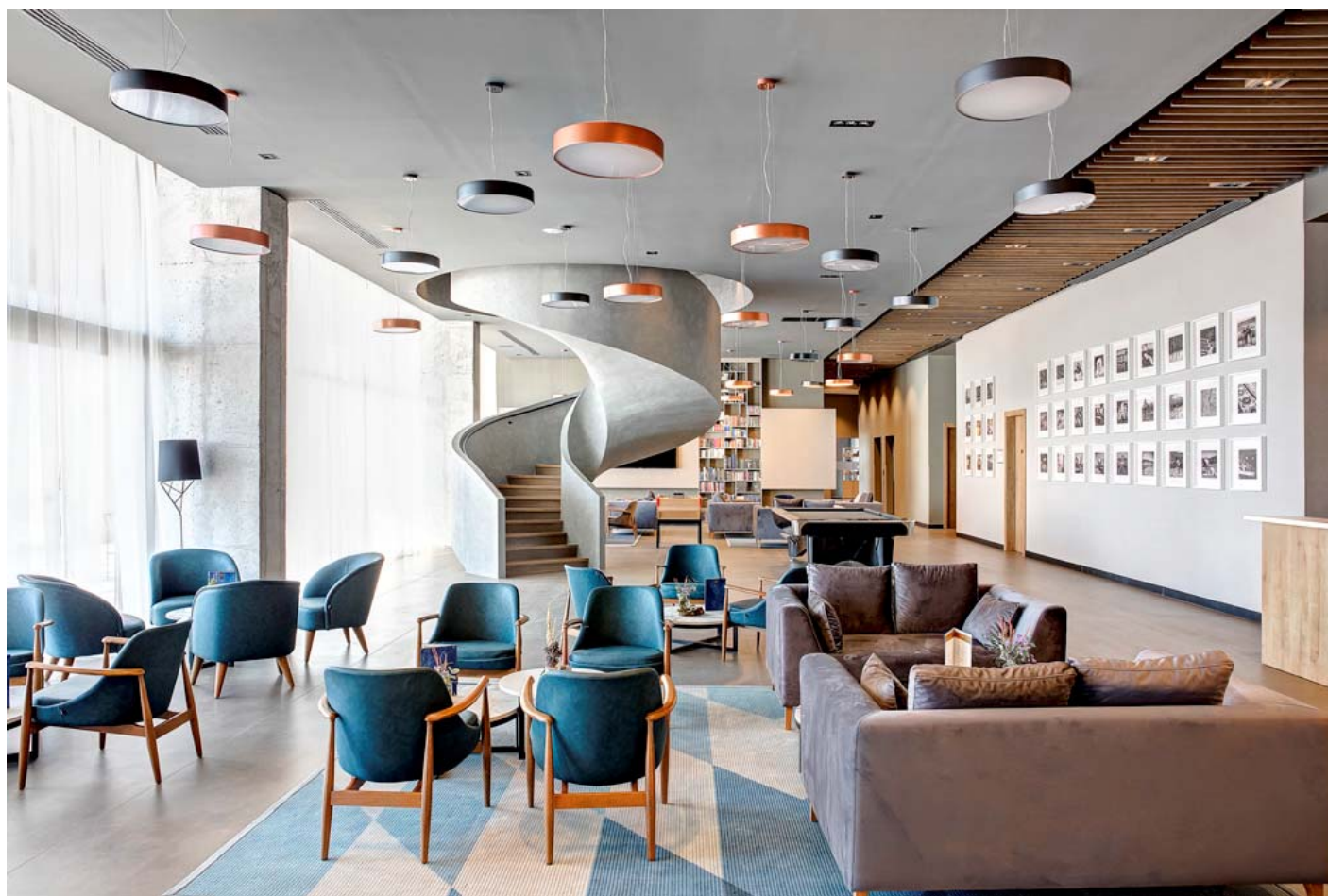




Orbis Group and Orbis S.A.

DIRECTORS' REPORT ON THE OPERATIONS FOR 2017



This Directors' Report on the Operations of the Orbis Group and Orbis S.A. for 2017 has been prepared in accordance with §91 and §92 of the Regulation of the Minister of Finance dated February 19, 2009, on current and periodic information published by issuers of securities and conditions for recognizing as equivalent the information required by laws of a non-member state (official journal "Dz.U." 2014, item 133).

According to §83.7 of the above Regulation, further amended by the Regulation of the Minister of Finance dated May 25, 2016, the Directors' Report on the Operations of the Orbis Group for 2017 and Directors' Report on the Operations of Orbis S.A. 2017 have been compiled in a single document.

Consolidated data is presented throughout this Report except Section 4 which contains financial information relating to Orbis S.A. for 2017. Given that Orbis S.A. is the parent company of the Group, the greater part of information contained in the remaining sections of the Report also apply to the business of Orbis S.A. Therefore, in order to fully comprehend the business of Orbis S.A., it is recommended to read the entire Report.

Table of Contents

1	PRESENTATION OF THE ORBIS GROUP	5
1.1	ORBIS GROUP AT A GLANCE	5
1.2	STRUCTURE OF THE ORBIS GROUP AND ITS CHANGES	9
1.3	COMPANIES OF THE ORBIS GROUP	11
1.4	HOTEL PORTFOLIO OF THE ORBIS GROUP	12
1.5	DIRECTIONS OF THE ORBIS GROUP'S DEVELOPMENT	14
2	FACTORS IMPACTING THE GROUP'S OPERATIONS	17
2.1	MACROECONOMIC ENVIRONMENT	17
2.2	HOTEL MARKET – POSITIVE TRENDS	19
2.3	RISK AREAS	19
2.4	THE NON-FINANCIAL REPORT	21
2.5	FACTORS TO AFFECT THE ORBIS HOTEL GROUP'S OPERATIONS IN 2018	21
3	FINANCIAL RESULTS OF ORBIS GROUP	25
3.1	MAJOR EVENTS OF 2017	25
3.2	FINANCIAL RESULTS OF THE ORBIS GROUP	27
3.3	FINANCIAL RESULTS ACROSS GEOGRAPHICAL SEGMENTS	30
3.4	FINANCIAL RESULTS PER OPERATING SEGMENTS	33
3.5	STATEMENT OF FINANCIAL POSITION	35
3.6	STATEMENT OF CHANGES IN EQUITY	37
3.7	STATEMENT OF CASH FLOWS	37
3.8	CAPITAL EXPENDITURE	39
3.9	RATIO ANALYSIS OF THE FINANCIAL STATEMENTS	41
3.10	ASSESSMENT OF DIVERGENCE BETWEEN ESTIMATES AND GENERATED RESULTS	41
4	FINANCIAL RESULTS OF ORBIS S.A.	43
4.1	FACTORS AFFECTING RESULTS	43
4.2	INCOME STATEMENT	44
4.3	STATEMENT OF FINANCIAL POSITION	45
4.4	STATEMENT OF CHANGES IN EQUITY	47
4.5	STATEMENT OF CASH FLOWS	48
4.6	LOANS GRANTED	49
4.7	BONDS ISSUE	50
4.8	RATIO ANALYSIS OF THE ORBIS S.A. FINANCIAL STATEMENTS	51
5	ORBIS S.A. SHARES	53
5.1	SHARE PRICE	53
5.2	SHAREHOLDER STRUCTURE	53
5.3	DIVIDENDS PAID	55
5.4	INVESTOR RELATIONS	55
6	CORPORATE GOVERNANCE DECLARATION	58
6.1	PRINCIPLES OF CORPORATE GOVERNANCE APPLICABLE TO ORBIS S.A.	58
6.2	PRINCIPLES OF CORPORATE GOVERNANCE NOT APPLIED BY ORBIS S.A.	58
6.3	INTERNAL CONTROL AND RISK MANAGEMENT IN THE PROCESS OF FINANCIAL STATEMENTS COMPILATION	60
6.4	SHAREHOLDERS OF MAJOR BLOCKS OF ORBIS S.A. SHARES	61
6.5	SPECIAL CONTROLLING POWERS OF SECURITIES' HOLDERS	61
6.6	SHAREHOLDER RESTRICTIONS ON EXERCISE OF VOTING RIGHTS OR SECURITIES' TRANSFER	61
6.7	RULES OF APPOINTMENT AND RECALLING MANAGEMENT BOARD MEMBERS AND THEIR POWERS	61
6.8	PRINCIPLES OF MODIFYING THE ORBIS S.A. STATUTES	63
6.9	DESCRIPTION OF THE GENERAL MEETING OF SHAREHOLDERS, ITS BASIC POWERS, SHAREHOLDER RIGHTS AND THEIR EXERCISE	63

6.10	COMPOSITION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD, THEIR CHANGES AND COMMITTEES	64
6.11	DESCRIPTION OF OPERATIONS OF THE MANAGEMENT BOARD, THE SUPERVISORY BOARD AND THE COMMITTEES	65
6.12	DIVERSITY POLICY	67
6.13	INFORMATION ON SPONSORSHIP, CHARITY AND OTHER SIMILAR ACTIVITIES OF ORBIS S.A.	68
7	ADDITIONAL INFORMATION	71
7.1	HUMAN RESOURCES	71
7.2	ENTITY AUTHORISED TO AUDIT THE FINANCIAL STATEMENTS	72
7.3	LEGAL CLAIMS	72
7.4	RELATED PARTY TRANSACTIONS	72
7.5	CONTINGENT ASSETS AND LIABILITIES	73
7.6	EVENTS AFTER THE END OF THE REPORTING PERIOD	73
	APPENDIX 1: OPERATING RATIOS OF THE ORBIS GROUP	74
	OWNED HOTELS	74
	MANAGED AND FRANCHISED HOTELS	76
	APPENDIX 2: GLOSSARY OF TERMS	78

PRESENTATION OF THE ORBIS GROUP



MGallery Praha
Old Town

Orbis
Hotel Group

SOFITEL

PULLMAN

M
GALLERY

NOVOTEL

Mercure

adagio

ibis

ibis
STYLES

ibis
budget

1 PRESENTATION OF THE ORBIS GROUP

1.1 Orbis Group at a Glance

“Our ambition is to strengthen our position as the leading, best performing and valued hospitality Group in Eastern Europe”

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

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

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

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

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

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

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

Our business model

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

Upscale and luxury hotels

SOFITEL
HOTELS & RESORTS

PULLMAN
HOTELS AND RESORTS



Midscale hotels

NOVOTEL
HOTELS & RESORTS

adagio

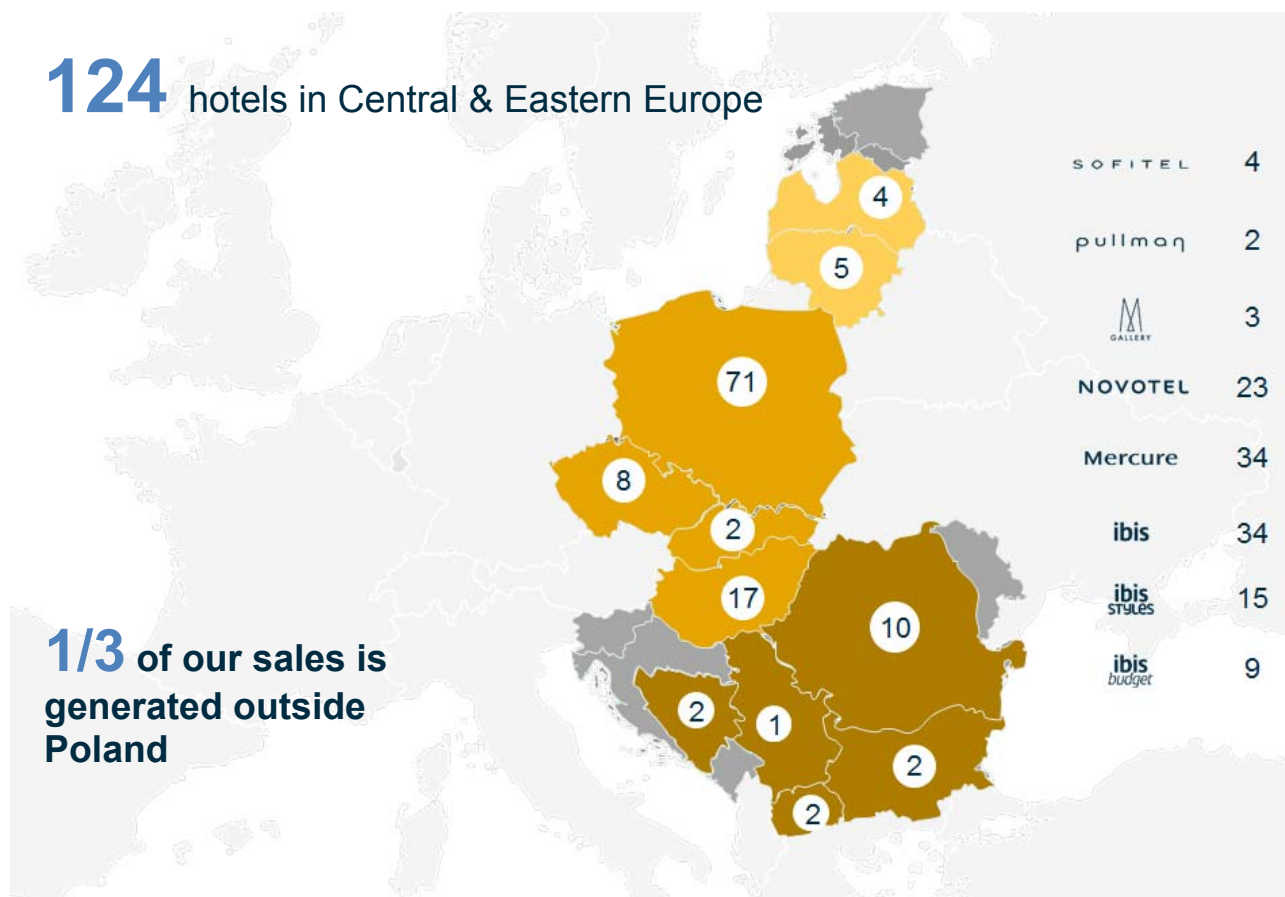
Mercure
HOTELS

Economy hotels



Our markets

Orbis Group is the largest hotel operator in Eastern Europe, operating in 11 countries with a potential to expand into further 5 countries of the region. We are the sole licensor of Accorhotels brands in 16 countries including Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Macedonia, Moldova, Montenegro, Poland, Romania, Serbia, Slovakia and Slovenia.



Highlights of 2017

PLN 1 458.1 m (+5.4%)
net sales

PLN 286.6 m (+11.4%)
profit before tax

9.2% RevPAR growth

Financial performance is discussed on pages 24-41 of this Report.

Our brands



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

Authentic luxury hotels with a French soul

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



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

Connecting performance with enjoyment

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



**In the Orbis Group: 3 hotels,
320 rooms**

Luxury boutique hotels, inspired and generous

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



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

Modern Easy Living

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



**In the Orbis Group: 34 hotels,
5.6 thousand rooms**

In harmony with people and places

International midscale non-standardised brand.

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



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

The place to stay in major city centres

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



**In the Orbis Group: 34 hotels,
5.1 thousand rooms**

Well-being at the best price

European leader in the economy hotel segment.

Standardised brand. Modern rooms furnished with comfortable beds. A wide selection of restaurants of different styles. Focus on the quality.



**In the Orbis Group: 15 hotels,
1.5 thousand rooms**

Comfort, unique design, all inclusive

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



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

Essential comfort at a budget price

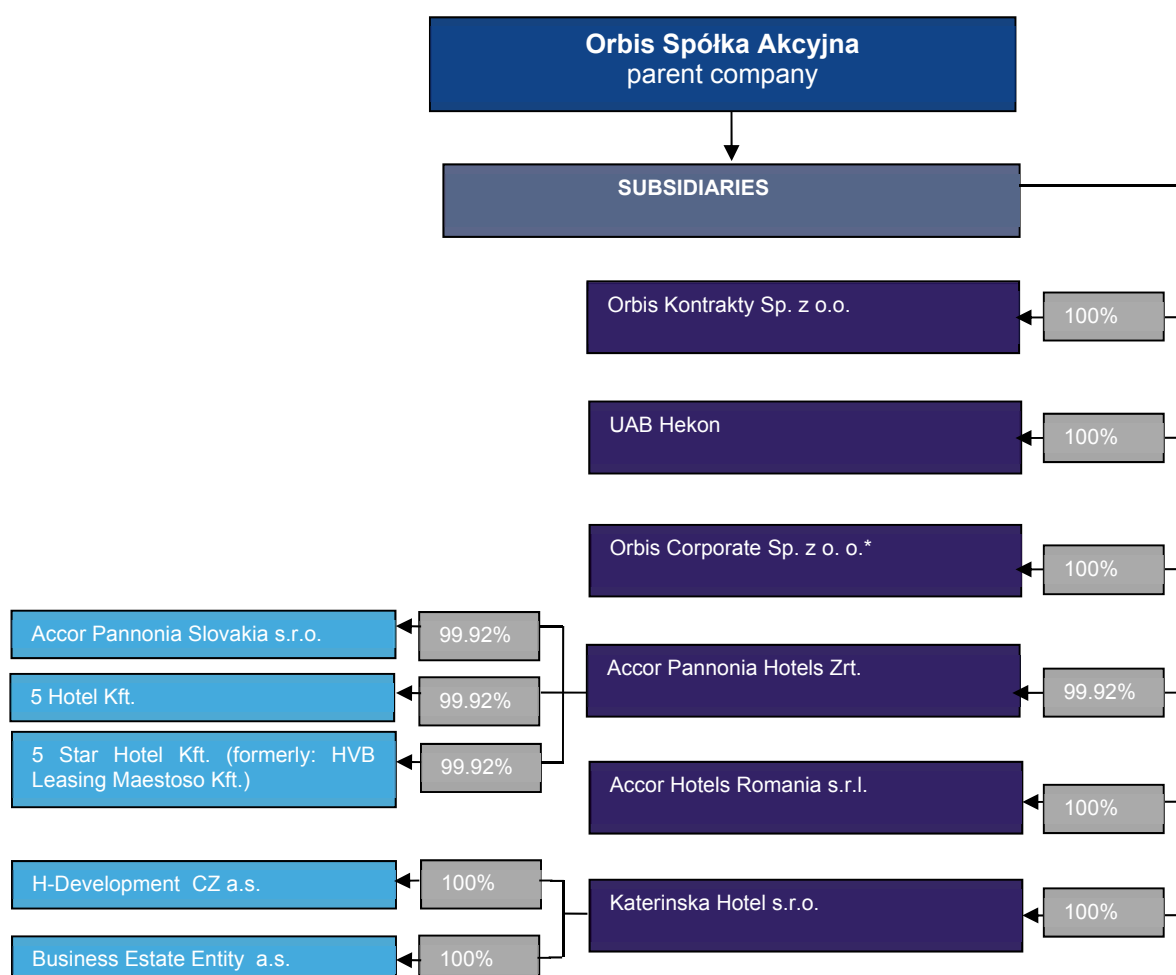
International standardised brand. Modern, simple design. Comfortable *Cocoon* rooms for 1-3 persons with shower and flat screen TV, Wi-Fi network and all-you-can-eat self-service breakfast buffet.

1.2 Structure of the Orbis Group and its Changes

The parent company of the Orbis Group is Orbis S.A. with its registered address in Warsaw, at 16 Bracka Street, Warsaw, 00-028. The Company was established in the course of transformation of the State-Owned Enterprise Orbis (Przedsiębiorstwo Państwowe Orbis) on the basis of the Act of July 13, 1990, on Privatisation of State-Owned Enterprises (Official Journal "Dz.U." of 1990, No. 51 item 298, as further amended). On December 17, 1990, a notary's deed of transformation of the State-Owned Company Orbis into a single-shareholder company of the State Treasury was drafted (Notary's Deed Rep. A No. 1882/90). On January 9, 1991, the District Court for the Capital City of Warsaw, XVI Commercial Division, issued a decision on entering Orbis Spółka Akcyjna in the Commercial Register (RHB 25134). On June 28, 2001, the District Court for the Capital City of Warsaw, XIX Commercial Division of the National Court Register, entered Orbis Spółka Akcyjna in the Register of Business Operators.

Orbis Spółka Akcyjna is registered under the number KRS 0000022622 in the District Court for the Capital City of Warsaw, presently XII Commercial Division of the National Court Register (KRS).

On December 31, 2017, the structure of the Orbis Group was as follows:



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

The information concerning operations of Orbis Group companies is presented in Section 1.3 of this Report.

Changes in the structure of the Orbis Group

The following changes in the structure of the Orbis Group took place in 2017:

Company mergers

On January 1, 2017, a merger of subsidiaries, i.e. Katerinska Hotel s.r.o. (merging company) with Nový Smíchov Gate a.s. (merged company) took place. As at that day, Katerinska Hotel s.r.o. took over the rights and obligations of Nový Smíchov Gate a.s., which was removed from the register of companies.

Companies' acquisition

On January 2, 2017, the subsidiary Accor Pannonia Hotels Zrt. acquired from Erste Group Immorent Holding GmbH with its registered address in Vienna and Subholding Immorent GmbH with its registered address in Vienna a stake representing 100% of the share capital in 5 Hotel Kft. with its registered address in Budapest.

Moreover, on May 29, 2017, the subsidiary Accor Pannonia Hotels Zrt. executed with Universale International Realitäten GmbH with its registered address in Vienna an agreement for the purchase of 100% stake in HVB Leasing Maestoso Kft. with its registered address in Budapest. Following this acquisition, HVB Leasing Maestoso Kft. was renamed 5 Star Hotel Kft.

1.3 Companies of the Orbis Group

Operations in Poland

In Poland the hotel business is conducted by Orbis S.A.

As at December 31, 2017, the Group had 71 hotels with a total of 12 142 rooms on the Polish market. Cities with the largest number of hotels included:

- Warsaw – 12 hotels
- Wrocław – 8 hotels
- Kraków – 7 hotels

Moreover, the company Orbis Kontrakty Sp. z o.o. operates on the Polish market and handles the organisation of purchasing for the Group's hotels.

Operations in Hungary

In Hungary, the Orbis Group has three subsidiaries:

- Accor Pannonia Hotels Zrt.
- 5 Hotel Kft.
- 5 Star Hotel Kft. (formerly: HVB Leasing Maestoso Kft.)

The first of these companies is a hotel operator, operating 17 hotels with 3 270 rooms, including 14 hotels in Budapest as at December 31, 2017.

The remaining two companies, acquired in 2017 by Accor Pannonia Hotels Zrt., are owners of hotel properties, which until the acquisition date were leased by the Hungarian subsidiary Accor Pannonia Hotels Zrt.

Operations in the Czech Republic

In the Czech Republic, the Orbis Group has three subsidiaries:

- Katerinska Hotels s.r.o.,
- H-DEVELOPMENT CZ a.s.,
- Business Estate Entity a.s.,

Until January 1, 2017, the Group also included the company Nový Smíchov Gate a.s., which merged with Katerinska Hotels s.r.o.

The first of these companies is a hotel operator, the other two are involved in real property rental and administration.

As at December 31, 2017, the Group had 8 hotels with 1 351 rooms on the Czech market. Five hotels operate in Prague.

Operations in other countries

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

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

As at December 31, 2017, the network of Orbis hotels located in other countries of the region comprised:

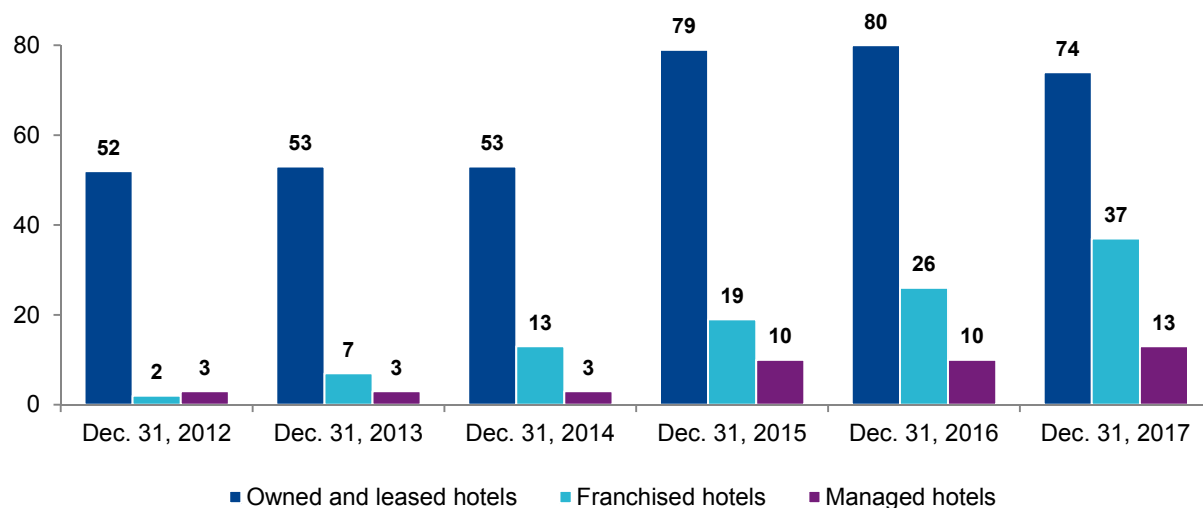
- Romania: ten hotels offering 1 554 rooms in total. Six of them, including a Pullman hotel, operated in Bucharest.
- Lithuania: five hotels, including two in Vilnius, with a total of 567 rooms.
- Latvia: four hotels in Riga, with 498 rooms in aggregate.
- Bulgaria: two hotels in Sofia, with 262 rooms.
- Slovakia: two hotels located in Bratislava, with a total of 295 rooms.
- Macedonia: two hotels in Skopje, with 157 rooms.
- Serbia: one hotel in Belgrade with 73 rooms.
- Bosnia and Hercegovina: two hotels with 251 rooms, including one hotel in Sarajevo.

The financial performance and operating ratios in individual countries are presented in Section 3.3.

1.4 Hotel Portfolio of the Orbis Group

The Orbis Group is the largest hotel operator in Poland and in the Central & Eastern Europe. At the end of December 2017, the Group's network comprised a total of 124 hotels with nearly 20.4 thousand rooms. The majority of these hotels (71 hotels) operate in Poland.

Number of hotels of the Orbis Group



Hotel portfolio of the Orbis Group	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017/ Dec. 31, 2016
Number of hotels, of which:	124	116	6.9%
Owned and leased hotels	74	80	-7.5%
Managed hotels	13	10	30.0%
Franchised hotels	37	26	42.3%
Number of rooms, of which in:	20 420	19 741	3.4%
Owned and leased hotels	14 527	15 312	-5.1%
Managed hotels	1 791	1 571	14.0%
Franchised hotels	4 102	2 858	43.5%

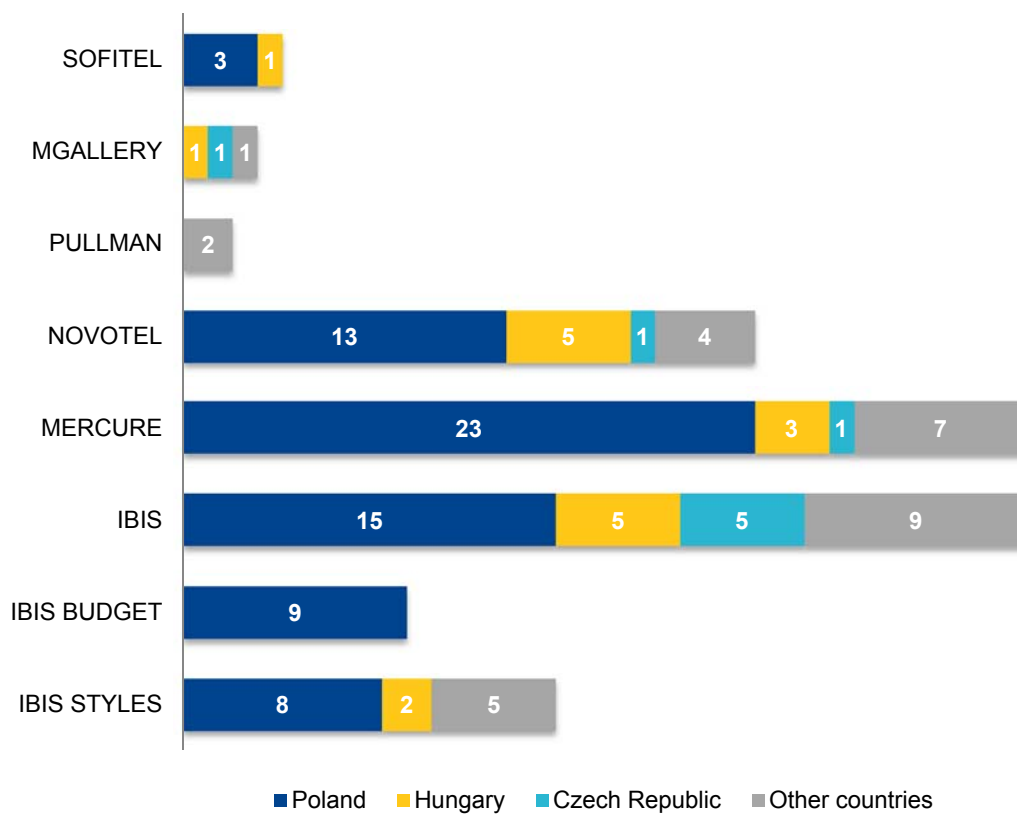
Change in the number of owned and franchised hotels during 2017 is the result of sale and franchise-back transactions relating to the following hotels:

- Mercure Częstochowa Centrum (launch of operations as a franchised hotel as of February 2017),
- ibis Częstochowa (launch of operations as a franchised hotel as of February 2017),
- Mercure Jelenia Góra (launch of operations as a franchised hotel as of April 2017),
- Mercure Karpacz Resort (launch of operations as a franchised hotel as of April 2017),
- Mercure Toruń (launch of operations as a franchised hotel as of October 2017),
- ibis Zabrze (launch of operations as a franchised hotel as of October 2017).

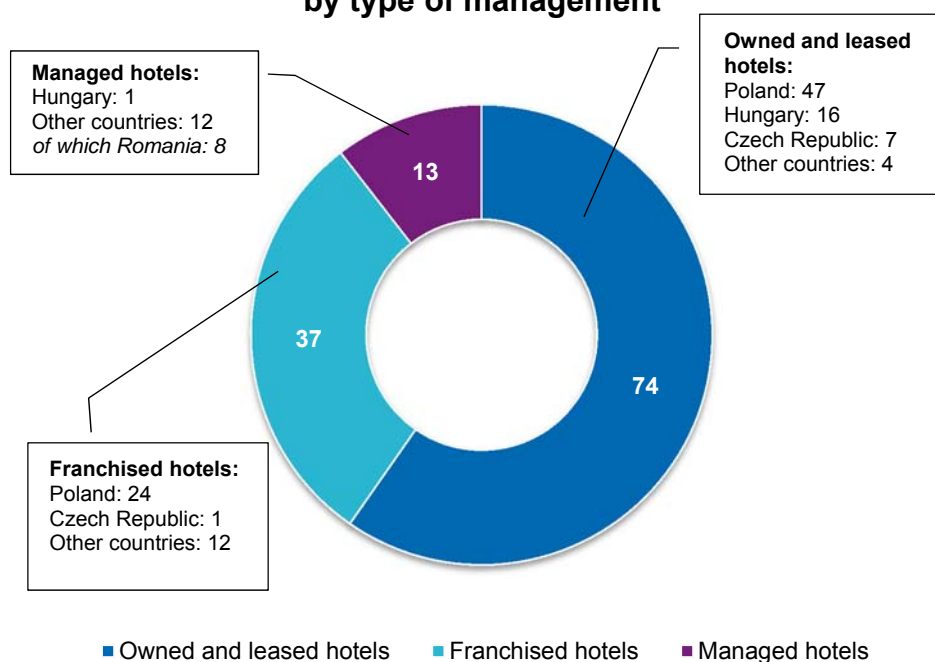
and opening of 5 franchised hotels, i.e. the ibis Styles hotel in Grudziądz in April 2017, the Novotel Sarajevo in Bosnia and Herzegovina in September 2017, ibis Styles Skopje in Macedonia and MGallery Tarcin Forest Resort in Bosnia and Herzegovina in November and ibis Styles Arad in Romania in December 2017.

On the other hand, the increase in the number of managed hotels results from the opening, in September 2017, of two new hotels, the Mercure Sighisoara Binderbubi in Romania and the Mercure Belgrade Excelsior in Serbia and in October 2017 hotel Mercure Bucharest in Romania.

Number of hotels in the Orbis Group per brand



Number of hotels in the Orbis Group by type of management



1.5 Directions of the Orbis Group's Development

A diversified portfolio of brands, from economy to luxury, boosts our growth on the attractive Eastern European market. The dynamic development of the Orbis Group results directly from the pursuance of key objectives of the Group's strategy. The strategy is founded on three basic pillars:

- Focus on advancement of operating performance:
 - ▶ Growing RevPAR
 - ▶ Maximised EBITDAR margin
- Allocation of capital to the most promising markets and brands.
- Responding to our guests' needs and building our success on talented employees. We are a CSR trendsetter in the hospitality industry.

Only full achievement of each of the above goals, coupled with a dynamic expansion in the region, determines the Group's ability to generate higher and higher value for our shareholders.

Master Licence Agreement in countries of the Eastern Europe: a new era in the Group's development

The takeover of 38 hotels in the Central and Eastern Europe in 2015 was perfectly in line with the Group's strategy and has contributed to the Group's growth in the region gathering momentum. Orbis has significantly expanded the scale of its operations from less than 70 hotels located mainly in Poland and partly in the Baltic States at the end of 2014 to 124 hotels across Eastern Europe at the end of 2017. Based on the Master Licence Agreement, the Orbis Group has the right to operate hotels under AccorHotels brands in 16 countries until 2035, i.e. in Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Macedonia, Moldova, Montenegro, Poland, Romania, Serbia, Slovakia and Slovenia. Orbis will hold this right on an exclusive basis for at least 10 years.

Direction: optimisation of capital employed

In line with the adopted strategy, the Orbis Group expands by both entering into franchise and management agreements and by deploying own investment projects in business hubs and capital cities of the Eastern Europe. Presently, the Orbis network comprises 124 hotels that operate in 11 countries of Eastern Europe. As the sole licensor of all AccorHotels brands in 16 countries of the region, Orbis has a great potential to expand further, including markets in 5 countries where AccorHotels brands are not present yet.

As envisaged in its development plans, Orbis monitors potential projects in terms of maximising return on investment, focusing on key geographical locations, mainly in city centres. At the same time, the Group considers transactions of sale of assets of least significance for the Group with an aim to accelerate the development based on highly profitable investments in own hotels.

The expansion of the hotel network through own investment projects and optimisation of the structure of assets, also in terms of type of ownership, creates a need to secure proper sources of financing and maintain debt at a safe level at the same time.

Direction: operational excellence

The cornerstone to the Orbis Group's success is its striving for operational excellence by putting in place a business management model based on innovative, effective and practical solutions. Thanks to its ability to understand guests' expectations as regards services provided by the hotels, Orbis focuses its efforts on perfecting major areas of its business, all while putting guests' needs in the focus of its attention.

Whilst striving for operational excellence, the Orbis Group not only modernises its hotel portfolio but also implements state-of-the-art solutions in all areas of its operations. Operating on numerous markets, the Orbis Group achieves synergy in terms of:

- Service personalization, which is the key to meeting guests' expectations (Top Line 360);
- Deployment of modern technologies and integration with the innovation ecosystem (selected partnerships with The Heart startupflow, Kadromierz),
- Promoting loyalty programmes, such as Le Club AccorHotels, the programme with over 1 million members in Eastern Europe (Le Club AccorHotels is a 100% Internet-based programme with all the benefits available on-line; each member may manage his/her preferences, check bookings, select rewards and take advantage of personalised offers at preferential prices),

- Implementing best practices and solutions in the area of Revenue Management, joint order management system, reporting system and internal control system,
- Promoting the latest F&B concepts (Orbis has innovated the WineStone, NOVO² and wiseCafe restaurant networks, concepts based on dynamically evolving trends in interior design and menu).

Direction: CSR leader in the region

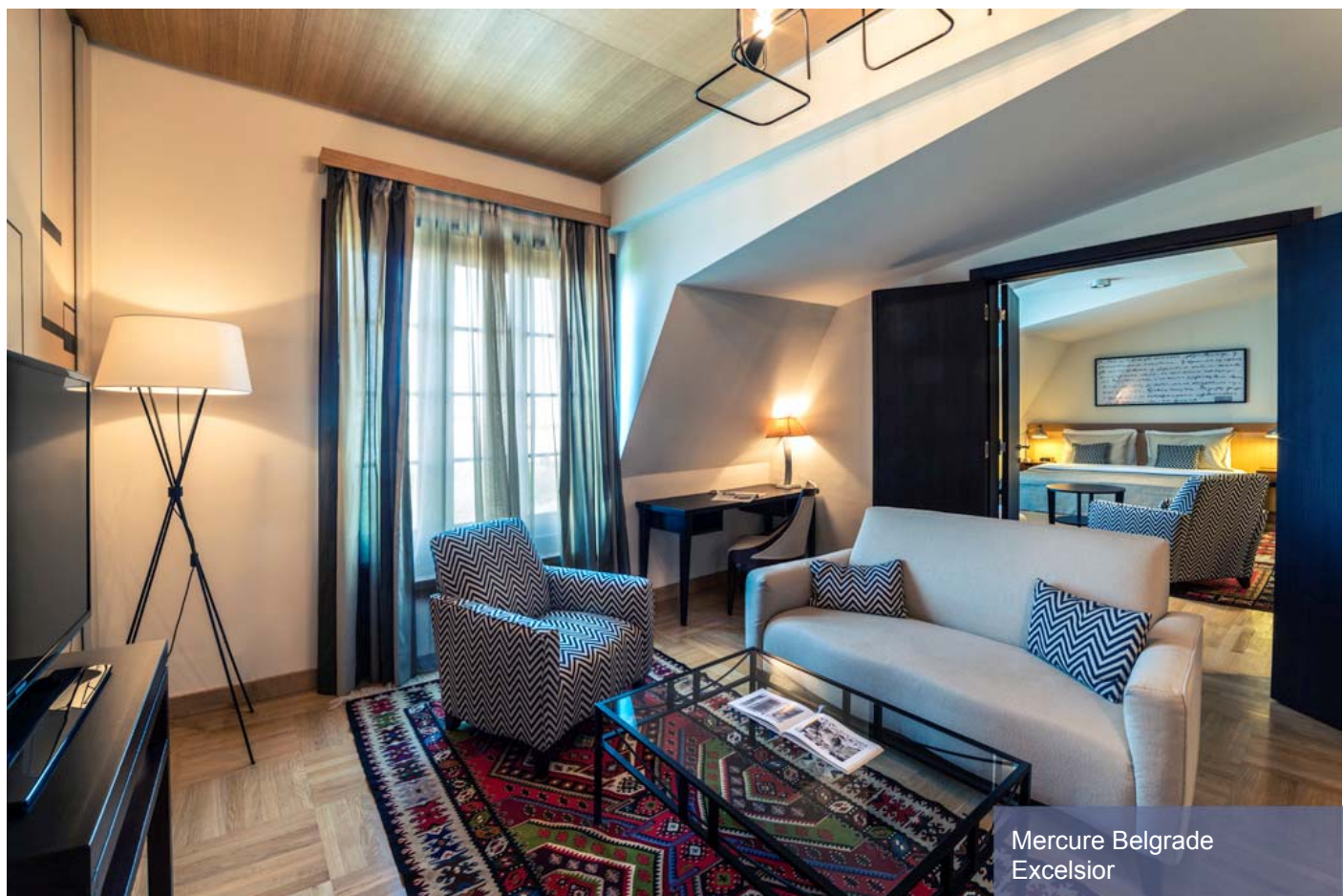
As the leader of the hospitality sector in Eastern Europe, Orbis aspires to be a trendsetter in sustainable development and ethics in the hotel market in this region.

Managing diversity of employees who act as the Group's Ambassadors on a daily basis, streamlining consumption of energy and water, green investments, taking major social initiatives in Poland such as protection of children against abuse and effective, long-term assistance for young people at risk of social exclusion are just a few examples proving that "sustainable development" and "ethics" are not groundless declarations of Orbis.

"Planet 21" is a key programme implemented in the Orbis Group hotels, while "the Ethics & CSR Charter" offers guidelines and principles concerning the development of desired attitudes stemming from ethical values applicable in the Group. The objective of the Charter is to set out principles of cooperation both within the Group and in its relations with key stakeholders.

Presently, sustainable development and observance of principles of ethics in pursued business determine the development of companies, and the non-financial perspective is gaining on significance. Orbis' stakeholders, starting from employees, through shareholders, and ending with business partners, analysts and customers, expect transparency and reliability that Orbis wishes to deliver.

FACTORS IMPACTING THE GROUP'S OPERATIONS



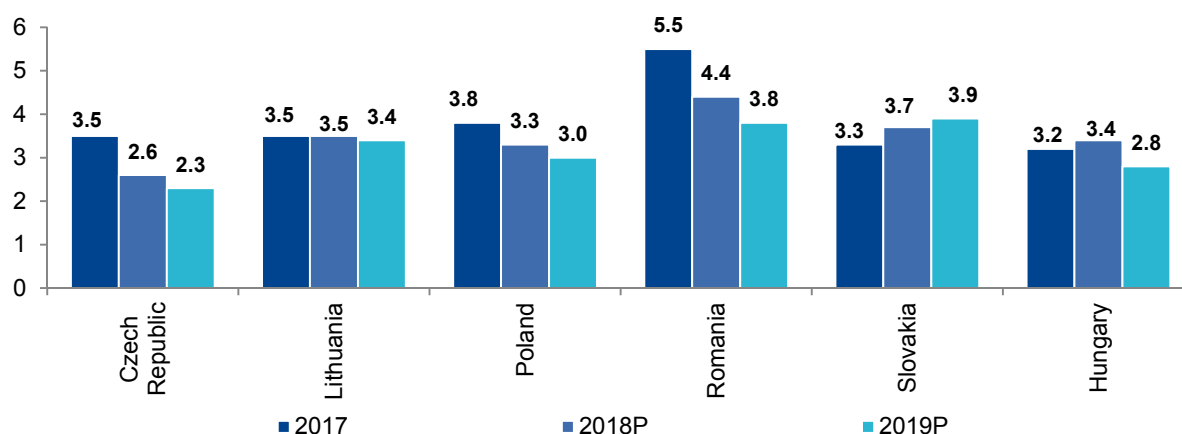
2 FACTORS IMPACTING THE GROUP'S OPERATIONS

2.1 Macroeconomic Environment

Economic revival

Despite political uncertainty, in 2017 the economy of Central and Eastern Europe moved forward and is expected to continue to grow at a high rate. According to the International Monetary Fund, the GDP of the region where Orbis operates grew by an average of 3.5% in 2017, that is by 0.7 pp more than in 2016. The expansive fiscal policy, good sentiment at the financial markets and a dynamic condition of the labour market contributed to substantial expenditures across the region. Private consumption growth rate is estimated to be the highest level since over a decade. In addition, strong inflows of EU development funds and low interest rates resulted in an investment rebound, while rapid growth in the Euroland, an important trading partner, has boosted exports. The condition of the economy in the coming months may be influenced by the migration policy of EU Member States and the ongoing Brexit negotiations.

GDP growth projection in years 2017, 2018 and 2019 (% change)



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

High turnover of the manufacturing sector in Poland and in the region

The PMI index that measures the economic trend remains significantly above 50 points. In Poland the PMI index was at 55.0 at the end of 2017. Additionally, on the key markets for Orbis in the Czech Republic and Hungary, the PMI index remains well closely to 60 points (at 59.8 and 60.0, respectively), indicating a major increase in industrial turnover. The revival has been fuelled by the inflow of export contracts as a result of trend improvement in Europe (the PMI index in Euroland rose to 60.6 in December).

Improvement in the labour market

The labour market in 2017 posed a challenge for employers of almost all the sectors of the economy. In the majority of countries in the region, a clear decline in the unemployment rate was observable as compared to the corresponding period of the past year, which translated into single-digit rates of unemployment in most countries of the Central and Eastern Europe. The unemployment rate in some economies has reached their historical bottom levels in most countries of Central and Eastern Europe (i.e. in Poland – 6.5%, the Czech Republic – 3.8%, Romania – 4.0% and Hungary – 3.8%). Due to low unemployment and staff shortages, employers must increase salaries to attract and retain employees. To date, the cost of labour was partially halted by, inter alia, an inflow of employees from Ukraine.

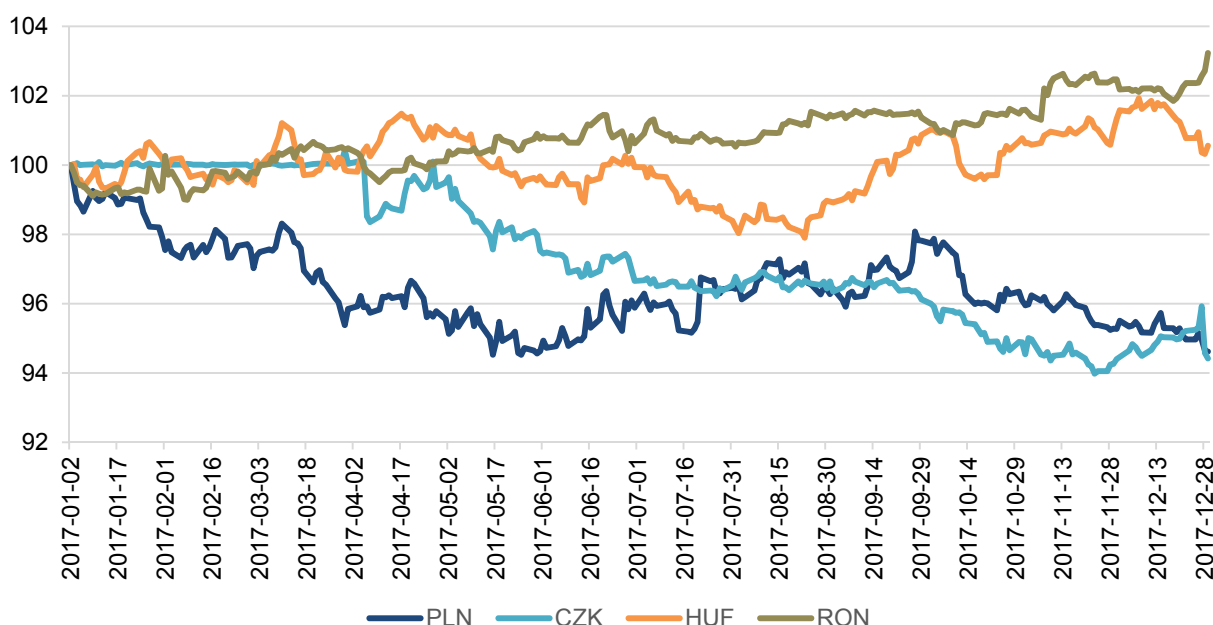
Inflation at a stable level

In the first half of the year, the inflation in the Eastern Europe region remained at a low level, below 2% on average. The inflationary pressure increased towards the end of the year due to rising commodity prices and very strong consumption in the region. In January 2018, the Central Bank of Romania raised interest rates for the first time in a decade. The inflation rate in Poland at the year-end stabilised at 2.1% below the inflation target (2.5%). Likewise low CPI levels were reported in Hungary and the Czech Republic, respectively 1.1% and 2.4%. Economic growth and higher commodity prices will be fuelling the inflationary pressures in 2018.

Currency appreciation against EUR

The strong economy in the Central European countries has had a positive impact on the currencies of the region. At the end of the year, majority of currencies in the countries where Orbis operates strengthened against EUR. The Polish zloty and the Czech koruna reported the largest decreases against EUR, i.e. -5%. At the end of 2017, the PLN/EUR rate fluctuated around PLN 4.20 and the CZK/EUR rate around CZK 25.60. Other currencies' fluctuations were not significant.

Currency quotations against EUR
(rates as at z January 1, 2017 = 100,0%)



Source: Thomson Reuters

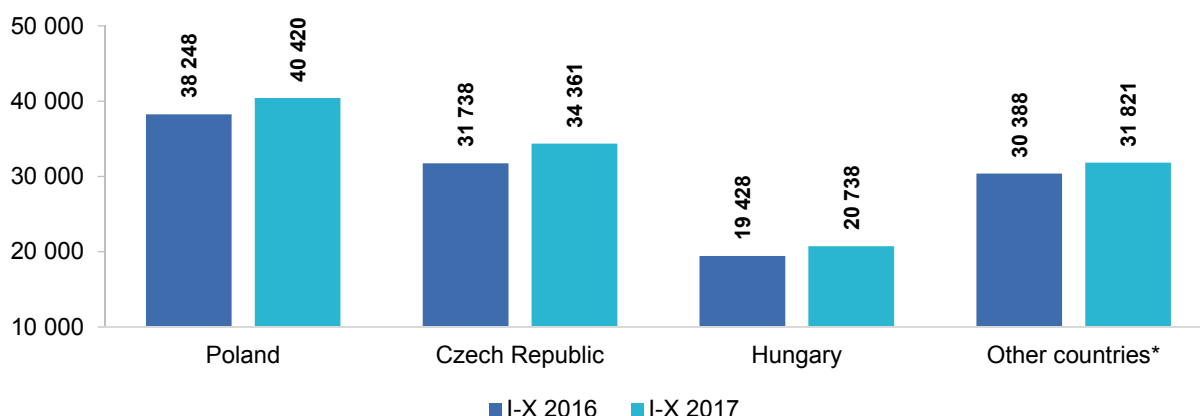
Forecasts indicate stabilisation of the economic growth momentum

Many of the 2017 growth drivers will also have a positive impact on the 2018 results, promising a stable economic growth in the region of the Central and Eastern Europe. Strong labour market dynamics, lax monetary policy and a favourable external environment should boost a strong economic growth momentum. However, the pace of growth will decrease slightly with the increased inflation and tightening of the monetary policy. Demography is an important factor that influences the economic condition, and it will exert pressure on the labour market. Growth also depends on political uncertainty, which could put the positive macroeconomic outlook at risk. GDP growth forecasts for the coming years remain positive for the countries where the Orbis Group operates, with the average GDP growth being at 3.3%. An increase by 3.1% is expected in 2019.

2.2 Hotel Market – Positive Trends

The year 2017 was an exceptionally good year for the hospitality industry in the Central and Eastern Europe. Both the occupancy rate and the average rate have increased in most capitals of the countries where Orbis operates. A number of factors have contributed to the favourable condition of the industry, including structural factors, which should have a positive impact on the growth of the industry, also in future periods. These factors included the improvement of transport infrastructure, including record-high performance of airports, particularly in Poland; the increasing wealth and purchasing power of the society as well as a change in attitudes of guests, who are more willing to travel and stay in hotels. The security factor was also an important driver of growth in the industry, as the Central and Eastern European region is perceived as a safe tourist destination. Accordingly, in 2017 we witnessed a dynamic growth in the number of tourists incoming for city breaks in the capitals of the region.

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



* Other countries comprise Lithuania, Romania and Slovakia

Source: Eurostat

From among the cities where Orbis Group hotels are located, the highest increase in occupancy rate as compared to the past year was reported in Prague (+2.9 pp as compared to 2016). Considerable increases in occupancy rates have also been reported on the Budapest and Warsaw markets (respectively +2.2 pp and + 1.9 pp). The main driver of the RevPAR growth were, however, the average room rates in the region. The highest ARR growth as compared to the past year, i.e. above 10%, was reported in Budapest (+12.2%) and Warsaw (+11.6%).

Growth of both the occupancy rate as well as the average room rates translated into above-average increase of the RevPAR. The steepest increase in RevPAR at the level of 15.5% was reported in Budapest (as a result of relatively high price and occupancy). Among the Central and Eastern Europe cities where the Group operates, high RevPAR was reported in hotels in Warsaw, Prague, and Wrocław.

2.3 Risk Areas

The Orbis Group is exposed to a number of risks that may adversely impact its business, financial standing, operations as well its brands and reputation.

Acting jointly with the Supervisory Board, the Company's Management Board regularly analyses the market environment and risk factors to which Orbis S.A. is exposed. New projects and significant transactions in the pipeline are subject to a detailed analysis. In the case of change of legal regulations, the Orbis Group companies adjust their operations accordingly.

An internal control system and risk management system have been implemented in the Orbis Group. The Orbis Management Board monitors the risks arising in the rapidly evolving external environment in order to eliminate threats to the Company's and Group's business and their financial standing.

Basic risks that may, should they transpire, have a major impact on the Group's operations have been presented below. Apart from the risks listed in this Chapter, the Group is also exposed to financial risks presented in the Consolidated Financial Statements of the Orbis Group for 2017 (Note 31.2).

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

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

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

Competition risk

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

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

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

Risk related to cooperation with travel agents

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

Reputational risk

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

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

Legal risk

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

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

The parent company has an internal compliance system and the Legal Department is in charge of its daily operation. As part of the compliance system, the compliance of Group companies with the applicable regulations is monitored above anything else. The practical application of the compliance system specifically covers analysing changes in legal regulations as well as their potential impact on the operations of the Group and taking actions to prepare the Orbis Group companies for material legislative changes. Furthermore, the compliance system involves drafting (templates of) contracts and internal documents of the Group, expressing opinions thereon as well as issuing interpretations as regards applicable legal regulations and explaining doubts concerning practical application of certain legal regulations reported or identified in the course of Group companies' operations.

2.4 The Non-Financial Report

According to Article 49b of the Accounting Act, the Orbis Group presented two separate non-financial reports for 2017, i.e. the separate report and the consolidated report.

The preparation of the consolidated non-financial report of the Orbis Group and the separate non-financial report of Orbis S.A. is supervised by the Vice-President of the Management Board in charge of corporate affairs. The Corporate Communications and CSR Manager at Orbis S.A. is responsible for the preparation of the separate and the consolidated non-financial reports.

The separate and the consolidated non-financial reports of the Orbis Group have been prepared in accordance with the GRI G4 international non-financial reporting standards (Global Reporting Initiative G4) and are available at the Company's website in category Investor Relations, in section Non-Financial Reports (<http://www.orbis.pl/en/investor-relations/non-financial-reports>).

2.5 Factors to Affect the Orbis Hotel Group's Operations in 2018

The hotel market in the Central and Eastern European region has been developing dynamically for a number of years now and still has good growth prospects. It is estimated that the growth of the hospitality industry ratios observed in recent years which depict the condition of the hotel market, such as the Occupancy Rate, the Average Room Rate, and the Revenue per Available Room, will be continued. Forecasts indicate that the Room Rate should be the key growth driver in the coming months.

Macroeconomic factors

The hotel market is strongly correlated with economic trends. The macroeconomic forecasts are optimistic for the hospitality industry in the coming year. The GDP is forecasted to grow in 2018 versus the 2017 level in the majority of the countries, in which the Group operates its hotels.

The continued growth of the economy will be conducive to the growth in the demand for labour, resulting in a low rate of unemployment. Furthermore, lowering of the retirement age in Poland beginning from October 2017 will translate into a decrease in the number of citizens who are active in the labour market, making it increasingly difficult to find the right employees. Staff shortages will be particularly visible amongst blue collar and junior staff, who so far were substituted by employees from behind Poland's eastern border. Strong entrepreneurial demand for labour combined with its declining supply will trigger salary growths in Central and Eastern Europe.

Further improvements of employees' situation in the labour market and the implementation of the 500+ Family Program ("Rodzina 500+") in Poland should contribute towards increased consumption and improved household sentiment. Increasing affluence of societies in the region coupled with growing appetites for active leisure time and ever increasing numbers of people doing remote work contribute to the growing propensity to travel.

Economic prosperity, increasing purchasing power in the societies and a desire to travel foster the need for personalized tourist service. Furthermore, guest expectations are growing, venue selection becomes more and more premeditated and guests increasingly identify themselves with e.g. a chosen brand.

Poland and other countries of the Central and Eastern Europe are an attractive destination for Western European tourists for a number of reasons. Apart from the relatively low prices in these countries, the development of tourism and improvement of transportation infrastructure in the form of new roads, railway connections and cheap flights as well as construction of new sporting and conference facilities will be the driving factor of tourist inflow. The growth in the hotel market of the Central and Eastern Europe is also correlated with less tangible aspects, such as the perception of the entire region as safe in the face of continued economic and political uncertainty and terrorist threat in the Western Europe.

The propensity to travel will also be impacted by a range of cultural and sporting events. Poland and other countries of the Central and Eastern Europe more and more often host a number of European or international events, which are organized thanks to local authorities and are an effective form of promoting the region of Central and Eastern Europe.

Portfolio management

Asset management and development of the Group's hotel portfolio is an important pillar of its strategy. In 2018, the Group will continue its efforts to increase its market share. The Group has already launched works related i.e. to the construction of new hotel, the ibis Styles Warszawa Centrum hotel; the investment process related to the construction of the ibis Styles Szczecin hotel and the ibis hotel in Vilnius has started as well. Moreover, modernisation works are progressively carried out in hotels of the Group.

In addition, to reinforce its market presence Orbis has decided to expand its portfolio by adding Adagio, the no. 1 modern aparthotels brand in Europe that offers the service of apartment rental in a hotel system (per night).

In order to optimize the hotel portfolio, the Group focuses on high-return investments, at the same time executing sale and franchise-back transactions of hotels of non-strategic importance for the Group.

The Group also continues its expansion based on the asset light model. In 2017 the Group signed 13 new franchise and management agreements (1 600 rooms in aggregate). The development plan of the Orbis Group provides for the inclusion of almost 38 new hotels (over 5.0 thousand rooms) operating on the basis of franchise and management agreements into the network by the year 2020. Agreements of this type boost the presence of our hotel brands across countries of the Central and Eastern Europe without the need to invest capital in the hotel construction and maintenance.

Competition in the hospitality market

The continually growing number of arrivals to Central and Eastern European countries, both for tourism as well as for business, which directly translates into good results of the hospitality industry in recent years, is an incentive for both local and international investors to invest in this market. Further growth in the supply of hotels is anticipated in the coming months, particularly in the top locations (i.e. major cities of the region), and this in turn will intensify the growing competition, particularly in terms of prices. It is anticipated that the highest investment activity will be observable in Warsaw and in Budapest due to the attractiveness of these cities in terms of tourism and business as well as due to their opportunities of spatial development for hotel investments (limited in the case of, for instance, Prague).

Many new hotel facilities are built in Poland and other countries in the region, including hotels to operate under well-known international brands. The share of branded hotels is increasing throughout Central and Eastern Europe as a result of the recent intensive franchise development. Moreover, venues that combine the function of an office building or a commercial facility with a hotel are gaining in popularity. To effectively compete with the long-blooming private apartment rental market, operating amongst others via the AirBnB reservation platform, hotel operators more and more often decide to enter the aparthotel segment (the segment of apartments rented in the hotel system, i.e. per night). To attract guests, hotels will have to stand out against their competition and offer more attractions, amenities and will need to provide different types of personalized service.

To sum up, favourable macroeconomic forecasts coupled with a growing number of incoming foreign tourists in the countries of the Central and Eastern Europe and an increase in the affluence of local societies cast an optimistic light on the coming year. However, the growing supply of accommodation properties on the market, fierce competition on many levels, trends in the labour market that shift the market in favour of employees and rising inflation may bring a slowdown in the industry in a near future. Despite the hospitality industry being impacted by many factors, some of which are sometimes difficult to anticipate, the forecasts for the industry in the coming months remain optimistic.

FINANCIAL RESULTS OF ORBIS GROUP



3 FINANCIAL RESULTS OF ORBIS GROUP

3.1 Major Events of 2017

The most important events of 2017 which affected the financial information of the Orbis Group include:

Hotel sale transactions

In 2017, Orbis S.A. finalized the following real property sale transactions:

- On March 31, 2017, Orbis S.A. executed the final sale agreement of organized parts of the enterprise, namely the **Mercure Jelenia Góra** hotel and the **Mercure Karpacz Resort** hotel for the total net price of PLN 26 500 thousand. The sale transaction included, among others, the right to perpetual usufruct to land, ownership rights to the buildings erected on the land together with facilities, equipment and other assets of the abovementioned hotels;
- On September 30, 2017 the sale agreement of organized parts of the enterprise, namely the **ibis Katowice Zabrze** was executed. The organized parts of the enterprise included the Company's assets used to operate the hotel, incl. the right to perpetual usufruct to land and buildings, structures, facilities, and equipment. The total net price of the of organized parts of the enterprise amounted to PLN 7 600 thousand;
- On September 30, 2017 the sale agreement of organized parts of the enterprise, namely the **Mercure Toruń Centrum** was finalized. The sale transaction included, among others, the right to perpetual usufruct to land, ownership rights to the buildings and other tangible assets of the hotel. The total net price amounted to PLN 18 000 thousand.

Moreover, in connection with the closed sale transactions of the abovementioned hotels, long-term franchise agreements were signed, by virtue of which hotel buyers will continue to operate the hotels under the Mercure and ibis brands.

Execution of a preliminary agreement for the sale of the ibis budget Toruń hotel and a real property located in Toruń, built up with an undeveloped hotel building

On August 30, 2017, Orbis S.A. executed a preliminary sale agreement of an organized part of the enterprise in the form of the **ibis budget Toruń** hotel and a property built up with an undeveloped building initially targeted as an ibis hotel ("Property"), for a total net price of PLN 11 000 thousand. The preliminary agreement provides that the final sale agreement for the ibis budget Toruń and the Property will be completed by September 30, 2018.

Moreover, alongside the preliminary agreement, 2 long-term franchise agreements were executed, under which after finalization of the sale, the buyer will continue to operate the ibis budget Toruń hotel under its brand and will finish off the construction of the hotel on the Property within the term of 3 years after the acquisition of the Property, which afterwards will be operated under the ibis Styles brand.

Buyback agreement of 5 leased hotels by subsidiary Accor Pannonia Hotels Zrt.

On December 23, 2016, Orbis' subsidiary, Accor Pannonia Hotels Zrt., executed with Erste Group Immorent Holding GmbH with its registered address in Vienna and Subholding Immorent GmbH with its registered address in Vienna (the sellers) a buyback agreement of the following five hotels (real properties): **Mercure Budapest Korona**, **ibis Styles Budapest Center**, **ibis Budapest City**, **ibis Budapest Centrum** and **Mercure Budapest Buda**, operated under Accor brands by the Hungarian subsidiary company on the basis of lease agreements.

The buyback transaction was executed by way of acquisition by Accor Pannonia Hotels Zrt. from the sellers of interest representing 100% of the share capital in **5 Hotel Kft.** with its registered address in Budapest (the owner of the above hotels). The final 5 Hotel Kft. net acquisition price totalled EUR 65.9 million. This price is adjusted (by EUR 1.8 million) pursuant to the buyback agreement on the basis of the financial data of 5 Hotel Kft. audited as at December 31, 2016.

Closing of the transaction (payment of the initially agreed purchase price and application for registration of the new owner in 5 Hotel Kft.) took place on January 2, 2017. The liability resulting from the price adjustment was paid on April 3, 2017. As a result of this transaction, the sum of PLN 300.6 million was recognized as assets (incl. PLN 291.6 million of property, plant and equipment) and PLN 1.7 million as liabilities.

Buyback agreement and potential disposal of Sofitel Budapest Chain Bridge hotel by subsidiary Accor Pannonia Hotels Zrt.

On May 29, 2017, the subsidiary Accor Pannonia Hotels Zrt. executed with Universale International Realitäten GmbH with its registered address in Vienna (the seller) an agreement for the purchase of 100% stake in **HVB Leasing Maestoso Kft.** (after acquisition, the name was changed to **5 Star Hotel Kft.**) with its corporate seat in Budapest, which is the owner of the **Sofitel Budapest Chain Bridge** hotel operated by the Hungarian subsidiary on the basis of lease agreement. The company HVB Leasing Maestoso Kft. (at present 5 Star Hotel Kft.) was purchased by exercise of the hotel call option dated January 30, 2017, by the majority shareholder of Orbis S.A., i.e. Accor S.A. The net price for the purchase of the company totalled PLN 42.3 million and was paid on June 1, 2017. As a result of this transaction, PLN 179.9 million was recognised as assets (including PLN 179.6 million of property, plant and equipment classified as held for sale) and PLN 0.4 million was recognized as liabilities.

More information on the transaction is provided in the current reports no: 2/2017, 18/2017 and 25/2017.

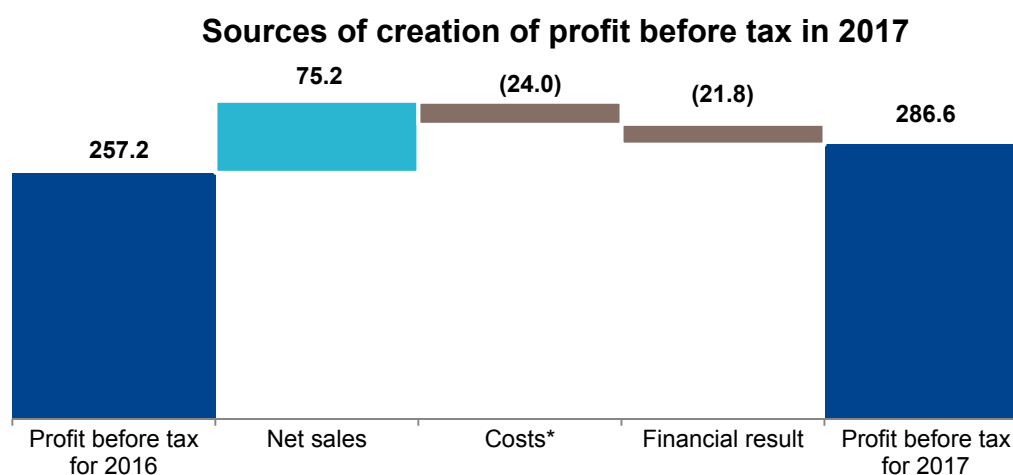
On April 12, 2017, the subsidiary Accor Pannonia Hotels Zrt. signed a letter of intent with a third-party investor interested in the purchase of the Sofitel Budapest Chain Bridge hotel. After selling the hotel, Accor Pannonia Hotels Zrt. will manage the hotel on the basis of a long-term management agreement. The sale price of the hotel, declared by the parties, amounts to EUR 75 million, with potential adjustments arising as a result of due diligence carried out by the buyer. The sale of the hotel is subject to satisfactory finalization of the negotiation over the terms and conditions of the transaction and fulfilment of conditions provided in the letter of intent, including positive result of due diligence carried out by the buyer.

Early repayment of a loan by Orbis S.A.

On December 29, 2017, Orbis S.A. made an early repayment of a loan amounting to PLN 105 867 thousand, i.e. the entire outstanding amount of the loan incurred by the company on the basis of a loan agreement on December 19, 2014, executed with Bank Polska Kasa Opieki S.A. and Société Generale S.A. for a total sum of PLN 480 000 thousand.

3.2 Financial Results of the Orbis Group

During 12 months of 2017, the Orbis Group generated profit before tax amounting to PLN 286.6 million, i.e. by 11.4% higher as compared to the figure for 2016. The growth was primarily an effect of a substantial increase in revenue.



* Costs including the result from other operating activities

Income statement – analytical approach	2017	2016	change (%)
Net sales	1 458 073	1 382 879	5.4%
Net sales “like-for-like”	1 433 193	1 349 381	6.2%
EBITDAR	532 390	489 216	8.8%
Operating EBITDA	468 349	389 613	20.2%
EBITDA “like-for-like”	459 020	385 115	19.2%
Operating profit (EBIT) without the effects of one-off events	304 282	241 409	26.0%
Operating profit (EBIT)	315 677	264 477	19.4%
Net result from financing activities	(29 115)	(12 557)	-131.9%
Profit before tax	286 562	257 154	11.4%

Income statement – analytical approach	4th quarter of 2017	4th quarter of 2016	change (%)
Net sales	356 619	346 631	2.9%
Net sales “like-for-like”	356 619	337 163	5.8%
EBITDAR	116 219	112 327	3.5%
Operating EBITDA	101 554	86 801	17.0%
EBITDA “like-for-like”	101 554	86 091	18.0%
Operating profit (EBIT) without the effects of one-off events	60 799	48 438	25.5%
Operating profit (EBIT)	65 520	68 135	-3.8%
Net result from financing activities	(10 756)	323	-
Profit before tax	54 764	73 565	-25.6%

In 2017, the Group's net sales were at the level of PLN 1 458.1 million, i.e. rose by 5.4% as compared to figures for 12 months of 2016.

Positive business trends in the countries of the Central and Eastern Europe, high demand for hospitality services throughout 2017 as well as numerous promotional actions and flexible pricing strategy tailored to the current conditions on each individual market contributed to increase in the Occupancy Rate and the Average Room Rate and, consequently, the Revenue per Available Room (RevPAR) in the Group's hotels.

During 12 months of 2017, the Revenue per Available Room (RevPAR) in owned hotels¹ of the Orbis Group stood at PLN 184.1, i.e. was by 6.5% higher compared to the "like-for-like" figures for 2016. In the fourth quarter of 2017 the Revenue per Available Room in owned hotels of the Orbis Group reached PLN 176.6, i.e. it grew by 6.2% as compared to the past year.

Operating ratios of managed and franchised hotels by main category	2017	2016	change (%)	2017	2016	change (%)
	as reported			like-for-like		
Orbis Hotel Group						
Occupancy rate (%)	74.0	72.4	1.6 p.p.	74.1	73.1	1.0 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	249.6	233.8	6.8%	248.5	236.6	5.0%
Revenue per Available Room (RevPAR) in PLN	184.8	169.2	9.2%	184.1	172.9	6.5%

Operating ratios of owned hotels by main category	4th quarter of 2017	4th quarter of 2016	change (%)	4th quarter of 2017	4th quarter of 2016	change (%)
	as reported			like-for-like		
Orbis Hotel Group						
Occupancy rate (%)	72.0	70.1	1.9 p.p.	72.0	71.0	1.0 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	245.2	230.3	6.5%	245.2	234.2	4.7%
Revenue per Available Room (RevPAR) in PLN	176.6	161.4	9.4%	176.6	166.3	6.2%

A detailed list of the Orbis Group's operational ratios for 2017 and for Q4 2017 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 2016. During 12 months of 2017, room revenue totalled PLN 998.2 million, which accounted for 68.5% of all the Group's revenues. The room revenue increased by 5.9% as compared to the past year.

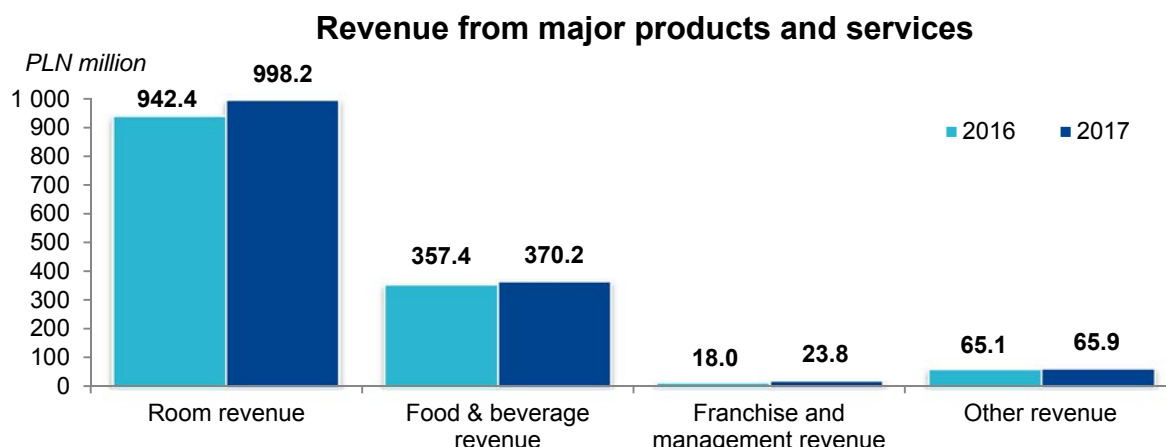
Growth in the number of guests in Orbis Group hotels had a positive impact on food&beverage revenue, which stood at PLN 370.2 million across the entire Group, accounting for 25.4% of consolidated revenues. As compared to the data for 2016, the food&beverage revenue increased by 3.6%.

Revenue from franchise and management contributed 1.6% to the Group's revenue. As compared to the figures for the past year, revenues from franchise and management grew by 32.1%. It is particularly attributable to the expansion of the Group's hotel portfolio from 26 franchised hotels as at December 31, 2016 to 37 hotels at the end of 2017.

Other revenue, comprising chiefly proceeds from real property and car park rentals, amounted to PLN 65.9 million and accounted for 4.5% of consolidated revenue.

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

In 2017 and 2016, the structure of revenue from major products and services of the Orbis Group was as follows:



The growing occupancy rate in the Group's hotels in 2017 resulted in an increase in direct operating costs, although the share of individual types of costs in net sales remained unchanged as compared to the past year. The highest increase was reported in costs of outsourced services, including mainly costs of services related to sales, which are directly related to the number of hotel guests. These services include mainly services provided by reservation system operators, costs of loyalty programs, and commissions for sales agents. Costs of outsourced staff services, laundry and cleaning costs, security costs with maintenance and repair costs have increased as well. Compared to 2016, the employee benefits' expenses also increased as a result of higher employment as well as salary and wage increases. The higher level of costs of raw materials and energy used is directly connected with higher volume of food& beverage sales.

Growth in expenses was lower than the revenue growth momentum. Consequently the Group generated EBITDAR of PLN 532.4 million, which translates into an increase by 8.8% versus 2016.

In the reporting period the rental expenses went down, while depreciation and amortisation went up at the same time. It is the result of a buyback transaction of six formerly leased hotels as well as a growth in the value of assets thanks to capital expenditure incurred on new and existing hotels.

As a result of the above, the **operating EBITDA grew by 20.2% up to PLN 468.3 million**, while the **operating result excluding one-off events amounted to PLN 304.3 million, i.e. improved by 26%** against 12 months of 2016.

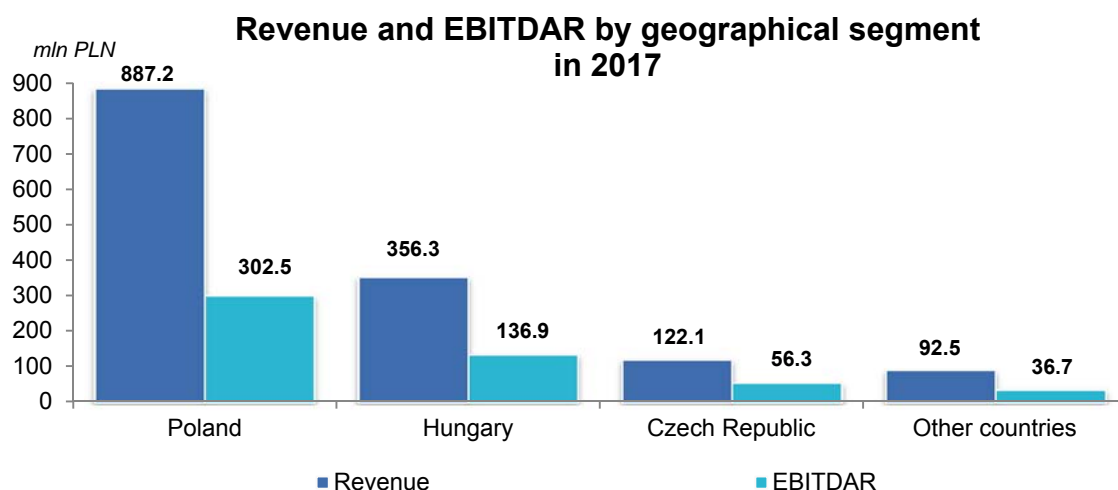
In 2017, the Orbis Group reported positive result of PLN 11.4 million from one-off events. Gain of PLN 12.1 million from the sale of real property (more information on the sale of the real property in 2017 was provided in Section 3.1) has been increased by fixed assets impairment (PLN 6.7 million), and reduced by restructuring costs (PLN 4 million) and other costs (PLN 3.4 million), including costs incurred in connection with the redemption of leased hotels. As a result, the Group generated operating profit (EBIT) in the amount of PLN 315.7 million (growth by 19.4%).

The increase of the loss on financial activities as compared to the result for twelve months of 2016 was attributable mainly to the exchange rate losses on the balance of transactions in foreign currencies and their measurement as at the balance sheet date.

The Orbis Group closed the year 2017 with a net profit of PLN 232.4 million, so the result was by 12.2% higher compared to figures for 2016.

3.3 Financial Results Across Geographical Segments

Across geographical segments, the highest share to the Group's net sales in 2017 was contributed by hotels located in Poland (60.9%) and in Hungary (24.4%). Net sales generated by hotels located in the Czech Republic and in other countries accounted for, respectively, 8.4% and 6.3% of consolidated sales.



Poland

Financial results (in PLN million) and operating ratios of owned hotels located in Poland	2017	2016	% change
Net sales	887.2	861.3	3.0%
EBITDAR	302.5	293.0	3.2%
Operating EBITDA	294.7	285.2	3.3%
EBIT without the effects of one-off events	169.6	163.5	3.7%
Capital expenditure	93.6	139.9	-33.1%
Occupancy Rate (%)	72.3	70.8	1.5 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	238.6	223.7	6.7%
Revenue per Available Room (RevPAR) in PLN	172.5	158.4	8.9%
Clients: Business	70.8%	66.4%	4.4 p.p.
Clients: Leisure	29.2%	33.6%	-4.4 p.p.

Hotels operating in Poland generated net sales of PLN 887.2 million, which accounts for 60.9% of consolidated revenues for 2017. Rooms revenue was higher thanks to a higher Average Room Rate and the Occupancy Rate being slightly higher than in the past year.

The largest increase in the quantity of rooms sold was reported in the segment of individual guests traveling on business. It was possible thanks to a flexible pricing strategy tailored to the conditions on individual markets and the introduction of attractive business packages. The highest sales growth in this segment was reported by hotels in Warsaw and in Tri-City. A significant increase was also reported in the corporate guest segment thanks to both regular and new customers as well as key account long-term projects. Hotels from Warsaw, Wrocław, Szczecin and Łódź reported the highest growth dynamics. The MICE segment also reported an increase in the number of guests, among other things due to a high demand in Q4 2017, which was attributable to conferences, cultural and sporting events held in large cities and airline crew stays. A positive trend is also observed in the segment of tourist groups (the highest growth was reported in the first semi-annual period of 2017).

Hungary

Financial results (in PLN million) and operating ratios of owned hotels located in Hungary	2017	2016	% change
Net sales	356.3	315.6	12.9%
EBITDAR	136.9	108.7	25.9%
Operating EBITDA	112.5	49.8	125.9%
EBIT without the effects of one-off events	87.8	37.0	137.3%
Capital expenditure	516.0	147.1	250.8%
Occupancy Rate (%)	76.0	73.8	2.2 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	269.7	248.6	8.5%
Revenue per Available Room (RevPAR) in PLN	205.1	183.3	11.9%
Clients: Business	48.4%	43.9%	4.5 p.p.
Clients: Leisure	51.6%	56.1%	-4.5 p.p.

Hotels in Hungary generated operating income at the level of PLN 356.3 million, accounting for 24.4% of the Orbis Group's revenue. Higher-than-last-year's results (by 12.9%), both in the rooms and food&beverage segments, were achieved due to higher Occupancy Rates and Average Room Rates as compared to the past year.

The largest increase in the number of rooms sold was reported in the MICE segment due to a larger number of business groups, predominantly one-off, and conferences. All the brands reported growth in this segment (the highest growth was reported by the Novotel and Mercure brands). On the other hand, the growth in the number of corporate guests occurred above all thanks to long-term projects implemented by key accounts. The number of rooms sold also increased in the segment of tourist groups, particularly in the first semi-annual period of 2017. Furthermore, different cultural and sporting events held in Budapest had a positive impact on the results such as world championships in swimming, judo championship, and the Sziget music festival. High demand for accommodation services allowed generating higher Average Room Rate thanks to a flexible pricing policy.

The Czech Republic

Financial results (in PLN million) and operating ratios of owned hotels located in the Czech Republic	2017	2016	% change
Net sales	122.1	114.9	6.3%
EBITDAR	56.3	52.9	6.4%
Operating EBITDA	42.5	39.1	8.7%
EBIT without the effects of one-off events	29.8	27.5	8.4%
Capital expenditure	9.7	12.0	-19.2%
Occupancy Rate (%)	77.8	75.7	2.1 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	264.6	250.2	5.8%
Revenue per Available Room (RevPAR) in PLN	205.9	189.5	8.7%
Clients: Business	46.0%	39.2%	6.8 p.p.
Clients: Leisure	54.0%	60.8%	-6.8 p.p.

In 2017, revenues of 8 hotels located in the Czech Republic totalled PLN 122.1, which represents 8.4% of the Group's total revenue for 2017. These hotels reported growth of sales revenue as compared to the past year both due to higher Occupancy Rates and Average Room Rates.

The highest growth momentum in the Czech Republic was achieved in the business groups segment, primarily in the ibis, Mercure and MGallery brands. Increase in the number of rooms sold was also reported in the segment of individual guests, among other things, thanks to promotional offers and a greater number of bookings from online distribution channels. Growth in all hotel brands was also reported in the corporate segment, mainly thanks to strong demand in Q4 2017. On the other hand, a decrease was reported in the segment of tourist groups as compared to 2016.

Other countries

Financial results (in PLN million) and operating ratios of owned hotels located in other countries	2017	2016	% change
Net sales	92.5	91.1	1.5%
EBITDAR	36.7	34.6	6.1%
Operating EBITDA	18.6	15.5	20.0%
EBIT without the effects of one-off events	17.1	13.4	27.6%
Capital expenditure	2.8	1.9	47.4%
Occupancy Rate (%)	82.1	82.1	0.0 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	271.9	270.3	0.6%
Revenue per Available Room (RevPAR) in PLN	223.2	222.0	0.5%
Clients: Business	58.5%	58.7%	-0.2 p.p.
Clients: Leisure	41.5%	41.3%	0.2 p.p.

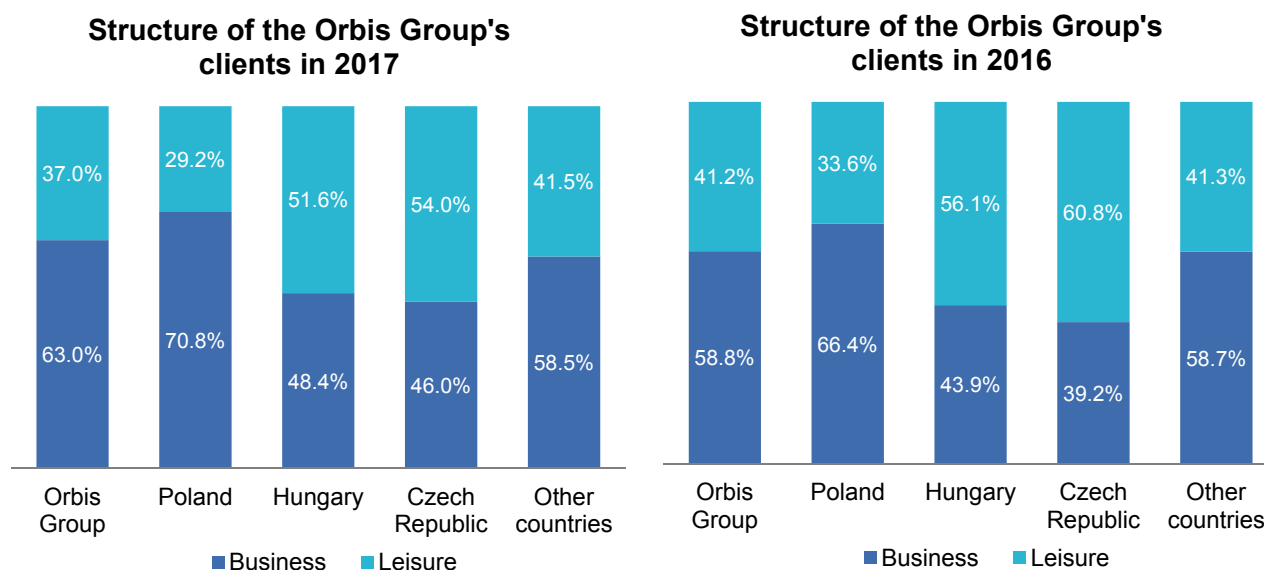
In 2017, revenues generated in other countries, in which hotels owned by the Group are located, reached the level of PLN 92.5 million. i.e. 6.3% of consolidated revenues. Hotels located in Lithuania, Slovakia and Romania reported sales revenues higher by 1.5% than in the corresponding period of the past year.

The Novotel in Vilnius achieved higher operating revenue as compared to past year due to higher Average Room Rate and despite the Occupancy Rate being slightly lower than in the past year and thanks to higher food and beverage revenues. An increase in the number of guests was reported both in the tourist group segment, especially in the Q2 and Q3 of 2017, and in the corporate guests segment (thanks to the demand from regular customers). On the other hand, a significant decrease was reported in the segment of individual guests staying both for business and leisure and in the MICE segment (due to a smaller number of business groups). The closure of the airport at the turn of July and August due to its renovation, also had a negative impact on sales.

Slovakia is represented by two hotels located in Bratislava: Mercure and ibis. Both these hotels generated significantly higher operating revenues thanks to increased Average Room Rate and higher Occupancy Rate in the Mercure hotel. The Average Room Rate grew thanks to a flexible pricing policy and its adjustment to the market conditions. During the reporting period, the increase in the number of rooms sold was attributable to the corporate segment thanks to key account stays in both these hotels. The segment of tourist and business groups grew slightly. On the other hand, the number of rooms sold decreased in the individual guest segment.

The Novotel in Bucharest achieved a growth in operating revenues thanks to higher Average Room Rate in spite of the Occupancy Rate being slightly below the part year's level. Increase in the number of rooms sold was reported in the segment of individual guests, chiefly thanks to business guests and tourists groups. Change in the pricing policy and launch of a new business package had a positive impact. Other segments reported a decline, which was highest in the segment of individual guests traveling for leisure and the MICE segment (numerous one-off projects were implemented in the past year). However, the change in the guest mix had a positive impact on the Average Room Rate, resulting in higher room revenues.

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



3.4 Financial Results per Operating Segments

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.

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

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

More information on segments is provided in Note 4.1 to the Consolidated Financial Statements of the Orbis Group for 2017.

Operating segments – analytical approach (in PLN million)	2017	2016	% change
Up&Midscale Hotels			
Net sales	1 104.2	1 059.0	4.3%
EBITDAR	451.0	422.0	6.9%
Operating EBITDA	397.4	337.2	17.9%
EBIT without the effects of one-off events	280.4	232.1	20.8%
Capital expenditure	483.8	241.3	100.5%
Occupancy Rate (%)	73.2	71.9	1.3 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	288.7	267.6	7.9%
Revenue per Available Room (RevPAR) in PLN	211.2	192.3	9.8%
Economy Hotels			
Net sales	317.9	292.3	8.8%
EBITDAR	156.7	144.4	8.5%
Operating EBITDA	147.7	130.9	12.8%
EBIT without the effects of one-off events	105.3	91.7	14.8%
Capital expenditure	124.0	52.8	134.8%
Occupancy Rate (%)	75.7	73.4	2.3 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	178.2	168.1	6.0%
Revenue per Available Room (RevPAR) in PLN	135.0	123.4	9.4%

During 12 months of 2017, revenue of the Up&Midscale segment was by 4.3% higher as compared to 2016. This growth was driven predominantly by higher Average Room Rates (growth by 7.9%) coupled with higher occupancy rate (up by 1.3 p.p.). Revenue of the economy hotel segment rose by 8.8%. The reported growth momentum is attributable to higher Average Room Rates (up by 6.0%) and slightly higher occupancy (by 2.3 p.p.).

The average Revenue per Available Room ranged from PLN 135.0 in economy hotels to PLN 211.2 in hotels of the Up&Midscale segment in 12 months of 2017 and from PLN 123.4 to PLN 192.3 respectively, during the same period of the past year. RevPAR growth is attributable in particular to higher average room rates (ARR growth rate in economy hotels by 6.0% and by 7.9% in hotels of the Up&Midscale segment) as well as higher Occupancy Rate as compared to 2016 (increase of occupancy by 2.3 pp in economy hotels and by 1.3 pp in hotels of the Up&Midscale segment). Revenue per Available Room in the fourth quarter of the year was somewhat below the 12-month average and equalled PLN 131.7 in economy hotels and PLN 200.4 in hotels classified as three-star hotels and hotels of higher category.

3.5 Statement of Financial Position

Statement of financial position – analytical approach	2017	Share in total assets / equity & liabilities	2016	Share in total assets / equity & liabilities	2017/ 2016
Non-current assets	2 392 340	81.9%	2 193 359	76.7%	9.1%
Current assets	325 869	11.2%	643 145	22.5%	-49.3%
Assets classified as held for sale	201 093	6.9%	23 631	0.8%	751.0%
TOTAL ASSETS	2 919 302	100.0%	2 860 135	100.0%	2.1%
Equity	2 080 877	71.3%	1 950 676	68.2%	6.7%
Non-current liabilities	548 571	18.8%	624 954	21.9%	-12.2%
Current liabilities	289 854	9.9%	284 505	9.9%	1.9%
TOTAL EQUITY AND LIABILITIES	2 919 302	100.0%	2 860 135	100.0%	2.1%

The structure of the Orbis Group balance sheet is typical for hotel companies operating hotel networks with predominance of owned hotels.

On December 31, 2017, the Group's assets totalled PLN 2 919.3 million and rose by 2.1% comparing to December 31, 2016.

The major component of the Group's assets are non-current assets, accounting for 81.9% of total assets. The predominant item of non-current assets are property, plant and equipment valued at PLN 2 251.5 million, accounting for 77.1% of total assets. Due to the type of business pursued, the major item of property, plant and equipment are buildings and structures as well as land and right to perpetual usufruct of land. Property, plant and equipment increased by 10.5% as compared with its value as at December 31, 2016. It is above all the result of a buyback, at the beginning of January, of five hotels leased till then by Accor Pannonia Hotels Zrt. The purchase price of these hotels totalled PLN 291.6 million.

Moreover, the value of property, plant and equipment as at the end of 2017, was impacted by depreciation and amortisation (PLN -160.8 million), sale of the Mercure Toruń Centrum and the ibis Katowice Zabrze hotels (PLN -18.5 million), classification of the ibis budget Toruń hotel, the Mercure Cieszyń hotel and the ibis Styles Bielsko-Biała hotel as assets held for sale in connection with the signing of preliminary sale agreements of these hotels (PLN -16.5 million) and capital expenditure (PLN +148.9 million) and revaluation of assets (PLN +3.3 million).

Intangible assets (mainly goodwill) valued at PLN 111.6 million also constitute a major item of non-current assets. The contribution of intangible assets to the Group's assets was at 3.8% at the end of 2017.

Decrease of the other financial assets as compared to December 31, 2016, is attributable to the transfer of cash deposited on escrow account by the subsidiary UAB Hekon for the purchase of the ibis hotel in Vilnius to the position of cash and cash equivalents item as the purchase of the hotel in Vilnius is scheduled to take place before the end of 2018. In addition, the decrease in other financial assets is the result of the reclassification of receivables in the amount of PLN 4.0 million due to the sale of the Mercure Mrągowo Resort & SPA hotel in 2016 to other non-current receivables (repayment date is on December 31, 2018).

As regards current assets, the most significant items are cash and cash equivalents, trade receivables and other short-term receivables.

Under the current assets item, the most important sub-item are cash and cash equivalents of PLN 214.8 million, accounting for 7.4% of total assets. Decrease in cash and cash equivalents by PLN 325.9 million (60.3%) as compared to December 31, 2016, is above all attributable to capital expenditures (incl. leased hotel buybacks) and a total repayment of the loan by Orbis in December 2017.

Increase of trade receivables by 16.3% as compared to December 31, 2016, is the result of higher sales of hotel rooms in Q4 2017 than during the comparable period of 2016.

A major item of current assets as at December 31, 2017, were other current receivables (PLN 35.1 million). This item comprises predominantly of VAT receivables, receivables from sale of tangible assets and prepayments. As at the end of December 2017, the Group held receivables resulting from the sale of tangible assets of PLN 7.9 million (22.6% of other current receivables), including PLN 4.0 million from the sale of the Mercure Mrągowo Resort & SPA hotel and PLN 3.9 million from the sale of the Mercure Kasprowy hotel in Zakopane. As at the end of 2016, the value of receivables resulting from sale of tangible assets amounted to PLN 14.7 million (and concerned the sale of the Mercure Mrągowo Resort & SPA hotel, Mercure Kasprowy hotel in Zakopane and non-hotel real property located at Łopuszańska Street in Warsaw, which were paid in March 2017).

As at December 31, 2017, the Groups reported lower prepayments as compared to December 31, 2016, (by 5.5%) mainly including real property rentals.

Moreover, as at December 31, 2017, Orbis Group reported assets of PLN 201.1 million classified as assets held for sale, which include components of property, plant and equipment of the Sofitel Budapest Chain Bridge hotel in Hungary, the ibis budget Toruń hotel, the Mercure Cieszyn hotel, the ibis Styles Bielsko-Biała hotel and a property in Toruń built up with the undeveloped building initially targeted as hotel ibis and non-hotel real properties located in Karpacz and Poznań. As at December 31, 2016, this item also included a plot of land at the Heweliusza Street in Gdańsk and assets classified under property, plant and equipment (including the right to perpetual usufruct and the building) of the Mercure Jelenia Góra hotel and the Mercure Karpacz Resort hotel. The sale transaction of both these real properties was finalized in 2017.

The Orbis Group financed its assets predominantly from its own funds. As at December 31, 2017, the Group's equity accounted for 71.3% of the total equity and liabilities (PLN 2 080.9 million). On the other hand, the Group's net debt stood at PLN 327.8 million. i.e. accounted for 15.8% of equity.

As at December 31, 2017, Orbis Group had long-term, interest-bearing liabilities related to the issue of bonds in the amount of PLN 501.8 million (17.2% of liabilities). The bonds mature in 2020 and 2021.

As at the end of the past year, Orbis had liabilities under long-term loans in the amount of PLN 87.7 million and short-term loans in the amount of PLN 35.3 million. In June 2017, in line with the agreement, Orbis repaid the principal amount of the loan in the amount of PLN 17.6 million, and at the end of December 2017, Orbis made an early repayment of the loan in the amount of PLN 105.9 million, which constituted the entire outstanding part of the loan incurred by the company under the loan agreement executed in 2014 with the Bank Polska Kasa Opieki S.A. and Société Generale S.A. At the end of 2017, the Group held an overdraft in the current account of PLN 40.9 million (1.4% of liabilities), incurred by Accor Pannonia Hotels Zrt.

Change of non-current deferred revenue results from the advance payment of PLN 9.5 million received in April 2017 against the sale of the Giewont hotel in Zakopane.

The most significant item of current liabilities of the Group as at December 31, 2017, comprises trade liabilities (35.0%). Its decline is connected with the decrease of inter-company liabilities within the Accor Group.

A significant item of current liabilities comprises other current liabilities (30.4%), including mainly tax and social security liabilities and accrued expenses of employee benefits (also for bonus payments and unused holiday leaves) and public imposts (mainly under the challenged fees for the perpetual usufruct of land). A higher level of tax and social security liabilities as compared to the end of December 2016 results predominantly from the recognition of liability resulting the tax on acquisition of 5 Hotel Kft. and HVB Leasing Maestoso Kft. (presently 5 Star Hotel Kft.) amounting to PLN 10.5 million.

A much higher level of current deferred revenue as at December 31, 2017, results predominantly from prepayments received for accommodation services in subsequent periods (82.9% of the balance).

The value of liabilities associated with tangible assets as at December 31, 2017 was slightly higher as compared to the past year. The highest amounts of liabilities as at the end of 2017 concerned the following hotels: Novotel Poznań Centrum and ibis Poznań Centrum (combo), ibis Styles Warszawa Centrum, the Novotel Warszawa Airport, the Novotel Warszawa Centrum, the Sofitel Warszawa Victoria and Novotel Wrocław Centrum.

3.6 Statement of Changes in Equity

On December 31, 2017, equity amounted to PLN 2 080.9 million against PLN 1 950.7 million at the end of 2016.

The retained earnings of the Orbis Group include a net profit of PLN 232.4 million for 2017. The dividend for 2016 amounting to PLN 73.7 million had an adverse impact upon the value of retained earnings as at the end of December 2017.

On the other hand, the foreign currency translation reserve of the Group decreased from PLN 17.4 million at the end of 2016 down to PLN -10.7 million at the end of December of 2017. This change is attributable to translation of foreign operations into the currency of presentation (PLN). The negative level of the foreign currency translation reserve was greatly impacted by the decline of average rates of exchange of foreign currencies as at the end of December 2017 as compared to December 31, 2016 (foreign currency applied for translation of financial statements of foreign subsidiaries is presented in Note 1 of the Consolidated Financial Statements of the Orbis Group for 2017).

The change in the Group's other reserves in 12 months of 2017 resulted from valuation of the derivative instrument hedging against the risk of interest rate change.

3.7 Statement of Cash Flows

Statement of cash flow	2017	2016	% change
Cash generated by operating activities	390 230	380 887	2.5%
Net cash used in investing activities	(535 767)	(211 963)	-152.8%
Net cash generated by financing activities	(173 546)	97 570	-
Total net cash	(319 083)	266 494	-
Cash and cash equivalents at the end of period	214 844	540 794	-60.3%

In 2017 the change in the balance of cash amounted to PLN -319.1 million (PLN 266.5 million in 2016) and it resulted from the following factors:

- **Cash flows from operating activities**

The profit before tax of PLN 286.6 million (PLN 257.2 million in the corresponding period of the past year) generated mainly thanks to higher prices with the occupancy rate being slightly above past year's level, had a direct impact on positive net cash inflows from operating activities of PLN 390.2 million (PLN 380.9 million in 2016).

- **Cash flows from investing activities**

The main reason for negative cash flows in 2017 at PLN -535,8 million (PLN -212.0 million in 2016) resulted from the expenditure incurred at the level of PLN 468.1 million on the buyback of six leased hotels (the Mercure Budapest Korona, the ibis Styles Budapest Center, the ibis Budapest City, the ibis Budapest Centrum, the Mercure Budapest Buda and the Sofitel Budapest Chain Bridge) by Accor Pannonia Hotels Zrt. Under the first five hotels buy back transaction, the Hungarian subsidiary made a payment of EUR 65.9 million (approx. PLN 291.2 million). On the other hand, under the Sofitel Budapest Chain Bridge hotel buy back transaction, Accor Pannonia Hotels Zrt. paid EUR 42.3 million (approx. PLN 176.9 million).

Moreover, expenditure in the amount of PLN 146.6 million was allocated in 2017 for the construction and modernization of Orbis S.A. hotels (more information is available under Section 3.8).

On the other hand, the inflows during that period included cash inflows from the sale of the Mercure Jelenia Góra hotel and the Mercure Karpacz Resort hotel (PLN 26.5 million), the ibis Katowice Zabrze hotel (PLN 7.6 million), Mercure Toruń Centrum hotel (PLN 18.0 million) and from payment of a part of the price as a result of sale of non-hotel real property located at Łopuszańska Street in Warsaw (PLN 5.1 million), as well as from payment of a part of the sale price for the Mercure Mrągowo Resort & SPA hotel (PLN 4.5 million).

Furthermore, in April 2017 Orbis received the advance payment of PLN 9.5 million against the sale of the Giewont hotel in Zakopane, which was recognized as other investing cash inflows.

- **Cash flows from financing activities**

In 2017 the Group reported negative cash flows from financing activities at the level of PLN -173.5 million (as compared to positive cash flows of PLN 97.6 million in the past year). This was in particular attributable to the early repayment of the loan in December 2017 in the amount of PLN 105.9 million and repayment of the principal amount of the loan in the amount of PLN 17.6 million in June. In addition, borrowing costs in the total amount of PLN 18.0 million were paid and a dividend of PLN 73.7 million was distributed in 2017. At the same time, in the reporting period, the subsidiary Accor Pannonia Hotels Zrt. in Hungary incurred an overdraft of PLN 41.7 million.

In 2016, the issue of bonds by Orbis S.A. with a total value of PLN 200 million had a major impact on the positive cash flows from financing activities.

3.8 Capital Expenditure

In 2017, capital expenditure of the Orbis Group amounted to PLN 622.1 million (PLN 300.9 million in the corresponding period of past year).

Capital expenditure of the Group	2017	2016
Leased hotels buyback	471 255	123 969
Development projects	84 610	115 345
Other expenditure	66 235	61 629
Total	622 100	300 943

Capital expenditure of PLN 471.3 million was allocated for two buy back transactions of a total of six hotels located in Budapest, so far leased by Accor Pannonia Hotels Zrt.

The first transaction was finalised at the beginning of January 2017 and involved the following five hotels: the **Mercure Budapest Korona**, the **ibis Styles Budapest Center**, the **ibis Budapest City**, the **ibis Budapest Centrum** and the **Mercure Budapest Buda**. The total acquisition price for the abovementioned hotels (including transaction costs) equalled PLN 291.6 million. On the other hand, the buy-back transaction of the **Sofitel Budapest Chain Bridge** hotel for a purchase price of PLN 179.6 million took place in June 2017. Both these transactions were implemented by way of acquisition of 100% stake in the companies that owned these hotels. The purpose of leased hotels buyback is to optimise the hotel business of the Orbis Group, in particular to eliminate lease costs. More information about the accounting for these transactions is presented in Section 3.1.

Expenditure incurred in 2017 was also allocated for development projects in the Group's companies. A total sum of PLN 84.6 million was appropriated for the following investment projects:

- **Novotel Poznań Centrum.** In 2017, the modernization of the hotel scheduled for years 2016 - 2018, related to the split of the hotel and a partial rebranding into ibis, was continued. In the analysed period, the modernization of 246 rooms in the Novotel and 142 rooms in the ibis hotel was completed. Furthermore, changes in the arrangement of common parts, including small conference rooms, lobby, reception, restaurant and café modernized in accordance with the new wiseCafe standard were implemented. In 2018, the modernization of rooms, the WineStone restaurant, large conference rooms and the fitness area will be continued. The works will also include the installation and technical facilities of the hotel. Completion of the works is planned for Q2 2018. The total estimated expenditure for this investment project during the period 2016 – 2018 will come to approx. PLN 53 million.
- **Novotel Kraków City West.** Modernization works commenced at the end of 2016 involve 28 rooms with bathrooms, leisure area (saunas and fitness areas), replacement of part of installations and technical equipment as well as facade and window replacement. Most of the bathrooms and a few rooms were modernised up to the end of 2017 (the rooms are being modernised in accordance with the latest Novotel brand guidelines - N'Room), works on the entrance to the hotel were completed and a building permit was issued for the leisure area. The total estimated expenditure for this investment project during the period 2016 – 2018 will come to approx. PLN 16 million.
- **Mercure Budapest City Center.** Modernization of the hotel which will cover hotel rooms on all the 7 floors of the building began in November 2016. The theme of the renovation is Budapest's monuments and tourist attractions. In 2017, work on model rooms was continued. Besides, more than half of hotel rooms was completely renovated. The last phase of modernization will be launched in the first quarter of 2018 and will cover the remaining floors of the hotel and the lobby. The total estimated expenditure for this investment project during the period 2016 – 2018 will come to approx. EUR 4.1 million.
- **Mercure Budapest Buda.** In Q4 2017 major renovation works aimed at transforming the hotel from the current Mercure brand into a combo hotel (i. e. two hotels of different brands, ibis and Mercure, operating in the same building) were started. The new hotel will have 250 renovated rooms operating under the Mercure brand and 150 new ibis rooms. The investment is scheduled to be completed in Q2 2019 and the total estimated project cost during the years 2017 - 2019 amount for approx. EUR 8.8 million.

- **MGallery Praha Old Town.** The renovation of the hotel took two years and involved upgrading the hotel to brand MGallery by Sofitel. The result is 169 renovated hotel rooms, modernised corridors, the lobby, the restaurant, a new bar and a fitness centre. The investment was completed in 2017 and its total estimated expenditure came to approx. EUR 3.3 million.

In 2017, works relating to the construction of new hotels, namely ibis Styles Warszawa Centrum and ibis Styles Szczecin were commenced.

The **ibis Styles Warszawa Centrum hotel** is built in the direct vicinity of the ibis budget Warszawa Centrum hotel and it will be another BREEAM-certified (certification for green buildings) hotel in the Orbis Group. The new hotel will have 178 rooms, 4 conference rooms, a restaurant and a bar. Land development works were carried out by the end of December 2017, including a part of the car park, and construction works were carried out at the level of the first floor. The total estimated expenditure for the construction of the hotel during the period 2016 – 2018 will exceed PLN 48 million, and the estimated deadline for completion of the hotel is Q4 2018.

The **ibis Styles Szczecin hotel** is planned to be built on the plot of land on which the former Orbis Arkona hotel was located. Up to the end of 2017 the construction design was completed and the construction permit was granted. The general contractor of the investment is scheduled to be selected in March 2018. The total estimated expenditure for the construction of the hotel during the period 2016 - 2019 will exceed PLN 38 million.

At the end of 2017, a decision was made to analyse the rebranding of the future hotel which is to be built in the direct vicinity of the Mercure Gdańsk Posejdon hotel.

At the beginning of 2017, the construction of the **ibis hotel in Vilnius** was also commenced. In Q3 2016, UAB Hekon signed a preliminary agreement on acquisition of the hotel building together with parking spaces, which will be built by the seller, UAB Merko Būstas with its registered office in Vilnius. The hotel is to offer 164 rooms on 7 floors, 2 conference rooms, a bar and a restaurant. In 2017, work on erecting the building structure and the façade construction was completed and the general contractor began the installation works. Mock-up rooms were also finished and the phase of ordering the hotel's fittings, fixtures and equipment was started and will be continued in 2018. The final purchase agreement will be executed by June 30, 2018, after the seller has fulfilled the conditions laid down in the preliminary agreement, related in particular to the construction and obtaining a permit for occupancy of the ibis hotel and ensuring that the hotel is free of any burdens and encumbrances. The opening of the hotel is scheduled for Q3 2018. The total estimated expenditure for the construction of the hotel during the period 2016–2018 will exceed EUR 11 million.

Other expenditure incurred in 2017 (PLN 66.2 million) was allocated for upgrading the standard of hotels operating in the Group, increasing their security, fire safety and IT investments.

The most important investment projects implemented during 2017 include:

- rearrangement of 27 rooms and the De Gaulle suite in the **Sofitel Grand hotel in Sopot**,
- modernization and replacement of equipment of rooms of the **Sofitel Victoria hotel in Warsaw**, renovation of the La Brasserie Moderne restaurant terrace entrance, as well as creating three new conference rooms in this hotel, modernization of the SPA and air-conditioning in this hotel,
- renovation of 37 rooms and a suite at the **Novotel Kraków Centrum** hotel, 46 rooms in the **Novotel Warszawa Centrum** and 56 rooms in the **Novotel Warszawa Airport**,
- modernization of restaurants and conference rooms, as well as the CCTV systems at the **Mercure Poznań Centrum** hotel,
- creating new conference rooms in the **Mercure Warszawa Centrum** hotel and completion of the renovation of 33 rooms in this hotel,
- modernization of 36 bathrooms and the audio visual system in the meeting rooms in the **Mercure Gdynia Centrum** hotel,
- modernization of the cooling systems in the **Novotel Katowice Centrum**, **Novotel** and **ibis Wrocław Centrum** hotels,
- minor renovation of the conference space in the **Mercure Wrocław Centrum** hotel, completion of a mock-up room and renovation of 17 rooms and 21 bathrooms in this hotel,
- replacement of the carpet flooring in 84 rooms and rearrangement of the garden and children playgrounds and a leisure zone in the **Novotel Gdańsk Centrum** hotel,
- renovation of 9 rooms and their upgrading to Next Light standard and installation of air-conditioning system in guest rooms of the **Novotel Malta in Poznań**,
- modernization of parts of rooms, bathrooms and public areas in the **ibis Kraków Centrum** hotel, the **ibis Łódź Centrum** hotel, the **ibis Warszawa Ostrobramska** hotel, the **ibis Warszawa Stare Miasto** hotel and the **ibis budget Warszawa Centrum** hotel.

Expenditures on IT in 2017 were focused on the replacement of the iPMS reception desk systems and implementation of the WiFi Internet access project in line with the present guest expectations and technology standards. In 2017, the project of a comprehensive WiFi implementation in hotels was completed in Orbis hotels, while the iPMS replacement project is planned to be completed by the beginning of 2018. Apart from offering top quality service to guests, investment in WiFi and new iPMS systems make the Orbis Group fully ready for new projects within the framework of the "Digital Plan" implemented since 2015.

Other IT expenditure was allocated for regular replacement and upgrading of components of the existing IT infrastructure in hotels and the Head Office resulting from the period of operation, the security policy, the need to eliminate technologically outdated solutions and the current business needs.

3.9 Ratio Analysis of the Financial Statements

An analysis covering margin, profitability, efficiency and financing ratios has been made on the basis of the financial statements (income statement and statement of financial position).

Majority of the Orbis Group ratios in 2017 remained at a comparable level versus 2016. The net debt ratio increased despite a total repayment of the loan by Orbis S.A. at the end of 2017. It is attributable to a reduction in the level of cash, which in 2016 included PLN 282.5 million deposited on an escrow account by the Hungarian subsidiary Accor Pannonia Hotels Zrt., and which was subsequently allocated for the buyout of 5 leased hotels at the beginning of 2017 (more information is available in Section 3.1 of this report).

Selected financial ratios of the Orbis Group	2017	2016
Margin ratios		
EBITDAR margin in %	36.5	35.4
EBITDA margin in %	32.1	28.2
EBIT margin in %	21.7	19.1
Profitability ratios		
Return on Equity (ROE)	11.5%	11.1%
Return on Assets (ROA)	8.0%	7.8%
Return on Sales (ROS)	15.9%	15.0%
Efficiency ratios		
Receivables collection period	16	14
Payables deferral period	34	31
Inventory turnover	2	2
Financing ratios		
Net debt (in PLN million)	327.8	83.5
Debt-to-equity*	28.7%	31.8%
Non-current assets cover ratio	87.0%	88.9%
Liquidity ratios		
Current ratio	1.82	2.34

* total liabilities/total equity and liabilities

3.10 Assessment of Divergence Between Estimates and Generated Results

The EBITDA of the Orbis Group generated during 12 months of 2017 (after eliminating the impact of one-off events) stood at PLN 468 million, which translates into a result by 1.7% higher than the upper limit of the projection disclosed in the current report no. 27/2017 of July 27, 2017, where the forecasted EBITDA was in the range of PLN 450 and 460 million.

FINANCIAL RESULTS OF ORBIS S.A.



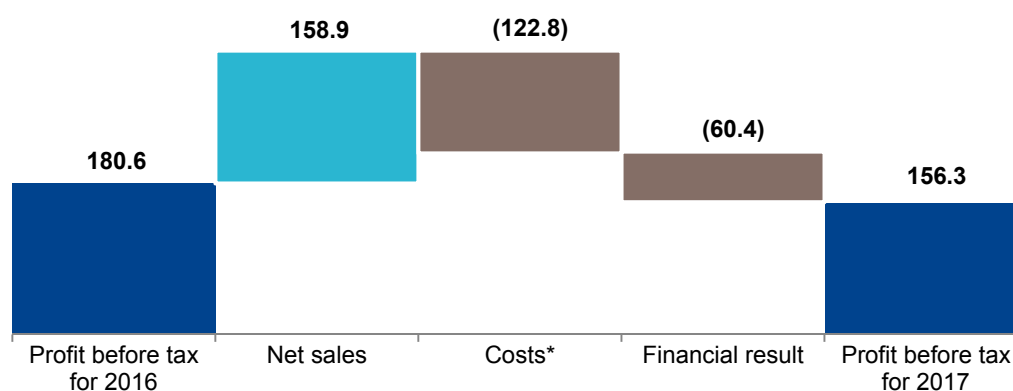
Mercure Budapest
Korona

4 FINANCIAL RESULTS OF ORBIS S.A.

4.1 Factors Affecting Results

In 2017 Orbis S.A. generated operating profit amounting to PLN 171.3 million. i.e. by 26.7% higher as compared to 2016. On the other hand, profit before tax decreased as compared to the past year by 13.5% to PLN 156.3 million in connection with the negative result from financing activities.

Sources of creation of profit before tax in 2017



* Costs including the result from other operating activities

Income statement – analytical approach	2017	2016	% change
Net sales, of which:	888 275	729 339	21.8%
Room revenue	606 707	458 960	32.2%
Food & beverage revenue	229 449	195 120	17.6%
Franchise and management revenue	11 154	11 711	-4.8%
Other revenue	40 965	63 548	-35.5%
EBITDAR	287 316	229 100	25.4%
Operating EBITDA	279 567	221 280	26.3%
Operating profit (EBIT) without the effects on one-off events	154 403	116 239	32.8%
Operating profit (EBIT)	171 328	135 230	26.7%
<i>Net result from financing activities</i>	<i>(15 046)</i>	<i>45 390</i>	-
Profit before tax	156 282	180 620	-13.5%
Net profit	126 603	154 744	-18.2%

4.2 Income Statement

The registration, on September 1, 2016, of the merger with Hekon-Hotele Ekonomiczne S.A. had a major impact on the improvement of the operating result of Orbis S.A. as compared to the past year. Under this merger, Orbis took over 25 hotels of the subsidiary company.

In addition, the following factors positively contributed to the 2017 result:

Improvement of operating results on all the markets

In 2017, the Orbis S.A. net sales were at the level of PLN 888.3 million, i.e. rose by 21.8% as compared to the figure for twelve months of 2016.

In most hotels of the Company, as compared to the past year, the Average Room Rate increased (with the Occupancy Rate being slightly above past year's level), which translated to higher Revenue per Available Room. This was above all the effect of a flexible pricing strategy matched to the conditions prevailing at individual markets as well as introduction of seasonal promotional offers and attractive business packages. In addition, the results attained in individual cities were positively impacted by numerous fairs, conferences and major cultural and sports events organised in large cities where Orbis hotels are located. In 2017, major events included the Men's European Volleyball Championship, the European Judo Championships, The World Games 2017, the UEFA European Under-21 Championship, the Speedway Grand Prix Poland and World Cup qualifications.

Growth in the number of guests had a positive impact on the value of food&beverage revenues in 2017. Positive effects were owed to the concept of WineStone restaurant in Mercure hotels and joined bars and a restaurants (the NOVO² project) in Novotel hotels.

Franchise and management income remained close to the past year's level. Absence of revenues from the subsidiary Hekon-Hotele Ekonomiczne S.A. was compensated by revenues from franchise and management of hotels opened in 2017.

The decrease in other revenues, including revenues from the rental of real property and parking spaces, resulted from the merger with Hekon-Hotele Ekonomiczne S.A., to which the hotel real property was leased until the date of the merger.

Maintaining a tight cost discipline

Operating expenses (including rental expense and depreciation/amortisation) totalled PLN 733.8 million, i.e. were by 19.4% higher than in 12 months of 2016. Growth in expenses was slightly lower than the revenue growth momentum, although the share of individual types of costs in the net sales remained unchanged as compared to the past year.

Above all, increases were reported in the costs of third-party services, such as the costs of services related to sales, costs of maintenance services, cleaning costs, security costs, outsourced services and IT costs. The cost of employee benefits also increased compared to the past year, mainly due to an increase in employment as well as salary increases. Costs of raw materials and energy consumption remained at the same level as in the past year (taking into account the costs of Hekon-Hotele Ekonomiczne S.A. for 8 months in 2016). The increase in the consumption of raw materials in the food and beverage segment which was directly related to the increased food and beverage sales was partly compensated by energy savings.

The depreciation and amortisation went up by 19.2% in the reporting period (from PLN 105.0 million in 2016 to PLN 125.2 million in 2017). It is mainly a the result of merger with the subsidiary in September 2016, as a result of which Orbis took over 25 hotels. The effect of merger was partly offset by the reduction in the Company's portfolio of hotels due to the sale of 6 hotels (also discussed under Section 1.4).

As a result of the above, **EBITDAR grew by 25.4% and amounted to PLN 287.3 million, operating EBITDA grew by 26.3% up to PLN 279.6 million, while the operating result excluding one-off events amounted to PLN 154.4 million, i.e. improved by 32.8% against 12 months of 2016.**

Positive results from one-off events

In 2017, Orbis S.A. reported positive result of PLN 16.9 million from one-off events. Profit from sale of four non-strategic hotels (the Mercure Jelenia Góra hotel, the Mercure Karpacz Resort hotel, the Mercure Toruń Centrum hotel and the ibis Katowice Zabrze hotel), as well as three non-hotel real properties for a total sum of PLN 11.7 million (more information about real property sale transactions finalised in 2017 is included in Note 3 to the Separate Financial Statements of Orbis S.A. for 2017) was increased by impairment gain on non-current assets (PLN 8.3 million) and reduced by restructuring costs (PLN 3.2 million). As a result, the Company generated **operating profit (EBIT) in the amount of PLN 171.3 million (growth by 26.7%)**.

A significant change in the net finance income

In the period of 12 months of 2017, Orbis generated a net finance income of PLN -15.0 million as compared to PLN +45.4 million in the past year. On the one hand, this is the effect of an increase in finance costs and, on the other hand, a decrease in finance income.

High finance costs incurred by the Company in 2017 were mainly attributable to unrealized foreign exchange rate differences on loans granted to subsidiaries. In addition, the Company incurred higher costs related to the external borrowings than in the past year (by PLN 2.2 million).

The decrease in finance income in 2017 is mainly the result of receiving lower dividend as compared to the past year (it is the effect of merger with Hekon-Hotele Ekonomiczne S.A. and no dividend from Accor Hotels Romania s.r.l.). On the other hand, during the reporting period, the Company recognized PLN 9.6 million of interest income on borrowings to affiliated companies (growth by PLN 8.3 million) and PLN 1.7 million on measurement of a derivative instrument embedded in the granted loans.

Orbis S.A. ended the year 2017 with **a net profit of PLN 126.6 million** comparing to a net profit of PLN 154.7 million in the corresponding period 2016.

4.3 Statement of Financial Position

Statement of financial position – analytical approach	2017	Share in total assets / equity & liabilities	2016	Share in total assets / equity & liabilities	2017/ 2016
Non-current assets	2 517 115	92.0%	2 597 617	92.9%	-3.1%
Current assets	195 240	7.1%	176 323	6.3%	10.7%
Assets classified as held for sale	23 514	0.9%	23 631	0.8%	-0.5%
TOTAL ASSETS	2 735 869	100.0%	2 797 571	100.0%	-2.2%
Equity	2 056 754	75.2%	2 004 319	71.6%	2.6%
Non-current liabilities	538 551	19.7%	617 251	22.1%	-12.8%
Current liabilities	140 564	5.1%	176 001	6.3%	-20.1%
TOTAL EQUITY AND LIABILITIES	2 735 869	100.0%	2 797 571	100.0%	-2.2%

The structure of the Orbis' balance sheet is typical of hotel operators whose network comprises predominantly owned hotels.

On December 31, 2017, Orbis S.A. assets totalled PLN 2 735.9 million, i.e. declined by 2.2% as compared to the end of December 2016.

The major component of the Group's assets are non-current assets, accounting for 92.0% of total assets. The predominant item of non-current assets are property, plant and equipment valued at PLN 1 587.7 million, accounting for 58.0% of total assets. Due to the type of business pursued, the major item of property, plant and equipment are buildings and structures as well as land and rights to perpetual usufruct of land. Property, plant and equipment decreased by PLN 62.6 million as compared with the value of this item as at December 31, 2016, which resulted

mainly from sale of two hotels: the Mercure Toruń Centrum hotel and the ibis Katowice Zabrze hotel (PLN 18.5 million), classification of the ibis budget Toruń hotel, the Mercure Cieszyn hotel and the ibis Styles Bielsko-Biała hotel as assets held for sale in connection with the signing of preliminary sale agreements of these hotels (PLN 16.4 million), as well as depreciation charge (PLN 122.5 million). Decrease of the property, plant and equipment during in 2017 was partially offset by incurred capital expenditure (PLN 92.5 million) and revaluation of assets (PLN 3.3 million). A more detailed description of capital expenditure was presented in Section 3.8.

The second biggest item of the statement of financial position of Orbis S.A. in terms of share in the total carrying amount of assets/equity and liabilities is investments in subsidiaries, valued at PLN 467.5 million (17.1% of assets). More detailed information about Orbis investments in subsidiaries is contained in Note 12 to the Separate Financial Statements of Orbis S.A. for 2017.

The major component of non-current assets are also intangible assets valued at PLN 110.5 million, including the goodwill of PLN 107.3 million, which has been recognized as from the moment of takeover of the subsidiary. i.e. as of the date of purchase of shares in Hekon-Hotele Ekonomiczne S.A. The intangible assets' contribution to the Group's assets was at 4.0% at the end of December 2017.

As regards non-current assets, 12.0% of their value at the end of 2017 are non-current loans. On December 31, 2017, Orbis had a total of PLN 398.4 million of receivables under the loan granted to affiliated companies, of which PLN 329.5 million was classified as non-current loan and PLN 68.9 million as current loan. As at September 31, 2017, the Company had receivables under loans granted to Accor Pannonia Hotels Zrt. (PLN 377.5 million) and to UAB Hekon (PLN 20.9 million). More detailed information on loans granted is presented in Section 4.6.

As regards current assets, the most significant changes in 2017 occurred with regard to cash and cash equivalents, trade receivables and other current receivables.

Under the current assets item, the most important sub-item are cash and cash equivalents of PLN 77.0 million, accounting for 2.8% of total assets. A decrease of this item (by PLN 41.0 million. i.e. 34.7%) as compared to December 2016 was primarily the result of net loss generated from financing activities (incl. a total repayment of the loan in December 2017).

Increase of trade receivables by 27.0% as compared to December 31, 2016, is the result of a growth in the volume of hotel rooms sold in Q4 2017 as compared to the corresponding period of 2016.

At the end of 2017, the current assets of the Company included a current part of the loan granted to Accor Pannonia Hotels Zrt. and to UAB Hekon (described in greater detail in the section on non-current assets). At the end of 2016, the Company did not report any loans granted to UAB.

Another major sub-item of current assets are other current receivables (PLN 16.0 million as at the end of 2017), which comprise predominantly of receivables resulting from sale of tangible assets, VAT receivables and prepayments. As at December 31, 2017, the Company had receivables resulting from the sale of tangible assets of PLN 7.9 million (49.7% of other current receivables), including PLN 4.0 million from the sale of the Mercure Mrągowo Resort & SPA hotel and PLN 3.9 million from the sale of the Mercure Kasprowy hotel in Zakopane. As at the end of 2016, receivables resulting from sale of tangible assets amounted to PLN 14.7 million (and concerned the sale of the Mercure Mrągowo Resort & SPA hotel, the Mercure Kasprowy hotel in Zakopane and a non-hotel real property at the Łopuszańska Street in Warsaw).

As at December 31, 2017, Orbis S.A. also reported assets of PLN 23.5 million classified as assets held for sale, which include selected fixed assets of the ibis budget Toruń hotel, the Mercure Cieszyn hotel, the ibis Styles Bielsko-Biała hotel as well as a real property in Toruń with an undeveloped hotel building which was initially planned to be an ibis hotel and non-hotel properties located in Karpacz and Poznań. As at December 31, 2016, apart from the plot of land at Heweliusza Street in Gdańsk, this item also included assets classified under property, plant and equipment (including the rights to perpetual usufruct and the building) of the Mercure Jelenia Góra hotel and the Mercure Karpacz Resort hotel. The sale transaction of both these real properties was finalized in 2017.

Orbis S.A. finances its assets predominantly from equity which accounted for 75.2% of the total equity and liabilities (PLN 2 056.8 million) as at December 31, 2017. The external capital equalled PLN 679.1 million, of which 79.3% were non-current liabilities and long-term provisions.

As at December 31, 2017, Orbis S.A. had long-term, interest-bearing liabilities related to the issue of bonds in the amount of PLN 501.8 million (18.3% of liabilities). The bonds mature in 2020 and 2021.

As at the end of 2017, Orbis S.A. had no liabilities under borrowings; at the end of 2016, the balance of those liabilities equalled PLN 122.9 million. In June 2017, in line with the agreement, Orbis repaid the principal amount of the loan in the amount of PLN 17.6 million, and at the end of December 2017, Orbis made an early repayment of the loan in the amount of PLN 105.9 million, which constituted the entire outstanding part of the loan incurred by the company under the loan agreement executed in 2014 with the Bank Polska Kasa Opieki S.A. and Société Generale S.A.

On December 31, 2017, the net debt of Orbis S.A. stood at PLN 424.8 million. i.e. accounted for 20.7% of equity.

Change of non-current deferred revenue results from the advance payment of PLN 9.5 million received in April 2017 against the sale of the Giewont hotel in Zakopane.

The biggest item of current liabilities of the Company as at December 31, 2017, was trade payables (37.3%) and other current liabilities (36.1%), including above all liabilities under taxes and social insurance and accrued expenses of employee benefits (incl. bonuses and unused employee leaves) as well as public imposts (mainly under the challenged fees for the right to perpetual usufruct of land).

Current deferred revenue as at the end of December 2017 was at past year's level. Drop in the value of prepayments received for the sale of real properties was compensated by prepayments for accommodation services in subsequent periods. Prepayments for hotel rooms account for 98.6% of the deferred revenue and the highest values of prepayments at the end of December was reported by hotels in Warsaw (the Novotel Warszawa Centrum hotel, the Sofitel Warszawa Victoria hotel, the Mercure Warszawa Centrum hotel and the Mercure Warszawa Grand hotel), followed by hotels in Tricity (the Sofitel Grand Sopot hotel, the Mercure Gdańsk Stare Miasto hotel, the Novotel Gdańsk Marina hotel and the Mercure Gdynia Centrum hotel) and Kraków (the Mercure Kraków Stare Miasto hotel, the Novotel Kraków Centrum hotel and the ibis Kraków Stare Miasto hotel).

The value of liabilities associated with tangible assets as at December 31, 2017, was at the level similar as in the past year. The highest amounts of liabilities as at the end of 2017 concerned the following hotels: the Novotel Poznań Centrum hotel and the ibis Poznań Centrum (combo), the ibis Styles Warszawa Centrum hotel, the Novotel Warszawa Airport hotel, the Novotel Warszawa Centrum hotel, the Sofitel Warszawa Victoria hotel and the Novotel Wrocław Centrum hotel.

4.4 Statement of Changes in Equity

On December 31, 2017, equity amounted to PLN 2 056.8 million against PLN 2 004.3 million at the end of 2016. The increase resulted from the posting of net profit for 2017, amounting to PLN 126.6 million, to retained earnings. The dividend for the year 2016 paid out in the total amount of PLN 73.7 million as well as recognition of actuarial losses of PLN 0.5 million under the program of certain employee benefits had a negative impact on retained earnings as at the end of 2017.

The change in other reserves of Orbis S.A. in 2017 resulted from valuation of the derivative instrument hedging against the risk of interest rate change in connection with the PLN 300 million bond issue in 2015.

4.5 Statement of Cash Flows

Statement of cash flow	2017	2016	% change
Cash generated by operating activities	231 139	208 581	10.8%
Net cash used in investing activities	(56 993)	(251 528)	77.3%
Net cash generated by financing activities	(214 974)	98 964	-
Total net cash	(40 828)	56 017	-
Cash and cash equivalents at the end of period	76 973	117 958	-34.7%

In 12 months of 2017, the net cash flow of Orbis S.A. amounted to PLN -40.8 million (PLN 56.0 million in 2016). The following factors influenced the positive cash flow in the reporting period:

- **Cash flows from operating activities**

Thanks to good operating result in 2017 attributable mainly to higher prices with the occupancy rate being slightly above past year's level, the Company reported positive net cash flows of PLN 231.1 million from operating activities (PLN 208.6 million in 2016). The growth of these cash flows as compared to the past year was also attributable to the expansion of the scale of the business thanks to the merger with the subsidiary Hekon-Hotele Ekonomiczne S.A. in September 2016.

- **Cash flows from investing activities**

The main reason for the cash outflow of PLN -57 million in 2017 (PLN -251.5 million in 2016) was the expense of PLN 92.5 million incurred on development and modernization of Orbis S.A. hotels (more information available in Section 3.8). Moreover, during the reporting period, the Company granted loans of EUR 73.7 million to its subsidiaries (EUR 12.5 million to Accor Pannonia Hotels Zrt. and EUR 5.0 million to UAB Hekon). The loan granted to the Hungarian company was allocated for financing of the buy-back transaction of the Sofitel Budapest Chain Bridge hotel. The Lithuanian company was granted a loan for the acquisition of an ibis hotel in Vilnius which is to be built by mid-2018.

The investment expenditure was partly compensated by inflows of PLN 62.1 million from real property sale transactions completed in 2017 (detailed description of the sale transactions is presented in the Note 3 to the Separate Financial Statements of Orbis S.A. for 2017) and by the dividend of PLN 13.4 million received from Orbis Kontrakty Sp. z o.o.

Other inflows from investing activities included repayment of a loan by Accor Pannonia Hotels Zrt. (PLN 12.6 million, i.e. EUR 3.0 million), interest income (including mainly income from loans granted to subsidiaries) and a prepayment of PLN 9.5 million against the sale of the Giewont hotel in Zakopane.

Cash outflows from investing activities of PLN -251.5 million in 2016 were the result of a loan of PLN 286.8 million (EUR 65.0 million) granted to the Hungarian company, investment expenditure of PLN 142.8 million, which was partly compensated by investment inflows (dividend of PLN 55.3 million, revenues of PLN 60.5 million from the sale of real properties and inflow of cash of PLN 46.8 million from Hekon-Hotele Ekonomiczne S.A.).

- **Cash flows from financing activities**

In 2017 the Company reported negative cash flows from financing activities of PLN -215.0 million (as compared to positive cash flows of PLN 99.0 million in the past year). This was in particular attributable to the early repayment of the loan in December 2017 in the amount of PLN 105.9 million and repayment of the principal amount of the loan in the amount of PLN 17.6 million in June. In addition, in 2017 Orbis paid the costs of external financing in the total amount of PLN 17.7 million and distributed dividend of PLN 73.7 million on August 2, 2017.

Inflows in the past year resulted from the issue of bonds of a total nominal value of PLN 200.0 million and an inflow of PLN 17.3 million from Accor S.A. in connection with the signed agreement, which was reduced by the dividend paid (PLN 69.1 million) and expenditure related to external financing (PLN 49.2 million).

4.6 Loans Granted

As at December 31, 2017, receivables under granted loans included loans granted to the following subsidiaries:

A loan granted in 2016 to the Hungarian company **Accor Pannonia Hotels Zrt.** with its corporate seat in Budapest for a total of **EUR 81.0 million** was divided, by virtue of an annex to the agreement dated **June 30, 2017**, into two loans with a value of EUR 35.0 million and EUR 46.0 million.

Pursuant to the agreement, both these loans should be repaid no later than by December 31, 2019, each loan of no less than EUR 1.5 million by the end of 2018.

Interest on loans remains the same as in the 2016 agreement, i.e. it was determined as a variable rate equal to EURIBOR 6M, plus interest rate margin of 2.5%. Pursuant to the agreement if EURIBOR 6M is lower than zero, the loan interest rate equals the interest rate margin. i.e. 2.5%. Interest is payable for 6-month periods, at the end of June and December of each year.

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

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

On **May 25, 2017**, Orbis S.A. granted to **Accor Pannonia Hotels Zrt.** with its corporate seat in Budapest a loan in the amount of **EUR 12.5 million** in order to finance the agreement of buy-back of the Sofitel Budapest Chain Bridge hotel, operated by the Hungarian company under lease agreements. The transaction of buy-back of the hotel was completed by acquisition of 100% of the share capital of company HVB Leasing Maestoso Kft. (following this acquisition, HVB Leasing Maestoso Kft. was renamed 5 Star Hotel Kft.) with its corporate seat in Budapest, which owns this hotel. More information on the transaction is provided in the current report no. 18/2017 and in Section 3.1 of this Report.

The interest rate on the loan was determined as a variable rate equal to EURIBOR 6M plus interest rate margin of 2.5%. Pursuant to the agreement, if EURIBOR 6M is lower than zero, the loan interest rate equals the interest rate margin. i.e. 2.5%. According to the annex to the loan agreement executed in December 2017, the loan repayment deadline (including repayment of interest accrued for the period from January 1, 2018) is no later than on March 31, 2018.

On the other hand, **on June 1, 2017**, Orbis S.A. and **UAB Hekon** with its registered address in Vilnius signed a loan agreement whereupon Orbis granted a loan to the Lithuanian company in the amount of **EUR 1.0 million** to finance the acquisition of a hotel building located in Vilnius, including the ownership title to the land and parking places. On **July 27, 2017** Orbis S.A. granted to **UAB Hekon** another loan of **EUR 1.0 million EUR** for the same purpose, and on **October 31, 2017** – another **EUR 3.0 million**.

The interest rate on the abovementioned loans was determined as a variable rate equal to EURIBOR 6M, plus interest rate margin of 2.5%. Pursuant to the agreements, if EURIBOR 6M is lower than zero, the loan interest rate equals the interest rate margin. i.e. 2.5%. Interest is payable for 6-month periods, at the end of June and December of each year. The date of repayment of the first loan is December 31, 2018, and the second loan, February 28, 2019, and the third, May 31, 2019.

4.7 Bonds Issue

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 funds raised from this bond issue were used for partial repayment of a credit facility in 2016.

The bonds bear interest per annum at a variable interest rate at WIBOR for six-month deposits (WIBOR 6M) plus interest rate margin of 0.97%. Interest will be payable in 6-month interest periods.

The bonds will be redeemed on June 26, 2020, at their nominal value. Prior to the redemption date, on June 26, 2018, Orbis may redeem all the issued bonds or 50% of the issued bonds by paying to bondholders the nominal value of the bonds plus premium of 1% of the nominal value of the bonds and the amount of interest due for the interest period ending on the date on which the early bond redemption takes place.

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

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

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

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

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

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

4.8 Ratio Analysis of the Orbis S.A. Financial Statements

An analysis covering margin, profitability, efficiency and financing ratios has been made on the basis of the financial statements (income statement and statement of financial position) of Orbis S.A.

In 2017, the margin ratio and the efficiency ratio of Orbis S.A. was at a level similar to the past year. The minor deterioration of the profitability ratios is attributable to a lower net profit generated in 2017 as compared to 2016. The 2017 net result was adversely affected by exchange rate losses on loans granted to subsidiaries as well as much lower dividends received. On the other hand, the improvement of the financing ratios and the liquidity ratio is attributable in particular to the repayment of the total amount of the loan at the end of 2017.

Selected financial ratios of Orbis S.A.	2017	2016
Margin ratios		
EBITDAR margin in %	32.3	31.4
EBITDA margin in %	31.5	30.3
EBIT margin in %	19.3	18.5
Profitability ratios		
Return on Equity (ROE)	6.2%	7.9%
Return on Assets (ROA)	4.6%	5.8%
Return on Sales (ROS)	14.3%	21.2%
Efficiency ratios		
Receivables collection period (in days)	10	12
Payables deferral period (in days)	26	24
Inventory turnover (in days)	2	2
Financing ratios		
Net debt (in PLN million)	424.8	506.4
Debt-to-equity*	24.8%	28.4%
Non-current assets cover ratio	81.7%	77.2%
Liquidity ratios		
Current ratio	1.56	1.14

* total debt/total equity and liabilities

ORBIS S.A. SHARES

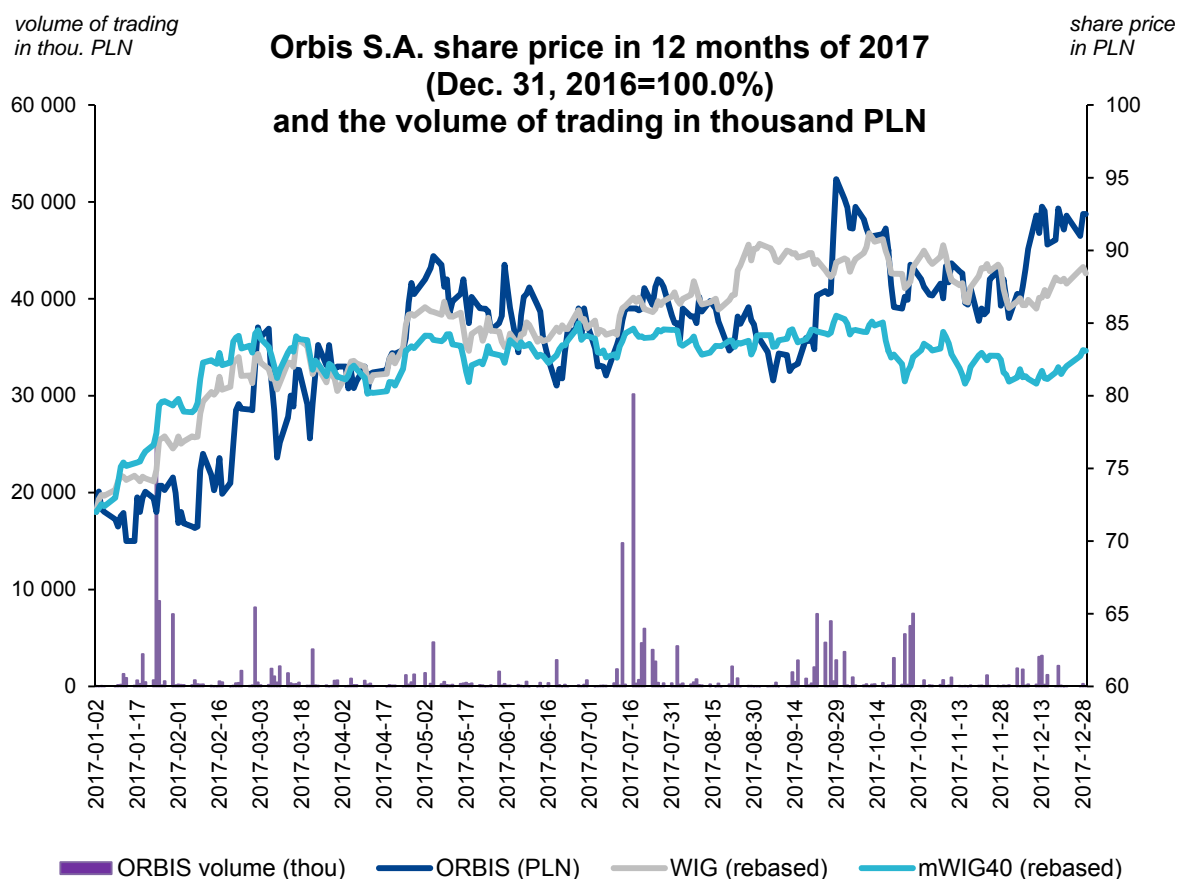


Mercure Bucharest Unirii

5 ORBIS S.A. SHARES

5.1 Share Price

In the period from January 1 till December 31, 2017, the price of Orbis S.A. share was within the range from PLN 70.0 (on January 13) to PLN 94.9 (at a session on September 29). The spread between the highest and the lowest quotations was PLN 24.9, which accounted for 36% of the lowest price. The Orbis share closing price in 2017 stood 4% above the WIG index and 11% above the mWIG40 index. On December 29, 2017, Orbis S.A. shares achieved the level of PLN 92.5, which translates into a 27% increase compared to PLN 73 as at the end of 2016. In 2017 the average trading volume in Orbis shares equalled 12 500 shares.



5.2 Shareholder Structure

As at December 31, 2017, 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 Orbis S.A. Statutes: PLN 92 154 thousand,
- Hyperinflation restatement of share capital: PLN 425 600 thousand,
- Carrying amount of share capital: PLN 517 754 thousand.

The value of Orbis S.A. share capital did not change throughout 2017 and till the date of publication of this Report.

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

Shareholder (description)	Number of shares held and voting rights at the GM (based on notifications)	% of total number of shares and voting rights at the GM
Accor S.A.	24 276 415	52.69
<i>of which: Accor S.A. subsidiary – Accor Polska Sp. z o.o.</i>	<i>2 303 849</i>	<i>4.99</i>
Aviva Otworthy Fundusz Emerytalny Aviva BZ WBK	4 577 880	9.94
Metlife Otworthy Fundusz Emerytalny and Metlife Dobrowolny Fundusz Emerytalny managed by Metlife Powszechne Towarzystwo Emerytalne S.A.	2 357 156	5.12
Nationale-Nederlanden Otworthy Fundusz Emerytalny	2 391 368	5.19

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

The Orbis S.A. shareholding status determined based on notifications received (above) differs from the shareholding status of individual shareholders established on the basis of lists of shareholders entitled to participate in the Annual General Meeting of Shareholders.

The Annual General Meeting of Shareholders was held on June 8, 2017, and the following shareholders holding at least 5% of the total number of votes participated in this Meeting:

- Accor S.A. 24 276 415 shares (52.69% of all the shares),
of which Accor Polska Sp. z o.o. 2 303 849 shares (4.99% of all the shares),
- Aviva Otworthy Fundusz Emerytalny Aviva BZ WBK 4 596 000 shares (9.97% of all the shares),
- Nationale-Nederlanden Otworthy Fundusz Emerytalny 3 990 000 shares (8.66% of all the shares),
- Metlife Otworthy Fundusz Emerytalny 3 000 000 shares (6.51% of all the shares).

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

Orbis' strategic investor is AccorHotels - a global leader in travel and lifestyle offering unique experiences in more than 4.2 thousand hotels, resorts and residences, and in more than 10.0 thousand private residences worldwide. The AccorHotels Group is the owner of 20 hotel brands, from upscale to economy. With its dual expertise as an investor and operator, AccorHotels operates in 95 countries through its HotelInvest and HotelServices divisions and has a global team of more than 240 thousand employees.

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

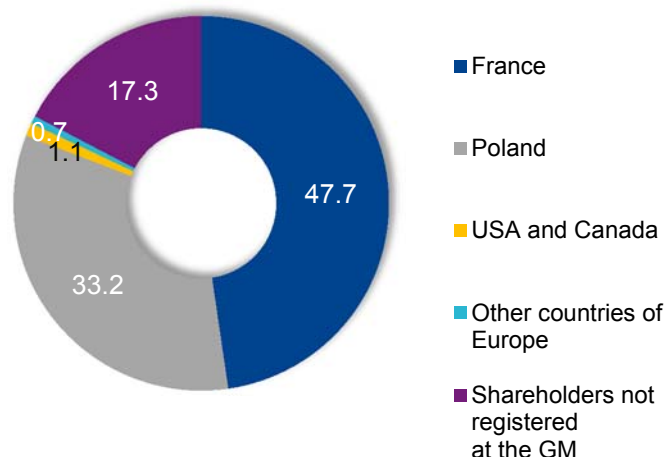
As at the date of publication of this Directors' Report, the Vice-President of the Management Board, Mr. Ireneusz Andrzej Węglowski, held 3 000 shares in Orbis S.A. Other members of the Management Board did not hold any Company shares.

Among members of the Supervisory Board, only Mr. Jacek Kseń held 600 shares in Orbis S.A. As at the date of publication of this Directors' Report, Mr. Jacek Kseń did not hold any shares in Orbis S.A.

Except for the shareholding by Mr. Jacek Kseń, no changes occurred in respect of the holding of Orbis S.A. shares by members of the Management Board and members of the Supervisory Board throughout 2017 and till the date of publication of this Directors' Report. The information concerning trading in Orbis shares by Mr. Jacek Kseń was published in current reports available at the Company's website: <http://www.orbis.pl/en/investor-relations/current-reports>.

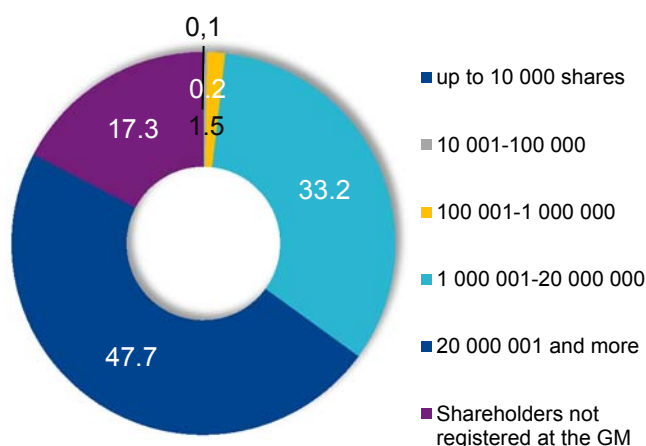
Shareholders by country of origin*

Countries	Total number of shares
France	21 972 566
Poland	15 289 270
USA and Canada	524 427
Other countries	315 881
Shareholders not registered at the GM	7 974 864
Total	46 077 008



Shareholders according to the number of shares registered at the AGM*

Number of registered shares	Total number of shares
up to 10 000 shares	25 853
10 001-100 000	114 896
100 001-1 000 000	699 560
1 000 001-20 000 000	1 399 420
20 000 001 and more	35 862 415
Shareholders not registered at the GM	7 974 864
Total	46 077 008



*Simulation based on the list of shareholders empowered to attend the Annual General Meeting convened for June 8, 2017. The list comprised shareholders representing 82.69% of share capital (as at the day of compiling the list).

5.3 Dividends Paid

By virtue of resolution of the General Meeting of Shareholders dated June 8, 2017, net profit generated by Orbis S.A. in 2016 was appropriated for the dividend totalling PLN 73 723 thousand, i.e. PLN 1.60 per share. The dividend was paid on August 2, 2017. A decision was also made to retain the remaining part of profit amounting to PLN 81 021 thousand in the Company as retained earnings.

No decision concerning distribution of the net profit for 2017 has been taken by the date of publication of the financial statements.

5.4 Investor Relations

Whilst fulfilling exhaustively its information disclosure obligations, Orbis S.A. pursues an open information policy. The Management Board of the Company offers comments and responds to investor inquiries during conferences

organised after publication of quarterly results. All conferences accompanying the publication of the financial results are broadcast live in Orbis TV at the Company's website.

Individual meetings with investors and analysts are held in the Company's headquarters. Company representatives participate in the so-called Investor's Days organised by financial institutions.

In 2017, Orbis S.A. held:

- meetings accompanying publication of the 2016 annual results and Q1, Q2 and Q3 results,
- 3 investor days in leading brokerage houses, "Investor's Days"
- jubilee conference for investors to celebrate Orbis' 20-year presence at the Warsaw Stock Exchange,
- 3 investor chats with individual investors.

All financial data and information published by Orbis are available at the www.orbis.pl corporate website. Corporate tabs of the website are updated and expanded with new content in line with service users' requests. The "Orbis TV" platform is available on the Company's website, allowing users to follow on-line broadcasts of corporate events and browse the archives with films, reports and interviews about Orbis. To facilitate communication, particularly for individual investors, a live chat is held after the publication of quarterly results. The investor service meets the requirements set for issuers by the Warsaw Stock Exchange, allows to search archived current and interim reports that the Company sends via the ESPI system, and to follow the share price.

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

CORPORATE GOVERNANCE DECLARATION



6 CORPORATE GOVERNANCE DECLARATION

6.1 Principles of Corporate Governance Applicable to Orbis S.A.

In 2017 Orbis S.A. was subject to the rules of corporate governance contained in the code of "Best Practice for GPW Listed Companies 2016" adopted by the Supervisory Board of the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A. (GPW)) by virtue of the Resolution No. 26/1413/2015 dated October 13, 2015, effective as of January 1, 2016.

The text of the corporate governance rules under the title "Best Practice for GPW Listed Companies 2016" is available to the public at the following website: https://www.gpw.pl/pub/files/PDF/RG/DPSN2016_EN.pdf and available for review at the headquarters of the Warsaw Stock Exchange.

The Company is guided by the principles of effective and transparent information policy and communication with the market and investors when complying with its information disclosure obligations relating to application of the rules of corporate governance. First and foremost, in its current report no. 1/2016 (EBI) dated January 29, 2016, the Company informed the market about the scope of application of rules of corporate governance under the "Best Practice for GPW Listed Companies 2016" effective as of January 1, 2016. All information pertaining to the corporate governance rules adopted by the Company is available on the corporate website: <http://www.orbis.pl/en/about-orbis/corporate-governance>

At the same time, the Company runs its www.orbis.pl corporate website through which it implements the rules specified in Chapter 1 of the Best Practice for GPW Listed Companies 2016. The website contains information useful for investors and presentations on key events relating to the Company's operations. Furthermore, during the financial year the Management Board of Orbis S.A. organized roadshows for investors and on-line chats, during which details of financial results of the Company and the entire Orbis Group were discussed. Recorded chats are available at the Company's website under the Investor Relations/Information Materials tab.

6.2 Principles of Corporate Governance Not Applied by Orbis S.A.

In 2017 Orbis S.A. decided not to apply the following principles of corporate governance contained in the "Best Practice for GPW Listed Companies 2016", thus continuing the departure from these principles formally announced in 2016 (the report no. 1/2016 of January 29, 2016):

Disclosure Policy and Investor Communications

Detailed principles

I.Z.1.16. Information about the planned transmission of a general meeting, not later than 7 days before the date of the general meeting,

The Company does not apply the above principle.

EXPLANATION OF THE REASONS: The Company does not apply the principle no. IV.Z.2., therefore, as a result, this principle is not applied as well.

Internal Systems and Functions

Detailed principles

III.Z.6. Where the company has no separate internal audit function in its organisation, the audit committee (or the supervisory board if it performs the functions of the audit committee) should review on an annual basis whether such function needs to be separated.

Not applicable.

EXPLANATION OF THE REASONS: The Company has a separate internal audit function.

General Meeting and Shareholder Relations

Recommendation

IV.R.2. If justified by the structure of shareholders or expectations of shareholders notified to the company, and if the company is in a position to provide the technical infrastructure necessary for a general meeting to proceed efficiently using electronic communication means, the company should enable its shareholders to participate in a general meeting using such means, in particular through:

1. real-life broadcast of the general meeting,
2. real-time bilateral communication where shareholders may take the floor during a general meeting from a location other than the general meeting,
3. exercise of the right to vote during a general meeting either in person or through a plenipotentiary.

The Company does not apply the above principle.

EXPLANATION OF THE REASONS: The Company does not apply this principle due to the technical and organizational risks that may affect a proper and smooth conduct of the general meeting, including:

- the risk of distortions during the broadcast,
- potential difficulties in establishing the identity of shareholders/plenipotentiaries outside the meeting room of the general meeting of shareholders as well as determining the voting results taking into account the votes cast over distance, particularly in the case of voting by secret ballot.

IV.R.3. Where securities issued by a company are traded in different countries (or on different markets) and in different legal systems, the company should strive to ensure that corporate events related to the acquisition of rights by shareholders take place on the same dates in all the countries where such securities are traded.

Not applicable.

EXPLANATION OF THE REASONS: Shares of the company are not traded in different countries (or in different markets) or in different legal systems.

Detailed principles

IV.Z.2. If justified by the structure of shareholders, companies should ensure publicly available real-time broadcasts of general meetings.

The Company does not apply the above principle.

EXPLANATION OF THE REASONS: Immediately after the end of the General Meeting of Shareholders, the Company publishes the adopted resolutions in the form of a current report as well as publishes audio recordings of the General Meeting at its website, so that shareholders can follow in detail the matters discussed during General Meetings of Shareholders. Therefore, the Company does not see the need to implement this principle.

Remuneration

Detailed principles

VI.Z.1. Incentive schemes should be constructed in a way necessary among others to tie the level of remuneration of members of the company's management board and key managers to the actual long-term financial standing of the company and long-term shareholder value creation as well as the company's stability.

Not applicable.

EXPLANATION OF THE REASONS: No incentive schemes for members of the management board and key managers are presently deployed in the Company.

VI.Z.2. To tie the remuneration of members of the management board and key managers to the company's long-term business and financial goals, the period between the allocation of options or other instruments linked to the company's shares under the incentive scheme and their exercisability should be no less than two years.

Not applicable.

EXPLANATION OF THE REASONS: No incentive schemes for members of the management board and key managers are presently deployed in the Company.

VI.Z.4. In this activity report, the company should report on the remuneration policy including at least the following:

1. general information about the company's remuneration system,
2. information about the conditions and amounts of remuneration of each management board member broken down by fixed and variable remuneration components, including the key parameters of setting the variable remuneration components and the terms of payment of severance allowances and other amounts due on termination of employment, contract or other similar legal relationship, separately for the company and each member of its group,
3. information about non-financial remuneration components due to each management board member and key manager,
4. significant amendments of the remuneration policy in the last financial year or information about their absence,
5. assessment of the implementation of the remuneration policy in terms of achievement of its goals, in particular long-term shareholder value creation and the company's stability.

The Company does not apply the above principle.

EXPLANATION OF THE REASONS: In its annual reports the Company publishes information concerning remuneration of members of the Company's governing bodies to the extent required by the law. However, the Company does not present the information in such detail, as specified in the above principle.

6.3 Internal Control and Risk Management in the Process of Financial Statements Compilation

The process of financial statements compilation

Risk management during the process of compiling the separate and consolidated financial statements of the Orbis Group involves, in the first phase, identifying and assessment of risks and then taking relevant actions resulting in the elimination, or at least reduction, of the risks identified.

Compilation of the financial statements of Orbis S.A. and of the Orbis Group is supervised by the Management Board Member who is at the same time the Finance Director (CFO). The Financial Reporting and Consolidation Team in Orbis S.A. is in charge of compiling the separate and consolidated financial statements.

The consolidated financial statements of the Orbis Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) on the basis of the separate financial statements of the parent company Orbis S.A. and consolidation packages of subsidiary companies. The parent company and Orbis Kontrakty Sp. z o.o. kept their books of accounts and prepared their financial statements in accordance with the IFRS. The remaining consolidated companies operating abroad (refer to Section 1.2) keep their books of accounts in accordance with local accounting standards and compile reporting packages, which are the basis for the preparation of the Orbis Group's consolidated financial statements, are duly adjusted so as to ensure their compliance with IFRS standards applied by the Group. Management Boards of these companies are responsible for the preparation of subsidiary companies' consolidation packages according to IFRS. The reporting packages received from consolidated subsidiaries are then verified by the Financial Reporting and Consolidation Team.

The process of approving the financial statements has been introduced in the company. The separate financial statements of Orbis S.A. and the consolidated financial statements of the Orbis Group for quarterly, semi-annual and annual reporting periods are approved, prior to their publication, by the Management Board of Orbis S.A. Moreover, these reports are presented to the Supervisory Board of Orbis S.A. within the frame of the tasks of the Audit Committee (described in Section 6.11).

Furthermore, the process of risk management is carried out by way of verification of the financial statements by an independent licensed auditor. The annual separate financial statements of Orbis S.A. and the annual consolidated financial statements of the Orbis Group are audited by an auditor which grants its opinion and compiles the audit report. The semi-annual separate and consolidated financial statements are reviewed and the review report is issued.

Information about the company authorized to audit the financial statements of the Group and the Group companies is provided in Section 7.2.

Internal control

The internal control system in place in the Orbis Group is based on functional control exercised by its management in respective hotels of the Company and in the organisational units of the Head Office. This control relies on operational procedures as well as control and supervision procedures implemented in the individual organisational units.

Risk management in respect of preparation of financial statements incorporates on-going audit of the internal control system exercised by the Internal Audit Team of the Company. The internal control system covers major processes in the Company, including those areas that affect, directly or indirectly, correctness of financial statements. Internal audits are carried out upon request of, and to the extent determined by, the Management Board and in consultation with the Audit Committee appointed from amongst the Supervisory Board members.

6.4 Shareholders of Major Blocks of Orbis S.A. Shares

The structure of Orbis S.A. shareholding has been discussed in detail in Section 5.2 of this Directors' Report on the Operations of the Orbis Group for 2017.

6.5 Special Controlling Powers of Securities' Holders

Holders of securities issued by Orbis S.A. did not have any special controlling powers related to the said securities.

6.6 Shareholder Restrictions on Exercise of Voting Rights or Securities' Transfer

No restrictions on the exercise of voting rights by shareholders and no restrictions on the transfer of the Company's securities have been introduced in Orbis S.A.

6.7 Rules of Appointment and Recalling Management Board Members and Their Powers

The Management Board

The Management Board is composed of 3 to 7 members. The joint tenure of Management Board members is three years. The Supervisory Board appoints and recalls the President of the Management Board and, having sought the opinion of the President of the Management Board, the remaining members of the Management Board. The President, any member of the Management Board as well as the entire Management Board may be recalled by the Supervisory Board prior to the expiry of their tenure. In the event of a reduction in the number of the Management Board members during their tenure to fewer than 3 members, the Supervisory Board acting upon its own initiative or upon request of one of the remaining members of the Management Board convenes a meeting of the Supervisory Board to fill the vacancy in the Management Board.

All matters related to managing the affairs of the Company which have not been reserved by law or Company's Statutes for the General Meeting of Shareholders or the Supervisory Board fall within the scope of tasks of the Company's Management Board.

The Management Board manages the affairs of the Company headed by the President of the Management Board and represents the Company. Each member of the Management Board has the right and the duty to manage the affairs of the Company. Matters that do not exceed the scope of ordinary management of the Company may be dealt with by any member of the Management Board without a prior resolution of the Management Board. Each member of the Management Board may object to a certain matter being dealt with by another member of the Management Board or the manner of dealing with such matter and may demand that a meeting of the Management Board devoted to this issue be convened. Each member of the Management Board must inform the remaining members of the Management Board about each and every matter dealt with by such member, if its value exceeds PLN 500 000. Matters exceeding the scope of ordinary management of the Company and matters objected to by any member of the Management Board require passing a resolution at a Management Board meeting. The ordinary management of the Company involves managing the overall affairs of the Company as well as such legal deeds and actions undertaken

by the Management Board that should be carried out under regular circumstances in order to properly discharge the Company's duties.

Taking any actions by the Management Board that affect the Company's share capital, including issue of shares, options, as well as issue of debt instruments, including, but not limited to, bonds and convertible bonds as well as redemption of shares, requires a prior consent of the Supervisory Board.

Furthermore, the Management Board must seek a prior consent of the Supervisory Board before taking any of the following actions:

- 1) acquisition or sale of real property, right to perpetual usufruct or share in a real property of a net value in excess of PLN 50 000 000 (fifty million zlotys), as well as executing another transaction including sale, acquisition, credit facility and guaranty of a net value in excess of PLN 50 000 000 (fifty million zlotys); in case of transactions with a net value exceeding the amount of PLN 30 000 000 (thirty million zlotys), the material terms and conditions of the transaction must be presented to the Supervisory Board after the said transaction is executed,
- 2) transfer by the Company of shares or interest in the Company's subsidiaries, irrespective of the value of such shares or interest, transfer by the Company of shares or interest in other companies, where the transaction value exceeds PLN 30 000 000 (thirty million zlotys) as well as granting consent for the acquisition or transfer by a Company's subsidiary of shares or interest in other companies, where the transaction value exceeds PLN 30 000 000 (thirty million zlotys),
- 3) acquisition by the Company of shares or interest in other commercial companies, regardless of the value of such shares or interest,
- 4) executing an agreement with a licensed auditor,
- 5) approval of plans and the Company's development strategies prepared by the Management Board as well as its annual budgets, including annual capital expenditure and investment plans,
- 6) preparation and launching schemes relating to employee participation in the Company's profits, including plans relating to issue of options for the Company's shares as well as material amendments to collective employment agreements binding in the Company as well as major changes in social policy pursued by the Company,
- 7) proposals pertaining to distribution of the dividend.

The scope of responsibility of individual Management Board members is as follows:

Gilles Clavie, President and Chief Executive Officer:

- strategy, planning
- hotel operations
- sales, marketing, distribution
- legal department
- human resources
- internal audit and risk management

Ireneusz Węglowski, Vice-President for Corporate Affairs and Investor Relations:

- investor relations
- CSR
- PR and corporate communication

Dominik Sołtysik, Member of the Management Board for Property Management:

- asset management
- hotel network development
- modernization and upgrading of the hotel portfolio

Marcin Szewczykowski, Member of the Management Board for Finance:

- accounting
- financial reporting and consolidation
- cash management and bank relations
- financial controlling.

6.8 Principles of Modifying the Orbis S.A. Statutes

The Company operates pursuant to its Statutes, the latest consolidated text of which was determined by the Annual General Meeting of Shareholders of Orbis Spółka Akcyjna on June 24, 2013 (Notary's Deed Rep. A no. 2403/2013).

Modifications to the Statutes are introduced by the General Meeting of Shareholders upon the request of the Management Board submitted together with a written opinion of the Supervisory Board or upon shareholder request approved by the Management Board and the Supervisory Board. A resolution adopted by the General Meeting of Shareholders by a simple majority of votes cast is required to amend the Statutes.

Furthermore, pursuant to §30 of the Company's Statutes and subject to the applicable law, the Company's core business may be altered without the obligation on the part of the Company to buy back its shares.

Orbis S.A. Statutes and by-laws specifying rules of procedure the Company governing bodies are available at the Company's website: <http://www.orbis.pl/en/about-orbis/corporate-governance/statute-prospectus-by-laws>.

6.9 Description of the General Meeting of Shareholders, its Basic Powers, Shareholder Rights and Their Exercise

Operations of the General Meeting of Shareholders and shareholders' powers are regulated by law, in particular by the Code of Commercial Companies and Partnerships as well as the Company's Statutes and the By-Laws of the General Meeting of Orbis S.A. Shareholders. These documents (the Company's internal regulations) are published at the Company's corporate website: <http://www.orbis.pl/en/about-orbis/corporate-governance/statute-prospectus-by-laws>.

The General Meeting may be annual or extraordinary. The Annual General Meeting of Shareholders is convened by the Management Board of the Company within 6 months following the end of each financial year. The Extraordinary General Meeting of Shareholders is convened by the Management Board of the Company at the initiative of the Management Board, upon a written request of the Supervisory Board, members of the Supervisory Board elected by the employees or shareholders representing at least 1/20th of the share capital. The Extraordinary General Meeting of Shareholders should be convened within 2 weeks from the date of filing such a request.

The Supervisory Board has the right to convene the Annual General Meeting of Shareholders if the Company's Management Board failed to convene the Annual General Meeting within the prescribed time limit and to convene Extraordinary General Meeting if the Supervisory Board deems it desirable to hold the Meeting. Furthermore, the Supervisory Board and members of the Supervisory Board appointed by the Company's employees have the right to convene the General Meeting, if the Management Board failed to convene the General Meeting within 2 weeks from the date of filing such a request.

Shareholders representing at least half of the Company's share capital or at least half of the total votes in the Company may convene the Extraordinary General Meeting of Shareholders. The shareholders appoint the Chairperson of the Meeting.

The General Meeting of Shareholders may adopt resolutions only on matters included in its agenda. The Supervisory Board, members of the Supervisory Board elected by employees of the Company or shareholders representing at least 1/20th of the Company's share capital may request that certain matters be placed on the agenda of the forthcoming General Meeting of Shareholders. During the General Meeting each shareholder may propose draft resolutions concerning matters on the agenda of the Meeting.

A General Meeting of Shareholders is valid if the number of shares represented thereat is equivalent to at least 25% of the Company's share capital. Resolutions of the General Meeting of Shareholders are adopted by a simple majority of votes cast in favour of a resolution, unless the Statutes provide otherwise and unless mandatory provisions of the Polish Partnerships and Companies' Code require other majority. A resolution is deemed adopted if the number of votes cast in favour of a resolution is greater than the number of votes cast against it. Abstaining votes are not taken into account. Each share carries one vote at the General Meeting of Shareholders.

Only holders of the Company's shares as at 16 (sixteen) days prior to the date of the General Meeting (date of participation registration) may participate in the General Meeting of Shareholders.

A shareholder who is a natural person may participate in the General Meeting of Shareholders and exercise his voting rights either personally or through a proxy. A shareholder who is a corporate body or an organizational unit without a legal personality may participate in the General Meeting of Shareholders and exercise voting rights either through a person authorized to make statements of intention on its behalf or through a proxy.

The proxy to participate in the General Meeting and to exercise the right to vote must be given in writing or in an electronic form. In order to give a proxy in an electronic form via means of electronic communication, the appointing shareholder sends a notice in an electronic form concerning appointment of a proxy to the following mail address: zawiadomienie.ksh@orbis.pl.

Voting shall be open. Secret ballot is ordered on elections and on motions for recalling members of the company's governing bodies and liquidators, or motions concerning their answerability and personal matters. Furthermore, secret ballot is ordered upon request of even a single shareholder present or represented at the General Meeting. Resolutions concerning alteration of the Company's core business are always passed in open voting by roll call.

A General Meeting of Shareholders is opened by the Chairman of the Supervisory Board or a person appointed by the Chairman of the Supervisory Board. Thereafter the Chairperson of the General Meeting is elected from amongst persons authorized to vote.

The powers of the General Meeting of Shareholders include:

- 1) examination and approval of the Directors' report on the Company's activities and financial statements for the past financial year,
- 2) adopting a resolution concerning distribution of profits or coverage of losses,
- 3) granting a vote of approval to members of the Company's governing bodies in respect of performance of their duties,
- 4) alteration of the Company's core business,
- 5) amending the Company's Statutes,
- 6) increase or reduction of the share capital,
- 7) merger, division or transformation of the Company,
- 8) winding-up and liquidation of the Company,
- 9) issue of bonds, either convertible or with a priority warrant,
- 10) all decisions concerning claims for redress of damages inflicted by founding the Company, management or supervision over its affairs.

Apart from the abovementioned matters, also matters specified in the Code of Commercial Companies and Partnerships require a resolution of the General Meeting of Shareholders.

The powers listed in points 2, 4, 5, 6, 7, and 9 above are exercised by the General Meeting of Shareholders upon request of the Company's Management Board submitted along with a written opinion of the Supervisory Board. A request filed by shareholders on these matters should also include an opinion of the Company's Management Board and the Supervisory Board.

Furthermore, pursuant to §29.2 of the Company's Statutes, acquisition or transfer of real property, right to perpetual usufruct or share in a real property does not require a resolution of the General Meeting of Shareholders, except for transfer of such assets where the net transaction value exceeds PLN 200 000 000 (two hundred million zlotys).

Immediately after the closing of the General Meeting of Shareholders, the Company publishes the adopted resolutions in a current report as well as publishes on its website an audio record of the Meeting, so that shareholders can have access to issues raised during General Meetings of Shareholders.

If representatives of mass media are interested in participating in the General Meeting, Orbis S.A. admits their presence during the General Meeting upon a prior request being made via e-mail.

6.10 Composition of the Management Board and the Supervisory Board, Their Changes and Committees

The Management Board

In 2017, Orbis S.A. Management Board was composed of the following Members:

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

On June 8, 2017, the Supervisory Board appointed all the abovementioned Board Members for a successive 10th tenure of the Management Board.

The Supervisory Board

From January 1, 2017, till December 31, 2017, Orbis S.A. Supervisory Board was composed of the following Members:

- Jan Ozinga – Chairman,
- Bruno Coudry – Member (resigned from his position of a Supervisory Board Member effective as of March 31, 2017),
- Jean-Jacques Dessors – Member (appointed Member of the Supervisory Board from March 22, 2017, effective as of April 1, 2017),
- Artur Gabor – Independent Member,
- Christian Karaoglanian – Member,
- Jacek Kseń – Independent Member,
- Jean-Jacques Morin – Member,
- Laurent Picheral – Member,
- Andrzej Procajło – Member,
- Andrzej Przytuła – Member,
- Jarosław Szymański – Member.

Supervisory Board Committees

From January 1, 2017, till December 31, 2017, Supervisory Board Committees were composed of the following members:

Audit Committee:

- Jacek Kseń - Chairman (the function of the Chairman was entrusted to Mr. Jacek Kseń as from September 13, 2017),
- Artur Gabor,
- Jean-Jacques Morin,
- Laurent Picheral – resigned from membership in the Audit Commission effective as from June 8, 2017.

Remuneration Committee:

- Jacek Kseń,
- Laurent Picheral.

Corporate Social Responsibility Committee:

- Artur Gabor,
- Laurent Picheral,
- Andrzej Procajło,
- Andrzej Przytuła,
- Jarosław Szymański.

Information concerning remuneration of Members of the Management Board and the Supervisory Board is provided in Note 33.1 to the Consolidated Financial Statements of the Orbis Group for 2017.

6.11 Description of Operations of the Management Board, the Supervisory Board and the Committees

The Management Board

The Company's Management Board operates on the basis of the Code of Commercial Companies and Partnerships, the Company's Statutes and the By-Laws of the Management Board. The Management Board manages the affairs of the Company headed by the President of the Management Board and represents the Company. The Management Board is responsible for taking all decisions which have not been reserved for other governing bodies by virtue of the Code of Commercial Companies and Partnerships or the Company's Statutes. The following persons have signatory powers to represent the Company: the President of the Management Board acting jointly with a member of the Management Board, two members of the Management Board acting jointly, or member of the Management Board acting jointly with a holder of the power of attorney to represent the Company ("*Prokurent*"). Furthermore, persons acting under powers of attorney granted by the Management Board are also authorized to make declarations of intent, sign contracts and incur obligations on behalf of the Company.

Meetings of the Management Board are held at least once a month. Meetings of the Management Board are convened by the President of the Management Board upon his own initiative or upon request of three members of the Management Board. Meetings of the Management Board may be also convened upon initiative of the Supervisory Board or its Chairman.

The presence of at least half of the Management Board members is required for the Management Board's resolutions to be valid (in case of odd number of Management Board members, the number is rounded down to a whole number plus one member of the Management Board).

Resolutions of the Management Board are adopted by a simple majority of votes cast in favour of the resolution. The abstaining votes are not taken into account for the purpose of calculating the majority. If the number of votes cast in favour of a resolution is greater than the number of votes cast against the resolution, such resolution is deemed to have been adopted. In case of an equal division of votes for and against adopting a resolution, the President of the Management Board has a casting vote.

The Management Board of Orbis S.A. has adopted its By-Laws that specify detailed rules of procedure of the Management Board. The By-Laws have been approved by the Supervisory Board and are published on the Company's website: <http://www.orbis.pl/en/about-orbis/corporate-governance/statute-prospectus-by-laws>.

The Supervisory Board

The Supervisory Board is the governing body of the Company entrusted with the task of permanent supervision over the Company's operations to the extent set forth in the provisions of the Code of Commercial Companies and Partnerships and in the Company's Statutes. The Supervisory Board also gives opinions upon request of the Company's Management Board. The Supervisory Board consists of 10 members. With the exception of the three members elected by the Company's employees, members of the Supervisory Board are elected by the General Meeting of Shareholders. The Supervisory Board elects and recalls the Chairman and the Vice-Chairman of the Supervisory Board from amongst its members as well as the Secretary, if required.

The Supervisory Board holds meetings at least once a quarter. Meetings of the Supervisory Board are convened by the Chairman of the Board upon his own initiative or by the Vice-Chairman in the case of a permanent obstacle on the part of the Chairman. The Chairman of the Supervisory Board convenes a meeting of the Supervisory Board also upon a written request of the Management Board or a member of the Supervisory Board within two weeks from the date of receipt of such a request.

The Supervisory Board adopts resolutions by a simple majority of votes cast in favour of the resolution. If the number of votes cast in favour of a resolution is greater than the number of votes cast against the resolution, such resolution is deemed to have been adopted. The abstaining votes are not taken into account for the purpose of calculating the majority. In case of an equal division of votes for and against adopting a resolution, the Chairman of the Supervisory Board has a casting vote. Resolutions of the Supervisory Board are valid if cast in the presence of at least half of the Supervisory Board members. A secret ballot may be ordered on any matter at the request of at least one member of the Supervisory Board.

Apart from matters reserved under the Statutes, the basic duties of the Supervisory Board include:

- 1) evaluation of the Company's financial statements, including the balance sheet, the profit and loss account, the additional notes and the cash flow statement,
- 2) evaluation of the Company's Directors' Report and motions of the Management Board concerning distribution of profits or coverage of losses,
- 3) filing a written report to the General Meeting outlining the results of activities referred to in points 1 and 2 above,
- 4) suspending, for material reasons, the performance of duties by a member of the Management Board or the entire Management Board,
- 5) delegating a member or members of the Supervisory Board to temporarily perform the duties of a Management Board member, if such a Management Board member or the entire Management Board has been suspended or in those cases when the Management Board is incapable of action for other reasons,
- 6) approval of the By-Laws of the Company's Management Board,
- 7) determining the consolidated text of the amended Company's Statutes as well as introducing other amendments of editorial nature as specified in a resolution of the General Meeting,
- 8) selection of a licensed auditor to audit the Company's financial statements,
- 9) examination and approval of the quarterly reports concerning the Company's operations,
- 10) approval of the Company's development plans and strategies prepared by the Management Board as well as its annual budget (including annual capital expenditure and investment plans),
- 11) approval of plans relating to employee participation in the Company's profits, including plans relating to issue of options for the Company's shares as well as proposed material amendments to the collective employment agreement binding in the Company as well as major changes in social policy pursued by the Company,

- 12) giving opinions on motions put forward by the Management Board to the General Meeting as well as giving opinions and adopting resolutions on other matters brought forward by the Company's Management Board.

The organisation and operation of the Supervisory Board is laid down in the Supervisory Board By-Laws adopted by the Supervisory Board and published on the Orbis S.A. corporate website: <http://www.orbis.pl/en/about-orbis/corporate-governance/statute-prospectus-by-laws>.

Supervisory Board Committees

Supervisory Board Committees perform consultative and advisory functions for the Supervisory Board. The following committees established by the Supervisory Board operate in Orbis S.A.:

- **Audit Committee** - its tasks comprise, among others: monitoring the process of financial reporting in Orbis S.A., preparing draft evaluations and reports of the Supervisory Board connected with the closing of a financial year, monitoring efficiency of internal control systems, internal audit and risk management in the Company, monitoring the independence of the entity licensed to audit financial statements. In connection with the entry into force, on June 6, 2017, of the Act on Licensed Auditors and Their Self-Government, Firms Licensed to Audit Financial Statements and Public Oversight from May 11, 2017 (official journal "Dz.U." of 2017, item 1089), the principles of operation and scope of powers of the Audit Committee were modified to a certain extent in order to adjust the internal regulations to the requirements of the aforementioned Act. Specifically, these modifications included the adjustment of the composition of the Audit Committee to the independent members majority requirement (the function of the Audit Committee Chairman was also taken by an independent Member) and adoption, by the Supervisory Board of Orbis S.A., of the new By-Laws of the Audit Committee of the Orbis S.A. Supervisory Board, adoption by the Audit Committee of the "Policy and procedure of appointment of a licenced audit firm to audit the financial statements of "Orbis" S.A." and the "Policy on provision of additional services by the Audit Firm, an entity affiliated with the Audit Firm or a firm belonging to the Audit Firm's group of companies". These changes extended the powers of the Audit Committee, specifically in the areas provided for in the abovementioned Act, increased and formalised the Audit Committee's participation in the process of selecting the entity authorised to audit the financial statements as well as controlling and overseeing the activities the said entity in the area of auditing the financial statements and providing additional services, if such services will be provided.
- **Remuneration Committee** - the Committee is tasked with preparing recommendations for the Supervisory Board as regards the annual bonus and remuneration policy for members of the Management Board.
- **Corporate Social Responsibility Committee** – the CSR Committee was established to ensure supervision and evaluation of proper pursuance of the strategy and actions implemented by the Company in the area of corporate governance, human rights, practices related to employment, natural environment, protection of consumer rights and the Company's involvement in the local communities.

6.12 Diversity Policy

Diversity and its aspects have been extensively described in the „Ethics and Corporate Social Responsibility Charter". They are regulated in detail in the "Orbis Diversity Policy" adopted by the Orbis Group. The Diversity Policy sets out the Company's commitment to eliminate all forms of discrimination due to ethnic, social or cultural origin, gender, age, physical features or disability, religious beliefs, sexual orientation, family status, being a trade union activist or other partialities made illegal by law. Its aim is to provide equal opportunities to employees with the same professional qualifications, in particular to men and women in all areas of work and at all phases of their professional career, beginning from recruitment through training, remuneration, geographic mobility, to career development. This policy also ensures inclusion of diversity in training programs (for example each training for executives and managers in the Accorhotels Academy includes a module dedicated to diversity, and all of our employees can participate in the e-learning training dedicated to diversity, available in the Orbis Group intranet). The policy also sets out an obligation to inform our employees and other persons with whom we collaborate about actions undertaken by the Group to promote diversity, we provide guidance on how these measures can be implemented in practice. We require our suppliers, subcontractors or service providers to sign the "Orbis Group Procurement Policy" and to apply the non-discrimination rules set out therein. We respect the diversity of our guests and do our best to embrace it by adapting our products and services to guest expectations. We give much attention to women. Our hotels enrich their product targeted at women offering a range of services designed to cater for their needs. We have various offers for them beginning from specially arranged rooms with facilities and ending with food and beverage offers. From time to time we examine the commitment of our employees and measure the impact of actions taken in favour of diversity.

Our Group declares no tolerance for any form of psychological harassment, violation of personal dignity or sexual abuse. The Orbis Group requires all its managers to notify any such incidents to the HR director who shall take the necessary measures to stop psychological harassment, violation of personal dignity or sexual abuse, of which it is informed.

At the recruitment phase, selection of candidates based on non-professional criteria (such as religion, age, gender, political views, ethnic origin, trade union membership, etc.) is prohibited. Selection of candidates for a given position is as a rule based on a uniform methodology and employee recruitment is based exclusively on the Group's needs and each candidate's qualifications, according to the criteria of professional competence and personal merits, with no regard for other factors.

In managing diversity we see the need to fight stereotypes that underlie discrimination. The environment, past experience and subconscious expectations can influence the perception of other people.

Therefore, on the one hand it is important to address issues related with respect for persons, their diversity and differences, both in communications as well as during various types of trainings. It is important to build awareness and recognition for issues related to acceptance of diversity and tolerance. Since 2012, the Orbis Group has been the signatory of Poland's Diversity Charter. Orbis S.A. was amongst the first signatories of the abovementioned Charter and was a partner of the conference, at which the said Charter was launched in Poland. It embodies a company's obligation to create a corporate atmosphere and organizational culture that ensures respect for diversity, introduction of institutional, internal solutions to promote equal treatment, to develop and implement a policy of equal treatment and diversity management in the workplace, and to launch anti-discrimination and anti-mobbing monitoring, to conduct dialogue with employees on the diversity management policy and annual reporting on the actions taken and their practical results.

Orbis at the Great Integration Gala 2017

The Great Integration Gala is the largest festival of the disabled persons in Poland, organized on the occasion of the International Day of People with Disability to recap annual activities to integrate people with disabilities.

For 22 years now it has been an opportunity to meet with people suffering from different disabilities from all over the country as well as with public figures, politicians, media representatives, companies engaged in activities for the benefit of persons with disabilities and representatives of non-governmental organizations. Therefore, Orbis was amongst the main sponsors of the Gala in 2017.

Women at AccorHotels Generation (WAAG)

The Women at AccorHotels Generation network (WAAG) connects women working in the AccorHotels and Orbis Groups and supports their professional development. It brings together nearly two hundred women and several dozen men from the Orbis Group in Poland and in the Eastern Europe. In the Orbis Group, as many as 40% of hotel General Managers are women, which is the highest percentage in the overall worldwide AccorHotels community. The aim of the network is to develop leadership skills, build greater work comfort and mutual inspiration. The "WAAG Empowerment" program which is a series of workshops for women working in the Orbis Hotel Group was built around that perspective. Since January 2015, the Orbis S.A. offers to WAAG network members a mentoring program, within a framework of which several mentoring pairs have been brought together not only in Poland but also in Romania, the Czech Republic and Hungary.

6.13 Information on Sponsorship, Charity or Other Similar Activities of Orbis S.A.

Implementing the recommendation no. I.R.2. contained in the "Code of Best Practice for GPW Listed Companies 2016", the Company presents information on its sponsorship, charity or other similar activities.

In cooperation with non-governmental organisations and social institutions in the countries of Eastern Europe. Orbis S.A. carries out programs aimed at preventing child and youth abuse, fighting social exclusion and supporting the position of women in the professional environment as well as education and professionalization in the hospitality industry. Furthermore, it supports the reforestation program of areas threatened by illegal logging in Transylvania (Romania) and the "Kosztela" program contributing to the protection and development of traditional orchards in Poland.

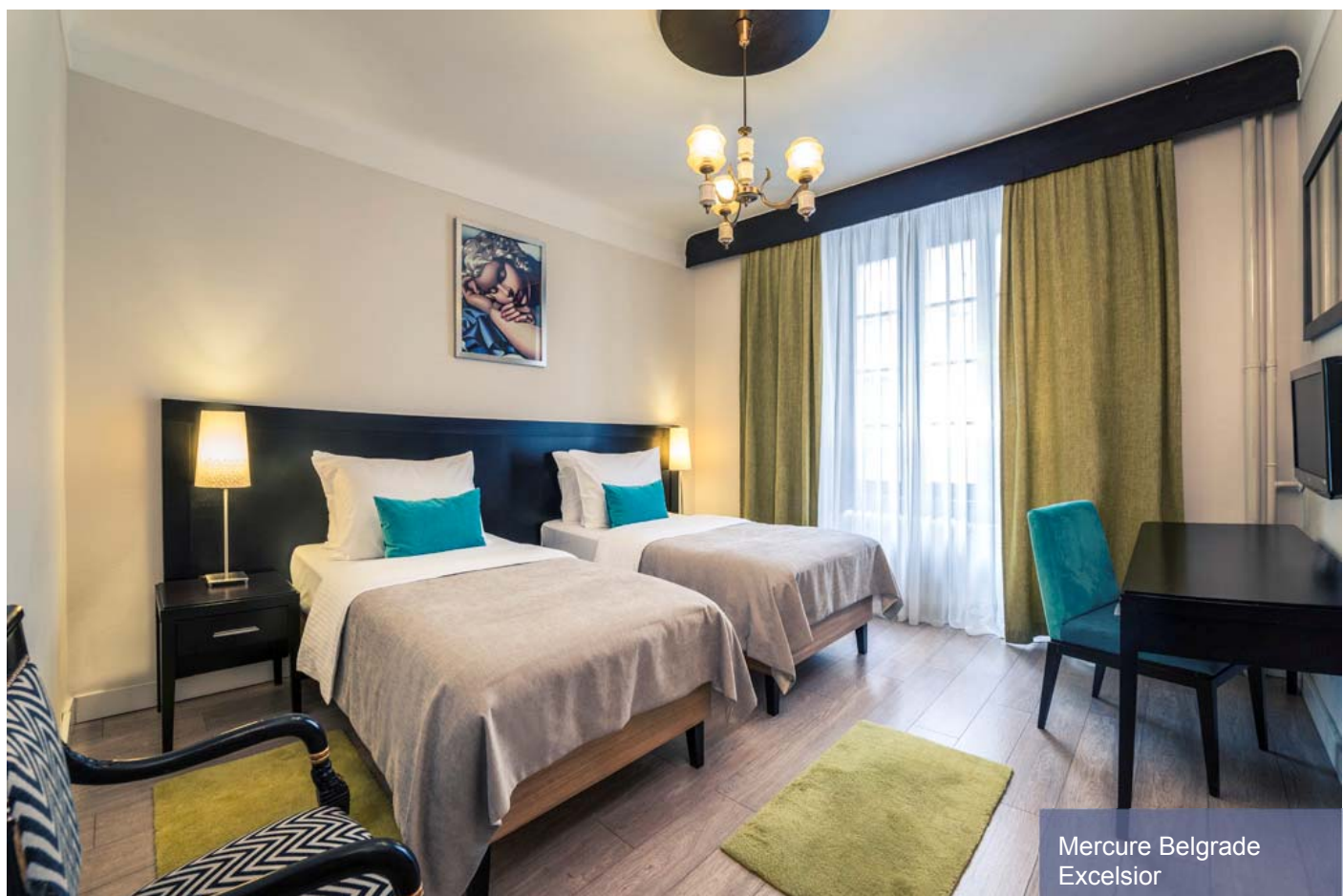
The abovementioned social and environmental programs are implemented from current assets of Orbis S.A., with the support of Orbis S.A. employees and thanks to involvement of hotel guests.

The most important social and environmental projects of Orbis S.A. in 2017 include:

- The "Code of Conduct for the Protection of Children from Sexual Exploitation in Travel and Tourism" – a prevention program raising awareness of negative social phenomena, carried out together with the Empowering Children Foundation in Poland and the ECPAT Association in Poland, Hungary, the Czech Republic, Lithuania and Romania;
- The "Women At AccorHotels Generation" corporate network of women working in Orbis S.A. and its subsidiaries - the aim of the program is to boost leadership and empowerment of women and to enhance work environment and mutual inspiration. The WAAG network brings together more than 220 members. Its activities in 2017 focused on Poland, Romania and Hungary;
- The "Plant for the Planet" program aimed at transferring 50% of the savings generated due to optimization of towel use in Orbis S.A. hotels for the creation and development of traditional fruit orchards in Poland. The program is implemented thanks to involvement of hotel guests and in co-operation with the Pur Projet SARL, the AgriNatura Foundation in Poland and the Mihai Eminescu Trust Foundation in Romania;
- "Chamber of Commerce of the Polish Hotel Industry" (IGHP) - support for the local self-governing organization of the hotel and restaurant industry in Poland in contacts with government administration at the local, regional, national and EU level.

Sponsorship and charitable activity of Orbis S.A. is implemented in line with the priorities of the Company's corporate and marketing communication based on the "Ethics and Corporate Social Responsibility Charter" in the countries where the Company operates.

ADDITIONAL INFORMATION



7 ADDITIONAL INFORMATION

7.1 Human Resources

During the period of 12 months of 2017, the average employment in the Orbis Group stood at 4 027 full-time equivalents, having risen by 3.3% as compared to the same period of last year.

Average employment (in full-time equivalents)	2017	2016	% change
Poland	2 576	2 507	2.8%
Hungary	944	906	4.2%
Czech Republic	232	225	3.1%
Other countries	275	260	5.8%
Total	4 027	3 898	3.3%

In 2017, nearly 6 000 man-days of training for 3 138 persons (more than 7 700 participants) were conducted, both in a traditional form as well as via e-learning method.

The main themes of trainings were Talent Management and the Leadership Workshops Program aimed at perfection of competencies and skills at all levels of hotels and Head Office organizational structures, from line employees to DirCom members.

Hotel staff participated in a number of sales and customer service trainings, including the Heartist Workshops for all employees aimed at promoting modern and creative approach to guest service, training courses for reception and hotel sales staff, including the "Effective Sales Techniques, Skilful Influencing, Upselling in Reception and Reservation" training. The following trainings for food and beverage professionals were organised: „4 F&B Pillars as Implications - How to Delight our Guests“, „Breakfast Animations" improving the skill of preparing and serving meals, the „Breakfast Service Standards Workshops" and the „Modern Restaurant Management, Suggestive Sales in a Restaurant" as well as on the job trainings, coaching trainings for Chefs and trainings on the HACCP Book.

Specialist training programs for baristas "Master of the Coffee and Latte Art Brewing Ceremony" and Sommelier Workshops as preparation for the international WSET certificate were also held.

In 2017, numerous training courses on improvement of know-how, skills and behaviour typical for each of the Sofitel, Novotel, Mercure and ibis Family brands were conducted with a view to support hotels in maintaining international quality standards with a pro-active approach to guests to improve guest satisfaction through a natural and genuine attitude, sales orientation and ability to anticipate and find solutions.

In 2017, Revenue Management training programs were held, including Revenue Management & Pricing for participants in Warsaw and Budapest as well as Sales Campus for Head Office Central Sales Staff.

An important part of the trainings were programs for technical staff and floor service on the subject of customer service and ergonomics of work during the cleaning of rooms.

Training courses for accountants on invoicing systems and raw material control systems were conducted for Specialists in the Head Office and hotels.

7.2 Entity Authorised to Audit the Financial Statements

On June 9, 2016, Orbis S.A. executed an agreement with Deloitte Polska Spółka z ograniczoną odpowiedzialnością Spółka komandytowa, entered on the list of licensed entities maintained by the National Chamber of Statutory Auditors under number 73, for the review and audit of financial statements of Orbis S.A. The agreement covers the review of semi-annual separate and consolidated financial statements for the six-month period ended June 30, 2016, for the six-month period ended June 30, 2017, and the audit of annual separate and consolidated financial statements for the years 2016 and 2017.

The net fee due or paid out to Deloitte Polska Spółka z ograniczoną odpowiedzialnością Spółka komandytowa for the audit of the financial statements and other attestation services amounted to PLN 755 thousand in 2017 (PLN 765 thousand in 2016).

Deloitte Group companies also audited the annual financial statements of foreign subsidiaries and associates, except Orbis Kontrakty Sp. z o.o. and Accor Pannonia Slovakia s.r.o. The total net fee for the audits and other attestation services by companies belonging to the Deloitte Group amounted to PLN 647 thousand in 2017 (PLN 549 thousand in 2016).

The financial statements of the subsidiary Orbis Kontrakty Sp. z o.o. were audited by Revision-Rzeszów Józef Król Sp. z o.o. Sp. k. The net fee for the audit amounted to PLN 8 thousand in 2017 (PLN 8 thousand in 2016).

On the other hand, the financial statements of the subsidiary Accor Pannonia Slovakia s.r.o. with its registered address in Bratislava were audited by PKF Slovensko s.r.o. The net fee for the audit amounted to PLN 76 thousand for 2017 (PLN 53 thousand in 2016).

The fee of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Spółka komandytowa for services other than the audit, provided to Orbis S.A. in 2017 totalled PLN 69 thousand, while the fee of Deloitte Group companies for services other than the audit, provided in 2017 to other companies of the Orbis Group totalled PLN 53 thousand.

When appointing the entity authorized to audit the financial statements for 2017, Orbis had no formal rules in place regarding the selection or change of the selected auditor. In connection with the coming into force, on June 6, 2017, of the Act on Licensed Auditors and Their Self-Government, Firms Licensed to Audit Financial Statements and Public Oversight from May 11, 2017 (official journal "Dz.U." of 2017, item 1089), the Audit Committee of the Orbis S.A. Supervisory Board adopted the "Policy and procedure of appointment of a licenced audit firm to audit the financial statements of "Orbis" S.A." and the "Policy on provision of additional services by the Audit Firm, an entity affiliated with the Audit Firm or a firm belonging to the Audit Firm's group of companies".

The above documents specify mainly the requirements concerning the appointment of an entity authorised to audit financial statements and the principles of providing audit services by this entity, adopted on the basis of the Act on Licensed Auditors and Their Self-Government, Firms Licensed to Audit Financial Statements and Public Oversight. At the same time, Orbis S.A. adopted more detailed or additional requirements (including the criteria applied in the auditor selection procedure) in order to adjust them to the nature, type and scope (including the territorial scope) of the business conducted by Orbis S.A. and the companies belonging to the Orbis Group. The Policy and procedure of appointment of a licenced audit firm to audit the financial statements of Orbis S.A. was adopted on November 2, 2017, therefore it will be applicable for the first time when selecting an auditor to be entrusted with the audit of the Orbis S.A. financial statements and the consolidated financial statements of the Orbis Group for 2018.

7.3 Legal Claims

Information about proceedings pending before court, arbitration or public administration authorities is provided in the additional notes to the Consolidated Financial Statements of the Orbis Group for 2017 (Note 30.5).

7.4 Related party transactions

The Group executes transactions with related parties at arm's length. Information about transactions with related parties is provided in the additional notes to the Consolidated Financial Statements of the Orbis Group for 2017 (Note 33).

7.5 Contingent Assets and Liabilities

Information on contingent assets and liabilities, including issued or received sureties and guarantees, is provided in the additional notes to the Consolidated Financial Statements of the Orbis Group for 2017 (Note 30).

7.6 Events after the End of the Reporting Period

On February 8, 2018, Orbis S.A. entered into a preliminary sale agreement of organised parts of the enterprise in the form of the Mercure Cieszyn hotel and the ibis Styles Bielsko-Biała hotel for a total net price of PLN 8 100 thousand. According to the preliminary agreement, the final sale agreement is scheduled to be executed before July 31, 2018, provided that the General Shareholders Meeting of Orbis S.A. will grant its consent for the sale of the hotels. Payment of the price will take place according to the following terms and conditions:

- 10% of the net sale price, i.e. PLN 810 thousand was paid in as earnest money prior to the signing of the preliminary sale agreement,
- the remaining 90% of the net sale price, i.e. PLN 7 290 thousand will be paid no later than within 5 business days after the execution of the final sale agreement.

Both the hotels will continue operations under their brands on the basis of long-term franchise agreements.

The subsidiary, Katerinska Hotel s.r.o. with its registered address in Prague, has notified the owners of the Century Old Town Prague MGallery by Sofitel located in Prague about the exercise of its right to acquire the hotel under the current leasing agreement of that hotel.

The hotel acquisition option will be exercised on August 30, 2018, for a purchase price of EUR 15.5 million. The option will be exercised either by purchase of shares in the company that owns the hotel or through direct purchase of the real property (the hotel).

Furthermore on February 20, 2018, Orbis S.A. purchased real property (plot of land) of a total area of 771 square meters, located in Kraków at 8 Worcella Street, for a net price of PLN 13 000 thousand. The property was purchased in order to implement an investment project (hotel construction), and now Orbis is conducting an analysis of the technical and operational details of the investment, which will determine the choice of the optimum brand from the economy segment under which the hotel will operate. The above transaction is in line with the Group's strategy assuming concentration of own investments in the region's key cities, which offer long-term value growth and attractive return on investment.

APPENDIX 1: OPERATING RATIOS OF THE ORBIS GROUP

Owned Hotels²

Operating ratios of owned hotels by main category	2017	2016	change (%)	2017	2016	change (%)
	as reported			like-for-like		
Orbis Hotel Group						
Occupancy Rate (%)	74.0	72.4	1.6 p.p.	74.1	73.1	1.0 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	249.6	233.8	6.8%	248.5	236.6	5.0%
Revenue per Available Room (RevPAR) in PLN	184.8	169.2	9.2%	184.1	172.9	6.5%
Economy Hotels						
Occupancy Rate (%)	75.7	73.4	2.3 p.p.	75.8	73.8	2.0 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	178.2	168.1	6.0%	176.8	168.3	5.1%
Revenue per Available Room (RevPAR) in PLN	135.0	123.4	9.4%	133.9	124.2	7.8%
Up&Midscale Hotels (3-star and more)						
Occupancy Rate (%)	73.2	71.9	1.3 p.p.	73.2	73.0	0.2 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	288.7	267.6	7.9%	287.2	272.5	5.4%
Revenue per Available Room (RevPAR) in PLN	211.2	192.3	9.8%	210.2	198.8	5.7%

Operating ratios of owned hotels by main category	4th quarter of 2017	4th quarter of 2016	change (%)	4th quarter of 2017	4th quarter of 2016	change (%)
	as reported			like-for-like		
Orbis Hotel Group						
Occupancy Rate (%)	72.0	70.1	1.9 p.p.	72.0	71.0	1.0 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	245.2	230.3	6.5%	245.2	234.2	4.7%
Revenue per Available Room (RevPAR) in PLN	176.6	161.4	9.4%	176.6	166.3	6.2%
Economy Hotels						
Occupancy Rate (%)	74.5	71.7	2.8 p.p.	74.6	72.4	2.2 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	176.8	167.8	5.4%	176.2	169.2	4.1%
Revenue per Available Room (RevPAR) in PLN	131.7	120.3	9.5%	131.5	122.6	7.3%
Up&Midscale Hotels (3-star and more)						
Occupancy Rate (%)	70.8	69.2	1.6 p.p.	70.8	70.3	0.5 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	283.3	264.0	7.3%	283.3	269.3	5.2%
Revenue per Available Room (RevPAR) in PLN	200.4	182.7	9.7%	200.4	189.4	5.8%

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

Operating ratios of owned hotels by geographical segment	2017	2016	change (%)	2017	2016	change (%)
	as reported			like-for-like		
Poland						
Occupancy Rate (%)	72.3	70.8	1.5 p.p.	72.3	71.8	0.5 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	238.6	223.7	6.7%	236.6	227.6	4.0%
Revenue per Available Room (RevPAR) in PLN	172.5	158.4	8.9%	171.1	163.4	4.7%
Hungary						
Occupancy Rate (%)	76.0	73.8	2.2 p.p.	76.0	73.8	2.2 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	269.7	248.6	8.5%	269.7	248.6	8.5%
Revenue per Available Room (RevPAR) in PLN	205.1	183.3	11.9%	205.1	183.3	11.9%
Czech Republic						
Occupancy Rate (%)	77.8	75.7	2.1 p.p.	77.8	75.7	2.1 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	264.6	250.2	5.8%	264.6	250.2	5.8%
Revenue per Available Room (RevPAR) in PLN	205.9	189.5	8.7%	205.9	189.5	8.7%
Other countries						
Occupancy Rate (%)	82.1	82.1	0.0 p.p.	82.1	82.1	0.0 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	271.9	270.3	0.6%	271.9	270.3	0.6%
Revenue per Available Room (RevPAR) in PLN	223.2	222.0	0.5%	223.2	222.0	0.5%

Operating ratios of owned hotels by geographical segment	4th quarter of 2017	4th quarter of 2016	change (%)	4th quarter of 2017	4th quarter of 2016	change (%)
	as reported			like-for-like		
Poland						
Occupancy Rate (%)	70.4	67.0	3.4 p.p.	70.4	68.2	2.2 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	235.2	218.5	7.6%	235.2	224.0	5.0%
Revenue per Available Room (RevPAR) in PLN	165.7	146.4	13.2%	165.7	152.8	8.4%
Hungary						
Occupancy Rate (%)	72.9	75.1	-2.2 p.p.	72.9	75.1	-2.2 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	257.4	246.3	4.5%	257.4	246.3	4.5%
Revenue per Available Room (RevPAR) in PLN	187.7	185.1	1.4%	187.7	185.1	1.4%
Czech Republic						
Occupancy Rate (%)	77.0	77.3	-0.3 p.p.	77.0	77.3	-0.3 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	265.3	238.6	11.2%	265.3	238.6	11.2%
Revenue per Available Room (RevPAR) in PLN	204.4	184.4	10.8%	204.4	184.4	10.8%
Other countries						
Occupancy Rate (%)	80.2	78.5	1.7 p.p.	80.2	78.5	1.7 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	277.4	291.1	-4.7%	277.4	291.1	-4.7%
Revenue per Available Room (RevPAR) in PLN	222.6	228.4	-2.5%	222.6	228.4	-2.5%

Managed and Franchised Hotels

Operating ratios of managed and franchised hotels by main category	2017	2016	change (%)	2017	2016	change (%)
	as reported			like-for-like		
Orbis Hotel Group						
Occupancy Rate (%)	62.8	61.3	1.5 p.p.	66.4	61.9	4.5 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	188.8	185.6	1.7%	192.4	186.3	3.3%
Revenue per Available Room (RevPAR) in PLN	118.5	113.8	4.1%	127.8	115.3	10.8%
Economy Hotels						
Occupancy Rate (%)	65.4	63.6	1.8 p.p.	69.5	64.3	5.2 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	149.8	146.9	2.0%	151.8	147.2	3.1%
Revenue per Available Room (RevPAR) in PLN	97.9	93.4	4.8%	105.5	94.6	11.5%
Up&Midscale Hotels (3-star and more)						
Occupancy Rate (%)	60.3	58.9	1.4 p.p.	63.0	59.3	3.7 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	229.3	230.3	-0.4%	240.8	232.0	3.8%
Revenue per Available Room (RevPAR) in PLN	138.3	135.7	1.9%	151.8	137.5	10.4%

Operating ratios of managed and franchised hotels by main category	4th quarter of 2017	4th quarter of 2016	change (%)	4th quarter of 2017	4th quarter of 2016	change (%)
	as reported			like-for-like		
Orbis Hotel Group						
Occupancy Rate (%)	58.5	57.1	1.4 p.p.	62.2	57.1	5.1 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	185.1	188.4	-1.8%	189.9	189.0	0.5%
Revenue per Available Room (RevPAR) in PLN	108.3	107.5	0.7%	118.1	107.9	9.5%
Economy Hotels						
Occupancy Rate (%)	63.2	60.4	2.8 p.p.	64.8	60.4	4.4 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	143.9	146.5	-1.8%	147.0	146.5	0.3%
Revenue per Available Room (RevPAR) in PLN	90.9	88.5	2.7%	95.3	88.5	7.7%
Up&Midscale Hotels (3-star and more)						
Occupancy Rate (%)	54.4	53.3	1.1 p.p.	59.2	53.3	5.9 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	226.3	241.0	-6.1%	242.5	242.8	-0.1%
Revenue per Available Room (RevPAR) in PLN	123.2	128.4	-4.0%	143.5	129.5	10.8%

Operating ratios of managed and franchised hotels by geographical segment	2017	2016	change (%)	2017	2016	change (%)
	as reported			like-for-like		
Poland						
Occupancy Rate (%)	52.8	49.2	3.6 p.p.	54.4	49.8	4.6 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	181.3	187.8	-3.5%	195.8	190.2	2.9%
Revenue per Available Room (RevPAR) in PLN	95.7	92.4	3.6%	106.5	94.7	12.5%
Hungary						
Occupancy Rate (%)	75.3	76.7	-1.4 p.p.	75.3	76.7	-1.4 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	338.9	292.8	15.7%	338.9	292.8	15.7%
Revenue per Available Room (RevPAR) in PLN	255.3	224.7	13.6%	255.3	224.7	13.6%
Czech Republic						
Occupancy Rate (%)	63.5	57.9	5.6 p.p.	63.5	57.9	5.6 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	150.4	155.5	-3.3%	150.4	155.5	-3.3%
Revenue per Available Room (RevPAR) in PLN	95.4	90.1	5.9%	95.4	90.1	5.9%
Other countries						
Occupancy Rate (%)	72.3	70.0	2.3 p.p.	74.8	70.1	4.7 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	190.5	181.2	5.1%	186.8	181.1	3.1%
Revenue per Available Room (RevPAR) in PLN	137.7	126.8	8.6%	139.8	127.1	10.0%

Operating ratios of managed and franchised hotels by geographical segment	4th quarter of 2017	4th quarter of 2016	change (%)	4th quarter of 2017	4th quarter of 2016	change (%)
	as reported			like-for-like		
Poland						
Occupancy Rate (%)	50.0	42.7	7.3 p.p.	49.5	42.6	6.9 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	173.1	188.1	-8.0%	191.3	189.8	0.8%
Revenue per Available Room (RevPAR) in PLN	86.6	80.3	7.8%	94.8	80.8	17.3%
Hungary						
Occupancy Rate (%)	77.0	77.7	-0.7 p.p.	77.0	77.7	-0.7 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	318.3	290.9	9.4%	318.3	290.9	9.4%
Revenue per Available Room (RevPAR) in PLN	245.2	226.1	8.4%	245.2	226.1	8.4%
Czech Republic						
Occupancy Rate (%)	55.7	62.0	-6.3 p.p.	55.7	62.0	-6.3 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	157.2	160.2	-1.9%	157.2	160.2	-1.9%
Revenue per Available Room (RevPAR) in PLN	87.5	99.3	-11.9%	87.5	99.3	-11.9%
Other countries						
Occupancy Rate (%)	66.4	67.5	-1.1 pp	71.7	67.5	4.2 p.p.
Average Room Rate (ARR) in PLN (net of VAT)	190.4	185.6	2.6%	185.4	185.6	-0.1%
Revenue per Available Room (RevPAR) in PLN	126.5	125.3	1.0%	133.0	125.3	6.1%

APPENDIX 2: GLOSSARY OF TERMS

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

CAPEX – Capital Expenditure

CSR – Corporate Social Responsibility

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.

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 Costs, operating result before rent costs, depreciation/amortisation, effects of one-off events, result from financing activities and taxes

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

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

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

NOVO² – combination of a bar and a restaurant in Novotel hotels. NOVO² is based on three values: Vitality (health) entails the selection of environmentally-friendly products 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 lodging services divided by the number of available rooms (may be calculated as occupancy rate multiplied by the Average Room Rate)

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

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

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

SIGNATURES OF ALL MEMBERS OF THE MANAGEMENT BOARD

Date	Name and surname	Position/Function	Signature
Feb. 20, 2018	Gilles Stephane Clavie	President of the Management Board	
Feb. 20, 2018	Ireneusz Andrzej Węglowski	Vice-President of the Management Board	
Feb. 20, 2018	Dominik Sołtysik	Member of the Management Board	
Feb. 20, 2018	Marcin Szewczykowski	Member of the Management Board	