

EST. 1920



## Orbis Group

REPORT FOR THE FIRST QUARTER OF 2020



WARSAW, MAY 15, 2020

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## **1 MAJOR EVENTS OF THE FIRST QUARTER OF 2020 – PRESIDENT'S COMMENT**

The year 2020 is an unprecedented time not only for the Orbis Group, but also for the entire hospitality market globally. In Q1 we recorded the first cases of COVID 19, which forced us to respond quickly, with our employees' and guests' safety in mind, as well as to protect our results. The special measures launched by governments to prevent the spread of the epidemic have had an enormous operational and financial impact on economic situation of many companies, including Orbis. Tourism and hospitality have suffered the most among all other sectors of the economy. In the first quarter we suspended the operations of almost all our hotels, with a few exceptions. Despite a real good start of the year (the results for January and February hit record highs) this decision led to a drop in our revenue by 22.2% in 1Q y/y. The main impact observed was a drop in occupancy rate in March by 49.6 p.p. compared to March 2019, while in January and February 2020 the respective ratio was +2.5 p.p. higher on last year. Such sharp drop was recorded in the entire region where we operate.

Fortunately, the strategy we had followed over the past years made us strong enough to face this situation. Thanks to our employees' mobilisation we were able to smoothly re-organize our operations and to quickly implement Management Board's decisions aimed at minimizing the negative impact of COVID 19, thus protecting the Group and its workforce. We have revised our business model and cost structure through adopting special measures, such as a savings plan, cash flow protection mechanism, and new investment strategy. We have also taken advantage of governments' aid schemes launched in particular countries, and partial and technical unemployment has been introduced in the Group.

In these exceptionally challenging times, we started integration with our new strategic investor AccorInvest, which bought Orbis shares as a result of public tender offer finalized on 11 March 2020. Today AccorInvest holds 100% of Orbis shares and started the delisting process in line with its previous declarations. We believe that our common strategy will bring visible synergies for both companies.

Looking into the future, it is more difficult than ever to make any predictions and forecasts for the coming months. We are constantly monitoring the situation, analysing different scenarios and reassessing our strategy accordingly. We aim to take advantage of the operational downtime to review our fundamentals and return on the market as an even stronger company.

## 2 SELECTED FINANCIAL AND OPERATING FIGURES

### 2.1 Orbis Group

Consolidated income statement	PLN '000		EUR '000	
	1st quarter of 2020	1st quarter of 2019*	1st quarter of 2020	1st quarter of 2019
Net sales	209 781	269 473	47 718	62 700
Operating profit/(loss)	(40 412)	45 625	(9 192)	10 616
Net profit/(loss) on continuing operations	(34 756)	25 830	(7 906)	6 010
Net profit on discontinued operations	0	4 980	0	1 159
Net profit/(loss) for the period	(34 756)	30 810	(7 906)	7 169
Net profit/(loss) for the period attributable to owners of the parent	(34 755)	30 813	(7 906)	7 169
Basic and diluted profit/(loss) per share attributable to owners of the parent (in PLN)	(0.75)	0.67	(0.17)	0.16

\* Amounts restated in application of IFRS 5

Consolidated statement of cash flows	PLN '000		EUR '000	
	1st quarter of 2020	1st quarter of 2019	1st quarter of 2020	1st quarter of 2019
Net cash generated by/(used in) operating activities	(59 587)	69 850	(13 554)	16 253
Net cash used in investing activities	(1 276 902)	(26 126)	(290 449)	(6 079)
Net cash used in financing activities	(10 534)	(24 031)	(2 396)	(5 591)
Net cash flow, total	(1 347 023)	19 693	(306 399)	4 582

Consolidated statement of financial position	PLN '000		EUR '000	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Non-current assets	2 787 297	2 810 055	612 283	659 870
Current assets	1 996 115	2 092 017	438 485	491 257
Assets classified as held for sale	674	3 321	148	780
Equity	3 377 479	3 414 678	741 928	801 850
Equity attributable to owners of the parent	3 376 812	3 413 999	741 782	801 691
Non-current liabilities	684 812	728 770	150 432	171 133
Current liabilities	721 795	759 284	158 556	178 298
Liabilities associated with assets classified as held for sale	0	2 661	0	625

Selected operating figures	1st quarter of 2020	1st quarter of 2019
Number of hotels (at the end of period)	73	134
Number of rooms (at the end of period)	14 158	21 656
Occupancy rate (%)	46.4	61.4
Revenue per Available Room in PLN	107.7	139.1

## 2.2 Orbis S.A.

Income statement	PLN `000		EUR `000	
	1st quarter of 2020	1st quarter of 2019*	1st quarter of 2020	1st quarter of 2019*
Net sales	141 301	183 671	32 141	42 736
Operating profit/(loss)	(19 125)	50 756	(4 350)	11 810
Net profit/(loss) on continuing operations	(9 714)	34 223	(2 210)	7 963
Net profit on discontinued operations	0	385	0	90
Net profit/(loss) for the period	(9 714)	34 608	(2 210)	8 052
Basic and diluted profit/(loss) per share (in PLN)	(0.21)	0.75	(0.05)	0.17

\* Amounts restated in application of IFRS 5

Statement of cash flows	PLN `000		EUR `000	
	1st quarter of 2020	1st quarter of 2019	1st quarter of 2020	1st quarter of 2019
Net cash generated by/(used in) operating activities	(30 232)	49 086	(6 877)	11 421
Net cash generated by/(used in) investing activities	(1 051 307)	1 857	(239 134)	432
Net cash used in financing activities	(5 572)	(16 034)	(1 267)	(3 731)
Net cash flow, total	(1 087 111)	34 909	(247 279)	8 123

Statement of financial position	PLN `000		EUR `000	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Non-current assets	2 256 808	2 270 229	495 751	533 105
Current assets	1 443 188	1 492 507	317 024	350 477
Assets classified as held for sale	674	3 321	148	780
Equity	2 689 730	2 699 444	590 851	633 896
Non-current liabilities	466 984	477 447	102 582	112 116
Current liabilities	543 956	586 505	119 490	137 726
Liabilities associated with assets classified as held for sale	0	2 661	0	625

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:
  - 4.3963 – 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 2020,
  - 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.
- For items of the statement of financial position:
  - 4.5523 – the exchange rate quoted by the National Bank of Poland on March 31, 2020,
  - 4.2585 – the exchange rate quoted by the National Bank of Poland on December 31, 2019.

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

#### 3.1 Consolidated income statement

	3 months ended March 31, 2020	3 months ended March 31, 2019*
<b>Net sales</b>	<b>209 781</b>	<b>269 473</b>
Outsourced services	(73 280)	(67 789)
Employee benefit expense	(81 543)	(92 959)
Raw materials and energy used	(35 515)	(44 919)
Taxes and charges	(4 571)	(7 931)
Other expenses by nature	(2 268)	(2 589)
Impairment of receivables	(107)	(323)
Net other operating income/(expenses)	188	1 118
<b>EBITDAR</b>	<b>12 685</b>	<b>54 081</b>
Rental expense	(1 547)	(2 600)
<b>Operating EBITDA</b>	<b>11 138</b>	<b>51 481</b>
Depreciation and amortisation	(56 992)	(53 413)
<b>Operating loss without the effects of one-off events</b>	<b>(45 854)</b>	<b>(1 932)</b>
Result on sale of real property	6 063	47 616
Restructuring costs	(32)	(24)
Result of other one-off events	(589)	(35)
<b>Operating profit/(loss)</b>	<b>(40 412)</b>	<b>45 625</b>
Finance income	10 160	714
Finance costs	(9 094)	(9 238)
<b>Profit/(loss) before tax</b>	<b>(39 346)</b>	<b>37 101</b>
Income tax expense	4 590	(11 271)
<b>Net profit/(loss) on continuing operations</b>	<b>(34 756)</b>	<b>25 830</b>
<b>Net profit on discontinued operations</b>	<b>0</b>	<b>4 980</b>
<b>Net profit/(loss) for the period</b>	<b>(34 756)</b>	<b>30 810</b>
- attributable to owners of the parent	(34 755)	30 813
- attributable to non-controlling interests	(1)	(3)
<b>Profit/(loss) per ordinary share</b>		
Basic and diluted profit/(loss) attributable to owners of the parent for the period (in PLN)	(0.75)	0.67
Basic and diluted profit/(loss) per share attributable to owners of the parent – continuing operations (in PLN)	(0.75)	0.55
Basic and diluted profit per share attributable to owners of the parent – discontinued operations (in PLN)	0	0.12

\* Amounts restated in application of IFRS 5

## 3.2 Consolidated statement of comprehensive income

	3 months ended March 31, 2020	3 months ended March 31, 2019*
<b>Net profit/(loss) for the period</b>	<b>(34 756)</b>	<b>30 810</b>
<b>Items that will not be reclassified subsequently to profit or loss:</b>	0	0
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Exchange differences on translating foreign operations	(2 443)	(1 396)
Income tax relating to items that may be reclassified subsequently	0	0
<b>Other comprehensive income/(loss) after tax</b>	<b>(2 443)</b>	<b>(1 396)</b>
<b>Total comprehensive income/(loss) for the period</b>	<b>(37 199)</b>	<b>29 414</b>
- attributable to owners of the parent	(37 187)	29 417
- attributable to non-controlling interests	(12)	(3)

\* Amounts restated in application of IFRS 5



### 3.3 Consolidated statement of financial position

Assets	As at:		
	March 31, 2020	December 31, 2019	March 31, 2019
<b>Non-current assets</b>	<b>2 787 297</b>	<b>2 810 055</b>	<b>2 850 648</b>
Property, plant and equipment, of which:	2 625 958	2 655 070	2 672 154
- right-of-use assets	537 155	552 036	562 037
Investment property, of which:	3 008	3 049	7 858
- right-of-use assets	2 493	2 528	5 068
Intangible assets, of which:	97 987	98 120	114 286
- goodwill	95 875	95 621	111 586
Contract assets	0	0	379
Net investment in the lease	3 280	3 314	0
Deferred tax assets	56 347	49 734	54 933
Other non-current assets	717	768	1 038
<b>Current assets</b>	<b>1 996 115</b>	<b>2 092 017</b>	<b>669 153</b>
Inventories	5 836	6 777	5 805
Trade receivables	41 601	54 625	66 281
Income tax receivables	556	565	6 443
Other current receivables	41 795	24 823	33 091
Net investment in the lease	663	489	0
Loans granted	1 236 987	0	0
Cash and cash equivalents	668 677	2 004 738	557 533
<b>Assets classified as held for sale, of which:</b>	<b>674</b>	<b>3 321</b>	<b>0</b>
- right-of-use assets	0	2 647	0
<b>TOTAL ASSETS</b>	<b>4 784 086</b>	<b>4 905 393</b>	<b>3 519 801</b>

Equity and Liabilities	As at:		
	March 31, 2020	December 31, 2019	March 31, 2019
<b>Equity</b>	<b>3 377 479</b>	<b>3 414 678</b>	<b>2 216 686</b>
<b>Equity attributable to owners of the parent</b>	<b>3 376 812</b>	<b>3 413 999</b>	<b>2 216 328</b>
Share capital	517 754	517 754	517 754
Reserves	133 333	133 333	133 333
Share redemption reserve	850 000	850 000	0
Retained earnings	1 900 399	1 935 154	1 558 958
Foreign currency translation reserve	(24 674)	(22 242)	6 283
<b>Non-controlling interests</b>	<b>667</b>	<b>679</b>	<b>358</b>
<b>Non-current liabilities</b>	<b>684 812</b>	<b>728 770</b>	<b>982 390</b>
Bonds	200 888	202 314	502 779
Lease liabilities	451 269	461 277	446 583
Deferred tax liabilities	314	32 532	591
Contract liabilities	0	0	2 083
Other non-current liabilities	7 293	7 619	7 399
Provision for retirement benefits and similar obligations	23 999	24 007	21 305
Provisions for liabilities	1 049	1 021	1 650
<b>Current liabilities</b>	<b>721 795</b>	<b>759 284</b>	<b>320 725</b>
Bonds	302 189	300 122	0
Lease liabilities	63 088	52 217	56 094
Trade payables	61 823	100 627	85 883
Liabilities associated with tangible assets	19 603	37 640	19 740
Current tax liabilities	171 909	154 407	9 509
Contract liabilities	43 918	33 889	64 500
Deferred revenue	3 027	3 431	13 727
Other current liabilities	51 436	71 928	66 682
Provision for retirement benefits and similar obligations	3 410	3 411	3 380
Provisions for liabilities	1 392	1 612	1 210
<b>Liabilities associated with assets classified as held for sale, of which:</b>	<b>0</b>	<b>2 661</b>	<b>0</b>
- lease liabilities	0	2 661	0
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>4 784 086</b>	<b>4 905 393</b>	<b>3 519 801</b>

### 3.4 Consolidated statement of changes in equity

	Equity attributable to owners of the parent					Non-controlling interests	Total
	Share capital	Reserves	Share redemption reserve	Retained earnings	Foreign currency translation reserve		
<b>Twelve months ended December 31, 2019</b>							
Balance as at January 1, 2019 (as reported)	517 754	133 333	0	1 727 659	7 679	361	2 386 786
- adjustment for IFRS 16	0	0	0	(199 514)	0	0	(199 514)
Balance as at January 1, 2019 (restated)	517 754	133 333	0	1 528 145	7 679	361	2 187 272
- net profit for the period	0	0	0	1 258 246	0	340	1 258 586
- other comprehensive income/(loss)	0	0	0	(1 237)	(29 921)	(22)	(31 180)
Total comprehensive income/(loss) for the period	0	0	0	1 257 009	(29 921)	318	1 227 406
- creation of share redemption reserve	0	0	850 000	(850 000)	0	0	0
Balance as at December 31, 2019	517 754	133 333	850 000	1 935 154	(22 242)	679	3 414 678
<b>of which: three months ended March 31, 2019</b>							
Balance as at January 1, 2019 (as reported)	517 754	133 333	0	1 727 659	7 679	361	2 386 786
- adjustment for IFRS 16	0	0	0	(199 514)	0	0	(199 514)
Balance as at January 1, 2019 (restated)	517 754	133 333	0	1 528 145	7 679	361	2 187 272
- net profit/(loss) for the period	0	0	0	30 813	0	(3)	30 810
- other comprehensive income/(loss)	0	0	0	0	(1 396)	0	(1 396)
Total comprehensive income/(loss) for the period	0	0	0	30 813	(1 396)	(3)	29 414
Balance as at March 31, 2019	517 754	133 333	0	1 558 958	6 283	358	2 216 686
<b>Three months ended March 31, 2020</b>							
Balance as at January 1, 2020	517 754	133 333	850 000	1 935 154	(22 242)	679	3 414 678
- net loss for the period	0	0	0	(34 755)	0	(1)	(34 756)
- other comprehensive income/(loss)	0	0	0	0	(2 432)	(11)	(2 443)
Total comprehensive loss for the period	0	0	0	(34 755)	(2 432)	(12)	(37 199)
Balance as at March 31, 2020	517 754	133 333	850 000	1 900 399	(24 674)	667	3 377 479

### 3.5 Consolidated statement of cash flows

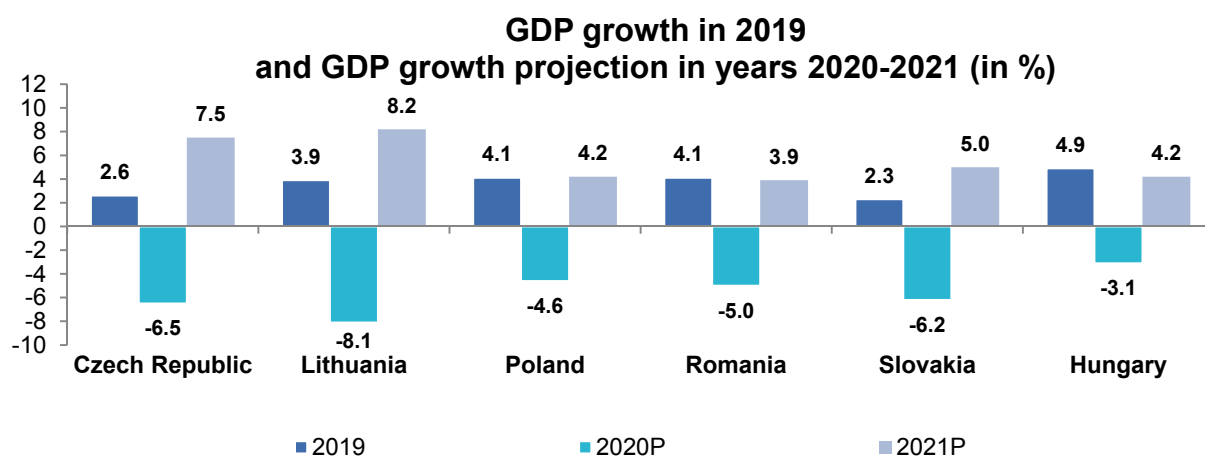
	3 months ended March 31, 2020	3 months ended March 31, 2019
<b>OPERATING ACTIVITIES</b>		
<b>Profit/(loss) before tax, of which:</b>	<b>(39 346)</b>	<b>42 570</b>
- from continuing operations	(39 346)	37 101
- from discontinued operations	0	5 469
<b>Adjustments:</b>	<b>(3 139)</b>	<b>41 671</b>
Depreciation and amortisation	56 992	53 415
Foreign exchange gains	(3 651)	(352)
Interest and other borrowing costs	4 450	7 718
Gain on investing activities	(5 971)	(48 151)
Change in receivables and contract assets	(3 860)	8 195
Change in contract liabilities	10 150	33 833
Change in other liabilities, excluding borrowings	(62 300)	(13 519)
Change in deferred revenue	256	(39)
Change in provisions	(172)	(77)
Change in inventories	967	648
<b>Cash generated from operations</b>	<b>(42 485)</b>	<b>84 241</b>
Income taxes paid	(17 102)	(14 391)
<b>Net cash generated by/(used in) operating activities</b>	<b>(59 587)</b>	<b>69 850</b>
<b>INVESTING ACTIVITIES</b>		
Proceeds from disposal of property, plant and equipment, investment property and intangible assets	5 572	55 672
Interest received	3 843	711
Other investing cash inflows	131	74
Payments for property, plant and equipment and intangible assets	(49 902)	(82 583)
Loans granted	(1 236 546)	0
<b>Net cash used in investing activities</b>	<b>(1 276 902)</b>	<b>(26 126)</b>
<b>FINANCING ACTIVITIES</b>		
Interest paid and other financing cash outflows resulting from issue of bonds	(2 864)	(2 854)
Payments of liabilities under lease agreements	(6 386)	(7 196)
Payments of interest on liabilities under lease agreements	(1 284)	(13 981)
<b>Net cash used in financing activities</b>	<b>(10 534)</b>	<b>(24 031)</b>
<b>Change in cash and cash equivalents</b>	<b>(1 347 023)</b>	<b>19 693</b>
Effects of exchange rate changes on the balance of cash held in foreign currencies	10 962	6
<b>Cash and cash equivalents at the beginning of the period</b>	<b>2 004 738</b>	<b>537 834</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>668 677</b>	<b>557 533</b>

## 4 COMMENTS ON THE RESULTS OF THE FIRST QUARTER OF 2020

### 4.1 Macroeconomic environment

#### Outbreak of the pandemic brought economic growth to a halt

The 2019 economic growth expansion is expected to be followed by a sharp slowdown in economies across the entire region of the Central and Eastern Europe. The global COVID-19 pandemic has impacted consumer and investor behaviour and, given the restrictions imposed by authorities and preventive measures, will adversely affect both demand and supply. Sharp dive in consumption and private investment will be only partly offset by higher government spending. A key challenge in the short-term perspective is to halt the outspread of COVID-19, all while minimising its impact on the economy. The International Monetary Fund forecasts that the average GDP reduction in 2020 in the countries where Orbis operates will come to -5.6%.



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

#### Slowdown in the manufacturing sector

The coronavirus pandemic has also adversely impacted the PMI index, which is a measure of economic trends. At the end of March, PMI remained well below 50 points. At the end of March 2020, the value of the index in Poland, the Czech Republic and Hungary equalled to, respectively, 42.4, 41.3 and 29.1. The economy in Europe has also contracted significantly (at the end of Q1, the PMI in Euroland was at 31.4). In more than 20 years of PMI history, Europe has never reported such a strong decline in the economy.

#### Uncertainty at the labour market

For 2020, experts forecasted a reversal of the prevailing trends caused by a significant rise in the minimum salary. Many businesses declared job cuts in favour of automation already in January. The COVID-19 pandemic significantly accelerated the reversal of labour market trends. Many industries had to suspend their operations due to restrictions imposed by national governments. Due to border closures, many foreigners returned to their countries. At the end of the first quarter of 2020, the adverse effects were not yet reflected in unemployment rates, which remained low (5.4% in Poland; 5.2% in Hungary; 3.4% in the Czech Republic; and 2.9% in Romania). The actual scale of unemployment will be assessable after the economy goes back to completely “unfrozen” state. In the worst-case scenario, unemployment in Poland will hit 10%.

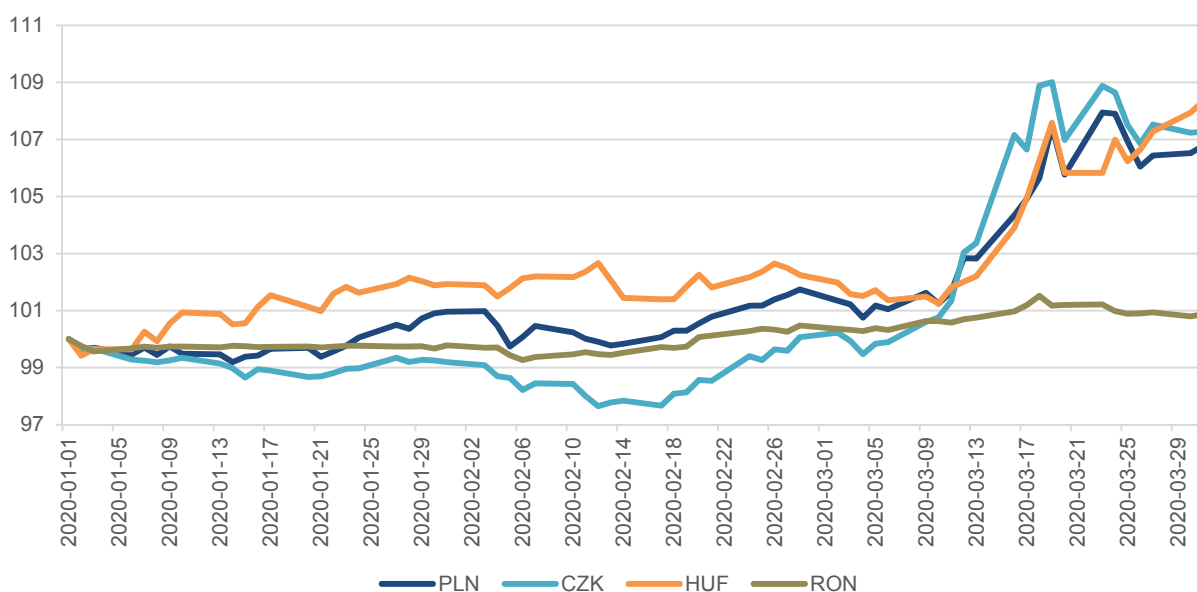
## Inflation slowed down by trade restrictions

Restrictions related to the COVID-19 epidemic caused reduced sales of goods and services and thus contributed to a decrease in inflation. In the first quarter of 2020 we observed an increase in food prices and a drop in fuel prices. The effect of the restrictions will be visible in the data for the coming months. At the end of March, the CPI was, respectively, 4.6% in Poland, 0.8% in Hungary, 3.4% in the Czech Republic and 3.1% in Romania.

## Major weakening of currencies against EUR

The currencies of the Central and Eastern European region were severely affected by the coronavirus epidemic. Since the beginning of this year, the euro went up by more than 7% against PLN and CZK and by 9% against the Hungarian HUF. The highest depreciation occurred in March, and as such this month was the worst since September 2011. All these phenomena are the result of investors' concerns about the consequences of the COVID-19 pandemic and their withdrawal from high-risk assets. Under such circumstances, global investors do not analyse the environment in individual countries, but get rid of emerging market currencies in the first place.

**Currency prices against the euro  
(rates as at January 1, 2020 = 100.0%)**



Source: Thomson Reuters

## Uncertain future

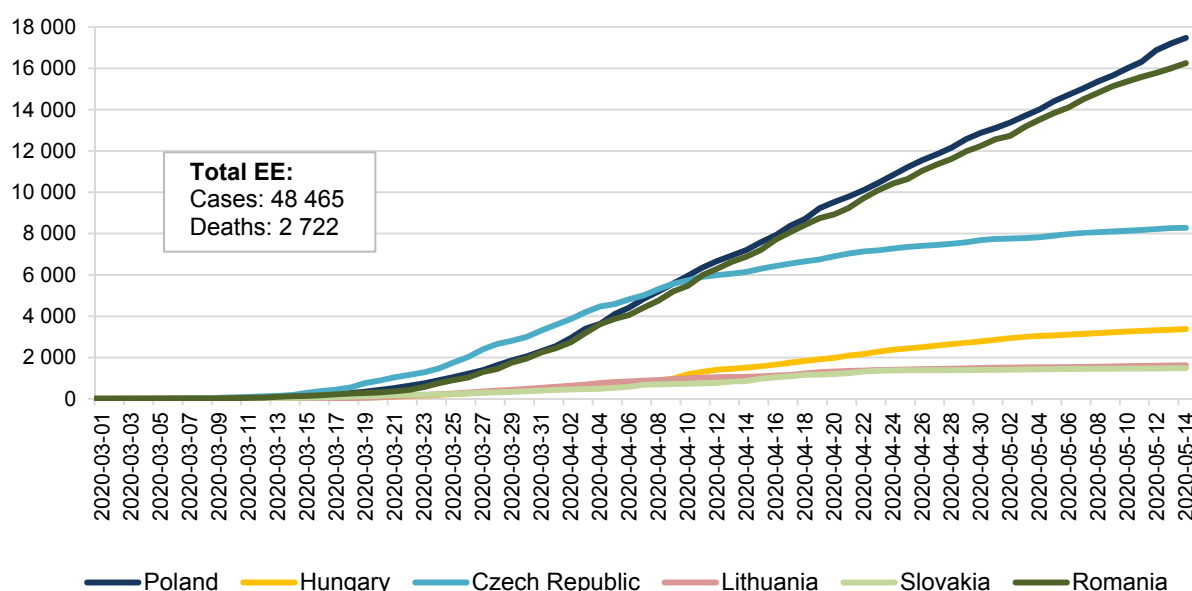
The full economic and social impact of the COVID-19 epidemic remains unknown, and so does the impact of preventive measures and government assistance aimed at supporting the economy. The continuing epidemic will further restrict economic activity, overburden the health care system, and have an adverse impact on supply, investor sentiment, consumer demand and the labour market, which may result in a deep recession. Different scenarios foretell a GDP drop in 2020 between -7.1% and -3.6% across the entire CEE region, followed by a sharp rebound in 2021. However, this future growth is fraught with political uncertainty and the possible recurrences of the pandemic.

## 4.2 Important events of the first quarter of 2020

### 4.2.1 The impact of the COVID-19 epidemic on the Orbis Group operations

Since SARS-CoV-2 started to exert considerable impact on the global economy, most states, sectors and industries have been affected. The tourist industry, which was among the first to feel the consequences of the pandemic, is particularly susceptible to such negative impact. The sanitary regime and numerous restrictions gradually introduced by decisions of individual states' authorities, brought the tourist traffic to a complete halt: not only in Europe, but on the global scale. Almost immediately, travel restrictions as well as fear of infection caused businesses to decide to suspend all business trips, cancel conferences and training courses, with many retail customers also revising their travel plans. As a consequence, the hotel industry started to suffer the effects of the pandemic even before the authorities ordered hotels to be closed. The dynamically growing number of cases forced hotel operators to take swift action aimed not only at minimising financial losses, but - first and foremost - at ensuring safety of their guests and staff.

### Coronavirus cases in the CEE region



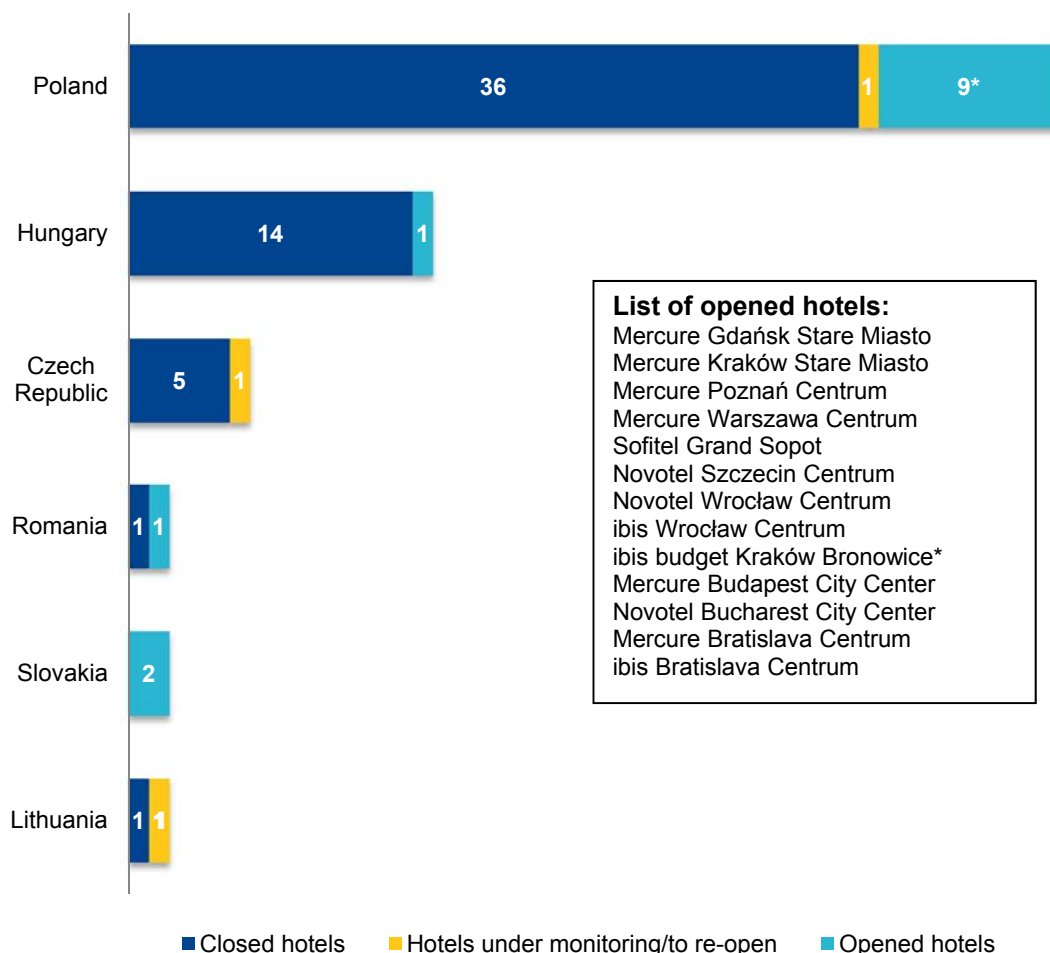
Source: Wikipedia

The Orbis Group took decisions, informed by analyses of the situation on the markets where it operates, to gradually close its hotels in individual countries. As soon as in mid-March the first hotels were closed in the Czech Republic, due to a decision of the Czech government. On March 17, the percentage of closed hotels of the whole Group was 42%. It rose to 78% in the next 7 days, while on April 6 as many as 95% of all Group hotels were closed. Out of the total number of the Group's hotels, three have still remained open, one of the reasons being that they have provided services to persons staying for business purposes: the Novotel and ibis Wrocław Centrum (combo hotel) and the Novotel Bucharest City Center. Moreover, since March 21, the ibis budget Kraków Bronowice hotel has been operating as a quarantine facility.

From May 4, hotels have been again allowed to operate in Poland, however subject to many restrictions (restaurants are still not allowed to operate, though meals can be taken away or delivered to hotel rooms). Moreover, restrictions concern the use of swimming pools, gyms, fitness clubs, playgrounds, casinos, bars, clubs, theme parks, and spas. On May 6, Slovakia abolished the ban which was imposed on March 31 and which resulted in hotel closures, while in the Czech Republic hotels will be allowed to accept guests again on 25 May. In the remaining countries (Hungary, Lithuania, Romania) the governments did not order that hotels be closed.

The Group has a detailed plan of re-opening its hotels, based on various scenarios. Hotels from all locations across the region were selected for the first stage of re-opening. Currently, 57 hotels, i.e. 78% of all Group hotels, still remain closed, with operations being conducted in 13 hotels located in 10 different cities. Two hotels (the ibis Prague Old Town and the ibis Vilnius Centre) are being prepared for opening by the end of May.

### Network situation (as at May 14, 2020)



\* includes the ibis budget Kraków Bronowice transformed into a quarantine facility

The direct consequence of closure of the Group's hotels is the need to implement solutions to protect jobs and effective employment management. Due to the above, the Group introduced a number of measures to limit the impact of the pandemic on employment, including a reduction in training courses, monitoring the utilisation of holiday entitlements, business trips and expenditures, as well as modification of principles of granting bonuses.

In Poland, in order to minimise the negative impact of the epidemic on the Company's future operations and to retain jobs, on April 6, 2020, the Management Board signed an agreement with trade unions. Under this agreement, from April 1 until July 31, 2020, the working hours of part of the employees were cut by 20% with their salaries proportionally reduced, while part of the staff were furloughed. Under legislation constituting the so-called Anti-Crisis Shield, the Company applied to the Voivodeship Labour Office for support for entrepreneurs to protect jobs from funds from the Guaranteed Employee Benefit Fund. Currently, the Company's application awaits examination.

In other countries where the Group operates, it has also taken advantage of governmental solutions intended to counteract the effects of the pandemic and submitted applications for benefits to protect jobs.



The first steps taken by the Group once it became aware of the imminent threat concerned the sanitary regime, in particular protection of employees and guests against infection. The precautions introduced by the Group included, among others:

- Providing employees with detailed instructions to be followed during the epidemic
- Restriction, followed by suspension, of business trips and expenditures
- Restriction of office work, promoting working from home
- Restriction of contacts/meetings with co-workers and counterparties to the necessary minimum
- Providing employees with personal protective equipment and disinfectants.

In the 1st quarter, the impact of the Group's expenses aimed at providing personal safety to its employees, including purchases of personal protective equipment, is not yet visible. The costs incurred to minimise the impact of the pandemic will be reflected in the Group's financial figures in the following quarter.

### The impact of the COVID-19 pandemic on the Group's financial standing and the fair value of its assets and liabilities

The Management Board of Orbis is of the opinion that currently there exist no circumstances which would indicate a threat to the Group's ability to continue as a going concern. Nevertheless, due to the outbreak of the SARS-CoV-2 coronavirus epidemic and the measures taken by the Polish government and governments of other countries in order to prevent its further spread, since mid-March of this year Orbis and its subsidiaries have operated in exceptional circumstances. With the operations of almost all hotels suspended, the Group was temporarily deprived of the possibility to generate revenue. Until the World Health Organisation (WHO) announced the outbreak of the COVID-19 pandemic, the Orbis Group continued to see dynamic growth of its operations, while the results reported in the first two months indicated that 2020 could be another record year in terms of financial results.

The following tables present revenue and basic operating figures of Orbis Group hotels for January-February and March of 2020 and 2019:

Net sales and operating ratios of owned hotels	March 2020	March 2019	change (%)	January-February 2020	January-February 2019	change (%)
<b>Orbis Hotel Group</b>						
Net sales	36 693	110 959	-66,9%	173 088	158 514	9,2%
Occupancy Rate (%)	21,1	70,7	-49,6 p.p.	59,4	56,9	2,5 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	251,8	236,6	6,4%	228,6	220,5	3,7%
Revenue per Available Room (RevPAR) in PLN	53,0	167,2	-68,3%	135,9	125,4	8,4%

Net sales and operating ratios of owned hotels by operating segment	March 2020	March 2019	change (%)	January-February 2020	January-February 2019	change (%)
<b>Economy Hotels</b>						
Net sales	9 684	26 269	-63,1%	41 247	35 671	15,6%
Occupancy Rate (%)	23,5	73,2	-49,7 p.p.	58,8	55,3	3,5 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	182,4	168,9	8,0%	164,5	155,6	5,7%
Revenue per Available Room (RevPAR) in PLN	42,9	123,7	-65,3%	96,8	86,0	12,6%
<b>Up&amp;Midscale Hotels (3 stars and more)</b>						
Net sales	26 306	81 567	-67,7%	131 397	122 808	7,0%
Occupancy Rate (%)	19,5	69,2	-49,7 p.p.	59,8	57,8	2,0 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	303,1	278,6	8,8%	267,4	257,6	3,8%
Revenue per Available Room (RevPAR) in PLN	59,2	192,8	-69,3%	160,0	148,9	7,5%

Net sales and operating ratios of owned hotels by geographical segment	March 2020	March 2019	change (%)	January- February 2020	January- February 2019	change (%)
<b>Poland</b>						
Net sales	25 094	76 132	-67,0%	116 207	107 203	8,4%
Occupancy Rate (%)	21,8	69,8	-48,0 p.p.	59,3	58,0	1,3 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	259,6	241,7	7,4%	226,9	219,9	3,2%
Revenue per Available Room (RevPAR) in PLN	56,6	168,6	-66,4%	134,6	127,6	5,5%
<b>Hungary</b>						
Net sales	6 792	18 541	-63,4%	32 453	27 957	16,1%
Occupancy Rate (%)	19,8	70,1	-50,3 p.p.	60,4	53,7	6,7 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	230,7	215,3	7,2%	231,0	207,8	11,2%
Revenue per Available Room (RevPAR) in PLN	45,6	151,0	-69,8%	139,4	111,7	24,8%
<b>Czech Republic</b>						
Net sales	2 157	8 708	-75,2%	12 400	11 422	8,6%
Occupancy Rate (%)	18,5	81,0	-62,5 p.p.	57,5	54,3	3,2 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	203,5	223,7	-9,0%	230,8	229,8	0,4%
Revenue per Available Room (RevPAR) in PLN	37,6	181,2	-79,2%	132,8	124,8	6,4%
<b>Other countries</b>						
Net sales	2 650	7 578	-65,0%	12 028	11 932	0,8%
Occupancy Rate (%)	20,9	68,7	-47,8 p.p.	60,2	57,1	3,1 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	278,9	265,3	5,1%	235,9	250,1	-5,7%
Revenue per Available Room (RevPAR) in PLN	58,2	182,4	-68,1%	142,0	142,7	-0,5%

## Impairment of assets

Due to the considerable curtailment of its operations, the Group carried out an analysis of whether, as at March 31, 2020, impairment loss should be recognised in respect of assets, including receivables and inventories.

As at the end of 1Q 2020, the Group had nearly PLN 42 million of trade receivables, of which sum receivables from Accor Group companies accounted for 51%. Some 44% of the balance of trade receivables was paid by customers in April. The Group believes that as of March 31 and on the day when these statements were prepared there were no indications for recognising impairment yet.

On a daily basis, the Group analyses the situation on the particular markets and signals from counterparties that might indicate a significant deterioration of their financial situation. Dedicated Group staff members are keeping regular contact with the Group's biggest debtors. If indications of a considerable increase in the risk that receivables might have become uncollectible are identified, the Group will recognize relevant impairment of the value of its receivables.

As at March 31, 2020, the Group had PLN 5.8 million worth of inventories, which accounts for just 0.3% of the Group's current assets. These inventories comprise mainly foodstuffs and beverages. At the time when hotels closed, all inventories were adequately secured. Currently, inventory-taking is under way to identify if any of the inventory items are past their expiry dates. In the Group's assessment, any impairment loss in respect of inventories will be negligible.

The Group's current assets include also loans totalling PLN 1 237 million, granted in March to AccorInvest Group S.A. The Group believes that as of March 31 and on the day when these statements were prepared there were no indications for recognising impairment in respect of these loans yet.

The Management Board of the Orbis Group is aware that the situation in which the Group and the whole tourism industry found itself is a sufficient indication to test non-current assets for impairment. This concerns property, plant and equipment, intangible assets and right-of-use assets, while in case of separate figures for Orbis S.A. also shares

in subsidiaries. Nevertheless, considering the relatively short period of the epidemic so far and the uncertainty as to the conditions in which the Group will operate in the months to come, including difficulties with estimating the scale of demand for the services provided by the Group, at the time of preparing the present financial statements there were not enough data to enable a reliable determination of the recoverable values of assets. The Group will conduct the relevant analysis when preparing the financial statements for the first half of 2020.

#### **Financial liquidity and valuation of liabilities**

As at March 31, 2020, the Group's net debt, i.e. the surplus of financial liabilities (including under financial leases) over cash stood at PLN 348.8 million. The Group has no borrowings, while the amount of available and undrawn credit lines under bank overdrafts is PLN 48.6 million.

As at the end of the 1st quarter of 2020, the Group had liabilities under bonds issues, whose total value measured at amortized cost was PLN 503.1 million. The issued bonds are secured by mortgage charges on three Orbis hotels. The first tranche of bonds, amounting to PLN 300 million, will be repaid on the date resulting from the terms of issue, i.e. on June 26, 2020. The maturity date of the second tranche is July 29, 2021.

The Group has lease liabilities, which comprise liabilities resulting from use of land and rights of perpetual usufruct of land, leases of hotels and office space, as well as car leases. The total value of these liabilities at the end of March 2020 was PLN 514.4 million. In case of fees for perpetual usufruct of land, the Group took advantage of the option introduced by the Polish government as part of the so-called Anti-Crisis Shield and delayed their payment until June 30, 2020; in addition on the basis of individual applications the Company obtained consents from several city halls to pay these fees in August, October or December of this year. The Group started also negotiations with lessors concerning suspensions or decreases of the rent paid for the leased hotels and offices in individual countries. The total amount of lease payments that were due in 1Q 2020 and that were deferred to be paid in subsequent periods was PLN 17.8 million.

As at March 31, 2020, the Group's trade liabilities amounted to PLN 61.8 million, of which sum liabilities to Accor Group companies under concluded hotel management agreements accounted for 43%. The Group is negotiating the terms and conditions of the existing agreements with Accor. So far, due dates of liabilities to Accor Group companies that remained unpaid at the end of the first quarter were agreed to be postponed and the amounts of some fixed fees were revised. The Group is also negotiating the terms and conditions of cooperation with the remaining suppliers, including rate reductions, suspension of fee accruals at the time when hotels remain closed, and considerable extension of payment deadlines. Solutions that should positively affect the Group's financial liquidity have been arranged with most major suppliers.

The Group strives to apply all the possible forms of aid offered by the authorities of individual states. In the field of taxation, all Group companies are taking advantage of the option of delaying CIT payment and receiving accelerated VAT refunds. Orbis has also applied to municipal councils for extension of due dates or exemption from real estate taxes and is taking advantage of the option of deferring until July the deadline for payment of tax on revenue from buildings for the period from March to May 2020.

The Group is taking steps to ensure financial liquidity and maintain a safe level of net debt. Various scenarios of overhead optimisation and external financing options are being analysed. An analysis was also carried out in respect of the existing budget of capital expenditure, and a new investment strategy was introduced (due to the current situation caused by the COVID-19 epidemic most investment works have been suspended, while the Group is focusing mainly on indispensable tasks related to the future security of guests).

Due to the quickly changing situation with regard to the spread of SARS-CoV-2 coronavirus, the Orbis Management Board appointed a special team of managers who regularly analyse the evolving situation and constantly monitor the governments' aid measures in all Eastern European countries where the Group operates. Additionally, steps are being taken to take advantage of the new opportunities created by the current exceptional situation.

The Group will publish regular updates on its economic situation in current reports or provide information in its interim periodical reports if it obtains any information that will have significant influence on its operations and financial standing.

## 4.2.2 Other important events of the first quarter of 2020

The other important events of the first quarter of 2020 include:

### **Change of the Company's main shareholder and the associated changes in the composition of the Supervisory Board**

On March 11, 2020, in a tender offer for the acquisition of the shares in the Company announced on December 17, 2019, AccorInvest Group S.A. ("AccorInvest") acquired 98.56% shares of Orbis, including 85.8% shares held by Accor Group S.A.

On this day Orbis and its selected subsidiaries:

- a) terminated 73 hotel management agreements executed on October 31, 2019, under which Accor S.A. and its selected subsidiaries managed all hotels owned or leased by the Orbis companies, and
- b) replaced those agreements by entering into 73 new long-term hotel management agreements under which the Accor companies will manage all hotels owned or leased by the Orbis companies.

The scope of management services provided under the New Hotel Management Agreements is the same as it was in the Hotel Management Agreements. The above changes were intended to adjust the conditions of the hotel management services provided by the Accor companies to those generally provided by the Accor group to the AccorInvest group under the existing agreements executed in 2018 between the two parties.

In connection with the change of the Company's main shareholder, the composition of the Supervisory Board changed as described in Section 5.4.

### **Granting loans to the parent company AccorInvest Group S.A.**

On March 18, 2020, Orbis S.A. and its subsidiary Accor Pannonia Hotels Zrt. with its corporate seat in Budapest, Hungary, granted loans to AccorInvest Group S.A. in the total amount of EUR 286 million (in PLN and HUF respectively), for the period of 3 months with the possibility of further extension. Orbis S.A. or Accor Pannonia Hotels may demand respectively early repayment of all or part of the loans, in cases justified by their financial condition. The interest rate on the loans was set at arm's length basis, which was confirmed by an opinion drawn up by the independent tax advisor from the Ernst & Young group.

Additionally, Orbis S.A. and its selected subsidiaries entered into a cash pool led by AccorInvest Group S.A., with AccorInvest Group S.A. subsidiaries as members. The cash pool is a liquidity management tool which enables mutual balancing of account balances of companies belonging to the AccorInvest Group and allows all its participants (including Orbis S.A. and its subsidiaries) to gain a stronger negotiating position, higher creditworthiness, more efficient cash management and lower financial costs. The level of amounts assigned by Orbis and its subsidiaries to the cash pool will be adapted to their financial and liquidity condition. Every use of financial resources assigned by Orbis or any of its subsidiaries by other members of the cash pool will be remunerated by the interest rate set at arm's length basis, which was confirmed in the opinion of above mentioned independent tax advisor. The above transactions have been accepted by the Orbis' Supervisory Board.

### **Sale of non-hotel real property in Częstochowa**

On March 18, 2020, performing the conditional sale agreement of July 17, 2019, Orbis S.A. sold real property including the title to perpetual usufruct of land in Częstochowa (constituting a right-of-use asset recognized in accordance with IFRS 16 "Leases") for the originally agreed net price of PLN 6 150 thousand.

### **Acquisition of real property (land) in Kraków**

On March 19, 2020, Orbis S.A. executed a sale agreement based on which Orbis purchased a real property (plot of land) with a total area of 595 square meters, located in Krakow at 6 Worcella Street, for a net price of PLN 9.2 million plus tax on goods and services (VAT).

The real property sale agreement was executed after fulfilment of the conditions set out in the preliminary sale agreement, including transfer of the decision on building conditions to Orbis S.A. and demolition of the building currently located on the real property.

The purchase of the real property is connected with the planned new investment (hotel), which Orbis S.A. intends to build on the above-mentioned real property and on the neighbouring real property at 8 Worcella Street

### 4.3 Hotel portfolio of the Orbis Group

The Orbis Group is the largest hotel operator in Poland and in Central & Eastern Europe. As at the end of March 2020, the Group's network comprised a total of 73 hotels with close to 14.2 thousand rooms. The majority of these hotels (46 establishments) operate in Poland.

Hotel portfolio	March 31, 2020	December 31, 2019	March 31, 2019	March 31 2020/ March 31, 2019
<b>Number of hotels, of which:</b>	<b>73</b>	<b>73</b>	<b>134</b>	<b>-45.5%</b>
Owned and leased hotels	73	73	72	1.4%
Managed hotels	-	-	18	-100%
Franchised hotels	-	-	44	-100%
<b>Number of rooms, of which in:</b>	<b>14 158</b>	<b>14 154</b>	<b>21 656</b>	<b>-34.6%</b>
Owned and leased hotels	14 158	14 154	14 132	0.2%
Managed hotels	-	-	2 674	-100%
Franchised hotels	-	-	4 850	-100%

Changes in the number of franchised and managed hotels are the result of the divestment of the asset light business by the Group's companies on October 31, 2019, to companies from the Accor Group.

The sale transaction covered, in particular, all rights and obligations under the Master License Agreements executed by Accor and Orbis S.A. and Soluxury HMC and Orbis S.A. on January 7, 2015, based on which Orbis S.A. was the exclusive licensor of Accor brands in 16 countries of Central and Eastern Europe until 2035. Hotel management and franchise agreements have also been sold as part of the transaction. As at the date of the transaction (October 31, 2019), 45 hotels with 4 908 rooms operated under franchise agreements, while 21 hotels with 3 138 rooms operated under management agreements.

At the same time, on October 31, 2019, Orbis and its subsidiaries entered into long-term management agreements with Accor's subsidiaries, which agreements covered all the hotels owned or leased by Orbis and its subsidiaries. Hence, the cooperation with Accor, Orbis' strategic partner and shareholder of 20 years, continues. Furthermore, the transaction offers Orbis the opportunity to operate under any of all the 39 hotel brands in the Accor portfolio.

## 4.4 Discontinued operations

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

October 31, 2019, was the day of closure of the transaction of sale of the entire hotel service business (or asset light business) by Orbis S.A. and its selected subsidiaries to subsidiaries of Accor S.A. for a total net amount of PLN 1 218 360 thousand. The agreed price was paid by the Purchasers on the day of the sale. More information about the transaction is presented in consolidated financial statements for 2019 in Notes 3 i 7.

The results and cash flows from discontinued operations for 3 months of 2019 are presented below. The presented data include above all income from management and franchise agreements and direct costs related to services provided by Orbis S.A. and its subsidiaries to managed or franchised hotels as well as costs of obtaining new asset light contracts. In addition, the results of Orbis Kontrakty Sp. z o.o. have been classified as discontinued operations.

The results of discontinued operations do not include own costs connected with the service activity (including e.g. costs of the department of sales, distribution and revenue management), which, after sale of these operations, the Company will continue to incur under hotel management agreements executed with Accor S.A.

INCOME STATEMENT ON DISCONTINUED OPERATIONS	3 months ended March 31, 2019
<b>Net sales</b>	<b>8 351</b>
Operating expenses, of which:	(3 457)
Employee benefit expense	(1 267)
Net other operating income/(expenses)	543
<b>EBITDAR</b>	<b>5 437</b>
<b>Operating EBITDA</b>	<b>5 437</b>
Depreciation and amortisation	(2)
<b>Operating profit without the effects of one-off events</b>	<b>5 435</b>
<b>Operating profit</b>	<b>5 435</b>
Finance income	36
Finance costs	(2)
<b>Profit before tax</b>	<b>5 469</b>
Income tax expense	(489)
<b>Net profit on discontinued operations</b>	<b>4 980</b>
<b>Total comprehensive income on discontinued operations</b>	<b>4 980</b>

STATEMENT OF CASH FLOWS ON DISCONTINUED OPERATIONS	3 months ended March 31, 2019
Net cash generated by operating activities	6 390
Net cash generated by investing activities	36
<b>Net cash flow, total</b>	<b>6 426</b>

## 4.5 Financial results of the Orbis Group

In the first quarter of 2020, the Orbis Group incurred a loss before tax amounting to PLN 39.3 million, while in the first quarter of 2019, its profit stood at PLN 37.1 million.

Income statement – analytical approach	1st quarter of 2020	1st quarter of 2019*	change (%)
Net sales	209 781	269 473	-22.2%
<i>Net sales „like-for-like”</i>	208 533	269 249	-22.6%
EBITDAR	12 685	54 081	-76.5%
Operating EBITDA	11 138	51 481	-78.4%
<i>EBITDA „like-for-like”</i>	11 595	51 476	-77.5%
Operating result (EBIT) without the effects of one-off events	(45 854)	(1 932)	-2273.4%
Operating result (EBIT)	(40 412)	45 625	-
Net result from financing activities	1 066	(8 524)	-
Profit/(loss) before tax	(39 346)	37 101	-

\* Amounts restated in application of IFRS 5

In the first quarter of 2020, the Group's net sales were at the level of PLN 209.8 million, i.e. they went down by 22.2% as compared to the figures for the first quarter of 2019. The main reason for such a sharp decline was the outbreak of the coronavirus pandemic (more information about the impact of COVID-19 in Section 4.2.2).

During the first three months of 2020, the Revenue per Available Room in the Orbis Group's owned (subsidiary) hotels<sup>1</sup> totalled PLN 107.7, i.e. it was 22.6% lower than in the first quarter of 2019. In the period from January to March of this year, a significant drop was reported in the occupancy of owned hotels compared to the figures for the first quarter of 2019 (occupancy rate fell down by 15.0 p.p. to 46.4%). In the period under analysis the customers of the Orbis Group hotels paid on average PLN 232.2 per room, which was 2.5% more than in the first quarter of 2019.

Operating ratios of owned hotels	1st quarter of 2020	1st quarter of 2019	change (%)	1st quarter of 2020	1st quarter of 2019	change (%)
	as reported			like-for-like		
<b>Orbis Hotel Group</b>						
Occupancy Rate (%)	46.4	61.4	-15.0 p.p.	46.4	61.7	-15.3 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	232.2	226.5	2.5%	233.0	227.2	2.6%
Revenue per Available Room (RevPAR) in PLN	107.7	139.1	-22.6%	108.2	140.1	-22.8%

A detailed list of the Orbis Group's operational ratios for Q1 2020 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 2019. Meanwhile, revenue was reported to drop in every category, the direct cause being the curtailment of the Group's operations as a result of the COVID-19 pandemic. In the first quarter of 2020, room revenue totalled PLN 138.7 million, which accounted for 66.1% of all the Group's revenue. Compared to the data for the first quarter of the past year, the room revenue went down by 22.2%.

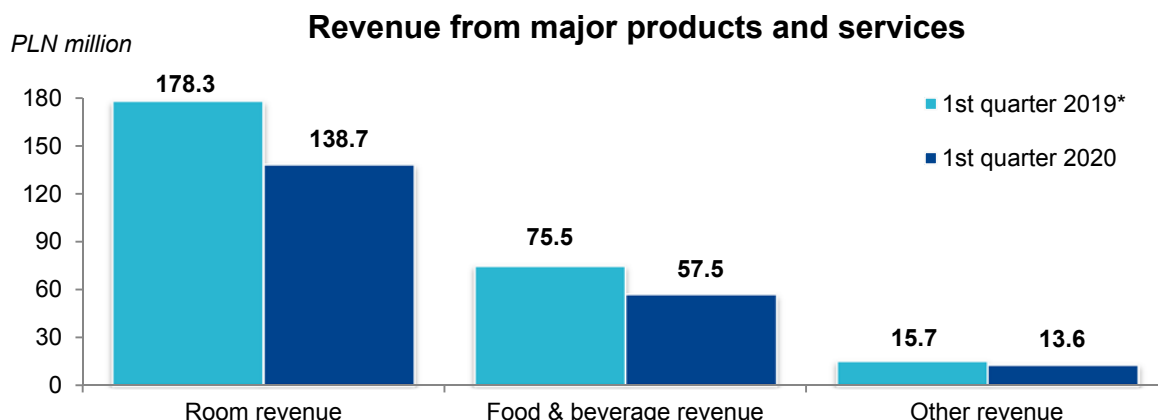
In the first quarter of 2020, revenue from food and beverage services amounted to PLN 57.5 million and accounted for 27.4% of consolidated revenue. Its contribution to the Group's revenue remained at the same level as last year.

The remaining revenue, which is mainly derived from lease of property and car park spaces, accounted for 6.5% of consolidated revenue (PLN 13.6 million).

<sup>1</sup> Including 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.



The structure of Orbis Group sales broken down into products/services in the first quarter of 2020 and in 2019 was as follows:



\* Amounts restated in application of IFRS 5

**Operating expenses** of the Orbis Group (including property rental expense and depreciation and amortisation) amounted to PLN 255.8 million in the reporting period, i.e. decreased by PLN 16.7 million (6.1%) as compared to the first quarter of 2019. The largest decrease (by PLN 9.4 million) was reported in the costs of raw materials and energy used and in employee benefit expense (by PLN 11.4 million). The change in the employee benefit expense compared to 1Q 2019 resulted from several factors, including: salary increases granted in 2Q 2019 due to inflationary pressures, introduction of a programme of employee capital plans (Polish abbreviation: PPK), growth in the minimum salary in Poland, as well as a drop in provisions for unused holiday entitlements. The single biggest factor behind the fall in this expense item was, however, the transaction of sale of the asset light business in October 2019 and the execution of hotel management agreements. Due to the change of the business model, the Group companies pay a few new types of fees to Accor Group companies. These fees constituted the Group's own costs before the transaction (including, for instance, salary expense of the IT department and the department of sales, distribution and revenue management). The fees paid under hotel management agreements are the main reason for the increase in outsourced services cost item by PLN 5.5 million in 1Q 2020. Another material change compared to the first quarter of 2019 was also reported in taxes and charges item. It was due to the advantageous decision issued in the case concerning the disputed perpetual usufruct fees in respect of land in Warsaw.

Restrictions upon the operation of hotels were also reflected in a drop of property rental expense (by PLN 1.1 million), which expense comprises also variable fees (depending on the generated revenue) for the lease of hotels in Bratislava and Bucharest.

Due to the high expenditure incurred on hotel modernisation in recent years, depreciation charge for 1Q 2020 rose by PLN 3.6 million on 1Q 2019, reaching a total of PLN 57 million.

The major drop in the value of sales revenue was also reflected in the lower result at the level of operating EBITDA, where a decrease by PLN 40.3 million (i.e. by 78.4%) was reported, and operating loss excluding the effects of one-off events totalled PLN 45.9 million, that is, the result was PLN 43.9 million lower than the figure reported last year.

In 1Q 2020, the Group also had a noticeably lower result on one-off events than in 1Q 2019. In March, the sale of a property in Częstochowa was finalised, with a gain of PLN 6.1 million on the transaction.

In the first quarter of 2019 the Orbis Group reported a high 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 included a profit of PLN 3.7 million from the sale of non-hotel real property in Szczecin and profit of PLN 2.3 million from the sale of the ibis budget hotel in Toruń.



In the current period, the Group reported also a material change in the result from financing activities. In the first quarter of 2020, profit on financing activities stood at PLN 1.1 million versus a loss of PLN 8.5 million in the corresponding period of 2019. The items which had the strongest influence on this change included: higher finance income from interest on deposits (up by PLN 2.6 million), interest accrued on the loan extended to the parent company (PLN 1.4 million), and foreign exchange gains on valuation of balances in foreign currencies (PLN 5.3 million). The amount of finance costs was similar in both periods and comprised mainly interest on lease liabilities of PLN 5.1 million and interest on bonds of PLN 3.5 million.

Due to the above changes and considering the effect of income taxes, the Orbis Group ended the first quarter of 2020 with a net loss of PLN 34.8 million.

## 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 segment.

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), excluding 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 segment

As at March 31, 2020, the individual operating segments included:

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

On the other hand, as at 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.

Unallocated operations comprise revenues and expenses of the Head Office (including 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 2020	Operating segments		Unallocated operations and consolidation adjustments	Consolidated value
	Up&Midscale Hotels	Economy Hotels		
<b>Segment revenue, of which:</b>	<b>157 703</b>	<b>50 931</b>	<b>1 147</b>	<b>209 781</b>
Sales to external clients	157 703	50 931	1 147	209 781
<b>EBITDAR</b>	<b>11 869</b>	<b>7 014</b>	<b>(6 198)</b>	<b>12 685</b>
<b>Operating EBITDA</b>	<b>10 774</b>	<b>6 680</b>	<b>(6 316)</b>	<b>11 138</b>
Depreciation and amortisation	(41 089)	(14 292)	(1 611)	(56 992)
<b>Operating loss without the effects of one-off events</b>	<b>(30 315)</b>	<b>(7 612)</b>	<b>(7 927)</b>	<b>(45 854)</b>
Result of one-off events	0	0	5 442	5 442
<b>Operating loss (EBIT)</b>	<b>(30 315)</b>	<b>(7 612)</b>	<b>(2 485)</b>	<b>(40 412)</b>
Finance income/(costs)	(9 909)	(1 809)	12 784	1 066
Income tax	0	0	4 590	4 590
<b>Net profit/(loss)</b>	<b>(40 224)</b>	<b>(9 421)</b>	<b>14 889</b>	<b>(34 756)</b>
Capital expenditure	26 302	7 507	560	<b>34 369</b>

1st quarter of 2019*	Operating segments		Unallocated operations and consolidation adjustments	Consolidated value
	Up&Midscale Hotels	Economy Hotels		
<b>Segment revenue, of which:</b>	<b>204 375</b>	<b>61 940</b>	<b>3 158</b>	<b>269 473</b>
Sales to external clients	204 375	61 940	3 158	269 473
<b>EBITDAR</b>	<b>57 704</b>	<b>21 507</b>	<b>(25 130)</b>	<b>54 081</b>
<b>Operating EBITDA</b>	<b>55 796</b>	<b>21 426</b>	<b>(25 741)</b>	<b>51 481</b>
Depreciation and amortisation	(38 203)	(13 907)	(1 303)	(53 413)
<b>Operating profit/(loss) without the effects of one-off events</b>	<b>17 593</b>	<b>7 519</b>	<b>(27 044)</b>	<b>(1 932)</b>
Result of one-off events	0	0	47 557	47 557
<b>Operating profit (EBIT)</b>	<b>17 593</b>	<b>7 519</b>	<b>20 513</b>	<b>45 625</b>
Finance income/(costs)	(3 317)	(1 591)	(3 616)	(8 524)
Income tax	0	0	(11 271)	(11 271)
<b>Net profit on continuing operations</b>	<b>14 276</b>	<b>5 928</b>	<b>5 626</b>	<b>25 830</b>
Discontinued operations	0	0	4 980	4 980
<b>Net profit</b>	<b>14 276</b>	<b>5 928</b>	<b>10 606</b>	<b>30 810</b>
Capital expenditure	33 271	4 777	508	<b>38 556</b>

\* Amounts restated in application of IFRS 5

The share of Up&Midscale segment and Economy segment in consolidated revenue in the 1st quarter of 2020 was comparable to the relevant share in the 1st quarter of 2019. The Group's hotel portfolio did not change significantly: in August 2019 the ibis Budapest Castle Hill hotel was added to the portfolio as a new economy hotel. It was spun off from the Mercure Budapest Buda hotel. However, due to the impact of COVID-19 on the results posted by the Group in 1Q 2020, the comparability of the generated revenue is disturbed. In both segments occupancy rates fell down considerably (by 14.1 p.p. in the Economy segment and by 15.6 p.p. in the Up&Midscale segment), contributing to a decrease in Revenue per Available Room (down by 19.9% in the Economy segment and by 23.4% in the Up&Midscale segment), despite a growth in Average Room Rate in both segments.

Operating ratios of owned hotels by operating segment	1st quarter of 2020	1st quarter of 2019	change (%)	1st quarter of 2020	1st quarter of 2019	change (%)
	as reported			like-for-like		
Economy Hotels						
Occupancy Rate (%)	46.8	60.9	-14.1 p.p.	47.0	61.6	-14.6 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	167.6	160.8	4.2%	167.9	161.5	4.0%
Revenue per Available Room (RevPAR) in PLN	78.4	97.9	-19.9%	78.9	99.5	-20.7%
Up&Midscale Hotels (3 stars and more)						
Occupancy Rate (%)	46.1	61.7	-15.6 p.p.	46.1	61.7	-15.6 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	272.6	265.7	2.6%	272.6	265.7	2.6%
Revenue per Available Room (RevPAR) in PLN	125.6	164.0	-23.4%	125.6	164.0	-23.4%

#### 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, 2020, the individual geographic segments included:

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

On the other hand, as at 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,
- Czech Republic: one hotel of each of the Novotel, Mercure and MGallery brands and 3 ibis hotels,
- Other countries (Lithuania, Romania, Slovakia): 2 Novotel hotels, 2 Mercure hotels and 2 ibis hotels.

1st quarter of 2020	Geographical segments				Mutual eliminations and consolidation adjustments	Consolidated value
	Poland	Hungary	Czech Republic	Other countries		
<b>Segment revenue, of which:</b>	<b>141 301</b>	<b>39 245</b>	<b>14 557</b>	<b>14 678</b>	<b>0</b>	<b>209 781</b>
Sales to external clients	141 301	39 245	14 557	14 678	0	209 781
Sales to other segments	0	0	0	0	0	0
<b>EBITDAR</b>	<b>10 978</b>	<b>1 593</b>	<b>(19)</b>	<b>133</b>	<b>0</b>	<b>12 685</b>
<b>Operating EBITDA</b>	<b>10 978</b>	<b>1 634</b>	<b>(19)</b>	<b>(1 455)</b>	<b>0</b>	<b>11 138</b>
Depreciation and amortisation	(35 737)	(11 534)	(6 445)	(3 276)	0	(56 992)
<b>Operating loss without the effects of one-off events</b>	<b>(24 759)</b>	<b>(9 900)</b>	<b>(6 464)</b>	<b>(4 731)</b>	<b>0</b>	<b>(45 854)</b>

1st quarter of 2019*	Geographical segments				Mutual eliminations and consolidation adjustments	Consolidated value
	Poland	Hungary	Czech Republic	Other countries		
<b>Segment revenue, of which:</b>	<b>183 638</b>	<b>46 498</b>	<b>20 130</b>	<b>20 150</b>	<b>(943)</b>	<b>269 473</b>
Sales to external clients	183 335	46 498	20 130	19 510	0	269 473
Sales to other segments	303	0	0	640	(943)	0
<b>EBITDAR</b>	<b>35 712</b>	<b>8 497</b>	<b>4 624</b>	<b>5 216</b>	<b>32</b>	<b>54 081</b>
<b>Operating EBITDA</b>	<b>35 712</b>	<b>8 404</b>	<b>4 356</b>	<b>2 977</b>	<b>32</b>	<b>51 481</b>
Depreciation and amortisation	(33 009)	(11 028)	(6 033)	(3 343)	0	(53 413)
<b>Operating profit/(loss) without the effects of one-off events</b>	<b>2 703</b>	<b>(2 624)</b>	<b>(1 677)</b>	<b>(366)</b>	<b>32</b>	<b>(1 932)</b>

\* Amounts restated in application of IFRS 5

In geographic terms, the highest share to the Group's net sales in the first quarter of 2020 was contributed by hotels located in Poland (67.4%) and in Hungary (18.7%). Net sales generated by hotels in the Czech Republic and in other countries accounted for, respectively, 6.9% and 7.0% of consolidated sales.

Due to the curtailment of hotel operations in the countries where the Group operates, the ratios of occupancy rate, Average Room Rate and Revenue per Available Room generally followed these trends. On the Polish and Hungarian markets, the Average Room Rate in 1Q 2020 was higher than in 1Q 2019, with the highest increases of all markets being reported in Hungary. Hotels in the Czech Republic maintained the Average Room Rate virtually unchanged, while the Average Room Rates in other countries dropped down. In every country, the decline in occupancy rate caused by the curtailment of hotel operations in March of this year resulted in a considerable decline in Revenue per Available Room.

## Poland

Selected figures and operating ratios of owned hotels located in Poland	1st quarter of 2020	1st quarter of 2019*	% change
Net sales	141 301	183 335	-22.9%
<i>Net sales like-for-like</i>	<i>141 301</i>	<i>183 111</i>	<i>-22.8%</i>
Capital expenditure	25 303	19 895	27.2%
Occupancy Rate (%)	46.5	62.1	-15.6 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	232.1	228.3	1.7%
Revenue per Available Room (RevPAR) in PLN	108.0	141.7	-23.8%
<i>Revenue per Available Room (RevPAR) in PLN like-for-like</i>	<i>108.0</i>	<i>142.3</i>	<i>-24.1%</i>
Clients: Business	64.0%	61.4%	2.6 p.p.
Clients: Leisure	36.0%	38.6%	-2.6 p.p.

\* Amounts restated in application of IFRS 5

Hotels operating in Poland generated net sales of PLN 141.3 million, which constitutes 67.4% of the consolidated sales for the first quarter of 2020. Compared to the corresponding period of the past year, Polish hotels reported a decrease in sales revenues by 22.9%.

When the January-February period is analysed, hotels in Poland reported an increase in revenue by 8.4%, with the sharpest increases being reported by Novotel and ibis brands. The hotels which contributed to the period revenue the most included: the Novotel Warszawa Centrum, the Sofitel Warszawa Victoria and the Mercure Warszawa Centrum.

Meanwhile in 1Q 2020, hotels from Up&Midscale segment suffered the most from the results of the COVID-19 epidemic compared to 1Q 2019.

## Hungary

Selected figures and operating ratios of owned hotels located in Hungary	1st quarter of 2020	1st quarter of 2019*	% change
Net sales	39 245	46 498	-15.6%
<i>Net sales like-for-like</i>	<i>37 997</i>	<i>46 498</i>	<i>-18.3%</i>
Capital expenditure	7 047	14 663	-51.9%
Occupancy Rate (%)	46.5	59.4	-12.9 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	231.0	210.9	9.5%
Revenue per Available Room (RevPAR) in PLN	107.5	125.2	-14.1%
<i>Revenue per Available Room (RevPAR) in PLN like-for-like</i>	<i>110.1</i>	<i>125.2</i>	<i>-12.1%</i>
Clients: Business	47.9%	44.3%	3.6 p.p.
Clients: Leisure	52.1%	55.7%	-3.6 p.p.

\* Amounts restated in application of IFRS 5

Hotels in Hungary generated operating revenues of PLN 39.2 million, accounting for 18.7% of revenues of the Orbis Group. Since August 2019, the portfolio of Hungarian hotels grew thanks to addition of the ibis Budapest Castle Hill hotel.

Analysing the period January-February 2020 versus the same period of 2019, hotels on the Hungarian market reported an increase in revenue by 16.1%, with the sharpest increases being reported by Mercure and ibis brands. The hotels which contributed to the period revenue the most included: the Mercure Budapest Korona, the Novotel Budapest City and the Mercure Budapest City Center.

## The Czech Republic

Selected figures and operating ratios of owned hotels located in the Czech Republic	1st quarter of 2020	1st quarter of 2019*	% change
Net sales	14 557	20 130	-27.7%
<i>Net sales like-for-like</i>	<i>14 557</i>	<i>20 130</i>	<i>-27.7%</i>
Capital expenditure	117	128	-8.6%
Occupancy Rate (%)	44.2	63.5	-19.3 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	227.0	227.1	0.0%
Revenue per Available Room (RevPAR) in PLN	100.3	144.3	-30.5%
<i>Revenue per Available Room (RevPAR) in PLN like-for-like</i>	<i>100.3</i>	<i>144.3</i>	<i>-30.5%</i>
Clients: Business	36.5%	35.9%	0.6 p.p.
Clients: Leisure	63.5%	64.1%	-0.6 p.p.

\* Amounts restated in application of IFRS 5

In the first quarter of 2020, revenues generated by hotels located in the Czech Republic amounted to PLN 14.6 million (6.9% of the total revenues of the Group).

Analysing the period January-February 2020 versus the same period of 2019, hotels on the Czech market reported an increase in revenue by 8.6%, with the sharpest increases being reported by Mercure and ibis brands. The hotels which contributed to the period revenue the most included: the MGallery Prague Old Town, the Mercure Ostrava and the ibis Prague Old Town.

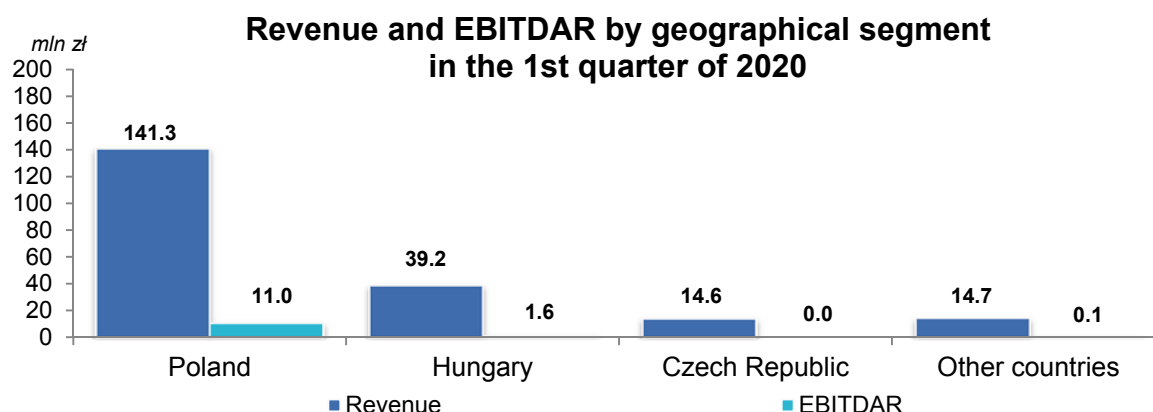
## Other countries

Selected figures and operating ratios of owned hotels located in other countries	1st quarter of 2020	1st quarter of 2019*	% change
Net sales	14 678	19 510	-24.8%
<i>Net sales like-for-like</i>	<i>14 678</i>	<i>19 510</i>	<i>-24.8%</i>
Capital expenditure	1 902	3 870	-50.9%
Occupancy Rate (%)	46.8	58.6	-11.8 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	242.5	248.7	-2.5%
Revenue per Available Room (RevPAR) in PLN	113.5	145.7	-22.1%
<i>Revenue per Available Room (RevPAR) in PLN like-for-like</i>	<i>113.5</i>	<i>156.5</i>	<i>-27.5%</i>
Clients: Business	59.9%	58.5%	1.4 p.p.
Clients: Leisure	40.1%	41.5%	-1.4 p.p.

\* Amounts restated in application of IFRS 5

Revenues for the period of 3 months of 2020 generated in other countries where the hotels of the Group are located reached PLN 14.7 million, i.e. 7.0% of the consolidated revenues.

Analysing the period January-February 2020 against the same months of 2019, hotels in Slovakia and Lithuania reported an increase in revenue by 4.3% and 2.2%, respectively. In the aforementioned period it was only Romania that saw a slight drop in revenue: by 1.7%. The hotels which contributed to the period revenue the most included: Novotel Bucharest City Center, Mercure Bratislava Centrum and Novotel Vilnius.



#### 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 2020 and the first quarter of 2019 per type of services and geographical area with their reconciliation to the operating segments presented in Section 4.6.1.

1st quarter of 2020	Operating segments		Unallocated operations and consolidation adjustments	Consolidated value
	Up&Midscale Hotels	Economy Hotels		
<b>Revenue per type of service:</b>	<b>157 703</b>	<b>50 931</b>	<b>1 147</b>	<b>209 781</b>
Room revenue	100 212	38 469	0	138 681
Food & beverage revenue	47 450	10 033	0	57 483
Other revenue	10 041	2 429	1 147	13 617
<b>Revenue per geographical area:</b>	<b>157 703</b>	<b>50 931</b>	<b>1 147</b>	<b>209 781</b>
Poland	109 240	30 966	1 095	141 301
Hungary	28 363	10 882	0	39 245
Czech Republic	8 476	6 031	50	14 557
Other countries	11 624	3 052	2	14 678

1st quarter of 2019*	Operating segments		Unallocated operations and consolidation adjustments	Consolidated value
	Up&Midscale Hotels	Economy Hotels		
<b>Revenue per type of service:</b>	<b>204 375</b>	<b>61 940</b>	<b>3 158</b>	<b>269 473</b>
Room revenue	131 308	46 992	0	178 300
Food & beverage revenue	62 763	12 697	0	75 460
Other revenue	10 304	2 251	3 158	15 713
<b>Revenue per geographical area:</b>	<b>204 375</b>	<b>61 940</b>	<b>3 158</b>	<b>269 473</b>
Poland	141 788	39 027	2 520	183 335
Hungary	34 904	11 045	549	46 498
Czech Republic	11 480	8 565	85	20 130
Other countries	16 203	3 303	4	19 510

\* Amounts restated in application of IFRS 5

## 4.8 Seasonality or cyclicity of operations

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

Net sales*	2020		2019		2018	
	PLN `000	% share of annual revenue	PLN `000	% share of annual revenue	PLN `000	% share of annual revenue
1st quarter	209 781	-	277 824	18.5%	271 465	18.9%
2nd quarter			428 146	28.5%	418 847	29.1%
3rd quarter			424 736	28.3%	391 693	27.2%
4th quarter			370 419	24.7%	358 023	24.8%
<b>Total</b>	<b>209 781</b>	<b>-</b>	<b>1 501 125</b>	<b>100.0%</b>	<b>1 440 028</b>	<b>100.0%</b>

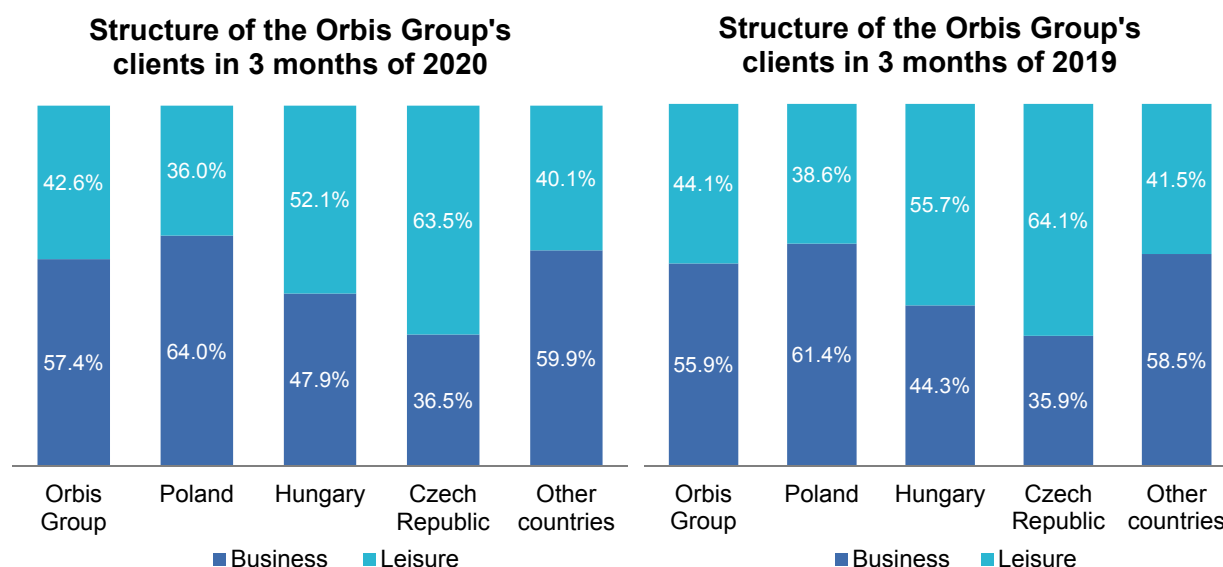
\* Total for continuing and discontinued operations



## 4.9 Clients of the Orbis Group

Business clients accounted for 57.4% of customers in hotels of the Orbis Group in the first quarter of 2020. They formed the predominant group in the Group's hotels in Poland and in other countries (64.0% and 59.9% of all customers respectively). On the other hand, tourists prevailed in hotels located in the Czech Republic and Hungary accounting for, respectively, from 63.5% to 52.1% of all 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, 2020, Orbis Group's assets totalled PLN 4 784.1 million, i.e. decreased by PLN 0.1 million as compared to December 31, 2019.

The major component of the Company's assets is non-current assets accounting for 58.3% of total assets. The predominant item of non-current assets are property, plant and equipment valued at PLN 2 626.0 million, accounting for 54.9% 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 2020, tangible assets were impacted by accrued depreciation (PLN -45.5 million), as well as the incurred capital expenditure (PLN +36.0 million). The right-of-use assets of a total value of PLN 539.6 million include rights of perpetual usufruct of land (PLN 289.6 million), land (PLN 24.4 million), leased hotels and office space (PLN 224.4 million) and cars (PLN 1.2 million). The change in the value of the right-of-use assets during the first quarter of 2020 was impacted by accrued depreciation (PLN -11.1 million) and a change in the value of assets as a result of adjustment in the value of lease liabilities related to the change in the value of fees for perpetual usufruct of land (PLN -6.9 million) and an increase in the value of rights due to indexing of lease payments (PLN +1.6 million).

Intangible assets (mainly goodwill) valued at PLN 98.0 million also constitute a significant item of non-current assets. The share of intangible assets in Orbis' assets as at the end of March 2020 equalled 2.0%.

Under the current assets item, the most important sub-item are loans granted of PLN 1 237.0 million, which account for 25.9% of total assets (more information is provided in Section 4.2) and cash and cash equivalents of PLN 668.7 million, which account for 14.0% of total assets.

Current receivables of PLN 84.0 million represent 1.8% of the balance sheet total.

Other current receivables comprise mainly VAT receivables and prepayments. The difference in other current receivables as at the end of the first quarter of 2020 versus the first quarter 2019 is mainly due to a higher balance of VAT settlements: as at March 31, 2019, some Group companies (including Orbis S.A.) reported a VAT liability.

The Group financed its operations mainly from own funds. The Group's equity accounted for 70.6% of equity and liabilities (PLN 3 377.5 million) as at March 31, 2020. Borrowed capital amounted to PLN 1 406.6 million, of which 48.7% were non-current liabilities and provisions.

As at March 31, 2020, Orbis S.A. had liabilities under bond issues in the total amount of PLN 503.1 million (10.5% of equity and liabilities). The bonds mature in June 2020 and July 2021.

Since the implementation of IFRS 16, i.e. January 1, 2019, lease liabilities have been a significant item of the Company's statement of financial position. The total value of these liabilities as at the end of March 2020 was PLN 514.4 million, of which PLN 239.8 million were liabilities relating to rights of perpetual usufruct of land, PLN 23.9 million were liabilities under hotel and office leases, and PLN 1.2 million were liabilities under car leases. The following changes occurred in the balance of lease liabilities in the first quarter of 2020: accrued interest (PLN 5.1 million), repayment of instalments (PLN -7.7 million), balance sheet valuation of contracts in foreign currency (PLN 8.6 million), adjustment of liabilities in connection with revaluation of payments for perpetual usufruct of land (PLN -6.9 million), and increase in liabilities due to indexing of lease payments (PLN 1.6 million).

As at March 31, 2020, the Company's net debt, i.e. the surplus of financial liabilities (including finance lease liabilities) over cash totalled PLN 348.8 million, i.e. 10.3% of equity. In the periods presented, the Company did not have any debt on account of borrowings, while the value of undrawn overdraft facilities equalled PLN 48.6 million.

As at March 31, 2020, income tax liabilities (23.8% of the sum total), trade liabilities (8.6% of the sum total) and other current liabilities (7.1%) were the largest items of the Group's current liabilities. The CIT liability of approx. PLN 130 million will be paid by the Group by the end of the first half of the year, while the remaining balance of these liabilities is payable in the second half of 2020.

Given the limited scale of operations since mid-March, the Company's trade liabilities are significantly lower at the end of 1Q 2020 as compared to the past periods and amount to PLN 61.8 million. In connection with the difficult financial condition, the Group has negotiated extensions of payment deadlines of these liabilities by as much as 2-3 months with its main contractors.

Other current liabilities of PLN 51.4 million comprise mainly tax and social security liabilities, accrued employee benefit costs and public-law imposts (including disputed fees for perpetual usufruct of land). The decrease in other current liabilities as compared to December and March 2019 is attributable to lower provisions for bonuses and unused holiday leaves and a significantly lower balance of provisions for disputed amounts of perpetual usufruct fees resulting from finalization of several proceedings for updating these fees over the past year.

Under current liabilities, in 1Q 2020 major changes were also reported in contract liabilities and liabilities relating to non-current assets.

Contract liabilities include advance payments received and prepayments for the services to be provided to customers in the future. Considering the circumstances, some of these advance payments have been returned to the customers. The Group also offers customers the opportunity to change their reservations at no cost and to use their advance payments to pay for their stay at any time next year.

The decline in liabilities associated with property, plant and equipment in the first quarter of 2020 as compared to the end of 2019 results predominantly from settlement of capital expenditure incurred for modernisation of the following hotels: the Novotel Szczecin hotel, the Novotel Kraków West City hotel, the ibis Warszawa Stare Miasto hotel, the Novotel Warszawa Centrum hotel, and construction of a new Tribe Kraków Stare Miasto hotel.

## 4.11 Statement of changes in equity

As at March 31, 2020, equity amounted to PLN 3 377.5 million against PLN 3 414.7 million at the end of 2019.

The retained earnings of the Orbis Group include a net loss of PLN 34.8 million for the first quarter of 2020.

The foreign currency translation reserve changed from PLN -22.2 million at the end of 2019 up to PLN -24.7 million at the end of March 2020. The change resulted from translating foreign operations into the currency of presentation (PLN). Foreign currency rates applied for translation of financial statements of foreign subsidiaries are presented in Section 5.9.

## 4.12 Statement of cash flows

During three months of 2020, the net cash flows of the Orbis Group amounted to PLN -1 347.0 million (PLN 19.7 million in the first quarter of 2019). Cash flows comprised:

- **Cash flows from operating activities**

The main reason for cash outflows from operating activities in the first quarter of 2020 was the curtailment of operations in March 2020, due to the outbreak of the COVID-19 pandemic, which resulted in a material decrease in revenue, and a negligible number of prepayments made by customers on account of hotel stays in the upcoming periods.

- **Cash flows from investing activities**

The principal reason behind the negative cash flows of PLN -1 276.9 million in the first quarter of 2020 was the grant to the parent company AccorInvest Group S.A. of loans totalling PLN 1 236.5 million by Orbis and Accor Panonnia Hotels in Hungary. Moreover, the Group incurred expenses of PLN 49.9 million for the construction of new hotels and modernisation of existing ones (for more information see Section 4.14). Inflows from investing activities occurred mainly due to the sale of property in Częstochowa (PLN 5.5 million) and interest on bank deposits (PLN 3.8 million).

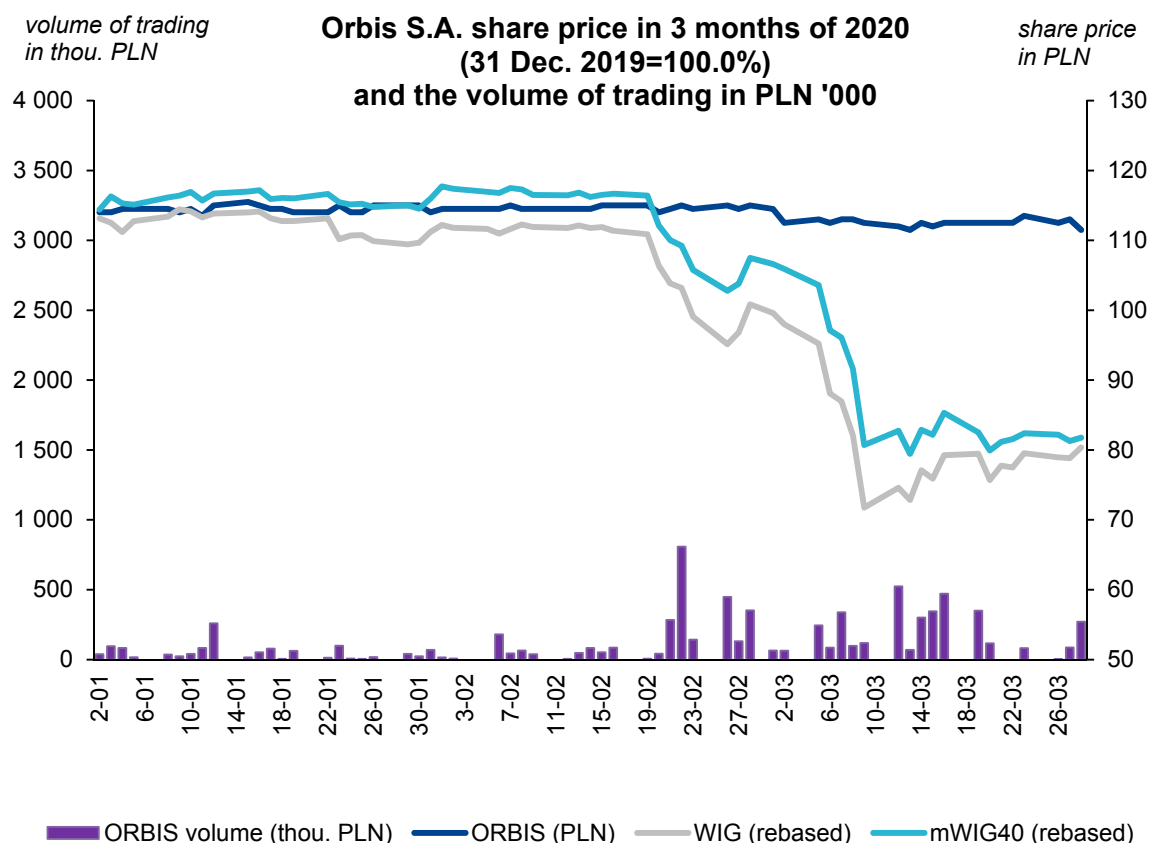
In the first quarter of 2019 the Group cash flows from investing activities were also negative and amounted to PLN -26.1 million. They comprised proceeds of sale of the ibis budget Torun hotel, non-hotel properties in Wrocław and Szczecin for a total amount of PLN 55.7 million and expenditures on the construction and modernization of hotels totalling PLN -82.6 million.

- **Cash flows from financing activities**

The Group's cash flows from financing activities were negative during the period of three months of 2020 and amounted to PLN 10.5 million. In both periods, these cash flows include repayment of interest on bonds (PLN -2.9 million) and payment of lease instalments, which totalled respectively PLN 7.7 million in 1Q 2020 and PLN 21.2 million in 1Q 2019. The difference in the amounts of lease payments results from deferral of deadlines for payment of perpetual usufruct fees in respect of land in Poland and of fees for four hotels leased by foreign subsidiaries.

## 4.13 Share price

From January 1, 2020, to March 31, 2020, the price of Orbis S.A. shares ranged from PLN 111.5 to PLN 115.5. The reason behind such a flattening of the price curve was the tender offer for the acquisition of Company shares published by the strategic partner, AccorInvest. After completion of the tender offer and closure of the transaction, on March 11, 2020, AccorInvest held 98.6% of Orbis shares and, as announced previously, started the squeeze-out of the remaining shares. The average volume of trading in Orbis shares in the first quarter of 2020 was PLN 121.5 thousand.



## 4.14 Capital expenditure

In the first quarter of 2020, capital expenditure of the Orbis Group amounted to PLN 34.4 million (PLN 38.6 million in the corresponding period of the past year).

Capital expenditure of the Group	1st quarter of 2020	1st quarter of 2019
Development projects	16 427	21 808
Other expenditure	17 942	16 748
<b>Total</b>	<b>34 369</b>	<b>38 556</b>

In the first quarter of 2020, the expenditure of PLN 16.4 million was allocated for the following investment projects:

- **ibis Styles Stare Miasto in Szczecin.** In 2019, foundation works related to the construction of a new **ibis Styles Stare Miasto** hotel in the location of the former Arkona hotel in Szczecin were completed. At present, works on closing and water sealing the roof and works on internal and external joinery are being conducted. Installation works are also carried out and drywalls and brick walls are erected inside the building. In connection with the COVID-19 pandemic, the hotel is scheduled to be opened in 2021 (according to the initial plan, it was to be the fourth quarter of 2020). The total planned expenditure for the whole scope of works will total approx. PLN 57 million.
- In the first quarter of 2020, work was also conducted on three-star lifestyle segment hotels planned to be opened in Warsaw and Kraków under the new **Tribe** brand. With regard to the construction of the hotel in the new Kraków Old Town location, the purchase of an additional plot of land adjacent to the previously purchased plot was finalized in March and the General Contractor of this hotel was appointed. Another three-star Tribe hotel in Poland will be located in Warsaw in a historic building in the very heart of the city, i.e. on Bracka Street (in the former Orbis head office). The hotel will have 113 rooms and a restaurant. Due to the crisis caused by COVID-19 outbreak, there has been a significant curbing of works conducted in both these investment projects and thus they have been temporarily suspended. The news on further continuation of these projects will depend on the condition of the hospitality industry after the end of the epidemic.
- As part of comprehensive modernisation of hotels operating in the network, in the first quarter of 2020, works on technical facilities were continued to the greatest extent in the **Novotel Poznań Centrum** hotel and the **ibis Poznań Centrum** hotel located in the same building. The total investment expenditure during the period from 2016 to 2020 will total approx. PLN 59 million.
- In the period under analysis, the modernisation of the **Mercure Budapest Korona** hotel, which was started in 2018, was continued. It involved primarily the modernisation of rooms and the second phase of conference space modernisation. The total investment expenditure during the period from 2018 to 2020 will total nearly EUR 10 million.

Other expenditures in the first quarter of 2020 (PLN 17.9 million) were assigned for modernisation of hotels operating in the network, modernisation of technical installations and IT expenditure. The most important investments executed during the period of three months of 2020 included:

- Completion of the rearrangement of 16 rooms with corridors on the next floor of the **Novotel Warszawa Centrum** hotel;
- Continued modernisation at the **Novotel Gdańsk Marina** hotel, where 194 modernised rooms will be rendered operational by the end of April 2020, including 2 rooms for the disabled and 4 suites. Modernisation of the breakfast room, part of the lobby, and 3 conference rooms with a foyer was also completed during the reporting period. At present, work is continued in the rest of the lobby, including a new bar, a multifunctional maritime room including audio-video systems, kids' corner and the leisure area of the hotel;
- Completion of modernisation works of 9 rooms in the **Mercure Warszawa Grand** hotel, where works were also conducted on the hotel's technical facilities;

- Completion of modernisation works of 3 suites and starting works on SPA modernisation in the **Novotel Szczecin Centrum** hotel;
- Completion of modernisation works of 36 rooms in the **Novotel Bucharest Centrum** hotel;
- Continued modernisation of rooms in the **ibis Warszawa Centrum** hotel, where the next phase of 87 rooms was started and the work has not yet been completed;
- Completion of modernisation works of 54 rooms in the **ibis Warszawa Stare Miasto** hotel; modernization of additional 7 rooms was completed in April.

In the analysed period, work was also continued on modernization of the **Novotel Vilnius** hotel, where modernization of 47 rooms was completed in the first quarter of 2020 and the next phase on the next floor of the building (comprising 37 rooms) has started.

Expenditure in the area of IT and digital services was allocated for replacement of fiscal printers in hotels in Poland, replacement of hardware (servers and computers) in connection with the so-called End-of-life products, including the need to replace Windows 7 with Windows 10, and implementation of the VAT taxpayers' white list.

Due to the current circumstances caused by the COVID-19 epidemic, most of the investment works have been suspended. The Company focuses mainly on the necessary works related to the security of visitors in the future. The Management Board of the Company has been monitoring the situation and will make further decisions as it develops, depending on the condition of the hospitality market as well as the demand for hotel services.

## 4.15 Human resources

In the first quarter of 2020, the average employment in the Orbis Group stood at 3 584 full time equivalents and decreased by 6.5% compared to the corresponding period of the past year.

Average employment (in full-time equivalents)	1st quarter of 2020	1st quarter of 2019	% change
Poland	2 350	2 518	-6.7%
Hungary	711	775	-8.3%
Czech Republic	199	203	-2.0%
Other countries	324	338	-4.1%
<b>Total</b>	<b>3 584</b>	<b>3 834</b>	<b>-6.5%</b>

The decline in the number of employees of Orbis company, the Hungarian company and the Romanian company (included in "other countries") was caused mainly by sale of the service business on October 31, 2019.

## 4.16 Social Responsibility (CSR)

### Publication of a non-financial report

In the first quarter of 2020, for another year in a row, Orbis published a comprehensive non-financial report covering all key social and environmental aspects of the Orbis Group operations in 2019. The report is available at the following link: <https://www.orbis.pl/raporty>

### Social commitment of employees during the COVID-19 global pandemic

As part of solidarity action, hotel teams in Gdańsk (Mercure Gdańsk Stare Miasto hotel) organized support for people fighting for patients' health. Within 2 weeks, nearly 2 000 meals were delivered to paramedics and Gdańsk hospitals, as well as over 500 meals were prepared for the Father E. Dutkiewicz SAC Hospice in Gdańsk.

Employees from hotels in Warsaw joined the "WzywamyPosiłki" campaign, preparing 90 meals for the Mazovian Oncology Hospital in Wieliszew.

#### **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 2020 results.

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

The factors that will influence the Group's results in the short time horizon are described in Sections 4.1 Macroeconomic environment and 4.2 The impact of the COVID-19 epidemic on Orbis Group operations, both in this quarterly report. They are largely beyond the Group's control, but will be thoroughly analysed.

The crisis triggered by the coronavirus epidemic will certainly cause major financial problems of many tourism industry players. Decrease in accommodation supply in many regions will be an inevitable effect of the current situation. To an even greater extent than before, competitive advantage on the hospitality market will depend on the quality and safety of services offered and swift adaptation to the new reality and growing guest expectations.

Even though the previously introduced restrictions are currently being gradually relaxed in individual countries, the economic consequences of COVID-19 remain difficult to estimate.

As the situation develops and as information having significant influence on the Group's operating activity is obtained, the Group will inform about the situation in separate current reports or provide the relevant information in interim periodical reports.

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 2019.

## 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, 59 Złota Street, 00-120 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. The Company was assigned number 000046640 in the National Waste Database [BDO].

### 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 73 hotels located in six countries. The Orbis Group hotels operate under Accor brands: Sofitel, MGallery, Novotel, Mercure, ibis, ibis Styles and ibis budget.

### 5.3 The Issuer's shareholders

As at the day of publication, the sole shareholder, holding 100% of votes at the general meeting of Orbis S.A. is AccorInvest Group S.A., a company incorporated in Luxembourg.

On March 11, 2020, after settlement of the transaction of acquisition of Orbis S.A. shares, covered by the subscriptions for sale of shares submitted under the tender offer to subscribe for sale of shares announced by AccorInvest Group S.A. on December 17, 2019, AccorInvest Group S.A. acquired 45 412 352 shares of Orbis S.A., corresponding to 98,56% of the share capital of Orbis.

At the same time, on April 15, 2020, as a result of the settlement of the squeeze-out of the shares of Orbis S.A., AccorInvest Group S.A. directly held 46 077 008 of the shares of Orbis S.A., corresponding to 100% of share capital of Orbis S.A., jointly conferring the right to exercise 46 077 008 of the votes at the General Meeting of Orbis, which corresponds to 100% of the total number of votes.

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

AccorInvest is both the owner and operator of hotel properties present in 26 states of Europe (not counting the Orbis Group), Latin America, and Asia. AccorInvest portfolio comprises over 850 owned and leased hotels. The Group invests in the portfolio of its properties by acquisitions and through modernising hotels, as well as building new facilities in Europe in the economy and mid-scale hotel segment. AccorInvest employs more than 30 thousand staff worldwide.



## 5.4 Statutory bodies of the Issuer

### The Management Board

During the period from January 1, 2020, till March 31, 2020, Orbis S.A. Management Board was composed of the following Members:

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

### The Supervisory Board

On February 3, 2020, Orbis S.A. received letters of resignation from the function of a Member of Orbis S.A. Supervisory Board for the Board's 11<sup>th</sup> tenure from:

- Franck Gervais – Chairman of the Supervisory Board of Orbis S.A.
- Pierre Boisselier – Vice-Chairman of the Supervisory Board of Orbis S.A.
- Christian Karaoglanian – Member of the Supervisory Board of Orbis S.A.
- Jean-Jacques Morin - Member of the Supervisory Board of Orbis S.A.
- Laurent Picheral - Member of the Supervisory Board of Orbis S.A.

The resignations became effective as at the moment of the settlement of the transaction comprising the acquisition by AccorInvest Group S.A of the shares of Orbis S.A.

On March 5, 2020 the Extraordinary General Meeting of Orbis S.A. appointed five new Members of the Supervisory Board for the Supervisory Board of Orbis S.A 11<sup>th</sup> tenure:

- Jan Hiljo Ozinga
- Jairo Gonzalez
- Corinne Fornara
- Pascal Maury
- Andrea Agrusow.

Each of the above-mentioned resignations and each of the above-mentioned appointments became effective on March 11, 2020, because it was the day when AccorInvest Group S.A. acquired the shares of Orbis S.A. in the tender offer to subscribe for sale of shares of the Company announced by AccorInvest Group S.A. on December 17 ,2019, i.e. recording in the securities account of AccorInvest the shares of Orbis purchased in the Tender Offer.

In connection with the above, during the period from January 1, 2020, till March 31, 2020, Orbis S.A. Supervisory Board was composed of the following Members:

- Franck Gervais – Chairman of the Supervisory Board till March 11, 2020,
- Pierre Boisselier – Vice-Chairman of the Supervisory Board till March 11, 2020,
- Christian Karaoglanian – Member (Member of the Supervisory Board till March 11, 2020),
- Jean-Jacques Morin – Member (Member of the Supervisory Board till March 11, 2020),
- Laurent Picheral - Member (Member of the Supervisory Board till March 11, 2020),
- Jan Hiljo Ozinga – Member (appointed Member of the Supervisory Board effective as of March 11, 2020); Chairman from April 16, 2020,
- Corinne Fornara – Member (appointed Member of the Supervisory Board effective as of March 11, 2020); Vice-Chairman from April 16, 2020,
- Jairo Gonzalez - Member (appointed Member of the Supervisory Board effective as of March 11, 2020),
- Pascal Maury - Member (appointed Member of the Supervisory Board effective as of March 11, 2020),
- Andrea Agrusow - Member (appointed Member of the Supervisory Board effective as of March 11, 2020),
- Krzysztof Gerula – Independent Member,
- Piotr Nowjalis – Independent Member,
- Andrzej Procajło – Member,
- Jarosław Szymański – Member,
- Krzysztof Kostro – Member.

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

In the period from January 1, 2020, till March 31, 2020, there were changes in the number of shares of Orbis S.A. held by the Members of the Management Board. Mr Ireneusz Węglowski sold 3 000 shares of Orbis S.A. on March 11, 2020.

In the period from January 1, 2020, till March 31, 2020, there were no changes in the number of shares of Orbis S.A. held by the Members of the Supervisory Board of the Board's 11<sup>th</sup> tenure. Meanwhile on April 15, 2020, Mr Krzysztof Gerula sold 200 shares of Orbis S.A.

As of the day of publication of this report, no member of the Management Board or the Supervisory Board held any shares in the Company.

## **5.6 Share capital and dividends paid**

As at March 31, 2020, 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.:

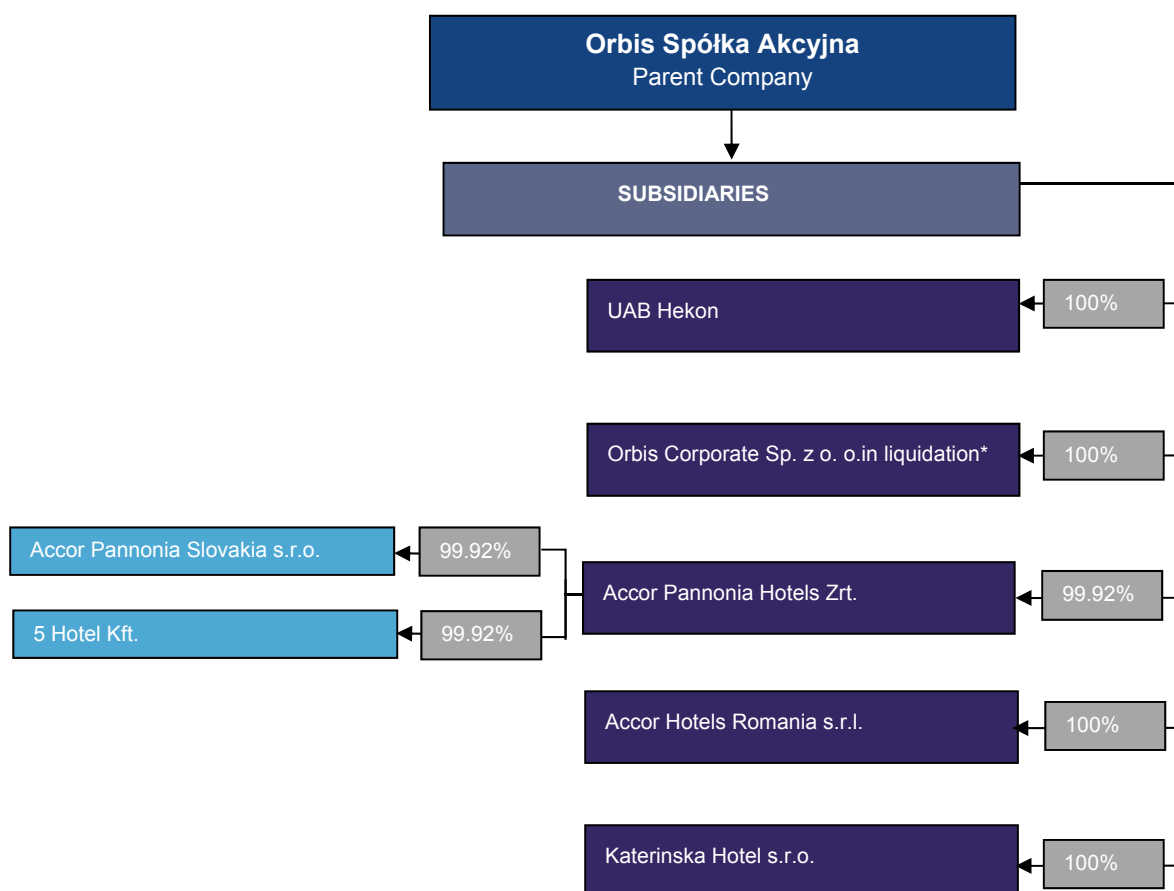
- Number of shares – 46 077 008,
- Par value per share – PLN 2,
- Share capital set out in the Statutes of Orbis S.A. – PLN 92 154 thousand,
- Hyperinflation restatement of share capital – PLN 425 600 thousand,
- Carrying amount of share capital – PLN 517 754 thousand.

During the first quarter of 2020 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 2019 was made as at the date of publication of this report.

## 5.7 The structure of the Group

As at March 31, 2020, the Orbis Group comprised the following companies:



*\* The Company excluded from consolidation, it does not pursue business activities; on April 27, 2020, the liquidation process of the Company began*

In the first quarter of 2020 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 preparation 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 2019. The accounting policies have been consistently applied to all the years presented in the financial statements and did not change substantially.

## 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 31, 2020. 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 2020 and the first quarter of 2019. 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, 2020	3 months ended March 31, 2019	March 31, 2020	December 31, 2019	March 31, 2019
EUR/PLN	4.3963	4.2978	4.5523	4.2585	4.3013
HUF/PLN	0.012738	0.013529	0.012679	0.012885	0.013409
CZK/PLN	0.1691	0.1670	0.1665	0.1676	0.1666
RON/PLN	0.9147	0.9053	0.9429	0.8901	0.9029

## 5.10 Borrowings

As at the end of any of the presented periods, Orbis Group did not have any liabilities arising from credit facilities.

The amount of undrawn credit lines under bank overdrafts as at March 31, 2020, was PLN 48.6 million, of which the credit lines undrawn by Orbis S.A. amounted to PLN 20.0 million, those undrawn by subsidiary Katerinska Hotel s.r.o. amounted to PLN 25.0 million (i.e. CZK 150.0 million), and those undrawn by subsidiary Accor Hotels Romania s.r.l. amounted to PLN 3.6 million (i.e. RON 2.5 million and EUR 0.3 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 equal to 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 equal to **WIBOR 6M** plus interest rate margin of **1.05%**. The interest will be payable in 6 monthly (six-month) interest periods. The date of redemption of bonds at their nominal value is July 29, 2021.

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 optimisation 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 2020, Orbis S.A. paid PLN 2 864 thousand of interest on issued bonds.

Bonds	As at:		
	March 31, 2020	December 31, 2019	March 31, 2019
Liability resulting from the bond issue (outstanding principal amount)	200 000	200 000	500 000
Valuation of bonds at amortised cost	888	2 314	2 779
<b>Long-term liabilities under bonds</b>	<b>200 888</b>	<b>202 314</b>	<b>502 779</b>
Liability resulting from the bond issue (outstanding principal amount)	300 000	300 000	0
Valuation of bonds at amortised cost	2 189	122	0
<b>Short-term liabilities under bonds</b>	<b>302 189</b>	<b>300 122</b>	<b>0</b>
<b>Total liabilities under bonds</b>	<b>503 077</b>	<b>502 436</b>	<b>502 779</b>

## 5.12 Financial instruments

As at March 31, 2020, December 31, 2019 and as at March 31, 2019 all financial assets and liabilities of the Group are measured at amortized cost.

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

	As at March 31, 2020		As at December 31, 2019		As at March 31, 2019	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>						
Cash and cash equivalents	668 677	668 677	2 004 738	2 004 738	557 533	557 533
Loans granted	1 236 987	1 236 987	0	0	0	0
Trade receivables and other non-current receivables	46 889	46 889	59 537	59 537	77 944	77 944
<b>Financial liabilities</b>						
Debt securities - bonds issued	503 077	495 000	502 436	505 470	502 779	504 520
Trade payables and other non-current and current payables	96 042	96 042	159 899	159 899	121 807	121 807

According to the Management Board, as at March 31, 2020, and December 31, 2019, and March 31, 2019, the carrying amount of financial instruments of the Group, with the exception of liabilities arising from issued bonds, was close to their fair value.

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

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

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

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

In the first quarter of 2020, 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 2020	Impairment loss on:				
	property, plant & equipment	intangible assets	shares	receivables	financial assets
<b>As at January 1, 2020</b>	<b>(24 571)</b>	<b>(309)</b>	<b>(57)</b>	<b>(3 490)</b>	<b>(438)</b>
Recognised impairment loss	0	0	0	(112)	0
Reversed impairment loss	0	0	0	77	0
Utilised impairment	0	0	2	6	0
Decrease in impairment losses in connection with sale/liquidation	2 475	0	0	0	0
Impairment loss not subject to reversal *	128	0	0	0	0
Exchange differences on translation	(136)	(18)	0	(14)	7
<b>As at March 31, 2020</b>	<b>(22 104)</b>	<b>(327)</b>	<b>(55)</b>	<b>(3 533)</b>	<b>(431)</b>

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

In the first quarter of 2020 and in 2019, no circumstances occurred in the Group that would indicate a need to recognise impairment losses on inventories.

### 5.13.2 Provisions for liabilities

Movements in provisions in the first quarter of 2020	Provision for:				
	jubilee awards	retirement & disability benefits	litigations	restructuring	other liabilities
<b>As at January 1, 2020</b>	<b>18 079</b>	<b>9 339</b>	<b>879</b>	<b>733</b>	<b>1 021</b>
Provision recognised in the period	437	130	0	0	45
Provision released in the period	0	0	0	0	0
Provision utilised in the period	(437)	(130)	0	(217)	0
Exchange differences on translation	(3)	(6)	0	(3)	(17)
<b>As at March 31, 2020, of which:</b>	<b>18 076</b>	<b>9 333</b>	<b>879</b>	<b>513</b>	<b>1 049</b>
Short-term provisions	1 668	1 742	879	513	0
Long-term provisions	16 408	7 591	0	0	1 049

## 5.14 Deferred tax assets and liabilities

Deferred tax	As at:		Impact on statement of comprehensive income
	March 31, 2020	December 31, 2019	
Deferred tax assets	56 347	49 734	6 613
Deferred tax liabilities	314	32 532	32 218
<b>Change in deferred tax assets and liabilities, of which:</b>			<b>38 831</b>
impact on profit or loss			38 508
impact on other comprehensive income (incl. exchange differences on translation)			323

## 5.15 Contingent liabilities

### 5.15.1 Liabilities arising from bond issues and the applicable law

The issued bonds have been secured by a joint contractual mortgage established on the Mercure Warszawa Grand hotel (KW No. WA4M/00159685/9), the Novotel Warszawa Centrum hotel (KW No. WA4M/00072550/0) and the Mercure Warszawa Centrum hotel (KW No. WA4M/00097244/3) up to the sum of PLN 625 000 thousand. The mortgage was established for the benefit of the mortgage administrator, that is Bank Polska Kasa Opieki S.A. with its corporate seat in Warsaw, which will act in its own name, but for the account of bondholders. The total market value of the above-mentioned mortgaged hotels, determined by independent property appraisers as at May 23, 2019, by the valuation survey dated June 3, 2019, was PLN 837 332 thousand. The book value of these real properties as at March 31, 2020, is PLN 200 426 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 Gold Project Sp. z o.o. sp. jawna (former Złote Tarasy Warsaw III S.Á.R.L. spółka jawna), with its registered office in Warsaw (the beneficiary). The guarantees were issued to secure payments under the lease agreement executed on September 27, 2018, between Orbis S.A. and Złote Tarasy Warsaw III S.Á.R.L. spółka jawna (currently Gold Project Sp. z o.o. sp. jawna), concerning lease of office space and car park spaces located in the commercial combo named Złote Tarasy in Warsaw.

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

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

Upon request of Orbis S.A., on March 11, 2020, Bank Handlowy S.A. in Warsaw, issued a bank guarantee to REFTECO S.R.L. in the form of an irrevocable documentary letter of credit for the amount of EUR 87 thousand with the expiry date of June 15, 2020. The documentary letter of credit is a collateral to secure payment for delivery of two dry coolers to the ibis hotel and the Novotel Centrum hotel in Poznan. By virtue of the letter of credit, Orbis S.A. must deliver to Bank Handlowy w Warszawie S.A., at its request, a statement on submission to enforcement in the form of a notary deed in which Orbis S.A. agrees to enforcement based on the said notary deed with respect to payment of

the Bank's claims resulting from the opening by the Bank of the documentary letter of credit and payment of any other amounts resulting from the opening of the letter of credit up to 120% of the value of the purchase order. The Bank may request that the enforceability clause be appended to this notary deed before December 11, 2020.

## 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.

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

As at March 31, 2020, three (3) 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 Warszawa Centrum),
- Gdańsk (the Novotel Centrum hotel, the ibis Gdańsk Stare Miasto hotel and adjacent area),

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 disputed by the Group totals PLN 3 264.5 thousand and is disclosed in other current liabilities.

The case concerning updating the fee for perpetual usufruct of land under the ibis and ibis budget Reduta hotels was completed in the first quarter of 2020. Based on a valid and enforceable judgement, in 2020 Orbis is to pay PLN 1 798.2 thousand, which is the difference between fees determined by the court and fees paid so far for the years 2013-2019. Starting from 2020, the Company will be paying a higher annual fee than before (yet but much lower than the one requested by the State Treasury).

## 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 the parent company and its related parties. Until March 11, 2020, the parent company of Orbis was Accor S.A., while since March 11, it has been replaced by AccorInvest Group S.A.

In all periods presented in these statements, there were no other transactions between the Orbis Group and its related parties than transactions concluded on an arm's length basis.

In the first quarter of 2020, material transactions with a related party included the loans totalling PLN 1 237 million, granted by Orbis and its Hungarian subsidiary to AccorInvest Group S.A. in March.

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, 2020, and 2019, amounted to PLN 1 371.9 thousand and PLN 1 482.6 thousand, respectively. The difference in the amount of benefits paid in the first quarter of 2020 versus the comparable period of last year results from the termination of employment by Mr Marcin Szewczykowski due to his resignation from the function of a Management Board Member, submitted on August 19, 2019.

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., subsidiaries and associates of Orbis S.A.,
- 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 end of the reporting period**

On April 15, 2020, AccorInvest Group S.A. acquired 664 656 shares in Orbis S.A. corresponding to 1.44% of the share capital of the Company. The acquisition took place as a result of the squeeze-out of the Company's shares. After the settlement of the squeeze-out, AccorInvest directly holds 46 077 008 shares of Orbis S.A. corresponding to 100% of Company's share capital (more information in current report No. 22/2020)

On April 17, 2020, an application was submitted to the Polish Financial Supervision Authority (KNF) for permission to withdraw the shares of Orbis S.A. from trading on the regulated market and to stop applying the Act of July 29, 2005 on Public Offering and the Conditions Governing the Introduction of Financial Instruments to Organised Trading, and on Public Companies to Orbis S.A.

The application was submitted to implement Resolution No. 3 of the Extraordinary General Meeting of Orbis S.A. Shareholders of April 17, 2020 regarding the withdrawal of the Company's shares (ISIN PLORBIS00014) from trading on the regulated market operated by the Warsaw Stock Exchange.

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



Mercure Kraków Stare Miasto

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

### 6.1 Income statement

	3 months ended March 31, 2020	3 months ended March 31, 2019*
<b>Net sales</b>	<b>141 301</b>	<b>183 671</b>
Outsourced services	(47 945)	(45 674)
Employee benefit expense	(55 595)	(63 134)
Raw materials and energy used	(24 023)	(31 310)
Taxes and charges	(1 517)	(5 645)
Other expenses by nature	(1 154)	(1 797)
Impairment of receivables	(74)	20
Net other operating income/(expenses)	(15)	42
<b>EBITDAR</b>	<b>10 978</b>	<b>36 173</b>
Rental expense	0	0
<b>Operating EBITDA</b>	<b>10 978</b>	<b>36 173</b>
Depreciation and amortisation	(35 737)	(33 009)
<b>Operating profit/(loss) without the effects of one-off events</b>	<b>(24 759)</b>	<b>3 164</b>
Result on sale of real property	6 063	47 616
Restructuring costs	(32)	(24)
Result of other one-off events	(397)	0
<b>Operating profit/(loss)</b>	<b>(19 125)</b>	<b>50 756</b>
Finance income	14 615	1 951
Finance costs	(7 033)	(7 154)
<b>Profit/(loss) before tax</b>	<b>(11 543)</b>	<b>45 553</b>
Income tax expense	1 829	(11 330)
<b>Net profit/(loss) on continuing operations</b>	<b>(9 714)</b>	<b>34 223</b>
<b>Net profit on discontinued operations</b>	<b>0</b>	<b>385</b>
<b>Net profit/(loss) for the period</b>	<b>(9 714)</b>	<b>34 608</b>
<b>Profit/(loss) per ordinary share</b>		
Basic and diluted profit/(loss) per share (in PLN)	(0.21)	0.75

### 6.2 Statement of comprehensive income

	3 months ended March 31, 2020	3 months ended March 31, 2019*
<b>Net profit/(loss) for the period</b>	<b>(9 714)</b>	<b>34 608</b>
<b>Other comprehensive profit/(loss) after tax</b>	<b>0</b>	<b>0</b>
<b>Total comprehensive profit/(loss) for the period</b>	<b>(9 714)</b>	<b>34 608</b>

\* Amounts restated in application of IFRS 5

## 6.3 Statement of financial position

Assets	As at:		
	March 31, 2020	December 31, 2019	March 31, 2019
<b>Non-current assets</b>	<b>2 256 808</b>	<b>2 270 229</b>	<b>2 331 518</b>
Property, plant and equipment, of which:	1 639 767	1 656 742	1 660 044
- right-of-use assets	295 784	304 803	311 046
Investment property, of which:	3 008	3 049	8 803
- right-of-use assets	2 493	2 528	5 068
Intangible assets, of which:	92 796	93 074	109 012
- goodwill	91 349	91 349	107 252
Investments in subsidiaries	467 429	467 429	467 529
Loans granted	0	0	35 385
Net investment in the lease	3 280	3 314	0
Deferred tax assets	49 811	45 853	49 707
Other non-current assets	717	768	1 038
<b>Current assets</b>	<b>1 443 188</b>	<b>1 492 507</b>	<b>582 768</b>
Inventories	3 394	4 004	3 466
Trade receivables	35 263	36 534	30 218
Other current receivables	19 732	11 131	9 899
Loans granted	1 021 444	0	144 828
Net investment in the lease	663	489	0
Cash and cash equivalents	362 692	1 440 349	394 357
<b>Assets classified as held for sale</b>	<b>674</b>	<b>3 321</b>	<b>0</b>
- right-of-use assets	0	2 647	0
<b>TOTAL ASSETS</b>	<b>3 700 670</b>	<b>3 766 057</b>	<b>2 914 286</b>

Equity and Liabilities	As at:		
	March 31, 2020	December 31, 2019	March 31, 2019
<b>Equity</b>	<b>2 689 730</b>	<b>2 699 444</b>	<b>1 956 557</b>
Share capital	517 754	517 754	517 754
Reserves	133 333	133 333	133 333
Share redemption reserve	850 000	850 000	0
Retained earnings	1 188 643	1 198 357	1 305 470
<b>Non-current liabilities</b>	<b>466 984</b>	<b>477 447</b>	<b>761 626</b>
Bonds	200 888	202 314	502 779
Lease liabilities	235 312	244 023	228 754
Contract liabilities	0	0	1 814
Other non-current liabilities	7 293	7 619	7 399
Provision for retirement benefits and similar obligations	23 491	23 491	20 880
<b>Current liabilities</b>	<b>543 956</b>	<b>586 505</b>	<b>196 103</b>
Bonds	302 189	300 122	0
Lease liabilities	22 821	19 306	21 745
Trade payables	39 085	63 585	59 270
Liabilities associated with tangible assets	7 963	25 938	11 870
Income tax liabilities	107 274	109 693	9 336
Contract liabilities	25 222	18 953	31 352
Deferred revenue	75	690	11 418
Other current liabilities	34 714	43 388	46 823
Provision for retirement benefits and similar obligations	3 395	3 395	3 377
Provisions for liabilities	1 218	1 435	912
<b>Liabilities associated with assets classified as held for sale, of which:</b>	<b>0</b>	<b>2 661</b>	<b>0</b>
- lease liabilities	0	2 661	0
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3 700 670</b>	<b>3 766 057</b>	<b>2 914 286</b>

## 6.4 Statement of changes in equity

	Share capital	Reserves	Share redemption reserve	Retained earnings	Total
<b><u>Twelve months ended December 31, 2019</u></b>					
Balance as at January 1, 2019 (as reported)	517 754	133 333	0	1 470 376	2 121 463
- adjustment for IFRS 16	0	0	0	(199 514)	(199 514)
Balance as at January 1, 2019 (restated)	517 754	133 333	0	1 270 862	1 921 949
- net profit for the period	0	0	0	778 676	778 676
- other comprehensive income/(loss)	0	0	0	(1 181)	(1 181)
Total comprehensive income for the period	0	0	0	777 495	777 495
- creation of share redemption reserve	0	0	850 000	(850 000)	0
Balance as at December 31, 2019	517 754	133 333	850 000	1 198 357	2 699 444
<b><u>of which: three months ended March 31, 2019</u></b>					
Balance as at January 1, 2019 (as reported)	517 754	133 333	0	1 470 376	2 121 463
- adjustment for IFRS 16	0	0	0	(199 514)	(199 514)
Balance as at January 1, 2019 (restated)	517 754	133 333	0	1 403 170	2 054 196
- net profit for the period	0	0	0	34 608	34 608
Total comprehensive income for the period	0	0	0	34 608	34 608
Balance as at March 31, 2019	517 754	133 333	0	1 305 470	1 956 557
<b><u>Three months ended March 31, 2020</u></b>					
Balance as at January 1, 2020	517 754	133 333	850 000	1 198 357	2 699 444
- net loss for the period	0	0	0	(9 714)	(9 714)
Total comprehensive loss for the period	0	0	0	(9 714)	(9 714)
Balance as at March 31, 2020	517 754	133 333	850 000	1 188 643	2 689 730

## 6.5 Statement of cash flows

	3 months ended March 31, 2020	3 months ended March 31, 2019
<b>OPERATING ACTIVITIES</b>		
<b>Profit/(loss) before tax, of which:</b>	<b>(11 543)</b>	<b>45 938</b>
- from continuing operations	(11 543)	45 553
- from discontinued operations	0	385
<b>Adjustments:</b>	<b>(14 144)</b>	<b>13 524</b>
Depreciation and amortisation	35 737	33 009
Foreign exchange (gain)/loss	(8 561)	98
Interest and other borrowing costs	1 370	4 726
Gain from investing activities	(6 042)	(48 148)
Change in receivables	(7 292)	5 886
Change in contract liabilities	6 268	14 490
Change in other liabilities, excluding borrowings	(36 017)	3 297
Change in provisions	(217)	(188)
Change in inventories	610	354
<b>Cash generated from operations</b>	<b>(25 687)</b>	<b>59 462</b>
Income taxes paid	(4 545)	(10 376)
<b>Net cash generated by/used in operating activities</b>	<b>(30 232)</b>	<b>49 086</b>
<b>INVESTING ACTIVITIES</b>		
Proceeds from disposal of property, plant and equipment, investment property and intangible assets	5 546	55 659
Interest received	3 779	670
Other investing cash inflows	131	74
Payments for property, plant and equipment and intangible assets	(40 763)	(54 546)
Loans granted	(1 020 000)	0
<b>Net cash generated by/used in investing activities</b>	<b>(1 051 307)</b>	<b>1 857</b>
<b>FINANCING ACTIVITIES</b>		
Interest paid and other financing cash outflows resulting from bonds	(2 864)	(2 854)
Payments of liabilities under lease agreements	(2 451)	(1 028)
Interest paid on liabilities under lease agreements	(257)	(12 152)
<b>Net cash used in financing activities</b>	<b>(5 572)</b>	<b>(16 034)</b>
<b>Change in cash and cash equivalents</b>	<b>(1 087 111)</b>	<b>34 909</b>
Effects of exchange rate changes on the balance of cash held in foreign currencies	9 454	278
<b>Cash at the beginning of the period</b>	<b>1 440 349</b>	<b>359 170</b>
<b>Cash at the end of the period</b>	<b>362 692</b>	<b>394 357</b>

## 7 COMMENTS ON ORBIS S.A. RESULTS IN THE FIRST QUARTER OF 2020

### 7.1 External environment

Information about the macroeconomic situation and the condition of the hotel industry, as well as the impact of the COVID-19 pandemic on the situation of the Orbis Group was presented in Sections 4.1 and 4.2.1 of these financial statements.

### 7.2 Discontinued operations

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

October 31, 2019, saw the finalization of the transaction of sale of the entire hotel service business (or asset light business) by Orbis S.A. and its selected subsidiaries to subsidiaries of Accor S.A. for a total net amount of PLN 1 218 360 thousand, of which net amount PLN 579 624 thousand was paid directly to Orbis S.A. The agreed price was paid by the Purchasers on the day of the sale. More information about the transaction was presented in Note 3 of the annual separate financial statement for 2019.

The results and cash flows from discontinued operations in the first three months of 2019 are presented below. The presented data include above all income from management and franchise agreements and direct costs related to services provided by Orbis S.A. and its subsidiaries to managed or franchised hotels as well as costs of obtaining new asset light contracts. In addition, the revenues from Orbis Kontrakty Sp. z o.o. have been classified as discontinued operations.

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

INCOME STATEMENT ON DISCONTINUED OPERATIONS		3 months ended March 31, 2019
<b>Net sales</b>		<b>3 481</b>
Operating expenses, of which:		(3 094)
<i>Employee benefit expense</i>		(395)
Net other operating income/(expenses)		(2)
<b>EBITDAR</b>		<b>385</b>
<b>Operating EBITDA</b>		<b>385</b>
<b>Operating profit without the effects of one-off events</b>		<b>385</b>
<b>Operating profit</b>		<b>385</b>
<b>Profit before tax</b>		<b>385</b>
<b>Net profit on discontinued operations</b>		<b>385</b>
<b>Total comprehensive income on discontinued operations</b>		<b>385</b>
STATEMENT OF CASH FLOWS ON DISCONTINUED OPERATIONS		3 months ended March 31, 2019
Net cash generated by operating activities		385
<b>Net cash flow, total</b>		<b>385</b>



## 7.3 Income statement

In the first quarter of 2020, Orbis S.A. incurred net loss of PLN 9.7 million as compared to the net profit of PLN 34.6 million in the first quarter of 2019.

Income statement – analytical approach	1st quarter of 2020	1st quarter of 2019*	IQ 2020/ IQ 2019
<b>Net sales</b>	<b>141 301</b>	<b>183 671</b>	<b>-23.1%</b>
of which:			
Room revenue	91 637	119 350	-23.2%
Food & beverage revenue	41 345	53 382	-22.5%
Other revenue	8 319	10 939	-24.0%
<b>EBITDAR</b>	<b>10 978</b>	<b>36 173</b>	<b>-69.7%</b>
<b>Operating EBITDA</b>	<b>10 978</b>	<b>36 173</b>	<b>-69.7%</b>
<b>Operating profit/(loss) (EBIT)</b>	<b>(19 125)</b>	<b>50 756</b>	<b>-</b>
Net result from financing activities	7 582	(5 203)	-
<b>Profit/(loss) before tax</b>	<b>(11 543)</b>	<b>45 553</b>	<b>-</b>
<b>Profit/(loss) on continuing operations</b>	<b>(9 714)</b>	<b>34 223</b>	<b>-</b>
<b>Discontinued operations</b>	<b>0</b>	<b>385</b>	<b>-</b>
<b>Net profit/(loss)</b>	<b>(9 714)</b>	<b>34 608</b>	<b>-</b>

\* Amounts restated in application of IFRS 5

**Net sales** of Orbis S.A. stood at PLN 141.3 million in the first quarter of 2020, i.e. decreased (by 23.1%) as compared to the first quarter of the past year. Every category of sales dropped compared to figures for last year.

Orbis hotels reported an increase of the Average Room Rate by 1.7% (1.4% in terms of like-for-like figures) during the first quarter of 2020 versus the corresponding period of 2019 with a lower Occupancy Rate (by 15.6 p.p. and 15.7 p.p. like-for-like). As a result of these changes, Orbis hotels reported a decrease in the Revenue per Available Room by 23.8% (by 24.1% like-for-like).

**Operating expenses** of Orbis S.A. (including depreciation/amortisation) totalled PLN 166.0 million during the reporting period, i.e. decreased by PLN 14.5 million (8%) as compared to last year. The largest decrease (by PLN 7.3 million) was reported in the costs of raw materials and energy used and in employee benefit expense (by PLN 7.5 million). The change in the employee benefit expense compared to 1Q 2019 resulted from several factors, including: salary increases granted in 2Q 2019 due to inflationary pressures, introduction of a programme of employee capital plans (Polish abbreviation: PPK), growth in the minimum salary in Poland, as well as a drop in provisions for unused holiday entitlements. The single biggest factor behind the fall in this expense item was, however, the transaction of sale of the asset light business in October 2019 and the execution of hotel management agreements. Due to the change of the business model, Orbis a few new types of fees to Accor Group companies. These fees constituted the Company's own costs before the transaction (including, for instance, salary expense of the IT department and the department of sales, distribution and revenue management). The fees paid under hotel management agreements are the main reason for the increase in outsourced services cost item by PLN 2.3 million in 1Q 2020. Another material change compared to the first quarter of 2019 was also reported in taxes and charges item. It was due to the advantageous decision issued in the case concerning the disputed perpetual usufruct fees in respect of land in Warsaw.

Due to the high expenditure incurred on hotel modernisation in recent years, depreciation charge for 1Q 2020 rose by PLN 2.7 million on 1Q 2019, reaching a total of PLN 35.7 million.

The major drop in the value of sales revenue was also reflected in the lower result at the level of operating EBITDA, where a decrease by PLN 25.2 million (i.e. by 69.7%), was reported, and operating loss excluding the effects of one-off events totalled PLN 24.8 million, that is, the result was PLN 27.9 million lower than the figure reported last year.

In 1Q 2020, the Company also had a noticeably lower result on one-off events than in 1Q 2019. In March, the sale of a property in Częstochowa was finalised, with a gain of PLN 6.1 million on the transaction.

In the first quarter of 2019, the Company generated a high positive result on one-off events of PLN 47.6 million. It was mainly due to the sale of a non-hotel real property located in Wrocław, which was finalized on February 1, 2019. The gain on this transaction was PLN 41.6 million. Moreover, one-off events included also the gain on sale of a non-hotel real property located in Szczecin equal to PLN 3.7 million and the gain on the sale of the ibis budget Toruń hotel equal to PLN 2.3 million.

In the current period, Orbis reported also a material change in the result from financing activities. In the first quarter of 2020, profit on financing activities stood at PLN 7.6 million versus a loss of PLN 5.2 in the corresponding period of 2019. The items which had the strongest influence on this change included: higher finance income from interest on deposits (up by PLN 2.6 million) and foreign exchange gains on valuation of balances in foreign currencies (PLN 9.9 million). Moreover, the finance Income of Orbis for the three months of 2020 includes interest accrued on the loan granted to the parent company (PLN 1.4 million), whereas in the corresponding period of 2019 this item included interest on loans granted to subsidiaries (PLN 1.2 million).

The amount of finance costs was similar in both periods and comprised mainly interest on lease liabilities of PLN 3.1 million and interest on bonds of PLN 3.5 million.

Due to the above changes and considering the effect of income taxes, Orbis S.A. ended the first quarter of 2020 with a net loss of PLN 9.7 million.

## 7.4 Orbis S.A. financial results per operating segment

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, 2020 and 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.

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

Unallocated operations comprise revenues and expenses of the Head Office (including revenues and expenses of investment property rentals) 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 2020 and the first quarter of 2019.

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 2020 and the first quarter of 2019. The figures presented below include the results of owned and leased hotels.

First quarter of 2020	Operating segments		Unallocated operations and exclusions	TOTAL
	Up&Midscale Hotels	Economy Hotels		
<b>Segment revenue, of which:</b>	<b>109 240</b>	<b>30 966</b>	<b>1 095</b>	<b>141 301</b>
Sales to external clients	109 240	30 966	1 095	141 301
<b>EBITDAR</b>	<b>10 164</b>	<b>5 807</b>	<b>(4 993)</b>	<b>10 978</b>
<b>Operating EBITDA</b>	<b>10 164</b>	<b>5 807</b>	<b>(4 993)</b>	<b>10 978</b>
Depreciation and amortisation	(26 219)	(8 271)	(1 247)	(35 737)
<b>Operating loss without the effects of one-off events</b>	<b>(16 055)</b>	<b>(2 464)</b>	<b>(6 240)</b>	<b>(24 759)</b>
Result of one-off events	0	0	5 634	5 634
<b>Operating loss (EBIT)</b>	<b>(16 055)</b>	<b>(2 464)</b>	<b>(606)</b>	<b>(19 125)</b>
Finance income/(costs)	(2 733)	(812)	11 127	7 582
Income tax expense	0	0	1 829	1 829
<b>Net profit/(loss)</b>	<b>(18 788)</b>	<b>(3 276)</b>	<b>12 350</b>	<b>(9 714)</b>
Capital expenditure	20 480	4 295	528	<b>25 303</b>

First quarter of 2019*	Operating segments		Unallocated operations and exclusions	TOTAL
	Up&Midscale Hotels	Economy Hotels		
<b>Segment revenue, of which:</b>	<b>141 788</b>	<b>39 027</b>	<b>2 856</b>	<b>183 671</b>
Sales to external clients	141 788	39 027	2 856	183 671
<b>EBITDAR</b>	<b>42 755</b>	<b>14 339</b>	<b>(20 921)</b>	<b>36 173</b>
<b>Operating EBITDA</b>	<b>42 755</b>	<b>14 339</b>	<b>(20 921)</b>	<b>36 173</b>
Depreciation and amortisation	(23 812)	(8 258)	(939)	(33 009)
<b>Operating profit/(loss) without the effects of one-off events</b>	<b>18 943</b>	<b>6 081</b>	<b>(21 860)</b>	<b>3 164</b>
Result of one-off events	0	0	47 592	47 592
<b>Operating profit (EBIT)</b>	<b>18 943</b>	<b>6 081</b>	<b>25 732</b>	<b>50 756</b>
Finance income/(costs)	(2 170)	(773)	(2 260)	(5 203)
Income tax expense	0	0	(11 330)	(11 330)
<b>Net profit on continuing operations</b>	<b>16 773</b>	<b>5 308</b>	<b>12 142</b>	<b>34 223</b>
Discontinued operations	0	0	385	385
<b>Net profit</b>	<b>16 773</b>	<b>5 308</b>	<b>12 527</b>	<b>34 608</b>
Capital expenditure	15 850	3 705	340	<b>19 895</b>

\* Amounts restated in application of IFRS 5

## 7.5 Operating segment revenue per type of service

The tables below present the revenues of Orbis S.A. for the first quarter of 2020 and the first quarter of 2019 per type of services with their reconciliation to the operating segments presented in Section 7.4.

First quarter of 2020	Operating segments		Unallocated operations and exclusions	TOTAL
	Up&Midscale Hotels	Economy Hotels		
<b>Revenue per type of service:</b>	<b>109 240</b>	<b>30 966</b>	<b>1 095</b>	<b>141 301</b>
Room revenue	68 267	23 370	0	91 637
Food & beverage revenue	35 163	6 182	0	41 345
Other revenue	5 810	1 414	1 095	8 319

First quarter of 2019*	Operating segments		Unallocated operations and exclusions	TOTAL
	Up&Midscale Hotels	Up&Midscale Hotels		
<b>Revenue per type of service:</b>	<b>141 788</b>	<b>39 027</b>	<b>2 856</b>	<b>183 671</b>
Room revenue	89 729	29 621	0	119 350
Food & beverage revenue	45 555	7 827	0	53 382
Other revenue	6 504	1 579	2 856	10 939

\* figures restated in application of IFRS 5

## 7.6 Statement of financial position

The major component of the Company's assets is non-current assets accounting for 61.0% of total assets. The predominant item of non-current assets are property, plant and equipment valued at PLN 1 639.8 million, accounting for 44.3% 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 2020, tangible assets were impacted by accrued depreciation (PLN -33.3 million), which was higher than the incurred capital expenditure (PLN +24.3 million). The right-of-use assets of a total value of PLN 298.3 million include rights of perpetual usufruct of land (PLN 289.6 million), a leased hotel and office space (PLN 7.8 million) and cars (PLN 0.9 million). The change in the value of the right-of-use assets during the first quarter of 2020 was impacted by accrued depreciation (PLN -2.2 million) and a change in the value of assets as a result of adjustment in the value of lease liabilities related to the change in the value of fees for perpetual usufruct of land (PLN -6.9 million).

Another material item of the Company's statement of financial position is investments in subsidiaries, valued at PLN 467.4 million (12.6% of assets). More information about Orbis' investments in subsidiaries is presented in Section 8.5.

Another material item of non-current assets is intangible values, measured at PLN 92.8 million, including goodwill of PLN 91.3 million, which arose upon taking over control of the acquired subsidiary, i.e. on the day of acquisition of shares of Hekon-Hotele Ekonomiczne S.A. The share of intangible assets in Orbis' assets as at the end of March 2020 equalled 2.5%.

Under the current assets item, the most important sub-item are loans granted of PLN 1 021.4 million, which account for 27.6% of total assets, and cash and cash equivalents of PLN 362.7 million, which account for 9.8% of total assets. Current receivables of PLN 55.0 million represent 1.5% of the balance sheet total.

As at March 31, 2020, a significant part of the balance of the Company's trade receivables comprises receivables from subsidiaries (PLN 6.1 million) and from Accor group companies (PLN 18.7 million). Receivables from customers totalled PLN 10.4 million and were by approx. PLN 8.8 lower on the December figure and by approx. PLN 18 million lower on the figure as at March 31, 2019. Some 41% of the balance of trade receivables was paid in April.

Other current receivables (PLN 19.7 million) comprise mainly VAT receivables, which account for 68.3% of the item's balance. The difference in other receivables as at the end of the first quarter of 2020 versus the first quarter 2019 is mainly due to the fact that as at March 31, 2019, the Company reported a VAT liability.

The Company's assets are financed mainly by equity, which accounted for 72.7% of equity and liabilities (PLN 2 689.7 million) as at March 31, 2020. Borrowed capital amounted to PLN 1 010.9 million, of which 46.2% were non-current liabilities and provisions.

As at March 31, 2020, Orbis S.A. had liabilities under bond issues in the total amount of PLN 503.1 million (13.6% of equity and liabilities). The bonds mature in June 2020 and July 2021.

Since the implementation of IFRS 16, i.e. January 1, 2019, lease liabilities have been a significant item of the Company's statement of financial position. The total value of these liabilities as at the end of March 2020 was PLN 258.1 million, of which PLN 239.8 million were liabilities relating to rights of perpetual usufruct of land, PLN 17.5 million were liabilities under hotel and office leases, and PLN 0.9 million were liabilities under car leases. The following changes occurred in the balance of lease liabilities in the first quarter of 2020: accrued interest (PLN 3.1 million), repayment of instalments (PLN -2.7 million), balance sheet valuation of contracts in foreign currency (PLN 1.2 million), and adjustment of liabilities in connection with revaluation of payments for perpetual usufruct of land (PLN -6.9 million).

As at March 31, 2020, the Company's net debt, i.e. the surplus of financial liabilities (including finance lease liabilities) over cash totalled PLN 398.5 million, i.e. 14.8% of equity. In the periods presented, the Company did not have any debt on account of borrowings, while the value of undrawn overdraft facilities equalled PLN 20.0 million.

As at March 2020, income tax liabilities (19.7% of the sum total), trade liabilities (7.2% of the sum total) and other current liabilities (6.4%) were the largest items of the Group's current liabilities.

The CIT liability will be paid by the Company by the deadline extended by the Minister of Finance, i.e. by May 31, 2020.

Given the limited scale of operations since mid-March, the Company's trade liabilities are significantly lower at the end of 1Q 2020 as compared to the past periods and amount to PLN 39.1 million. In connection with the difficult financial condition, the Company has negotiated extensions of payment deadlines of these liabilities by as much as 2-3 months with its main contractors.

Other current liabilities of PLN 34.7 million comprise mainly tax and social security liabilities, accrued employee benefit costs and public-law imposts (including disputed fees for perpetual usufruct of land). The decrease in other current liabilities as compared to December and March 2019 is attributable to lower provisions for bonuses and unused holiday leaves and a significantly lower balance of provisions for disputed amounts of perpetual usufruct fees resulting from finalization of several proceedings for updating these fees over the past year.

In current liabilities, material changes compared to previous periods were also reported in liabilities associated with property, plant and equipment and contract liabilities.

The decline in liabilities associated with property, plant and equipment in the first quarter of 2020 as compared to the end of 2019 results predominantly from settlement of capital expenditure incurred for modernisation of the following hotels: the Novotel Szczecin hotel, the Novotel Kraków West City hotel, the ibis Warszawa Stare Miasto hotel, the Novotel Warszawa Centrum hotel, and construction of a new Tribe Kraków Stare Miasto hotel.

Contract liabilities include advance payments received and prepayments for the services to be provided to customers in the future. Considering the circumstances, some of these advance payments have been returned to the customers. The Company also offers customers the opportunity to change their reservations at no cost and to use their advance payments to pay for their stay at any time next year.

## 7.7 Statement of changes in equity

On March 31, 2020, equity amounted to PLN 2 689.7 million against PLN 2 699.4 million at the end of 2019.

The drop in the value of equity in the first quarter of 2020 results from the net loss of PLN 9.7 million.

## 7.8 Statement of cash flows

During the first three months of 2020, the net cash flows of Orbis S.A. amounted to PLN -1 087.1 million (PLN 34.9 million in the first quarter of 2019). Cash flows comprised:

- **Cash flows from operating activities**

The main reason for cash outflows from operating activities in the first quarter of 2020 was the curtailment of operations in March 2020, due to the outbreak of the COVID-19 pandemic, which resulted in a material decrease in revenue, and a negligible number of prepayments made by customers on account of hotel stays in the upcoming periods.

- **Cash flows from investing activities**

The principal reason behind the negative cash flows of PLN 1 051.3 million in the first quarter of 2020 was the grant to the parent company AccorInvest Group S.A. of a loan totalling PLN 1 020.0 million. Moreover, the Company incurred expenses of PLN 40.8 million for the construction of new hotels and modernisation of existing ones (for more information see Section 4.14). Inflows from investing activities occurred mainly due to the sale of property in Częstochowa (PLN 5.5 million) and interest on bank deposits (PLN 3.8 million).

In the first quarter of 2019 the Company had cash inflows from investing activities at PLN 1.9 million. They comprised proceeds of sale of the ibis budget Toruń hotel, non-hotel properties in Wrocław and Szczecin for a total amount of PLN 55.7 million, which exceeded the expenditures on the construction and modernization of hotels totalling PLN -54.5 million.

- **Cash flows from financing activities**

In the period of 3 months of 2020 Orbis S.A. generated negative cash flows from financing activities of PLN 5.6 million. In both periods they included the payment of interest on issued bonds (PLN -2.9 million) and lease payments, which amounted respectively to PLN 2.7 million in first quarter of 2020 and PLN 13.2 million in the comparable period of 2019. The difference in the amounts of lease payments results from deferral of deadlines for payment of perpetual usufruct fees in respect of land.

## **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, 59 Złota Street, 00-120 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. The Company was assigned number 000046640 in the National Waste Database [BDO].

#### **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, employing 2.4 thousand persons (average full-time equivalent employment). As at March 31, 2020, the Company operated a network of 46 hotels (9 326 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.

As at March 31, 2020, Orbis S.A. was the parent company of the Orbis Group. The structure of the Group is presented in Section 5.7 of these financial statements.

### **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 these financial statements.

### **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 these financial statements.

### **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 2019. The accounting policies have been consistently applied to all the years presented in the financial statements and did not change substantially.

## 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 Corporate Sp. z o.o.	directly 100.00%	directly 100.00%	Poland	tourism, transport, hotel and F&B services	cost	55	(55)	0
UAB Hekon	directly 100.00%	directly 100.00%	Lithuania	hotel and F&B services	cost	13 688	0	13 688
Katerinska Hotel s.r.o.	directly 100.00%	directly 100.00%	Czech Republic	hotel and F&B services	cost	279 260	0	279 260
Accor Pannonia Hotels Zrt.	directly 99.92%	directly 99.92%	Hungary	hotel and F&B services	cost	82 677	0	82 677
Accor Hotels Romania s.r.l.	directly 100.00%	directly 100.00%	Romania	hotel and F&B services	cost	91 804	0	91 804
<b>Total</b>						<b>467 484</b>	<b>(55)</b>	<b>467 429</b>

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

Investments in subsidiaries	% share of equity	% share of votes at the GM	Country of registration	Business operations
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 2020 there were no changes in investments in subsidiaries.

## 8.6 Borrowings

As at the end of each of the presented periods, the Company had no liabilities under borrowings.

The amount of undrawn credit lines under overdrafts of the Orbis as at March 31, 2020, was PLN 20.0 million

## 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 these financial statements.



## 8.8 Fair value of financial instruments

As at March 31, 2020, December 31, 2019 and as at March 31, 2019 all financial assets and liabilities of the Group are measured at amortized cost.

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, 2020		As at December 31, 2019		As at March 31, 2019	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>						
Cash and cash equivalents	362 692	362 692	1 440 349	1 440 349	394 357	394 357
Loans granted	1 021 444	1 021 444	0	0	180 213	180 213
Trade receivables and others current receivables	35 870	35 870	36 948	36 948	34 986	34 986
<b>Financial liabilities</b>						
Debt securities - bonds issued	503 077	495 000	502 436	505 470	502 779	504 520
Trade payables and other current and non-current liabilities	54 981	54 981	97 793	97 793	79 825	79 825

According to the Management Board, as at March 31, 2020, and December 31, 2019, and March 31, 2019, the carrying amount of financial instruments of the Company, with the exception of liabilities arising from issued bonds, was close to their fair value.

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

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

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

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

In 2020, the Group did not have any hedging relationships using derivative instruments.

## 8.9 Changes in estimates of amounts

### 8.9.1 Impairment of assets

Movements in impairment loss in 1Q 2020	Impairment loss on:		
	property, plant & equipment	investment in subsidiaries and other companies	receivables
<b>As at January 1, 2020</b>	<b>(20 189)</b>	<b>(57)</b>	<b>(2 441)</b>
Recognised impairment loss	0	0	(72)
Reversed impairment loss	0	0	70
Utilised impairment loss	0	2	6
Decrease in impairment losses in connection with sale/liquidation	2 473	0	0
Impairment loss not subject to reversal *	128	0	0
<b>As at March 31, 2020</b>	<b>(17 586)</b>	<b>(55)</b>	<b>(2 437)</b>

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

In the first quarter of 2020 and in 2019, no circumstances occurred in Orbis S.A. that would indicate a need to recognise impairment losses on inventories.

## 8.9.2 Provisions for liabilities

Movements in provisions in 1Q 2020	Provision for:			
	jubilee awards	retirement & disability benefits	litigations	restructuring
<b>As at January 1, 2020</b>	<b>18 007</b>	<b>8 879</b>	<b>879</b>	<b>556</b>
Provision recognised in the period	437	130	0	0
Provision reversed in the period	0	0	0	0
Provision utilised in the period	(437)	(130)	0	(217)
<b>As at March 31, 2020, of which:</b>	<b>18 007</b>	<b>8 879</b>	<b>879</b>	<b>339</b>
Short-term provisions	1 662	1 733	879	339
Long-term provisions	16 345	7 146	0	0

## 8.10 Deferred tax assets and liabilities

Deferred tax	As at:		Impact on statement of comprehensive income
	March 31, 2020	December 31, 2019	
Deferred tax assets	101 158	99 041	2 117
Deferred tax liabilities	(51 347)	(53 188)	1 841
<b>Total:</b>	<b>49 811</b>	<b>45 853</b>	<b>3 958</b>
impact on profit or loss			3 958

## 8.11 Legal claims

Description of major litigations pending before courts, arbitration or public administration bodies is provided in Section 5.16 of these financial statements.

## 8.12 Related party transactions

Within the meaning of IAS 24, parties related to the Company include members of the managing and supervising staff and close members of their families, subsidiaries and associates, as well as the parent company and its related parties. Until March 11, 2020, the parent company of Orbis S.A. was Accor S.A., while since March 11, it has been replaced by AccorInvest Group S.A.

In all periods presented in these statements, there were no other transactions between Orbis S.A. and its related parties than transactions concluded on an arm's length basis.

In the first quarter of 2020, the loan of PLN 1 020 million, granted by Orbis S.A. to AccorInvest Group S.A. in March was a material transaction with a related party.

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, 2020 and 2019, amounted to PLN 1 371.9 thousand and PLN 1 482.6 thousand, respectively. The difference in the amount of benefits paid in the first quarter of 2020 versus the comparable period of last year results from the termination of employment by Mr Marcin Szewczykowski due to his resignation from the function of a Management Board Member, submitted on August 19, 2019.

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

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

### **8.13 Important events after the end of the reporting period**

A description of important events after the end of the reporting period is provided in Section 5.18 to these financial statements.

## APPENDIX 1: OPERATING RATIOS OF THE ORBIS GROUP

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

Operating ratios of owned hotels by operating segment	1st quarter of 2020	1st quarter of 2019	change (%)	1st quarter of 2020	1st quarter of 2019	change (%)
	as reported			like-for-like		
Orbis Hotel Group						
Occupancy Rate (%)	46.4	61.4	-15.0 p.p.	46.4	61.7	-15.3 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	232.2	226.5	2.5%	233.0	227.2	2.6%
Revenue per Available Room (RevPAR) in PLN	107.7	139.1	-22.6%	108.2	140.1	-22.8%
Economy Hotels						
Occupancy Rate (%)	46.8	60.9	-14.1 p.p.	47.0	61.6	-14.6 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	167.6	160.8	4.2%	167.9	161.5	4.0%
Revenue per Available Room (RevPAR) in PLN	78.4	97.9	-19.9%	78.9	99.5	-20.7%
Up & Midscale Hotels (3 stars and more)						
Occupancy Rate (%)	46.1	61.7	-15.6 p.p.	46.1	61.7	-15.6 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	272.6	265.7	2.6%	272.6	265.7	2.6%
Revenue per Available Room (RevPAR) in PLN	125.6	164.0	-23.4%	125.6	164.0	-23.4%

Operating ratios of owned hotels by geographical segment	1st quarter of 2020	1st quarter of 2019	change (%)	1st quarter of 2020	1st quarter of 2019	change (%)
	as reported			like-for-like		
Poland						
Occupancy Rate (%)	46.5	62.1	-15.6 p.p.	46.5	62.2	-15.7 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	232.1	228.3	1.7%	232.1	228.8	1.4%
Revenue per Available Room (RevPAR) in PLN	108.0	141.7	-23.8%	108.0	142.3	-24.1%
Hungary						
Occupancy Rate (%)	46.5	59.4	-12.9 p.p.	46.9	59.4	-12.5 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	231.0	210.9	9.5%	234.9	210.9	11.4%
Revenue per Available Room (RevPAR) in PLN	107.5	125.2	-14.1%	110.1	125.2	-12.1%
Czech Republic						
Occupancy Rate (%)	44.2	63.5	-19.3 p.p.	44.2	63.5	-19.3 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	227.0	227.1	0.0%	227.0	227.1	0.0%
Revenue per Available Room (RevPAR) in PLN	100.3	144.3	-30.5%	100.3	144.3	-30.5%
Other countries						
Occupancy Rate (%)	46.8	58.6	-11.8 p.p.	46.8	61.1	-14.3 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	242.5	248.7	-2.5%	242.5	256.0	-5.3%
Revenue per Available Room (RevPAR) in PLN	113.5	145.7	-22.1%	113.5	156.5	-27.5%

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

## 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.

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

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

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

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

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

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

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

SIGNATURES OF ALL MEMBERS OF THE MANAGEMENT BOARD

Date	Name and surname	Position/Function	Signature
May 15, 2020	Gilles Stephane Clavie	President of the Management Board	
May 15, 2020	Ireneusz Andrzej Węglowski	Vice-President of the Management Board	
May 15, 2020	Dominik Sołtysik	Member of the Management Board	