CAPITAL GROUP OF PRZEDSIĘBIORSTWO HANDLU ZAGRANICZNEGO “BALTONA” S.A.

[FOREIGN TRADE COMPANY “BALTONA” JOINT STOCK COMPANY]

QUARTERLY SHORTENED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD OF NINE MONTHS

ENDED ON 30 SEPTEMBER 2018

This document is a translation of financial statements originally issued in Polish.

The Polish original should be referred to in matters of interpretation.

Warsaw, 29 November 2018

Capital Group of Przedsiębiorstwo Handlu Zagranicznego "Baltona" S.A.

Quarterly shortened consolidated financial statements for the period ended on 30 September 2018

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Capital Group of Przedsiębiorstwo Handlu Zagranicznego "Baltona" S.A.

Quarterly shortened consolidated statement of financial position

ASSETS	Note	2018-09-30 (unaudited)	2018-06-30 (unaudited)	2017-12-31	2017-09-30 (unaudited)
Non-current assets					
Property, plant and equipment	10	49 531	25 625	13 643	11 721
Intantible assets		2 356	762	1 049	1 056
Goodwill		4 448	5 719	5 719	5 719
Other receivables	13	3 867	4 471	4 953	5 318
Deferred income tax assets		3 286	3 286	3 351	3 179
Non-current assets		63 488	39 863	28 715	26 993
Current assets					
Inventories	12	43 317	42 050	36 904	31 030
Trade and other receivables	13	37 626	16 994	19 939	19 987
Short-term investments	11	1 402	97	117	115
Current income tax receivables		-	-	136	132
Cash and cash equivalents	14	14 647	9 794	12 340	12 536
Current assets		96 992	68 935	69 436	63 800
Current assets held for sale		-	462	-	-
Current assets making up a group to be sold		-	16 295	-	-
TOTAL ASSETS		160 480	125 555	98 151	90 793

The quarterly shortened consolidated statement of financial position ought to be analysed together with the additional explanations to the quarterly shortened consolidated financial statements.

All amounts are presented in thousands PLN unless stated otherwise

Capital Group of Przedsiębiorstwo Handlu Zagranicznego "Baltona" S.A.

Quarterly shortened consolidated statement of financial position

LIABILITIES	Note	2018-09-30 (unaudited)	2018-06-30 (unaudited)	2017-12-31	2017-09-30 (unaudited)
Equity					
Share capital		2 814	2 814	2 814	2 814
Share premium		4 655	4 655	4 655	4 655
Reserve capital		23 529	23 529	23 064	23 064
Treasury shares		(2 042)	(2 042)	(2 042)	(2 042)
Translation differences		(1 411)	(1 335)	(1 317)	(1 610)
Retained profits		(17 931)	(24 179)	(20 494)	(17 018)
Equity attributable to the parent entity's owners		9 614	3 442	6 680	9 863
Non-controlling shares		564	(940)	(87)	16
Total equity		10 178	2 502	6 593	9 879
Liabilities					
Liabilities under credits, loans and other debt instruments	17.1	43 337	28 666	23 118	23 195
Deferred income	22	-	-	148	192
Provisions	20	52	52	1 094	1 094
Liabilities under employee benefits	19	132	292	4 070	4 793
Long-term liabilities		43 521	29 010	28 430	29 274
Liabilities under credits, loans and other debt instruments	17.2	29 012	21 767	13 615	14 265
Trade and other liabilities	18	73 638	50 016	45 847	33 758
Liabilities under income tax		184	168	79	184
Liabilities under employee benefits	19	3 932	3 175	3 580	3 414
Deferred income	22	15	59	5	19
Provisions	20	-	-	2	-
Short-term liabilities		106 781	75 185	63 128	51 640
Liabilities making up a group to be sold		-	18 858	-	-
Liabilities		150 302	123 053	91 558	80 914
TOTAL LIABILITIES		160 480	125 555	98 151	90 793

The quarterly shortened consolidated statement of financial position ought to be analysed together with the additional explanations to the quarterly shortened consolidated financial statements.

All amounts are presented in thousands PLN unless stated otherwise

Capital Group of Przedsiębiorstwo Handlu Zagranicznego "Baltona" S.A.

Quarterly shortened consolidated statement of profit and loss and other comprehensive income

	Note	01.07.2018-30.09.2018 (unaudited)	01.07.2017-30.09.2017 (unaudited)	01.01.2018-30.09.2018 (unaudited)	01.01.2017-30.09.2017 (unaudited)
Sales revenue	5	158 595	90 477	361 692	280 573
Other revenue	7	438	87	565	1 035
Total operating revenue		159 033	90 564	362 257	281 608
Depreciation and impairment write-offs		(1 898)	(1 451)	(4 795)	(4 976)
Consumption of raw materials and materials		(1 105)	(790)	(2 768)	(2 261)
Third party services		(31 096)	(14 100)	(76 384)	(44 908)
Costs of employee benefits		(14 980)	(9 941)	(34 082)	(29 842)
Taxes and fees		(664)	(453)	(1 437)	(1 341)
Other cost items		(1 249)	(803)	(3 124)	(2 337)
Value of goods and materials sold		(103 275)	(59 604)	(237 081)	(193 215)
Other operating costs	7	(81)	(56)	(141)	(222)
Total operating costs		(154 348)	(87 198)	(359 812)	(279 102)
Operating profit		4 685	3 366	2 445	2 506
Financial revenue		157	(135)	336	738
Financial costs		(1 184)	(509)	(2 122)	(1 197)
Net financial costs	8	(1 027)	(644)	(1 786)	(459)
Result on sale of shares in subsidiaries		2 316	-	2 316	-
Profit before tax		5 974	2 722	2 975	2 047
Income tax	9	(848)	(264)	(1 312)	(302)
Net profit for the reporting period		5 126	2 458	1 663	1 745
Other comprehensive income					
Items which may be carried to the profit and loss account					
Exchange differences from translation of entities operating abroad		(251)	(165)	(94)	(365)
Other comprehensive net income for the reporting period		(251)	(165)	(94)	(365)
Total comprehensive income for the reporting period		4 875	2 293	1 569	1 380
Profit/(Loss) attributable to:					
Owners of the Parent Entity		3 919	2 370	1 186	2 099
Non-controlling shares		1 207	88	477	(354)
Net profit for the reporting period		5 126	2 458	1 663	1 745
Total comprehensive income attributable to:					
Owners of the Parent Entity		3 737	2 168	918	1 661
Non-controlling shares		1 138	125	651	(281)
Total comprehensive income for the period		4 875	2 293	1 569	1 380
Earnings/(Loss) per share					
Basic (PLN)		0,36	0,22	0,11	0,19
Diluted (PLN)		0,36	0,22	0,11	0,19

The quarterly shortened consolidated statement of profit and loss and other comprehensive income ought to be analysed together with the additional explanations to the quarterly shortened consolidated financial statements.

All amounts are presented in thousands PLN unless stated otherwise

Capital Group of Przedsiębiorstwo Handlu Zagranicznego "Baltona" S.A.

Quarterly shortened consolidated cash flow statement

	01.01.2018-30.09.2018 (unaudited)	01.01.2017-30.09.2017 (unaudited)
Operating cash flow		
Net profit/(loss) for the reporting period	1 663	1 745
Adjustments:		
Depreciation of property, plant and equipment	4 339	4 703
Depreciation of intangible assets	456	273
Net financial (revenue)/costs	1 786	459
(Profit)/Loss on sale of property, plant and equipment	-	(38)
Income tax	1 312	303
Other adjustments	(49)	(89)
	9 507	7 356
Change in inventories	(7 352)	11 574
Change in trade and other receivables	(17 567)	5 237
Change in trade and other liabilities	26 518	(20 660)
Change in provisions and liabilities under employee benefits	(76)	(805)
Change in deferred income	10	(152)
Cash generated on operating activity	**11 040**	**2 550**
Interest paid		
Tax paid	(550)	(496)
Net cash from operating activity	10 490	2 054
Investment cash flows		
Proceeds from sale of property, plant and equipment	-	38
Proceeds from repayment of loans	1 992	-
Acquisition of property, plant and equipment, and intangible assets	(40 184)	(2 141)
Loans granted	(1 992)	-
Net cash from investment activity	(40 184)	(2 103)
Financial cash flows		
Credits and loans drawn	25 765	-
Expenditures on repayment of credits and loans	(1 611)	(702)
Payment of financial lease liabilities	(546)	(773)
Interest paid	(987)	(818)
Net cash from financial activity	22 621	(2 293)
Total net cash flows	(7 073)	(2 342)
Cash and cash equivalents at the beginning of the period	533	2 210
Influence of exchange rate differences concerning cash and cash equivalents	-	-
Cash at the end of the period	**(6 540)**	**(132)**

The quarterly shortened consolidated cash flow statement ought to be analysed together with the additional explanations to the quarterly shortened consolidated financial statements.

All amounts are presented in thousands PLN unless stated otherwise

Capital Group of Przedsiębiorstwo Handlu Zagranicznego "Baltona" S.A.

Quarterly shortened consolidated statement of changes in equity

	Note	Share capital	Share premium	Reserve capital	Treasury shares	Exchange differences on translation	Retained profits	Total equity of the parent entity's owners	Non-controlling shares	Total equity
Equity as at 01.01.2017 (transformed)		2 814	4 655	23 064	(2 042)	(1 172)	(19 117)	8 202	297	8 499
Comprehensive income for the reporting period										
Net profit for the reporting period		-	-	-	-	-	2 099	2 099	(354)	1 745
Other comprehensive income										
Exchange differences from translation of entities operating abroad		-	-	-	-	(438)	-	(438)	73	(365)
Total other comprehensive income		-	-	-	-	(438)	-	(438)	73	(365)
Total comprehensive income for the reporting period		-	-	-	-	(438)	2 099	1 661	(281)	1 380
Transactions with owners of the Parent Entity recognised directly in equity										
Acquired treasury shares		-	-		-	-	-	-	-	-
Transfer of profit to reserve capital		-	-	-	-	-	-	-	-	-
Total transactions with owners of the Parent Entity		-	-	-	-	-	-	-	-	-
Equity as at 30.09.2017 (unaudited)		2 814	4 655	23 064	(2 042)	(1 610)	(17 018)	9 863	16	9 879

The quarterly shortened consolidated statement of changes in equity ought to be analysed together with the additional explanations to the quarterly shortened consolidated financial statements.

All amounts are presented in thousands PLN unless stated otherwise

Capital Group of Przedsiębiorstwo Handlu Zagranicznego "Baltona" S.A.

Quarterly shortened consolidated statement of changes in equity

	Note	Share capital	Share premium	Reserve capital	Treasury shares	Exchange differences on translation	Retained profits	Total equity of the parent entity's owners	Non-controlling shares	Total equity
Equity as at 01.01.2017 (transformed)		2 814	4 655	23 064	(2 042)	(1 172)	(19 117)	8 202	297	8 499
Comprehensive income for the reporting period										
Net profit (loss) for the reporting period		-	-	-	-	-	(1 604)	(1 604)	(501)	(2 105)
Other comprehensive income										
Exchange differences from translation of entities operating abroad		-	-	-	-	(145)	-	(145)	(22)	(167)
Actuarial gains (losses) under the defined benefits programme		-	-		-	-	227	227	139	366
Total other comprehensive income		-	-	-	-	(145)	227	82	117	199
Total comprehensive income for the reporting period		-	-	-	-	(145)	(1 377)	(1 522)	(384)	(1 906)
Transactions with owners of the Parent Entity recognised directly in equity										
Acquired treasury shares		-	-	-	-	-	-	-	-	-
Transfer of profit to reserve capital		-	-	-	-	-	-	-	-	-
Total transactions with owners of the Parent Entity		-	-	-	-	-	-	-	-	-
Equity as at 31.12.2017		2 814	4 655	23 064	(2 042)	(1 317)	(20 494)	6 680	(87)	6 593

The quarterly shortened consolidated statement of changes in equity ought to be analysed together with the additional explanations to the quarterly shortened consolidated financial statements.

All amounts are presented in thousands PLN unless stated otherwise

Capital Group of Przedsiębiorstwo Handlu Zagranicznego "Baltona" S.A.

Quarterly shortened consolidated statement of changes in equity

	Share capital	Share premium	Reserve capital	Treasury shares	Exchange differences on translation	Retained profits	Total equity of the parent entity's owners	Non-controlling shares	Total equity
Equity as at 01.01.2018	2 814	4 655	23 064	(2 042)	(1 317)	(20 494)	6 680	(87)	6 593
Comprehensive income for the reporting period									
Net profit (loss) for the reporting period	-	-	-	-	-	1 186	1 186	477	1 663
Other comprehensive income									
Exchange differences from translation of entities operating abroad	-	-	-	-	(94)	-	(94)	174	80
Total other comprehensive income	-	-	-	-	(94)	-	(94)	174	80
Total comprehensive income for the reporting period	-	-	-	-	(94)	1 186	1 092	651	1 743
Transactions with owners of the Parent Entity recognised directly in equity									
Changes in the ownership structure of subsidiaries									
Sale of shares, not involving change in control						1 842	1 842		1 842
Other									
Transfer of profit to reserve capital	-	-	465	-	-	(465)	-		-
Total transactions with owners of the Parent Entity	-	-	465	-	-	1 377	1 842	-	1 842
Equity as at 30.09.2018 (unaudited)	2 814	4 655	23 529	(2 042)	(1 411)	(17 931)	9 614	564	10 178

The quarterly shortened consolidated statement of changes in equity ought to be analysed together with the additional explanations to the quarterly shortened consolidated financial statements.

All amounts are presented in thousands PLN unless stated otherwise

Capital Group of Przedsiębiorstwo Handlu Zagranicznego "Baltona" S.A.

Additional explanations to the quarterly shortened consolidated financial statements

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Capital Group of Przedsiębiorstwo Handlu Zagranicznego "Baltona" S.A.

Additional explanations to the quarterly shortened consolidated financial statements

1. Identification of the Parent Entity

Przedsiębiorstwo Handlu Zagranicznego "BALTONA" Spółka Akcyjna [Foreign Trade Company "BALTONA" Joint Stock Company], hereinafter referred to as the "Parent Entity" is a joint stock company incorporated in Poland.
The registered office of the Parent Entity is located at ul. Flisa 4 in Warsaw (postal code: 02-247).
The quarterly shortened consolidated financial statements for the reporting period ended on 30 September 2018 include the financial statements of the Parent Entity and its subsidiaries (hereinafter referred to jointly as the "Group" and individually as "Group Entities"). The statements contain comparative data for the period of 9 months ended on 30 September 2017, comparative data for the third quarter ended on 31 September 2017 and for the year ended on 31 December 2017.

The Group's business includes sales of goods at retail shops, including in particular duty free shops at airports, as well as at border crossings. The points of sale of the Group are located in Poland (majority), in Romania, France, Italy, Ukraine, Belgium, Germany, the Netherlands and Estonia, as well as on sea ferries operating on the Baltic Sea. Moreover, the Group deals among others with gastronomy activity and supplying crews of ships and vessels moored at Polish seaports (shipchandling activity). In July 2018, the Group concluded an agreement of sale of 3 subsidiaries dealing, among others, with supplying diplomatic establishments, belonging to the B2B segment and, consequently, it ceased to perform this kind of activity. Before that, the Issuer had undertaken actions aimed at separating from the Issuer's Capital Group the activity related to supplying diplomatic establishment by, among others, its definitive decision to focus financial and operational resources on other sales channels in which Baltona Group currently operates, in particular with a view to acquire and employ new sales channels, more attractive from the point of view of operational profitability as compared with the diplomatic activity conducted so far. Pursuant to the annex, the parties decided that the initial deadline of 60 days after the date of conclusion of the sale agreement, applicable to the transfer of the ownership title to shares in Chacalli companies, would be extended until the end of November 2018. The Management Board of the Parent Company has analysed the circumstances and results of the above agreements and annexes. As a result of the analysis, it was concluded that loss of control over the above entities occurred upon conclusion of the original agreement; consequently, assets of the companies sold were excluded in the quarterly shortened consolidated financial statements, while fair value of payment received as a result of the transaction was included, as well as the result on sale and respective adjustments of equity of the parent entity's owners and minority shareholdings.

Duration of the Parent Entity and entities making up Baltona Group is unlimited.

2. Basis of preparation of the financial statements

2.1 Statement of compliance and general principles of preparation

The quarterly shortened consolidated financial statements have been prepared in compliance with the International Financial Reporting Standard 34 "Interim Financial Reporting", as approved by the European Union, and with the Regulation of the Minister of Finance of 29 March 2018 on ongoing and periodic information submitted by issuers of securities and prerequisites for considering information required under the laws of a non-EU member state as equivalent (consolidated text in the Polish Journal of Laws of 2018, item 757).

Selected notes are included to explain events and transactions important for understanding changes in the financial standing and results of the Company since the last consolidated annual financial statements prepared for the year ended on 31 December 2017. These quarterly shortened consolidated financial statements do not include all the information required for full annual financial statements prepared in compliance with the International Financial Reporting Standards as approved by the European Union, hereinafter referred to as "EU IFRS" and, consequently, ought to be read in conjunction with the financial statements of the Company for the year ended on 31 December 2017, approved for publication on 6 March 2018.

The quarterly shortened consolidated financial statements prepared for the period ended on 30 September 2018 have not been reviewed by an expert auditor. The consolidated financial statements for the year ended on 31 December 2017 were reviewed by an expert auditor who expressed an opinion without objections concerning the consolidated financial statements.

The quarterly shortened consolidated financial statements have been prepared based on the assumption of going concern within foreseeable future.

The quarterly shortened consolidated financial statements were approved for publication by the Management Board of the Parent Entity on 29 November 2018.

2.2 Presentation and functional currency

Figures in the financial statements are presented in Polish zlotys rounded to full thousands unless stated otherwise.

The Polish zloty is the Parent Entity's functional currency.

2.3 Judgements and estimations made

Preparation of the quarterly shortened consolidated financial statements pursuant to EU IFRS requires the Management Board of the Parent Entity to make judgements, estimations and assumptions influencing the applied accounting principles and presented amounts of assets, liabilities, revenue and costs whose actual amounts may differ from the estimated ones.

As at the date of preparation of these quarterly shortened consolidated financial statements, material estimates made by the Management Board of the Parent Entity concerning the Group's principles of accountancy and the main sources of estimate uncertainty remain unchanged as compared with those applied in the preparation of the annual consolidated financial statements for the financial year ended on 31 December 2017.

2.4 Error corrections

The consolidated financial statements do not contain corrections of fundamental errors.

3. Overview of the main principles of accounting and changes in EU IFRS

The principles (policies) of accounting applied by the Group in preparation of the quarterly shortened consolidated financial statements are consistent with those applied in preparation of the annual consolidated financial statements as at 31 December 2017.

The Group intends to adopt amendments to EU IFRS, published but not yet effective as on the date of publication of these quarterly shortened consolidated financial statements, in accordance with their effective date. Estimation of the impact of the above amendments onto future consolidated financial statements of the Group is the subject of ongoing analyses.

With respect to IFRS 16, which will come into effect on 1 January 2019, the Group estimates that the new standard will have significant impact onto its financial statements, but it has not yet completed the process related to determination of the amendment's value. As at 30 September 2018, the Group leases space at approximately 20 locations, pursuant to leases concluded for the terms from 1 to 5 years, which – according to the Group's estimates – may satisfy the definition of lease under IFRS 16. The rights to use the element of assets and corresponding financial liabilities will be recognised appropriately upon their effective date.

4. Operating segments

Pursuant to IFRS 8, an operating segment is a distinguishable part of the Group's operations for which separate financial information subjected to regular review by the main body responsible for adoption of decisions regarding allocation of resources and evaluation of operating results is available.

Three reporting segments, i.e. such operating segments for which IFRS 8 requires disclosures, are distinguished within the Group. The operating activity of particular reporting segments of the Group is as follows:

1) Shops – segment made up of entities whose primary business is retail sales, including mainly at duty free shops and publicly available shops located above all at airports in Poland and Europe. The segment includes, among others, the following entities: PHZ "Baltona" S.A., BH Travel Retail Poland Sp. z o.o., Baltona France S.A.S, Baltona Italy S.R.L, Gredy Company, Flemingo Duty Free Ukraine, Baltona Duty Free Estonia OÜ, Liege Airport Shop BVBA and 2 companies of Chacalli-De Decker group.
2) Gastronomy – segment made up of entities whose primary business is sales of meals and beverages at gastronomic points of sale and cafes located nearby or at airports and railway stations. One company of the Group – Centrum Obsługi Operacyjnej Sp. z o.o. – is classified in the segment.
3) segment including wholesale trade, diplomatic sales as well as sales of goods to ship and vessel crews (shipchandling) and four companies of Chacalli-De Decker group. On 11 July 2018, an agreement concerning sale of three companies of the Chacalli-De Decker group was concluded; consequently, the results generated by those companies only during the first half of 2018 are recognized in the consolidated financial result for the third quarter of 2018.

Results of the reporting segments come from internal reports verified periodically by the Management Board of the Parent Entity (main decision making body within the Group). The Management Board of the Parent Entity analyses the results of operating segments on the level of operating profit (loss).

The table below presents results before tax of each of the reporting segments, as the Group does not allocate income tax to particular segment.

The item of operating segment assets includes all assets controlled by the Group as at 30 September 2018 allocated to respective segments, except for goodwill recognised in the consolidated balance sheet as at 30 September 2018. As compared with the consolidated financial statements for 2017, there are no changes with respect to separation of the segments and measurement of the profit or loss of the segment.

Information on reporting segments

Reconciliation of revenue, profits, losses and other significant items of the reporting segments

	Shops		Gastronomy		B2B		Total	
	01.01.2018-30.09.2018 (unaudited)	01.01.2017-30.09.2017 (unaudited)	01.01.2018-30.09.2018 (unaudited)	01.01.2017-30.09.2017 (unaudited)	01.01.2018-30.09.2018 (unaudited)	01.01.2017-30.09.2017 (unaudited)	01.01.2018-30.09.2018 (unaudited)	01.01.2017-30.09.2017 (unaudited)
Revenue from third party customers	270 035	181 295	22 252	27 554	69 970	72 759	362 257	281 608
Revenue from sales among segments	13 377	10 609	88	261	1 797	4 180	15 262	15 050
Operating result	2 340	3 772	723	(734)	(618)	(532)	2 445	2 506
Result before tax	1 751	2 498	266	(1 180)	916	714	2 933	2 032
Assets of the reporting segment	156 056	81 925	4 654	4 864	10 611	18 655	171 321	105 444
Investment expenditures	37 750	1 002	2 047	1 037	387	100	40 184	2 139
Liabilities of the reporting segment	141 955	55 275	16 280	15 908	7 393	37 057	165 628	108 240

	01.01.2018-30.09.2018 (unaudited)	01.01.2017-30.09.2017 (unaudited)
(Loss)/Profit before tax		
Total profit or loss before tax from reported segments	2 933	2 032
Elimination of profits from transactions among segments	42	15
Profit or loss before tax	**2 975**	**2 047**

All amounts are presented in thousands PLN unless stated otherwise

	Shops		Gastronomy		B2B		Total	
	01.07.2018 - 30.09.2018 (unaudited)	**01.07.2017 - 30.09.2017** (unaudited)	**01.07.2018 - 30.09.2018** (unaudited)	**01.07.2017 - 30.09.2017** (unaudited)	**01.07.2018 - 30.09.2018** (unaudited)	**01.07.2017 - 30.09.2017** (unaudited)	**01.07.2018 - 30.09.2018** (unaudited)	**01.07.2017 - 30.09.2017** (unaudited)
Revenue from third party customers	129 792	57 544	8 429	8 013	20 812	25 007	159 033	90 564
Revenue from sales among segments	2 723	4 953	(173)	247	(2 383)	1 118	167	6 318
Operating result	3 631	3 352	674	284	1 094	(270)	5 399	3 366
Result before tax	2 243	2 782	519	136	3 972	(203)	6 734	2 715
Assets of the reporting segment	156 056	81 925	4 654	4 864	10 611	18 655	171 321	105 444
Investment expenditures	27 894	477	1 524	41	(2 381)	27	27 037	545
Liabilities of the reporting segment	141 955	55 275	16 280	15 908	7 393	37 057	165 628	108 240

All amounts are presented in thousands PLN unless stated otherwise

5. Revenue

5.1. Material structure

	01.07.2018-30.09.2018 (unaudited)	01.07.2017-30.09.2017 (unaudited)	01.01.2018-30.09.2018 (unaudited)	01.01.2017-30.09.2017 (unaudited)
Revenue from sales of services				
Marketing services	172	(145)	682	10
Sublease of space	11	11	32	32
DCC* revenue	566	330	1 670	1 004
Other	70	10	93	43
Total revenue from sales of services	**819**	**206**	**2 477**	**1 089**
Revenue from sales of goods and materials				
Public retail sales	82 035	21 571	118 993	60 235
Duty free retail sales	36 456	52 928	186 114	156 938
Wholesale and shipchandling	39 266	15 772	54 089	62 309
Other	19	-	19	2
Total revenue from sales of goods and materials	**157 776**	**90 271**	**359 215**	**279 484**
Total revenue from sales	**158 595**	**90 477**	**361 692**	**280 573**

* DCC (Dynamic Currency Conversion) revenue is the revenue from provision of the service involving settlement of payment card operations directly in the currency of the card or country of its issuer.

5.2. Territorial structure

	01.07.2018-30.09.2018 (unaudited)	01.07.2017-30.09.2017 (unaudited)	01.01.2018-30.09.2018 (unaudited)	01.01.2017-30.09.2017 (unaudited)
Revenue from sales of services				
Poland	525	351	1 664	1 078
Other	294	(145)	813	11
Total revenue from sales of services	**819**	**206**	**2 477**	**1 089**
Revenue from sales of goods and materials				
Poland	112 305	62 314	276 948	190 833
Other	45 471	27 957	82 267	88 651
Total revenue from sales of goods and materials	**157 776**	**90 271**	**359 215**	**279 484**
Total revenue from sales	**158 595**	**90 477**	**361 692**	**280 573**

All amounts are presented in thousands PLN unless stated otherwise

6. Information on the seasonal or cyclical character of the Capital Group's business during the presented period

To a large extent, the operating activity of the Group companies is dependent on the intensity of air traffic, which influences the level of demand, profitability and sales during the given month. This results from specific features of the air transport industry and resulting seasonal character of air traffic. The Group records the lowest sales in the period from November to April, and the highest sales from May to October. Seasonal character influences the margins and financial results achieved by the Company during particular months and quarters of the year, ant it causes diversified working capital requirements on the part of the Group.

7. Other operating revenue and costs

7.1. Recognised as profit or loss of the current period

	01.07.2018-30.09.2018 (unaudited)	**01.07.2017-30.09.2017** (unaudited)	**01.01.2018-30.09.2018** (unaudited)	**01.01.2017-30.09.2017** (unaudited)
Grants	44	44	133	133
Reversal of provisions	7	-	17	392
Profit on sale of non-financial non-current assets	-	4	-	38
Damages received	13	-	13	-
Change in inventory revaluation write-off	(5)	-	-	-
Reversal of receivables revaluation write-offs	1	22	2	70
Other	378	17	400	402
Total other operating revenue	**438**	**87**	**565**	**1 035**

	01.07.2018-30.09.2018 (unaudited)	**01.07.2017-30.09.2017** (unaudited)	**01.01.2018-30.09.2018** (unaudited)	**01.01.2017-30.09.2017** (unaudited)
Liquidation of property, plant and equipment	-	-	-	(32)
Receivables revaluation write-offs	-	-	-	(4)
Penalties and damages	(1)	(1)	(6)	(53)
Other	(80)	(55)	(135)	(133)
Total other operating costs	**(81)**	**(56)**	**(141)**	**(222)**

All amounts are presented in thousands PLN unless stated otherwise

8. Financial revenue and costs

8.1. Recognised as profit or loss of the current period

	01.07.2018-30.09.2018 (unaudited)	01.07.2017-30.09.2017 (unaudited)	01.01.2018-30.09.2018 (unaudited)	01.01.2017-30.09.2017 (unaudited)
Revenue from interest on granted loans and receivables	16	5	23	1
Net exchange rate differences	141	(136)	313	737
Other	-	(4)	-	-
Total financial revenue	**157**	**(135)**	**336**	**738**

	01.07.2018-30.09.2018 (unaudited)	01.07.2017-30.09.2017 (unaudited)	01.01.2018-30.09.2018 (unaudited)	01.01.2017-30.09.2017 (unaudited)
Costs of interest on financial liabilities carried at amortised cost	(934)	(509)	(1 845)	(1 197)
Valuation of derivative instruments	(253)	-	(277)	-
Other	3	-	-	-
Total financial costs	**(1 184)**	**(509)**	**(2 122)**	**(1 197)**
Net financial costs recognised as profit or loss of the current period	**(1 027)**	**(644)**	**(1 786)**	**(459)**

9. Income tax

9.1. Income tax recognised as profit/loss of the current period

	01.07.2018-30.09.2018 (unaudited)	01.07.2017-30.09.2017 (unaudited)	01.01.2018-30.09.2018 (unaudited)	01.01.2017-30.09.2017 (unaudited)
Income tax (current part)				
Income tax for the current period	848	264	1 312	547
	848	**264**	**1 312**	**547**
Income tax (deferred part)				
Creation/reversal of interim differences	-	-	-	(245)
	-	**-**	**-**	**(245)**
Total income tax	**848**	**264**	**1 312**	**302**

All amounts are presented in thousands PLN unless stated otherwise

10. Property, plant and equipment

10.1. Acquisitions and reductions of property, plant and equipment

During the period of nine months ended on 30 September 2018, the Group acquired property, plant and equipment worth PLN 40,184 thousand (period of nine months ended on 30 September 2017: PLN 1,646 thousand). No costs of external financing were activated during the reporting period and during the period of nine months ended on 30 September 2017.

No impairment write-offs regarding property, plant and equipment were performed during the reporting period. No impairment write-offs regarding property, plant and equipment were performed during the comparative period; however, write-offs performed previously at PLN 172 thousand were reversed.

11. Other investments

Short-term investments	30.09.2018 (unaudited)	2018-06-30 (unaudited)	31.12.2017	30.09.2017 (unaudited)
Loans granted to affiliated entities	1 679	121	117	115
Other short-term financial assets (valuation)	(277)	(24)	-	-
Bank deposits as collaterals of guarantees granted	-	-	-	-
	1 402	**97**	**117**	**115**

12. Inventories

	30.09.2018 (unaudited)	2018-06-30 (unaudited)	31.12.2017	30.09.2017 (unaudited)
Goods	43 317	42 050	36 904	31 030
	43 317	**42 050**	**36 904**	**31 030**

From 1 January 2018 to 30 September 2018, the value of materials and trading goods included in own cost of sales amounted to PLN 237,081 thousand (from 1 January 2017 to 30 September 2017: PLN 193,215 thousand). During the period of nine months ended on 30 September 2018, there were no changes in inventory revaluation write-offs, but during the period of nine months ended on 30 September 2017, inventory revaluation write-offs were performed at PLN 60 thousand. During the period of nine months ended on 30 September 2018, a provision for inventory taking deficiencies was established at PLN 159 thousand.

In order to secure the Group's liabilities under the overdraft facility agreement and under the guarantee facility agreement, which the Parent Entity is a party to, a registered pledge was established on the inventory of goods for sale located at warehouses and shops, being the Parent Entity's property, together with the Parent Entity's statement on submission to enforcement with respect to release of the items. Value of the pledge object can in no circumstances be lower than PLN 14,000 thousand. Pursuant to the annex dated 21.09.2018 to the multi-purpose credit line agreement, the collateral was increased to PLN 34,000 thousand within registered pledge on the stock of goods being the property of the Issuer and its subsidiary BH Travel Retail Poland Sp. z o.o. with effect on 30 November 2018.

All amounts are presented in thousands PLN unless stated otherwise

13. Trade and other receivables

	30.09.2018 (unaudited)	2018-06-30 (niebadane)	31.12.2017	30.09.2017 (unaudited)
Trade receivables	19 717	5 466	13 201	10 542
Budgetary receivables	14 565	8 065	4 667	3 087
Other receivables	172	299	3 238	1 546
Receivables under deposits	3 974	3 744	1 095	5 130
Accruals and deferrals	3 064	3 891	2 691	5 000
Total receivables	**41 492**	**21 465**	**24 892**	**25 305**
Long-term	3 867	4 471	4 953	5 318
Short-term	37 626	16 994	19 939	19 987
	41 493	**21 465**	**24 892**	**25 305**

Trade receivables

	30.09.2018	2018-06-30	31.12.2017	30.09.2017
Trade receivables from affiliated entities	10 986	991	880	875
Trade receivables from other entities	8 731	4 475	12 321	9 667
Total trade receivables	**19 717**	**5 466**	**13 201**	**10 542**

From 1 January 2018 to 30 September 2018, receivables revaluation write-offs amounting to PLN 2 thousand were reversed; to compare, during the period from 1 January 2017 to 30 September 2017, receivables revaluation write-offs amounting to PLN 6 thousand were reversed.

14. Cash and cash equivalents

	30.09.2018 (unaudited)	2018-06-30 (unaudited)	31.12.2017	30.09.2017 (unaudited)
Cash in hand and in bank	10 667	7 591	8 685	11 022
Cash in transit	3 980	2 203	3 655	1 514
Cash and cash equivalents, value recognised in the statement of financial position	**14 647**	**9 794**	**12 340**	**12 536**
Overdrafts	(21 187)	(17 027)	(11 807)	(12 668)
Cash and cash equivalents, value recognised in the cash flow statement	**(6 540)**	**(7 233)**	**533**	**(132)**

15. Equity

15.1 Share capital

As at 30 September 2018, the share capital of the Parent Entity amounted to PLN 2,814 thousand and was divided into 11,256,577 shares with the face value of PLN 0.25 each.

All amounts are presented in thousands PLN unless stated otherwise

Series A, B, C, D and E shares, whose number is 11 239 177, are bearer shares. As at the reporting date, 17 400 series A ordinary shares remain ordinary registered shares.

15.2 Treasury shares purchase programme

On 16 January 2012, the Management Board of the Parent Entity became authorised to have the Parent Entity purchase treasury shares. The treasury shares purchase programme was originally to be conducted from 25 January 2012 until 1 January 2015, but no longer than until exhaustion of resources allocated to purchasing them. Under the programme, the Management Board was authorised to purchase no more than 500,000 treasury shares with the face value of PLN 125,000 in order to redeem them or release them to shareholders of the company taken over by the Group. Purchases of the Company's shares will be exercised solely through Dom Inwestycyjny BRE Bank S.A. The minimum price of purchase by the Parent Entity of one treasury share was determined at PLN 0.25, whereas the maximum price was set at PLN 9.20. In total, the Parent Entity intended to allocate the amount of PLN 4,650,000 to purchase treasury shares. Detailed information on the treasury shares purchase programme is publicly announced by the Parent Entity in its current reports.

On 19 February 2015, the Extraordinary General Meeting of Shareholders of the Parent Entity adopted a resolution pursuant to which the treasury shares purchase programme was extended in terms of duration and volume, i.e. the number of the Parent Entity's treasury shares which could be purchased was increased to 750,000. The treasury shares buy-out deadline was postponed until 1 January 2017. The shares may be acquired for redemption, release to shareholders or partners of the company taken over by the Parent Entity or release to holders of subscription warrants issued pursuant to resolutions of the General Meeting of Shareholders. The maximum acquisition price was maintained on the level of PLN 9.20 per share.

The Issuer's Extraordinary Meeting of Shareholders was held on 14 November 2017; the Meeting adopted resolutions regarding buyback of the treasury shares for redemption and regarding amendment of the articles of association and adoption of a consolidated text of the articles of association. Pursuant to resolution no. 4 of the Extraordinary Meeting of Shareholders, the Company will be entitled to purchase no more than 900,000 treasury shares with the total nominal value of PLN 225,000.00 for a market price, but not higher than PLN 5.00 per share and not lower than PLN 0.25 per share. The Company may purchase the treasury shares during the period from 15 November 2017 until 15 November 2018, but no longer than until the funds allocated to the purchase programme are exhausted. Moreover, the Extraordinary General Meeting decided to establish a reserve capital of PLN 4,520,000.00, allocated to financing purchase of the treasury shares by the Company and the costs of purchase thereof.

By 30 September 2018 and by the date of publication of these statements, within the programme, the Parent Entity had bought back the total of 368,995 treasury shares, bearing the right to 3.278% votes at the General Meeting of Shareholders and 3.278% of the share capital of the Company. During the first half of 2018 and during 2017, 0 ordinary shares of the Company were purchased.

15.3 Dividends proposed by the Management Board

During the period of 9 months of 2018, the Parent Entity did not pay any dividends. The Management Board of the Parent Entity did not propose payment of the dividend. The same situation occurred in 2017.

16. Share based payments

During the period of nine months ended on 31 September 2018, there were no changes with respect to share based payments. A detailed discussion of events is contained in the published annual consolidated financial statements for 2017.

17. Liabilities under credits, loans and other debt instruments

17.1 Long-term liabilities

	30.09.2018 (unaudited)	2018-06-30 (unaudited)	31.12.2017	30.09.2017 (unaudited)
Secured credits and loans	21 302	6 351	1 236	912
Loans from affiliated entities	21 260	21 407	20 933	21 456
Liabilities under financial lease	775	908	949	827
	43 337	**28 666**	**23 118**	**23 195**

17.2 Short-term liabilities

	30.09.2018 (unaudited)	2018-06-30 (unaudited)	31.12.2017	30.09.2017 (unaudited)
Short-term liabilities	21 187	4 070	1 130	963
Overdrafts	7 187	17 027	11 804	12 668
Loans from affiliated entities	78	78	74	84
Short-term part of liabilities under financial lease	560	592	607	550
	29 012	**21 767**	**13 615**	**14 265**

All amounts are presented in thousands PLN unless stated otherwise

17.3 Credit and loan repayment terms and schedule

Deadlines of repayment and terms of open credit agreements:

	Currency	Nominal rate	Year of maturity	2018-09-30 Book value	2017-12-31 Book value
Unsecured loan from an affiliated entity	USD	5,00%	2018	3 186	2 960
Unsecured loan from an affiliated entity	EUR	5,00%	2018	16 428	16 459
Unsecured loan from an affiliated entity	USD	5,00%	2018	43	40
Unsecured loan from an affiliated entity	USD	5,00%	2018	1 646	1 514
Unsecured loan from an affiliated entity	EUR	5,00%	2018	35	34
Overdraft	EUR	EURIBOR + margin	2018	-	3 365
Overdraft	PLN	WIBOR3M+bank's margin	2021*	12 038	7 499
Overdraft	PLN	WIBOR1M+bank's margin	2018	7 380	-
Overdraft	PLN	WIBOR3M+bank's margin	2018	1 769	940
Non-revolving credit	PLN	WIBOR3M+bank's margin	2019	911	1 637
Non-revolving credit	PLN	WIBOR3M+bank's margin	2020	4 279	729
Non-revolving credit	PLN	WIBOR3M+bank's margin	2021	4 221	-
Non-revolving credit	PLN	WIBOR3M+bank's margin	2022	19 078	-
Liabilities under financial lease	PLN, EUR	WIBOR1M / LIBOR1M + margin	2018-2021	1 335	1 556
Total interest bearing liabilities				**72 349**	**36 733**

* Crediting period until 8 February 2021. Current credit availability term falls on 18 June 2019.

Overdraft facilities, covered by annexes signed on 21 September 2018, are secured on the Group's assets, as follows:

- own blank promissory note with promissory note declaration, issued by the Company, guaranteed by Baltona Shipchandlers sp. z o.o., Centrum Usług Wspólnych Baltona sp. z o.o., Centrum Obsługi Operacyjnej Sp. z o.o., together with declaration of the promissory note issuer on submission to enforcement proceedings up to PLN 114,000 thousand in connection with the issued promissory note,
- establishment of registered pledge on the inventory of goods constituting the property of the Company and its subsidiary BH Travel Retail Poland Sp. z o.o., located at warehouses and shops, up to PLN 14,000 thousand until 29 November 2018 and up to PLN 34,000 thousand from 30 November 2018 onwards (joint security of the overdraft facility agreement, non-revolving credit agreement dated 30.08.2016, non-revolving credit agreement dated

All amounts are presented in thousands PLN unless stated otherwise

29.09.2017, non-revolving credit agreement dated 20.02.2018 and non-revolving credit agreement dated 19.06.2018),

- assignment of rights under the insurance policy concerning the inventory (together with the agreement concerning assignment of receivables from the policy) in favour of the bank, up to PLN 14,000 thousand until 29 November 2018 and up to PLN 34,000 thousand from 30 November 2018 onwards (joint security of the overdraft facility agreement, non-revolving credit agreement dated 30.08.2016, non-revolving credit agreement dated 29.09.2017, non-revolving credit agreement dated 20.02.2018 and non-revolving credit agreement dated 19.06.2018),
- corporate guarantee issued by Flemingo International Limited for PLN 106,500 thousand including the Guarantor's statement on submission to enforcement in favour of the Bank,
- corporate guarantee issued by Chacalli – De Decker N.V for PLN 49,500 thousand including the Guarantor's statement on submission to enforcement in favour of the Bank,
- bank's power of attorney towards the account of Baltona France SAS maintained at BNP Paribas (France),
- bank's power of attorney towards the accounts of Centrum Obsługi Operacyjnej Sp. z o.o., Centrum Usług Wspólnych Baltona Sp. z o.o.,
- subordination of 100% of all current and future loans granted to Baltona Group Companies by entities controlling it indirectly or directly (joint security of the overdraft facility agreement, non-revolving credit agreement dated 30.08.2016, non-revolving credit agreement dated 29.09.2017, non-revolving credit agreement dated 20.02.2018 and non-revolving credit agreement dated 19.06.2018),
- additional security for the overdraft facility in the form of bank guarantee issued by Barclays Bank PLC at USD 1,150 thousand or its PLN equivalent,
- pledge on the assets of Chacalli-De Decker N.V. for EUR 250 thousand,
- power of attorney to establish a pledge on the Group's assets (including receivables and 50% of the value of inventories) for the total amount of EUR 1,605 thousand,
- own blank promissory note of the company Baltona Shipchandlers Sp. z o.o.,
- power of attorney for the bank towards the accounts of the company "Baltona" Shipchandlers Sp. z o.o. maintained by the Pekao SA bank.

In the annex dated 19 June 2018, Foreign Trade Company "BALTONA" Joint Stock Company consented to joining by BH Travel Retail Poland Sp. z o.o. of the multi-purpose credit line and the debt arisen under the credit agreement in accordance with the principles governing joint liability, pursuant to art. 366 of the Civil Code.

The non-revolving credit dated 30.08.2016 is secured on the Parent Entity's assets as follows:

- own blank promissory note with promissory note declaration, issued by the Company and guaranteed by Baltona Shipchandlers sp. z o.o., Centrum Usług Wspólnych Baltona sp. z o.o., BH Travel Retail Poland sp. z o.o., Centrum Obsługi Operacyjnej Sp. z o.o., together with declaration of the promissory note issuer on submission to enforcement proceedings up to PLN 6,750 thousand in connection with the issued promissory note,
- establishment of registered pledge on the inventory of goods constituting the property of the Parent Entity and BH Travel Retail Poland Sp. z o.o., located at warehouses and shops, up to PLN 14,000 thousand until 29 November 2018 and up to PLN 34,000 thousand from 30

November 2018 onwards (joint security of the overdraft facility agreement, non-revolving credit agreement dated 30.08.2016, non-revolving credit agreement dated 29.09.2017, non-revolving credit agreement dated 20.02.2018 and non-revolving credit agreement dated 19.06.2018),

- assignment of rights under the insurance policy concerning the inventory (together with the agreement concerning assignment of receivables from the policy) in favour of the bank, up to PLN 14,000 thousand until 29 November 2018 and up to PLN 34,000 thousand from 30 November 2018 onwards (joint security of the overdraft facility agreement, non-revolving credit agreement dated 30.08.2016, non-revolving credit agreement dated 29.09.2017, non-revolving credit agreement dated 20.02.2018 and non-revolving credit agreement dated 19.06.2018),
- corporate guarantee issued by Flemingo International Limited for PLN 6,750 thousand,
- corporate guarantee issued by Chacalli – De Decker N.V for PLN 6,750 thousand,
- bank's power of attorney towards the account of Baltona France SAS maintained at BNP Paribas (France),
- bank's power of attorney towards the accounts of Centrum Obsługi Operacyjnej Sp. z o.o., Centrum Usług Wspólnych Baltona Sp. z o.o. maintained at BGŻ BNP Paribas S.A.,
- subordination of 100% of all current and future loans granted to the Company by entities controlling it indirectly or directly (joint security of the overdraft facility agreement, non-revolving credit agreement dated 30.08.2016, non-revolving credit agreement dated 29.09.2017, non-revolving credit agreement dated 20.02.2018 and non-revolving credit agreement dated 19.06.2018).

The non-revolving credit dated 29.09.2017 is secured on the Parent Entity's assets as follows:

- own blank promissory note with promissory note declaration, issued by the Company and guaranteed by Baltona Shipchandlers sp. z o.o., Centrum Usług Wspólnych Baltona sp. z o.o., BH Travel Retail Poland sp. z o.o., Centrum Obsługi Operacyjnej Sp. z o.o., together with declaration of the promissory note issuer on submission to enforcement proceedings up to PLN 5,782.5 thousand in connection with the issued promissory note,
- corporate guarantee issued by Flemingo International Limited for PLN 5,782.5 thousand,
- corporate guarantee issued by Baltona Duty Free Estonia OÜ for PLN 5,782.5 thousand,
- corporate guarantee issued by Chacalli – De Decker N.V for PLN 5,782.5 thousand,
- establishment of registered pledge on the inventory of goods constituting the property of the Parent Entity and BH Travel Retail Poland Sp. z o.o., located at warehouses and shops, up to PLN 14,000 thousand until 29 November 2018 and up to PLN 34,000 thousand from 30 November 2018 onwards (joint security of the overdraft facility agreement, non-revolving credit agreement dated 30.08.2016, non-revolving credit agreement dated 29.09.2017, non-revolving credit agreement dated 20.02.2018 and non-revolving credit agreement dated 19.06.2018),
- assignment of rights under the insurance policy concerning the inventory (together with the agreement concerning assignment of receivables from the policy) in favour of the bank, up to PLN 14,000 thousand until 29 November 2018 and up to PLN 34,000 thousand from 30 November 2018 onwards (joint security of the overdraft facility agreement, non-revolving credit agreement dated 30.08.2016, non-revolving credit agreement dated 29.09.2017, non-revolving credit agreement dated 20.02.2018 and non-revolving credit agreement dated 19.06.2018),

- powers of attorney towards the accounts of Centrum Obsługi Operacyjnej Sp. z o.o., BH Travel Retail Poland Sp. z o.o., Centrum Usług Wspólnych Baltona Sp. z o.o. and Baltona Duty Free Estonia OÜ,
- bank's power of attorney towards the account of Baltona France SAS maintained at BNP Paribas (France),
- subordination of 100% of all current and future loans granted to the Company by entities controlling it indirectly or directly (joint security of the overdraft facility agreement, non-revolving credit agreement dated 30.08.2016, non-revolving credit agreement dated 29.09.2017, non-revolving credit agreement dated 20.02.2018 and non-revolving credit agreement dated 19.06.2018).

The non-revolving credit dated 20.02.2018 is secured on the Parent Entity's assets as follows:

- own blank promissory note with promissory note declaration, issued by the Company and guaranteed by Baltona Shipchandlers sp. z o.o., Centrum Usług Wspólnych Baltona sp. z o.o., BH Travel Retail Poland sp. z o.o., Centrum Obsługi Operacyjnej Sp. z o.o., together with declaration of the promissory note issuer on submission to enforcement proceedings up to PLN 6,795 thousand in connection with the issued promissory note,
- corporate guarantee issued by Flemingo International Limited for PLN 6,795 thousand,
- corporate guarantee issued by Chacalli – De Decker N.V for PLN 6,795 thousand,
- establishment of registered pledge on the inventory of goods constituting the property of the Parent Entity and BH Travel Retail Poland Sp. z o.o., located at warehouses and shops, up to PLN 14,000 thousand until 29 November 2018 and up to PLN 34,000 thousand from 30 November 2018 onwards (joint security of the overdraft facility agreement, non-revolving credit agreement dated 30.08.2016, non-revolving credit agreement dated 29.09.2017, non-revolving credit agreement dated 20.02.2018 and non-revolving credit agreement dated 19.06.2018),
- assignment of rights under the insurance policy concerning the inventory (together with the agreement concerning assignment of receivables from the policy) in favour of the bank, up to PLN 14,000 thousand until 29 November 2018 and up to PLN 34,000 thousand from 30 November 2018 onwards (joint security of the overdraft facility agreement, non-revolving credit agreement dated 30.08.2016, non-revolving credit agreement dated 29.09.2017, non-revolving credit agreement dated 20.02.2018 and non-revolving credit agreement dated 19.06.2018),

  bank's power of attorney towards the account of Baltona France SAS maintained at BNP Paribas (France),

  subordination of 100% of all current and future loans granted to the Company by entities controlling it indirectly or directly (joint security of the overdraft facility agreement, non-revolving credit agreement dated 30.08.2016, non-revolving credit agreement dated 29.09.2017, non-revolving credit agreement dated 20.02.2018 and non-revolving credit agreement dated 19.06.2018).

The non-revolving credit dated 19.06.2018 is secured on the assets of the subsidiary BH Travel Retail Poland Sp. z o.o. as follows:

- own blank promissory note with promissory note declaration, issued by the Company and guaranteed by Przedsiębiorstwo Handlu Zagranicznego "BALTONA" S.A., Centrum Usług Wspólnych Baltona sp. z o.o., Centrum Obsługi Operacyjnej Sp. z o.o., together with declaration of the promissory note issuer on submission to enforcement proceedings up to PLN 58,500 thousand in connection with the issued promissory note,

- establishment of registered pledge on the inventory of goods constituting the property of the Parent Entity and BH Travel Retail Poland Sp. z o.o., located at warehouses and shops, up to PLN 14,000 thousand until 29 November 2018 and up to PLN 34,000 thousand from 30 November 2018 onwards (joint security of the overdraft facility agreement, non-revolving credit agreement dated 30.08.2016, non-revolving credit agreement dated 29.09.2017, non-revolving credit agreement dated 20.02.2018 and non-revolving credit agreement dated 19.06.2018),
- assignment of rights under the insurance policy concerning the inventory (together with the agreement concerning assignment of receivables from the policy) in favour of the bank, up to PLN 14,000 thousand until 29 November 2018 and up to PLN 34,000 thousand from 30 November 2018 onwards (joint security of the overdraft facility agreement, non-revolving credit agreement dated 30.08.2016, non-revolving credit agreement dated 29.09.2017, non-revolving credit agreement dated 20.02.2018 and non-revolving credit agreement dated 19.06.2018),
- corporate guarantee issued by Flemingo International Limited BVI for PLN 58,500 thousand,
- bank's power of attorney towards the accounts of the guarantors,
- subordination of 100% of all current and future loans granted to the Company by entities controlling it indirectly or directly (joint security of the overdraft facility agreement, non-revolving credit agreement dated 30.08.2016, non-revolving credit agreement dated 29.09.2017, non-revolving credit agreement dated 20.02.2018 and non-revolving credit agreement dated 19.06.2018),
- establishment of registered pledge on equipment of the shops owned by the Borrower with the total value not lower than PLN 6,000 thousand (until establishment of the pledge – transfer of the ownership title in favour of the Bank),
- assignment in favour of the bank of rights under the insurance policy covering the shop equipment, provided however that the insurance sum cannot be lower than PLN 6,000 thousand.

Moreover, the following collaterals existed on the balance sheet date:

- corporate guarantee issued by Flemingo International BVI up to PLN 1,500 thousand as security of transactions on currency contracts.

17.4 Liabilities under financial lease

	Future minimum lease payments 30.09.2018 (unaudited)	Interest 30.09.2018 (unaudited)	Present value of future minimum lease payments 30.09.2018 (unaudited)	Future minimum lease payments 31.12.2017	Interest 31.12.2017	Present value of future minimum lease payments 31.12.2017
Liabilities under financial lease						
1 to 5 years	598	38	560	655	48	607
above 5 years	819	44	775	1 010	61	949
	1 417	**82**	**1 335**	**1 665**	**109**	**1 556**

The Group uses means of transport and some of the equipment under financial leases. The Group's liabilities under financial lease agreements are secured with the lessors' rights towards the assets covered by the agreements and own promissory notes.

All amounts are presented in thousands PLN unless stated otherwise

18. Trade and other liabilities

	Note	30.09.2018 (unaudited)	2018-06-30 (unaudited)	31.12.2017	30.09.2017 (unaudited)
Trade liabilities towards related entities	25	6 111	459	493	571
Trade liabilities towards other entities		53 078	39 282	39 282	27 413
Budgetary liabilities		8 649	8 539	4 434	3 625
Other liabilities		95	102	83	68
Liabilities from acquisition of assets		3 302	-	-	-
Accruals and deferrals		2 060	1 266	1 329	1 788
Special funds		343	368	226	293
		73 638	**50 016**	**45 847**	**33 758**
including:					
- long-term part		-	-	-	-
- short-term part		73 638	50 016	45 847	33 758

19. Liabilities under employee benefits

	30.09.2018 (unaudited)	2018-06-30 (unaudited)	31.12.2017	30.09.2017 (unaudited)
Liabilities under retirement severance pay	132	292	264	210
Liabilities under defined benefits programme	-	-	3 806	4 583
Liabilities for unused holidays	1 527	1 461	1 695	1 653
Liabilities under salaries	2 341	1 072	1 843	1 751
Other liabilities	64	642	42	10
	4 064	**3 467**	**7 650**	**8 207**
including:				
- long-term part	132	292	4 070	4 793
- short-term part	3 932	3 175	3 580	3 414

All amounts are presented in thousands PLN unless stated otherwise

20. Provisions

	Court proceedings	Other provisions	Dispute	Total
As at 1 January 2017	52	32	1 042	**1 126**
Provisions reversed during the period	-	(32)	-	**(32)**
As at 30 September 2017 (unaudited)	**52**	**-**	**1 042**	**1 094**
long-term part	52	-	1 042	1 094
short-term part	-	-	-	-

	Court proceedings	Other provisions	Dispute	Total
As at 1 January 2017	52	32	1 042	**1 126**
Provisions reversed during the period	-	(30)	-	**(30)**
As at 31 December 2017	**52**	**2**	**1 042**	**1 096**
long-term part	52	-	1 042	**1 094**
short-term part	-	2	-	**2**

	Court proceedings	Other provisions	Dispute	Total
As at 1 January 2018	52	2	1 042	**1 096**
Provisions reversed during the period	-	(2)	(1 042)	**(1 044)**
As at 30 September 2018 (unaudited)	**52**	**-**	**-**	**52**
long-term part	52	-	-	52
short-term part	-	-	-	-

The reversed provision, amounting to PLN 1,042 thousand, concerned the dispute between the Group entity BH Travel Retail Poland Sp. z o.o. and Przedsiębiorstwo Państwowe "Porty Lotnicze" [State Airports Company], discussed in note 24. On 6 May 2018 the Issuer, its subsidiary BH Travel Retail Poland Sp. z o.o., Flemingo Dutyfree Shop Private Limited, Ashdod Holding Limited and the State Airports Company concluded a settlement setting forth the principles of settlement of mutual claims connected with the dispute related to lease of retail space at Warsaw Chopin Airport. Pursuant to the provisions of the Settlement, the Parties waived any and all mutual claims (current and future) related to the disputes. Waiver of mutual claims (current and future) involves, moreover, the Parties' undertaking to achieve discontinuation of the pending court and enforcement proceedings and not to initiate any further proceedings aimed at pursuance, determination and enforcement of claims connected with the above mentioned disputes.

All amounts are presented in thousands PLN unless stated otherwise

21. Contractual obligations entered to purchase property, plant and equipment

During the period from 1 January 2018 to 30 September 2018, contractual obligations at PLN 14.109 thousand were drawn to purchase property, plant and equipment.

During the period from 1 January 2018 to 30 September 2018, no contractual obligations were drawn to purchase property, plant and equipment.

22. Deferred income

	30.09.2018 (unaudited)	2018-06-30 (unaudited)	31.12.2017	30.09.2017 (unaudited)
Marketing services - deferred income	-	-	5	19
Development subsidy	15	59	148	192
	15	**59**	**153**	**211**
including:				
- long-term part	-	-	148	192
- short-term part	15	59	5	19

The subsidy granted to the subsidiary Sandpiper 3 Sp. z o.o., at PLN 426 thousand, is used for development of software; after implementation, it is gradually – in equal annual write-offs – carried to the profit and loss account throughout the estimated software usable life, by reduction of the costs of depreciation write-off. As at 30 September 2018, in the opinion of the Management Board of the Parent Entity, the company Sandpiper 3 Sp. z o.o. fulfilled all conditions underlying granting of the subsidy.

23. Financial instruments carried at fair value

As at 30 September 2018, Przedsiębiorstwo Handlu Zagranicznego "BALTONA" S.A. had an active Interest Rate Swap, valued on that date at PLN -25,569.29.

As at 30 September 2018, the subsidiary BH Travel Retail Poland Sp. z o.o. had an active Interest Rate Swap, valued on that date at PLN -251,197.52.

24. Contingency liabilities and court cases

All amounts are presented in thousands PLN unless stated otherwise

Proceedings upon the petition of a natural person (in previous statements described as proceedings upon the petition of Mr. Edward Łaskawiec) concerning liquidation of co-ownership title to the property located in Gdynia, at ul. 10 Lutego 7, are in progress before the District Court in Gdynia. The proceedings involve the claim concerning return of benefits from the property. The court expert appointed to clarify achievable benefits for the period from 20 December 1994 until 25 September 1998 issued an opinion stating that rental revenue during the said period could have amounted to over PLN 3,300 thousand. In the evaluation of the Management Board, this opinion is absolutely incorrect. So far, the Court has focused on elimination of co-ownership and, consequently, it has not dealt with settlement of benefits and outlays of particular co-owners. After the process related to determination of the circumstances concerning purposefulness of elimination of property co-ownership, which took over two years, the Court proceeded to analyse who and how performed property management while the Company was one of the co-owners, as well as who and at what amount obtained benefits therefrom. On 2 May 2017, the District Court suspended the proceedings, but the decision was subsequently repealed by the Regional Court. In the meantime, the other co-owner sold his shares to the original petitioner in the discussed proceedings. On 8 May 2018, the Court suspended the proceedings upon the petitioner's request. The other co-owner appealed against the said ruling. Until the date of publication of these statements, the appeal has not been handled.

At present, it is not possible to estimate possible liabilities of the Parent Entity which may arise in connection with the proceedings. In the opinion of the Management Board, any liabilities which may arise as a result of this case, will not have material impact onto the Company's financial result. In the evaluation of the Management Board, the proceedings in this case will take several years. The Company established a provision for this liability at PLN 52 thousand.

On 6 May 2018, the Parent Entity, BH Travel, Flemingo Dutyfree Shop Private Limited (Flemingo Duty Free), Ashdod Holding Limited (Ashdod) (Flemingo Dutyfree and Ashdod being the parent entities of Przedsiębiorstwo Handlu Zagranicznego "Baltona" S.A.) concluded with the State Airports Company (PPPL) a settlement in which the Parties determined the principles of settlement of mutual claims connected with termination in 2012 of retail space lease agreements at Warsaw Chopin Airport by PPPL (Settlement). In connection with conclusion of the Settlement, the Parent Entity and PPPL concluded 14 retail space lease agreements, as a result of which retail activity will be partly resumed by Baltona Group at Warsaw Chopin Airport.

In 2012 the subsidiary BH Travel Retail Poland Sp. z o.o. (BH Travel) suspended its retail activity at Warsaw Chopin Airport as a result of the notice of termination of the lease agreements furnished by Przedsiębiorstwo Państwowe Porty Lotnicze (State Airports Company – PPPL). The dispute connected with termination of the lease agreements by PPPL and activities related to preparing modernisation of Terminal 1 at Warsaw Chopin Airport included several proceedings which, by the date of publication of these statements, have been discontinued as a result of conclusion of the Settlement.

In connection with the above dispute, the case brought by Vistula Group S.A. against BH Travel is still pending. Until 2012, Vistula Group S.A. was the sub-lessee of one of the premises leased by BH Travel from PPPL. In connection with termination of the lease agreements by PPPL, BH Travel terminated the sublease agreement with Vistula Group. However, Vistula Group failed to return the premises to BH Travel or pay the sublease rent. BH Travel required payments from the bank guarantee issued upon the instruction of Vistula Group S.A. In the suit of 12 August 2012, Vistula Group S.A. requested adjudication from BH Travel of PLN 279,947.33 with interest (amount charged under the bank guarantee). The payment order issued on 1 October 2012 in the payment order proceedings was appealed by BH Travel in whole. On 26 April 2017, the first instance court issued a judgement in which it adjudicated from BH Travel the amount of PLN 279,947.33 with statutory interest and costs of proceedings. On 19 June 2017, BH Travel appealed from the said judgement and Vistula Group S.A. responded to the appeal. The case is awaiting examination by the Court of Appeal in Warsaw. These proceedings are not covered by the Settlement.

In connection with conclusion by the Parent Entity and PPPL of 14 agreements for lease of retail space at Warsaw Okęcie Airport, the former tenant Lagardere Travel Retail Sp. z o.o. with the registered office in Warsaw ("LTR") filed a petition against the Company and PPPL for cancellation of the above mentioned 14 lease agreements. The legal basis of the claim contained in the petition is art. 70^5 of the Civil Code, pursuant to which a tender participant may request cancellation of a concluded agreement if a party to the agreement, another participant or a person acting in agreement therewith influenced the result of the auction or tender in a manner being in contradiction with the law or good habits.

In the said proceedings, LTR submitted two motions requesting security of the claims, namely: (a) requesting prohibition to release the units covered by the above mentioned lease agreements to the

Company by PPL and prohibition to perform the said lease agreements, (b) requesting issuance of an order to furnish the court with monthly statements on performance of the said lease agreements.

By the date of publication of these statements, the court has dismissed the motion requesting security of the claims related to submission of reports. LTR's objection against the ruling of the Regional Court dismissing the motion was also dismissed. To the best of the Parent Entity's knowledge, the other motion requesting security has not been handled to date.

According to the information furnished to the Parent Entity by PPPL, the previous tender procedure concerning lease of retail space at Warsaw Chopin Airport was ended by PPPL without selection of a bid. The Parent Entity did not participate in these proceedings and the lease agreements were concluded by way of negotiations.

The Parent Entity is not familiar with any circumstances which could substantiate the conclusion that signature of the lease agreements occurred as a result of violation of the law or good habits.

Due to the above, the Parent Entity does not see any reasons why LTR's petition for cancellation of the lease agreements concluded with PPPL should be accepted. Therefore, despite the value of the object of litigation identified by LTR as PLN 78.9 million, the Parent Entity has not established a provision for these liabilities.

By the date of publication of these statements, the Parent Entity has not been furnished with a copy of the petition, even though the Regional Court scheduled the first hearing on 4 April 2019. The Parent Entity will perform a comprehensive analysis of the claims contained in the said petition after its delivery by the Court and appointment of the deadline for submitting a response to the petition.

Moreover, on 7 November 2018, the Parent Entity was furnished with a copy of the petition filed by LTR against Port Lotniczy Wrocław S.A. (hereinafter: Wrocław Airport) and the Parent Entity. The claim of the suit is stated as the request to cancel the agreement concluded between Wrocław Airport and the Parent Entity for lease of space. Moreover, the petitioner raised the alternative claim concerning adjudication of invalidity of the above mentioned agreement. Also in this case, the legal basis of the request to invalidate the agreement is art. 70^5 of the Civil Code, which refers to conducting the tendering procedure in a manner inconsistent with the law or good habits. The legal basis of the alternative claim is art. 58 of the Civil Code, but the petitioner also refers to alleged irregularities of the bidding procedure and alleged violation of the petitioner's priority right to occupy a part of the lease object. Value of the object of litigation is specified by LTR as PLN 250,000.

On 28 November 2018, the Parent Entity filed its reply to the petition, requesting dismissal of the petition in whole.

25. Related party transactions

25.1 Parent entity and ultimate parent

The ultimate parent of the capital group whose part is the Parent Entity as a subsidiary is Flemingo International Limited with the registered office in the British Virgin Islands.

25.2 Transactions with managerial staff

Remuneration of key members of the Group's managerial staff was as follows:

	01.07.2018-30.09.2018 (unaudited)	01.07.2017-30.09.2017 (unaudited)	01.01.2018-30.09.2018 (unaudited)	01.01.2017-30.09.2017 (unaudited)
Remuneration of management members	283	197	1 251	913
	283	**197**	**1 251**	**913**

25.3 Other related party transactions

	Value of transactions for the period		Value of transactions for the period		Outstanding balances as at	
	01.07.2018-30.09.2018 (unaudited)	01.07.2017-30.09.2017 (unaudited)	01.01.2018-30.09.2018 (unaudited)	01.01.2017-30.09.2017 (unaudited)	2018-09-30 (unaudited)	2017-12-31
Sales of goods and services						
Flemingo International Ltd. - sales of services	-	-	-	-	488	489
Flemingo International Tanger - sales of services	-	-	-	-	-	4
Ashdod Holdings Ltd. - sales of services	-	-	-	-	29	29
Flemingo Brasil Importacao Limitada	-	-	-	-	363	363
Flemingo Duty Free Shop Pvt. Ltd	-	-	-	-	110	-
Chacalli-De Decker NV	51	-	51	-	7 432	-
Chacalli Den Haag BV	9	-	9	-	2 034	-
Chacalli-De Decker Limited	8	-	8	-	530	-
	68	**-**	**68**	**-**	**10 986**	**885**
Other revenue - loans						
Rafał Kazimierski - interest revenue	1	2	5	5	122	117
Chacalli-De Decker NV	7	-	7	-	613	
Chacalli-De Decker Limited	7	-	7	-	944	
	15	**2**	**19**	**5**	**1 679**	**117**
Purchases of raw materials, goods and services						
Flemingo International Ltd. - purchase of goods	-	-	-	-		-
Flemingo International Ltd. - other services	29	11	63	57	444	451
Flemingo International Tortola - other services	58	58	172	173	19	19
Ashdod Holdings Ltd. - other services	-	(2)	-	-	24	24
Chacalli-De Decker NV	2 336	-	2 336	-	5 607	-
Chacalli Den Haag BV	-	-	-	-	17	-
	2 423	**67**	**2 571**	**230**	**6 111**	**494**
Other costs						
Flemingo International Ltd. - loans/interest costs	218	251	642	684	21 338	21 007
Chacalli-De Decker NV - purchase of shares in LAS			3 302		3 302	
	218	**251**	**3 944**	**684**	**24 640**	**21 007**

The Group received from the related entity Flemingo International (BVI) Limited loans whose repayment dates fall on 31 December 2018 (PLN 21,407 thousand) and interest on 31 December 2018 but, due to their subordination to bank credits, these are recognised in the item of long-term liabilities.

All amounts are presented in thousands PLN unless stated otherwise

All outstanding balances with related entities are measured at arm's length terms and are to be settled as follows: in case of cash settlements for trade receivables within 12 months of the end of the reporting period, in case of loans received – within the deadlines enumerated in note 17.3.

26. Composition of the Capital Group

Company name	Country	Share in %	Share in %
		2018-09-30	2017-12-31
BH Travel Retail Poland Sp. z o.o.	Poland	100	100
Baltona Shipchandlers Sp. z o.o.	Poland	100	100
Gredy Company SRL	Romania	100	100
Centrum Usług Wspólnych Baltona Sp. z o.o.	Poland	100	100
Baltona France S.A.S.	France	100	100
Baldemar Holdings Limited *and its subsidiary:*	Cyprus	100	100
Flemingo Duty Free Ukraine LLC	Ukraine	100	100
Centrum Obsługi Operacyjnej Sp. z o.o.	Poland	100	100
KW Shelf Company Sp. z o.o.	Poland	100	100
Baltona Duty Free Estonia OÜ	Estonia	100	100
Sandpiper 3 Sp z o.o.	Poland	100	100
Liege Airport Shop BVBA	Belgium	100	100
Baltona Italy S.R.L.	Italy	100	100
CDD Holding BV *and its subsidiaries:*	the Netherlands	62	62
Chacalli-De Decker NV	Belgium	0	62
Chacalli Den Haag BV	the Netherlands	0	62
Rotterdam Airport Tax-Free Shop BV	the Netherlands	62	62
Niederrhein Airport Shop GmbH	Germany	62	62
Chacalli-De Decker Limited	Great Britain	0	62

On 11 July 2018, the Company, CDD Holding B.V. (hereinafter: Seller) and Flemingo International (BVI) Limited (hereinafter: Buyer or Flemingo) concluded an agreement concerning sale of shares in indirect subsidiaries of Chacalli Group, i.e. Chacalli-De Decker N.V. (Belgium), Chacalli Den Haag B.V. (the Netherlands) and Chacalli-De Decker Limited (Great Britain). The above companies' activity is connected with supplying diplomatic establishments. Moreover, the Agreement identifies the principles subject to which the Travel Retail business currently conducted within Chacalli-De Decker N.V. (Belgium) will be in whole transferred as an organised part of the enterprise into the structures of Baltona Group. The ownership title to shares of the Chacalli Companies will be transferred within 60 days of conclusion of the Agreement, upon finalisation of formal and registration related activities applicable under the legal systems in which particular Chacalli Companies operate, and after execution of the transaction related to acquisition by the Issuer of Travel Retail assets currently held by Chacalli-De Decker N.V. (Belgium). On 11 September 2018, the Issuer and CDD Holding B.V. as the Seller, and Flemingo International (BVI) Limited as the Buyer concluded an annex to the above agreement. Pursuant to the annex, the parties decided that the initial deadline of 60 days after the date of conclusion of the sale agreement, applicable to the transfer of the ownership title to shares in Chacalli companies, would be extended until the end of November 2018. Within the remaining scope, the annex does not introduce amendment into the above agreement concerning sale of shares in Chacalli companies.

All amounts are presented in thousands PLN unless stated otherwise

The formal and registration related activities were completed after the balance sheet date and the ownership title to the shares of two Chacalli Companies was transferred respectively: transfer of shares in Chacalli De Decker N.V. was completed on 25 October 2018, and transfer of shares in Chacalli De Decker Ltd. was completed on 26 October 2018. As at the date of drawing up this report, the process related to transfer of the ownership title towards the shares in the third Chacalli Company remains pending. At the same time, it is the Issuer's intention to extend the deadline for finalisation of the above mentioned process related to transfer of the ownership title to the shares in Chacalli Den Haag B.V.

The Management Board of the Parent Company has analysed the circumstances and results of the above agreements and annexes. As a result of the analysis, it was concluded that loss of control over the above entities occurred upon conclusion of the original agreement; consequently, assets of the companies sold were excluded in the quarterly shortened consolidated financial statements, while fair value of payment received as a result of the transaction was included, as well as the result on sale and respective adjustments of equity of the parent entity's owners and minority shareholdings.

The initial capital was raised in August 2018 at the subsidiary Liege Airport Shop BVBA. On 1 October 2018, an agreement was concluded between Przedsiębiorstwo Handlu Zagranicznego BALTONA S.A. and Chacalli-De Decker N.V. concerning acquisition of shares in the raised equity of Liege Airport Shop BVBA. As the agreement is related to the agreement dated 11 July 2018 concerning transfer of the Travel Retail business into the structures of Baltona Group, its effects are recognised in these quarterly consolidated financial statements.

27. Result on sale of shares in subsidiaries

As mentioned in the previous paragraph, in July 2018 the Group sold shares in its indirect subsidiaries of Chacalli Group, i.e. Chacalli-De Decker N.V. (Belgium), Chacalli Den Haag B.V. (the Netherlands) and Chacalli-De Decker Limited (Great Britain). This transaction resulted in recognition of profit in the consolidated financial statement, and changes in consolidated equity. The result on sale of shares in the subsidiaries is as follows:

	2018-09-30
Fair value of payment received	-
Value of net assets of the companies sold as at the date of control loss	2 316
	-
Goodwill less minority shareholding as at the date of control loss	
Adjustment by items previously recognised in comprehensive income	-
Result on sale of shares in subsidiaries	**2 316**

All amounts are presented in thousands PLN unless stated otherwise

28. Explanations to the cash flow statement

	2018-09-30
Change in inventories is caused by the following items:	
change in receivables as a result of balance sheet items	6 413
adjustment by the change caused by items of the companies sold	939
Change in receivables recognised in the cash flow statement	**7 352**

	2018-09-30
Change in receivables is caused by the following items:	
change in receivables as a result of balance sheet items	17 687
adjustment by the change caused by items of the companies sold	(120)
Change in receivables recognised in the cash flow statement	**17 567**

	2018-09-30
Change in trade and other liabilities as a result of balance sheet items	27 791
adjustment by the change caused by items of the companies sold	(1 273)
Change in liabilities recognished in the cash flow statement	**26 518**

	2018-09-30
Change in employee benefits as a result of balance sheet items	352
change in provisions as a result of balance sheet items	(1 042)
adjustment by the change caused by items of the companies sold	614
Change in liabilities recognised in the cash flow statement	**(76)**

29. Events after the end of the reporting period

All amounts are presented in thousands PLN unless stated otherwise

On 7 November 2018, the Parent Entity was furnished with a copy of the petition filed by LTR against Port Lotniczy Wrocław S.A. (hereinafter: Wrocław Airport) and the Parent Entity. The claim of the suit is stated as the request to cancel the agreement concluded between Wrocław Airport and the Parent Entity for lease of space. Moreover, the petitioner raised the alternative claim concerning adjudication of invalidity of the above mentioned agreement. Also in this case, the legal basis of the request to invalidate the agreement is art. 705 of the Civil Code, which refers to conducting the tendering procedure in a manner inconsistent with the law or good habits. The legal basis of the alternative claim is art. 58 of the Civil Code, but the petitioner also refers to alleged irregularities of the bidding procedure and alleged violation of the petitioner's priority right to occupy a part of the lease object. Value of the object of litigation is specified by LTR as PLN 250,000.

On 28 November 2018, the Parent Entity filed its reply to the petition, requesting dismissal of the petition in whole.

During the reporting period, the Company was carrying out fit-out works at the units leased from PPL (State Airports Company) pursuant to the lease agreements concluded on 6 May 2018. As compared with the original fit-out schedule, there were delays related to commencement of business at particular units at Warsaw Chopin Airport which, in the Company's evaluation, are not attributable to the Company. Nevertheless, PPL initiated the procedure of charging the Company with invoices covering the lease rent, referring to the original schedules instead of actual circumstances enabling commencement of business at the airport. In consequence, the Company received invoices for the lease rent and debit notes covering penalties for delays in accomplishment of certain activities during the fit-out process.

In the evaluation of the Company, some of the amounts contained in the invoices issued by PPL are not due and the Company has suspended the processing of those invoices. In particular, the Company believes that the schedules referred to by PPL cannot constitute the basis for charging of lease rents and they did not specify a deadline for completion of fit-out works which would be binding onto the parties (and, therefore, there has not been any delay on the part of the Company in performance of certain actions which could constitute the basis to claim contractual penalties). The Company states that, in its evaluation, the delays related to fit-out completion – as compared with the original dates stipulated in the schedules – result from reasons not dependent on the Company.

As at the date of drawing up this periodic report, the total amount of payments suspended by the Company amounts to, respectively, PLN 4.9 million under delay penalties and PLN 8.8 million under lease rents.

The Company and PPL are clarifying the discrepancies related to interpretation of the agreements and actual circumstances. For the period of current cooperation, the Company has applied the existing manner of settlements with PPL, pursuant to which the Company is paying lease rent liabilities to PPL. At the same time, the parties agreed that they would undertake actions aimed at commissioning an external entity with verification of the technical aspects of their cooperation so far and the fit-out process, which would allow reaching an agreement concerning the appropriate rent settlement mechanism.

Moreover, the Issuer emphasises that issuance of the debit notes and the invoices, as well as the circumstances referred to by PPL in those documents do not constitute violation of the settlement dated 6 May 2018.

On 27 November 2018, the Management Board of Przedsiębiorstwo Handlu Zagranicznego Baltona S.A. signed with Port Lotniczy Poznań-Ławica Sp. z o.o. (Poznań-Ławica Airport) annex no. 4 to the space lease agreement dated 26 March 2013, in which the parties decided to enable the Lessor to extend the lease term after expiry of the agreement, i.e. after 6 July 2019 on the terms identified in the annex. The extended lease term may apply no longer than until 7 November 2019.

Capital Group of Przedsiębiorstwo Handlu Zagranicznego "Baltona" S.A.

The above quarterly shortened consolidated financial statements were drawn up on 29 November 2018 and approved for publication by the Management Board of Przedsiębiorstwo Handlu Zagranicznego "Baltona" S.A. on 29 November 2018.

Piotr Kazimierski
President of the Management Board

Karolina Szuba
Member of the Management Board

Michał Kacprzak
Member of the Management Board
Chief Accountant
Person responsible for maintenance of accounting books