Orbis Hotel Group

Orbis Group

Report for the First Half of 2019

Condensed Interim Consolidated Financial Statements

July 31, 2019

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(figures quoted in PLN thousand, unless otherwise stated)

CONSOLIDATED INCOME STATEMENT

for the first half of 2019 with comparable figures for the year 2018

	3 months ended June 30, 2019 *(unaudited)*	6 months ended June 30, 2019 *(unaudited)*	3 months ended June 30, 2018 *(unaudited)*	6 months ended June 30, 2018 *(unaudited)*
Net sales	**414 579**	**684 052**	**410 204**	**675 870**
Outsourced services	(81 001)	(148 790)	(80 442)	(146 485)
Employee benefit expense	(93 830)	(186 789)	(92 885)	(185 618)
Raw materials and energy used	(53 703)	(98 622)	(50 339)	(96 585)
Taxes and charges	(8 364)	(16 295)	(11 221)	(21 198)
Other expenses by nature	(2 908)	(5 497)	(3 280)	(6 170)
Impairment of receivables	(124)	(447)	24	449
Net other operating income/(expenses)	541	1 659	668	1 100
EBITDAR	**175 190**	**229 271**	**172 729**	**221 363**
Rental expense	(3 359)	(5 959)	(14 961)	(28 282)
Operating EBITDA	**171 831**	**223 312**	**157 768**	**193 081**
Depreciation and amortisation	(55 121)	(108 534)	(40 403)	(82 316)
Operating profit without the effects of one-off events	**116 710**	**114 778**	**117 365**	**110 765**
Result on sale of real property	11 470	59 086	128 469	129 348
Revaluation of non-current assets	(2 805)	(2 805)	0	0
Restructuring costs	(435)	(459)	132	103
Result of other one-off events	(7 096)	(7 131)	709	0
Operating profit	**117 844**	**163 469**	**246 675**	**240 216**
Finance income	1 220	1 934	1 170	1 392
Finance costs	(12 412)	(21 650)	(4 209)	(8 017)
Profit before tax	**106 652**	**143 753**	**243 636**	**233 591**
Income tax expense	(18 629)	(29 900)	(29 744)	(28 491)
Net profit on continuing operations	**88 023**	**113 853**	**213 892**	**205 100**
Net profit on discontinued operations	**10 248**	**15 228**	**5 512**	**9 916**
Net profit for the period	**98 271**	**129 081**	**219 404**	**215 016**
- attributable to owners of the parent	98 248	129 061	219 275	214 890
- attributable to non-controlling interests	23	20	129	126
Earnings per ordinary share				
Basic and diluted profit attributable to owners of the parent for the period (in PLN)	2.13	2.80	4.76	4.66
Basic and diluted profit per share attributable to owners of the parent for the period - continuing operations (in PLN)	1.91	2.47	4.64	4.45
Basic and diluted profit per share attributable to owners of the parent for the period - discontinued operations (in PLN)	0.22	0.33	0.12	0.21

(figures quoted in PLN thousand, unless otherwise stated)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the first half of 2019 with comparable figures for the year 2018

	3 months ended June 30, 2019 *(unaudited)*	6 months ended June 30, 2019 *(unaudited)*	3 months ended June 30, 2018 *(unaudited)*	6 months ended June 30, 2018 *(unaudited)*
Net profit for the period	**98 271**	**129 081**	**219 404**	**215 016**
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(9 145)	(10 541)	11 473	15 965
The effective portion of the gain or loss on the hedging instrument entered into for cash flow hedges	0	0	75	75
Income tax relating to items that may be reclassified subsequently	0	0	(14)	(14)
Other comprehensive income/(loss) after tax	**(9 145)**	**(10 541)**	**11 534**	**16 026**
Total comprehensive income for the period	**89 126**	**118 540**	**230 938**	**231 042**
- attributable to owners of the parent	89 110	118 527	230 813	230 920
- attributable to non-controlling interests	16	13	125	122

(figures quoted in PLN thousand, unless otherwise stated)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at June 30, 2019, December 31, 2018 and June 30, 2018

Assets	As at:		
	June 30, 2019 *(unaudited)*	December 31, 2018 *(audited)*	June 30, 2018 *(unaudited)*
Non-current assets	**2 859 926**	**2 546 642**	**2 369 525**
Property, plant and equipment, of which:	2 686 627	2 415 834	2 232 250
- right-of-use assets	589 456	0	0
Investment property, of which:	5 103	3 538	3 836
- right-of-use assets	3 800	0	0
Intangible assets, of which:	111 195	114 831	110 428
- goodwill	108 606	111 682	107 252
Contract assets	377	388	0
Other financial assets	0	0	6 944
Deferred tax assets	55 629	10 983	14 932
Other non-current assets	995	1 068	1 135
Current assets	**746 711**	**663 148**	**705 848**
Inventories	6 021	6 463	6 185
Trade receivables	74 901	69 707	83 173
Income tax receivables	5 721	4 385	1 203
Other current receivables	27 949	44 759	32 647
Other short-term financial assets	0	0	620
Cash and cash equivalents	632 119	537 834	582 020
Assets classified as held for sale, of which:	**27 406**	**8 690**	**42 102**
- right-of-use assets	2 647	0	0
TOTAL ASSETS	**3 634 043**	**3 218 480**	**3 117 475**

(figures quoted in PLN thousand, unless otherwise stated)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, continued
as at June 30, 2019, December 31, 2018 and June 30, 2018

Equity and Liabilities	As at:		
	June 30, 2019 *(unaudited)*	December 31, 2018 *(audited)*	June 30, 2018 *(unaudited)*
Equity	**2 305 812**	**2 386 786**	**2 237 033**
Equity attributable to owners of the parent	**2 305 438**	**2 386 425**	**2 236 710**
Share capital	517 754	517 754	517 754
Reserves	133 333	133 333	133 333
Retained earnings	1 657 206	1 727 659	1 580 382
Foreign currency translation reserve	(2 855)	7 679	5 241
Non-controlling interests	**374**	**361**	**323**
Non-current liabilities	**717 928**	**545 411**	**547 755**
Bonds	202 205	502 111	501 892
Lease liabilities	485 102	0	0
Deferred tax liabilities	549	196	2 095
Contract liabilities	0	2 097	1 935
Deferred revenue	0	10 928	11 052
Other non-current liabilities	7 084	7 200	5 908
Provision for retirement benefits and similar obligations	21 285	21 341	19 185
Provisions for liabilities	1 703	1 538	5 688
Current liabilities	**598 373**	**286 283**	**332 687**
Bonds	300 008	0	0
Lease liabilities	45 360	0	0
Trade payables	84 465	80 706	87 807
Liabilities associated with tangible assets	16 304	73 595	12 742
Income tax liabilities	8 313	13 603	16 345
Contract liabilities	57 990	30 779	49 155
Deferred revenue	2 800	6 735	7 595
Other current liabilities	78 446	76 124	154 175
Provision for retirement benefits and similar obligations	3 503	3 389	3 035
Provisions for liabilities	1 184	1 352	1 833
Liabilities associated with assets classified as held for sale, of which:	**11 930**	**0**	**0**
- lease liabilities	2 597	0	0
TOTAL EQUITY AND LIABILITIES	**3 634 043**	**3 218 480**	**3 117 475**

(figures quoted in PLN thousand, unless otherwise stated)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the first half of 2019 with comparable figures for the year 2018

	Equity attributable to owners of the parent				Non-controlling interests	Total
	Share capital	Reserves	Retained earnings	Foreign currency translation reserve		
Twelve months ended December 31, 2018						
Balance as at January 1, 2018 (reported)	**517 754**	**133 272**	**1 440 378**	**(10 728)**	**201**	**2 080 877**
- adjustment for IFRS 15	0	0	(1 227)	0	0	**(1 227)**
Balance as at January 1, 2018 (restated)	**517 754**	**133 272**	**1 439 151**	**(10 728)**	**201**	**2 079 650**
- net profit for the period	0	0	363 198	0	160	**363 358**
- other comprehensive income/(loss)	0	61	(967)	18 407	0	**17 501**
Total comprehensive income for the period	**0**	**61**	**362 231**	**18 407**	**160**	**380 859**
- dividends	0	0	(73 723)	0	0	**(73 723)**
Balance as at December 31, 2018 *(audited)*	**517 754**	**133 333**	**1 727 659**	**7 679**	**361**	**2 386 786**
of which: six months ended June 30, 2018						
Balance as at January 1, 2018 (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	214 890	0	126	**215 016**
- other comprehensive income/(loss)	0	61	0	15 969	(4)	**16 026**
Total comprehensive income for the period	**0**	**61**	**214 890**	**15 969**	**122**	**231 042**
- dividends	0	0	(73 723)	0	0	**(73 723)**
Balance as at June 30, 2018 *(unaudited)*	**517 754**	**133 333**	**1 580 382**	**5 241**	**323**	**2 237 033**
Six months ended June 30, 2019						
Balance as at January 1, 2019 (reported)	**517 754**	**133 333**	**1 727 659**	**7 679**	**361**	**2 386 786**
- adjustment for IFRS 16	0	0	(199 514)	0	0	**(199 514)**
Balance as at January 1, 2019 (restated)*	**517 754**	**133 333**	**1 528 145**	**7 679**	**361**	**2 187 272**
- net profit for the period	0	0	129 061	0	20	**129 081**
- other comprehensive income/(loss)	0	0	0	(10 534)	(7)	**(10 541)**
Total comprehensive income/(loss) for the period	**0**	**0**	**129 061**	**(10 534)**	**13**	**118 540**
Balance as at June 30, 2019 *(unaudited)*	**517 754**	**133 333**	**1 657 206**	**(2 855)**	**374**	**2 305 812**

** description of restatement is provided in Note 4.1.*

(figures quoted in PLN thousand, unless otherwise stated)

CONSOLIDATED STATEMENT OF CASH FLOWS

for the first half of 2019 with comparable figures for the year 2018

	6 months ended June 30, 2019 *(unaudited)*	6 months ended June 30, 2018 *(unaudited)*
OPERATING ACTIVITIES		
Profit before tax, of which:	**161 259**	**245 363**
- from continuing operations	**143 753**	**233 591**
- from discontinued operations	**17 506**	**11 772**
Adjustments:	**84 656**	**(54 360)**
Depreciation and amortisation	108 538	82 322
Foreign exchange losses	2 766	9 885
Interest and other borrowing costs	15 051	7 051
Gain from investing activities	(56 216)	(143 654)
Change in receivables and contract assets	(17 557)	(16 871)
Change in contract liabilities	27 827	21 136
Change in other liabilities, excluding borrowings	1 006	(12 654)
Change in deferred revenue	(64)	(1 270)
Change in provisions	100	(464)
Change in inventories	399	159
Other adjustments	2 806	0
Cash generated from operations	**245 915**	**191 003**
Income taxes paid	(32 560)	(15 590)
Net cash generated by operating activities	**213 355**	**175 413**
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment, investment property and intangible assets	56 055	332 893
Interest received	1 996	597
Other investing cash inflows	163	5 445
Payments for property, plant and equipment and intangible assets	(128 182)	(106 181)
Loans granted	0	(597)
Net cash generated by/(used in) investing activities	**(69 968)**	**232 157**
FINANCING ACTIVITIES		
Repayment of borrowings	0	(40 727)
Interest paid and other financing cash outflows resulting from received borrowings	0	(376)
Interest paid and other financing cash outflows resulting from issue of bonds	(6 982)	(7 117)
Payment of liabilities under lease agreements	(29 610)	0
Payment of interest on liabilities under lease agreements	(7 456)	0
Net cash used in financing activities	**(44 048)**	**(48 220)**
Change in cash and cash equivalents	**99 339**	**359 350**
Effects of exchange rate changes on the balance of cash held in foreign currencies	(1 715)	7 826
Cash and cash equivalents at the beginning of the period	**537 834**	**214 844**
Cash and cash equivalents at the end of the period	**635 458**	**582 020**
including cash classified as assets held for sale	3 339	0

1. GENERAL INFORMATION

The attached condensed interim consolidated financial statements of the Orbis Group for the first half of 2019, present a statement of financial position as at June 30, 2019, as well as at December 31, 2018 and June 30, 2018, statement of changes in equity for the first half of 2019, as well as for 2018, and the first half of 2018, income statement and statement of comprehensive income covering the data for 3 months ended June 30, 2019, and June 30, 2018, and for 6 months ended June 30, 2019, and June 30, 2018, and statement of cash flows covering the data for the first half of 2019 as well as for the first half of 2018, as well as explanatory notes to the above-mentioned financial statements.

These financial statements comprise the parent company and its subsidiaries (jointly referred to as the “Orbis Group” or the “Group”). The Orbis Group carries out business in the hospitality industry.

The parent company of the Orbis Group is Orbis S.A. with its corporate seat in Warsaw, at Bracka 16, 00-028 Warsaw, Poland, entered into the Register of Business Operators maintained by the District Court in Warsaw, XII Commercial Division of the National Court Register, under the number KRS 22622. According to the Polish Classification of Business Activity [PKD], the Company’s business operations are classified under section I, item 5510Z. On the Warsaw Stock Exchange, the Company’s operations are classified as hotels and restaurants.

The full list of companies forming the Orbis Group is presented in Note 2.1 to the financial statements. Changes in the composition of the Orbis Group as well as organisational and business changes since the date of publication of the last financial statements are outlined in Note 2.2 to the financial statements.

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

Items of statement of financial position of foreign subsidiary companies were translated into the Polish currency according to the average exchange rate quoted by the National Bank of Poland as at June 28, 2019. Items of the income statement, statement of comprehensive income and statements of cash flows of foreign subsidiary companies were translated into the Polish currency according to the exchange rates being the arithmetic mean of average exchange rates quoted by the National Bank of Poland on the last day of each month of the first half of 2019 and the first half of 2018. All resulting foreign exchange differences are recognised as a component of equity.

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		
	1st half of 2019	1st half of 2018	June 30, 2019	December 31, 2018	June 30, 2018
EUR/PLN	4.2880	4.2395	4.2520	4.3000	4.3616
HUF/PLN	0.013371	0.013401	0.013140	0.013394	0.013272
CZK/PLN	0.1669	0.1659	0.1672	0.1673	0.1683
RON/PLN	0.9031	0.9104	0.8976	0.9229	0.9361

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

1.1 BASIS OF PREPARATION OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

These condensed interim consolidated financial statements have been prepared in accordance with the International Accounting Standard 34 *Interim Financial Statements*.

The attached condensed interim consolidated financial statements of Orbis Group should be read in conjunction with the audited consolidated financial statements for the annual period from January 1, 2018 till December 31, 2018, including notes, and prepared in compliance with the International Financial Reporting Standards (IFRSs).

The basic accounting policies and calculation methods applied in the preparation of these condensed interim financial statements were presented in Note 2.4 to the annual consolidated financial statements of Orbis Group for the year 2018. These policies have been consistently applied to all the years presented in the financial statements and have not undergone any significant changes since the last annual financial statements, except for the changes resulting from amendments of regulations described in Note 1.3, and the entry into force of new accounting standard, i.e. IFRS 16 *Leases*. For a description of the impact of the new standard, see Note 4.1.

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

The condensed interim 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 Management Board of the parent company is of the opinion that there exist no circumstances which would indicate a threat to the continuation of the Group's operations.

These consolidated financial statements were approved by the Management Board on July 31, 2019.

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

The report of the independent licensed auditor KPMG Audyt Spółka z ograniczoną odpowiedzialnością Sp. k. on the review of the condensed interim consolidated financial statements of the Orbis Group for the first half of 2019, contains a qualification relating to the classification of the rights of perpetual usufruct of land in comparative periods, i.e. as at December 31, 2018, and June 30, 2018.

The Management Board of Orbis S.A. is of the opinion that the principle of classification of perpetual usufruct rights to land adopted in the past years contributed to fair and clear information on the financial standing of the Group.

Problems and doubts associated with the classification of the right of perpetual usufruct of land for the purpose of their presentation in the statement of financial position have so far originated not only from a subjective assessment of Orbis S.A. Management Board, but also had an objective dimension, manifested, amongst others, in the absence of uniform approach to this classification during the effective term of IAS 17 application both amongst issuers listed on regulated markets and amongst leading auditing companies.

Considering the specific features of the rights of perpetual usufruct of land, the Management Board and the Supervisory Board were of an opinion that these rights should be reported in accordance with the IAS 16 *Property, Plant and Equipment*. As at the date of preparation of the first financial statement in accordance with the International Financial Reporting Standards, rights of perpetual usufruct of land obtained from the State Treasury by virtue of administrative decisions were entered into the books at the values determined as a result of an independent valuation pursuant to IFRS 1. On the other hand, rights of perpetual usufruct purchased by the Group were entered into the books at their purchase value (i.e. the market value). These rights were depreciated over the term of the contract, i.e. for a maximum period of 99 years.

According to the Management Board and the Supervisory Board of Orbis S.A., treatment of the rights of perpetual usufruct of land as a form of an operating lease and their recognition off balance sheet did not reflect the economic nature of these rights and would lead to a distortion of the information on the actual value of assets held by the Group, i.e. its substantial undervaluation. The figures representing the impact of the qualification expressed by the audit firm on the Group's financial data as at December 31, 2018, and June 30, 2018, is described in Note 2.3 of the notes to the annual consolidated financial statements and in Note 1.2 of the notes to the consolidated financial statements for the first half of 2018, respectively.

The above approach to the presentation of rights of perpetual usufruct of land was consistently applied by the Management Board of Orbis S.A. throughout the entire effective term of IAS 17 application. In connection with the entry of IFRS 16 *Leases* into force, the Management Board of the parent company has analysed this standard and assessed that based on the literal wording of paragraph 9 of IFRS 16, which defines a lease as *any contract that conveys to the customer the right to control the use of an identified asset for a specific period of time in exchange for consideration*, the right of perpetual usufruct of land may be recognised as a lease. In the opinion of the Management Board of Orbis S.A., given the specific nature of this right (as described in a greater detail in Note 2.3 of the notes to the annual consolidated financial statements for 2018), it is difficult to indisputable classify it as a lease. However, taking into account the fact that in accordance with IFRS 16, right-of-use assets are recognised for the purpose of their presentation in the statement of financial position (which is consistent with the approach applied by the Group so far), as of January 1, 2019, the right of perpetual usufruct of land are treated by the Group as a lease and recognised in accordance with IFRS 16 (more information on the impact of IFRS 16 is presented in Note 4.1 of these financial statements).

1.3 CHANGES IN ACCOUNTING POLICIES AND CHANGES IN PRESENTATION OF DATA

In 2019, no changes occurred in the accounting principles as compared to the last annual financial statements except for the changes of regulations, as presented below.

In connection with the presentation changes introduced in the recent annual consolidated financial statements, consisting in separating the contract liabilities item in the statement of financial position and the statement of cash flows, the Group introduced the corresponding changes in the presented comparative data as at June 30, 2018.

As a result, other advance payments and prepayments of PLN 34 089 thousand disclosed as at June 30, 2018, under Current deferred revenue, advance payments in the amount of PLN 15 066 thousand disclosed under trade liabilities and prepayments received (Entrance fee) in the amount of PLN 1 935 thousand disclosed in Non-current deferred revenue were posted to Contract liabilities. Moreover, in the statement of cash flows for 6 months ended June 30, 2018, the change in the contract liabilities of PLN 21 136 thousand was disclosed separately under the operating activity and the change in deferred revenue (PLN 17 031 thousand) as well as the change in liabilities (PLN 4 105 thousand) were adjusted accordingly by appropriate amounts.

As a result of the decision to sell the asset light business of Orbis S.A. and of the companies belonging to the Orbis Group (see Notes 3 and 7 for details), comparative data in the profit and loss account were restated accordingly in line with IFRS 5.

The following new standards, amendments to the existing standards and new interpretation, issued by the International Accounting Standards Board (IASB) and adopted by the EU, come into force in 2019:

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

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

- **Amendments to IAS 19 “Employee Benefits”** - Plan Amendment, Curtailment or Settlement – adopted by the EU on 13 March 2019 (effective for annual periods beginning on or after 1 January 2019),

- **Amendments to IAS 28 “Investments in Associates and Joint Ventures” -** Long-term Interests in Associates and Joint Ventures – adopted by the EU on 8 February 2019 (effective for annual periods beginning on or after 1 January 2019),

- **Amendments to various standards due to “Improvements to IFRSs (cycle 2015 -2017)”** resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 14 March 2019 (effective for annual periods beginning on or after 1 January 2019),

- **IFRIC 23 “Uncertainty over Income Tax Treatments” -** adopted by the EU on 23 October 2018 (effective for annual periods beginning on or after 1 January 2019).

At the date of July 30, 2019, there are no new standards, amendments to the existing standards nor interpretations which are issued by IASB and adopted by the EU and which are not yet effective.

Moreover, the following new standards and amendments to the existing standards have been adopted by the IASB, but not yet approved by the EU as at July 30, 2019:

- **IFRS 14 “Regulatory Deferral Accounts”** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to approve this transitional standard pending the adoption of the final standard,

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

- **Amendments to IFRS 3 “Business Combinations”** - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period),

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

- **Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” -** Definition of Material (effective for annual periods beginning on or after 1 January 2020),

- **Amendments to References to the Conceptual Framework in IFRS Standards** (effective for annual periods beginning on or after 1 January 2020).

According to the Group's estimates, the above listed standards, interpretations and amendments to the standards, with the exception of IFRS 16 *Leases*, would not exert any substantial impact on the financial statements if applied by the Group as at the end of the reporting period.

The impact of the application of the new standard IFRS 16 *Leases* effective from January 1, 2019, is presented in Note 4.1.

(figures quoted in PLN thousand, unless otherwise stated)

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

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

2. COMPANIES FORMING THE GROUP

2.1 COMPANIES FORMING THE GROUP

The table below presents all direct and indirect subsidiaries of the issuer as at June 30, 2019.

SUBSIDIARY - name and corporate seat	% share of equity	% share of votes at the GM	core business
Katerinska Hotel s.r.o., Prague	directly 100%	directly 100%	hotel, F&B services
Accor Hotels Romania S.R.L., Bucharest	directly 100%	directly 100%	hotel, F&B services
UAB Hekon, Vilnius	directly 100%	directly 100%	hotel, F&B services
Orbis Kontrakty Sp. z o.o., Warsaw	directly 100%	directly 100%	organisation of purchasing
Orbis Corporate Sp. z o.o., Warsaw*	directly 100%	directly 100%	tourism, transport, hotel, F&B services
Accor Pannonia Hotels Zrt., Budapest	directly 99.92%	directly 99.92%	hotel, F&B services
5 Hotel Kft., Budapest	indirectly 99.92%	indirectly 99.92%	real property rental
Accor-Pannonia Slovakia s.r.o., Bratislava	indirectly 99.92%	indirectly 99.92%	hotel, F&B services

** Company excluded from consolidation due to the immaterial share it contributes to the total assets/equity & liabilities and net revenues of the Orbis Group.*

2.2 CHANGES IN THE STRUCTURE OF THE ORBIS GROUP

No changes as regards the subsidiaries occurred in the first half of 2019.

3. DESCRIPTION OF MAJOR EVENTS OF THE FIRST HALF OF 2019

The most important events of the first half of 2019 which affected the financial results of Orbis Group include:

Sale of non-hotel real property in Wrocław

Performing the conditional sale agreement of December 20, 2018, on February 1, 2019, Orbis S.A. transferred the ownership title to non-hotel property located in Wrocław, including the right of perpetual usufruct of land, buildings and facilities, to a developer company against the originally agreed net price of PLN 44 000 thousand.

Execution of a contract of sale of the ibis budget Toruń hotel and scheduling the date of sale of the neighbouring real property with an unfinished hotel building

On February 28, 2019, Orbis S.A. and Cube Sp. z o.o. executed the final sale agreement of an organized part of the enterprise in the form of the ibis budget Toruń hotel located in Toruń for a net price of PLN 6 450 thousand. At the same time, the sale of the neighbouring real property with an unfinished hotel building for a net price of PLN 4 550 thousand will take place no later than by December 31, 2019. Accordingly, the total net price obtained by Orbis will amount to PLN 11 000 thousand, in line with the original agreement. The ibis budget Toruń hotel will continue to operate under the existing brand name based on long-term franchise agreements. As regards the neighbouring real property, after finalizing its acquisition and completing the construction of the hotel located there, the purchaser will operate the hotel under the ibis Styles brand.

Sale of a non-hotel real property in Szczecin

On March 14, 2019, Orbis S.A. executed a sale transaction of a non-hotel real property including the rights of perpetual usufruct together with an office building and 2 non-residential buildings located in Szczecin, for a net price of PLN 3 700 thousand.

Closing of the sale transaction of the former Giewont hotel in Zakopane

In April 2019, in accordance with the preliminary sale and purchase agreement executed in 2012, Orbis S.A. sold the right of perpetual usufruct of land and the building of the former Giewont hotel in Zakopane. The execution of the promised sale and purchase agreement was conditional upon obtaining, by Orbis, the legal rights of the real properties owned by Orbis S.A. (including the right of perpetual usufruct of land plots on which the former Giewont hotel is located). This condition was fulfilled in 2019. As a result, the amount of PLN 10 928 thousand of the advance payment received in the past years and not settled until the date of transaction was recognized in the Group's income statement under the Result on sale of real property item.

Decision on division of business lines into a service activity (asset light) and activity related to ownership of real properties (asset heavy), disposal of service activity and focusing on asset heavy part of the business

On the basis of the carried out analysis, on May 17, 2019, the Management Board of Orbis S.A. decided about the division of the entire Orbis Group's business into the service part ("asset light") covering provision of services for hotels on the basis of franchise and management agreements and the real estate part ("asset heavy") involving possession of hotel real properties.

Moreover, on May 29, 2019, the Management Board of Orbis S.A. took the following decisions:
- a potential disposal of the service activity (franchise and management agreements) of Orbis and companies belonging to the Orbis Group ("asset light"),

- entering into negotiations with Accor carried out on an exclusivity basis on the potential purchase by Accor of the service activity ("asset light") and execution of a management agreement under which Accor will manage hotels owned and leased by Orbis and its subsidiaries. Accor is the owner of all brands under which Orbis and its subsidiaries' hotels are currently operating and the execution of a management agreement will permit continuation of this strategic cooperation.

On June 12, 2019, Orbis signed a non-binding Head of Terms with Accor S.A., in which the parties agreed key terms and conditions of the planned disposal, by Orbis to Accor Group's subsidiaries, of the entire asset light business consisting of, in particular: (i) assets, agreements (including all management and franchise agreements), liabilities, employees and any other rights related to the services provided by Orbis and its subsidiaries to managed or franchised hotels and (ii) entering into a long term hotel management agreements under which Accor's subsidiaries will manage all hotels owned and leased by Orbis and its subsidiaries ("Asset Light Business").

The price which shall be paid by Accor for the purchase of the Asset Light Business amounts to PLN 1 218 360 thousand. The Parties intend to sign the sale agreement in the third quarter of 2019 and close the transaction in the first half of October 2019, following the carving out of the Asset Light Business from Orbis and its subsidiaries and satisfaction of all conditions precedent, including the obtainment of positive tax rulings regarding the carve-out of the Asset Light Business and the consent of Orbis' Supervisory Board and Shareholders Meeting for the sale of an organized part of enterprise constituting the Asset Light Business.

On June 24, 2019, Orbis S.A. obtained the fairness opinion prepared by Deloitte Advisory spółka z ograniczoną odpowiedzialnością sp. k., in which it was stated that the price of PLN 1 218 360 thousand agreed in the Head of Terms executed on June 12, 2019, for the disposal of the Asset Light Business to Accor S.A. is within the range of the fair market value. The valuation of the Asset Light Business was prepared on a debt-free, cash free basis as at December 31, 2018. The fair market value refers in general to the amount at which the Asset Light Business would change hands between a willing seller and a willing buyer when neither is under compulsion and when both have reasonable knowledge of the relevant facts.

Moreover, on June 12, 2019, Orbis received a valuation report of all hotels owned and leased by Orbis and its subsidiaries ("asset heavy"). According to the report based on the discounted cash flow method, a total gross asset value of the above hotel portfolio amounts to app. EUR 1.13 billion, considering that the valuation does not take into account overhead costs related to hotels operations which is budgeted by the Company at a total of app. EUR 11 million per annum. In addition, Orbis is also the owner of other non-hotel properties, the total value of which has been assessed at app. EUR 50 million. The above valuations were performed by reputable independent appraisers that specialize in hotel properties.

4. IFRS 16 "LEASES"

4.1 THE IMPACT OF IFRS 16 "LEASES" ON THE FINANCIAL STATEMENTS OF THE ORBIS GROUP

The new IFRS 16 *Leases* standard applied from January 1, 2019, has a significant impact on the Group's financial statements.

IFRS 16 introduces significant changes in the lessee's settlements, including elimination of the differentiation between financial leases (recognised in the statement of financial position) and operating leases (an off-balance sheet item), as required until now by IAS 17. Instead, it introduces a single model of lease recognition. The new standard defines lease as a contract, or part of a contract, that conveys a right to control the use of an asset for a period of time in exchange for consideration.

If the contract qualifies as a lease, then the lessee recognises the right-of-use asset and the lease liability in the statement of financial position.

The right-of-use asset is initially recognised in the amount equal to the lease liability plus the unrecognised lease payments made prior to the commencement of the contract term, initial direct costs of the lessee connected with the given contract and the estimated costs to be borne by the lessee at the end of the contract, less any lease incentives received. The right-of-use asset is depreciated using the straight-line method (considering the estimated residual value of a given asset) and tested for impairment, just like the acquired non-current assets. The right-of-use asset is also remeasured as at subsequent reporting days to reflect changes in lease liabilities, as specified in the standard.

On the other hand, the lease liability is initially measured at the present value of future lease payments over the lease term, discounted at the interest rate implicit in the lease (where it is impossible to determine this rate, the lessee's incremental borrowing rate should be determined). The lease payments to be recognised in the measurement of the lease liability on the date of initial recognition of the lease include: fixed payments, in-substance fixed payments and variable payments that depend only on an index or a rate, guaranteed residual value, price of the option to purchase and penalties for lease cancellation (if the lease provides for the option to purchase or a penalty for cancellation and if exercising the option to purchase or contract cancellation is reasonably certain). The measurement of lease liability does not include variable lease payments (except for index or rate based fees). In subsequent reporting periods, the liability is measured similarly to financial liabilities using the effective interest rate; discount is remeasured only in special cases specified in IFRS 16.

The Group chose the method of retrospective application of IFRS 16 with the aggregate effect of the first application of the new standard recognised as an adjustment to the opening balance of the Group's retained earnings on the day of first application, i.e. January 1, 2019.

The Group has opted for the practical expedient permitted in paragraph C3 (a) of IFRS 16, i.e. it did not reassess contracts classified as leases in accordance with IAS 17. Contracts which, by the day of implementation of the new standard, were classified as operating leases as per IAS 17, are recognised as of January 1, 2019, in the statement of financial position as lease liabilities measured at the present value of lease payments outstanding as of that day, using the lessee's incremental borrowing rate valid as at the first day of application of the standard, and as right-of-use assets measured at the amount of lease liability as at the day of first application of the new standard plus the amounts of prepayments made, but not reconciled before January 1, 2019, less the accrued lease payments recognised in the statement of financial position as at December 31, 2018.

The Group distinguishes the following types of material contracts, which before January 1, 2019, were recognised as operating leases (off-balance sheet): hotel lease agreements, office space lease agreements and motorcar lease agreements. As at December 31, 2018, the Group pursued business in 10 hotels used under operating lease agreements. The majority of these agreements is denominated in a foreign currency (EUR). In the case of two hotels, their lease fees are variable fees dependent on turnover, therefore, these two agreements were not included in the measurement of lease liability. The lease costs of these hotels will continue to be presented in the income statement under the Rental expense item. In addition to hotels, as at the date of first application of IFRS 16, the Group recognized assets and liabilities under lease of passenger motorcars and lease of office in Prague.

The Group decided to apply the simplified solution provided for in paragraph 5 of IFRS 16, i.e. not to recognise lease liabilities and right-of-use assets arising under short-term leases and leases of low-value assets. Payments under such leases will continue to be recognised in outsourced services item of expenses.

The Group also analysed the remaining existing contracts to see whether they qualifies as leases as per IFRS 16.

Despite certain doubts relating to the particular nature of rights of perpetual usufruct of land (described in Note 2.3 of the consolidated financial statements for 2018), relying on the literal wording of paragraph 9 of IFRS 16, the Group decided to treat rights of perpetual usufruct of land as leases starting from January 1, 2019. One of the major reasons that induced the Management Board of Orbis to take such a decision was the fact that, in accordance with the model introduced by IFRS 16, rights of perpetual usufruct of land will be recognised in the balance sheet, which is consistent with the approach the Group has adopted so far.

Furthermore, based on the interpretation by IFRIC (the International Financial Reporting Interpretations Committee) issued on June 11-12, in the second quarter of 2019 the Orbis Management Board decided to classify the lease agreements of land in Prague where two hotels belonging to the Group are located, as a lease. The agreements were executed for an indefinite term and provide that both the lessor and the lessee have the right to terminate the agreements by notice without the need to seek the consent of the other party. Termination of the agreement does not entail any penalties. In accordance with the wording of paragraph B34 of IFRS 16, these agreements were not originally classified as a lease. According to the IFRIC interpretation issued in June, the lease term should reflect an entity's reasonable expectation of the period during which the underlying asset will be used. When determining the lease term, the entity needs to look at the economics of the contract rather than only the contract termination payments (penalties). In the light of this interpretation, the Orbis Management Board decided that the withdrawal from operation of hotels located on the leased land would lead to a significant loss of profits for the Group, therefore, termination of the land lease agreements would not be economically justified. Accordingly, it has been decided that both the agreements should be classified as a lease, and the lease term of the land was assumed to be the economic useful life of the buildings erected on the land.

As at the day of implementation of IFRS 16, the Group made estimates and assumptions which significantly affect the value of lease liabilities and right-of-use assets as at that day. The major ones include:

- discount rates used for measurement of lease liabilities; and
- lease terms, taking into account the option of renewal of lease agreements or their earlier cancellation (termination).

The estimates that affect the value of right-of-use assets recognised in subsequent periods include also depreciation rates and residual values adopted for individual assets.

For the purposes of measuring the lease liability, a discount was applied using the lessee's incremental borrowing rate as at January 1, 2019, which reflects the anticipated cost of financing the object of lease. The Group analysed various methodologies that could be applied to determining the lessee's incremental borrowing rate.

Finally, discount rate was determined for each contract individually (except for rights of perpetual usufruct of land and leases of motorcars). While determining discount rates, the Group considered the specific parameters of each lease: the contract term, the currency, etc. The discount rate takes into account the risk-free rate determined individually for each contract, depending on the aforementioned parameters. When determining the discount rate for contracts entered into by Orbis S.A, the current margin the Company would now pay if it borrowed funds from a financial institution to finance the purchase of the object of lease was also taken into account.

Meanwhile, for foreign subsidiaries of the Orbis Group, considering the fact that as of the day of first application of IFRS 16 these companies would mainly rely on debt financing taken out by the parent company Orbis S.A., the lessee's incremental borrowing rate was calculated on the basis of the risk-free rate in the given country plus Orbis S.A. margin plus the extra costs of guarantees potentially given by Orbis S.A. to secure future payments.

As at January 1, 2019, discount rates adopted by the Group for the leased hotels and office spaces were within the following ranges:

- contracts in EUR: 1.52% - 3.76%,
- contracts in CZK: 4.36%.

In case of rights of perpetual usufruct of land as well as leases of motorcars, the practical expedient permitted by the standard was adopted: a single discount rate (in each country) was used in respect of a portfolio of leases with fairly similar features. For rights of perpetual usufruct of land whose original useful life ends, in most of the cases, in 2089, an interest rate of 5.03% was adopted. This rate reflects the risk-free rate plus the current margin that Orbis would pay in case it took out debt. Meanwhile, for motorcars leased by the Group, the usual lease term being 3 years, discount rates ranging from 2.61% to 3.11% were adopted (i.e. ones corresponding to the risk-free rate plus Orbis S.A. margin).

It should be noted that the value of assets/liabilities under leases as at the date of first application of IFRS 16 is affected by both the discount rate applicable on that date as well as the current foreign exchange rates. The value of lease liabilities as at subsequent reporting dates will take into account changes in foreign exchange rates on those days, which will be reflected in the income statement in finance costs/income.

The Group decided to apply the practical expedients permitted by paragraph C10 of IFRS 16, i.e. excluded the initial direct costs from the measurement of right-of-use assets on the day of first application.

In case of leased motorcars, considering the fact that a lease instalment comprises both the lease component and non-lease components, such as warranty service, insurance and other services, the Group recognises the aforementioned non-lease components separately, i.e. in costs of outsourced services (as they were presented so far). Both lease and non-lease components are stated separately in lease contracts and invoices.

Presented below is the influence of applying IFRS 16 on the statement of financial position as at January 1, 2019. As for presentation of leases in the statement of financial position, right-of-use assets are presented in the same line items in which the corresponding assets would be presented if they were owned by Group companies, i.e. in property, plant and equipment or investment property. Lease liabilities are presented on the statement of financial position separately from other liabilities. Additionally, right-of-use assets, if the conditions specified in IFRS 5 are met, are presented in assets classified as held for sale. Lease liabilities concerning these rights are recognised in liabilities associated with assets classified as held for sale.

(figures quoted in PLN thousand, unless otherwise stated)

Data restatement as at the date of the first application of IFRS 16, i.e. January 1 ,2019

	January 1, 2019 (without IFRS 16 impact)	adjustment due to recognition of rights of perpetual usufruct of land		adjustment due to recognition of leases of land	adjustment due to recognition of leases of hotels and office space	adjustment due to recognition of leases of motorcars	January 1, 2019 (restated)
		a)	b)				
Non-current assets	**2 546 642**	**(192 762)**	**248 959**	**25 147**	**276 671**	**859**	**2 905 516**
Property, plant and equipment	2 415 834	(238 056)	244 116	25 147	276 671	859	2 724 571
- of which Rights of perpetual usufruct of land so far recognised in accordance with IAS 16	*296 595*	*(238 056)*	*(58 539)*	-	-	-	-
- of which Right-of-use assets	-	-	*302 655*	*25 147*	*276 671*	*859*	*605 332*
Investment property	3 538	(1 505)	4 843	-	-	-	6 876
- of which Rights of perpetual usufruct of land so far recognised in accordance with IAS 16	*1 505*	*(1 505)*	-	-	-	-	-
- of which Right-of-use assets	-	-	*4 843*	-	-	-	*4 843*
Deferred tax assets	10 983	46 799	-	-	-	-	57 782
Current assets	**663 148**	**-**	**-**	**-**	**(4 715)**	**-**	**658 433**
Other current receivables	44 759	-	-	-	(4 715)	-	40 044
Assets classified as held for sale	**8 690**	**(6 752)**	**5 455**	**-**	**-**	**-**	**7 393**
- of which Rights of perpetual usufruct of land so far recognised in accordance with IAS 16	*6 752*	*(6 752)*	-	-	-	-	-
- of which Right-of-use assets	-	-	*5 455*	-	-	-	*5 455*
TOTAL ASSETS	**3 218 480**	**(199 514)**	**254 414**	**25 147**	**271 956**	**859**	**3 571 342**
Equity	**2 386 786**	**(199 514)**	**-**	**-**	**-**	**-**	**2 187 272**
Retained earnings	1 727 659	(199 514)	-	-	-	-	1 528 145
Non-current liabilities	**545 411**	**-**	**239 710**	**24 110**	**237 624**	**250**	**1 047 105**
Lease liabilities	-	-	239 710	24 110	237 624	250	501 694
Current liabilities	**286 283**	**-**	**9 249**	**1 037**	**34 332**	**609**	**331 510**
Lease liabilities	-	-	9 249	1 037	37 806	609	48 701
Deferred revenue	6 735	-	-	-	(3 474)	-	3 261
Liabilities associated with assets classified as held for sale	**-**	**-**	**5 455**	**-**	**-**	**-**	**5 455**
TOTAL EQUITY AND LIABILITIES	**3 218 480**	**(199 514)**	**254 414**	**25 147**	**271 956**	**859**	**3 571 342**

a) elimination from the statement of financial position of rights of perpetual usufruct of land acquired free of charge, which were so far recognised in accordance with IAS 16 “Property, plant and equipment” (more information about the earlier recognition of rights of perpetual usufruct of land is presented in Note 2.3 to the annual consolidated financial statements for 2018),
b) recognition of rights of perpetual usuftuct of land (purchased and acquired free of charge) in accordance with IFRS 16 „Leases”.

The aggregate impact of the first-time application of the new IFRS 16 standard on the Group's total assets is PLN 352 862 thousand. The difference between the value of the future minimum operating lease payments stated in Note 28 of the financial statements for the year 2018 (PLN 271 900 thousand) and lease liabilities recognised in the statement of financial position as of the day of the first application (PLN 555 850 thousand) results from:

- discount applied in the measurement of future minimum payments disclosed in accordance with IAS 17 in the consolidated financial statements for the year 2018 (PLN -36 486 thousand);
- recognition of rights of perpetual usufruct of land, which the Group did not treat as operating leases under IAS 17 (PLN 254 414 thousand);
- recognition of lease liabilities arising in connection with the lease of land in the Czech Republic (PLN 25 147 thousand). Due to the specific nature of these agreements (including the indefinite term of asset use), as at the time of preparation of the annual report, future payments under these agreements were not included in the note reporting the future minimum lease payments;
- recognition of a lease liability relating to the MGallery Praha Old Town hotel in the Czech Republic (PLN 51 242 thousand). At the time of publication of the annual report, the Group anticipated the buyback of this hotel in Q1 2019 and therefore decided to exclude payments under this agreement from the future minimum lease payments;
- no recognition, as at January 1, 2019, of liabilities resulting from lease of an office in Warsaw, because it was delivered for use in June 2019 (PLN -10 367 thousand).

The weighted average incremental borrowing rate of the Orbis Group applied to lease liabilities recognized in the statement of financial position as at January 1, 2019, was 4.00%

The impact of IFRS 16 application on the financial statements for the first half of 2019

To ensure comparability of data for individual periods, the tables below present the impact of IFRS 16 application on individual items of the statement of financial position as at June 30, 2019, and on the results of the Orbis Group for the first half of 2019.

(figures quoted in PLN thousand, unless otherwise stated)

	June 30, 2019 (without IFRS 16 impact)	adjustment due to recognition of rights of perpetual usufruct of land	adjustment due to recognition of leases of land	adjustment due to recognition of leases of hotels and office space	adjustment due to recognition of leases of motorcars	June 30, 2019 (as reported)
Non-current assets	**2 512 938**	**54 247**	**24 711**	**267 538**	**492**	**2 859 926**
Property, plant and equipment	2 387 673	6 269	24 739	267 455	491	2 686 627
- *of which Rights of perpetual usufruct of land so far recognised in accordance with IAS 16*	*290 502*	*(290 502)*	-	-	-	-
- *of which Right-of-use assets*	-	*296 771*	*24 739*	*267 455*	*491*	*589 456*
Investment property	2 420	2 683	-	-	-	5 103
- *of which Rights of perpetual usufruct of land so far recognised in accordance with IAS 16*	*1 117*	*(1 117)*	-	-	-	-
- *of which Right-of-use assets*	-	*3 800*	-	-	-	*3 800*
Deferred tax assets	10 278	45 295	(28)	83	1	55 629
Current assets	**758 592**	**(5 716)**	**(540)**	**(5 625)**	**-**	**746 711**
Other current receivables	39 830	(5 716)	(540)	(5 625)	-	27 949
Assets classified as held for sale	**28 234**	**(828)**	**-**	**-**	**-**	**27 406**
- *of which Rights of perpetual usufruct of land so far recognised in accordance with IAS 16*	*3 475*	*(3 475)*	-	-	-	-
- *of which Right-of-use assets*	-	*2 647*	-	-	-	*2 647*
TOTAL ASSETS	**3 299 764**	**47 703**	**24 171**	**261 913**	**492**	**3 634 043**
Equity	**2 500 526**	**(193 206)**	**119**	**(1 648)**	**21**	**2 305 812**
Retained earnings	1 851 920	(193 206)	119	(1 648)	21	1 657 206
Non-current liabilities	**232 944**	**234 449**	**23 290**	**227 104**	**141**	**717 928**
Lease liabilities	-	234 449	23 290	227 224	139	485 102
Deferred tax liabilities	667	-	-	(120)	2	549
Current liabilities	**556 961**	**3 863**	**762**	**36 457**	**330**	**598 373**
Lease liabilities	-	4 339	762	39 929	330	45 360
Deferred revenue	6 272	-	-	(3 472)	-	2 800
Other current liabilities	78 922	(476)	-	-	-	78 446
Liabilities associated with assets classified as held for sale	**9 333**	**2 597**	**-**	**-**	**-**	**11 930**
TOTAL EQUITY AND LIABILITIES	**3 299 764**	**47 703**	**24 171**	**261 913**	**492**	**3 634 043**

(figures quoted in PLN thousand, unless otherwise stated)

Application of the new standard also has a significant impact on the statement of comprehensive income. In the past years, costs under lease agreements treated as operating lease by the Group were presented as costs of outsourced services or rental expenses. On the other hand, rights of perpetual usufruct of land were so far disclosed under the Group's assets and subject to depreciation and amortization, while the fees (in their nominal value) were reported in the income statement under the taxes and charges item. Starting from January 1, 2019, the costs of these agreements are presented as depreciation and amortisation costs and interest expense.

	1st half of 2019 (without IFRS 16 impact)	adjustment due to recognition of rights of perpetual usufruct of land	adjustment due to recognition of leases of land	adjustment due to recognition of leases of hotels and office space	adjustment due to recognition of leases of motorcars	1st half of 2019 (as reported)
Net sales	684 052	-	-	-	-	684 052
Outsourced services	(149 188)	-	-	-	398	(148 790)
Taxes and charges	(22 486)	6 191	-	-	-	(16 295)
EBITDAR	**222 682**	**6 191**	**-**	**-**	**398**	**229 271**
Rental expense	(29 669)	-	539	23 171	-	(5 959)
Operating EBITDA	**193 013**	**6 191**	**539**	**23 171**	**398**	**223 312**
Depreciation and amortisation	(86 929)	20	(392)	(20 866)	(367)	(108 534)
Operating profit without the effects of one-off events	**106 084**	**6 211**	**147**	**2 305**	**31**	**114 778**
Result on sale of real property	51 452	7 634	-	-	-	59 086
Operating profit	**147 141**	**13 845**	**147**	**2 305**	**31**	**163 469**
Finance income/(costs)	(9 493)	(6 032)	(1)	(4 181)	(9)	(19 716)
Profit before tax	**137 648**	**7 813**	**146**	**(1 876)**	**22**	**143 753**
Income tax expense	(28 571)	(1 505)	(28)	205	(1)	(29 900)
Net profit on continuing operations	**109 077**	**6 308**	**118**	**(1 671)**	**21**	**113 853**
Net profit on discontinued operations	**15 228**	**-**	**-**	**-**	**-**	**15 228**
Net profit for the period	**124 305**	**6 308**	**118**	**(1 671)**	**21**	**129 081**
- attributable to owners of the parent	124 285	6 308	118	(1 671)	21	129 061
- attributable to non-controlling interests	20	-	-	-	-	20
Total comprehensive income/(loss) for the period	**113 764**	**6 308**	**118**	**(1 671)**	**21**	**118 540**

In connection with IFRS 16 implementation, the presentation in the statement of cash flows changed as well. Lease payments associated with contracts previously classified as operating lease, as well as perpetual usufruct of land, which have been classified as lease under IFRS 16, were disclosed in full in the cash flows from operating activities until the end of 2018. From January 1, 2019, both the part of lease payments representing the repayment of the principal amount of the lease liability as well as cash payments associated with the interest on that liability have been recognized in financing activities.

4.2 LEASE AGREEMENTS

Given the nature of its business, the Group's lease liabilities arise mainly under contracts and/or agreements relating to hotel buildings or land on which hotels belonging to the Group have been erected. As at June 30, 2019, the Group operated in 10 hotels under lease agreements. Furthermore, the land with 2 hotels belonging to the Group has been leased in Prague. The majority of these contracts/agreements are denominated in foreign currencies. Moreover, based on the literal wording of paragraph 9 of IFRS 16, starting from January 1, 2019, rights of perpetual usufruct of land are recognised by the Group as leases.

As at June 30, 2019, the Group had the following lease agreements in individual countries:

Poland:
- a hotel in Wrocław with a fixed fee, the agreement expires in 2021;
- an office in Warsaw with a fixed fee, the agreement expires in 2024;
- the rights of perpetual usufruct of land on which 40 hotels belonging to the Group have been erected as well as non-hotel properties, a fixed fee with the option of modification not more frequently than every 3 years, the agreements expire in the period 2030 - 2097;
- 39 cars with a fixed fee, the contracts expire in the period 2019 - 2021.

The Czech Republic:
- 2 hotels in Prague with a fixed fee, the agreements expire in 2027 and 2031;
- an office in Prague with a fixed fee, the agreement expires in 2023;
- lands in Prague on which 2 hotels belonging to the Group have been erected, a fixed fee, agreements executed without a time limit.

Lithuania:
- a hotel in Vilnius with a variable fee, with a minimum payment, the agreement expires in 2029.

Romania:
- a hotel in Bucharest with a variable fee, without a minimum payment, the agreement expires in 2030.

Slovakia:
- a hotel in Bratislava with a fixed fee, the agreement expires in 2023;
- a hotel in Bratislava with a variable fee, without a minimum payment, the agreement expires in 2025.

Hungary:
- 3 hotels in Budapest with a fixed fee, the agreements expire in the period 2022 - 2026;
- 26 cars with a fixed fee, the agreements expire in the period 2019 - 2021.

Fixed lease fees or variable lease fees with a minimum payment are recognised as lease liabilities at the date of initial recognition of the lease. In subsequent periods, these payments reduce the lease liability at the time of payment.

On the other hand, variable fees without minimum payment are not included under lease liabilities but are recognized as so far, i.e. in the income statement under the Rental expenses item. Accordingly, PLN 5 959 thousand was recognized under this item in the first half of 2019.

Fees related to short-term lease and low-value asset lease are recognized as costs of outsourced services.

(figures quoted in PLN thousand, unless otherwise stated)

4.3 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

As at June 30, 2019, right-of-use assets were presented under the following items of the statement of financial position:

RIGHT-OF-USE ASSETS	as at June 30, 2019
Property, plant and equipment	589 456
Investment property	3 800
Assets classified as held for sale	2 647
Total right-of-use assets	**595 903**

Detailed information on changes of the right-of-use assets **in the first half of 2019** is presented below:

RIGHT-OF-USE ASSETS	Property, plant and equipment	Investment property	Assets classified as held for sale	Total right-of-use assets
Opening gross book amount	**605 332**	**4 843**	**5 455**	**615 630**
Accumulated depreciation and impairment	0	0	0	0
Opening net book amount	**605 332**	**4 843**	**5 455**	**615 630**
Additions	**14 134**	**735**	**2 647**	**17 516**
new agreements	10 163	0	0	10 163
indexation	3 971	0	0	3 971
reclassification from property, plant and equipment	0	735	2 647	3 382
Disposals	**(4 008)**	**(1 745)**	**(5 455)**	**(11 208)**
sale	(437)	(1 745)	(5 455)	(7 637)
reclassification to investment property	(735)	0	0	(735)
reclassification to assets held for sale	(2 647)	0	0	(2 647)
fee reduction	(189)	0	0	(189)
Depreciation charge for the period	(23 777)	(33)	0	(23 810)
Exchange differences on translation	(2 225)	0	0	(2 225)
Closing net book amount	**589 456**	**3 800**	**2 647**	**595 903**
Closing gross book amount	**613 053**	**3 827**	**2 666**	**619 546**
Accumulated depreciation and impairment	(23 597)	(27)	(19)	(23 643)
Closing net book amount	**589 456**	**3 800**	**2 647**	**595 903**

Additions under the new agreements item resulted primarily from the start of leasing of a new office in Warsaw by Orbis S.A. in the first half of 2019.

(figures quoted in PLN thousand, unless otherwise stated)

Disposals resulting from sale of right-of-use assets include the rights of perpetual usufruct of land of the following hotels sold in the first half of the year: the ibis budget Toruń hotel (PLN 437 thousand), the former Giewont hotel in Zakopane and non-hotel real property in Szczecin (PLN 1 744 thousand in aggregate) as well as non-hotel real property located in Wrocław (PLN 5 455 thousand).

Detailed information on changes in lease liabilities **in the first half of 2019** is presented in the table below:

LEASE LIABILITIES	as at June 30, 2019
Opening balance, of which:	**550 395**
Long-term lease liabilities	501 694
Short-term lease liabilities	48 701
Additions	**24 619**
accrued interest	10 593
new agreements	10 055
indexation	3 971
Disposals	**(44 552)**
instalment repayment	(37 066)
valuation of liabilities in foreign currency	(390)
sale	(2 131)
fee reduction	(189)
reclassification to liabilities held for sale	(2 597)
exchange differences on translation	(2 179)
Closing balance, of which:	**530 462**
Long-term lease liabilities	485 102
Short-term lease liabilities	45 360

LEASE LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE	as at June 30, 2019
Opening balance, of which:	**5 455**
Long-term lease liabilities	5 446
Short-term lease liabilities	9
Additions	**2 620**
accrued interest	23
reclassification	2 597
Disposals	**(5 478)**
sale	(5 478)
Closing balance, of which:	**2 597**
Long-term lease liabilities	2 561
Short-term lease liabilities	36

5. SEGMENT INFORMATION

Pursuant to the requirements of IFRS 8, the Group identifies operating segments on the basis of internal reports which are regularly reviewed by the Management Board of the parent to allocate resources to the individual segments and evaluate their performance.

5.1 OPERATING SEGMENTS

The Orbis Group distinguishes two reportable operating segments:

- Up&Midscale hotels that comprise hotels of the Sofitel, MGallery, Novotel and Mercure brand,
- 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 presented in the Note 5.2.

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

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

Unallocated operations comprise revenues and expenses of the Head Office (including revenues and expenses of investment property rentals and franchise and management revenue classified as discontinued operations) 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).

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

As at June 30, 2019, 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: 23 ibis hotels, 8 ibis budget hotels and 3 ibis Styles hotels.

As at December 31, 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: 23 ibis hotels, 9 ibis budget hotels and 3 ibis Styles hotels.

On the other hand, as at June 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 3 ibis Styles hotels.

(figures quoted in PLN thousand, unless otherwise stated)

Operating segment revenues and expenses are as follows:

1ST HALF OF 2019	Operating segments		Unallocated operations and consolidation adjustments	Consolidated value
	Up&Midscale Hotels	Economy Hotels		
Segment revenue, of which:	**514 961**	**163 452**	**5 639**	**684 052**
Sale to external clients	514 961	163 452	5 639	684 052
EBITDAR	**203 249**	**77 002**	**(50 980)**	**229 271**
Operating EBITDA	**197 924**	**76 950**	**(51 562)**	**223 312**
Depreciation and amortisation	(77 560)	(28 260)	(2 714)	(108 534)
Operating profit/(loss) without the effects of one-off events	**120 364**	**48 690**	**(54 276)**	**114 778**
Result of one-off events	0	0	48 691	48 691
Operating profit/(loss) (EBIT)	**120 364**	**48 690**	**(5 585)**	**163 469**
Finance income/(costs)	(6 976)	(3 235)	(9 505)	(19 716)
Income tax expense	0	0	(29 900)	(29 900)
Net profit/(loss) on continuing operations	**113 388**	**45 455**	**(44 990)**	**113 853**
Discontinued operations	0	0	15 228	15 228
Net profit/(loss)	**113 388**	**45 455**	**(29 762)**	**129 081**

1ST HALF OF 2019 without IFRS 16 impact	Operating segments		Unallocated operations and consolidation adjustments	Consolidated value
	Up&Midscale Hotels	Economy Hotels		
Segment revenue, of which:	**514 961**	**163 452**	**5 639**	**684 052**
Sale to external clients	514 961	163 452	5 639	684 052
EBITDAR	**199 003**	**75 484**	**(51 805)**	**222 682**
Operating EBITDA	**174 972**	**70 595**	**(52 554)**	**193 013**
Depreciation and amortisation	(60 707)	(24 186)	(2 036)	(86 929)
Operating profit/(loss) without the effects of one-off events	**114 265**	**46 409**	**(54 590)**	**106 084**
Result of one-off events	0	0	41 057	41 057
Operating profit/(loss) (EBIT)	**114 265**	**46 409**	**(13 533)**	**147 141**
Finance income/(costs)	(186)	(224)	(9 083)	(9 493)
Income tax expense	0	0	(28 571)	(28 571)
Net profit/(loss) on continuing operations	**114 079**	**46 185**	**(51 187)**	**109 077**
Discontinued operations	0	0	15 228	15 228
Net profit/(loss)	**114 079**	**46 185**	**(35 959)**	**124 305**

(figures quoted in PLN thousand, unless otherwise stated)

1ST HALF OF 2018	Operating segments		Unallocated operations and consolidation adjustments	Consolidated value
	Up&Midscale Hotels	Economy Hotels		
Segment revenue, of which:	**519 938**	**149 558**	**6 374**	**675 870**
Sale to external clients	519 938	149 558	6 374	675 870
EBITDAR	**202 931**	**70 546**	**(52 114)**	**221 363**
Operating EBITDA	**180 091**	**65 917**	**(52 927)**	**193 081**
Depreciation and amortisation	(59 953)	(20 089)	(2 274)	(82 316)
Operating profit/(loss) without the effects of one-off events	**120 138**	**45 828**	**(55 201)**	**110 765**
Result of one-off events	0	0	129 451	129 451
Operating profit/(loss) (EBIT)	**120 138**	**45 828**	**74 250**	**240 216**
Finance income/(costs)	(616)	(392)	(5 617)	(6 625)
Income tax expense	0	0	(28 491)	(28 491)
Net profit/(loss) on continuing operations	**119 522**	**45 436**	**40 142**	**205 100**
Discontinued operations	0	0	9 916	9 916
Net profit/(loss)	**119 522**	**45 436**	**50 058**	**215 016**

2ND QUARTER OF 2019	Operating segments		Unallocated operations and consolidation adjustments	Consolidated value
	Up&Midscale Hotels	Economy Hotels		
Segment revenue, of which:	**310 586**	**101 512**	**2 481**	**414 579**
Sale to external clients	310 586	101 512	2 481	414 579
EBITDAR	**145 545**	**55 495**	**(25 850)**	**175 190**
Operating EBITDA	**142 128**	**55 524**	**(25 821)**	**171 831**
Depreciation and amortisation	(39 357)	(14 353)	(1 411)	(55 121)
Operating profit/(loss) without the effects of one-off events	**102 771**	**41 171**	**(27 232)**	**116 710**
Result of one-off events	0	0	1 134	1 134
Operating profit/(loss) (EBIT)	**102 771**	**41 171**	**(26 098)**	**117 844**
Finance income/(costs)	(3 659)	(1 644)	(5 889)	(11 192)
Income tax expense	0	0	(18 629)	(18 629)
Net profit/(loss) on continuing operations	**99 112**	**39 527**	**(50 616)**	**88 023**
Discontinued operations	0	0	10 248	10 248
Net profit/(loss)	**99 112**	**39 527**	**(40 368)**	**98 271**

(figures quoted in PLN thousand, unless otherwise stated)

2ND QUARTER OF 2019 without IFRS 16 impact	Operating segments		Unallocated operations and consolidation adjustments	Consolidated value
	Up&Midscale Hotels	Economy Hotels		
Segment revenue, of which:	**310 586**	**101 512**	**2 481**	**414 579**
Sale to external clients	310 586	101 512	2 481	414 579
EBITDAR	**143 420**	**54 737**	**(26 230)**	**171 927**
Operating EBITDA	**130 568**	**52 221**	**(26 292)**	**156 497**
Depreciation and amortisation	(30 755)	(12 222)	(1 115)	(44 092)
Operating profit/(loss) without the effects of one-off events	**99 813**	**39 999**	**(27 407)**	**112 405**
Result of one-off events	0	0	666	666
Operating profit/(loss) (EBIT)	**99 813**	**39 999**	**(26 741)**	**113 071**
Finance income/(costs)	(126)	(144)	(5 693)	(5 963)
Income tax expense	0	0	(18 549)	(18 549)
Net profit/(loss) on continuing operations	**99 687**	**39 855**	**(50 983)**	**88 559**
Discontinued operations	0	0	10 248	10 248
Net profit/(loss)	**99 687**	**39 855**	**(40 735)**	**98 807**

2ND QUARTER OF 2018	Operating segments		Unallocated operations and consolidation adjustments	Consolidated value
	Up&Midscale Hotels	Economy Hotels		
Segment revenue, of which:	**314 555**	**92 069**	**3 580**	**410 204**
Sale to external clients	314 555	92 069	3 580	410 204
EBITDAR	**148 972**	**50 269**	**(26 512)**	**172 729**
Operating EBITDA	**136 880**	**47 823**	**(26 935)**	**157 768**
Depreciation and amortisation	(29 272)	(10 009)	(1 122)	(40 403)
Operating profit/(loss) without the effects of one-off events	**107 608**	**37 814**	**(28 057)**	**117 365**
Result of one-off events	0	0	129 310	129 310
Operating profit/(loss) (EBIT)	**107 608**	**37 814**	**101 253**	**246 675**
Finance income/(costs)	(380)	(225)	(2 434)	(3 039)
Income tax expense	0	0	(29 744)	(29 744)
Net profit/(loss) on continuing operations	**107 228**	**37 589**	**69 075**	**213 892**
Discontinued operations	0	0	5 512	5 512
Net profit/(loss)	**107 228**	**37 589**	**74 587**	**219 404**

(figures quoted in PLN thousand, unless otherwise stated)

The tables below presents other selected financial figures of operating segments:

AS AT JUNE 30, 2019	Operating segments		Unallocated operations and consolidation adjustments	Consolidated value
	Up&Midscale Hotels	Economy Hotels		
Non-current assets, of which:	1 903 753	832 959	123 214	2 859 926
- goodwill	42 111	66 495	0	108 606
- deferred tax assets	0	0	55 629	55 629
Current assets, of which:	65 537	15 292	665 882	746 711
- cash and cash equivalents	0	0	632 119	632 119
Assets classified as held for sale	0	2 647	24 759	27 406
Investment expenditure	67 735	8 757	4 319	80 811

AS AT JUNE 30, 2019 without IFRS 16 impact	Operating segments		Unallocated operations and consolidation adjustments	Consolidated value
	Up&Midscale Hotels	Economy Hotels		
Non-current assets, of which:	1 730 096	724 836	58 006	2 512 938
- goodwill	42 111	66 495	0	108 606
- deferred tax assets	0	0	10 278	10 278
Current assets, of which:	75 573	16 726	666 293	758 592
- cash and cash equivalents	0	0	632 119	632 119
Assets classified as held for sale	0	3 475	24 759	28 234
Investment expenditure	67 735	8 757	4 319	80 811

AS AT DECEMBER 31, 2018	Operating segments		Unallocated operations and consolidation adjustments	Consolidated value
	Up&Midscale Hotels	Economy Hotels		
Non-current assets, of which:	1 734 635	755 542	56 465	2 546 642
- goodwill	42 233	69 449	0	111 682
- deferred tax assets	0	0	10 983	10 983
Current assets, of which:	47 227	10 023	605 898	663 148
- cash and cash equivalents	0	0	537 834	537 834
Assets classified as held for sale	8 690	0	0	8 690
Investment expenditure	236 225	105 153	7 615	348 993

(figures quoted in PLN thousand, unless otherwise stated)

AS AT JUNE 30, 2018	Operating segments		Unallocated operations and consolidation adjustments	Consolidated value
	Up&Midscale Hotels	Economy Hotels		
Non-current assets, of which:	1 609 047	703 310	57 168	2 369 525
- goodwill	37 803	69 449	0	107 252
- financial assets	0	0	6 944	6 944
- deferred tax assets	0	0	14 932	14 932
Current assets, of which:	74 095	15 995	615 758	705 848
- cash and cash equivalents	0	0	582 020	582 020
Assets classified as held for sale	10 824	26 767	4 511	42 102
Investment expenditure	56 531	35 444	1 569	93 544

5.2 GEOGRAPHICAL INFORMATION

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

The tables below present revenues, profits and assets of individual geographic segments of the Orbis Group for first half of 2019, 2018 and the first half of 2018. The data presents the results of owned and leased hotels.

As at June 30, 2019, the individual geographic segments included:
- Poland: 3 Sofitel hotels, 13 Novotel hotels, 8 Mercure hotels, 13 ibis hotels, 8 ibis budget hotels and 1 ibis Styles hotel,
- 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.

As at December 31, 2018, the individual geographic segments included:
- Poland: 3 Sofitel hotels, 13 Novotel hotels, 8 Mercure hotels, 13 ibis hotels, 9 ibis budget hotels and 1 ibis Styles hotel,
- 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 June 30, 2018, the individual geographic segments included:
- Poland: 3 Sofitel hotels, 13 Novotel hotels, 9 Mercure hotels, 12 ibis hotels, 9 ibis budget hotels and 1 ibis Styles hotel,
- 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 4 ibis hotels,
- Other countries (Lithuania, Romania, Slovakia): 2 Novotel hotels, 1 Mercure hotel and 1 ibis hotel.

(figures quoted in PLN thousand, unless otherwise stated)

Geographical segment revenues and costs/expenses are as follows:

1ST HALF OF 2019	Geographical segments				Mutual eliminations and consolidation adjustments	Total
	Poland	Hungary	Czech Republic	Other countries		
Segment revenue, of which:	**447 386**	**131 137**	**56 232**	**52 228**	**(2 931)**	**684 052**
Sale to external clients	446 296	131 129	56 232	50 395	0	684 052
Sale to other segments	1 090	8	0	1 833	(2 931)	0
EBITDAR	**139 373**	**46 496**	**23 757**	**19 661**	**(16)**	**229 271**
Operating EBITDA	**139 373**	**46 308**	**23 757**	**13 890**	**(16)**	**223 312**
Depreciation and amortisation	(67 865)	(22 085)	(12 426)	(6 158)	0	(108 534)
Operating profit without the effects of one-off events	**71 508**	**24 223**	**11 331**	**7 732**	**(16)**	**114 778**

1ST HALF OF 2019 without IFRS 16 impact	Geographical segments				Mutual eliminations and consolidation adjustments	Total
	Poland	Hungary	Czech Republic	Other countries		
Segment revenue, of which:	**447 386**	**131 137**	**56 232**	**52 228**	**(2 931)**	**684 052**
Sale to external clients	446 296	131 129	56 232	50 395	0	684 052
Sale to other segments	1 090	8	0	1 833	(2 931)	0
EBITDAR	**132 911**	**46 369**	**23 757**	**19 661**	**(16)**	**222 682**
Operating EBITDA	**129 077**	**37 477**	**16 312**	**10 163**	**(16)**	**193 013**
Depreciation and amortisation	(63 858)	(13 999)	(6 331)	(2 741)	0	(86 929)
Operating profit without the effects of one-off events	**65 219**	**23 478**	**9 981**	**7 422**	**(16)**	**106 084**

1ST HALF OF 2018	Geographical segments				Mutual eliminations and consolidation adjustments	Total
	Poland	Hungary	Czech Republic	Other countries		
Segment revenue, of which:	**423 456**	**155 027**	**56 517**	**41 379**	**(509)**	**675 870**
Sale to external clients	422 947	155 027	56 517	41 379	0	675 870
Sale to other segments	509	0	0	0	(509)	0
EBITDAR	**126 576**	**55 584**	**23 540**	**15 666**	**(3)**	**221 363**
Operating EBITDA	**122 821**	**46 937**	**16 550**	**6 776**	**(3)**	**193 081**
Depreciation and amortisation	(62 605)	(12 660)	(6 311)	(740)	0	(82 316)
Operating profit without the effects of one-off events	**60 216**	**34 277**	**10 239**	**6 036**	**(3)**	**110 765**

(figures quoted in PLN thousand, unless otherwise stated)

2ND QUARTER OF 2019	Geographical segments				Mutual eliminations and consolidation adjustments	Total
	Poland	Hungary	Czech Republic	Other countries		
Segment revenue, of which:	**263 540**	**84 638**	**36 102**	**32 079**	**(1 780)**	**414 579**
Sale to external clients	262 961	84 630	36 102	30 886	0	414 579
Sale to other segments	579	8	0	1 193	(1 780)	0
EBITDAR	**103 661**	**37 999**	**19 132**	**14 446**	**(48)**	**175 190**
Operating EBITDA	**103 661**	**37 904**	**19 400**	**10 914**	**(48)**	**171 831**
Depreciation and amortisation	(34 856)	(11 057)	(6 393)	(2 815)	0	(55 121)
Operating profit without the effects of one-off events	**68 805**	**26 847**	**13 007**	**8 099**	**(48)**	**116 710**

2ND QUARTER OF 2019 without IFRS 16 impact	Geographical segments				Mutual eliminations and consolidation adjustments	Total
	Poland	Hungary	Czech Republic	Other countries		
Segment revenue, of which:	**263 540**	**84 638**	**36 102**	**32 079**	**(1 780)**	**414 579**
Sale to external clients	262 961	84 630	36 102	30 886	0	414 579
Sale to other segments	579	8	0	1 193	(1 780)	0
EBITDAR	**100 456**	**37 941**	**19 132**	**14 446**	**(48)**	**171 927**
Operating EBITDA	**98 540**	**33 591**	**15 416**	**8 998**	**(48)**	**156 497**
Depreciation and amortisation	(32 850)	(6 984)	(3 148)	(1 110)	0	(44 092)
Operating profit without the effects of one-off events	**65 690**	**26 607**	**12 268**	**7 888**	**(48)**	**112 405**

2ND QUARTER OF 2018	Geographical segments				Mutual eliminations and consolidation adjustments	Total
	Poland	Hungary	Czech Republic	Other countries		
Segment revenue, of which:	**254 248**	**96 000**	**36 309**	**23 940**	**(293)**	**410 204**
Sale to external clients	253 955	96 000	36 309	23 940	0	410 204
Sale to other segments	293	0	0	0	(293)	0
EBITDAR	**99 966**	**43 947**	**18 750**	**10 067**	**(1)**	**172 729**
Operating EBITDA	**98 070**	**39 351**	**15 169**	**5 179**	**(1)**	**157 768**
Depreciation and amortisation	(30 770)	(6 086)	(3 163)	(384)	0	(40 403)
Operating profit without the effects of one-off events	**67 300**	**33 265**	**12 006**	**4 795**	**(1)**	**117 365**

(figures quoted in PLN thousand, unless otherwise stated)

The table below presents other selected financial figures of geographical segments:

AS AT JUNE 30, 2019	Geographical segments				Mutual eliminations and consolidation adjustments	Total
	Poland	Hungary	Czech Republic	Other countries		
Non-current assets, of which:	2 329 685	633 981	265 350	152 385	(521 475)	2 859 926
- goodwill	104 298	0	0	4 308	0	108 606
- financial assets	30 352	0	0	0	(30 352)	0
- deferred tax assets	50 681	0	4 880	68	0	55 629
Current assets, of which:	642 634	110 426	102 477	35 164	(143 990)	746 711
- cash and cash equivalents	448 370	68 910	90 520	24 319	0	632 119
Assets classified as held for sale	19 961	3 704	214	3 527	0	27 406
Investment expenditure	47 773	29 924	461	2 653	0	80 811

AS AT JUNE 30, 2019 without IFRS 16 impact	Geographical segments				Mutual eliminations and consolidation adjustments	Total
	Poland	Hungary	Czech Republic	Other countries		
Non-current assets, of which:	2 248 248	555 215	131 166	99 784	(521 475)	2 512 938
- goodwill	104 298	0	0	4 308	0	108 606
- financial assets	30 352	0	0	0	(30 352)	0
- deferred tax assets	5 408	0	4 874	(4)	0	10 278
Current assets, of which:	648 350	114 430	104 638	35 164	(143 990)	758 592
- cash and cash equivalents	448 370	68 910	90 520	24 319	0	632 119
Assets classified as held for sale	20 789	3 704	214	3 527	0	28 234
Investment expenditure	47 773	29 924	461	2 653	0	80 811

(figures quoted in PLN thousand, unless otherwise stated)

AS AT DEC. 31, 2018	Geographical segments				Mutual eliminations and consolidation adjustments	Total
	Poland	Hungary	Czech Republic	Other countries		
Non-current assets, of which:	2 270 792	551 276	136 989	101 981	(514 396)	2 546 642
- goodwill	107 252	0	0	4 430	0	111 682
- financial assets	22 815	0	0	0	(22 815)	0
- deferred tax assets	6 203	0	4 737	43	0	10 983
Current assets, of which:	587 435	110 997	87 194	38 677	(161 155)	663 148
- cash and cash equivalents	370 928	67 181	76 492	23 233	0	537 834
Assets classified as held for sale	8 690	0	0	0	0	8 690
Investment expenditure	194 631	55 142	5 649	93 571	0	348 993

AS AT JUNE 30, 2018	Geographical segments				Mutual eliminations and consolidation adjustments	Total
	Poland	Hungary	Czech Republic	Other countries		
Non-current assets, of which:	2 331 291	530 355	144 604	10 806	(647 531)	2 369 525
- goodwill	107 252	0	0	0	0	107 252
- financial assets	163 114	0	0	0	(156 170)	6 944
- deferred tax assets	5 592	801	8 500	39	0	14 932
Current assets, of which:	462 687	100 566	59 694	126 557	(43 656)	705 848
- cash and cash equivalents	359 148	63 146	48 072	111 654	0	582 020
Assets classified as held for sale	32 292	0	9 810	0	0	42 102
Investment expenditure	63 228	23 431	2 498	4 387	0	93 544

(figures quoted in PLN thousand, unless otherwise stated)

5.3 OPERATING SEGMENT REVENUE PER TYPE OF SERVICE AND GEOGRAPHICAL AREA

The tables below present the Group's revenues for the first half of 2019 and the first half of 2018 per type of services and geographical areas with their reconciliation to the operating segments presented in Note 5.1.

1ST HALF OF 2019	Operating segments		Unallocated operations and consolidation adjustments	Consolidated value
	Up&Midscale Hotels	Economy Hotels		
Revenue per type of service:	**514 961**	**163 452**	**5 639**	**684 052**
Room revenue	348 611	128 674	0	477 285
Food & beverage revenue	144 751	29 648	0	174 399
Other revenue	21 599	5 130	5 639	32 368
Revenue per geographical area:	**514 961**	**163 452**	**5 639**	**684 052**
Poland	345 498	96 459	4 339	446 296
Hungary	99 934	30 097	1 098	131 129
Czech Republic	28 589	27 475	168	56 232
Other countries	40 940	9 421	34	50 395

1ST HALF OF 2018	Operating segments		Unallocated operations and consolidation adjustments	Consolidated value
	Up&Midscale Hotels	Economy Hotels		
Revenue per type of service:	**519 938**	**149 558**	**6 374**	**675 870**
Room revenue	354 476	118 024	0	472 500
Food & beverage revenue	146 726	26 810	0	173 536
Other revenue	18 736	4 724	6 374	29 834
Revenue per geographical area:	**519 938**	**149 558**	**6 374**	**675 870**
Poland	330 043	88 831	4 073	422 947
Hungary	126 661	27 406	960	155 027
Czech Republic	27 200	29 155	162	56 517
Other countries	36 034	4 166	1 179	41 379

2ND QUARTER OF 2019	Operating segments		Unallocated operations and consolidation adjustments	Consolidated value
	Up&Midscale Hotels	Economy Hotels		
Revenue per type of service:	**310 586**	**101 512**	**2 481**	**414 579**
Room revenue	217 303	81 682	0	298 985
Food & beverage revenue	81 988	16 951	0	98 939
Other revenue	11 295	2 879	2 481	16 655
Revenue per geographical area:	**310 586**	**101 512**	**2 481**	**414 579**
Poland	203 710	57 432	1 819	262 961
Hungary	65 030	19 052	548	84 630
Czech Republic	17 109	18 910	83	36 102
Other countries	24 737	6 118	31	30 886

2ND QUARTER OF 2018	Operating segments		Unallocated operations and consolidation adjustments	Consolidated value
	Up&Midscale Hotels	Economy Hotels		
Revenue per type of service:	**314 555**	**92 069**	**3 580**	**410 204**
Room revenue	220 366	74 231	0	294 597
Food & beverage revenue	84 324	15 178	0	99 502
Other revenue	9 865	2 660	3 580	16 105
Revenue per geographical area:	**314 555**	**92 069**	**3 580**	**410 204**
Poland	199 185	52 565	2 205	253 955
Hungary	78 078	17 363	559	96 000
Czech Republic	16 541	19 686	82	36 309
Other countries	20 751	2 455	734	23 940

5.4 SEASONALITY OR CYCLICALITY OF OPERATIONS

Sales of the Orbis Group throughout the year are marked by seasonality. Usually, 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 fourth quarter is ranked as the third, and the first quarter as the last, in terms of sales.

NET SALES*	2019		2018		2017	
	PLN '000	% share of annual revenue	PLN '000	% share of annual revenue	PLN '000	% share of annual revenue
1st quarter	277 824	-	271 465	18.9%	265 951	18.2%
2nd quarter	428 146	-	418 847	29.1%	413 579	28.4%
3rd quarter		-	391 693	27.2%	421 924	28.9%
4th quarter		-	358 023	24.8%	356 619	24.5%
Total	**705 970**	**-**	**1 440 028**	**100.0%**	**1 458 073**	**100.0%**

** Total continuing and discontinued operations*

(figures quoted in PLN thousand, unless otherwise stated)

6. INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

NET SALES	3 months ended June 30, 2019	6 months ended June 30, 2019	3 months ended June 30, 2018	6 months ended June 30, 2018
Room revenue	298 985	477 285	294 597	472 500
Food & beverage revenue	98 939	174 399	99 502	173 536
Other revenue	16 655	32 368	16 105	29 834
Total net sales	**414 579**	**684 052**	**410 204**	**675 870**
of which: revenue from related parties	*1 235*	*2 464*	*1 212*	*2 273*

EXPENSES BY NATURE	3 months ended June 30, 2019	6 months ended June 30, 2019	3 months ended June 30, 2018	6 months ended June 30, 2018
Depreciation and amortisation	(55 121)	(108 534)	(40 403)	(82 316)
Rental expense	(3 359)	(5 959)	(14 961)	(28 282)
Outsourced services	(81 001)	(148 790)	(80 442)	(146 485)
Employee benefit expense	(93 830)	(186 789)	(92 885)	(185 618)
Raw materials and energy used	(53 703)	(98 622)	(50 339)	(96 585)
Taxes and charges	(8 364)	(16 295)	(11 221)	(21 198)
Other costs by nature, of which:	(2 908)	(5 497)	(3 280)	(6 170)
business trips	(671)	(1 341)	(1 015)	(1 864)
insurance premiums	(974)	(1 903)	(835)	(1 765)
royalties	(529)	(1 044)	(510)	(1 026)
other	(734)	(1 209)	(920)	(1 515)
Impairment of receivables	(124)	(447)	24	449
Total expenses by nature	**(298 410)**	**(570 933)**	**(293 507)**	**(566 205)**

NET OTHER OPERATING INCOME/(EXPENSES)	3 months ended June 30, 2019	6 months ended June 30, 2019	3 months ended June 30, 2018	6 months ended June 30, 2018
Income from centralised purchases reconciliation	591	1 812	627	1 511
Reversal of provision for onerous contract	0	0	20	41
Indemnities received	92	179	109	220
Other	488	683	384	1 869
Total other operating income	**1 171**	**2 674**	**1 140**	**3 641**
Other provisions	(87)	(198)	113	(140)
Underpayment due to exchange rate fluctuations	(196)	(274)	(179)	(343)
Indemnities, fines and penalties paid	(92)	(112)	(35)	(86)
Costs of hotel closing and assets liquidation	(38)	(56)	(30)	(1 062)
Other	(217)	(375)	(341)	(910)
Total other operating expenses	**(630)**	**(1 015)**	**(472)**	**(2 541)**
Total other operating income/expenses	**541**	**1 659**	**668**	**1 100**

(figures quoted in PLN thousand, unless otherwise stated)

RESULT ON SALE OF REAL PROPERTY	3 months ended June 30, 2019	6 months ended June 30, 2019	3 months ended June 30, 2018	6 months ended June 30, 2018
Net proceeds from disposal of real properties	11 648	65 798	325 946	327 946
Net value of real properties and other assets and liabilities disposed of	(2 306)	(8 311)	(182 102)	(183 208)
Additional costs related to disposal	(127)	(656)	(15 375)	(15 390)
Adjustment of real property disposal transaction*	2 255	2 255	0	0
Total result on sale of real property	**11 470**	**59 086**	**128 469**	**129 348**

** re. sale of the Sofitel Budapest Chain Bridge hotel in Hungary*

In the first half of 2019 the Orbis Group finalised the following real property sale transactions:

- income from the sale of a **non-hotel real property located in Wrocław**, including the rights of perpetual usufruct of land, buildings and equipment totalled PLN 44 000 thousand; the profit on this transaction, including additional costs, totalled PLN 41 527 thousand;
- sale of an organized part of the enterprise, i.e**. the ibis budget Toruń hotel,** for the net sum of PLN 6 450 thousand, and the result on this transaction (including additional costs) totalled PLN 1 864 thousand;
- sale of a **non-hotel real property located in Szczecin, at 3-go Maja Street,** for the price of PLN 3 700 thousand; the profit on this transaction totalled PLN 3 687 thousand;
- revenue from the sale of **real property in Zakopane** totalled PLN 10 928 thousand, while the result on this transaction totalled PLN 9 350 thousand;
- sale of non-residential property in Włocławek and a garage in Katowice generated an additional profit in the first half of 2019 in the total amount of PLN 403 thousand.

REVALUATION OF NON-CURRENT ASSETS	3 months ended June 30, 2019	6 months ended June 30, 2019	3 months ended June 30, 2018	6 months ended June 30, 2018
Recognised impairment loss on assets under construction	(320)	(320)	0	0
Recognised impairment loss on intangible assets	(2 485)	(2 485)	0	0
Total revaluation of non-current assets	**(2 805)**	**(2 805)**	**0**	**0**

Information on impairment is provided in Notes 8.1. and 9.1.

RESTRUCTURING COSTS	3 months ended June 30, 2019	6 months ended June 30, 2019	3 months ended June 30, 2018	6 months ended June 30, 2018
Costs of employment restructuring	(457)	(621)	(267)	(426)
Change in provisions for employment restructuring	22	162	399	529
Total restructuring costs	**(435)**	**(459)**	**132**	**103**

RESULTS OF OTHER ONE-OFF EVENTS	3 months ended June 30, 2019	6 months ended June 30, 2019	3 months ended June 30, 2018	6 months ended June 30, 2018
Costs of spin-off and disposal of the asset light part of the business	(5 761)	(5 761)	0	0
Costs of liquidation of non-current assets	(1 261)	(1 261)	0	0
Real property transaction preparation costs*	0	0	709	0
Costs incurred in connection with the planned buyout of leased hotels	(74)	(109)	0	0
Total results of other one-off events	**(7 096)**	**(7 131)**	**709**	**0**

** in the second quarter of 2018, these costs were recognized under profit on real property sale transactions*

(figures quoted in PLN thousand, unless otherwise stated)

FINANCE INCOME	3 months ended June 30, 2019	6 months ended June 30, 2019	3 months ended June 30, 2018	6 months ended June 30, 2018
Interest on deposits	1 200	1 910	301	517
Foreign exchange gains	0	0	853	853
Other	20	24	16	22
Total finance income	**1 220**	**1 934**	**1 170**	**1 392**

FINANCE COSTS	3 months ended June 30, 2019	6 months ended June 30, 2019	3 months ended June 30, 2018	6 months ended June 30, 2018
Interest and debt service costs accrued on credit facilities	(35)	(85)	(230)	(403)
Interest and debt service costs accrued on bonds	(3 561)	(7 083)	(3 667)	(7 231)
Interest accrued on lease liabilities	(5 375)	(10 616)	0	0
Interest expense arising from provisions for employee benefits	(354)	(354)	(365)	(365)
Foreign exchange losses	(3 035)	(3 289)	62	0
Other	(52)	(223)	(9)	(18)
Total finance costs	**(12 412)**	**(21 650)**	**(4 209)**	**(8 017)**

INCOME TAX	3 months ended June 30, 2019	6 months ended June 30, 2019	3 months ended June 30, 2018	6 months ended June 30, 2018
Current income tax	(18 996)	(27 421)	(28 902)	(28 395)
Deferred income tax	367	(2 479)	(842)	(96)
Tax charge in the consolidated income statement	**(18 629)**	**(29 900)**	**(29 744)**	**(28 491)**

In connection with the uncertainty as to the possibility of realizing the tax loss incurred in 2018 and 2019 under capital gains, as at June 30, 2019, Orbis S.A. did not recognize a deferred tax asset related to these losses.

(figures quoted in PLN thousand, unless otherwise stated)

7. DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE

7.1 DISCONTINUED OPERATIONS

On May 17, 2019, the Management Board of Orbis S.A. decided about the division of the entire Orbis Group's business into the service part ("asset light") covering provision of services for hotels on the basis of franchise and management agreements and the real estate part ("asset heavy") involving possession of hotel real properties. Further on, on May 29, 2019, the Management Board of Orbis S.A. decided about the disposal of the service activity of Orbis S.A. and companies belonging to the Orbis Group.

On June 12, 2019, Orbis signed a non-binding Head of Terms with Accor S.A., in which the parties agreed key terms and conditions of the planned disposal, by Orbis to Accor Groups subsidiaries, of the entire asset light business. Closing of the transaction is scheduled for the turn of the third and fourth quarters.

The basic categories of assets and liabilities comprising the operations classified as held for sale as at the balance sheet date and the results and cash flows from these operations in all the reported periods are presented below. The presented data include above all the receivables and income from management and franchise agreements, liabilities and direct costs related to services provided by Orbis S.A. and its subsidiaries to managed or franchised hotels as well as costs of obtaining new asset light contracts. In addition, the results and assets and liabilities of Orbis Kontrakty Sp. z o.o. have been classified as discontinued operations.

The result of discontinued operations does not include costs of the entity related to asset light operations (including, for example, costs of sales, distribution and revenue management) which will continue to be incurred by the Group in accordance with the management agreement executed with Accor S.A. after the discontinued operations are disposed of.

INCOME STATEMENT ON DISCONTINUED OPERATIONS	3 months ended June 30, 2019	6 months ended June 30, 2019	3 months ended June 30, 2018	6 months ended June 30, 2018
Net sales	**13 567**	**21 918**	**8 643**	**14 442**
Operating expenses, of which:	(1 683)	(5 032)	(2 340)	(3 519)
Employee benefit expense	*(1 559)*	*(2 826)*	*(1 113)*	*(2 056)*
Impairment of receivables	(545)	(653)	(5)	(13)
Net other operating income/(expenses)	656	1 199	352	814
EBITDAR	**11 995**	**17 432**	**6 650**	**11 724**
Operating EBITDA	**11 995**	**17 432**	**6 650**	**11 724**
Depreciation and amortisation	(2)	(4)	(3)	(6)
Operating profit without the effects of one-off events	**11 993**	**17 428**	**6 647**	**11 718**
Operating profit	**11 993**	**17 428**	**6 647**	**11 718**
Finance income	47	83	22	56
Finance costs	(3)	(5)	(1)	(2)
Profit before tax	**12 037**	**17 506**	**6 668**	**11 772**
Income tax expense	(1 789)	(2 278)	(1 156)	(1 856)
Net profit on continuing operations	**10 248**	**15 228**	**5 512**	**9 916**
Total comprehensive income on discontinued operations	**10 248**	**15 228**	**5 512**	**9 916**

(figures quoted in PLN thousand, unless otherwise stated)

STATEMENT OF CASH FLOWS ON DISCONTINUED OPERATIONS	3 months ended on June 30, 2019	6 months ended on June 30, 2019	3 months ended on June 30, 2018	6 months ended on June 30, 2018
Net cash generated by operating activities	8 287	14 676	5 600	10 237
Net cash generated by investing activities	47	83	16	50
Net cash flow, total	**8 334**	**14 759**	**5 616**	**10 287**

7.2 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

Assets classified as held for sale include:

ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE	as at June 30, 2019	as at December 31, 2018	as at June 30, 2018
Asset light business	24 759	0	0
Right-of-use assets*	2 647	0	0
Other assets	0	8 690	42 102
Total assets classified as held for sale	**27 406**	**8 690**	**42 102**
Asset light business	9 333	0	0
Lease liabilities*	2 597	0	0
Total liabilities associated with assets classified as held for sale	**11 930**	**0**	**0**

** the information on the right-of-use assets and lease liabilities is provided in the Note 4.3.*

The Orbis Group's assets and liabilities related to its asset light business as at the end of June 2019 were as follows:

ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE (ASSET LIGHT BUSINESS)	as at June 30, 2019
Non-current assets	**7**
Property, plant and equipment	7
Current assets	**24 752**
Trade receivables	21 336
Income tax receivables	60
Other short-term financial assets	17
Cash and cash equivalents	3 339
Assets classified as held for sale	**24 759**
Non-current liabilities	**3 065**
Deferred tax liabilities	920
Contract liabilities	2 145
Current liabilities	**6 268**
Trade payables	5 863
Contract liabilities	168
Other current liabilities	237
Liabilities associated with assets classified as held for sale	**9 333**

(figures quoted in PLN thousand, unless otherwise stated)

Furthermore, as at June 30, 2019, assets classified as held for sale included the right of perpetual usufruct of land in Częstochowa constituting the right-of-use asset, recognised in accordance with IFRS 16 *Leases*. In addition, liabilities relating to lease of perpetual usufruct of land in Częstochowa are presented under the Liabilities associated with assets classified as held for sale item. For more information see Note 4.3.

As at December 31, 2018, under the Assets classified as held for sale item the Group presented a non-hotel real property located in Wrocław, which was sold in the first days of February 2019.

On the other hand, as at June 30, 2018, assets classified as held for sale comprised:

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

ASSETS CLASSIFIED AS HELD FOR SALE (OTHER ASSETS)	as at June 30, 2019	as at December 31, 2018	as at June 30, 2018
Opening balance	**8 690**	**201 093**	**201 093**
Elimination of the rights of perpetual usufruct of land due to implementation of IFRS 16 *Leases* *	**(6 752)**	**0**	**0**
Additions	**0**	**8 996**	**20 717**
reclassification from tangible assets and assets under construction	0	8 996	18 415
reclassification from investment property	0	0	1 145
exchange differences on transaction	0	0	1 157
Disposals	**(1 938)**	**(201 399)**	**(179 708)**
sale of real property	(1 938)	(187 886)	(179 702)
reclassification to tangible assets and assets under construction	0	(14 520)	0
other	0	(10)	(6)
exchange differences on transaction	0	1 017	0
Closing balance	**0**	**8 690**	**42 102**

** for more information see Note 4.1.*

(figures quoted in PLN thousand, unless otherwise stated)

8. STATEMENT OF FINANCIAL POSITION

8.1 NON-CURRENT ASSETS

Property, plant and equipment include tangible assets, assets under construction and right-of-use assets recognised in accordance with IFRS 16 *Leasing*.

PROPERTY, PLANT AND EQUIPMENT	as at June 30, 2019	as at December 31, 2018	as at June 30, 2018
Tangible assets	1 990 371	2 295 728	2 113 013
Assets under construction	106 800	120 106	119 237
Right-of-use assets*	589 456	0	0
Total property, plant and equipment	**2 686 627**	**2 415 834**	**2 232 250**

** the information on the right-of-use assets is provided in the Note 4.3.*

TANGIBLE ASSETS	as at June 30, 2019	as at December 31, 2018	as at June 30, 2018
Opening gross book amount	**4 745 812**	**4 556 158**	**4 556 158**
Accumulated depreciation and impairment	(2 450 084)	(2 377 945)	(2 377 945)
Opening net book amount	**2 295 728**	**2 178 213**	**2 178 213**
Elimination of the rights of perpetual usufruct of land due to implementation of IFRS 16 *Leases* *	**(296 595)**	**0**	**0**
Reclassification to discontinued operations	**(7)**	**0**	**0**
Additions	**92 196**	**319 754**	**47 070**
purchase	92 196	277 484	47 049
reclassification from investments in progress	0	26 227	0
reclassification from investment property	0	9 926	0
other	0	6 117	21
Disposals	**(6 177)**	**(38 978)**	**(29 641)**
sale	(4 058)	(22 163)	(10 213)
liquidation	(1 311)	(1 753)	(1 013)
other	(12)	(6 066)	0
reclassification to assets held for sale	0	(8 996)	(18 415)
reclassification to investment property	(796)	0	0
Decrease in impairment loss	0	2 319	0
Depreciation charge for the period	(83 617)	(167 921)	(80 851)
Exchange differences on translation	(11 157)	2 341	(1 778)
Closing net book amount	**1 990 371**	**2 295 728**	**2 113 013**
Closing gross book amount	**4 362 874**	**4 745 812**	**4 484 171**
Accumulated depreciation and impairment	(2 372 503)	(2 450 084)	(2 371 158)
Closing net book amount	**1 990 371**	**2 295 728**	**2 113 013**

** more informations are provided in Note 4.1.*

The sale sub-item in the first half of 2019 under the Disposals item was related to signing of a contract of sale of the ibis budget hotel in Toruń on February 28, 2019.

(figures quoted in PLN thousand, unless otherwise stated)

The table below presents assets under construction and impairment losses thereon as at June 30, 2019:

ASSETS UNDER CONSTRUCTION	as at June 30, 2019	as at December 31, 2018	as at June 30, 2018
Gross value of assets under construction	115 454	128 440	119 237
Impairment loss on assets under construction	(8 654)	(8 334)	0
Total assets under construction	**106 800**	**120 106**	**119 237**

The change in the balance of assets under construction between June 30, 2019, and December 31, 2018, results from incurred investment expenditure amounting PLN 80 811 thousand and impairment loss of PLN 320 thousand and additions to tangible assets amounting PLN 93 797 thousand.

Capital expenditures incurred in the first half of 2019 were allocated mainly for the construction of the new ibis Styles Szczecin hotel, payment of another advance payment for the purchase of a plot of land located in Krakow at Worcella Street and modernization of the following hotels operating in the network: the Novotel Gdańsk Marina hotel, the Novotel i ibis Poznań Centrum hotel, the Mercure Poznań Centrum hotel, the Novotel Kraków West City hotel, the Novotel Kraków Centrum hotel, the Mercure Wrocław Centrum hotel, the Novotel Warszawa Centrum hotel and the Sofitel Warszawa Victoria hotel. Major investment projects completed in Hungary include renovations carried out in the Mercure Budapest Buda hotel and the Mercure Budapest Korona hotel.

More information on investment expenditure incurred in the current year is provided under item 4.8 of the Directors' Report on the Operations of the Orbis Group in the first half of 2019.

Information on collaterals established on property, plant and equipment is provided in Note 10 to the financial statements.

The investment property item of PLN 5 103 thousand comprises, apart from real property recognised in accordance with IAS 40 *Investment Property* (PLN 1 303 thousand), also the right-of-use assets recognised in accordance with IFRS 16 *Leases* (PLN 3 800 thousand).

INVESTMENT PROPERTY	As at Jun. 30, 2019	As at Dec. 31, 2018	As at Jun. 30, 2018
Opening gross book amount	**13 253**	**15 341**	**15 341**
Accumulated depreciation and impairment	(9 715)	(10 253)	(10 253)
Opening net book amount	**3 538**	**5 088**	**5 088**
Elimination of the rights of perpetual usufruct of land due to implementation of IFRS 16 *Leases* *	**(1 505)**	**0**	**0**
Additions	**796**	**0**	**0**
reclassification from tangible assets	796	0	0
Disposals	**(1 450)**	**(1 098)**	**(1 145)**
sale	(1 450)	(1 098)	0
reclassification to assets held for sale	0	0	(1 145)
Increase in impairment loss	0	(252)	0
Depreciation charge for the period	(76)	(200)	(107)
Closing net book amount	**1 303**	**3 538**	**3 836**
Closing gross book amount	**3 705**	**13 253**	**13 261**
Accumulated depreciation and impairment	(2 402)	(9 715)	(9 425)
Closing net book amount	**1 303**	**3 538**	**3 836**

** rmore information is provided in Note 4.1.*

(figures quoted in PLN thousand, unless otherwise stated)

The sale sub-item in the first half of 2019 under the Disposals item is related to signing of contracts of sale of the real property in Zakopane, non-residential real property in Włocławek and a garage in Katowice.

INTANGIBLE ASSETS	as at June 30, 2019	as at December 31, 2018	as at June 30, 2018
Opening gross book amount	**140 068**	**138 159**	**138 159**
Accumulated depreciation and impairment	(25 237)	(26 591)	(26 591)
Opening net book amount	**114 831**	**111 568**	**111 568**
Additions	**490**	**6 396**	**340**
purchase	478	5 828	340
other	12	568	0
Disposals	**(469)**	**(691)**	**(115)**
sale	(469)	(119)	(110)
liquidation	0	(4)	(4)
other	0	(568)	(1)
Increase in impairment loss	(2 485)	0	0
Depreciation charge for the period	(1 031)	(2 479)	(1 364)
Exchange differences on translation	(141)	37	(1)
Closing net book amount	**111 195**	**114 831**	**110 428**
Closing gross book amount	**136 659**	**140 068**	**136 531**
Accumulated depreciation and impairment	(25 464)	(25 237)	(26 103)
Closing net book amount	**111 195**	**114 831**	**110 428**

As at June 30, 2019, the Intangible assets item includes goodwill amounting to PLN 108 606 thousand including:

- goodwill of PLN 104 298 thousand arising from the purchase of interest in the subsidiary Hekon - Hotele Ekonomiczne S.A. (currently Orbis S.A.);
- goodwill of PLN 4 308 thousand arising from the purchase of the Mercure Unirii Bucharest hotel.

The sale sub-item in the first half of 2019 under the Disposals item is related to the goodwill of the ibis budget Toruń hotel which was sold in February this year. In the current period, the Group also revalued the goodwill of 17 economy hotels in operation as at the balance sheet date.

OTHER NON-CURRENT ASSETS	as at June 30, 2019	as at December 31, 2018	as at June 30, 2018
Non-current prepayments - insurance costs	599	666	733
Other non-current investments - works of art	396	402	402
Total other non-current assets	**995**	**1 068**	**1 135**

8.2 CURRENT ASSETS

INVENTORIES	as at June 30, 2019	as at December 31, 2018	as at June 30, 2018
Raw materials	5 937	6 386	6 093
Merchandise	84	77	92
Total inventories	**6 021**	**6 463**	**6 185**

(figures quoted in PLN thousand, unless otherwise stated)

TRADE RECEIVABLES	as at June 30, 2019	as at December 31, 2018	as at June 30, 2018
Trade receivables	75 898	72 675	87 240
of which: receivables from related parties	*4 057*	*6 325*	*6 089*
Impairment loss on receivables	(997)	(2 968)	(4 067)
Net trade receivables	**74 901**	**69 707**	**83 173**

OTHER CURRENT RECEIVABLES	as at June 30, 2019	as at December 31, 2018	as at June 30, 2018
Current receivables	**19 836**	**37 161**	**12 539**
Taxes, social insurance and other benefits receivable	8 756	25 263	1 661
Disputed receivables	1 998	2 031	2 534
Amounts receivable on account of sale of tangible assets	3 944	5 944	4 000
Prepayments	2 126	2 150	2 181
Other	5 010	3 804	4 697
Impairment loss on receivables	(1 998)	(2 031)	(2 534)
Current prepayments	**8 113**	**7 598**	**20 108**
Prepayments, of which:	8 113	7 598	20 108
taxes and charges	359	0	5 973
rent	0	4 754	5 747
other	7 754	2 844	8 388
Net other current receivables	**27 949**	**44 759**	**32 647**

OTHER CURRENT FINANCIAL ASSETS	as at June 30, 2019	as at December 31, 2018	as at June 30, 2018
Loans to other entities	447	456	1 071
Impairment loss on loan	(447)	(456)	(451)
Total other current financial assets	**0**	**0**	**620**

Other short-term financial assets include a loan granted by Accor Pannonia Hotels Zrt. to external entities, i.e. City Budapest Zrt. and Hotel Liget Zrt.

CASH AND CASH EQUIVALENTS	as at June 30, 2019	as at December 31, 2018	as at June 30, 2018
Cash at bank and in hand	389 043	257 093	249 264
Short-term bank deposits	241 918	279 223	293 498
Cash on the escrow account	0	314	38 247
Other cash and cash equivalents	1 158	1 204	1 011
Total cash and cash equivalents	**632 119**	**537 834**	**582 020**

The amount of undrawn credit lines under overdrafts as at June 30, 2019, was PLN 45.1 million, of which the credit lines undrawn by Orbis S.A. amounted to PLN 20.0 million and those of Katerinska Hotel s.r.o.: PLN 25.1 million (i.e. CZK 150.0 million). The remaining Group companies did not have undrawn credit lines under overdrafts.

(figures quoted in PLN thousand, unless otherwise stated)

8.3 CURRENT AND NON-CURRENT LIABILITIES

BONDS

On **June 26, 2015**, Orbis S.A. issued **300 thousand** ordinary bearer **bonds** of **the ORB A 260620 series**, of a nominal value of PLN 1 000 each and a total nominal value of PLN 300 000 thousand. The issue price of the bonds is equal to their nominal value.

The 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.

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

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

The bonds bear interest per annum at a variable interest rate at WIBOR for six-month deposits (**WIBOR 6M)** plus interest rate margin of **1.05%**. Interest will be payable in 6-month interest periods. The bonds will be redeemed on July 29, 2021, at their nominal value.

On October 20, 2016, Orbis bonds of the ORB A 290721 series, were launched in the BondSpot alternative trading system operating on the Catalyst market.

Cash obtained from the bond issue has been allocated for projects implemented by the Group, connected with the optimization of the Group'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 Group's debt.

In the first half of 2019, Orbis paid PLN 6 982 thousand as interest on issued bonds.

BONDS	as at June 30, 2019	as at December 31, 2018	as at June 30, 2018
Liability resulting from the bond issue (outstanding principal)	200 000	500 000	500 000
Valuation of bonds at amortised cost	2 205	2 111	1 892
Long-term bonds	**202 205**	**502 111**	**501 892**
Liability resulting from the bond issue (outstanding principal)	300 000	0	0
Valuation of bonds at amortised cost	8	0	0
Short-term bonds	**300 008**	**0**	**0**
Total bonds	**502 213**	**502 111**	**501 892**

Information on securities established in connection with the issue of bonds is provided in Note 10.1 to the financial statements.

CONTRACT ASSETS AND LIABILITIES

Contracts assets include one-off cash bonuses granted by the Group at the time of executing management agreements in exchange for the client's obligation to build and/or adapt a hotel to the requirements of the brand prior to hotel opening (including hotel FF&E pursuant to the Group's standards).

(figures quoted in PLN thousand, unless otherwise stated)

These assets are recognised over the term of the related agreement, i.e. during the period of operation of the managed hotel. The amounts are recognised as a decrease in management revenue.

On the other hand, contract liabilities include mainly advances and prepayments received for a provision of services to a customer in the future. The obligation arises at the moment of making a reservation and advance payment by the customer and is realized at the time and to the extent it reflects the provision of the service or the delivery of goods.

Furthermore, the contract liabilities item, both current and non-current, comprise fees received for affiliation with the hotel network (the so-called Entrance fee), payable in accordance with franchise agreements. Revenue from this fee is recognized evenly throughout the term of implementation of the obligations under the above-mentioned agreements.

As at June 30, 2019, the fees for affiliation with the hotel network were classified as liabilities associated with assets classified as held for sale.

CONTRACT LIABILITIES	as at June 30, 2019	as at December 31, 2018	as at June 30, 2018
Fees for affiliation with a hotel network	0	2 097	1 935
Non-current contract liabilities	**0**	**2 097**	**1 935**
Fees for affiliation with a hotel network	0	153	132
Prepayments and advance payments received	57 990	30 626	49 023
Current contract liabilities	**57 990**	**30 779**	**49 155**
Total contract liabilities	**57 990**	**32 876**	**51 090**

DEFERRED REVENUE

NON-CURRENT DEFERRED REVENUE	as at June 30, 2019	as at December 31, 2018	as at June 30, 2018
Advance payments received	0	10 928	11 052
Total non-current deferred revenue	**0**	**10 928**	**11 052**

The advance payment of PLN 10 928 thousand reported during the previous accounting periods was related to the preliminary contract of sale and purchase of the Giewont hotel in Zakopane executed on April 3, 2012 and the accompanying lease agreement. In connection with registration of the legal title to the real properties owned by Orbis S.A. in the land and mortgage register in 2019 (including the right of perpetual usufruct of the plots of land on which the former Giewont hotel is erected), which was a precondition of the promised agreement of sale of the hotel, Orbis finalized the transaction in the first days of April 2019. As a result, the amount of the received advance payment, not subject to reconciliation until that date, was recognized in the Group's income statement as the Result on sale of real property item.

CURRENT DEFERRED REVENUE	as at June 30, 2019	as at December 31, 2018	as at June 30, 2018
Advance payments towards the sale of real property	563	916	1 519
Deferred revenue relating to real property lease	0	3 474	3 931
Other deferred revenue	2 237	2 345	2 145
Total currentdeferred revenue	**2 800**	**6 735**	**7 595**

As at June 30, 2019, the deferred revenue relating to the sale of real property constitutes earnest money prepaid for the sale of real property located in Szczecin at Panieńska Street, being a part of the land on which the former Arkona hotel was erected (PLN 400 thousand) and for the sale of real property in Toruń developed with an uncompleted building which was originally planned to be an ibis hotel (PLN 163 thousand).

(figures quoted in PLN thousand, unless otherwise stated)

At the end of December 2018, in addition to the advance payment for the real property located at Panieńska Street in Szczecin, the Group disclosed under this item also the advance payment for the sale of non-hotel real property located in Szczecin at 3-go Maja Street (PLN 500 thousand). This advance payment was recognized in the income statement in connection with the closing of the transaction in March this year.

OTHER NON-CURRENT LIABILITIES	as at June 30, 2019	as at December 31, 2018	as at June 30, 2018
Liabilities concerning tangible assets	6 494	6 601	5 308
Deposits received	590	599	600
Total other non-current liabilities	**7 084**	**7 200**	**5 908**

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

TRADE PAYABLES	as at June 30, 2019	as at December 31, 2018	as at June 30, 2018
Trade payables	84 465	80 706	87 807
of which: liabilities towards related parties	*11 139*	*13 407*	*15 013*
Total trade payables	**84 465**	**80 706**	**87 807**

LIABILITIES ASSOCIATED WITH TANGIBLE ASSETS	as at June 30, 2019	as at December 31, 2018	as at June 30, 2018
Liabilities associated with tangible assets	16 304	73 595	12 742
Total liabilities associated with tangible assets	**16 304**	**73 595**	**12 742**

The decrease in the balance of liabilities associated with tangible assets in the first half of 2019 results in particular from settlement of capital expenditure incurred for the construction of the ibis Styles Warszawa Centrum hotel and for the modernisation of the following hotels: the Mercure Wrocław Centrum hotel, the Novotel Warszawa Airport hotel, the Mercure Poznań Centrum hotel, the Novotel Kraków City West hotel, the Novotel Katowice Centrum hotel, the Mercure Warszawa Grand hotel and the Novotel Gdańsk Marina hotel.

OTHER CURRENT LIABILITIES	as at June 30, 2019	as at December 31, 2018	as at June 30, 2018
Current liabilities	**23 473**	**24 946**	**103 065**
Dividends payable	49	50	73 773
Taxes, social insurance and other benefits payable	14 631	17 635	16 096
Settlements with employees	5 022	3 775	4 632
Deposits received	1 397	1 365	1 638
Liabilities related to hotel acquisitions	0	1 075	0
Other liabilities	2 374	1 046	6 926
Accrued expenses	**54 973**	**51 178**	**51 110**
Obligations towards employees	41 068	40 333	38 042
Public imposts	7 340	10 135	11 101
Liabilities related to the spin-off and disposal of the asset light part of the business	4 298	0	0
Other	2 267	710	1 967
Total other current liabilities	**78 446**	**76 124**	**154 175**

(figures quoted in PLN thousand, unless otherwise stated)

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

As at June 30, 2018, the Other liabilities item related mainly to the Sofitel Budapest Chain Bridge hotel and the Novotel Szeged hotel sold in the first half of 2018.

As at June 30, 2019, the Orbis Group had future capital commitments under executed agreements totalling PLN 84.4 million. The highest amount of future investment liabilities concerns the construction of the ibis Styles hotel in Szczecin and the hotel in Krakow on the plot of land at Worcella Street. Furthermore, significant amounts of liabilities concern the construction of a new car park near the Novotel and ibis Wrocław Centrum hotels and modernization works carried out in, among others, the Novotel Gdańsk Marina hotel, the Novotel Poznań Centrum hotel, the Mercure Warszawa Grand hotel and the Novotel Katowice Centrum hotel.

9. CHANGES IN ESTIMATES OF AMOUNTS

9.1 IMPAIRMENT OF ASSETS

IMPAIRMENT LOSS ON TANGIBLE ASSETS AND ASSETS UNDER CONSTRUCTION	as at June 30, 2019	as at December 31, 2018	as at June 30, 2018
Opening balance	**(36 248)**	**(49 241)**	**(49 241)**
recognised impairment loss on assets under construction	(320)	(1 521)	0
reversed impairment loss on tangible assets	0	2 319	0
decrease in impairment losses in connection with sale/liquidation	4 418	17 853	8 044
impairment loss on tangible assets not subject to reversal *	893	4 497	2 459
reclassification to assets held for sale	0	0	11 911
reclassification from assets held for sale	0	(9 911)	0
exchange differences on translation	139	(244)	(263)
Closing balance	**(31 118)**	**(36 248)**	**(27 090)**

IMPAIRMENT LOSS ON INVESTMENT PROPERTY	as at June 30, 2019	as at December 31, 2018	as at June 30, 2018
Opening balance	**(252)**	**(578)**	**(578)**
recognised impairment loss	0	(252)	0
decrease in impairment losses in connection with sale/liquidation	113	571	0
impairment loss on investment property not subject to reversal *	2	7	7
reclassification to assets held for sale	0	0	571
Closing balance	**(137)**	**(252)**	**0**

(figures quoted in PLN thousand, unless otherwise stated)

IMPAIRMENT LOSS ON INTANGIBLE ASSETS	as at June 30, 2019	as at December 31, 2018	as at June 30, 2018
Opening balance	**(347)**	**(376)**	**(376)**
recognised impairment loss	(2 485)	0	0
decrease in impairment losses in connection with sale/liquidation	2 485	0	0
impairment loss on investment property not subject to reversal *	0	39	0
exchange differences on translation	3	(10)	(15)
Closing balance	**(344)**	**(347)**	**(391)**

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

IMPAIRMENT LOSS ON ASSETS HELD FOR SALE	as at June 30, 2019	as at December 31, 2018	as at June 30, 2018
Opening balance	**0**	**(14 692)**	**(14 692)**
decrease in impairment losses in connection with sale/liquidation	0	4 781	0
reclassification from tangible assets	0	0	(11 911)
reclassification from investment property	0	0	(571)
reclassification to tangible assets and assets under construction	0	9 911	0
exchange differences on translation	0	0	(173)
Closing balance	**0**	**0**	**(27 347)**

IMPAIRMENT LOSS ON RECEIVABLES	as at June 30, 2019	as at December 31, 2018	as at June 30, 2018
Opening balance	**(4 999)**	**(6 997)**	**(6 997)**
reclassification to discontinued operations	2 838	0	0
recognised impairment loss	(1 379)	(1 815)	(885)
reversed impairment loss	479	3 141	1 321
utilised impairment loss	30	709	7
exchange differences on translation	36	(37)	(47)
Closing balance	**(2 995)**	**(4 999)**	**(6 601)**

IMPAIRMENT ON FINANCIAL ASSETS	as at June 30, 2019	as at December 31, 2018	as at June 30, 2018
Opening balance	**(456)**	**(457)**	**(457)**
exchange differences on translation	9	1	6
Closing balance	**(447)**	**(456)**	**(451)**

As at June 30, 2019 and December 31, 2018 Orbis also had an impairment loss on investments in other units of PLN 57 thousand. As at June 30, 2018, this impairment loss totalled PLN 47 thousand.

In the first half of 2019 and in 2018, no circumstances occurred that would indicate a need to recognise impairment losses on inventories.

(figures quoted in PLN thousand, unless otherwise stated)

9.2 PROVISIONS FOR EMPLOYEE BENEFITS

PROVISIONS FOR EMPLOYEE BENEFITS	Jubilee awards	Retirement & disability benefits	Total liabilities
Present value of obligation - as at January 1, 2019	**16 250**	**8 480**	**24 730**
Current service cost	664	214	878
Past service cost and (gain)/loss from settlements	(39)	(7)	(46)
Interest cost	236	118	354
Benefits paid	(985)	(134)	(1 119)
Exchange differences on translation	0	(9)	(9)
Present value of obligation - as at June 30, 2019	**16 126**	**8 662**	**24 788**
Short-term provisions	1 907	1 596	3 503
Long-term provisions	14 219	7 066	21 285
Total present value of obligation - as at June 30, 2019	**16 126**	**8 662**	**24 788**

PROVISIONS FOR EMPLOYEE BENEFITS	Jubilee awards	Retirement & disability benefits	Total liabilities
Present value of obligation - as at January 1, 2018	**15 017**	**7 243**	**22 260**
Current service cost	1 093	335	1 428
Past service cost and (gain)/loss from settlements	(347)	(106)	(453)
Interest cost	493	226	719
Remeasurement (gains)/losses:			
actuarial gains and losses arising from changes in demographic assumptions	(45)	10	(35)
actuarial gains and losses arising from changes in financial assumptions	467	690	1 157
actuarial gains and losses arising from experience adjustments	1 750	482	2 232
Benefits paid	(2 178)	(398)	(2 576)
Exchange differences on translation	0	(2)	(2)
Present value of obligation - as at December 31, 2018	**16 250**	**8 480**	**24 730**
Short-term provisions	2 001	1 388	3 389
Long-term provisions	14 249	7 092	21 341
Total present value of obligation - as at December 31, 2018	**16 250**	**8 480**	**24 730**

(figures quoted in PLN thousand, unless otherwise stated)

PROVISIONS FOR EMPLOYEE BENEFITS	Jubilee awards	Retirement & disability benefits	Total liabilities
Present value of obligation - as at January 1, 2018	**15 017**	**7 243**	**22 260**
Current service cost	552	177	729
Interest cost	249	116	365
Benefits paid	(957)	(171)	(1 128)
Exchange differences on translation	0	(6)	(6)
Present value of obligation - as at June 30, 2018	**14 861**	**7 359**	**22 220**
Short-term provisions	1 849	1 186	3 035
Long-term provisions	13 012	6 173	19 185
Total present value of obligation - as at June 30, 2018	**14 861**	**7 359**	**22 220**

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

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

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

9.3 PROVISIONS FOR LIABILITIES

PROVISIONS FOR LIABILITIES	Provision for litigations	Provision for restructuring costs	Other provisions for liabilities	Total provisions for liabilities
As at January 1, 2019	**774**	**578**	**1 538**	**2 890**
Provision recognised in the period	0	313	198	511
Provision utilised in the period	0	(318)	0	(318)
Provision released in the period	(3)	(157)	0	(160)
Exchange differences on translation	0	(3)	(33)	(36)
As at June 30, 2019	**771**	**413**	**1 703**	**2 887**
Short-term provisions	771	413	0	1 184
Long-term provisions	0	0	1 703	1 703
Total provisions as at June 30, 2019	**771**	**413**	**1 703**	**2 887**

(figures quoted in PLN thousand, unless otherwise stated)

PROVISIONS FOR LIABILITIES	Provision for litigations	Provision for restructuring costs	Other provisions for liabilities	Total provisions for liabilities
As at January 1, 2018	**777**	**1 588**	**5 666**	**8 031**
Provision recognised in the period	0	797	0	797
Provision utilised in the period	0	(1 145)	0	(1 145)
Provision released in the period	(3)	(661)	(4 088)	(4 752)
Exchange differences on translation	0	(1)	(40)	(41)
As at December 31, 2018	**774**	**578**	**1 538**	**2 890**
Short-term provisions	774	578	0	1 352
Long-term provisions	0	0	1 538	1 538
Total provisions as at December 31, 2018	**774**	**578**	**1 538**	**2 890**

PROVISIONS FOR LIABILITIES	Provision for litigations	Provision for restructuring costs	Other provisions for liabilities	Total provisions for liabilities
As at January 1, 2018	**777**	**1 588**	**5 666**	**8 031**
Provision recognised in the period	0	517	140	657
Provision utilised in the period	0	(426)	0	(426)
Provision released in the period	0	(620)	(41)	(661)
Exchange differences on translation	0	(4)	(76)	(80)
As at June 30, 2018	**777**	**1 055**	**5 689**	**7 521**
Short-term provisions	777	1 055	1	1 833
Long-term provisions	0	0	5 688	5 688
Total provisions as at June 30, 2018	**777**	**1 055**	**5 689**	**7 521**

9.4 DEFERRED TAX ASSETS AND LIABILITIES

DEFERRED TAX *	As at:		Impact on statement of comprehensive income
	June 30, 2019	December 31, 2018	
Deferred tax assets	55 629	10 983	44 646
Deferred tax liabilities	549	196	(353)
Change in deferred tax assets and liabilities, of which:			**44 293**
impact on profit or loss (continuing operations)			(2 479)
impact on profit or loss (discontinued operations)			(44)
impact on the initial balance of retained earnings			46 799
impact on other comprehensive income (incl. exchange differences on translation)			17

** The deferred tax assets and liabilities are presented as per account balance in each company of the Group.*

10. CONTINGENT LIABILITIES

10.1 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 23, 2019, by the valuation survey dated June 3, 2019, was PLN 837 332 thousand. The book value of these real properties as at June 30, 2019, is PLN 198 408 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.

10.2 LIABILITIES ARISING UNDER GUARANTEE AGREEMENTS

Upon request of Orbis S.A., on October 8 and on November 5, 2018, Société Générale Spółka Akcyjna Branch in Poland provided Bank Guarantees for Gold Project Sp. z o.o. sp. jawna (former Złote Tarasy Warsaw III S.Á.R.L. spółka jawna), with its registered office in Warsaw (the beneficiary). The guarantees were issued to secure payments under the lease agreement executed on September 27, 2018 between Orbis S.A. and Złote Tarasy Warsaw III S.Á.R.L. spółka jawna (currently Gold Project Sp. z o.o. sp jawna), concerning lease of office space and car park spaces located in the commercial combo named Złote Tarasy in Warsaw.

The Bank guarantees were granted up to the sum of EUR 224.7 thousand for the lease of office space and EUR 8.6 thousand for the lease of car park spaces. The guarantees expire on October 7 and November 4, 2019, respectively.

On March 31, 2019, the bank guarantee issued by Société Générale S.A., Branch in Poland, for the benefit of Vastint Lithuania UAB (Guarantee Beneficiary) to secure the liabilities of UAB Hekon (Guarantee Originator) in connection with the lease agreement for the Novotel hotel in Vilnius, expired. On April 1, 2019, a new bank guarantee of EUR 250 thousand for the benefit of the hotel lessor was issued by Luminor Bank AS. The Guarantee remains valid till April 1, 2022.

10.3 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 concluded agreement, up to the amount of PLN 1 750 thousand.

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

(figures quoted in PLN thousand, unless otherwise stated)

11. FINANCIAL INSTRUMENTS

11.1 CATEGORIES OF FINANCIAL INSTRUMENTS

As at June 30, 2019, December 31, 2018 and June 30, 2018, all financial assets and liabilities of the Group are measured at amortized cost.

The following table presents main categories of financial instruments:

	as at June 30, 2019	as at December 31, 2018	as at June 30, 2018
Financial assets			
Cash and cash equivalents	632 119	537 834	582 020
Loans and receivables (including trade receivables)	85 981	81 605	101 615
Financial liabilities			
Amortised cost (including trade payables)	618 908	670 923	695 318

11.2 FAIR VALUE OF FINANCIAL INSTRUMENTS

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 June 30, 2019		as at December 31, 2018		as at June 30, 2018	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets						
Cash and cash equivalents	632 119	632 119	537 834	537 834	582 020	582 020
Other financial assets	0	0	0	0	6 944	6 944
Short-term financial assets (loans granted)	0	0	0	0	620	620
Trade receivables and other current receivables	85 981	85 981	81 605	81 605	94 051	94 051
Financial liabilities						
Debt securities - bonds issued	502 213	504 040	502 111	503 380	501 892	504 800
Trade payables and other current and non-current liabilities	116 695	116 695	168 812	168 812	193 426	193 426

According to the Management Board, as at June 30, 2019, December 31, 2018, and June 30, 2018, the carrying amount of financial instruments of the Group, with the exception of liabilities arising from issued bonds, was close to their fair value.

In the case of cash and cash equivalents and short-term receivables and short-term payables, the carrying amount is close to fair value due to their cash-like liquidity, short maturity and the fact that the carrying amount of receivables includes impairment.

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

(figures quoted in PLN thousand, unless otherwise stated)

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).

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

12. 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.

Figures presented below concern other transactions with the Accor Group companies.

SALES AND PURCHASES	3 months ended June 30, 2019	6 months ended June 30, 2019	3 months ended June 30, 2018	6 months ended June 30, 2018
Net sales of services	**1 235**	**2 464**	**1 212**	**2 273**
from the parent company	865	1 719	806	1 639
from other Accor Group companies	370	745	406	634
Other sales	**769**	**1 717**	**517**	**1 226**
from the parent company	769	1 717	517	1 226
Total net sales	**2 004**	**4 181**	**1 729**	**3 499**
Purchases of goods and services	**20 375**	**35 271**	**18 872**	**32 456**
from the parent company	15 793	26 924	14 948	25 146
from other Accor Group companies	4 582	8 347	3 924	7 310
Total purchases	**20 375**	**35 271**	**18 872**	**32 456**

(figures quoted in PLN thousand, unless otherwise stated)

RECEIVABLES AND PAYABLES	as at June 30, 2019	as at December 31, 2018	as at June 30, 2018
Trade receivables	**7 038**	**6 325**	**6 089**
from the parent company	6 447	5 515	5 437
from other Accor Group companies	591	810	652
Other receivables	**52**	**51**	**39**
from the parent company	0	0	6
from other Accor Group companies	52	51	33
Total receivables	**7 090**	**6 376**	**6 128**
Trade payables	**13 274**	**13 407**	**15 013**
to the parent company	13 157	12 634	13 792
to other Accor Group companies	117	773	1 221
Dividends payables	**0**	**0**	**38 842**
to the parent company	0	0	35 156
to other Accor Group companies	0	0	3 686
Total payables	**13 274**	**13 407**	**53 855**

No impairment loss was recognised on the presented receivables.

Transactions with related parties are executed on an arm's length basis.

Benefits (including wages and salaries, awards, post-employment benefits and retirement benefits) paid in accordance with contractual obligations to the Members of the Management Board and the Supervisory Board of Orbis S.A. in 6-month periods ended June 30, 2019, and 2018, amounted to PLN 3 983 thousand and PLN 3 900 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.

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

No issuances, repurchases and repayments of debt and equity securities occurred in the period covered by these financial statements. The information concerning bonds issued in the past years was presented in Note 8.3.

14. 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 June 30, 2019, 6 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);
- Gdańsk (Novotel Centrum, ibis Gdańsk Stare Miasto and adjacent area, Novotel Marina);
- Zegrze (built-up plot of land).

In the Group's opinion, fee revaluations made by Mayors of respective cities are either unjustified or calculations should be based on different rates. As at the end of the reporting period, the accumulated value of the fees challenged by the Group totals PLN 7 646 thousand and is disclosed in current liabilities.

In the first half of 2019, the case concerning revaluation of the fee for perpetual usufruct of land of the Novotel Łódź Centrum hotel was finalised. According to the termination notice received, Orbis S.A. will apply a lower rate of the annual fee. Furthermore, during the reporting period a judgment was issued on the fee for perpetual usufruct of the Sofitel Grand Sopot hotel, pursuant to which the Company paid PLN 1 407 thousand for the period from 2014 to 2018, and pay a higher fee rate for perpetual usufruct starting from 2019.

During the reporting period, cases concerning revaluation of the fee for perpetual usufruct of land under the ibis Gdańsk Stare Miasto hotel (three out of four plots) as well as the fee for the plot of land located at Łopuszańska Street in Warsaw have also been finalised; however, the payments to be made as a result of the finalisation of these cases have not yet been made before the end of June 2019. In the case of the ibis Gdańsk Stare Miasto hotel, the court originally dismissed the claim; further on a judgment dismissing Orbis' appeal was issued. As a result, the difference between the revalued fee and the fee paid so far for the period from 2014 to 2019 (PLN 158 thousand in aggregate) will be paid in subsequent months. In turn, in the case of a plot of land located at Łopuszańska Street, pursuant to the issued judgment, Orbis S.A. has to make a payment of the fee of approximately PLN 400 thousand for the period from 2015 to 2016 (until the date of sale of the plot), and a part of this amount is to be reimbursed by the then tenant of the land (in accordance with the sale agreement signed in December 2016).

(figures quoted in PLN thousand, unless otherwise stated)

15. STATEMENT OF CASH FLOWS

Explanations to adjustments of result in cash flows from operating activities.

	6 months ended June 30, 2019	6 months ended June 30, 2018
Change in receivables and contract assets in the statement of financial position	**11 627**	**(12 121)**
change in other non-current prepayments and advances	67	122
adjustment for IFRS 16 implementation	(4 706)	0
change in receivables on account of sale of tangible assets	(2 000)	(3 945)
accounting for hotel sale	0	(1 205)
exchange differences on translation	(1 192)	278
reclassification to assets held for sale	(21 353)	0
Change in the statement of cash flows	**(17 557)**	**(16 871)**
Change in contract liabilities in the statement of financial position	**25 114**	**50 962**
adjustment for IFRS 15 implementation	0	(29 826)
exchange differences on translation	400	0
reclassification to liabilities classified as held for sale	2 313	0
Change in the statement of cash flows	**27 827**	**21 136**
Change in liabilities, except borrowings, in the statement of financial position	**(51 326)**	**47 736**
change in investment liabilities	47 155	12 643
accounting for hotel sale	0	731
income tax advance for the past year	(2 083)	0
dividend from profit payable	0	(73 723)
exchange differences on translation	1 160	(41)
reclassification to liabilities classified as held for sale	6 100	0
Change in the statement of cash flows	**1 006**	**(12 654)**
Change in deferred revenue in the statement of financial position	**(14 863)**	**1 815**
adjustment for IFRS 16 implementation	3 466	0
advance payments received towards sale of real property	11 281	(1 309)
adjustment for IFRS 15 implementation	0	(1 436)
exchange differences on translation	52	(340)
Change in the statement of cash flows	**(64)**	**(1 270)**
Change in provisions in the statement of financial position	**55**	**(550)**
exchange differences on translation	45	86
Change in the statement of cash flows	**100**	**(464)**

(figures quoted in PLN thousand, unless otherwise stated)

Change in inventories presented in the statement of financial position	**442**	**600**
accounting for hotel sale	0	(475)
exchange differences on translation	(43)	34
Change in the statement of cash flows	**399**	**159**

Other adjustments	**2 806**	**0**
revaluation of non-current assets	2 805	0
other	1	0
Change in the statement of cash flows	**2 806**	**0**

16. EVENTS AFTER THE REPORTING PERIOD

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

(figures quoted in PLN thousand, unless otherwise stated)

SIGNATURES OF ALL MEMBERS OF THE MANAGEMENT BOARD

Date	Name and Surname	Position/Function	Signature
July 31, 2019	Gilles Stephane Clavie	President of the Management Board	
July 31, 2019	Ireneusz Andrzej Węgłowski	Vice-President of the Management Board	
July 31, 2019	Dominik Sołtysik	Member of the Management Board	
July 31, 2019	Marcin Szewczykowski	Member of the Management Board	

SIGNATURES OF THE MEMBER IN CHARGE OF BOOKKEEPING

Date	Name and Surname	Position/Function	Signature
July 31, 2019	Marcin Szewczykowski	Member of the Management Board	