

Warsaw, 2003-08-04

**United States Securities  
And Exchange Commission  
Washington D.C. 20549  
USA**



**Ref.: 82-5025**



03029283

**SUPPL**

Dear Sirs,

Please find enclosed the text of the 2<sup>nd</sup> quarter 2003 Report.

Best regards

Krzysztof Gerula

Vice-President

**PROCESSED**

**AUG 18 2003**

**THOMSON  
FINANCIAL**

## Report SA-Q 2/2003

(for issuers of securities with the business profile of production, construction, trade or services)

In accordance with § 57 section 1 item 1 of the Ordinance of the Council of Ministers dated October 16, 2001 (Journal of Laws no. 139, entry 1569, and no. 31, entry 280 of 2002)

the Board of Directors of **ORBIS S.A.**  
submits in public this quarterly report for the II quarter 2003.

Date submitted: 31.07.2003r.

### SELECTED FINANCIAL DATA

	in thousands of PLN		in thousands of EURO	
	2 quarters 2003 ended JUN. 30, 2003 cumulative	2 quarters 2002 ended JUN. 30, 2002 cumulative	2 quarters 2003 ended JUN. 30, 2003 cumulative	2 quarters 2002 ended JUN. 30, 2002 cumulative
I. Net sales revenues	271 456	300 519	62 963	81 164
II. Operating profit (loss)	16 127	11 532	3 741	3 115
III. Profit (loss) before taxation	41 840	11 753	9 705	3 174
IV. Net profit (loss)	30 073	7 386	6 976	1 995
V. Net cash flows from operating activities	23 324	21 984	5 410	5 937
VI. Net cash flows from investing activities	-79 253	-35 421	-18 384	-9 567
VII. Net cash flows from financing activities	-6 423	12 816	-1 490	3 451
VIII. Total net cash flows	-62 352	-621	-14 463	-168
IX. Total assets	1 414 359	1 409 863	317 334	351 663
X. Liabilities and reserve for liabilities	229 566	246 725	51 505	61 541
XI. Long-term liabilities	51 799	52 250	11 622	13 033
XII. Short-term liabilities	81 237	94 271	18 227	23 514
XIII. Shareholders' equity	1 184 803	1 163 128	265 830	290 122
XIV. Share capital	92 154	92 154	20 676	22 986
XV. Number of shares	46 077 008	46 077 008	46 077 008	46 077 008
XVI. Earnings (loss) per ordinary share (in PLN / EUR)	1,17	0,87	0,27	0,23
XVII. Diluted earnings (loss) per ordinary share (in PLN / EUR)				
XVIII. Book value per share (in PLN / EUR)	25,71	25,22	25,24	25,20
XIX. Diluted book value per share (in PLN / EUR)				
XX. Declared or paid-out dividend per ordinary share (in PLN / EUR)				

### BALANCE SHEET

	as at Jun. 30, 2003 end of 2nd quarter 2003	as at March. 31, 2003 end of 1st quarter 2003	as at Jun. 30, 2002 end of 2nd quarter 2002	as at March. 31, 2002 end of 1st quarter 2002
	<b>Assets</b>			
<b>I. Fixed assets</b>	1 222 149	1 197 674	1 243 847	1 233 952
1. Intangible assets	4 489	4 831	5 359	5 813
- goodwill	182	319	730	867
2. Tangible fixed assets	1 164 138	1 138 903	1 133 354	1 119 033
3. Long-term receivables	867	1 008	1 091	1 212
3.1. From subsidiary and associated companies	849	970	1 091	1 212
3.2. From other companies	38	38	0	0
4. Long-term investments	35 623	35 638	86 781	88 694
4.1. Real estate	3 879	3 879	12 601	12 601
4.2. Intangible assets	0	0	0	0
4.3. Long-term financial assets	31 349	31 264	73 795	75 698
a) in subsidiary and associated companies	30 043	29 376	29 396	31 149
- shares in companies valued under the equity method	0	0	0	0
b) in other companies	1 306	1 888	44 399	44 549
4.4. Other long-term investments	395	395	395	395
5. Long-term deferred expenses	17 012	17 394	17 252	19 200
5.1. Deferred income tax	16 991	17 394	15 634	16 848
5.2. Other deferred expenses	21	0	1 618	2 352
<b>II. Current assets</b>	192 210	165 943	166 006	129 894
1. Inventories	10 511	10 736	12 859	13 031
2. Current receivables	44 682	35 746	45 261	39 336
2.1. From subsidiary and associated companies	5 113	2 507	6 571	3 889
2.2. From other companies	39 569	33 239	38 690	35 477
3. Short-term investments	119 858	106 518	89 285	65 082
3.1. Short-term financial assets	104 599	91 259	75 177	50 974
a) in subsidiary and associated companies	0	0	0	0

b) in other companies	36 935	44 789	0	0
c) cash and cash equivalents	67 684	46 470	75 177	50 974
3.2. Other short-term investments	15 259	15 259	14 108	14 108
4. Short-term deferred expenses	17 159	12 943	18 601	12 445
<b>Total Assets</b>	<b>1 414 359</b>	<b>1 363 617</b>	<b>1 409 853</b>	<b>1 363 846</b>
<b>Shareholders' Equity and Liabilities</b>				
<b>I. Shareholders' Equity</b>	<b>1 184 803</b>	<b>1 161 930</b>	<b>1 163 128</b>	<b>1 161 282</b>
1. Share capital	92 164	92 164	92 164	92 164
2. Not paid-up share capital (negative value)	0	0	0	0
3. Own shares in treasury (negative value)	0	0	0	0
4. Reserve capital	727 629	708 141	707 001	674 415
5. Revaluation capital	269 634	269 799	287 328	287 630
6. Other reserve capitals	65 313	0	0	0
7. Prior years' profit (loss)	0	100 302	69 259	119 974
8. Net profit (loss)	30 073	- 8 466	7 386	- 12 891
9. Net profit write-downs during the financial year (negative value)	0	0	0	0
<b>II. Liabilities and reserves for liabilities</b>	<b>229 556</b>	<b>201 687</b>	<b>246 725</b>	<b>202 564</b>
1. Reserves for liabilities	89 649	90 138	93 904	101 932
1.1. Reserve for deferred income tax	17 509	16 726	14 580	14 893
1.2. Provisions for pension and similar benefits	38 608	38 687	46 796	49 712
a) long-term provisions	32 806	33 655	40 051	42 968
b) short-term provisions	5 802	5 012	6 744	6 744
1.3. Other provisions	33 531	34 745	32 529	37 327
a) long-term provisions	19 741	19 428	18 255	18 119
b) short-term provisions	13 790	15 317	14 274	19 208
2. Long-term liabilities	51 799	51 542	52 250	16 507
2.1. To subsidiary and associated companies	0	0	0	0
2.2. To other companies	51 799	51 542	52 250	16 507
3. Current liabilities	81 237	54 136	94 271	76 842
3.1. To subsidiary and associated companies	735	696	651	4 861
3.2. To other companies	69 693	42 048	81 285	59 457
3.3. Special funds	10 809	11 392	12 335	12 524
4. Accrued expenses and deferred income	6 872	5 871	6 300	7 283
4.1. Negative goodwill	0	0	0	0
4.2. Other accrued expenses and deferred income	6 872	5 871	6 300	7 283
a) long-term accruals	161	187	0	0
b) short-term accruals	6 711	5 684	6 300	7 283
<b>Total Shareholders' Equity and Liabilities</b>	<b>1 414 359</b>	<b>1 363 617</b>	<b>1 409 853</b>	<b>1 363 846</b>
Book value	1 184 803	1 161 930	1 163 128	1 161 282
Number of shares	46 077 008	46 077 008	46 077 008	46 077 008
Book value per share (in PLN) - basic	25,71	25,22	25,24	25,20
Diluted number of shares				
Book value per share (in PLN) - diluted				

**OFF-BALANCE-SHEET ITEMS**

	as at Jun. 30, 2003 end of 2nd quarter 2003	as at March. 31, 2003 end of 1st quarter 2003	as at Jun. 30, 2002 end of 2nd quarter 2002	as at March. 31, 2002 end of 1st quarter 2002
1. Contingent receivables	0	0	0	0
1.1. From subsidiary and associated companies (due to)	0	0	0	0
- guarantees received				
-				
1.2. From other companies (due to)	0	0	0	0
- guarantees received	0	0	0	0
-				
2. Contingent liabilities	4 993	4 993	47 652	40 091
2.1. In favour of subsidiary and associated companies (due to)	4 993	4 993	47 652	40 091
- guarantees extended	4 993	4 993	47 652	40 091
-				
2.2. In favour of other companies (due to)	0	0	0	0
- guarantees extended	0	0	0	0
-				
3. Other (due to)	0	0	0	0
-				
<b>Total off-balance-sheet items</b>	<b>4 993</b>	<b>4 993</b>	<b>47 652</b>	<b>40 091</b>

## PROFIT AND LOSS ACCOUNT

	2nd quarter ended Jun. 30, 2003	2 quarters ended Jun. 30, 2003 cumulative	2nd quarter ended Jun. 30, 2002	2 quarters ended Jun. 30, 2002 cumulative
<b>I. Net sales revenues</b>	160 140	271 456	173 688	300 519
- of which sales to subsidiary and associated companies	10 474	14 273	15 377	24 681
1. Net sales of products	158 905	269 003	172 196	297 800
2. Net sales of merchandise and raw materials	1 234	2 452	1 392	2 719
<b>II. Cost of products, merchandise and raw materials sold</b>	97 998	192 357	115 104	224 889
- of which sold to subsidiary and associated companies	3 859	5 618	5 161	7 933
1. Cost of products sold	97 663	191 593	114 700	224 057
2. Cost of merchandise and raw materials sold	335	764	404	832
<b>III. Gross profit (loss) on sales (I-II)</b>	62 142	79 099	58 484	75 630
<b>IV. Distribution expenses</b>	9 920	17 556	10 297	18 636
<b>V. General administrative expenses</b>	20 222	39 226	21 418	41 375
<b>VI. Profit (loss) on sales (III-IV-V)</b>	32 000	22 317	26 769	15 619
<b>VII. Other operating income</b>	3 776	5 418	3 071	4 138
1. Gain on disposal of non-financial fixed assets	14	110	54	344
2. Subsidies	6	12	6	12
3. Other operating income	3 756	5 296	3 011	3 782
<b>VIII. Other operating expenses</b>	7 840	11 608	3 881	8 225
1. Loss on disposal of non-financial fixed assets	0	0	0	0
2. Revaluation of non-financial fixed assets	0	0	0	0
3. Other operating costs	7 840	11 608	3 881	8 225
<b>IX. Operating profit (loss) (VI+VII-VIII)</b>	27 936	16 127	25 959	11 532
<b>X. Financial income</b>	24 323	27 438	2 136	3 168
1. Equity income - dividends	700	700	175	175
- of which from subsidiary and associated companies	700	700	0	0
2. Interest receivable	765	1 511	741	1 526
- of which from subsidiary and associated companies	16	16	30	30
3. Gain on disposal of investments	22 319	22 837	0	0
4. Revaluation of investments	140	140	0	0
5. Other financial income	399	2 250	1 220	1 467
<b>XI. Financial expenses</b>	1 090	1 732	2 223	3 029
1. Interest payable	421	676	778	1 478
- of which to subsidiary and associated companies	0	0	0	0
2. Loss on disposal of investments	0	0	0	0
3. Revaluation of investments	282	282	969	969
4. Other financial expenses	387	774	456	562
<b>XII. Profit (loss) on ordinary activities (IX+X-XI)</b>	81 169	41 833	25 872	11 671
<b>XIII. Result of extraordinary items (XIII.1. - XIII.2.)</b>	6	6	- 7	82
1. Extraordinary gains	15	15	- 10	69
2. Extraordinary losses	9	9	- 3	7
<b>XIV. Profit (loss) before taxation (XII+/-XIII)</b>	51 176	41 840	25 865	11 753
<b>XV. Corporate income tax</b>	12 637	11 767	5 688	4 367
a) current portion	11 451	11 451	4 686	4 686
b) deferred portion	1 186	316	902	- 319
<b>XVI. Other obligatory profit decreases (loss increases)</b>	0	0	0	0
<b>XVII. Share in net profits (losses) of companies valued under the equity method</b>	0	0	0	0
<b>XIX. Net profit (loss) (XIV-XV-XVI+/-XVII)</b>	38 539	30 073	20 277	7 386
<b>Net profit (loss) (on annual basis)</b>		53 744		39 964
<b>Weighted average number of ordinary shares</b>		46 077 008		46 077 008
<b>Earning (loss) per ordinary share (in PLN) - basic</b>		1,17		0,87
<b>Diluted weighted average number of ordinary shares</b>				
<b>Earning (loss) per ordinary share (in PLN) - diluted</b>				

## STATEMENT OF SHAREHOLDERS' EQUITY

	2nd quarter ended Jun. 30, 2003	2 quarters ended Jun. 30, 2003 cumulative	2nd quarter ended Jun. 30, 2002	2 quarters ended Jun. 30, 2002 cumulative
<b>I. Shareholders' Equity at the beginning of period (opening balance)</b>	<b>1 161 929</b>	<b>1 170 396</b>	<b>1 161 282</b>	<b>1 175 150</b>
a) changes in accepted accounting principles (policies)	0	0	0	- 977
b) corrections of material faults	0	0	0	0
<b>I. Shareholders' Equity at the beginning of period (opening balance), after restatement to comparative data</b>	<b>1 161 929</b>	<b>1 170 396</b>	<b>1 161 282</b>	<b>1 174 173</b>
<b>1. Share capital at the beginning of period</b>	<b>92 154</b>	<b>92 154</b>	<b>92 154</b>	<b>92 154</b>
1.1. Changes in share capital	0	0	0	0
a) additions, of which:	0	0	0	0
- issuance of shares	0	0	0	0
-	0	0	0	0
b) reductions, of which:	0	0	0	0
- retirement of shares	0	0	0	0
-	0	0	0	0
<b>1.2. Share capital at the end of period</b>	<b>92 154</b>	<b>92 154</b>	<b>92 154</b>	<b>92 154</b>
<b>2. Not paid-up share capital at the beginning of period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
2.1. Changes in not paid-up share capital	0	0	0	0
a) additions, of which:	0	0	0	0
-	0	0	0	0
b) reductions, of which:	0	0	0	0
-	0	0	0	0
<b>2.2. Not paid-up share capital at the end of period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>3. Own shares in treasury at the beginning of period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
3.1. Changes in own shares in treasury	0	0	0	0
a) additions, of which:	0	0	0	0
-	0	0	0	0
b) reductions, of which:	0	0	0	0
-	0	0	0	0
<b>3.2. Own shares in treasury at the end of period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>4. Reserve capital at the beginning of period</b>	<b>708 141</b>	<b>708 078</b>	<b>674 415</b>	<b>674 406</b>
4.1. Changes in reserve capital	19 488	19 551	32 586	32 596
a) additions, of which:	19 488	19 551	32 949	32 859
- additional paid-in capital from issuance of shares	0	0	0	0
- distribution of profit (by law)	0	0	0	0
- distribution of profit (in excess of value required by law)	19 308	19 308	32 547	32 547
- transfer from revaluation capital	165	228	302	312
- sale of the right to perpetual usufruct of land	15	15	0	0
b) reductions, of which:	0	0	263	263
- coverage of loss	0	0	263	263
-				
<b>4.2. Reserve capital at the end of period</b>	<b>727 629</b>	<b>727 629</b>	<b>707 001</b>	<b>707 001</b>
<b>6. Revaluation capital at the beginning of period</b>	<b>269 799</b>	<b>19 308</b>	<b>287 630</b>	<b>287 640</b>
5.1. Changes in revaluation capital	- 165	- 228	- 302	- 312
a) additions, of which:	0	0	0	0
- revaluation of value of the right to perpetual usufruct of land				
b) reductions, of which:	165	228	302	312
- sale or disposal of tangible fixed assets	165	727 629	302	312
- reserve for deferred income tax charged to capital				
- reclassification of investments				
<b>5.2. Revaluation capital at the end of period</b>	<b>269 634</b>	<b>269 634</b>	<b>287 328</b>	<b>287 328</b>
<b>6. Other reserve capital at the beginning of period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
6.1. Changes in other reserve capital	65 313	65 313	0	0
a) additions, of which:	65 328	65 328	0	0
- distribution of profit	65 328	65 328	0	0
b) reductions, of which:	15	15	0	0
- sale of the right to perpetual usufruct of land	15	15	0	0
<b>6.2. Other reserve capital at the end of period</b>	<b>65 313</b>	<b>65 313</b>	<b>0</b>	<b>0</b>
<b>7. Prior years' profit (loss) at the beginning of period</b>	<b>100 302</b>	<b>100 302</b>	<b>120 951</b>	<b>120 951</b>
7.1. Prior years' profit at the beginning of period	100 302	100 302	121 214	121 214
a) changes in accepted accounting principles (policies)	0	0	- 977	- 977
b) corrections of material faults	0	0	0	0
7.2. Prior years' profit at the beginning of period, after restatement to comparative data	100 302	100 302	120 237	120 237
a) additions, of which:	0	0	0	0
- distribution of prior years' profit	0	0	0	0
-				
b) reductions, of which:	100 302	100 302	50 978	50 978
- distribution of prior years' profit	100 302	100 302	50 978	50 978
<b>7.3. Prior years' profit at the end of period</b>	<b>0</b>	<b>0</b>	<b>69 259</b>	<b>69 259</b>
<b>7.4. Prior years' loss at the beginning of period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>- 263</b>
a) changes in accepted accounting principles (policies)	0	0	0	0

b) corrections of material faults	0	0	0	0
<b>7.6. Prior years' loss at the beginning of period, after restatement to comparative data</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>- 263</b>
a) additions, of which:	- 8 466	0	- 12 891	0
- transition of prior years' loss to be covered	0	0	0	0
- prior quarter's loss	- 8 466	0	- 12 891	0
b) reductions, of which:	8 466	0	12 891	263
- coverage from reserve capital	0	0	0	263
- coverage from net profit	8 466	0	12 891	0
<b>7.8. Prior years' loss at the end of period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>7.7. Prior years' profit (loss) at the end of period</b>	<b>0</b>	<b>0</b>	<b>69 259</b>	<b>69 259</b>
<b>8. Net profit (loss)</b>	<b>30 073</b>	<b>30 073</b>	<b>7 386</b>	<b>7 386</b>
a) net profit	30 073	30 073	7 386	7 386
b) net loss	0	0	0	0
c) charges on the profit	0	0	0	0
<b>II. Shareholders' Equity at the end of period (closing balance)</b>	<b>1 184 803</b>	<b>1 184 803</b>	<b>1 163 128</b>	<b>1 163 128</b>
<b>III. Shareholders' Equity adjusted by the proposed distribution of profit (coverage of loss)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## CASH FLOW STATEMENT

	2nd quarter ended Jun. 30, 2003	2 quarters ended Jun. 30, 2003 cumulative	2nd quarter ended Jun. 30, 2002	2 quarters ended Jun. 30, 2002 cumulative
<b>A. Cash flows from operating activities - direct method</b>				
<b>I. Cash provided by operating activities</b>				
1. Sales revenues				
2. Other income from operating activities				
<b>II. Cash used in operating activities</b>				
1. Goods and services purchased				
2. Net salaries and wages				
3. Social and health security, other benefits				
4. Taxes and charges				
5. Other operating expenses				
<b>III. Net cash flows from operating activities (I-II)</b>				
<b>A. Cash flows from operating activities - indirect method</b>				
<b>I. Net profit (loss)</b>	<b>38 539</b>	<b>30 073</b>	<b>20 276</b>	<b>7 386</b>
<b>II. Total adjustments</b>	<b>- 7 440</b>	<b>- 6 749</b>	<b>13 948</b>	<b>14 598</b>
1. Share in net (profits) losses of companies valued under the equity method	0	0	0	0
2. Depreciation and amortisation	12 684	26 424	17 301	33 806
3. (Gain) loss on foreign exchange differences	0	0	144	144
4. Interest and dividends	- 621	- 300	109	773
5. (Gain) loss on investing activities	- 22 361	- 22 895	261	- 29
6. Change in provisions	- 490	4 984	- 9 391	- 2 842
7. Change in inventories	225	806	383	1 148
8. Change in receivables	- 6 351	- 4 245	- 5 440	- 10 167
9. Change in current liabilities (excluding loans and bank credits)	11 837	2 138	13 251	2 109
10. Change in deferred and accrued expenses	- 2 833	- 12 754	- 4 183	- 11 766
11. Other adjustments	360	93	1 513	1 422
<b>III. Net cash flows from operating activities (I+/-II)</b>	<b>31 099</b>	<b>23 324</b>	<b>34 224</b>	<b>21 984</b>
<b>B. Cash flows from investing activities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>I. Cash provided by investing activities</b>	<b>110 344</b>	<b>380 610</b>	<b>71</b>	<b>442</b>
1. Disposal of intangible assets and tangible fixed assets	158	479	71	442
2. Disposal of investments in real-estate and intangible assets	0	0	0	0
3. From financial assets, of which:	22 016	22 016	0	0
a) in subsidiary and associated companies	0	0	0	0
- disposal of securities	0	0	0	0
- dividends and shares in profits	0	0	0	0
- long-term loans collected	0	0	0	0
- interest received	0	0	0	0
- other income from financial assets	0	0	0	0
b) in other companies	22 016	22 016	0	0
- disposal of securities	22 016	22 016	0	0
- dividends and shares in profits	0	0	0	0
- long-term loans collected	0	0	0	0
- interest received	0	0	0	0
- other income from financial assets	0	0	0	0
4. Other investing income	88 170	338 015	0	0
<b>II. Cash used in investing activities</b>	<b>-117 719</b>	<b>- 439 763</b>	<b>- 27 207</b>	<b>- 36 863</b>
1. Purchases of intangible assets and tangible fixed assets	-37 309	- 65 437	- 27 162	- 35 798
2. Purchases of investments in real-estate and intangible assets	0	0	0	0
3. For financial assets, of which:	-636	- 636	- 55	- 65

		-636	-636	-46	-56
a) in subsidiary and associated companies		-636	-636	-46	-56
- acquisition of securities		0	0	0	0
- long-term loans granted		0	0	-9	-9
b) in other companies		0	0	-9	-9
- acquisition of securities		0	0	0	0
- long-term loans granted		0	0	10	0
4. Other investing expenses		-79 774	-373 690	-27 136	-35 421
<b>III. Net cash flows from investing activities (I-II)</b>		-7 375	-79 253	0	0
<b>C. Cash flows from financing activities</b>		0	0	19 446	19 446
<b>I. Cash provided by financing activities</b>		0	0	0	0
1. Issuance of shares and other capital securities and additional paid-in capital		0	0	0	0
2. Bank credits and loans contracted		0	0	19 446	19 446
3. Issuance of debt securities		0	0	0	0
4. Other financial income		0	0	0	0
<b>II. Cash used in financing activities</b>		0	0	0	0
1. Acquisition of own shares		0	0	0	0
2. Dividends and other payments to shareholders		-1 866	-5 004	-1 166	-5 004
3. Profit distribution expenses other than payments to shareholders		0	0	0	0
4. Payments of bank credits and loans		0	0	0	0
5. Redemption of debt securities		0	0	0	0
6. Payments of other financial liabilities		-664	-1 419	-1 166	-1 626
7. Finance lease commitments paid		0	0	0	0
8. Interest paid		-2 530	-6 423	0	0
9. Other financial expenses		21 194	-62 352	17 114	12 816
<b>III. Net cash flows from financing activities (I-II)</b>		21 194	-62 352	24 202	-621
<b>D. Total net cash flows (A.III+/-B.III+/-C.III)</b>		21 194	-62 352	24 202	-621
<b>E. Change in balance-sheet cash and cash equivalents</b>		0	0	0	0
- of which change in cash and cash equivalents due to foreign exchange differences		46 470	130 016	50 975	75 798
<b>F. Cash and cash equivalents - beginning of period</b>		67 664	67 664	75 177	75 177
<b>G. Cash and cash equivalents - end of period (F+/-D)</b>		0	0	0	0
- of which those with restricted availability		0	0	0	0

Signature of person  
representing the Company

Andrzej Szuldrzyński  
Vice president

Signature of person responsible  
for the Company's accounting records

Lidia Mieszko  
Chief Accountant

## Notes to the report for the 2<sup>nd</sup> quarter of 2003

### 1. Background

1.1 The report in question sets out the balance sheet according to the accounting books as at June 30, 2003 and 2002, and as at March 31, 2003 and 2002, the profit and loss account, the cash flow account and comparative data concerning the changes in the Company's equity as of the 2<sup>nd</sup> quarter of 2003 and as of the 2<sup>nd</sup> quarter of 2002.

The report in question covers the aggregate figures reported by all the organizational units that keep separate accounts and that altogether constitute the company Orbis S.A.

1.2 The financial statements have been prepared on the assumption that the Company further continues its business operations.

### 2. The following accounting principles have been applied for the purpose of preparing the financial statements for the 2<sup>nd</sup> quarter of the year 2003:

#### 2.1 Basis for preparation of the financial statements

The financial statements of Orbis S.A. were prepared on the basis of accounting books kept in accordance with the Polish Accounting Standards, i.e. 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.

#### 2.2 Intangible fixed assets

The intangible fixed assets shown in the financial statements have been valued at their acquisition cost or cost of manufacture less cumulated depreciation write-offs calculated according to the rates reflecting the period of their usage and less write-offs for a permanent loss in value.

#### 2.3 Tangible fixed assets and depreciation

Fixed assets are valued as at the date of their entry into accounting books at acquisition cost or manufacture cost. Fixed assets obtained gratuitously are valued at the net selling price of the same or a similar component of fixed assets.

As at the balance sheet day, fixed assets are valued at acquisition cost or cost of manufacture or at revalued value (following revaluation of fixed assets) less accrued depreciation write-offs and write-offs for a permanent loss in value.

Fixed assets have 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. The net result of fixed assets revaluation is appropriated directly to the Company's reserves. The last revaluation of the fixed assets was performed as at January 1, 1995.

Work in progress is appraised at the acquisition cost or cost of manufacture, taking into account the cost of servicing liabilities taken for the purposes of their financing and related exchange rate differences minus revenues derived therefrom. In case of a permanent loss in value of a fixed asset under construction, it is revalued so that its value equals the net selling price or, in the absence of the net selling price, the fair value of the fixed asset determined otherwise.



The titles to the perpetual usufruct of land reported for the first time in the balance sheet, due to the fact that the land has been gratuitously acquired from the local administrative authorities, have been recorded at prices stated in the decisions of the local administrative authorities, issued at the time of hand-over of these titles, that constitute the basis for the calculation of an initial fee for the use of this land.

The housing cooperative member's title to buildings and premises has been reported at the acquisition price.

Throughout the years 1998-2000, the Company benefited from an investment allowance (relief) in the income tax settlement.

#### **2.4. Depreciation**

A rate of depreciation reflecting the period of economic life of a given assets component is determined as at the date of acquisition of a component of intangible fixed assets and fixed assets.

The period of economic life of a component of fixed assets serves as the basis for the establishment of a period and rate of depreciation of intangible fixed assets as well as the period, the annual rate and method of depreciation of fixed assets.

Depreciation write-offs are made starting from the first day of the month following the month in which a given asset was accepted for use until the end of the month in which the value of depreciation write-off became equal to its initial value or in which an asset was designed for liquidation, sold or its lack was reported.

#### **2.5 Long-term investments**

Long-term investments comprise assets kept by the Company for the purposes of generating economic benefit, among others real property, long-term financial assets (participations, shares in other companies and long-term securities), intangibles as well as works of art. As at the acquisition date they are reported according to the price of acquisition or price of purchase, if the costs of carrying out and settling the transaction are insignificant.

As at the balance sheet day they are valued at the market price determined on the basis of a valuation performed by real property expert, except for works of art, the value of which is specified in specialist catalogues.

The titles to the perpetual usufruct of land reported for the first time in the balance sheet and classified as long-term investments have been recorded at prices stated in the first decisions of the local administrative authorities that constitute the basis for calculating initial fees for the use of these plots of land.

#### **2.6 Interest in subsidiaries and affiliates**

Interest in subsidiaries and affiliates regarded as fixed assets have been valued at acquisition cost less depreciation write-offs for a permanent loss in value.

#### **2.7 Short-term investments**

Short-term investments in non-financial assets are reported as at the date of their acquisition at acquisition cost or purchase price if the costs of carrying out and settling the transaction are insignificant. As at the balance sheet day, they are valued at the acquisition cost or market value (fair value), whichever is lower, while short-term investments for which no active market can be found are appraised according to their fair value determined otherwise.

Titles to the perpetual usufruct of land reported for the first time in the balance sheet and classified as short-term investments have been recorded at prices stated in the first decisions of the local administrative authorities that constitute the basis for calculating the initial fees for the use of these plots of land.

## **2.8 Derivatives**

Derivatives are reported when the Company becomes a party to a binding contract.

As at the balance date derivatives are appraised at their fair value. Derivatives with fair value exceeding “zero” are treated as financial assets while derivatives with negative fair value are treated as financial liabilities.

Profit or loss derived from derivatives is reported in financial revenues or costs, accordingly and, in the cash flow statement as a flow from operating activities.

### **2.8.1 Reporting securing derivatives**

Profits and losses derived from a change in the fair value resulting from the valuation of a instrument securing the fair value are reported, as at the balance sheet date, as financial costs or income in the profit and loss account in the period in which they were incurred. At the same time, profit or loss from a protected item, which could be attributed to protected risk, adjust the balance sheet value of the protected item and are immediately reported in the profit and loss account as financial income or costs.

Profits and losses derived from a change in the fair value of an instrument securing cash flows are disclosed under a separate item of equity (revaluation reserve) in such a part as a given instrument represents an efficient protection of a related item that is being secured. The inefficient part is accounted for in the profit and loss account under „financial income” or “financial costs” item. Profits and losses from the securing instrument are reported in the profit and loss account when the secured component of assets and liabilities affects the profit and loss account.

### **2.8.2 Derivatives incorporated in contracts**

Derivatives incorporated in contracts are conditions following from an executed agreement as a result of which a part or the entirety of cash flows derived from the contract changes in a manner similar to that that would be caused by independent derivatives. They form part of the so-called basic contracts.

## **2.9 Creditors and debtors**

Amounts due to creditors and from debtors, save for those resulting from financial instruments, are valued, as at the date of their entry into accounting books, at their nominal value adhering to the principle of prudence. Amounts due to creditors and from debtors are reported at the actual value due to be paid by debtors or to creditors.

Transactions in foreign currencies are reported according to the average rate of exchange of the given currency as at the date of transaction determined by the National Bank of Poland (NBP) unless other exchange rate was specified in a customs declaration or other document binding for a given entity. As at the date of preparation of the financial statements all amounts due from debtors denominated in foreign currencies are converted according to the average daily foreign currency purchase rate of a given currency quoted on the given day by the Company's bank, i.e. Bank Handlowy, which cannot be higher than that average rate announced by the National Bank of Poland for the given day, while all the amounts due to creditors denominated in foreign currencies are converted according to the average daily currency sale rate for the given day quoted by the Company's bank, i.e. Bank Handlowy for a given day, which cannot be higher than that average rate of that currency announced by the National Bank of Poland for the given day.

The amounts due from debtors are revalued considering the degree of probability that the debt is collectible by way of a revaluation write-off to reduce the value of debtors. Revaluation write-offs are made for:

- amounts due from debtors that have been put into liquidation or bankruptcy,
- amounts due from debtors involved in proceedings for an arrangement with creditors or involved in conciliatory proceedings,
- debts questioned by debtors (litigious),
- amounts due from debtors involved in remedial proceedings,
- amounts under litigation,

up to 100% of the amount due.

Also, the Company makes general revaluation write-offs for amounts due from debtors that have been:

- overdue for 6 – 9 months – up to 50% of the amount due
- overdue for 9 – 12 months – up to 80% of the amount due
- overdue for over 12 months – up to 100% of the amount due

## **2.10 Stocks**

Tangible current assets are appraised at the average weighted acquisition cost at the date of their acquisition. The acquisition cost (cost of transport, storage, etc.) of raw materials, semi-products, packing and goods is posted to costs in its entirety at the moment of payment. The weighted average of the acquisition cost is applied for the purposes of valuation of outgoing raw materials, semi-products and packing.

During the reporting period, products in hotel shops are valued at their inventory price determined at the level of a retail price comprising the purchase price, the trade margin and the output VAT. As at the balance date, the value of stocks is adjusted to take into account the VAT and the deflections from the trade margin, hence as a result the value of goods reaches the purchase price.

Tangible current assets are reported at the purchase price or net selling price, whichever is lower.

If an event that permanently reduces the value of stocks occurs during the financial year, revaluation write-offs are made.

### **2.11 Cash and cash equivalents**

As at the balance sheet date, cash and cash equivalents denominated in PLN are appraised according to their nominal value, while cash and cash equivalents denominated in foreign currencies are converted into PLN at the purchase rate of exchange of the bank that services the Company's transactions, however, not higher than the average rate of exchange quoted by the National Bank of Poland (NBP).

### **2.12 Deferred costs and prepayments**

As at the balance day, deferred costs are reported according to the initial value less write-offs that had been posted to costs by the balance sheet day. Prepayments are reported, as at the balance sheet day, at their initial value less write-offs, made prior to the balance sheet day, representing the liquidation of a prepayments item corresponding to revenues or capital.

Prepayments are reported according to the principle of prudence and include in particular the equivalent of payments received or due from business partners for services which will be provided in the next reporting periods or cash received to finance the acquisition or manufacture of fixed assets, equivalent of fixed assets under construction acquired gratuitously, fixed assets and intangibles and a negative goodwill.

### **2.13 Deferred income tax**

According to the Polish regulations, the Company calculates the income tax liabilities for the year 2003 at 27% of its taxable income.

The deferred income tax assets are determined according to the amount estimated to be deducted from the income tax in the future in relation to negative temporary differences, which will in future reduce the taxation base and a tax loss that may be deducted in the future, calculated according to the principle of prudence.

The main factors that affect the occurrence of negative temporary differences are as follows:

- applying a lower depreciation rate for tax purposes than for accounting purpose,
- accrued but unpaid interest on loans, resulting from executed contracts,
- accrued unrealised negative foreign exchange differences,
- set up provisions for anticipated liabilities and losses, including cost-related provisions, which are sure to induce a tax cost at the time of their use,
- made assets revaluation write-offs that will reduce the taxation base in the future

Provision for deferred income tax is set up in the amount of the income tax to be due in the future in connection with the occurrence of positive foreign exchange differences, i.e. differences that will bring about an increase in the taxation base in the future.

The main factors affecting the creation of positive temporary differences include:

- applying a higher depreciation rate for tax purposes than for accounting purposes,
- reporting revenues from unpaid interest on loans granted or other financial assets,
- accrued unrealized positive foreign exchange differences,
- assets revaluation up to the fair value exceeding their acquisition value.

The amount of a provision and assets for the deferred income tax is determined, as at the balance sheet day, in consideration of income tax rates applicable in the year in which the

tax liability originated, as a product of the sum of temporary differences (positive and negative, accordingly) and the income tax rate applicable in the year in which the tax liability originated.

Deferred tax on revenues and costs posted directly to equity is also posted to equity.

#### **2.14 Equity**

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

The initial capital of Orbis S.A. is reported according to the amount specified in an agreement or Statutes and entered in the court register. The initial capital must be valued at least as often as any change in its nominal value occurs.

Supplementary capital comprises annual write-offs of at least 8% of net profit until such time as its value reaches at least 1/3 of the initial capital.

Reserve capital is created, independently of supplementary capital, from net profit up to the amount determined by the General Assembly of Shareholders.

Revaluation reserve is set up as at the day of:

- fixed assets revaluation performed in the Company pursuant to separate provisions of the law;
- valuation of long-term investments in financial and non-financial assets over and above their initial value (valuation at fair value);
- reporting of a surplus of a nominal value of taken up shares/interest over the value of property contributed in return;
- reporting of the amount of the deferred income tax settled with the revaluation reserve;

Additionally, the revaluation reserve is created (or increased) as a result of the posting of effects of financial instruments.

#### **2.15 Provisions**

The Company sets up provisions for sure and highly likely future liabilities, the amount of which can be reliably assessed.

Provisions for liabilities are created and classified depending on the reason for their creation in the following groups:

- provisions for liabilities related to basic operating activities, resulting from the costs incurred over a given period, that were documented by means of an external accounting proof as at the balance sheet day;
- provisions arising out of the provisions of the law, for benefits for employees to be realized in the course of future reporting periods;
- provisions for the current and deferred income tax;
- other provisions for liabilities,
- restructuring provisions.

Provisions are created in a justified and reasonably assessed amounts as at the date of the occurrence of an event making it necessary for such a provision to be set up, not later however than at the end of the reporting period. As at the balance sheet day, the balance of provisions is verified and appropriate adjustments are made, if necessary, so that the balance of provisions reflects the current, most reliable assessment of its value.

#### **2.16 Principles of determining financial result**

In Orbis S.A. the net financial result is composed of:

- a) operating result
  - profit (loss) from basic operating activities
  - profit (loss) from other operating activities
- b) result from financial operations
- c) extraordinary items
- d) obligatory charges of financial result due to income tax paid by Orbis S.A. and payments equalized with it on the basis of separate regulations, as broken down into:
  - current income tax resulting from the taxation base;
  - deferred income tax representing a change of the balance of assets and provisions for deferred income tax.

The result on basic operating activities constitutes a difference between income and costs relating to the basic operating activities of Orbis S.A.. Revenues from the sale of services are valued according to invoiced and rendered services.

Result on other operating activities constitutes a difference between income and costs directly relating to operating activities of Orbis S.A. In Orbis S.A. other operating income and costs embrace the following:

- income and costs being a result of ongoing events that took place in the course of the reporting period,
- income and costs being a result of changed estimates made at the valuation of assets and liabilities other than financial liabilities,
- income as a result of benefits generated in the preceding years being cleared in the future periods.

The result on financial operations constitutes a difference between financial income and financial costs comprising the following groups:

- income from interest, dividends and other benefits resulting from keeping financial assets;
- costs of discount and interest on financial liabilities,
- income in the form of interest on trade debtors and other receivables not treated as financial assets and costs of interest on trade creditors and other liabilities not posted to financial liabilities,
- income and costs of foreign exchange differences,
- income from the reinstatement of the value of financial assets up to the amount of write-off for loss in value previously posted to financial costs,
- costs of estimates and changes thereof at the time of valuation of assets and financial liabilities,
- income relating to the increase in the value of short-term financial assets over their initial value up to their market price value,
- income from the sale of investments, as divided into income from the sale of investments in financial and non-financial assets and costs of sale of financial assets,
- costs of current transactions connected with financial operations.

The result on extraordinary items is a difference between profits and losses that occurred as a result of events that are difficult to be foreseen, not connected with the operating activities of an entity and not related to the general risk of conducting operations, in particular it applies to catastrophes, fires, floods and other misfortune. The result on

extraordinary operations includes profits or losses incurred in the current period that occurred as a result of misfortune, loss incurred in relation to the setting up of a provision for misfortune or the change of its amount, profits from the dissolution of such a provision or the change in the amount of unused provisions for misfortune events.

Current income tax, charged to the financial result of the reporting period, is determined at the amount of income tax due, as shown on the tax declaration for the current reporting period, net of the amount of the current income tax for past years if it is classified as a basic (fundamental) error which is reported in equity as an adjustment of profit/loss from past years.

Deferred income tax charged to the financial result of the reporting period constitutes a change in the balance of assets and provisions for deferred income tax being the result of events reported in the financial result covering that period.

**4. Information concerning adjustments for provisions, provision and assets for deferred income tax and revaluation write-offs made.**

a) In the current quarter the Company revalued provisions for the following future expenditure and liabilities:

- a provision for jubilee awards, retirement severance pays and disability pensions of PLN 2,715 thousand was used and a provision of PLN 1,265 thousand was set up, so at the end of the 2<sup>nd</sup> quarter of 2003 the provision for jubilee awards and retirement severance pays totalled PLN 38,608 thousand,

b) Provision and assets for deferred income tax.

The amounts of provisions and assets for deferred income tax were revalued to take into account temporary differences in the income tax.

In the current period the provision for deferred income tax decreased by PLN 783 thousand and was in its entirety posted to the financial result.

The current quarter saw a decrease in assets for deferred income tax by PLN 402 thousand, which was in its entirety posted to the financial result.

c) Write-offs to revalue the assets.

As at the end of the current quarter revaluation of assets was performed. The financial result was charged with an assets revaluation write-off in the amount of PLN 884.58 thousand.

**5. The Management Board's position as regards the possibility of generating results in a given year in accordance with previously published forecasts, in the light of results presented in the quarterly report as compared to results forecast.**

The Management Board of Orbis S.A. did not publish any forecasts as regards the Company's results.

**6. Analysis of figures reported in the balance sheet**

The balance sheet total as at the end of 2<sup>nd</sup> quarter of 2003 did not show any significant changes as compared to the balance from the preceding year.

**Assets:**

The structure of Orbis S.A. is stable, without any significant changes reported. Traditionally, it is dominated by fixed assets (86.4% of total assets) with the prevailing share contributed by the tangible fixed assets (95.3% of fixed assets) – hotel buildings and land. In current assets the dominant role is played by short-term investments (62.4% share in current assets) followed by short-term receivables (23.3%).

As at the end of the 2<sup>nd</sup> quarter of 2003, fixed assets went down by 1.7% as compared to the end of the corresponding period of past year and increased by 2% as compared to the end of the preceding quarter. This was attributable to the last year's sale of a Dutch law company under the business name of AWSA Holland II BV and to the reclassification of real property that used to be treated as investments to short-term investments which affected the level of long-term investments which, in the 2<sup>nd</sup> quarter of 2003, accounted for 41.1% of the last year's total. However, a minor growth in fixed assets in the current quarter was the effect of insignificant changes in the tangible fixed assets item connected with purchases and upgrading, bringing about an increase in the balance by 2.2% as compared to the end of the 1<sup>st</sup> quarter of 2002.

As at the end of the 2<sup>nd</sup> quarter, the balance of current assets increased by 15.8% as compared to the 2<sup>nd</sup> quarter of 2002 and to the 1<sup>st</sup> quarter of the current year. This is attributable mainly to the increase in the short-term investments in short-term financial assets – securities. Short-term debtors went down by 1.3% as compared to the 2<sup>nd</sup> quarter of 2002; it went up by 25% as compared to the 1<sup>st</sup> quarter of the current year. The dominant position is played by trade debtors, both affiliates and other companies. Continued pursuance of the Company's policy related to the reduction of stocks resulted in a further decrease in stocks by 18.3% as compared to the end of the 2<sup>nd</sup> quarter 2002. The level of deferred costs and prepayments was, in the 2<sup>nd</sup> quarter of 2003, by 7.7% lower as compared to the end of the 2<sup>nd</sup> quarter of 2002; it grew, however, as compared to the end of the preceding quarter chiefly as a result of posting operating costs such as a fee for the perpetual usufruct of land, tax on real property, land taxes, write-offs for the Company Social Fund and costs of wages and salaries.

**Liabilities**

Some minor changes in the share of equity in the structure of the Company's financing take place from one quarter to another. In the current quarter, equity accounted for 83.3% of total liabilities. As at the end of 2<sup>nd</sup> quarter of 2003, the initial capital constituted 7.8% of the equity; supplementary capital accounted for 61.4% while the revaluation reserve for 22.8% and the above structure has remained stable quarter after quarter.

Amounts due to creditors and provisions account for 16.2% of the total liabilities. Provisions for future liabilities account for 39.1% of the total liabilities, short-term creditors constitute 35.4% and long-term creditors account for 22.6%. Accruals and deferred income, mainly attributable to operating revenues, account for 2.9% of creditors and provisions for future liabilities.

The value of the initial capital did not change. As compared to the end of the 2<sup>nd</sup> quarter of 2002, supplementary capital grew by 2.9% while the revaluation reserve went down by 6.2%. The growth of supplementary capital was, first and foremost, attributable to the



distribution of profit generated in the year 2002 and in the previous years and to the reallocation of insignificant amounts from the revaluation reserve in relation to the sale of fixed assets. Changes reported in the revaluation reserve result mainly from the sale of fixed assets. Other reserve capitals were credited with an amount equivalent to the value of titles to perpetual usufruct of land granted to Orbis by virtue of administrative decisions and for the first time reported in the Company's assets and as a result of distribution of profit generated in the year 2002.

At the end of the 2<sup>nd</sup> quarter of 2003, provisions for future liabilities accounted for 95.5% of this figure reported in the 2<sup>nd</sup> quarter of the preceding year and was by 13.8% higher than in the 1<sup>st</sup> quarter of 2003. As compared to the past year, the provision for deferred income tax as well as other provisions went up, while the provision for pension benefits and alike went down. Other provisions include: long-term provision for costs related to take-over of leasing and short-term provisions for wages and salaries, for fees for the use of hotel reservation systems, fees for the perpetual usufruct of land, franchise fees and effects of court proceedings.

In practice, long-term creditors have not changed since the end of the 2<sup>nd</sup> quarter of the preceding year. This item predominantly includes a long-term credit granted by a consortium of banks.

The sum of short-term creditors accounted for 86.2% of the corresponding figure reported at the end of the 2<sup>nd</sup> quarter of 2002. Liabilities to other companies (a 85.5% share) and, in terms of liabilities type, trade creditors, dominated the short-term creditors. The decrease in short-term creditors was connected, among others, with the repayment of short-term loans as well as with the decrease of all other liabilities items. Special Funds (Social Benefits Fund) decreased 12.4%.

## **7. Analysis of figures reported in the profit and loss account**

In the 2<sup>nd</sup> quarter of 2003 sales revenues generated by Orbis S.A. amounted to PLN 160,140 thousand, i.e. by 7.7% lower than in the 2<sup>nd</sup> quarter of 2002. Occupancy rate amounted to 50.3%, i.e. 2.4 percentage points lower than in the 2<sup>nd</sup> quarter of 2002. Orbis S.A. hotels reported an Average Daily Rate (ADR) at the level of PLN 213.2, i.e. by 2.1% higher than in the 2<sup>nd</sup> quarter of 2002. Revenue per available room (RevPAR) amounted to PLN 107.2 PLN, that figure being by 2.5% lower as compared to the 2<sup>nd</sup> quarter of 2002. In the 2<sup>nd</sup> quarter of 2003, the total number of rooms sold in Orbis Hotel Group amounted to 441,118, i.e. by 8.3% less than in the 2<sup>nd</sup> quarter of 2002. The total number of available rooms stood at 9,641 which was by 4.0% lower than in the 2<sup>nd</sup> quarter of 2002.

In the 1<sup>st</sup> half of 2003 sales revenues generated by Orbis S.A. amounted to PLN 271,456 thousand, i.e. by 9.7% lower than in the 1<sup>st</sup> half of 2002. Occupancy rate amounted to 40.6%, i.e. 3 percentage points lower than in the 1<sup>st</sup> half of 2002. Orbis S.A. hotels reported an Average Daily Rate (ADR) at the level of PLN 215.2, i.e. by 1.3% higher than in the 1<sup>st</sup> half of 2002. Revenue per available room (RevPAR) amounted to PLN 87.3, that figure being by 5.7% lower as compared to the 1<sup>st</sup> half of 2002. In the 1<sup>st</sup> half of 2003, the total number of rooms sold in Orbis Hotel Group amounted to 709,999, i.e. by 9.8% less than in the 1<sup>st</sup> half of 2002. The total number of available rooms stood at

9.666 which was by 3.2% lower than in the 1<sup>st</sup> half of 2002. The decrease in the number of rooms available in Orbis S.A., both in the 2<sup>nd</sup> quarter of 2003 as well as in the 1<sup>st</sup> half of 2003, was brought about by Sofitel in Kraków having been closed in November 2002.

In line with the business and tourist traffic calendar in Poland, the 2<sup>nd</sup> quarter of 2003 was a period of intensified sales of hotel services, as compared to the first three months of the year. Sales of room services in Orbis S.A. hotels realized in that period confirm the positive co-relation between the level of sales of Company's services and the GDP growth rate in Poland and in the European countries as well as with the international geo-political situation shaping up the overall level of tourist traffic in the world. It should also be highlighted that a growth in the Average Daily Rate observed in the 2<sup>nd</sup> quarter of 2003 as well as in the entire 1<sup>st</sup> half of the year is attributable to a sustained strong EURO/PLN exchange rate over that period which allowed to generate better revenues from the sale of rooms to the foreign incoming traffic. However, strong competition in the hotel industry invariably exerts an adverse impact on the sales of rooms in Poland. Growth in the number of available rooms that has for a few years been observed keeps bringing the number of sold rooms down in individual hotels belonging to the network and adversely affects the level of realized prices.

The rate of GDP growth in Poland in the 2<sup>nd</sup> quarter of 2003, as assessed by the Ministry of Finance, stood at 3.2% and is reflected in the sales of rooms to business clients, which, in the 2<sup>nd</sup> quarter of 2003, despite strong competition in the industry, remained at the level reported in the 2<sup>nd</sup> quarter of 2002 (+0.7% 2<sup>nd</sup> quarter of 2003/2<sup>nd</sup> quarter of 2002), and in the 1<sup>st</sup> half of 2003 it went down by 2.5% as compared to the 1<sup>st</sup> half of 2002. Therefore, the share contributed by business clients to the number of rooms sold in the 2<sup>nd</sup> quarter of 2003 increased to reach 51.7% (47.1% in the 2<sup>nd</sup> quarter of 2002), and in the 1<sup>st</sup> quarter of 2003 the said share amounted to 57.6% (53.4% in the 1<sup>st</sup> quarter of 2002). In the 2<sup>nd</sup> quarter of 2003, the Average Daily Rate in the business segment stood at PLN 255.4 which was by 3.7% less than in the 2<sup>nd</sup> quarter of 2002. In the 1<sup>st</sup> half of 2003, the ADR generated in that segment amounted to PLN 248.1 which translated into a 3.7% drop as compared to the 1<sup>st</sup> half of 2002.

Sales of rooms to tourists fell mainly as a result of Iraqi conflict and, partially, due to a limited tourist traffic caused by the occurrence of the SARS virus. In the 2<sup>nd</sup> quarter of 2002, sales of rooms in that segment decreased by 16% as compared to the 2<sup>nd</sup> quarter of 2002 while in the 1<sup>st</sup> half of 2003 the drop in the sales of rooms in that segment amounted to 17.9%. Therefore, the share of tourists in the number of rooms sold went down, in the 2<sup>nd</sup> quarter of 2003, to 48.3% (52.9% in the 2<sup>nd</sup> quarter of 2002) and in the 1<sup>st</sup> half of 2003 it amounted to 42.4% (46.6% in the 1<sup>st</sup> half of 2002). In the 2<sup>nd</sup> quarter of 2003, the ADR reported in the tourist segment amounted to PLN 167.8, i.e. it rose by 5.7% as compared to the 2<sup>nd</sup> quarter of 2002. In the 1<sup>st</sup> half of 2003, ADR in the tourist segment equalled PLN 170.9 and grew by 6% as compared to the 1<sup>st</sup> half of 2002.

In the 2<sup>nd</sup> quarter of 2003, Poles accounted for 30% of guests visiting Orbis S.A. hotels and the sales of rooms to Poles decreased by 10.5% as compared to 2<sup>nd</sup> quarter of 2002. The share of foreigners in rooms sold equaled 70% over that period and the sales of rooms to foreign guests went down by 7% as compared to the 2<sup>nd</sup> quarter of 2002. In the 2<sup>nd</sup> quarter of 2002, Germans represented the most numerous group of Orbis S.A. hotels' guests and contributed a 27.5% share to total number of rooms sold, which was

accompanied by a drop in the number of rooms sold by 4.8% (26.5% share in the 2<sup>nd</sup> quarter of 2002). Scandinavians formed the second large group contributing a 7.1% share to rooms sold – with an increase in the number of rooms sold by 2.8% (6.3% share in the 2<sup>nd</sup> quarter of 2002) followed by citizens of USA and Canada whose share in the number of rooms sold equaled 5.1%, which represented a drop in rooms sold by 31.2% (6.8% in the 2<sup>nd</sup> quarter of 2002).

In the 1<sup>st</sup> half of 2003, Poles accounted for 37.5% of guests of Orbis S.A. hotels and the share they contributed to rooms sold went down from 38.4 in the 1<sup>st</sup> half of 2002. The number of rooms sold to Poles over that period decreased by 11.7% (1<sup>st</sup> quarter 2003/1<sup>st</sup> quarter 2002). The share in rooms sold contributed by foreigners rose from 61.6% in the 1<sup>st</sup> half of 2002 to 62.5% in the 1<sup>st</sup> half of 2003, with a drop in the sales of rooms to foreigners by 8.4% (1<sup>st</sup> half of 2003/1<sup>st</sup> half of 2002). The share of guests from Germany in the rooms sold stood, in the 1<sup>st</sup> half of 2002, at 21.6% (20.5% in the 1<sup>st</sup> half of 2002), with a 5% decline in the rooms sold (1<sup>st</sup> half of 2003/1<sup>st</sup> half of 2002). Scandinavians accounted for 6.4% of guests staying at Orbis S.A. hotels (6.3% in the 1<sup>st</sup> half of 2002), with a drop in the rooms sold by 7.7% ((1<sup>st</sup> half of 2003/1<sup>st</sup> half of 2002). The share of citizens of USA and Canada equaled 4.1% (5.4% in 1<sup>st</sup> half of 2002), with a 30.2% decline in rooms sold (1<sup>st</sup> half of 2003/1<sup>st</sup> half of 2002).

Continued program of employment restructuring brings about a constant reduction in the number of employees. As at the end of the 2<sup>nd</sup> quarter of 2003, the average employment at the level of 5,810 was by 16.4% lower than in the past year. The employment coefficient went from 0.64 at the end of the 2<sup>nd</sup> quarter of 2002 down to 0.55 in the year 2003. The average wages and salaries for the first six months of the current year amounted to PLN 2,560.

In the two quarters of 2003, the share of net revenues from the sale of finished products, goods for resale and raw materials in total revenues amounted to 89.2% (85.1% in the 2<sup>nd</sup> quarter alone), while the share of costs of products sold in total costs – 73.3% (71.5% in the 2<sup>nd</sup> quarter) while the figure including costs of sales and general overheads amounted to 94.9%, and, therefore, changes in those items determine the Company's financial result to the most extent.

Following the two quarters of 2003, the incurred costs of finished products, goods for resale and raw materials were reported at the level of 85.5% of costs incurred in the corresponding period of the preceding year, costs of sales decreased by 5.8%, while general overheads fell by 5.2%. Similar ratios are reported for the 2<sup>nd</sup> quarter of 2003.

Consequently, after the two quarters of 2003, the Company generated a profit on sales amounting to PLN 22,317 thousand, i.e. 42.8% of the result reported in same period of 2002. Other operating revenues were by 31% and other operating costs by 41% higher than in the past year. In the 2<sup>nd</sup> quarter of 2003 alone, revenues grew by 23% while costs went up by 102% as compared to the 2<sup>nd</sup> quarter of 2002. Other operating revenues include, among others, revenues from trade marks, donations and damages received, refunds of apprentices' remuneration, revenues from property treated as investments.

In the course of two quarters of 2003, the Company generated financial revenues in the amount of PLN 27,438 thousand (over eight times more than in the corresponding

period of past year) and incurred costs amounting to PLN 1,732 thousand (by 42.8% lower than in the corresponding period of the preceding year). Revenues went up in the 2<sup>nd</sup> quarter of 2003 as a result of a transaction of sale of company PolCard finalized in May. In consequence, the Company generated high result on financial activities amounting to PLN 25,706 thousand. Other financial revenues comprised of: dividend and interest on short-term banking deposits as well as positive foreign exchange differences. Financial costs were dominated by costs of interest on loans and credits and negative foreign exchange differences.

Following the two quarters of 2003, the Company generated a net profit of PLN 30,073 thousand, i.e. over four times higher than after two quarters of 2002.

#### **8. Analysis of information contained in the financial statement – comparative changes in equity**

In the 2<sup>nd</sup> quarter of 2003, no changes occurred in the initial capital.

The supplementary capital went up which was brought about by the distribution of profit from 2002 and profit from previous years as well as by the reallocation of amounts from the revaluation reserve in connection with a sale of fixed assets and titles to perpetual usufruct of land. In consequence, the 2<sup>nd</sup> quarter of 2003 saw an increase in the supplementary capital. The revaluation reserve declined insignificantly due to a sale of fixed assets. Other reserve capitals were credited with an amount equivalent to the value of titles to perpetual usufruct of land granted to Orbis S.A. by virtue of administrative decisions and reported in the Company's assets for the first time as well as a result of distribution of profit from 2002; a minor decrease was connected with a sale of one of titles to perpetual usufruct of land. Consequently, as at the end of the 2<sup>nd</sup> quarter of 2003, the reserve capital stood at PLN 65,313 thousand.

In the 2<sup>nd</sup> quarter of 2003, the General Assembly of Shareholders granted its consent for the distribution of profit from previous years to credit the supplementary capital and the reserve capital and, therefore, this item equaled "zero" as at the end of the 2<sup>nd</sup> quarter of 2003.

As a result of the above presented changes, as at the end of the 2<sup>nd</sup> quarter the equity amounted to PLN 1,184,803 thousand.

#### **9. Analysis of information contained in the financial statements – the cash flow statement**

The cash flow statement of the Company is prepared by an indirect method.

After the 2<sup>nd</sup> quarter of 2003, net cash flows from operating activities closed with a positive value. As regards the 2<sup>nd</sup> quarter of 2003 alone, cash flows were by 9.2% lower than in the corresponding period of past year, and in aggregate for the 1<sup>st</sup> half of 2003 – by 6.1% higher. This resulted predominantly from a positive net result for that period that was higher than in the preceding year. The ration between the net profit and the surplus of cash and cash equivalents from operating activities amounted to 128.9% for two quarters of 2003.

The basic “costs” item reducing the Company’s financial result is depreciation. Other adjustments of non-cash items were connected with the increase in the balance of short-term liabilities, among others, for accrued dividend for Company’s shareholders resulting from the distribution of financial result for the year 2002. A substantial change in the balance of provision for anticipated liabilities and losses occurred as a consequence of the setting up of new provisions, among others for liabilities towards employees, for deferred income tax, for fees for perpetual usufruct of land and for pending court proceedings. Increase in expenditure posted under deferred costs was a result of clearing in time of costs of additional wages and salaries for employees, fees for perpetual usufruct of land, real estate and land taxes and contributions to the Social Benefits Fund.

In the current period, the investment operations of Orbis S.A. were dominated by receipts from the sale of shares in the company PolCard. Other receipts and investment outlays related to the purchase and sale of short-term securities and to the increase of capital in the company Orbis Casino. Flows from investment activities closed with a negative balance of cash and cash equivalents.

Also, the Company reported negative net cash flows from financial activities. In the 1<sup>st</sup> half of 2003, Orbis did not report any receipts, but it incurred expenditure in connection with the repayment of loans and with the payment of interest on a credit.

Flows generated by the Company from the basic type of activity were sufficient to generate a positive balance of cash and cash equivalents as at the end of the period despite negative net cash flows from other types of activity.

9. a) As at July 22, 2003, the value of the Company’s share capital amounts to PLN 92 154 016, and comprises of 46 077 008 shares having a par value of PLN 2 each. Shareholders who hold over 5% of the share capital include:

Shareholder	Share of votes at the General Assembly as at April 30, 2003.	Changes from April 30, 2003, till July 22, 2003	Share in the initial capital as at July 22, 2003 (share in the total number of votes).	No of shares as at July 22, 2003 (number of votes)
Accor SA	29.34%	-	29.34%	13 519 251
Deutsche Bank	12.42%	-	12.42%	5 721 357
<i>(including Reib International Holdings Limited – a subsidiary of DB AG)</i>	<i>10.37%</i>	<i>-</i>	<i>10.37%</i>	<i>4 778 190</i>
CU OFE BPH	5.08%	-	5.08%	2 228 652
CU WBK				
Globe Trade	5%	-	5%	2 303 853
Centre S.A				
JP Morgan	5%	-	5%	2 307 600
Fleming Asset Management Ltd				
State Treasury	4.07%	-	4.07%	1 875 000
Other	28.72%	-	28.72%	13 233 105

shareholders

b) In accordance with possessed information, no changes occurred with respect to the ORBIS S.A shares held by persons managing and supervising the Company since the presentation of the former quarterly report.

10. In the period between January 1, 2003 and June 30, 2003, ORBIS S.A. did not conclude any transactions with affiliates, the PLN denominated value of which would exceed EUR 500.000 and which were not typical or routine transactions made on market conditions, the nature and conditions of which result from the current operating activities pursued by the Company.

11. In the period between January 1, 2003 and June 30, 2003 neither ORBIS S.A. nor its subsidiaries issued guarantees for credits or loans, they did not issue any guarantee for the benefit of an entity or its subsidiary, either, the total value of which would amount to at least 10% of ORBIS S.A. equity.

## 12. Other events affecting the Company's financial standing

12.1. On February 28, 2003, the Management Board of Orbis S.A. acting jointly with six other shareholders of the company PolCard S.A. with its registered address in Warsaw, in aggregate holding 99.67% of the Company's initial capital, signed an agreement for the sale of their share holdings in the Company. The Company sold the entire block of shares held by it, comprising of 3,000 (three thousand) registered shares having a total nominal value of 300,000 Zloty (three hundred thousand) and constituting 9.9% of Polcard's initial capital for a price constituting in Polish zlotys an equivalent of US\$ 5,940,600.

The buyer is G.I.C. Uslugi Finansowe Sp. z o.o. with its registered address in Warsaw, a subsidiary of GTECH Corporation with its registered address in West Greenwich, Delaware, USA. Indirect shareholders of the buyer are also the Innova/98 L.P. and Innova/3 L.P. funds.

The share sale agreement was conditional by nature and will become binding upon obtaining a consent of the President of the Office for the Protection of Consumers and Competition and upon waiver by the Polish Banks' Association of its pre-emptive rights to purchase the Company's shares.

/Current report no. 3/2003/

12.2 On April 1, 2003, Orbis S.A. and Accor Poland signed an Amending Annex to the Conditional General Franchising Agreement dated July 26, 2000, concerning the Mercure Helios Hotel in Toruń. By virtue of the said Annex, this hotel operating as Helios Hotel in Toruń will begin its operations under the Mercure brand as from April 1, 2003. At present, modernization works are being finalized in the hotel. The Mercure Helios Hotel in Toruń is the eight hotel belonging to Orbis S.A. and operating under the Mercure brand.

/Current report no 5/2003/

12.3 The Supervisory Board of Orbis S.A. took a decision to extend the agreement executed with a chartered auditor – the company Deloitte and Touche Audit Services Sp. z o.o. having its seat in Warsaw at 6 Fredry street, entered in the register of entities authorized

to audit financial statements under the number 73, with which "Orbis" S.A. has cooperated in the field of the audit of financial statements since 2000 and to entrust the aforementioned chartered auditor with the review and audit of financial statements of the company "Orbis" S.A. and of the consolidated financial statements of the Orbis Group for the year 2003.

- 12.4 Since the conditions precedent incorporated in the share sale agreement involving the block of shares held by Orbis S.A. in the company PolCard S.A. with its corporate seat in Warsaw (the Company) signed on February 28, 2003, with six other shareholders of the Company, holding jointly with the Seller 99.67% of the Company's initial capital, have materialized, on May 22, 2003 the parties to the transaction performed the acts needed to transfer the shares in PolCard to the Buyer and receive the payment of the price.

/Current report no 9/2003/

- 12.5 On June 24, 2003, Orbis S.A. and Accor Polska Sp. z o.o. having its corporate seat in Warsaw and Accor S.A. having its z corporate seat in Evry, France, entered into a Share Sale and Purchase Agreement of shares in the company Hekon Hotele Ekonomiczne S.A. having its z corporate seat in Warsaw.

According to § 2.1.30 of the Regulation issued by the Council of Ministers on October 16, 2001, concerning current and periodical information to be reported by securities' issuers (official journal "Dz. U." No 139, item 1569, as amended), two companies, i.e. Accor Polska and Accor S.A. are affiliated with Orbis since Accor S.A. has over 20% of votes at the General Assembly of Orbis Shareholders, while Accor Polska is a subsidiary of Accor S.A.

By virtue of the Agreement, Orbis undertook to purchase, and Accor Polska undertook to sell 100% shares in the registered capital of Hekon. The acquisition of Hekon shares by Orbis is conditional upon obtaining, by Orbis, of the consent given by President of the Consumer and Competition Protection Office and a decision issued by the Minister of Internal Affairs and Administration (conditions precedent).

The price of Hekon shares defined in the Agreement amounts to PLN 404,168,107.92, which exceeds 10% of "Orbis" S.A. equity, therefore the said Agreement is deemed a "material agreement". The Agreement provides for a mechanism of partial settlement of the price in the amount of approx. PLN 110,000,000 with the use of cash in possession of Hekon and a price adjusting mechanism based on Hekon's financial results on the date of acquisition of shares by Orbis. The price will be paid in two instalments, of which one being equal to 85% is payable on the date of acquisition of shares by Orbis and the second equal to 15% of the price will be payable not later than within 5 years from the date of acquisition of shares by Orbis. In respect to the first instalment, the parties agreed that it will be converted into euro according to the mean rate of exchange published by the National Bank of Poland (NBP) on the date preceding the date of signing the Agreement, and the parties will split in half the financial effects resulting from the fluctuation of the euro/zloty exchange rate between the date of signing the Agreement and the transaction closing date. The second installment of the purchase price, after being converted into euro according to the mean rate of exchange published by the NBP on the date preceding the date of signing the Agreement, will bear interest rate until the date of

payment according to the EURIBOR for 6-month deposits plus 1%. The accrued interest will be paid per annum on each anniversary of acquisition of the shares by Orbis.

Under the said Agreement, Accor Polska made the following covenants:

- not to take up any competitive activity within 8 years from the date of Orbis' acquisition of Hekon shares; in case of breach of this covenant, Accor Polska will be obligated to pay a contractual penalty to Orbis in the amount of 7.5% of net revenues of each hotel which would conduct an activity in violation of the non-competition covenant;
- to enter into an agreement with Orbis, by virtue of which Orbis would take over the management of the Mercure Chopin hotel in Warsaw from January 1, 2004; in case of breach of this covenant, Accor Polska will be obligated to pay a contractual penalty to Orbis in the amount of 1.5% of the Hekon share purchase price;
- in case of opening by any of the companies belonging to the Accor Group, within 8 years from the date of acquisition of Hekon shares, of a hotel under any of Accor brands in Lithuania, Latvia, Estonia or the Kaliningrad district, to enter into an agreement with Orbis so that Orbis would manage such a hotel;
- in case of opening by Orbis, within 8 years from the date of acquisition of Hekon shares, of a hotel in Lithuania, Latvia, Estonia or the Kaliningrad district, to enter into an agreement under which Orbis would be permitted to manage such a hotel under one of Accor brands;
- to engage in negotiations with a view to enter into an agreement for sale to Orbis of shares in the company which is currently in charge of construction of the "Ibis Muranowska" hotel in Warsaw, after completion of the said construction process.

In addition, Orbis made certain covenants to Accor Polska under the said Agreement. Violation of some of such covenants would result in a duty to pay contractual penalties by Orbis. The value of such contractual penalties may not exceed 5% of the Hekon share purchase price plus an equivalent in Polish Zloty of euro 640,000. In case of breach of any of the covenants by Orbis, Accor Polska shall be entitled to seek indemnity in excess of the contractual penalty, is the value of damages actually incurred by Accor Polska exceed the amount of the contractual penalty.

In the Agreement, Accor S.A. guaranteed the payment by Accor Polska of all an any amounts lawfully adjudicated as payable by Accor Polska to Orbis under this Agreement.  
/Current report no 13/2003/

12.6 As of June 25, 2003, Mr. David Netser resigned from his function as a member and Vice-Chairman of the Orbis S.A. Supervisory Board.  
/Current report no 14/2003/

12.7 On June 26, 2003 the General Assembly of Orbis S.A. Shareholders was held. The General Assembly approved the following:

1. the Management Board's report on the activity of the Company for the period from January 1, 2002, up till December 31, 2002.,
2. The financial statements of the Company including:
  - balance sheet prepared as of December 31, 2002, showing the total assets and liabilities figure of PLN 1,377,401,709.69 (say: one billion three hundred



seventy seven million four hundred and one thousand seven hundred and nine Polish Zloty and 69 Grosze);

- profit and loss account for the period from January 1, 2002, up till December 31, 2002, showing a net profit of PLN 31,056,963.89 (say: thirty one million fifty six thousand and nine hundred sixty three Polish Zloty and 89 Grosze);
  - comparative changes in equity, reported as of January 1, 2002, at PLN 1,175,150,211.28 (say: one billion one hundred seventy five million one hundred fifty thousand and two hundred and eleven Polish Zloty and 28 Grosze) and the balance as of December 31, 2002, amounting to PLN 1,170,395,623.94 (say: one billion one hundred seventy million three hundred ninety five thousand and six hundred and twenty three Polish Zloty and 94 Grosze);
  - cash flow statement for the period from January 1, 2002, up till December 31, 2002, showing a change in the balance of cash and cash equivalents during the financial year by a net amount of PLN 54,217,471.86 (say: fifty four million two hundred seventeen thousand four hundred and seventy one Polish Zloty and 86 Grosze);
3. the apportionment of the net profit generated during the financial year ended December 31, 2002, amounting to PLN 31,056,963.89 (say: thirty one million fifty six thousand and nine hundred sixty three Polish Zloty and 89 Grosze) to:
- 1. supplementary capital - in the amount of PLN 14,739,681.17
  - 2. reserve capital - in the amount of PLN 651,100.00
  - 3. dividend - in the amount of PLN 15,666,182.72
4. the posting of the past year's profits amounting to PLN 69,244,709.70 reported in the balance sheet prepared as of December 31, 2002, to:
- 1) the supplementary capital, in the amount of PLN 4,568,599.14,
  - 2) the reserve capital, in the amount of 64,676,110.56, i.e. an equivalent of the titles to perpetual usufruct of land, granted to "Orbis" S.A. by virtue of administrative decisions and reported for this first time as the Company's assets, according to the value of the land as of the date of issue of the decision concerning granting the title to perpetual usufruct of the land, which constituted the basis for calculating the fee for perpetual usufruct.

as well as 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, 2002.

12.8 The General Assembly of Orbis S.A. Shareholders approved also the annual consolidated financial statements of the Orbis Group, prepared as of December 31, 2002, including:

- 1. consolidated balance sheet prepared as of December 31, 2002, showing the total assets and liabilities figure of PLN 1,463,156 thousand (say: one billion four hundred sixty three million one hundred and fifty six thousand Polish Zloty);
- 2. consolidated profit and loss account for the period from January 1, 2002, up till December 31, 2002, showing a net profit of PLN 34,583 thousand (say: thirty four million five hundred eighty three thousand Polish Zloty);

3. consolidated comparative changes in equity for the period beginning on January 1, 2002, until December 31, 2002, reporting a decrease of the equity by PLN 1,152 thousand (say: one million one hundred fifty two thousand);
4. consolidated cash flow statement for the period from January 1, 2002, up till December 31, 2002, showing a change in the balance of cash and cash equivalents during the financial year by a net amount of PLN 55,470 (say: fifty five million four hundred seventy thousand);
5. additional notes;

12.9 In connection with Mr. David Netser's resignation from his function of a Supervisory Board member, the General Assembly of Shareholders appointed Mr. Justin Chuter as a member of the Supervisory Board during its V term of office.

12.10 The General Assembly of Orbis S.A. Shareholders granted its consent for:

1. the transfer of the title to perpetual usufruct of a plot of land no. 22/24 k.m.39 with an area of 3422 m<sup>2</sup>, Bogucice Zawodzie zone, located in Katowice at Roździeńskiego street, entered in the land and mortgage register KW 22609 kept by the District Court in Katowice, to the Town Office in Katowice, without recourse to the tender procedure.
2. the transfer of plots of land no. 167/1 and 180/5 with a total area of 815m<sup>2</sup> located in Cieszyn at Motelowa street, for which a land and mortgage register no. KW 51095 is kept by the District Court in Cieszyn, without recourse to tender procedure, for the benefit of Mr. W.Prax and Mrs. B. Biernot,
3. the transfer of the title to perpetual usufruct of a part of a real property consisting of land located in Zegrze Płd., at Rybaki street, Nieporęt Commune, and composed of plot no 125/3 having an area of 1,513 m<sup>2</sup> registered in the land and mortgage register no KW IV-31362 kept by the District Court in Legionowo, IV Land and Mortgage Registry Division, without recourse to tender procedure, to the General Directorate of Public Roads and Motorways in Warsaw, however, the sale price may not be lower than the market value appraised by a real property expert, plus an additional cost of fencing installed on plot no 125/3 in the form of a wire net installed on a concrete base between the geodetic points "F" – "e 1".
4. the transfer of the title to perpetual usufruct of a plot of land no. 23 with the total area of 21,555.00 m<sup>2</sup> and a and a title to buildings erected on that plot of land, located in Warsaw at 47 Łopuszańska street, in respect of which a land and mortgage register KW 212999 is kept by the District Court for the Capital City of Warsaw, VI Land and Mortgage Registry Division, without recourse to he tender procedure, to "ORBIS Transport Sp. zo.o.", for a price not lower than that determined by the real property expert.
5. the transfer of the title to perpetual usufruct of plots of land no 1/5, no 1/159, no 1/160, no 4/6, no 4/12 and no 4/13 having a total area of 28,992 m<sup>2</sup> and the ownership title to the „ORBIS” S.A. buildings situated on these plots, located in Poznań, at 5, Prusimska street, registered in the land and mortgage register no KW 167966, kept by the District Court in Poznań, Land and Mortgage Registry, by way

of unlimited written tender organized in accordance with the Act on Administration of Real Property (published in the journal of laws "Dz.U." of August 29, 1997, as further amended), for an amount not less than as determined by a real property expert.

- 12.11. Having been familiarized with the position of the Management Board and the Supervisory Board of the Company expressed in particular in the Resolution no 13 of the Company's Management Board dated June 10, 2003, and Resolution no 59/V/2003 of the Supervisory Board dated May 28, 2003, the Ordinary General Assembly of Orbis S.A. Shareholders decided to adopt the "Best Practices in Public Companies 2002" outlining the principles of corporate governance for joint-stock companies which issue shares or bonds with a priority warrant admitted to public trading, together with a commentary defining the manner of compliance by the Company and the General Assembly of Orbis S.A. Shareholders recommended that these principles be applied by the Company's governing bodies.

### 13. Litigation pending in courts of law and public administration authorities

No court or administrative proceedings of a total value in excess of PLN 118 million, which corresponds to 10% of the Company's equity shown in the balance sheet prepared as at June 30, 2003 were initiated against the Company.

- 13.1 The case of the reinstatement of the real property with the building of the **Europejski Hotel** situated thereon, located in Warsaw, at 13, Krakowskie Przedmieście street, land and mortgage register no KW 201926, to the company which owned this real property prior to September 1, 1939, i.e. the company „Hotel Europejski w Warszawie” S.A. On behalf of Orbis S.A. the case is defended by Spółka Prawnicza I & Z s.c. having its seat in Warsaw, at 28 Chocimska street in cooperation with our Office. The following proceedings are currently pending in this case:

- a) Litigation before the civil court initiated by Orbis S.A. against the President of the Capital City of Warsaw (formerly Head of the Warsaw County) to obligate the defendant, i.e. the State Treasury, to transfer, against consideration of PLN 26 276 875, the ownership of the land to Orbis S.A. The attorneys of Orbis S.A., in a pleading dated January 15, 2002 motioned that the company Hotel Europejski S.A. in Warsaw be summoned to participate in the litigation and that the State Treasury – Head of Warsaw County (presently President of the Capital City of Warsaw) be obligated to submit an agreement on giving the land for perpetual usufruct to the company Hotel Europejski S.A. to be attached to court files. In accordance with the District Court's instruction, a pleading was filed specifying in detail legal grounds for summoning HESA to participate in the case, along with copies of statement of claim and a copy of the pleading dated January 21, 2002. Attorneys of Orbis S.A., in a pleading dated February 19, 2003 upheld their hitherto position and moved that evidence from expert technical analyses be admitted and that the persons listed in the letter be summoned and heard. At a trial on June 11, 2003, the attorney of HESA filed a pleading notifying of secondary intervention on the defendant's part. The Court took decision to adjourn the examination of the case until September 10, 2003. (Case file no IC 459/00)
- b) Proceedings were carried out before the Supreme Administrative Court on complaint filed by ORBIS S.A. against the decision no. 588/00 of December 5, 2000 issued by

the Voivod of the Mazowieckie Province annulling point 2 and 3 and upholding the decision issued by virtue of the authorization of the Head of the Warsaw County of October 6, 1999, establish a title to perpetual usufruct of land located at 13 Krakowskie Przemieście street for the benefit of a company under the business name Hotel Europejski Spółka Akcyjna with a seat in Warsaw. By virtue of the decision of April 08, 2003 the Supreme Administrative Court rejected the complaint filed by ORBIS S.A. against the decision stating, in an oral substantiation, that it had not been proved that the Voivod's decision at issue violates the law. The Supreme Administrative Court drew up a written substantiation of the said ruling. Currently, a decision concerning the filing of the extraordinary appeal, if any, is being considered. (Case file I S.A. 3163/02).

- c) On October 18, 2002, after Orbis S.A. had been advised of an entry in the land and mortgage register no. KW 201926 made on May 11, 2002 and concerning the disclosure of a bricked, four-storey building representing an object of ownership independent of the plot of land, with a total area of 21,125.9 m<sup>2</sup>, designed for service-rendering purposes (hotel) entered in the land and mortgage register KW upon request dated March 06, 2002, Orbis S.A. filed an appeal against the above mentioned entry to the District Court through the intermediation of the Circuit Court for Warsaw-Mokotów in Warsaw, X Land and Mortgage Registry Division. In connection with the receipt on November 14, 2002, by Orbis S.A. of a notification from the Circuit Court for Warsaw-Mokotów in Warsaw, X Land and Mortgage Registry Division about the aforementioned entry, on November 18, 2002 Orbis S.A. filed and paid for an appeal against the said entry no. KW 201926. By virtue of a ruling of February 11, 2003 the District Court rejected the appeal filed by Orbis S.A.. A complaint was filed against that decision challenging the ruling of the District Court of February 11, 2003 in its entirety and requesting that it be annulled and the matter be passed to the District Court for re-consideration. The attorney of HESA filed a motion that the aforementioned complaint be rejected. Next, attorneys of Orbis S.A., on May 20, 2003, lodged a pleading representing a response to the motion for the rejection of the complaint.
- c) On April 14 2003, Orbis S.A. was delivered a statement of claim sent by the District Court in Warsaw, Economic Court, XX Economic Division and filed by "Hotel Europejski w Warszawie Spółka Akcyjna" against Orbis S.A. concerning the handing over of real property, together with a request for exemption from court costs. The value of object at dispute was assessed in the statement of claim at PLN 90,000,000. The complainant company requests that Orbis S.A. be ordered to hand over to HESA the real estate located in Warsaw at 13 Krakowskie Przedmieście street, with an area of 5261 m<sup>2</sup> together with a building constructed thereon, with a total area of 21125 m<sup>2</sup> constituting a separate object of ownership of the complainant. Orbis S.A. does not plead defence and requests that the action be rejected in its entirety and that proceedings related to the case at issue be suspended. In a pleading dated June 13, 2003, HESA's attorney motioned that the defendant's application for the suspension of proceeding not be accepted.
- d) On July 17, 2003 Orbis S.A. filed a statement of claim with the District Court in Warsaw, I Civil Division against the State Treasury – the President of the Capital City in Warsaw and the company Hotel Europejski w Warszawie S.A. and motioned to declare the invalidity of an agreement dated September 13, 2001 concluded between defendants, concerning the establishment of a title to perpetual usufruct of Warsaw-based real property located at 13 Krakowskie Przedmieście street, entered in the Land

and Mortgage Register under no. 201926 and that this action be secured by way of entering a warning in Section III of the Land and Mortgage Register informing of pending court proceedings to declare the invalidity of the said agreement.

### **13.2. Kasprowy Hotel in Zakopane.**

The case was pending before the District Court in Nowy Targ initiated by Helena Leśniak and Bronisława Biernacik for a reinstatement of their title to parts of plots no 185/2 and 185/3, map section 75 (total area of around 2.5 hectare) located in Zakopane, at the spot named Polana Szymoszkowa. By a decision dated July 31, 1996, the head of the District Office in Nowy Targ refused to reinstate the title to part of the said plots. This decision was revoked by the Nowosądeckie Voivod on September 24, 1996, and passed for further examination. The complaint filed on October 29, 1996, on behalf of Orbis S.A. before the Supreme Administrative Court in Warsaw against the above mentioned decision of the Voivod has been rejected. At present, the case will again be adjudicated by administrative authorities of the first instance. The case files have been passed to the Supreme Administrative Court as a result of a complaint filed by Orbis S.A. against a decision of the President of Housing and Municipal Development Office dated April 26, 2001, that upheld in force, after another review of the case, the decision of January 26, 2001 concerning suspending the proceedings relating to declaration of invalidity of the decision of the Nowosądeckie Voivod dated August 11, 1994. On July 06, 2001 the President of the Housing and Municipal Office – in response to the complaint – moved that it be rejected. By virtue of a ruling dated April 17, 2003, the Supreme Administrative Court dismissed a complaint lodged by Orbis S.A. against the decision of the President of Housing and Municipal Development Office dated April 26, 2001 concerning the suspension of proceedings related to the establishment of invalidity of the enfranchisement decision

### **13.3. Kasprowy Hotel in Zakopane.**

The case concerning termination of the title to the perpetual usufruct of the plot no 203/1 with an area of 30, 543 m<sup>2</sup> located in the spot named Polana Szymoszkowa granted to Orbis S.A. was again pending before the Nowosądeckie Voivod upon application filed by Czesława Ross and Maria Walczak. On December 22, 2000, the Supreme Administrative Court, external unit in Kraków, annulled the decision of the Nowosądeckie Voivod dated December 29, 1999, and the decision of the Head of the District Office in Nowy Targ dated March 14, 1996 concerning refusal to terminate the perpetual usufruct title in possession of Orbis S.A. On August 22, 2002, having reviewed the appeal of Mrs. Czesława Ross and Maria Walczak against the decision of the head of the Tatry district dated March 5, 2002, concerning annulment of the administrative proceedings concerning termination of the title to the perpetual held by Orbis S.A., the Małopolskie Voivod upheld the decision that has been appealed against in full force and effect and terminated the proceedings.

A complaint against the aforementioned decision was filed with the Supreme Administrative Court. The date of the hearing has not been fixed.

### **13.4. Grand Hotel in Warsaw.**

The case was initiated by Mrs. Barbara Łukasik and Mr. Wiesław Pióro to declare invalidity of the administrative decision no PB/3318/50/4802/50 issued by the National Council's Presiding Board of the City of Warsaw on June 12, 1950, that refused to grant to the former owners the right to temporary ownership of land constituting a real

property in Warsaw (part of plots no 133/1 and 133/2 having an area of 558m<sup>2</sup>), located at 20, Hoża street, mortgage no 1651/2-A. The President of the Housing and Municipal Development Office passed a decision in this matter on August 8, 2001 that refused to declare the aforementioned decision invalid. The applicant, Mrs. Barbara Łukasik, requested a review of the case by the Office. In response, the President of the Housing and Municipal Development Office issued a decision dated October 26, 2001, whereby it upheld the former decision dated August 8, 2001. Mrs. Barbara Łukasik complained to the Supreme Administrative Court in Warsaw. In response to a complaint dated February 6, 2002, the President of the Housing and Municipal Development Office applied for its rejection. The case is pending.

### **13.5. Mercure-Unia Hotel in Lublin.**

Regulatory proceedings initiated by the Catholic University in Lublin (KUL) and involving the participation of Orbis S.A. concerning reinstatement of the KUL as the owner of the real property having an area of 1623 m<sup>2</sup>, located in Lublin at 1, Akademicka street and 14, Raclawickie avenue, have been pending before the Property Commission in Warsaw since 1992. On July 20, 1998, KUL and Orbis S.A. executed a memorandum of understanding concerning conciliatory adjustment of the legal boundary of the real property separating plot no 2 that remains in the possession of KUL and the plot no 1/3 administered by the Orbis S.A. Branch - Mercure-Unia Hotel in Lublin. On October 5, 2001, the parties drafted a memorandum of understanding, by virtue of which KUL, within the framework of proceedings before the Property Committee, will waive its claims to part of the real property (1479 m<sup>2</sup>), while Orbis S.A. by a deed executed before a Notary will waive its perpetual usufruct right to part of the real property (139 m<sup>2</sup>). On November 20, 2001, the Municipal Office in Lublin by a decision no GGN.01.2.2.7430/366/2001 and GGN.01.2.2.7430/367/2001 approved the draft plan of division of the real property as requested by the parties while the Municipal Office in Lublin, acting upon request of Orbis S.A., issued a decision no GGN.05.1.5./RWU-165/2002, dated February 25, 2002, whereby it gave consent for a gratuitous disposal to the State Treasury of the title to the perpetual usufruct of the real property located in Lublin, at Al.Raclawickie 12, registered in the land register as plots no 3/3 with an area of 139 m<sup>2</sup>, and 3/4 with an area of 19 m<sup>2</sup>. At a trial on February 18, 2003, the attorney of KUL and Orbis S.A. motioned to make an agreement on terms agreed between the participants in the proceedings at issue and as provided for in a draft agreement sent to the Committee. The Committee took decision to adjourn the hearing without fixing the date of a subsequent hearing. The case is pending.

### **13.6. Gdynia Hotel in Gdynia.**

Upon application of Orbis S.A. Branch in Gdynia dated May 11, 1998, the proceedings concerning adjusting the boundaries of the real property used by the branch is pending before the self-government and state administration authorities on the grounds of Article 14 & 5 of the Act of August 21, 1997, on Real Property Administration. The correction of the boundaries relates to plot no 678/129 with an area of 173m<sup>2</sup>, plot no 728/150 and 729/150 having a total area of 493 m<sup>2</sup> (owned by the State Treasury), plots having an area of 617 m<sup>2</sup> (owned by the City of Gdynia). The proceedings concern the regulation of the boundaries between the Roman Catholic Parish and the hotel due to transgression of the boundary of the hotel property, having the total area of 679 m<sup>2</sup>. The case is pending.

### **13.7. Polonez Hotel in Poznań.**

Proceedings concerning the establishment of the perpetual usufructuary of a part of the real property occupied by the Hotel were pending before the Management of GEOPOZ in Poznań. The proceedings concern plots no 3/2 with an area of 122 m<sup>2</sup> and no 7/1 with an area of 930 m<sup>2</sup>. In connection with a Notary's deed drawn on September 27, 2002 concerning the establishment of a perpetual usufruct on a part of separated plots of land, the Branch filed an application for the entry of the title to perpetual usufruct and for the creation of a new Land and Mortgage Register. A new Land and Mortgage Register no KW 184852 was established for the new real property.

### **13.8. Sofitel Victoria.**

On July 9, 2002 Orbis S.A. was informed by the Housing and Municipal Development Office that upon application of Edward Raczyński, replaced by his legal successors, Mrs. Catherine Raczyńska, Mrs. Wanda Dembińska and Mrs. Wiridianna Rey, proceedings are pending in a case concerning determining the invalidity of the decision issued by the Ministry of Municipal Economy no MT/167/62 dated May 15, 1962, upholding the validity of the administrative decision issued by the Presiding Board of the National Council in the city of Warsaw, no GT.III-II-6/K/293/61 dated December 20, 1961, whereupon the right to temporary title to the land located in Warsaw at 5, Krakowskie Przedmieście street, registered in the land and mortgage register under the no 410, has been refused and whereupon all the buildings located at the said land became the property of the State Treasury. The President of the Housing and Municipal Development Office refused, by virtue of the decision dated February 24, 2003, to declare the invalidity of the aforementioned administrative decision dated December 12, 1961 and the decision dated May 15, 1962. On March 19, 2003, the attorney of Mrs. Raczyńska, Mrs. Dembińska and Mrs. Rey filed a motion to re-consider the case related to the case resolved by virtue of the decision dated February 24, 2003 and motioned that the challenged decision be annulled in its entirety and that the aforementioned decisions of May 15, 1962 and of December 20, 1962 be declared invalid. By virtue of the decision dated April 24, 2003, the President of the Housing and Municipal Development Office upheld the aforementioned decision dated February 24, 2003. In response to the complaint dated June 30, 2003, the President of the Housing and Municipal Development Office motioned that it be dismissed. The case is pending.

### **13.9. Hotel Novotel Centrum in Warsaw.**

a) By virtue of a decision no PO.5.3-R-880/99 dated September 6, 2001, the President of the Housing and Municipal Development Office terminated the proceedings initiated upon application of Mr. Andrzej Jacek Blikle and Mrs. Helena Maria Helmerson-Andrzejewska to declare the invalidity of an administrative decision that refused to grant to the former owners the right to temporary ownership of land constituting a real property in Warsaw, at 29 Al. Jerozolimskie avenue (presently numbered 35), part of plot no 3 having an area of 1,130 m<sup>2</sup>, mortgage no 5021.

By virtue of a decision dated May 16, 2002, the President of the Housing and Municipal Development Office declared invalidity of the administrative decision of the Presiding Board of the National Council in the city of Warsaw no ST/TN-15/J/20/55 dated June 24, 1955. Orbis S.A. applied to the President of the Housing and Municipal Development Office to again review the case terminated by the said decision of May 16, 2002.

By virtue of the decision of March 31, 2003, the President of the Housing and Municipal Development Office upheld in force the aforementioned decision. On April 30, 2003 attorneys of Orbis S.A. filed a complaint with the Supreme Administrative Court against the decision issued by the President of the Housing and Municipal Development Office on March 31, 2003 and motioned that the challenged decision as well as the decision dated May 16, 2002 upheld by virtue of the said decision be annulled as well as motioned that the execution of challenged decisions be suspended.

- b) 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 Municipal 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, part of plot no 3 having an area of 1,103 m<sup>2</sup> and it was stated that all the buildings located on the aforementioned plot of land became the property of the State Treasury.

The case relates to the part of land on which the Novotel Centrum 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 24/26, 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.

Administrative proceedings were held in the Head Office of the Warsaw County Office on March 12, 2002, concerning hearing of the application filed by Jan and Tadeusz Sławiński on September 14, 1948, concerning awarding the title to temporal ownership of the real property located at 26, Nowogrodzka street, mortgage no 1599 G. By virtue of an administrative decision dated December 4, President of the Capital City of Warsaw refused to establish the title to the perpetual usufruct of the said real property. As follows from the letter from the Office of the Capital City of Warsaw, Real property Management Division to the Voivodship Office of Mazowieckie Voivodship in Warsaw, Division of State Treasury and Ownership Transformations dated January 01, 2003 sent to Orbis S.A., Mrs Elżbieta Sławińska, Mrs. Teresa Szydłowska and Mr. Roman Sławiński, Mrs. Joanna Kubiaczyk-Grodzka and proxy of Mr. Jerzy Sławiński and Maria Podkulińska – successors of former owners – filed appeals against the aforementioned decision issued by the president of the Capital City of Warsaw dated December 4, 2002. The case is pending.

### **13.10 Mercure Hotel in Gdańsk**

On November 14, 2001 proceedings under supervisory procedure were initiated on the motion of Mr. Aleksander Patalas concerning the declaration of invalidity of the decision of the Presiding Board of the National Council of the Office for Internal Affairs in Gdańsk, dated April 23, 1970, no WSW.III.6/60/9/70. rectified by the ruling of the Gdańsk Voivod dated May 15, 1981, no GT.C/8221/26/81 concerning the



expropriation, for the benefit of the State Treasury, of real estate located in Gdańsk at Heweliusza street, owned by Mr. Franciszek Zieliński. By virtue of decision of January 28, 2003, the President of the Housing and Municipal Development Office suspended ex officio proceedings related to the consideration of the application filed by Mr. Patalas for the declaration of invalidity of the aforementioned decision until court rulings on the acquisition of inheritance of Mrs. Renata Zielińska and Mr. Lothar Zieliński have been submitted.

Proceedings were pending before the Supreme Administrative Court in Gdańsk concerning the return of the expropriated plot of land, currently forming part of plot of land no 201/1 on which the Hotel is situated. The Supreme Administrative Court, by virtue of the decision of March 28, 2000 dismissed the complaint filed by Mr. Patalas against the decision of the Pomorski Voivod in Gdańsk, upholding the challenged decision of the President of the City of Gdańsk dated September 20, 1999 refusing the return of expropriated real estate.

#### **13.11 Sofitel in Kraków (liquidated Branch).**

By a decision dated May 25, 2001, the President of the Housing and Municipal Development Office upheld in force the appealed-against decision of the President of the Housing and Municipal Development Office dated July 1, 2000, refusing to declare the invalidity of the decision of the National Council's Presiding Board of the City of Kraków dated March 14, 1973, to the extent relating to expropriation of the real property located in Kraków, at Konopnickiej street, I. wh 162, registered in the land register as plots I. kat. 67, I. kat. 68, I. kat. 69, I. kat. 70, I. kat. 71, I. kat. 106/1, I. kat. 107/1 and I. kat. 105/1 as well as real property registered in the Land and Mortgage Register no KW 473 Ludwinów, designated as I. kat. 143, I. kat. 73, I. kat. 41 and I. kat. 72. In response dated August 29, 2001, to the complaint filed before the Supreme Administrative Court by Mrs. Teresa Dedio and other successors against decision dated May 25, 2001, the President of the Housing and Municipal Development Office applied for the rejection of the complaint. On June 17, 2003, the Supreme Administrative Court passed a ruling annulling the appealed-against decision and the preceding decision issued by the President of the Housing and Municipal Development Office dated July 01, 2000.

**13.12** Moreover, the following proceedings are currently pending before the Self-Government Appellate Boards in respect of updating for 2002 the annual fees payable for the perpetual use of land belonging to the State Treasury and located in:

- in Poznań - Novotel Centrum Poznań Hotel,
- in Gdynia - Gdynia Hotel,
- in Gdańsk - Marina Novotel Gdańsk Hotel,  
- Posejdon Gdańsk Hotel,  
- Novotel Centrum Gdańsk Hotel,
- in Warsaw - Management Board's Office, at 16, Bracka street.  
- Sofitel Victoria

#### **13.12 Action brought against Orbis S.A. by the Association of Polish Film Makers for the payment of remuneration**

Since the year 2001 a case has been pending before the District Economic Court in Warsaw against Orbis S.A., initiated by the Association of Polish Film Makers for the payment of remuneration for the use by Orbis S.A. between – as a result of changes in the action introduced on January 17, 2003 - July 1, 2000, and October 1, 2001,

of audiovisual works of art on the exploitation field "public reproducing". The change in the action consisted in the identification, by the plaintiff, of a different time period for which remuneration is sought, in the decrease of the rate used to calculate the amount of remuneration and, as regards the claim for interest, the change related to the identification that the plaintiff requests interest for a period running from the date of changed action until the date of payment

Orbis S.A motioned the District Court in Warsaw, Economic Court, XX Economic Division to dismiss the action in its entirety and to adjudge that the defendant reimburse the plaintiff for the costs of proceedings. On July 10, 2003, the District Court in Warsaw dismissed the action initiated by the Association of Polish Filmmakers and adjudged the amount of PLN 6,000 from the plaintiff for Orbis S.A. as reimbursement of costs of representation in proceedings of the law.

**13.13 Action brought against Orbis S.A. by Prenad International AB and Prenad Sp. z o.o.**

Action is pending before the International Centre for Arbitration in Vienna initiated by Prenad International AB, a company coming under Swedish law and Prenad Sp. z o.o., a company coming under the Polish law, against Orbis S.A. for the payment of remuneration. Plaintiffs altered their claims and, presently, they request the amount of SEK 12,262,706 and PLN 1,391,255 for works related to the modernization of the air-conditioning system at the Novotel Centrum\*Hotel in Warsaw. On July 2-3, 2003 a trial was held in Vienna. The ruling is expected to be rendered in September this year.

**14. 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 June 30, 2003                      1 EUR = PLN 4.4570
- 2) Profit and loss account figures - the average arithmetical exchange rate calculated on the basis of the exchange rate as at the last day of the month of the given reporting period, i.e. -                                      1 EUR = PLN 4.3110
- 3) Balance sheet figures - the average rate of exchange quoted by the National Bank of Poland on March 31, 2002                      1 EUR = PLN 4.0091
- 4) Profit and loss account figures - the average arithmetical exchange rate calculated on the basis of the exchange rate as at the last day of the month of the given reporting period, i.e. -                                      1 EUR = PLN 3,7026

**Signature of the person  
representing the Company**

Andrzej Szuldrzyński  
Vice-President of the Management Board

**Signature of the person  
in charge of the Company's accounts**

Lidia Mieleszko  
Authorized Executive – the person in  
charge of Company's accounts

Warsaw, July 31, 2003.