

**ORBIS S.A.  
WARSAW, BRACKA 16**

**FINANCIAL STATEMENTS  
FOR THE 2016 FINANCIAL YEAR**

**WITH  
AUDITOR'S OPINION  
AND  
AUDIT REPORT**

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**FINANCIAL STATEMENTS FOR THE 2016 FINANCIAL YEAR**

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**MANAGEMENT BOARD'S REPORT ON THE ACTIVITIES OF THE ORBIS CAPITAL GROUP  
AND ORBIS S.A. FOR THE 2016 YEAR**

## AUDITOR'S OPINION

### To the Shareholders and Supervisory Board of Orbis S.A.

#### *Auditor's report*

We have audited the attached financial statements of Orbis S.A. with its registered office in Warsaw, at Bracka 16 (hereinafter: the "Company"), including statement of financial position prepared as at 31 December 2016, income statement and statement of comprehensive income, statement of changes in equity, statement of cash flows for the financial year from 1 January 2016 to 31 December 2016 and notes comprising a summary of significant accounting policies and other explanatory information.

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

The Management Board of the Company is responsible for the preparation of the financial statements, based on properly kept accounting records, and their fair presentation in accordance with the International Accounting Standards, International Financial Reporting Standards, related interpretations published as European Commission regulations and applicable laws. It is also obliged to ensure internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Under the Accounting Act of 29 September 1994 (Journal of Laws of 2016 item 1047 as amended), hereinafter referred to as 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.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit works.

We conducted our audit in accordance with Section 7 of the Accounting Act and the National Auditing Standards in line with 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. Those standards 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, 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, evaluating if accounting books based on which financial statements are prepared, are properly kept, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### *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 2016 and 31 December 2015, net value of perpetual usufruct of land as presented in fixed assets amounted to PLN 253,336 thousand and PLN 208,892 thousand respectively, presented as investment property to PLN 3,394 thousand and PLN 56,432 thousand respectively and presented under assets held for sale PLN 3,314 thousand as of 31 December 2016 and PLN 15,197 thousand as of December 2015. At the same time, as at 31 December 2016 and 31 December 2015, the Company created a provision for deferred income tax related to titles acquired free of charge, in the amount of PLN 49,408 thousand and PLN 53,299 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 2016 including deferred tax would have been PLN 16,586 thousand higher, and the previous years' profit/loss as at 31 December 2016 would have been PLN 227,222 thousand lower. Similarly, the financial profit/loss for the financial year ended 31 December 2015 should have been PLN 10,667 thousand higher, while the previous year's profit/loss as at 31 December 2015 should have been lower by PLN 237,889 thousand.

Additionally, the Company recognized perpetual usufruct of land acquired for a charge and amounting to PLN 60,108 thousand as at 31 December 2016 and PLN 14,885 thousand as at 31 December 2015 and as property, plant and equipment and as assets held for sale in the amount of PLN 1,274 thousand as of 31 December 2016 and PLN 187 thousand as at 31 December 2015. At the same time, the Company recognized perpetual usufruct of land acquired for a charge as investment property in the amount PLN 13,142 thousand as of 31 December 2015. 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.

## *Qualified Opinion*

In our opinion, except for consequences described in *Basis for Qualified Opinion*, the attached financial statements:

- give a true and fair view of the economic and financial position of the Company as at 31 December 2016 and its financial performance for the financial year from 1 January 2016 to 31 December 2016 in accordance with the International Accounting Standards, International Financial Reporting Standards, related interpretations published as European Commission regulations and the adopted accounting principles (policies),
- have been prepared based on properly kept accounting books,
- comply, with respect to their form and content, with the applicable provisions of law and the articles of association of the Company.

## **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.

It is the responsibility of the Management Board of the Company to prepare the report on the activities in accordance with the Accounting Act and other applicable laws. Moreover, the Management Board of the Company and members of the Supervisory Board are obliged to ensure that the financial statements and the report on the activities meet the requirements of the Accounting Act.

When auditing the financial statements we were obliged to examine the report on the activities and indicate whether the information contained therein complies with Article 49 of the Accounting Act and the Ordinance of the Minister of Finance of 19 February 2009 on current and periodic information published by issuers of securities and the rules of equal treatment of the information required by the laws of non-member states (Journal of Laws of 2014 item 133 as amended) 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 based on our knowledge of the Company and its business environment obtained in the course of the audit.

In our opinion, the information contained in the report on the activities complies with Article 49 of the Accounting Act and the Ordinance of the Minister of Finance of 19 February 2009 on current and periodic information published by issuers of securities and the rules of equal treatment of the information required by the laws of non-member states (Journal of Laws of 2014 item 133 as amended) and is consistent with underlying information disclosed in the attached financial statements. Moreover, based on our knowledge of the Company and its business environment obtained in the course of the audit, we have not detected any material misstatements in the report on the activities.

## *Statement of compliance with corporate governance principles*

In relation to our audit of the financial statements, it was our responsibility to examine the Company's statement of compliance with corporate governance principles, which constitutes a separate part of the report on the activities. In our opinion, the Company's statement provides all information required by the secondary legislation issued under Article 60.2 of the Act on public offering, conditions governing the introduction of financial instruments to organized trading, and public companies of 29 July 2005 (Journal of Laws of 2016 item 1639 as amended) and regulations issued under Article 61 thereof. The information is compliant with the applicable laws and information presented in the financial statements.

Maciej Krasoń  
Key certified auditor  
conducting the audit  
No. 10149

On behalf of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. – entity authorized to audit financial statements entered under number 73 on the list kept by the National Council of Statutory Auditors:

Maciej Krasoń – Vice-President of the Management Board of Deloitte Polska Sp. z o.o. – which is the General Partner of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k.

Warsaw, 21 February 2017

**The above audit opinion together with audit report is a translation from the original Polish version. In case of any discrepancies between the Polish and English version, the Polish version shall prevail.**

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS  
OF ORBIS S.A.  
FOR THE 2016 FINANCIAL YEAR**

**I. GENERAL INFORMATION**

**1. Details of the audited Company**

The Company operates under the business name Orbis S.A. (hereinafter: the "Company"). The Company's registered office is located in Warsaw, at Bracka 16.

The Company operates as a joint stock company. The Company is recorded in the Register of Entrepreneurs kept by the District Court in Warsaw, XII Commercial Division of National Court Register under KRS number 0000022622.

The Company operates based on the provisions of the Code of Commercial Companies.

As of 31 December 2016, the Company's share capital equaled PLN 92,154 and was divided into 46,077,008 ordinary shares with a face value of PLN 2 each. As at 31 December 2016, including the hyperinflationary adjustment, the Company's share capital amounted to PLN 517,754 thousand as reported in the financial statements.

In the audited period, the Company conducted activities mainly in the area of hotel and catering services.

Composition of the Management Board as of the date of the opinion:

- |                        |                                          |
|------------------------|------------------------------------------|
| - Gilles Clavie        | - Chairman of the Management Board,      |
| - Ireneusz Węglowski   | - Vice-chairman of the Management Board, |
| - Marcin Szewczykowski | - Member of the Management Board,        |
| - Dominik Sołtysik     | - Member of the Management Board.        |

Changes in the composition of the Management Board during the audited period and until the date of the opinion:

- on 2 June 2016 the Supervisory Board appointed Mr. Dominik Sołtysik to hold the position of the Member of the Management Board effective from 2 June 2016.

**2. Information on the financial statements for the previous financial year**

The activities of the Company in 2015 resulted in a net profit of PLN 109,203 thousand. The financial statements of the Company for the 2015 financial year were audited by a certified auditor. The audit was performed by authorized entity Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. The certified auditor issued a qualified opinion on those financial statements.

The General Shareholders' Meeting which approved the financial statements for the 2015 financial year was held on 2 June 2016. The General Shareholders' Meeting decided to distribute the net profit for 2015 in the following manner:

- |                                                     |                        |
|-----------------------------------------------------|------------------------|
| - dividends for shareholders                        | - PLN 69,116 thousand; |
| - retained profit to be used for statutory purposes | - PLN 40,087 thousand. |

The financial statements for the 2015 financial year were submitted to the National Court Register (KRS) on 9 June 2016.

The consolidated financial statements for the 2015 financial year were submitted to the National Court Register (KRS) on 9 June 2016.

### **3. Details of the authorized entity and the key certified auditor acting on its behalf**

The entity authorized to audit the financial statements was appointed by the Supervisory Board. The audit of the financial statements was performed based on the agreement of 9 June 2016 concluded between the Company and Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. with registered office in Warsaw, al. Jana Pawła II 22, recorded under number 73 on the list of entities authorized to provide audit services kept by the National Council of Statutory Auditors. On behalf of the authorized entity, the audit of the financial statements was conducted under the supervision of Maciej Krason, key certified auditor (No. 10149), in the registered office of the Company from 14 to 23 December 2016, 11 January to 17 February 2017 and outside the Company's premises until the opinion date.

Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. and the key certified auditor conducting the audit confirm that they are authorized to carry out audits and meet the requirements of Article 56 of the Act on certified auditors and their self-government, entities authorized to audit financial statements and public supervision (Journal of Laws of 2016 item 1000 as amended) to express an unbiased and independent opinion on the financial statements of the Company.

### **4. Availability of data and management's representations**

The scope of our audit was not limited.

During the audit, necessary documents and data as well as detailed information and explanations were provided to the authorized entity and the key certified auditor, as confirmed e.g. in the written representation of the Management Board of 21 February 2017.



**II. ECONOMIC AND FINANCIAL POSITION OF THE COMPANY**

Presented below are the main items from the income statement and statement of comprehensive income, statement of financial position as well as financial ratios describing the financial performance of the Company and its economic and financial position compared to the prior year.

<u>Main items from the income statement (PLN '000)</u>	<u>2016*</u>	<u>2015</u>
Sales revenue	729,339	603,758
Operating expenses	(614,754)	(528,555)
Operating profit (loss)	135,230	102,181
Net profit (loss)	154,744	109,203
Other Comprehensive income	155,350	107,672

Main items from the statement of financial position (PLN '000)

Inventory	4,103	3,259
Trade receivables	22,251	27,155
Current assets	176,323	98,457
Assets classified as held for sale	23,631	32,300
Total assets	2,797,571	2,524,417
Equity	2,004,319	1,924,883
Short-term liabilities (including short-term provisions and accruals)	161,486	135,419
Trade liabilities	52,441	30,484
Total liabilities and provisions	793,252	599,534

<u>Profitability and efficiency ratios</u>	<u>2016</u>	<u>2015</u>
– return on sales	19%	17%
– net return on equity	8%	6%
– assets turnover ratio	0.26	0.24
– receivables turnover in days	12	16
– liabilities turnover in days	24	21
– inventory turnover in days	2	2

Liquidity/Net working capital

– debt ratio	28%	24%
– equity to fixed assets ratio	72%	76%
– net working capital (PLN '000)	38,468	(4,762)
– current ratio	1.24	0.73
– quick ratio	1.07	0.70

\* data covers also data of Hekon Hotele Ekonomiczne S.A., which merged with Orbis S.A. as of 1 September 2016.

An analysis of the above figures and ratios indicated the following trends in 2016:

- increase of return on sales and net return on equity;
- increase of assets turnover ratio;
- increase of debt ratio;
- decrease of equity to fixed assets ratio;
- increase of net working capital;
- increase of current ratio and quick ratio.

### III. DETAILED INFORMATION

#### 1. Evaluation of the accounting system

The Company has valid documentation describing the adopted accounting principles, complying in all material respects with Article 10 of the Accounting Act. The principles have been applied consistently and did not change compared to the principles applied in the prior year. The opening balance resulting from the approved financial statements for the prior financial year has been properly introduced into the accounting records of the audited period.

Based on tests performed during the audit procedures, we have verified the adopted accounting system and found no misstatements that would affect the financial statements. Our audit did not include, though, the entire accounting system used by the Company.

The Company performed a physical count of assets, equity and liabilities within the scope necessary to confirm the existence of the presented assets, equity and liabilities.

#### 2. Information identifying the audited financial statements

The audited financial statements were prepared as of 31 December 2016 and include:

- income statement for the period from 1 January 2016 to 31 December 2016, with a net profit of PLN 154,744 thousand,
- statement of comprehensive income for the period from 1 January 2016 to 31 December 2016 with a total comprehensive income of PLN 155,350 thousand,
- statement of financial position prepared as of 31 December 2016, with total assets and liabilities plus equity of PLN 2,797,571 thousand,
- statement of changes in equity for the period from 1 January 2016 to 31 December 2016, disclosing an increase in equity of PLN 79,436 thousand,
- statement of cash flows for the period from 1 January 2016 to 31 December 2016, showing a cash inflow of PLN 56,017 thousand,
- notes, comprising a summary of significant accounting policies and other explanatory information.

#### 3. Justification of the opinion issued

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 2016 and 31 December 2015, net value of perpetual usufruct of land as presented in fixed assets amounted to PLN 253,336 thousand and PLN 208,892 thousand respectively, presented as investment property to PLN 3,394 thousand and PLN 56,432 thousand respectively, and presented under assets held for sale PLN 3,314 thousand as of 31 December 2016 and PLN 15,197 thousand as of December 2015. At the same time, as at 31 December 2016 and 31 December 2015, the Company created a provision for deferred income tax related to titles acquired free of charge, in the amount of PLN 49,408 thousand and PLN 53,299 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 2016 including deferred tax would have been

PLN 16,586 thousand higher, and the previous years' profit/loss as at 31 December 2016 would have been PLN 227,222 thousand lower. Similarly, the financial profit/loss for the financial year ended 31 December 2015 should have been PLN 10,667 thousand higher, while the previous year's profit/loss as at 31 December 2015 should have been lower by PLN 237,889 thousand.

Additionally, the Company recognized perpetual usufruct of land acquired for a charge and amounting to PLN 60,108 thousand as at 31 December 2016 and PLN 14,885 thousand as at 31 December 2015 and as property, plant and equipment and as assets held for sale in the amount of PLN 1,274 thousand as of 31 December 2016 and PLN 187 thousand as at 31 December 2015. At the same time, the Company recognized perpetual usufruct of land acquired for a charge as investment property in the amount PLN 13,142 thousand as of 31 December 2015. 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.

#### **4. Information about selected material items of the financial statements**

The structure of assets, equity and liabilities as well as items affecting the financial result have been presented in the financial statements.

##### Property, plant and equipment

Property, plant and equipment in the Company include:

- fixed assets of PLN 1,632,563 thousand;
- fixed assets under construction of PLN 17,757 thousand.

The notes correctly describe changes in fixed assets and fixed assets under construction and disclose any revaluation write-downs on such assets.

##### Long-term investments

The Company's long-term investments include:

- shares in subsidiaries in the amount of PLN 465,921 thousand;
- loan in the amount of PLN 345,072 thousand;
- investment property in the amount of PLN 10,061 thousand.

The notes correctly describe changes in investments during the financial year.

##### Inventory

The structure of inventory and related impairment losses has been correctly presented in the relevant explanatory note to the statement of financial position.

##### Receivables

Ageing of trade receivables has been correctly presented in the respective explanatory note to the statement of financial position, together with related impairment losses.

##### Liabilities

The nature of contracted loans, security and maturity has been presented in the notes to the financial statements.

Ageing of trade liabilities has been disclosed in the relevant explanatory note to the statement of financial position.

Key items of the Company's liabilities include:

- bonds in the amount of PLN 501,372 thousand;
- bank loans presented on long term in the amount of PLN 87,656 thousand;
- bank loans presented on short term in the amount of PLN 35,289 thousand;

- trade liabilities in the amount of PLN 52,441 thousand;
- other short-term payables in the amount of PLN 51,637 thousand.

The audited sample did not include past-due or redeemed liabilities.

Prepayments, accruals and provisions for liabilities

The structure of prepayments, accruals and provisions for liabilities correctly present the structure of the items. Deferred expenses and income have been correctly classified with respect to the audited financial year. Provisions for liabilities have been determined at reliably estimated amounts. The items have been recognized completely and correctly in all material respects in relation to the financial statements as a whole.

**5. Completeness and correctness of notes and explanations and the report on the activities of the Company**

The Company confirmed the validity of the going concern principle in the preparation of the financial statements. The notes and explanations give a correct and complete description of measurement principles regarding assets, equity, liabilities, financial result and principles of preparation of the financial statements.

The notes to the financial statements give a correct and complete description of the reporting items and clearly present other information required under IFRS.

The financial statements have been supplemented with the Management Board's report on the activities of the Capital Group Orbis and Orbis S.A. in the 2016 financial year. The report contains information required under Article 49.2 of the Accounting Act and the Ordinance of the Minister of Finance of 19 February 2009 on current and periodic information published by issuers of securities and the rules of equal treatment of the information required by the laws of non-member states (Journal of Laws of 2014 item 133 as amended). We have audited the report with respect to the disclosed information derived directly from the audited financial statements.

#### **IV. FINAL NOTES**

##### Management Board's Representations

Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. and the key certified auditor received a representation letter from the Company's Management Board, in which the Board stated that the Company complied with the laws in force.

Maciej Krasoń  
Key certified auditor  
conducting the audit  
No. 10149

On behalf of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. – entity authorized to audit financial statements entered under number 73 on the list kept by the National Council of Statutory Auditors:

Maciej Krasoń – Vice-President of the Management Board of Deloitte Polska Sp. z o.o. – which is the General Partner of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k.

Warsaw, 21 February 2017