

President's Statement

Cultural change empowers our growth in the region

Orbis performance in 2016 clearly confirms our strategy launched in 2014, taking into account not only operating and financial results but also guest and employee satisfaction, network development and other aspects of company's activities, as a sustainable growth relay.

Favourable economic climate across the region gave additional dynamism to our growth, driven predominantly by our very active revenue management, together with our innovative and effective distribution policies. Double digit growth of RevPAR (+11.2% y/y) proves that the strategy is right. The increase was visible in all countries of the region where Orbis operates, confirming the rational of AccorHotels network acquisition in 2015.



Solid positive operating results were reflected in the significant growth of revenues (+20.8%) up to PLN 729 m and remarkable operating EBITDA increase of +31,5% (up to PLN 221 m). We have been improving for the last 4 years our profitability, which is mirrored in the growth of our margins in 2016.

This outstanding performance was strongly supported by an ongoing cultural transformation within the Group. Cultural change we have been focusing on brings: quality change, more guest centric orientation, employees' talents recognition, development and also stronger engagement of our teams, which are key in value creations.

Effective Portfolio Development and Asset Management

In 2016, Orbis continued reinforcing its leading market position through expansion of the hotel base. We have opened 2 subsidiary hotels: Mercure Kraków Stare Miasto (198 rooms) and ibis Gdańsk Stare Miasto (120 rooms), both built in line with our sustainable development commitment respecting environmental certification BREEAM. Additionally, we have created new Novotel (192 rooms) and ibis (112 rooms) Combo hotel in Wrocław through rebranding and renovation of previous Orbis Wrocław. In the year of 2016 we also saw new openings of hotels in the asset light mode i.e. 7 franchised hotels were successfully opened with a total of almost 700 rooms and 13 new agreements were signed. This proves and ensures our sustainable growth in coming years. Number of Novotel, ibis and ibis Styles hotels in countries of the Eastern Europe region will join the Group by 2020.

Apart from further expansion in the region and constant upgrading of our products we were also effective in the asset management. In order to optimize asset portfolio and focus on the high-return investments in 2016 we have bought out 2 leased hotels and in the first days of 2017 we finalized second buyback transaction of 5 leased hotels, which makes together almost 1 600 rooms in Budapest for over PLN 400 m. At the same time Orbis has also disposed 4 hotels in Poland in non-strategic locations, which will continue operating under their current AccorHotels brands, on the franchise agreement basis with Orbis.

To effectively conduct our portfolio strategy we are open for additional financing sources. In 2016 we successfully issued PLN 200 m corporate bonds (WIBOR 6M +1.05%), which confirmed the trust of financial market in our strategy.

Robust Operational performance

To be more customer focused in 2016 we continued implementation of a new service culture. Thanks to new projects targeting at guest centricity a progress was made on simplifying our processes on all levels of the company. There were also programs dedicated for particular brands, i.e.: Mercure Touch, Novotel Life Genius, ibis New Service Culture and Sofitel Value Based Leadership. All this will support our philosophy to better cater for guest needs and expectations which is reflected in the AccorHotels motto "Feel Welcome".

Our cultural change positively supported Orbis reputation performance score, which increased in 2016. I truly believe that happy guests have been becoming our best ambassadors. Guest satisfaction focus confirms that the strategy goes to the right direction.

On the customer loyalty side, additional 200,000 participants joined in 2016 our Le Club AccorHotels program and the total number of card holders in our perimeter has already exceeded 1 million. Le Club loyalty program together with our "Member rate" offer highlighted good results in promoting direct distribution channels, ensuring higher contribution.

Our Talents drive our results

2016 was marked by shifting from employer to employee market. It raised a challenge for all industries. Taking into account new trends on the market, Orbis has been undergoing a cultural change. We are focusing not only on attracting and retaining the best talents, supporting the digital transformation but also - or most of all, on bringing to life a new corporate culture, a new leadership style so that Orbis becomes a company that encourages initiative, respects diversity and supports people's talents and integration in the entire Group all over the region.

We concentrated our efforts on strengthening the employees' engagement and the results of the "Engagement survey 2016" showed how efficient work it was. These results were achieved thanks to spreading and bringing life into our Values, and the New Leadership Model, based on enabling, entrepreneurial and collaborative style. We have also deployed an innovative way of recruiting candidates for work, based on real-life situations where interpersonal skills, natural openness & Feel Welcome spirit counted most, fitting to the guests.

2017 – The year of acceleration

Orbis Group reached record high results in 2016, thanks to a better alignment of all Orbis teams and consistency of actions taken: operational excellence; creative distribution and revenue management policies; value creative approach both to investments and organization, which were obviously supported by a positive and dynamic market conditions. Many of introduced projects are sustainable and we will continue to see their positive effects also in the future. Financial results also confirm their sustainability and are promising for the months to come.

After the period of restructuring, followed by scaling up and integration in the region, there is a time for Orbis to accelerate. As done in 2016, we will consequently focus on strengthening our strategic pillars to further reinforce our leading position in the region.

I'm fully satisfied and proud of what we achieved so far, which remains still a step. I would like to thank all our employees for their high level engagement and passion. Common efforts drove us to the success! We will continue to set up actions and will run projects, creating value for all our stakeholders, Guests, staffs, partners and shareholders.

Yours sincerely,

Gilles Clavie

President of the Management Board and CEO
Orbis S.A.