Orbis Group

REPORT FOR THE FIRST QUARTER OF 2019

Warsaw, April 26, 2019

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1 MAJOR EVENTS OF THE FIRST QUARTER OF 2019 – PRESIDENT'S COMMENT

- Solid operating indicators in the EE region (+6% RevPAR like-for-like growth in total)
- Outstanding growth of revenue by 7.8% like-for-like up to PLN 271.6 million
- 7 new asset light hotels signed (almost 1,000 rooms)
- AON certifies Orbis "Best Employer in Poland" for the second year in a row
- Cooperation agreement signed with Accor for analysing business model development

Performance

Our results have been clearly improving year after year. First time in the recent years Orbis had positive net income result in 1Q, which is naturally a low season in hospitality in the Eastern Europe region. In the first quarter we benefited from both: increase in occupancy rate (+1.2 pp) and average price (+4.0%), capitalizing on stable macroeconomic environment and market growth. Positive operational results of the Orbis Group are confirmed by 6.0% RevPAR growth like-for-like which amounted to PLN 142.6. Rising operating indicators drove the increase in our revenue up to PLN 271.6 million (+7.8% like-for-like). Operating EBITDA amounted to PLN 56.6 million, which represented 52.8% like-for-like growth comparing to last year, which was partially positive impacted by the IFRS change regarding leases. Despite challenging situation on labour market the EBITDA margin was increasing on a like-for-like basis to the level of 20%. We keep concentrating on the top line growth together with strong management of our expenditures, demonstrating the robustness of our organization.

Portfolio

We focus our efforts on developing our network and empowering our brands in the region. In 1Q 2019 we already signed 7 asset-light agreements for new hotels, which will add almost 1,000 rooms to our network in coming years. Our pipeline is very strong with 48 hotels (over 6 600) including 7 own development projects. In 1Q we added to our network luxury hotel – MGallery Collection (64 apartments) in the centre of Cracow in the franchise model. All in all, at the end of the 1Q 2019 Orbis had in total 134 hotels with over 21,600 rooms with the 54%/46% balance between asset heavy and asset light. Benefiting from lower season we have been keeping renovating our hotels in key destinations: Sofitel Warsaw Victoria, Mercure Budapest Buda, Mercure Budapest Korona and ibis & Novotel Poznań Center. To support these projects Orbis invested in 1Q 2019 PLN 38.5 million in Capex, which will already deliver high return in the next quarters of 2019.

People

Following the success of cultural change in our Group across the region, we started the implementation of the new campaigns of transformation based on the Heartist philosophy. We believe that it will have a positive impact on our guests' satisfaction and the teams' engagement. Our efforts have been awarded the second year in a row by AON with "Best employer 2019" for Poland recognition. We are extremely proud of this title, especially having in mind a very challenging labour market.

I would like to confirm that Orbis is on the good path to realize its medium-term targets in all aspects of our strategy: People, Portfolio & Performance. Looking into the future, we are analysing different scenarios to ensure further growth of the Company and the best use of our know-how and Accor's experience on the hospitality market in the frame of cooperation agreement.

2 SELECTED FINANCIAL AND OPERATING FIGURES

2.1 Orbis Group

Consolidated income statement	PLN `000		EUR `000	
	1st quarter of 2019	1st quarter of 2018	1st quarter of 2019	1st quarter of 2018
Net sales	277 824	271 465	64 643	64 969
Operating profit/(loss)	51 060	(1 388)	11 880	(332)
Net profit/(loss) for the period	30 810	(4 388)	7 169	(1 050)
Net profit/(loss) for the period attributable to owners of the parent	30 813	(4 385)	7 169	(1 049)
Basic and diluted profit/(loss) per share attributable to owners of the parent (in PLN)	0.67	(0.10)	0.16	(0.02)

Consolidated statement of cash flows	PLN `000		EUR `000	
	1st quarter of 2019	1st quarter of 2018	1st quarter of 2019	1st quarter of 2018
Net cash generated by operating activities	69 850	12 231	16 253	2 927
Net cash used in investing activities	(26 126)	(48 417)	(6 079)	(11 587)
Net cash generated by/(used in) financing activities	(24 031)	12 599	(5 591)	3 015
Net cash flow, total	19 693	(23 587)	4 582	(5 645)

Consolidated statement of financial position	PLN `000		EUR `000	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Non-current assets	2 850 648	2 546 642	662 741	592 242
Current assets	669 153	663 148	155 570	154 220
Assets classified as held for sale	0	8 690	0	2 021
Equity	2 216 686	2 386 786	515 353	555 067
Equity attributable to owners of the parent	2 216 328	2 386 425	515 269	554 983
Non-current liabilities	982 390	545 411	228 394	126 840
Current liabilities	320 725	286 283	74 565	66 577

Selected operating figures	1st quarter of 2019	1st quarter of 2018
Number of hotels (at the end of period)	134	128
Number of rooms (at the end of period)	21 656	20 982
Occupancy rate (%)	61.4	61.1
Revenue per Available Room in PLN	139.1	136.0

2.2 Orbis S.A.

Income statement	PLN `000		EUR `000	
	1st quarter of 2019	1st quarter of 2018	1st quarter of 2019	1st quarter of 2018
Net sales	187 152	171 954	43 546	41 153
Operating profit/(loss)	51 141	(5 766)	11 899	(1 380)
Net profit/(loss) for the period	34 608	(2 513)	8 052	(601)
Basic and diluted profit/(loss) per share (in PLN)	0.75	(0.05)	0.17	(0.01)

Statement of cash flows	PLN `000		EUR `000	
	1st quarter of 2019	1st quarter of 2018	1st quarter of 2019	1st quarter of 2018
Net cash generated by operating activities	49 086	13 459	11 421	3 221
Net cash generated by/(used in) investing activities	1 857	(32 954)	432	(7 887)
Net cash used in financing activities	(16 034)	(2 884)	(3 731)	(690)
Net cash flow, total	34 909	(22 379)	8 123	(5 356)

Statement of financial position	PLN `000		EUR `000	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Non-current assets	2 331 518	2 271 603	542 050	528 280
Current assets	582 768	567 489	135 486	131 974
Assets classified as held for sale	0	8 690	0	2 021
Equity	1 956 557	2 121 463	454 876	493 363
Non-current liabilities	761 626	543 010	177 069	126 281
Current liabilities	196 103	183 309	45 592	42 630

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:
  - 4.2978 – 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 the first quarter of 2019,
  - 4.1784 – 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 the first quarter of 2018.
- For items of the statement of financial position:
  - 4.3013 – the exchange rate quoted by the National Bank of Poland on March 29, 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 March 31, 2019	3 months ended March 31, 2018
Net sales	**277 824**	**271 465**
Outsourced services	(71 080)	(68 260)
Employee benefit expense	(94 226)	(93 676)
Raw materials and energy used	(43 465)	(44 113)
Taxes and charges	(7 936)	(9 980)
Other expenses by nature	(2 829)	(3 039)
Impairment of receivables	(431)	417
Net other operating income/(expenses)	1 661	894
EBITDAR	**59 518**	**53 708**
Rental expense	(2 600)	(13 321)
Operating EBITDA	**56 918**	**40 387**
Depreciation and amortisation	(53 415)	(41 916)
Operating profit/(loss) without the effects of one-off events	**3 503**	**(1 529)**
Result on sale of real property	47 616	879
Restructuring costs	(24)	(29)
Result of other one-off events	(35)	(709)
Operating profit/(loss)	**51 060**	**(1 388)**
Finance income	750	256
Finance costs	(9 240)	(3 809)
Profit/(loss) before tax	**42 570**	**(4 941)**
Income tax expense	(11 760)	553
Net profit/(loss) for the period	**30 810**	**(4 388)**
- attributable to owners of the parent	30 813	(4 385)
- attributable to non-controlling interests	(3)	(3)
Profit/(loss) per ordinary share		
Basic and diluted profit/(loss) attributable to owners of the parent for the period (in PLN)	0.67	(0.10)

(figures quoted in PLN thousand, unless otherwise stated)

3.2 Consolidated statement of comprehensive income

	3 months ended March 31, 2019	3 months ended March 31, 2018
Net profit/(loss) for the period	**30 810**	**(4 388)**
Items that will not be reclassified subsequently to profit or loss:		
Actuarial gains/losses arising from the defined benefit plan		
Income tax relating to items that will not be reclassified subsequently	0	0
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	(1 396)	4 492
The effective portion of the gain or loss on the hedging instrument entered into for cash flow hedges	0	0
Income tax relating to items that may be reclassified subsequently	0	0
Other comprehensive income/(loss) after tax	**(1 396)**	**4 492**
Total comprehensive income for the period	**29 414**	**104**
- attributable to owners of the parent	29 417	107
- attributable to non-controlling interests	(3)	(3)

(figures quoted in PLN thousand, unless otherwise stated)

3.3 Consolidated statement of financial position

Assets	As at:		
	March 31, 2019	December 31, 2018	March 31, 2018
Non-current assets	**2 850 648**	**2 546 642**	**2 378 720**
Property, plant and equipment, of which:	2 672 154	2 415 834	2 237 592
- right-of-use assets	562 037	0	0
Investment property, of which:	7 858	3 538	5 035
- right-of-use assets	5 068	0	0
Intangible assets, of which:	114 286	114 831	110 972
- goodwill	111 586	111 682	107 252
Contract assets	379	388	0
Other financial assets	0	0	6 944
Deferred tax assets	54 933	10 983	16 991
Other non-current assets	1 038	1 068	1 186
Current assets	**669 153**	**663 148**	**315 310**
Inventories	5 805	6 463	6 623
Trade receivables	66 281	69 707	65 791
Income tax receivables	6 443	4 385	6 888
Other current receivables	33 091	44 759	43 301
Cash and cash equivalents	557 533	537 834	192 707
Assets classified as held for sale	**0**	**8 690**	**216 711**
TOTAL ASSETS	**3 519 801**	**3 218 480**	**2 910 741**

(figures quoted in PLN thousand, unless otherwise stated)

Equity and Liabilities	**As at:**		
	March 31, 2019	**December 31, 2018**	**March 31, 2018**
Equity	**2 216 686**	**2 386 786**	**2 079 818**
Equity attributable to owners of the parent	**2 216 328**	**2 386 425**	**2 079 620**
Share capital	517 754	517 754	517 754
Reserves	133 333	133 333	133 272
Retained earnings	1 558 958	1 727 659	1 434 830
Foreign currency translation reserve	6 283	7 679	(6 236)
Non-controlling interests	**358**	**361**	**198**
Non-current liabilities	**982 390**	**545 411**	**550 873**
Bonds	502 779	502 111	502 458
Lease liabilities	446 583	0	0
Deferred tax liabilities	591	196	4 473
Contract liabilities	2 083	2 097	1 395
Deferred revenue	0	10 928	12 127
Other non-current liabilities	7 399	7 200	5 329
Provision for retirement benefits and similar obligations	21 305	21 341	19 181
Provisions for liabilities	1 650	1 538	5 910
Current liabilities	**320 725**	**286 283**	**280 050**
Borrowings	0	0	56 703
Lease liabilities	56 094	0	0
Other financial liabilities	0	0	74
Trade payables	85 883	80 706	77 020
Liabilities associated with tangible assets	19 740	73 595	10 769
Current tax liabilities	9 509	13 603	295
Contract liabilities	64 500	30 779	54 063
Deferred revenue	13 727	6 735	7 529
Other current liabilities	66 682	76 124	68 280
Provision for retirement benefits and similar obligations	3 380	3 389	3 080
Provisions for liabilities	1 210	1 352	2 237
TOTAL EQUITY AND LIABILITIES	**3 519 801**	**3 218 480**	**2 910 741**

(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: three months ended March 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	(1 163)	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 loss for the period	0	0	(4 385)	0	(3)	(4 388)
- other comprehensive income/(loss)	0	0	0	4 492	0	4 492
Total comprehensive profit/(loss) for the period	**0**	**0**	**(4 385)**	**4 492**	**(3)**	**104**
Balance as at March 31, 2018	**517 754**	**133 272**	**1 434 830**	**(6 236)**	**198**	**2 079 818**
Three months ended March 31, 2019						
Balance as at January 1, 2019 (as 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/(loss) for the period	0	0	30 813	0	(3)	30 810
- other comprehensive income/(loss)	0	0	0	(1 396)	0	(1 396)
Total comprehensive income/(loss) for the period	**0**	**0**	**30 813**	**(1 396)**	**(3)**	**29 414**
Balance as at March 31, 2019	**517 754**	**133 333**	**1 558 958**	**6 283**	**358**	**2 216 686**

* *description of restatement in Section 5.8.*

(figures quoted in PLN thousand, unless otherwise stated)

3.5 Consolidated statement of cash flows

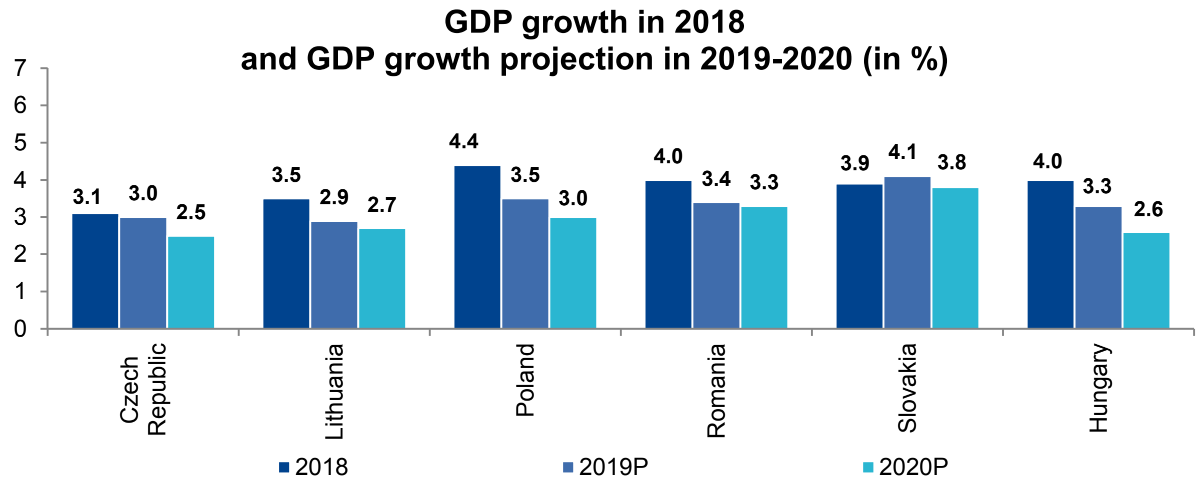
	3 months ended March 31, 2019	3 months ended March 31, 2018
OPERATING ACTIVITIES		
Profit/(loss) before tax	**42 570**	**(4 941)**
Adjustments:	**41 671**	**24 590**
Depreciation and amortisation	53 415	41 916
Foreign exchange (gain)/loss	(352)	(476)
Interest and other borrowing costs	7 718	3 433
(Gain)/loss on investing activities	(48 151)	84
Change in receivables and contract assets	8 195	(8 907)
Change in contract liabilities	33 833	25 632
Change in other liabilities, excluding borrowings	(13 519)	(37 187)
Change in deferred revenue	(39)	(189)
Change in provisions	(77)	103
Change in inventories	648	181
Cash generated from operations	**84 241**	**19 649**
Income taxes paid	(14 391)	(7 418)
Net cash generated by operating activities	**69 850**	**12 231**
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment, investment property and intangible assets	55 672	1 864
Interest received	711	313
Other investing cash inflows	74	5 445
Other payments for property, plant and equipment and intangible assets	(82 583)	(56 039)
Net cash used in investing activities	**(26 126)**	**(48 417)**
FINANCING ACTIVITIES		
Proceeds from borrowings	0	15 642
Interest paid and other financing cash outflows resulting from received borrowings	0	(159)
Interest paid and other financing cash outflows resulting from issue of bonds	(2 854)	(2 884)
Payments of liabilities under lease agreements	(7 196)	0
Payments of interest on liabilities under lease agreements	(13 981)	0
Net cash generated by/(used in) financing activities	**(24 031)**	**12 599**
Change in cash and cash equivalents	**19 693**	**(23 587)**
Effects of exchange rate changes on the balance of cash held in foreign currencies	6	1 450
Cash and cash equivalents at the beginning of the period	**537 834**	**214 844**
Cash and cash equivalents at the end of the period	**557 533**	**192 707**

4 COMMENTS ON THE RESULTS OF THE FIRST QUARTER OF 2019

4.1 Macroeconomic environment

Stabilised economic growth momentum

Following the dynamic economic growth in the Eastern European region in the past periods, the first signs of a slowdown can now be seen. However, the slowdown is expected to be moderate, with the average GDP growth being equal to 3.3%. Private consumption remains to be a strong driver of growth in the region, while high absorption of EU funding will continue to boost investment activity. The United Kingdom's decision on Brexit and the balance of powers following the elections to the European Parliament in May this year will have a significant impact on the macroeconomic conditions in the region.



Source: International Monetary Fund, World (http://www.imf.org)

Slowdown of the manufacturing sector

After a very good 2018, the manufacturing sector has slowed down slightly. In the first months of 2019, the PMI index which is the gauge of the economic conditions remained below 50 points in Poland and the Czech Republic (respectively 48.7 and 47.3 at the end of March 2019). The economy continues to grow robustly in Hungary (the PMI index remains at a positive level of 52.4 pts. at the end of the quarter). The economic trends also fell below 50 pts. in Europe (Euroland's PMI was at 47.5 pts. at the end of March 2019).

Strong labour market

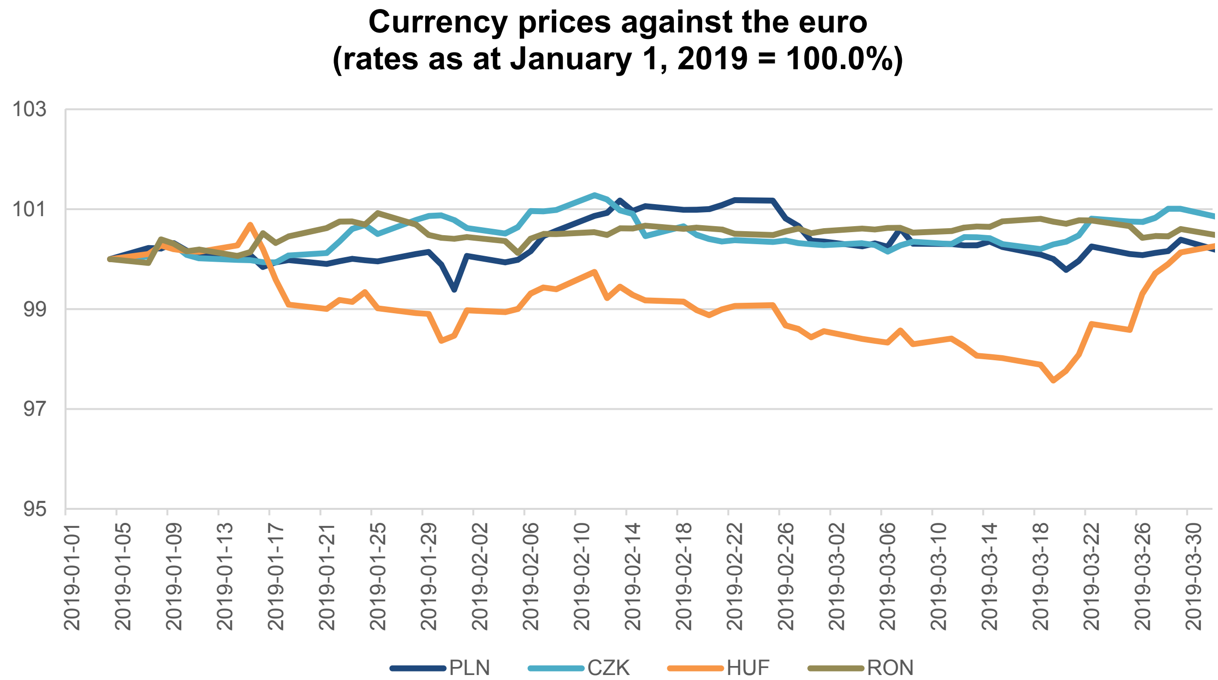
Unemployment remains very low at single-digit levels in most countries of the region. In recent months, the unemployment rate in some economies reached its lowest levels ever (6.1% in Poland, 3.0% in the Czech Republic, 3.3% in Romania and 3.6% in Hungary). The challenging conditions on the labour market, i.e. shortage of employees and growing dynamics of salaries and wages are one of the main challenges for future business operations. In recent years, these difficulties were partly mitigated by a strong inflow of labour, particularly from Ukraine. At present, their inflow to Poland has weakened because working conditions are relatively less attractive than a few years ago. Furthermore, the exchange rate no longer supports migration.

Inflation stable

Inflation entered the growth path from the beginning of the year. Prices of goods and services have accelerated and this trend is bound to continue because operating costs continue to grow rapidly, margins are shrinking and the inflow of migrant labour has slowed down. At the end of the year, the inflation in the region is expected to average around 2.5%.

Fx market stable at the beginning of the year

No major currency fluctuations were observed in the Eastern European region in the first quarter of 2019. The PLN/EUR price fluctuated around PLN 4.30, CZK/EUR around CZK 25.70 and the Hungarian forint around HUF 320. Fx changes may be triggered by future decisions concerning the situation in the United Kingdom, i.e. Brexit and other geopolitical risk factors.



Source: Thomson Reuters

Forecasts indicate growth deceleration

In 2019, regional growth will decelerate, yet should remain healthy. Despite the slowdown, consumer spending will continue to grow, driven by dynamic salaries and wages' growth and a strong labour market. Investment will continue to grow, 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. 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

After dynamic growths in the hospitality industry in recent periods the situation has stabilised. It is worth noting that on account of a cyclical nature of the industry, the first quarter is a low season, therefore no long-term conclusions should be drawn from these trends.

Amongst the cities where Orbis Group hotels are located, the highest increase in the Average Room Rate in Q1 2019 as compared to the past year was reported in Bucharest (+9.8%) and Wrocław (+3.9%). The highest increase in the Occupancy Rate (+7.7 percentage points) was reported in Wrocław as well. The largest growth in the RevPAR index was reported in Wrocław (17.6%), Bucharest (12.2%) and Prague (3.7%).

4.3 Important events of the first quarter of 2019

The most important events of the first quarter of 2019 which affected the financial information of Orbis Group include:

Sale of non-hotel real property in Wrocław

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

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

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

Sale of a non-hotel real property in Szczecin

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

Significant events of the first quarter 2019 also include the commencement, by the Management Board of Orbis S.A., of analyses relating to the potential split of operations involving ownership of real estate, mainly hotel properties (the *Asset Heavy* component) and the operations involving hotel management and provision of other services (the *Asset Light* component) in all the countries where the Orbis Group operates. After completion of the planned analyses, the Management Board will make the decision on further action.

(figures quoted in PLN thousand, unless otherwise stated)

4.4 Hotel portfolio of the Orbis Group

The Orbis Group is the largest hotel operator in Poland and in the Central & Eastern Europe. As at the end of March 2019, the Group's network comprised a total of 134 hotels with close to 21.7 thousand rooms. The majority of these hotels (74 establishments) operate in Poland.

Hotel portfolio	31.03.2019	31.12.2018	31.03.2018	31.03.2019/ 31.03.2018
Number of hotels, of which:	**134**	**133**	**128**	**4.7%**
Owned and leased hotels	72	73	74	-2.7%
Managed hotels	18	18	14	28.6%
Franchised hotels	44	42	40	10.0%
Number of rooms, of which in:	**21 656**	**21 675**	**20 982**	**3.2%**
Owned and leased hotels	14 132	14 385	14 531	-2.7%
Managed hotels	2 674	2 658	1 936	38.1%
Franchised hotels	4 850	4 632	4 515	7.4%

Change in the number of owned and franchised hotels in Q1 2019 results from the sale and franchise-back of the ibis budget Toruń hotel and launch of operations, as from February 2019, of the MGallery Kraków hotel within the frame of a signed franchise agreement.

Change in the number of hotels as compared to March 31, 2018, was additionally caused by:
a) opening of new subsidiary hotels:
- ibis Styles Warszawa Centrum (November 2018),
- ibis Poznań (December 2018),
- ibis Vilnius in Lithuania (August 2018),

b) sale and franchise-back transactions relating to the following hotels:
- Mercure Cieszyn (as a franchised hotel as of August 2018),
- ibis Styles Bielsko-Biała (as a franchised hotel as of August 2018),

c) sale and managed-back agreements relating to the following hotels:
- Novotel Szeged in Hungary (as a managed hotel as of May 2018),
- Sofitel Budapest Chain Bridge in Hungary (as a managed hotel as of June 2018),
- ibis Plzen in Czech Republic (as a managed hotel as of August 2018).

d) launch of operations of the following hotels under a franchise agreement:
- ibis Styles Warszawa West (December 2018),
- ibis Styles Sarajevo in Bosnia and Herzegovina (November 2018),

e) opening of new hotels under management agreements:
- ibis Styles Bucharest Erbas in Romania (August 2018),
- ibis Styles Budapest City West in Hungary (December 2018),

f) acquisition of the Mercure Bucharest in Romania, which to the acquisition date was operated based of a management agreement (July 2018),
g) termination of cooperation under franchise agreements with:
- ibis Olomouc in Czech Republic (at the end of March 2018),
- Mercure Mrągowo Resort & SPA (at the end of September 2018).

(figures quoted in PLN thousand, unless otherwise stated)

4.5 Financial results of the Orbis Group

In the first quarter of 2019, the Orbis Group incurred profit before tax amounting to PLN 42.6 million, while in the first quarter of 2018, its loss stood at PLN 4.9 million.

Income statement – analytical approach	1st quarter of 2019	1st quarter of 2019 without IFRS 16 impact	1st quarter of 2018	change (%) IQ 2019/ IQ 2018	change (%) IQ 2019 without IFRS 16 impact / IQ 2018
Net sales	277 824	277 824	271 465	2.3%	2.3%
Net sales „like-for-like”	*271 611*	*271 611*	*251 929*	*7.8%*	*7.8%*
EBITDAR	59 518	56 192	53 708	10.8%	4.6%
Operating EBITDA	56 918	41 953	40 387	40.9%	3.9%
EBITDA „like-for-like”	*56 584*	*41 619*	*37 022*	*52.8%*	*12.4%*
Operating profit/(loss) (EBIT) without the effects of one-off events	3 503	(886)	(1 529)	-	42.1%
Operating profit/(loss) (EBIT)	51 060	39 505	(1 388)	-	-
Net result from financing activities	(8 490)	(3 496)	(3 553)	-139.0%	1.6%
Profit/(loss) before tax	42 570	36 009	(4 941)	-	-

In the first quarter of 2019, the Group's net sales were at the level of PLN 277.8 million, i.e. rose by 2.3% as compared to the figures for the first quarter of 2018.

The continuing positive business trends in the countries of the Central and Eastern Europe region, high demand for hotels as well as numerous promotional offers and flexible pricing strategy adjusted to the current conditions in individual markets contributed to an increase in the Average Room Rate and, as a result, the Revenue per Available Room in the Group's hotels.

During the period of the first three months of 2019, the Revenue per Available Room in the Orbis Group's own (subsidiary) hotels[1] totalled PLN 139.1, i.e. it was 2.3% higher than in the first quarter of 2018. During the reporting period, customers of Orbis Group hotels paid on average PLN 226.5 per room, i.e. 1.7% more than in the first quarter of the past year. Moreover, in the period from January to March 2019, the Occupancy Rate in own hotels was comparable to the data for Q1 2018 (the Occupancy rate increased by 0.3 percentage point up to 61.4%).

Operating ratios of owned hotels	1st quarter of 2019	1st quarter of 2018	change (%)	1st quarter of 2019	1st quarter of 2018	change (%)
	as reported			like-for-like		
Orbis Hotel Group						
Occupancy Rate (%)	61.4	61.1	0.3 p.p.	62.7	61.5	1.2 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	226.5	222.7	1.7%	227.3	218.6	4.0%
Revenue per Available Room (RevPAR) in PLN	139.1	136.0	2.3%	142.6	134.5	6.0%

A detailed list of the Orbis Group's operational ratios for Q1 2019 from various angles was attached as Appendix No. 1 to this Report.

There were no significant changes in the **structure of Group's revenue** from major products and services versus the first quarter of 2018. In the first quarter of 2019, room revenue totalled PLN 178.3 million, which accounted for 64.2% of all the Group's revenues. Compared to the data for the first quarter of the past year, the room revenues remained at a comparable level.

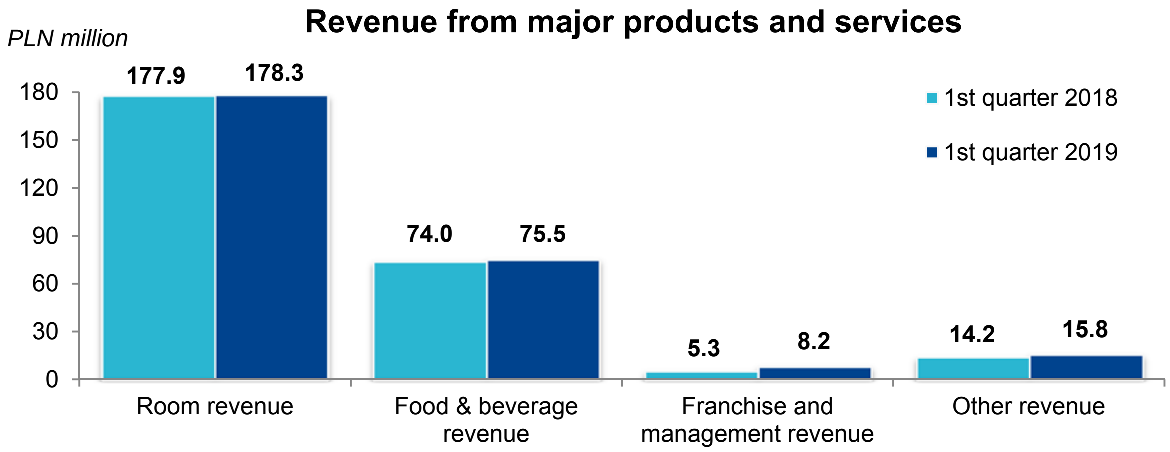
[1] Inc. the result of owned and leased hotels of the following companies: Orbis S.A., UAB Hekon, Katerinska Hotel s.r.o., Accor Pannonia Hotels Zrt., Accor Pannonia Slovakia s.r.o., Accor Hotels Romania s.r.l.

In the first quarter of 2019, revenues from food and beverage services were at a level similar to the past year (PLN 75.5 million) and accounted for 27.2% of consolidated revenues. Their contribution to the Group's revenues remained at the past year's level.

On the other hand, revenue from franchise and management contributed 3.0% to the Group's total revenues and grew by 54.7% as compared to the figures for the first quarter of the past year. It is particularly attributable to the expansion of the Group's hotel portfolio from 40 franchised hotels and 14 managed hotel as at March 31, 2018, to 44 franchised hotels and 18 managed hotel at the end of the first quarter of 2019.

The other revenue, which is mainly derived from lease of property and car park spaces, accounted for 5.7% of consolidated revenue (PLN 15.8 million) and remained at the same level as compared to the corresponding period of the past year.

The structure of Orbis Group sales broken down into products/services in the first quarter of 2019 and in 2018 was as follows:



Operating expenses of the Orbis Group (including property rental expense and depreciation and amortisation) amounted to PLN 276.0 million in the reporting period, i.e. increased slightly (by PLN 1.3 million or 0.8%) as compared to the first quarter of 2018. The largest increase (by PLN 2.8 million) was reported in the costs of outsourced services, including predominantly revenue-dependent sales services and travel agency commissions. As compared to the first quarter of 2018, the largest decrease was reported in the costs of taxes and charges (decrease by PLN 2.0 million), which is the result of IFRS 16 implementation (before the implementation of the new standard, taxes and charges item included fees for the perpetual usufruct of land). The implementation of IFRS 16 also caused the decrease in property rental costs and an increase in depreciation and amortisation. The cost of depreciation and amortisation of rights of use assets amounted to PLN 11.7 million in the first quarter of 2019.

As a result of these changes, the **operating EBITDA grew by 40.9% up to PLN 56.9 million**, and the operating result excluding one-off events totalled PLN 3.5 million.

In the first quarter of 2019 the Orbis Group reported a positive result of one-off events of PLN 47.6 million. 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 41.6 million. Moreover, one-off events include a profit of PLN 3.7 million from the sale of non-hotel real property in Szczecin and profit of PLN 2.4 million from the sale of the ibis budget hotel in Toruń.

In the first quarter of the past year, the Group earned a profit of PLN 0.9 million from real property disposals, which included the sale of non-hotel real property located in Karpacz.

The operating result (EBIT), including the impact of one-off events, amounted to PLN 51.1 million in Q1 2019. In the first quarter of 2018, the Group incurred an operating loss of PLN 1.4 million.

In connection with the entry into force of IFRS 16, during three months of 2019, the Group reported an increase in financial costs as compared to the corresponding period of the past year. The interest on lease liabilities accrued in the first quarter 2019 amounted to PLN 5.2 million. Accrued interest and debt service costs related to bond issue remained at a comparable level.

The Orbis Group ended the first quarter of 2019 with a net profit of PLN 30.8 million, compared to a net loss of PLN 4.4 million in the first quarter of 2018.

(figures quoted in PLN thousand, unless otherwise stated)

4.6 Segment reporting

The Orbis Group distinguishes two reportable operating segments:

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

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

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

4.6.1 Results per operating segments

As at March 31, 2019, the individual operating segments included:

- the Up&Midscale segment: 3 Sofitel hotels, 20 Novotel hotels, 14 Mercure hotels and 1 MGallery hotel;
- the Economy segment: 23 ibis hotels, 8 ibis budget hotels and 3 ibis Styles hotels.

On the other hand, as at March 31, 2018, the individual operating segments included:

- the Up&Midscale segment: 4 Sofitel hotels, 21 Novotel hotels, 14 Mercure hotels and 1 MGallery hotel;
- the Economy segment: 22 ibis hotels, 9 ibis budget hotels and 3 ibis Styles hotels.

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

1st quarter of 2019	Operating segments		Unallocated operations and consolidation adjustments	Consolidated value
	Up&Midscale Hotels	Economy Hotels		
Segment revenue, of which:	**204 375**	**61 940**	**11 509**	**277 824**
Sale to external clients	204 375	61 940	11 509	277 824
EBITDAR	**57 704**	**21 507**	**(19 693)**	**59 518**
Operating EBITDA	**55 796**	**21 426**	**(20 304)**	**56 918**
Depreciation and amortisation	(38 203)	(13 907)	(1 305)	(53 415)
Operating profit/(loss) without the effects of one-off events	**17 593**	**7 519**	**(21 609)**	**3 503**
Result of one-off events	0	0	47 557	47 557
Operating profit/(loss) (EBIT)	**17 593**	**7 519**	**25 948**	**51 060**
Finance income/(costs)	(3 317)	(1 591)	(3 582)	(8 490)
Income tax	0	0	(11 760)	(11 760)
Net profit/(loss)	**14 276**	**5 928**	**10 606**	**30 810**
Capital expenditure	33 271	4 777	508	**38 556**

(figures quoted in PLN thousand, unless otherwise stated)

1st quarter of 2019 without IFRS 16 impact	Operating segments		Unallocated operations and consolidation adjustments	Consolidated value without IFRS 16 impact
	Up&Midscale Hotels	Economy Hotels		
Segment revenue, of which:	**204 375**	**61 940**	**11 509**	**277 824**
Sale to external clients	204 375	61 940	11 509	277 824
EBITDAR	**55 583**	**20 747**	**(20 138)**	**56 192**
Operating EBITDA	**44 404**	**18 374**	**(20 825)**	**41 953**
Depreciation and amortisation	(29 952)	(11 964)	(923)	(42 839)
Operating profit/(loss) without the effects of one-off events	**14 452**	**6 410**	**(21 748)**	**(886)**
Result of one-off events	0	0	40 391	40 391
Operating profit/(loss) (EBIT)	**14 452**	**6 410**	**18 653**	**39 505**
Finance income/(costs)	(60)	(80)	(3 356)	(3 496)
Income tax	0	0	(10 511)	(10 511)
Net profit/(loss)	**14 392**	**6 330**	**4 776**	**25 498**
Capital expenditure	33 271	4 777	508	**38 556**

1st quarter of 2018	Operating segments		Unallocated operations and consolidation adjustments	Consolidated value
	Up&Midscale Hotels	Economy Hotels		
Segment revenue, of which:	**205 383**	**57 489**	**8 593**	**271 465**
Sale to external clients	205 383	57 489	8 593	271 465
EBITDAR	**53 959**	**20 277**	**(20 528)**	**53 708**
Operating EBITDA	**43 211**	**18 094**	**(20 918)**	**40 387**
Depreciation and amortisation	(30 681)	(10 080)	(1 155)	(41 916)
Operating profit/(loss) without the effects of one-off events	**12 530**	**8 014**	**(22 073)**	**(1 529)**
Result of one-off events	0	0	141	141
Operating profit/(loss) (EBIT)	**12 530**	**8 014**	**(21 932)**	**(1 388)**
Finance income/(costs)	(236)	(167)	(3 150)	(3 553)
Income tax	0	0	553	553
Net profit/(loss)	**12 294**	**7 847**	**(24 529)**	**(4 388)**
Capital expenditure	23 024	17 199	523	**40 746**

(figures quoted in PLN thousand, unless otherwise stated)

In the first quarter of 2019, the revenues of the Up&Midscale segment accounted for 73.6% of consolidated revenues and were by 0.5% lower as compared to revenues for the first quarter of 2018. This reduction was caused above all by the sale of the Mercure Cieszyn hotel, the Novotel Szeged hotel and the Sofitel Budapest Chain Bridge hotel.

The revenues of the economy segment accounted for 22.3% of the Group's revenues and increased by 7.7%. The reported growth dynamics is the effect of higher Average Room Rates (increase by 5.0%). The following changes in the Group's portfolio also contributed to the differences in the results of this segment as compared to the past year:

- the opening of the ibis Styles Warszawa Centrum hotel, the ibis Poznań hotel, the ibis Vilnius hotel, and
- the sale of the ibis Styles Bielsko-Biała hotel, the ibis Plzeň hotel and the ibis budget Toruń hotel.

Operating ratios of owned hotels by main category	1st quarter of 2019	1st quarter of 2018	change (%)	1st quarter of 2019	1st quarter of 2018	change (%)
	as reported			like-for-like		
Economy Hotels						
Occupancy Rate (%)	60.9	63.2	-2.3 p.p.	64.5	64.0	0.5 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	160.8	153.2	5.0%	158.5	154.8	2.4%
Revenue per Available Room (RevPAR) in PLN	97.9	96.8	1.1%	102.2	99.0	3.2%
Up&Midscale Hotels (3 stars and more)						
Occupancy Rate (%)	61.7	59.9	1.8 p.p.	61.8	60.2	1.6 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	265.7	261.5	1.6%	266.1	254.5	4.6%
Revenue per Available Room (RevPAR) in PLN	164.0	156.7	4.7%	164.4	153.3	7.2%

4.6.2 Results per geographical region

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 March 31, 2019, the individual geographic segments included:

- Poland: 3 Sofitel hotels, 13 Novotel hotels, 8 Mercure hotels, 13 ibis hotels, 8 ibis budget hotels and 1 ibis Styles hotel,
- Hungary: 4 Novotel hotels, 3 Mercure hotels, 5 ibis hotels and 2 ibis Styles hotels,
- The Czech Republic: one hotel of each of the Novotel, Mercure and MGallery brands and 3 ibis hotels,
- Other countries (Lithuania, Romania, Slovakia): 2 Novotel hotels, 2 Mercure hotel and 2 ibis hotel.

On the other hand, as at March 31, 2018, the individual geographic segments included:

- Poland: 3 Sofitel hotels, 13 Novotel hotels, 9 Mercure hotels, 12 ibis hotels, 9 ibis budget hotels and 1 ibis Styles hotel,
- Hungary: 1 Sofitel hotel, 5 Novotel hotels, 3 Mercure hotels, 5 ibis hotels and 2 ibis Styles hotels,
- The Czech Republic: one hotel of each of the Novotel, Mercure and MGallery brands and 4 ibis hotels,
- Other countries (Lithuania, Romania, Slovakia): 2 Novotel hotels, 1 Mercure hotel and 1 ibis hotel.

(figures quoted in PLN thousand, unless otherwise stated)

1st quarter of 2019	Geographical segments				Mutual eliminations and consolidation adjustments	Consolidated value
	Poland	Hungary	Czech Republic	Other countries		
Segment revenue, of which:	**187 119**	**49 568**	**20 197**	**22 091**	**(1 151)**	**277 824**
Sale to external clients	186 608	49 568	20 197	21 451	0	277 824
Sale to other segments	511	0	0	640	(1 151)	0
EBITDAR	**38 652**	**10 411**	**4 664**	**5 759**	**32**	**59 518**
Operating EBITDA	**38 652**	**10 318**	**4 396**	**3 520**	**32**	**56 918**
Depreciation and amortisation	(33 011)	(11 028)	(6 033)	(3 343)	0	(53 415)
Operating profit/(loss) without the effects of one-off events	**5 641**	**(710)**	**(1 637)**	**177**	**32**	**3 503**

1st quarter of 2019 without IFRS 16 impact	Geographical segments				Mutual eliminations and consolidation adjustments	Consolidated value without IFRS 16 impact
	Poland	Hungary	Czech Republic	Other countries		
Segment revenue, of which:	**187 119**	**49 568**	**20 197**	**22 091**	**(1 151)**	**277 824**
Sale to external clients	186 608	49 568	20 197	21 451	0	277 824
Sale to other segments	511	0	0	640	(1 151)	0
EBITDAR	**35 395**	**10 342**	**4 664**	**5 759**	**32**	**56 192**
Operating EBITDA	**33 477**	**5 800**	**935**	**1 709**	**32**	**41 953**
Depreciation and amortisation	(31 010)	(7 015)	(3 183)	(1 631)	0	(42 839)
Operating profit/(loss) without the effects of one-off events	**2 467**	**(1 215)**	**(2 248)**	**78**	**32**	**(886)**

1st quarter of 2018	Geographical segments				Mutual eliminations and consolidation adjustments	Consolidated value
	Poland	Hungary	Czech Republic	Other countries		
Segment revenue, of which:	**171 925**	**60 280**	**20 261**	**19 215**	**(216)**	**271 465**
Sale to external clients	171 709	60 280	20 261	19 215	0	271 465
Sale to other segments	216	0	0	0	(216)	0
EBITDAR	**30 246**	**12 495**	**4 827**	**6 142**	**(2)**	**53 708**
Operating EBITDA	**28 387**	**8 444**	**1 418**	**2 140**	**(2)**	**40 387**
Depreciation and amortisation	(31 838)	(6 574)	(3 148)	(356)	0	(41 916)
Operating profit/(loss) without the effects of one-off events	**(3 451)**	**1 870**	**(1 730)**	**1 784**	**(2)**	**(1 529)**

(figures quoted in PLN thousand, unless otherwise stated)

In geographic terms, the highest share to the Group's net sales in the first quarter of 2019 was contributed by hotels located in Poland (67.2%) and in Hungary (17.8%). Net sales generated by hotels in the Czech Republic and in other countries accounted for, respectively, 7.3% and 7.7% of consolidated sales.

Poland

Selected figures and operating ratios of owned hotels located in Poland	1st quarter of 2019	1st quarter of 2018	% change
Net sales	186 608	171 709	8.7%
Net sales like-for-like	*183 370*	*169 828*	*8.0%*
Capital expenditure	19 895	30 368	-34.5%
Occupancy Rate (%)	62.1	61.0	1.1 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	228.3	219.1	4.2%
Revenue per Available Room (RevPAR) in PLN	141.7	133.7	6.0%
Revenue per Available Room (RevPAR) in PLN like-for-like	*144.5*	*135.9*	*6.3%*
Clients: Business	61.4%	64.0%	-2.6 p.p.
Clients: Leisure	38.6%	36.0%	2.6 p.p.

Hotels operating in Poland generated net sales of PLN 186.6 million, which constitutes 67.2% of the consolidated sales for the first quarter of 2019. Compared to the corresponding period of the past year, Polish hotels reported sales revenues increase by 8.7%.

In the first quarter of 2019, hotels operating in Poland reported an **increase in the Average Room Rate** by 4.2%, accompanied by an increase in the Occupancy Rate by 1.1 percentage point, which resulted in an increase in Revenue per Available Room (RevPAR) by 6.0%.

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, Wrocław, Cracow and Katowice markets. An increase in the number of rooms sold was also reported in the segment of individual guests, mainly in Wrocław, Cracow and Warsaw.

Hungary

Selected figures and operating ratios of owned hotels located in Hungary	1st quarter of 2019	1st quarter of 2018	% change
Net sales	49 568	60 280	-17.8%
Net sales like-for-like	*49 568*	*43 843*	*13.1%*
Capital expenditure	14 663	10 126	44.8%
Occupancy Rate (%)	59.4	58.7	0.7 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	210.9	226.9	-7.1%
Revenue per Available Room (RevPAR) in PLN	125.2	133.2	-6.0%
Revenue per Available Room (RevPAR) in PLN like-for-like	*125.2*	*114.6*	*9.2%*
Clients: Business	44.3%	50.2%	-5.9 p.p.
Clients: Leisure	55.7%	49.8%	5.9 p.p.

Hotels in Hungary generated operating revenues of PLN 49.6 million, accounting for 17.8% of revenues of the Orbis Group. From May last year, the Hungarian hotel portfolio has been reduced (the Sofitel Budapest Chain Bridge hotel and the Novotel Szeged hotel no longer belong to the network). Based on a comparable parameter, hotels operating in Hungary reported an increase in both the Average Room Rate and the Occupancy Rate (respectively by 8.7% and 0.4 p.p. like-for-like), and as a result the 9.2% increase in RevPAR was achieved.

(figures quoted in PLN thousand, unless otherwise stated)

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

The Czech Republic

Selected figures and operating ratios of owned hotels located in the Czech Republic	1st quarter of 2019	1st quarter of 2018	% change
Net sales	20 197	20 261	-0.3%
Net sales like-for-like	*20 197*	*19 044*	*6.1%*
Capital expenditure	128	131	-2.3%
Occupancy Rate (%)	63.5	61.6	1.9 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	227.1	215.0	5.6%
Revenue per Available Room (RevPAR) in PLN	144.3	132.4	9.0%
Revenue per Available Room (RevPAR) in PLN like-for-like	*144.3*	*138.7*	*4.0%*
Clients: Business	35.9%	39.8%	-3.9 p.p.
Clients: Leisure	64.1%	60.2%	3.9 p.p.

In the first quarter of 2019, revenues generated by hotels located in the Czech Republic amounted to PLN 20.2 million (7.3% of the total revenues of the Group). The Czech hotels reported an increase (like-for-like) in room revenues in Q1 due to both higher Occupancy Rate and the Average Room Rate (increase by 5.6%). The highest growth dynamics in the Czech Republic was achieved in the segment of tourist groups, particularly in hotels of the ibis brand, followed by the segment of individual guests, thanks to the introduction of promotional offers and demand for accommodation in Prague. The number of business groups also increased.

Other countries

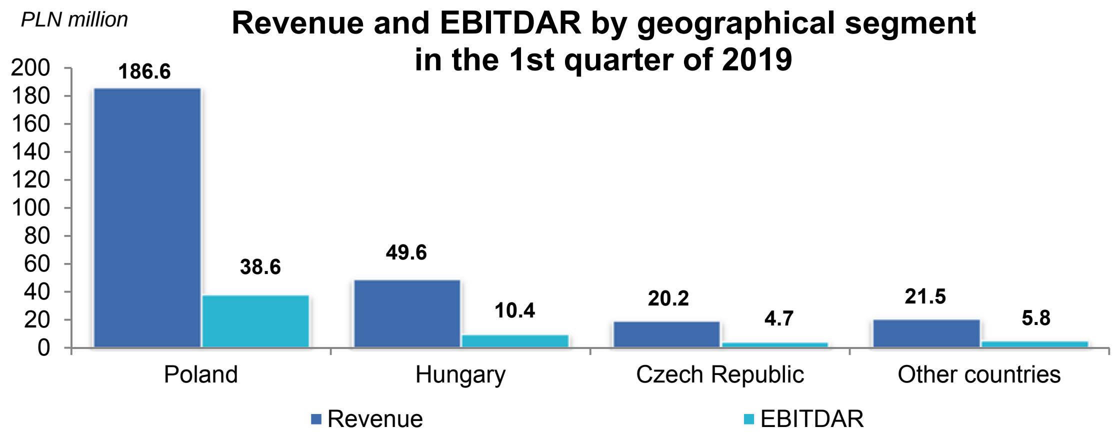
Selected figures and operating ratios of owned hotels located in other countries	1st quarter of 2019	1st quarter of 2018	% change
Net sales	21 451	19 215	11.6%
Net sales like-for-like	*18 476*	*19 215*	*-3.8%*
Capital expenditure	3 870	121	3 098.3%
Occupancy Rate (%)	58.6	71.2	-12.6 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	248.7	260.5	-4.5%
Revenue per Available Room (RevPAR) in PLN	145.7	185.5	-21.5%
Revenue per Available Room (RevPAR) in PLN like-for-like	*181.8*	*185.5*	*-2.0%*
Clients: Business	58.5%	64.4%	-5.9 p.p.
Clients: Leisure	41.5%	35.6%	5.9 p.p.

Revenues for the period of 3 months of 2019 generated in other countries, where the hotels of the Group are located, reached the level of PLN 21.5 million, i.e. 7.7% of the consolidated revenues. Hotels located in Lithuania, Slovakia and Romania generated sales revenues by 11.6% higher than in the corresponding period of the past year.

The Novotel Hotel in Vilnius generated lower room revenues as compared to the first quarter 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. Growth was also reported in the corporate guest segment (due to demand from regular customers). In mid-August 2018 another subsidiary hotel was opened in Vilnius (ibis Vilnius Centre), this time in the economy segment.

Slovakia is represented by two hotels located in Bratislava: Mercure and ibis. Room revenues were slightly above the last year's level due to a higher Average Room Rate in both hotels despite a lower Occupancy Rate. A positive trend was observed in the segment of tourist groups in the reporting period, at the same time, the segment of individual guests and business groups remained at the past year's level. On the other hand, decline was reported in the corporate guests segment.

The Novotel in Bucharest generated higher room revenues due to a higher Average Room Rate. More rooms were sold to individual guests and more tourist groups were served in the reporting period, while the business and corporate groups segments reported a decrease. Another subsidiary hotel, the Mercure Bucharest hotel, joined the network in July 2018.



(figures quoted in PLN thousand, unless otherwise stated)

4.7 Operating segment revenue per type of service and geographical area

The tables below present the Group's revenues for the first quarter of 2019 and the first quarter of 2018 per type of services and geographical areas with their reconciliation to the operating segments presented in Section 4.6.1.

1st quarter of 2019	Operating segments		Unallocated operations and consolidation adjustments	Consolidated value
	Up&Midscale Hotels	Economy Hotels		
Revenue per type of service:	**204 375**	**61 940**	**11 509**	**277 824**
Room revenue	131 308	46 992	0	178 300
Food & beverage revenue	62 763	12 697	0	75 460
Franchise and management revenue	0	0	8 246	8 246
Other revenue	10 304	2 251	3 263	15 818
Revenue per geographical area:	**204 375**	**61 940**	**11 509**	**277 824**
Poland	141 788	39 027	5 793	186 608
Hungary	34 904	11 045	3 619	49 568
Czech Republic	11 480	8 565	152	20 197
Other countries	16 203	3 303	1 945	21 451

1st quarter of 2018	Operating segments		Unallocated operations and consolidation adjustments	Consolidated value
	Up&Midscale Hotels	Economy Hotels		
Revenue per type of service:	**205 383**	**57 489**	**8 593**	**271 465**
Room revenue	134 110	43 793	0	177 903
Food & beverage revenue	62 402	11 632	0	74 034
Franchise and management revenue	0	0	5 325	5 325
Other revenue	8 871	2 064	3 268	14 203
Revenue per geographical area:	**205 383**	**57 489**	**8 593**	**271 465**
Poland	130 858	36 266	4 585	171 709
Hungary	48 583	10 043	1 654	60 280
Czech Republic	10 659	9 469	133	20 261
Other countries	15 283	1 711	2 221	19 215

4.8 Seasonality or cyclicality of operations

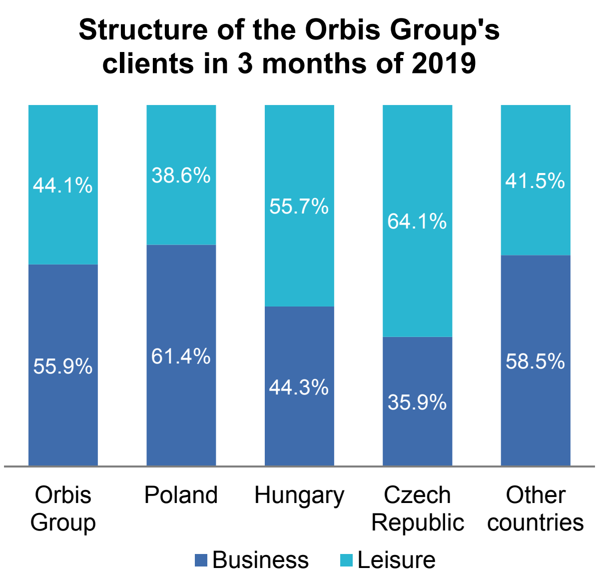
Sales of the Orbis Group throughout the year are marked by seasonality. Usually, the major value of sales is generated during the third quarter of the year. The second quarter of the year is the second best in terms of contribution to sales volume. The first quarter is the last in terms of sales.

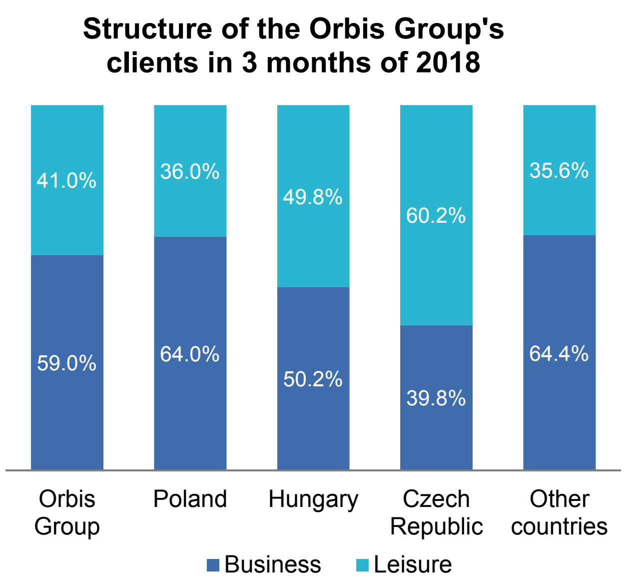
Net sales	2019		2018		2017	
	PLN `000	% share of annual revenue	PLN `000	% share of annual revenue	PLN `000	% share of annual revenue
1st quarter	277 824	-	271 465	18.9%	265 951	18.2%
2nd quarter			418 847	29.1%	413 579	28.4%
3rd quarter			391 693	27.2%	421 924	28.9%
4th quarter			358 023	24.8%	356 619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

4.9 Clients of the Orbis Group

Business clients accounted for 55.9% of customers in hotels of the Orbis Group in the first quarter of 2019. They formed the predominant group in the Group's hotels in Poland and in other countries (61.4% and 58.5% of all customers respectively). On the other hand, tourists prevailed in hotels located in the Czech Republic and Hungary accounting for, respectively, from 55.7% to 64.1% of the total customers.

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





4.10 Statement of financial position

On March 31, 2019, Orbis Group's assets totalled PLN 3 519.8 million, i.e. increased by PLN 0.3 million as compared to December 31, 2018.

The major component of the Group's assets are non-current assets, accounting for 81.0% of total assets. The predominant item of non-current assets are property, plant and equipment valued at PLN 2 672.2 million, accounting for 75.9% of total assets. Property, plant and equipment include tangible assets (mainly buildings), tangible assets under construction and right-of-use assets. As at the end of the first quarter of 2019, tangible assets were impacted by accrued depreciation (PLN -41.2 million) and incurred capital expenditure (PLN +38.6 million). In connection with the implementation of IFRS 16 as of January 1, 2019, the Group recognized right-of-use assets in the total amount of PLN 570.7 million. This value includes the rights to perpetual usufruct of land (PLN 293.8 million) and leased hotels, offices and cars (PLN 276.8 million). Accrued depreciation (PLN -11.6 million) and increase in the value of rights due to indexation of lease payments (PLN +3.7 million) had the greatest impact on the change in the value of the right-of-use assets in the first quarter of 2019.

Intangible assets (mainly goodwill) valued at PLN 111.6 million constitute another major item of non-current assets. Their share in the Group's assets as at the end of March 2019 amounts to 3.2%.

The largest item of current assets are cash and cash equivalents in the amount of PLN 557.5 million, which account for 15.8% of total assets.

Trade receivables (PLN 66.3 million) and other current receivables (PLN 33.1 million) also constituted a significant item of current assets as at March 31, 2019. Other current receivables include mainly VAT receivables and prepaid expenses. The change in the value of other current receivables in the first quarter of 2019 results mainly from a lower VAT settlements. The decrease in these receivables as compared to March 31, 2018 is mainly the effect of IFRS 16 implementation. Annual fees for perpetual usufruct rights and prepayments for leased hotels paid in the first quarter of the year, which constituted a major part of prepayments and accrued expenses as at March 31, 2018, are currently reported under rights-of-use assets.

As at March 31, 2019, the Group did not have any assets classified as held for sale. The sale of real property in Wrocław, which was presented under this item as at December 31, 2018, was finalized in February.

The Group financed its operations mainly from its own resources. As at March 31, 2019, the Group's equity totalled PLN 2 216.7 million (63.0% of liabilities), while net debt equalled PLN 447.9 million (20.2% of equity).

As at March 31, 2019, Orbis S.A. had non-current interest-bearing liabilities of PLN 502.8 million (14.3% of liabilities) from the bond issue. The maturity dates of the bonds are scheduled for 2020 and 2021. As at March 31, 2019, the Group did not have any borrowings.

As at March 31, 2019, trade payables were the largest item of the Group's current liabilities (26.8%). The increase in the balance of trade payables is related to a higher occupancy in March than at the year end, resulting in an increase in purchases reported in the Group's hotels.

Another significant item of liabilities are also other current liabilities (20.8%), which consist mainly of public and legal imposts (including taxes and questionable fees for perpetual usufruct of land) and accrued expenses related to employee benefits costs (including bonuses and unused holidays). The decrease of these liabilities in the first quarter of 2019 results mainly from the decrease in liabilities towards employees as a result of paid bonuses.

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

The increase in current contract liabilities as at March 31, 2019, as compared to December 31, 2018, was caused primarily by prepayments received for hotel rooms to be provided in the spring and summer seasons. Apart from prepayments, contract liabilities also include fees received for joining a hotel network (the Entrance fee), due under executed franchise agreements.

The decrease in liabilities associated with tangible assets in the first quarter of 2019 as compared to the balance as at the end of 2018 results in particular from the settlement of capital expenditures incurred for the modernization of the following hotels: the Mercure Poznań Centrum hotel, the ibis Styles Warszawa Centrum hotel, the Novotel Kraków West City hotel, the Novotel Warszawa Airport hotel and the Mercure Wrocław Centrum hotel.

In connection with the implementation of IFRS 16, a new category of liabilities, i.e. lease liabilities, was introduced. These liabilities reflect the current value of lease payments outstanding as at the date of the statement of financial position.

4.11 Statement of changes in equity

As at March 31, 2019, equity amounted to PLN 2 216.7 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 30.8 million for the first quarter of 2019. The implementation of IFRS 16 and the related change in the recognition and measurement of the right to perpetual usufruct of land had a significant impact on 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 to 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 6.3 million at the end of March 2019. The change resulted from translating foreign operations into the currency of presentation (PLN). The increase in average foreign exchange rates as at the end of March 2019 as compared to December 31, 2018, had a positive impact on the level of foreign currency translation reserve (foreign currency rates applied for translation of financial statements of foreign subsidiaries are presented in Section 5.9).

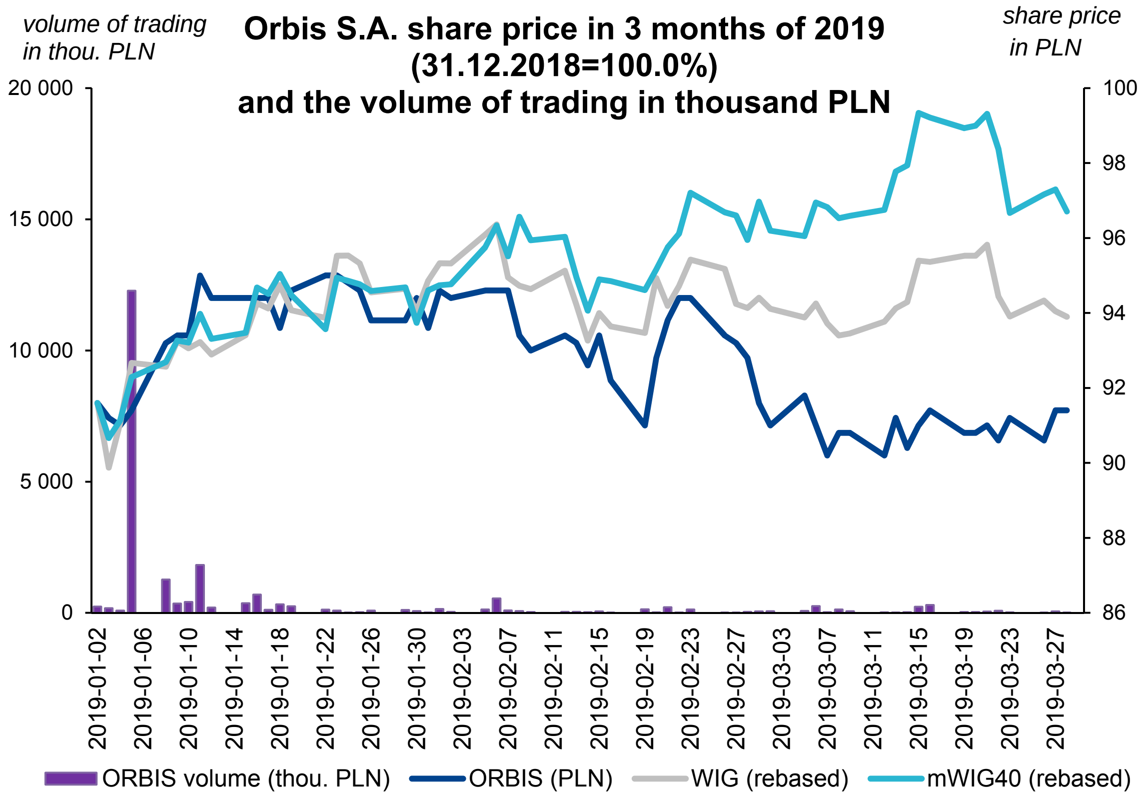
4.12 Statement of cash flows

During three months of 2019, the net cash flows of the Orbis Group amounted to PLN 19.7 million (PLN -23.6 million in the first quarter of 2018). Cash flows comprised:

- **Cash flows from operating activities**
  Solid operating results, growth of sales and prepayments for accommodation services contributed to higher net cash flows from operating activities in the first quarter of 2019 as compared to the corresponding period of the past year. Additionally, the implementation of IFRS 16 had a positive impact on the level of cash flows from operating activities, as payments of lease instalments are now disclosed in cash flows from financing activities.
- **Cash flows from investing activities**
  The principal reason behind negative cash flows of PLN -26.1 million in the first quarter of 2019 (PLN -48.4 million in the first quarter of 2018) were expenses of PLN -82.6 million incurred for construction of new hotels and modernization of existing hotels (for more information see Section 4.14).
  The incurred expenditure under the investing activities item was partially offset by proceeds in the total amount of PLN 55.7 million generated from the sale of the ibis budget hotel in Toruń and non-hotel real properties in Wrocław and Szczecin.
- **Cash flows from financing activities**
  The Group's cash flows from financing activities were negative during the period of three months of 2019 and amounted to PLN 24.0 million. These cash flows include lease payments of a total of PLN 21.2 million and repayment of interest on bonds (PLN -2.9 million).

4.13 Share price

From January 1, 2019, to March 31, 2019, the price of Orbis S.A. shares ranged from PLN 90.2 to PLN 95.0. 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 NN PTE. It translates into lower trading volume and stabilization of the share price at around PLN 91 per share. The average trading volume of Orbis S.A. shares in 2019 equalled PLN 0.4 million (3 800 shares). On March 31, 2019, the share price was at the level of PLN 91.4, which represents a 1% increase as compared to the end of 2018.



(figures quoted in PLN thousand, unless otherwise stated)

4.14 Capital expenditure

In the first quarter of 2019, capital expenditure of the Orbis Group amounted to PLN 38.6 million (PLN 40.7 million in the corresponding period of the past year).

Capital expenditure of the Group	1st quarter of 2019	1st quarter of 2018
Development projects	21 808	35 903
Other expenditure	16 748	4 843
Total	**38 556**	**40 746**

A total sum of PLN 21.8 million was appropriated in the first quarter of 2019 for the following investment projects:

- The **Novotel Poznan Centrum** hotel. In 2019, the modernization of the hotel scheduled for the period 2016-2019 was continued and involved the division of the hotel and a partial rebranding into ibis. In the first quarter of 2019, technical works and back-up office works were carried out. The total investment expenditure during the 2016-2019 period will amount to approximately PLN 59 million.
- The **Novotel Kraków City West** hotel. The modernization of the eastern façade and the missing parts of the northern façade, which is scheduled to be completed in the second quarter of 2019, was continued in the first quarter of 2019. The ongoing modernisation of successive 40 rooms and 2 suites in this hotel is scheduled to be completed in the first half of 2019. 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 opened for its first guests on November 30, 2018. In the first quarter, expenditure was incurred on additional equipment and final settlement of construction and assembly works.
- The **Sofitel Warszawa Victoria hotel**. In the first quarter of 2019, the modernization of 4 Opera suites and the Presidential Suite in the Sofitel Warszawa Victoria hotel was also completed. Thus, the renovation of rooms in this hotel, which was carried out from 2017, is now completed. There are still some minor technical works, amongst others on kitchen facilities, to be carried out. The total planned expenditure for the whole scope of works will total approximately PLN 20 million.
- The **ibis Styles Stare Miasto in Szczecin**. In March 2019, the cornerstone ceremony in the Ibis Styles Stare Miasto hotel in Szczecin took place and construction works, including demolition works, began. Considering its location in the central part of the Old Town, the façade of the building will blend with historical buildings in its vicinity.
- As regards the construction of a new hotel in the area of the Old Town in Cracow (the brand for this hotel has not yet been chosen), work on the construction design was continued in the first quarter of 2019. The total expenditure on the construction of the hotel during the 2018 - 2021 period is planned to exceed PLN 90 million.
- The **Mercure Budapest Buda** hotel. In the fourth quarter of 2017, major renovation works were commenced to transform the hotel from its current brand (Mercure) into a combo hotel (that is two hotels operating under different brands, ibis and Mercure, in a single building). The new hotel will offer 250 renovated rooms operating under the Mercure brand and 150 new ibis rooms. In 2018, 160 rooms were renovated, and the successive 240 rooms with public areas are scheduled to be renovated during the period from the fourth quarter of 2018 to the second quarter of 2019. In the first quarter of 2019, the flooring on the seventh and eighth floor of the hotel's long wing was renovated. The investment is scheduled to be completed in the third quarter of 2019 and the total estimated project cost for during the 2017-2019 period totals approximately EUR 8.8 million.
- The **Mercure Budapest Korona** hotel. The modernization of this hotel was planned for the 2017 - 2020 period and envisages the renovation of all hotel rooms, conference rooms and public areas on all the floors of the building. 155 rooms were renovated in the first quarter of 2019. The public areas (the lobby and the new WineStone restaurant) are undergoing renovation which is scheduled to be completed in the first half of 2019. The breakfast area and the second conference centre are to be completed in the third quarter of 2019 (the first conference centre was renovated in 2018). The completion of this investment is scheduled to take place in the second quarter of 2020, and the total estimated expenditure will amount to approximately EUR 9.9 million.

(figures quoted in PLN thousand, unless otherwise stated)

Other expenditures in the first quarter of 2019 (PLN 16.7 million) were assigned for modernization of hotels operating in the network, modernization of technical installations and IT expenditure. The most important investments executed during the period of three months of 2019 included:

- continued room modernization at the **Novotel Gdańsk Marina** hotel, where 90 modernized rooms were rendered operational in the first quarter of 2019, out of a total of 132 rooms planned to be renovated this year. Completion of the successive rooms within this phase is scheduled for the end of May 2019. A new concept of the public area (the reception desk, the bar, the restaurant) in the hotel has also been developed and works on the concept of the fitness area and development of the hotel's surroundings are underway,
- completion of modernization works in 66 successive rooms and corridors on two floors (the 5th and the 4th floors) in the **Mercure Poznań Centrum** hotel; modernization of 33 successive rooms and a corridor is scheduled to be completed by the end of May 2019, and 29 successive rooms and Wise Café are scheduled for completion in July and August,
- continuation of the rearrangement of 28 rooms with corridors on the successive floor of the **Novotel Warszawa Centrum** hotel,
- completion of rearrangement of the lobby and the reception desk area in the **Mercure Warszawa Grand** hotel,
- completion of modernization of 40 rooms in line with the N'room standard in the **Novotel Kraków Centrum** hotel.

As regards the IT and digital services expenditure, the firewall replacement for Poland is continued in the first quarter of 2019 with a view to improve efficiency, operate new, several times faster Internet connections and strengthen IT security. Expenditures also include the planned replacement and modernization of IT infrastructure in hotels and preparation of hardware infrastructure for the new Head Office.

4.15 Human resources

In the first quarter of 2019, the average employment in the Orbis Group stood at 3 834 full time equivalents and decreased by 4.7% compared to the corresponding period of the past year.

Average employment (in full-time equivalents)	1st quarter of 2019	1st quarter of 2018	% change
Poland	2 518	2 565	-1.8%
Hungary	775	966	-19.8%
Czech Republic	203	223	-9.0%
Other countries	338	268	26.1%
Total	**3 834**	**4 022**	**-4.7%**

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 Plzeň hotel in August 2018. On the other hand, the increase in the employment level in other countries is the result of the opening of the ibis Vilnius hotel in Lithuania (August 2018) and the acquisition of the Mercure Bucharest hotel in Romania (July 2018).

In the first quarter of 2019 the Orbis Hotel Group completed over 1 849 training days for nearly 1 072 employees in the form of both traditional and e-learning training courses.

4.16 Social Responsibility (CSR)

Publication of a non-financial report

In the first quarter of 2019 Orbis published, for a third year in a row, a comprehensive non-financial report addressing all the key social and environmental aspects of the Orbis Group's operations in 2018. The 2018 report and the information sheet are available at: https://www.orbis.pl/en/sustainable-development#non-financial-report.

Data protection

In line with the EU regulation on personal data protection that came into force on May 25, 2018, Orbis devoted the first quarter of 2019 for tasks aimed at developing the company's global policy on CCTV (hotel surveillance system), including writing detailed procedures for hotel teams and information policy addressed to hotel guests. Appropriate workshops and trainings dedicated to hotel teams are scheduled to take place in the second quarter of this year.

Introduction of Accor's Healthy and Sustainable Food Charter

As we are restaurateurs as well, we realise that today's food model is unsustainable and calls for in-depth changes. That is why we have committed ourselves to introduce the Healthy and Sustainable Food Charter with a view to reach, by the end of 2020, 9 targets in each of the hotels operating under a selected Accor brand: (1) **to cut food waste by an average of 30%**, (2) **to favour local food suppliers and seasonal produce**, (3) **to increase our selection of organic products and support agroecology**, (4) **to prefer suppliers committed to animal welfare**, (5) **to ban endangered fish species and promote responsible fishing**, (6) **to eliminate single-use plastic**, (7) **to remove controversial food additives and reduce fat and sugar**, (8) **to serve responsible coffee or tea**, (9) **to cater for a range of dietary** needs. Right internal communication to support this new Healthy and Sustainable Food Charter was launched in the first quarter of 2019 and will be monitored throughout the year, covering all hotels operating under Accor brand in the Eastern European region.

Orbis – a responsible employer

We attach a great importance to respect for our employees' rights, including promoting their diversity. Therefore, the RiiSE corporate network of Accor and Orbis has launched an internal communication campaign across the Orbis region, aimed at breaking stereotypes on men's and women's professional careers. The aim of this campaign is to encourage women to apply for senior positions in the hospitality industry, such as hotel General Manager or chef that still continue to be incorrectly perceived as men's professions.

Following the success of the cultural transformation in our Group, with the *Heartist*™ program we moved on to the second phase of the transformation process in the region. We believe it will have a positive impact on the satisfaction of our guests and the commitment of our hotel teams. Our efforts in Poland have won recognition for the second consecutive year by Aon who distinguished Orbis with the "Best Employer 2019" award. To achieve recognition under Aon's Best Employers Programme, Orbis was evaluated on the basis of 4 measures: commitment index, leadership index, productivity culture index and employer brand index.

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

The Orbis Group has not made public any forecasts of its 2019 results.

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

Increase in accommodation supply

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

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

According to analysts, some 7 thousand rooms will enter the market in Poland in 2019, of which Warsaw alone will have some 1.3 thousand rooms. In terms of the accommodation opportunities, the markets of Wrocław and Poznań are developing robustly. The supply of accommodation will also increase significantly in the Cracow market. Thanks to its growing popularity amongst tourists, the Cracow market attracts growing numbers of international investors. Another robust market is Gdańsk, in particular the Granary Island (Wyspa Spichrzów), which currently offers approximately 1 000 rooms.

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

Effective portfolio management and long-term strategy

Asset management and expansion of the Group's hotel portfolio is an important pillar of our strategy. The Group continues its efforts aimed at boosting its market share and focusing investments in key markets of the region. The remaining hotels belonging to the Group undergo successive modernizations with a view to adapt the hotel space to the requirements of modern tourists. At the moment the Group takes advantage of the low season and 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. Two non-hotel real properties in Wrocław and Szczecin as well as the ibis budget hotel in Toruń were sold in the first quarter of 2019.

The Group also continues its expansion based on the asset light model. During the period of 3 months of 2019, the Group has already signed 7 agreements concerning operation of new hotels according to this business model. In the first quarter, the luxurious MGallery Collection hotel in the centre of Krakow operating under a franchise model joined the Orbis hotel network. At the end of March 2019, the ratio of own (subsidiary) hotels to those operating based on the asset light model was 54% to 46%.

Challenges for the hospitality industry

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

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

A factor that has a positive impact on the hospitality industry performance is the noticeable improvement in the affluence of population in the region which translates into its purchasing power. A higher income level boosts the propensity to travel, which is becoming an integral part of lifestyle. The propensity to travel is also heartened by cultural and sporting offer. Numerous events will take place in the largest cities of the Central and Eastern Europe in 2019, including the World Fencing Championships and the World Championships in table tennis to be organised in Budapest and the U-20 Football Championships to be held in Poland (the competition will take place in June in Łódź, Lublin, Gdynia, etc.). Slovakia will host the 2019 IIHF Ice Hockey World Championship.

Customer expectations

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

Summary

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

Basic risks and threats viewed as factors of significance for the development of the Group are described in Note 31 to the Consolidated Financial Statements for 2018.

(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, 16 Bracka 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 section I, item 5510Z.

5.2 Business operations

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

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

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

The Orbis Group is the largest hotel operator in Poland and Central & Eastern Europe. As at the end of March, the Group's structure comprised 134 hotels located in eleven countries. The Orbis Group hotels operate under Accor brands: Sofitel, Pullman, MGallery, Novotel, Mercure, ibis, ibis Styles and ibis budget.

5.3 The Issuer's shareholders

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

Shareholder	Number of shares and votes	% of the total number of shares and votes at the GM
Accor S.A.	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	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 travel & lifestyle group offering unique experiences in more than 4.8 thousand hotels, resorts and residences. These hotels operate under 37 brands ranging from luxury to economy. AccorHotels is present in 100 countries and employs more than 250 000 employees worldwide.

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

5.4 Statutory bodies of the Issuer

The Management Board

During the period from January 1, 2019, till March 31, 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,
- Marcin Szewczykowski – Member of the Management Board, Finance Director,
- Dominik Sołtysik – Member of the Management Board.

The Supervisory Board

During the period from January 1, 2019, till March 31, 2019, Orbis S.A. Supervisory Board was composed of the following Members:

- Franck Gervais – Chairman,
- Pierre Boisselier – Member,
- Artur Gabor – Independent Member,
- Christian Karaoglanian – Member,
- Jacek Kseń – Independent Member,
- Jean-Jacques Morin – Member,
- Laurent Picheral – Member,
- Andrzej Procajło – Member,
- Andrzej Przytuła – Member,
- Jarosław Szymański – Member.

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

As at the day of publication of this report, the Vice-President of the Management Board, Mr. Ireneusz Andrzej Węgłowski, held 4 250 Orbis S.A. shares. Other members of the Management Board did not hold any Company shares. The number of Orbis S.A. shares held by members of the Management Board and the Supervisory Board did not change during the first quarter of 2019.

5.6 Share capital and dividends paid

As at March 31, 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.:

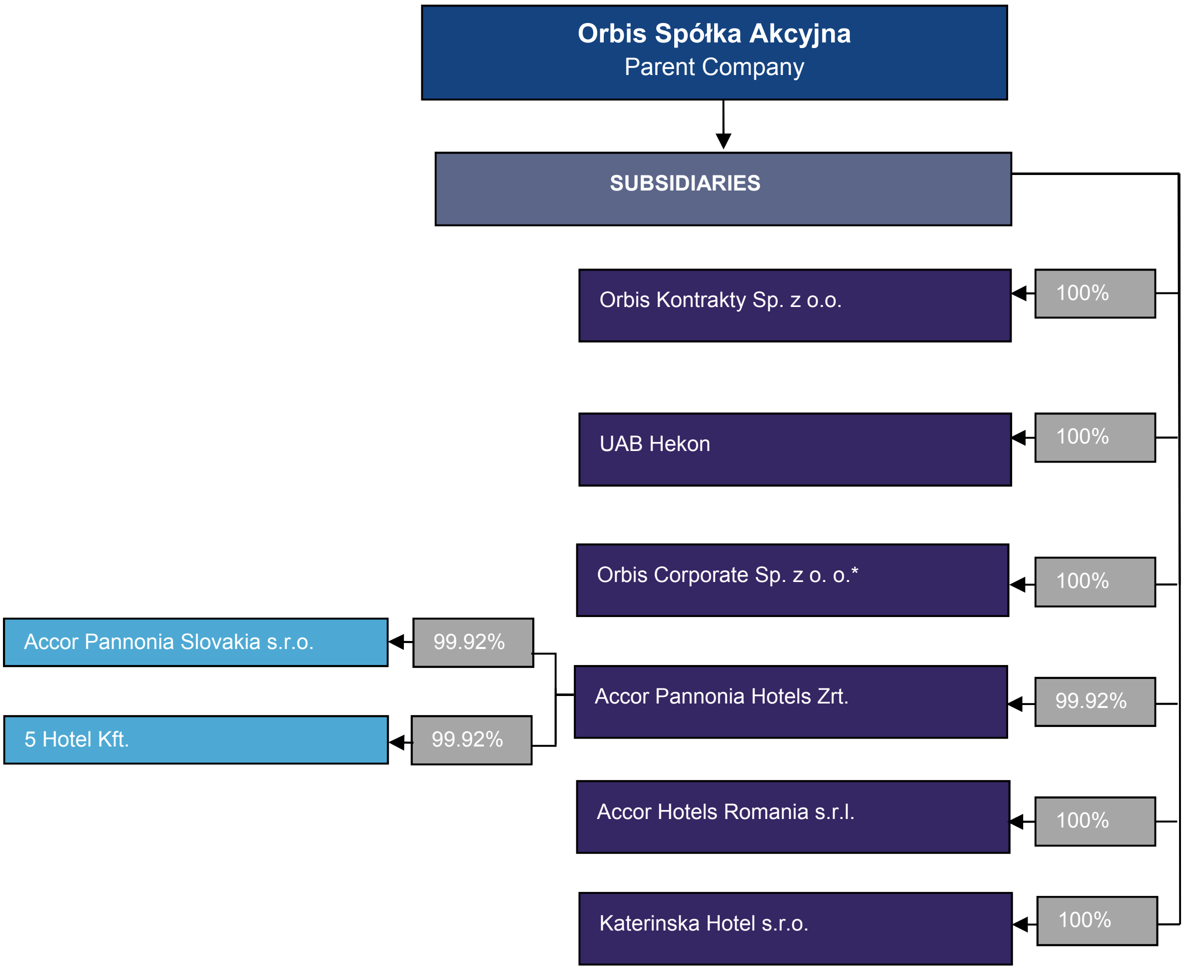
- Number of shares – 46 077 008,
- Par value per share – PLN 2,
- Share capital set out in the Statutes of Orbis S.A. – PLN 92 154 thousand,
- Hyperinflation restatement of share capital – PLN 425 600 thousand,
- Carrying amount of share capital – PLN 517 754 thousand.

During the first quarter of 2019 and till the date of publication of this report, the value of Orbis S.A. share capital did not change.

No decision concerning the distribution of the Orbis S.A. profit for 2018 was made as at the date of publication of this report.

5.7 The structure of the Group

As at March 31, 2019, the Orbis Group comprised the following companies:



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

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

5.8 Description of principal accounting policies

These condensed interim consolidated financial statements have been prepared in accordance with the International Accounting Standard 34 “Interim Financial Reporting” and in compliance with the International Financial Reporting Standards, applicable to interim financial reporting, adopted by the European Union, published and binding as at the date of these financial statements.

The principal accounting policies applied in the preparation of the consolidated financial statements were set out in Note 2.4 to the annual consolidated financial statements for 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 standard, i.e. IFRS 16 “Leases”.

Section 5.8.1 describes the impact of the new accounting principles on financial statement of the Group 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 in the first quarter of 2019 and on items of the statement of financial position as at March 31, 2019, was presented.

In addition, 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 like-for-like data as at March 31, 2018.

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, have 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, consistent with the nature of financial leases. 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 and initial direct costs of the lessee connected with the given contract, less any lease incentives received and the estimated costs to be borne by the lessee at the end of the contract. 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 marginal 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 and essentially fixed payments (i.e. ones 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. 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 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 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 marginal 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 Group 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 accounted for before January 1, 2019, less the accrued lease payments recognised in the statement of financial position as at December 31, 2018.

The Group distinguished the following types of material contracts, which have so far been 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 have been excluded from the group of agreements subject to restatement in accordance with IFRS 16. The lease costs of these hotels will continue to be presented in the income statement under the Costs of properties rental 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 titles to 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 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 Group has adopted so far.

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 will 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 we applied discount using the lessee's marginal borrowing rate as at January 1, 2019, which rate reflects the anticipated cost of financing the object of lease. The Group analysed various methodologies that could be applied to determining the lessee's marginal 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 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 SA, account was also taken of 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. 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 SA, the lessee's marginal borrowing rate was calculated on the basis of the current costs of debt taken out by Orbis SA plus the extra costs of potential guarantees 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 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 (in each country) 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. This rate reflects the risk-free rate plus the current margin that the Group 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 SA 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 solutions 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 addition, the Group had the benefit of hindsight concerning determination of lease terms and future purchases of the objects of leases. This approach is permitted by paragraph C10 e) of the standard.

In case of leased motorcars, considering the fact that a lease instalment comprises both the lease-related element and other elements, such as warranty service, insurance, and other services, the Group recognises the aforementioned non-lease elements separately, i.e. in costs of outsourced services (as they were presented previously). Both lease-related and other elements 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, titles to perpetual usufruct of land, due to the possibility of being transferred to third parties (which is a particularity that distinguishes them from other lease contracts), 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 concerning 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 titles to perpetual usufruct of land		adjustment due to recognition of leases of hotels and office space	adjustment due to recognition of leases of motorcars	January 1, 2019 (restated)
		a)	b)			
Non-current assets	**2 546 642**	**(192 762)**	**240 041**	**276 671**	**859**	**2 871 451**
Property, plant and equipment	2 415 834	(238 056)	235 310	276 671	859	2 690 618
of which Titles to perpetual usufruct of land so far recognised in accordance with IAS 16	*296 595*	*(238 056)*	*(58 539)*	*0*	*0*	*0*
of which Right-of-use assets	*0*	*0*	*293 849*	*276 671*	*859*	*571 379*
Investment property	3 538	(1 505)	4 731	0	0	6 764
of which Titles to perpetual usufruct of land so far recognised in accordance with IAS 16	*1 505*	*(1 505)*	*0*	*0*	*0*	*0*
of which Right-of-use assets	*0*	*0*	*4 731*	*0*	*0*	*4 731*
Deferred tax assets	10 983	46 799	0	0	0	57 782
Current assets	**663 148**	**0**	**0**	**(4 715)**	**0**	**658 433**
Other current receivables	44 759	0	0	(4 715)	0	40 044
Assets classified as held for sale	**8 690**	**(6 752)**	**5 455**	**0**	**0**	**7 393**
of which Titles to perpetual usufruct of land so far recognised in accordance with IAS 16	*6 752*	*(6 752)*	*0*	*0*	*0*	*0*
of which Right-of-use assets	*0*	*0*	*5 455*	*0*	*0*	*5 455*
TOTAL ASSETS	**3 218 480**	**(199 514)**	**245 496**	**271 956**	**859**	**3 537 277**
Equity	**2 386 786**	**(199 514)**	**0**	**0**	**0**	**2 187 272**
Retained earnings	1 727 659	(199 514)	0	0	0	1 528 145
Non-current liabilities	**545 411**	**0**	**227 636**	**229 294**	**250**	**1 002 591**
Lease liabilities	0	0	227 636	229 294	250	457 180
Current liabilities	**286 283**	**0**	**12 405**	**42 662**	**609**	**341 959**
Lease liabilities	0	0	12 405	46 136	609	59 150
Deferred revenue	6 735	0	0	(3 474)	0	3 261
Liabilities associated with assets classified as held for sale	**0**	**0**	**5 455**	**0**	**0**	**5 455**
TOTAL EQUITY AND LIABILITIES	**3 218 480**	**(199 514)**	**245 496**	**271 956**	**859**	**3 537 277**

a) elimination from the statement of financial position of titles to perpetual usufruct of land acquired free of charge, which were so far recognised in accordance with IAS16 “Property, plant and equipment” (more information about the earlier recognition of titles to perpetual usufruct of land presented in Note 2.3 to the annual consolidated financial statements for 2018).
b) recognition in accordance with IFRS 16 „Leases".

(figures quoted in PLN thousand, unless otherwise stated)

The aggregate impact of the first-time application of the new IFRS 16 on the Group's total assets is PLN 318 797 thousand. The difference between this value and the original estimate of the IFRS 16 impact presented in the consolidated financial statements for 2018 (PLN 272 422 thousand) results basically from the recognition of the lease of the MGallery Praha Old Town hotel in the Czech Republic. At the time of publication of the annual report, the Group anticipated the buyout of this hotel from lease in the first quarter of 2019 and has therefore decided to exclude this lease agreement from the category of agreements subject to restatement. Given the significant uncertainty as to whether this transaction will be executed, the Group has eventually decided to recognise this hotel lease in accordance with IFRS 16.

The impact of IFRS 16 application on the financial statements for the first quarter 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 March 31, 2019, and on the results of the Orbis Group for the first quarter of 2019.

	March 31, 2019 (without IFRS 16 impact)	adjustment due to recognition of titles to perpetual usufruct of land	adjustment due to recognition of leases of hotels and office space	adjustment due to recognition of leases of motorcars	March 31, 2019 (as reported)
Non-current assets	**2 534 699**	**45 496**	**269 822**	**631**	**2 850 648**
Property, plant and equipment	2 405 190	(3 336)	269 670	630	2 672 154
of which Titles to perpetual usufruct of land so far recognised in accordance with IAS 16	*295 073*	*(295 073)*	*0*	*0*	*0*
of which Right-of-use assets	*0*	*291 737*	*269 670*	*630*	*562 037*
Investment property	4 424	3 434	0	0	7 858
of which Titles to perpetual usufruct of land so far recognised in accordance with IAS 16	*1 634*	*(1 634)*	*0*	*0*	*0*
of which Right-of-use assets	*0*	*5 068*	*0*	*0*	*5 068*
Deferred tax assets	9 382	45 398	152	1	54 933
Current assets	**681 493**	**(8 325)**	**(4 015)**	**0**	**669 153**
Other current receivables	45 431	(8 325)	(4 015)	0	33 091
TOTAL ASSETS	**3 216 192**	**37 171**	**265 807**	**631**	**3 519 801**
Equity	**2 410 888**	**(193 654)**	**(545)**	**(3)**	**2 216 686**
Retained earnings	1 753 160	(193 654)	(545)	(3)	1 558 958
Non-current liabilities	**535 807**	**217 354**	**228 979**	**250**	**982 390**
Lease liabilities	0	217 354	228 979	250	446 583
Current liabilities	**269 497**	**13 471**	**37 373**	**384**	**320 725**
Leases liabilities	0	13 791	41 919	384	56 094
Deferred revenue	17 186	0	(3 459)	0	13 727
Other current liabilities	68 089	(320)	(1 087)	0	66 682
TOTAL EQUITY AND LIABILITIES	**3 216 192**	**37 171**	**265 807**	**631**	**3 519 801**

(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 property rental costs. On the other hand, titles to perpetual usufruct of land were so far recognized 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.

	Three months of 2019 (without IFRS 16 impact)	adjustment due to recognition of titles to perpetual usufruct of land	adjustment due to recognition of leases of hotels and office space	adjustment due to recognition of leases of motorcars	Three months of 2019 (as reported)
Net sales	277 824	0	0	0	277 824
Outsourced services	(71 311)	0	0	231	(71 080)
Taxes and charges	(11 031)	3 095	0	0	(7 936)
EBITDAR	**56 192**	**3 095**	**0**	**231**	**59 518**
Rental expense	(14 239)	0	11 639	0	(2 600)
Operating EBITDA	**41 953**	**3 095**	**11 639**	**231**	**56 918**
Depreciation and amortisation	(42 839)	40	(10 386)	(230)	(53 415)
Operating profit without the effects of one-off events	**(886)**	**3 135**	**1 253**	**1**	**3 503**
Result on sale of real property	40 450	7 166	0	0	47 616
Operating profit	**39 505**	**10 301**	**1 253**	**1**	**51 060**
Finance costs	(4 246)	(3 040)	(1 949)	(5)	(9 240)
Profit before tax	**36 009**	**7 261**	**(696)**	**(4)**	**42 570**
Income tax expense	(10 511)	(1 401)	151	1	(11 760)
Net profit for the period	**25 498**	**5 860**	**(545)**	**(3)**	**30 810**
- attributable to owners of the parent	25 501	5 860	(545)	(3)	30 813
- attributable to non-controlling interests	(3)	0	0	0	(3)
Total income/(loss) for the period	**24 102**	**5 860**	**(545)**	**(3)**	**29 414**

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 March 29, 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 the first quarter of 2019 and the first quarter of 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		
	3 months ended March 31, 2019	3 months ended March 31, 2018	March 31, 2019	December 31, 2018	March 31, 2018
EUR/PLN	4.2978	4.1784	4.3013	4.3000	4.2085
HUF/PLN	0.0135	0.0134	0.0134	0.0134	0.0135
CZK/PLN	0.1670	0.1648	0.1666	0.1673	0.1659
RON/PLN	0.9053	0.8968	0.9029	0.9229	0.9034

5.10 Borrowings

As at March 31, 2019, Orbis Group did not have any liabilities arising from credit facilities.

As at March 31, 2018, subsidiary Accor Pannonia Hotels Zrt. had overdraft liabilities of PLN 56.7 million (EUR 13 485 thousand).

The amount of undrawn credit lines under overdrafts of the Orbis Group as at March 31, 2019, was PLN 45.0 million, of which the credit lines undrawn by Orbis S.A. amounted to PLN 20.0 million and those of Katerinska Hotel s.r.o.: PLN 25.0 million (i.e. CZK 150.0 million). The remaining Group companies did not have undrawn credit lines under overdrafts.

5.11 Issue, redemption and repayment of debt and equity securities

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

The 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 date of redemption of bonds at their nominal value is June 26, 2020.

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

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

Bonds bear interest per annum at a variable interest rate at **WIBOR 6M** plus interest rate margin of **1.05%.** The interest shall be payable in 6 monthly (six-month) interest periods.

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

(figures quoted in PLN thousand, unless otherwise stated)

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

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

In the first quarter of 2019, Orbis S.A. paid PLN 2 854 thousand of interest on issued bonds.

Bonds	As at:		
	March 31, 2019	December 31, 2018	March 31, 2018
Liability resulting from the bond issue (outstanding principal amount)	500 000	500 000	500 000
Valuation of bonds at amortised cost	2 779	2 111	2 458
Total bonds	**502 779**	**502 111**	**502 458**

5.12 Financial instruments

5.12.1 Fair value of financial instruments

As at March 31, 2019, and December 31, 2018 the only financial instruments that were subject to measurement at fair value following their initial recognition and were recognised at fair value in the statement of financial position were derivative instruments, i.e. interest rate swap.

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 March 31, 2019		As at December 31, 2018		As at March 31, 2018	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets						
Cash and cash equivalents	557 533	557 533	537 834	537 834	192 707	192 707
Other financial assets	0	0	0	0	6 944	6 944
Trade receivables and other non-current receivables	77 944	77 944	81 605	81 605	75 154	75 154
Financial liabilities						
Borrowings	0	0	0	0	56 703	56 703
Debt securities - bonds issued	502 779	504 520	502 111	503 380	502 458	504 500
Derivative instruments (liabilities)	0	0	0	0	74	74
Trade payables and other non-current and current payables	121 807	121 807	168 812	168 812	122 174	122 174

According to the Management Board, as at March 31, 2019, and December 31, 2018, and March 31, 2018, the carrying amount of financial instruments of the Group, except for liabilities arising from credit facilities and issued bonds, approximated 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 overdrafts is their carrying amount. As at March 31, 2019, and December 31, 2018, the Group did not have any liabilities arising from borrowings.

(figures quoted in PLN thousand, unless otherwise stated)

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

The fair value of a derivative instrument was determined as at March 31, 2018 as the present value of estimated future cash flows on the basis of monitoring of yield curves.

In terms of applied measurement procedures, issued bonds are classified to Level 1 of fair value hierarchy (fair value determined on the basis of prices quoted on an active market). Liabilities under credit facilities and derivative instruments are classified to Level 2 of fair value hierarchy (fair value determined on the basis of observable market data, other than direct market quotations).

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

5.12.2 Hedge accounting

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

5.13 Changes in estimates of amounts

5.13.1 Impairment of assets

Movements in impairment loss in 1Q 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)**
Recognised impairment loss	0	0	0	0	(556)	0
Reversed impairment loss	0	0	0	0	248	0
Utilised impairment	0	0	0	0	19	0
Decrease in impairment losses in connection with sale/liquidation	3 312	0	0	0	0	0
Impairment loss not subject to reversal *	470	2	0	0	0	0
Exchange differences on translation	(15)	0	0	0	10	0
As at March 31, 2019	**(32 481)**	**(250)**	**(347)**	**(57)**	**(5 278)**	**(456)**

** 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.*

In the first quarter 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)

5.13.2 Provisions for liabilities

Movements in provisions in the first quarter 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 in the period	402	92	0	20	111
Provision released in the period	(39)	(7)	(2)	0	0
Provision utilised in the period	(402)	(92)	0	(160)	0
Exchange differences on translation	0	1	0	0	1
As at March 31, 2019, of which:	**16 211**	**8 474**	**772**	**438**	**1 650**
Short-term provisions	1 992	1 388	772	438	0
Long-term provisions	14 219	7 086	0	0	1 650

5.14 Deferred tax assets and liabilities

Deferred tax	As at:		Impact on statement of comprehensive income
	March 31, 2019	December 31, 2018	
Deferred tax assets	54 933	10 983	43 950
Deferred tax liabilities	591	196	(395)
Change in deferred tax assets and liabilities, of which:			**43 555**
impact on profit or loss			(3 230)
impact on the initial balance of retained earnings			46 799
impact on other comprehensive income (incl. exchange differences on translation)			(14)

5.15 Contingent assets and liabilities

5.15.1 Liabilities arising from bond issue and the applicable law

The issued bonds have been secured by a joint contractual mortgage established on the Mercure Warszawa Grand hotel (KW No. WA4M/00159685/9), the Novotel Warszawa Centrum hotel (KW No. WA4M/00072550/0) and the Mercure Warszawa Centrum hotel (KW No. WA4M/00097244/3) up to the sum of PLN 625 000 thousand. The mortgage was established for the benefit of the mortgage administrator that is Bank Polska Kasa Opieki S.A. with its corporate seat in Warsaw, which will act in its own name, but for the account of bondholders. The total market value of the above-mentioned mortgaged hotels, determined by independent property appraisers as at May 19, 2017, by the valuation survey dated June 1, 2017, was PLN 773 176 thousand. The book value of these real properties as at March 31, 2019, is PLN 201 223 thousand.

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

5.15.2 Liabilities arising under guarantee agreements

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 Złote Tarasy Warsaw III S.Á.R.L., a registered company 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, concerning lease of office space and car park spaces located in the commercial combo named Złote Tarasy in Warsaw.

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

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

5.15.3 Liabilities arising from agreements for the sale of assets

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

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

5.16 Legal claims

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

As at March 31, 2019, eight (8) proceedings were pending before the Self-Government Appellate Board concerning revaluation of annual rates of fees for perpetual usufruct of land located in the following cities:

- Warsaw (ibis & ibis budget Reduta, ibis Warszawa Centrum, plot of land in Łopuszańska Street - concerning the fees up to the day of sale of the real property),
- Sopot (the Sofitel Grand hotel),
- Gdańsk (the Novotel Centrum hotel, the ibis Gdańsk Stare Miasto hotel and adjacent area, the Novotel Marina hotel),
- Zegrze (built-up plot of land).

The case concerning the revaluation of the fee for perpetual usufruct of land of the Novotel Łódź Centrum hotel was finalised in the first quarter of 2019. Based on the termination notice, Orbis S.A. will apply a lower rate of the annual fee.

In the Group's opinion, fee revaluations made by Mayors of respective cities are either unjustified or calculations should be based on different rates. As at the end of the reporting period, the accumulated value of the fees challenged by the Group totals PLN 9 383.8 thousand and is disclosed in other current liabilities.

(figures quoted in PLN thousand, unless otherwise stated)

5.17 Related party transactions

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

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

Purchases of services from related parties comprise mainly:

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

Figures presented below concern transactions with the Accor Group companies.

Sales and purchases	1st quarter of 2019	1st quarter of 2018
Sales of services	**2 177**	**1 770**
- to the parent company	1 802	1 542
- to other Accor Group companies	375	228
Purchases of goods and services	**14 896**	**13 584**
- from the parent company	11 131	10 198
- from other Accor Group companies	3 765	3 386

Receivables and payables	As at:		
	March 31, 2019	December 31, 2018	March 31, 2018
Receivables	**6 079**	**6 376**	**4 001**
- from the parent company	4 848	5 515	3 784
- from other Accor Group companies	1 181	861	217
Payables	**20 708**	**13 407**	**9 670**
- to the parent company	18 135	12 634	8 911
- to other Accor Group companies	2 573	773	759

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 3-month periods ended March 31, 2019, and 2018, amounted to PLN 1 482.6 thousand and PLN 1 284.6 thousand, respectively.

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

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

5.18 Important events after the reporting period

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

CONDENSED INTERIM FINANCIAL STATEMENTS OF ORBIS S.A.

Sofitel Warsaw Victoria

(figures quoted in PLN thousand, unless otherwise stated)

6 CONDENSED INTERIM FINANCIAL STATEMENTS OF ORBIS S.A.

6.1 Income statement

	3 months ended March 31, 2019	3 months ended March 31, 2018
Net sales	**187 152**	**171 954**
Outsourced services	(48 013)	(43 243)
Employee benefit expense	(63 529)	(61 148)
Raw materials and energy used	(31 316)	(30 983)
Taxes and charges	(5 648)	(7 518)
Other expenses by nature	(2 024)	(1 725)
Impairment of receivables	(104)	(53)
Net other operating income/(expenses)	40	(235)
EBITDAR	**36 558**	**27 049**
Rental expense	0	(1 859)
Operating EBITDA	**36 558**	**25 190**
Depreciation and amortisation	(33 009)	(31 835)
Operating profit/(loss) without the effects of one-off events	**3 549**	**(6 645)**
Result on sale of real property	47 616	879
Restructuring cost	(24)	0
Operating profit/(loss)	**51 141**	**(5 766)**
Finance income	1 951	6 307
Finance costs	(7 154)	(3 573)
Profit/(loss) before tax	**45 938**	**(3 032)**
Income tax expense	(11 330)	519
Net profit/(loss) for the period	**34 608**	**(2 513)**
Profit/(loss) per ordinary share		
Basic and diluted profit/(loss) per share (in PLN)	0.75	(0.05)

6.2 Statement of comprehensive income

	3 months ended March 31, 2019	3 months ended March 31, 2018
Net profit/(loss) for the period	**34 608**	**(2 513)**
Other comprehensive profit/(loss) after tax	**0**	**0**
Total comprehensive profit/(loss) for the period	**34 608**	**(2 513)**

(figures quoted in PLN thousand, unless otherwise stated)

6.3 Statement of financial position

Assets	As at:		
	March 31, 2019	December 31, 2018	March 31, 2018
Non-current assets	**2 331 518**	**2 271 603**	**2 507 203**
Property, plant and equipment, of which:	1 660 044	1 660 408	1 578 165
- right-of-use assets	311 046	0	0
Investment property, of which:	8 803	4 483	6 046
- right-of-use assets	5 068	0	0
Intangible assets, of which:	109 012	109 320	109 911
- goodwill	107 252	107 252	107 252
Investments in subsidiaries	467 529	467 529	467 529
Loans granted	35 385	22 815	330 263
Other financial assets	0	0	6 944
Deferred tax assets	49 707	5 980	7 159
Other non-current assets	1 038	1 068	1 186
Current assets	**582 768**	**567 489**	**184 696**
Inventories	3 466	3 820	3 792
Trade receivables	30 218	25 132	25 318
Income tax receivables	0	0	5 360
Other current receivables	9 899	22 841	21 328
Loans granted	144 828	156 526	74 126
Cash and cash equivalents	394 357	359 170	54 772
Assets classified as held for sale	**0**	**8 690**	**31 111**
TOTAL ASSETS	**2 914 286**	**2 847 782**	**2 723 010**

(figures quoted in PLN thousand, unless otherwise stated)

Equity and Liabilities	As at:		
	March 31, 2019	December 31, 2018	March 31, 2018
Equity	**1 956 557**	**2 121 463**	**2 051 683**
Share capital	517 754	517 754	517 754
Reserves	133 333	133 333	133 272
Retained earnings	1 305 470	1 470 376	1 400 657
Non-current liabilities	**761 626**	**543 010**	**540 103**
Bonds	502 779	502 111	502 458
Lease liabilities	228 754	0	0
Contract liabilities	1 814	1 854	1 395
Deferred revenue	0	10 928	12 127
Other non-current liabilities	7 399	7 200	5 329
Provision for retirement benefits and similar obligations	20 880	20 917	18 794
Current liabilities	**196 103**	**183 309**	**131 224**
Lease liabilities	21 745	0	0
Other financial liabilities	0	0	74
Trade payables	59 270	48 387	45 301
Liabilities associated with tangible assets	11 870	53 907	6 139
Income tax liabilities	9 336	11 455	0
Contract liabilities	31 352	16 822	27 220
Deferred revenue	11 418	916	1 500
Other current liabilities	46 823	47 382	46 040
Provision for retirement benefits and similar obligations	3 377	3 386	3 014
Provisions for liabilities	912	1 054	1 936
TOTAL EQUITY AND LIABILITIES	**2 914 286**	**2 847 782**	**2 723 010**

(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 loss 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	**517 754**	**133 333**	**1 470 376**	**2 121 463**
of which: three months ended March 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 loss for the period	0	0	(2 513)	(2 513)
Total comprehensive loss for the period	**0**	**0**	**(2 513)**	**(2 513)**
Balance as at March 31, 2018	**517 754**	**133 272**	**1 400 657**	**2 051 683**
Three months ended March 31, 2019				
Balance as at January 1, 2019 (as reported)	**517 754**	**133 333**	**1 470 376**	**2 121 463**
- adjustment for IFRS 16	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	34 608	34 608
Total comprehensive income for the period	**0**	**0**	**34 608**	**34 608**
Balance as at March 31, 2019	**517 754**	**133 333**	**1 305 470**	**1 956 557**

** description of restatement in Section 8.4*

(figures quoted in PLN thousand, unless otherwise stated)

6.5 Statement of cash flows

	3 months ended March 31, 2019	3 months ended March 31, 2018
OPERATING ACTIVITIES		
Profit/(loss) before tax	**45 938**	**(3 032)**
Adjustments:	**13 524**	**20 748**
Depreciation and amortisation	33 009	31 835
Foreign exchange (gain)/loss	98	(3 769)
Interest and other borrowing costs	4 726	857
Gain from investing activities	(48 148)	(860)
Change in receivables	5 886	(6 300)
Change in contract liabilities	14 490	13 228
Change in liabilities, excluding borrowings	3 297	(14 056)
Change in deferred revenue	0	(75)
Change in provisions	(188)	(159)
Change in inventories	354	47
Cash generated from operations	**59 462**	**17 716**
Income taxes paid	(10 376)	(4 257)
Net cash generated by operating activities	**49 086**	**13 459**
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment and intangible assets	55 659	1 841
Interest received	670	275
Other investing cash inflows	74	5 445
Payments for property, plant and equipment and intangible assets	(54 546)	(40 515)
Net cash generated by/used in investing activities	**1 857**	**(32 954)**
FINANCING ACTIVITIES		
Interest paid and other financing cash outflows resulting from bonds	(2 854)	(2 884)
Payments of liabilities under lease agreements	(1 028)	0
Interest paid on liabilities under lease agreements	(12 152)	0
Net cash used in financing activities	**(16 034)**	**(2 884)**
Change in cash and cash equivalents	**34 909**	**(22 379)**
Effects of exchange rate changes on the balance of cash held in foreign currencies	278	178
Cash at the beginning of the period	**359 170**	**76 973**
Cash at the end of the period	**394 357**	**54 772**

(figures quoted in PLN thousand, unless otherwise stated)

7 COMMENTS ON ORBIS S.A. RESULTS IN THE FIRST QUARTER OF 2019

7.1 External environment

Information on the macroeconomic landscape and the condition of the hospitality industry is provided in Section 4.1 of the Consolidated Financial Statements of the Orbis Group.

7.2 Income statement

In the first quarter of 2019, Orbis S.A. generated net profit of PLN 34.6 million as compared to the net loss of PLN 2.5 million in the first quarter of 2018.

Income statement – analytical approach	1st quarter of 2019	1st quarter of 2019 without IFRS 16 impact	1st quarter of 2018	Change	
				IQ 2019/ IQ 2018	IQ 2019 without IFRS 16 impact/ IQ 2018
Net sales	**187 152**	**187 152**	**171 954**	**8,8**	**8,8**
of which:					
Room revenue	119 350	119 350	112 748	5,9	5,9
Food & beverage revenue	53 382	53 382	46 951	13,7	13,7
Franchise and management revenue	3 441	3 441	2 836	21,3	21,3
Other revenue	10 979	10 979	9 419	16,6	16,6
EBITDAR	**36 558**	**33 301**	**27 049**	**35,2**	**23,1**
Operating EBITDA	**36 558**	**31 383**	**25 190**	**45,1**	**24,6**
Operating profit/(loss) (EBIT)	**51 141**	**40 801**	**(5 766)**	**-**	**-**
Net result from financing activities	(5 203)	(2 079)	2 734	-	-
Profit/(loss) before tax	**45 938**	**38 722**	**(3 032)**	**-**	**-**
Net profit/(loss)	**34 608**	**28 784**	**(2 513)**	**-**	**-**

Net sales of Orbis S.A. stood at PLN 187.2 million in the first quarter of 2019, i.e. increased significantly (by 8.8%) as compared to the first quarter of the past year. Growths were reported in each revenue category as compared to the past year.

Orbis hotels reported an increase of the Average Room Rate by 4.2% (2.8% in terms of like-for-like figures) during the first quarter of 2019 versus the corresponding period of 2018 with a slightly higher Occupancy Rate (by 1.1 p.p. and 2.1 p.p. like-for-like). As a result of these changes, Orbis hotels reported growth of the Revenue per Available Room by 6.0% (by 6.3% like-for-like). Majority of the Company's hotels reported an improvement in room revenues, with the largest growth achieved by hotels from Wrocław, Cracow and Katowice. The increase in RevPAR was achieved thanks to the introduction of a flexible pricing strategy adjusted to the conditions of individual markets, introduction of seasonal promotional offers and attractive business packages.

Operating expenses of Orbis S.A. (including rental expense and depreciation/amortisation) totalled PLN 183.6 million during the reporting period, i.e. increased slightly by 3.0% as compared to first quarter of 2018. The share of individual cost types in the net sales remained unchanged as compared to the corresponding period of the past year. The largest costs in the company included the costs of employee benefits (33.9% share in sales), followed by outsourced services (25.7%) and depreciation and amortization and materials and energy used (17.6% and 16.7%, respectively). As compared to first quarter of 2018, increase was reported above all in the costs of employee benefits (as a result of salary increases and higher costs associated with employee rotation) as well as costs of outsourced services, such as selling costs (mainly as a result of increase of hotel occupancy and rates), cleaning services and repair and maintenance.

As compared to the first quarter of 2018, taxes and charges decreased due to 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 rights, which until the end of 2018 were recognized under the Company's assets and subject to amortisation and depreciation, and the related fees (in nominal values) were reported in the income statement under the taxes and charges item. As from January 1, 2019, these items are presented under the depreciation and amortisation and interest expense.

In the reporting period, a decrease in property rental costs was also reported. This is an effect of a different recognition of lease costs of the Sofitel Wrocław Old Town hotel in connection with the implementation of IFRS 16. The fees under the hotel lease agreement are now recognised in the income statement under the depreciation and amortisation and interest expense.

As a result of the above changes, in the first quarter of 2019, the **EBITDAR** and **operating EBITDA of Orbis S.A. amounted to PLN 36.6 million**, while **the operating result excluding one-off events amounted to PLN 3.5 million.**

In the first quarter of 2019, Orbis S.A. generated a positive result on one-off events of PLN 47.6 million as compared to PLN 0.9 million in the first quarter of 2018. In the past year, the company generated profit from the sale of non-hotel real property located in Karpacz, while in the first quarter of 2019, the sale of two non-hotel real properties located in Wrocław and Szczecin generated, respectively, PLN 41.6 million and PLN 3.7 million and the sale of the ibis budget Toruń hotel generated PLN 2.3 million.

In the first quarter of 2019, the company reported a significant change on the result on financing activities. During the period from January to March 2019, Orbis generated a negative result on financing activities totalling PLN 5.2 million as compared to a profit of PLN 2.7 million in the corresponding period of 2018. High financial costs incurred by the Company in the first quarter of 2019 resulted primarily from implementation of IFRS 16 and interest on lease liabilities (PLN 3.1 million in the first quarter of 2019). On the other hand, finance income decreased by PLN 4.4 million, mainly as a result of lower interest accrued on loans granted to subsidiaries (PLN 1.2 million in the first quarter of 2019 and PLN 2.4 million in the first quarter of 2018). Unrealised foreign exchange differences on a loan granted to subsidiaries in amount of PLN 3.6 million contributed to the higher level of finance income.

As a result of above changes, Orbis S.A. ended the first quarter of 2019 with **a net profit of PLN 34.6 million** as compared to the net loss of PLN 2.5 million in the corresponding period of 2018.

7.3 Orbis S.A. financial results per operating segments

Orbis S.A. pursues hospitality business in Poland and distinguishes two reportable operating segments:

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

As at March 31, 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, 8 ibis budget hotels and 1 ibis Styles hotel.

While as at March 31, 2018, the individual operating segments included:

- the Up&Midscale segment: 3 Sofitel hotels, 13 Novotel hotels and 9 Mercure hotels,
- the Economy segment: 12 ibis hotels, 9 ibis budget hotels and 1 ibis Styles hotel.

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

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

Exclusions contain reconciliations of data pertaining to segment data relating to income statement items for the first quarter of 2019 and the first quarter of 2018.

(figures quoted in PLN thousand, unless otherwise stated)

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

First quarter of 2019	Operating segments		Unallocated operations and exclusions	TOTAL
	Up&Midscale Hotels	Economy Hotels		
Segment revenue, of which:	**141 788**	**39 027**	**6 337**	**187 152**
Sale to external clients	141 788	39 027	6 337	187 152
EBITDAR	**42 755**	**14 339**	**(20 536)**	**36 558**
Operating EBITDA	**42 755**	**14 339**	**(20 536)**	**36 558**
Depreciation and amortisation	(23 812)	(8 258)	(939)	(33 009)
Operating profit/(loss) without the effects of one-off events	**18 943**	**6 081**	**(21 475)**	**3 549**
Result of one-off events	0	0	47 592	47 592
Operating profit/(loss) (EBIT)	**18 943**	**6 081**	**26 117**	**51 141**
Finance income/(costs)	(2 170)	(773)	(2 260)	(5 203)
Income tax expense	0	0	(11 330)	(11 330)
Net profit/(loss)	**16 773**	**5 308**	**12 527**	**34 608**
Capital expenditure	15 850	3 705	340	**19 895**

First quarter of 2019 without IFRS 16 impact	Operating segments		Unallocated operations and exclusions	TOTAL without IFRS 16 impact
	Up&Midscale Hotels	Economy Hotels		
Segment revenue, of which:	**141 788**	**39 027**	**6 337**	**187 152**
Sale to external clients	141 788	39 027	6 337	187 152
EBITDAR	**40 634**	**13 579**	**(20 912)**	**33 301**
Operating EBITDA	**38 716**	**13 579**	**(20 912)**	**31 383**
Depreciation and amortisation	(22 075)	(8 180)	(753)	(31 008)
Operating profit/(loss) without the effects of one-off events	**16 641**	**5 399**	**(21 665)**	**375**
Result of one-off events	0	0	40 426	40 426
Operating profit/(loss) (EBIT)	**16 641**	**5 399**	**18 761**	**40 801**
Finance income/(costs)	(32)	1	(2 048)	(2 079)
Income tax expense	0	0	(9 938)	(9 938)
Net profit/(loss)	**16 609**	**5 400**	**6 775**	**28 784**
Capital expenditure	15 850	3 705	340	**19 895**

(figures quoted in PLN thousand, unless otherwise stated)

First quarter of 2018	Operating segments		Unallocated operations and exclusions	TOTAL
	Up&Midscale Hotels	Economy Hotels		
Segment revenue, of which:	**130 858**	**36 266**	**4 830**	**171 954**
Sale to external clients	130 858	36 266	4 830	171 954
EBITDAR	**34 523**	**12 977**	**(20 451)**	**27 049**
Operating EBITDA	**32 664**	**12 977**	**(20 451)**	**25 190**
Depreciation and amortisation	(23 919)	(6 933)	(983)	(31 835)
Operating profit/(loss) without the effects of one-off events	**8 745**	**6 044**	**(21 434)**	**(6 645)**
Result of one-off events	0	0	879	879
Operating profit/(loss) (EBIT)	**8 745**	**6 044**	**(20 555)**	**(5 766)**
Finance income/(costs)	(50)	(2)	2 786	2 734
Income tax expense	0	0	519	519
Net profit/(loss)	**8 695**	**6 042**	**(17 250)**	**(2 513)**
Capital expenditure	12 980	17 073	312	**30 365**

7.4 Operating segment revenue per type of service

The tables below present the revenues of Orbis S.A. for the first quarter of 2019 and the first quarter of 2018 per type of services with their reconciliation to the operating segments presented in Section 7.3.

First quarter of 2019	Operating segments		Unallocated operations and exclusions	TOTAL
	Up&Midscale Hotels	Economy Hotels		
Revenue per type of service:	**141 788**	**39 027**	**6 337**	**187 152**
Room revenue	89 729	29 621	0	119 350
Food & beverage revenue	45 555	7 827	0	53 382
Franchise and management revenue	0	0	3 441	3 441
Other revenue	6 504	1 579	2 896	10 979

First quarter of 2018	Operating segments		Unallocated operations and exclusions	TOTAL
	Up&Midscale Hotels	Up&Midscale Hotels		
Revenue per type of service:	**130 858**	**36 266**	**4 830**	**171 954**
Room revenue	85 307	27 441	0	112 748
Food & beverage revenue	39 626	7 325	0	46 951
Franchise and management revenue	0	0	2 836	2 836
Other revenue	5 925	1 500	1 994	9 419

7.5 Statement of financial position

As at March 31, 2019, Orbis S.A.'s assets totalled PLN 2 914.3 million, i.e. increased by PLN 66.5 million as compared to the end of 2018.

The major component of the Group's assets are non-current assets, accounting for 80.0% of total assets. The predominant item of non-current assets are property, plant and equipment valued at PLN 1 660.0 million, accounting for 57.0% of total assets. Property, plant and equipment include tangible assets (mainly buildings), tangible assets under construction and right-of-use assets. As at the end of the first quarter of 2019, tangible assets were impacted by accrued depreciation (PLN -29.5 million) and incurred capital expenditure (PLN +51.0 million). In connection with the implementation of IFRS 16 as of January 1, 2019, the Company recognized right-of-use assets in the total amount of PLN 315.2 million. This value includes the rights to perpetual usufruct of land (PLN 293.8 million) and leased hotels, offices and cars (PLN 21.4 million). Accrued depreciation (PLN -3.1 million) had the greatest impact on the change in the value of the right-of-use assets in the first quarter of 2019.

The second biggest item of the statement of financial position of Orbis S.A. in terms of share in the total carrying amount of assets/equity and liabilities, is investments in subsidiaries valued at PLN 467.5 million (16.0% of assets). More detailed information about Orbis investments in subsidiaries is contained in Section 8.5.

The major component of non-current assets are also intangible assets valued at PLN 109.0 million, including the goodwill of PLN 107.3 million, which has been recognized as from the moment of takeover of the subsidiary, i.e. as of the date of purchase of shares in Hekon-Hotele Ekonomiczne S.A. The intangible assets' contribution to the Group's assets was at 3.7% at the end of March 2019.

The implementation of IFRS 16 also had a significant impact on the deferred tax assets. Considering that the value of titles to perpetual usufruct of land obtained free of charge is no longer recognised in the statement of financial position, the provision for deferred tax in the amount of PLN 46.8 million resulting from the revaluation of these rights to market was dissolved as at the date of application of the new standard.

As regards current assets, the most significant changes in the first quarter 2019 occurred with regard to cash and cash equivalents, other current receivables and loans granted.

Under the current assets item, the most important sub-item are cash and cash equivalents of PLN 394.4 million, accounting for 13.5% of total assets. Cash and cash equivalent increased by PLN 35.2 million comparing to the end of 2018 (i.e. by 9.8%).

Other current receivables (PLN 9.9 million at the end of first quarter 2019) comprise predominantly of receivables resulting from sale of tangible assets and prepayments, As at the end of March of current year and at the end of December 31, 2018, the Company had current receivables resulting from the sale of tangible assets of PLN 3.9 million resulting from the sale of the Mercure Kasprowy hotel in Zakopane. According to the agreement, this receivable will be paid at the end of 2019. At the end of 2018, this item included additionally PLN 2.0 million from the sale of the Mercure Mrągowo Resort & SPA hotel. This receivable was paid in the first quarter of the current year. Furthermore, at the end of December 2018, the Company also reported receivables including taxes, social security payments and other benefits in the amount of PLN 13.5 million (incl. PLN 11.3 million from VAT settlements) whereas at the end of March 2019, the Company had a liability under the corresponding item. The increase in the balance of current prepayments by PLN 3.5 million as compared to the end of 2018 results from a higher level of prepayments, which is typical for the first quarter of the year, while contrary to past years, the final value as at the end of March 2019 does not include the fees for the perpetual usufruct of land, which are paid in advance for the whole year. This change results from different recognition of these fees in accordance with the IFRS 16, effective as of 2019.

As regards current assets, as at the end of March 2019, 24.9% of the total current assets were long-term granted loans. Orbis has a total of PLN 180.2 million of receivables under loans granted to subsidiaries, of which PLN 144.8 million is classified as long-term and PLN 35.4 million as short-term. More information on the loans granted is presented under the Section 8.8. In the first quarter of 2019, the loan granted to UAB Hekon was reclassified from short-term to long-term following execution of an annex that extended the loan repayment date.

The assets recognized as held for sale as at the end of December 2018, which included a non-hotel real property located in Wrocław, were sold in the first quarter of 2019. As at March 31, 2019, Orbis S.A. did not have any assets held for sale.

Orbis S.A. finances its assets predominantly from its own resources which accounted for 67.1% of the total equity and liabilities (PLN 1 956.6 million) as at March 31, 2019. The external capital equalled PLN 957.7 million, of which 79.5% were non-current liabilities and long-term provisions.

As at March 31, 2019, Orbis S.A. had non-current liabilities bearing interest liabilities under the bond issue of PLN 502.8 million (17.3% of liabilities). The maturity date of the bonds are scheduled for 2020 and 2021.

In connection with the implementation of IFRS 16, a new category of liabilities, i.e. lease liabilities, was introduced to the statement of financial position. This item includes current values of future lease payments discounted at the lessee's marginal interest rate. The total value of these liabilities at the end of March 2019 equalled PLN 250.5 million, of which PLN 228.8 million are non-current liabilities.

At the end of March 2019, the net debt of Orbis S.A. stood at PLN 358.9 million, i.e. accounted for 18.3% of equity.

The prepayment for the sale of the Giewont hotel in Zakopane reported as at the end of December 2018 under long-term deferred income was reclassified to current deferred income in the first quarter of 2019 in connection with the signing of the sale agreement of the hotel at the beginning of April 2019.

The biggest item of current liabilities of the Company as at March 31, 2019, was trade payables (30.2%), and other current liabilities (23.9%), including above all liabilities under taxes and social insurance and accrued expenses of employee benefits (incl. bonuses and unused employee leaves) as well as public imposts (mainly under the challenged fees for the title to perpetual usufruct of land). A slightly lower level of these liabilities, as compared to the end of December 2018, results predominantly from the drop in the balance of provisions for employee benefits due to payout of bonuses and awards. On the other hand, the increase in the balance of trade payables in connected with increased purchases in Orbis hotels as well as with higher payables to Accor.

The contract liabilities item, both current and non-current, comprised advances and prepayments received for accommodation services in subsequent periods (94.1% of the total balance) as well as fees received for affiliation with hotel network (the so-called Entrance fee) under executed franchise agreements. Increase of contract liabilities was reported in the first quarter of 2019 in connection with increased advances and prepayments for accommodation services in the spring and summer periods (94.1% of the total value).

The decrease of liabilities associated with tangible assets in the first quarter of 2019 compared to the end of 2018 results mainly from settlement of capital expenditures incurred for the modernisation of the following hotels: the ibis Styles Warszawa Centrum hotel, the Novotel Gdańsk Marina hotel, the Mercure Poznań Centrum hotel, the Novotel Katowice Centrum hotel, the Mercure Wrocław Centrum hotel, the Novotel Warszawa Centrum hotel and the Warszawa Airport hotel.

7.6 Statement of changes in equity

On March 31, 2019, equity amounted to PLN 1 956.6 million against PLN 2 121.5 million at the end of 2018.

The retained earnings of Orbis include the net profit of the first quarter of 2019 in the amount of PLN 34.6 million. The implementation of IFRS 16 and the related change in the recognition and measurement of the right to perpetual usufruct of land had a significant impact on 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 to perpetual usufruct of land received in the past free of charge from the State Treasury was withdrawn from retained earnings.

7.7 Statement of cash flows

During the first three months of 2019, the net cash flows of Orbis S.A. amounted to PLN 34.9 million (PLN -22.4 million in the first quarter of 2018). Cash flows comprised:

- **Cash flows from operating activities**
  Solid operating results, growth of sales and received prepayments for accommodation services contributed to higher net cash flows from operating activities in the first quarter of 2019 compared to the corresponding period of the past year. Additionally, the implementation of IFRS 16 had a positive impact on the level of cash flows from operating activities, as payments of lease instalments are now disclosed in cash flows from financing activities.
- **Cash flows from investing activities**
  The principal reason behind positive cash flows of PLN 1.9 million in the first quarter of 2019 (PLN -33.0 million in quarter 2018) were proceeds from the sale of the ibis budget Toruń hotel and non-hotel properties located in Wrocław and Szczecin of a total value of PLN 55.7 million which exceeded the expenditure of PLN -54.5 million incurred on the construction of new hotels and modernisation of the existing hotels (for more information see Section 4.14).
- **Cash flows from financing activities**
  In the period of 3 months of 2019 Orbis S.A. generated negative cash flows from financing activities of PLN 16.0 million. They include the lease payments of PLN 13.2 million and the payment of interest on issued bonds (PLN -2.9 million).

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, ul. 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 March 31, 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 4 850 rooms) operated under franchise agreements and 18 hotels (with a total of 2 674 rooms) operated under management agreements.

As at March 31, 2019, Orbis S.A. was the parent company of the Orbis Group. The structure of the Group is presented in Section 5.7 of the Consolidated Financial Statements of the Orbis Group.

8.2 The Issuer's shareholders

Orbis S.A. shareholding structure as at the day of publication of this report is presented in Section 5.3 of the Consolidated Financial Statements of the Orbis Group.

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 Section 5.5 of the Consolidated Financial Statements of the Orbis Group.

8.4 Description of principal accounting policies

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

The principal accounting policies applied in the preparation of the separate financial statements were set out in Note 2.4 to the annual separate financial statements for 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.

Since January 1, 2019, the Company has modified its accounting principles in connection with the entry into force of the new accounting standard, 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.

The impact of the application of IFRS 16 on the statement of financial position as at January 1, 2019, is presented below. As regards the reporting of leases in the statement of financial position, right-of-use assets are recognised under the same items where the applicable assets would have been recognised, if they had been owned by the Company, i.e. under property, plant and equipment or investment properties. On the other hand, lease liabilities are presented in the statement of financial position separately from other liabilities. Furthermore, titles to perpetual usufruct of land are recognised under assets classified as held for sale due to their potential marketability, provided that the premises listed in IFRS 5 occur (which is a specific feature that distinguishes them from other lease agreements). Lease liabilities associated with these rights are recognized under 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 titles to 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)**	**240 041**	**20 684**	**667**	**2 340 233**
Property, plant and equipment	1 660 408	(238 056)	235 310	20 684	667	1 679 013
of which Titles to perpetual usufruct of land so far recognised in accordance with IAS 16	*296 595*	*(238 056)*	*(58 539)*	*0*	*0*	*0*
of which Right-of-use assets	*0*	*0*	*293 849*	*20 684*	*667*	*315 200*
Investment property	4 483	(1 505)	4 731	0	0	7 709
of which Titles to perpetual usufruct of land so far recognised in accordance with IAS 16	*1 505*	*(1 505)*	*0*	*0*	*0*	*0*
of which Right-of-use assets	*0*	*0*	*4 731*	*0*	*0*	*4 731*
Deferred tax assets	5 980	46 799	0	0	0	52 779
Current assets	**567 489**	**0**	**0**	**0**	**0**	**567 489**
Assets classified as held for sale	**8 690**	**(6 752)**	**5 455**	**0**	**0**	**7 393**
of which Titles to perpetual usufruct of land so far recognised in accordance with IAS 16	*6 752*	*(6 752)*	*0*	*0*	*0*	*0*
of which Right-of-use assets	*0*	*0*	*5 455*	*0*	*0*	*5 455*
TOTAL ASSETS	**2 847 782**	**(199 514)**	**245 496**	**20 684**	**667**	**2 915 115**
Equity	**2 121 463**	**(199 514)**	**0**	**0**	**0**	**1 921 949**
Retained earnings	1 470 376	(199 514)	0	0	0	1 270 862
Non-current liabilities	**543 010**	**0**	**227 636**	**13 009**	**233**	**783 888**
Lease liabilities	0	0	227 636	13 009	233	240 878
Current liabilities	**183 309**	**0**	**12 405**	**7 675**	**434**	**203 823**
Leases liabilities	0	0	12 405	7 675	434	20 514
Deferred revenue	916	0	0	0	0	916
Liabilities associated with assets classified as held for sale	**0**	**0**	**5 455**	**0**	**0**	**5 455**
TOTAL EQUITY AND LIABILITIES	**2 847 782**	**(199 514)**	**245 496**	**20 684**	**667**	**2 915 115**

a) elimination from the statement of financial position of titles to perpetual usufruct of land acquired free of charge, which were so far recognised in accordance with IAS16 “Property, plant and equipment” (more information about the earlier recognition of titles to perpetual usufruct of land is presented in Note 2.3 to the annual Separate Financial Statements for 2018).

b) recognition in accordance with IFRS 16 „Leases"

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 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 have so far been 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 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 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.

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.

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.

(figures quoted in PLN thousand, unless otherwise stated)

The impact of IFRS 16 application on the financial statements for the first quarter 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 March 31, 2019, and on the results of Orbis S.A. for the first quarter of 2019.

	March 31, 2019 (without IFRS 16 impact)	adjustment due to recognition of titles to perpetual usufruct of land	adjustment due to recognition of leases of hotel	adjustment due to recognition of leases of motorcars	March 31, 2019 (as reported)
Non-current assets	**2 266 704**	**45 496**	**18 811**	**507**	**2 331 518**
Property, plant and equipment	1 644 071	(3 336)	18 803	506	1 660 044
of which Titles to perpetual usufruct of land so far recognised in accordance with IAS 16	*295 073*	*(295 073)*	*0*	*0*	*0*
of which Right-of-use assets	*0*	*291 737*	*18 803*	*506*	*311 046*
Investment property	5 369	3 434	0	0	8 803
of which Titles to perpetual usufruct of land so far recognised in accordance with IAS 16	*1 634*	*(1 634)*	*0*	*0*	*0*
of which Right-of-use assets	*0*	*5 068*	*0*	*0*	*5 068*
Deferred tax assets	4 300	45 398	8	1	49 707
Current assets	**591 093**	**(8 325)**	**0**	**0**	**582 768**
Other current receivables	18 224	(8 325)	0	0	9 899
TOTAL ASSETS	**2 857 797**	**37 171**	**18 811**	**507**	**2 914 286**
Equity	**2 150 247**	**(193 654)**	**(33)**	**(3)**	**1 956 557**
Retained earnings	1 499 160	(193 654)	(33)	(3)	1 305 470
Non-current liabilities	**532 872**	**217 354**	**11 167**	**233**	**761 626**
Lease liabilities	0	217 354	11 167	233	228 754
Current liabilities	**174 678**	**13 471**	**7 677**	**277**	**196 103**
Leases liabilities	0	13 791	7 677	277	21 745
Other current liabilities	47 143	(320)	0	0	46 823
TOTAL EQUITY AND LIABILITIES	**2 857 797**	**37 171**	**18 811**	**507**	**2 914 286**

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 property rental costs. On the other hand, titles to 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 posted to 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.

(figures quoted in PLN thousand, unless otherwise stated)

	Three months of 2019 (without IFRS 16 impact)	adjustment due to recognition of titles to perpetual usufruct of land	adjustment due to recognition of leases of hotel	adjustment due to recognition of leases of motorcars	Three months of 2019 (as reported)
Net sales	**187 152**	0	0	0	**187 152**
Outsourced services	(48 175)	0	0	162	(48 013)
Taxes and charges	(8 743)	3 095	0	0	(5 648)
EBITDAR	**33 301**	**3 095**	**0**	**162**	**36 558**
Rental expense	(1 918)	0	1 918	0	0
Operating EBITDA	**31 383**	**3 095**	**1 918**	**162**	**36 558**
Depreciation and amortisation	(31 008)	40	(1 880)	(161)	(33 009)
Operating profit without the effects of one-off events	**375**	**3 135**	**38**	**1**	**3 549**
Result on sale of real property	40 450	7 166	0	0	47 616
Operating profit	**40 801**	**10 301**	**38**	**1**	**51 141**
Finance costs	(4 030)	(3 040)	(79)	(5)	(7 154)
Profit/(loss) before tax	**38 722**	**7 261**	**(41)**	**(4)**	**45 938**
Income tax expense	(9 938)	(1 401)	8	1	(11 330)
Net profit/(loss) for the period	**28 784**	**5 860**	**(33)**	**(3)**	**34 608**
Total income/(loss) for the period	**28 784**	**5 860**	**(33)**	**(3)**	**34 608**

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.

Apart from the changes caused by the implementation of the new standard, in connection with the presentation changes in the last annual financial statements involving the separation of contract liabilities in the statement of financial position and the statement of cash flows, the Company introduced corresponding changes to the presented comparable data as at March 31, 2018.

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

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

Investments in subsidiaries	% share of equity	% share of votes at the GM	Country of registration	Business operations
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

In the first quarter of 2019 there were no changes in investments in subsidiaries.

8.6 Borrowings

Information on borrowings is presented in Section 5.10 of the Consolidated Financial Statements of the Orbis Group.

8.7 Issue, redemption and repayment of debt and equity securities

Information on issue, redemption and repayment of debt and equity securities is presented in Section 5.11 of the Consolidated Financial Statements of the Orbis Group.

(figures quoted in PLN thousand, unless otherwise stated)

8.8 Loans granted

As at March 31, 2019, Orbis S.A. had the following receivables under loans granted to its subsidiaries:

Date of agreement	Amount and the currency of the loan (in thous.)		Interest rate	Last instalment	as at March 31, 2019
Accor Pannonia Hotels Zrt.					**131 999**
Feb. 16, 2016	16 000	EUR	EURIBOR 6M + margin 2.5%	Dec. 31, 2019	131 999
Dec. 20, 2016	65 000	EUR			
UAB Hekon					**28 996**
Jul. 27, 2018	1 000	EUR	EURIBOR 6M + margin 2.5%	Dec. 31, 2019	4 328
Oct. 31, 2017	3 000	EUR	EURIBOR 6M + margin 2.5%	Dec. 31, 2020	12 983
May 9, 2018	1 000	EUR	EURIBOR 6M + margin 2.5%	Dec. 31, 2019	4 328
Jun. 26, 2018	1 700	EUR	EURIBOR 6M + margin 2.5%	Dec. 31, 2020	7 357
Accor Hotels Romania s.r.l.					**19 218**
Jun. 28, 2018	21 000	RON	ROBOR 6M + margin 2.2%	Jun. 30, 2022	19 218
TOTAL LOANS GRANTED					**180 213**
Long-term loans granted					35 385
Short-term loans granted					144 828

Loans granted to Accor Pannonia Hotels Zrt.

In 2016, a loan was granted to the Hungarian company Accor Pannonia Hotels Zrt. 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 the Hungarian subsidiary Accor Pannonia Hotels Zrt. to finance the buyback of seven leased hotels:

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

Accor Pannonia Hotels Zrt. repaid EUR 46.0 million in June 2018 and EUR 1.5 million in December 2018.

Loans granted to UAB Hekon

As at March 31, 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.

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

At the end of March 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. The loan was granted in order to finance the purchase of the Mercure Bucharest Unirii hotel by the Romanian company.

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 first quarter of 2019 there were no cash flows from loans granted to subsidiaries.

(figures quoted in PLN thousand, unless otherwise stated)

8.9 Financial instruments

8.9.1 Fair value of financial instruments

As at March 31, 2019, and December 31, 2018, all financial assets and liabilities are measured by amortised cost. As at March 31, 2018, the only financial instrument that were subject to measurement at fair value following in the profit and loss statement was derivative instruments, i.e. interest rate swap.

The table on the following page 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 March 31, 2019		As at December 31, 2018		As at March 31, 2018	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets						
Cash and cash equivalents	394 357	394 357	359 170	359 170	54 772	54 772
Loans granted	180 213	180 213	176 341	176 341	404 389	404 389
Other financial assets	0	0	0	0	6 944	6 944
Trade receivables and others current receivables	34 986	34 986	32 834	32 834	29 847	29 847
Financial liabilities						
Debt securities - bonds issued	502 779	504 520	502 111	503 380	502 458	504 500
Derivative financial instruments (liabilities)	0	0	0	0	74	74
Trade payables and other current and non-current liabilities	79 825	79 825	110 705	110 705	57 634	57 634

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

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).

The fair value of a derivative instruments was determined as at March 31, 2018 as the present value of estimated future cash flows on the basis of monitoring of yield curves.

In terms of applied measurement procedures, issued bonds are classified to Level 1 of fair value hierarchy (fair value determined on the basis of prices quoted on an active market). Liabilities under credit facilities and derivative instruments are classified to Level 2 of fair value hierarchy (fair value determined on the basis of observable market data, other than direct market quotations).

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

8.9.2 Hedge accounting

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

(figures quoted in PLN thousand, unless otherwise stated)

8.10 Changes in estimates of amounts

8.10.1 Impairment of assets

Movements in impairment loss in 1Q 2019	Impairment loss on:			
	property, plant & equipment	investment property	investment in subsidiaries and other companies	receivables
As at January 1, 2019	**(25 610)**	**(252)**	**(57)**	**(3 105)**
Recognised impairment loss	0	0	0	(158)
Reversed impairment loss	0	0	0	181
Utilised impairment loss	0	0	0	19
Decrease in impairment losses in connection with sale/liquidation	2 938	0	0	0
Impairment loss not subject to reversal *	123	2	0	0
As at March 31, 2019	**(22 549)**	**(250)**	**(57)**	**(3 063)**

** 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 the first quarter of 2019 and in 2018, no circumstances occurred in Orbis S.A. that would indicate a need to recognise impairment losses on inventories.

8.10.2 Provisions for liabilities

Movements in provisions in 1Q 2019	Provision for:			
	jubilee awards	retirement & disability benefits	litigations	restructuring
As at January 1, 2019	**16 250**	**8 053**	**774**	**280**
Provision recognised in the period	402	92	0	20
Provision reversed in the period	(39)	(7)	(2)	0
Provision utilised in the period	(402)	(92)	0	(160)
As at March 31, 2019, of which:	**16 211**	**8 046**	**772**	**140**
Short-term provisions	1 992	1 385	772	140
Long-term provisions	14 219	6 661	0	0

(figures quoted in PLN thousand, unless otherwise stated)

8.11 Deferred tax assets and liabilities

Deferred tax	As at:		Impact on statement of comprehensive income
	March 31, 2019	December 31, 2018	
Deferred tax assets	102 124	19 472	82 652
Deferred tax liabilities	(52 417)	(13 492)	(38 925)
Total:	**49 707**	**5 980**	**43 727**
impact on profit or loss			(3 072)
impact on initial balance of retained earnings			46 799

8.12 Legal claims

Description of major litigations pending before courts, arbitration or public administration bodies is provided in Section 5.16 of the Consolidated Financial Statements of the Orbis Group.

8.13 Related party transactions

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

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

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

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

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

Purchases from subsidiary companies comprise predominantly mutually provided services.

Finance income comprises interest on loans granted to Hungarian subsidiary Accor Pannonia Hotels Zrt. and to the Lithuanian subsidiary UAB Hekon (more information on the loan granted is provided in Section 8.8).

Related parties transactions – revenues	1st quarter of 2019	1st quarter of 2018
Net sales of services	**1 132**	**865**
- to the parent company	404	393
- to other Accor Group companies	217	227
- to subsidiaries	511	245
Total sales	**1 132**	**865**
Finance income	**1 244**	**2 432**
- from subsidiaries	1 244	2 432
Total revenue	**2 376**	**3 297**

(figures quoted in PLN thousand, unless otherwise stated)

Related parties transactions - expenses	1st quarter of 2019	1st quarter of 2018
Purchases of services	**10 616**	**8 833**
- from the parent company	7 595	6 603
- from other Accor Group companies	2 385	2 125
- from subsidiaries	636	105
Total purchases	**10 616**	**8 833**

Receivables and payables	As at:		
	March 31, 2019	December 31, 2018	March 31, 2018
Trade receivables	**1 860**	**1 839**	**454**
- from the parent company	665	779	83
- from other Accor Group companies	722	507	51
- from subsidiaries	473	553	320
Receivables under loans granted	**180 213**	**179 341**	**404 389**
- to subsidiaries	180 213	179 341	404 389
Total receivables	**182 073**	**181 180**	**404 843**
Trade payables	**21 165**	**10 567**	**7 098**
- to the parent company	14 012	6 456	4 770
- to other Accor Group companies	2 398	19	17
- to subsidiaries	4 755	4 092	2 311
Total payables	**21 165**	**10 567**	**7 098**

As at March 31, 2019, December 31, 2018, and March 31, 2018, the Company did not receive any loans from related parties.

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 3-month periods ended March 31, 2019 and 2018, amounted to PLN 1 482.6 thousand and PLN 1 284.6 thousand, respectively.

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

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

8.14 Important events after the reporting period

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

(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	1st quarter of 2019	1st quarter of 2018	change (%)	1st quarter of 2019	1st quarter of 2018	change (%)
	as reported			like-for-like		
Orbis Hotel Group						
Occupancy Rate (%)	61.4	61.1	0.3 p.p.	62.7	61.5	1.2 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	226.5	222.7	1.7%	227.3	218.6	4.0%
Revenue per Available Room (RevPAR) in PLN	139.1	136.0	2.3%	142.6	134.5	6.0%
Economy Hotels						
Occupancy Rate (%)	60.9	63.2	-2.3 p.p.	64.5	64.0	0.5 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	160.8	153.2	5.0%	158.5	154.8	2.4%
Revenue per Available Room (RevPAR) in PLN	97.9	96.8	1.1%	102.2	99.0	3.2%
Up & Midscale Hotels (3 stars and more)						
Occupancy Rate (%)	61.7	59.9	1.8 p.p.	61.8	60.2	1.6 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	265.7	261.5	1.6%	266.1	254.5	4.6%
Revenue per Available Room (RevPAR) in PLN	164.0	156.7	4.7%	164.4	153.3	7.2%

Operating ratios of owned hotels by geographical segment	1st quarter of 2019	1st quarter of 2018	change (%)	1st quarter of 2019	1st quarter of 2018	change (%)
	as reported			like-for-like		
Poland						
Occupancy Rate (%)	62.1	61.0	1.1 p.p.	63.4	61.3	2.1 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	228.3	219.1	4.2%	227.8	221.5	2.8%
Revenue per Available Room (RevPAR) in PLN	141.7	133.7	6.0%	144.5	135.9	6.3%
Hungary						
Occupancy Rate (%)	59.4	58.7	0.7 p.p.	59.4	59.0	0.4 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	210.9	226.9	-7.1%	210.9	194.1	8.7%
Revenue per Available Room (RevPAR) in PLN	125.2	133.2	-6.0%	125.2	114.6	9.2%
Czech Republic						
Occupancy Rate (%)	63.5	61.6	1.9 p.p.	63.5	63.0	0.5 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	227.1	215.0	5.6%	227.1	220.2	3.1%
Revenue per Available Room (RevPAR) in PLN	144.3	132.4	9.0%	144.3	138.7	4.0%
Other countries						
Occupancy Rate (%)	58.6	71.2	-12.6 p.p.	65.2	71.2	-6.0 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	248.7	260.5	-4.5%	278.7	260.9	6.8%
Revenue per Available Room (RevPAR) in PLN	145.7	185.5	-21.5%	181.8	185.5	-2.0%

[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)

Managed and franchised hotels

Operating ratios of managed and franchised hotels by main category	1st quarter of 2019	1st quarter of 2018	change (%)	1st quarter of 2019	1st quarter of 2018	change (%)
	as reported			like-for-like		
Orbis Hotel Group						
Occupancy Rate (%)	53.6	52.8	0.8 p.p.	54.8	54.0	0.8 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	212.0	184.7	14.8%	198.0	187.5	5.6%
Revenue per Available Room (RevPAR) in PLN	113.6	97.6	16.4%	108.6	101.3	7.2%
Economy Hotels						
Occupancy Rate (%)	53.7	53.9	-0.2 p.p.	55.5	54.5	1.0 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	163.1	137.8	18.4%	153.2	139.1	10.1%
Revenue per Available Room (RevPAR) in PLN	87.6	74.3	17.9%	85.0	75.8	12.1%
Up & Midscale Hotels (3 stars and more)						
Occupancy Rate (%)	53.5	51.9	1.6 p.p.	54.2	53.6	0.6 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	264.6	229.1	15.5%	242.4	234.5	3.4%
Revenue per Available Room (RevPAR) in PLN	141.7	118.8	19.3%	131.4	125.6	4.6%

Operating ratios of managed and franchised hotels by geographical segment	1st quarter of 2019	1st quarter of 2018	change (%)	1st quarter of 2019	1st quarter of 2018	change (%)
	As reported			like-for-like		
Poland						
Occupancy Rate (%)	53.4	48.7	4.7 p.p.	54.2	50.8	3.4 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	193.8	190.3	1.8%	198.8	192.6	3.2%
Revenue per Available Room (RevPAR) in PLN	103.5	92.6	11.8%	107.8	97.8	10.2%
Hungary						
Occupancy Rate (%)	58.2	59.3	-1.1 p.p.	70.4	61.6	8.8 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	339.9	223.0	52.4%	269.9	289.0	-6.6%
Revenue per Available Room (RevPAR) in PLN	197.7	132.2	49.5%	190.1	178.1	6.7%
Czech Republic						
Occupancy Rate (%)	37.5	47.6	-10.1 p.p.	-	-	-
Average Room Rate (ARR) in PLN (net of VAT)	210.0	164.8	27.4%	-	-	-
Revenue per Available Room (RevPAR) in PLN	78.8	78.5	0.4%	-	-	-
Other countries						
Occupancy Rate (%)	53.3	56.3	-3.0 p.p.	54.7	56.4	-1.7 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	193.9	178.6	8.6%	193.3	178.8	8.1%
Revenue per Available Room (RevPAR) in PLN	103.4	100.6	2.8%	105.7	100.9	4.8%

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 or fewer stars.

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

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

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

NOVO^2 – combination of a bar and a restaurant in Novotel's hotels. NOVO^2 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. These are hotels of upper or middle standard (three or more stars).

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

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

SIGNATURES OF ALL MEMBERS OF THE MANAGEMENT BOARD

Date	Name and surname	Position/Function	Signature
April 25, 2019	Gilles Stephane Clavie	President of the Management Board	
April 25, 2019	Ireneusz Andrzej Węgłowski	Vice-President of the Management Board	
April 25, 2019	Dominik Sołtysik	Member of the Management Board	
April 25, 2019	Marcin Szewczykowski	Member of the Management Board	