in the agreement. In order to secure the transaction, after fulfilment of each particular condition, the Orbis shall gradually pay an earnest money (*zadatek*) to the seller, the total sum of which will be equal to 30% of the sale price.

Both properties were purchased in order to implement an investment project (hotel construction). At the moment Orbis continues conducting the study of the technical and operational details of the investment, which will determine the choice of the best economy brand under which the hotel will operate. The purchase of the adjacent Real Property (given that Orbis already holds the title to the Real Property at 8, Worcella Street), will allow expanding the size of the property (the hotel) and greater flexibility in the selection of the brand. The above transactions are 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.

#### **Signing the sale and management agreement of the Novotel Szeged hotel in Hungary**

On May 9, 2018, Accor Pannonia Hotels Zrt. sold the Novotel Szeged hotel for a price of HUF 757.6 million. The transaction involved the sale of real property and the business conducted by the hotel. After the sale, the hotel continues its operation under the Novotel brand based on a management agreement executed for a term of 15 years.

#### **Finalisation of the Sofitel Budapest Chain Bridge hotel sale transaction, including the management back agreement**

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 the Sofitel Budapest Chain Bridge hotel. The transaction was executed by selling a stake representing 100% of the share capital in 5 Star Hotel Kft. and transferring to the buyers of all the assets belonging to the hotel (including real estate and movables) as well as the business conducted by the hotel (including contracts and customers). The sale price was agreed at EUR 75.0 million (a minor adjustment of the price is possible as a result of the final reconciliation). On the day of finalising the transaction, the parties entered into an agreement under which the management of the hotel was entrusted to Accor Pannonia Hotels Zrt. The hotel will continue to operate under the Sofitel brand. The management agreement was executed for an initial term of 30 years.

#### **Signing of the sale and management agreement of the ibis Pilsen hotel in the Czech Republic**

On June 21, 2018, Katerinska Hotel s.r.o. and Business Estate Entity a.s. (the sellers) signed an agreement for the sale of the ibis Pilsen hotel in the Czech Republic together for a price of CZK 72.0 million. The possession of the hotel was transferred at the end of July 2018. A hotel management agreement for a term of 10 years was signed together with the hotel sale agreement.

#### **Acquisition of a hotel in Vilnius by a subsidiary UAB Hekon**

On July 16, 2018, the Lithuanian subsidiary UAB Hekon and UAB Merko būstas executed a sale and purchase agreement under which UAB Hekon acquired a newly built ibis hotel located in Vilnius. The hotel has 164 rooms, a restaurant, a bar, two conference rooms and a car park. The net purchase price totalled EUR 8.7 million and was finalized from cash deposited at an escrow account.

#### **Acquisition of the Mercure Unirii in Bucharest**

On July 2, 2018, Accor Hotels Romania s.r.l. with its registered address in Bucharest executed an agreement with Baron-Service s.r.l. under which this subsidiary of Orbis S.A. acquired the Mercure Unirii hotel located in Bucharest (covering a plot of land with a building and other assets) together with the business of the hotel. The initial purchase price amounted to EUR 11.4 million (with an option of a final adjustment of the price on account of the financial and business standing of the hotel (including its working capital) at the date of closing of the transaction). The ownership title to the hotel was transferred to Accor Hotels Romania s.r.l. and the price paid on July 5, 2018.

As at the date of acquisition of the Mercure Bucharest Unirii hotel, the Orbis Group recognised the assets and liabilities of the acquired hotel at their fair value. As a result of the transaction, goodwill was recognised as the surplus between the fair value of the amount paid and the fair value of the acquired net assets of the hotel.

	in PLN '000
<b>Fair value of net assets as at the date of acquisition</b>	<b>45 218</b>
Non-current assets acquired	44 195
<i>of which: property, plant and equipment</i>	<i>44 128</i>
Current assets acquired	1 038
Current liabilities assumed	15
<b>Purchase price</b>	<b>49 729</b>
<b>Goodwill</b>	<b>4 511</b>

*The fair value of the acquired net assets and the purchase price were translated from RON into PLN according to the exchange rate as at the date of transfer of the ownership title to the hotel, i.e. July 5, 2018.*

Goodwill arose as a result of inclusion of future cash flows resulting from planned capital expenditures, changes in customer mix and potential synergies with the hotel network already existing in Romania in the purchase price. These gains have not been recognised separately from goodwill as they would not meet the conditions for their recognition as intangible assets.

The resulting goodwill is not expected to be deducted for tax purposes.

The payment for the acquisition of the hotel, which was made by 30 September 2018, totalled EUR 11 100 thousand and included a loan of EUR 142 thousand granted in April 2018 and cash payments of EUR 10 958 thousand made in July. A part of the purchase price, i.e. EUR 250 thousand, remains to be cleared until the end of the year after fulfilment of additional conditions laid down in the acquisition agreement.

Cash flow*	in PLN '000
<b>Net cash flow resulting from the acquisition</b>	<b>(47 294)</b>
- loan granted	(605)
- the remaining amount to be paid in cash or cash equivalents	(46 689)
- balance of cash and cash equivalents acquired	0

*\* The value of the payment was translated from RON to PLN according to the average exchange rate of the National Bank of Poland for 9 months of 2018, i.e. the fx rate of 0.9141 RON/PLN.*

The following results of the Mercure Bucharest Unirii from July 6, 2018, were recognised in the consolidated statement of comprehensive income for 9 months of 2018:

- Sales revenues amounting to PLN 1 507 thousand,
- EBITDA at the level of PLN 326 thousand,
- Operating result (EBIT) amounting to PLN -414 thousand.

If the acquisition had taken place on January 1, 2018, net sales of the Orbis Group for 9 months of 2018 would have amounted to PLN 1 086.8 million, EBITDA would reach the value of PLN 359.4 million, while operating result (EBIT) would have totalled PLN 362.7 million.

The costs of the acquisition of the business of the Mercure Bucharest Unirii hotel incurred by the Orbis Group, including, amongst others, the costs of due diligence, valuations by experts, legal and tax advice, and notary fees, amounted to PLN 851 thousand and were included in the „Results of other one-off events” item.

## 4.4 Hotel portfolio of the Orbis Group

The Orbis Group is the largest hotel operator in Poland and in the Central & Eastern Europe. As at the end of September 2018, the Group's network comprised a total of 129 hotels with over 21.2 thousand rooms. The majority of these hotels (71 establishments) operate in Poland.

Hotel portfolio	Sep. 30, 2018	Jun. 30, 2018	Dec. 31, 2017	Sep. 30, 2017	Sep. 30, 2018/ Dec. 30, 2017	Sep. 30, 2018/ Sep. 30, 2017
<b>Number of hotels, of which:</b>	<b>129</b>	<b>127</b>	<b>124</b>	<b>120</b>	<b>4.0%</b>	<b>7.5%</b>
Owned and leased hotels	71	72	74	76	-4.1%	-6.6%
Managed hotels	17	16	13	12	30.8%	41.7%
Franchised hotels	41	39	37	32	10.8%	28.1%
<b>Number of rooms, of which in:</b>	<b>21 196</b>	<b>20 904</b>	<b>20 420</b>	<b>20 142</b>	<b>3.8%</b>	<b>5.2%</b>
Owned and leased hotels	14 016	14 050	14 527	14 752	-3.5%	-5.0%
Managed hotels	2 544	2 429	1 791	1 696	42.0%	50.0%
Franchised hotels	4 636	4 425	4 102	3 694	13.0%	25.5%

Change in the number of managed hotels during 9 months of 2018 is the result of:

- a) acquisition of the formerly managed Mercure Bucharest Unirii hotel in Romania (July 2018),
- b) opening of a new ibis Vilnius hotel in Lithuania (August 2018),
- c) sale and signing a management back agreement of :
  - Sofitel Budapest Chain Bridge hotel in Hungary (as of June 2018),
  - Novotel Szeged hotel in Hungary (as of May 2018),
  - ibis Plzen hotel in Czech Republic (as of August 2018),
- d) opening of hotels based on management agreements:
  - ibis Styles Budapest Airport hotel in Hungary (January 2018),
  - ibis Styles Bucharest Erbas hotel in Romania (August 2018),
- e) sale and franchise-back transactions relating to:
  - Mercure Cieszyn hotel (August 2018),
  - ibis Styles Bielsko-Biala (August 2018),
- f) launch of operations of the following hotels under a franchise agreement:
  - Mercure Terme Maribor Piramida in Slovenia (as of February 2018),
  - ibis Styles Terme Maribor in Slovenia (as of February 2018),
  - Mercure Tetovo in Macedonia (as of February 2018),
  - ibis Styles Warszawa City (as of March 2018),
- g) termination of cooperation under the franchise agreement with:
  - Mercure Zamość Stare Miasto hotel (at the end of 2017),
  - ibis Olomouc hotel in Czech Republic (at the end of March 2018).

Change in the number of hotels as compared to September 30, 2017, was additionally caused by:

- a) sale and franchise-back transactions relating to the hotels:
  - Mercure Toruń (operates as a franchised hotel as of October 2017),
  - ibis Zabrze (operates as a franchised hotel as of October 2017),
- b) opening of a new hotel based on management agreements (Mercure Bucharest in Romania (October 2017)),
- c) launch of operations of the hotels under a franchise agreement:
  - ibis Styles Skopje in Macedonia (as of November 2017),
  - MGallery Tarcin Forest Resort & SPA in Bosnia and Herzegovina (as of November 2017),
  - ibis Styles Arad in Romania (as of December 2017).

## 4.5 Financial results of the Orbis Group

In 9 months of 2018, the Orbis Group generated profit before tax amounting to PLN 348.4 million, while in 9 months of 2017, its profit stood at PLN 231.8 million (the result improved by 50.3%).

Income statement – analytical approach	9 months ended Sep. 30, 2018	9 months ended Sep. 30, 2017	change (%)
Net sales	1 082 005	1 101 454	-1.8%
<i>Net sales „like-for-like”</i>	<i>1 079 441</i>	<i>1 046 351</i>	<i>3.2%</i>
EBITDAR	400 271	416 171	-3.8%
Operating EBITDA	357 990	366 795	-2.4%
<i>EBITDA „like-for-like”</i>	<i>357 919</i>	<i>348 428</i>	<i>2.7%</i>
Operating profit (EBIT) without the effects of one-off events	233 063	243 483	-4.3%
Operating profit (EBIT)	363 540	250 157	45.3%
Net result from financing activities	(15 109)	(18 359)	17.7%
Profit before tax	348 431	231 798	50.3%

Income statement – analytical approach	3rd quarter of 2018	3rd quarter of 2017	change (%)
Net sales	391 693	421 924	-7.2%
<i>Net sales „like-for-like”</i>	<i>389 129</i>	<i>387 528</i>	<i>0.4%</i>
EBITDAR	167 184	179 070	-6.6%
Operating EBITDA	153 185	164 624	-6.9%
<i>EBITDA „like-for-like”</i>	<i>153 114</i>	<i>151 466</i>	<i>1.1%</i>
Operating profit (EBIT) without the effects of one-off events	110 580	123 498	-10.5%
Operating profit (EBIT)	111 606	129 088	-13.5%
Net result from financing activities	(8 538)	(2 107)	-305.2%
Profit before tax	103 068	126 981	-18.8%

**During 9 months of 2018, the net sales of the Group totalled PLN 1 082.0 million** as compared to PLN 1 101.5 million in the corresponding period of the past year. The change in the level of net sales results mainly from Sofitel Budapest Chain Bridge and Novotel Szeged sale in May, 2018 as well as sale of ibis Pilzno, Mercure Cieszyn and ibis Styles Bielsko-Biała in July, 2018. **Sales like-for-like** equalled PLN 1 079.4 million, i.e. **increased by 3.2% as compared to figures for three quarters of 2017.**

The continued positive business trends in the countries of the Central and Eastern Europe, high demand for hospitality services as well as numerous promotional actions and flexible pricing strategy tailored to the current conditions on each individual market were the main factors that contributed to the increase in the Average Room Rate and the Revenue per Available Room (RevPAR) while the Occupancy Rate remained at the corresponding period's level.

During 9 months of 2018, the Revenue per Available Room (RevPAR) in owned hotels<sup>1</sup> of the Orbis Group stood at PLN 192.4, i.e. was by 3.0% higher compared to the like-for-like figures for the 9 months of 2017. During the reporting period, customers of Orbis Group hotels paid on average PLN 260.5 per room, i.e. 4.5% more than in the corresponding period of the past year. Moreover, during the period from January to September 2018, the Occupancy Rate in owned hotels slightly decreased as compared to the data for the 9 months of 2017, up to 73.8%.

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

Operating ratios of owned hotels	9 months of 2018	9 months of 2017	change (%)	9 months of 2018	9 months of 2017	change (%)
	as reported			like-for-like		
Orbis Hotel Group						
Occupancy Rate (%)	73.7	74.7	-1.0 p.p.	73.8	75.0	-1.2p.p.
Average Room Rate (ARR) in PLN (net of VAT)	260.4	251.0	3.7%	260.5	249.3	4.5%
Revenue per Available Room (RevPAR) in PLN	192.0	187.5	2.4%	192.4	186.8	3.0%

Operating ratios of owned hotels	3rd quarter of 2018	3rd quarter of 2017	change (%)	3rd quarter of 2018	3rd quarter of 2017	change (%)
	as reported			like-for-like		
Orbis Hotel Group						
Occupancy Rate (%)	80.8	84.3	-3.5 p.p.	81.2	84.7	-3.5 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	265.4	262.8	1.0%	265.8	257.2	3.3%
Revenue per Available Room (RevPAR) in PLN	214.6	221.4	-3.1%	215.8	217.9	-1.0%

A detailed list of the Orbis Group's operational ratios for 9 months of 2018 and for Q3 2018 from various angles was attached as Appendix No. 1 to this Report.

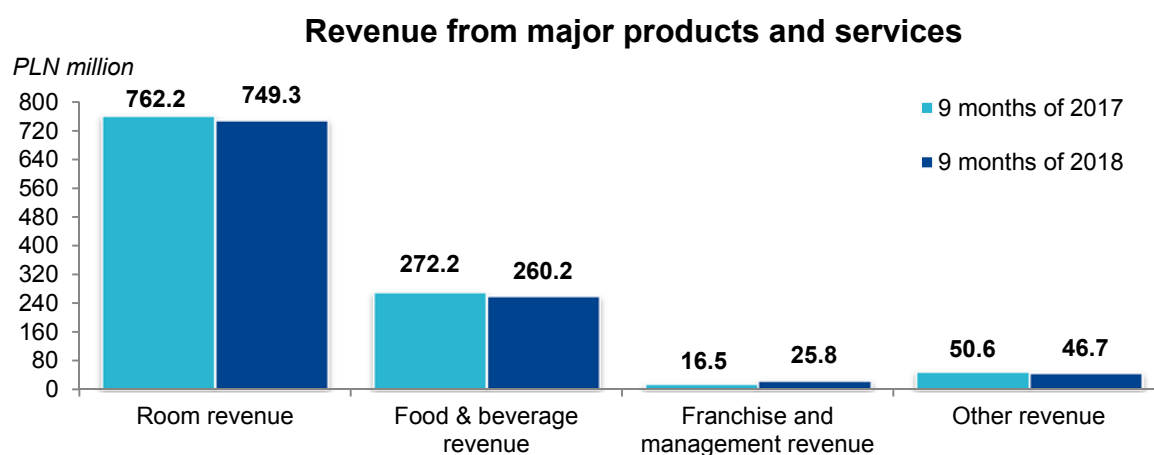
There were no significant changes in the **structure of Group's revenue** from major products and services versus 9 months of 2017. During the period from January to September 2018, room revenue totalled PLN 749.3 million, which accounted for 69.3% of all the Group's revenues. The room revenue increased by 0.1% as compared to the figures for 9 months of the past year.

Food and beverage revenue in 9 months of 2018 stood at PLN 260.2 million and accounted for 24.0% of consolidated revenues. The share of the food and beverage revenue in the Group's revenues remained at the past year's level.

Revenue from franchise and management contributed 2.4% to the Group's total revenues. As compared to the figures for nine months of the past year, revenues from franchise and management grew by 57.0%. It is particularly attributable to the expansion of the Group's hotel portfolio from 32 franchised and 12 managed hotels as at September 30, 2017, to 41 franchised and 17 managed hotels at the end of September 30, 2018.

The other revenue, which is mainly derived from lease of property and car park spaces totalled PLN 46.7 million, which accounted for 4.3% of consolidated revenue (4.6% in the past year).

The structure of Orbis Group sales broken down into products/services in the period of 9 months of 2018 and 2017 was as follows:



The **operating expenses** of the Orbis Group (including rental expense and depreciation/amortisation) in the reporting period totalled PLN 851.6 million, i.e. decreased by 1.0%, as compared to 9 months of 2017 although the share of individual types of costs in net sales remained unchanged as compared to the past year.

The greatest increase in 9 months of 2018 was reported in the employee benefits' expenses which increased as a result of salary and wage increases, increase of bonuses correlated with achieved results and costs related to staff turnover. The increase in the employee benefits' expenses was offset by savings on the costs of materials and energy consumption caused by, among others, the sale of the Sofitel Budapest Chain Bridge and the Novotel Szeged hotels in Hungary in May 2018. Costs of outsourced services remained at a similar level year-on-year, with an increase in selling and cleaning services. The costs of maintenance, laundry services and rental services (other than real property rental) decreased.

In the reporting period, the rental expenses went down significantly. It is a result of buyout of the formerly leased Sofitel Budapest Chain Bridge hotel. At the same time, depreciation and amortisation remained at a similar level (minor increase by 1.3%).

As a result of the above, the **operating EBITDAR of the Orbis Group** for 9 months of 2018 **amounted to PLN 400.3 million, the operating EBITDA like-for-like grew by 2.7% up to PLN 357.9 million** while the **operating result excluding one-off events amounted to PLN 233.1 million**.

In the reporting period, the Orbis Group reported a positive result of PLN 130.5 million from one-off events. The high profit on one-off events was generated thanks to finalisation, on May 31, 2018, of the sale transaction of the Sofitel Budapest Chain Bridge hotel by the Hungarian company Accor Pannonia Hotels Zrt. The profit on this transaction totalled PLN 126.4 million. Furthermore, one-off events include the profit on sale of the Novotel Szeged hotel (PLN +2.2 million) as well as the result on the sale of the Mercure Cieszyn, the ibis Styles Bielsko-Biala, and the ibis Plzen hotels and the profit on the sale of non-hotel real properties located in Karpacz and Warszawa, at 1 Sierpnia Street. During the 9 months of 2018, the Group also recognized the revenue in connection with impairment reversal related to hotel in Czech Republic (PLN +2.3 million). As a result, the Group generated **operating profit (EBIT) in the amount of PLN 363.5 million** (increase by 45.3%).

During 9 months of 2018, the Group generated the result on financing activities which was higher by PLN 3.2 million as compared to 9 months of the past year which was mainly attributable to lower (by PLN 2.8 million) costs incurred on borrowings.

The Orbis Group ended 9 months of 2018 with a **net profit of PLN 298.7 million**, comparing to a net profit of PLN 188.2 million in the corresponding period 2017, which means an improvement of the result by 58.7%.



## 4.6 Segment reporting

The Orbis Group distinguishes two reportable operating segments:

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

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

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

### 4.6.1 Results per operating segments

As at September 30, 2018, the individual operating segments included:

- the Up&Midscale segment: 3 Sofitel hotels, 20 Novotel hotels, 14 Mercure hotels and 1 MGallery hotel;
- the Economy segment: 22 ibis hotels, 9 ibis budget hotels and 2 ibis Styles hotels.

On the other hand, as at September 30, 2017, the individual operating segments included:

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

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 Group does not calculate income tax for the respective operating segments).

9 months of 2018	Operating segments		Unallocated operations and consolidation adjustments	Consolidated value
	Up&Midscale Hotels	Economy Hotels		
<b>Segment revenue, of which:</b>	<b>805 205</b>	<b>239 749</b>	<b>37 051</b>	<b>1 082 005</b>
Sale to external clients	805 205	239 749	37 051	1 082 005
<b>EBITDAR</b>	<b>335 383</b>	<b>118 589</b>	<b>(53 701)</b>	<b>400 271</b>
<b>Operating EBITDA</b>	<b>301 345</b>	<b>111 580</b>	<b>(54 935)</b>	<b>357 990</b>
Depreciation and amortisation	(91 426)	(30 217)	(3 284)	(124 927)
<b>Operating profit/(loss) without the effects of one-off events</b>	<b>209 919</b>	<b>81 363</b>	<b>(58 219)</b>	<b>233 063</b>
Result of one-off events	0	0	130 477	130 477
<b>Operating profit (EBIT)</b>	<b>209 919</b>	<b>81 363</b>	<b>72 258</b>	<b>363 540</b>
Finance income/(costs)	(822)	(612)	(13 675)	(15 109)
Income tax	0	0	(49 749)	(49 749)
<b>Net profit</b>	<b>209 097</b>	<b>80 751</b>	<b>8 834</b>	<b>298 682</b>
Capital expenditure	128 746	92 488	2 870	224 104

3rd quarter of 2018	Operating segments		Unallocated operations and consolidation adjustments	Consolidated value
	Up&Midscale Hotels	Economy Hotels		
<b>Segment revenue, of which:</b>	<b>285 267</b>	<b>90 191</b>	<b>16 235</b>	<b>391 693</b>
Sale to external clients	285 267	90 191	16 235	391 693
<b>EBITDAR</b>	<b>132 452</b>	<b>48 043</b>	<b>(13 311)</b>	<b>167 184</b>
<b>Operating EBITDA</b>	<b>121 254</b>	<b>45 663</b>	<b>(13 732)</b>	<b>153 185</b>
Depreciation and amortisation	(31 473)	(10 128)	(1 004)	(42 605)
<b>Operating profit/(loss) without the effects of one-off events</b>	<b>89 781</b>	<b>35 535</b>	<b>(14 736)</b>	<b>110 580</b>
Result of one-off events	0	0	1 026	1 026
<b>Operating profit/(loss) (EBIT)</b>	<b>89 781</b>	<b>35 535</b>	<b>(13 710)</b>	<b>111 606</b>
Finance income/(costs)	(206)	(220)	(8 112)	(8 538)
Income tax	0	0	(19 402)	(19 402)
<b>Net profit/(loss)</b>	<b>89 575</b>	<b>35 315</b>	<b>(41 224)</b>	<b>83 666</b>
Capital expenditure	72 215	57 044	1 301	130 560

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

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

During 9 months of 2018, the revenues of the Up&Midscale segment accounted for 74.4% of consolidated revenues as compared to 75.8% in the past year. In Q3 2018, revenues generated by hotels with three or more starts contributed 72.8% of consolidated revenues in 2018 and 75.5% in 2017. The lower share of the Up&Midscale revenues in consolidated revenues in 2018 (despite the RevPAR growth by 2.5% y/y) was the result, above all, of the sale of the Sofitel Budapest Chain Bridge hotel in May 2018 and the Novotel Szeged hotel. The Up&Midscale portfolio was also reduced by the Mercure Jelenia Góra and the Mercure Karpacz Resort hotels (at the end of March 2017), the Mercure Toruń Centrum (at the end of September 2017), the Mercure Częstochowa Centrum hotel (in February 2017) and the Mercure Cieszyn (at the end of July 2018).

On the other hand, the revenues generated by economy hotels accounted for 22.2% of the Group's revenues and were similar to revenues for 9 months of 2017 (21.9%). No changes were reported in the third quarter as well, the revenues generated by economy hotels contributed 23.0% of consolidated revenues in 2018 and 22.3% in 2017.

The table below presents the operating ratios of owned hotels in the Orbis Group broken down into Up&Midscale hotels and economy hotels for 9 months of 2018, Q3 2018 and corresponding periods of 2017:

Operating ratios of owned hotels by main category	9 months of 2018	9 months of 2017	change (%)	9 months of 2018	9 months of 2017	change (%)
	as reported			like-for-like		
<b>Economy Hotels</b>						
Occupancy Rate (%)	74.8	76.1	-1.3 p.p.	75.0	76.6	-1.6 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	186.6	178.7	4.4%	186.6	180.7	3.3%
Revenue per Available Room (RevPAR) in PLN	139.6	136.1	2.6%	139.9	138.3	1.2%
<b>Up&amp;Midscale Hotels (3 stars and more)</b>						
Occupancy Rate (%)	73.2	74.0	-0.8 p.p.	73.2	74.1	-0.9 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	300.9	290.4	3.6%	301.2	287.3	4.8%
Revenue per Available Room (RevPAR) in PLN	220.2	214.8	2.5%	220.5	212.9	3.6%

Operating ratios of owned hotels by main category	3rd quarter of 2018	3rd quarter of 2017	change (%)	3rd quarter of 2018	3rd quarter of 2017	change (%)
	as reported			like-for-like		
Economy Hotels						
Occupancy Rate (%)	81.2	84.7	-3.5 p.p.	81.8	85.8	-4.0 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	196.1	188.3	4.1%	196.1	191.3	2.5%
Revenue per Available Room (RevPAR) in PLN	159.3	159.5	-0.1%	160.4	164.0	-2.2%
Up&Midscale Hotels (3 stars and more)						
Occupancy Rate (%)	80.6	84.0	-3.4 p.p.	80.8	84.2	-3.4 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	303.5	303.0	0.2%	304.1	293.6	3.6%
Revenue per Available Room (RevPAR) in PLN	244.7	254.5	-3.9%	245.8	247.1	-0.5%

The average Revenue per Available Room ranged from PLN 139.6 in economy hotels to PLN 220.2 in hotels of the Up&Midscale segment in 9 months of 2018 and from PLN 136.1 to PLN 214.8 respectively in the corresponding period of 2017. RevPAR growth is attributable in particular to higher Average Room Rates (ARR growth rate in economy hotels by 4.4% and by 3.6% in hotels of the Up&Midscale segment).

On the other hand, in the Q3 2018, the average Revenue per Available Room amounted to PLN 159.3 in economy hotels (and remained at a level comparable to that in Q3 2017). The RevPAR growth is attributable in particular to higher Average Room Rates (ARR) which increased by 4.1% in economy hotels. A minor increase of the Average Room Rate (by 0.2%) was also reported in Up&Midscale hotels, with like-for-like Average Room Rate being at 3.6%.

#### 4.6.2 Geographical information

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

As at September 30, 2018, the individual geographic segments included:

- Poland: 3 Sofitel hotels, 13 Novotel hotels, 8 Mercure hotels, 12 ibis hotels and 9 ibis budget hotels,
- Hungary: 4 Novotel hotels, 3 Mercure hotels, 5 ibis hotels and 2 ibis Styles hotels,
- The Czech Republic: one hotel of each of the Novotel, Mercure and MGallery brands and 3 ibis hotels,
- Other countries (Lithuania, Romania, Slovakia): 2 Novotel hotels, 2 Mercure hotels and 2 ibis hotels.

On the other hand, as at September 30, 2017, the individual geographic segments included:

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

9 months of 2018	Geographical segments				Mutual eliminations and consolidation adjustments	Consolidated value
	Poland	Hungary	Czech Republic	Other countries		
<b>Segment revenue, of which:</b>	<b>672 917</b>	<b>245 938</b>	<b>91 649</b>	<b>72 313</b>	<b>(812)</b>	<b>1 082 005</b>
Sale to external clients	672 105	245 938	91 649	72 313	0	1 082 005
Sale to other segments	812	0	0	0	(812)	0
<b>EBITDAR</b>	<b>229 332</b>	<b>102 661</b>	<b>41 433</b>	<b>26 848</b>	<b>(3)</b>	<b>400 271</b>
<b>Operating EBITDA</b>	<b>223 653</b>	<b>89 708</b>	<b>31 099</b>	<b>13 533</b>	<b>(3)</b>	<b>357 990</b>
Depreciation and amortisation	(94 257)	(19 223)	(9 337)	(2 110)	0	(124 927)
<b>Operating profit without the effects of one-off events</b>	<b>129 396</b>	<b>70 485</b>	<b>21 762</b>	<b>11 423</b>	<b>(3)</b>	<b>233 063</b>

3rd quarter of 2018	Geographical segments				Mutual eliminations and consolidation adjustments	Consolidated value
	Poland	Hungary	Czech Republic	Other countries		
<b>Segment revenue, of which:</b>	<b>243 317</b>	<b>87 074</b>	<b>34 935</b>	<b>26 670</b>	<b>(303)</b>	<b>391 693</b>
Sale to external clients	243 014	87 074	34 935	26 670	0	391 693
Sale to other segments	303	0	0	0	(303)	0
<b>EBITDAR</b>	<b>94 885</b>	<b>44 855</b>	<b>17 719</b>	<b>9 725</b>	<b>0</b>	<b>167 184</b>
<b>Operating EBITDA</b>	<b>92 961</b>	<b>40 549</b>	<b>14 375</b>	<b>5 300</b>	<b>0</b>	<b>153 185</b>
Depreciation and amortisation	(31 646)	(6 563)	(3 026)	(1 370)	0	(42 605)
<b>Operating profit without the effects of one-off events</b>	<b>61 315</b>	<b>33 986</b>	<b>11 349</b>	<b>3 930</b>	<b>0</b>	<b>110 580</b>

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

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

In geographic terms, the highest share to the Group's net sales in 9 months of 2018 was contributed by hotels located in Poland (62.1%) and in Hungary (22.7%). Net sales generated by hotels in the Czech Republic and in other countries accounted for, respectively, 8.5% and 6.7% of consolidated sales.

## Poland

Selected figures and operating ratios of owned hotels located in Poland	9 months of 2018	9 months of 2017	% change
Net sales	672 105	671 716	0.1%
Capital expenditure	98 709	52 415	88.3%
Occupancy Rate (%)	72.0	72.9	-0.9 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	252.6	239.7	5.4%
Revenue per Available Room (RevPAR) in PLN	181.9	174.8	4.1%
Clients: Business	61.3%	63.0%	-1.7 p.p.
Clients: Leisure	38.7%	37.0%	1.7 p.p.

**Hotels operating in Poland generated net sales of PLN 672.1 million, which constitutes 62.1% of the consolidated sales for the nine months of 2018.** Polish hotels reported a 0.1% sales growth as compared to the corresponding period of the past year.

Sales revenues grow year-on-year despite decrease of the portfolio during the reporting periods. In 2017, four subsidiary hotels were sold (the Mercure Jelenia Góra and the Mercure Karpacz Resort at the end of March 2017, the Mercure Toruń Centrum and the ibis Katowice Zabrze at the end of September 2017), which continue to operate as franchised hotels in the network. On February 1, 2017, the Mercure Częstochowa Centrum and the ibis Częstochowa were franchised, while the sale of the Mercure Cieszyn hotel and the ibis Styles Bielsko-Biała hotels was finalised on 31 July 2018.

The hotels operating in Poland reported a **growth of the Average Room Rate (ARR) by 3.8% like-for-like** during 9 months of 2018 (with a slightly lower Occupancy Rate), which resulted in the growth of the Revenue per Available Room (RevPAR) by 1.9%.

During 9 months of 2018 and during Q3 2018, the number of rooms sold to tourist groups increased (based on comparable hotel parameter). The highest dynamics was reported in the Kraków, Wrocław and Tri-City markets. Other segments recorded a slight decline, mainly due to completion of past year's projects, absence of large non-recurring events and conferences that were held in the past year and increased supply of hotels (hotel rooms), particularly in Warsaw and the Tri-City.

## Hungary

Selected figures and operating ratios of owned hotels located in Hungary	9 months of 2018	9 months of 2017	% change
Net sales	245 938	269 861	-8.9%
Capital expenditure	34 604	483 602	-92.8%
Occupancy Rate (%)	77.4	77.1	0.3 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	268.1	273.8	-2.1%
Revenue per Available Room (RevPAR) in PLN	207.6	211.0	-1.6%
Clients: Business	44.0%	45.3%	-1.3 p.p.
Clients: Leisure	56.0%	54.7%	1.3 p.p.

**Hotels in Hungary generated operating revenues of PLN 245.9 million, accounting for 22.7% of Orbis Group's consolidated revenues.** From May 2018, portfolio of hotels in Hungary decreased by Sofitel Budapest Chain Bridge and Novotel Szeged. In terms of comparable perimeter, hotels operating in Hungary reported both an increase of the Average Room Rate and an increase in the Occupancy Rate (by, respectively, 5.4% and 0.8 p.p. like-for-like), which resulted in a 6.5% increase in the RevPAR.

The highest increase in the number of rooms sold (taking into account a comparable hotel parameter) occurred in the segment of individual guests staying for both leisure and business purposes, thanks to the high demand for accommodation services in Budapest. The majority of hotels in this market achieved better results, with Novotel and Mercure recording the highest growth. In Q3 2018 alone, the upward trend in the individual and corporate guest segments continued and more tourist groups were hosted. A slight decrease was reported in the business group segment due to large, non-recurring events that took place last year (such as the World Swimming Championships, Judo World Championships, the Sziget music festival, etc.).

## The Czech Republic

Selected figures and operating ratios of owned hotels located in the Czech Republic	9 months of 2018	9 months of 2017	% change
Net sales	91 649	91 290	0.4%
Capital expenditure	3 683	6 856	-46.3%
Occupancy Rate (%)	75.5	78.1	-2.6 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	289.9	264.4	8.5%
Revenue per Available Room (RevPAR) in PLN	216.5	206.5	4.8%
Clients: Business	45.4%	43.1%	2.3 p.p.
Clients: Leisure	54.6%	56.9%	-2.3 p.p.

**In 9 months of 2018, revenues generated by hotels located in the Czech Republic amounted to PLN 91.6 million (8.5% of the total revenues of the Group).** Despite a slight drop in the Occupancy Rate (caused by the increased supply of private rooms or apartments for rent), these hotels reported a significant increase in the Average Room Rate (by 8.5%), which was also reflected in higher Revenue per Available Room (4.8%). The increase in the Average Room Rate results from a change in the structure of segmentation, i.e. the share of segments with a low Average Room Rate (such as tourist groups) decreased in favour of segments with higher rate.



## Other countries

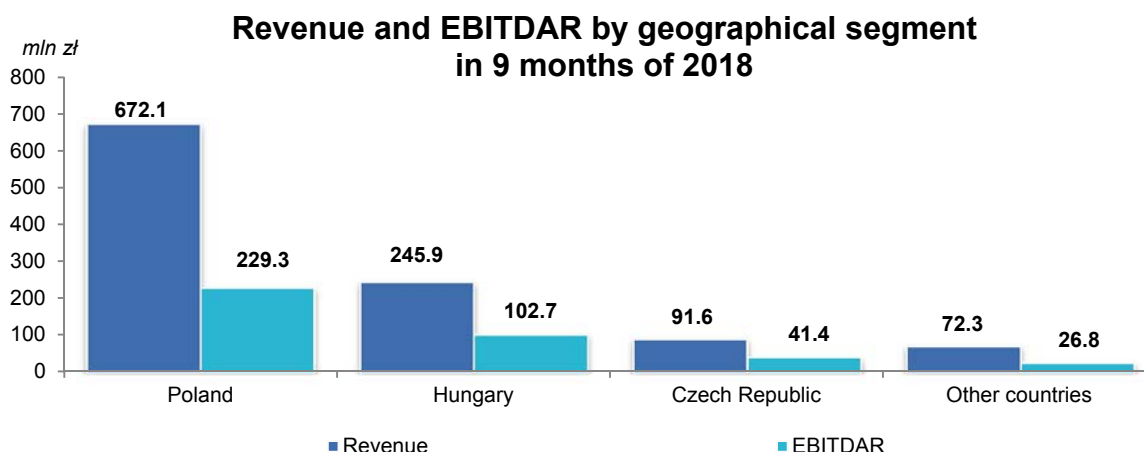
Selected figures and operating ratios of owned hotels located in other countries	9 months of 2018	9 months of 2017	% change
Net sales	72 313	68 587	5.4%
Capital expenditure	87 108	1 489	5 750.1%
Occupancy Rate (%)	77.9	82.7	-4.8 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	276.4	270.0	2.4%
Revenue per Available Room (RevPAR) in PLN	215.4	223.4	-3.6%
Clients: Business	49.8%	54.9%	-5.1 p.p.
Clients: Leisure	50.2%	45.1%	5.1 p.p.

**Revenues for the period of 9 months of 2018 generated in other countries where the hotels of the Group are located reached the level of PLN 72.3 million, i.e. 6.7% of consolidated revenues.** Hotels located in Lithuania, Slovakia and Romania reported sales revenues higher by 5.4% than in the corresponding period of the past year.

Hotel Novotel in Vilnius achieved slightly higher room revenues as compared to the past year thanks to higher Average Room Rate, with the Occupancy Rates being slightly below the past year's level. Increase in the number of guests was reported both in the MICE segment thanks to a larger number of business groups, particularly in the first quarter of 2018, as well as in the corporate guest segment (thanks to demand from regular clients). Another subsidiary hotel belonging to the economy segment, i.e. ibis Vilnius Centre, opened in Vilnius in mid-August 2018.

Slovakia is represented by two hotels located in Bratislava: Mercure and ibis. Room revenues were slightly below the past year's level due to lower Occupancy Rate in the Mercure hotel despite a higher Average Room Rate in both these hotels.

The Novotel in Bucharest achieved a growth in operating revenues thanks to higher Average Room Rate. The segment of individual guests and tourist groups was at a level similar to that in the past year, while the corporate and business groups segment decreased due to lower demand in Q2 and Q3. In Q3 alone, significantly more rooms were sold to individual guests, which compensated for the decrease in this segment during previous quarters.



## 4.7 Operating segment revenue per type of service and geographical area

The tables below present the Group's revenues for 9 months of 2018 and 2017 and the third quarter of 2018 and 2017 per type of services and geographical areas with their reconciliation to the operating segments presented in Note 4.6.1.

9 months of 2018	Operating segments		Unallocated operations and consolidation adjustments	Consolidated value
	Up&Midscale Hotels	Economy Hotels		
<b>Revenue per type of service:</b>	<b>805 205</b>	<b>239 749</b>	<b>37 051</b>	<b>1 082 005</b>
Room revenue	558 681	190 608	0	749 289
Food & beverage revenue	218 529	41 650	0	260 179
Franchise and management revenue	0	0	25 839	25 839
Other revenue	27 995	7 491	11 212	46 698
<b>Revenue per geographical area:</b>	<b>805 205</b>	<b>239 749</b>	<b>37 051</b>	<b>1 082 005</b>
Poland	517 225	138 528	16 352	672 105
Hungary	188 661	46 163	11 114	245 938
Czech Republic	43 389	47 561	699	91 649
Other countries	55 930	7 497	8 886	72 313

3rd quarter of 2018	Operating segments		Unallocated operations and consolidation adjustments	Consolidated value
	Up&Midscale Hotels	Economy Hotels		
<b>Revenue per type of service:</b>	<b>285 267</b>	<b>90 191</b>	<b>16 235</b>	<b>391 693</b>
Room revenue	204 205	72 584	0	276 789
Food & beverage revenue	71 803	14 840	0	86 643
Franchise and management revenue	0	0	12 288	12 288
Other revenue	9 259	2 767	3 947	15 973
<b>Revenue per geographical area:</b>	<b>285 267</b>	<b>90 191</b>	<b>16 235</b>	<b>391 693</b>
Poland	187 182	49 697	6 135	243 014
Hungary	62 000	18 757	6 317	87 074
Czech Republic	16 189	18 406	340	34 935
Other countries	19 896	3 331	3 443	26 670

9 months of 2017	Operating segments		Unallocated operations and consolidation adjustments	Consolidated value
	Up&Midscale Hotels	Economy Hotels		
<b>Revenue per type of service:</b>	<b>834 970</b>	<b>240 957</b>	<b>25 527</b>	<b>1 101 454</b>
Room revenue	570 902	191 309	0	762 211
Food & beverage revenue	230 838	41 394	0	272 232
Franchise and management revenue	0	0	16 463	16 463
Other revenue	33 230	8 254	9 064	50 548
<b>Revenue per geographical area:</b>	<b>834 970</b>	<b>240 957</b>	<b>25 527</b>	<b>1 101 454</b>
Poland	516 620	142 115	12 981	671 716
Hungary	221 673	43 210	4 978	269 861
Czech Republic	41 490	49 208	592	91 290
Other countries	55 187	6 424	6 976	68 587

3rd quarter of 2017	Operating segments		Unallocated operations and consolidation adjustments	Consolidated value
	Up&Midscale Hotels	Economy Hotels		
<b>Revenue per type of service:</b>	<b>318 380</b>	<b>93 934</b>	<b>9 610</b>	<b>421 924</b>
Room revenue	224 900	75 287	0	300 187
Food & beverage revenue	80 463	15 294	0	95 757
Franchise and management revenue	0	0	6 374	6 374
Other revenue	13 017	3 353	3 236	19 606
<b>Revenue per geographical area:</b>	<b>318 380</b>	<b>93 934</b>	<b>9 610</b>	<b>421 924</b>
Poland	192 342	53 088	4 628	250 058
Hungary	90 509	18 863	1 977	111 349
Czech Republic	16 340	19 493	244	36 077
Other countries	19 189	2 490	2 761	24 440

## 4.8 Seasonality or cyclicity of operations

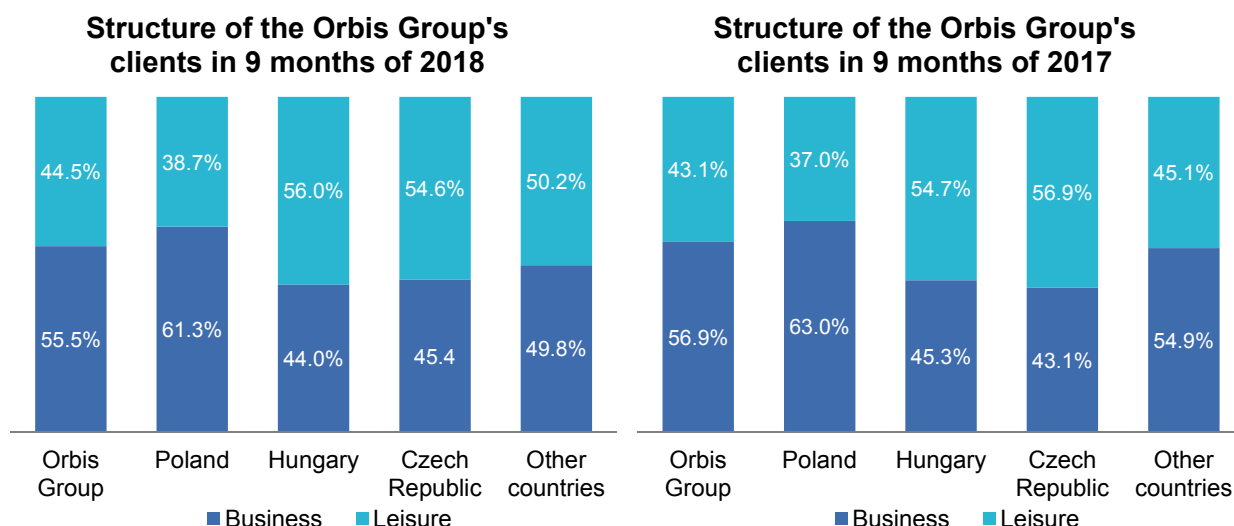
Sales of the Orbis Group throughout the year are marked by seasonality. Usually, the major value of sales is generated during the third quarter of the year. The second quarter of the year is the second best in terms of contribution to sales volume. The first quarter is the last in terms of sales.

Net sales	2018		2017		2016	
	PLN `000	% share of annual revenue	PLN `000	% share of annual revenue	PLN `000	% share of annual revenue
1st quarter	271 465	-	265 951	18.2%	247 214	17.9%
2nd quarter	418 847	-	413 579	28.4%	392 660	28.4%
3rd quarter	391 693	-	421 924	28.9%	396 374	28.7%
4th quarter			356 619	24.5%	346 631	25.0%
<b>Total</b>	<b>1 082 005</b>	<b>-</b>	<b>1 458 073</b>	<b>100.0%</b>	<b>1 382 879</b>	<b>100.0%</b>

## 4.9 Clients of the Orbis Group

In 9 months of 2018 business clients accounted for 55.5% of customers of the Orbis Group hotels. They formed the dominant group in the Group's hotels in Poland (61.3% of all customers). Conversely, in Hungary in the Czech Republic and in other countries it was tourists who formed the most numerous group of hotel customers, accounting respectively for 56.0%, 54.6% and 50.2% of all the customers.

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



## 4.10 Statement of financial position

As at September 30, 2018, Orbis Group's assets totalled PLN 3 110.6 million, i.e. increased by PLN 191.3 million as compared to December 31, 2017.

The major component of the Group's assets are non-current assets, accounting for 78.8% of total assets. The predominant item of non-current assets are property, plant and equipment valued at PLN 2 315.7 million, accounting for 74.4% of total assets. Due to the type of business pursued, the major item of property, plant and equipment are buildings and structures as well as land and titles to perpetual usufruct of land. Property, plant and equipment remained at the level similar to that in December 31, 2017, while capital expenditure (PLN +224.1 million) was reduced by depreciation and amortization (PLN -122.8 million) and downward adjustments resulting from disposals (PLN -22.2 million), incl. the sale of the Novotel Szeged hotel in Hungary and ibis Plzen in the Czech Republic. In addition, the property, plant and equipment items decreased by the non-hotel real property in Wrocław which was transferred to assets held for sale.

Intangible assets (mainly goodwill) valued at PLN 114.6 million also constitute a major item of non-current assets. The contribution of intangible assets to the Group's assets was at 3.7% at the end of September 2018. Increase of the goodwill item by PLN 4.4 million is attributable to accounting the Mercure Bucharest Unirii hotel acquisition transaction including the hotel's business by the subsidiary Accor Hotels Romania s.r.l. (more information on this transaction and its accounting is provided in Section 4.3).

As regards current assets, the most significant changes in 9 months of 2018 versus December 31, 2017, occurred with regard to cash and cash equivalents, trade receivables and assets held for sale.

Under the current assets item, the most important sub-item are cash and cash equivalents of PLN 497.2 million, accounting for 16.0% of total assets. Increase in cash and cash equivalents by PLN 282.3 million as compared to December 31, 2017, is above all attributable to the receipt of payment in the amount of EUR 81.3 million plus VAT (approx. PLN 345.9 million) for the sale of the Sofitel Budapest Chain Bridge hotel and HUF 773.1 million (approx. PLN 10.3 million) for the sale of the Novotel Szeged hotel.

Increase of trade receivables by 42.6% as compared to December 31, 2017, is the result of a higher room revenues sold in September 2018 against year end.

A major item of current assets as at September 30, 2018, were other current receivables (PLN 33.6 million). This item comprises predominantly of receivables from sale of tangible assets, VAT receivables and prepayments. As at the end of September 2018, the Group held receivables resulting from the sale of tangible assets of PLN 4.0 million (11.9% of other current receivables) from the sale of the Mercure Mragowo Resort & SPA hotel. At the end of 2017, this item also included receivable of PLN 3.9 million from the sale of the Mercure Kasprowy hotel in Zakopane, and at the end of September 2017, also PLN 14.4 million receivable from sale of the Mercure Toruń Centrum hotel. As at September 30, 2018, the Group reported also higher prepayments as compared to December 31, 2017, mainly including the fees for perpetual usufruct of land.

Moreover, as at September 30, 2018, Orbis Group reported assets of PLN 23.2 million classified as assets held for sale, which include: assets of the ibis budget Toruń hotel, a real property in Toruń with an unfinished building that was originally planned to operate as an ibis hotel, and a non-hotel real property located in Poznań and Wrocław. As compared to the end of 2017, assets classified as assets held for sale were reduced by the Mercure Cieszyń hotel, the ibis Styles Bielsko-Biała hotel, the Sofitel Budapest Chain Bridge hotel and non-hotel real property located in Karpacz, which have been sold. On the other hand, assets classified as held for sale at the end of 2017 did not include the real property in Wrocław, with respect to which the preliminary sale and purchase agreement was signed in March 2018.

The Orbis Group financed its assets predominantly from equity. As at September 30, 2018, the Group's equity accounted for 74.4% of the total equity and liabilities (PLN 2 315.0 million). On the other hand, the Group's net debt stood at PLN 5.5 million, i.e. accounted for 0.2% of equity.

As at September 30, 2018, Orbis S.A. had non-current liabilities bearing interest liabilities under the bond issue of PLN 502.7 million (16.2% of liabilities). The maturity date of the bonds are in 2020 and 2021.

As at September 30, 2018, the Group did not have any borrowings. As at December 31, 2017, only a subsidiary Accor Pannonia Hotels Zrt. had a current overdraft of PLN 40.9 million.

The most significant item of current liabilities as at September 30, 2018, comprises trade liabilities (39.5%) which remained at a level similar to other periods of 2018.

A significant item of current liabilities are other current liabilities (30.4%), including mainly tax and social security liabilities (including VAT) and accrued expenses of employee benefits (also for bonus payments and unused holiday leaves) and public imposts (mainly including the challenged rights to perpetual usufruct of land). A lower level of these liabilities results predominantly from lower level of employee benefits due to payout of bonuses and awards as well as payment of tax on hotels acquired last year by Accor Pannonia Hotels Zrt.

A much higher level of deferred revenue as at September 30, 2018, results predominantly from prepayments received for accommodation services in the next periods (87.8% of the balance).

Decline of liabilities associated with tangible assets in 9 months of 2018 results in particular from recognition of capital expenditure incurred for the modernisation of the following hotels: the Novotel Poznań Centrum, the Novotel Warsaw Airport, the ibis Styles Warszawa Centrum, the Novotel Warsaw Centrum and the ibis Poznań Centrum.

## **4.11 Statement of changes in equity**

On September 31, 2018, equity amounted to PLN 2 315.0 million against PLN 2 080.9 million at the end of 2017.

The retained earnings of the Orbis Group include a net profit of PLN 298.7 million for 9 months of 2018. The dividend for 2017 amounting to PLN 73.7 million had an adverse impact upon the value of retained earnings as at the end of September 2018.

Moreover, the retained earnings' opening balance as at January 1, 2018, was adjusted by PLN -1.2 million due to implementation of IFRS 15 *Revenues from Contracts with Customers*. For a more detailed description see Note 5.8.

On the other hand, the foreign currency translation reserve increased from PLN -10.7 million at the end of 2017 to PLN -0.5 million at the end of September of 2018. This change results specifically from the reversal of exchange differences relating to the valuation of a net investment in a subsidiary operating abroad. In addition, this item includes foreign exchange differences attributable to translation of foreign operations into the currency of presentation (PLN). The slight decline of average rates of exchange of foreign currencies as at the end of September 2018 as compared to December 31, 2017, resulted in decrease in the foreign currency translation reserve by PLN 1.7 million (foreign currency applied for translation of financial statements of foreign subsidiaries is presented in Note 5.9).

## 4.12 Statement of cash flows

During 9 months ended on September 30, 2018, the net cash flows of the Orbis Group amounted to PLN 280.0 million (PLN -295.7 million in 9 months of 2017). The change in the balance of cash during 3 months ended September 30, 2018, amounted to PLN -79.4 million (PLN -2.2 million in the same period of 2017). The net cash inflows in the 9 months of 2018 resulted from the following factors:

- **Cash flows from operating activities**

The profit on operating activities without one-off events generated during the period of 9 months of 2018, amounting to PLN 233.1 million (i.e. by PLN 10.4 million less than in the period from January to September 2017) has directly impacted the slightly lower net cash flows from operating activities, which totalled PLN 287.2 million (PLN 298.4 million in 2017). In Q3 2018, net cash flows from operating activities were also slightly lower than in the corresponding period of the past year (PLN 111.8 million as compared to PLN 126.2 million).

- **Cash flows from investing activities**

Positive cash flows in period January - September of 2018 were generated primarily by the Group's revenues from the sale of property, plant and equipment, including mainly the Sofitel Budapest Chain Bridge hotel (EUR 75.2 million net, i.e. approx. PLN 319.4 million), the Novotel Szeged hotel (net sum of HUF 757.6 million, i.e. approx. PLN 10.1 million), the Mercure Cieszyn and the ibis Styles Bielsko-Biala hotels (PLN 8.1 million in total), the ibis Plzen hotel (the net sum of CZK 72.0 million, i.e. approx. PLN 12.0 million) and the sale of non-hotel real properties (PLN 3.3 million in aggregate).

Furthermore, in the period of 9 months of 2018, the Group received PLN 4.6 million of other investment inflows, including PLN 3.9 million as another instalment receivable from the sale of the Mercure Kasprowy hotel in Zakopane and PLN 0.7 million as an advance payment towards the future sale transaction of non-hotel property located in Poznań.

Cash inflows from investing activities (PLN 358.7 million) were reduced by expenditure of PLN 241.3 million, earmarked for the construction and modernization of Orbis Group hotels. The largest capital expenditures during the period of 9 months of 2018 were allocated for the purchase of the Mercure Unirii hotel and the ibis Vilnius hotel.

In Q3 2018, the Group generated negative cash flows from investing activities in the amount of PLN -114.7 million (PLN -18.3 million in Q3 2017). It is the effect of higher capital expenditure as compared to inflows from the sale of plant, property and equipment (the Mercure Cieszyn hotel, the ibis Styles Bielsko-Biala hotel, the ibis Plzen hotel and non-hotel real properties owned by Orbis).

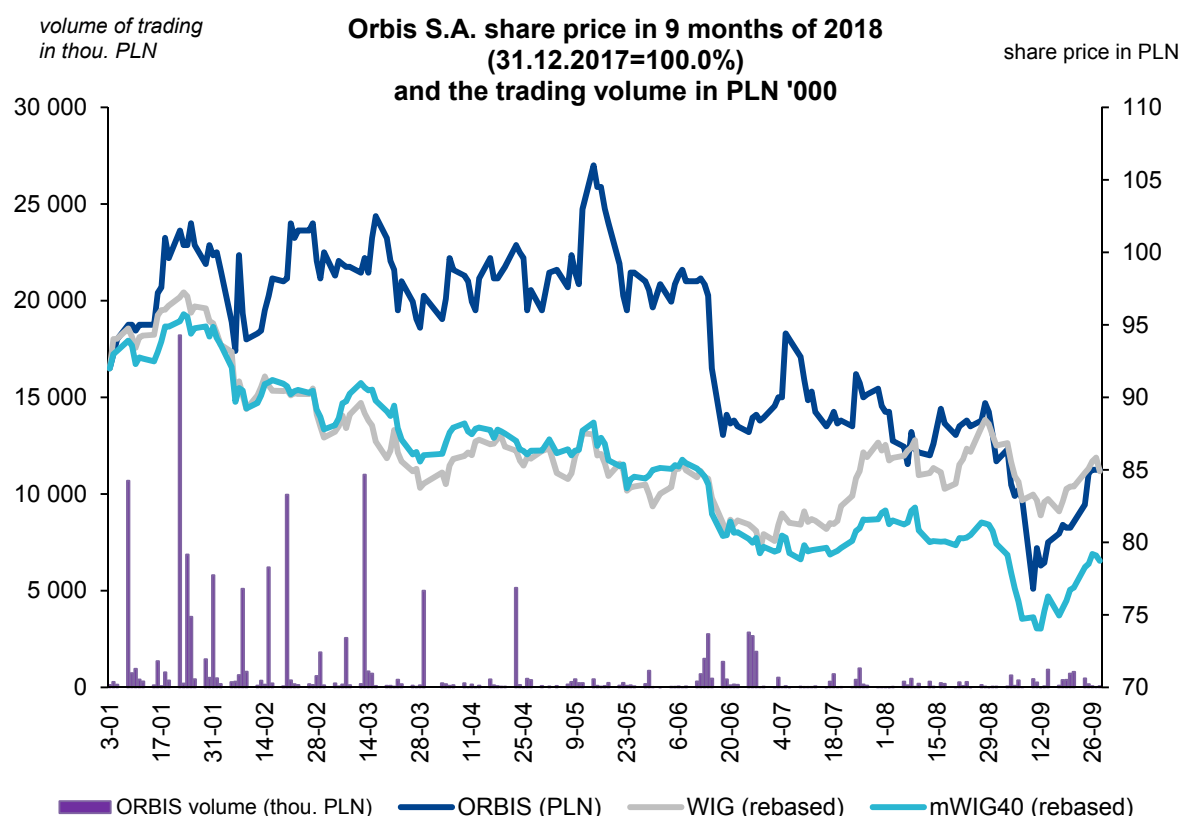
- **Cash flows from financing activities**

The negative cash flows from financing activities during 9 months of 2018 at the level of PLN -124.6 million resulted from payment of dividend to Orbis shareholders in the amount of PLN 73.7 million, repayment of an overdraft with interest by Accor Pannonia Hotels Zrt. in Hungary (total of PLN 40.9 million) and payment of interest on bonds in the total amount of PLN 10.0 million. In the past year, Orbis paid out dividend in the same amount as this year, PLN 20.4 million of liabilities under taken out loan and PLN 9.9 million of interest on bonds, but also incurred an overdraft (+ PLN 21.7 million). All these cash flows during the period of 9 months of 2017 generated cash flows from financing activities at the level of PLN -82.4 million for the Group.

During the period of 3 months ended on September 30, 2018, Orbis S.A. generated cash flows from financing activities at the level of PLN -76.4 million as compared to PLN -110.1 million in the corresponding period of 2017. Negative cash flows during both these periods were caused primarily by the payment of dividends, and in Q3 2017 alone, additionally from loan repayment.

## 4.13 Share price

From January 1 to September 28, 2018, the price of Orbis S.A. shares ranged from PLN 76.8 (as at September 10) to PLN 106.0 (during the stock exchange session on May 14). The spread between the highest and the lowest quotations was PLN 29.2, which accounted for 38% of the lowest price. The Orbis share closing price at the end of the third quarter of 2018 stood 6% above mWIG40 index, and was similar to WIG index. On September 28, 2018, Orbis S.A. shares achieved the level of PLN 85.0, which represents a decrease by 8% as compared to PLN 92.5 as at the end of 2017. During three quarters of 2018, the average trading volume in Orbis stocks equalled 8 000 shares.



## 4.14 Capital expenditure

During 9 months of 2018, capital expenditure of the Orbis Group amounted to PLN 224.1 million (PLN 544.4 million in the corresponding period of the past year).

Capital expenditure of the Group	9 months ended Sep. 30, 2018	9 months ended Sep. 30, 2017
Leased hotels buyback	0	471 495
Development projects	179 925	41 423
Other expenditure	44 179	31 444
<b>Total</b>	<b>224 104</b>	<b>544 362</b>



Expenditure incurred in 9 months of 2018 was allocated for development projects in the Group's companies. A total sum of PLN 179.9 million was appropriated for the following investment projects:

- **The ibis Styles Warszawa Centrum hotel.** The construction of the Ibis Styles Warszawa Centrum hotel, launched in September 2017, is coming to an end. The hotel will be located in the vicinity of the existing ibis budget Warszawa Centrum hotel. The work is in the last phase of the FF&E work leading to the hotel acceptance procedures. The scheduled date of the hotel opening is December 2018. It is yet another hotel of the Orbis Group which is being built in accordance with BREEAM-certification standards (certification for green buildings). The hotel will offer 179 rooms, 4 conference rooms, a restaurant and a bar. The total estimated expenditure for this hotel construction is above PLN 48 million.
- **The Novotel Poznań Centrum hotel.** The modernization of the hotel scheduled for years 2016-2018, related to the split of the hotel and a partial rebranding into ibis, was continued in 2018. In the last year, the modernization of 246 rooms in the Novotel and 142 rooms in the ibis hotel was completed, while in the reported period of 2018, another 128 rooms were renovated. Moreover, till the end of September 2018, all works related to rearrangement of public areas were finished in the hotel, including large conference rooms, the restaurant and the WineStone bar, the WiseCafe and the fitness area. The modernization of the hotel also includes installations and technical equipment of the hotel. The works are scheduled to be completed at the turn of 2018 and 2019. The total estimated expenditure for this investment project during the period 2016-2019 will come to approx. PLN 59 million.
- **The Novotel Kraków City West hotel.** The modernization of 12 rooms was completed in the 9 months of 2018. The next stage of room modernization was planned for Q4 of 2018 (28 rooms with bathrooms and 12 rooms). During the analysed period of 2018, an outdoor gym was completed and works on the renovation of the swimming pool and the façade were continued. The work on new communication solutions in the vicinity of the hotel have been completed as well. The total estimated expenditure for this investment project during the period 2016-2018 will exceed PLN 22 million.
- **The Sofitel Warszawa Victoria hotel.** As part of the next phase of the Sofitel Warszawa Victoria hotel modernization works, commenced in 2017, 158 rooms with corridors on the 3rd and 4th floors of the hotel and the SPA were modernized in 2018. At present, works on other rooms with bathrooms are being finished. Modernisation of another 5 suites, including the Opera Suite and the Presidential Suite, is scheduled for the end of 2018. The total estimated expenditure for this investment project will come to approx. PLN 20 million.
- **The Mercure Budapest City Center hotel.** The modernization of hotel rooms, commenced at the end of 2016, involves all 7 floors of the building and is conducted under the theme 'Budapest's monuments and tourist attractions'. Mock-up rooms were completed in 2017, most of the hotel's rooms were completely renovated. In the 9 months of 2018, the works focused on modernisation of the remaining hotel rooms and the lobby; 12 additional rooms and a fitness area were created. The total estimated expenditure for this investment project during the period 2016-2018 will come to approx. EUR 4.1 million.
- **The Mercure Budapest Buda hotel.** In Q4 2017 major renovation works aimed at transforming the hotel from the current Mercure brand into a combo hotel (i.e. two hotels of different brands, ibis and Mercure, operating in the same building) were started. The new hotel will have 250 renovated rooms operating under the Mercure brand and 150 new ibis rooms. 160 rooms were renovated in the 9 months of 2018, the renovation of further 240 rooms and the public areas is scheduled for the period from Q4 2018 to Q2 2019. The investment is scheduled to be completed in Q2 2019 and the total estimated cost of the project during the years 2017 - 2019 will amount to approx. EUR 8.8 million.
- **The Mercure Budapest Korona hotel.** The hotel's modernization scheduled for the period 2017–2020 envisages the renovation of all the hotel rooms, conference rooms and public areas on all the floors of the building. In 9 months of 2018, 101 new rooms were renovated, and during Q3 2018 alone, the conference rooms and public areas were renovated. The investment is to be completed in Q2 2020 and the total estimated cost of the investment is to come to approx. EUR 9.9 million.
- **The Mercure Bucharest Unirii hotel.** At the beginning of July 2018, Accor Hotels Romania s.r.l. acquired the Mercure Bucharest Unirii hotel (together with the hotel business), which till the date of its acquisition was managed by the Romanian company. The newly acquired hotel has 95 rooms, 2 conference rooms and a restaurant. The total net price paid for the hotel (excluding the hotel business) totalled EUR 10.1 million.
- **The ibis Vilnius Centre hotel.** In mid-July 2018, UAB Hekon acquired a newly built ibis Vilnius Centre hotel from UAB Merko Būstas with its registered office in Vilnius to which the construction of the hotel was entrusted.

The net purchase price totalled EUR 8.7 million. The hotel has 164 rooms on 7 floors, 2 conference rooms, a bar, a restaurant and a car park and was opened in August 2018. The total estimated cost of the hotel construction during the years 2016-2018 exceeded EUR 11 million (including the hotel purchase price).

Moreover, in February, 2018, the real property (plot of land), located in Cracow, at Worcella Street, was purchased for a net price of PLN 13 million and in September 2018, a preliminary sale agreement was executed based on which Orbis intends to purchase a real property (plot of land) located in its vicinity. Both properties were purchased in order to implement an investment project (hotel construction), and a study of the technical and operational details of the investment, which will determine the choice of the best economy brand under which the hotel will operate is still being conducted. The purchase of the property adjacent to the Worcella Street plot will allow expanding the size of the property (the hotel) and greater flexibility in the selection of the brand. Work on development of the construction design started during the reporting period.

As regards the planned construction of the new **ibis Styles Stare Miasto Szczecin** hotel, the work on the completion of formalities relating to the unification of the legal status of the real property of the hotel under construction is in progress. The construction works are scheduled to start at the beginning of 2019. Due to the location of the hotel in the historical part of the city, the building's façade will blend with the historical buildings in the vicinity.

Other expenditure incurred in the 9 months of 2018 (PLN 44.2 million) was allocated for modernisation of hotels operating in the Group, technical installations modernisation and IT investments.

The most important investment projects implemented during the 9 months of 2018 include:

- Completion of redesign of 56 rooms with corridors on two floors of the **Novotel Warszawa Centrum** hotel, as well as commencement of modernization of successive 28 rooms,
- Modernisation work at the **Novotel Wrocław City** hotel, where 65 rooms and 33 bathrooms were completed and delivered for use by the end of September; furthermore, hotel windows were replaced,
- Completion of renovation works of 140 rooms and bathrooms in the **Novotel Katowice Centrum** hotel and works aimed at new conference rooms being built in place of the former casino,
- Modernisation of 25 rooms and corridors at the **Novotel Warszawa Airport** hotel and commencement of renovation of successive 55 rooms with bathrooms,
- Completion of modernization of 108 rooms (including 10 rooms with bathrooms) in the **ibis budget Warszawa Centrum** hotel,
- Replacement of beds and TV sets in 134 rooms and partial replacement of in-built furniture in the restaurant and the bar at the **Sofitel Sopot Grand Hotel**,
- Completion of modernisation of 16 Privillage rooms and 10 Standard rooms in the **Mercure Poznań Centrum** hotel and continued renovation in successive 25 hotel rooms,
- Modernisation of 51 rooms and bathrooms at the **ibis Warszawa Stare Miasto** hotel, redesign work in 29 rooms of the **ibis Warszawa Centrum** hotel and renovation of 32 rooms in the **ibis Kraków Centrum** hotel,
- Interior arrangement design and construction design for the extension of the WineStone restaurant in the **Mercure Gdańsk Stare Miasto** hotel, 78 rooms were rearranged in Q3 2018,
- Completion of modernization of the cooling sources in the **Sofitel Warszawa Victoria** hotel, the **Novotel Warszawa Centrum** hotel and the **Novotel Katowice Centrum** hotel,
- Commencement of rearrangement of the lobby and the reception in the **Mercure Warszawa Grand** hotel,
- Modernisation of 40 bathrooms and the SPA area and replacement of carpeting in 40 rooms of the **Mercure Gdańsk Posejdon** hotel.

Moreover, as regards the IT & digital services expenditure, in Q3 2018, the Group completed the implementation of IT systems in the newly opened properties and actively supported the ownership change process, at the same time initiating partial infrastructure replacement. Wherever planned, mobile devices were supplied to improve contacts with guests and growth of their satisfaction with their stay in Orbis hotels.

## 4.15 Human resources

During 9 months of 2018, the average employment in the Orbis Group stood at 4 017 full time equivalents, having risen by 0.3% compared to the same period of last year.

Average employment (in full-time equivalents)	9 months ended Sep. 30, 2018	9 months ended Sep. 30, 2017	% change
Poland	2 563	2 588	-1.0%
Hungary	884	934	-5.4%
Czech Republic	236	224	5.4%
Other countries	334	259	29.0%
<b>Total</b>	<b>4 017</b>	<b>4 005</b>	<b>0.3%</b>

Increase in average employment in other countries is the result of acquisition of two hotels during the reporting period, i.e. the Mercure Bucharest Unirii hotel and the ibis Vilnius Centre hotel.

During 9 months of 2018 the Orbis Hotel Group completed, in the form of both traditional and e-learning training courses, over 5 100 training days for nearly 6 200 participants.

## 4.16 Corporate Social Responsibility (CSR)

### Data Protection & IT

Works in the third quarter of 2018 were focused on the fine tuning of IT security policy in terms of the GDPR. The GDPR programme is being implemented in Orbis through the Ethics & CSR Committee of the Orbis Supervisory Board with the support of the Orbis Sustainable Development Operational Committee.

### Extension of the Compliance program and introduction of the Whistleblowing platform

In addition to the Gift Acceptance and Giving Policy applicable in the Orbis Group, and taking into consideration the potential new legal regulations introducing a whistle-blower mechanism in the Polish law, a management system is being developed to prevent corruption and bribery. Furthermore, the Company has started to implement the platform for reporting cases of non-compliance with the principles set forth in the Orbis Ethics and Social Corporate Responsibility Charter.

### Low-carbon hotels – green constructions, food waste reduction and less plastic approach

The carbon footprint of Orbis hotels is related to energy consumption as well as food produced and waste generated as part of regular hotel operations. Therefore, we reduce our impact on the climate change by deploying low-carbon investments and BREEAM green certification for all new Orbis constructions, such as for example the recently opened ibis Vilnius in Lithuania and ibis Styles Warszawa Centrum (to be open in December 2018).

Furthermore, nearly 100% of hotels operating in the Orbis Group are covered under the food waste reduction program. We deploy the Healthy and Sustainable Food Charter to tackle the issue of food sustainability (i.e. downsizing the food waste) and to protect agricultural biodiversity.

Moreover, hotels started to eliminate disposable plastics (priority for straws) in hotels of the Orbis Group. Work is conducted on preparing the Company for the new waste regulations planned in Europe and promoting a circular economy.

### **Orbis – a responsible employer**

In order to attract new employees and retain our talents we have been continuing actions on EVP – Employees Value Proposition, having in mind that by being the best employer in hospitality magnifies also guest experience. Our efforts are visible in the decrease, second year in the row, in the employees' rotation rate in Poland from 15.8% last year to 14.5%.

Orbis is also engaged in several projects attracting younger generation, i.e. hackathon in Budapest and designing the "Room of The Future"; creation of social learning platform for employees and new and completely different recruitment mode in the ibis Vilnius or in the ibis Styles Warszawa Center hotel that will open in December 2018.

As Orbis attaches great importance to respecting the rights of our employees, including promoting their diversity, the Women at AccorHotels Generation corporate network (WAAG) has initiated an inspirational program for 20 women employed in the Tri-City. The cycle of workshops is aimed at empowerment of women at managerial positions.

We are continuing to deploy the Heartist™ project aimed assuring that Orbis talents are natural and authentic while serving guests. The ongoing cultural change in the Orbis Group and in all the hotels operating under AccorHotels brands across the region brings positive effects, i.e. an increase in the employee commitment and a positive impact on client satisfaction level measured by the Reputation Performance Score.

### **Human Rights – combating child and youth abuse in tourism**

In close cooperation with the Empowering Children Foundation (Fundacja Dajemy Dzieciom Siłę), in the third quarter of 2018 a successive group of employees of Slovakia hotels was trained in the area of the child protection against sexual abuse policy. The trainings were held in Bratislava. Since 2012, the Orbis Group has been the only hospitality group in Poland and in this part of Europe to not only have signed the Code of Conduct for the protection of minors promoted by the international ECPAT organisation, but to also put in place procedures aimed at protecting the youngest.

## **4.17 Position of the Management Board as regards viability of previously published forecasts**

On July 26, 2018, the EBITDA forecast of the Orbis Group for 2018 in the range from PLN 465 to 480 million was published in the current report no. 29/2018. The EBITDA forecast includes the result on operating activities, excluding the impact of one-off events, such as sale of real properties, revaluation of non-current assets or costs of employment restructuring.

The Orbis Group's EBITDA for 9 months of 2018 amounts to PLN 358.0 million. In the Management Board's opinion, as at the date of publication of the financial statements, there are no factors that might pose a threat to the viability of the forecast.

## **4.18 Factors to affect the Orbis Hotel Group's operations in subsequent quarters**

### **Further RevPAR growth**

The hospitality markets in the Central and Eastern Europe continue to follow a favourable economic trend in 2018. Solid economic conditions in the countries across the region are reflected in results generated by hotels, although the revenue growth momentum is no longer as spectacular as it used to be in recent years. Large volume of investment projects in the hospitality market accompanied by continuing interest in short-term rental has resulted in the growth in demand being outdone by accommodation supply increase. This will lead to a stronger competitive price struggle and potentially a drop in the occupancy rates. It is therefore to be expected that the price per room will be the main driver of growths in the coming months. This development is a positive one, particularly in the context of widespread employment problems, which in view of increasing occupancy contribute to higher work intensity and an increase in the associated costs of hotel operations.

### **Increase in accommodation supply**

The hotel market is strongly correlated with macroeconomic trends. Stable economic growth in the CEE region observed in 2017 and 2018 will continue to last in the year to come, however, the growth momentum will slow down a little. According to the projections of the International Monetary Fund, the real GDP growth in 2019 in those countries where the Orbis Group has its subsidiary hotels will be at 3.4% on average as compared to 3.8% in 2018. The macroeconomic forecasts for the coming months are therefore satisfactory for the hospitality industry and herald the continuation of trends initiated on the market in the preceding years.

Favourable economic conditions boost investments in the hotel market, thus contributing to opening modern branded hotels. Many projects are currently in the construction phase, and further investments are in the pipeline for the coming years. Recent years brought increased interest in hotels not only amongst investors experienced in the hospitality industry, but also developers who strive to diversify their operations and are looking for sources of income other than office buildings or shopping malls. Recently, multifunctional buildings that combine the functions of, for example, a hotel, an office and retail premises, have also gained popularity. New investors are attracted above all by higher rate of returns on a hotel. Investment decisions are also fuelled by relatively inexpensive and available bank loans. Often developers also decide to change the functions of their properties (for example turning office buildings into hotels), especially where the supply of land is limited. The hotel market is already well saturated and further developments may lead to oversupply. The largest volume of investments under construction is reported in Warsaw and the Tri-City. According to analysts, within two years, over 2.5 thousand rooms will enter the market in the capital city alone, while Łódź and Poznań are also dynamically developing markets for new investments.

An increase in the market share of hotels affiliated with international networks has also been observed recently in the countries of Central and Eastern Europe, which is caused by an increase in tourism spend and better financial condition of the region's population. Operators are launching new hotel brands which have not been present on the market so far. This is particularly noticeable in tourist cities, where only local players have been in the market to date. The growing share of young generation in the guest mix is also conducive to the emergence of brands that take into account not only tastes and preferences, but also the budgets of young customers.

In addition, the accommodation supply in large cities expands quite intensively with private apartments for rent, which compete with categorised hotels for tourist guests. This is particularly noticeable in Prague (the Czech Republic). Hoteliers responded to the growing share of apartments for rent in the market by offering aparthotels which combine the advantages of an apartment with a high-quality hotel service.

### **Effective portfolio management**

Asset management and expansion of the Group's hotel portfolio is an important pillar of our strategy. The Group continues its efforts aimed at boosting its market share and focusing investments in key markets of the region. In August 2018, the Group opened the ibis Vilnius Centre hotel in Lithuania, and in the first days of July 2018, the Group acquired the Mercure Bucharest Unirii hotel, which before the transaction was managed by Accor Hotels Romania s.r.l., a Romanian company belonging to the Group. Furthermore, the construction of the ibis Styles Warszawa Centrum hotel continued during 9 months of 2018; the opening of the hotel is scheduled for the end of 2018. The remaining hotels belonging to the Group undergo successive modernizations with a view to adapt the hotel space to the requirements of modern tourists.

In order to develop operations in the fast-growing market of aparthotels, at the end of 2017 the Group signed a Master Franchise Agreement, thus expanding its portfolio by the Adagio brand - the No. 1 brand amongst European aparthotels that offers apartment rental services according to the hotel system (i.e. per night).

In order to optimise its hotel portfolio, the Group focuses on highly profitable investments, at the same time entering into sale and franchise-back transactions of hotels with non-strategic importance for the Group. At the end of July, the Group finalised the sale of the Mercure Cieszyn hotel and the ibis Styles Bielsko-Biała hotel, and the sale of the ibis budget Toruń hotel and the not completed ibis hotel, also located in Toruń, is planned to take place by the end of the year. Moreover, the Sofitel Budapest Chain Bridge hotel and the Novotel Szeged hotel in Budapest were divested in May and the ibis Plzeň hotel located in the Czech Republic was sold at the end of July. Following their sale, all the hotels will operate as franchised or managed hotels to ensure continued operations under our brands.

The Group also continues its expansion based on the asset light model. The successive 15 franchise and management agreements were signed during 9 months of 2018 for hotels located in 8 countries (1 800 rooms in total).

These agreements reinforce the presence of hotel brands in the countries of the Central and Eastern Europe without the need to invest in hotel construction and maintenance.

### **Challenges and positive prospects for the hospitality industry**

Low unemployment rate, lack of qualified staff in the market and the consequent problems with finding the right employees continue to pose a challenge for (not only) the hospitality industry. Hotels are not only struggling with difficulties to attract and retain properly qualified staff. At the moment we have an employee market, which is reflected in an increased staff turnover rate and wages&salaries growth. Retaining employees compels employers not only to present good financial conditions (considering in addition that low level employee salaries in the hospitality industry have been under the market for many years), but also to devise interesting non-wage incentives, such as a system of trainings or a flexible career path. This approach to human resources will no doubt translate into an increase in wages&salaries costs, but at the same time it will facilitate not only building employee loyalty so that they will want to continue to be a part of the organisation (despite the persistently high labour supply, which makes a potential decision to change job easy), but also maintaining high quality of the service provided and a high level of hotel guest satisfaction.

Problems associated with the employee market also affect the investment process. Shortage of workers resulted in a significant increase in the wage costs in the construction industry, and, combined with rising prices of building materials and increasing prices of land, translated into an increase in the costs of construction and extension of the whole process in time.

A factor that has a positive impact on the hospitality industry performance is the noticeable improvement in the affluence of population in the region which translates into its purchasing power. A higher income level boosts the propensity to travel, which is becoming an integral part of lifestyle.

At the same time, as income levels go up, guests expectations as to the standard and variety of service offered also rise, predetermining their choice of the destination, the place (venue) and the standard of accommodation. This poses further challenges for the industry, if it to remain competitive against the background of the growing accommodation supply.

In addition to relatively low prices, visitors are encouraged by the development of tourism and improved transport infrastructure in the form of new roads, rail connections and cheap flights to Poland and other countries where the Group operates its hotels. The propensity to travel is also heartened by cultural and sporting offer. Numerous events will take place in the largest cities of the Central and Eastern Europe in 2019, including the World Fencing Championships and the World Championships in table tennis to be organised in Budapest and the U-20 Football Championships to be held in Poland (the competition will take place in June in Łódź, Lublin, Gdynia and other cities). Szczecin will host the European Championships in gymnastics and Slovakia will organize the 2019 IIHF Ice Hockey World Championship. Additionally, hotels located in Katowice will attract more guests in the fourth quarter of the year thanks to the United Nations climate summit to be held in this city in December.

### **Summary**

To summarise, the hospitality industry continues to be doing well and its future depends on economic conditions and rational decision-making by investors whether to build new hotels. The market has entered a stabilized phase, which means that such spectacular increases as in the past years should not be expected.

The description of basic risks and threats, i.e. factors significant for the Group's development, is presented in the consolidated financial statements for 2017 in Note 31.



## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 5.1 Basic information about the Issuer

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

### 5.2 Business operations

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

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

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

The Orbis Group is the largest hotel operator in Poland and Central & Eastern Europe. As at the end of March, the Group's structure comprised 129 hotels located in 12 countries. The Orbis Group hotels operate under Accor brands: Sofitel, Pullman, MGallery, Novotel, Mercure, ibis, ibis Styles and ibis budget.

### 5.3 The Issuer's shareholders

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

Shareholder	Number of shares and votes	% of the total number of shares and votes at the GM
Accor S.A.	24 276 415	52.69
<i>of which: subsidiary Accor S.A. - Accor Polska Sp. z o.o.</i>	<i>2 303 849</i>	<i>4.99</i>
Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK	4 577 880	9.94
Metlife Otwarty Fundusz Emerytalny and Metlife Dobrowolny Fundusz Emerytalny managed by Metlife Powszechne Towarzystwo Emerytalne S.A.	2 357 156	5.12
Nationale-Nederlanden Otwarty Fundusz Emerytalny	2 391 368	5.19

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

The Orbis S.A. shareholding status determined based on notifications received (above) differs from the shareholding status of individual shareholders established on the basis of lists of shareholders who had the right to participate in the Annual General Meeting of Shareholders.

An Annual General Meeting of Shareholders was held on June 12, 2018, and the following shareholders holding at least 5% of the total number of votes had the right to participate in this Meeting:

- Accor S.A. 24 276 415 shares (52.69% of all the shares),  
*of which Accor Polska Sp. z o.o. 2 303 849 shares (4.99% of all the shares),*
- Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK 4 605 000 shares (9.99% of all the shares),
- Nationale-Nederlanden Otwarty Fundusz Emerytalny 4 500 000 shares (9.77% of all the shares),
- Metlife Otwarty Fundusz Emerytalny 2 400 000 shares (5.21% of all the shares).

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

Orbis' strategic investor is AccorHotels - a global leader in travel and lifestyle offering unique experiences in more than 4.6 thousand hotels, resorts and residences, and in more than 10 thousand private residences worldwide. The AccorHotels Group is the owner of 35 hotel brands, from upscale to economy. With its dual expertise as an investor and operator, AccorHotels operates in 100 countries through its HotelInvest and HotelServices divisions and has a global team of more than 250 thousand employees.

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

## 5.4 Statutory bodies of the Issuer

### The Management Board

During the period from January 1, 2018 till September 30, 2018, Orbis S.A. Management Board was composed of the following Members:

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

### The Supervisory Board

During the period from January 1, 2018, till September 30, 2018, Orbis S.A. Supervisory Board was composed of the following Members:

- Jan Ozinga – Chairman (resigned from the position of Chairman and member of the Supervisory Board, effective as of April 6, 2018),
- Pierre Boisselier – Member (appointed member of the Supervisory Board effective as of April 7, 2018),
- Jean-Jacques Dessors – Member (resigned from his position of a Supervisory Board Member effective as of March 2, 2018),
- Artur Gabor – Independent Member,
- Franck Gervais – Chairman (appointed member of the Supervisory Board effective as of April 4, 2018, Chairman from 12 June, 2018),
- Christian Karaoglanian – Member,
- Jacek Kseń – Independent Member,
- Jean-Jacques Morin – Member,
- Laurent Picheral – Member,
- Andrzej Procajło – Member,
- Andrzej Przytuła – Member,
- Jarosław Szymański – Member.

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

As at the day of publication of the report, Vice-President of the Management Board, Mr. Ireneusz Andrzej Węglowski, held 3 900 Orbis S.A. shares. During the period of 9 months of 2018, Mr. Ireneusz Węglowski traded in Orbis shares a few times, i.e. acquired 200 shares on June 19 and acquired successive 450, 50 and 200 shares on September 4, September 20 and September 24, 2018. Other members of the Management Board did not hold any Company shares.

Among members of the Supervisory Board, only Mr. Jacek Kseń held 600 shares in Orbis S.A. as at December 31, 2017, which were sold on January 12, 2018 (300 shares) and January 16, 2018 (300 shares). As at the date of publication of this report, Mr. Jacek Kseń did not hold any shares in Orbis S.A.

## 5.6 Share capital and dividends paid

As at September 30, 2018, the share capital of Orbis S.A. comprised the share capital disclosed in the amount set out in the Statutes and entered in the court register, adjusted for effects of hyperinflation, i.e.:

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

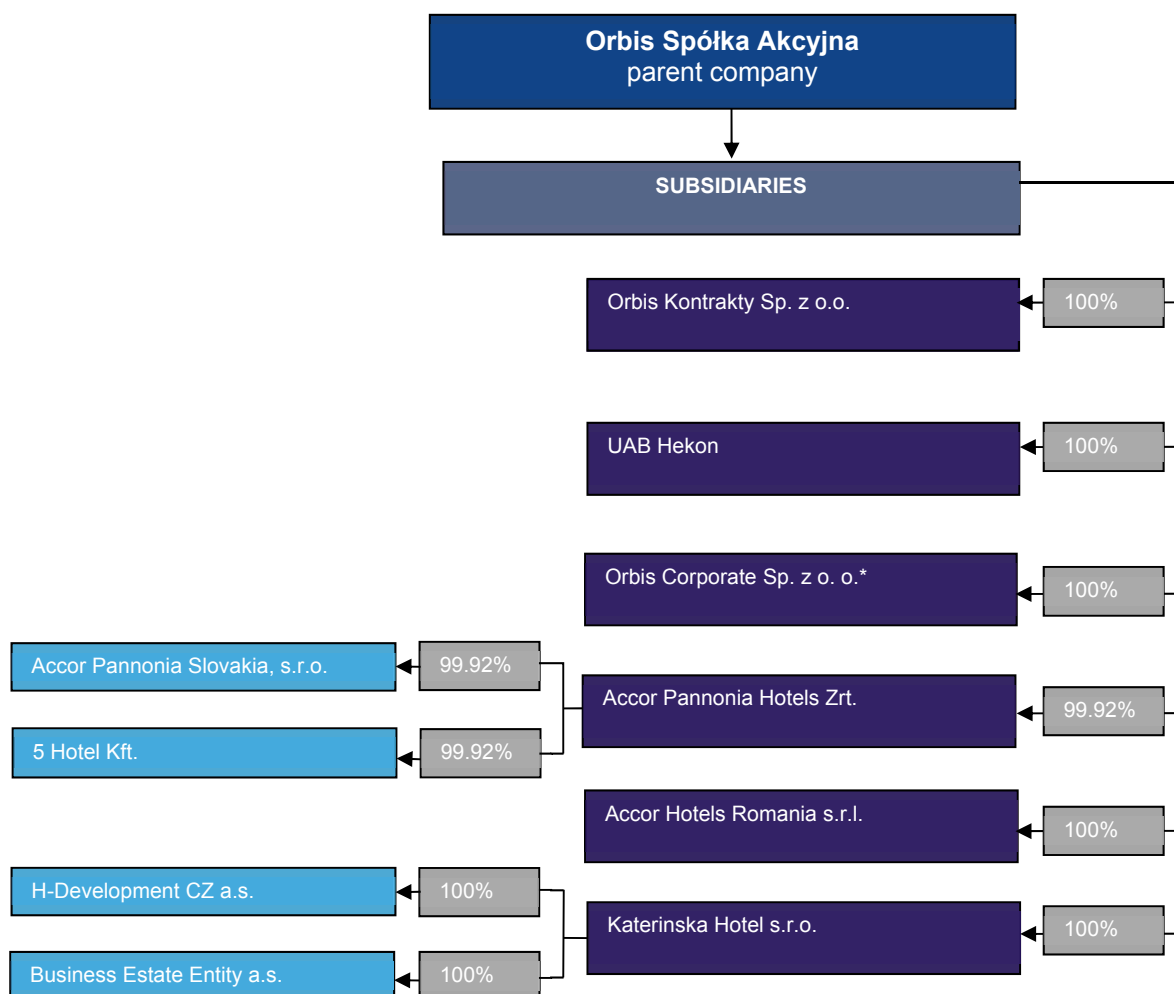


During 9 months of 2018 and till the date of publication of this Report the value of share capital did not change.

By virtue of resolution of the General Meeting of Shareholders dated June 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 was paid on 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.

## 5.7 The structure of the Group

As at September 30, 2018, the Orbis Group comprised the following companies:



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

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.

## 5.8 Description of principal accounting policies

These condensed interim consolidated 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, adopted by the European Union, published and binding as at the date of these financial statements.

The principal accounting policies applied in the preparation of the consolidated financial statements were set out in Note 2.4 to the annual consolidated financial statements for 2017. The accounting policies have been consistently applied to all the years presented in the financial statements and did not change substantially except as set out below.

Since January 1, 2018, the Group 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”.

Note 5.8.1 describes 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. Furthermore, to ensure comparability of data for particular periods, the impact of IFRS 15 application on the results of the Orbis Group during 9 months of 2018 and 3<sup>rd</sup> quarter of 2018 and on items of the statement of financial position as at September 30, 2018, was presented.

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

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

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

### 5.8.1 The impact of new standards application on the financial statements

#### 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 Group as from January 1, 2018, has been presented in note 5.8.2.

The Group 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 Group 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 Group used full historical data in order to determine the influence of IFRS 15 on the opening balance of the Orbis Group financial statements for the 9 months 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 Group for the 9 months of 2018 and 3<sup>rd</sup> quarter of 2018 and on the items of the statement of financial position as at September 30, 2018.

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

	January 1, 2018 (no IFRS 15 impact)	IFRS 15 impact	January 1, 2018 (restated)
<b>Non-current assets</b>	<b>2 392 340</b>	<b>273</b>	<b>2 392 613</b>
Deferred tax assets	15 912	273	16 185
<b>Current assets</b>	<b>325 869</b>	<b>-</b>	<b>325 869</b>
<b>Assets classified as held for sale</b>	<b>201 093</b>	<b>-</b>	<b>201 093</b>
<b>TOTAL ASSETS</b>	<b>2 919 302</b>	<b>273</b>	<b>2 919 575</b>
<b>Equity</b>	<b>2 080 877</b>	<b>(1 163)</b>	<b>2 079 714</b>
<b>Equity attributable to owners of the parent</b>	<b>2 080 676</b>	<b>(1 163)</b>	<b>2 079 513</b>
Retained earnings	1 440 378	(1 163)	1 439 215
<b>Non-controlling interests</b>	<b>201</b>	<b>-</b>	<b>201</b>
<b>Non-current liabilities</b>	<b>548 571</b>	<b>1 436</b>	<b>550 007</b>
Deferred revenue	12 202	1 436	13 638
<b>Current liabilities</b>	<b>289 854</b>	<b>-</b>	<b>289 854</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2 919 302</b>	<b>273</b>	<b>2 919 575</b>

**The impact of IFRS 15 application on the financial statements for the 9 months of 2018 and 3<sup>rd</sup> quarter of 2018**

	9 months of 2018 (no IFRS 15 impact)	IFRS 15 impact	9 months of 2018 (as reported)
Net sales	1 082 537	(532)	1 082 005
<b>EBITDAR</b>	<b>400 803</b>	<b>(532)</b>	<b>400 271</b>
<b>Operating EBITDA</b>	<b>358 522</b>	<b>(532)</b>	<b>357 990</b>
<b>Operating profit without the effects of one-off events</b>	<b>233 595</b>	<b>(532)</b>	<b>233 063</b>
<b>Operating profit</b>	<b>364 072</b>	<b>(532)</b>	<b>363 540</b>
<b>Profit before tax</b>	<b>348 963</b>	<b>(532)</b>	<b>348 431</b>
Income tax expense	(49 850)	101	(49 749)
<b>Net profit for the period</b>	<b>299 113</b>	<b>(431)</b>	<b>298 682</b>
- attributable to owners of the parent	298 965	(431)	298 534
- attributable to non-controlling interests	148	0	148
<b>Total comprehensive income/(loss) for the period</b>	<b>309 415</b>	<b>(431)</b>	<b>308 984</b>

	3 months ended 2018 (no IFRS 15 impact)	IFRS 15 impact	3 months ended 2018 (as reported)
Net sales	391 660	33	391 693
<b>EBITDAR</b>	<b>167 151</b>	<b>33</b>	<b>167 184</b>
<b>Operating EBITDA</b>	<b>153 152</b>	<b>33</b>	<b>153 185</b>
<b>Operating profit without the effects of one-off events</b>	<b>110 547</b>	<b>33</b>	<b>110 580</b>
<b>Operating profit</b>	<b>111 573</b>	<b>33</b>	<b>111 606</b>
<b>Profit before tax</b>	<b>103 035</b>	<b>33</b>	<b>103 068</b>
Income tax expense	(19 396)	(6)	(19 402)
<b>Net profit for the period</b>	<b>83 639</b>	<b>27</b>	<b>83 666</b>
- attributable to owners of the parent	83 617	27	83 644
- attributable to non-controlling interests	22	0	22
<b>Total comprehensive income/(loss) for the period</b>	<b>77 915</b>	<b>27</b>	<b>77 942</b>

	September 30, 2018 (no IFRS 15 impact)	IFRS 15 impact	September 30, 2018 (as reported)
<b>Non-current assets</b>	<b>2 452 096</b>	<b>374</b>	<b>2 452 470</b>
Deferred tax assets	9 949	374	10 323
<b>Current assets</b>	<b>634 918</b>	<b>-</b>	<b>634 918</b>
<b>Assets classified as held for sale</b>	<b>23 210</b>	<b>-</b>	<b>23 210</b>
<b>TOTAL ASSETS</b>	<b>3 110 224</b>	<b>374</b>	<b>3 110 598</b>
<b>Equity</b>	<b>2 316 569</b>	<b>(1 594)</b>	<b>2 314 975</b>
<b>Equity attributable to owners of the parent</b>	<b>2 316 226</b>	<b>(1 594)</b>	<b>2 314 632</b>
Retained earnings	1 665 611	(1 594)	1 664 017
<b>Non-controlling interests</b>	<b>343</b>	<b>-</b>	<b>343</b>
<b>Non-current liabilities</b>	<b>545 976</b>	<b>1 836</b>	<b>547 812</b>
Deferred revenue	11 043	1 836	12 879
<b>Current liabilities</b>	<b>247 679</b>	<b>132</b>	<b>247 811</b>
Deferred revenue	36 857	132	36 989
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3 110 224</b>	<b>374</b>	<b>3 110 598</b>

#### 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 Group 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).

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 Group 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.

	Classified according to:		Value according to IAS 39 and IFRS 9 as at Jan 1, 2018
	IAS 39	IFRS 9	
Financial assets			
Cash and cash equivalents	Loans and receivables (amortised cost)	Amortised cost	214 844
Other financial assets	Loans and receivables (amortised cost)	Amortised cost	6 944
Trade receivables and other current receivables	Loans and receivables (amortised cost)	Amortised cost	83 237

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 Group 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 Group 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 Group:

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

Counterparty default is defined by the Group 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 Group 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 Group 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 Group takes into account the potential impact of macroeconomic factors on different markets where the Group 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 Group 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 Group also restated the comparative data for 9 months of 2017. The introduced changes affect the presentation only and have no impact on the result.

As regards hedge accounting, the Group 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 Group 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. 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 Group did not adjust the initial balance of the Group's retained earnings as a result of IFRS 9 implementation.

## 5.8.2 Revenue recognition accounting policy

The revenue accounting principles applied by the Group 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 Group'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 Group'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 Group. 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 Group.
- 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 Group receives franchise fees in connection with the licenses it grants for using brands owned by the Group, usually under long-term agreements with the hotel owners. The Group 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 Group.
- Management fees – these fees are paid by hotels managed by the Group, 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 Group 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.

## 5.9 Currency exchange rates

Items of statements of financial position of foreign subsidiary companies were translated into the Polish currency at the average exchange rate quoted by the National Bank of Poland as at September 30, 2018. Items of the income statement, statement of comprehensive income and statements of cash flows of foreign subsidiary companies were translated into the Polish currency at the exchange rates being the arithmetic mean of average exchange rates quoted by the National Bank of Poland at the day ending each month of 9 months of 2018 and 2017. Exchange rates used to translate statements of foreign subsidiary companies are presented in the table below:

Currency	Average exchange rate in the reporting period		Exchange rate at the end of the reporting period			
	9 months ended Sep. 30, 2018	9 months ended Sep. 30, 2017	Sep. 30, 2018	Jun. 30, 2018	Dec. 31, 2017	Sep. 30, 2017
EUR/PLN	4.2535	4.2566	4.2714	4.3616	4.1709	4.3091
HUF/PLN	0.0133	0.0138	0.0132	0.0133	0.0134	0.0138
CZK/PLN	0.1662	0.1604	0.1664	0.1683	0.1632	0.1655
RON/PLN	0.9141	0.9348	0.9157	0.9361	0.8953	0.9368

## 5.10 Borrowings

As at September 30, 2018, and December 31, 2017, Orbis S.A. did not have any liabilities arising from credit facilities, while as at September 30, 2017 Orbis S.A. had liabilities of PLN 105 677 under the credit facility.

As at December 31, 2017 a subsidiary Accor Pannonia Hotels Zrt. had liabilities of PLN 40 873 thousand (EUR 9 793 thousand) under an overdraft facility and PLN 21 781 thousand (EUR 5 063 thousand) as at September 30, 2017.

During 9 months of 2018, the Group paid a PLN 390 thousand as interest on credit facilities.

Borrowings	As at:			
	Sep. 30, 2018	Jun. 30, 2018	Dec. 31, 2017	Sep. 30, 2017
Liabilities arising from credit facilities (outstanding principal)	0	0	0	105 867
Credit facilities valued at amortised cost	0	0	0	(190)
Overdrafts	0	0	40 873	21 781
<b>Total borrowings</b>	<b>0</b>	<b>0</b>	<b>40 873</b>	<b>127 458</b>

The amount of undrawn credit lines under overdrafts of the Orbis Group as at September 30, 2018, was PLN 45.0 million, of which the credit lines undrawn by Orbis S.A. amounted to PLN 20.0 million and of Katerinska Hotel s.r.o.: PLN 25.0 million (i.e. CZK 150.0 million). The remaining Group companies did not have undrawn credit lines under overdrafts.

## 5.11 Issue, redemption and repayment of debt and equity securities

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

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



The bonds will be redeemed on June 26, 2020, at their nominal value. Prior to the redemption date, on June 26, 2018, Orbis might have redeemed 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. 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 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 6M plus interest rate margin of 1.05%. The interest shall be payable in 6 monthly (six) interest periods.

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

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

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

During 9 months of 2018, Orbis S.A. paid PLN 9 878 thousand of 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 5.12.2).

Bonds	As at:			
	Sep. 30, 2018	Jun. 30, 2018	Dec. 31, 2017	Sep. 30, 2017
Liability resulting from the bond issue (outstanding principal)	500 000	500 000	500 000	500 000
Valuation of bonds at amortised cost	2 655	1 892	1 778	2 319
<b>Total bonds</b>	<b>502 655</b>	<b>501 892</b>	<b>501 778</b>	<b>502 319</b>

## 5.12 Financial instruments

### 5.12.1 Fair value of financial instruments

As at December 31, 2017, and September 30, 2017, the only financial instruments that were subject to measurement at fair value following their initial recognition and were recognised at fair value in the statement of financial position were included derivative instruments, i.e. interest rate swap. As at September 30, 2018 and June 30, 2018 the Group did not hold the interest rate swap (description in Note 5.12.2).

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

	As at Sep. 30, 2018		As at Jun. 30, 2018		As at Dec. 31, 2017		As at Sep. 30, 2017	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>								
Cash and cash equivalents	497 162	497 162	582 020	582 020	214 844	214 844	241 701	241 701
Other financial assets	6 944	6 944	6 944	6 944	6 944	6 944	28 728	28 728
Non-current financial assets (loans granted)	0	0	620	620	0	0	0	0
Trade receivables and other current receivables	108 665	108 665	94 051	94 051	83 237	83 237	122 205	122 205
<b>Financial liabilities</b>								
Borrowings	0	0	0	0	40 873	40 873	127 458	128 870
Debt securities - bonds issued	502 655	503 450	501 892	504 800	501 778	504 500	502 319	507 200
Derivative instruments (liabilities)	0	0	0	0	74	74	131	131
Trade payables and other non-current and current payables	128 656	128 656	208 492	208 492	142 748	142 748	133 659	133 659

According to the Management Board, as at September 30, 2018, June 30, 2018, December 31, 2017, and September 30, 2017, the carrying amount of financial instruments of the Group, except for liabilities arising from credit facilities and issued bonds, approximated their fair value.

The fair value of liabilities arising from credit facilities, in respect of which the repayment deadlines of the principal amount and interest are known, was determined as the present value of future cash flows, discounted at a current interest rate. The carrying amount is accepted as the fair value of overdraft facilities. As at September 30, 2018 and June 30, 2018, the Group 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 September 30, 2017 as the present value of estimated future cash flows on the basis of monitoring of yield curves. As at September 30, 2018 and June 30, 2018, the Group 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 determined on the basis of prices quoted on an active market). Liabilities under credit facilities and derivative instruments are classified to Level 2 of fair value hierarchy (fair value determined on the basis of observable market data, other than direct market quotations).

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

### 5.12.2 Hedge accounting

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

During 9 months of 2018, the Group paid PLN 75 thousand as interest payments under the IRS transaction. At the end of the presented reporting periods, the swap's valuation at fair value was disclosed in the Group's equity through other comprehensive income. In 2018, no ineffectiveness arising from cash flow hedges occurred that would require to be disclosed in the financial result of the Group.

## 5.13 Changes in estimates of amounts

### 5.13.1 Impairment of assets

Movements in impairment loss - 9 months of 2018	Impairment loss on:						
	property, plant & equipment	investment property	intangible assets	assets held for sale	shares	receivables	financial assets
<b>As at January 1, 2018</b>	<b>(49 241)</b>	<b>(578)</b>	<b>(376)</b>	<b>(14 692)</b>	<b>(47)</b>	<b>(6 997)</b>	<b>(457)</b>
Recognised impairment loss	0	0	0	0	(10)	(885)	0
Utilised impairment loss	0	0	0	0	0	18	0
Reversed impairment loss	2 336	0	0	0	0	1 901	0
Decrease in impairment losses due to sale	17 537	571	0	4 781	0	0	0
Impairment loss on tangible assets not subject to reversal *	3 326	7	1	0	0	0	0
Exchange differences on translation	(104)	0	(8)	0	0	(11)	8
<b>As at September 30, 2018</b>	<b>(26 146)</b>	<b>0</b>	<b>(383)</b>	<b>(9 911)</b>	<b>(57)</b>	<b>(5 974)</b>	<b>(449)</b>

Movements in impairment loss – 3rd quarter of 2018	Impairment loss on:						
	property, plant & equipment	investment property	intangible assets	assets held for sale	shares	receivables	financial assets
<b>As at July 1, 2018</b>	<b>(27 090)</b>	<b>0</b>	<b>(391)</b>	<b>(27 347)</b>	<b>(47)</b>	<b>(6 601)</b>	<b>(451)</b>
Recognised impairment loss	0	0	0	0	(10)	0	0
Utilised impairment loss	0	0	0	0	0	11	0
Reversed impairment loss	2 336	0	0	0	0	580	0
Decrease in impairment losses due to sale	9 493	571	0	4 781	0	0	0
Impairment loss on tangible assets not subject to reversal *	867	0	1	0	0	0	0
Reclassification	(11 911)	(571)	0	12 482	0	0	0
Exchange differences on translation	159	0	7	173	0	36	5
<b>As at September 30, 2018</b>	<b>(26 146)</b>	<b>0</b>	<b>(383)</b>	<b>(9 911)</b>	<b>(57)</b>	<b>(5 974)</b>	<b>(449)</b>

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

During 9 months of 2018 and in 2017, no circumstances occurred in the Group that would indicate a need to recognise impairment losses on inventories.

### 5.13.2 Provisions for liabilities

Movements in provisions - 9 months of 2018	Provision for:				
	jubilee awards	retirement & disability benefits	litigations	restructuring	other liabilities
<b>As at January 1, 2018</b>	<b>15 017</b>	<b>7 243</b>	<b>777</b>	<b>1 588</b>	<b>5 666</b>
Provision recognised	1 555	430	0	547	140
Provision utilised	(1 712)	(308)	0	(1 145)	0
Provision released	(368)	(115)	(2)	(620)	(333)
Exchange differences on translation	0	(9)	0	(6)	(106)
<b>As at September 30, 2018, of which:</b>	<b>14 492</b>	<b>7 241</b>	<b>775</b>	<b>364</b>	<b>5 367</b>
Short-term provisions	1 790	1 172	775	364	1
Long-term provisions	12 702	6 069	0	0	5 366

The release of provisions for jubilee awards and retirement and disability benefits during 9 months ended September 30, 2018, results from the sale of Orbis S.A. hotels, i.e. the Mercure Cieszyn and ibis Styles Bielsko-Biala.

Movements in provisions - 3rd quarter of 2017	Provision for:				
	jubilee awards	retirement & disability benefits	litigations	restructuring	other liabilities
<b>As at July 1, 2018</b>	<b>14 861</b>	<b>7 359</b>	<b>777</b>	<b>1 058</b>	<b>5 689</b>
Provision recognised	754	137	0	30	0
Provision utilised	(755)	(137)	0	(719)	0
Provision released	(368)	(115)	(2)	0	(292)
Exchange differences on translation	0	(3)	0	(2)	(30)
<b>As at September 30, 2018, of which:</b>	<b>14 492</b>	<b>7 241</b>	<b>775</b>	<b>364</b>	<b>5 367</b>
Short-term provisions	1 790	1 172	775	364	1
Long-term provisions	12 702	6 069	0	0	5 366

### 5.14 Deferred tax assets and liabilities

Deferred tax	As at:		Impact on statement of comprehensive income
	Sep. 30, 2018	Dec. 31, 2017	
Deferred tax assets	10 323	15 912	(5 589)
Deferred tax liabilities	1 905	3 969	2 064
<b>Change in deferred tax assets and liabilities, of which:</b>			<b>(3 525)</b>
impact on profit or loss			(5 034)
impact on the initial balance of retained earnings			273
impact on other comprehensive income (incl. exchange differences on translation)			1 236

## 5.15 Contingent liabilities

### 5.15.1 Liabilities arising from bonds issue and the applicable law

The issued bonds have been secured by a joint contractual mortgage established on the Mercure Warszawa Grand hotel (KW No. WA4M/00159685/9), the Novotel Warszawa Centrum hotel (KW No. WA4M/00072550/0) and the Mercure Warszawa Centrum hotel (KW No. WA4M/00097244/3) up to the sum of PLN 625 000 thousand. The mortgage was established for the benefit of the mortgage administrator that is Bank Polska Kasa Opieki S.A. with its corporate seat in Warsaw, which will act in its own name, but for the account of bondholders. The total market value of the above-mentioned mortgaged hotels, determined by independent property appraisers as at May 19, 2017, by the valuation survey dated June 1, 2017, was PLN 773 176 thousand. The book value of these real properties as at September 30, 2018, is PLN 218 400 thousand.

Moreover, the following hotels located in Hungary: the Mercure Budapest City Center hotel and the Novotel Budapest City hotel are covered by the Act on Protection of Cultural Heritage, which comprises special legal regulations concerning restrictions or duties connected with the permitted use, reconstruction (repair) methods and demolition of such buildings (hotels). An important element of the legal regime created by the aforementioned Act is the right of pre-emption in respect of these hotels enjoyed by the State of Hungary or local authorities if the properties are sold.

### 5.15.2 Liabilities arising under guarantee agreements

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

### 5.15.3 Liabilities arising from agreements for the sale of assets

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

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

## 5.16 Legal claims

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

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

In the Group's opinion, fee revaluations made by Presidents of respective cities are either unjustified or calculations should be based on different rates. As at the end of the reporting period, accumulated value of the fees challenged by the Group totals PLN 8 846 thousand and is disclosed in other current liabilities.

## 5.17 Related party transactions

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

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

Purchases of services from related parties comprise mainly:

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

Sales and purchases	3 months ended Sep. 30, 2018	9 months ended Sep. 30, 2018	3 months ended Sep. 30, 2017	9 months ended Sep. 30, 2017
<b>Net sales</b>	<b>1 170</b>	<b>4 669</b>	<b>2 078</b>	<b>5 266</b>
- to the parent company	359	3 224	1 527	4 114
- to other Accor Group companies	811	1 445	551	1 152
<b>Purchases</b>	<b>21 178</b>	<b>53 634</b>	<b>19 807</b>	<b>49 894</b>
- from the parent company	16 646	41 792	14 321	36 208
- from other Accor Group companies	4 532	11 842	5 486	13 686

Receivables and payables	As at:			
	Sep. 30, 2018	Jun. 30, 2018	Dec. 31, 2017	Sep. 30, 2017
<b>Receivables</b>	<b>6 069</b>	<b>6 128</b>	<b>4 459</b>	<b>5 076</b>
- from the parent company	5 623	5 443	3 973	4 667
- from other Accor Group companies	446	685	486	409
<b>Payables</b>	<b>12 653</b>	<b>15 013</b>	<b>8 980</b>	<b>14 571</b>
- to the parent company	11 199	13 792	7 809	12 533
- to other Accor Group companies	1 454	1 221	1 171	2 038
<b>Dividends payable</b>	<b>0</b>	<b>38 842</b>	<b>0</b>	<b>0</b>
- to the parent company	0	35 156	0	0
- to other Accor Group companies	0	3 686	0	0

No impairment loss was recognised on the presented receivables.

Transactions with related companies are executed at arms' length.

Benefits (including wages and salaries, awards, post-employment benefits and retirement benefits) paid in accordance with contractual obligations to the Members of the Management Board and the Supervisory Board of Orbis S.A. in 9-month periods ended September 30, 2018, and 2017, amounted to PLN 4 574 thousand and PLN 4 401 thousand, respectively.

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

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

## **5.18 Important events after the reporting period**

No major events occurred at Orbis Group after the reporting period.



## CONDENSED INTERIM FINANCIAL STATEMENTS OF ORBIS S.A.



Novotel Kraków City West



## 6 CONDENSED INTERIM FINANCIAL STATEMENTS OF ORBIS S.A.

### 6.1 Income statement

	3 months ended Sep. 30, 2018	9 months ended Sep. 30, 2018	3 months ended Sep. 30, 2017	9 months ended Sep. 30, 2017
<b>Net sales</b>	<b>243 349</b>	<b>673 007</b>	<b>250 345</b>	<b>672 486</b>
Outsourced services	(52 613)	(148 091)	(52 813)	(146 299)
Employee benefit expense	(57 486)	(179 620)	(58 746)	(171 144)
Raw materials and energy used	(32 163)	(97 184)	(34 595)	(100 806)
Taxes and charges	(7 475)	(22 520)	(7 354)	(22 189)
Other expenses by nature	(1 795)	(5 269)	(1 708)	(5 009)
Impairment of receivables	(88)	(66)	(276)	(311)
Net other operating income/(expenses)	(476)	(842)	(268)	34
<b>EBITDAR</b>	<b>91 253</b>	<b>219 415</b>	<b>94 585</b>	<b>226 762</b>
Rental expense	(1 924)	(5 679)	(1 895)	(5 850)
<b>Operating EBITDA</b>	<b>89 329</b>	<b>213 736</b>	<b>92 690</b>	<b>220 912</b>
Depreciation and amortisation	(31 644)	(94 249)	(31 310)	(94 238)
<b>Operating profit without the effects of one-off events</b>	<b>57 685</b>	<b>119 487</b>	<b>61 380</b>	<b>126 674</b>
Result on sale of real property	110	1 016	6 936	10 863
Restructuring costs	(491)	(359)	(722)	(1 692)
<b>Operating profit</b>	<b>57 304</b>	<b>120 144</b>	<b>67 594</b>	<b>135 845</b>
Finance income	1 919	29 749	10 962	21 602
Finance costs	(10 911)	(11 216)	(4 613)	(22 747)
<b>Profit before tax</b>	<b>48 312</b>	<b>138 677</b>	<b>73 943</b>	<b>134 700</b>
Income tax expense	(10 050)	(25 541)	(14 678)	(24 764)
<b>Net profit for the period</b>	<b>38 262</b>	<b>113 136</b>	<b>59 265</b>	<b>109 936</b>
<b>Earnings per ordinary share</b>				
Basic and diluted earnings per share (in PLN)	0.83	2.46	1.29	2.39

## 6.2 Statement of comprehensive income

	3 months ended Sep. 30, 2018	9 months ended Sep. 30, 2018	3 months ended Sep. 30, 2017	9 months ended Sep. 30, 2017
<b>Net profit for the period</b>	<b>38 262</b>	<b>113 136</b>	<b>59 265</b>	<b>109 936</b>
<b>Items that will not be reclassified subsequently to profit or loss:</b>				
Actuarial gains/losses arising from the defined benefit plan				
Income tax relating to items that will not be reclassified subsequently	(9)	(9)	(1)	(23)
<b>Items that may be reclassified subsequently to profit or loss:</b>				
The effective portion of the gain or loss on the hedging instrument entered into for cash flow hedges	0	75	(2)	(14)
Income tax relating to items that may be reclassified subsequently	0	(14)	0	2
<b>Other comprehensive income/(loss) after tax</b>	<b>(9)</b>	<b>52</b>	<b>(3)</b>	<b>(35)</b>
<b>Total comprehensive income for the period</b>	<b>38 253</b>	<b>113 188</b>	<b>59 262</b>	<b>109 901</b>

## 6.3 Statement of financial position

Assets	As at:			
	Sep. 30, 2018	Jun. 30, 2018	Dec. 31, 2017	Sep. 30, 2017
<b>Non-current assets</b>	<b>2 331 617</b>	<b>2 332 200</b>	<b>2 517 115</b>	<b>2 531 597</b>
Property, plant and equipment	1 584 569	1 580 697	1 587 720	1 582 837
Investment property	4 782	4 847	6 099	10 095
Intangible assets, of which:	109 182	109 477	110 488	110 852
- goodwill	107 252	107 252	107 252	107 252
Investments in subsidiaries	467 529	467 529	467 529	465 921
Loans granted	152 923	156 170	329 500	344 728
Derivative financial instruments	0	0	885	0
Other financial assets	6 944	6 944	6 944	10 944
Deferred tax assets	4 591	5 401	6 637	4 877
Other non-current assets	1 097	1 135	1 313	1 343
<b>Current assets</b>	<b>417 522</b>	<b>454 085</b>	<b>195 240</b>	<b>280 797</b>
Inventories	3 493	3 806	3 839	3 652
Trade receivables	41 269	37 889	28 250	37 682
Income tax receivables	0	0	506	0
Other current receivables	12 229	16 030	15 969	30 998
Loans granted	39 349	40 562	68 866	69 513
Derivative financial instruments	0	0	837	0
Cash and cash equivalents	321 182	355 798	76 973	138 952
<b>Assets classified as held for sale</b>	<b>23 210</b>	<b>32 292</b>	<b>23 514</b>	<b>8 701</b>
<b>TOTAL ASSETS</b>	<b>2 772 349</b>	<b>2 818 577</b>	<b>2 735 869</b>	<b>2 821 095</b>

Equity and Liabilities	As at:			
	Sep. 30, 2018	Jun. 30, 2018	Dec. 31, 2017	Sep. 30, 2017
<b>Equity</b>	<b>2 093 661</b>	<b>2 055 408</b>	<b>2 056 754</b>	<b>2 040 497</b>
Share capital	517 754	517 754	517 754	517 754
Reserves	133 333	133 333	133 272	133 226
Retained earnings	1 442 574	1 404 321	1 405 728	1 389 517
<b>Non-current liabilities</b>	<b>540 072</b>	<b>539 500</b>	<b>538 551</b>	<b>607 400</b>
Borrowings	0	0	0	70 388
Bonds	502 655	501 892	501 778	502 319
Deferred revenue	12 815	12 922	12 202	12 277
Other non-current liabilities	6 236	5 908	5 777	5 187
Provision for retirement benefits and similar obligations	18 366	18 778	18 794	17 229
<b>Current liabilities</b>	<b>138 616</b>	<b>223 669</b>	<b>140 564</b>	<b>173 198</b>
Borrowings	0	0	0	35 289
Other financial liabilities	0	0	74	131
Trade payables	49 913	54 527	52 486	50 330
Liabilities associated with tangible assets	7 500	8 695	18 024	5 223
Current tax liabilities	6 847	3 848	0	7 484
Deferred revenue	24 928	27 922	14 142	22 592
Other current liabilities	45 684	124 170	50 729	48 637
Provision for retirement benefits and similar obligations	2 898	2 970	3 014	2 735
Provisions for liabilities	846	1 537	2 095	777
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2 772 349</b>	<b>2 818 577</b>	<b>2 735 869</b>	<b>2 821 095</b>

## 6.4 Statement of changes in equity

	Share capital	Reserves	Retained earnings	Total
<b><u>Twelve months ended December 31, 2017</u></b>				
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)
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>34</b>	<b>126 124</b>	<b>126 158</b>
- dividends	0	0	(73 723)	(73 723)
<b>Balance as at December 31, 2017</b>	<b>517 754</b>	<b>133 272</b>	<b>1 405 728</b>	<b>2 056 754</b>
<b><u>of which: nine months ended September 30, 2017</u></b>				
Balance as at January 1, 2017	517 754	133 238	1 353 327	2 004 319
- net profit for the period	0	0	109 936	109 936
- other comprehensive income/(loss)	0	(12)	(23)	(35)
<b>Total comprehensive income/ (loss) for the period</b>	<b>0</b>	<b>(12)</b>	<b>109 913</b>	<b>109 901</b>
- dividends	0	0	(73 723)	(73 723)
<b>Balance as at September 30, 2017</b>	<b>517 754</b>	<b>133 226</b>	<b>1 389 517</b>	<b>2 040 497</b>
<b><u>Nine months ended September 30, 2018</u></b>				
Balance as at January 1, 2018 (as reported)	517 754	133 272	1 405 728	2 056 754
- adjustment for IFRS 9	0	0	(1 395)	(1 395)
- adjustment for IFRS 15	0	0	(1 163)	(1 163)
<b>Balance as at January 1, 2018 (restated)*</b>	<b>517 754</b>	<b>133 272</b>	<b>1 403 170</b>	<b>2 054 196</b>
- net profit for the period	0	0	113 136	113 136
- other comprehensive income/(loss)	0	61	(9)	52
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>61</b>	<b>113 127</b>	<b>113 188</b>
- dividends	0	0	(73 723)	(73 723)
<b>Balance as at September 30, 2018</b>	<b>517 754</b>	<b>133 333</b>	<b>1 442 574</b>	<b>2 093 661</b>
<b><u>of which: three months ended September 30, 2018</u></b>				
Balance as at July 1, 2018	517 754	133 333	1 404 321	2 055 408
- net profit for the period	0	0	38 262	38 262
- other comprehensive income/(loss)	0	0	(9)	(9)
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>38 253</b>	<b>38 253</b>
<b>Balance as at September 30, 2018</b>	<b>517 754</b>	<b>133 333</b>	<b>1 442 574</b>	<b>2 093 661</b>

\* description of the restatement in Section 8.4

## 6.5 Statement of cash flows

	3 months ended Sep. 30, 2018	9 months ended Sep. 30, 2018	3 months ended Sep. 30, 2017	9 months ended Sep. 30, 2017
<b>OPERATING ACTIVITIES</b>				
<b>Profit before tax</b>	<b>48 312</b>	<b>138 677</b>	<b>73 943</b>	<b>134 700</b>
<b>Adjustments:</b>	<b>28 354</b>	<b>60 158</b>	<b>5 088</b>	<b>59 276</b>
Depreciation and amortisation	31 644	94 249	31 310	94 238
Foreign exchange (profits)/losses	7 378	(10 181)	(8 072)	7 719
Interest, borrowing costs and dividends	1 826	(8 460)	1 738	(7 556)
Gain from investing activities	(238)	(1 089)	(7 018)	(10 565)
Change in receivables	461	(13 062)	(4 915)	(21 141)
Change in liabilities, excluding borrowings	(9 573)	(9 325)	(412)	(7 411)
Change in deferred revenue	(2 292)	9 463	(7 116)	6 252
Change in provisions	(1 175)	(1 793)	(558)	(2 717)
Change in inventories	313	346	131	451
Other adjustments	10	10	0	6
<b>Cash generated from operations</b>	<b>76 666</b>	<b>198 835</b>	<b>79 031</b>	<b>193 976</b>
Income taxes paid	(6 250)	(15 566)	(12 044)	(18 034)
<b>Net cash generated by operating activities</b>	<b>70 416</b>	<b>183 269</b>	<b>66 987</b>	<b>175 942</b>
<b>INVESTING ACTIVITIES</b>				
Proceeds from disposal of property, plant and equipment, intangible assets and investment properties	9 639	11 482	11 731	43 303
Dividends and share of profits	0	12 360	0	13 412
Repayment of loans granted	0	252 404	0	0
Interest received	2 180	5 645	4 891	5 650
Other investing cash inflows	(810)	4 635	571	10 102
Payments for property, plant and equipment, intangible assets and investment properties	(36 148)	(107 058)	(21 965)	(62 465)
Loans granted	0	(33 418)	(4 265)	(60 930)
Increase in share capital of related parties	(10)	(10)	0	0
<b>Net cash generated by/(used in) investing activities</b>	<b>(25 149)</b>	<b>146 040</b>	<b>(9 037)</b>	<b>(50 928)</b>
<b>FINANCING ACTIVITIES</b>				
Dividends and other payments to owners	(73 723)	(73 723)	(73 723)	(73 723)
Repayment of borrowings	0	0	0	(17 645)
Interest paid and other financing cash outflows resulting from received borrowings	0	0	(786)	(2 755)
Interest paid and other financing cash outflows resulting from issue of bonds	(2 836)	(9 953)	(2 837)	(9 933)
<b>Net cash used in financing activities</b>	<b>(76 559)</b>	<b>(83 676)</b>	<b>(77 346)</b>	<b>(104 056)</b>
<b>Change in cash and cash equivalents</b>	<b>(31 292)</b>	<b>245 633</b>	<b>(19 396)</b>	<b>20 958</b>
Effects of exchange rate changes on the balance of cash held in foreign currencies	(3 324)	(1 424)	6	36
<b>Cash and cash equivalents at the beginning of the period</b>	<b>355 798</b>	<b>76 973</b>	<b>158 342</b>	<b>117 958</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>321 182</b>	<b>321 182</b>	<b>138 952</b>	<b>138 952</b>

## 7 COMMENTS ON ORBIS S.A. RESULTS

### 7.1 External environment

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

### 7.2 Income statement

In 9 months of 2018, Orbis S.A. generated net profit of PLN 113.1 million as compared to the net profit of PLN 109.9 million in 9 months of 2017.

Income statement – analytical approach	9 months ended Sep. 30, 2018	9 months ended Sep. 30, 2017	Change	
			PLN '000	%
<b>Net sales</b>	<b>673 007</b>	<b>672 486</b>	<b>521</b>	<b>0.1</b>
of which:				
Room revenue	463 042	463 974	(932)	-0.2
Food & beverage revenue	168 559	169 914	(1 355)	-0.8
Franchise and management revenue	10 643	7 887	2 756	34.9
Other revenue	30 763	30 711	52	0.2
<b>EBITDAR</b>	<b>219 415</b>	<b>226 762</b>	<b>(7 347)</b>	<b>-3.2</b>
<b>Operating EBITDA</b>	<b>213 736</b>	<b>220 912</b>	<b>(7 176)</b>	<b>-3.2</b>
<b>Operating profit (EBIT)</b>	<b>120 144</b>	<b>135 845</b>	<b>(15 701)</b>	<b>-11.6</b>
Net result from financing activities, of which:	18 533	(1 145)	19 678	-
<i>Foreign exchange differences</i>	<i>10 339</i>	<i>(8 300)</i>	<i>18 639</i>	-
<b>Profit before tax</b>	<b>138 677</b>	<b>134 700</b>	<b>3 977</b>	<b>3.0</b>
<b>Net profit</b>	<b>113 136</b>	<b>109 936</b>	<b>3 200</b>	<b>2.9</b>

Income statement – analytical approach	3 months ended Sep. 30, 2018	3 months ended Sep. 30, 2017	Change	
			PLN '000	%
<b>Net sales</b>	<b>243 349</b>	<b>250 345</b>	<b>(6 996)</b>	<b>-2.8</b>
of which:				
Room revenue	170 787	178 159	(7 372)	-4.1
Food & beverage revenue	57 603	58 445	(842)	-1.4
Franchise and management revenue	4 193	3 056	1 137	37.2
Other revenue	10 766	10 685	81	0.8
<b>EBITDAR</b>	<b>91 253</b>	<b>94 585</b>	<b>(3 332)</b>	<b>-3.5</b>
<b>Operating EBITDA</b>	<b>89 329</b>	<b>92 690</b>	<b>(3 361)</b>	<b>-3.6</b>
<b>Operating profit (EBIT)</b>	<b>57 304</b>	<b>67 594</b>	<b>(10 290)</b>	<b>-15.2</b>
Net result from financing activities, of which:	(8 992)	6 349	(15 341)	-
<i>Foreign exchange differences</i>	<i>(7 300)</i>	<i>7 920</i>	<i>(15 220)</i>	-
<b>Profit before tax</b>	<b>48 312</b>	<b>73 943</b>	<b>(25 631)</b>	<b>-34.7</b>
<b>Net profit</b>	<b>38 262</b>	<b>59 265</b>	<b>(21 003)</b>	<b>-35.4</b>

In 9 months of 2018, **net sales** of Orbis S.A. stood at PLN 673.0 million, i.e. at a level similar to that in the corresponding period of the past year. As regards individual revenue categories, room revenues dropped slightly (by 0.2%). This is in particular attributable to the reduction of the Company's hotel portfolio by non-strategic hotels. In 2017, four subsidiary hotels were sold (the Mercure Jelenia Góra hotel, the Mercure Karpacz Resort hotel at the end of March 2017, the Mercure Toruń Centrum hotel and the ibis Katowice Zabrze hotel at the end of September 2017) which operate as franchised hotels after the sale transaction. On February 1, 2017, also the Mercure Częstochowa Centrum hotel and the ibis Częstochowa hotel were transferred to a franchisee, and the sale of the Mercure Cieszyn hotel and the ibis Styles Bielsko-Biała hotel was finalised on July 31, 2018.

Excluding the influence of the sale of the above properties, Orbis hotels reported an increase of the Average Room Rate during the 9 months of 2018 versus the corresponding period of 2017 (3.8% in terms of like-for-like figures) despite a slightly lower Occupancy Rate (by 1.4 p.p.). As a result of these changes, Orbis hotels reported growth of the Revenue per Available Room by 1.9% (like-for-like). Majority of the Company's hotels reported an improvement in room revenues, with the largest growth achieved by hotels from Poznań and Krakow, including in particular the Novotel Poznań Centrum hotel, the Novotel Poznań Malta hotel and the Mercure Katowice Old Town. Increase of room revenue was also reported by hotels from Warsaw, Lodz, Tricity and Katowice. The increase in RevPAR was achieved thanks to the introduction of a flexible pricing strategy adjusted to the conditions of individual markets, introduction of seasonal promotional offers and attractive business packages.

Food and beverage revenues also decreased slightly (by 0.8%), particularly due to a decrease in the number of hotels as compared with the 9 months of 2017. At the same time, franchise and management revenues rose (by 34.9%) as a result of sale and franchise-back of mentioned above hotels as well as the opening of new managed or franchised hotels. Other revenues, including revenues from rental of real property and parking spaces totalled PLN 30.8 million and remained at past year's level.

**Operating expenses** (including rental expense and depreciation/amortisation) totalled PLN 552.7 million during the reporting period, i.e. increased slightly by 1.3% as compared to the 9 months of 2017. The share of individual cost types in the net sales remained unchanged as compared to the corresponding period of the past year. The largest costs in the company included the costs of employee benefits (32.5% share in operating costs), followed by outsourced services (26.8%) and depreciation and amortization and materials and energy used (17.1% and 17.6%, respectively). As compared to 9 months of 2017, increase was reported above all in the costs of employee benefits (as a result of salary increases and higher costs associated with employee turnover) as well as costs of outsourced services, such as selling costs, cleaning services, repair and maintenance, and advertising and banking services. Lower costs of materials and energy used are attributable to energy savings. The costs of real property rental and amortisation and depreciation during the reporting period were close to their respective values in 2017 and totalled respectively PLN 5.7 million and PLN 94.2 million.

As a result of the above changes, in the 9 months of 2018, the **EBITDAR of Orbis S.A. amounted to PLN 219.4 million, the operating EBITDA amounted up to PLN 213.7 million**, while the **operating result excluding one-off events amounted to PLN 119.5 million**.

In the 9 months of 2018, Orbis S.A. generated a **positive result on one-off events of PLN 0.7 million** (the result from sale of real properties, i.e. two hotels, i.e. the Mercure Cieszyn hotel and the ibis Styles Bielsko-Biała hotel, and non-hotel real properties located in Karpacz and in Warsaw at 1 Sierpnia Street of a total value of PLN 1.0 million was reduced by restructuring costs of PLN 0.4 million). In the 9 months of 2017, the company generated profit from the sale of four hotels of non-strategic importance for the company, i.e. the Mercure Jelenia Góra hotel, the Mercure Karpacz Resort hotel, the Mercure Toruń Centrum hotel and the ibis Katowice Zabrze hotel, of a total value of PLN 10.9 million reduced by restructuring costs of PLN 1.7 million.

Consequently, the **operating result (EBIT) totalled PLN 120.1 million** as compared to PLN 135.8 million in 9 months 2017.

In 9 months of 2018, the company reported a **significant change on the result on financing activities** as compared to the past year. During the period from January to September 2018, Orbis generated a **positive result on financing activities totalling PLN 18.5 million** as compared to a loss of PLN 1.1 million in the corresponding period of 2017. High financial costs incurred by the Company in 2017 resulted primarily from unrealised foreign exchange differences on a loan granted to subsidiaries, which in turn contributed to the increase in financial income in 9 months of 2018. Moreover, in the past year, the Company recognized PLN 3.0 million of financial expenses related to debt which was repaid in full in December 2017.

Orbis S.A. ended 9 months of 2018 with a **net profit of PLN 113.1 million** as compared to net profit of PLN 109.9 million in the corresponding period of 2017 (increase by 2.9%).

### 7.3 Orbis S.A. financial results per operating segments

Orbis S.A. pursues hotel business in Poland within which distinguishes two reportable operating segments:

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

As at September 30, 2018, the individual operating segments included:

- the Up&Midscale segment: 3 Sofitel hotels, 13 Novotel hotels and 8 Mercure hotels,
- the Economy segment: 12 ibis hotels and 9 ibis budget hotels.

On the other hand, as at September 30, 2017, the individual operating segments included:

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

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

Unallocated operations comprise revenues and expenses of the Head Office (including 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 for 9 months of 2018.

The tables below present figures pertaining to revenues, results as well as capital expenditure of the operating segments of Orbis S.A. for 9 months of 2018, for 3<sup>rd</sup> quarter of 2018 and in the corresponding periods. The figures presented include the results of owned and leased hotels.



9 months of 2018	Operating segments		Unallocated operations and exclusions	TOTAL
	Up&Midscale Hotels	Economy Hotels		
<b>Segment revenue, of which:</b>	<b>517 225</b>	<b>138 528</b>	<b>17 254</b>	<b>673 007</b>
Sale to external clients	517 225	138 528	17 254	673 007
<b>EBITDAR</b>	<b>213 563</b>	<b>66 799</b>	<b>(60 947)</b>	<b>219 415</b>
<b>Operating EBITDA</b>	<b>207 884</b>	<b>66 799</b>	<b>(60 947)</b>	<b>213 736</b>
Depreciation and amortisation	(70 842)	(20 759)	(2 648)	(94 249)
<b>Operating profit/(loss) without the effects of one-off events</b>	<b>137 042</b>	<b>46 040</b>	<b>(63 595)</b>	<b>119 487</b>
Result of one-off events	0	0	657	657
<b>Operating profit/(loss) (EBIT)</b>	<b>137 042</b>	<b>46 040</b>	<b>(62 938)</b>	<b>120 144</b>
Finance income/(costs)	(390)	(41)	18 964	18 533
Income tax expense	0	0	(25 541)	(25 541)
<b>Net profit/(loss)</b>	<b>136 652</b>	<b>45 999</b>	<b>(69 515)</b>	<b>113 136</b>
Capital expenditure	51 405	46 043	1 252	98 700

3rd quarter of 2018	Operating segments		Unallocated operations and exclusions	TOTAL
	Up&Midscale Hotels	Economy Hotels		
<b>Segment revenue, of which:</b>	<b>187 182</b>	<b>49 697</b>	<b>6 470</b>	<b>243 349</b>
Sale to external clients	187 182	49 697	6 470	243 349
<b>EBITDAR</b>	<b>86 040</b>	<b>26 117</b>	<b>(20 904)</b>	<b>91 253</b>
<b>Operating EBITDA</b>	<b>84 116</b>	<b>26 117</b>	<b>(20 904)</b>	<b>89 329</b>
Depreciation and amortisation	(23 936)	(6 898)	(810)	(31 644)
<b>Operating profit/(loss) without the effects of one-off events</b>	<b>60 180</b>	<b>19 219</b>	<b>(21 714)</b>	<b>57 685</b>
Result of one-off events	0	0	(381)	(381)
<b>Operating profit/(loss) (EBIT)</b>	<b>60 180</b>	<b>19 219</b>	<b>(22 095)</b>	<b>57 304</b>
Finance income/(costs)	(24)	3	(8 971)	(8 992)
Income tax expense	0	0	(10 050)	(10 050)
<b>Net profit/(loss)</b>	<b>60 156</b>	<b>19 222</b>	<b>(41 116)</b>	<b>38 262</b>
Capital expenditure	18 261	16 377	838	35 476

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

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

## 7.4 Operating segment revenue per type of service

The table below present the revenues of Orbis S.A. for the 9 months of 2018 and 2017 and for third quarter of 2018 and 2017 per type of services with their reconciliation to the operating segments presented in Note 7.3.

9 months of 2018	Operating segments		Unallocated operations and exclusions	TOTAL
	Up&Midscale Hotels	Economy Hotels		
<b>Revenue per type of service:</b>	<b>517 225</b>	<b>138 528</b>	<b>17 254</b>	<b>673 007</b>
Room revenue	355 107	107 935	0	463 042
Food & beverage revenue	142 895	25 664	0	168 559
Franchise and management revenue	0	0	10 643	10 643
Other revenue	19 223	4 929	6 611	30 763

3rd quarter of 2018	Operating segments		Unallocated operations and exclusions	TOTAL
	Up&Midscale Hotels	Economy Hotels		
<b>Revenue per type of service:</b>	<b>187 182</b>	<b>49 697</b>	<b>6 470</b>	<b>243 349</b>
Room revenue	131 874	38 913	0	170 787
Food & beverage revenue	48 585	9 018	0	57 603
Franchise and management revenue	0	0	4 193	4 193
Other revenue	6 723	1 766	2 277	10 766

9 months of 2017	Operating segments		Unallocated operations and exclusions	TOTAL
	Up&Midscale Hotels	Economy Hotels		
<b>Revenue per type of service:</b>	<b>516 620</b>	<b>142 115</b>	<b>13 751</b>	<b>672 486</b>
Room revenue	352 697	111 277	0	463 974
Food & beverage revenue	144 321	25 593	0	169 914
Franchise and management revenue	0	0	7 887	7 887
Other revenue	19 602	5 245	5 864	30 711

3rd quarter of 2017	Operating segments		Unallocated operations and exclusions	TOTAL
	Up&Midscale Hotels	Economy Hotels		
<b>Revenue per type of service:</b>	<b>192 342</b>	<b>53 088</b>	<b>4 915</b>	<b>250 345</b>
Room revenue	136 252	41 907	0	178 159
Food & beverage revenue	49 215	9 230	0	58 445
Franchise and management revenue	0	0	3 056	3 056
Other revenue	6 875	1 951	1 859	10 685

## 7.5 Statement of financial position

As at September 30, 2018, Orbis S.A.'s assets totalled PLN 2 772.3 million, i.e. increased by PLN 36.5 million as compared to the end of 2017.

The major component of the Group's assets are non-current assets, accounting for 84.1% of total assets. The predominant item of non-current assets are property, plant and equipment valued at PLN 1 584.6 million, accounting for 57.2% of total assets. Due to the type of business pursued, the major item of property, plant and equipment are buildings and structures as well as land and titles to perpetual usufruct of land. Property, plant and equipment remained at a level close to that as at December 31, 2017, and the capital expenditure incurred (PLN 98.5 million) was reduced to account for depreciation and amortisation (PLN 92.6 million) and decrease resulting from reclassification of non-hotel real property in Wrocław as assets held for sale (PLN 9.0 million). A more detailed description of capital expenditure was presented in Note 4.14.

The second biggest item of the statement of financial position of Orbis S.A. in terms of share in the total carrying amount of assets/equity and liabilities, is investments in subsidiaries valued at PLN 467.5 million (16.9% of assets). More detailed information about Orbis investments in subsidiaries is contained in Note 8.5.

The major component of non-current assets are also intangible assets valued at PLN 109.2 million, including the goodwill of PLN 107.3 million, which has been recognized as from the moment of takeover of the subsidiary, i.e. as of the date of purchase of shares in Hekon-Hotele Ekonomiczne S.A. The intangible assets' contribution to the Group's assets was at 3.9% at the end of September 2018.

As regards non-current assets, the Company also reports non-current loans granted. On September 30, 2018, Orbis had a total of PLN 192.3 million of receivables under loans granted to related parties, of which PLN 152.9 million was classified as non-current loan and PLN 39.3 million as current loan. The significant decrease in the loan balance as compared to the end of December results mainly from partial repayment of loans by the Hungarian company. More detailed information about granted loans is presented in Note 8.8.

As regards current assets, the most significant changes in 9 months of 2018 occurred with regard to cash and cash equivalents, trade receivables and other loans granted.

Under the current assets item, the most important sub-item are cash and cash equivalents of PLN 321.2 million, accounting for 11.6% of total assets. An increase of this item (by PLN 244.2 million) as compared to December 2017 was primarily the result of loan repayment which was granted to subsidiary Accor Pannonia Hotels Zrt.

Increase of trade receivables by 46.1% as compared to December 31, 2017, is the result of a quite significant growth in the volume of rooms sold in September 2018 against December 2017.

Other current receivables (PLN 12.2 million as at the end of the third quarter of 2018) comprise predominantly of receivables resulting from sale of tangible assets and prepayments. As at September 30, 2018, the Company had receivables resulting from the sale of tangible assets of PLN 4.0 million resulting from the sale of the Mercure Mrągowo Resort & SPA hotel (PLN 3.0 million from this transaction was reported under non-current assets as the Other financial assets item). At the end of 2017, receivables resulting from sale of tangible assets additionally included PLN 3.9 million from the sale of the Mercure Kasprowy hotel in Zakopane and, at the end of September 2017, also PLN 14.4 million from the sale of the Mercure Toruń Centrum hotel. At the end of December 2017, the Company also reported VAT receivables in the amount of PLN 5.2 million under the Other current receivables item, whereas at the end of Q3 2018, the Company had VAT liability. As at September 30, 2018, the balance of the Group's prepayments is higher as compared to 31 December 2017, mainly due to fees for perpetual usufruct of land.

As at September 30, 2018, Orbis S.A. also reported assets of PLN 23.2 million classified as assets held for sale, which include assets of the ibis budget Toruń hotel, a real property in Toruń with an unfinished building that was originally planned to operate as an ibis hotel, a non-hotel real property located in Poznań and Wrocław (reclassified as assets held for sale in the first half of 2018). As at December 31, 2017, assets classified as assets held for sale also included the Mercure Cieszyń hotel and the ibis Styles Bielsko-Biała hotel (sold at the end of July 2018) and non-hotel real property located at Konstytucji 3 Maja Street in Karpacz (its sale was finalised in March 2018). On the other hand, assets classified as held for sale did not include the real property in Wrocław (its preliminary sale and purchase agreement was signed in March 2018).

Orbis S.A. finances its assets predominantly from equity which accounted for 75.5% of the total equity and liabilities (PLN 2 093.7 million) as at September 30, 2018. The external capital equalled PLN 678.7 million, of which 79.6% were non-current liabilities and long-term provisions.

As at September 30, 2018, Orbis S.A. had non-current liabilities bearing interest liabilities under the bond issue of PLN 502.7 million (18.1% of liabilities). The maturity date of the bonds are in 2020 and 2021.

On September 30, 2018, the net debt of Orbis S.A. stood at PLN 181.5 million, i.e. accounted for 8.7% of equity.

The biggest item of current liabilities of the Company as at September 30, 2018, was trade payables (36.0%) and other current liabilities (33.0%), including above all liabilities under taxes and social insurance and accrued expenses of employee benefits (incl. bonuses and unused employee leaves) as well as public imposts (mainly under the challenged fees for the title to perpetual usufruct of land). A lower level of these liabilities as at September 30, 2018, as compared to the end of December 2017 results predominantly from the drop in the balance of provisions for employee benefits due to payout of bonuses and awards.

A higher level of deferred revenue as at September 30, 2018, results predominantly from prepayments received for accommodation services during the successive periods (97.2% of the sum total). The largest prepayments at the end of Q3 2018 were reported by hotels located in Warsaw (the Sofitel Warszawa Victoria hotel, the Novotel Warszawa Centrum hotel, the Mercure Warszawa Centrum hotel and the Mercure Warszawa Grand hotel), followed by hotels in Cracow (the Mercure Kraków Stare Miasto hotel, the Novotel Kraków Centrum hotel and the Novotel Kraków West City hotel) and Tri-City (the Sofitel Grand Sopot hotel, the Mercure Gdańsk Stare Miasto hotel and the Mercure Gdynia Centrum hotel). Significant value of prepayments was also reported by the Novotel Katowice Centrum hotel in connection with the UN climate summit scheduled for December and the Novotel Poznań Centrum hotel. Moreover, this item includes an advance payment against the sale price for the sale of non-hotel property located in Poznań.

Decline of liabilities associated with tangible assets in the 9 months of 2018 results in particular from recognition of capital expenditure incurred for the modernisation of the following hotels: the Novotel Poznań Centrum, the Novotel Warszawa Airport hotel, the ibis styles Warszawa Centrum hotel, the Novotel Warszawa Centrum hotel and the ibis Poznań Centrum hotel.

## 7.6 Statement of changes in equity

As at September 30, 2018, equity amounted to PLN 2 093.7 million against PLN 2 056.8 million at the end of 2017. The increase resulted from the posting of net profit for 9 months of 2018, amounting to PLN 113.1 million, to retained earnings. The dividend for the year 2017 paid out in the total amount of PLN 73.7 million had a negative impact on retained earnings as at the end of September 2018.

Moreover, the retained earnings' opening balance was adjusted due to implementation of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers*. The total impact of these new standards on retained earnings of Orbis S.A. equalled PLN -2.6 million.

## 7.7 Statement of cash flows

During 9 months ended September 30, 2018, the net cash flows of Orbis S.A. amounted to PLN 245.6 million (PLN 21.0 million in 9 months of 2017). Change in the balance of cash and cash equivalents during 9 months ended September 30, 2018, totalled PLN -31.3 million (PLN -19.4 million in the corresponding period of 2017). The following factors had contributed to the positive cash flows in the 9 months of 2018:

- **Cash flows from operating activities**

The cash flows generated from operating activities in both the reporting periods are at a similar level. The net result of PLN 138.7 million generated in 9 months of 2018 (PLN 134.7 million in the similar period in the past year) directly impacted the positive cash flows from operating activities in the amount PLN 183.3 million (PLN 175.9 million in 2017). The net cash flows from operating activities in 3<sup>rd</sup> quarter of 2018 and 2017 also reached similar levels of PLN 70.4 million and PLN 67.0 million respectively.

- **Cash flows from investing activities**

The main reason for the positive cash flows of PLN 146.0 million from January-September 2018 (PLN -50.9 million in 9 months of 2017) was repayment of a loans of PLN 252.5 million (i.e. EUR 58.5 million) granted to Hungarian subsidiary. Moreover, in 2018 Orbis received PLN 8.1 million from the sale of the Mercure Cieszyn hotel and the ibis Styles Bielsko-Biała hotel and PLN 3.3 million from the sale of non-hotel properties, PLN 12.4 million of dividend from Orbis Kontrakty Sp. z o.o., PLN 5.6 million from interest income (including PLN 4.7 million from loans granted to subsidiaries) and PLN 4.6 million of inflows from other investing activities (of which PLN 3.9 million is another instalment payable under the sale transaction of the Mercure Kasprowy hotel in Zakopane and PLN 0.7 million of prepayment against the future sale transaction of non-hotel real property located in Poznań).

Inflows from investing activities of PLN 286.5 million were reduced by investment expenditure of a total amount of PLN 140.5 million, of which PLN 107.1 million was allocated to construction and modernisation of Orbis S.A. hotels. Moreover, in the reporting period the Company granted loans in the total amount of PLN 33.4 million to its subsidiaries, UAB Hekon and Accor Hotels Romania s.r.l.

In the third quarter of 2018 the Company generated negative flows from investing activities of PLN -25.1 million (PLN -9.0 million in Q3 2017). It is the result of higher capital expenditures as compared to inflows from the sale of real properties and received loans.

- **Cash flows from financing activities**

The Group's negative cash flows from financing activities during the period of nine months of 2018 which amounted to PLN -83.7 million resulted from the dividend payment to Orbis shareholders totalling PLN 73.7 million and the repayment of interest on issued bonds totalling PLN 10.0 million. In the past year, the Company additionally paid PLN 20.4 million of liabilities under incurred borrowings and as a result generated negative flows from financial activities of PLN -104.1 million.

During the period of 3 months ended September 30, 2018 Orbis S.A. generated cash flows from financing activities at the level similar as in the past year (PLN -76.6 million and PLN -77.3 million, respectively) which resulted from expenditure related to external financing and payment of dividend.

## **8 NOTES TO THE FINANCIAL STATEMENTS**

### **8.1 General information**

#### **8.1.1 Basic information about the Issuer**

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

#### **8.1.2 Business operations**

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

Orbis S.A. is Poland's largest hotel company that employs 2.6 thousand persons (average full-time equivalent employment). As at September 30, 2018, the Company operated a network of 45 hotels (9 194 rooms) in 12 cities, towns and resorts in Poland. The hotels owned by Orbis S.A. operate under the following Accor brands: Sofitel, Novotel, Mercure, ibis, ibis budget and ibis Styles.

Orbis S.A. is the sole licensor of Accor brands in 16 countries of Eastern and Central Europe. As at the balance sheet date, 41 hotels (offering a total of 4 636 rooms) operated under franchise agreements and 17 hotels (with a total of 2 544 rooms) operated under management agreements. As at September 30, 2018, Orbis S.A. was the parent company of the Orbis Group. The structure of the Group is presented in Note 5.7 of this Report.

### **8.2 The Issuer's shareholders**

Orbis S.A. shareholding structure as at the day of publication is presented in Note 5.5 of this Report.

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

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

### **8.4 Description of principal accounting policies**

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, adopted by the European Union, published and binding as at the date of these financial statements.

The principal accounting policies applied in the preparation of the separate financial statements were set out in Note 2.4 to the annual separate financial statements for 2017. The accounting policies have been consistently applied to all the years presented in the financial statements and did not change substantially except for the change of regulations resulting from the implementation of the new standards.

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 accounting was presented in Note 5.8 of this report.



The tables below present the classification and value of the Company's financial assets as at the date of the first application of IFRS 9:

	Classification according to:		As at January 1, 2018 according to:	
	IAS 39	IFRS 9	IAS 39	IFRS 9
<b>Financial assets</b>				
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 current receivables	Loans and receivables (amortised cost)	Amortised cost	37 420	37 420

The tables below present the restatement of data as at the first day of new standard implementation, i.e. January 1, 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)
<b>Non-current assets</b>	<b>2 517 115</b>	<b>273</b>	<b>(558)</b>	<b>2 516 830</b>
Derivative financial instruments	885	-	(885)	0
Deferred tax assets	6 637	273	327	7 237
<b>Current assets</b>	<b>195 240</b>	<b>-</b>	<b>(837)</b>	<b>194 403</b>
Derivative financial instruments	837	-	(837)	0
<b>Assets classified as held for sale</b>	<b>23 514</b>	<b>-</b>	<b>-</b>	<b>23 514</b>
<b>TOTAL ASSETS</b>	<b>2 735 869</b>	<b>273</b>	<b>(1 395)</b>	<b>2 734 747</b>
<b>Equity</b>	<b>2 056 754</b>	<b>(1 163)</b>	<b>(1 395)</b>	<b>2 054 196</b>
Retained earnings	1 405 728	(1 163)	(1 395)	1 403 170
<b>Non-current liabilities</b>	<b>538 551</b>	<b>1 436</b>	<b>-</b>	<b>539 987</b>
Deferred revenue	12 202	1 436	-	13 638
<b>Current liabilities</b>	<b>140 564</b>	<b>-</b>	<b>-</b>	<b>140 564</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2 735 869</b>	<b>273</b>	<b>(1 395)</b>	<b>2 734 747</b>

Orbis S.A chose the approach of a 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 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 standard's impact on the past reporting periods

On the other hand, 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 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.

#### The impact of IFRS 15 application on the financial statements for 9 months and 3<sup>rd</sup> quarter of 2018

In order to ensure comparability of data for particular periods, the tables below present the impact of the IFRS 15 application on the results of Orbis S.A. for 9 months and 3<sup>rd</sup> quarter of 2018 and on the items of the statement of financial position as at September 30, 2018.

	9 months of 2018 (no IFRS 15 impact)	IFRS 15 impact	9 months of 2018 (as reported)
Net sales	673 539	(532)	673 007
<b>EBITDAR</b>	<b>219 947</b>	<b>(532)</b>	<b>219 415</b>
<b>Operating EBITDA</b>	<b>214 268</b>	<b>(532)</b>	<b>213 736</b>
<b>Operating profit without the effects of one-off events</b>	<b>120 019</b>	<b>(532)</b>	<b>119 487</b>
<b>Operating profit</b>	<b>120 676</b>	<b>(532)</b>	<b>120 144</b>
<b>Profit before tax</b>	<b>139 209</b>	<b>(532)</b>	<b>138 677</b>
Income tax	(25 642)	101	(25 541)
<b>Net profit for the period</b>	<b>113 567</b>	<b>(431)</b>	<b>113 136</b>
<b>Total comprehensive profit for the period</b>	<b>113 619</b>	<b>(431)</b>	<b>113 188</b>

	3 <sup>rd</sup> quarter of 2018 (no IFRS 15 impact)	IFRS 15 impact	3 <sup>rd</sup> quarter of 2018 (as reported)
Net sales	243 316	33	243 349
<b>EBITDAR</b>	<b>91 220</b>	<b>33</b>	<b>91 253</b>
<b>Operating EBITDA</b>	<b>89 296</b>	<b>33</b>	<b>89 329</b>
<b>Operating profit without the effects of one-off events</b>	<b>57 652</b>	<b>33</b>	<b>57 685</b>
<b>Operating profit</b>	<b>57 271</b>	<b>33</b>	<b>57 304</b>
<b>Profit before tax</b>	<b>48 279</b>	<b>33</b>	<b>48 312</b>
Income tax	(10 044)	(6)	(10 050)
<b>Net profit for the period</b>	<b>38 235</b>	<b>27</b>	<b>38 262</b>
<b>Total comprehensive profit for the period</b>	<b>38 226</b>	<b>27</b>	<b>38 253</b>

	as at Sep. 30, 2018 (no IFRS 15 impact)	IFRS 15 impact	as at Sep. 30, 2018 (as reported)
<b>Non-current assets</b>	<b>2 331 243</b>	<b>374</b>	<b>2 331 617</b>
Deferred tax assets	4 217	374	4 591
<b>Current assets</b>	<b>417 522</b>	<b>-</b>	<b>417 522</b>
<b>Assets classified as held for sale</b>	<b>23 210</b>	<b>-</b>	<b>23 210</b>
<b>TOTAL ASSETS</b>	<b>2 771 975</b>	<b>374</b>	<b>2 772 349</b>
<b>Equity</b>	<b>2 095 255</b>	<b>(1 594)</b>	<b>2 093 661</b>
Retained earnings	1 444 168	(1 594)	1 442 574
<b>Non-current liabilities</b>	<b>538 236</b>	<b>1 836</b>	<b>540 072</b>
Deferred revenue	10 979	1 836	12 815
<b>Current liabilities</b>	<b>138 484</b>	<b>132</b>	<b>138 616</b>
Deferred revenue	24 796	132	24 928
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2 771 975</b>	<b>374</b>	<b>2 772 349</b>

## 8.5 Investments in subsidiaries

The table below presents basic information about subsidiaries.

Name of subsidiary	% share of share capital	% share of voting rights at the GM	Country of registration	Business operations	Method of investment recognition	Share / interest value at cost	Revaluation adjustment	Carrying amount of shares / interests
Orbis Kontrakty Sp. z o.o.	directly 100.00%	directly 100.00%	Poland	organisation of purchasing	cost	100	0	100
Orbis Corporate Sp. z o.o.	directly 100.00%	directly 100.00%	Poland	tourism, transport, hotel and F&B services	cost	55	(55)	0
UAB Hekon	directly 100.00%	directly 100.00%	Lithuania	hotel and F&B services	cost	13 688	0	13 688
Katerinska Hotel s.r.o.	directly 100.00%	directly 100.00%	Czech Republic	hotel and F&B services	cost	279 260	0	279 260
Accor Pannonia Hotels Zrt.	directly 99.92%	directly 99.92%	Hungary	hotel and F&B services	cost	82 677	0	82 677
Accor Hotels Romania s.r.l.	directly 100.00%	directly 100.00%	Romania	hotel and F&B services	cost	91 804	0	91 804
<b>Total</b>						<b>467 584</b>	<b>(55)</b>	<b>467 529</b>

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

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

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 representing 100% of share capital of 5 Star Hotel Kft., the owner of the Sofitel Budapest Chain Bridge.

Moreover, in 2018 the Company made additional payments to Orbis Corporate Sp. z o.o. in the amount of PLN 10 thousand to cover the costs of operation of that entity. At the same time, an impairment loss was recognized in respect of those additional payments.

## 8.6 Borrowings

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

## 8.7 Issue, redemption and repayment of debt and equity securities

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

## 8.8 Loans granted

As at September 30, 2018, receivables under granted loans included loans granted to the following 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 agreement. The Hungarian company repaid the loan in full on June 4, 2018.

The interest rate on the EUR 12.5 million 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 September 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 September 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.

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.

During 9 months of 2018, Orbis S.A. received PLN 4 690 thousand as interest on the loans granted, of which PLN 4 394 thousand from Accor Pannonia Hotels Zrt. (equivalent to EUR 1 014 thousand) and PLN 296 thousand from UAB Hekon (equivalent to EUR 68 thousand).

## 8.9 Financial instruments

### 8.9.1 Fair value of financial instruments

As at December 31, 2017 and September 30, 2017, the only assets and liabilities that were subject to measurement at fair value following their initial recognition and were recognised at fair value in the statement of financial position were derivative instruments, i.e. interest rate swap. As at September 30, 2018 and June 30, 2018, the Company did not hold the interest rate swap (description in Note 8.9.2).

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

	As at Sep. 30, 2018		As at Jun. 30, 2018		As at Dec. 31, 2017		As at Sep. 30, 2017	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>								
Cash and cash equivalents	321 182	321 182	355 798	355 798	76 973	76 973	138 952	138 952
Loans granted	192 272	192 272	196 732	196 732	398 366	398 366	414 241	414 241
Derivative financial instruments (assets)	0	0	0	0	1 722	1 722	0	0
Other financial assets	6 944	6 944	6 944	6 944	6 944	6 944	10 944	10 944
Trade receivables and other current receivables	46 290	46 290	42 514	42 514	37 420	37 420	60 900	60 900
<b>Financial liabilities</b>								
Borrowings	0	0	0	0	0	0	105 677	107 089
Debt securities - bonds issued	502 655	503 450	501 892	504 800	501 778	504 500	502 319	507 200
Derivative instruments (liabilities)	0	0	0	0	74	74	131	131
Trade payables and other current and non-current liabilities	64 341	64 341	144 189	144 189	76 816	76 816	61 455	61 455

According to the Management Board, as at September 30, 2018, June 30, 2018, December 31, 2017, and September 30, 2017, the carrying amount of financial instruments of the Company, with the exception of liabilities arising from credit facilities and issued bonds, was close to their fair value.

The 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 September 30, 2017. As at September 30, 2018, 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 derivative instruments was determined as at December 31, 2017 and September 30, 2017, as the present value of estimated future cash flows on the basis of monitoring of yield curves. As at September 30, 2018 and 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 determined on the basis of prices quoted on an active market). Liabilities under credit facilities and derivative instruments are classified to Level 2 of fair value hierarchy (fair value determined on the basis of observable market data, other than direct market quotations).

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

## 8.9.2 Hedge accounting

To reduce the risk of changing interest rates and hedge future cash flows, on September 15, 2015, Orbis S.A. entered into a pay-floating receive-fixed Interest Rate Swap with the bank Société Générale S.A. The amount of the hedging instrument is PLN 150 million, which accounts for 50% of the value of the first tranche of bonds issued in the amount of PLN 300 million. The swap 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. During 9 months 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.

## 8.10 Changes in estimates of amounts

### 8.10.1 Impairment of assets

Movements in impairment loss - 9 months of 2018	Impairment loss on:				
	property, plant & equipment	investment property	assets held for sale	investment in subsidiaries and other companies	receivables
<b>As at January 1, 2018</b>	<b>(14 941)</b>	<b>(578)</b>	<b>(14 692)</b>	<b>(47)</b>	<b>(3 069)</b>
Recognised impairment loss	0	0	0	(10)	(716)
Utilised impairment loss	0	0	0	0	18
Reversed impairment loss	0	0	0	0	650
Decrease in impairment losses in connection with sale	0	571	4 781	0	0
Impairment loss not subject to reversal *	518	7	0	0	0
<b>As at September 30, 2018</b>	<b>(14 423)</b>	<b>0</b>	<b>(9 911)</b>	<b>(57)</b>	<b>(3 117)</b>

Movements in impairment loss - 3rd quarter of 2018	Impairment loss on:				
	property, plant & equipment	investment property	assets held for sale	investment in subsidiaries and other companies	receivables
<b>As at July 1, 2018</b>	<b>(14 527)</b>	<b>0</b>	<b>(15 263)</b>	<b>(47)</b>	<b>(3 040)</b>
Recognised impairment loss	0	0	0	(10)	(238)
Utilised impairment loss	0	0	0	0	11
Reversed impairment loss	0	0	0	0	150
Decrease in impairment losses in connection with sale	0	571	4 781	0	0
Impairment loss not subject to reversal *	104	0	0	0	0
Reclassification	0	(571)	571		0
<b>As at September 30, 2018</b>	<b>(14 423)</b>	<b>0</b>	<b>(9 911)</b>	<b>(57)</b>	<b>(3 117)</b>

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

In 9 months of 2018 and in 2017, no circumstances occurred in Orbis S.A. that would indicate a need to recognise impairment losses on inventories.

## 8.10.2 Provisions for liabilities

Movements in provisions - 9 months of 2018	Provision for:			
	jubilee awards	retirement & disability benefits	litigations	restructuring
<b>As at January 1, 2018</b>	<b>15 017</b>	<b>6 791</b>	<b>777</b>	<b>1 318</b>
Provision recognised	1 555	404	0	518
Provision utilised	(1 712)	(308)	0	(1 145)
Provision reversed	(368)	(115)	(2)	(620)
<b>As at September 30, 2018, of which:</b>	<b>14 492</b>	<b>6 772</b>	<b>775</b>	<b>71</b>
Short-term provisions	1 790	1 108	775	71
Long-term provisions	12 702	5 664	0	0

The reversal of provisions for jubilee awards and retirement and disability benefits in 9 months ended September 30, 2018, results from the sale of Orbis S.A. hotels, i.e. the Mercure Cieszyn and the ibis Styles Bielsko-Biała hotels.



Movements in provisions - 3rd quarter of 2018	Provision for:			
	jubilee awards	retirement & disability benefits	litigations	restructuring
<b>As at July 1, 2018</b>	<b>14 861</b>	<b>6 887</b>	<b>777</b>	<b>760</b>
Provision recognised	754	137	0	30
Provision utilised	(755)	(137)	0	(719)
Provision reversed	(368)	(115)	(2)	0
<b>As at September 30, 2018, of which:</b>	<b>14 492</b>	<b>6 772</b>	<b>775</b>	<b>71</b>
Short-term provisions	1 790	1 108	775	71
Long-term provisions	12 702	5 664	0	0

## 8.11 Deferred tax assets and liabilities

Deferred tax	As at:		Impact on statement of comprehensive income
	Sep. 30, 2018	Dec. 31, 2017	
Deferred tax assets	18 822	21 628	(2 806)
Deferred tax liabilities	(14 231)	(14 991)	760
<b>Total:</b>	<b>4 591</b>	<b>6 637</b>	<b>(2 046)</b>
impact on profit or loss			(2 623)
impact on other comprehensive income			(23)
impact on the initial balance of retained earnings			600

## 8.12 Legal claims

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

## 8.13 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 (in 2018 and 2017 Orbis received dividend from subsidiary Orbis Kontrakty Sp. z o.o.) as well as interest on loans granted to the Hungarian subsidiary Accor Pannonia Hotels Zrt., to the Lithuanian subsidiary UAB Hekon and to the Romanian subsidiary Accor Hotels Romania s.r.l. More information about loans granted is provided in Note 8.8.

Sales and purchases	3 months ended Sep. 30, 2018	9 months ended Sep. 30, 2018	3 months ended Sep. 30, 2017	9 months ended Sep. 30, 2017
Net sales of services:				
- to the parent company	370	1 117	373	1 126
- to other Accor Group companies	252	722	437	804
- to subsidiaries	335	902	287	770
<b>Total sales</b>	<b>957</b>	<b>2 741</b>	<b>1 097</b>	<b>2 700</b>
Finance income:				
- from subsidiaries	1 326	18 337	2 642	20 430
<b>Total revenue</b>	<b>2 283</b>	<b>21 078</b>	<b>3 739</b>	<b>23 130</b>
Purchases of services:				
- from the parent company	9 932	25 651	8 909	22 351
- from other Accor Group companies	2 857	7 349	3 268	8 242
- from subsidiaries	0	112	171	171
<b>Total purchases</b>	<b>12 789</b>	<b>33 112</b>	<b>12 348</b>	<b>30 764</b>
Receivables and payables	As at:			
	Sep. 30, 2018	Jun. 30, 2018	Dec. 31, 2017	Sep. 30, 2017
Trade receivables:				
- from the parent company	507	876	778	373
- from other Accor Group companies	249	541	321	175
- from subsidiaries	167	129	751	120
Receivables under loans granted:				
- from subsidiaries	192 272	196 732	398 366	414 241
<b>Total receivables</b>	<b>193 195</b>	<b>198 278</b>	<b>400 216</b>	<b>414 909</b>
Trade payables:				
- to the parent company	6 437	9 799	5 622	6 787
- to other Accor Group companies	971	851	963	346
- to subsidiaries	3 514	2 953	1 893	43
Dividend payables :				
- to the parent company	0	35 156	0	0
- to other Accor Group companies	0	3 686	0	0
<b>Total payables</b>	<b>10 922</b>	<b>52 445</b>	<b>8 478</b>	<b>7 176</b>

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

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

Transactions with related companies are executed at arms' length.

Benefits (including wages and salaries, awards, post-employment benefits and retirement benefits) paid in accordance with contractual obligations to the Members of the Management Board and the Supervisory Board of Orbis S.A. in 9-month periods ended September 30, 2018, and September 30, 2017, amounted to PLN 4 574 thousand and PLN 4 401 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.

## **8.14 Important events after the reporting period**

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

## APPENDIX 1: OPERATING RATIOS OF THE ORBIS GROUP

### Owned hotels<sup>2</sup>

Operating ratios of owned hotels by main category	9 months of 2018	9 months of 2017	change (%)	9 months of 2018	9 months of 2017	change (%)
	as reported			like-for-like		
<b>Orbis Hotel Group</b>						
Occupancy Rate (%)	73.7	74.7	-1.0 p.p.	73.8	75.0	-1.2 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	260.4	251.0	3.7%	260.5	249.3	4.5%
Revenue per Available Room (RevPAR) in PLN	192.0	187.5	2.4%	192.4	186.8	3.0%
<b>Economy Hotels</b>						
Occupancy Rate (%)	74.8	76.1	-1.3 p.p.	75.0	76.6	-1.6 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	186.6	178.7	4.4%	186.6	180.7	3.3%
Revenue per Available Room (RevPAR) in PLN	139.6	136.1	2.6%	139.9	138.3	1.2%
<b>Up &amp; Midscale Hotels (3 stars and more)</b>						
Occupancy Rate (%)	73.2	74.0	-0.8 p.p.	73.2	74.1	-0.9 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	300.9	290.4	3.6%	301.2	287.3	4.8%
Revenue per Available Room (RevPAR) in PLN	220.2	214.8	2.5%	220.5	212.9	3.6%

Operating ratios of owned hotels by main category	3rd quarter of 2018	3rd quarter of 2017	change (%)	3rd quarter of 2018	3rd quarter of 2017	change (%)
	as reported			like-for-like		
<b>Orbis Hotel Group</b>						
Occupancy Rate (%)	80.8	84.3	-3.5 p.p.	81.2	84.7	-3.5 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	265.4	262.8	1.0%	265.8	257.2	3.3%
Revenue per Available Room (RevPAR) in PLN	214.6	221.4	-3.1%	215.8	217.9	-1.0%
<b>Economy Hotels</b>						
Occupancy Rate (%)	81.2	84.7	-3.5 p.p.	81.8	85.8	-4.0 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	196.1	188.3	4.1%	196.1	191.3	2.5%
Revenue per Available Room (RevPAR) in PLN	159.3	159.5	-0.1%	160.4	164.0	-2.2%
<b>Up &amp; Midscale Hotels (3 stars and more)</b>						
Occupancy Rate (%)	80.6	84.0	-3.4 p.p.	80.8	84.2	-3.4 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	303.5	303.0	0.2%	304.1	293.6	3.6%
Revenue per Available Room (RevPAR) in PLN	244.7	254.5	-3.9%	245.8	247.1	-0.5%

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

Operating ratios of owned hotels by geographical segment	9 months of 2018	9 months of 2017	change (%)	9 months of 2018	9 months of 2017	change (%)
	as reported			like-for-like		
<b>Poland</b>						
Occupancy Rate (%)	72.0	72.9	-0.9 p.p.	72.0	73.4	-1.4 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	252.6	239.7	5.4%	252.6	243.3	3.8%
Revenue per Available Room (RevPAR) in PLN	181.9	174.8	4.1%	181.9	178.5	1.9%
<b>Hungary</b>						
Occupancy Rate (%)	77.4	77.1	0.3 p.p.	77.5	76.7	0.8 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	268.1	273.8	-2.1%	268.2	254.4	5.4%
Revenue per Available Room (RevPAR) in PLN	207.6	211.0	-1.6%	207.8	195.1	6.5%
<b>Czech Republic</b>						
Occupancy Rate (%)	75.5	78.1	-2.6 p.p.	75.5	78.4	-2.9 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	286.9	264.4	8.5%	286.9	266.6	7.6%
Revenue per Available Room (RevPAR) in PLN	216.5	206.5	4.8%	216.5	209.0	3.6%
<b>Other countries</b>						
Occupancy Rate (%)	77.9	82.7	-4.8 p.p.	79.9	82.7	-2.8 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	276.4	270.0	2.4%	279.8	270.0	3.6%
Revenue per Available Room (RevPAR) in PLN	215.4	223.4	-3.6%	223.6	223.4	0.1%

Operating ratios of owned hotels by geographical segment	3rd quarter of 2018	3rd quarter of 2017	change (%)	3rd quarter of 2018	3rd quarter of 2017	change (%)
	as reported			like-for-like		
<b>Poland</b>						
Occupancy Rate (%)	77.9	82.2	-4.3 p.p.	77.9	82.6	-4.7 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	258.0	245.5	5.1%	258.0	249.6	3.4%
Revenue per Available Room (RevPAR) in PLN	200.9	201.9	-0.5%	200.9	206.2	-2.6%
<b>Hungary</b>						
Occupancy Rate (%)	90.5	88.4	2.1 p.p.	90.5	89.4	1.1 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	268.2	300.9	-10.9%	268.2	263.3	1.9%
Revenue per Available Room (RevPAR) in PLN	242.6	266.1	-8.8%	242.6	235.4	3.1%
<b>Czech Republic</b>						
Occupancy Rate (%)	84.5	86.8	-2.3 p.p.	84.5	88.4	-3.9 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	308.7	284.9	8.4%	308.7	291.9	5.8%
Revenue per Available Room (RevPAR) in PLN	260.8	247.3	5.5%	260.8	258.0	1.1%
<b>Other countries</b>						
Occupancy Rate (%)	77.7	88.2	-10.5 p.p.	83.5	88.2	-4.7 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	269.4	269.9	-0.2%	277.8	269.9	2.9%
Revenue per Available Room (RevPAR) in PLN	209.4	237.9	-12.0%	232.0	237.9	-2.5%

## Managed and franchised hotels

Operating ratios of managed and franchised hotels by main category	9 months of 2018	9 months of 2017	change (%)	9 months of 2018	9 months of 2017	change (%)
	as reported			like-for-like		
Orbis Hotel Group						
Occupancy Rate (%)	65.1	64.5	0.6 p.p.	66.9	64.5	2.4 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	214.8	190.1	13.0%	193.2	190.7	1.3%
Revenue per Available Room (RevPAR) in PLN	139.8	122.6	14.0%	129.3	123.1	5.0%
Economy Hotels						
Occupancy Rate (%)	68.3	66.2	2.1 p.p.	69.6	66.1	3.5 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	173.0	151.8	14.0%	155.2	151.9	2.2%
Revenue per Available Room (RevPAR) in PLN	118.1	100.5	17.5%	108.0	100.3	7.7%
Up & Midscale Hotels (3 stars and more)						
Occupancy Rate (%)	62.2	62.8	-0.6 p.p.	64.2	63.0	1.2 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	255.9	230.2	11.2%	234.4	231.0	1.4%
Revenue per Available Room (RevPAR) in PLN	159.2	144.5	10.2%	150.4	145.6	3.3%

Operating ratios of managed and franchised hotels by main category	3rd quarter of 2018	3rd quarter of 2017	change (%)	3rd quarter of 2018	3rd quarter of 2017	change (%)
	as reported			like-for-like		
Orbis Hotel Group						
Occupancy Rate (%)	73.8	73.7	0.1 p.p.	74.4	73.8	0.6 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	229.1	193.1	18.6%	196.4	193.9	1.3%
Revenue per Available Room (RevPAR) in PLN	169.1	142.3	18.8%	146.0	143.0	2.1%
Economy Hotels						
Occupancy Rate (%)	76.5	75.6	0.9 p.p.	77.7	75.8	1.9 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	179.4	161.9	10.8%	167.6	162.3	3.3%
Revenue per Available Room (RevPAR) in PLN	137.3	122.3	12.3%	130.2	123.1	5.8%
Up & Midscale Hotels (3 stars and more)						
Occupancy Rate (%)	71.4	71.8	-0.4 p.p.	71.3	71.8	-0.5 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	276.5	224.2	23.3%	225.5	224.9	0.3%
Revenue per Available Room (RevPAR) in PLN	197.6	161.1	22.7%	160.8	161.6	-0.5%

Operating ratios of managed and franchised hotels by geographical segment	9 months of 2018	9 months of 2017	change (%)	9 months of 2018	9 months of 2017	change (%)
	As reported			like-for-like		
<b>Poland</b>						
Occupancy Rate (%)	58.0	53.9	4.1 p.p.	56.7	54.0	2.7 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	179.2	184.2	-2.7%	180.6	184.2	-2.0%
Revenue per Available Room (RevPAR) in PLN	103.9	99.3	4.6%	102.3	99.4	2.9%
<b>Hungary</b>						
Occupancy Rate (%)	80.6	74.8	5.8p.p.	77.1	74.8	2.3 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	470.0	346.0	35.8%	349.7	346.0	1.1%
Revenue per Available Room (RevPAR) in PLN	378.5	258.7	46.3%	269.5	258.7	4.2%
<b>Czech Republic</b>						
Occupancy Rate (%)	60.7	66.1	-5.4 p.p.	47.6	56.5	-8.9 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	164.6	148.4	10.9%	166.2	142.3	16.8%
Revenue per Available Room (RevPAR) in PLN	99.9	98.1	1.8%	79.1	80.4	-1.6%
<b>Other countries</b>						
Occupancy Rate (%)	69.6	74.6	-5.0 p.p.	76.8	74.6	2.2 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	201.9	190.4	6.0%	197.3	190.5	3.6%
Revenue per Available Room (RevPAR) in PLN	140.6	142.1	-1.1%	151.5	142.1	6.6%

Operating ratios of managed and franchised hotels by geographical segment	3rd quarter of 2018	3rd quarter of 2017	change (%)	3rd quarter of 2018	3rd quarter of 2017	change (%)
	As reported			like-for-like		
<b>Poland</b>						
Occupancy Rate (%)	67.0	64.9	2.1 p.p.	64.9	64.7	0.2 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	173.0	179.5	-3.6%	171.3	179.2	-4.4%
Revenue per Available Room (RevPAR) in PLN	115.8	116.5	-0.6%	111.2	116.0	-4.1%
<b>Hungary</b>						
Occupancy Rate (%)	85.6	82.1	3.5 p.p.	85.3	82.1	3.2 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	478.0	390.2	22.5%	372.8	390.3	-4.5%
Revenue per Available Room (RevPAR) in PLN	409.2	320.6	27.6%	317.8	320.6	-0.9%
<b>Czech Republic*</b>						
Occupancy Rate (%)	74.0	68.9	5.1 p.p.	-	-	-
Average Room Rate (ARR) in PLN (net of VAT)	164.2	148.1	10.9%	-	-	-
Revenue per Available Room (RevPAR) in PLN	121.4	102.0	19.0%	-	-	-
<b>Other countries</b>						
Occupancy Rate (%)	77.9	82.7	-4.8 p.p.	83.6	82.7	0.9 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	215.7	199.2	8.3%	210.3	199.3	5.5%
Revenue per Available Room (RevPAR) in PLN	167.9	164.7	1.9%	175.9	164.8	6.7%

\* The cooperation under a franchise agreement with the ibis Olomouc hotel in the Czech Republic was discontinued as of the end of March 2018.



## APPENDIX 2: GLOSSARY OF TERMS

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

**CAPEX** – Capital Expenditure

**CSR** – Corporate Social Responsibility

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

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

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

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

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

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

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

**NOVO<sup>2</sup>** – combination of a bar and a restaurant in Novotels. NOVO<sup>2</sup> is based on three values: Vitality (health) entails the selection of environmentally-friendly produce and a balanced diet; Connect-ainment (entertainment) to ensure that each guest will feel at ease thanks to international interior design and cuisine; Imagination (inspirations) is reflected in the presentation of the most intriguing culinary trends from all around the world

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

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

**Up & Midscale hotels** – one of the two reportable operating segments of the Orbis Group that comprises hotels of the following brands: Sofitel, Pullman, MGallery, Novotel, Mercure and Orbis Hotels

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

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