Orbis Group

REPORT FOR THE THIRD QUARTER OF 2019

Warsaw, October 30, 2019

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1 MAJOR EVENTS OF THE 9 MONTHS OF 2019 – PRESIDENT'S COMMENT

- **Business model transformation by focusing on real estate portfolio**
- **Solid operating indicators in the Eastern Europe region (+5.6% RevPAR growth like-for-like)**
- **EBITDA growth by 16.6% like-for-like up to PLN 386.9 million**
- **17 new management and franchise contracts signed (almost 2 200 new rooms)**

Following our decision to transform the Company by splitting its business into two lines – asset light and asset heavy, in the 3Q Orbis signed a global agreement with Accor on disposal of the Light Asset business. Closing of the transaction is scheduled at the end of October 2019. In the context of the sale of the asset light part, Orbis will enter into management agreements with Accor for each of the 73 hotels in the region, aiming at an operational excellence under Accor brands. By focusing all our attention on the core business (asset heavy) we believe to take advantage of our new shareholders and to continue reinforcing our real estate portfolio.

Performance

Once again Orbis reported solid results, confirmed by +5.0% growth of revenue like-for-like up to PLN 1 062.2 million in 9 months of 2019. We have been observing growing operational results in the Eastern Europe region, reflecting positive macro trends and blooming travel industry. Orbis RevPAR rose by +5.6% in the 9 months of 2019 with strong performances underpinned by all key markets: Poland (+5.2% RevPAR growth), Hungary (+7.6% RevPAR growth) and Czech Republic (+2.7% RevPAR growth). Capitalizing on very good operational results and effective corporate strategy, Orbis like-for-like EBITDA in the 9M 2019 rose by +16.6% (up to PLN 386.9 million) and operational margin widened by 3.8 p.p.

Portfolio

On the other hand we are not slowing down the pace of our expansion. In the period we have enriched our portfolio by 5 new hotels, adding over 700 new rooms. At the same time 17 new asset light agreements have been signed for the hotels that are scheduled to open in coming years. Having now the portfolio of 139 hotels (22 200 rooms) and secured pipeline of 52 new hotel projects (7 200 rooms) we are continuously strengthening our market presence in key cities and entering new market places in the EE region. Having in mind and taking care of our guests and providing them memorable experiences, we are launching a new life style brand – TRIBE, to our new investment projects. TRIBE with an original, exciting and carefully curated offer, reshaping the traditional hotel experience, enabling guests to live, work and play in the contemporary interiors.

People

In the 3Q of 2019 we were focused on talent acquisition and development as well as building their engagement. Facing the planed light asset part carve-out we were very active in preparing the teams in four Orbis offices spread around the region to feel well informed and comfortable about their new role after the split. We carried out different meetings and workshops between the teams to be divided in the future in order to make sure that the talents would understand the reasoning and outcomes of the decision taken by the company management board. We made sure that the teams that would be transferred to the new Accor entities would be secured to the same level of working conditions and benefits.

The execution of our strategy and favourable macroeconomic momentum allow achieving another record year in 2019. We are proud to continue strengthening our leading position in the Eastern Europe region and setting trends in the hospitality industry. We look forward to having new challenges and taking advantage of new opportunities on our way.

2 SELECTED FINANCIAL AND OPERATING FIGURES

2.1 Orbis Group

Consolidated income statement	PLN `000		EUR `000	
	9 months ended Sep. 30, 2019	9 months ended Sep. 30, 2018*	9 months ended Sep. 30, 2019	9 months ended Sep. 30, 2018*
Net sales	1 090 337	1 054 773	253 061	247 978
Operating profit	271 548	347 132	63 025	81 611
Net profit on continuing operations	188 277	284 502	43 698	66 887
Net profit on discontinued operations	20 697	14 180	4 804	3 334
Net profit for the period	208 974	298 682	48 502	70 220
Net profit for the period attributable to owners of the parent	208 928	298 534	48 491	70 185
Basic and diluted profit per share attributable to owners of the parent (in PLN)	4.53	6.48	1.05	1.52

** Amounts restated in application of IFRS 5*

Consolidated statement of cash flows	PLN `000		EUR `000	
	9 months ended Sep. 30, 2019	9 months ended Sep. 30, 2018	9 months ended Sep. 30, 2019	9 months ended Sep. 30, 2018
Net cash generated by operating activities	372 772	287 172	86 518	67 514
Net cash generated by/(used) in investing activities	(103 488)	117 424	(24 019)	27 606
Net cash used in financing activities	(59 535)	(124 611)	(13 818)	(29 296)
Net cash flow, total	209 749	279 985	48 681	65 825

Consolidated statement of financial position	PLN `000		EUR `000	
	Sep. 30, 2019	Dec. 31, 2018	Sep. 30, 2019	Dec. 31, 2018
Non-current assets	2 838 690	2 546 642	649 051	592 242
Current assets	838 157	663 148	191 640	154 220
Assets classified as held for sale	76 734	8 690	17 545	2 021
Equity	2 387 720	2 386 786	545 939	555 067
Equity attributable to owners of the parent	2 387 323	2 386 425	545 849	554 983
Non-current liabilities	712 261	545 411	162 855	126 840
Current liabilities	638 250	286 283	145 932	66 577
Liabilities associated with assets classified as held for sale	15 350	0	3 510	0

Selected operating figures	9 months ended Sep. 30, 2019	9 months ended Sep. 30, 2018
Number of hotels (at the end of period)	138	129
Number of rooms (at the end of period)	22 125	21 196
Occupancy rate (%)	74.0	73.7
Revenue per Available Room in PLN	200.2	192.0

2.2 Orbis S.A.

Income statement	PLN `000		EUR `000	
	9 months ended Sep. 30, 2019	9 months ended Sep. 30, 2018*	9 months ended Sep. 30, 2019	9 months ended Sep. 30, 2018*
Net sales	705 348	662 185	163 707	155 680
Operating profit	258 984	118 374	60 109	27 830
Net profit on continuing operations	187 820	99 342	43 592	23 355
Net profit on discontinued operations	16 895	13 794	3 921	3 243
Net profit for the period	204 715	113 136	47 513	26 598
Basic and diluted profit per share (in PLN)	4.44	2.46	1.03	0.58

** Amounts restated in application of IFRS 5*

Statement of cash flows	PLN `000		EUR `000	
	9 months ended Sep. 30, 2019	9 months ended Sep. 30, 2018	9 months ended Sep. 30, 2019	9 months ended Sep. 30, 2018
Net cash generated by operating activities	206 449	183 269	47 916	43 087
Net cash generated by/(used in) investing activities	(33 196)	146 040	(7 705)	34 334
Net cash used in financing activities	(27 955)	(83 676)	(6 488)	(19 672)
Net cash flow, total	145 298	245 633	33 723	57 748

Statement of financial position	PLN `000		EUR `000	
	Sep. 30, 2019	Dec. 31, 2018	Sep. 30, 2019	Dec. 31, 2018
Non-current assets	2 316 394	2 271 603	529 631	528 280
Current assets	796 848	567 489	182 195	131 974
Assets classified as held for sale	14 906	8 690	3 408	2 021
Equity	2 126 664	2 121 463	486 250	493 363
Non-current liabilities	479 528	543 010	109 641	126 281
Current liabilities	506 687	183 309	115 851	42 630
Liabilities associated with assets classified as held for sale	15 269	0	3 491	0

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

- For items of the income statement and the statement of cash flows:
  - 4.3086 – the exchange rate calculated as the average of exchange rates quoted by the National Bank of Poland on the last day of each month of 9 months of 2019,
  - 4.2535 – the exchange rate calculated as the average of exchange rates quoted by the National Bank of Poland on the last day of each month of 9 months of 2018.
- For items of the statement of financial position:
  - 4.3736 – the exchange rate quoted by the National Bank of Poland on September 30, 2019,
  - 4.3000 – the exchange rate quoted by the National Bank of Poland on December 31, 2018.

(figures quoted in PLN thousand, unless otherwise stated)

3 CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF THE ORBIS GROUP

3.1 Consolidated income statement

	3 months ended Sep. 30, 2019	9 months ended Sep. 30, 2019	3 months ended Sep. 30, 2018*	9 months ended Sep. 30, 2018*
Net sales	**406 285**	**1 090 337**	**378 903**	**1 054 773**
Outsourced services	(83 993)	(232 783)	(75 268)	(221 753)
Employee benefit expense	(88 948)	(275 737)	(84 660)	(270 278)
Raw materials and energy used	(45 920)	(144 542)	(42 005)	(138 590)
Taxes and charges	(7 941)	(24 236)	(10 692)	(31 890)
Other expenses by nature	(2 721)	(8 218)	(3 447)	(9 617)
Impairment of receivables	(558)	(1 005)	589	1 038
Net other operating income/(expenses)	(1 682)	(23)	(928)	172
EBITDAR	**174 522**	**403 793**	**162 492**	**383 855**
Rental expense	(2 936)	(8 895)	(13 999)	(42 281)
Operating EBITDA	**171 586**	**394 898**	**148 493**	**341 574**
Depreciation and amortisation	(55 537)	(164 071)	(42 603)	(124 919)
Operating profit without the effects of one-off events	**116 049**	**230 827**	**105 890**	**216 655**
Result on sale of real property	108	59 194	32	129 380
Revaluation of non-current assets	0	(2 805)	2 336	2 336
Restructuring costs	(1 470)	(1 929)	(491)	(388)
Result of other one-off events	(6 608)	(13 739)	(851)	(851)
Operating profit	**108 079**	**271 548**	**106 916**	**347 132**
Finance income	1 450	3 384	612	1 151
Finance costs	(18 307)	(39 957)	(9 164)	(16 328)
Profit before tax	**91 222**	**234 975**	**98 364**	**331 955**
Income tax expense	(16 798)	(46 698)	(18 962)	(47 453)
Net profit on continuing operations	**74 424**	**188 277**	**79 402**	**284 502**
Net profit on discontinued operations	**5 469**	**20 697**	**4 264**	**14 180**
Net profit for the period	**79 893**	**208 974**	**83 666**	**298 682**
- attributable to owners of the parent	79 867	208 928	83 644	298 534
- attributable to non-controlling interests	26	46	22	148
Profit per ordinary share				
Basic and diluted profit per share attributable to owners of the parent for the period (in PLN)	1.73	4.53	1.82	6.48
Basic and diluted profit per share attributable to owners of the parent for the period – continuing operations (in PLN)	1.62	4.09	1.72	6.17
Basic and diluted profit per share attributable to owners of the parent for the period – discontinued operations (in PLN)	0.11	0.44	0.10	0.31

** Amounts restated in application of IFRS 5*

(figures quoted in PLN thousand, unless otherwise stated)

3.2 Consolidated statement of comprehensive income

	3 months ended Sep. 30, 2019	9 months ended Sep. 30, 2019	3 months ended Sep. 30, 2018*	9 months ended Sep. 30, 2018*
Net profit for the period	**79 893**	**208 974**	**83 666**	**298 682**
Items that will not be reclassified subsequently to profit or loss:				
Income tax relating to items that will not be reclassified subsequently	0	0	(9)	(9)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	2 015	(8 526)	(5 715)	10 250
The effective portion of the gain or loss on the hedging instrument entered into for cash flow hedges	0	0	0	75
Income tax relating to items that may be reclassified subsequently	0	0	0	(14)
Other comprehensive income/(loss) after tax	**2 015**	**(8 526)**	**(5 724)**	**10 302**
Total comprehensive income for the period	**81 908**	**200 448**	**77 942**	**308 984**
- attributable to owners of the parent	81 885	200 412	77 922	308 842
- attributable to non-controlling interests	23	36	20	142

** Amounts restated in application of IFRS 5*

(figures quoted in PLN thousand, unless otherwise stated)

3.3 Consolidated statement of financial position

Assets	As at:			
	Sep. 30, 2019	Jun. 30, 2019	Dec. 31, 2018	Sep. 30, 2018
Non-current assets	**2 838 690**	**2 859 926**	**2 546 642**	**2 452 470**
Property, plant and equipment, of which:	2 668 814	2 686 627	2 415 834	2 315 669
- right-of-use assets	580 084	589 456	0	0
Investment property, of which:	5 029	5 103	3 538	3 837
- right-of-use assets	3 787	3 800	0	0
Intangible assets, of which:	111 023	111 195	114 831	114 600
- goodwill	108 717	108 606	111 682	111 647
Contract assets	0	377	388	0
Other financial assets	0	0	0	6 944
Deferred tax assets	52 973	55 629	10 983	10 323
Other non-current assets	851	995	1 068	1 097
Current assets	**838 157**	**746 711**	**663 148**	**634 918**
Inventories	6 042	6 021	6 463	5 812
Trade receivables	67 376	74 901	69 707	97 768
Income tax receivables	3 636	5 721	4 385	569
Other current receivables	20 372	27 949	44 759	33 607
Cash and cash equivalents	740 731	632 119	537 834	497 162
Assets classified as held for sale, of which:	**76 734**	**27 406**	**8 690**	**23 210**
- right-of-use assets	3 075	2 647	0	0
TOTAL ASSETS	**3 753 581**	**3 634 043**	**3 218 480**	**3 110 598**

(figures quoted in PLN thousand, unless otherwise stated)

Equity and Liabilities	As at:			
	Sep. 30, 2019	Jun. 30, 2019	Dec. 31, 2018	Sep. 30, 2018
Equity	**2 387 720**	**2 305 812**	**2 386 786**	**2 314 975**
Equity attributable to owners of the parent	**2 387 323**	**2 305 438**	**2 386 425**	**2 314 632**
Share capital	517 754	517 754	517 754	517 754
Reserves	133 333	133 333	133 333	133 333
Retained earnings	1 737 073	1 657 206	1 727 659	1 664 017
Foreign currency translation reserve	(837)	(2 855)	7 679	(472)
Non-controlling interests	**397**	**374**	**361**	**343**
Non-current liabilities	**712 261**	**717 928**	**545 411**	**547 812**
Bonds	200 840	202 205	502 111	502 655
Lease liabilities	481 031	485 102	0	0
Deferred tax liabilities	162	549	196	1 905
Contract liabilities	0	0	2 097	1 901
Deferred revenue	0	0	10 928	10 978
Other non-current liabilities	6 918	7 084	7 200	6 236
Provision for retirement benefits and similar obligations	21 283	21 285	21 341	18 771
Provisions for liabilities	2 027	1 703	1 538	5 366
Current liabilities	**638 250**	**598 373**	**286 283**	**247 811**
Bonds	302 149	300 008	0	0
Lease liabilities	49 339	45 360	0	0
Trade payables	87 972	84 465	80 706	80 570
Liabilities associated with tangible assets	16 107	16 304	73 595	12 107
Income tax liabilities	29 059	8 313	13 603	21 360
Contract liabilities	49 161	57 990	30 779	47 602
Deferred revenue	3 727	2 800	6 735	6 702
Other current liabilities	95 979	78 446	76 124	75 368
Provision for retirement benefits and similar obligations	3 503	3 503	3 389	2 962
Provisions for liabilities	1 254	1 184	1 352	1 140
Liabilities associated with assets classified as held for sale, of which:	**15 350**	**11 930**	**0**	**0**
- lease liabilities	3 058	2 597	0	0
TOTAL EQUITY AND LIABILITIES	**3 753 581**	**3 634 043**	**3 218 480**	**3 110 598**

(figures quoted in PLN thousand, unless otherwise stated)

3.4 Consolidated statement of changes in equity

	Equity attributable to owners of the parent				Non-controlling interests	Total
	Share capital	Reserves	Retained earnings	Foreign currency translation reserve		
Twelve months ended December 31, 2018						
Balance as at January 1, 2018 (as reported)	**517 754**	**133 272**	**1 440 378**	**(10 728)**	**201**	**2 080 877**
- adjustment for IFRS 15	0	0	(1 227)	0	0	**(1 227)**
Balance as at January 1, 2018 (restated)	**517 754**	**133 272**	**1 439 151**	**(10 728)**	**201**	**2 079 650**
- net profit for the period	0	0	363 198	0	160	**363 358**
- other comprehensive income/(loss)	0	61	(967)	18 407	0	**17 501**
Total comprehensive income for the period	**0**	**61**	**362 231**	**18 407**	**160**	**380 859**
- dividends	0	0	(73 723)	0	0	**(73 723)**
Balance as at December 31, 2018	**517 754**	**133 333**	**1 727 659**	**7 679**	**361**	**2 386 786**
of which: nine months ended September 30, 2018						
Balance as at January 1, 2018 (as reported)	**517 754**	**133 272**	**1 440 378**	**(10 728)**	**201**	**2 080 877**
- adjustment for IFRS 15	0	0	(1 163)	0	0	**(1 163)**
Balance as at January 1, 2018 (restated)	**517 754**	**133 272**	**1 439 215**	**(10 728)**	**201**	**2 079 714**
- net profit for the period	0	0	298 534	0	148	**298 682**
- other comprehensive income/(loss)	0	61	(9)	10 256	(6)	**10 302**
Total comprehensive income for the period	**0**	**61**	**298 525**	**10 256**	**142**	**308 984**
- dividends	0	0	(73 723)	0	0	**(73 723)**
Balance as at September 30, 2018	**517 754**	**133 333**	**1 664 017**	**(472)**	**343**	**2 314 975**
Nine months ended September 30, 2019						
Balance as at January 1, 2019 (reported)	**517 754**	**133 333**	**1 727 659**	**7 679**	**361**	**2 386 786**
- adjustment for IFRS 16	0	0	(199 514)	0	0	**(199 514)**
Balance as at January 1, 2019 (restated)*	**517 754**	**133 333**	**1 528 145**	**7 679**	**361**	**2 187 272**
- net profit for the period	0	0	208 928	0	46	**208 974**
- other comprehensive income/(loss)	0	0	0	(8 516)	(10)	**(8 526)**
Total comprehensive income/(loss) for the period	**0**	**0**	**208 928**	**(8 516)**	**36**	**200 448**
Balance as at September 30, 2019	**517 754**	**133 333**	**1 737 073**	**(837)**	**397**	**2 387 720**
of which: three months ended September 30, 2019						
Balance as at July 1, 2019	**517 754**	**133 333**	**1 657 206**	**(2 855)**	**374**	**2 305 812**
- net profit for the period	0	0	79 867	0	26	**79 893**
- other comprehensive income/(loss)	0	0	0	2 018	(3)	**2 015**
Total comprehensive income for the period	**0**	**0**	**79 867**	**2 018**	**23**	**81 908**
Balance as at September 30, 2019	**517 754**	**133 333**	**1 737 073**	**(837)**	**397**	**2 387 720**

** description of the restatement in Section 5.8*

(figures quoted in PLN thousand, unless otherwise stated)

3.5 Consolidated statement of cash flows

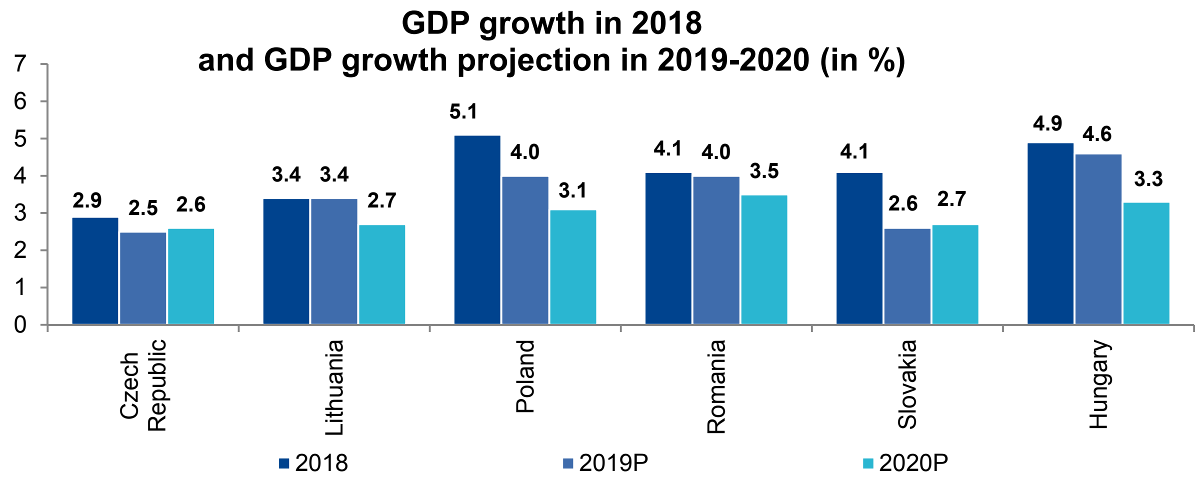
	3 months ended Sep. 30, 2019	9 months ended Sep. 30, 2019	3 months ended Sep. 30, 2018	9 months ended Sep. 30, 2018
OPERATING ACTIVITIES				
Profit before tax, of which:	**97 667**	**258 926**	**103 068**	**348 431**
- from continuing operations	**91 222**	**234 975**	**98 364**	**331 955**
- from discontinued operations	**6 445**	**23 951**	**4 704**	**16 476**
Adjustments:	**73 828**	**158 484**	**18 094**	**(36 266)**
Depreciation and amortisation	55 539	164 077	42 605	124 927
Foreign exchange losses	3 592	6 358	5 229	15 114
Interest and other borrowing costs	11 584	26 635	2 914	9 965
Gain from investing activities	(344)	(56 560)	(448)	(144 102)
Change in receivables and contract assets	(12 914)	(30 471)	(16 251)	(33 122)
Change in contract liabilities	(8 931)	18 896	(1 459)	19 677
Change in other liabilities, excluding borrowings	24 916	25 922	(11 855)	(24 509)
Change in deferred revenue	(20)	(84)	(131)	(1 401)
Change in provisions	409	509	(1 467)	(1 931)
Change in inventories	(2)	397	1 283	1 442
Other adjustments	(1)	2 805	(2 326)	(2 326)
Cash generated from operations	**171 495**	**417 410**	**121 162**	**312 165**
Income taxes paid	(12 078)	(44 638)	(9 403)	(24 993)
Net cash generated by operating activities	**159 417**	**372 772**	**111 759**	**287 172**
INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment, intangible assets and investment properties	463	56 518	20 129	353 022
Interest received	1 387	3 383	477	1 074
Other investing cash inflows	965	1 128	(810)	4 635
Hotel acquisition expense	0	0	(46 689)	(46 689)
Other payments for property, plant and equipment and intangible assets	(36 335)	(164 517)	(87 822)	(194 003)
Loans granted	0	0	(8)	(605)
Increase in share capital of related parties	0	0	(10)	(10)
Net cash used in investing activities	**(33 520)**	**(103 488)**	**(114 733)**	**117 424**
FINANCING ACTIVITIES				
Dividends and other payments to owners	0	0	(73 723)	(73 723)
Repayment of borrowings	0	0	182	(40 545)
Interest paid and other financing cash outflows resulting from received borrowings	0	0	(14)	(390)
Interest paid and other financing cash outflows resulting from issue of bonds	(2 816)	(9 798)	(2 836)	(9 953)
Payment of liabilities under lease agreements	(10 528)	(40 138)	0	0
Payment of interest on liabilities under lease agreements	(2 143)	(9 599)	0	0
Net cash used in financing activities	**(15 487)**	**(59 535)**	**(76 391)**	**(124 611)**
Change in cash and cash equivalents	**110 410**	**209 749**	**(79 365)**	**279 985**
Effects of exchange rate changes on the balance of cash held in foreign currencies	1 303	(412)	(5 493)	2 333
Cash and cash equivalents at the beginning of the period	**635 458**	**537 834**	**582 020**	**214 844**
Cash and cash equivalents at the end of the period	**747 171**	**747 171**	**497 162**	**497 162**
Including cash classified as assets held for sale	6 440	6 440	0	0

4 COMMENTS ON THE RESULTS OF THE ORBIS GROUP

4.1 Macroeconomic environment

Continuing growth

In 2019 we observed a weaker economic growth in the region of the Eastern Europe than a year ago, but the average growth still remains above 3.0%. Investments and private consumption are most likely the key drivers of growth. Economies of Central and Eastern European countries 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. However, negative signals coming from abroad should not be ignored. The slowdown in main export markets coupled with increasing domestic demand which strengthens imports is bound to exacerbate trade deficit in the future.



Source: International Monetary Fund, World Economic Outlook

Slowdown of the manufacturing sector

After a very good year 2018, the manufacturing sector has slowed down slightly. In 2019, the PMI index which is the gauge of the economic conditions remained below 50 points in Poland and the Czech Republic (respectively 47.8 and 44.9 at the end of September 2019). The economy continues to grow robustly in Hungary (the PMI index remains at a positive level of 51.8 pts. at the end of September 2019). The economic trends also slowed down to below 50 pts. in Europe (Euroland's PMI was at the level of 45.7 at the end of September 2019).

Strong labour market

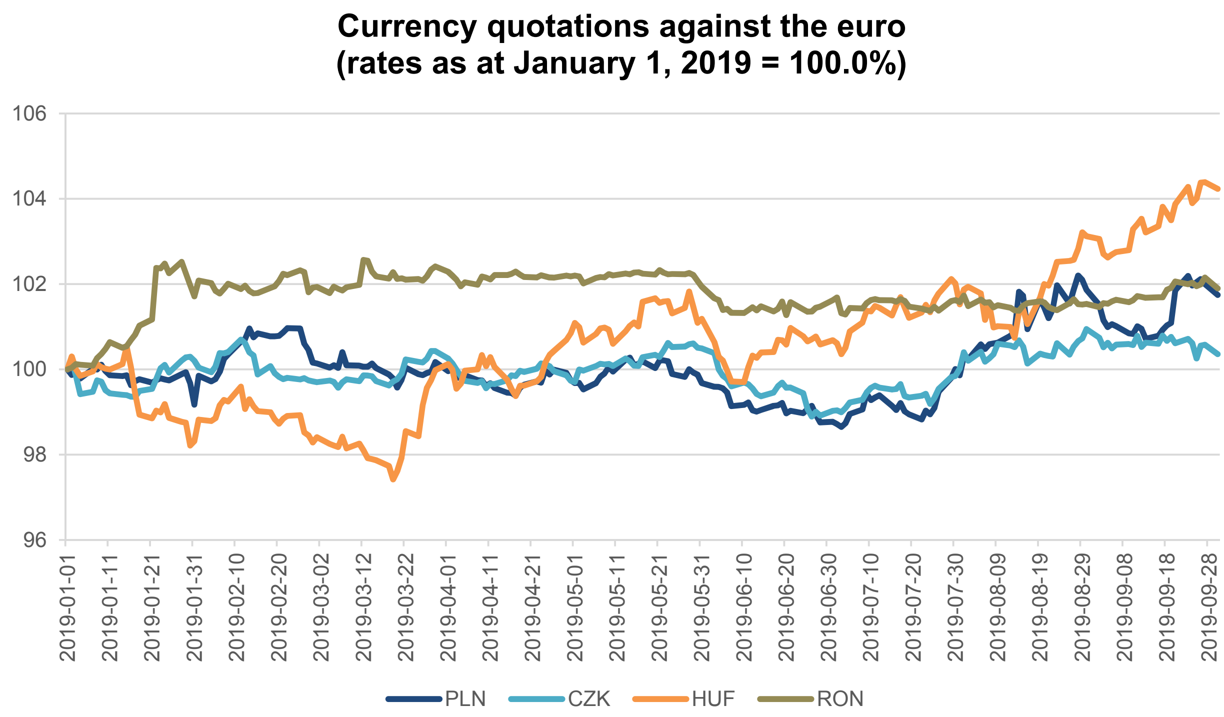
The difficult labour market, i.e. shortage of employees and the growing wage & salary dynamics is one of the main challenges for future business and economy growth. In most countries of the region, we are observing a significant decrease in unemployment as compared to the same period of the past year, which translates into one-digit unemployment rates. The unemployment rates in some economies in recent months reached their lowest ever levels (Poland - 5.2%, the Czech Republic – 2.7%, Romania – 3.0% 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 rate has generally remained stable. At the beginning of 2019, we observed a slight increase in the CPI index caused by rising fuel price and further food prices growth. The inflation rate in Poland decreased to 2.6% at the end of September. Similar low CPI levels of, respectively, 2.7% and 1.0%, 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.

Strengthening at the currency market versus the euro in recent months

Currencies in the region have recently 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 4.35, the CZK/EUR rate around CZK 25.80 and the rate of the Hungarian forint was around HUF 335.



Source: Thomson Reuters

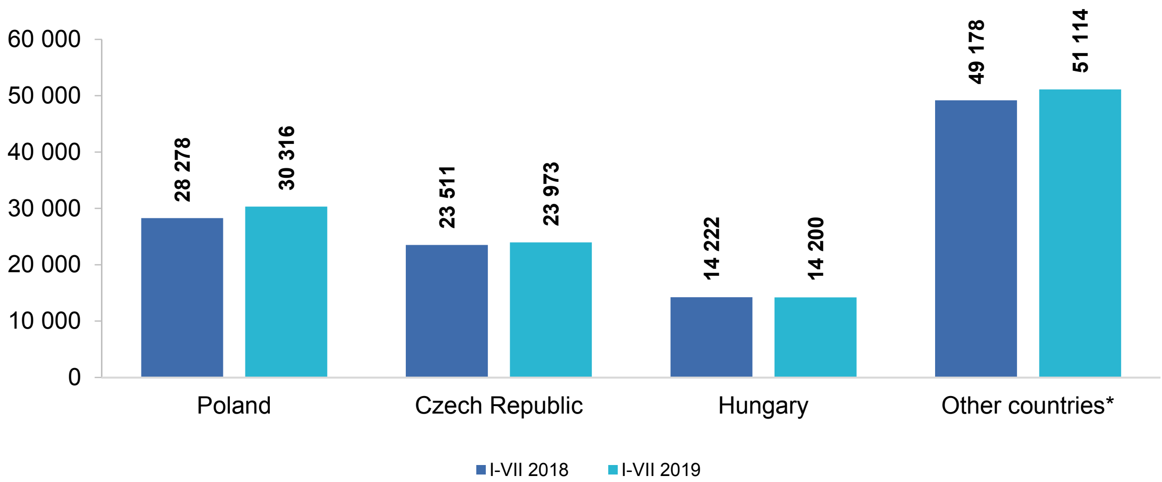
Forecasts indicate growth deceleration

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.

4.2 Hotel market – positive trends

The operating ratios of hotels operating in the major cities of Central and Eastern Europe improved in the period of 9 months of 2019 despite a last year's high base.

Number of rooms and nights spent in hotels and similar establishments in Eastern Europe (in thousand)



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

Source: Eurostat

In most countries where the Orbis Group operates, the growth was driven by the Average Room Rate (ARR). The Occupancy Rate was around the last year's level or slightly decreased. 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 (+12.2%), Budapest (+5.4%) and the Tricity (+4.8%). Bucharest also achieved the highest RevPAR increase (+13.4%). In Poland, the highest increases were achieved by Wrocław hotels (+10.2% RevPAR growth). The highest revenue decreases have been observed in Poznań and Vilnius (-10.3% and -8.9% respectively) due to the high base reached in the past year.

4.3 Hotel portfolio of the Orbis Group

The Orbis Group is the largest hotel operator in Poland and in the Central & Eastern Europe. As at the end of September 2019, the Group's network comprised a total of 138 hotels with over 22.1 thousand rooms. The majority of these hotels (75 establishments) operate in Poland.

Hotel portfolio	Sep. 30, 2019	Jun. 30, 2019	Dec. 31, 2018	Sep. 30, 2018	Sep. 30, 2019/ Dec. 31, 2018	Sep. 30, 2019/ Sep. 30, 2018
Number of hotels, of which:	**138**	**136**	**133**	**129**	**3.8%**	**7.0%**
Owned and leased hotels	73	72	73	71	0.0%	2.8%
Managed hotels	21	19	18	17	16.7%	23.5%
Franchised hotels	44	45	42	41	4.8%	7.3%
Number of rooms, of which:	**22 125**	**21 931**	**21 675**	**21 196**	**2.1%**	**4.4%**
Owned and leased hotels	14 142	14 132	14 385	14 016	-1.7%	0.9%
Managed hotels	3 138	2 864	2 658	2 544	18.1%	23.3%
Franchised hotels	4 845	4 935	4 632	4 636	4.6%	4.5%

Change in the number of managed hotels in the 9 months of 2019 is the result of opening of the ibis Tallinn Center hotel in Estonia in June 2019 and the MGallery Wrocław hotel in August 2019, as well as the changeover of the Mercure Bydgoszcz Sepia hotel franchise agreement into a management agreement (in September 2019). The change in the number of owned hotels is the result of sale and franchise back of the ibis budget Toruń hotel (in February 2019) and opening of the ibis Budapest Castle Hill hotel in August 2019. 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 (in February 2019) and the Mercure Sibiu Airport in Romania (in June 2019).

Change in the number of hotels as compared to September 30, 2018, was additionally caused by:
a) opening of new owned hotels:

- ibis Styles Warszawa Centrum (November 2018),
- ibis Poznań (December 2018),

b) 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),

c) opening of the ibis Styles Budapest City West hotel in Hungary under management agreement (December 2018).
d) termination of cooperation under franchise agreements with the Mercure Mrągowo Resort & SPA hotel (at the end of September 2018).

4.4 Important events of 9 months of 2019

The most important events of 9 months of 2019 which affected the financial figures of the 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 likely take place no later than by December 31, 2019 (the date of the transaction depends on the date of completion of the procedures related to obtaining funds to finance the purchase of the real property by the buyer). Accordingly, the total net price obtained by Orbis will amount to PLN 11 000 thousand, in line with the original agreement. The ibis budget Toruń hotel will continue to operate under the existing brand name based on long-term franchise agreements. As regards the neighbouring real property, after finalizing its acquisition and completing the construction of the hotel located there, the purchaser will operate the hotel under the ibis Styles brand.

Sale of a non-hotel real property in Szczecin

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

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

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

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

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

On June 12, 2019, Orbis signed a non-binding Head of Terms with Accor S.A., in which the parties agreed key terms and conditions of the planned disposal, by Orbis to Accor Group's subsidiaries, of the entire asset light business and entering into a long term hotel management agreements under which Accor's subsidiaries will manage all hotels owned and leased by Orbis and its subsidiaries ("Asset Light Business"). The price which shall be paid by Accor for the purchase of the Asset Light Business amounts to PLN 1 218 360 thousand.

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 for the disposal of the Asset Light Business to Accor S.A. is within the range of the fair market value. The valuation of the Asset Light Business was prepared on a debt-free, cash free basis as at December 31, 2018. The fair market value refers in general to the amount at which the Asset Light Business would change hands between a willing seller and a willing buyer when neither is under compulsion and when both have reasonable knowledge of the relevant facts.

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

Conclusion of an agreement for the sale of entire hotel service business (asset light business)

On September 17, 2019 Orbis S.A. with its selected subsidiaries concluded with Accor S.A. and its selected subsidiaries an agreement for the sale of the entire hotel service business carried on directly by Orbis S.A. in Poland (the so-called "Service Department") and, indirectly through its particular subsidiaries in Hungary, Romania, the Czech Republic and Lithuania. The sale transaction will in particular include the following: (i) all tangible and intangible assets, liabilities belonging to, or functionally or organizationally related to the services, including any and all rights and obligations arising under license agreements, management and franchise agreements, receivables and liabilities, employees and any other rights and obligations related to the services provided by the Orbis S.A. and its subsidiaries to hotels under franchise and management agreements, and (ii) the conclusion of long-term management agreements under which Accor S.A. with its selected subsidiaries would manage all of the hotels owned or leased by Orbis S.A. and its subsidiaries. The Parties resolved that the net total price for the sale of the service business in the abovementioned countries would be PLN 1 218 360 thousand.

The transaction will involve, among others, a direct sale by Orbis S.A. of an organized part of the enterprise separated as the Services Department and the service business carried on through it in Poland, for the price equal to PLN 579 624 thousand. The sale of the Service Department shall in particular encompass the following:
- any and all rights and obligations arising under the Master License Agreement made between Accor and Orbis S.A. on January 7, 2015 and any additional agreements made in connection therewith;
- any and all rights and obligations arising under the Soluxury Master License Agreement made between Soluxury HMC and Orbis S.A. on January 7, 2015 and any additional agreements made in connection therewith;
- any and all rights and obligations arising under the hotel management agreement and the franchise agreements, as well as under any other agreements functionally related to the activities of the Services Department;
- assets functionally related to the activities of the Services Department;
- specialist software and applications functionally and organizationally related to the activities of the Services Department;
- receivables and liabilities functionally and organizationally related to the activities of the Services Department;

- employees employed in the Services Department, as well as rights and obligations under the employment contracts concluded with such employees;
- all shares in Orbis Kontrakty sp. z o.o.

The agreement constitutes a binding obligatory sale agreement. The parties resolved that they intend to conclude transferring agreements and assign the Service Department and service businesses in other countries to Accor S.A. and its selected subsidiaries on October 31, 2019. As at the day of publication of the report, all conditions essential for completing the transaction were fulfilled. These conditions include obtaining of the relevant tax rulings in Poland and Hungary and Orbis shareholders' consent for the sale of the organized part of the enterprise in the form of the Service Department, which was given on October 18, 2019.

The purpose of the transaction involving the sale of the Service Department and service business is to enable Orbis S.A. and its subsidiaries to focus its strategy and operations on the real property part of their business which is being successfully developed through a range of investment programs: organic growth, acquisition of new buildings and modernization of those already held, as well as development of new facilities as part of the development of the hotel operations.

4.5 Discontinued operations and assets and liabilities classified as held for sale

4.5.1 Discontinued operations

In connection with the decision taken by the Management Board of Orbis S.A. concerning the sale of the asset light business of Orbis S.A. and companies belonging to the Orbis Group, and the signing, on September 17, 2019, of the agreement of sale of the entire asset light business (as described in Section 4.4), the results of this business are regarded as discontinued operations and assets and liabilities directly related to this business have been classified as a disposal group according to IFRS 5.

The basic categories of assets and liabilities comprising the operations classified as held for sale as at the balance sheet date and the results and cash flows from these operations in all the reported periods are presented below. The presented data include above all the receivables and income from management and franchise agreements, liabilities and direct costs related to services provided by Orbis S.A. and its subsidiaries to managed or franchised hotels as well as costs of obtaining new asset light contracts. In the case of Poland and Hungary, where the sale of the asset light business takes place by way of sale of organized parts of an enterprise, as at September 30, 2019, the assets held for sale also included fixed assets and intangible assets used for asset light operations, and liabilities include liabilities to employees who will be transferred to new companies established by Accor. In addition, the results and assets and liabilities of Orbis Kontrakty Sp. z o.o. have been classified as discontinued operations.

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

(figures quoted in PLN thousand, unless otherwise stated)

INCOME STATEMENT ON DISCONTINUED OPERATIONS	3 months ended Sep. 30, 2019	9 months ended Sep. 30, 2019	3 months ended Sep. 30, 2018	9 months ended Sep. 30, 2018
Net sales	**18 451**	**40 369**	**12 790**	**27 232**
Operation expenses, of which:	(14 869)	(20 554)	(9 773)	(13 305)
Employee benefit expense	*(1 152)*	*(3 978)*	*(1 208)*	*(3 264)*
Net other operating income/(expenses)	2 851	4 050	1 675	2 489
EBITDAR	**6 433**	**23 865**	**4 692**	**16 416**
Operating EBITDA	**6 433**	**23 865**	**4 692**	**16 416**
Depreciation and amortisation	(2)	(6)	(2)	(8)
Operating profit without the effects of one-off events	**6 431**	**23 859**	**4 690**	**16 408**
Operating profit	**6 431**	**23 859**	**4 690**	**16 408**
Finance income	15	98	14	70
Finance costs	(1)	(6)	0	(2)
Profit before tax	**6 445**	**23 951**	**4 704**	**16 476**
Income tax expense	(976)	(3 254)	(440)	(2 296)
Net profit on discontinued operations	**5 469**	**20 697**	**4 264**	**14 180**
Total comprehensive income on discontinued operations	**5 469**	**20 697**	**4 264**	**14 180**

STATEMENT OF CASH FLOWS ON DISCONTINUED OPERATIONS	3 months ended Sep. 30, 2019	9 months ended Sep. 30, 2019	3 months ended Sep. 30, 2018	9 months ended Sep. 30, 2018
Net cash generated by operating activities	11 644	26 320	4 994	15 231
Net cash generated by investing activities	10	93	5	55
Net cash flow, total	**11 654**	**26 413**	**4 999**	**15 286**

(figures quoted in PLN thousand, unless otherwise stated)

4.5.3 Assets and liabilities classified as held for sale

Assets and liabilities classified as held for sale include:

ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE	As at:			
	Sep. 30, 2019	Jun. 30, 2019	Dec. 31, 2018	Sep. 30, 2018
Assets light business, of which:	74 087	24 759	0	0
*- right-of-use assets**	*428*	*0*	*0*	*0*
Other right-of-use assets*	2 647	2 647	0	0
Other assets	0	0	8 690	23 210
Total assets classified as held for sale	**76 734**	**27 406**	**8 690**	**23 210**
Assets light business, of which:	12 721	9 333	0	0
*- lease liabilities**	*429*	*0*	*0*	*0*
Other lease liabilities*	2 629	2 597	0	0
Total liabilities associated with assets classified as held for sale	**15 350**	**11 930**	**0**	**0**

** information on the right-of-use assets and lease liabilities is provided in Note 5.8*

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

ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE (ASSET LIGHT BUSINESS)	as at, Sep. 30, 2019	as at June 30, 2019
Non-current assets	**4 132**	**7**
Property, plant and equipment, of which:	3 022	7
- right-of-use assets	*428*	*0*
Intangible assets	181	0
Contract assets	381	0
Deferred tax assets	548	0
Current assets	**69 955**	**24 752**
Trade receivables	30 848	21 336
Income tax receivables	13 870	60
Other short-term financial assets	18 797	17
Cash and cash equivalents	6 440	3 339
Assets classified as held for sale	**74 087**	**24 759**
Non-current liabilities	**2 397**	**3 065**
Lease liabilities	258	0
Deferred tax liabilities	0	920
Contract liabilities	2 139	2 145
Current liabilities	**10 324**	**6 268**
Lease liabilities	171	0
Trade payables	8 647	5 863
Contract liabilities	170	168
Other current liabilities	1 336	237
Liabilities associated with assets classified as held for sale	**12 721**	**9 333**

(figures quoted in PLN thousand, unless otherwise stated)

Furthermore, as at September 30, 2019 and June 30, 2019, assets classified as held for sale and liabilities associated with assets classified as held for sale included the right of perpetual usufruct of land in Częstochowa constituting the right-of-use asset, recognised in accordance with IFRS 16 *Leases*. This right is scheduled to be sold by the end of 2019.

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

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

- components of property, plant and equipment of the ibis budget Toruń hotel (including the right of perpetual usufruct of land with a building and its fixtures and fittings),
- land located in Toruń, built up with an unfinished building, initially planned to be as an ibis hotel,
- land with the ownership title of buildings located in Poznań at Prusimska street,
- non-hotel real property located in Wrocław, including the right to perpetual usufruct of land, buildings and facilities.

4.6 Financial results of the Orbis Group

In 9 months of 2019, the operating EBITDA of the Orbis Group on the continuing operations amounted to PLN 394.9 million, i.e. was by 15.6% higher as compared to the figures for 9 months of 2018. On the other hand, profit before tax went down by 29.2% to PLN 235.0 million due to lower results from one-off events.

Income statement – analytical approach (continuing operations)	9 months ended Sep. 30, 2019	9 months ended Sep. 30, 2019 without IFRS 16 impact	9 months ended Sep. 30, 2018	change (%) 9M 2019/ 9M 2018	change (%) 9M 2019 without IFRS 16 impact/ 9M 2018
Net sales	1 090 337	1 090 337	1 054 773	3.4%	3.4%
Net sales „like-for-like”	*1 062 223*	*1 062 223*	*1 011 942*	*5.0%*	*5.0%*
EBITDAR	403 793	393 977	383 855	5.2%	2.6%
Operating EBITDA	394 898	348 880	341 574	15.6%	2.1%
EBITDA „like-for-like”	*386 899*	*340 881*	*331 710*	*16.6%*	*2.8%*
Operating profit (EBIT) without the effects of one-off events	230 827	217 718	216 655	6.5%	0.5%
Operating profit (EBIT)	271 548	250 805	347 132	-21.8%	-27.7%
Net result from financing activities	(36 573)	(16 767)	(15 177)	-141.0%	-10.5%
Profit before tax	234 975	234 038	331 955	-29.2%	-29.5%

(figures quoted in PLN thousand, unless otherwise stated)

Income statement – analytical approach (continuing operations)	3rd quarter of 2019	3rd quarter of 2019 without IFRS 16 impact	3rd quarter of 2018	change (%) 3rd quarter of 2019/ 3rd quarter of 2018	change (%) 3rd quarter of 2019 without IFRS 16 impact/ 3rd quarter of 2018
Net sales	406 285	406 285	378 903	7.2%	7.2%
Net sales „like-for-like"	*396 117*	*396 117*	*376 529*	*5.2%*	*5.2%*
EBITDAR	174 522	171 295	162 492	7.4%	5.4%
Operating EBITDA	171 586	155 867	148 493	15.6%	5.0%
EBITDA „like-for-like"	*168 140*	*152 421*	*148 380*	*13.3%*	*2.7%*
Operating profit (EBIT) without the effects of one-off events	116 049	111 634	105 890	9.6%	5.4%
Operating profit (EBIT)	108 079	103 664	106 916	1.1%	-3.0%
Net result from financing activities	(16 857)	(7 274)	(8 552)	-97.1%	14.9%
Profit before tax	91 222	96 390	98 364	-7.3%	-2.0%

During 9 months of 2019, the Group's net sales were at the level of PLN 1 090.3 million, i.e. rose by 3.4% as compared to figures in 9 months of 2018.

During 9 months of 2019, the Revenue per Available Room (RevPAR) in owned hotels[1] of the Orbis Group stood at PLN 200.2, i.e. was by 4.3% higher compared to the 9 months of 2018. In the third quarter of 2019, the Revenue per Available Room in owned hotels of the Orbis Group reached PLN 227.6, i.e. it grew by 6.1% as compared to corresponding period of the past year. The main factors that contributed to the increase is the Average Room Rate which stood at PLN 270.5 (+3.9%) in 9 months of 2019 and 281.0 (+5.9%) in the third quarter of 2019.

Operating ratios of owned hotels	9 months of 2019	9 months of 2018	change (%)	9 months of 2019	9 months of 2018	change (%)
	as reported			like-for-like		
Orbis Hotel Group*						
Occupancy Rate (%)	74.0	73.7	0.3 p.p.	74.8	74.4	0.4 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	270.5	260.4	3.9%	272.3	259.2	5.1%
Revenue per Available Room (RevPAR) in PLN	200.2	192.0	4.3%	203.6	192.8	5.6%

Operating ratios of owned hotels	3rd quarter of 2019	3rd quarter of 2018	change (%)	3rd quarter of 2019	3rd quarter of 2018	change (%)
	as reported			like-for-like		
Orbis Hotel Group						
Occupancy Rate (%)	81.0	80.8	0.2 p.p.	81.6	81.2	0.4 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	281.0	265.4	5.9%	283.2	267.1	6.0%
Revenue per Available Room (RevPAR) in PLN	227.6	214.6	6.1%	231.2	216.8	6.6%

**A detailed list of the Orbis Group's operational ratios for 9 months of 2019 and for Q3 2019 from various angles was 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.

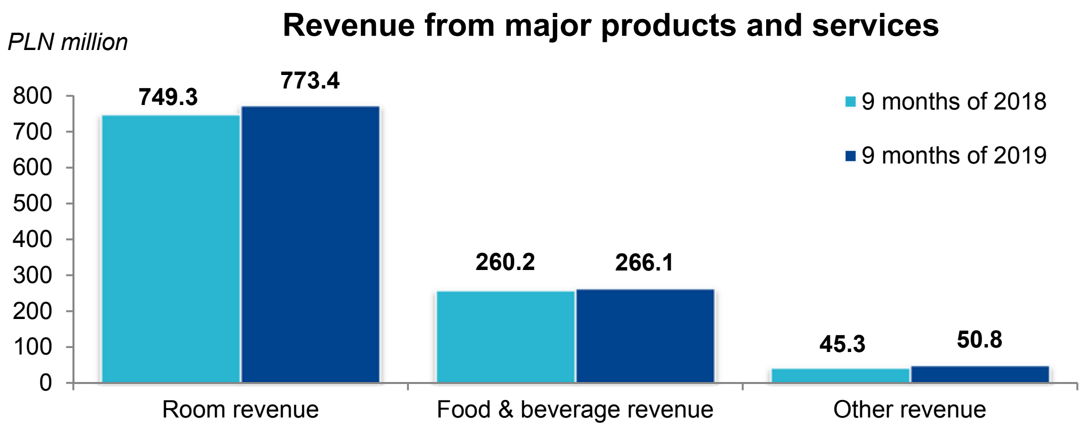
There were no significant changes in the **structure of Group's revenue** from major products and services versus 9 months of 2018. During the period from January to September 2019, room revenue totalled PLN 773.4 million, which accounted for 70.9% of all the Group's revenues. The room revenue increased by 3.2% as compared to the figures for 9 months of the past year.

Food and beverage revenue in 9 months of 2019 stood at PLN 266.1 million and accounted for 24.4% of consolidated revenues. The room revenue slightly increased by 2.3% as compared to the 9 months of 2018.

Other revenue, comprising chiefly proceeds from real property and car park rentals, accounted for 4.7% of consolidated revenue (4.3% in comparative period).

Revenue from franchise and management was classified to discontinued operations.

In the 9 months 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 859.5 million in the reporting period, i.e. grew insignificantly (by PLN 21.1 million, i.e. 2.5%) as compared to 9 months of 2018. The increase (by PLN 11.0 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 corresponding period of 2018, the largest decrease was reported in the costs of taxes and charges (by PLN 7.7 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 right-of-use assets amounted to PLN 36.2 million in the 9 months of 2019.

Despite the costs' increase, **the operating EBITDA grew by 15.6% up to PLN 394.9 million**, and the **operating result excluding one-off events totalled PLN 230.9 million**, i.e. was by 6.5% higher than in the corresponding period of the past year.

In the reported period the Orbis Group generated a positive result of PLN 40.7 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 (PLN 10.9 million), costs associated with the launch of the leased MGallery Prague hotel buy-out transaction and costs of arbitration proceedings commenced in connected with this buyout (PLN 1.4 million), costs of liquidation of fixed assets in Hungary (PLN 1.2 million) as well as costs of goodwill impairment (PLN 2.5 million).

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, the Mercure Cieszyn hotel, the ibis Styles Bielsko-Biała hotel, the ibis Pilsen hotel and non-hotel real property located in Karpacz and Warsaw. Furthermore, the Group also recognized the revenue in connection with impairment reversal related to hotel in Czech Republic.

As a result of the above described changes, in 9 months of 2019 the Group generated **the operating result (EBIT) of PLN 271.5 million** as compared to PLN 347.1 million in the past year.

In connection with the entry into force of IFRS 16, during 9 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 9 months of 2019 amounted to PLN 15.9 million. Accrued interest and debt service costs related to bond issue remained at a comparable level. Additionally, higher financial costs were also attributable to interest accrued on tax liabilities (PLN 7.6 million) and foreign exchange losses on valuation of transactions in foreign currencies.

The Orbis Group closed the 9 months of 2019 with **a net profit of PLN 188.3 million from continuing operations** as compared to a profit of PLN 284.5 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 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 20.7 million), the Orbis Group closed 9 months of 2019 with **a net profit of PLN 209.0 million.**

4.7 Segment reporting

The Orbis Group distinguishes two reportable operating segments:

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

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

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

4.7.1 Results per operating segments

As at September 30, 2019, the individual operating segments included:

- the Up&Midscale segment: 3 Sofitel hotels, 20 Novotel hotels, 14 Mercure hotels and 1 MGallery hotel;
- the Economy segment: 24 ibis hotels, 8 ibis budget hotels and 3 ibis Styles hotels.

On the other hand, as at September 30, 2018, the individual operating segments included:

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

Unallocated operations comprise revenues and expenses of the Head Office (including revenues and expenses of investment property rentals and franchise and management revenue classified as discontinued operations) as well as one-off and non-recurring events, such as revaluation of non-financial non-current assets, result on disposal of real property and restructuring costs. Also, current and deferred income tax expense is recognised under unallocated operations (the Group does not calculate income tax for the respective operating segments).

(figures quoted in PLN thousand, unless otherwise stated)

9 months of 2019	Operating segments		Unallocated operations and consolidation adjustments	Consolidated value
	Up&Midscale Hotels	Economy Hotels		
Segment revenue, of which:	**817 035**	**264 860**	**8 442**	**1 090 337**
Sale to external clients	817 035	264 860	8 442	1 090 337
EBITDAR	**343 016**	**130 742**	**(69 965)**	**403 793**
Operating EBITDA	**335 347**	**130 378**	**(70 827)**	**394 898**
Depreciation and amortisation	(117 021)	(42 171)	(4 879)	(164 071)
Operating profit/(loss) without the effects of one-off events	**218 326**	**88 207**	**(75 706)**	**230 827**
Result of one-off events	0	0	40 721	40 721
Operating profit/(loss) (EBIT)	**218 326**	**88 207**	**(34 985)**	**271 548**
Finance income/(costs)	(14 680)	(5 071)	(16 822)	(36 573)
Income tax	0	0	(46 698)	(46 698)
Net profit/(loss) on continuing operations	**203 646**	**83 136**	**(98 505)**	**188 277**
Discontinued operations	0	0	20 697	20 697
Net profit/(loss)	**203 646**	**83 136**	**(77 808)**	**208 974**
Capital expenditure	91 663	15 605	9 600	116 868

9 months of 2019 without IFRS 16 impact	Operating segments		Unallocated operations and consolidation adjustments	Consolidated value
	Up&Midscale Hotels	Economy Hotels		
Segment revenue, of which:	**817 035**	**264 860**	**8 442**	**1 090 337**
Sale to external clients	817 035	264 860	8 442	1 090 337
EBITDAR	**336 647**	**128 464**	**(71 134)**	**393 977**
Operating EBITDA	**301 068**	**120 817**	**(73 005)**	**348 880**
Depreciation and amortisation	(91 714)	(36 038)	(3 410)	(131 162)
Operating profit/(loss) without the effects of one-off events	**209 354**	**84 779**	**(76 415)**	**217 718**
Result of one-off events	0	0	33 087	33 087
Operating profit/(loss) (EBIT)	**209 354**	**84 779**	**(43 328)**	**250 805**
Finance income/(costs)	(538)	(389)	(15 840)	(16 767)
Income tax	0	0	(46 052)	(46 052)
Net profit/(loss) on continuing operations	**208 816**	**84 390**	**(105 220)**	**187 986**
Discontinued operations	0	0	20 697	20 697
Net profit/(loss)	**208 816**	**84 390**	**(84 523)**	**208 683**
Capital expenditure	91 663	15 605	9 600	116 868

(figures quoted in PLN thousand, unless otherwise stated)

9 months of 2018	**Operating segments**		**Unallocated operations and consolidation adjustments**	**Consolidated value**
	Up&Midscale Hotels	**Economy Hotels**		
Segment revenue, of which:	**805 205**	**239 749**	**9 819**	**1 054 773**
Sale to external clients	805 205	239 749	9 819	1 054 773
EBITDAR	**335 383**	**118 589**	**(70 117)**	**383 855**
Operating EBITDA	**301 345**	**111 580**	**(71 351)**	**341 574**
Depreciation and amortisation	(91 426)	(30 217)	(3 276)	(124 919)
Operating profit/(loss) without the effects of one-off events	**209 919**	**81 363**	**(74 627)**	**216 655**
Result of one-off events	0	0	130 477	130 477
Operating profit (EBIT)	**209 919**	**81 363**	**55 850**	**347 132**
Finance income/(costs)	(822)	(612)	(13 743)	(15 177)
Income tax	0	0	(47 453)	(47 453)
Net profit/(loss) on continuing operations	**209 097**	**80 751**	**(5 346)**	**284 502**
Discontinued operations	0	0	14 180	14 180
Net profit/(loss)	**209 097**	**80 751**	**8 834**	**298 682**
Capital expenditure	128 746	92 488	2 870	224 104

3rd quarter of 2019	**Operating segments**		**Unallocated operations and consolidation adjustments**	**Consolidated value**
	Up&Midscale Hotels	**Economy Hotels**		
Segment revenue, of which:	**302 074**	**101 408**	**2 803**	**406 285**
Sale to external clients	302 074	101 408	2 803	406 285
EBITDAR	**139 767**	**53 740**	**(18 985)**	**174 522**
Operating EBITDA	**137 423**	**53 428**	**(19 265)**	**171 586**
Depreciation and amortisation	(39 461)	(13 911)	(2 165)	(55 537)
Operating profit/(loss) without the effects of one-off events	**97 962**	**39 517**	**(21 430)**	**116 049**
Result of one-off events	0	0	(7 970)	(7 970)
Operating profit/(loss) (EBIT)	**97 962**	**39 517**	**(29 400)**	**108 079**
Finance income/(costs)	(7 704)	(1 836)	(7 317)	(16 857)
Income tax	0	0	(16 798)	(16 798)
Net profit/(loss) on continuing operations	**90 258**	**37 681**	**(53 515)**	**74 424**
Discontinued operations	0	0	5 469	5 469
Net profit/(loss)	**90 258**	**37 681**	**(48 046)**	**79 893**
Capital expenditure	23 928	6 848	5 281	36 057

(figures quoted in PLN thousand, unless otherwise stated)

3rd quarter of 2019 without IFRS 16 impact	Operating segments		Unallocated operations and consolidation adjustments	Consolidated value
	Up&Midscale Hotels	Economy Hotels		
Segment revenue, of which:	**302 074**	**101 408**	**2 803**	**406 285**
Sale to external clients	302 074	101 408	2 803	406 285
EBITDAR	**137 644**	**52 980**	**(19 329)**	**171 295**
Operating EBITDA	**126 096**	**50 222**	**(20 451)**	**155 867**
Depreciation and amortisation	(31 007)	(11 852)	(1 374)	(44 233)
Operating profit/(loss) without the effects of one-off events	**95 089**	**38 370**	**(21 825)**	**111 634**
Result of one-off events	0	0	(7 970)	(7 970)
Operating profit/(loss) (EBIT)	**95 089**	**38 370**	**(29 795)**	**103 664**
Finance income/(costs)	(352)	(165)	(6 757)	(7 274)
Income tax	0	0	(17 481)	(17 481)
Net profit/(loss) on continuing operations	**94 737**	**38 205**	**(54 033)**	**78 909**
Discontinued operations	0	0	5 469	5 469
Net profit/(loss)	**94 737**	**38 205**	**(48 564)**	**84 378**
Capital expenditure	23 928	6 848	5 281	36 057

3rd quarter of 2018	Operating segments		Unallocated operations and consolidation adjustments	Consolidated value
	Up&Midscale Hotels	Economy Hotels		
Segment revenue, of which:	**285 267**	**90 191**	**3 445**	**378 903**
Sale to external clients	285 267	90 191	3 445	378 903
EBITDAR	**132 452**	**48 043**	**(18 003)**	**162 492**
Operating EBITDA	**121 254**	**45 663**	**(18 424)**	**148 493**
Depreciation and amortisation	(31 473)	(10 128)	(1 002)	(42 603)
Operating profit/(loss) without the effects of one-off events	**89 781**	**35 535**	**(19 426)**	**105 890**
Result of one-off events	0	0	1 026	1 026
Operating profit/(loss) (EBIT)	**89 781**	**35 535**	**(18 400)**	**106 916**
Finance income/(costs)	(206)	(220)	(8 126)	(8 552)
Income tax	0	0	(18 962)	(18 962)
Net profit/(loss) on continuing operations	**89 575**	**35 315**	**(45 488)**	**79 402**
Discontinued operations	0	0	4 264	4 264
Net profit/(loss)	**89 575**	**35 315**	**(41 224)**	**83 666**
Capital expenditure	72 215	57 044	1 301	130 560

(figures quoted in PLN thousand, unless otherwise stated)

During 9 months of 2019, the revenues of the Up&Midscale segment accounted for 74.9% of consolidated revenues as compared to 76.3% in the past year. In Q3 2019, revenues generated by three-star and upscale hotels contributed 74.4% of consolidated revenues and 75.3% in 2018. Decrease in the share of the Up&Midscale revenues in consolidated revenues was predominantly the result of increase in the number of economy hotels in Group's portfolio by the following hotels: the ibis Vilnius hotel (August 2018), the ibis Styles Warszawa Centrum hotel (November 2018) and the ibis Budapest Castle Hill hotel (August 2019) and the sale, in May, 2018, of the Sofitel Budapest Chain Bridge hotel from the Up&Midscale segment.

The table below presents the operating ratios of owned hotels in the Orbis Group broken down into Up&Midscale hotels and economy hotels for 9 months of 2019, Q3 2019 and corresponding periods of 2018:

Operating ratios of owned hotels by main category	9 months of 2019	9 months of 2018	change (%)	9 months of 2019	9 months of 2018	change (%)
	as reported			like-for-like		
Economy Hotels						
Occupancy Rate (%)	73.7	74.8	-1.1 p.p.	75.8	75.9	-0.1 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	197.5	186.6	5.8%	196.2	189.3	3.6%
Revenue per Available Room (RevPAR) in PLN	145.6	139.6	4.3%	148.8	143.6	3.6%
Up&Midscale Hotels (3 stars and more)						
Occupancy Rate (%)	74.2	73.2	1.0 p.p.	74.2	73.6	0.6 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	313.6	300.9	4.2%	314.0	297.1	5.7%
Revenue per Available Room (RevPAR) in PLN	232.7	220.2	5.7%	233.1	218.6	6.6%

Operating ratios of owned hotels by main category	3rd quarter of 2019	3rd quarter of 2018	change (%)	3rd quarter of 2019	3rd quarter of 2018	change (%)
	as reported			like-for-like		
Economy Hotels						
Occupancy Rate (%)	80.0	81.2	-1.2 p.p.	81.7	82.1	-0.4 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	207.2	196.1	5.7%	206.1	198.3	3.9%
Revenue per Available Room (RevPAR) in PLN	165.6	159.3	4.0%	168.4	162.9	3.4%
Up&Midscale Hotels (3 stars and more)						
Occupancy Rate (%)	81.6	80.6	1.0 p.p.	81.6	80.7	0.9 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	324.8	303.5	7.0%	324.8	303.9	6.9%
Revenue per Available Room (RevPAR) in PLN	265.0	244.7	8.3%	265.0	245.2	8.1%

The average Revenue per Available Room ranged from PLN 145.6 in economy hotels to PLN 232.7 in hotels of the Up&Midscale segment in 9 months of 2019 and from PLN 139.6 to PLN 220.2 respectively in the corresponding period of 2018. RevPAR growth is attributable in particular to higher Average Room Rates (ARR growth rate in economy hotels by 5.8% and by 4.2% in hotels of the Up&Midscale segment).

On the other hand, in the Q3 2019, the average Revenue per Available Room amounted to PLN 165.6 in economy hotels (and increased by 4.0% to that in Q3 2018). The RevPAR growth is attributable in particular to higher Average Room Rates (ARR) which increased by 5.7% in economy hotels, despite a slight decrease in the Occupancy Rate (by 1.2 p.p.). An increase of the Average Room Rate (by 7.0%) was also reported in Up&Midscale segment which was accompanied by higher Occupancy Rate (increase by 1.0%) and higher level of Revenue per Available Room (increase by 8.3%).

(figures quoted in PLN thousand, unless otherwise stated)

4.7.2 Geographical information

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

As at September 30, 2019, the individual geographic segments included:

- Poland: 3 Sofitel hotels, 13 Novotel hotels, 8 Mercure hotels, 13 ibis hotels, 8 ibis budget hotels and 1 ibis Styles hotel;
- Hungary: 4 Novotel hotels, 3 Mercure hotels, 6 ibis hotels and 2 ibis Styles hotels,
- The Czech Republic: one hotel of each of the Novotel, Mercure and MGallery brands and 3 ibis hotels,
- Other countries (Lithuania, Romania, Slovakia): 2 Novotel hotels, 2 Mercure hotels and 2 ibis hotels.

On the other hand, as at September 30, 2018, the individual geographic segments included:

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

9 months of 2019	Geographical segments				Mutual eliminations and consolidation adjustments	Consolidated value
	Poland	Hungary	Czech Republic	Other countries		
Segment revenue, of which:	**706 153**	**219 317**	**90 308**	**80 735**	**(6 176)**	**1 090 337**
Sale to external clients	702 733	219 305	90 308	77 991	0	1 090 337
Sale to other segments	3 420	12	0	2 744	(6 176)	0
EBITDAR	**246 817**	**85 206**	**41 069**	**30 523**	**178**	**403 793**
Operating EBITDA	**246 817**	**84 928**	**41 063**	**21 912**	**178**	**394 898**
Depreciation and amortisation	(103 059)	(32 906)	(18 814)	(9 292)	0	(164 071)
Operating profit without the effects of one-off events	**143 758**	**52 022**	**22 249**	**12 620**	**178**	**230 827**

9 months of 2019 without IFRS 16 impact	Geographical segments				Mutual eliminations and consolidation adjustments	Consolidated value
	Poland	Hungary	Czech Republic	Other countries		
Segment revenue, of which:	**706 153**	**219 317**	**90 308**	**80 735**	**(6 176)**	**1 090 337**
Sale to external clients	702 733	219 305	90 308	77 991	0	1 090 337
Sale to other segments	3 420	12	0	2 744	(6 176)	0
EBITDAR	**237 138**	**85 069**	**41 069**	**30 523**	**178**	**393 977**
Operating EBITDA	**230 814**	**71 774**	**29 863**	**16 251**	**178**	**348 880**
Depreciation and amortisation	(96 569)	(20 817)	(9 636)	(4 140)	0	(131 162)
Operating profit without the effects of one-off events	**134 245**	**50 957**	**20 227**	**12 111**	**178**	**217 718**

(figures quoted in PLN thousand, unless otherwise stated)

9 months of 2018	Geographical segments				Mutual eliminations and consolidation adjustments	Consolidated value
	Poland	Hungary	Czech Republic	Other countries		
Segment revenue, of which:	**662 804**	**236 304**	**91 191**	**65 286**	**(812)**	**1 054 773**
Sale to external clients	661 992	236 304	91 191	65 286	0	1 054 773
Sale to other segments	812	0	0	0	(812)	0
EBITDAR	**223 456**	**95 115**	**40 898**	**24 389**	**(3)**	**383 855**
Operating EBITDA	**217 777**	**82 162**	**30 564**	**11 074**	**(3)**	**341 574**
Depreciation and amortisation	(94 249)	(19 223)	(9 337)	(2 110)	0	(124 919)
Operating profit without the effects of one-off events	**123 528**	**62 939**	**21 227**	**8 964**	**(3)**	**216 655**

3rd quarter of 2019	Geographical segments				Mutual eliminations and consolidation adjustments	Consolidated value
	Poland	Hungary	Czech Republic	Other countries		
Segment revenue, of which:	**258 767**	**88 180**	**34 076**	**28 507**	**(3 245)**	**406 285**
Sale to external clients	256 437	88 176	34 076	27 596	0	406 285
Sale to other segments	2 330	4	0	911	(3 245)	0
EBITDAR	**107 444**	**38 710**	**17 312**	**10 862**	**194**	**174 522**
Operating EBITDA	**107 444**	**38 620**	**17 306**	**8 022**	**194**	**171 586**
Depreciation and amortisation	(35 194)	(10 821)	(6 388)	(3 134)	0	(55 537)
Operating profit without the effects of one-off events	**72 250**	**27 799**	**10 918**	**4 888**	**194**	**116 049**

3rd quarter of 2019 without IFRS 16 impact	Geographical segments				Mutual eliminations and consolidation adjustments	Consolidated value
	Poland	Hungary	Czech Republic	Other countries		
Segment revenue, of which:	**258 767**	**88 180**	**34 076**	**28 507**	**(3 245)**	**406 285**
Sale to external clients	256 437	88 176	34 076	27 596	0	406 285
Sale to other segments	2 330	4	0	911	(3 245)	0
EBITDAR	**104 227**	**38 700**	**17 312**	**10 862**	**194**	**171 295**
Operating EBITDA	**101 737**	**34 297**	**13 551**	**6 088**	**194**	**155 867**
Depreciation and amortisation	(32 711)	(6 818)	(3 305)	(1 399)	0	(44 233)
Operating profit without the effects of one-off events	**69 026**	**27 479**	**10 246**	**4 689**	**194**	**111 634**

(figures quoted in PLN thousand, unless otherwise stated)

3rd quarter of 2018	Geographical segments				Mutual eliminations and consolidation adjustments	Consolidated value
	Poland	Hungary	Czech Republic	Other countries		
Segment revenue, of which:	**239 348**	**81 277**	**34 674**	**23 907**	**(303)**	**378 903**
Sale to external clients	239 045	81 277	34 674	23 907	0	378 903
Sale to other segments	303	0	0	0	(303)	0
EBITDAR	**96 880**	**39 531**	**17 358**	**8 723**	**0**	**162 492**
Operating EBITDA	**94 956**	**35 225**	**14 014**	**4 298**	**0**	**148 493**
Depreciation and amortisation	(31 644)	(6 563)	(3 026)	(1 370)	0	(42 603)
Operating profit without the effects of one-off events	**63 312**	**28 662**	**10 988**	**2 928**	**0**	**105 890**

In geographic terms, the highest share to the Group's net sales in 9 months of 2019 was contributed by hotels located in Poland (64.5%) and in Hungary (20.1%). Net sales generated by hotels in the Czech Republic and in other countries accounted for, respectively, 8.3% and 7.1% of consolidated sales.

Poland

Selected figures and operating ratios of owned hotels located in Poland	9 months of 2019	9 months of 2018	% change
Net sales	702 733	661 992	6.2%
Capital expenditure	73 513	98 709	-25.5%
Occupancy Rate (%)	73.0	72.0	1.0 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	262.2	252.6	3.8%
Revenue per Available Room (RevPAR) in PLN	191.3	181.9	5.2%
Clients: Business	59.5%	61.3%	-1.8 p.p.
Clients: Leisure	40.5%	38.7%	1.8 p.p.

Hotels operating in Poland generated net sales of PLN 702.7 million, which constitutes 64.5% of the consolidated sales for the nine months of 2019. Compared to the corresponding period of the past year, Polish hotels reported sales revenues increase by 6.2%.

During 9 months of 2019, hotels operating in Poland reported an **increase in the Average Room Rate by 3.8%**, accompanied by an increase in the Occupancy Rate by 1.1 p.p., which resulted in an increase in Revenue per Available Room (RevPAR) by 5.2%.

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, Tricity, Cracow 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. Positive trend was observed in the segment of individual guests staying for leisure, mainly thanks to promotional offers.

In the third quarter alone, the Group had more individual guests, business and tourist groups.

(figures quoted in PLN thousand, unless otherwise stated)

Hungary

Selected figures and operating ratios of owned hotels located in Hungary	9 months of 2019	9 months of 2018	% change
Net sales	219 305	236 304	-7.2%
Capital expenditure	38 258	34 604	10.6%
Occupancy Rate (%)	76.3	77.4	-1.1 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	279.2	268.1	4.1%
Revenue per Available Room (RevPAR) in PLN	213.0	207.6	2.6%
Clients: Business	43.9%	44.0%	-0.1 p.p.
Clients: Leisure	56.1%	56.0%	0.1 p.p.

Hotels in Hungary generated operating revenues of PLN 219.3 million, accounting for 20.1% of the Orbis Group's revenue. From May last year, the Hungarian hotel portfolio has been reduced by the sale of the Sofitel Budapest Chain Bridge hotel and the Novotel Szeged hotel no longer belong to the network. Despite a lower Occupancy Rate (down by 2.7 p.p.), hotels operating in Hungary reported an increase in the Average Room Rate (by 11.4%, like-for-like) based on a comparable parameter and, as a result, a 7.6% increase in RevPAR was achieved.

The highest increase in the number of rooms sold (taking into account a comparable hotel parameter) occurred in the segment of individual guests staying for both leisure and business purposes, thanks to the high demand for accommodation services in Budapest supported by promotional offers. The highest increase in the number of rooms sold was reported by Novotel brand. A positive contribution of corporate guests was reported in Q3 2019.

The Czech Republic

Selected figures and operating ratios of owned hotels located in the Czech Republic	9 months of 2019	9 months of 2018	% change
Net sales	90 308	91 191	-1.0%
Capital expenditure	778	3 683	-78.9%
Occupancy Rate (%)	76.1	75.5	0.6 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	306.8	286.9	6.9%
Revenue per Available Room (RevPAR) in PLN	233.3	216.5	7.8%
Clients: Business	40.1%	45.4%	-5.3 p.p.
Clients: Leisure	59.9%	54.6%	5.3 p.p.

In 9 months of 2019, revenues generated by hotels located in the Czech Republic amounted to PLN 90.3 million (8.3% of the total revenues of the Group). The Czech hotels reported a slight decrease in net sales due to smaller hotel portfolio (ibis Pilsen was sold in August 2018). Taking into account a comparable hotels parameter, 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 staying for leisure, thanks to the introduction of promotional offers and demand for accommodation in Prague. In the third quarter alone, the Occupancy Rate was slightly lower than in the comparable period of the past year.

(figures quoted in PLN thousand, unless otherwise stated)

Other countries

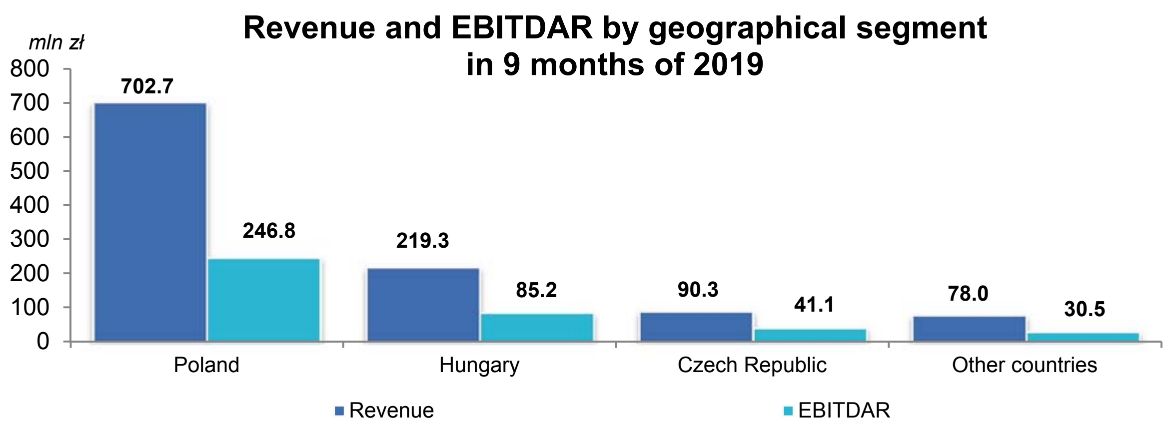
Selected figures and operating ratios of owned hotels located in other countries	9 months of 2019	9 months of 2018	% change
Net sales	77 991	65 286	19.5%
Capital expenditure	4 319	87 108	-95.0%
Occupancy Rate (%)	75.7	77.9	-2.2 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	279.4	276.4	1.1%
Revenue per Available Room (RevPAR) in PLN	211.4	215.4	-1.9%
Clients: Business	56.7%	53.5%	3.2 p.p.
Clients: Leisure	43.3%	46.5%	-3.2 p.p.

Revenues for the period of 9 months of 2019 generated in other countries, where the owned hotels of the Group are located, reached the level of PLN 78.0 million, i.e. 7.1% of the consolidated revenues. Hotels located in Lithuania, Slovakia and Romania generated sales revenues by 19.5% higher than in the corresponding period of the past year.

The Novotel hotel in Vilnius generated lower room revenues as compared to the 9 months 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 7.6 million in the 9 months 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 third quarter, among others.

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 third quarter of the year. Another subsidiary hotel, the Mercure Bucharest hotel, joined the network in July 2018 with revenues of PLN 6.4 million for 9 months of 2019.



(figures quoted in PLN thousand, unless otherwise stated)

4.8 Operating segment revenue per type of service and geographical area

The tables below present the Group's revenues for 9 months of 2019 and 2018 and the third quarter of 2019 and 2018 per type of services and geographical areas with their reconciliation to the operating segments presented in Note 4.7.1.

9 months of 2019	Operating segments		Unallocated operations and consolidation adjustments	Consolidated value
	Up&Midscale Hotels	Economy Hotels		
Revenue per type of service:	**817 035**	**264 860**	**8 442**	**1 090 337**
Room revenue	563 614	209 826	0	773 440
Food & beverage revenue	219 345	46 731	0	266 076
Other revenue	34 076	8 303	8 442	50 821
Revenue per geographical area:	**817 035**	**264 860**	**8 442**	**1 090 337**
Poland	544 119	152 266	6 348	702 733
Hungary	165 261	52 386	1 658	219 305
Czech Republic	44 981	45 073	254	90 308
Other countries	62 674	15 135	182	77 991

9 months of 2018	Operating segments		Unallocated operations and consolidation adjustments	Consolidated value
	Up&Midscale Hotels	Economy Hotels		
Revenue per type of service:	**805 205**	**239 749**	**9 819**	**1 054 773**
Room revenue	558 681	190 608	0	749 289
Food & beverage revenue	218 529	41 650	0	260 179
Other revenue	27 995	7 491	9 819	45 305
Revenue per geographical area:	**805 205**	**239 749**	**9 819**	**1 054 773**
Poland	517 225	138 528	6 239	661 992
Hungary	188 661	46 163	1 480	236 304
Czech Republic	43 389	47 561	241	91 191
Other countries	55 930	7 497	1 859	65 286

3rd quarter of 2019	Operating segments		Unallocated operations and consolidation adjustments	Consolidated value
	Up&Midscale Hotels	Economy Hotels		
Revenue per type of service:	**302 074**	**101 408**	**2 803**	**406 285**
Room revenue	215 003	81 152	0	296 155
Food & beverage revenue	74 594	17 083	0	91 677
Other revenue	12 477	3 173	2 803	18 453
Revenue per geographical area:	**302 074**	**101 408**	**2 803**	**406 285**
Poland	198 621	55 807	2 009	256 437
Hungary	65 327	22 289	560	88 176
Czech Republic	16 392	17 598	86	34 076
Other countries	21 734	5 714	148	27 596

3rd quarter of 2018	Operating segments		Unallocated operations and consolidation adjustments	Consolidated value
	Up&Midscale Hotels	Economy Hotels		
Revenue per type of service:	**285 267**	**90 191**	**3 445**	**378 903**
Room revenue	204 205	72 584	0	276 789
Food & beverage revenue	71 803	14 840	0	86 643
Other revenue	9 259	2 767	3 445	15 471
Revenue per geographical area:	**285 267**	**90 191**	**3 445**	**378 903**
Poland	187 182	49 697	2 166	239 045
Hungary	62 000	18 757	520	81 277
Czech Republic	16 189	18 406	79	34 674
Other countries	19 896	3 331	680	23 907

4.9 Seasonality or cyclicality of operations

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

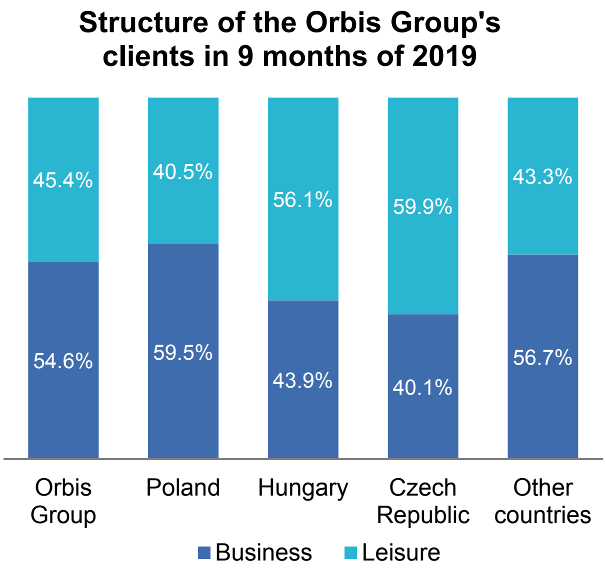
Net sales*	2019		2018		2017	
	PLN `000	% share of annual revenue	PLN `000	% share of annual revenue	PLN `000	% share of annual revenue
1st quarter	277 824	-	271 465	18.9%	265 951	18.2%
2nd quarter	428 146	-	418 847	29.1%	413 579	28.4%
3rd quarter	424 736	-	391 693	27.2%	421 924	28.9%
4th quarter			358 023	24.8%	356 619	24.5%
Total	**1 130 706**	-	**1 440 028**	**100.0%**	**1 458 073**	**100.0%**

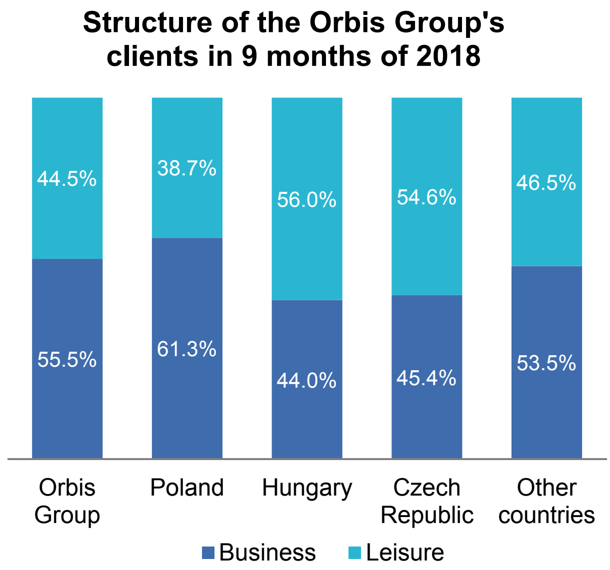
** Total continuing and discontinued operations*

4.10 Clients of the Orbis Group

In 9 months of 2019 business clients accounted for 54.6% of customers of the Orbis Group hotels. They formed the dominant group in the Group's hotels in Poland (59.5% of all customers) and in other countries (56.7% of all customers). Conversely, in Hungary in the Czech Republic it was tourists who formed the most numerous group of hotel customers, accounting respectively for 56.1% and 59.9% of all the customers.

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





4.11 Statement of financial position

As at September 30, 2019, Orbis Group's assets totalled PLN 3 753.6 million, i.e. increased by PLN 535.1 million as compared to December 31, 2018.

The major component of the Group's assets are non-current assets, accounting for 75.6% of total assets. The predominant item of non-current assets are property, plant and equipment valued at PLN 2 668.8 million, accounting for 71.1% of total assets. Property, plant and equipment comprise of tangible assets (mainly buildings), tangible assets under construction and right-of-use assets. As at the end of September of 2019, tangible assets were impacted by accrued depreciation (PLN -126.3 million) and incurred capital expenditure (PLN 116.9 million), decrease due to sale of mainly ibis budget Toruń (PLN -4.1 million) and transfer of fixed assets used in the asset light business to assets held for sale (PLN -2,6 million). In connection with the implementation of IFRS 16 as of January 1, 2019, the Group withdrew the rights of perpetual usufruct of land of PLN 296.6 million from the property, plant and equipment item (until then, these assets were recognized in accordance with IAS 16 "Property, Plant and Equipment") and at the same time recognized the right-of-use assets in the total amount of PLN 605.3 million under property, plant and equipment item. 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 -36.2 million), recognition of new agreements (PLN 10.8 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 and leased cars (PLN 3.1 million) to assets held for sale had the greatest impact on the change in the value of the right-of-use assets in 9 months of 2019. As a result, the value of the right-of-use assets reported under property, plant and equipment item amounted to PLN 580.1 million .

Intangible assets (mainly goodwill) valued at PLN 111.0 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 3.0%. Goodwill constituting 97.9% of intangible assets decreased in 9 months of 2019 by a total of PLN 3.0 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 September 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 740.7 million, accounting for 19.7% of total assets.

Trade receivables (PLN 67.4 million) and other current receivables (PLN 20.4 million) also constituted a significant item of current assets as at September 30, 2019. Other current receivables include mainly VAT receivables, amounts receivable on account of sale of tangible assets and prepaid expenses. The decrease in the value of other current receivables in the period of 9 months of 2019 as compared to December 31, 2018, results mainly from a lower VAT settlements (decrease by PLN 19.9 million) and lower level of receivables on account of sale of tangible assets (receivables from sale of Mercure Mrągowo Resort & SPA were paid in first quarter of 2019). As at the end of September 2019, a current receivable of PLN 3.9 million generated by the sale of the Mercure Kasprowy hotel in Zakopane comprises the balance of receivables due from the sale of property, plant and equipment. In accordance with the agreement, this receivable is to be paid at the end of 2019. On the other hand, a minor increase in prepaid expenses as compared to the end of 2018 is mainly the effect of a higher level of prepayments and deferred expenses during the financial year, with the balance as at the end of September 2019 not including, contrary to past years, the fees for perpetual usufruct of land paid in advance for the full year and lease payments for hotels and offices leased by the Group. This change results from a different recognition of these fees in connection with IFRS 16 effective as from 2019.

As at September 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 74.1 million which also included means of transport of PLN 0.4 million recognized under IFRS 16 (for more information on divested discontinued operations see Note 4.5). 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 September 30, 2019, the Group's equity totalled PLN 2 387.7 million (63.6% of equity and liabilities), while net debt equalled PLN 289.2 million (including positions classified as held for sale).

As at September 30, 2019, Orbis S.A. had non-current and current interest-bearing liabilities of PLN 503.0 million (13.4% of equity and liabilities) from the bond issue. The maturity dates of the bonds are scheduled for 2020 and 2021.

As at September 30, 2019, the Group did not have any borrowings. The amount of unused credit lines under overdrafts of the Orbis Group as at September 30, 2019, was PLN 45.4 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 25.4 million (i.e. CZK 150.0 million). The remaining Group companies did not have unused credit lines under overdrafts.

As at September 30, 2019, apart from liabilities from bond issues, the largest item of the Group's current liabilities were trade payables (13.8% of total balance) and other current liabilities (15.0%). 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). Higher other current liabilities as compared to the end of December 2018 resulted specifically from the increase in VAT liabilities in Orbis S.A. due to the reconciliation of payables due from Orbis Kontrakty Sp. z o.o. for the period from 2013 - 2018 (for more information refer to Section 8.13). This reconciliation was also the main reason for the increase in income tax liabilities as compared to the end of December 2018. VAT and CIT receivables (a total of PLN 30.5 million) resulting from the reconciliation in Orbis Kontrakty were recognized as assets held for sale as at the balance sheet date.

Under the liabilities item, the largest changes in the 9 months of 2019 were reported in the contract liabilities, liabilities associated with tangible assets items, other current liabilities described above and current tax liabilities.

The increase in current contract liabilities as at September 30, 2019, as compared to December 31, 2018, was caused primarily by prepayments received for hotel rooms 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 with contract assets, were classified as discontinued operations at September 30, 2019.

The decrease in liabilities associated with tangible assets in 9 months 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 from January 1, 2019, a new category of liabilities, i.e. lease liabilities, was introduced. These liabilities reflect the current value of lease payments outstanding to be paid as at the date of the statement of financial position. The value of current and non-current liabilities (without lease liabilities under discontinued operations) at the end of September 2019 totalled PLN 530.4 million.

As at September 30, 2019, liabilities associated with assets classified as held for sale included the Group's asset light business which is to be sold on October 31, 2019 (PLN 12.7 million) and a lease liability of perpetual usufruct of land in Częstochowa (PLN 2.6 million).

4.12 Statement of changes in equity

As at September 30, 2019, equity amounted to PLN 2 387.7 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 209.0 million (continuing and discontinued operations in aggregate) for the 9 months 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 -0.8 million at the end of September 2019. The change resulted from translating foreign operations into the currency of presentation (PLN). Foreign currency rates applied for translation of financial statements of foreign subsidiaries are presented in Note 5.9.

4.13 Statement of cash flows

During 9 months of 2019, the net cash flows of the Orbis Group (including continuing operations and discontinued operations) amounted to PLN 209.7 million (PLN 280.0 million in 9 months of 2018). The change in the balance of cash during 3 months ended September 30, 2019, amounted to PLN 110.4 million (PLN -79.4 million in the same period of 2018). The net cash inflows in the 9 months of 2019 resulted from the following factors:

- **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 9 months of 2019 as compared to the corresponding period of the past year (respectively PLN 372.8 million in 2019 and PLN 287.2 million in 2018). 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. In Q3 2019, net cash flows from operating activities were higher (PLN 159.4 million) as compared to the corresponding period of the past year (PLN 111.8 million).

- **Cash flows from investing activities**

  The principal reason behind negative cash flows of PLN -103.5 million in the period from January to September 2019 (versus PLN 117.4 million in 9 months of 2018) were expenses of PLN -164.5 million incurred for construction of new hotels and modernization of existing hotels (for more information refer to Note 4.15). The expenditure incurred under the investing activities item was partially offset by proceeds in the total amount of PLN 56.5 million generated from the sale of the ibis budget hotel in Toruń, non-hotel real properties in Wrocław and Szczecin (PLN 56.5 million in total), interest income of PLN 3.4 million and prepayments of PLN 1.1 million received on account of real property disposal.

  Positive cash flows in the corresponding period from January to September 2018 were generated primarily by the Group's revenues from the sale of property, plant and equipment, including mainly the Sofitel Budapest Chain Bridge hotel (EUR 75.2 million net, i.e. approx. PLN 319.4 million), the Novotel Szeged hotel (HUF 757.6 million, i.e. approx. PLN 10.1 million), the Mercure Cieszyn and the ibis Styles Bielsko-Biała hotels (PLN 8.1 million in total), the ibis Pilsen hotel (the net sum of CZK 72.0 million, i.e. approx. PLN 12.0 million) and the sale of non-hotel real properties (PLN 3.3 million in aggregate). Furthermore, cash inflows from investing activities (PLN 358.7 million) were reduced by investment expenditure of PLN 241.3 million, earmarked for the construction and modernization of Orbis Group hotels. The largest capital expenditures during the period of 9 months of 2018 were allocated for the purchase of the Mercure Unirii hotel and the ibis Vilnius hotel.

  In Q3 2019, the Group generated negative cash flows from investing activities of PLN -33.5 million (PLN - 114.7 million in Q3 2018). It is the effect of higher capital expenditures as compared to inflows from sale of property, plant and equipment and interest received.

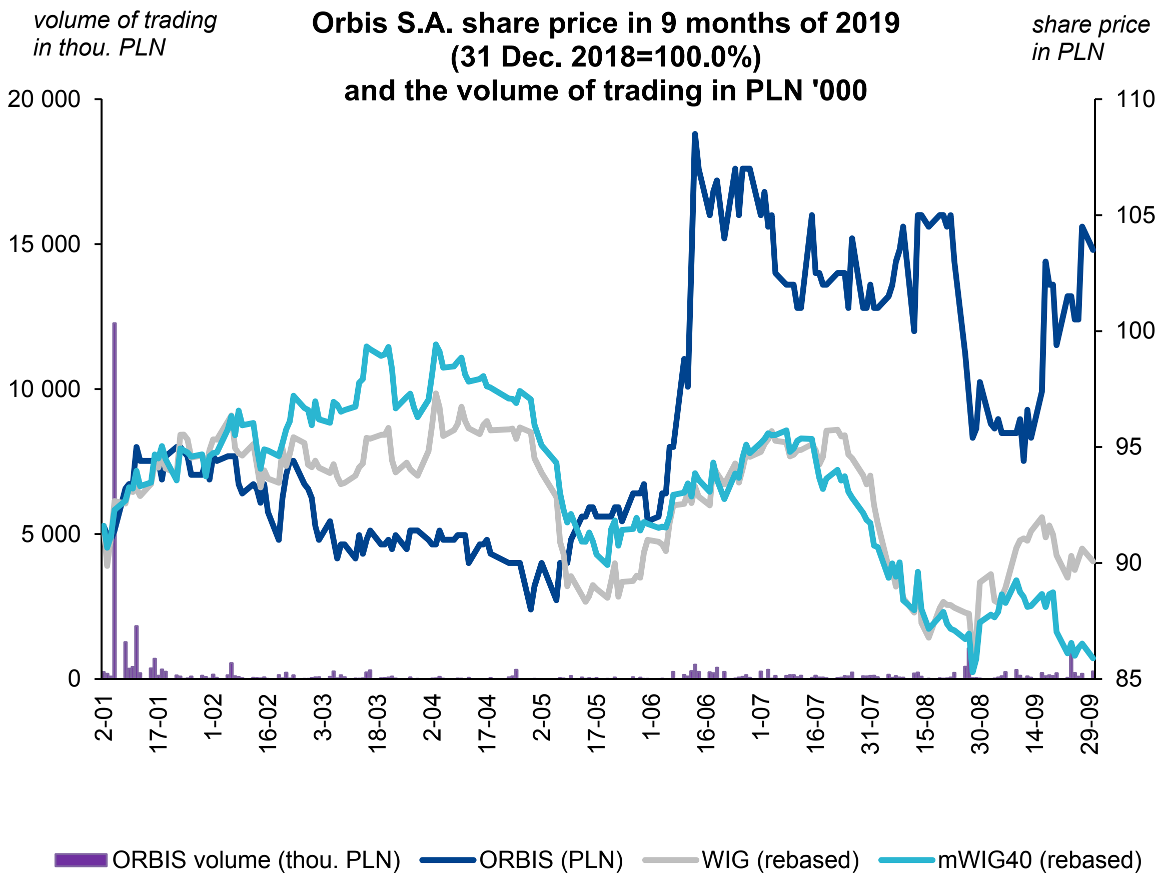
- **Cash flows from financing activities**

  The cash flows from financing activities during 9 months of 2019 were negative and equalled PLN -59.5 million. They include lease payments of a total of PLN 49.7 million and repayment of interest on bonds (PLN - 9.8 million). On the other hand, in the corresponding period of 2018, the negative cash flows from financing activities were at the level of PLN -124.6 million and resulted from dividend payment to Orbis shareholders in the amount of PLN 73.7 million, payment of interest on bonds in the total amount of PLN 10.0 million and also the repayment of an overdraft facility plus interest by a subsidiary Accor Pannonia Hotels Zrt. in Hungary (PLN -40.9 million).

  During the period of 3 months ended on September 30, 2019, Orbis Group generated cash flows from financing activities at the level PLN -15.5 million as compared to PLN -76.4 million in the past year (including PLN 73.7 million from the dividend payment).

4.14 Share price

From January 1, 2019, to September 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 Otwarty 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 three quarters of 2019 equalled PLN 0.19 million (2 000 shares). On September 30, 2019, the share price was at the level of PLN 103.5, which represents a 15% increase as compared to the end of 2018.



(figures quoted in PLN thousand, unless otherwise stated)

4.15 Capital expenditure

During 9 months of 2019, capital expenditure of the Orbis Group amounted to PLN 116.9 million (PLN 224.1 million in the corresponding period of the past year).

Capital expenditure of the Group	9 months ended Sep. 30, 2019	9 months ended Sep. 30, 2018
Development projects	53 802	179 925
Other expenditure	63 066	44 179
Total	**116 868**	**224 104**

Expenditure incurred in 9 months of 2019 was allocated for development projects in the Group's companies. A total sum of PLN 53.8 million was appropriated for the following investment projects:

- The **Novotel Poznań Centrum** and **ibis Poznań Centrum** hotels**.** As part of comprehensive modernization of hotels operating in the network, in 9 months 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 works will be continued in 2020. The total investment expenditure during the period from 2016 to 2019 will total approx. PLN 59 million.
- The **Novotel Kraków City West** hotel. Works on the modernization of the facade and upgrading of 2 suites and 3 corridors on the subsequent floors of the building were completed. Currently, modernization works in 56 rooms and bathrooms on two floors and 8 corridors are continued and are scheduled to be completed by the end of this year. 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 9 months of 2019, and final settlement of construction and assembly works took place. Furthermore, expenditure was incurred on additional equipment.
- 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 amount to approx. PLN 20 million.
- The **ibis Styles Stare Miasto** hotel **in Szczecin**. In the third quarter of 2019, archaeological works related to the construction of a new **ibis Styles Stare Miasto** hotel in the location of the former Arkona hotel in Szczecin, were completed. At present, 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, the subsequent storeys of the building are being built on the remaining part of the land. The opening of the hotel is scheduled for Q4 2020. The total planned expenditure for the whole scope of works will total approx. PLN 57 million.
- As regards the construction of a new hotel in the area of the Old Town in Cracow (which will operate under a lifestyle brand), work on the construction design was completed in 9 months of 2019, while the interior design is being developed. The substitute construction permit is expected to be received in Q4. The total expenditure on the construction of the hotel during the 2018 - 2021 period is planned to be around PLN 100 million.
- The **Mercure Budapest Buda** hotel. In the third quarter of 2019, major renovation works were completed to transform the hotel from its current brand (Mercure) into a combo hotel (that is two hotels operating under different brands in a single building). The new hotel under the name of Castle Hill offers 250 renovated rooms operating under the Mercure brand and 150 new ibis rooms. Guests can also use modern business space, including seven fully-equipped conference rooms with a total area of over 800 square meters, a restaurant and a bar. The total project cost during the 2017 - 2019 period equalled approx. EUR 9.3 million.
- The **Mercure Budapest Korona** hotel. Modernization works in 256 rooms, the Wine Stone restaurant and the public area was completed in the **Mercure Budapest Korona** hotel. Modernisation of 156 more rooms and the conference area will be continued in in the first quarter of 2020. The total estimated expenditure during the 2018-2020 period will amount to approx. EUR 10.0 million.

(figures quoted in PLN thousand, unless otherwise stated)

Other expenditures in 9 months of 2019 (PLN 63.1 million) were assigned for modernization of hotels operating in the network, modernization of technical installations and IT expenditure. The most important investments aimed at upgrading the standard of hotels executed during the period of 9 months of 2019 included:

- continued modernization at the **Novotel Gdańsk Marina** hotel, where 132 modernized rooms and 8 corridors and new beach bar were rendered operational in 9 months of 2019; the hotel's surroundings, including green areas and the garden, have been rearranged and 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 was installed,
- completion of modernization of 40 rooms in line with the N'room standard in the **Novotel Kraków Centrum** hotel; another 35 rooms are planned to be modernized in the fourth quarter;
- completion of modernization of 25 rooms with bathrooms in the **Mercure Wrocław Centrum** hotel; modernisation of 6 more apartments and 7 additional rooms with bathroom as well as restaurant renovation are planned for the fourth quarter;
- completion of modernization works in 99 successive rooms and corridors on three floors in the **Mercure Poznań Centrum** hotel; modernization of 33 successive rooms, the Wise Cafe, and the successive 29 rooms are scheduled for completion in the fourth quarter of 2019,
- completion of modernization of 55 rooms and 28 bathrooms in **Novotel Katowice Centrum** hotel;
- continuation of the rearrangement of 51 rooms with corridors on the successive floors of the **Novotel Warszawa Centrum** hotel, where further modernization on the last floor of the building is continued as planned in the fourth quarter of 2019,
- completion of rearrangement of the lobby and the reception desk area in the **Mercure Warszawa Grand** hotel; in July 2019 modernisation of 53 rooms started in the hotel and is planned to be completed by the end of 2019;
- 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.

In the third quarter of 2019, the firewall replacement project for Poland has finished. At the same time, work on the replacement of workstations in hotels is continued in connection with the transition to Windows 10 before January 2020, as required by Microsoft. Other IT expenses are on the development and modification of systems already in use to adapt them to the new business needs and organizational changes of the company as well as planned replacement and modernization of parts of the existing IT infrastructure in the Head Office and hotels.

4.16 Human resources

During 9 months of 2019, the average employment in the Orbis Group stood at 3 811 full time equivalents, having decreased by 5.1% compared to the same period of last year.

Average employment (in full-time equivalents)	9 months ended Sep. 30, 2019	9 months ended Sep. 30, 2018	% change
Poland	2 503	2 563	-2.3%
Hungary	778	884	-12.0%
Czech Republic	198	236	-16.1%
Other countries	332	334	-0.6%
Total	**3 811**	**4 017**	**-5.1%**

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 Pilsen hotel in August 2018.

During 9 months of 2019, the Orbis Hotel Group completed over 5 460 training days for nearly 6 759 participants in the form of both traditional and e-learning training courses.

4.17 Corporate Social Responsibility (CSR)

Update of the procedure for giving and accepting gifts in hotels of the Orbis Group

As part of the Ethics and Social Responsibility Charter, the Company updated its Gift Acceptance and Gift Policy. In addition to the extended principles of the already existing recommendations, the procedures particularly apply to employees of the Company's central departments and subsidiaries, including own hotels and hotels operating under franchise and management agreements. The reference to bribery (from French *traffic d 'influence*) in accordance with the recommendations of Agence Française Anticorruption, an institution that supervises & recommends Accor - the main shareholder of Orbis, brought a significant change to the procedures. The general rule remains that gifts received by employees with a value greater than EUR 30, if they can be distributed (gift baskets, bonbonnieres), are to be distributed among employees of the department.

Introduction of WATCH – the Accor child protection policy in hotels in Macedonia

Responsible hospitality also means preventing and fighting against such negative social issues as the sexual exploitation of minors in tourism. We are committed to protecting minors through cooperation with the Empowering Children Foundation and other institutions. We are the only signatory of the Code of Conduct in Poland and in CEE, which aims to protect children against sexual abuse. The third quarter of 2019 was the period of introduction of this preventive policy protecting children against abuse in hotels operating under the Accor brands in Macedonia. Employees of the ibis Skopje City Center, the ibis Styles Skopje and the Mercure Tetovo hotels have been trained in the abovementioned policies and knowledge of operational procedures aimed at protecting children.

Deployment of the Healthy & Sustainable Food Charter

Over 2 million bees are under the care of Orbis and Accor hotels in Poland and Hungary. Orbis and Accor group hotels are co-owners of nearly 40 hives. In Warsaw, Novotel Warszawa Airport hotel has 7 hives on its roof. In turn, from May 2019, the family of ibis hotels from Warsaw and Łódź - ibis Warszawa Stare Miasto, ibis Warszawa Reduta, ibis Warszawa Ostrobramska, ibis Warszawa Centrum, ibis budget Warszawa Reduta, ibis budget Warszawa Centrum, ibis Styles Warszawa Centrum and ibis Łódź Centrum, are co-owners of 3 beehives in the apiary in Traugutta Park in Warsaw. Bee hotels are painted and labelled in accordance with 3 brands of ibis hotels. Honey produced by bees is served to ibis guests at breakfast. In the Tri-City, Novotel Gdańsk Marina, Sofitel Grand Sopot and Mercure Gdynia Centrum established cooperation with a beekeeper associated in Beeup.pl and adopted another 3 hives that are home to nearly 200 000 bees, which are under the watchful care of a professional beekeeper. The honey produced is not only offered to guests of Accor hotels for breakfast, but also sold in hotel boutiques. Moreover, seven Wroclaw Accor group hotels - the Sofitel Wrocław Old Town, the Novotel Wrocław Centrum, the Novotel Wrocław City, the Mercure Wrocław Centrum, the ibis Wrocław Centrum, the ibis budget Wrocław Południe and the ibis budget Wrocław Stadion hotels have decided to sponsor 7 hives in an apiary located on the outskirts of Wrocław, where every beehive corresponds to another Accor hotel in the Tri-City. In June 2019, on the initiative of the ibis Budapest Citywest hotel, 19 hives were developed in the suburbs of Budapest.

In addition, the new menu cards at the Winestone and Novo2 restaurant chains for the autumn-winter season 2019-2020 contain vegetarian and vegan dishes to meet the expectations of all guests.

The involvement of hotel employees in saving bees or introducing vegetarian and vegan dishes to restaurant cards are only part of the 9 commitments of the Accor Healthy and Sustainable Food Charter, which we want to fully deploy by the end of 2020.

Eradication of disposable plastic

Orbis and Accor are implementing an ambitious plan to eliminate disposable plastic from hotel rooms and its food&beverage department by the end of 2019. Plastic cups in the hotel bathrooms are exchanged for glasses, straws are served only when the guest asks for them and the stirrers or take-out dishes are made of biodegradable materials (paper, corn flour etc. ...). Talks are ongoing with suppliers (e.g. laundries) to implement solutions that will minimize the use of plastic in the rest of the Orbis supply chain.

(figures quoted in PLN thousand, unless otherwise stated)

Further optimization of water and energy consumption

Hotels owned or leased by Orbis - Poland and Lithuania:

Target indicators for water and energy consumption as well as reduction rates for each hotel are entered into the information card of each hotel in the Open - Gaia tool (reporting platform).

After 9 months of 2019, the implementation of designated consumption reduction indicators is as follows:

Utilities	Plan for 2019	Plan execution 9 months of 2019 (cumulatively)
Reduction of water consumption rate	-1.5%	-1.8%
Reduction of power consumption rate without temperature and frequency adjustment	-1.9%	-4.6%

The foregoing resulted in reduction of costs:

Value of savings without adjustments (in PLN)		
Water	Total power	Total
+33 113	-725 062	-691 949

We would like to emphasize that these high savings were achieved despite an increase in electricity prices by 47.2% by the supplier from July 1, 2019.

Ultimately, the savings may be greater, as the correction of electricity invoices for 6 months of 2019 and related differential settlements are not yet completed. Partially in this period, we were initially charged at increased prices, but prices from the end of 2018 will apply. Undoubtedly, the results achieved indicate the involvement of technical services and all hotel employees in the rational use of utilities in periods of variable and very high outside temperatures.

In addition, we continue to test and implement new technologies in the area of e.g. renewable energy. In 3Q 2019 preparatory works were carried out for the installation of photovoltaic panels on the roof of the Sofitel Warsaw Victoria hotel. The same technology is already working on the roof of the ibis Styles Warszawa Centrum hotel.

Hotels owned or leased by Orbis SA - Hungary, Slovakia and Bulgaria (Novotel and ibis Sofia in management):

Utilities	Plan for 2019	Execution 9 months of 2019 (accrued)
Reduction of water consumption	-1.1%	-3.0%
Reduction of energy consumption without correction in regards to temperature & occupancy	-0.9%	-1.3%

Orbis - a responsible employer

As a responsible employer, we attach great importance to respecting the rights of our employees - including promoting their diversity. RiiSE - the corporate network of the Accor and Orbis groups, implements an internal communication campaign - widespread throughout the Orbis region, aimed at breaking stereotypes about the professional career of men and women. The goal of this campaign is to encourage employees to apply for senior positions in the hotel and the food&beverage industry, such as the hotel director or chef, who - wrongly, are still perceived as male professions. In addition - as part of the RiiSE network, both in hotels and offices of the Company in the region, meetings and trainings are organized, e.g. for Wroclaw hotels with Iwona Guzowska, a former world boxing champion.

4.18 Position of the Management Board as regards viability of previously published forecasts

On June 24, 2019, in the current report no. 24/2019 the forecasted EBITDA of the Orbis Group for 2019 was published. EBITDA for Orbis Group should be in the range of PLN 520 and 550 million.

Assumptions of this forecast:

- EBITDA of the real estate (asset heavy) part of the business is forecasted to be 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 the general cost of support,
- EBITDA for the service (asset light) part of the business is forecasted to be 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 assigned to the service (asset light) part, that will become the subject of long-term management agreements under which, after purchasing of the service (asset light) part of the business from the Company, subsidiaries of Accor S.A. will manage all hotels owned or leased by the 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 Orbis Group’s EBITDA (based on continuing and discontinued operations) for 9 months of 2019 amounts to PLN 418.8 million. In the Management Board’s opinion, as at the date of publication of the financial statements, there are no factors that might pose a threat to the viability of the forecast.

4.19 Factors to affect the Orbis Hotel Group’s operations in subsequent quarters

Economic trends

The hotel market is strongly correlated with macroeconomic trends. In 2019, the economic growth in the region of the Eastern and Central Europe is weaker than a year ago, but the average growth still remains above 3%. 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 3.5% 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.

Competition increase on the hotel market

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. Global investors and international hotel chains are particularly active on the market. Developers who so far have focused on office space or retail markets, have also started to build hotels. The investor profile 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.

In addition to the increasing investor diversification, a greater variety of hotel brands is present on the hotel market as well. New hotel brands are particularly visible in tourist destinations, where private investors have so far been predominant.

The supply of rooms in large cities is expanded quite intensively with private apartments for rent, short-term accommodation offered by real property rental agents and non-classified facilities, such as aparthotels and condohotels, which compete with classified hotels for tourist guests.

Challenges and opportunities 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. The intensification of the employee market is observed not only on the market in Poland, but also on foreign markets where the Orbis Group focuses its operations (among others in Hungary and in the Czech Republic).

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 their 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 of various cities. Further stable growth in the number of travellers, including business customers, will help to balance the demand and supply in the accommodation services market in the long run.

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 number of accommodation facilities.

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 9 months 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 probably take place no later than till the end of 2019 and, after completing the hotel construction project, the purchaser will operate the hotel under the ibis Styles brand.

The Group also has continued its expansion based on the asset light model signing 17 franchise and management agreements.

Strategic transformation of Orbis Group as the answer for hospitality industry challenges

In view of its new, balanced structure of the hotel network, the Company has analysed organizational adjustments in order to focus on relations with guests and business partners and decided to split its business model into hotel operating business and real property based business. By splitting its activity Orbis will be able to determine 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.

The description of basic risks and threats, i.e. factors significant for the Group's development, is presented in the consolidated financial statements for 2018 in Note 31.

(figures quoted in PLN thousand, unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5.1 Basic information about the Issuer

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

5.2 Business operations

The scope of core business operations of Orbis S.A. includes mainly:
- hotels and other lodging units,
- food and beverage services,
- activities related to organisation of fairs, exhibitions and congresses,
- lease and management of own or leased real estate,
- management of real estate on mandate basis.

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

The Orbis Group is the largest hotel operator in Poland and Central & Eastern Europe. As at the end of September, 2019 the Group's structure comprised 138 hotels located in 13 countries. The Orbis Group hotels operate under Accor brands: Sofitel, Pullman, MGallery, Novotel, Mercure, ibis, ibis Styles and ibis budget.

5.3 The Issuer's shareholders

The value of Orbis S.A. share capital did not change throughout 9 months 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 the following entities:

Shareholder	Number of shares and votes held at the GM (based on notifications)	% of the total number of shares and votes at the GM
Accor S.A.	39 550 531	85.84
of which: subsidiary Accor S.A.- Accor Polska Sp. z o.o.	*2 303 849*	*4.99*
Nationale-Nederlanden Otwarty 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 4.9 thousand hotels, resorts and residences around the globe. AccorHotels is present in 110 countries where it operates under 39 brands, ranging from luxury to economy segments. AccorHotels employs approx. 280 thousand employees worldwide.

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

5.4 Statutory bodies of the Issuer

The Management Board

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

- Gilles Clavie – President of the Management Board, Chief Executive Officer,
- Ireneusz Węgłowski – Vice-President of the Management Board,
- Dominik Sołtysik – Member of the Management Board,
- Marcin Szewczykowski – Member of the Management Board, Finance Director till August 19, 2019. On August 19, 2019, Mr. Marcin Szewczykowski submitted a resignation from the function of the Member of the Management Board of the Company with an immediate effect.

The Supervisory Board

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

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

Audit Committee

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

- Piotr Nowjalis – Chairman from the July 29, 2019,
- Krzysztof Gerula,
- Jean-Jacques Morin,
- Jacek Kseń – Chairman, member of the Audit Committee till June 14, 2019,
- Artur Gabor (member of the Audit Committee till June 14, 2019).

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

As at September 30, 2019, the Vice-President of the Management Board, Mr. Ireneusz Węgłowski, held 4 250 shares in Orbis S.A. Other members of the Management Board did not hold any Company's shares. Additionally, Mr. Krzysztof Gerula held 200 shares in Orbis S.A. Other members of the Supervisory Board did not hold any Company's shares.

5.6 Share capital and dividends paid

As at September 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.:

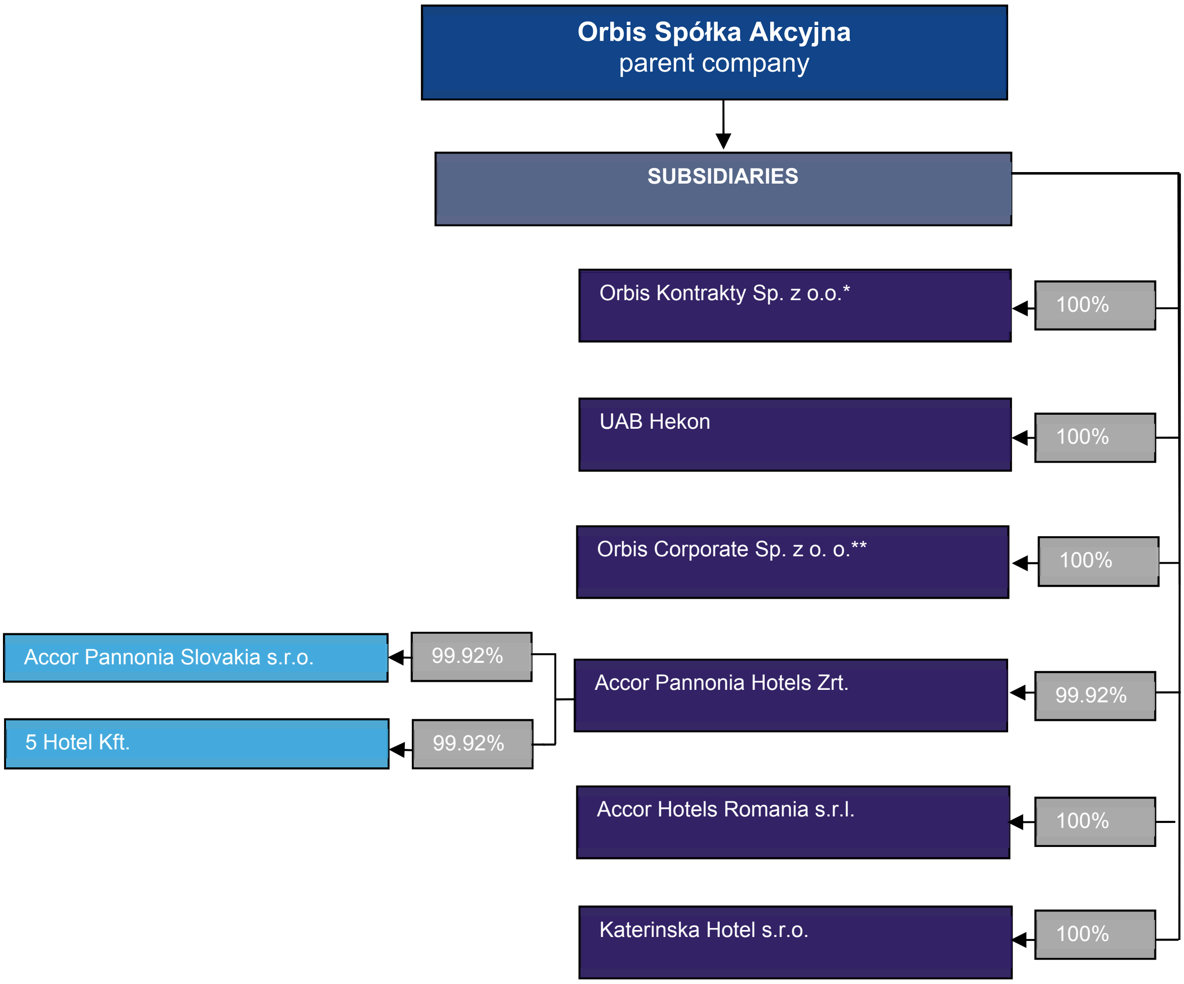
- Number of shares – 46 077 008,
- Par value per share – PLN 2,
- Share capital set out in the Statutes of Orbis S.A. – PLN 92 154 thousand,
- Hyperinflation restatement of share capital – PLN 425 600 thousand,
- Carrying amount of share capital – PLN 517 754 thousand.

During 9 months of 2019 and till the date of publication of this Report the value of share capital did not change.

By virtue of resolution of the General Meeting of Shareholders dated June 14, 2019, it was decided to retain the total net profit generated by Orbis S.A. in 2018, in the amount of PLN 141 901 thousand as retained earnings set aside for statutory purposes.

5.7 The structure of the Group

As at September 30, 2019, the Orbis Group comprised the following companies:



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

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

5.8 Description of principal accounting policies

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

The principal accounting policies applied in the preparation of the consolidated financial statements were set out in Note 2.4 to the annual consolidated financial statements for 2018. The accounting policies have been consistently applied to all the years presented in the financial statements and did not change substantially except as set out below.

Since January 1, 2019, the Group has modified its accounting principles in connection with the entry into force of the new accounting standards, i.e. IFRS 16 "Leases". Section 5.8.1 describes the impact of the new accounting principles on the Group's financial statements and the restatement of data as at the date of the first application of the new standards, i.e. January 1, 2019. Furthermore, to ensure comparability of data for particular periods, the impact of IFRS 16 application on the results of the Orbis Group during 9 months of 2019 and on items of the statement of financial position as at September 30, 2019, was presented.

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

As a result, other advance payments and prepayments of the PLN 30 287 thousand disclosed as at September 30, 2019, under Current deferred revenue, advance payments in the amount of PLN 17 315 thousand disclosed under trade liabilities and prepayments received (Entrance fee) in the amount of PLN 1 901 thousand disclosed in Non-current deferred revenue were posted to Contract liabilities. Moreover, in the statement of cash flows for 9 months and for 3 months ended September 30, 2018, the change in the contract liabilities of, respectively, PLN 19 677 thousand and PLN -1 459 thousand was disclosed separately under the operating activity and the change in deferred revenue (PLN 13 323 thousand and PLN -3 708 thousand) as well as the change in liabilities (PLN 6 354 thousand and PLN 2 249 thousand) were adjusted accordingly by appropriate amounts.

As a result of the planned sale of the assets light business of Orbis S.A. and of the companies belonging to the Orbis Group (see Section 4.4 and 4.5 for details), comparative data in the profit and loss account were restated accordingly in line with IFRS 5.

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

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

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

5.8.1 The impact of IFRS 16 "Leases" on the financial statements of the Orbis Group

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As at January 1, 2019, discount rates adopted by the Group for the leased hotels and office spaces were within the following ranges:
- contracts in EUR: 1.52% - 3.76%,
- contracts in CZK: 4.36%.

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

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

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

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

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

(figures quoted in PLN thousand, unless otherwise stated)

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

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

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

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

- discount applied in the measurement of future minimum payments disclosed in accordance with IAS 17 in the consolidated financial statements for the year 2018 (PLN -36 486 thousand);
- recognition of rights of perpetual usufruct of land, which the Group did not treat as operating leases under IAS 17 (PLN 254 414 thousand);
- recognition of lease liabilities arising in connection with the lease of land in the Czech Republic (PLN 25 147 thousand). Due to the specific nature of these agreements (including the indefinite term of asset use), as at the time of preparation of the annual report, future payments under these agreements were not included in the note reporting the future minimum lease payments;
- recognition of a lease liability relating to the MGallery Praha Old Town hotel in the Czech Republic (PLN 51 242 thousand). At the time of publication of the annual report, the Group anticipated the buyback of this hotel in Q1 2019 and therefore decided to exclude payments under this agreement from the future minimum lease payments;
- non-recognition, as at January 1, 2019, of liabilities resulting from lease of an office in Warsaw, because it was delivered for use in June 2019 (PLN -10 367 thousand).

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

(figures quoted in PLN thousand, unless otherwise stated)

The impact of IFRS 16 application on the financial statements for 9 months of 2019

To ensure comparability of data for individual periods, the tables below present the impact of IFRS 16 application on individual items of the statement of financial position as at September 30, 2019, and on the results of the Orbis Group for 9 months of 2019.

	September 30, 2019 (without IFRS 16 impact)	adjustment due to recognition of rights of perpetual usufruct of land	adjustment due to recognition of leases of lands	adjustment due to recognition of leases of hotels and office spaces	adjustment due to recognition of leases of motorcars	September 30, 2019 (as reported)
Non-current assets	**2 499 605**	**54 240**	**24 901**	**259 340**	**604**	**2 838 690**
Property, plant and equipment	2 378 148	6 299	24 850	258 913	604	2 668 814
- of which Right of perpetual usufruct of land so far recognised in accordance with IAS 16	*289 418*	*(289 418)*	-	-	-	-
- of which Right-of-use assets	-	*295 717*	*24 850*	*258 913*	*604*	*580 084*
Investment property	2 355	2 674	-	-	-	5 029
- of which Right of perpetual usufruct of land so far recognised in accordance with IAS 16	*1 113*	*(1 113)*	-	-	-	-
- of which Right-of-use assets	-	*3 787*	-	-	-	*3 787*
Deferred tax assets	7 228	45 267	51	427	-	52 973
Current assets	**847 065**	**(2 861)**	**(273)**	**(5 774)**	**-**	**838 157**
Other current receivables	29 280	(2 861)	(273)	(5 774)	-	20 372
Assets classified as held for sale	**77 134**	**(828)**	**-**	**-**	**428**	**76 734**
- of which Right of perpetual usufruct of land so far recognised in accordance with IAS 16	*3 475*	*(3 475)*	-	-	-	-
- of which Right-of-use assets	-	*2 647*	-	-	*428*	*3 075*
TOTAL ASSETS	**3 423 804**	**50 551**	**24 628**	**253 566**	**1 032**	**3 753 581**
Equity	**2 586 776**	**(193 086)**	**(216)**	**(5 776)**	**22**	**2 387 720**
Retained earnings	1 936 129	(193 086)	(216)	(5 776)	22	1 737 073
Non-current liabilities	**231 606**	**234 450**	**23 926**	**221 988**	**291**	**712 261**
Lease liabilities	-	234 450	23 926	222 366	289	481 031
Deferred tax liabilities	538	-	-	(378)	2	162
Current liabilities	**593 130**	**6 558**	**918**	**37 354**	**290**	**638 250**
Lease liabilities	-	7 262	918	40 869	290	49 339
Deferred revenue	7 242	-	-	(3 515)	-	3 727
Other current liabilities	96 683	(704)	-	-	-	95 979
Liabilities associated with assets classified as held for sale	**12 292**	**2 629**	**-**	**-**	**429**	**15 350**
- of which lease liabilities	-	*2 629*	-	-	*429*	*3 058*
TOTAL EQUITY AND LIABILITIES	**3 423 804**	**50 551**	**24 628**	**253 566**	**1 032**	**3 753 581**

(figures quoted in PLN thousand, unless otherwise stated)

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

	9 months of 2019 (without IFRS 16 impact)	adjustment due to recognition of rights of perpetual usufruct of land	adjustment due to recognition of leases of lands	adjustment due to recognition of leases of hotels and office spaces	adjustment due to recognition of leases of motorcars	9 months of 2019 (as reported)
Net sales	1 090 337	-	-	-	-	1 090 337
Outsourced services	(233 311)	-	-	-	528	(232 783)
Taxes and charges	(33 524)	9 288	-	-	-	(24 236)
EBITDAR	**393 977**	**9 288**	**-**	**-**	**528**	**403 793**
Rental expense	(45 097)	-	811	35 391	-	(8 895)
Operating EBITDA	**348 880**	**9 288**	**811**	**35 391**	**528**	**394 898**
Depreciation and amortisation	(131 162)	41	(590)	(31 872)	(488)	(164 071)
Operating profit without the effects of one-off events	**217 718**	**9 329**	**221**	**3 519**	**40**	**230 827**
Result on sale of real property	51 560	7 634	-	-	-	59 194
Operating profit	**250 805**	**16 963**	**221**	**3 519**	**40**	**271 548**
Finance income/(costs)	(16 767)	(9 001)	(485)	(10 305)	(15)	(36 573)
Profit/(loss) before tax	**234 038**	**7 962**	**(264)**	**(6 786)**	**25**	**234 975**
Income tax expense	(46 052)	(1 534)	50	840	(2)	(46 698)
Net profit/(loss) on continuing operations	**187 986**	**6 428**	**(214)**	**(5 946)**	**23**	**188 277**
Net profit on discontinued operations	**20 697**	**-**	**-**	**-**	**-**	**20 697**
Net profit/(loss) for the period	**208 683**	**6 428**	**(214)**	**(5 946)**	**23**	**208 974**
- attributable to owners of the	208 637	6 428	(214)	(5 946)	23	208 928
- attributable to non-controlling	46	-	-	-	-	46
Total comprehensive income/(loss) for the period	**200 157**	**6 428**	**(214)**	**(5 946)**	**23**	**200 448**

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

(figures quoted in PLN thousand, unless otherwise stated)

5.9 Currency exchange rates

Items of statements of financial position of foreign subsidiary companies were translated into the Polish currency at the average exchange rate quoted by the National Bank of Poland as at September 30, 2019. Items of the income statement, statement of comprehensive income and statements of cash flows of foreign subsidiary companies were translated into the Polish currency at the exchange rates being the arithmetic mean of average exchange rates quoted by the National Bank of Poland at the day ending each month of 9 months of 2019 and 2018. Exchange rates used to translate statements of foreign subsidiary companies are presented in the table below:

Currency	Average exchange rate in the reporting period		Exchange rate at the end of the reporting period			
	9 months ended Sep. 30, 2019	9 months ended Sep. 30, 2018	Sep. 30, 2019	Jun. 30, 2019	Dec. 31, 2018	Sep. 30, 2018
EUR/PLN	4.3086	4.2535	4.3736	4.2520	4.3000	4.2714
HUF/PLN	0.013295	0.013341	0.013068	0.013140	0.013394	0.013191
CZK/PLN	0.1675	0.1662	0.1693	0.1672	0.1673	0.1664
RON/PLN	0.9081	0.9141	0.9207	0.8976	0.9229	0.9157

5.10 Issue, redemption and repayment of debt and equity securities

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

The bonds bear interest per annum at a variable interest rate at WIBOR for six-month deposits (**WIBOR 6M**) plus interest rate margin of **0.97%**. Interest will be payable in 6-month interest periods. The bonds will be redeemed on June 26, 2020, at their nominal value.

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

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

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

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

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

During 9 months of 2019, Orbis S.A. paid PLN 9 798 thousand as interest on issued bonds.

(figures quoted in PLN thousand, unless otherwise stated)

Bonds	As at:			
	Sep. 30, 2019	Jun. 30, 2019	Dec. 31, 2018	Sep. 30, 2018
Liability resulting from the bond issue (outstanding principal)	200 000	200 000	500 000	500 000
Valuation of bonds at amortised cost	840	2 205	2 111	2 655
Long-term bonds	**200 840**	**202 205**	**502 111**	**502 655**
Liability resulting from the bond issue (outstanding principal)	300 000	300 000	0	0
Valuation of bonds at amortised cost	2 149	8	0	0
Short-term bonds	**302 149**	**300 008**	**0**	**0**
Total bonds	**502 989**	**502 213**	**502 111**	**502 655**

5.11 Financial instruments

5.11.1 Fair value of financial instruments

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

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

	As at Sep. 30, 2019		As at Jun. 30, 2019		As at Dec. 31, 2018		As at Sep. 30, 2018	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets								
Cash and cash equivalents	740 731	740 731	632 119	632 119	537 834	537 834	497 162	497 162
Other financial assets	0	0	0	0	0	0	6 944	6 944
Trade receivables and other current receivables	75 193	75 193	85 981	85 981	81 605	81 605	108 665	108 665
Financial liabilities								
Debt securities - bonds issued	502 989	504 490	502 213	504 040	502 111	503 380	502 655	503 450
Trade payables and other non-current and current payables	118 729	118 729	116 695	116 695	168 812	168 812	128 656	128 656

According to the Management Board, as at the end of all the respective periods, the carrying amount of financial instruments of the Group, with the exception of liabilities arising from issued bonds, was closed to their fair value.

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

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

In terms of applied measurement procedures, issued bonds are classified to Level 1 of fair value hierarchy (fair value determined on the basis of prices quoted on an active market).

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

In 2019, the Group did not have any hedging relationships using derivative instruments

(figures quoted in PLN thousand, unless otherwise stated)

5.12 Changes in estimates of amounts

5.12.1 Impairment of assets

Movements in impairment loss - 9 months of 2019	Impairment loss on:					
	property, plant & equipment	investment property	intangible assets	shares	receivables	financial assets
As at January 1, 2019	**(36 248)**	**(252)**	**(347)**	**(57)**	**(4 999)**	**(456)**
Reclassification to discontinued operations	0	0	0	0	2 375	0
Recognised impairment loss	(320)	0	(2 485)	0	(2 174)	0
Reversed impairment loss	0	0	0	0	1 427	0
Utilised impairment loss	0	0	0	0	51	0
Decrease in impairment losses due to sale/liquidation	4 409	113	2 485	0	0	0
Impairment loss not subject to reversal *	1 277	3	0	0	0	0
Exchange differences on translation	80	0	(5)	0	34	12
As at September 30, 2019	**(30 802)**	**(136)**	**(352)**	**(57)**	**(3 286)**	**(444)**

Movements in impairment loss – 3rd quarter of 2019	Impairment loss on:					
	property, plant & equipment	investment property	intangible assets	shares	receivables	financial assets
As at July 1, 2019	**(31 118)**	**(137)**	**(344)**	**(57)**	**(2 995)**	**(447)**
Reclassification to discontinued operations	0	0	0	0	(463)	0
Recognised impairment loss	0	0	0	0	(795)	0
Reversed impairment loss	0	0	0	0	948	0
Utilised impairment loss	0	0	0	0	21	0
Decrease in impairment losses due to sale	(9)	0	0	0	0	0
Impairment loss not subject to reversal *	384	1	0	0	0	0
Reclassification	0	0	0	0	0	0
Exchange differences on translation	(59)	0	(8)	0	(2)	3
As at September 30, 2019	**(30 802)**	**(136)**	**(352)**	**(57)**	**(3 286)**	**(444)**

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

During 9 months of 2019 and in 2018, no circumstances occurred in the Group that would indicate a need to recognise impairment losses on inventories.

(figures quoted in PLN thousand, unless otherwise stated)

5.12.2 Provisions for liabilities

Movements in provisions - 9 months of 2019	Provision for:				
	jubilee awards	retirement & disability benefits	litigations	restructuring	other liabilities
As at January 1, 2019	**16 250**	**8 480**	**774**	**578**	**1 538**
Provision recognised	1 624	596	0	618	536
Provision released	(39)	(7)	(5)	(212)	0
Provision utilised	(1 709)	(398)	0	(494)	0
Exchange differences on translation	0	(11)	0	(5)	(47)
As at September 30, 2019, of which:	**16 126**	**8 660**	**769**	**485**	**2 027**
Short-term provisions	1 907	1 596	769	485	0
Long-term provisions	14 219	7 064	0	0	2 027

Movements in provisions - 3rd quarter of 2019	Provision for:				
	jubilee awards	retirement & disability benefits	litigations	restructuring	other liabilities
As at July 1, 2019	**16 126**	**8 662**	**771**	**413**	**1 703**
Provision recognised	724	264	0	305	338
Provision released	0	0	(2)	(55)	0
Provision utilised	(724)	(264)	0	(176)	0
Exchange differences on translation	0	(2)	0	(2)	(14)
As at September 30, 2019, of which:	**16 126**	**8 660**	**769**	**485**	**2 027**
Short-term provisions	1 907	1 596	769	485	0
Long-term provisions	14 219	7 064	0	0	2 027

5.13 Deferred tax assets and liabilities

Deferred tax	As at:		Impact on statement of comprehensive income
	Sep. 30, 2019	Dec. 31, 2018	
Deferred tax assets	52 973	10 983	41 990
Deferred tax liabilities	162	196	34
Change in deferred tax assets and liabilities, of which:			**42 024**
impact on profit or loss (continuing operations)			(4 791)
impact on profit or loss (discontinued operations)			(44)
impact on the initial balance of retained earnings			46 799
impact on other comprehensive income (incl. exchange differences on translation)			60

5.14 Contingent liabilities

5.14.1 Liabilities arising from bonds issue and the applicable law

The issued bonds have been secured by a joint contractual mortgage established on the Mercure Warszawa Grand hotel (KW No. WA4M/00159685/9), the Novotel Warszawa Centrum hotel (KW No. WA4M/00072550/0) and the Mercure Warszawa Centrum hotel (KW No. WA4M/00097244/3) up to the sum of PLN 625 000 thousand. The mortgage was established for the benefit of the mortgage administrator that is Bank Polska Kasa Opieki S.A. with its corporate seat in Warsaw, which will act in its own name, but for the account of bondholders. The total market value of the above-mentioned mortgaged hotels, determined by independent property appraisers as at May 23, 2019, by the valuation survey dated June 3, 2019, was PLN 837 332 thousand. The book value of these real properties as at September 30, 2019, is PLN 198 237 thousand.

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

5.14.2 Liabilities arising under guarantee agreements

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

The Bank guarantees were granted up to the sum of EUR 224.7 thousand for the lease of office space and EUR 8.8 thousand for the lease of car park spaces. The guarantees expire on October 7 and November 4, 2020, respectively.

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

5.14.3 Liabilities arising from agreements for the sale of assets

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

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

5.15 Legal claims

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

In connection with the suspension of the exercise of the option to purchase the MGallery Praha Old Town hotel (as announced on August 30, 2018) by the subsidiary Katerinska Hotel s.r.o. as a result of the financial terms of exercising the option being unexpectedly challenged by the seller, Katerinska Hotel s.r.o. approached, as the claimant, the arbitration court in Prague to settle the dispute and force the current MGallery hotel owner to sell the hotel. The value of the arbitration proceedings totals EUR 16.9 million.

(figures quoted in PLN thousand, unless otherwise stated)

As at September 30, 2019, 6 proceedings were pending before the Self-Government Appellate Board concerning revaluation of annual rates of fees for perpetual usufruct of land located in the following cities:

- Warsaw (ibis & ibis budget Reduta, ibis Warszawa Centrum);
- Gdańsk (Novotel Centrum, ibis Gdańsk Stare Miasto and adjacent area, Novotel Marina);
- Zegrze (built-up plot of land)

In the Group's opinion, fee revaluations made by Mayors of respective cities are either unjustified or calculations should be based on different rates. As at the end of the reporting period, accumulated value of the fees challenged by the Group totals PLN 7 137.5 thousand.

During 9 months of 2019, the case concerning revaluation of the fee for perpetual usufruct of land of the Novotel Łódź Centrum hotel was finalised. According to the termination notice received, Orbis S.A. will apply a lower rate of the annual fee. Furthermore, during the reporting period a judgment was issued on the fee for perpetual usufruct of the Sofitel Grand Sopot hotel, pursuant to which the Company paid PLN 1 407 thousand for the period from 2014 to 2018, and will pay a higher fee rate for perpetual usufruct starting from 2019.

During the reporting period, cases concerning revaluation of the fee for perpetual usufruct of land under the ibis Gdańsk Stare Miasto hotel (three out of four plots) as well as the fee for the plot of land located at Łopuszańska Street in Warsaw have also been finalised. In the case of the ibis Gdańsk Stare Miasto hotel, the court originally dismissed the claim; further on a judgment dismissing Orbis' appeal was issued. As a result, the difference between the revalued fee and the fee paid so far for the period from 2014 to 2019 (PLN 70 thousand in aggregate) was paid in August. In turn, in the case of a plot of land located at Łopuszańska Street, pursuant to the issued judgment, Orbis S.A. has to make a payment of the fee of approximately PLN 400 thousand for the period from 2015 to 2016 (until the date of sale of the plot), and a part of this amount is to be reimbursed by the then tenant of the land (in accordance with the sale agreement signed in December 2016).

5.16 Related party transactions

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

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

Purchases of services from related parties comprise mainly:

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

Figures presented below concern transactions with the Accor Group companies and include continuing and discontinued operations.

Sales and purchases	3 months ended Sep. 30, 2019	9 months ended Sep. 30, 2019	3 months ended Sep. 30, 2018	9 months ended Sep. 30, 2018
Net sales	**2 719**	**6 900**	**1 170**	**4 669**
- to the parent company	2 709	6 145	359	3 224
- to other Accor Group companies	10	755	811	1 445
Purchases	**23 468**	**58 739**	**21 178**	**53 634**
- from the parent company	23 468	50 391	16 646	41 792
- from other Accor Group companies	0	8 348	4 532	11 842

(figures quoted in PLN thousand, unless otherwise stated)

Receivables and payables	As at:			
	Sep. 30, 2019	Jun. 30, 2019	Dec. 31, 2018	Sep. 30, 2018
Trade receivables	**7 393**	**7 090**	**6 376**	**6 069**
- from the parent company	7 318	6 447	5 515	5 623
- from other Accor Group companies	74	643	861	446
Trade payables	**20 973**	**13 274**	**13 407**	**12 653**
- to the parent company	20 963	13 157	12 634	11 199
- to other Accor Group companies	10	117	773	1 454

No impairment loss was recognised on the presented receivables.

Transactions with related companies are executed at arms' length.

Benefits (including wages and salaries, awards, post-employment benefits and retirement benefits) paid in accordance with contractual obligations to the Members of the Management Board and the Supervisory Board of Orbis S.A. in 9-month periods ended September 30, 2019, and 2018, amounted to PLN 6 609 thousand and PLN 5 392 thousand, respectively.

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

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

5.17 Important events after the reporting period

On October 18, 2019, an Extraordinary General Meeting of Shareholders was held. The Meeting adopted, among others, a resolution on granting consent for the sale of an organized part of Orbis S.A. enterprise in the form of the Service Department (asset light).

In addition, the Management Board of Orbis S.A. convened an Extraordinary General Meeting of Orbis S.A. to be held on November 12, 2019. The agenda of the Meeting includes adoption of a resolution on purchase of the treasury shares for the purpose of their redemption and creation of a reserve capital (for more information refer to the current report nos. 32 and 37/2019).

CONDENSED INTERIM FINANCIAL STATEMENTS OF ORBIS S.A.

Bachleda Luxury Hotel Kraków
MGallery By Sofitel

(figures quoted in PLN thousand, unless otherwise stated)

6 CONDENSED INTERIM FINANCIAL STATEMENTS OF ORBIS S.A.

6.1 Income statement

	3 months ended Sep. 30, 2019	9 months ended Sep. 30, 2019	3 months ended Sep. 30, 2018*	9 months ended Sep. 30, 2018*
Net sales	**258 436**	**705 348**	**239 116**	**662 185**
Outsourced services	(53 279)	(150 979)	(49 584)	(140 691)
Employee benefit expense	(60 770)	(186 494)	(57 133)	(178 451)
Raw materials and energy used	(29 945)	(99 228)	(32 156)	(97 167)
Taxes and charges	(4 183)	(14 159)	(7 473)	(22 513)
Other expenses by nature	(1 558)	(5 070)	(1 677)	(4 833)
Impairment of receivables	(345)	(331)	(79)	(44)
Net other operating income/(expenses)	(295)	(309)	(476)	(841)
EBITDAR	**108 061**	**248 778**	**90 538**	**217 645**
Rental expense	0	0	(1 924)	(5 679)
Operating EBITDA	**108 061**	**248 778**	**88 614**	**211 966**
Depreciation and amortisation	(35 194)	(103 059)	(31 644)	(94 249)
Operating profit without the effects of one-off events	**72 867**	**145 719**	**56 970**	**117 717**
Result on sale of real property	(81)	56 405	110	1 016
Revaluation of non-current assets	0	(2 805)	0	0
Restructuring costs	(1 469)	(1 744)	(491)	(359)
Result of other one-off events	67 170	61 409	0	0
Operating profit	**138 487**	**258 984**	**56 589**	**118 374**
Finance income	7 166	9 344	1 919	17 389
Finance costs	(14 320)	(28 156)	(10 911)	(11 216)
Profit before tax	**131 333**	**240 172**	**47 597**	**124 547**
Income tax expense	(26 861)	(52 352)	(9 903)	(25 205)
Net profit on continuing operations	**104 472**	**187 820**	**37 694**	**99 342**
Net profit on discontinued operations	**1 711**	**16 895**	**568**	**13 794**
Net profit for the period	**106 183**	**204 715**	**38 262**	**113 136**

Earnings per ordinary share				
Basic and diluted earnings per share (in PLN)	2.30	4.44	0.83	2.46
Basic and diluted earnings per share – continuing operations (in PLN)	2.27	4.08	0.82	2.16
Basic and diluted earnings per share – discontinued operations (in PLN)	0.03	0.36	0.01	0.30

** Amounts restated in application of IFRS 5*

(figures quoted in PLN thousand, unless otherwise stated)

6.2 Statement of comprehensive income

	3 months ended Sep. 30, 2019	9 months ended Sep. 30, 2019	3 months ended Sep. 30, 2018*	9 months ended Sep. 30, 2018*
Net profit for the period	**106 183**	**204 715**	**38 262**	**113 136**
Items that will not be reclassified subsequently to profit or loss:				
Income tax relating to items that will not be reclassified subsequently	0	0	(9)	(9)
Items that may be reclassified subsequently to profit or loss:				
The effective portion of the gain or loss on the hedging instrument entered into for cash flow hedges	0	0	0	75
Income tax relating to items that may be reclassified subsequently	0	0	0	(14)
Other comprehensive income/(loss) after tax	**0**	**0**	**(9)**	**52**
Total comprehensive income for the period	**106 183**	**204 715**	**38 253**	**113 188**

** Amounts restated in application of IFRS 5*

6.3 Statement of financial position

Assets	As at:			
	Sep. 30, 2019	Jun. 30, 2019	Dec. 31, 2018	Sep. 30, 2018
Non-current assets	**2 316 394**	**2 330 164**	**2 271 603**	**2 331 617**
Property, plant and equipment, of which:	1 657 611	1 669 241	1 660 408	1 584 569
- right-of-use assets	320 571	323 983	0	0
Investment property, of which:	5 427	5 703	4 483	4 782
- right-of-use assets	3 787	3 800	0	0
Intangible assets, of which:	105 852	105 877	109 320	109 182
- goodwill	104 298	104 298	107 252	107 252
Investments in subsidiaries	467 429	467 429	467 529	467 529
Loans granted	31 190	30 352	22 815	152 923
Other financial assets	0	0	0	6 944
Deferred tax assets	48 034	50 567	5 980	4 591
Other non-current assets	851	995	1 068	1 097
Current assets	**796 848**	**642 502**	**567 489**	**417 522**
Inventories	3 587	3 595	3 820	3 493
Trade receivables	131 576	37 822	25 132	41 269
Other current receivables	9 399	10 755	22 841	12 229
Loans granted	147 237	141 960	156 526	39 349
Cash and cash equivalents	505 049	448 370	359 170	321 182
Assets classified as held for sale, of which:	**14 906**	**9 362**	**8 690**	**23 210**
- right-of-use assets	3 075	2 647	0	0
TOTAL ASSETS	**3 128 148**	**2 982 028**	**2 847 782**	**2 772 349**

(figures quoted in PLN thousand, unless otherwise stated)

Equity and Liabilities	As at:			
	Sep. 30, 2019	Jun. 30, 2019	Dec. 31, 2018	Sep. 30, 2018
Equity	**2 126 664**	**2 020 481**	**2 121 463**	**2 093 661**
Share capital	517 754	517 754	517 754	517 754
Reserves	133 333	133 333	133 333	133 333
Retained earnings	1 475 577	1 369 394	1 470 376	1 442 574
Non-current liabilities	**479 528**	**482 647**	**543 010**	**540 072**
Bonds	200 840	202 205	502 111	502 655
Lease liabilities	250 916	252 504	0	0
Contract liabilities	0	0	1 854	1 837
Deferred revenue	0	0	10 928	10 978
Other non-current liabilities	6 918	7 084	7 200	6 236
Provision for retirement benefits and similar obligations	20 854	20 854	20 917	18 366
Current liabilities	**506 687**	**470 619**	**183 309**	**138 616**
Bonds	302 149	300 008	0	0
Lease liabilities	16 244	13 374	0	0
Trade payables	55 352	52 132	48 387	49 913
Liabilities associated with tangible assets	8 412	9 010	53 907	7 500
Income tax liabilities	26 872	7 470	11 455	6 847
Contract liabilities	23 285	28 961	16 822	24 238
Deferred revenue	1 528	563	916	690
Other current liabilities	68 271	54 598	47 382	45 684
Provision for retirement benefits and similar obligations	3 500	3 500	3 386	2 898
Provisions for liabilities	1 074	1 003	1 054	846
Liabilities associated with assets classified as held for sale, of which:	**15 269**	**8 281**	**0**	**0**
- lease liabilities	3 058	2 597	0	0
TOTAL EQUITY AND LIABILITIES	**3 128 148**	**2 982 028**	**2 847 782**	**2 772 349**

(figures quoted in PLN thousand, unless otherwise stated)

6.4 Statement of changes in equity

	Share capital	Reserves	Retained earnings	Total
Twelve months ended December 31, 2018				
Balance as at January 1, 2018 (as reported)	**517 754**	**133 272**	**1 405 728**	**2 056 754**
- adjustment for IFRS 9	0	0	(1 395)	(1 395)
- adjustment for IFRS 15	0	0	(1 163)	(1 163)
Balance as at January 1, 2018 (restated)	**517 754**	**133 272**	**1 403 170**	**2 054 196**
- net profit for the period	0	0	141 901	141 901
- other comprehensive income/(loss)	0	61	(972)	(911)
Total comprehensive income for the period	**0**	**61**	**140 929**	**140 990**
- dividends	0	0	(73 723)	(73 723)
Balance as at December 31, 2018 *(audited)*	**517 754**	**133 333**	**1 470 376**	**2 121 463**
of which: nine months ended September 30, 2018				
Balance as at January 1, 2018 (as reported)	**517 754**	**133 272**	**1 405 728**	**2 056 754**
- adjustment for IFRS 9	0	0	(1 395)	(1 395)
- adjustment for IFRS 15	0	0	(1 163)	(1 163)
Balance as at January 1, 2019 (restated)	**517 754**	**133 272**	**1 403 170**	**2 054 196**
- net profit for the period	0	0	113 136	113 136
- other comprehensive income/(loss)	0	61	(9)	52
Total comprehensive income/ (loss) for the period	**0**	**61**	**113 127**	**113 188**
- dividends	0	0	(73 723)	(73 723)
Balance as at September 30, 2018	**517 754**	**133 333**	**1 442 574**	**2 093 661**
Nine months ended September 30, 2019				
Balance as at January 1, 2019 (as reported)	**517 754**	**133 333**	**1 470 376**	**2 121 463**
- adjustment for IFRS 15	0	0	(199 514)	(199 514)
Balance as at January 1, 2019 (restated)*	**517 754**	**133 333**	**1 270 862**	**1 921 949**
- net profit for the period	0	0	204 715	204 715
Total comprehensive income for the period	**0**	0	**204 715**	**204 715**
Balance as at September 30, 2019	**517 754**	**133 333**	**1 475 577**	**2 126 664**
of which: three months ended September 30, 2019				
Balance as at July 1, 2019	**517 754**	**133 333**	**1 369 394**	**2 020 481**
- net profit for the period	0	0	106 183	106 183
Total comprehensive income for the period	**0**	**0**	**106 183**	**106 183**
Balance as at September 30, 2019	**517 754**	**133 333**	**1 475 577**	**2 126 664**

** description of the restatement in Section 8.4*

(figures quoted in PLN thousand, unless otherwise stated)

6.5 Statement of cash flows

	3 months ended Sep. 30, 2019	9 months ended Sep. 30, 2019	3 months ended Sep. 30, 2018	9 months ended Sep. 30, 2018
OPERATING ACTIVITIES				
Profit before tax, of which:	**133 641**	**257 664**	**48 312**	**138 677**
- from continuing operations	**131 333**	**240 172**	**47 597**	**124 547**
- from discontinued operations	**2 308**	**17 492**	**715**	**14 130**
Adjustments:	**(39 138)**	**(17 063)**	**28 354**	**60 158**
Depreciation and amortisation	35 194	103 059	31 644	94 249
Foreign exchange (profits)/losses	(4 659)	(2 651)	7 378	(10 181)
Interest, borrowing costs and dividends	7 514	2 046	1 826	(8 460)
Gain from investing activities	(111)	(57 224)	(238)	(1 089)
Change in receivables and contract assets	(95 180)	(104 332)	461	(13 062)
Change in contract liabilities	(5 675)	6 641	(2 198)	10 688
Change in other liabilities, excluding borrowings	23 700	32 289	(9 573)	(9 325)
Change in deferred revenue	0	0	(94)	(1 225)
Change in provisions	71	71	(1 175)	(1 793)
Change in inventories	8	233	313	346
Other adjustments	0	2 805	10	10
Cash generated from operations	**94 503**	**240 601**	**76 666**	**198 835**
Income taxes paid	(8 973)	(34 152)	(6 250)	(15 566)
Net cash generated by operating activities	**85 530**	**206 449**	**70 416**	**183 269**
INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment, intangible assets and investment properties	435	56 461	9 639	11 482
Dividends and share of profits	0	14 349	0	12 360
Repayment of loans granted	0	529	0	252 404
Interest received	1 364	5 748	2 180	5 645
Other investing cash inflows	965	1 128	(810)	4 635
Payments for property, plant and equipment, intangible assets and investment properties	(26 673)	(111 411)	(36 148)	(107 058)
Loans granted	0	0	0	(33 418)
Increase in share capital of related parties	0	0	(10)	(10)
Net cash generated by/(used in) investing activities	**(23 909)**	**(33 196)**	**(25 149)**	**146 040**
FINANCING ACTIVITIES				
Dividends and other payments to owners	0	0	(73 723)	(73 723)
Interest paid and other financing cash outflows resulting from issue of bonds	(2 816)	(9 798)	(2 836)	(9 953)
Payment of liabilities under lease agreements	(2 524)	(14 815)	0	0
Payment of interest on liabilities under lease agreements	(98)	(3 342)	0	0
Net cash used in financing activities	**(5 438)**	**(27 955)**	**(76 559)**	**(83 676)**
Change in cash and cash equivalents	**56 183**	**145 298**	**(31 292)**	**245 633**
Effects of exchange rate changes on the balance of cash held in foreign currencies	496	581	(3 324)	(1 424)
Cash and cash equivalents at the beginning of the period	**448 370**	**359 170**	**355 798**	**76 973**
Cash and cash equivalents at the end of the period	**505 049**	**505 049**	**321 182**	**321 182**

(figures quoted in PLN thousand, unless otherwise stated)

7 COMMENTS ON ORBIS S.A. RESULTS

7.1 External environment

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

7.2 Discontinued operations and assets and liabilities classified as held for sale

7.2.1 Discontinued operations

In connection with the decision taken by the Management Board of Orbis S.A. concerning the sale of the asset light business of Orbis S.A. and companies belonging to the Orbis Group, and the signing, on September 17, 2019, of the agreement of sale of the entire asset light business (as described in Section 4.4), the results of this business are regarded as discontinued operations and assets and liabilities directly related to this business have been classified as a disposal group according to IFRS 5.

The basic categories of assets and liabilities comprising the operations classified as held for sale as at the balance sheet date and the results and cash flows from these operations in all the reported periods are presented below. The presented data include above all the receivables and income from management and franchise agreements, liabilities and direct costs related to services provided by Orbis S.A. to managed or franchised hotels as well as costs of obtaining new asset light contracts. Since the sale of the asset light business takes place by way of sale of organized parts of an enterprise, as at September 30, 2019, the assets held for sale also included fixed assets used for asset light operations and liabilities include liabilities to employees who will be transferred to new companies established by Accor. In addition, the revenues (from dividend, management and office space lease) from Orbis Kontrakty Sp. z o.o. have been classified as discontinued operations and the assets held for sale include the shares of Orbis Kontrakty.

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

	3 months ended Sep. 30, 2019	9 months ended Sep. 30, 2019	3 months ended Sep. 30, 2018	9 months ended Sep. 30, 2018
Net sales	**5 726**	**14 067**	**4 233**	**10 822**
Operating expenses, of which:	(3 419)	(10 923)	(3 518)	(9 051)
Employee benefit expense	*(308)*	*(1 180)*	*(353)*	*(1 169)*
Net other operating income/(expenses)	1	(1)	0	(1)
EBITDAR	**2 308**	**3 143**	**715**	**1 770**
Operating EBITDA	**2 308**	**3 143**	**715**	**1 770**
Operating profit without the effects of one-off events	**2 308**	**3 143**	**715**	**1 770**
Operating profit	**2 308**	**3 143**	**715**	**1 770**
Dividend income	0	14 349	0	12 360
Profit before tax	**2 308**	**17 492**	**715**	**14 130**
Income tax expense	(597)	(597)	(147)	(336)
Net profit on discontinued operations	**1 711**	**16 895**	**568**	**13 794**
Total comprehensive income on discontinued operations	**1 711**	**16 895**	**568**	**13 794**

(figures quoted in PLN thousand, unless otherwise stated)

CASH FLOWS FROM DISCONTINUED OPERATIONS	3 months ended Sep. 30, 2019	9 months ended Sep. 30, 2019	3 months ended Sep. 30, 2018	9 months ended Sep. 30, 2018
Net cash generated by operating activities	1 711	2 546	568	1 434
Net cash generated by investing activities	0	14 349	0	12 360
Net cash flow, total	**1 711**	**16 895**	**568**	**13 794**

7.2.2 Assets and liabilities classified as held for sale

Assets and liabilities classified as held for sale comprise:

ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE	As at:			
	Sep. 30, 2019	Jun. 30, 2019	Dec. 31, 2018	Sep. 30, 2018
Assets light business, of which:	12 259	6 715	0	0
*- right-of-use assets**	*428*	*0*	*0*	*0*
Other Right-of-use assets	2 647	2 647	0	0
Other assets	0	0	8 690	23 210
Total assets classified as held for sale	**14 906**	**9 362**	**8 690**	**23 210**
Assets light business	12 640	5 684	0	0
*- lease liabilities**	*429*	*0*	*0*	*0*
Other lease liabilities*	2 629	2 597	0	0
Total liabilities associated with assets classified as held for sale	**15 269**	**8 281**	**0**	**0**

** information on the right-of-use assets and lease liabilities is provided in Note 8.4*

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

ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE	as at, Sep. 30, 2019	as at, Jun. 30, 2019
Non-current assets	**2 718**	**100**
Property, plant and equipment	2 618	0
- right-of-use assets	*428*	*0*
Investments in subsidiaries	100	100
Current assets	**9 541**	**6 615**
Trade receivables	7 476	6 615
Other current receivables	2 065	0
Assets classified as held for sale	**12 259**	**6 715**
Non-current liabilities	**2 145**	**1 889**
Lease liabilities	258	0
Contract liabilities	1 887	1 889
Current liabilities	**10 495**	**3 795**
Lease liabilities	171	0
Trade payables	6 145	3 653
Contract liabilities	145	142
Other current liabilities	4 034	0
Liabilities associated with assets classified as held for sale	**12 640**	**5 684**

(figures quoted in PLN thousand, unless otherwise stated)

Furthermore, as at September 30, 2019 and June 30, 2019, assets classified as held for sale and liabilities associated with assets classified as held for sale included the right of perpetual usufruct of land in Częstochowa recognised as lease in accordance with IFRS 16. This right is scheduled to be sold by the end of 2019.

As at December 31, 2018, assets held for sale included a non-hotel real property located in Wrocław, which was sold in the first days of February 2019.

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

- the components of property, plant and equipment of the ibis budget Toruń hotel (including the right of perpetual usufruct of land with a building and its fixtures and fittings),
- land located in Toruń, built up with an unfinished building, initially planned as an ibis hotel,
- land with the ownership title of buildings located in Poznań at Prusimska street,
- non-hotel real property located in Wrocław, including the right of perpetual usufruct of land, buildings and facilities.

7.3 Income statement

In 9 months of 2019, Orbis S.A. generated net profit of PLN 248.8 million and was by 17.4% higher as compared to 9 months of 2018. On the other hand, profit before tax increased by 92.8% compared to the past year and equalled PLN 240.2 million in connection with higher result on one-off events.

Income statement – analytical approach	9 months ended Sep. 30, 2019	9 months ended Sep. 30, 2019 without IFRS 16 impact	9 months ended Sep. 30, 2018	Change in %	
				9 months of 2019/ 9 months of 2018	9 months of 2019 without IFRS 16 impact / 9 months of 2018
Net sales	**705 348**	**705 348**	**662 185**	**6.5**	**6.5**
of which:					
Room revenue	487 118	487 118	463 042	5.2	5.2
Food & beverage revenue	183 547	183 547	168 559	8.9	8.9
Other revenue	34 683	34 683	30 584	13.4	13.4
EBITDAR	**248 778**	**239 099**	**217 645**	**14.3**	**9.9**
Operating EBITDA	**248 778**	**232 775**	**211 966**	**17.4**	**9.8**
Operating profit (EBIT)	**258 984**	**241 837**	**118 374**	**118.8**	**104.3**
Net result from financing activities	(18 812)	(9 034)	6 173	-	-
Profit before tax	**240 172**	**232 803**	**124 547**	**92.8**	**86.9**
Net profit from continuing operations	**187 820**	**181 874**	**99 342**	**89.1**	**83.1**
Discontinued operations	**16 895**	**16 895**	**13 794**	**22.5**	**22.5**
Net profit	**204 715**	**198 769**	**113 136**	**80.9**	**75.7**

(figures quoted in PLN thousand, unless otherwise stated)

Income statement – analytical approach	3 months ended Sep. 30, 2019	3 months ended Sep. 30, 2019 without IFRS 16 impact	3 months ended Sep. 30, 2018	Change in %	
				3rd quarter of 2019/ 3rd quarter of 2018	3rd quarter of 2019 without IFRS 16 impact / 3rd quarter of 2018
Net sales	**258 436**	**258 436**	**239 116**	**8.1**	**8.1**
of which:					
Room revenue	183 466	183 466	170 787	7.4	7.4
Food & beverage revenue	61 824	61 824	57 603	7.3	7.3
Other revenue	13 146	13 146	10 726	22.6	22.6
EBITDAR	**108 061**	**104 844**	**90 538**	**19.4**	**15.8**
Operating EBITDA	**108 061**	**102 354**	**88 614**	**21.9**	**15.5**
Operating profit (EBIT)	**138 487**	**135 263**	**56 589**	**144.7**	**139.0**
Net result from financing activities	(7 154)	(3 364)	(8 992)	20.4	62.6
Profit before tax	**131 333**	**131 899**	**47 597**	**175.9**	**177.1**
Net profit from continuing operations	**104 472**	**104 933**	**37 694**	**177.2**	**178.4**
Net profit from discontinued operations	**1 711**	**1 711**	**568**	**201.2**	**201.2**
Net profit	**106 183**	**106 644**	**38 262**	**177.5**	**178.7**

In 9 months of 2019, **net sales** of Orbis S.A. stood at PLN 705.3 million, which represents an increase by 6.5% as compared to the past year's figure. The **structure of the Company's sales** did not change much as compared to the revenues for 9 months of 2018. Increases in comparison to the past year were reported in each revenue category.

In the period from January to September 2019, room revenues totalled PLN 487.1 million, i.e. 69.1% of the Group's total revenues. Compared to the figures for 9 months of the past year, room revenues increased by 5.2%. In the period of 9 months of 2019, Orbis hotels reported an increase in the Average Room Rate by 3.8% (by 2.9% like-for-like), accompanied by an increase in the Occupancy Rate by 1.0 percentage points (1.7 p.p. like-for-like), which brought a 5.2% increase in revenue per available room (RevPAR).

In the period of 9 months of 2019, food and beverage revenues equalled PLN 183.5 million and accounted for 26.0% of consolidated revenues. Compared to the figures for 9 months of 2018, the food and beverage revenues increased by 8.9%.

The share of other revenues, which include mainly revenues from lease of real property and parking spaces, constituted 4.9% of the total revenues of the Company (4.6% in the comparable period).

Franchise and management revenues were classified as discontinued operations.

Operating expenses of Orbis S.A. (including rental expense and depreciation/amortisation) totalled PLN 559.3 million in the reporting period, i.e. grew insignificantly by 2.9% as compared to the corresponding period of 2018. The contribution of particular types of costs to net sales revenues did not change as compared to 2018, and employee benefits (26.4%) followed by outsourced services (21.4%), depreciation and amortization and consumption of materials and energy (14.6% and 14.1%, respectively) remained the company's largest costs. As compared to the period of 9 months of 2018, costs of outsourced services, including mainly sales services (which include, among others, travel agency commissions as well as the costs of cleaning, laundry and outsourcing services) increased by PLN 10.3 million.

Compared to the corresponding period of 2018, tax and fee expenses decreased to the greatest extent (by PLN 8.4 million) as a result of the change in the method of recognition of fees for perpetual usufruct of land in connection with the implementation of IFRS 16 in 2019. The rights to perpetual usufruct of land, which until the end of 2018 were recognized under the Company's assets and depreciated, and the related fees (at their nominal value) were recognized in the income statement under taxes and fees, are since January 1, 2019, are recognised as depreciation / amortisation and interest expense. As a result of IFRS 16 implementation, the costs of property rental were also reduced during the reporting period. Fees under the Sofitel Wrocław Old Town hotel lease agreement are now recognised in the income statement as depreciation/amortisation and interest expense. The cost of depreciation of right-of-use assets in the period of 9 months of 2019 amounted to PLN 9.8 million.

As a result of the above changes, Orbis' **EBITDAR** and **operating EBITDA** reached **PLN 248.8 million** in the period of 9 months of 2019, while **the operating profit without one-off events** totalled **PLN 145.7 million**.

In the period of 9 months of 2019, Orbis S.A. generated a **positive result on one-off events amounting to PLN 113.3 million** as compared to PLN 0.7 million in the corresponding period of 2018. This is mainly the effect of closing, on February 1, 2019, of the sale transaction of a non-hotel property in Wrocław. The result of this transaction totalled PLN 41.5 million. Furthermore, one-off events include a profit of PLN 9.4 million on the sale of the former Giewont hotel, PLN 3.7 million on the sale of non-hotel real estate in Szczecin and PLN 1.9 million on the sale of the ibis budget hotel in Toruń. In addition, costs of one-off events involving the division of Orbis S.A. and the divestment of the asset light business (PLN 10.8 million), goodwill impairment costs (PLN 2.5 million), employment restructuring costs (PLN 1.7 million) as well as revenues of PLN 72.2 million resulting from adjustment of the receivables for services provided by Orbis S.A. to its subsidiary Orbis Kontrakty during the period from 2013 to 2018 (more information available in Section 8.13) were recognized.

In the past year, the Company earned a profit on the sale of real property (two hotels: the Mercure Cieszyn hotel and the ibis Styles Bielsko-Biała hotel and non-hotel real properties located in Karpacz and Warsaw at 1 Sierpnia Street) in the total amount of PLN 1.0 million, which was reduced by restructuring costs of PLN 0.4 million.

Accordingly, the Company generated an **operating profit (EBIT) of PLN 259.0 million** compared to PLN 118.4 million last year.

In the period of 9 months of 2019, the Company reported a major change in the result on financing activity. In the period from January to September 2019, Orbis generated a negative result of PLN 18.8 million on financing activities as compared to the profit of PLN 6.2 million in the corresponding period of 2018. The increase in finance costs incurred by the Company in the period of 9 months of 2019 is primarily a consequence of implementation of IFRS 16 and calculation of interest on lease liabilities (PLN 9.2 million for 9 months of 2019). Moreover, the finance costs include interest accrued on tax liabilities in the amount of PLN 7.6 million. On the other hand, the finance income decreased by PLN 8.0 million, mainly as a result of lower foreign exchange gains (PLN 2.3 million in 9 months of 2019 and PLN 10.3 million in 9 months of 2018).

Orbis S.A. closed 9 months of 2019 with a **net profit on continuing operations of PLN 187.8 million** as compared to the profit of PLN 99.3 million in the corresponding period of 2018.

Asset light operations, including mainly revenues from management agreements, franchise agreements and direct costs related to services provided by Orbis S.A. to managed or franchised hotels as well as costs related to procuring new contracts under the asset light model were recognized under **discontinued operations** in the reporting periods. Moreover, discontinued operations also included revenues (dividend, management fees and office space rental fees) earned from Orbis Kontrakty Sp. z o.o.

Following the recognition of the result on discontinued operations (profit of PLN 16.9 million), the Orbis S.A. closed 9 months of 2019 with **a net profit of PLN 204.7 million.**

(figures quoted in PLN thousand, unless otherwise stated)

7.4 Orbis S.A. financial results per operating segments

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

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

As at September 30, 2019, the individual operating segments included:

- the Up&Midscale segment: 3 Sofitel hotels, 13 Novotel hotels and 8 Mercure hotels,
- the Economy segment: 13 ibis hotels and 8 ibis budget hotels and 1 ibis Styles hotel.

On the other hand , as at September 30, 2018, the individual operating segments included:

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

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

Unallocated operations comprise revenues and expenses of the Head Office (including revenues and expenses of investment property rentals and franchise and management revenue classified as discontinued operations) as well as one-off and non-recurring events, such as revaluation of non-financial non-current assets, result on disposal of real property and restructuring costs. Also, current and deferred income tax expense is recognised under unallocated operations (the Company does not calculate income tax for the respective operating segments).

Exclusions contain reconciliations of data pertaining to segment data relating to income statement items for 9 months of 2019.

The tables below present figures pertaining to revenues, results as well as capital expenditure of the operating segments of Orbis S.A. for 9 months of 2019, for the third quarter of 2019 and in the corresponding periods of 2018. The presented figures include the results of owned and leased hotels.

9 months of 2019	Operating segments		Unallocated operations and exclusions	TOTAL
	Up&Midscale Hotels	Economy Hotels		
Segment revenue, of which:	**544 119**	**152 266**	**8 963**	**705 348**
Sale to external clients	544 119	152 266	8 963	705 348
EBITDAR	**228 443**	**73 116**	**(52 781)**	**248 778**
Operating EBITDA	**228 443**	**73 116**	**(52 781)**	**248 778**
Depreciation and amortisation	(74 421)	(25 038)	(3 600)	(103 059)
Operating profit/(loss) without the effects of one-off events	**154 022**	**48 078**	**(56 381)**	**145 719**
Result of one-off events	0	0	113 265	113 265
Operating profit/(loss) (EBIT)	**154 022**	**48 078**	**56 884**	**258 984**
Finance income/(costs)	(6 908)	(2 323)	(9 581)	(18 812)
Income tax expense	0	0	(52 352)	(52 352)
Net profit/(loss) on continuing operations	**147 114**	**45 755**	**(5 049)**	**187 820**
Discontinued operations	0	0	16 895	16 895
Net profit/(loss)	**147 114**	**45 755**	**11 846**	**204 715**
Capital expenditure	52 459	13 549	7 500	73 508

(figures quoted in PLN thousand, unless otherwise stated)

9 months of 2019 without IFRS 16 impact	Operating segments		Unallocated operations and exclusions	TOTAL
	Up&Midscale Hotels	Economy Hotels		
Segment revenue, of which:	**544 119**	**152 266**	**8 963**	**705 348**
Sale to external clients	544 119	152 266	8 963	705 348
EBITDAR	**222 074**	**70 838**	**(53 813)**	**239 099**
Operating EBITDA	**216 317**	**70 838**	**(54 380)**	**232 775**
Depreciation and amortisation	(69 157)	(24 785)	(2 627)	(96 569)
Operating profit/(loss) without the effects of one-off events	**147 160**	**46 053**	**(57 007)**	**136 206**
Result of one-off events	0	0	105 631	105 631
Operating profit/(loss) (EBIT)	**147 160**	**46 053**	**48 624**	**241 837**
Finance income/(costs)	(348)	(37)	(8 649)	(9 034)
Income tax expense	0	0	(50 929)	(50 929)
Net profit/(loss) on continuing operations	**146 812**	**46 016**	**(10 954)**	**181 874**
Discontinued operations	0	0	16 895	16 895
Net profit/(loss)	**146 812**	**46 016**	**5 941**	**198 769**
Capital expenditure	52 459	13 549	7 500	73 508

9 months of 2018	Operating segments		Unallocated operations and exclusions	TOTAL
	Up&Midscale Hotels	Economy Hotels		
Segment revenue, of which:	**517 225**	**138 528**	**6 432**	**662 185**
Sale to external clients	517 225	138 528	6 432	662 185
EBITDAR	**213 563**	**66 799**	**(62 717)**	**217 645**
Operating EBITDA	**207 884**	**66 799**	**(62 717)**	**211 966**
Depreciation and amortisation	(70 842)	(20 759)	(2 648)	(94 249)
Operating profit/(loss) without the effects of one-off events	**137 042**	**46 040**	**(65 365)**	**117 717**
Result of one-off events	0	0	657	657
Operating profit/(loss) (EBIT)	**137 042**	**46 040**	**(64 708)**	**118 374**
Finance income/(costs)	(390)	(41)	6 604	6 173
Income tax expense	0	0	(25 205)	(25 205)
Net profit/(loss) on continuing operations	**136 652**	**45 999**	**(83 309)**	**99 342**
Discontinued operations	0	0	13 794	13 794
Net profit/(loss)	**136 652**	**45 999**	**(69 515)**	**113 136**
Capital expenditure	51 405	46 043	1 252	98 700

(figures quoted in PLN thousand, unless otherwise stated)

3rd quarter of 2019	Operating segments		Unallocated operations and exclusions	TOTAL
	Up&Midscale Hotels	Economy Hotels		
Segment revenue, of which:	**198 621**	**55 807**	**4 008**	**258 436**
Sale to external clients	198 621	55 807	4 008	258 436
EBITDAR	**91 224**	**28 354**	**(11 517)**	**108 061**
Operating EBITDA	**91 224**	**28 354**	**(11 517)**	**108 061**
Depreciation and amortisation	(25 334)	(8 175)	(1 685)	(35 194)
Operating profit/(loss) without the effects of one-off events	**65 890**	**20 179**	**(13 202)**	**72 867**
Result of one-off events	0	0	65 620	65 620
Operating profit/(loss) (EBIT)	**65 890**	**20 179**	**52 418**	**138 487**
Finance income/(costs)	(2 844)	(782)	(3 528)	(7 154)
Income tax expense	0	0	(26 861)	(26 861)
Net profit/(loss) on continuing operations	**63 046**	**19 397**	**22 029**	**104 472**
Discontinued operations	0	0	1 711	1 711
Net profit/(loss)	**63 046**	**19 397**	**23 740**	**106 183**
Capital expenditure	15 326	6 334	4 074	25 734

3rd quarter of 2019 without IFRS 16 impact	Operating segments		Unallocated operations and exclusions	TOTAL
	Up&Midscale Hotels	Economy Hotels		
Segment revenue, of which:	**198 621**	**55 807**	**4 008**	**258 436**
Sale to external clients	198 621	55 807	4 008	258 436
EBITDAR	**89 101**	**27 594**	**(11 851)**	**104 844**
Operating EBITDA	**87 178**	**27 594**	**(12 418)**	**102 354**
Depreciation and amortisation	(23 585)	(8 092)	(1 034)	(32 711)
Operating profit/(loss) without the effects of one-off events	**63 593**	**19 502**	**(13 452)**	**69 643**
Result of one-off events	0	0	65 620	65 620
Operating profit/(loss) (EBIT)	**63 593**	**19 502**	**52 168**	**135 263**
Finance income/(costs)	(308)	(41)	(3 015)	(3 364)
Income tax expense	0	0	(26 966)	(26 966)
Net profit/(loss) on continuing operations	**63 285**	**19 461**	**22 187**	**104 933**
Discontinued operations	0	0	1 711	1 711
Net profit/(loss)	**63 285**	**19 461**	**23 898**	**106 644**
Capital expenditure	15 326	6 334	4 074	25 734

(figures quoted in PLN thousand, unless otherwise stated)

3rd quarter of 2018	Operating segments		Unallocated operations and exclusions	TOTAL
	Up&Midscale Hotels	Economy Hotels		
Segment revenue, of which:	**187 182**	**49 697**	**2 237**	**239 116**
Sale to external clients	187 182	49 697	2 237	239 116
EBITDAR	**86 040**	**26 117**	**(21 619)**	**90 538**
Operating EBITDA	**84 116**	**26 117**	**(21 619)**	**88 614**
Depreciation and amortisation	(23 936)	(6 898)	(810)	(31 644)
Operating profit/(loss) without the effects of one-off events	**60 180**	**19 219**	**(22 429)**	**56 970**
Result of one-off events	0	0	(381)	(381)
Operating profit/(loss) (EBIT)	**60 180**	**19 219**	**(22 810)**	**56 589**
Finance income/(costs)	(24)	3	(8 971)	(8 992)
Income tax expense	0	0	(9 903)	(9 903)
Net profit/(loss) on continuing operations	**60 156**	**19 222**	**(41 684)**	**37 694**
Discontinued operations	0	0	568	568
Net profit/(loss)	**60 156**	**19 222**	**(41 116)**	**38 262**
Capital expenditure	18 261	16 377	838	35 476

(figures quoted in PLN thousand, unless otherwise stated)

7.5 Operating segment revenue per type of service

The table below presents the revenues of Orbis S.A. for the 9 months of 2019 and 2018 and for the third quarter of 2019 and 2018 per type of services with their reconciliation to the operating segments presented in Note 7.4.

9 months of 2019	Operating segments		Unallocated operations and exclusions	TOTAL
	Up&Midscale Hotels	Economy Hotels		
Revenue per type of service:	**544 119**	**152 266**	**8 963**	**705 348**
Room revenue	368 714	118 404	0	487 118
Food & beverage revenue	154 933	28 614	0	183 547
Other revenue	20 472	5 248	8 963	34 683

9 months of 2018	Operating segments		Unallocated operations and exclusions	TOTAL
	Up&Midscale Hotels	Economy Hotels		
Revenue per type of service:	**517 225**	**138 528**	**6 432**	**662 185**
Room revenue	355 107	107 935	0	463 042
Food & beverage revenue	142 895	25 664	0	168 559
Other revenue	19 223	4 929	6 432	30 584

3rd quarter of 2019	Operating segments		Unallocated operations and exclusions	TOTAL
	Up&Midscale Hotels	Economy Hotels		
Revenue per type of service:	**198 621**	**55 807**	**4 008**	**258 436**
Room revenue	139 827	43 639	0	183 466
Food & beverage revenue	51 514	10 310	0	61 824
Other revenue	7 280	1 858	4 008	13 146

3rd quarter of 2018	Operating segments		Unallocated operations and exclusions	TOTAL
	Up&Midscale Hotels	Economy Hotels		
Revenue per type of service:	**187 182**	**49 697**	**2 237**	**239 116**
Room revenue	131 874	38 913	0	170 787
Food & beverage revenue	48 585	9 018	0	57 603
Other revenue	6 723	1 766	2 237	10 726

7.6 Statement of financial position

As at September 30, 2019, Orbis S.A.'s assets totalled PLN 3 128.1 million and increased by PLN 280.4 million as compared to the end of 2018.

The major component of the Group's assets are non-current assets, accounting for 74.1% of total assets. The predominant item of non-current assets are property, plant and equipment valued at PLN 1 657.6 million, accounting for 53.0% of total assets. Property, plant and equipment comprise of tangible assets (mainly buildings), tangible assets under construction and right-of-use assets. The value of non-current assets as at the end of Q3 2019 was impacted by accrued depreciation and amortisation (PLN -92.2 million), capital expenditures (PLN +73.5 million) and decreases due to sale (PLN 4.1 million), including, amongst others, the ibis budget hotel in Toruń. In connection with the implementation of IFRS 16 "*Leases*" as at January 1, 2019, the Company withdrew the rights of perpetual usufruct of land of PLN 296.6 million from the property, plant and equipment item (until then, these assets were recognized in accordance with IAS 16 "Property, Plant and Equipment") and at the same time recognized the right-of-use assets in the total amount of PLN 324.0 million under property, plant and equipment item. This value includes the rights of perpetual usufruct of land (PLN 302.7 million) and leased hotel and cars (PLN 21.4 million). Accrued depreciation (PLN -9.7 million), recognition of new agreements (PLN 10.7 million), including mainly lease of a new office in Warsaw 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 9 months of 2019. As a result, the value of the right-of-use assets reported under property, plant and equipment item amounted to PLN 320.6 million.

The second biggest item of the statement of financial position of Orbis S.A. in terms of share in the total carrying amount of assets/equity and liabilities, is investments in subsidiaries valued at PLN 467.4 million (14.9% of assets). Shares in Orbis Kontrakty Sp. z o.o. were recognized as assets held for sale as at the end of September 2019. More detailed information about Orbis' investments in subsidiaries is presented in Note 8.5.

The major component of non-current assets are also intangible assets (including goodwill) of PLN 105.9 million. Their share in the Company's assets as at the end of September 2019 amounted to 3.4%. Goodwill constituting 98.5% of intangible assets decreased during 9 months of 2019 by a total of PLN 3.0 million. This change in value results mainly from the revaluation of goodwill allocated of economy hotels operating as at the balance sheet date.

The implementation of IFRS 16 also had a significant impact on the balance of deferred income tax assets. In connection with the reclassification of the perpetual usufruct of land obtained free of charge from the statement of financial position, as at the date of application of the new standard, the provision of PLN 46.8 million for deferred income tax resulting from market valuation of these rights was dissolved.

As regards current assets, the most significant changes in 9 months of 2019 occurred with regard to cash and cash equivalents, trade receivables, other current receivables and loans granted.

Under the current assets item, the most important sub-item are cash and cash equivalents of PLN 505.0 million, accounting for 16.1% of total assets. Cash and cash equivalents increased by PLN 145.9 million as compared to the end of 2018 (i.e. by 40.6%).

A major increase in trade receivables at the end of September 2019 (PLN 131.6 million) as compared to December 31, 2018 (PLN 25.1 million) results primarily from the recognition of receivables for services provided by Orbis S.A. to its subsidiary Orbis Kontrakty during the period from 2013 to 2018 (for more information refer to Note 8.13).

Other current receivables (PLN 9.4 million as at the end of the third quarter of 2019) comprise predominantly of receivables resulting from sale of tangible assets and prepayments. As at September 30, 2019 and at the end of December 2018, Orbis' receivables from the sale of the Mercure Kasprowy hotel in Zakopane equalled PLN 3.9 million. In accordance with the agreement, this receivable is to be paid at the end of 2019. At the end of 2018, this item included an additional PLN 2.0 million from the sale of the Mercure Mrągowo Resort & SPA hotel, which was paid in the first quarter of this year. Furthermore, at the end of December 2018, the Company had receivables of PLN 13.5 million from taxes, social security and other benefits (including PLN 11.3 million from VAT), whereas as at the end of September 2019, the Company had a liability under this item. On the other hand, the increase in prepaid expenses by PLN 2.7 million (excluding prepayments of PLN 2.1 million relating to asset light business, recognized under assets held for sale) as compared to the end of 2018 results from a typically higher level of prepayments and accruals during the financial year, with the balance as at the end of September 2019 not including, contrary to past years, the fees for perpetual usufruct of land paid in advance for the full year in advance for the whole year. This change results from a different recognition of these fees in connection with IFRS 16 effective as from 2019.

As at the end of September 2019, short-term borrowings comprise 18.5% of current assets. Orbis has a total of PLN 178.4 million of receivables under loans granted to its subsidiaries, including PLN 147.2 million classified as short-term borrowings and PLN 31.2 million as long-term borrowings. The decrease in the balance of short-term borrowings in the period from January to September 2019 results from reclassification of a part of loans granted to UAB Hekon from short-term to long-term borrowings in connection with signing an annex that extends the date of their repayment. For more information on the loans granted, see Note 8.7.

As at September 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 Orbis S.A. of PLN 12.3 million, which also included means of transport of PLN 0.4 million recognized under IFRS 16 (for more information on divested discontinued operations see Note 7.2). As at the end of December 2018, under this item Orbis S.A. reported a non-hotel real property located in Wrocław, which was sold in the February 2019.

Orbis S.A. finances its assets predominantly from equity which accounted for 68.0% of the total equity and liabilities (PLN 2 126.7 million) as at September 30, 2019. The external capital equalled PLN 986.2 million (with the exception of the business held for sale), of which 48.6% were non-current liabilities and long-term provisions.

As at September 30, 2019, Orbis S.A. had non-current and current liabilities bearing interest liabilities under the bond issue of PLN 503.0 million (16.1% of liabilities). The maturity date of the bonds are in 2020 and 2021.

In connection with the implementation of IFRS 16 from January 1, 2019, a new category of liabilities, i.e. lease liabilities, was introduced into the statement of financial position. This item reports the current values of future lease payments discounted at the lessee's marginal interest rate. The total value of these liabilities at the end of September 2019 equalled PLN 270.2 million, of which PLN 250.9 million were non-current liabilities, PLN 16.2 million were current liabilities and PLN 3.1 million was recognised under liabilities related to assets held for sale (lease of the right to perpetual usufruct to land in Częstochowa of PLN 2.6 million and car lease of PLN 0.4 million under the asset light business).

On September 30, 2019, the net debt of Orbis S.A. stood at PLN 268.2 million (included positions classified as assets held for sale), i.e. accounted for 12.6% of equity.

The prepayment related to the sale of the Giewont hotel in Zakopane, reported at the end of December 2018 as non-current deferred income, was reclassified to the result on the sale of real property in the profit and loss account in 2019 in connection with the signing, at the beginning of April 2019, of the contract of sale of the aforementioned hotel.

Fees for joining a hotel network recognised under current and non-current contractual liabilities, were classified as liabilities related to assets held for sale as at 30 September 2019 (for more information, please refer to Note 7.2).

The biggest item of current liabilities of the Company as at September 30, 2019, apart from liabilities under bond issue, was trade payables and other current liabilities including above all liabilities under taxes and social insurance (incl. VAT) and accrued expenses of employee benefits (incl. bonuses and unused employee leaves) as well as public imposts (mainly under the challenged fees for the title to perpetual usufruct of land as at the end of 2018). Higher other current liabilities as compared to the end of December 2018 resulted specifically from the increase in VAT liabilities due to the reconciliation of payables due from Orbis Kontrakty Sp. z o.o. for the period from 2013 to 2018. This reconciliation was also the main reason for the increase in income tax liabilities as compared to the end of December 2018.

On the other hand, the increase in the balance of trade payables is attributable to an increase in purchases in Orbis hotels as well as an increase of liabilities towards Accor.

Contract liabilities reported under the Company's current liabilities as at 30 September 2019 include advances and prepayments received for accommodation services. At the end of December, this item also included payments for joining a hotel network (the so-called Entrance Fee), which at the end of June and September were classified as discontinued operations and disclosed under liabilities related to assets held for sale. The higher level of advance payments and prepayments received as compared to the end of the year results from the seasonality of the hotel industry.

The decrease in liabilities associated with tangible assets during the period from January to September 2019 results in particular from reconciliation of capital expenditure for the construction of the ibis Styles Warszawa Centrum hotel and modernisation of the following hotels: the Mercure Wrocław Centrum hotel, the Novotel Warszawa Airport hotel, the Mercure Poznań Centrum hotel, the Novotel Kraków City West hotel, the Novotel Katowice Centrum hotel, the Mercure Warszawa Grand hotel and the Novotel Gdańsk Marina hotel.

As at September 30, 2019, liabilities associated with assets classified as held for sale included the Company's asset light business which is to be sold on October 31, 2019 (PLN 12.6 million) and a liability under lease of perpetual usufruct of land in Częstochowa (PLN 2.6 million).

7.7 Statement of changes in equity

As at September 30, 2019, equity amounted to PLN 2 126.7 million against PLN 2 121.5 million at the end of 2018.

The retained earnings of the Orbis Group include a net profit of PLN 204.7 million (from continuing and discontinued operations in aggregate) for 9 months 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.

7.8 Statement of cash flows

During 9 months of 2019, the net cash flows of Orbis S.A. (including continuing operations and discontinued operations) amounted to PLN 145.3 million (PLN 245.6 million in 9 months of 2018). Change in the balance of cash and cash equivalents during 3 months ended September 30, 2019, totalled PLN 56.3 million (PLN -31.3 million in the corresponding period of 2018). The net cash inflows in the 9 months of 2019 resulted from the following factors:

- **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 9 months of 2019 as compared to the corresponding period of the past year (respectively PLN 206.4 million in 2019 and PLN 183.3 million in 2018). 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. In addition, in Q3 2019, net cash flows from operating activities were higher (PLN (PLN 85.5 million) as compared to the corresponding period of the past year (PLN 70.4 million).
  Higher income tax payments are the result of higher advance payments on account of the income tax as compared to the past year as well as settlement of income tax for 2018. The CIT advance payment method was implemented by the company in 2018, hence there were no such payments in 2018.

- **Cash flows from investing activities**
  The main reason for the negative cash flows of PLN -33.2 million from January to September 2019 (PLN 146.0 million in 9 months of 2018) was the expense of PLN -111.4 million incurred for construction of new hotels and modernization of existing hotels (for more information refer to Note 4.14), which were higher than investment income (PLN 78.2 million), including income from the sale of the ibis budget hotel in Toruń, non-hotel real estate in Wrocław and Szczecin of PLN 56.5 million, dividend of PLN 14.3 million from Orbis Kontrakty Sp. z o.o., interest income (including interest on loans granted to subsidiaries) of PLN 5.7 million and advance payments of PLN 1.1 million received in connection with the sale of real property.

  In Q3 2019, the Company generated negative cash flows from investing activities of PLN -23.9 million (PLN -25.1 million in Q3 2018). This is attributable to capital expenditure being higher than inflows from sale of non-current assets and interest received.

- **Cash flows from financing activities**

  The cash flows from Orbis S.A. financing activities during 9 months of 2019 were negative and equalled PLN -28.0 million. They include lease payments of a total of PLN 18.2 million and repayment of interest on bonds (PLN -9.8 million). On the other hand, in the corresponding period of 2018, the negative cash flows from financing activities were at the level of PLN -76.6 million and resulted from dividend payment to the Company's shareholders in the amount of PLN 83.7 million and payment of interest on bonds in the total amount of PLN 10.0 million.

  During the period of 3 months ended on September 30, 2018 Orbis S.A. generated cash flows from financing activities at the level PLN -5.4 million as compared to PLN -76.6 million in the past year (including PLN 73.7 million from the dividend payment).

8 NOTES TO THE FINANCIAL STATEMENTS

8.1 General information

8.1.1 Basic information about the Issuer

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

8.1.2 Business operations

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

Orbis S.A. is Poland's largest hotel company that employs 2.5 thousand persons (average full-time equivalent employment). As at September 30, 2019, the Company operated a network of 46 hotels (9 310 rooms) in 11 cities, towns and resorts in Poland. The hotels owned by Orbis S.A. operate under the following Accor brands: Sofitel, Novotel, Mercure, ibis, ibis budget and ibis Styles.

Orbis S.A. is the sole licensor of Accor brands in 16 countries of Eastern and Central Europe. As at the balance sheet date, 44 hotels (offering a total of 4 845 rooms) operated under franchise agreements and 21 hotels (with a total of 3 138 rooms) operated under management agreements. As at September 30, 2019, Orbis S.A. was the parent company of the Orbis Group. The structure of the Group is presented in Note 5.7 of this Report.

8.2 The Issuer's shareholders

Orbis S.A. shareholding structure as at the day of publication is presented in Note 5.3 of this Report.

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

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

8.4 Description of principal accounting policies

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

The principal accounting policies applied in the preparation of the separate financial statements were set out in Note 2.4 to the annual separate financial statements for 2018. The accounting policies have been consistently applied to all the years presented in the financial statements and did not change substantially except for the change of regulations resulting from the implementation of the new standards presented below.

Since January 1, 2019, the Company has modified its accounting principles in connection with the entry into force of the new accounting standards, i.e. **IFRS 16 "Leases"**. Section 5.8.1 of this report presents in detail the most important changes which IFRS 16 has introduced to lease contracts as well as describes in detail the accounting principles adopted by the Company in this respect. Note 8.4.1 describes the new accounting principles adopted by the Company on individual areas of the accounting policy and the restatement of data as at the date of the first application of the new standard, i.e. January 1, 2019. Furthermore, to ensure comparability of data for particular periods, the impact of IFRS 16 application on the results of Orbis S.A. during 9 months of 2019 and on items of the statement of financial position as at September 30, 2019, was presented.

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

As a result, other advance payments and prepayments of PLN 24 238 thousand disclosed as at September 30, 2018, under Current deferred revenue and prepayments received (Entrance fee) in the amount of PLN 1 837 thousand disclosed in Non-current deferred revenue were posted to Contract liabilities. Moreover, in the statement of cash flows for 9 months ended September 30, 2018, and 3 months ended September 30, 2018, the change in the contract liabilities accordingly of PLN 10 688 thousand and PLN -2 198 thousand was disclosed separately under the operating activity. The change in deferred revenue was adjusted accordingly by the appropriate amount.

As a result of the decision to sell the asset light business of Orbis S.A. (see Notes 4.4 and 4.5 for details), comparative data in the profit and loss account were restated accordingly in line with IFRS 5.

8.4.1 The impact of IFRS 16 "Leases" on the financial statements of Orbis

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

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

The Company distinguished the following types of material contracts, which before January 1, 2019 were recognised as operating leases (off-balance sheet): hotel lease agreements, office space lease agreements and motorcars lease agreements. As at December 31, 2018, the Company was a party to an operating lease agreement concerning the Sofitel hotel in Wrocław, lease of the office in Warsaw and lease agreements concerning 81 motorcars.

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

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

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

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

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

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

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

Finally, discount rate was determined for each contract individually (except for titles to perpetual usufruct of land and leases of motorcars). While determining discount rates, the Company considered the specific parameters of each lease: the contract term, the currency, etc. The discount rate takes into account the risk-free rate determined individually for each contract, depending on the aforementioned parameters and the current margin the Company would pay if it borrowed funds from a financial institution to finance the purchase of the object of lease. In the case of EUR-denominated lease of the Sofitel Wrocław Old Town hotel, the adopted discount rate is 1.52%.

In case of titles to perpetual usufruct of land as well as leases of motorcars, the practical solution permitted by the standard was adopted: a single discount rate was used in respect of a portfolio of leases with fairly similar features. For titles to perpetual usufruct of land whose original useful life ends, in most of the cases, in 2089, an interest rate of 5.03% was adopted. Meanwhile, for motorcars leased by the Company, the usual lease term being 3 years, discount rate of 3.11% was adopted (i.e. ones corresponding to the risk-free rate plus Orbis S.A. margin).

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

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

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

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

(figures quoted in PLN thousand, unless otherwise stated)

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

	January 1, 2019 (without IFRS 16 impact)	adjustment due to recognition of rights of perpetual usufruct of land		adjustment due to recognition of leases of hotel	adjustment due to recognition of leases of motorcars	January 1, 2019 (restated)
		a)	b)			
Non-current assets	**2 271 603**	**(192 762)**	**248 959**	**20 684**	**667**	**2 349 151**
Property, plant and equipment	1 660 408	(238 056)	244 116	20 684	667	1 687 819
- of which Right of perpetual usufruct of land so far recognised in accordance with IAS 16	*296 595*	*(238 056)*	*(58 539)*	-	-	-
- of which Right-of-use assets	-	-	*302 655*	*20 684*	*667*	*324 006*
Investment property	4 483	(1 505)	4 843	-	-	7 821
- of which Right of perpetual usufruct of land so far recognised in accordance with IAS 16	*1 505*	*(1 505)*	-	-	-	-
- of which Right-of-use assets	-	-	*4 843*	-	-	*4 843*
Deferred tax assets	5 980	46 799	-	-	-	52 779
Current assets	**567 489**	**-**	**-**	**-**	**-**	**567 489**
Assets classified as held for sale	**8 690**	**(6 752)**	**5 455**	**-**	**-**	**7 393**
- of which Right of perpetual usufruct of land so far recognised in accordance with IAS 16	*6 752*	*(6 752)*	-	-	-	-
- of which Right-of-use assets	-	-	*5 455*	-	-	*5 455*
TOTAL ASSETS	**2 847 782**	**(199 514)**	**254 414**	**20 684**	**667**	**2 924 033**
Equity	**2 121 463**	**(199 514)**	**-**	**-**	**-**	**1 921 949**
Retained earnings	1 470 376	(199 514)	-	-	-	1 270 862
Non-current liabilities	**543 010**	**-**	**239 710**	**13 262**	**233**	**796 215**
Lease liabilities	-	-	239 710	13 262	233	253 205
Current liabilities	**183 309**	**-**	**9 249**	**7 422**	**434**	**200 414**
Lease liabilities	-	-	9 249	7 422	434	17 105
Liabilities associated with assets classified as held for sale	**-**	**-**	**5 455**	**-**	**-**	**5 455**
TOTAL EQUITY AND LIABILITIES	**2 847 782**	**(199 514)**	**254 414**	**20 684**	**667**	**2 924 033**

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

The aggregate impact of the first-time application of the new IFRS 16 standard on the Company's total assets is PLN 76 251 thousand. The difference between the value of the future minimum operating lease payments stated in Note 28 of the separate financial statements of Orbis S.A. for the year 2018 (PLN 32 158 thousand) and lease liabilities recognised in the statement of financial position as of the day of the first application (PLN 275 765 thousand) results from:

- discount applied in the measurement of future minimum payments disclosed in accordance with IAS 17 in the separate financial statement for the year 2018 (PLN -440 thousand),
- recognition of rights of perpetual usufruct of land, which the Company did not treat as operating leases under IAS 17 (PLN 254 414 thousand),
- non-recognition, as at January 1, 2019, of liabilities resulting from lease of an office in Warsaw, because it was delivered for use in the first half of 2019 (PLN -10 367 thousand).

The weighted average incremental borrowing rate of Orbis S.A. applied to lease liabilities recognized in the statement of financial position as at January 1, 2019, was 4.76%.

(figures quoted in PLN thousand, unless otherwise stated)

The impact of IFRS 16 application on the financial statements for the 9 months of 2019

To ensure comparability of data for individual periods, the tables below present the impact of IFRS 16 application on individual items of the statement of financial position as at September 30, 2019, and on the results of Orbis S.A. for 9 months of 2019.

	September 30, 2019 (without IFRS 16 impact)	adjustment due to recognition of rights of perpetual usufruct of land	adjustment due to recognition of leases of hotel and office space	adjustment due to recognition of leases of motorcars	September 30, 2019 (as reported)
Non-current assets	**2 237 188**	**54 240**	**24 532**	**434**	**2 316 394**
Property, plant and equipment	1 626 458	6 299	24 420	434	1 657 611
- of which Right of perpetual usufruct of land so far recognised in accordance with IAS 16	*289 418*	*(289 418)*	-	-	-
- of which Right-of-use assets	-	*295 717*	*24 420*	*434*	*320 571*
Investment property	2 753	2 674	-	-	5 427
- of which Right of perpetual usufruct of land so far recognised in accordance with IAS 16	*1 113*	*(1 113)*	-	-	-
- of which Right-of-use assets	-	*3 787*	-	-	*3 787*
Deferred tax assets	2 655	45 267	112	-	48 034
Current assets	**799 709**	**(2 861)**	**-**	**-**	**796 848**
Other current receivables	12 260	(2 861)	-	-	9 399
Assets classified as held for sale	**15 306**	**(828)**	**-**	**428**	**14 906**
- of which Right of perpetual usufruct of land so far recognised in accordance with IAS 16	*3 475*	*(3 475)*	-	-	-
- of which Right-of-use assets	-	*2 647*	-	*428*	*3 075*
TOTAL ASSETS	**3 052 203**	**50 551**	**24 532**	**862**	**3 128 148**
Equity	**2 320 233**	**(193 086)**	**(481)**	**(2)**	**2 126 664**
Retained earnings	1 669 146	(193 086)	(481)	(2)	1 475 577
Non-current liabilities	**228 612**	**234 450**	**16 240**	**226**	**479 528**
Lease liabilities	-	234 450	16 240	226	250 916
Current liabilities	**491 147**	**6 558**	**8 773**	**209**	**506 687**
Lease liabilities	-	7 262	8 773	209	16 244
Other current liabilities	68 975	(704)	-	-	68 271
Liabilities associated with assets classified as held for sale	**12 211**	**2 629**	**-**	**429**	**15 269**
Other current liabilities	-	*2 629*	-	*429*	*3 058*
TOTAL EQUITY AND LIABILITIES	**3 052 203**	**50 551**	**24 532**	**862**	**3 128 148**

(figures quoted in PLN thousand, unless otherwise stated)

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

	9 months of 2019 (without IFRS 16 impact)	adjustment due to recognition of rights of perpetual usufruct of land	adjustment due to recognition of leases of hotel and office space	adjustment due to recognition of leases of motorcars	9 months of 2019 (as reported)
Net sales	705 348	-	-	-	705 348
Outsourced services	(151 370)	-	-	391	(150 979)
Taxes and charges	(23 447)	9 288	-	-	(14 159)
EBITDAR	**239 099**	**9 288**	**-**	**391**	**248 778**
Rental expense	(6 324)	-	6 324	-	0
Operating EBITDA	**232 775**	**9 288**	**6 324**	**391**	**248 778**
Depreciation and amortisation	(96 569)	41	(6 152)	(379)	(103 059)
Operating profit without the effects of one-off events	**136 206**	**9 329**	**172**	**12**	**145 719**
Result on sale of real property	48 771	7 634	-	-	56 405
Operating profit	**241 837**	**16 963**	**172**	**12**	**258 984**
Finance income/(costs)	(9 034)	(9 001)	(764)	(13)	(18 812)
Profit/(loss) before tax	**232 803**	**7 962**	**(592)**	**(1)**	**240 172**
Income tax expense	(50 929)	(1 534)	111	-	(52 352)
Net profit on continuing operations	**181 874**	**6 428**	**(481)**	**(1)**	**187 820**
Discontinued operations	**16 895**	**-**	**-**	**-**	**16 895**
Net profit/(loss) for the period	**198 769**	**6 428**	**(481)**	**(1)**	**204 715**
Total comprehensive income/(loss) for the period	**198 769**	**6 428**	**(481)**	**(1)**	**204 715**

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

(figures quoted in PLN thousand, unless otherwise stated)

8.5 Investments in subsidiaries

The table below presents basic information about subsidiaries.

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

* *Shares in assets held for sale*

All investment in subsidiaries are recognised at cost.

The table below presents information about share of equity, share of votes at the General Meeting and business operations of the companies in which Orbis S.A. holds interests indirectly.

Investments in subsidiaries	% share of equity	% share of votes at the GM	Country of registration	Business operations
Accor Pannonia Slovakia s.r.o.	indirectly 99.92%	indirectly 99.92%	Slovakia	hotel and F&B services
5 Hotel Kft.	indirectly 99.92%	indirectly 99.92%	Hungary	real property rental

During 9 months of 2019, there were no changes in the investments in subsidiaries and other entities.

8.6 Issue, redemption and repayment of debt and equity securities

Information on issue, redemption and repayment of debt and equity securities is presented in Note 5.10 of this Report.

8.7 Loans granted

As at September 30, 2019, June 30, 2019, December 31, 2018, and September 30, 2018, Orbis S.A. had the following receivables under loans granted to its subsidiaries:

Date of agreement	Remaining part to be paid as at September 30, 2019 (in thousand)	Interest rate	Last instalment	as at September 30, 2019	as at June 30, 2019	as at December 31, 2018	as at September 30, 2018
Accor Pannonia Hotels Zrt.				**134 235**	**129 687**	**131 150**	**137 546**
20.12.2016	30 500 EUR	EURIBOR 6M + margin 2.5%	31.12.2019	134 235	129 687	131 150	137 546
UAB Hekon				**29 487**	**28 488**	**28 810**	**35 246**
01.06.2017	1 000 EUR	EURIBOR 6M + margin 2.5%	31.12.2018	-	-	-	4 298
27.07.2017	1 000 EUR	EURIBOR 6M + margin 2.5%	31.12.2019*	4 401	4 252	4 300	4 298
31.10.2017	3 000 EUR	EURIBOR 6M + margin 2.5%	31.12.2020**	13 203	12 756	12 900	12 896
09.05.2018	1 000 EUR	EURIBOR 6M + margin 2.5%	31.12.2019***	4 401	4 252	4 300	6 447
26.06.2018	1 700 EUR	EURIBOR 6M + margin 2.5%	31.12.2020	7 482	7 228	7 310	7 307
Accor Hotels Romania s.r.l.				**14 705**	**14 137**	**19 381**	**19 480**
28.06.2018	15 750 RON	ROBOR 6M + margin 2.2%	30.06.2022	14 705	14 137	19 381	19 480
TOTAL LOANS GRANTED				**178 427**	**172 312**	**179 341**	**192 272**
Long-term loans granted				31 190	30 352	22 815	152 923
Short-term loans granted				147 237	141 960	156 526	39 349

* the date of loan repayment was rescheduled by an annex dated February 8, 2019, from February 28, 2019, to December 31, 2019
** the date of loan repayment was rescheduled by an annex dated February 8, 2019, from May 31, 2019, to December 31, 2020
*** the date of repayment of the remaining EUR 1 000 thousand was rescheduled by an annex dated December 31, 2018, from December 31, 2018, to December 31, 2019

Loans granted to Accor Pannonia Hotels Zrt.

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

The loan was granted to finance by Accor Pannonia Hotels Zrt. the buyback of seven leased hotels:

- The first transaction finalised at the beginning of 2016 concerned two hotels located in Budapest: the ibis Budapest Heroes Square hotel and the Mercure Budapest City Center hotel.
- The second transaction finalised at the beginning of January 2017 concerned the following five hotels: the Mercure Budapest Korona hotel, the ibis Styles Budapest Center hotel, the ibis Budapest City hotel, the ibis Budapest Centrum hotel and the Mercure Budapest Buda hotel. The buyback transaction was executed by way of acquisition of interest representing 100% of the share capital in 5 Hotel Kft. with its registered address in Budapest (the owner of the above hotels).

Loans granted to UAB Hekon

As at June 30, 2019, Orbis S.A. had also four loans granted to the Lithuanian subsidiary UAB Hekon. These loans were granted to finance by the Lithuanian company the acquisition of a hotel building located in Vilnius, including the ownership title to the land and parking places.

(figures quoted in PLN thousand, unless otherwise stated)

Loans granted to Accor Hotels Romania s.r.l.

At the end of September 2019, Orbis S.A. had also receivable under loan granted on June 28, 2018, to the subsidiary Accor Hotels Romania s.r.l. in the amount of RON 21.0 million. In June 2019, the Company was repaid RON 0.6 million, and RON 4.7 million was set-off against liabilities to the Romanian company. The loan was granted in order to finance the purchase of the Mercure Unirii hotel by Accor Hotels Romania.

Pursuant to the signed agreements, interests are payable for 6-month periods, at the end of June and December of each year, and if the variable rate (EURIBOR 6M or ROBOR 6M) is lower than zero, the loan interest rate equals the interest rate margin indicated in the agreement.

In the 9 months of 2019, Orbis S.A. received total PLN 2 482 thousand as interest on loans granted, of which PLN 1 613 thousand from Accor Pannonia Hotels Zrt. (equivalent to EUR 378 thousand), PLN 354 thousand from UAB Hekon (equivalent to EUR 83 thousand) and PLN 515 thousand from Accor Hotels Romania s.r.l. (equivalent to RON 570 thousand).

8.8 Financial instruments

8.8.1 Fair value of financial instruments

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

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

	As at Sep. 30, 2019		As at Jun. 30, 2019		As at Dec. 31, 2018		As at Sep. 30, 2018	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets								
Cash and cash equivalents	505 049	505 049	448 370	448 370	359 170	359 170	321 182	321 182
Loans granted	178 427	178 427	172 312	172 312	179 341	179 341	192 272	192 272
Other financial assets	0	0	0	0	0	0	6 944	6 944
Trade receivables and other current receivables	136 594	136 594	42 818	42 818	32 834	32 834	46 290	46 290
Financial liabilities								
Debt securities - bonds issued	502 989	504 490	502 213	504 040	502 111	503 380	502 655	503 450
Trade payables and other current and non-current liabilities	71 667	71 667	69 525	69 525	110 705	110 705	64 341	64 341

According to the Management Board, as at the end of the reporting periods, the carrying amount of financial instruments of the Company, with the exception of liabilities arising from issued bonds, was close to their fair value.

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

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

In terms of applied measurement procedures, issued bonds are classified to Level 1 of fair value hierarchy (fair value determined on the basis of prices quoted on an active market).

(figures quoted in PLN thousand, unless otherwise stated)

The Company did not perform any reclassifications between fair value levels in 2019.

8.9 Changes in estimates of amounts

8.9.1 Impairment of assets

Movements in impairment loss - 9 months of 2019	Impairment loss on:				
	property, plant & equipment	investment property	assets held for sale	investment in subsidiaries and other companies	receivables
As at January 1, 2019	**(25 610)**	**(252)**	**0**	**(57)**	**(3 105)**
Reclassification to discontinued operations	0	0	0	0	739
Recognised impairment loss	(320)	0	(2 485)	0	(1 410)
Utilised impairment loss	0	0	0	0	51
Reversed impairment loss	0	0	0	0	1 317
Decrease in impairment losses in connection with sale	2 938	113	2 485	0	0
Impairment loss not subject to reversal *	331	3	0	0	0
As at September 30, 2019	**(22 661)**	**(136)**	**0**	**(57)**	**(2 408)**

Movements in impairment loss - 3rd quarter of 2019	Impairment loss on:				
	property, plant & equipment	investment property	assets held for sale	investment in subsidiaries and other companies	receivables
As at July 1, 2019	**(22 765)**	**(137)**	**0**	**(57)**	**(2 118)**
Reclassification to discontinued operations	0	0	0	0	(686)
Recognised impairment loss	0	0	0	0	(573)
Utilised impairment loss	0	0	0	0	21
Reversed impairment loss	0	0	0	0	948
Impairment loss not subject to reversal *	104	1	0	0	0
As at September 30, 2019	**(22 661)**	**(136)**	**0**	**(57)**	**(2 408)**

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

In 9 months of 2019 and in 2018, no circumstances occurred in Orbis S.A. that would indicate a need to recognise impairment losses on inventories.

(figures quoted in PLN thousand, unless otherwise stated)

8.9.2 Provisions for liabilities

Movements in provisions - 9 months of 2019	Provision for:			
	jubilee awards	retirement & disability benefits	litigations	restructuring
As at January 1, 2019	**16 250**	**8 053**	**774**	**280**
Provision recognised	1 624	580	0	618
Provision utilised	(1 709)	(398)	0	(494)
Provision reversed	(39)	(7)	(5)	(99)
As at September 30, 2019, of which:	**16 126**	**8 228**	**769**	**305**
Short-term provisions	1 907	1 593	769	305
Long-term provisions	14 219	6 635	0	0

Movements in provisions - 3rd quarter of 2018	Provision for:			
	jubilee awards	retirement & disability benefits	litigations	restructuring
As at July 1, 2019	**16 126**	**8 228**	**771**	**232**
Provision recognised	724	264	0	305
Provision utilised	(724)	(264)	0	(176)
Provision reversed	0	0	(2)	(56)
As at September 30, 2019, of which:	**16 126**	**8 228**	**769**	**305**
Short-term provisions	1 907	1 593	769	305
Long-term provisions	14 219	6 635	0	0

8.10 Deferred tax assets and liabilities

Deferred tax*	As at:		Impact on statement of comprehensive income
	Sep. 30, 2019	Dec. 31, 2018	
Deferred tax assets	102 742	19 472	83 270
Deferred tax liabilities	(54 708)	(13 492)	(41 216)
Total:	**48 034**	**5 980**	**42 054**
impact on profit or loss			(4 745)
impact on the initial balance of retained earnings			46 799

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

8.11 Legal claims

Description of major litigations pending before courts, arbitration or public administration bodies is provided in Note 5.15.

(figures quoted in PLN thousand, unless otherwise stated)

8.12 Related party transactions

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

Revenue from the sale of services to the Accor Group companies comprise primarily revenues for sales support, promotion of the Accor network and development of the Le Club Accorhotels program in Poland and in the Baltic States.

Costs of purchase of services from the Accor Group companies comprise mainly:

- franchise fees,
- reservation fees,
- fees for the use of IT applications,
- costs connected with the Le Club Accorhotels loyalty program.

Revenue from the sale of services to subsidiaries comprise mainly franchise fees from UAB Hekon, management fees for managing Orbis Kontrakty Sp. z o.o. as well as revenues from providing IT services for Orbis Group companies.

Purchases from subsidiary companies comprise predominantly mutually provided services.

Finance income comprises dividends from Orbis Kontrakty Sp. z o.o. as well as interest on loans granted to subsidiaries: Accor Pannonia Hotels Zrt., UAB Hekon and Accor Hotels Romania s.r.l. (more information about loans granted is provided in Note 8.7).

Figures presented below include continuing and discontinued operations.

Sales and purchases	3 months ended Sep. 30, 2019	9 months ended Sep. 30, 2019	3 months ended Sep. 30, 2018	9 months ended Sep. 30, 2018
Net sales of services:	**3 055**	**5 443**	**957**	**2 741**
- to the parent company	679	1 479	370	1 117
- to other Accor Group companies	12	441	252	722
- to subsidiaries	2 364	3 523	335	902
Finance income:	**1 228**	**18 060**	**1 326**	**18 337**
- from subsidiaries	1 228	18 060	1 326	18 337
Total revenue	**4 283**	**23 503**	**2 283**	**21 078**
Purchases of services:	**15 571**	**39 686**	**12 789**	**33 112**
- from the parent company	14 527	31 726	9 932	25 651
- from other Accor Group companies	5	5 105	2 857	7 349
- from subsidiaries	1 039	2 855	0	112
Total purchases	**15 571**	**39 686**	**12 789**	**33 112**

(figures quoted in PLN thousand, unless otherwise stated)

Receivables and payables	As at:			
	Sep. 30, 2019	Jun. 30, 2019	Dec. 31, 2018	Sep. 30, 2018
Trade receivables:	**100 586**	**1 854**	**1 839**	**923**
- from the parent company	1 657	833	779	507
- from other Accor Group companies	22	591	507	249
- from subsidiaries	98 907	430	553	167
Receivables under loans granted:	**178 427**	**172 312**	**179 341**	**192 272**
- from subsidiaries	178 427	172 312	179 341	192 272
Total receivables	**279 013**	**174 166**	**181 180**	**193 195**
Trade payables:	**18 049**	**10 902**	**10 567**	**10 922**
- to the parent company	15 491	9 300	6 456	6 437
- to other Accor Group companies	10	10	19	971
- to subsidiaries	2 548	1 592	4 092	3 514
Total payables	**18 049**	**10 902**	**10 576**	**10 922**

In 9 months of 2019, under discontinued operations the Company discloses revenues from dividend received from the subsidiary Orbis Kontrakty Sp. z o.o. in the amount of PLN 14 349 thousand, and in the 9 months of 2018, in the amount of PLN 12 360 thousand.

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

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

Transactions with related companies are executed at arms' length.

Benefits (including wages and salaries, awards, post-employment benefits and retirement benefits) paid in accordance with contractual obligations to the Members of the Management Board and the Supervisory Board of Orbis S.A. in 9-month periods ended September 30, 2019, and September 30, 2018, amounted to PLN 6 609 thousand and PLN 5 392 thousand, respectively.

No transactions involving transfer of rights and obligations, either free of charge or against consideration, were executed between Orbis S.A. and related parties:

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

8.13 Important events after the reporting period

On October 14, 2019, the Management Board of Orbis S.A. took a decision to: (i) enter into the Trade Support Agreement by Orbis and its subsidiary Orbis Kontrakty Sp. z o.o. covering the period 2013-2018 and future cooperation, (ii) settle the claims regarding services rendered by Orbis to Orbis Kontrakty in the period 2013-2018, (iii) adjust the Corporate Income Tax and Value Added Tax settlements and (iv) impose an obligation upon Orbis to make an additional capital contribution to Orbis Kontrakty.
In 2013-2018, Orbis Kontrakty provided services to the suppliers cooperating with the Orbis Group's entities and providing their hotels with specific goods and services. Orbis Kontrakty collected remuneration from those suppliers depending on the turnover generated by, among others, purchases made by the entities from the Orbis Group.

In the course of analyses related to the sale of the Orbis light asset business, advisors of the Company indicated that the business model described above may trigger tax risks for Orbis related to, in particular, the use by Orbis Kontrakty, as part of their business, of Orbis' purchase potential (the hotel network operated by Orbis), for which Orbis Kontrakty did not pay any remuneration to Orbis.

Therefore, the Management Board of Orbis S.A. decided to: (i) conclude a trade support agreement governing business relations between Orbis and Orbis Kontrakty, which covers the period 2013-2018 and future cooperation, (ii) request payment of remuneration for 2013-2018 from Orbis Kontrakty to Orbis provided for in the trade support agreement in the total amount of PLN 72.2 million (plus VAT) and (iii) adjust Orbis tax settlements for the years 2013-2018 accordingly. After submitting CIT and VAT returns adjustments, the Company paid interest on tax arrears in the total amount of PLN 7.6 million.
The above will not affect the consolidated “operating EBITDA” of the Orbis Group.

In addition, on October 18, 2019, Orbis S.A. - as the sole shareholder of Orbis Kontrakty - adopted a resolution on additional capital contribution to Orbis Kontrakty in the total amount of PLN 58.5 million. The amount of additional capital contribution will be set-off against a portion of the Orbis S.A.’ receivables under remuneration for services provided to Orbis Kontrakty in the period 2013-2018. According to the executed set-off agreement, the unredeemed part of these receivables, i.e. the sum of PLN 30.3 million, is to be paid by Orbis Kontrakty by December 11, 2019.

Other events:

On October 16, 2019 the Management Board of Orbis S.A. convened an Extraordinary General Meeting of Orbis S.A. for November 12, 2019. The agenda of the Meeting includes adoption of a resolution on purchase of the treasury shares for the purpose of their redemption and creation of a reserve capital (for more information refer to the current report nos. 32 and 37/2019)

On October 18, 2019, an Extraordinary General Meeting of Shareholders was held and the resolution concerning granting consent to the sale of an organized part of Orbis S.A. enterprise (the asset light business) was adopted.

(figures quoted in PLN thousand, unless otherwise stated)

APPENDIX 1: OPERATING RATIOS OF THE ORBIS GROUP

Owned hotels[2]

Operating ratios of owned hotels by main category	9 months of 2019	9 months of 2018	change (%)	9 months of 2019	9 months of 2018	change (%)
	as reported			like-for-like		
Orbis Hotel Group						
Occupancy Rate (%)	74.0	73.7	0.3 p.p.	74.8	74.4	0.4 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	270.5	260.4	3.9%	272.3	259.2	5.1%
Revenue per Available Room (RevPAR) in PLN	200.2	192.0	4.3%	203.6	192.8	5.6%
Economy Hotels						
Occupancy Rate (%)	73.7	74.8	-1.1 p.p.	75.8	75.9	-0.1 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	197.5	186.6	5.8%	196.2	189.3	3.6%
Revenue per Available Room (RevPAR) in PLN	145.6	139.6	4.3%	148.8	143.6	3.6%
Up & Midscale Hotels (3 stars and more)						
Occupancy Rate (%)	74.2	73.2	1.0 p.p.	74.2	73.6	0.6 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	313.6	300.9	4.2%	314.0	297.1	5.7%
Revenue per Available Room (RevPAR) in PLN	232.7	220.2	5.7%	233.1	218.6	6.6%

Operating ratios of owned hotels by main category	3rd quarter of 2019	3rd quarter of 2018	change (%)	3rd quarter of 2019	3rd quarter of 2018	change (%)
	as reported			like-for-like		
Orbis Hotel Group						
Occupancy Rate (%)	81.0	80.8	0.2 p.p.	81.6	81.2	0.4 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	281.0	265.4	5.9%	283.2	267.1	6.0%
Revenue per Available Room (RevPAR) in PLN	227.6	214.6	6.1%	231.2	216.8	6.6%
Economy Hotels						
Occupancy Rate (%)	80.0	81.2	-1.2 p.p.	81.7	82.1	-0.4 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	207.2	196.1	5.7%	206.1	198.3	3.9%
Revenue per Available Room (RevPAR) in PLN	165.6	159.3	4.0%	168.4	162.9	3.4%
Up & Midscale Hotels (3 stars and more)						
Occupancy Rate (%)	81.6	80.6	1.0 p.p.	81.6	80.7	0.9 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	324.8	303.5	7.0%	324.8	303.9	6.9%
Revenue per Available Room (RevPAR) in PLN	265.0	244.7	8.3%	265.0	245.2	8.1%

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

(figures quoted in PLN thousand, unless otherwise stated)

Operating ratios of owned hotels by geographical segment	9 months of 2019	9 months of 2018	change (%)	9 months of 2019	9 months of 2018	change (%)
	as reported			like-for-like		
Poland						
Occupancy Rate (%)	73.0	72.0	1.0 p.p.	74.1	72.4	1.7 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	262.2	252.6	3.8%	262.7	255.4	2.9%
Revenue per Available Room (RevPAR) in PLN	191.3	181.9	5.2%	194.6	185.0	5.2%
Hungary						
Occupancy Rate (%)	76.3	77.4	-1.1 p.p.	76.1	78.8	-2.7 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	279.2	268.1	4.1%	279.6	251.1	11.4%
Revenue per Available Room (RevPAR) in PLN	213.0	207.6	2.6%	212.8	197.8	7.6%
Czech Republic						
Occupancy Rate (%)	76.1	75.5	0.6 p.p.	76.1	76.9	-0.8 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	306.8	286.9	6.9%	306.8	295.3	3.9%
Revenue per Available Room (RevPAR) in PLN	233.3	216.5	7.8%	233.3	227.2	2.7%
Other countries						
Occupancy Rate (%)	75.7	77.9	-2.2 p.p.	76.8	78.4	-1.6 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	279.4	276.4	1.1%	303.4	277.2	9.5%
Revenue per Available Room (RevPAR) in PLN	211.4	215.4	-1.9%	233.0	217.2	7.3%

Operating ratios of owned hotels by geographical segment	3rd quarter of 2019	3rd quarter of 2018	change (%)	3rd quarter of 2019	3rd quarter of 2018	change (%)
	as reported			like-for-like		
Poland						
Occupancy Rate (%)	78.7	77.9	0.8 p.p.	79.9	78.1	1.8 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	272.1	258.0	5.5%	273.1	260.0	5.0%
Revenue per Available Room (RevPAR) in PLN	214.2	200.9	6.6%	218.1	203.2	7.3%
Hungary						
Occupancy Rate (%)	87.1	90.5	-3.4 p.p.	86.9	90.5	-3.6 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	296.9	268.2	10.7%	298.8	268.2	11.4%
Revenue per Available Room (RevPAR) in PLN	258.5	242.6	6.6%	259.6	242.7	7.0%
Czech Republic						
Occupancy Rate (%)	83.5	84.5	-1.0 p.p.	83.5	85.0	-1.5 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	320.3	308.7	3.8%	320.3	313.5	2.2%
Revenue per Available Room (RevPAR) in PLN	267.6	260.8	2.6%	267.6	266.5	0.4%
Other countries						
Occupancy Rate (%)	82.6	77.7	4.9 p.p.	81.5	78.8	2.7 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	269.8	269.4	0.1%	285.6	271.5	5.2%
Revenue per Available Room (RevPAR) in PLN	222.8	209.4	6.4%	232.7	214.0	8.7%

(figures quoted in PLN thousand, unless otherwise stated)

Managed and franchised hotels

Operating ratios of managed and franchised hotels by main category	9 months of 2019	9 months of 2018	change (%)	9 months of 2019	9 months of 2018	change (%)
	as reported			like-for-like		
Orbis Hotel Group						
Occupancy Rate (%)	64.9	65.1	-0.2 p.p.	66.6	65.8	0.8 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	232.3	212.3	9.4%	226.5	213.3	6.2%
Revenue per Available Room (RevPAR) in PLN	150.8	138.1	9.2%	150.8	140.3	7.5%
Economy Hotels						
Occupancy Rate (%)	67.2	68.3	-1.1 p.p.	69.6	68.4	1.2 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	180.8	167.8	7.7%	180.5	167.2	8.0%
Revenue per Available Room (RevPAR) in PLN	121.5	114.6	6.0%	125.7	114.4	9.9%
Up & Midscale Hotels (3 stars and more)						
Occupancy Rate (%)	62.4	62.2	0.2 p.p.	63.7	63.2	0.5 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	292.7	255.9	14.4%	275.1	261.3	5.3%
Revenue per Available Room (RevPAR) in PLN	182.6	159.2	14.7%	175.1	165.2	6.0%

Operating ratios of managed and franchised hotels by main category	3rd quarter of 2019	3rd quarter of 2018	change (%)	3rd quarter of 2019	3rd quarter of 2018	change (%)
	as reported			like-for-like		
Orbis Hotel Group						
Occupancy Rate (%)	72.8	73.8	-1.0 p.p.	74.4	73.9	0.5 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	239.3	229.1	4.5%	243.4	230.9	5.4%
Revenue per Available Room (RevPAR) in PLN	174.2	169.1	3.0%	181.1	170.6	6.2%
Economy Hotels						
Occupancy Rate (%)	76.4	76.5	-0.1 p.p.	77.7	76.5	1.2 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	190.0	179.4	5.9%	193.4	179.5	7.7%
Revenue per Available Room (RevPAR) in PLN	145.2	137.3	5.8%	150.4	137.3	9.5%
Up & Midscale Hotels (3 stars and more)						
Occupancy Rate (%)	68.9	71.4	-2.5 p.p.	71.3	71.4	-0.1 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	298.6	276.5	8.0%	295.0	282.8	4.3%
Revenue per Available Room (RevPAR) in PLN	205.7	197.6	4.1%	210.3	201.9	4.2%

(figures quoted in PLN thousand, unless otherwise stated)

Operating ratios of managed and franchised hotels by geographical segment	9 months of 2019	9 months of 2018	change (%)	9 months of 2019	9 months of 2018	change (%)
	As reported			like-for-like		
Poland						
Occupancy Rate (%)	59.3	58.0	1.3 p.p.	61.1	58.9	2.2 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	190.2	179.2	6.1%	187.5	179.5	4.5%
Revenue per Available Room (RevPAR) in PLN	112.7	103.9	8.5%	114.6	105.7	8.4%
Hungary						
Occupancy Rate (%)	75.3	80.6	-5.3 p.p.	82.7	80.6	2.1 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	418.4	439.3	-4.8%	441.1	435.4	1.3%
Revenue per Available Room (RevPAR) in PLN	315.0	353.8	-11.0%	364.8	350.7	4.0%
Czech Republic						
Occupancy Rate (%)	55.3	60.7	-5.4 p.p.	58.6	71.5	-12.9 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	173.9	164.6	5.7%	175.9	152.3	15.5%
Revenue per Available Room (RevPAR) in PLN	96.1	99.9	-3.8%	103.1	109.0	-5.4%
Other countries						
Occupancy Rate (%)	68.0	69.6	-1.6 p.p.	69.1	69.7	-0.6 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	218.6	201.9	8.3%	220.1	202.0	9.0%
Revenue per Available Room (RevPAR) in PLN	148.5	140.6	5.6%	152.2	140.8	8.1%

Operating ratios of managed and franchised hotels by geographical segment	3rd quarter of 2019	3rd quarter of 2018	change (%)	3rd quarter of 2019	3rd quarter of 2018	change (%)
	As reported			like-for-like		
Poland						
Occupancy Rate (%)	64.3	67.0	-2.7 p.p.	67.3	66.5	0.8 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	190.4	173.0	10.1%	181.9	171.4	6.1%
Revenue per Available Room (RevPAR) in PLN	122.3	115.8	5.6%	122.5	114.0	7.5%
Hungary						
Occupancy Rate (%)	84.2	85.6	-1.4 p.p.	83.7	85.6	-1.9 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	443.6	478.0	-7.2%	482.4	478.3	0.9%
Revenue per Available Room (RevPAR) in PLN	373.4	409.2	-8.7%	403.8	409.4	-1.4%
Czech Republic*						
Occupancy Rate (%)	60.4	74.0	-13.6 p.p.	58.6	71.5	-12.9 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	97.4	164.2	-40.7%	177.1	152.9	15.8%
Revenue per Available Room (RevPAR) in PLN	58.9	121.4	-51.5%	103.9	109.4	-5.0%
Other countries						
Occupancy Rate (%)	78.4	77.9	0.5 p.p.	78.9	77.9	1.0 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	229.6	215.7	6.4%	233.6	215.7	8.3%
Revenue per Available Room (RevPAR) in PLN	180.0	167.9	7.2%	184.4	168.0	9.8%

APPENDIX 2: GLOSSARY OF TERMS

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

CAPEX – Capital Expenditure

CSR – Corporate Social Responsibility

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

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

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

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

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

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

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

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, Mercure and Orbis Hotels

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

SIGNATURES OF ALL MEMBERS OF THE MANAGEMENT BOARD

Date	Name and surname	Position/Title	Signature
October 30, 2019	Gilles Stephane Clavie	President of the Management Board	*Signed with a qualified electronic signature*
October 30, 2019	Ireneusz Andrzej Węgłowski	Vice-President of the Management Board	*Signed with a qualified electronic signature*
October 30, 2019	Dominik Sołtysik	Member of the Management Board	*Signed with a qualified electronic signature*

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