



Orbis Group

DIRECTORS' REPORT ON THE OPERATIONS FOR THE FIRST HALF OF 2019



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PRESIDENT'S COMMENT TO THE FIRST HALF OF 2019



Mercure Budapest Buda

1 PRESIDENT'S COMMENT TO THE FIRST HALF OF 2019

- Business model transformation by focusing on real estate portfolio
- Solid operating indicators in the EE region (+5.0% RevPAR growth like-for-like)
- EBITDA growth by 19.3% like-for-like up to PLN 218.8 million
- 12 new management and franchised contracts signed (almost 1 600 new rooms)
- Aon certifies Orbis "Best Employer in Poland" for the second year in a row

2019 will be a fundamental year for Orbis. Following comprehensive analyses, the Company decided to split the business into two business lines – light and heavy, which has been a natural step in the development path of international hotel groups. The trigger to split was fast development of our asset light assets (already almost 50% of the network) and differences of Orbis' and Accor's (our strategic partner) business models.

By splitting its 2 business models Orbis will be able to value the asset light business through a disposal to Accor and to focus all its attention on its core business - asset heavy, which is a core of its DNA. Once done, Orbis, with 73 owned hotels will be ready to start a period of further growth according to new model of operation. As Accor has announced intention to sell its entire stake in Orbis, we strongly believe that our new shareholders will share a newly developed strategy. We have been transforming our profile but our top three priorities remain the same: Performance, Portfolio and People.

Performance

First half of 2019 performance highlights the effectiveness of our strategy. The results in the whole Eastern Europe region remained strong with +5.0% RevPAR growth like-for-like through mixed performances depending on the country: +4.0% in Poland, +8.5% in Hungary and 4.3% in the Czech Republic. The main driver of the growth was the average rate with the +4.4% like-for-like ADR increase.

Consolidated first half 2019 revenue totalled PLN 666.1 million, up by 4.8% like-for-like. Group EBITDA amounted to PLN 218.8 million with significant 19.3% like-for like growth. The trends observed over the first half, i.e. +4.0 p.p. operating margin, confirmed the growth robustness of the Company.

Portfolio

We keep our fast pace in expanding the network. In the first half of 2019 we have opened 3 new hotels i.e. the Bachleda Luxury Hotel Krakow MGallery By Sofitel (64 rooms) and the Mercure Sibiu Airport in Romania (85 rooms), both under franchise agreements, and one management contract - ibis Tallinn (190 rooms), thus entering the new country Estonia. In the same period our team signed 12 new asset light agreements, which would add to almost 1 600 new rooms in the hotels to be opened in 2020-2022. New contracts have strengthened the further growth of our pipeline, which remains solid with 49 new hotels (almost 6 800 rooms) already. In the first half 2019, the construction of our new development project, ibis Styles Szczecin (161 rooms), started. It will welcome first guests next year. Having constantly in mind our prime target to create memorable experience for our clients, we continue upgrading our hotels. In the period of the first half, we have modernized the Mercure Budapest Buda and Korona hotels, completed the Sofitel Warsaw Victoria hotel modernization and the ibis & Novotel Poznań Center hotels. The total capex spent amounted to PLN 80.8 million.

People

Being a human-centered Group, we have been focusing our actions on our employees to feel valued. In the first half of 2019, the Company has implemented a new Heartist campaign that ensured making real connections with guests to create unforgettable positive experiences. It has enabled the creation, within every brand, of a distinct identity, with guests and colleagues at work through the entire Group. All our actions enabled the Company to gain the Aon Best Employer title in Poland, second year in a row, and to decrease our employees turnover on the main markets, i.e.: Poland and Hungary. In the first half of 2019, we have also supported the Group's transformation by shaping the new organization in both the investment and the service parts.

Our landscape is changing but Orbis remains strong as a regional leader and keeps strengthening its operating and financial results. Once again our teams, through their engagement and professionalism, have proven to be the driving force of the Orbis Group's growth. We look optimistically towards the future and we confirm our forecast released in June.

PRESENTATION OF THE ORBIS GROUP



Mercure Budapest Korona

2 PRESENTATION OF THE ORBIS GROUP

2.1 Orbis Group at a Glance

We create shareholder value shaped by the imperatives: product improvement, further expansion of the hotel network and deploying development projects, keeping our focus on people that is employees and guests.

These three strategic objectives define all of our thinking – from investment decisions to talent management.

We focus on strengthening our portfolio of brands to put us in a position to cater for guests' needs and changing behaviour patterns and life styles more effectively. We execute the network development strategy both through franchise and management contracts as well as own investment projects. We want to create an efficient, modern and dynamic organisation delivering solid growth in profitability.

We leverage innovation to increase our operational excellence. In the era of digitalisation and globalisation hotel guests all around the world appreciate digital conveniences as much as the location of the hotels, service standard or room ambience. We focus on the food & beverage business - one of strategic priorities in the development of the Orbis Group.

Human factor is central to the hospitality industry. We put strong accent on management culture & human capital, as well as sustainability, ethics and corporate social responsibility.

Our expertise and strong position in the hospitality business allow us to face new challenges to continue the development of the Orbis Group in the region in a sustainable manner.

Employees play a key role in the hospitality industry. We put a special focus on management culture and human capital...

Our business model

We represent strong brands that are recognisable around the world: Sofitel, Pullman, MGallery, Novotel, Adagio, Mercure, ibis, ibis Styles and ibis budget.

Upscale and luxury hotels

SOFITEL
HOTELS & RESORTS

PULLMAN
HOTELS AND RESORTS



Midscale hotels

NOVOTEL
HOTELS & RESORTS

adagio

Mercure
HOTELS

Economy hotels



Our markets

The Orbis Group is the largest hotel operator in Eastern Europe, present in 13 countries with a potential to expand further into 3 countries of the region. We are the sole licensor of Accor brands in 16 countries, including Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Macedonia, Moldova, Montenegro, Poland, Romania, Serbia, Slovakia and Slovenia.



Highlights of the first half of 2019

PLN 684.1 m (+1.2%)
net sales

PLN 223.3 m (+15.7%)
Operating EBITDA

3.0% RevPAR growth

Financial performance is discussed on pp. 23-40 of the Report.

The financial results for 2019 and like-for-like periods presented in the report are generated from continuing operations, unless otherwise stated.

Our brands



**In the Orbis Group: 4 hotels,
1.0 thousand rooms**

Authentic luxury hotels with a French soul

International luxury non-standardised brand. Hotels combining French origin with the best of local culture. Designed by renowned architects who imbue them with French style and elegance.



**In the Orbis Group: 2 hotels,
360 rooms**

Connecting performance with enjoyment

International upscale brand. High quality designer hotels. Located in major cities and most attractive tourist destinations. Offer a wide array of non-standard services, innovative technologies and a new approach to meetings with the Co-Meeting offer.



**In the Orbis Group: 4 hotels,
380 rooms**

Luxury boutique hotels, inspired and generous

International, upscale, non-standardised brand. Boutique hotels that offer luxury stays including theme weekends, seminars, business trips. Each hotel is inspired by an ancient or contemporary story.



**In the Orbis Group: 23 hotels,
5.1 thousand rooms**

Modern Easy Living

International, midscale, standardised brand. At Novotel, everyone is free to live as they want. Modern hotels designed to cater for the needs of businessmen and families with children alike. Our unique approach to hospitality, one that is built on simplicity and elegance, is loved the world over.



**In the Orbis Group: 35 hotels,
5.7 thousand rooms**

In harmony with people and places

International, midscale, non-standardised brand. Combines the strength of an international brand, with guaranteed quality standards, with a laid-back atmosphere typical of personalised hotels. Hotels located in city centres and seaside or mountain resorts.



**A new brand present in the
Orbis portfolio from 2017**

The place to stay in major city centres

Adagio – fashionable, midscale aparthotels located in the centres of major cities; Adagio access - economy aparthotels located near leading cities' centres, Adagio premium – the upscale aparthotels.



**In the Orbis Group: 36 hotels,
5.5 thousand rooms**

Well-being at the best price

European leader in the economy hotel segment. Standardised brand. Modern rooms furnished with comfortable beds. A wide selection of restaurants of different styles. Focus on the quality.



**In the Orbis Group: 23 hotels,
2.6 thousand rooms**

Comfort, unique design, all inclusive

International non-standardised brand. Majority of hotels operated under a franchise agreement. The offer is addressed at persons travelling alone or on business as well as at families and tourists. In addition to the room, the offer includes breakfast, Wi-Fi access and numerous additional services.



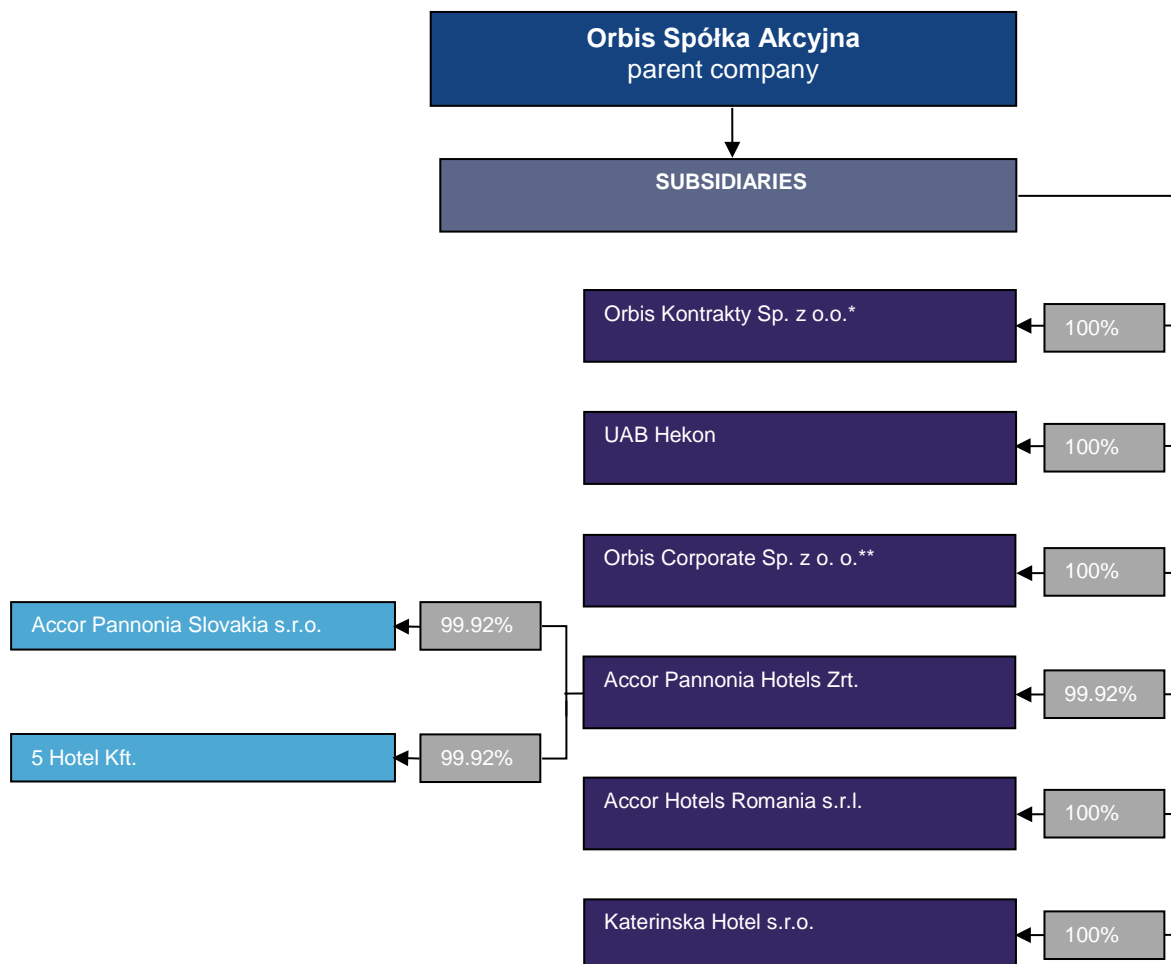
**In the Orbis Group: 9 hotels,
1.2 thousand rooms**

Essential comfort at a budget price

International standardised brand. Modern, simple design. Comfortable *Cocoon* rooms for 1-3 persons with shower and flat screen TV, Wi-Fi network and all-you-can-eat self-service breakfast buffet.

2.2 Structure of the Orbis Group

As at June 30, 2019, the structure of the Orbis Group was as follows:



* The results as well as assets and liabilities of Orbis Kontrakty Sp. z o.o. have been classified under discontinued operations

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

In the first half of 2019 there were no changes in the structure of the Orbis Group.

2.3 Companies of the Orbis Group

Operations in Poland

In Poland, the hotel business is pursued by Orbis S.A.

As at June 30, 2019, the Group had 74 hotels with 12 497 rooms on the Polish market. Cities with the largest number of hotels included:

- Warsaw – 15
- Wrocław – 8
- Kraków – 8

Moreover, the company Orbis Kontrakty Sp. z o.o. operates on the Polish market. Its core business is the organisation of purchasing for the Group's hotels.

Operations in Hungary

As at June 30, 2019, the Orbis Group had two subsidiaries in Hungary:

- Accor Pannonia Hotels Zrt.
- 5 Hotel Kft.

The first of these companies is a hotel operator. As at June 30, 2019, it operated 19 hotels with 3 537 rooms, including 16 hotels in Budapest.

The other company, which was acquired in 2017 by Accor Pannonia Hotels Zrt., is the owner of five hotel properties, which until the acquisition date were leased by the Hungarian subsidiary Accor Pannonia Hotels Zrt.

Operations in the Czech Republic

In the Czech Republic the Orbis Group has its subsidiary Katerinska Hotels s.r.o., which is a hotel operator.

As at June 30, 2019, the Group had 7 hotels with 1 277 rooms in the Czech market. 5 hotels operate in Prague.

Operations in other countries

In other countries, the following subsidiaries are engaged in hotel business:

- Accor Hotels Romania s.r.l. with its corporate seat in Bucharest,
- Accor Pannonia Slovakia s.r.o. with its corporate seat in Bratislava,
- UAB Hekon with its corporate seat in Vilnius.

As at June 30, 2019, the network of Orbis hotels located in other countries of the region comprised:

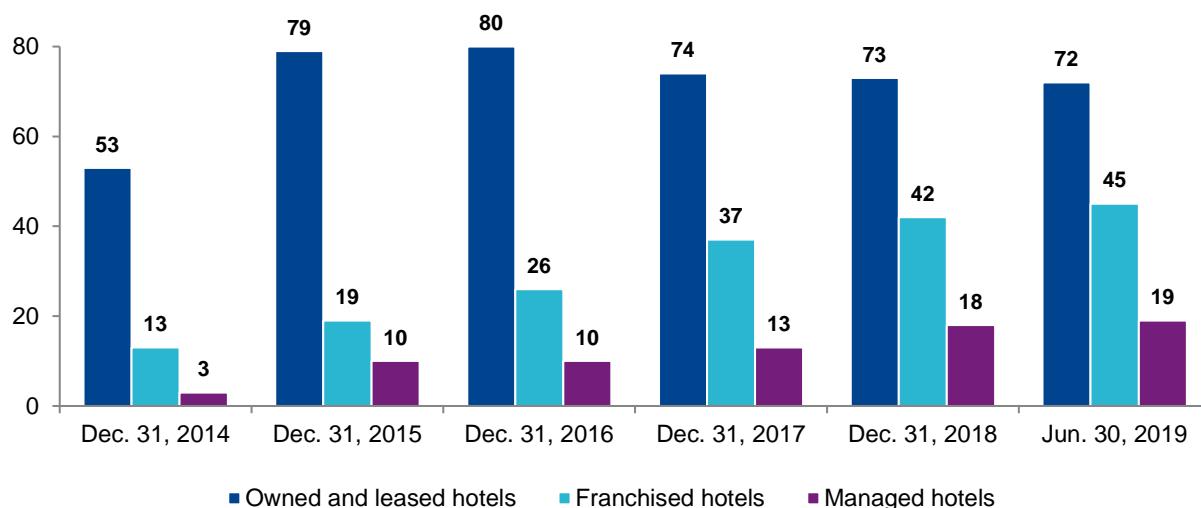
- Romania: twelve hotels offering 1 735 rooms in total; seven hotels, including a Pullman hotel, operated in Bucharest,
- Lithuania: six hotels, including three in Vilnius, with a total of 731 rooms,
- Latvia: four hotels in Riga with 498 rooms in aggregate,
- Bulgaria: two hotels in Sofia with 262 rooms,
- Slovakia: two hotels located in Bratislava with a total of 295 rooms,
- Macedonia: two hotels in Skopje, one hotel in Tetovo, with 258 rooms,
- Serbia: one hotel in Belgrade with 73 rooms,
- Bosnia and Herzegovina: three hotels with 431 rooms including two in Sarajevo,
- Slovenia: two hotels in Maribor with 147 rooms,
- Estonia: one hotel in Tallinn with 190 rooms.

Financial results and operating ratios of individual countries are presented in Section 4.3.

2.4 Hotel portfolio of the Orbis Group

The Orbis Group is the largest hotel operator in Poland and in the Central & Eastern Europe. As at the end of June 2019, the Group's network comprised a total of 136 hotels with 21.9 thousand rooms. The majority of these hotels (74 establishments) operate in Poland.

Number of hotels of the Orbis Group



Hotel portfolio	Jun. 30, 2019	Dec. 31, 2018	Jun. 30, 2018	Jun. 30, 2019 / Dec. 31, 2018	Jun. 30, 2019 / Jun. 30, 2018
Number of hotels, of which:	136	133	127	2.3%	7.1%
Owned and leased hotels	72	73	72	-1.4%	0.0%
Managed hotels	19	18	16	5.6%	18.8%
Franchised hotels	45	42	39	7.1%	15.4%
Number of rooms, of which:	21 931	21 675	20 904	1.2%	4.9%
Owned and leased hotels	14 132	14 385	14 050	-1.8%	0.6%
Managed hotels	2 864	2 658	2 429	7.8%	17.9%
Franchised hotels	4 935	4 632	4 425	6.5%	11.5%

Change in the number of managed hotels in the first half of 2019 is the result of opening of the ibis Tallinn Center hotel in Estonia in June 2019. The change in the number of owned hotels is the result of sale and franchise back of the ibis budget Toruń hotel. The change in the number of franchised hotels was additionally impacted by the opening of two new hotels, that is the Bachleda Luxury Hotel Kraków MGallery by Sofitel and the Mercure Sibiu Airport in Romania.

Change in the number of hotels as compared to June 30, 2018, was additionally caused by:

- opening of new owned hotels:
 - ibis Vilnius in Lithuania (August 2018),
 - ibis Styles Warszawa Centrum (November 2018),
 - ibis Poznań (December 2018),
- sale and franchise-back transactions relating to the following hotels:
 - Mercure Cieszyn (as a franchised hotel as of August 2018),
 - ibis Styles Bielsko-Biała (as a franchised hotel as of August 2018),
- sale and managed-back agreements relating to ibis Plzeň hotel in Czech Republic (as a managed hotel as of August 2018),
- launch of operations of the following hotels under a franchise agreement:
 - ibis Styles Sarajevo in Bosnia and Herzegovina (November 2018),
 - ibis Styles Warszawa West (December 2018),

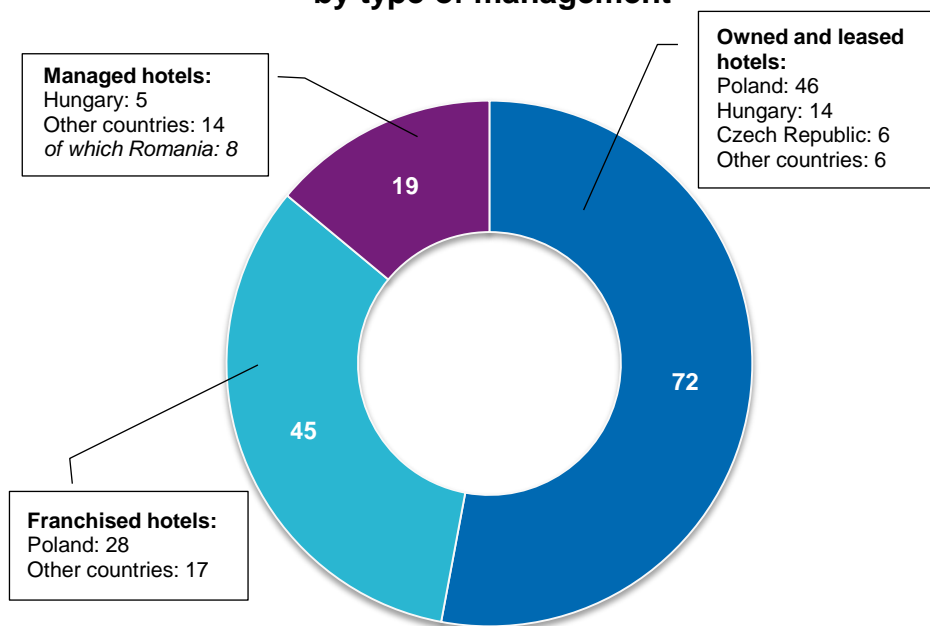
e) opening of new hotels under management agreements:

- ibis Styles Bucharest Erbas in Romania (August 2018),
- ibis Styles Budapest City West in Hungary (December 2018),

f) acquisition of the Mercure Bucharest hotel in Romania, which to the acquisition date was operated based of a management agreement (July 2018),

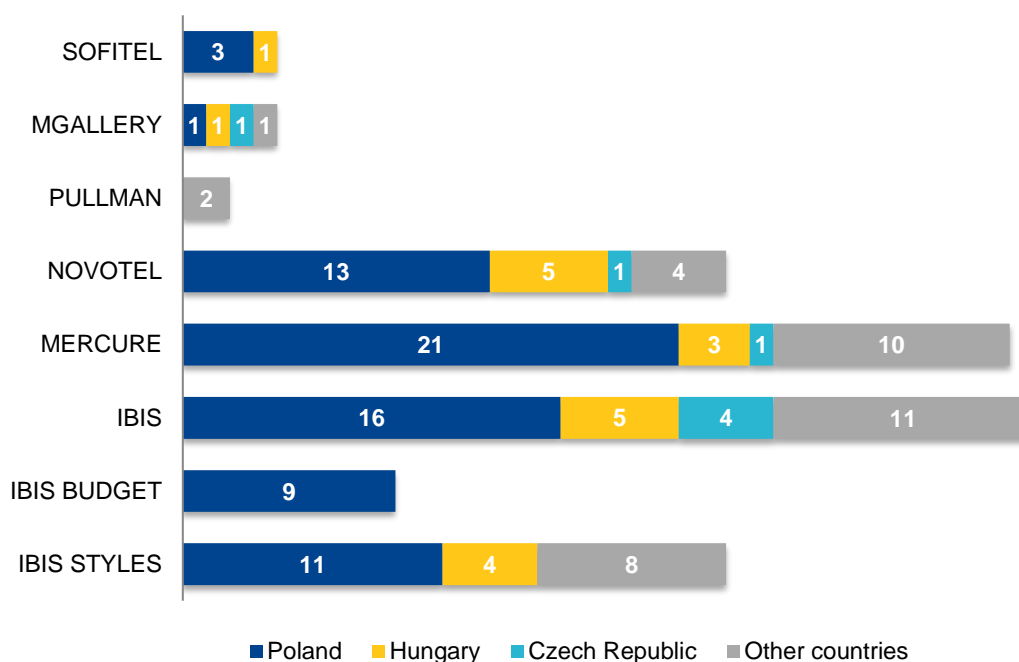
g) termination of cooperation under franchise agreements with the Mercure Mrągowo Resort & SPA hotel (at the end of September 2018).

**Number of hotels in the Orbis Group
by type of management**



■ Owned and leased hotels ■ Franchised hotels ■ Managed hotels

Number of hotels in the Orbis Group per brand



■ Poland ■ Hungary ■ Czech Republic ■ Other countries

2.5 Directions of the Orbis Group's development

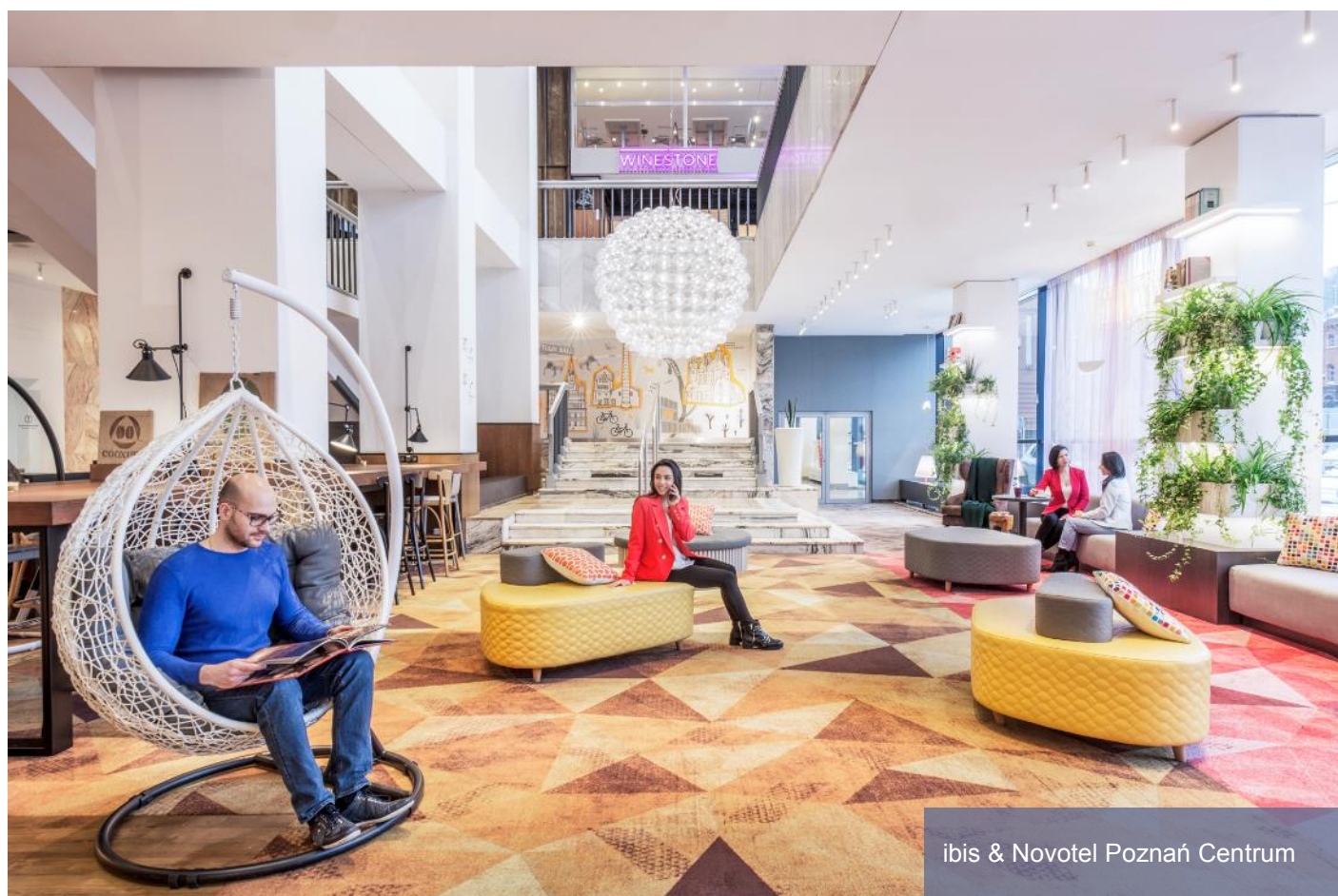
Strategic transformation

When signing a management agreement for the ibis Kaunas hotel in Lithuania in 2012, Orbis has launched the asset light business model. Since then, the Company has been developing its hotel network applying all operating models, starting with construction and purchase of new hotels to asset light agreements. Today, Orbis is the market leader with 136 hotels in 13 countries, including owned and leased hotels (53%) as well as managed and franchised hotels (47%). Throughout this time, for 20 years now, Orbis has been supported by Accor, its strategic partner and main shareholder. In view of the new, balanced hotel network structure, the Company has analysed organizational adjustments in order to focus on relations with guests and business partners. Orbis must take into account new environment, development prospects and the results of the tender offer for the Company's shares as well as Accor's announcement concerning focus on the asset light model. By splitting its business model into two, Orbis will be able to assess the value of the asset light business by selling it to Accor and focus on its core business that involves hotel real estate, i.e. its DNA. Following this split, Orbis will be the leading hotel owner in Poland and Eastern Europe (with 73 own hotels) and will be ready for the period of growth supported by its new owner sharing the same strategy. In order to maintain its high quality of service, Orbis will sign a management agreement with Accor for each of the hotels.

Orbis will focus on a selective investment strategy concentrated on 3 basic geographical areas:

- Key cities, where Orbis is already a recognized leader (Warsaw, Krakow, Prague, Budapest) to consolidate Orbis' leading position with limited risk of business reduction;
- Main markets where Orbis does not operate (Tallinn, Riga, Vilnius, Bucharest) to diversify Orbis' exposure;
- Secondary markets (for example 2 Polish cities, Belgrade, Zagreb, Ljubljana, Cluj, etc.) to apply a selective approach to growth focused on the best locations.

FACTORS IMPACTING THE GROUP'S OPERATIONS



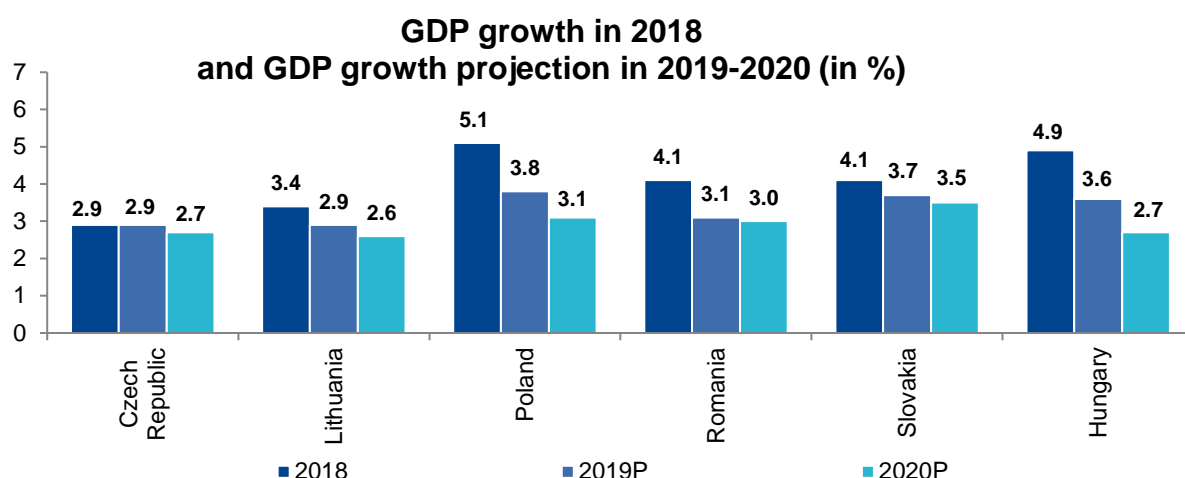
ibis & Novotel Poznań Centrum

3 FACTORS IMPACTING THE GROUP'S OPERATIONS

3.1 Macroeconomic Environment

Continuing growth

Undercut by a weaker external environment and rising constraints of production capacity, the economic growth in 2019 is projected to be less strong than in the past years. Nevertheless, the growth forecasts for 2019 were revised upwards at the end of the first half of 2019, after solid results of the first quarter. It is projected that the average GDP growth in the countries where Orbis operates in 2019 will reach 3.3%. Economies of countries in the Central and Eastern Europe should remain strong, supported by a rising domestic demand that benefits from steady absorption of EU funds, favourable financing conditions and major salary & wage increases.



Source: International Monetary Fund, World Economic Outlook

Slowdown of the manufacturing sector

After a very good 2018, the manufacturing sector has slowed down slightly. In the first months of 2019, the PMI index which is the gauge of the economic conditions remained below 50 points in Poland and the Czech Republic (respectively 48.4 and 45.9 at the end of June 2019). The economy continues to grow robustly in Hungary (the PMI index remains at a positive level of 54.4 pts. at the end of the first half of 2019). The economic trends also slowed down to below 50 pts. in Europe (Euroland's PMI was at the level of 47.6 at the end of June 2019).

Strong labour market

The difficult labour market, i.e. shortage of employees and the growing wage & salary dynamics is one of the main challenges for future business and economy growth. In most countries of the region, we are observing a significant decrease in unemployment as compared to the same period of the past year, which translates into one-digit unemployment rates. The unemployment rates in some economies in recent months reached their lowest ever levels (Poland - 5.4%, the Czech Republic - 2.6%, Romania - 2.9% and Hungary - 3.4%). Low unemployment and employee shortages compel employers to increase salaries significantly to attract and retain employees, which contributes to shrinking margins.

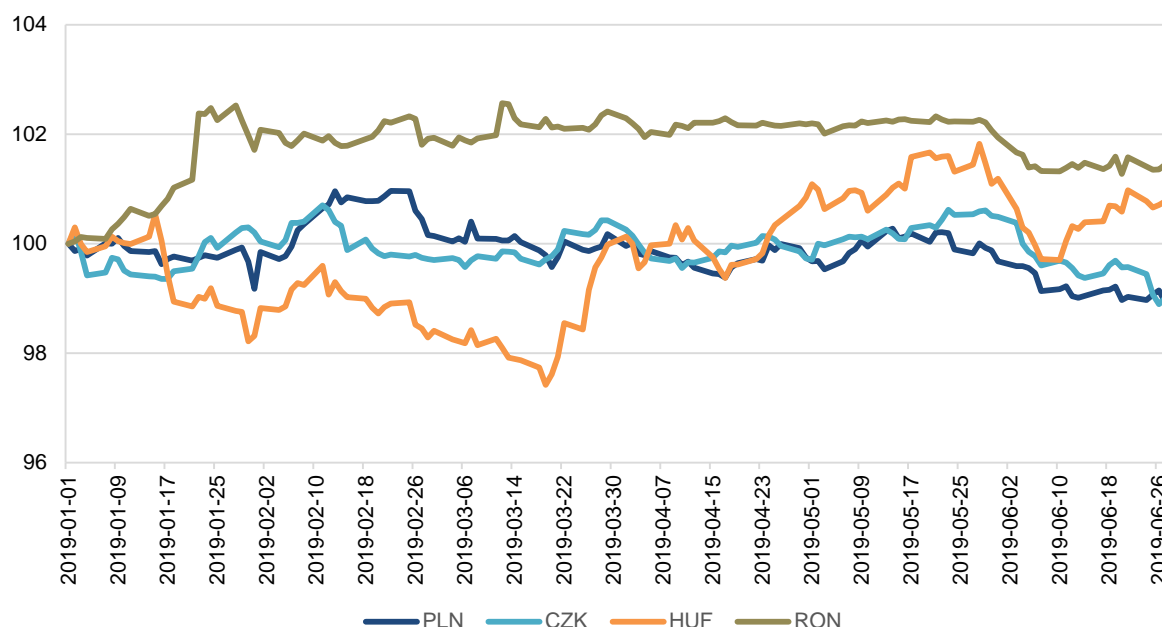
Inflation at a stable level

Inflation has generally remained stable this year. It is driven by strong salary & wage growth, solid domestic demand and rising food prices. Given the generally stable inflation, soft external demand and mild monetary policy, during their most recent meetings central banks in Poland, Hungary and the Czech Republic did not change the interest rate levels. The inflation rate in Poland rose to 2.6% at the end of the second quarter. Similar low CPI levels of, respectively, 2.7% and 2.0%, have been reported in Hungary and in the Czech Republic. Economic growth, wage pressure and higher commodity prices will drive inflationary pressure in the future.

Weakening at the currency market versus the euro in recent months

Recently currencies of the region have somewhat gained in value versus the euro. Growing expectations of FED rate cuts prompted investors to sell US dollars and buy regional currencies, and the increasing tensions between EU institutions and Italy have weakened the euro even further. Currencies of the Eastern European region should remain generally stable in the future and supported by a solid growth that would compensate for weaker current account balance. The PLN/EUR exchange rate fluctuated around PLN 4.30, the CZK/EUR rate around CZK 25.60 and the rate of the Hungarian forint was around HUF 320.

Currency quotations against the euro
(rates as at January 1st, 2019 = 100.0%)



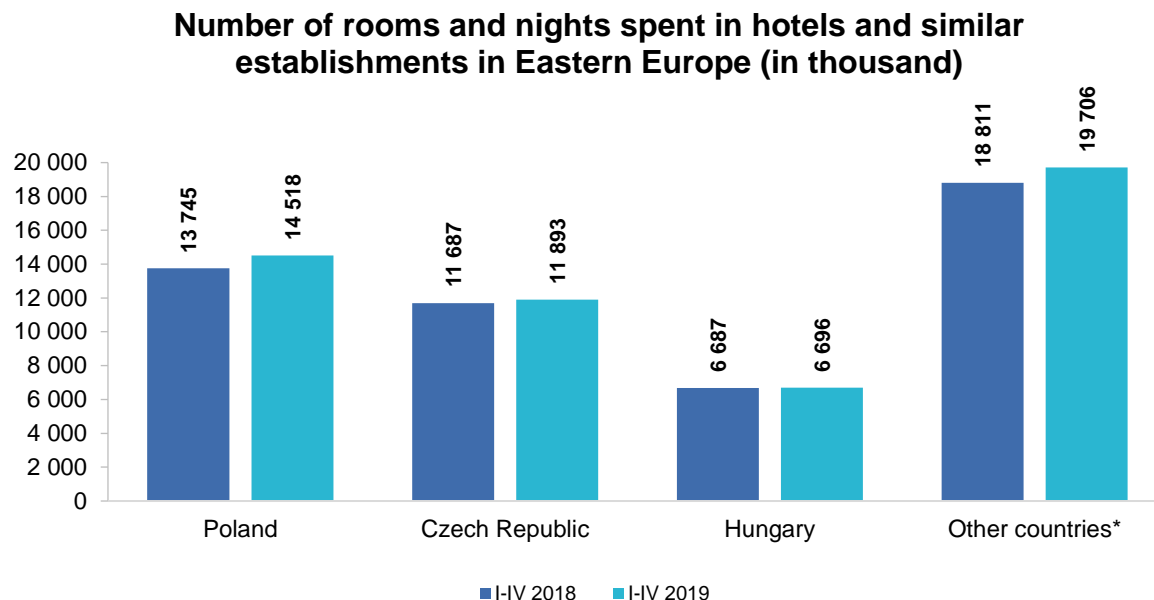
Source: Thomson Reuters

Forecasts indicate growth deceleration

In 2019, regional growth will decelerate, yet should remain healthy. Despite the even economic slowdown, consumer spending will continue to grow, driven by dynamic salaries and wages' growth and a strong labour market. Investment will continue to grow as well, but the growth will decelerate due to a slowdown in EU funding inflows. Slowdown in the Euroland and in the global trade may weaken export-oriented industries in the region. Visible economic weakness in the Euroland distorts the long-term outlook for the Eastern Europe region. Average economic growth in the Eastern European region is forecasted to reach +3.3% in 2019 and 3.1% in 2020.

3.2 Hotel market – further Average Room Rate growth

The operating ratios of hotels operating in the major cities of Central and Eastern Europe improved in the first half of 2019 despite a last year's high base.



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

Source: Eurostat

In most countries where the Orbis Group operates, the growth was driven by the Average Room Rate (ARR). Among the cities where the Orbis Group's hotels are located, the highest increase in the Average Room Rate compared to the past year was reported in Bucharest (+12.3%), Budapest (+5.9%) and the Tricity (+5.7%). Bucharest also achieved the highest (+14.3%) RevPAR increase. In Poland, the highest increases were achieved by Wrocław hotels (+12.4% RevPAR growth). The highest revenue decreases have been observed in Poznań and Vilnius (-10.8% and -13.7% respectively) due to the high base reached in the past year. The occupancy rate was around the past year's level. The Occupancy Rate was around the last year's level.

3.3 Corporate Social Responsibility (CSR) and Ethics

Publication of the non-financial report for 2018

In the first half of the year, the Company published the non-financial report providing insight into environmental and social issues. The report was developed according to GRI standards, covers the year 2018 and is a continuation of the 2016 and 2017 non-financial reports, which to this date are the first such accounts in the hotel industry in Poland. The report in the Polish and English languages and the Factsheet are available at the orbis.pl website at the following link: <https://www.orbis.pl/en/reports#non-financial-reports>

Focus on the Compliance program, data protection and anti-corruption policy

As part of the Ethics and Corporate Social Responsibility Charter, in view of the potential new legal regulations introducing the whistle-blower mechanism in the Polish law, the Company focused on improving the data protection system and the management system preventing the occurrence of corruption and bribery cases across the Group, at every stage of its activity, both at the operational and corporate levels.

Planet 21 – actions for positive hospitality

The Planet 21 Sustainability Program is a tool created for hoteliers that can be easily implemented in any hotel or leisure center operating under one of the Accor Group's brands. The program focuses on six important areas of hotels' everyday life: guests, partners, the local community, low-emission buildings, healthy and balanced food and people (including employees). In the first half of this year, hotels focused on implementing and improving the results of the Planet 21 program thanks to a year-round reporting system that allows hotels to keep track of the progress of each hotel on a daily basis.

As part of educational activities, at the turn of April and May, nearly 1 000 employees of hotels and Head Office took part in the "Planet 21 Day" - the day in which we pay attention to aspects of environmental protection, healthy food, health, reduction of food waste and helping local communities. In Poland, hotels of the Orbis Group have participated in the Trash Challenge which involves a quick clean-up of rubbish from green zones and then nominating another hotel to continue the action. Hotels in Warsaw and Budapest decided to finance the establishment of new beehives and melliferous gardens for bees in the capital city. As part of educational activities, the Budapest support office was also involved in the organization of photo exhibitions and professional workshops with the well-known Hungarian nature photographer Mate Bence. In addition, hotel employees in the Czech Republic and Slovakia organized an unforgettable children's day for 26 children from an orphanage in Solenice, with which the company has been cooperating for several years.

Implementation of the Plant for the Planet and Do Not Clean My Room programs

Nearly 70% of hotels in the Orbis Group transfer 50% of the savings generated by the re-use of towels for the Plant for the Planet program. These funds finance two projects in the region - the "Kosztela" project carried out with the AgriNatura Foundation in Poland, thanks to which another 3 000 organic fruit trees were planted in the first half of this year (Polish eco-farmers received in total over 17 500 organic seedlings), and afforestation of Transylvania project with the Mihai Eminescu Trust foundation, thanks to which over 2.3 million trees were planted in this region of Romania.

In the first half of this year, more hotels joined the Do Not Clean My Room program that encourages guests who stay for more than one night not to have their room fully cleaned (only rubbish is carried out and used-up cosmetics are supplied), which in turn reduces consumption of water and cleansing agents.

Healthy and Sustainable Food Charter

Hotels, purchasing department and management have been informed about the new Healthy and Sustainable Food Charter which has been simplified, i.e. instead of 27 goals, the company has decided to focus on 9 commitments that will be implemented by all the hotels operating under the Accor Group's brands. Reducing food waste by an average of 30%, preference for local suppliers and seasonal products, increased choice of organic products and supporting eco-farming, giving priority to suppliers who care for animal welfare, excluding endangered fish species, eliminating disposable plastics, eliminating problematic food additives (reducing the volume of fats and sugar in dishes), as well as offering coffee and tea from sustainable farms and meeting various dietary requirements - these are the 9 commitments that are being successively implemented by the Orbis Group and Accor hotels across Poland and Eastern Europe and that should be completed by the end of 2020.

Low-emission hotels – ecological building construction and constant optimization of water and energy consumption

The carbon footprint of our hotels is generated by the consumption of energy, foodstuffs and production of waste as a result of ongoing hotel business. In connection with the above, we are still curbing our impact on climate change by construction of BREEAM-certified low-emission hotels – such as, for example, in the ibis Vilnius hotel (Lithuania) or in the ibis Styles Szczecin Stare Miasto hotel.

In addition, Orbis keeps monitoring and optimizing utilities' consumption in hotels. After 6 months of 2019, the consumption reduction rates were as follows:

Utilities – hotels owned or leased by Orbis in Poland and Lithuania	Plan for 2019	Plan execution 6 months of 2019 (cumulatively)
Reduction of water consumption rate	-1.5%	-2.1%
Reduction of power consumption rate without temperature and frequency adjustment	-1.9%	-7.0%
Reduction of power consumption rate with temperature and frequency adjustment	-1.9%	-5.8%

The above results after 6 months take into account differences in guest number and weather conditions in the first half of 2019 vs the first half of 2018.

The foregoing resulted in reduction of costs:

Value of savings without adjustments (in PLN)			Value of savings after adjustments (in PLN)		
Water	Total power	Total	Water	Total power	Total
3 740	-841 801	-838 061	3 740	-914 917	-911 177

In owned and managed hotels in Hungary, Slovakia and Bulgaria, the consumption of water and energy in 1H2019 decreased by -5.5% and -2.4% (adjusted rates of water and energy consumption after 6 months take into account the differences in the number of guests and weather conditions) compared to 1H2018.

Orbis – further change of the company's organizational culture and being a responsible employer

In the first half of 2019, further cultural transformation of the Company was continued through the implementation of the next training campaign of the Heartist™ program which was aimed at providing a natural and authentic atmosphere among employees during guest service.

Orbis has also introduced and communicated organizational changes in the Company resulting from corporate changes and the division of activities into two business lines - asset heavy and asset light.

Despite the fact that the labour market in Central and Eastern Europe continues to be challenging and competitive, in the first half of this year, employee rotation in hotels in Hungary began to decline; in Poland this indicator has been falling for the third year in a row.

After 66 years of the Head Office's location at 16, Bracka Street in Warsaw, the Company's office was moved to a new location and a new office arrangement guided by the functionality and work ergonomics was opted for. It was also important that the Head Office staff, who had so far been used to work in rooms located on several floors, discover positive aspects of working in an open space with co-working areas supporting work in the project mode and space for informal meetings.

Human rights – preventing child and youth abuse in tourism

In close cooperation with the Empowering Children Foundation (Fundacja Dajemy Dzieciom Siłę), in the first half of 2019, nearly 200 hotel employees of the Orbis Group in Poland were trained in the area of protection of children and young people against sexual abuse. Since 2012, the Orbis Group continues to be the only hotel group in Poland and in this part of Europe to have not only signed the Code of Conduct promoted by the international organization ECPAT to protect minors, but to have implemented procedures to protect the youngest.

3.4 Human resources

In the first half of 2019, the average employment in the Orbis Group (including continued and discontinued operations) stood at 3 822 full time equivalents, having fallen by 4.6% compared to the same period of last year.

Average employment (in full-time equivalents)	1st half of 2019	1st half of 2018	% change
Poland	2 511	2 569	-2.3%
Hungary	779	945	-17.6%
Czech Republic	197	226	-12.8%
Other countries	335	266	25.9%
Total	3 822	4 006	-4.6%

Decline in the employment level in Hungary was caused by the sale of the Sofitel Budapest Chain Bridge hotel and the Novotel Szeged hotel in May 2018, and in the Czech Republic, by the sale of the ibis Plzen hotel in August 2018. On the other hand, the increase in the employment level in other countries is the result of the opening of the ibis Vilnius hotel in Lithuania (August 2018) and the acquisition of the Mercure Bucharest hotel in Romania (July 2018).

In the first half of 2019, the Orbis Group completed over 4 527 training days for nearly 1 827 employees (4 648 participants) in the form of both traditional and e-learning training courses.

3.5 Factors to affect the Orbis Hotel Group's operations in the second half of 2019

Increase in accommodation supply

The hotel market is strongly correlated with macroeconomic trends. Stable economic growth in the region of the Central and Eastern Europe observed in the first quarter of 2019 will continue in the successive periods, however, the growth momentum will slow down a little. According to the projections of the International Monetary Fund, the real GDP growth in 2019 in those countries where the Orbis Group has its subsidiary hotels will be at 3.3% on average as compared to 3.8% in 2018. The macroeconomic forecasts for the coming months are therefore satisfactory for the hospitality industry and herald the continuation of trends initiated on the market in the preceding years.

Favourable economic conditions boost investments in the hotel market, thus contributing to opening of new hotels. In recent years, hotels have developed from alternative investment assets into fully-fledged investment products. As the hotel market in Central and Eastern Europe has entered its mature market phase, a greater variety of investors can also be observed in the market. Foreign investors are particularly active on the market, and the type of investors is changing as well. The share of private investors is diminishing in favour of institutional and stock exchange investors. Institutional investors are interested in implementing their long-term investment strategies, therefore, they focus on assets that generate a stable income. This in turn triggers changes in the structure of hotel operations in the region. Specifically, new hotels are increasingly reliant on long-term lease agreements as the basis for their operations.

Supply of rooms in large cities expands quite intensively with private apartments for rent, which compete with categorised hotels for tourist guests. Hoteliers responded to the growing share of apartments for rent in the market by offering aparthotels which combine the advantages of an apartment with a high-quality hotel service.

Effective portfolio management and long-term strategy

Asset management and expansion of the Group's hotel portfolio is an important pillar of our strategy. The Group continues its efforts aimed at boosting its market share and focusing investments in key markets of the region. The remaining hotels belonging to the Group undergo successive modernizations with a view to adapt the hotel space to the requirements of modern tourists. At the moment the Group carries out renovations in key locations, which is expected to ensure high returns on investment in the coming periods.

In order to optimise its hotel portfolio, the Group focuses on highly profitable investments, at the same time entering into sale and franchise-back transactions of hotels with non-strategic importance for the Group. In the first half of 2019, Orbis S.A. executed the sale of the ibis budget Toruń hotel which will continue to operate under the existing brand name. At the same time, the sale of the neighbouring real property with an unfinished construction of the hotel building will take place no later than till the end of 2019 and the purchaser after completing the construction of the hotel located there, will operate the hotel under the ibis Styles brand.

The Group also continues its expansion based on the asset light model. During the period of 6 months of 2019, the Group has already signed 12 agreements concerning operation of new hotels according to this business model. In the first half of 2019, the luxurious Bachleda Luxury Hotel Kraków MGallery by Sofitel hotel located in the centre of Krakow and the Mercure Sibiu Airport hotel in Romania (franchised hotel) as well as the ibis Tallinn (managed hotel) joined the Orbis hotel network. At the end of June 2019, the ratio of owned (subsidiary) hotels to those operating based on the asset light model was 53% to 47%.

Challenges for the hospitality industry

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

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

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

Customer expectations

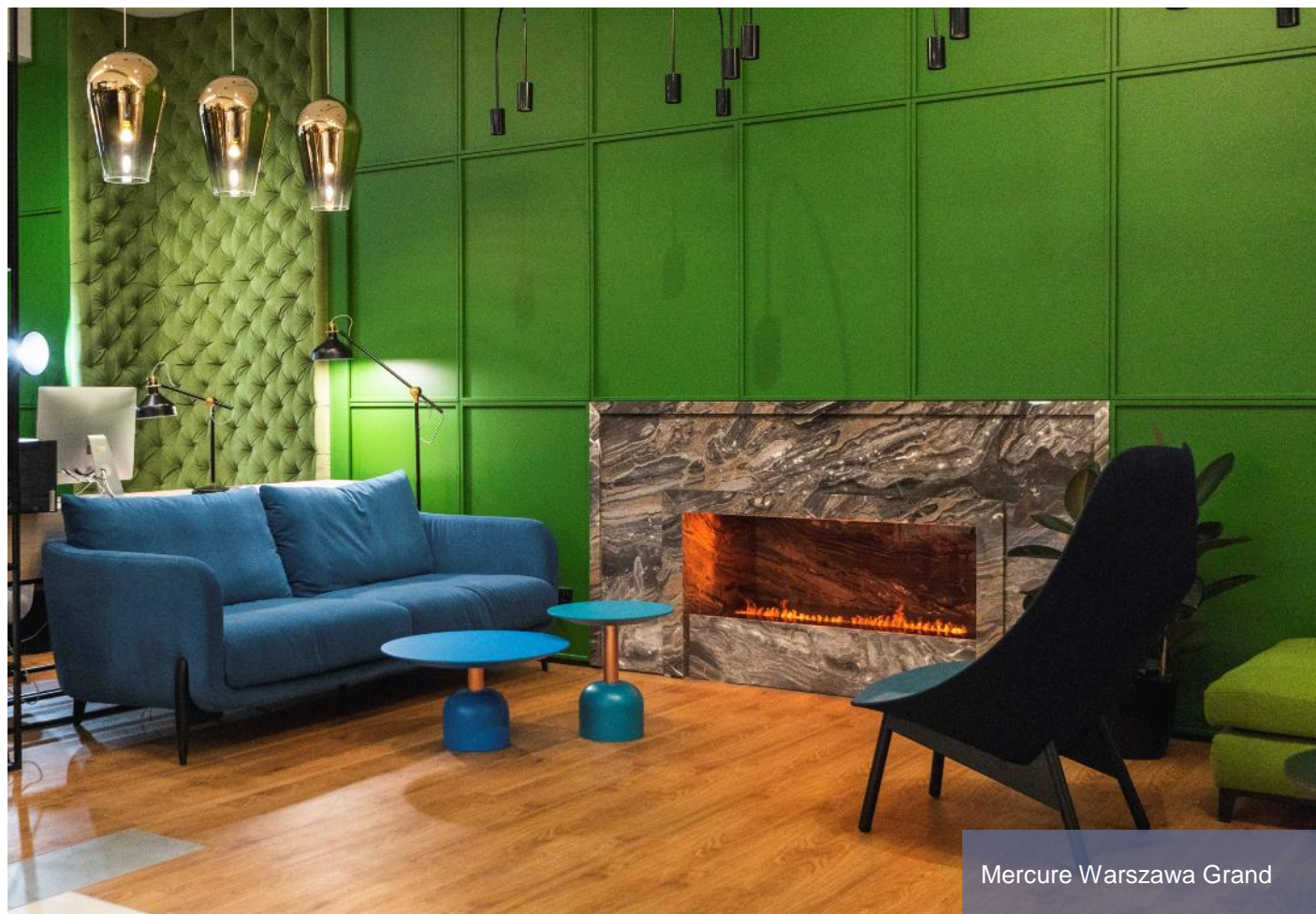
As income levels go up, guest expectations as to the standard and variety of service offered also rise. Given the shifting consumer trends and accommodation concepts, the boundaries between traditional hotel categories are less and less obvious. Likewise, differences between hotels offering long-term and short-term stays are becoming less and less pronounced. In the past, hotels boasting the latest architectural trends, diverse food and beverage services and open space were considered luxury hotels. At present, these features are already present in various hotel categories. This poses further challenges for the hospitality industry, if it is to retain its competitive edge against the backdrop of increasing accommodation facilities.

Summary

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

Basic risks and threats viewed as factors of significance for the development of the Group are described in Section 5.

FINANCIAL RESULTS OF ORBIS GROUP



Mercure Warszawa Grand

4 FINANCIAL RESULTS OF ORBIS GROUP

4.1 Important events of the first half of 2019

The most important events of the first half of 2019 which affected the financial information 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 right 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 to 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 title to 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 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 the continuation of this strategic cooperation.

On June 12, 2019, Orbis signed the 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 purchase of the Asset Light Business amounts to PLN 1 218 360 thousand. The Parties intend to sign the sale agreement in the 3rd 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.

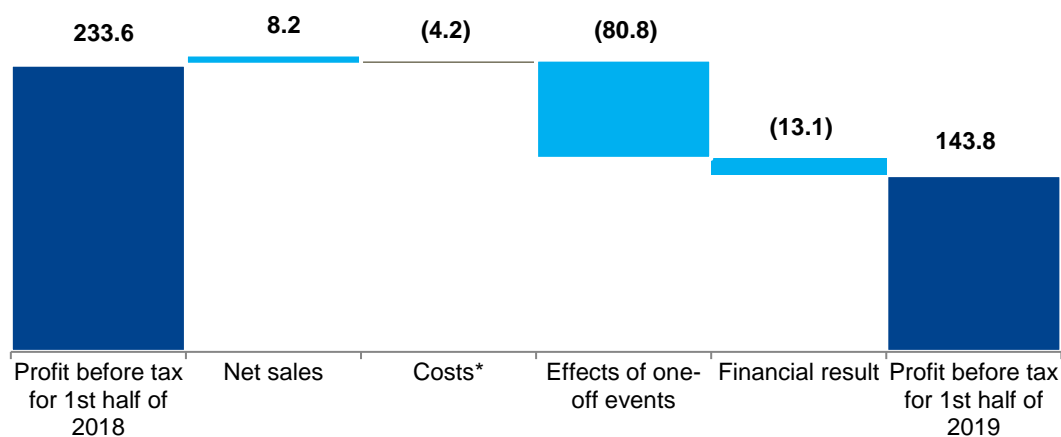
On June 24, 2019, Orbis S.A. obtained the fairness opinion prepared by Deloitte Advisory spółka z ograniczoną odpowiedzialnością sp. k., in which it was stated that the price of PLN 1 218 360 thousand agreed in the Head of Terms executed on June 12, 2019, for the disposal of the Asset Light Business 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 has been assessed at app. EUR 50 million. The above valuations were performed by reputable independent appraisers that specialize in hotel properties.

4.2 Financial results of the Orbis Group

In the first half of 2019, the operating EBITDA of the Orbis Group on the continuing operations amounted to PLN 223.3 million, i.e. was by 15.7% higher as compared to the figures for the first half of 2018. On the other hand, profit before tax decreased by 38.5% down to PLN 143.8 million due to lower results from one-off events.

Sources of creation of profit before tax in the 1st half of 2019



* Costs including the result from other operating activities

Income statement – analytical approach (continuing operations)	1 st half of 2019	1 st half of 2019 without IFRS 16 impact	1 st half of 2018	change (%) IH 2019/ IH 2018	change (%) IH 2019 without IFRS 16 impact/ IH 2018
Net sales	684 052	684 052	675 870	1.2%	1.2%
<i>Net sales „like-for-like”</i>	666 106	666 106	635 413	4.8%	4.8%
EBITDAR	229 271	222 682	221 363	3.6%	0.6%
Operating EBITDA	223 312	193 013	193 081	15.7%	0.0%
<i>EBITDA „like-for-like”</i>	218 759	188 460	183 330	19.3%	2.8%
Operating profit/(loss) (EBIT) without the effects of one-off events	114 778	106 084	110 765	3.6%	-4.2%
Operating profit/(loss) (EBIT)	163 469	147 141	240 216	-31.9%	-38.7%
Net result from financing activities	(19 716)	(9 493)	(6 625)	-197.6%	-43.3%
Profit/(loss) before tax	143 753	137 648	233 591	-38.5%	-41.1%

Income statement – analytical approach (continuing operations)	2 nd quarter of 2019	2 nd quarter of 2019 without IFRS 16 impact	2 nd quarter of 2018	change (%) IIQ 2019/ IIQ 2018	change (%) IIQ 2019 without IFRS 16 impact / IIQ 2018
Net sales	414 579	414 579	410 204	1.1%	1.1%
<i>Net sales „like-for-like”</i>	402 846	402 846	389 282	3.5%	3.5%
EBITDAR	175 190	171 927	172 729	1.4%	-0.5%
Operating EBITDA	171 831	156 497	157 768	8.9%	-0.8%
<i>EBITDA „like-for-like”</i>	167 612	152 278	151 382	10.7%	0.6%
Operating profit/(loss) (EBIT) without the effects of one-off events	116 710	112 405	117 365	-0.6%	-4.2%
Operating profit/(loss) (EBIT)	117 844	113 071	246 675	-52.2%	-54.2%
Net result from financing activities	(11 192)	(5 963)	(3 039)	-268.3%	-96.2%
Profit/(loss) before tax	106 652	107 108	243 636	-56.2%	-56.0%

In the first half of 2019, the Group's net sales were at the level of PLN 684.1 million, i.e. rose by 1.2% as compared to figures for the first half of 2018.

Positive business trends in the countries of the Central and Eastern Europe, high demand for hospitality services as well as numerous promotional actions and flexible pricing strategy tailored to the current conditions on each individual market were the main factors that contributed to the increase in the Average Room Rate (and the Occupancy Rate being somewhat above the past year's level) and, consequently, the Revenue per Available Room (RevPAR) in the Group's hotels.

During 6 months of 2019, the Revenue per Available Room (RevPAR) in owned hotels¹ of the Orbis Group stood at PLN 186.3, i.e. was by 3.0% higher compared to the first half of 2018. In the second quarter of 2019, the Revenue per Available Room in owned hotels of the Orbis Group reached PLN 232.2, i.e. it grew by 2.7% as compared to corresponding period of the past year.

Operating ratios of owned hotels	1 st half of 2019	1 st half of 2018	change (%)	1 st half of 2019	1 st half of 2018	change (%)
	as reported			like-for-like		
Orbis Group*						
Occupancy Rate (%)	70.5	70.2	0.3 p.p.	71.3	70.9	0.4 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	264.2	257.4	2.6%	265.8	254.5	4.4%
Revenue per Available Room (RevPAR) in PLN	186.3	180.8	3.0%	189.5	180.4	5.0%

Operating ratios of owned hotels	2 nd quarter of 2019	2 nd quarter of 2018	change (%)	2 nd quarter of 2019	2 nd quarter of 2018	change (%)
	as reported			like-for-like		
Orbis Group*						
Occupancy Rate (%)	79.3	79.5	-0.2 p.p.	79.8	80.2	-0.4 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	292.6	284.4	2.9%	295.4	282.0	4.8%
Revenue per Available Room (RevPAR) in PLN	232.2	226.0	2.7%	235.8	226.1	4.3%

* A detailed list of the Orbis Group's operational ratios for HY 2019 and for Q2 2019 from various angles is attached as Appendix No. 1 to this Report.

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

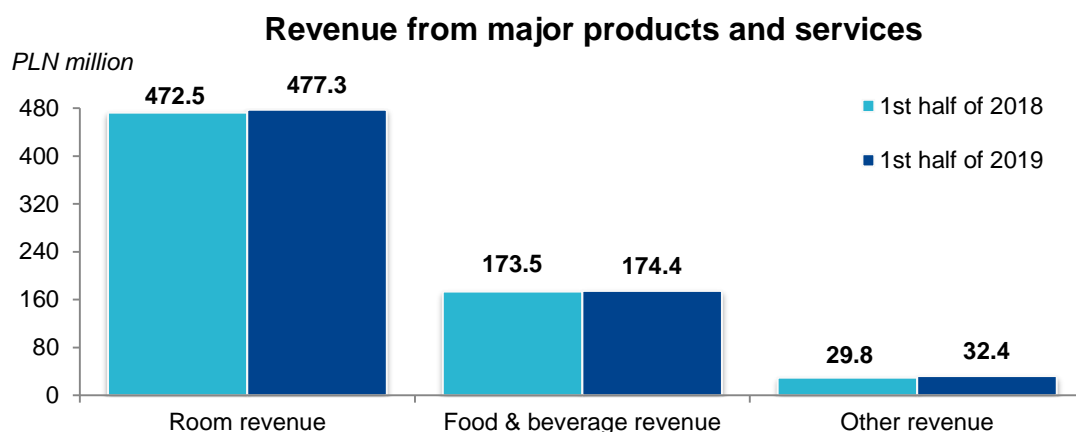
There were no significant changes in the **structure of Group's revenue from major products and services** versus the first half of 2018. In the first half of 2019, room revenue totalled PLN 477.3 million, which accounted for 69.8% of the Group's total revenues. The room revenue increased by 1.0% as compared to the first half of the past year.

Food and beverage revenue in the first half of 2019 stood at PLN 174.4 million and accounted for 25.5% of consolidated revenues. As compared to the data for the first half of 2018, the food & beverage revenue increased insignificantly by 0.5%.

Other revenue, comprising chiefly proceeds from real property and car park rentals, accounted for 4.7% of consolidated revenue (4.4% in comparative period).

Revenue from franchise and management was classified to discontinued operations.

In the first half of 2019 and 2018, the structure of revenue from major products and services of the Orbis Group was as follows:



The **operating expenses** of the Orbis Group (including rental expense and depreciation/amortisation) totalled PLN 570.9 million in the reporting period, i.e. grew insignificantly (by PLN 4.7 million, i.e. 0.8%) as compared to first half of 2018. The increase (by PLN 2.3 million) was reported in the costs of outsourced services, including predominantly revenue-dependent sales services and travel agency commissions and cleaning and outsourcing services. As compared to the first half of 2018, the largest decrease was reported in the costs of taxes and charges (by PLN 4.9 million), which is the result of IFRS 16 implementation (before the implementation of the new standard, taxes and charges item included fees for the perpetual usufruct of land). The implementation of IFRS 16 also caused the decrease in property rental costs and an increase in depreciation and amortisation. The cost of depreciation and amortisation of rights-of-use assets amounted to PLN 23.8 million in the first half of 2019.

Despite the costs' increase, **the operating EBITDA grew by 15.7% up to PLN 223.3 million**, and the **operating result excluding one-off events totalled PLN 114.8 million**, i.e. was by 3.6% higher than in the corresponding period of the past year.

In the reported period the Orbis Group generated a positive result of PLN 48.7 million on one-off events. This is mainly the effect of closing, on February 1, 2019, of the transaction of sale of a non-hotel real property in Wrocław, which brought a result of PLN 41.5 million. Moreover, one-off events include a profit of PLN 9.4 million from the sale of the Giewont hotel, PLN 3.7 million from the sale of non-hotel real property in Szczecin and profit of PLN 1.9 million from the sale of the ibis budget hotel in Toruń. Furthermore, the result of one-off events also includes costs related to the division of Orbis and split-off of the asset light business, liquidation of fixed assets in Hungary as well as costs of goodwill impairment.

On the other hand, high result from one-off events in the past year was the result of the sale transaction of the Sofitel Budapest Chain Bridge hotel, the Novotel Szeged hotel and non-hotel real property located in Karpacz.

As a result of the above described changes, the Group generated **the operating result (EBIT) of PLN 163.5 million** (as compared to PLN 240.2 million in the past year).

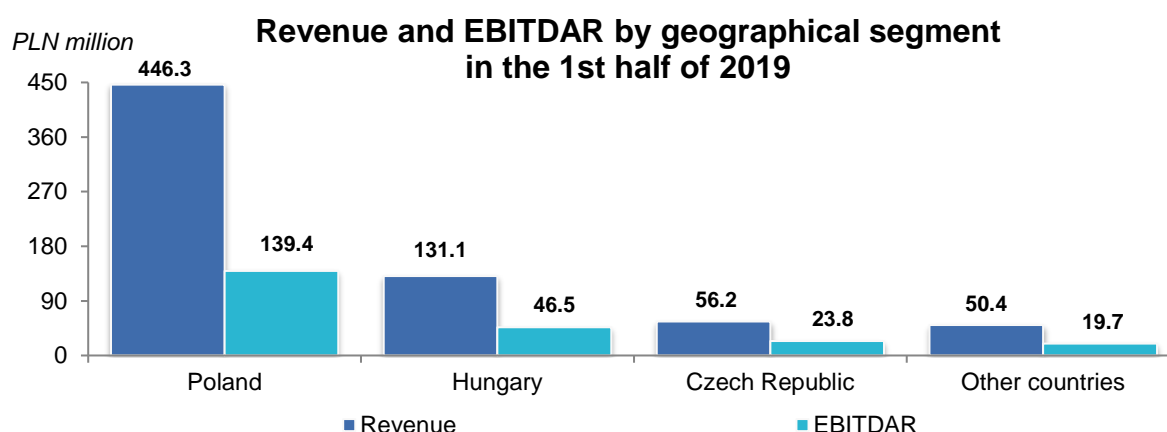
In connection with the entry into force of IFRS 16, during six months of 2019, the Group reported an increase in financial costs as compared to the corresponding period of the past year. The interest on lease liabilities accrued in the first half of 2019 amounted to PLN 10.6 million. Accrued interest and debt service costs related to bond issue remained at a comparable level. Additionally, higher financial costs were also attributable to foreign exchange losses on valuation of transactions in foreign currencies.

The Orbis Group closed the first half of 2019 with **a net profit of PLN 113.9 million from continuing operations** as compared to a profit of PLN 205.1 million in the corresponding period of 2018. The discontinued operations in the reporting periods include asset light business comprising above all the receivables and income from management and franchise agreements as well as 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.

Following the recognition of the result on discontinued operations (profit of PLN 15.2 million), the Orbis Group closed the first half of 2019 with **a net profit of PLN 129.1 million**.

4.3 Geographical information

In geographic terms, the highest share to the Group's net sales on continued operations was contributed by hotels located in Poland (65.2%) and in Hungary (19.2%). Net sales generated by hotels in the Czech Republic and in other countries accounted for, respectively, 8.2% and 7.4% of consolidated sales.



Poland

Financial results (in PLN million) and operating ratios of owned hotels located in Poland	1 st half of 2019	1 st half of 2018	% change
Net sales	446.3	422.9	5.5%
EBITDAR	139.4	126.6	10.1%
Operating EBITDA	139.4	122.8	13.5%
EBIT without the effects of one-off events	71.5	60.2	18.8%
Capital expenditure	47.8	63.2	-24.4%
Occupancy Rate (%)	70.0	69.1	0.9 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	256.7	249.5	2.9%
Revenue per Available Room (RevPAR) in PLN	179.7	172.3	4.3%
Clients: Business	61.0%	64.0%	-3.0 p.p.
Clients: Leisure	39.0%	36.0%	3.0 p.p.

Hotels operating in Poland generated net sales of PLN 446.3 million, which constitutes 65.2% of the consolidated sales for the first half of 2019. Compared to the corresponding period of the past year, Polish hotels reported sales revenues increase by 5.5%.

In the first half of 2019, hotels operating in Poland reported an **increase in the Average Room Rate by 2.9%**, accompanied by an increase in the Occupancy Rate by 0.9 p.p., which resulted in an increase in Revenue per Available Room (RevPAR) by 4.3%.

During the reporting period, the number of rooms sold in the segment of business groups (in a comparable parameter of hotels) increased significantly thanks to a higher number of conferences and local and international (business, cultural and sporting) events. The highest growth dynamics was reported in the Warsaw, Cracow, Wrocław and Katowice markets. An increase in the number of rooms sold was also reported in the segment of tourist groups, mainly in Cracow, Warsaw and Tricity.

In the second quarter alone, the Group had more individual guests staying for leisure, amongst others thanks to promotional offers. A positive impact of a greater number of tourist groups was reported in the Warsaw and Cracow markets.

Hungary

Financial results (in PLN million) and operating ratios of owned hotels located in Hungary	1 st half of 2019	1 st half of 2018	% change
Net sales	131.1	155.0	-15.4%
EBITDAR	46.5	55.6	-16.4%
Operating EBITDA	46.3	46.9	-1.3%
EBIT without the effects of one-off events	24.2	34.3	-29.4%
Capital expenditure	29.9	23.4	27.8%
Occupancy Rate (%)	70.8	71.6	-0.8 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	267.4	267.9	-0.2%
Revenue per Available Room (RevPAR) in PLN	189.4	191.9	-1.3%
Clients: Business	45.9%	47.1%	-1.2 p.p.
Clients: Leisure	54.1%	52.9%	1.2 p.p.

Hotels in Hungary generated operating revenues of PLN 131.1 million, accounting for 19.2% of the Orbis Group's revenue. From May last year, the Hungarian hotel portfolio has been reduced (the Sofitel Budapest Chain Bridge hotel and the Novotel Szeged hotel no longer belong to the network). Despite a lower Occupancy Rate (down by 2.0 p.p.), hotels operating in Hungary reported an increase in the Average Room Rate (by 11.5%, like-for-like) based on a comparable parameter, and as a result, the 8.5% increase in RevPAR was achieved.

Thanks to strong demand for accommodation in Budapest further boosted by promotional offers, the largest increase in the number of rooms sold (based on a comparable hotel parameter) was reported in the segment of individual guests travelling both for leisure and for business. The majority of hotels in this market generated better results, and the largest increase in the number of rooms sold in this segment was reported by Novotel and Mercure brands. Growth was also reported in the segment of tourist groups, especially in economy hotels of the ibis brand. In the second quarter of 2019, the number of corporate guests increased as well.

The Czech Republic

Financial results (in PLN million) and operating ratios of owned hotels located in the Czech Republic	1 st half of 2019	1 st half of 2018	% change
Net sales	56.2	56.5	-0.5%
EBITDAR	23.8	23.5	1.3%
Operating EBITDA	23.8	16.6	43.4%
EBIT without the effects of one-off events	11.3	10.2	10.8%
Capital expenditure	0.5	2.5	-80.0%
Occupancy Rate (%)	72.3	71.1	1.2 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	299.1	274.6	8.9%
Revenue per Available Room (RevPAR) in PLN	216.1	195.3	10.7%
Clients: Business	39.8%	45.9%	-6.1 p.p.
Clients: Leisure	60.2%	54.1%	6.1 p.p.

In the first half of 2019, revenues generated by hotels located in the Czech Republic amounted to PLN 56.2 million (8.2% of the total revenues of the Group). The Czech hotels reported an increase in RevPAR (by 10.7%) in the first half of 2019 due to the higher Occupancy Rate and the Average Room Rate (increase by 8.9%) matching the market conditions. The highest growth dynamics in the Czech Republic was achieved in the segment of tourist groups, particularly in hotels of the ibis brand, followed by the segment of individual guests, thanks to the introduction of promotional offers and demand for accommodation in Prague. In the second quarter alone, the segment of tourist groups and individual guests continued to follow an upward trend.

Other countries

Financial results (in PLN million) and operating ratios of owned hotels located in Other countries	1 st half of 2019	1 st half of 2018	% change
Net sales	50.4	41.4	21.7%
EBITDAR	19.7	15.7	25.5%
Operating EBITDA	13.9	6.8	104.4%
EBIT without the effects of one-off events	7.7	6.0	28.3%
Capital expenditure	2.7	4.4	-38.6%
Occupancy Rate (%)	72.2	78.1	-5.9 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	285.1	280.5	1.6%
Revenue per Available Room (RevPAR) in PLN	205.7	219.1	-6.1%
Clients: Business	58.6%	58.2%	0.4 p.p.
Clients: Leisure	41.4%	41.8%	-0.4 p.p.

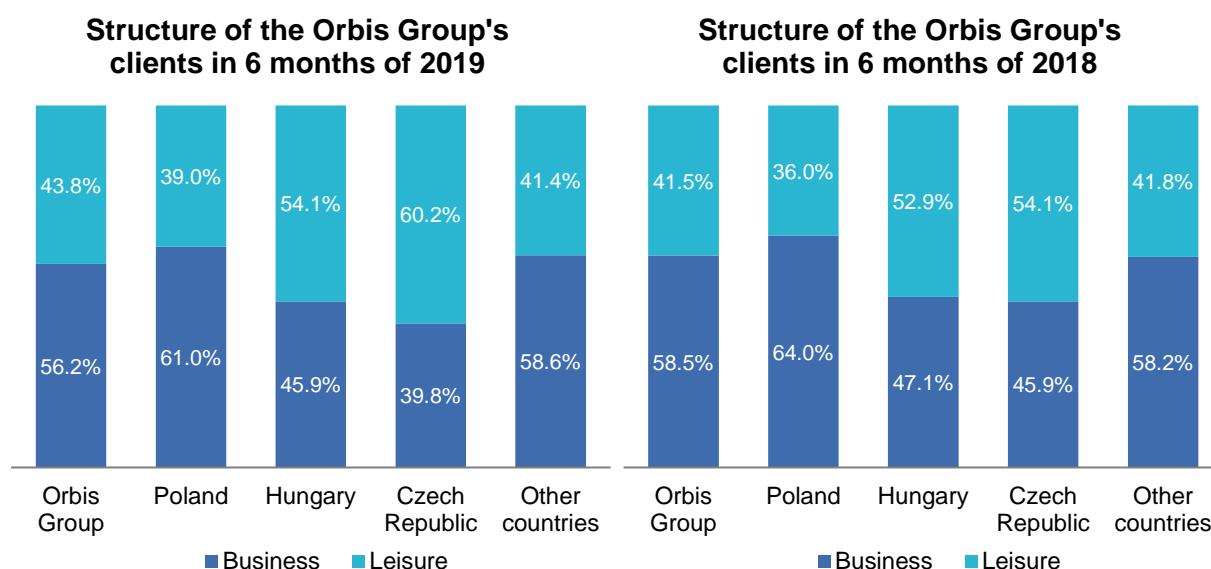
Revenues for the period of 6 months of 2019 generated in other countries, where the owned hotels of the Group are located, reached the level of PLN 50.4 million, i.e. 7.4% of the consolidated revenues. Hotels located in Lithuania, Slovakia and Romania generated sales revenues by 21.7% higher than in the corresponding period of the past year.

The Novotel Hotel in Vilnius generated lower room revenues as compared to the first half of the past year due to lower Occupancy Rate and Average Room Rate. A decrease in the number of guests was reported in the MICE segment due to the completion of a long-term project conducted last year by a key customer. On the other hand, the number of individual guests staying both for business and leisure increased. In mid-August 2018 another subsidiary hotel was opened in Vilnius (ibis Vilnius Centre), this time in the economy segment with revenues of PLN 4.4 million in the first half of 2019.

Slovakia is represented by two hotels located in Bratislava: Mercure and ibis. Room revenues were significantly above the last year's level due to a higher Average Room Rate in both hotels despite a lower Occupancy Rate. The increase in the Average Room Rate was fuelled by the World Ice Hockey Championships in May this year. A positive trend was observed in the segment of business groups, while the segment of tourist groups and individual guests during the reporting period (with the exception of corporate guests) was at a level similar to the past year's. A significant growth was recorded in the segment of business groups during the second quarter, among others due to the Championships referred to above.

The Novotel in Bucharest generated higher room revenues due to a higher Average Room Rate. The number of business group arrivals increased during the reporting period, thanks to, among other things, the events connected with Romania's presidency in the European Union in the first half of 2019. The number of rooms sold also increased in the tourist group segment and decreased in the segment of individual guests. A significant increase in the business group segment was also reported in the second quarter of the year. Another subsidiary hotel, the Mercure Bucharest hotel, joined the network in July 2018 with revenues of PLN 4.1 million in the first half of 2019.

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



4.4 Financial results per operating segments

The Orbis Group distinguishes two reportable operating segments:

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

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

The tables below present figures pertaining to revenue, results as well as capital expenditure of the individual operating segments of the Orbis Group. The figures presented below include the results of owned and leased hotels.

More information on segments is provided in Note 5.1 to the Consolidated Financial Statements of the Orbis Group for the first half of 2019.

Operating segments – analytical approach (in PLN million)	1 st half of 2019	1 st half of 2018	% change
Up&Midscale Hotels			
Net sales	515.0	519.9	-0.9%
EBITDAR	203.2	202.9	0.1%
Operating EBITDA	197.9	180.1	9.9%
EBIT without the effects of one-off events	120.4	120.1	0.2%
Capital expenditure	67.7	56.5	19.8%
Occupancy Rate (%)	70.5	69.5	1.0 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	307.0	299.4	2.5%
Revenue per Available Room (RevPAR) in PLN	216.4	208.1	4.0%
Economy Hotels			
Net sales	163.5	149.6	9.3%
EBITDAR	77.0	70.5	9.2%
Operating EBITDA	77.0	65.9	16.8%
EBIT without the effects of one-off events	48.7	45.8	6.3%
Capital expenditure	8.8	35.4	-75.1%
Occupancy Rate (%)	70.5	71.6	-1.1 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	191.8	181.1	5.9%
Revenue per Available Room (RevPAR) in PLN	135.3	129.7	4.3%

During 6 months of 2019, the Up&Midscale segment revenue amounted PLN 515.0 million and was by 0.9% lower as compared to the revenues of this segment in the first half of 2018. On the other hand, the revenues of the economy hotel segment amounted PLN 163.5 million in the first half of 2019, i.e. rose by 9.3%.

The average Revenue per Available Room ranged from PLN 135.3 in economy hotels to PLN 216.4 in hotels of the Up&Midscale segment in the first half of 2019 and from PLN 129.7 to PLN 208.1 respectively in the corresponding period of 2018. The RevPAR growth is attributable in particular to higher Average Room Rates (ARR growth rate in economy hotels by 5.9% and by 2.5% in hotels of the Up&Midscale segment).

4.5 Statement of financial position

Statement of financial position – analytical approach	Jun. 30, 2019	Share in total assets / equity & liabilities	Dec. 31, 2018	Share in total assets / equity & liabilities	Jun. 30, 2019/ Dec. 31, 2018
Non-current assets	2 859 926	78.7%	2 546 642	79.1%	12.3%
Current assets	746 711	20.5%	663 148	20.6%	12.6%
Assets classified as held for sale	27 406	0.8%	8 690	0.3%	215.4%
TOTAL ASSETS	3 634 043	100.0%	3 218 480	100.0%	12.9%
Equity	2 305 812	63.4%	2 386 786	74.2%	-3.4%
Non-current liabilities	717 928	19.8%	545 411	16.9%	31.6%
Current liabilities	598 373	16.5%	286 283	8.9%	109.0%
Liabilities associated with assets classified as held for sale	11 930	0.3%	0	-	-
TOTAL EQUITY AND LIABILITIES	3 634 043	100.0%	3 218 480	100.0%	12.9%

As at June 30, 2019, Orbis S.A.'s assets totalled PLN 3 634.0 million, i.e. increased by PLN 415.6 million as compared to December 31, 2018.

The major component of the Group's assets are non-current assets, accounting for 78.7% of total assets. The predominant item of non-current assets are property, plant and equipment valued at PLN 2 686.6 million, accounting for 73.9% of total assets. Property, plant and equipment include tangible assets (mainly buildings), tangible assets under construction and right-of-use assets. As at the end of the first half of 2019, tangible assets were impacted by accrued depreciation (PLN -83.6 million) and incurred capital expenditure (PLN +80.8 million). In connection with the implementation of IFRS 16 as of January 1, 2019, the Group recognized right-of-use assets in property, plant and equipment item in the total amount of PLN 605.3 million. This value includes the rights of perpetual usufruct of land (PLN 302.7 million), land (PLN 25.1 million) and leased hotels, offices and cars (PLN 277.5 million). Accrued depreciation (PLN -23.8 million), recognition of new agreements (PLN 10.2 million), increase in the value of rights due to indexation of lease payments (PLN +4.0 million) and reclassification of perpetual usufruct of land in Częstochowa (PLN 2.6 million) to assets held for sale had the greatest impact on the change in the value of the right-of-use assets in the first half of 2019.

Intangible assets (mainly goodwill) valued at PLN 111.2 million also constitute a significant item of non-current assets. Their share in the Group's assets as at the end of June 2019 equalled 3.1%. Goodwill constituting 97.7% of intangible assets decreased in the first half of 2019 by a total of PLN 3.1 million. This change in value was primarily the result of goodwill impairment of economy hotels operating as at the financial statements closing date.

As regards non-current assets, the deferred income tax assets item increased significantly as compared to December 31, 2018, and June 30, 2018, as a result of implementation of IFRS 16.

Under the current assets item, the most important sub-item are cash and cash equivalents of PLN 632.1 million, accounting for 17.4% of total assets.

Trade receivables (PLN 74.9 million) and other current receivables (PLN 27.9 million) also constituted a significant item of current assets as at June 30, 2019. Other current receivables include mainly VAT receivables, amounts receivable on account of sale of tangible assets and prepaid expenses. The change in the value of other current receivables in the first half of 2019 as compared to December 31, 2018, results mainly from a lower VAT settlements (decrease by PLN 14.4 million). On the other hand, the decrease in prepaid expenses as compared to June 30, 2018, is mainly the effect of IFRS 16 implementation. Annual fees for perpetual usufruct rights and prepayments for leased hotels paid in the first quarter of the year, which constituted a major part of prepayments and accrued expenses as at June 31, 2018, are currently reported under rights-of-use assets, and reduce the balance of lease liabilities at the time of payment.

As at June 30, 2019, assets classified as held for sale included the right of perpetual usufruct of land in Częstochowa constituting a right-of-use asset of PLN 2.6 million recognised in accordance with IFRS 16 *Leases* and the asset light business of the Group of PLN 24.8 million (for more information on divested discontinued operations see Note 7 to the Consolidated Financial Statements of the Orbis Group for the first half of 2019). As at the end of December 2018, under this item the Orbis Group reported a non-hotel real property located in Wrocław, which was sold in the February 2019.

The Group financed its operations mainly from its own resources. As at June 30, 2019, the Group's equity totalled PLN 2 305.8 million (63.5% of equity & liabilities), while net debt equalled PLN 399.8 million (and included cash and cash equivalents classified as assets held for sale).

As at June 30, 2019, Orbis S.A. had non-current and current interest-bearing liabilities of PLN 502.2 million (13.8% of equity & liabilities) from the bond issue. The maturity dates of the bonds are scheduled for 2020 and 2021. As at June 30, 2019, the Group did not have any borrowings.

As at June 30, 2019, apart from liabilities from bond issues, the largest item of the Group's current liabilities were trade payables (14.1% of total balance) and other current liabilities (13.1%). The increase in the balance of trade payables as compared to the end of 2018 is related to a higher energy costs, outsourcing, sales and renovation services. Other current liabilities consist mainly of taxes, social insurance and other benefits payable, accrued expenses related to employee benefits costs (including bonuses and unused holidays) and public and legal imposts (including taxes and questionable fees for perpetual usufruct of land). As at June 30, 2019, other current liabilities remained at a comparable level as at December 31, 2018. The higher balance as at June 30, 2018, was due to the recognition of liabilities related to the distribution of dividend in the amount of PLN 73.8 million.

Under the liabilities item, the largest changes in the first half of 2019 were reported in the contract liabilities and liabilities associated with tangible assets items.

The increase in current contract liabilities as at June 30, 2019, as compared to December 31, 2018, was caused primarily by prepayments received for hotel rooms to be provided in the summer season and is related to the seasonality in the hotel industry. Fees received for joining a hotel network (the Entrance fee), payable in accordance with executed franchise agreements, reported under contract liabilities as at the end of the past year, were classified as liabilities associated with assets held for sale as at June 30, 2019.

The decrease in liabilities associated with tangible assets in the first half of 2019 results in particular from the settlement of capital expenditures incurred for construction of the ibis Styles Warszawa Centrum hotel and for the modernization 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.

In connection with the implementation of IFRS 16, a new category of liabilities, i.e. lease liabilities, was introduced. These liabilities reflect the current value of lease payments outstanding as at the date of the statement of financial position. The value of current and non-current liabilities at the end of June 2019 totalled PLN 530.5 million.

As at June 30, 2019, liabilities associated with assets classified as held for sale included the Group's asset light operations which are to be sold in the third quarter of 2019 (PLN 9.3 million) and a liability under lease of perpetual usufruct of land in Częstochowa (PLN 2.6 million).

4.6 Statement of changes in equity

As at June 30, 2019, equity amounted to PLN 2 305.8 million against PLN 2 386.8 million at the end of 2018.

The retained earnings of the Orbis Group include a net profit of PLN 129.1 million (continuing and discontinued operations in aggregate) for the first half of 2019. The implementation of IFRS 16 and the related change in the recognition and measurement of the right of perpetual usufruct of land had a significant impact on the decrease of the Group's retained earnings in the reporting period. In connection with the implementation of the new standard, the effect of revaluation to market value (adjusted for the deferred tax impact) of the right of perpetual usufruct of land received in the past free of charge from the State Treasury was withdrawn from retained earnings.

The foreign currency translation reserve changed from PLN 7.7 million at the end of 2018 up to PLN -2.9 million at the end of June 2019. The change resulted from translating foreign operations into the currency of presentation (PLN). The decrease in average foreign exchange rates as at the end of June 2019 as compared to December 31, 2018, had a negative impact on the level of foreign currency translation reserve (foreign currency rates applied for translation of financial statements of foreign subsidiaries are presented in Note 1 to the Consolidated Financial Statements of the Orbis Group for the first half of 2019).

4.7 Statement of cash flows

Statement of cash flows	1 st half of 2019	1 st half of 2018	% change
Net cash generated by operating activities	213 355	175 413	21.6%
Net cash generated by/(used in) investing activities	(69 968)	232 157	-
Net cash used in financing activities	(44 048)	(48 220)	8.7%
Net cash flow, total	99 339	359 350	-72.4%
Cash and cash equivalents at the end of period	635 458	582 020	9.2%
<i>including cash classified to discontinued operations</i>	3 339	0	-

During six months of 2019, the net cash flows of the Orbis Group (including continuing operations and discontinued operations) amounted to PLN 99.3 million (PLN 359.4 million in the first half of 2018). Cash flows comprised:

- **Cash flows from operating activities**

Good operating results, growth of sales and prepayments for accommodation services contributed to higher net cash flows from operating activities in the first half of 2019 as compared to the corresponding period of the past year. Additionally, the implementation of IFRS 16 had a positive impact on the level of cash flows from operating activities, as payments of lease instalments are now disclosed in cash flows from financing activities.

- **Cash flows from investing activities**

The principal reason behind negative cash flows of PLN -70.0 million in the first half of 2019 were expenses of PLN -128.2 million incurred for construction of new hotels and modernization of existing hotels (for more information see Section 4.8). The incurred expenditure under the investing activities item was partially offset by proceeds in the total amount of PLN 56.1 million generated from the sale of the ibis budget hotel in Toruń and non-hotel real properties in Wrocław and Szczecin.

On the other hand, positive cash flows in the first half of 2018 were generated primarily by the Group's revenues from the sale of property, plant and equipment, including mainly the Sofitel Budapest Chain Bridge hotel (EUR 75.2 million net, i.e. approx. PLN 320.9 million) and the Novotel Szeged hotel (net sum of HUF 757.6 million, i.e. approx. PLN 10.2 million). In addition, the Group generated inflows of PLN 1.8 million from investing activities from the sale of non-hotel real property in Karpacz. Cash flows from investing activities were negatively affected by expenditures for property, plant and equipment (PLN 106.2 million).

- **Cash flows from financing activities**

The Group's cash flows from financing activities were at the similar level in both periods. In 6 months of 2019 they include lease payments of a total of PLN 37.1 million and repayment of interest on bonds (PLN -7.0 million). On the other hand, in the corresponding period of 2018, cash flows included, apart from payment of interest on bonds, also the repayment of an overdraft facility plus interest by a subsidiary Accor Pannonia Hotels Zrt. in Hungary (PLN -40.7 million).

4.8 Capital expenditure

In the first half of 2019, the capital expenditure of the Orbis Group amounted to PLN 80.8 million (PLN 93.5 million in the corresponding period of past year). The presented expenditure applies only to continuing operations.

Capital expenditure of the Group	1 st half of 2019	1 st half of 2018
Development projects	41 861	71 403
Other expenditure	38 950	22 141
Total	80 811	93 544

A total sum of PLN 41.9 million was appropriated in the first half of 2019 for the following projects:

- The **Novotel Poznań Centrum** hotel. As part of comprehensive modernization of hotels operating in the network, in the first half of 2019, works on technical and back office facilities were continued in the Novotel Poznań Centrum hotel and the ibis Poznań Centrum hotel located in the same building. The total investment expenditure during the period from 2016 to 2019 will total approx. PLN 59 million.
- The **Novotel Kraków City West** hotel. In the first half of 2019, works on the modernization of the facade and upgrading of 2 suites and 3 corridors on the subsequent floors of the building were completed. The total investment expenditure for the works during the 2016 - 2019 period is planned to exceed PLN 22 million.
- The **ibis Styles Warszawa Centrum** hotel. The hotel welcomed its first guests on November 30, 2018. In the first half, expenditure was incurred on additional equipment and final settlement of construction and assembly works.
- The **Sofitel Warszawa Victoria** hotel. The modernization of 4 Opera suites and the Presidential Suite in the Sofitel Warszawa Victoria hotel has also been completed. Thus, the modernization of rooms in this hotel, carried out since 2017, has been finished. The total planned expenditure for the whole scope of works will total approx. PLN 20 million.
- The **ibis Styles Stare Miasto** hotel in **Szczecin**. In the first half of 2019, demolition works of the former Arkona hotel were completed in view of the construction of a new hotel, i.e. the ibis Styles Stare Miasto in Szczecin, in this location. At present, archaeological works are being carried out. The foundations of the building are being laid and the process is planned to be completed in the fourth quarter of 2019. At the same time, besides the archaeological research, next storeys of the building will be built. Considering its location in the central part of the Old Town, the façade of the building will blend with historical buildings in its vicinity.
- As regards the construction of a new hotel in the area of the Old Town in Cracow (the brand for this hotel has not yet been chosen), work on the construction design was continued in the first half of 2019. The total expenditure on the construction of the hotel during the 2018 - 2021 period is planned to exceed PLN 90 million.
- The **Mercure Budapest Buda** hotel. In the fourth quarter of 2017, major renovation works were commenced to transform the hotel from its current brand (Mercure) into a combo hotel (that is two hotels operating under different brands, ibis and Mercure, in a single building). The new hotel will offer 250 renovated rooms operating under the Mercure brand and 150 new ibis rooms. In the first half of 2019, the flooring on the seventh and eighth floor of the hotel's long wing was renovated and 240 rooms (150 rooms of the Mercure-branded hotel and 90 ibis rooms) and public areas were renovated. The investment is scheduled to be completed in the third quarter of 2019 and the total estimated project cost during the 2017 - 2019 period totals approx. EUR 9.3 million.

- The **Mercure Budapest Korona** hotel. The modernization of this hotel was planned for the 2017 - 2020 period and envisages the renovation of all hotel rooms, conference rooms and public areas on all the floors of the building. 155 rooms were renovated in the first half of 2019 and renovation works were carried out in the public areas (the lobby and the new WineStone restaurant) which are scheduled to be completed in August 2019 together with a complete modernisation of the A building. Works in the B building (including the second conference centre and 156 rooms) are to be completed in the second quarter of 2020. The total estimated expenditure will amount to approx. EUR 9.9 million.

Other expenditures in the first half of 2019 (PLN 39.0 million) were assigned for modernization of hotels operating in the network, modernization of technical installations and IT expenditure. The most important investments executed during the period of six months of 2019 included:

- continued room modernization at the **Novotel Gdańsk Marina** hotel, where 132 modernized rooms and 8 corridors were rendered operational in the first half of 2019. At present, works are carried out on the construction of beach bar, kitchen modernization, replacement of F&B facilities as well as development on the public area concept (reception, bar, restaurant) and SPA, where first of all bathrooms are modernized. It is planned to rearrange the hotel's surroundings, including green areas and the garden. A special external lights system that adjusts light intensity to the intensity of traffic, time of day and other sources of light in the surroundings will be installed,
- completion of modernization of 40 rooms in line with the N'room standard in the **Novotel Kraków Centrum** hotel and 25 rooms with bathrooms in the **Mercure Wrocław Centrum** hotel; another 40 rooms and 6 suites in the **Novotel Kraków Centrum** hotel,
- completion of modernization works in 99 successive rooms and corridors on three floors (the 5th and the 4th floors) in the **Mercure Poznań Centrum** hotel; modernization of 33 successive rooms and Wise Cafe begun in July 2019, the successive 29 rooms are scheduled for completion in the fourth quarter of 2019,
- continuation of the rearrangement of 51 rooms with corridors on the successive floors of the **Novotel Warszawa Centrum** hotel, where further modernization on the next 2 floors of the building is planned in the second half of the year,
- completion of rearrangement of the lobby and the reception desk area in the **Mercure Warszawa Grand** hotel and commencement of modernisation of 53 rooms in the hotel,
- modernization of 59 rooms built according to the N'room standard on two floors of the **Novotel Bucharest City Center** hotel and the restaurant area (including replacement of furniture, equipment, lights, flooring and increasing the number of guest seats). The project is planned to be completed in 2022.

Expenditure on IT and digital services is needed by way of preparation for the replacement of workstations in hotels in connection with the transition to Windows 10 imposed by Microsoft by January, 2020. In the first half of 2019, the firewall replacement project for Poland and preparation of hardware infrastructure for the new Head Office were continued. The expenditure also concerns the planned replacement and modernization of IT infrastructure, including Wi-Fi devices.

4.9 Financial ratios

An analysis covering margin, profitability, efficiency and financing ratios has been made on the basis of the financial statements (income statement and statement of financial position). The ratios present in aggregate the continuing and discontinued operations, and the balance sheet items include also assets and liabilities held for sale.

Selected financial ratios of the Orbis Group	1 st half of 2019	1 st half of 2018
Margin ratios		
EBITDAR margin in %	34.9	33.8
EBITDA margin in %	34.1	29.7
EBIT margin in %	25.6	36.5
Profitability ratios		
Return on equity* (ROE)	5.7%	10.0%
Return on assets* (ROA)	3.6%	7.1%
Return on sales (ROS)	18.3%	31.1%
Efficiency ratios		
Receivables collection period	21	20
Payables deferral period*	27	28
Inventory turnover	2	2
Financing ratios		
Net debt (in PLN million)	399.8	-
Debt-to-equity**	36.5%	28.2%
Non-current assets cover ratio	80.6%	94.4%
Liquidity ratios		
Current ratio	1.29	2.25

* calculated based on opening balance (restated data)

** total liabilities/total equity and liabilities

The Orbis Group meets its obligations towards counterparties, obligatory public imposts and investment obligations on a daily basis. The Group pays its liabilities using cash generated from operating income and using external sources of capital, i.e. overdrafts, cash from issue of bonds, credits facilities and loans, depending on the needs. As at June 30, 2019, the total value of unused overdrafts of the Orbis Group totalled PLN 45.1 million. The increase in net debt as at June 30, 2019, results from recognition by the Group of financial lease liabilities in connection with the implementation of IFRS 16 as from January 1, 2019.

4.10 Projections of EBITDA for 2019

The Management Board of Orbis S.A. took decision to prepare and publish, on June 24, 2019, the forecasted EBITDA of the Orbis Group for 2019 with a split into the business lines. In the opinion of the Management Board, the forecasted EBITDA for 2019 should be in the range of PLN 520 and 550 million.

Due to the ongoing process of division of business lines run by Orbis Group, the Management Board of Orbis decided to make public the division of the above-mentioned forecast into:

- EBITDA forecast of the real estate (asset heavy) part of the business activity in the range of PLN 410 - 430 million. This forecast includes profits from provision of services in hotels owned or leased by the Orbis Group and takes into account general cost of support,
- EBITDA forecast for the service (asset light) part of the business activity in the range of PLN 110 - 120 million. This forecast includes in particular: (i) profits from the management and franchise agreements concluded with third (external) parties, and (ii) the value of the internal allocation of profits related to the service (asset light) part, that will become the subject of long-term management agreements under which, the subsidiaries of Accor S.A., after purchasing of the service (asset light) part of the business from the Orbis, will manage all hotels owned or leased by the Orbis Group.

The forecasted EBITDA includes the impact of IFRS 16 *Leases*, which has been effective since January 1, 2019.

The forecasted EBITDA includes the result of operating activities, excluding the impact of one-off events, such as sale of assets (including sale of service part of the business), revaluation of non-current assets or costs of employment restructuring.

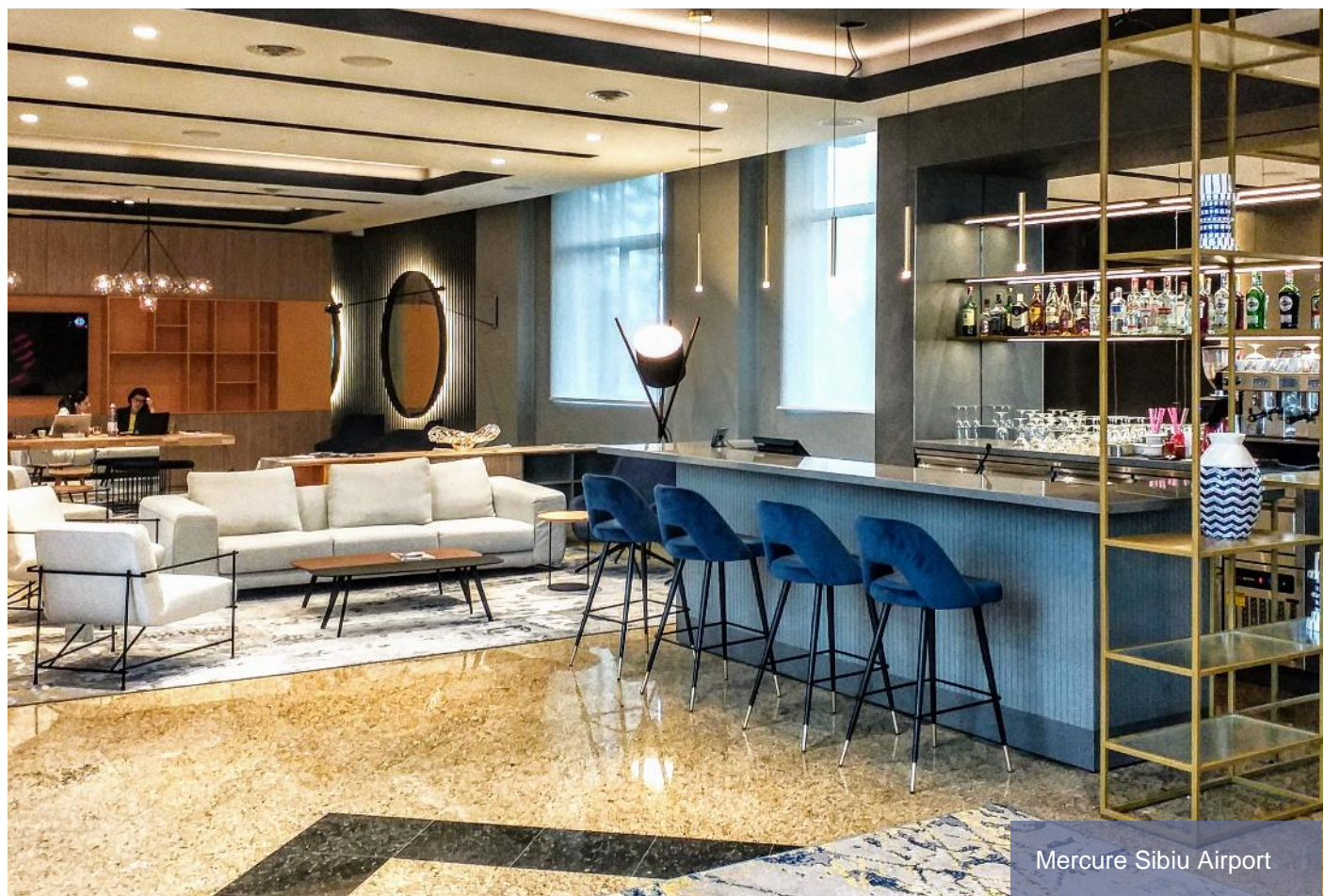
The projection has been prepared on the basis of financial results generated in the first half of 2019 and the forecasted trends in hotels in the coming months of the current year.

The forecasted EBITDA does not include the potential impact of IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations* related to the planned sale of the service part of the business activity. The relevant information on this scope, including potential EBITDA forecast update, will be provided after a detailed determination of all the factors of the planned sale and the exact date of its realization.

The fulfilment of the projection will be monitored by the Management Board of Orbis S.A. on an ongoing basis, with a particular focus on an analysis of financial results generated in the months to come. In case of major deviations (at least 10%) from the bottom limit of the projected result, the Company will adjust the projection and disclose it to the public in a current report.

The projection has not been reviewed by the licensed auditor.

RISK AREAS



Mercure Sibiu Airport

5 RISK AREAS

5.1 Business risk

5.1.1 Risk related to the macroeconomic situation and condition of the hospitality sector

The situation of companies operating in the hospitality sector depends largely on the overall macroeconomic landscape that is beyond its control. Main risk factors affecting demand for hotel services include:

- economic recession or stagnation affecting demand for hotel services, both from individual and business clients. Deteriorating financial situation of the population and rising unemployment not only limit financial capacity but adversely affect the mood and propensity to travel as well. Poor financial standing of companies leads to the curbing of budgets for trainings, corporate travel and, consequently, results in the cancellation, postponement or renegotiation of contracts for business groups,
- growth in fuel, energy and food prices that is mirrored in the level of hotel operators' operating expenses,
- strengthening of the local currency that reduces attractiveness of the country for foreign tourists,
- reduction of the number of airline and railway connections,
- adversely changing geopolitical situation, also as a result of social conflicts and tensions, that curbs the number of travellers.

5.1.2 Competition risk

The hotel industry is a highly competitive market. Year in, year out, new hotels open in large cities where the Orbis Group operates. Some of them belong to global operators with a wide network of establishments operating under recognisable brands, effective loyalty programmes and high marketing budgets. Hotel operators compete also in terms of gaining new franchisees in attractive locations.

Growing competition may have an adverse impact on the price and occupancy of hotel establishments run by the Orbis Group companies and, consequently, on financial performance.

The Orbis Group pursues an active product and pricing policy in all its hotels and lays special emphasis on the addition of new and interesting products to its offer, thereby staying ahead of its competitors on the hotel market.

5.1.3 Risk related to cooperation with travel agents

The objective of the Orbis Group is to sell through traditional channels and the Accor website. However, nowadays customers regularly use the websites of on-line travel agencies. Some of these major intermediaries develop their own loyalty programmes for their booking systems. In case of a considerable rise in the level of sales via On-line Travel Agencies (OTAs), it could have an adverse effect of the Group's performance.

5.2 Financial risk

The main areas of risk to which the Orbis Group is exposed include credit risk, currency risk, liquidity risk and interest rate risk resulting from money and capital markets' volatility, reflected in the statement of financial position and in the income statement.

The Group pursues a uniform policy of financial risk management and permanent monitoring of risk areas, using available strategies and mechanisms aimed at minimizing the negative effects of market volatility and securing cash flows.

The Group curbs financial risk (defined as cash flows volatility) and restrains the risk related to money and capital market volatility. This objective is implemented using methods described below.

Exposure to additional risks not related to the accepted business operations is deemed improper.

The Orbis Group does not use any financial instruments, including derivatives, for speculative purposes.

The risk management policy and strategy are defined and monitored by the Management Board of Orbis S.A. Current responsibilities in the area of risk management are dealt with by special units established for this purpose in Orbis S.A. and the Group companies.

5.2.1 Currency risk

A portion of sales revenue and costs of the conducted business is generated by foreign companies of the Orbis Group. Similarly, Polish companies execute transactions denominated in foreign currencies. Hence, a risk of fluctuations in foreign currency exchange rates arises. In case incurred costs and generated revenue are denominated in different foreign currencies, the Group may be exposed to the foreign exchange risk. Certain expenses, like rent costs and fees to companies of the Accor Group, for example, are denominated in or indexed to foreign currencies, predominantly the euro. There is a risk that unfavourable changes in the exchange rate will adversely impact return on sales and, thereby, the financial result of the Group.

In order to reduce the risk of its currency exposure, the Group seeks first of all to use the natural hedging mechanism. Furthermore, derivative instruments, such as forwards, swaps and options, may be used for the purpose of managing risk.

As at June 30, 2019, none of the companies had an overdraft in a foreign currency.

5.2.2 Interest rate risk

The Group is exposed to the interest rate risk since it has obtained financing at variable interest rates, i.e. issued bonds.

A potential rise in interest rates on bonds issued will increase finance costs and adversely affect Group's financial result.

As at June 30, 2019, Orbis S.A.'s liabilities with variable interest rates comprised liabilities arising from the bond issue in amount of PLN 502.2 million. The first tranche of bonds issued on June 26, 2015 (PLN 300.0 million) bears interest per annum at a variable interest rate equal to WIBOR for six-month deposits (WIBOR 6M), plus interest rate margin of 0.97 p.p. The second tranche of bonds issued on July 29, 2016 (PLN 200.0 million) bears interest per annum at a variable interest rate equal to WIBOR for six-month deposits (WIBOR 6M), plus interest rate margin of 1.05 p.p.

5.2.3 Credit risk

The credit risk to which the Group is exposed may result from:

- credit risk following from creditworthiness of financial institutions (banks, brokers), parties to security agreements or security agents,
- creditworthiness of entities whose securities the Group purchases or invests in,
- creditworthiness of franchisees and investors with which the Group companies execute franchise and management agreements,
- creditworthiness of corporate clients that, owing to the absence of any significant concentration of credit risk and a large share of relatively small transactions in total turnover, does not require the application of special transaction hedges, apart from the monitoring of customers from the point of view of their credit ratings.

In the Group's assessment, the risk related to its clients does not differ from the average credit risk on the markets on which Group companies operate.

In settlements with clients, preference is given to payments by credit card, cash and prepayments. Credit decisions are made taking into account results of a solvency study, contract value, payment date, and forecasted outstanding balance.

Solvency checks are performed before a credit is granted to each new customer and at each renewal of the contract for a successive term. To meet these requirements, the hotels and the Head Office units may use the following set of tools:

- reports from information agencies to help in assessing customers' creditworthiness,
- customer payment history: significant payment delays, particularly inclusion on the internal "debtor blacklist" of the Group prevents further crediting,
- presence of other negative information on customer's solvency: any information from the local or global market about the customer's payment failures must be carefully examined and the credit blocked, where justified.

It is a policy that if a solvency check is not positive in all the above aspects, additional guarantees (bank guarantee or credit card preauthorisation) must be required.

The Group's exposure to customer creditworthiness risk is constantly monitored. Credit risk control is ensured through regular meetings of the Credit Management Committee held to discuss all major risks relative to merchant credit and to take decisions on granting a credit to new customers with unclear financial standing.

To minimize the credit risk, the Group cooperates with reputable banks with good financial standing and high credibility.

5.2.4 Liquidity risk

The Orbis Group hedges liquidity through credit facilities and overdrafts.

The amount of unused credit lines under overdrafts of the Orbis Group as at June 30, 2019, was PLN 45.1 million, of which the credit lines unused 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 unused credit lines under overdrafts.

Temporarily disposable cash is invested in short-term bank deposits.

The Group monitors financial liquidity on the basis of the debt-to-equity ratio and current ratio.

5.2.5 Price risk

In pursuing its business, the Orbis Group is exposed to the following price risk factors:

- Competition. The hotel market is marked by a high growth in the number of rooms rendered operational in recent years, which has brought about a pressure on prices of hotel services.
- Market environment in Poland and globally. Economic development stimulates growing interest in hotel services due to a higher number of business trips and increasing propensity to travel.
- Exchange rates. Particularly the exchange rate of the euro against the currencies of the majority of countries where the Group operates represents a significant factor of price risk in hotel business, as well as incoming and outgoing tourism. A low rate of exchange of the euro translates into a drop in revenue denominated in local currencies, mainly in Hungary, Czech Republic and Romania.

Price risk is minimised by way of implementing a policy of active room availability and price management (yield management).

5.3 Legal risk

The hotel sector is exposed to legal risk relating to changes in regulations governing:

- protection of personal data,
- obligations and fees imposed on owners and users of land as well as buildings and structures,
- protection of the environment,
- employment, e.g. in terms of minimum wages, obligatory pension and health insurance contributions,
- taxes and other public law fees levied on entrepreneurs.

The Orbis Group monitors changes in the Group's legal environment on a current basis.

5.4 Reputational risk

Brands under which hotels of the Orbis Group operate and their reputation are the Group's most important assets. Customer acquisition and maintenance depend on the standard and quality of services and application of best market (commercial) practices in management. Incidents undermining guests' confidence and safety may harm the brands' image. In addition, the Orbis Group's image may be adversely affected by non-compliance with corporate governance rules, incidents impairing the environment, violation of employees' rights and improper relations with local authorities. Given the expansion of social media, the potential scale (range) of negative perception and public disclosure of such events may be large, even disproportionate to the adverse effects such events actually produce. The occurrence of the above-mentioned situations may contribute to the growth in operating expenses or may have an adverse impact on revenue.

The Orbis Group monitors media activity on a current basis and responds to problems notified on social portals. Also, the Group has implemented detailed procedures for responding to (acting in) crisis situations in order to prevent negative events and, if they occur, to minimise their effects.

5.5 Risk factors related to the bonds

5.5.1 Risk of earlier redemption of the bonds for reasons other than on the Bondholder's request

Pursuant to Article 74.5 of the Bonds Act, in the event of liquidation of Orbis S.A., the bonds become immediately redeemable on the date of commencing the liquidation, even if their redemption date has not yet lapsed.

5.5.2 Risk of earlier redemption of the bonds on the Bondholder's request

The Conditions of Bonds Issue contain several clauses that, if defaulted, give the bondholder (upon taking specific actions and following a proper procedure) the right to request earlier redemption of the bonds by Orbis S.A. There is a risk that in case an earlier redemption of the bonds is requested, Orbis S.A. will not have sufficient funds to fulfil such a request. Nevertheless, the Company stresses that the bonds have been secured by mortgages established on the Issuer's real properties (hotels) whose value exceeds that of the issued bonds.

ADDITIONAL INFORMATION

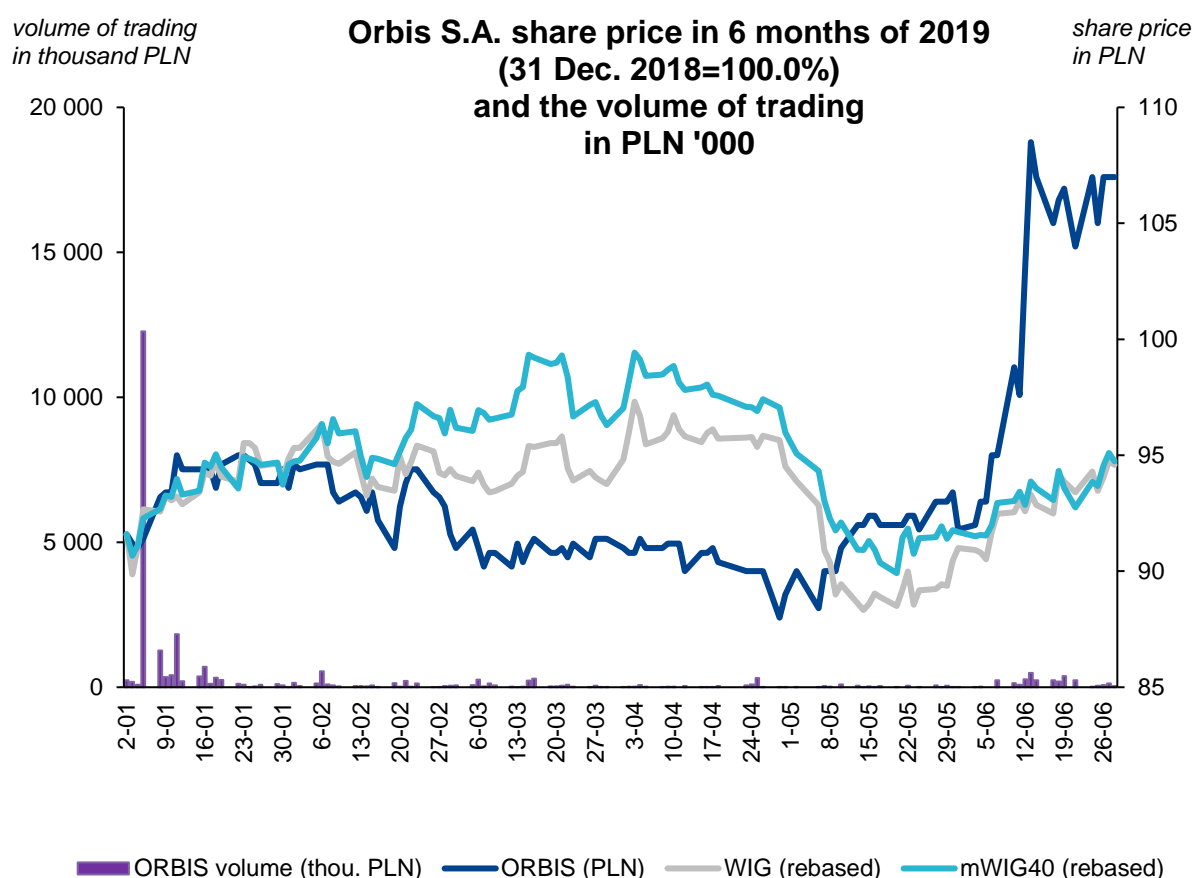


The Bridge Wrocław MGallery

6 ADDITIONAL INFORMATION

6.1 Share price

From January 1, 2019, to June 30, 2019, the price of Orbis S.A. shares ranged from PLN 88.0 to PLN 108.5. Following the announcement of the outcome of the tender offer for Orbis shares on January 28, 2019, 14.2% of shares remained in free float, of which 10% were held by open-ended pension fund Nationale-Nederlanden Otworthy Fundusz Emerytalny and voluntary pension fund Nationale-Nederlanden Dobrowolny Fundusz Emerytalny managed by fund manager company Nationale-Nederlanden Powszechne Towarzystwo Emerytalne S.A., which means that the share trading volume is lower. In the second quarter of 2019, we have witnessed a significant growth of the share price in response to the anticipated strategic changes in the Company. The average trading volume of Orbis S.A. shares in the second quarter of 2019 equalled PLN 0.22 million (2 400 shares). On June 28, 2019, the share price was at the level of PLN 107.0, which represents a 19% increase as compared to the end of 2018.



6.2 Shareholder structure

As at June 30, 2019, the share capital of Orbis S.A. comprised the share capital disclosed in the amount set out in the Statutes and entered in the court register, adjusted for effects of hyperinflation, i.e.:

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

The value of Orbis S.A. share capital did not change throughout the first half of 2019 and till the date of publication of this Report.

On November 26, 2018, Accor S.A. (as the buyer) announced a tender offer for the sale of Orbis S.A. shares pursuant to Article 74.1 and Article 91.6 of the Act of July 29, 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading and Public Companies.

In response to the tender offer, Orbis S.A. shareholders offered to sell the company's shares representing jointly 33.15% of the total number of Orbis shares (15 274 116 shares). Accor S.A. acquired the shares submitted for sale on January 23, 2019.

As at the date of publication of the financial statements, shareholders who held, directly or indirectly through subsidiaries, at least 5% of the total number of voting rights at the General Meeting of Orbis S.A. Shareholders, determined on the basis of notifications specified in Article 69 of the Act on Public Offering and the Conditions Governing the Introduction of Financial Instruments to Organised Trading and Public Companies, included:

Shareholder (description)	Number of shares held and voting rights at the GM (based on notifications)	% of total number of shares and voting rights at the GM
Accor S.A.	39 550 531	85.84
<i>of which: Accor S.A. subsidiary – Accor Polska Sp. z o.o.</i>	2 303 849	4.99
Nationale-Nederlanden Otworthy Fundusz Emerytalny and Nationale-Nederlanden Dobrowolny Fundusz Emerytalny managed by Nationale-Nederlanden Powszechne Towarzystwo Emerytalne S.A.	4 710 265	10.22

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

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

Orbis' strategic investor is AccorHotels - world-leading hotel group, travel & lifestyle leader offering unique experiences in more than 4.8 thousand hotels, resorts and residences around the globe. AccorHotels is present in 100 countries where it operates under 38 brands, ranging from luxury to economy segments. AccorHotels employs approx. 280 thousand employees worldwide.

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

6.3 Statutory bodies of the Issuer

The Management Board

During the period from January 1, 2019, till June 30, 2019, Orbis S.A. Management Board was composed of the following Members:

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

As at June 30, 2019, the Vice-President of the Management Board, Mr. Ireneusz Andrzej Węglowski, held 4 250 shares in Orbis S.A. Other members of the Management Board did not hold any Company's shares.

The Supervisory Board

During the period from January 1, 2019, till June 30, 2019, Orbis S.A. Supervisory Board was composed of the following Members:

- Pierre Boisselier – Member,
- Artur Gabor – Independent Member (member of the Supervisory Board till June 14, 2019),
- Krzysztof Gerula – Member (appointed member of the Supervisory Board effective as of June 14, 2019),
- Franck Gervais – Chairman,
- Christian Karaoglanian – Member,
- Krzysztof Kostro – Member (appointed member of the Supervisory Board effective as of June 14, 2019),
- Jacek Kseń – Independent Member (member of the Supervisory Board till June 14, 2019),
- Jean-Jacques Morin – Member,
- Piotr Nowjalis – Member (appointed member of the Supervisory Board effective as of June 14, 2019),
- Laurent Picheral – Member,
- Andrzej Procajło – Member,
- Andrzej Przytuła – Member (member of the Supervisory Board till June 14, 2019),
- Jarosław Szymański – Member.

As at June 30, 2019, Mr. Krzysztof Gerula held 200 shares in Orbis S.A. Other members of the Supervisory Board did not hold any Company shares.

Audit Committee

During the period from January 1, 2019, till June 30, 2019, Orbis S.A. Audit Committee was composed of the following Members:

- Jean-Jacques Morin,
- Krzysztof Gerula,
- Piotr Nowjalis,
- Jacek Kseń (Chairman of the Audit Committee till June 14, 2019),
- Artur Gabor (member of the Audit Committee till June 14, 2019).

6.4 Entity authorised to audit the financial statements

The financial statements of the Orbis Group and Orbis S.A. for years 2018-2019 are audited by KPMG Audyt Spółka z ograniczoną odpowiedzialnością Spółka komandytowa, registered under the number 3546 on the list of licensed entities maintained by the National Chamber of Statutory Auditors.

6.5 Investor relations

Whilst fulfilling exhaustively its information disclosure obligations, Orbis pursues an open information policy. The Management Board of the Company offers comments and responds to investor inquiries during teleconferences organised after publication of results. Individual meetings with investors and analysts are held at the Company's Head Office. Company representatives also participate in the so-called Investor's Days organised by financial institutions.

In the first half of 2019, Orbis S.A. held:

- meetings devoted to publication of 2018 results,
- investor chat after publication of the results of first quarter of 2019.

All financial data and information published by Orbis are available on the corporate website <http://www.orbis.pl/>. Corporate sections of the website are updated and expanded with new content in line with service users' requests. "Orbis TV" platform is available on the Company's website, allowing users to follow on-line videos of corporate events and browse the archives with films, reports and interviews about Orbis. To facilitate communication, particularly for individual investors, a live chat is held after the publication of quarterly results. The investor service meets the requirements set for issuers by the Warsaw Stock Exchange, allows to search archived current and interim reports that the Company sends via the ESPI system, and to follow the share price. In 2019, the section of the www.orbis.pl website devoted to Investor Relations was one of the top rated among WIG20 companies and mWIG40 companies in the Issuer's Golden Website competition organized by the Polish Association of Listed Companies (SEG).

Orbis S.A. is a supporting member of the Polish Association of Listed Companies (SEG), an association representing companies listed at the Warsaw Stock Exchange. The Company protects its corporate image among individual investors and the public as well as initiates and implements Corporate Social Responsibility projects.

6.6 Legal Claims

Information about proceedings pending before court, arbitration or public administration authorities is provided in the Note 14 to the Consolidated Financial Statements of the Orbis Group for the first half of 2019.

6.7 Related party transactions

The Group executes transactions with related parties at arm's length. Information about transactions with related parties is provided in Note 12 to the Consolidated Financial Statements of the Orbis Group for the first half of 2019.

6.8 Contingent Assets and Liabilities

Information on contingent assets and liabilities, including issued or received sureties and guarantees, is provided in the Note 10 to the Consolidated Financial Statements of the Orbis Group for the first half of 2019.

APPENDIX 1: OPERATING RATIOS OF THE ORBIS GROUP

Owned hotels²

Operating ratios of owned hotels by main category	1 st half of 2019	1 st half of 2018	change (%)	1 st half of 2019	1 st half of 2018	change (%)
	ss reported			like-for-like		
Orbis Group						
Occupancy Rate (%)	70.5	70.2	0.3 p.p.	71.3	70.9	0.4 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	264.2	257.4	2.6%	265.8	254.5	4.4%
Revenue per Available Room (RevPAR) in PLN	186.3	180.8	3.0%	189.5	180.4	5.0%
Economy Hotels						
Occupancy Rate (%)	70.5	71.6	-1.1 p.p.	72.8	72.7	0.1 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	191.8	181.1	5.9%	190.5	184.1	3.5%
Revenue per Available Room (RevPAR) in PLN	135.3	129.7	4.3%	138.7	133.8	3.7%
Up & Midscale Hotels (3 stars and more)						
Occupancy Rate (%)	70.5	69.5	1.0 p.p.	70.5	69.9	0.6 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	307.0	299.4	2.5%	307.5	293.0	4.9%
Revenue per Available Room (RevPAR) in PLN	216.4	208.1	4.0%	216.8	204.9	5.8%

Operating ratios of owned hotels by main category	2 nd quarter of 2019	2 nd quarter of 2018	change (%)	2 nd quarter of 2019	2 nd quarter of 2018	change (%)
	as reported			like-for-like		
Orbis Group						
Occupancy Rate (%)	79.3	79.5	-0.2 p.p.	79.8	80.2	-0.4 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	292.6	284.4	2.9%	295.4	282.0	4.8%
Revenue per Available Room (RevPAR) in PLN	232.2	226.0	2.7%	235.8	226.1	4.3%
Economy Hotels						
Occupancy Rate (%)	79.7	80.0	-0.3 p.p.	81.2	81.4	-0.2 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	215.2	203.2	5.9%	215.7	207.3	4.1%
Revenue per Available Room (RevPAR) in PLN	171.5	162.5	5.5%	175.1	168.7	3.8%
Up & Midscale Hotels (3 stars and more)						
Occupancy Rate (%)	79.1	79.2	-0.1 p.p.	79.1	79.6	-0.5 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	338.4	328.6	3.0%	339.0	322.0	5.3%
Revenue per Available Room (RevPAR) in PLN	267.8	260.2	2.9%	268.2	256.1	4.7%

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

Operating ratios of owned hotels by geographical segment	1 st half of 2019	1 st half of 2018	change (%)	1 st half of 2019	1 st half of 2018	change (%)
	as reported			like-for-like		
Poland						
Occupancy Rate (%)	70.0	69.1	0.9 p.p.	71.1	69.5	1.6 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	256.7	249.5	2.9%	256.9	252.8	1.6%
Revenue per Available Room (RevPAR) in PLN	179.7	172.3	4.3%	182.7	175.7	4.0%
Hungary						
Occupancy Rate (%)	70.8	71.6	-0.8 p.p.	70.8	72.8	-2.0 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	267.4	267.9	-0.2%	267.4	239.8	11.5%
Revenue per Available Room (RevPAR) in PLN	189.4	191.9	-1.3%	189.4	174.6	8.5%
Czech Republic						
Occupancy Rate (%)	72.3	71.1	1.2 p.p.	72.3	72.8	-0.5 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	299.1	274.6	8.9%	299.1	284.6	5.1%
Revenue per Available Room (RevPAR) in PLN	216.1	195.3	10.7%	216.1	207.1	4.3%
Other countries						
Occupancy Rate (%)	72.2	78.1	-5.9 p.p.	73.9	78.1	-4.2 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	285.1	280.5	1.6%	316.0	281.0	12.5%
Revenue per Available Room (RevPAR) in PLN	205.7	219.1	-6.1%	233.5	219.4	6.4%

Operating ratios of owned hotels by geographical segment	2 nd quarter of 2019	2 nd quarter of 2018	change (%)	2 nd quarter of 2019	2 nd quarter of 2018	change (%)
	as reported			like-for-like		
Poland						
Occupancy Rate (%)	77.9	77.0	0.9 p.p.	78.8	77.7	1.1 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	279.1	273.4	2.1%	280.1	277.3	1.0%
Revenue per Available Room (RevPAR) in PLN	217.5	210.5	3.3%	220.7	215.4	2.5%
Hungary						
Occupancy Rate (%)	82.2	85.3	-3.1 p.p.	82.2	86.4	-4.2 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	306.0	297.7	2.8%	306.0	270.9	13.0%
Revenue per Available Room (RevPAR) in PLN	251.4	253.9	-1.0%	251.4	234.2	7.3%
Czech Republic						
Occupancy Rate (%)	80.9	80.6	0.3 p.p.	80.9	82.4	-1.5 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	354.9	320.7	10.7%	354.9	334.4	6.1%
Revenue per Available Room (RevPAR) in PLN	287.1	258.5	11.1%	287.1	275.6	4.2%
Other countries						
Occupancy Rate (%)	83.0	84.9	-1.9 p.p.	82.4	84.9	-2.5 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	305.8	298.7	2.4%	344.5	298.7	15.3%
Revenue per Available Room (RevPAR) in PLN	253.9	253.6	0.1%	283.8	253.6	11.9%

Managed and franchised hotels

Operating ratios of managed and franchised hotels by main category	1 st half of 2019	1 st half of 2018	change (%)	1 st half of 2019	1 st half of 2018	change (%)
	as reported			like-for-like		
Orbis Group						
Occupancy Rate (%)	60.6	60.1	0.5 p.p.	62.0	61.2	0.8 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	227.2	201.2	12.9%	214.5	202.3	6.0%
Revenue per Available Room (RevPAR) in PLN	137.8	121.0	13.9%	133.0	123.8	7.4%
Economy Hotels						
Occupancy Rate (%)	62.3	63.7	-1.4 p.p.	64.9	64.0	0.9 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	173.6	160.2	8.4%	171.0	160.0	6.9%
Revenue per Available Room (RevPAR) in PLN	108.1	102.0	6.0%	111.1	102.4	8.5%
Up & Midscale Hotels (3 stars and more)						
Occupancy Rate (%)	58.9	57.0	1.9 p.p.	59.2	58.5	0.7 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	289.0	242.3	19.3%	260.8	247.2	5.5%
Revenue per Available Room (RevPAR) in PLN	170.2	138.0	23.3%	154.4	144.5	6.9%

Operating ratios of managed and franchised hotels by main category	2 nd quarter of 2019	2 nd quarter of 2018	change (%)	2 nd quarter of 2019	2 nd quarter of 2018	change (%)
	as reported			like-for-like		
Orbis Group						
Occupancy Rate (%)	67.4	66.7	0.7 p.p.	68.5	67.6	0.9 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	238.4	211.5	12.7%	225.8	212.0	6.5%
Revenue per Available Room (RevPAR) in PLN	160.6	141.1	13.8%	154.8	143.4	7.9%
Economy Hotels						
Occupancy Rate (%)	70.4	72.4	-2.0 p.p.	73.4	72.4	1.0 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	180.9	171.5	5.5%	182.8	171.5	6.6%
Revenue per Available Room (RevPAR) in PLN	127.3	124.2	2.5%	134.2	124.2	8.1%
Up & Midscale Hotels (3 stars and more)						
Occupancy Rate (%)	64.1	61.6	2.5 p.p.	63.8	62.9	0.9 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	308.0	253.4	21.5%	274.2	257.7	6.4%
Revenue per Available Room (RevPAR) in PLN	197.3	156.2	26.3%	174.8	162.1	7.8%

Operating ratios of managed and franchised hotels by geographical segment	1 st half of 2019	1 st half of 2018	change (%)	1 st half of 2019	1 st half of 2018	change (%)
	as reported			like-for-like		
Poland						
Occupancy Rate (%)	56.6	53.0	3.6 p.p.	57.8	54.7	3.1 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	190.1	183.5	3.6%	190.9	184.8	3.3%
Revenue per Available Room (RevPAR) in PLN	107.6	97.3	10.6%	110.3	101.2	9.0 %
Hungary						
Occupancy Rate (%)	70.8	74.4	-3.6 p.p.	81.5	76.2	5.3 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	402.3	392.4	2.5%	393.8	404.5	-2.6%
Revenue per Available Room (RevPAR) in PLN	284.7	291.9	-2.5%	320.8	308.1	4.1%
Czech Republic*						
Occupancy Rate (%)	52.6	47.6	5.0 p.p.	-	-	-
Average Room Rate (ARR) in PLN (net of VAT)	171.0	165.9	3.1%	-	-	-
Revenue per Available Room (RevPAR) in PLN	90.0	79.0	13.9%	-	-	-
Other countries						
Occupancy Rate (%)	62.2	65.4	-3.2 p.p.	64.0	65.4	-1.4 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	211.5	193.8	9.1%	211.8	193.6	9.4%
Revenue per Available Room (RevPAR) in PLN	131.6	126.8	3.8%	135.5	126.6	7.0%

Operating ratios of managed and franchised hotels by geographical segment	2 nd quarter of 2019	2 nd quarter of 2018	change (%)	2 nd quarter of 2019	2 nd quarter of 2018	change (%)
	as reported			like-for-like		
Poland						
Occupancy Rate (%)	59.6	57.1	2.5 p.p.	61.1	58.4	2.7 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	186.9	178.1	4.9%	184.4	178.6	3.2%
Revenue per Available Room (RevPAR) in PLN	111.5	101.7	9.6%	112.6	104.4	7.9%
Hungary						
Occupancy Rate (%)	83.2	80.6	2.6 p.p.	84.8	80.6	4.2 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	442.8	412.9	7.2%	420.0	412.9	1.7%
Revenue per Available Room (RevPAR) in PLN	368.5	332.7	10.8%	355.9	332.7	7.0%
Czech Republic*						
Occupancy Rate (%)	67.6	-	-	-	-	-
Average Room Rate (ARR) in PLN (net of VAT)	149.5	-	-	-	-	-
Revenue per Available Room (RevPAR) in PLN	101.1	-	-	-	-	-
Other countries						
Occupancy Rate (%)	70.7	73.8	-3.1 p.p.	72.8	73.9	-1.1 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	223.8	206.3	8.5%	224.8	205.5	9.4%
Revenue per Available Room (RevPAR) in PLN	158.1	152.1	3.9%	163.7	151.9	7.8%

* The cooperation under a franchise agreement with the ibis Olomouc hotel in the Czech Republic was discontinued as of the end of March 2018; from August 2018, the ibis Plzen hotel operates on the basis of a management agreement

APPENDIX 2: GLOSSARY OF TERMS

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

CAPEX – Capital Expenditure

CSR – Corporate Social Responsibility

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

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

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

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

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

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

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

NOVO² – combination of a bar and a restaurant in Novotels. NOVO² is based on three values: Vitality (health) entails the selection of environmentally-friendly produce and a balanced diet; Connect-ainment (entertainment) to ensure that each guest will feel at ease thanks to international interior design and cuisine; Imagination (inspirations) is reflected in the presentation of the most intriguing culinary trends from all around the world

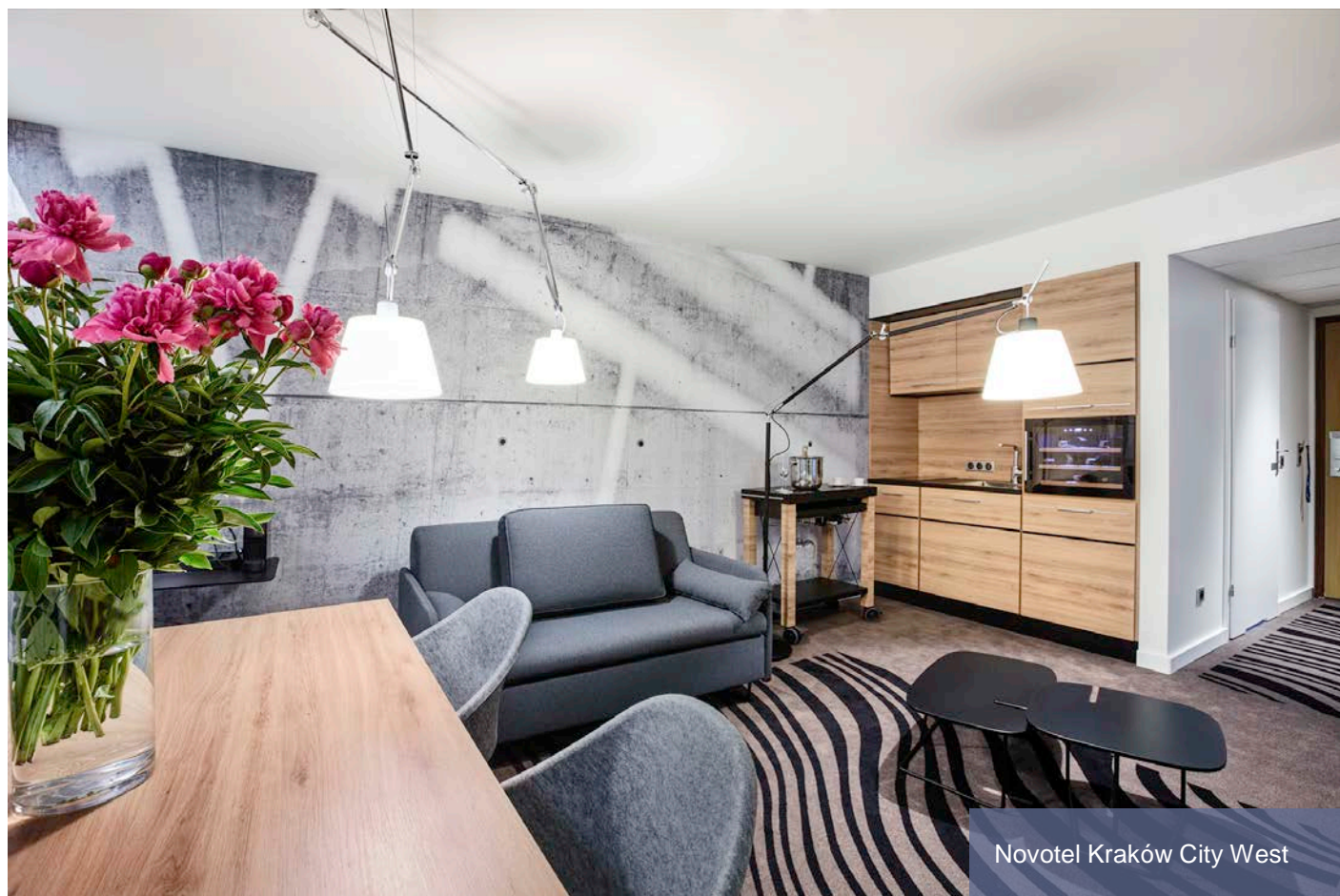
Occupancy Rate – rooms occupied by hotel guests as a percentage of all available rooms

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

Up & Midscale hotels – one of the two reportable operating segments of the Orbis Group that comprises hotels of the following brands: Sofitel, Pullman, MGallery, Novotel and Mercure. These are hotels of upper or middle standard (three or more stars)

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

DECLARATIONS OF THE MANAGEMENT BOARD



DECLARATIONS OF THE MANAGEMENT BOARD

The Management Board of Orbis S.A. hereby confirms that:

- a) according to the best knowledge of the Management Board's members the Condensed Consolidated Financial Statements and Condensed Financial Statements for first half of 2019 and comparable data have been drawn up in compliance with the accounting regulations in force and reflect the Group's and the issuer property, financial standing and financial result in an accurate, reliable and transparent manner;
- b) This Management Board's Report on the operations of the Orbis Group provides accurate depiction of the development, achievements and standing of the Orbis Group, including the description of major threats and risks.

Gilles Stephane Clavie
President of the Management Board

Ireneusz Andrzej Węglowski
Vice-President of the Management Boards

Dominik Sołtysik
Member of the Management Board

Marcin Szewczykowski
Member of the Management Board

Warsaw, July 31, 2019