

Form SA-QS 3rd quarter 2001

(for issuers of securities with the company profiles in p...

In accordance with paragraph 46 section 8 of the Ordinance of the Council (Journal of Laws no. 163 entry 1160) the Board of Directors of Orbis S.A.

discloses in public this consolidated quarterly report for the 3rd quarter 2001 year.



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Date submitted:

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SELECTED FINANCIAL DATA (current year)	in thousands of PLN		in thousand dollars	
	3rd quarter ended Sept. 30, 2001	3 quarters ended Sept. 30, 2001 cumulative	3rd quarter ended Sept. 30, 2001	3 quarters ended Sept. 30, 2001 cumulative
I. Net sales revenues	266 605	703 993	69 693	192 232
II. Operating profit (loss)	42 106	65 181	11 007	17 798
III. Profit (loss) before taxes	45 064	71 670	11 780	19 570
IV. Net profit (loss)	30 546	48 671	7 985	13 290
V. Assets (as at Sept. 30, 2001)	1 424 054		366 930	
VI. Shareholders' Equity (as at Sept. 30, 2001)	1 110 708		286 191	
VII. Number of shares (as at Sept. 30, 2001)	46 077 008		46 077 008	
VIII. Book value per share (in PLN) (as at Sept. 30, 2001)	24,11		6,21	

CONSOLIDATED BALANCE SHEET (in thousands of PLN)	as at Sept. 30, 2001 end of 3rd quarter	as at June 30, 2001 end of prior quarter	as at Sept. 30, 2000 end of 3rd quarter	as at June 30, 2000 end of prior quarter
Assets				
I. Fixed assets	1 198 730	1 187 933		1 008 209
1. Intangible assets	31 929	33 002		37 092
2. Goodwill on consolidation	0	0		2 804
2. Tangible fixed assets	1 104 367	1 094 040		940 543
3. Financial fixed assets	62 367	60 831		27 658
- shares in companies subject to consolidation by the equity method	2 452	3 746		2 373
4. Long-term receivables	67	60		112
II. Current assets	199 906	191 490		303 602
1. Inventories	18 927	21 751		31 875
2. Current receivables	95 145	90 761		98 975
3. Own shares in treasury	0	0		0
4. Current marketable securities	0	0		102 283
5. Cash and cash equivalents	85 834	78 978		70 469
III. Deferred expenses and income taxes	25 418	32 544		36 622
1. Deferred income taxes	9 143	8 268		11 011
2. Deferred expenses and other deferred assets	16 275	24 276		25 611
Total Assets	1 424 054	1 411 967		1 348 433

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Shareholders' Equity and Liabilities				
I. Shareholders' Equity	1 110 708	1 080 161		1 017 897
1. Share capital	92 154	92 154		92 154
2. Not paid-up share capital (negative value)	0	0		0
3. Reserve capital	685 472	685 089		597 962
4. Revaluation reserve capital	283 064	283 446		284 227
5. Other reserve capitals	0	0		0
6. Foreign currency translation differences on the Company's foreign branches	0	0		0
7. Foreign currency translation differences on consolidation	0	0		0
8. Prior years' retained earnings (accumulated loss)	1 347	1 347		- 127
9. Net profit (loss)	48 671	18 125		43 681
II. Consolidation reserve	984	1 181		2 148
III. Minority shareholders' equity interest	13 245	11 827		11 888
II. Reserves	66 924	66 643		63 595
1. Reserves on income taxes	85	0		0
2. Other reserves	66 839	66 643		63 595
III. Liabilities	181 708	199 263		181 587
1. Long-term liabilities	76 336	77 452		39 506
2. Current liabilities	105 372	121 811		142 081
IV. Accrued expenses and deferred income	50 485	52 892		71 318
Total Shareholders' Equity and Liabilities	1 424 054	1 411 967		1 348 433

all
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CONSOLIDATED PROFIT AND LOSS ACCOUNT (in thousands of PLN)	3rd quarter ended Sept. 30, 2001	3 quarters ended Sept. 30, 2001 cumulative	3rd quarter ended Sept. 30, 2000	3 quarters ended Sept. 30, 2000 cumulative
I. Net sales revenues	266 605	703 993		
1. Net sales of products	263 302	696 965		
2. Net sales of merchandise and raw materials	3 303	7 028		
II. Cost of sales	182 325	511 914		
1. Cost of products sold	180 098	508 019		
2. Cost of merchandise and raw materials sold	2 227	3 895		
III. Gross profit (loss) on sales (I-II)	84 280	192 079		
IV. Selling expenses	17 591	37 435		
V. General administrative expenses	28 562	88 253		
VI. Profit (loss) on sales (III-IV-V)	38 127	66 391		
VII. Other operating income	12 537	26 479		
VIII. Other operating expenses	8 558	27 689		
IX. Operating profit (loss) (VI+VII-VIII)	42 106	65 181		
X. Income on shares in other companies	371	371		
XI. Income on other financial fixed assets	0	0		
XII. Other financial income	9 823	25 654		
XIII. Financial expenses	7 568	20 804		
XIV. Profit (loss) on ordinary activities (IX+X+XI+XII-XIII)	44 732	70 402		
XV. Extraordinary items (XV.1. - XV.2.)	135	678		
1. Extraordinary gains	2 601	3 243		
2. Extraordinary losses	2 466	2 565		
XVI. Write-down from goodwill on consolidation	0	0		
XVII. Write-down from consolidation reserve	197	590		
XVI. Profit (loss) before taxes	45 064	71 670		
XVII. Corporate income tax	12 924	22 133		
XVIII. Other obligatory profit decreases (loss increases)	0	0		
XXI. Share of (profits) losses of companies subject to consolidation by the equity method	- 176	306		
XXII. Minority shareholders' (profit) loss	- 1 418	- 1 172		
XIX. Net profit (loss)	30 546	48 671		
Net profit (loss) for 12 months				
Weighted average number of ordinary shares				
Earnings (loss) per ordinary share (in PLN)				

CONSOLIDATED STATEMENT OF CASH FLOWS (in thousands of PLN)	3rd quarter ended Sept. 30, 2001	3 quarters ended Sept. 30, 2001 cumulative	3rd quarter ended Sept. 30, 2000	3 quarters ended Sept. 30, 2000 cumulative
A. Net cash flows - Operating activities (I+/-II) - indirect method	40 282	101 057		
I. Net profit (loss)	30 546	48 671		
II. Total adjustments	9 736	52 386		
1. Minority shareholders' (profit) loss	1 418	1 172		
2. Share of (profits) losses of companies subject to consolidation by the equity method	376	1 894		
3. Depreciation and amortisation (including write-downs from goodwill on consolidation and from consolidation reserve)	21 796	63 095		
4. (Gain) loss on foreign exchange differences	709	- 2 264		
5. Interest and dividends	- 1 242	1 320		
6. (Gain) loss on investing activities	- 7 896	- 10 665		
7. Change in other reserves	654	4 298		
8. Corporate income tax as disclosed in the Profit and Loss Account	12 924	22 133		
9. Corporate income tax paid	- 11 417	- 12 773		
10. Change in inventories	2 824	2 436		
11. Change in receivables	- 9 542	- 25 468		
12. Change in current liabilities (excluding loans and bank credits)	- 10 093	- 11 803		
13. Change in deferred and accrued expenses	12 727	6 494		
14. Change in deferred income	- 7 132	692		
15. Other adjustments	3 630	11 825		

B. Net cash flows - Investing activities (I-II)	- 26 482	- 93 532		
I. Cash provided by investing activities	308 245	489 262		
1. Sales of intangible assets	0	55		
2. Sales of tangible fixed assets	1 322	8 101		
3. Disposal of financial fixed assets, of which:	9 117	9 117		
- securities of subsidiary companies	0	0		
- securities of associated companies	0	0		
- securities of the parent company	0	0		
4. Disposal of current marketable securities	295 763	469 946		
5. Long-term loans collected	0	0		
6. Dividends received	2 043	2 043		
7. Interest received	0	0		
8. Other income	0	0		
II. Cash used in investing activities	- 334 727	- 582 794		
1. Purchases of intangible assets	- 514	- 1 570		
2. Purchases of tangible fixed assets	- 34 879	- 123 651		
3. Acquisition of financial fixed assets, of which:	- 1	- 9 690		
- securities of subsidiary companies	0	- 7 684		
- securities of associated companies	0	- 1 500		
- securities of the parent company	0	0		
4. Acquisition of own shares for treasury	0	0		
5. Acquisition of current marketable securities	- 295 557	- 437 994		
6. Long-term loans granted	- 1 904	- 1 904		
7. Dividends paid to minority shareholders	0	0		
8. Other expenses	- 1 872	- 7 985		
C. Net cash flows - Financing activities (I-II)	- 6 941	12 132		
I. Cash provided by financing activities	10 328	76 401		
1. Long-term bank credits and loans contracted	1 559	52 622		
2. Issuance of bonds or other long-term notes payable	0	0		
3. Current bank credits and loans contracted	4 796	11 266		
4. Issuance of bonds or other current commercial papers	0	0		
5. Issuance of shares	0	0		
6. Additional paid-in capital	0	0		
7. Other income	3 973	12 513		
II. Cash used in financing activities	- 17 269	- 64 269		
1. Payments of long-term bank credits and loans	- 4 900	- 4 900		
2. Redemption of bonds and other long-term notes payable	0	0		
3. Payments of current bank credits and loans	- 5 857	- 44 298		
4. Redemption of bonds or other current commercial papers	0	0		
5. Issuance of shares expenses	0	0		
6. Own shares retired	0	0		
7. Dividends and other payments to shareholders	0	0		
8. Management and Supervisory Board remuneration from net profit	0	0		
9. Charitable contributions	0	0		
10. Finance lease commitments paid	0	0		
11. Interest paid	- 2 915	- 5 477		
12. Other expenses	- 3 597	- 9 594		
D. Total net cash flows (A+/-B+/-C)	6 859	19 657		
E. Change in balance-sheet cash and cash equivalents	6 859	19 657		
- of which change in cash and cash equivalents by virtue of foreign exchange differences	0	0		
F. Cash and cash equivalents - beginning of period	- 3	66 177		
G. Cash and cash equivalents - end of period (F+/-D)	6 856	85 834		

OFF-BALANCE-SHEET LIABILITIES (in thousands of PLN)	as at Sept. 30, 2001 end of 3rd quarter	as at June 30, 2001 end of prior quarter	as at Sept. 30, 2000 end of 3rd quarter	as at June 30, 2000 end of prior quarter
Off-balance-sheet liabilities	55 019	48 211		47 661
a) total value of guarantees extended, of which:	42 993	36 685		44 808
- for subsidiary companies	11 467	10 967		938
- for associated companies	0	0		0
- for the parent company	559	559		1 915
b) other off-balance-sheet liabilities, by virtue of:	6 109	6 026		0
- promissory note declarations	6 109	6 026		0
Total off-balance-sheet liabilities	61 128	54 237		47 661

Commentary to the consolidated report for the 3rd quarter 2001

Raport kwartalny powinien ponadto zawierać informacje określone w § 49 ust. 3 Rozporządzenia Rady Ministrów z dnia 22 grudnia 1998 r.- Dz. U. Nr 163, poz. 1160.

Signature(-s) of person(-s)
representing the Company

Signature of person responsible
for the Company's accounting records

Date

Date

Description to the consolidated report for the 3rd quarter of 2001

1. The ensuing consolidated report presents financial figures contained in the balance sheet prepared as of September 30, 2001, and in the profit and loss account as well as the in cash flow report for the third quarter of the year 2001.
2. The Company did not prepare any consolidated quarterly reports in the past reporting periods; therefore, there exists no comparative data relating to the corresponding quarters of the past year.
3. The consolidated report of the Orbis Group includes:
 - integrated financial statements of all the organizational units of the Company Orbis S.A.,
 - integrated financial statements of all the organizational units and companies consolidated within the Company PBP Orbis Sp. z o.o.
 - financial statements of Orbis Transport Sp. z o.o.,
 - as well as an affiliated company, Orbis Casino Sp. z o.o., accounted for by the equity method.
4. The financial statements for the past periods has not been adjusted.

5. The accounting principles

5.1. Basis for preparation of the consolidated financial statements

The financial statements of the Group were prepared pursuant to the provisions of the Polish Accounting Act of September 29, 1994, as further amended.

The principle of historic cost accounting was adopted for the purpose of preparing the financial statements.

5.2. The principles of consolidation

The consolidated financial statements prepared as of September 30, 2001, include the financial statements of the joint-stock company Orbis S.A., the consolidated financial statements of a limited liability company Polskie Biuro Podróży Orbis Sp. z o.o., in which Orbis S.A. holds 69.89% of shares, the financial statements of a limited liability company Orbis Transport Sp. z o.o., in which Orbis S.A. holds 82.38% of shares as well as the financial statements of a limited liability company Orbis Casino Sp. z o.o., in which Orbis S.A. holds a stake of 33.33%.

Each share held by Orbis S.A. in PBP Orbis Sp. z o.o. and in Orbis Transport Sp. z o.o. represents one vote. However, in the case of voting on matters involving:

1. amendments to the company's Articles of Association, including alteration of the company's core business,
2. merger of companies,
3. winding-up of a company,
4. sale of the company's business,

as well as in the instances of voting upon the company's transformation, Orbis S.A. is entitled to cast two votes per each share held.

The consolidated financial statements of the Polskie Biuro Podróży Orbis Sp. z o.o. prepared as of September 30, 2001, include the financial statements of CB International Sp. z o.o., an affiliated company in which PBP Orbis Sp. z o.o. holds 49.0% of shares.

The financial statements of the Group Polskie Biuro Podróży Orbis Sp. z o.o. and Orbis Transport Sp. z o.o. have been fully consolidated.

The financial statements of Orbis Casino Sp. z o.o. have been accounted for by the equity method.

In respect of the financial statements of the remaining subsidiaries and associated companies in which, as of September 30, 2001, Orbis S.A. held above 20% of shares and which have not been consolidated pursuant to Article 56 § 2 of the Polish Accounting Act of September 29, 1994, the figures disclosed in the financial statements of these entities are negligible as compared to the corresponding items of the parent (dominant) company. These figures presented in the manner envisaged for summarized financial statements of organizations, which have been excluded from consolidation, have been disclosed in the consolidated annual report for the year 2000. The said report was delivered to the Stock Exchange on April 30, 2001.

5.3. Consolidation reserve

The consolidation reserve has been created as a result of difference between the share acquisition price and the net asset value calculated in proportion to the participation in the share capital of the subsidiary company Orbis Transport Sp. z o.o..

balance as of the date of consolidation	PLN 3,932 thousand
depreciation for the entire period	PLN 2,948 thousand
balance as of September 30, 2001	PLN 984 thousand.

5.4 Intangible fixed assets

The intangible fixed assets shown in the consolidated financial statements have been valued at acquisition cost less depreciation calculated according to the rates set forth in the Act of February 15, 1992, on Corporate Income Tax (consolidated text published in the Official Journal of Laws „Dz. U.” of 2000, no 54, item 654).

5.5 Tangible fixed assets and depreciation

Fixed assets taken over from the transformed State-Owned Enterprise „Orbis” as well as those subsequently acquired have been valued at acquisition cost increased by development and modernization costs and less accrued depreciation (write-off). The annual depreciation rate has been calculated on the basis of depreciation rates set forth in the Act of February 15, 1992, on Corporate Income Tax (consolidated text published in the Official Journal of Laws „Dz.U.” of 2000, no 54, item 654).

The value of fixed assets has been revalued from time to time in the past according to their market value or indices announced by the President of the Main Statistical Office [GUS]. The net result of fixed assets revaluation is appropriated directly to reserves. The last revaluation of fixed assets was performed as of January 1, 1995.

Work in progress is valued at acquisition price or cost of manufacturing, taking into account exchange rate differences and interest due throughout the duration of investment financing, until its completion.

With respect to work in progress which has been terminated, a provision equal to the expenditure borne during the reporting period is set aside. In the past years, companies

belonging to the Orbis Group benefited from the investment reliefs on corporate tax payments: Orbis S.A. during the years 1998-2000, Orbis S.A. and PBP Orbis Sp. z o.o. during the years 1994-2000, Orbis Transport Sp. z o.o. during the years 1996-2000.

5.6. Financial fixed assets

Investment in capital instruments, i.e. shares and interest in other companies and long term securities are appraised at their acquisition cost.

In case of investments deemed to have permanently deteriorated in value, special earmarked reserves in the amount equivalent to the loss in value of such investments are set aside.

In respect of interest in affiliated companies accounted for by the equity method, the value of interest held has been adjusted to take into account equity increases in the affiliated entities which took place during the financial year and which are attributable to the dominant company.

5.7. Stocks

Stocks of tangible assets are reported at their acquisition price or cost of manufacturing that may not, however, exceed their net realizable value.

Raw materials, goods for resale, foodstuffs and packing are appraised at their inventory value equal to the weighted average of the actual acquisition price.

Tourist services currently rendered are valued on the basis of actual costs incurred.

5.8. Creditors and debtors

Amounts due to creditors and from debtors are reported according to the actual value due to be paid. Transactions in foreign currencies are converted according to the rate of exchange as of the date of transaction. Negative realized and unrealized exchange rate differences arising as a result of difference in the dates of accounting and transaction settlement are shown as financial costs. Positive realized exchange rate differences are reported as financial income. Unrealized differences are shown in the balance sheet as deferred income until they are received.

As of the date of preparation of the financial statements, all amounts due to creditors and from debtors denominated in foreign currencies are converted according to the average rate of exchange of a given currency announced by the President of the National Bank of Poland.

Provisions for receivables and debts are raised according to the rules laid down in Article 37 section 1 points 1, 2 and 3 of the Polish Accounting Act, i.e. provisions are made for receivables from debtors put into liquidation, receivables from debtors in case their petition in bankruptcy has been denied, receivables questioned by debtors (provision for these receivables is set up in the amount equal to 10%% of the principal debt) and receivables from debtors evading payment for over 6 months. In case of receivables overdue for over 6 months, provisions are set aside according to the following rates:

- over 6 months overdue 50% of the principal debt,
- over 9 months overdue 80% of the principal debt,
- over 1 year overdue 100% of the principal debt.

5.9. Tradable securities, cash and cash equivalents

Tradable securities are valued in the following manner:

- debt securities at their realizable value as of the balance date, while the difference between the acquisition cost and the actual realizable value is posted as financial income or reported as financial cost,
- shares, interest and other securities at acquisition cost which may not exceed their realizable value.

Cash denominated in Polish Zloty is appraised according to its nominal value, while cash denominated in foreign currencies is converted into the Polish Zloty at the purchase rate which may not exceed the average rate announced by the by the President of the National Bank of Poland on the balance date.

5.10. Deferred costs

Deferred costs are reported according to Article 39 of the Polish Accounting Act, i.e. if the expenditures on operating activity relate to the months following the month in which they were incurred, they are cleared during the period to which they relate, while the costs of repairs are absorbed over 12 - 60 months. The costs of the so-called low-priced tangible assets constituting equipment of newly built or thoroughly modernized hotels recently put into operation are absorbed over the period of 24 months.

5.11. Jubilee awards, retirement reimbursement and remunerations for overdue vacations

According to the adopted remuneration scheme, the Group's employees are entitled to jubilee awards in respect of certain duration of service to the Group as well as to retirement benefits upon their retirement. Prior to the year 1998, the Group reported such cost items as cash expenditures. As from 1998, a special provision is set aside in respect of bonuses and awards. Amounts due to employees under the retirement reimbursement and jubilee award schemes are assessed by an actuary. Amounts due to the Group's employees under the retirement reimbursement and jubilee award schemes evaluated as of December 31, 2000, amount to PLN 70 837 thousand. The provision set aside for this purpose was created before September 30, 2001, and amounted to PLN 66 839 thousand, i.e. 94% of the calculated value of liability. The Company intends to achieve the level of provisions for amounts due to employees under the retirement reimbursement and jubilee award schemes as assessed by the actuary before December 31, 2003.

5.12. Deferred income tax provision

According to the Polish law, the Group withholds 28% of taxable income for corporate tax liability in the year 2001. The profit and loss account shows the value of book income tax, i.e. the value of the fiscal income tax less the value of deferred tax. The temporary differences in tax allocation are dealt with by either setting up a separate provision or by crediting the receivables account with the deferred income tax charge arising as a result of various dates of assessing costs for accounting purposes and for taxation purposes. Receivables under deferred taxes may be booked only when there exists an actual possibility of their future receipt.

The main items taken into account for the purpose of calculation of the above mentioned provisions and receivables are differences in securities' valuation, provisions for payments due to employees, depreciation of fixed assets which are subject to investment allowance (reliefs), as well as accrued and unpaid interest on financial deposits, accrued and unpaid interest on loans obtained during the repayment period. During the tax year the provision calculations include costs of current operations, i.e. costs of energy consumption, payment of lump-sum remunerations, etc.

5.13. Income

Sales have been assessed on the basis of invoiced amounts. In respect of financial operations:

- profits generated in the course of securities' sale are accounted as income from financial operations while income from foreign currency exchange transactions is reported on the basis of the value of margins and spread earned in such transactions,
- interest on bank deposits and gains in securities' valuation are reported as financial income.

5.14. Equity

Equity and other assets and liabilities are assessed at their nominal value.

5.15. Changes in the principles of accounting and reporting in the financial statements

The principles of creating provisions for holiday leaves that have not been taken

Orbis S.A. changed the methods of calculating the provisions for past-years' holiday leaves that had not been taken as compared to the corresponding period of the past year. During the past years, provisions maintained for this purpose as of a given balance sheet closing date were subject to adjustment as of the end of the fiscal year by dissolving the provision in its initial amount and setting-up a new provision according to the new assessment of its value as of the balance sheet date.

In 2001, the Company dissolved the provisions for amounts outstanding due to unused past holiday leaves (created as of December 31, 2001) on June 30, 2001. The same assessment principles were applied for calculating its value as in the past years. Therefore, dissolution of the above mentioned provision resulted in increase of the remaining operating revenues by PLN 3 409 thousand.

6. Analysis of the figures reported in the financial statements

6.1. Assets

Fixed assets constitute 84.2% of the balance sheet total reported by the Orbis Group. The major subcomponent are the tangible fixed assets which include all the Orbis hotels. Current assets contribute 14.6% to the balance sheet total and constitute primarily of short-term trade debtors and cash & cash equivalents. The remaining assets, i.e. deferred expenses, account for 1.8% of the balance sheet total of the entire Group. Deferred expenses include deferred income tax charges of PLN 9 143 thousand, unpaid VAT which shall be cleared during the next reporting period and expenditures incurred to be cleared during future periods, i.e. prepayments to the Social Benefits Fund, payment of the bonus salary (the so called "thirteenth" salary) in May and June, expenses for hotel repairs in Orbis S.A. and costs of property insurance.

6.2. Liabilities

The structure of liabilities shows that equity constitutes 78% of the Group's balance sheet total, provisions account for 4.7% of this figure, accounts payable for 12.8% and accruals and deferred income for 3.6%. The provisions include a provision set for future payments to employees under the jubilee awards and retirement reimbursement scheme.

7. Performance of the Orbis Group

7.1. The overall performance of the Orbis Group can be broken down as follows:

1. Performance of consolidated companies, i.e.:	
- Orbis S.A.	profit of PLN 45 550 thousand
- PBP Sp. z o.o.	profit of PLN 1 773 thousand
- <u>Orbis Transport Sp. z o.o.</u>	<u>profit of PLN 3 624 thousand</u>
Net profit	PLN 50 947 thousand

2. And the following adjustments:

- share of minority shareholders in the loss	- PLN 1 172 thousand
- capital reserve write-offs	+ PLN 590 thousand
- <u>contributed profits of Orbis Casino Sp. z o.o.</u>	- PLN 1 694 thousand
Net adjustments	- PLN 2 276 thousand
Total as of June 30, 2001	PLN 48 671 thousand

7.2. During the third quarter of 2001, **Orbis S.A.** recorded diminished sales revenues, which fell by 5.2% up to the level of PLN 187 392 thousand. As compared to the third quarter of the past year, the sales decreased by 12.1%. In general, the number of roomnights sold amounted to 537,469, i.e. by 5.4% less than the corresponding figure for the 3rd quarter of the year 2000. The occupancy rate reached the level of 59.6%, reflecting an increase by 0.7% as compared to the occupancy rate recorded in the second quarter of the year and a decrease, by 4.4 percentage points, as compared to the rate recorded in the corresponding period of the past year. The Revenue per Available Room (RevPar) equaled PLN 124, reflecting a decline by 4.1% as compared to the second quarter of the year 2001 and by 16.5% as compared to the 3rd quarter of 2000.

Lower sales revenues are an outcome of the decline, by 8.1%, of the average rate in the tourist occupancy segment (to PLN 149.2) despite increased number of roomnights sold to tourist guests (growth by 8.7%) accompanied by a falling number of roomnights sold to business guests (fall by 19.1%) along with a decline of the average rate in this segment by 5% (PLN 285.2). The decline in the sales to business guests is caused predominantly by the reduction in the number of business trips by foreign guests and a decline of demand for hotel services from domestic companies. Orbis hotels began to perceive the weakened business growth in the hotel industry much earlier, i.e. already in the first quarter of the year 2001. In the condition of the decelerating growth of the American economy and deteriorating business environment in Europe weakened the chances for the revival of the business growth in Poland. The crisis of public finances in Poland additionally aggravated the perspectives for improvement of the economic condition of several Polish enterprises and significantly reduced their demand for hotel as well as food&beverage services. On the other hand, the September tragedy in the United States did not significantly affect the performance of Orbis S.A. during the third quarter of 2001. Despite the terrorist attacks, the share of the US and Canadian guests in the overall number of roomnights sold equaled 8.4% during the third quarter of the year 2001 as compared to 7.6% during the third quarter of 2000.

The third quarter of the year 2001 witnessed the opening of the Orbis Central Sales Office (CSO). The Office consists of the Central Office at the Orbis Management Board's Office as well as four Regional Offices based in Warsaw, Katowice, Poznań and Gdańsk, through which the services of all the Orbis hotels in Poland are sold to corporate customers located in these regions. A Tourist Market Department in the CSO co-operates with tour operators and travel offices throughout the world. At the same time, the CSO co-operates with the Accor Distribution Services on a worldwide scale by offering the services of Orbis hotels operating under one of the Accor's brands. The first results of the CSO's operations are expected to become noticeable in the year 2002.

The operating profit achieved during the 3rd quarter of 2001 equaled PLN 34 812 thousand. It accounts for 84.9% of the profit generated during the third quarter of the year 2000. Hence, this result is weaker than that achieved during the corresponding period of the past year, but at the same time better than that generated during the 2nd quarter of 2001.

The results of financial operations during the 3rd quarter of 2001 deteriorated by 49.6% as compared to the 3rd quarter of 2000. Such decline was caused by a reduction of financial income since free cash, which so far had been invested in deposits and short-term tradable securities, was allocated for modernization of hotels.

A gross profit of PLN 37 155 thousand was recorded in the 3rd quarter of 2001 as compared to a gross profit of PLN 45 707 thousand achieved in the corresponding period of past year. The net profit amounting to PLN 26 590 thousand generated during the 3rd quarter of the year 2001 amounted to 81% of the profit generated in the corresponding period of 2000.

7.3. During the third quarter of 2001, **PBP Sp. z o.o.** recorded sales revenues of PLN 156 499 thousand, reflecting a 19.9% decrease as compared to the corresponding period of the past year. As a result of charter flight restraints, the revenues generated by outgoing traffic fell in the year 2001. The number of customers benefiting from the services in the segment of foreign incoming traffic as well as domestic tourism also declined. Only travel services generated higher sales revenues. At the same time, the costs of products and services sold decreased by 20.1% as compared to the corresponding period of the past year.

The profit on sales generated in the course of nine months of 2001 is lower by 10.1% than the figure achieved in the corresponding period of the past year.

Higher income from securities trading, interest income and positive value of foreign exchange translation differences resulted in achievement of a positive balance of financial operations.

As a result, the gross profit on financial activities improved by 16.4% as compared to that generated in the corresponding period of the past year.

After September 11, the Company recorded cancellations by some US groups caused by lack of air flight connections, while groups from other countries, which were to arrive by air flights, significantly reduced the number of participants. Due to the fact that September is the end of the tourist season, the reduction in traffic as compared to the past year was roughly 8% (in September & October).

7.3 Orbis Transport Sp. z o.o. generated sales revenues of PLN 52 559 thousand. The costs of products sold equaled PLN 377 878 thousand. As of September 30, 2001, the sales revenues' growth dynamics equaled 105.5%, while at the same time; the costs' growth dynamics was 111.4%. As a result, the gross profit on sales fell to the level of 50.3% of the figure achieved during the first three quarters of the past year. The profit amounted to PLN 2 447 thousand.

Financial costs incurred during the first three quarters of the year 2001 were by 43.8% higher than those incurred during the corresponding period of the past year, mainly as a result of high interest rates in loans and the exchange rate between foreign currencies and the Polish currency. Repayment of hard currency loans and a change in the structure of credits to finance the Company's operations enabled to generate an additional financial income.

Thus, the gross profit generated by the Company amounted to PLN 5 187 thousand, i.e. was by 6.3% higher than the figure achieved in the corresponding period of the past year. The net profit equaled PLN 3 624 thousand.

The September events in the US brought about a minor reduction in the bookings of car rent by American customers. A deflection of bookings at the end of the season was recorded. In the past years, November marked the beginning of a decline in the number of bookings, while this year, the number of leases increased. No major changes occurred in respect of coach leases during the third quarter, however, the value of prepayments increased, signaling an intensified interest in coach transportation, which may be reflected in the results achieved in the future periods.

8. Additional information

8.1. As of September 30, 2001, the share capital of Orbis S.A. amounts to PLN 92 154 016 and is composed of 46 077 008 shares having a par value of PLN 2 each. The following shareholders hold over 5% of votes:

1. ACCOR S.A.	– 20.00% votes,
2. Reib International Holdings Limited	– 12.42% votes,
3. State Treasury	– 6.24% votes,
4. Globe Trade Centre S. A	– 5.00% votes,
5. Michał Sołowow	– 5.01% votes,
6. Other shareholders	– 51.33% votes,

8.2. As of June 30, 2001, the share capital of the Polskie Biuro Podróży Orbis Sp. z o.o. amounted to PLN 16 453 900. Its shareholders include:

Orbis S.A.	– 69.887%
Beton Stal S.A.	– 16.191%
795 individuals (natural persons)	– 8.224%
INVOR Sp. z o.o.	– 5.383%
Chrobot Reiseburo	– 0.243%
Wilanów Sp. z o.o.	– 0.063%
BP Zbigniew Janik	– 0.009%

An annual Ordinary General Assembly of Shareholders of PBP Orbis Sp. z o.o. held on June 28, 2001, adopted a resolution concerning redemption of not more than 8,010 of the Company's shares, against remuneration calculated on the basis of the balance sheet value of shares, according to the balance sheet closed on December 31, 2000, that is PLN 150 per each share.

8.3. An increase of the declared capital of the Company Orbis Transport Sp. z o.o. by an amount of PLN 7 214 800 was registered in January 15, 2001. As of June 30, 2001, the Company's equity amounted to PLN 14 429 300. Its shareholders include:

Orbis S.A.	– 82.383%
L.G. Petro Bank S.A.	– 13.521%
437 individuals (natural persons)	– 2.597%
INVOR Sp. z o.o.	– 0.965%
Chrobot – Reisen	– 0.354%
PBP "Orbis" Sp. z o.o.	– 0.180%

An annual Ordinary General Assembly of Shareholders of Orbis Transport Sp. z o.o. held on June 15, 2001, adopted a resolution concerning redemption of not more than 4,827 of the Company's shares, against remuneration calculated on the basis of the balance sheet value of

shares, according to the balance sheet closed on December 31, 2000, that is PLN 248.85 per each share.

8.4. As of June 30, 2001, the declared capital of the Orbis Casino Sp. z o.o. amounted to PLN 2 592 000. Its shareholders include:

Orbis S.A.	- 33.33%
Finkorp Sp. z o.o.	- 33.33%
ZPR S.A.	- 33.33%

8.5. The PBP Orbis Group is composed of: PBP Orbis Sp. z o.o., as a parent (dominant) company, and CB International Sp. z o.o., an associated company.

PBP Orbis Sp. z o.o., also known as Orbis Travel, provides diversified tourist and travel services in Poland and abroad. The company organizes private and package tours, runs ticket sale, rents cars, leases mobile telephones and sells insurance policies. The company has its own currency exchange offices as well as a commercial and business acquisition network of 27 branches, specialized units of foreign incoming tourist services, congresses and hunting services office.

PBP Orbis cooperates with 75 licensed travel agencies on the basis of franchise agreements executed with these agencies by Orbis S.A..

8.6. Orbis Transport Sp. z o.o. conducts its operations both at its own account and in co-operation with other business organizations and foreign partners, consisting in organization and provision of the following services:

- foreign and domestic transportation services,
- lease and rent of motor vehicles,,
- trade, including sale of motor vehicles and spare parts,
- exports and imports of products and goods,
- agency services in provision of tourist, hotel and transportation services,
- carriage of passengers - running regular bus routes,
- car repair service and parking services,
- agency and representation services,
- travel organization.

8.7. The business of Orbis Casino Sp. z o.o. consists in running casinos and lottery games as well as providing food & beverage services in 9 casinos located in Orbis hotels, such as "Victoria-Sofitel" in Warsaw, " Sofitel" in Cracov, "Neptun" in Szczecin, "Grand" w Sopot, "Warszawa" in Katowice, "Unia" in Lublin, "Giewont" in Zakopane, "Marina" in Gdańsk and „Poznań” in Poznań.

The company also operates arcade games salons in the following hotels: "Grand" in Warsaw, "Petropol" in Płock and "Grand" in Łódź.

Moreover, in accordance with the Company's Articles of Association, Orbis Casino Sp. z o.o. conducts business operations in the following fields:

- domestic and foreign trade,
- training courses,
- consulting, representation and agency services,
- publishing,
- entertainment,
- advertising services,
- trade in and management of real property,
- activities related to recreation as well as cultural and sports events,

- finance intermediary services in respect of granting financial and cash loans outside the banking system as well as ancillary services in respect of financial agency services, including running currency exchange offices.

8.8. As of September 30, 2001, members of the Management Board held the following blocks of Orbis S.A. shares:

1. Maciej Grelowski	President of the Management Board holds 4 563 shares of Orbis S.A.
2. Krzysztof Andrzej Gerula	Vice-President of the Management Board holds 2 607 shares of Orbis S.A. holds 182 shares of PBP Orbis Sp. z o.o. holds 73 shares of Orbis Transport Sp. z o.o.
3. Andrzej Bobola Szuldrzyński	Vice-President of the Management Board holds 513 shares of Orbis S.A. holds 327 shares of PBP Orbis Sp. z o. o holds 470 shares of Orbis Transport Sp. z o. o
4. Ireneusz Andrzej Węglowski	Vice-President of the Management Board holds 3 000 shares of Orbis S.A.
5. Lidia Mieleszko	Member of the Management Board holds 268 shares of Orbis S.A.
6. Yannick Rouvrais	Member of the Management Board does not hold any shares in the Company or other companies in the Orbis Group

9. Other events affecting the financial condition of the Company

9.1. On January 31, 2001, the Rating Committee of the Central European Rating and Analyses Center (CERA S.A.) decided to maintain the „A+” rating with a stable perspective awarded to Orbis S.A. and to withdraw the company from its „observation list”.

/Current report no 2/2001/.

9.2. The capital increase in Orbis Transport Sp. z o.o. was registered on January 15, 2001. Orbis S.A. holds 82.383% shares in the capital of the company.

/Current report no 3/2001/.

9.3. Orbis S.A. terminated the management contract with the company „PH Majewicz Sp. z o.o.” relating to „Pod Orłem” Hotel in Bydgoszcz. The said management contract was replaced with a franchise agreement.

/Current report no 4/2001/.

9.4. On February 14, 2001, Orbis S.A. and PKN „ORLEN” having its corporate office in Płock signed a co-operation agreement concerning granting weekend coupons as an award in the Vitay Program.

/Current report no 5/2001/.

9.5. On February 15, 2001, Orbis S.A. signed an annex to the Conditional General Franchising Agreement according to which the fees payable by Orbis S.A. to Accor Polska Sp. z o.o. in respect of hotels being a part of the ACCOR network will be made in three equal annual installments.

/Current report no 6/2001/.

9.6. On March 26, 2001, Orbis S.A. executed a credit agreement with a consortium composed of 6 banks led by Credit Lyonnais concerning granting of a fifty million EURO closed-end credit facility with an option to convert it into a revolving credit.

/Current report no 7/2001/.

9.7. On April 3, 2001, Orbis S.A. and Inter-Continental Hotels Corporation of Atlanta, Georgia, U.S.A. executed an agreement, by virtue of which, upon a mutual consent of the parties, the franchising agreement executed with IHC concerning the trade mark for the Victoria Hotel in Warsaw expired on April 1, 2001, while the franchising agreement executed with IHC concerning the trade mark for the Forum Hotel in Warsaw will expire on July 1, 2002.

/Current report no 8/2001/.

9.8 On April 12, 2001, „Orbis” S.A. and Skanska Polska Sp. z o.o. having its corporate headquarters in Warsaw signed a contract concerning implementation of the first phase of modernization works at the „Forum” hotel in Warsaw. The I phase of works involves modernization of the hotel rooms. The parties assessed the value of the contract at PLN 29,300,000 plus VAT.

/Current report no 9/2001/.

9.9 On April 18, 2001, Orbis and MITEX S.A. with its corporate seat in Kielce signed and agreement concerning creation of leisure and sports center in the “Mrongovia” hotel in Mragowo. The value of the contract amounts to PLN 11,500,000 plus VAT.

/Current report no 10/2001/.

9.10 On May 17, 2001, Orbis S.A. and ACCOR POLAND executed Annex No 4 to the General Conditional Franchise Agreement signed by and between the parties on July 26, 2000. In accordance with the said Annex, the indemnity payment of US\$ 1,600,000 for Inter-Continental Hotels Corporation shall be settled as a set-off of mutual payments between Orbis S.A. and ACCOR POLAND Ltd. constituting partnership fee as well as fixed license fees due from Orbis S.A. for the given Hotel and for Hotels which already operate or will, by December 31, 2001, commence their operations under a name being one of the ACCOR’s Trade Marks, with the exception of hotels which used the trademark NOVOTEL prior to the execution of the above mentioned Agreement.

/Current report no 15/2001/.

9.11. The Rating Committee of the Central European Rating and Analyses Center (CERA S.A.) has revised its ratings and decided to maintain the creditworthiness rating awarded to ORBIS S.A. in May, 2000, at a „A+” level with a stable perspective.

/Current report no 17/2001/.

9.12. The annual Ordinary General Assembly of Orbis S.A. Shareholders was held on June 7, 2001. The Assembly approved:

- 1) Supervisory Board' report on the results of its review of the financial statements for the financial year ended December 31, 2000, of the Management Board's report as well as of the motions of the Management Board concerning the division of net profits for the year 2000;
- 2) Management Board's report on the activity of „Orbis” S.A. for the period from January 1, 2000, up till December 31, 2000;
- 3) Financial statements of the Company including:
 - balance sheet prepared as of December 31, 2000, showing the total assets and liabilities figure of PLN 1,257,101,430.57 (say: one milliard two hundred fifty seven million one hundred and one thousand four hundred and thirty Polish Zloty and 57 Grosze);
 - profit and loss account for the period from January 1, 2000, up till December 31, 2000, showing a net profit of PLN 84,807,484.42 (say: eighty four million eight hundred and seven thousand four hundred and eighty four Polish Zloty and 42 Grosze);
 - cash flow statement for the period from January 1, 2000, up till December 31, 2000, showing a change in the balance of cash and cash equivalents during the financial year by a net amount of PLN 19,187,655.01 (say: nineteen million one hundred and eighty seven thousand six hundred and fifty five Polish Zloty and 1 Grosze);
 - additional notes;
- 4) Apportionment of the entire net profit generated during the financial year ended December 31, 2000, amounting to PLN 84,807,484.42 (say: eighty four million eight hundred and seven thousand four hundred and eighty four Polish Zloty and 42 Grosze) to the Company's supplementary capital,
and granted a vote of discharge to members of the Management Board and the Supervisory Board in respect of performance of their duties in the financial year ended December 31, 2000.

9.13. The Ordinary General Assembly of Orbis S.A. Shareholders also approved the annual consolidated financial statements of the Orbis Group in Warsaw, prepared as of December 31, 2000, including:

1. consolidated balance sheet prepared as of December 31, 2000, showing the total assets and liabilities figure of PLN 1,351,466 thousand (say: one milliard three hundred fifty one million four hundred and sixty six thousand Polish Zloty);
2. consolidated profit and loss account for the period from January 1, 2000, up till December 31, 2000, showing a net profit of PLN 87,587 thousand (say: eighty seven million five hundred and eighty seven thousand Polish Zloty);
3. consolidated cash flow statement for the period from January 1, 2000, up till December 31, 2000, showing a change in the balance of cash and cash equivalents during the financial year by a net amount of PLN 23,962 thousand (say: twenty three million nine hundred and sixty two thousand Polish Zloty);
4. additional notes;
5. report on the activity of the group during the year 2000.

9.14. The Ordinary General Assembly of Orbis S.A. Shareholders appointed the following members of the Supervisory Board for its V term of office: Andrzej Saja, David Vely, Christian Rousseau, Janusz Marek Czarzasty, Paweł Dębowski, Stephane Michelangeli, Eli Alroy, and acknowledged the report of the Central Electoral Committee on the election of employee representatives to serve as members of the "Orbis" S.A. Supervisory Board during its V term of office, as a result of which, pursuant to § 16 section 2 and 3 of "Orbis" S.A. Statutes, the following persons had been appointed members of the Supervisory Board for its V term of office: Rożdżyński Janusz, Dutkowska Wanda and Czepielinda Sabina.

9.15. The Ordinary General Assembly of Shareholders granted its consent to:

- 1) transfer of the title to perpetual use of real property located in Toruń, Poland, at 1/3, Kraszewskiego street, consisting of a plot of land no 154/3, having an area of 0,0433 hectare to the Toruń City Commune for a price of PLN 11,260;
- 2) termination of the title to perpetual use of real property consisting of a plot of land no 154/1, having an area of 0,0121 hectare and passing it over to the State Treasury for municipal purposes, against payment of indemnity in the amount of PLN 3,100 to Orbis; the above mentioned titles to perpetual use of the real property are disclosed in the land and mortgage register KW no 16175 kept by the District Court in Toruń, Land and Mortgage Registry Division;
- 3) transfer of the title to perpetual use of land constituting a component of an undeveloped real estate composed of plots no 329/1 and 329/3 located at 2, Popieluski street, Toruń, Poland;
- 4) sale of the title to perpetual use of land constituting a component of a real estate located in Toruń and consisting of:
 - plot of land no 329/1 having an area of 0,0327 hectare,
 - and plot of land no 329/3 having an area of 0,0064 hectare,registered in the land and mortgage register KW no 29943 kept by the District Court in Toruń, Land and Mortgage Registry Division;
- 5) transfer of the title to perpetual use of land constituting a component of a real estate located in Zegrze Płd., Nieporęt Commune, consisting of:
 - plot of land no 81/1 having an area of 200.00 m²,
 - and plot of land no 125/1 having an area of 2232.00 m²,registered in the land and mortgage register KW no IV-4464 (formerly KW 37843) kept by the District Court in Legionów, Land and Mortgage Registry Division;
- 6) transfer of the title to perpetual use of land constituting a component of a real estate located in Bielsko-Biała, consisting of plot no 119/5 having an area of 653 m², registered in the land and mortgage register KW 35048 kept by the District Court in Bielsko-Biała, Land and Mortgage Registry Division;
- 7) transfer of the housing co-operative member's ownership title to commercial premises located at 20, Żabia street, Białystok, having a total area of 1163.20 m² (first and second floor in a XI-floor building), under the management of a housing co-operative in Białystok;
- 8) transfer of the real estate located at 5, Powstańców (Śląskich street, Wrocław, consisting in a plot of land no 39 (AM 14) having the total area of 3649.00 m², in which the ORBIS share equals 11.85%, and commercial premises (VIII floor in a multi-storey building) having an area of 532.60 m², owned by ORBIS S.A., along with the respective share of the common premises of the building, in which the ORBIS share equals 11.85%, registered in the land and mortgage register no KW 93590 kept by the District Court in Wrocław-Krzyki, Land and Mortgage Registry Division;
- 9) transfer of the title to perpetual use of a plot of land no 9/7, having the total area of 1393.00 m² and the ownership title to a building located at 9, Modrzewiowa street, Bydgoszcz, having the total area of 183.00 m², registered in the land and mortgage register no KW 35738 kept by the District Court in Bydgoszcz, Land and Mortgage Registry Division;
- 10) transfer of the title to perpetual use of a plot of land no 10/5, having an area of 2793.00 m² and the ownership title to buildings and constructions located at 3, Rolna street, Włocławek, having an area of 628.00 m², registered in the land and mortgage register no KW 53147 kept by the District Court in Włocławek, Land and Mortgage Registry Division;

- 11) acquisition by ORBIS S.A. from the Office of the Sopot Commune of the right of perpetual use, until the year 2089, of plots no 2/7, 103/7 and 104/7, registered in the land register under entry no 865, located in Sopot at Powstańców Warszawy street, having a total area of 591 m², owned by the Office of the Sopot Commune and registered in the land and mortgage register no KW 4718 which specifies their legal status in return for abandonment by ORBIS S.A. of the right of perpetual use, until the year 2089, of plot no 2/5, having a total area of 492 m², registered in the land register under entry no 3654, located in Sopot at Powstańców Warszawy street, owned by the Office of the Sopot Commune and registered in the land and mortgage register no KW 5302 which specifies its legal status.
/Current report no 19/2001/.

9.16. On July 20, 2001, Orbis S.A. implemented the provisions of the Articles of Association of the limited liability company Globis Poznań Sp. z o.o. and executed a sale agreement with Globis Poznań Sp. z o.o., by virtue of which Globis Poznań Sp. z o.o. acquired from Orbis S.A. the right of perpetual usufruct of land located at Roosevelt street in Poznań, Poland. The above-mentioned transaction was concluded on terms specified in Resolution No 2 of the Extraordinary General Assembly of Shareholders of Orbis S.A.
/Current report no 23 dated June 30, 2000/.

9.17. On March 14, 2001, Orbis S.A. purchased from Kulczyk Holding 165 924 shares having their nominal value specified in Euro in the company AWSA Holland B.V. established under the Dutch law.

On March 14, 2001, Orbis S.A. acting as a contributor and AWSA Holland II B.V. acting as a recipient executed an agreement concerning contribution, as a premium, of shares in a motorway developer, Autostrada Wielkopolska S.A., having a value of PLN 42,950 thousand. The shares in Autostrada Wielkopolska SA contributed to AWSA Holland II B.V. by shareholders on March 23, 2001 had been contributed by AWSA Holland II B.V. to the company AWSA Holland I B.V..

AWSA Holland I B.V. pledged the shares in Autostrada Wielkopolska SA to Credit Lyonnais SA as collateral security for the repayment of loan. The pledge was registered in the share register of Autostrada Wielkopolska SA and entered in the Pledge Register kept by the XVIII Commercial Division of the District Court for the Capital City in Warsaw.

9.18. July 20, 2001. Orbis S.A. implemented the provisions of the Articles of Association of the limited liability company Globis Poznań Sp. z o.o. and executed a sale agreement with Globis Poznań Sp. z o.o., by virtue of which Globis Poznań Sp. z o.o. acquired from Orbis S.A. the right of perpetual usufruct of land located at Roosevelt street in Poznań, Poland. The transaction was concluded on terms specified in Resolution No 2 of the Extraordinary General Assembly of Shareholders of Orbis S.A.
/Current report no 25/2001 dated July 20, 2000/.

9.19. Franklin Resources, Inc. and its affiliates reduced the share of their holdings in the equity of Orbis S.A. from 5% to 4.71%.
/Current report no 26/2001/.

9.20. An Extraordinary General Assembly of Orbis S.A. Shareholders was held on September 18, 2001. The Assembly appointed a new Supervisory Board of Orbis S.A. composed of the following members: Michael Harvey, Andrzej Saja elected by way of voting

in separate groups, and Eli Alroy, Wojciech Ciesielski, Stephane Michelangeli, Jean Philippe Savoye, David Vely.

Shareholders forming the voting groups no I and II delegated Michael Harvey and Andrzej Saja to perform supervisory functions on a permanent basis.

/Current report no 32/2001/

9.21. On September 28, 2001, the Supreme Administrative Court dismissed the complaint filed by Orbis S.A. against the decision of the President of the Housing and Urban Development Office (no: P.5.3-WP-2/2000) dated December 29, 2000, which upheld a former decision issued by the President of the said Office on March 7, 2000 (no: PO.5.3.-R-29/99). In its complaint, Orbis S.A. pleaded for the declaration of invalidity of an administrative decision made by the Presiding Body of the National Council for the Capital City of Warsaw on November 6, 1951. By virtue of the said decision, which was based on the so-called "Warsaw Decree" dated October 26, 1945, the former owners have been disowned from their right to temporary ownership (according to the present legal status it is referred to as a "perpetual hold" over real property) to the real property located in Warsaw, at 26, Nowogrodzka street.

The case relates to the part of land on which the Forum Hotel in Warsaw is located. According to decision no 447/91 issued by the Warsaw Voivod on September 23, 1991, (no: G.2.1.8224a/429/91/HŚ), ORBIS S.A. acquired the right of perpetual hold over developed land owned by the State Treasury, located in Warsaw, at 26, Nowogrodzka street and having an area of 7295 square meters, as well as the right of ownership of the hotel building located thereon. The said land is registered in the land and mortgage register no KW 72550, according to which Orbis S.A. is the perpetual holder of the land as well as the owner of this building. The decision is question issued by the Supreme Administrative Court does not relate to the right of perpetual hold over the land exercised by Orbis S.A., since this right was not the subject of this decision. According to the knowledge of Orbis S.A., it is also not the subject of any other administrative proceedings or litigation.

The decision merely means that an appropriate body, i.e. the Head of the Warsaw county, being the statutory representative of the State Treasury – owner of the land, will be obligated to examine the matter upon request filed by the former owners on the basis of the above mentioned "Warsaw Decree". In such case, the matter of the legal consequences stemming from the acquisition by Orbis S.A. of the right to perpetual hold over the land and ownership of the building, which was omitted by the Supreme Administrative Court, may arise. The building, which has been built by the legal predecessor of Orbis S.A. and which constitutes a separate property may not be subject to the proceedings based on the Decree, since it did not exist at the time of filing the above-mentioned request. Furthermore, there are no grounds, particularly under Articles 145 and 146 of the Code of Administrative Proceedings, to undermine the decision granting the right to the property to the legal predecessor of Orbis S.A.. Thus, the claims of heirs to the former owners should, in the end, be examined on the basis of and according to the procedure laid down by Article 160 of the Code of Administrative Proceedings – as claims towards the State Treasury.

Furthermore, it should be mentioned that the present company Orbis S.A., though a legal successor of the entity which acquired the rights in 1991, may not be identified with it, since it no more belongs to the category of state-owned legal persons (state-owned enterprises, companies wholly owned by the State Treasury), but acquired a special status of a public company under the provisions on public trading in securities. All the more so, Orbis S.A.

should remain beyond the impact of the legal consequences arising out of the decision issued by the Supreme Administrative Court and described above.

/Current report no 35/2001/

10. Litigation pending in courts of law and public administration authorities

No court or administrative proceedings of a total value in excess of PLN 105 million, which corresponds to 10% of the equity shown in the balance sheet prepared as of June 30, 2001, were initiated against or by the Orbis Group. Among the pending court litigation, the case relating to the „Hotel Europejski” in Warsaw is of particular importance to Orbis S.A..

On October 6, 1999, the Head of the Warsaw County issued a decision concerning establishment of a right to perpetual hold (of 99-year duration) of the real property located in Warsaw, at 13, Krakowskie Przedmieście street, to a joint stock company named "Hotel Europejski - Spółka Akcyjna" having its corporate headquarters in Warsaw.

In the opinion of the Management Board of Orbis S.A., this decision was a mistake. In the light of the above, on October 25, 1999, Orbis S.A. appealed against this decision and pleaded for its reversal by the relevant appellate authority in accordance with the appeal procedure.

On December 17, 1999, the Voivod (Head) of the Mazowieckie Province annulled the challenged decision in its entirety and passed the case for further review.

On December 30, 1999, the Management Board of Orbis S.A. acting in the interest of its shareholders filed with the Head of the Warsaw County a demand to transfer the ownership title to the real property located in Warsaw at 13, Krakowskie Przedmieście street, or possibly to establish a right of perpetual use of the above mentioned real property at the same time transferring the ownership title to the building located on this real property. Two experts' opinions on financial outlays made with respect to the above-mentioned real property were produced as a justification of the above-mentioned demand.

The said opinions confirm that outlays made by Orbis for upgrading and modernization of the hotel building, which was damaged in over 74%, exceed the value of the land, thus giving legal grounds for the transfer to Orbis S.A., against an appropriate consideration, of the ownership title to the land pursuant to Article 231 of the Polish Civil Code.

Since the Head of the Warsaw County failed to comply with the request of Orbis S.A., on February 11, 2000, Orbis S.A. filed a suit with the I Civil Division of the District Court in Warsaw to issue an injunction to the defendant, the State Treasury, represented by the Head of the Warsaw County, to transfer to Orbis S.A., against a consideration, the title of ownership of land located in Warsaw, at 13, Krakowskie Przedmieście street, marked as plots of land numbered 51/1 with an area of 5 261 m², 51/2 with an area of 50 m², and 51/3 with an area of 19 m² in the map section 5-03-05, with respect to which the VI Land and Mortgage Registry Division of the District Court for Warsaw-Mokotów keeps a land and mortgage register no KW 201926.

On March 29, 2000, Orbis S.A. applied to the Supreme Administrative Court in Warsaw to suspend the proceedings initiated and pending before the Court as a result of complaint of HOTEL EUROPEJSKI S.A. having its corporate seat in Warsaw filed on January 18, 2000, against a decision no 406 dated December 17, 1999, issued by the Mazowieckie Province Voivod, due to the fact that other proceedings are pending, in the course of which it shall be resolved with whom the right of ownership of the land should lie.

The Regional Court in Warsaw, I Civil Department, on 8 May 2000 in the case filed by Orbis S.A. against the State Treasury represented by the Head of the Warsaw County for transferring ownership title, ruled to secure the claim by entering a warning in section III of the land register KW 201926 maintained by the Regional Court for Warsaw Mokotów, VI Land and Mortgage Register Division in Warsaw, regarding pending litigation in respect of the transfer of ownership title to the real estate with an area of 53 a 30 sq.m. located in Warsaw at Krakowskie Przedmieście 13 in favor of Orbis S.A. The court dismissed the remaining scope of the motion to secure the claim.

At a hearing on July 28, 2000, the Supreme Administrative Court rejected the motion (seconded also by the Voivod) to suspend the proceedings and annulled the decision of Voivod no 406 dated December 17, 1999.

On August 31, 2000, the legal advisers I&Z spółka cywilna received a written justification of the Supreme Administrative Court's ruling from which it follows that the matter will be submitted to the Mazowieckie Province Voivod for reconsideration in the course of appellate proceedings.

On September 8, 2000, the legal advisers I&Z spółka cywilna applied to the Mazowieckie Province Voivod to suspend administrative proceedings initiated as a result of a motion lodged by Hotel Europejski S.A. to establish a right to perpetual hold (of 99-year duration) of the lot of land located in Warsaw, at 13, Krakowskie Przedmieście street, to this joint stock company, on the grounds that that court proceedings are pending before the I Civil Division of the District Court in Warsaw in the course of which it shall be resolved with whom the right of ownership of this land should lie.

On November 6, 2000, by virtue of a decision no. 119/00, the Voivod of the Mazowieckie Province refused to suspend administrative proceedings regarding the consideration of the appeal in respect of instituting perpetual hold of the plot of land located in Warsaw at Krakowskie Przedmieście 13 in favor of the joint stock company Hotel Europejski with its seat in Warsaw.

In response, on November 22, 2000, Orbis S.A. represented by the legal advisers I&Z spółka cywilna complained against this decision to the Chairman of the Office of Housing and Urban Development through the mediation of the Voivod of the Mazowieckie Province and applied for the decision to be reversed and reiterated its request for suspending administrative proceedings in the case.

On December 5, 2000, having reconsidered the appeal filed by the legal advisers I&Z against the decision of October 6, 1999, no. 532/ZP/99, issued by authorization of the Head of the Warsaw County and establishing the right of perpetual usufruct to the land located in Warsaw where Hotel Europejski is located in favor of Hotel Europejski S.A., the Voivod of the Mazowieckie Province issued decision no.588/00. The Voivod reversed section 2 (establishing a symbolic fee for instituting perpetual usufruct) and section 3 (obligating the perpetual usufructuary to make the payment by the date of signing of the relevant notary deed) of the disputed decision and ruled in this respect, while the remaining scope of the disputed decision was upheld.

On January 10, 2001, Orbis S.A. filed a complaint against the Voivod's Decision no.588/00 dated December 5, 2000, reversing sections 2 and 3 and upholding the remaining scope of the decision issued by authority of the Head of the Warsaw County no.532/ZP/99 of October 6, 1999, which established the right of perpetual usufruct to the plot of land located at Krakowskie Przedmieście 13 in favor of the company Hotel Europejski S.A. with the

Supreme Administrative Court, and applied for reversal of the disputed decision on the grounds that it was issued in violation of the law and for allocating litigation costs according to prescribed rules.

On January 17, 2001, the attorney-at-law of Orbis S.A. applied to the Supreme Administrative Court to suspend the execution of the decision no.588/00 dated December 5, 2000, issued by the Voivod of the Mazowieckie Province, reversing sections 2 and 3 and upholding the remaining scope of the decision issued by authority of the Head of the Warsaw County no. 532/ZP/99 of October 6, 1999, which established the right of perpetual usufruct to the plot of land located at Krakowskie Przedmieście 13 in favor of the company Hotel Europejski S.A..

The District Court for Warsaw-Mokotów, X Land and Mortgage Registry Division in Warsaw entered, on February 12, 2001, a warning in section III of the land and mortgage register KW 201926 regarding litigation in respect of the transfer of ownership title to the real estate instituted by Orbis S.A. and pending before the District Court in Warsaw, I Civil Division. Following the consideration of the complaint filed by Orbis S.A. on November 22, 2000 against the decision issued by the Voivod of the Mazowieckie Province no. 119/00 dated November 6, 2000 refusing to suspend the appellate proceedings with respect to the establishment of the right of perpetual usufruct to the plot of land located at Krakowskie Przedmieście 14, on February 27, 2001 the Chairman of the Office of Housing and Urban Development issued a decision (no. GN.5.1-Z-14/01) upholding the challenged decision of the Voivod of the Mazowieckie Province dated November 6, 2000.

On March 30, 2001, Orbis S.A., represented by its legal advisers I&Z spółka cywilna, complained against the decision of February 27, 2001 to the Supreme Administrative Court and applied for the reversal of the challenged decision on the grounds that it was issued in violation of the law and for the reversal of the decision upheld thereby and pleaded to submit the case the Voivod of the Mazowieckie Province for further consideration.

Having considered and examined the case on complaint filed by Orbis S.A. against the decision by the Voivod of the Mazowieckie Province dated December 5, 2000 in the matter of the perpetual usufruct, on March 28, 2001 the Supreme Administrative Court ordered that the complaint be dismissed. The justification to the ruling included, among others, a statement that the complaint was filed after time limit prescribed for its filing had lapsed.

In relation to the ruling issued on March 28, 2001, on April 10, 2001, Orbis S.A. represented by the legal advisers I&Z spółka cywilna lodged a motion with the Supreme Administrative Court for the addendum to the decision – the interpretation of the justification to the ruling with respect to the fact that the challenged decision was served on the attorney-at-law, in the procedure prescribed in Art. 40 of the Code of Administrative Procedure and the influence this circumstance exerted on the time limit set for the filing of the complaint.

On April 25, 2001, Orbis S.A. represented by the legal advisers I&Z spółka cywilna lodged an application with the First President of the Supreme Court for filing an extraordinary appeal to the Supreme Court against the ruling issued on March 28, 2001 by the Supreme Administrative Court in the matter of the perpetual usufruct demanding the Court to move for the reversal of challenged ruling issued by the Supreme Administrative Court on March 28, 2001 and for the consideration of the complaint filed by Orbis S.A. against the decision of the Voivod of the Mazowieckie Province dated December 5, 2000. The decision rendered by the Supreme Administrative Court on March 28, 2001 is challenged on the grounds that it represents a flagrant infringement of the provisions of the Constitution of the Republic of

Poland and the provisions of the Code of Administrative Procedure consisting in the calculation of the time limit for filing the complaint with the Supreme Administrative Court from the date the challenged decision of the Voivod of the Mazowieckie Province was served on the Party, and not on its attorney-at-law.

Thus the following proceedings are currently pending:

- 1) Proceedings before Supreme Administrative Court on complaint filed by ORBIS S.A. against the decision no. GN.5.1-Z-14/01 of February 27, 2001 issued by the Chairman of the Office of Housing and Urban Development upholding the decision of the Voivod of the Mazowieckie Province no.119/00 issued on November 6, 2000 refusing to suspend proceedings.
- 2) Litigation before the civil court initiated by Orbis S.A. against the Head of the Warsaw County to obligate the defendant, i.e. the State Treasury, to transfer, against consideration, the ownership of the land to Orbis S.A..
- 3) On September 19, 2001, the president of the Supreme Court lodged an extraordinary appeal (case file no III 191/01) against a ruling of the Supreme Administrative Court dated March 28, 2001, by virtue of which the complaint filed by Orbis S.A. against the decision of the Mazowiecki Voivod dated December 5, 2000, concerning a perpetual use of land, was rejected.

11. Contingent liabilities

On June 26, 1998, Orbis S.A. and the company Kulczyk Holding S.A. signed a conditional sale agreement, whereby Orbis S.A. acquired 9.22% of shares in Autostrada Wielkopolska S.A. worth PLN 42 495 thousand. According to the provisions of the said agreement, Kulczyk Holding S.A. was bound to repurchase the shares (upon the demand by Orbis S.A.) at a price paid by Orbis S.A. plus the interest on 52-week Treasury bonds (put option price), should Orbis S.A. fail to be granted the right to construct or operate accommodation facilities along the Nowy Tomyciel – Konin section of the A2 motorway within 2 years from the initial financial closure, i.e. by October 30, 2000. At the same time, Kulczyk Holding S.A. may, during the above mentioned time period, demand from Orbis S.A. the resale of the above-mentioned shares at a repurchase price increased by an additional 15%.

On October 11, 2000, an annex to the conditional sale agreement was signed with Kulczyk Holding S.A.. The said annex upheld the possibility to use the above-mentioned option despite the fact that the shares in Autostrada Wielkopolska S.A. have been contributed to the company AWSA Holland II BV. On March 14, 2001, acting on the basis of an agreement between Orbis S.A. and AWSA Holland II BV, Orbis S.A. contributed all the shares in Autostrada Wielkopolska S.A. to a company AWSA Holland II BV established under the Dutch law as a premium contribution (note 28).

12. The following exchange rates were applied for the purpose of conversion of „Selected Financial Data” in the balance sheet into EURO:

- 1) balance sheet figures - the average rate of exchange quoted by the National Bank of Poland on September 30, 2001,
1 EURO = PLN 3.881
- 2) profit and loss account figures - the average arithmetical exchange rate calculated on the basis of the exchange rate as of the last day of the month of the given reporting period, i.e.
1 EURO = PLN 3.8254

**Signature of the person
representing the Company**

Krzysztof Gerula
Vice-President

**Signature of the person
responsible for the Company's accounts**

Lidia Mielezko
Member of the Management Board

Warsaw, November 14, 2001.

Prepared by: Agnieszka Zajac