ORBIS S.A.
WARSAW, UL. BRACKA 16

FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR 2017

WITH
AUDITOR'S REPORT

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AUDITOR'S REPORT

To the General Shareholders' Meeting and Supervisory Board of Orbis S.A.

Auditor's report

We have audited the attached annual financial statements of Orbis S.A. with its registered office in Warsaw, ul. Bracka 16 (hereinafter: "Company") comprising: a statement of financial position prepared as at 31 December 2017, profit and loss account and statement of comprehensive income, statement of changes in equity, statement of cash flows prepared for the financial year from 1 January 2017 to 31 December 2017 and notes comprising a summary of significant accounting policies and other explanatory information ("financial statements").

Responsibility of the Company's manager and those charged with governance for the financial statements

The Management Board of the Company is obliged to prepare the financial statements based on properly kept accounting records and to present them fairly in line with the International Accounting Standards, International Financial Reporting Standards and related interpretations published as European Commission regulations and other applicable laws as well as the entity's articles of association. The Management Board of the Company is also responsible for ensuring internal control necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Under the Accounting Act, the Management Board of the Company and members of its Supervisory Board are obliged to ensure that the financial statements meet the requirements of the Accounting Act of 29 September 1994 (Journal of Laws of 2017, item 2342), hereinafter referred to as the "Accounting Act".

Auditor's responsibility

Our responsibility was to express an opinion whether the financial statements give a true and fair view of the financial and economic position as well as the financial performance of the entity in line with the applicable International Accounting Standards, International Financial Reporting Standards and related interpretations published as European Commission regulations and the adopted accounting principles (policies).

Our audit of the financial statements has been performed in accordance with:

1) the Act on statutory auditors, auditing companies and public oversight of 11 May 2017 (Journal of Laws of 2017, item 1089) ("*Act on statutory auditors*");
2) National Auditing Standards in the wording of the International Standards on Auditing adopted by resolution No. 2783/52/2015 of the National Council of Statutory Auditors of 10 February 2015, as amended;
3) Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (OJ EU L 158, 27 May 2014, p. 77 and OJ EU L 170, 11 June 2014, p. 66) ("*Regulation 537/2014*").

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Those regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

The objective of the audit is to obtain reasonable assurance about whether the financial statements as a whole have been prepared based on properly kept accounting records and are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the above standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control and may involve any area of law and regulation not just those directly affecting the financial statements.

The audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The audit procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management Board of the Company, as well as evaluating the overall presentation of the financial statements.

The scope of the audit does not include an assurance regarding the future profitability of the audited entity or the effectiveness of the Company's Management Board in managing the Company's affairs at present and in future.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. The audit opinion is consistent with the additional report to the Audit Committee issued as of 16 February 2018.

Independence

During the audit the key certified auditor and the audit firm remained independent of the audited entity in accordance with the provisions of the Act on statutory auditors, Regulation 537/2014 and the ethical requirements set out in resolution of the National Council of Statutory Auditors.

We certify that, to the best of our knowledge and belief, we have not provided non-audit services, which are prohibited under Article 136 of the Act on statutory auditors and Article 5.1 of Regulation 537/2014.

Choice of audit firm

We were appointed to audit the financial statements of the Company by resolution of the Supervisory Board no. 8/X/2016 adopted on 2 June 2016 year. We have been auditing the financial statements of the entity for an uninterrupted period beginning with the financial year ended 31 December 2008, i.e. for 10 consecutive financial years.

Most significant risks

During the audit we identified the following, most significant risks of material misstatement, also resulting from fraud, and we designed audit procedures responsive to those risks. Where deemed appropriate for the understanding of the identified risks and the audit procedures performed by the auditor, we also included the most important findings related to those risks.

Description of the risks of material misstatement	Procedures carried out by the auditor in response to identified risks and key observations arising with respect to those risks
Impairment of assets In the financial statements prepared as at 31 December 2017, Orbis S.A. shows fixed assets representing hotel assets and other fixed assets owned by the company in the amount of PLN 1,543,561 thousand. In accordance with the accounting policy, the company performs a test for impairment of fixed assets on 31 December each year. Details of accounting policy applied by Orbis S.A. regarding the recognition of impairment of fixed assets and relevant disclosures regarding these items are presented in explanatory notes 2.4.14.1 and 9 to the company's financial statements. As disclosed in the above-mentioned notes, the company determines the economic value of hotels, representing their value in use, using the discounted future cash flow method. The estimation of value in use for the purposes of the impairment test carries several important judgments, including: • weighted average cost of capital (WACC); • expected cash flows that are affected by assumptions about changes in occupancy and the average room price in the five-year forecast period, as well as the revenue growth rate during the residual period. This issue was considered by us as a risk of significant distortion due to the importance of fixed assets in the balance sheet total (56%) and a high level of judgment necessary in determining the value in use of hotels.	Our examination procedures included in particular: • evaluation of the consistency of the accounting policy applicable to recognition of impairment losses/reversals on fixed assets with the relevant standards; • understanding and assessment of the internal control environment with respect to the annual impairment tests; • analysis of the key assumptions made by the Management Board as to future cash flows in the context of the current and expected market conditions; • assessment of the correctness of WACC calculations used for purposes of discounting projected future cash flows; • assessment of the effectiveness of the Company's budgeting process; • analysis of mathematical and methodological consistency of the value in use calculations for each hotel; • discussion with the Management Board about the test results. The disclosures regarding the fixed assets impairment presented in the financial statements disclosures are sufficient and complete in the context of the requirements of the relevant accounting standards.

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Basis for Qualified Opinion

As presented in note 2.3 to the financial statements as at the date of first time adoption of International Financial Reporting Standards for preparation of the financial statements the Management Board considered various interpretations regarding IAS 17 and decided that perpetual usufruct of land acquired free of charge as a result of the Company privatization should be recognized in the balance sheet in amounts determined in the course of independent valuation. As at 31 December 2017 and 31 December 2016, net value of perpetual usufruct of land as presented in fixed assets amounted to PLN 245,836 thousand and PLN 253,336 thousand respectively, presented as investment property to PLN 1,526 thousand and PLN 3,394 thousand respectively and presented under assets held for sale PLN 4,402 thousand as of 31 December 2017 and PLN 3,314 thousand as of December 2016. At the same time, as at 31 December 2017 and 31 December 2016, the Company created a provision for deferred income tax related to titles acquired free of charge, in the amount of PLN 47,835 thousand and PLN 49,408 thousand, respectively. In our opinion due to the fact that the ownership title is not transferred to the Company upon contract termination, in line with IAS 17 such rights are regarded as operating lease and ought to be disclosed in off-balance sheet records. Had the perpetual usufruct of land acquired free of charge not been recognized in the balance sheet, the financial profit/loss for the 12 months ended 31 December 2017 including deferred tax would have been PLN 6,707 thousand higher, and the previous years' profit/loss as at 31 December 2017 would have been PLN 210,636 thousand lower. Similarly, the financial profit/loss for the financial year ended 31 December 2016 should have been PLN 16,586 thousand higher, while the previous year's profit/loss as at 31 December 2016 should have been lower by PLN 227,222 thousand.

Additionally, the Company recognized perpetual usufruct of land acquired for a charge and amounting PLN 59,324 thousand as at 31 December 2017 and PLN 60,108 thousand as at 31 December 2016. At the same time, the Company recognized perpetual usufruct of land acquired for a charge as property, plant and equipment and as assets held for sale in the amount of PLN 1,274 thousand as of 31 December 2016. In our opinion, such rights should have been classified as operating lease in accordance with IAS 17 and the value of payment, as long-term accruals and settled over time.

Opinion

In our opinion, except for the effects of the matters described in *Basis for Qualified Opinion* the attached annual financial statements:

- give a true and fair view of the economic and financial position of the Company as at 31 December 2017 and its financial performance during the financial year from 1 January 2017 to 31 December 2017, in accordance with the International Accounting Standards, International Financial Reporting Standards and related interpretations published as European Commission regulations and the adopted accounting principles (policies);
- have been prepared based on properly kept — in line with chapter 2 of the Accounting Act — accounting records
- comply, with respect to their form and content, with the applicable provisions of law, including the Ordinance of the Minister of Finance of 19 February 2009 on current and periodic information provided by issuers of securities and conditions for recognizing as equivalent information required under the law of a non-member state (Journal of Laws of 2014, item 133, as amended) and the articles of association of the entity.

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Report on other legal and regulatory requirements

Opinion on the report on the activities

We do not express an opinion on the report on the activities.

The Management Board of the Company and members of the Supervisory Board are responsible for the preparation of the report on the activities in line with the provisions of law.

Under the act on statutory auditors we were obliged to issue an opinion as to whether the report on the activities complies with the provisions of law and is consistent with underlying information disclosed in the attached financial statements. Additionally, it was our responsibility to indicate whether we have detected any material misstatement in the report on the activities and to describe the misstatement (if any), based on our knowledge of the Company and its business environment obtained in the course of the audit.

In our opinion, the report on the activities has been prepared in line with the applicable provisions of law and is consistent with the underlying information disclosed in the attached financial statements. Furthermore, we represent that based on our knowledge of the entity and its business environment obtained in the course of the audit of the financial statements, we believe that the report on the activities is free from material misstatements.

Opinion on the statement of compliance with corporate governance principles

The Management Board of the Company and members of the Supervisory Board are responsible for compliance with corporate governance principles in line with the provisions of law.

As the auditors of the financial statements we were obliged — under the act on statutory auditors — to issue an opinion as to whether the issuer, required to submit a statement of compliance with corporate governance principles, which constitutes a separate part of the report on the activities, included in such statement the legally required information and — with respect to specific information so required or required by other rules — a declaration whether it complies with applicable regulations and is consistent with the information included in the annual financial statements.

In our opinion, the statement of compliance with corporate governance principles includes information specified in Article 91.5.4 letters a, b, g, j, k and l of the Ordinance of the Minister of Finance of 19 February 2009 on current and periodic information provided by issuers of securities and conditions for recognizing as equivalent information required under the law of a non-member state (Journal of Laws of 2014, item 133, as amended) ("*Ordinance*"). The information specified in Article 91.5.4 letters c-f, h and i of the Ordinance given in the statement of compliance with corporate governance principles is consistent with the applicable provisions of law and the information presented in the financial statements.

Information about the non-financial statement

In accordance with the requirements of the Act on statutory auditors, we would like to inform you that the entity's report on the activities includes information about preparation of a separate non-financial report, referred to in Article 49b.9 of the Accounting Act, and that the entity has prepared such a separate report.

We have not performed any assurance works as regards the separate non-financial report and we do not express any assurance regarding that statement.

Conducting the audit on behalf of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. — entity entered under number 73 on the list of audit firms kept by the National Council of Statutory Auditors:

Maciej Krasoń
Key certified auditor
No. 10149

Warsaw, 20 February 2018

This Report is an English version of the original Polish version. In case of any discrepancies between the Polish and English version, the Polish version shall prevail.