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PRZEDSIĘBIORSTWO HANDLU ZAGRANICZNEGO „BALTONA” S.A.
[FOREIGN TRADE COMPANY “BALTONA” JOINT STOCK COMPANY’]
SEMI-ANNUAL SHORTENED INDIVIDUAL FINANCIAL STATEMENTS
FOR THE PERIOD OF SIX MONTHS ENDED
ON 30 JUNE 2018

Warsaw, 24 August 2018

Przedsiębiorstwo Handlu Zagranicznego "Baltona" S.A.

Semi-Annual Shortened Individual Financial Statements

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Przedsiębiorstwo Handlu Zagranicznego "Baltona" S.A.

Semi-annual shortened individual statement of financial position

All amounts are presented in thousands Polish zlotys (PLN) unless stated otherwise

ASSETS	Note	2018-06-30 (unaudited)	31.12.2017	2017-06-30 (unaudited)
Non-current assets				
Property, plant and equipment	8	9 852	5 175	5 135
Intangible assets		298	390	54
Trade and other receivables	11	4 036	1 993	2 000
Long-term investments	9	48 596	40 018	41 201
Deferred income tax assets		2 228	2 228	786
Non-current assets		65 010	49 804	49 176
Current assets				
Inventories	10	22 822	17 248	13 396
Trade and other receivables	11	17 577	12 852	14 543
Short-term investments	9	96	117	114
Cash and cash equivalents	12	4 047	5 591	2 808
Current assets		44 542	35 808	30 861
TOTAL ASSETS		109 552	85 612	80 037

The additional explanations to the semi-annual shortened individual financial statements attached on the following pages from 11 to 34 constitute an integral part of the statements.

Przedsiębiorstwo Handlu Zagranicznego "Baltona" S.A.
Semi-annual shortened individual statement of financial position
All amounts are presented in thousands Polish zlotys (PLN) unless stated otherwise

LIABILITIES	Note	2018-06-30 (unaudited)	31.12.2017	2017-06-30 (unaudited)
Equity				
Share capital		2 814	2 814	2 814
Share premium		4 655	4 655	4 655
Reserve capital		21 468	21 003	21 003
Treasury shares		(2 043)	(2 043)	(2 043)
Retained profits		(5 562)	(108)	3 962
Total equity		21 332	26 321	30 391
Liabilities				
Liabilities under credits, loans and other debt instruments	15	23 328	18 038	17 713
Provisions		52	52	52
Liabilities under employee benefits	17	35	35	37
Long-term liabilities		23 415	18 125	17 802
Liabilities under credits, loans and other debt instruments	15	16 515	8 828	12 320
Trade and other liabilities	16	46 819	30 960	18 497
Liabilities under employee benefits	17	1 471	1 373	992
Deferred income	18	-	5	35
Short-term liabilities		64 805	41 166	31 844
Liabilities		88 220	59 291	49 646
TOTAL LIABILITIES		109 552	85 612	80 037

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Przedsiębiorstwo Handlu Zagranicznego "Baltona" S.A.
Semi-annual shortened individual statement of profit and loss and other comprehensive income

All amounts are presented in thousands Polish zlotys (PLN) unless stated otherwise

	Note	01.01.2018- 30.06.2018 (unaudited)	01.01.2017- 30.06.2017 (unaudited)
Sales revenue	4	126 210	102 998
Other operating revenue	6	9	385
Total operating revenue		126 219	103 383
Depreciation and impairment write-offs		(1 247)	(1 635)
Consumption of raw materials and materials		(679)	(528)
Rents and other third party services		(33 270)	(22 292)
Costs of employee benefits		(6 742)	(5 657)
Taxes and fees		(483)	(561)
Other cost items		(1 098)	(705)
Value of goods and materials sold		(89 055)	(75 685)
Other operating costs	6	(26)	(72)
Total operating costs		(132 600)	(107 135)
Operating loss		(6 381)	(3 752)
Financial revenue		2 293	8 958
Financial costs		(901)	(1 052)
Net financial revenue	7	1 392	7 906
(Loss)/Profit before tax		(4 989)	4 154
Income tax		-	380
Net (loss)/profit for the reporting period		(4 989)	4 534
Other comprehensive income			
Total other net comprehensive income for the reporting period		-	-
Total comprehensive income for the reporting period		(4 989)	4 534
(Loss)/Profit per 1 share			
Basic (PLN)		(0,46)	0,41
Diluted (PLN)		(0,46)	0,41

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Przedsiębiorstwo Handlu Zagranicznego "Baltona" S.A.
Semi-annual shortened individual cash flow statement

All amounts are presented in thousands Polish zlotys (PLN) unless stated otherwise

	Note	01.01.2018- 30.06.2018 (unaudited)	01.01.2017- 30.06.2017 (unaudited)
Operating cash flow			
Net (loss)/profit for the reporting period		(4 989)	4 534
Adjustments:			
Depreciation of property, plant and equipment		1 132	1 591
Depreciation of intangible assets		115	44
Net financial (revenue)	7.1	(1 392)	(7 906)
(Profit)/Loss on sale of property, plant and equipment		-	(35)
Income tax		-	(380)
Other adjustments		100	(60)
		<u>(5 034)</u>	<u>(2 212)</u>
Change in inventories		(5 574)	9 647
Change in trade and other receivables		(6 768)	12 366
Change in trade liabilities		19 956	(22 751)
Change in provisions and liabilities under employee benefits		98	(128)
Change in deferred income		(5)	35
Cash generated on operating activity		<u>2 673</u>	<u>(3 043)</u>
Tax paid		-	-
Net cash from operating activity		<u>2 673</u>	<u>(3 043)</u>
Investment cash flows			
Dividends received		737	-
Proceeds from sales of property, plant and equipment		-	35
Proceeds from investments (loan repayment)		2 100	126
Acquisition of property, plant and equipment and intangible assets		(9 641)	(1 092)
Acquisition of investments (loans granted)		(8 655)	(4 335)
Bank deposit contribution		-	-
Net cash from investments		<u>(15 459)</u>	<u>(5 266)</u>
Financial cash flows			
Credits and loans drawn		8 656	-
Expenditures on repayment of credits and loans		(601)	(468)
Payment of financial lease liabilities		(158)	(214)
Interest paid		(415)	(375)
Net cash from financial activity		<u>7 482</u>	<u>(1 057)</u>
Total net cash flows		<u>(5 304)</u>	<u>(9 366)</u>
Cash and cash equivalents at the beginning of the period		<u>(1 908)</u>	1 054
Cash at the end of the period	12	<u>(7 212)</u>	<u>(8 312)</u>

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Przedsiębiorstwo Handlu Zagranicznego "Baltona" S.A.
Semi-annual shortened individual statement of changes in equity

All amounts are presented in thousands Polish zlotys (PLN) unless stated otherwise

	Share capital	Share premium capital	Revaluation capital	Reserve capital	Akcje własne	Retained profits	Total equity
Equity as at 01.01.2017	2 814	4 655	-	21 003	(2 043)	(572)	25 857
Total income for the reporting period							-
Net profit for the reporting period	-	-	-	-	-	4 534	4 534
Total comprehensive income for the reporting period	-	-	-	-	-	4 534	4 534
Transactions with owners recognised directly in equity							
Acquired treasury shares	-	-	-	-	-	-	-
Other							
Transfer of profit to reserve capital	-	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	-	-	-
Equity as at 30.06.2017 (unaudited)	2 814	4 655	-	21 003	(2 043)	3 962	30 391

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Przedsiębiorstwo Handlu Zagranicznego "Baltona" S.A.
Semi-annual shortened individual statement of changes in equity

All amounts are presented in thousands Polish zlotys (PLN) unless stated otherwise

	Share capital	Share premium capital	Revaluation capital	Reserve capital	Akcje własne	Retained profits	Total equity
Equity as at 01.01.2017	2 814	4 655	-	21 003	(2 043)	(572)	25 857
Total income for the reporting period							
Net income for the reporting period	-	-	-	-	-	464	464
Total comprehensive income for the reporting period	-	-	-	-	-	464	464
Transactions with owners recognised directly in equity							
Acquired treasury shares	-	-	-	-	-	-	-
<i>Other</i>							
Transfer of profit to reserve capital	-	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	-	-	-
Equity as at 31.12.2017	2 814	4 655	-	21 003	(2 043)	(108)	26 321

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Przedsiębiorstwo Handlu Zagranicznego "Baltona" S.A.
Semi-annual shortened individual statement of changes in equity

All amounts are presented in thousands Polish zlotys (PLN) unless stated otherwise

	Share capital	Share premium capital	Revaluation capital	Reserve capital	Akcje własne	Retained profits	Total equity
Equity as at 01.01.2018	2 814	4 655	-	21 003	(2 043)	(108)	26 321
Total income for the reporting period							
Net (loss) for the reporting period	-	-	-	-	-	(4 989)	(4 989)
Total comprehensive income for the reporting period	-	-	-	-	-	(4 989)	(4 989)
Transactions with owners recognised directly in equity							
Acquired treasury shares	-	-	-	-	-	-	-
Other							
Przeniesienie zysku na kapitał zapasowy	-	-	-	465	-	(465)	-
Total transactions with owners	-	-	-	465	-	(465)	-
Equity as at 30.06.2018 (unaudited)	2 814	4 655	-	21 468	(2 043)	(5 562)	21 332

The additional explanations to the semi-annual shortened individual financial statements attached on the following pages
from 11 to 34 constitute an integral part of the statements.

Przedsiębiorstwo Handlu Zagranicznego "Baltona" S.A.**Additional explanations to the semi-annual shortened individual financial statements****Table of contents**

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The additional explanations to the semi-annual shortened individual financial statements attached on the following pages from 11 to 34 constitute an integral part of the statements.

All amounts are presented in thousands Polish zlotys (PLN) unless stated otherwise

1. Identification of the Entity

Przedsiębiorstwo Handlu Zagranicznego “BALTONA” Spółka Akcyjna [Foreign Trade Company “BALTONA” Joint Stock Company], hereinafter referred to as the “Company” or “Entity” is a joint stock company incorporated in Poland.

The registered office of the Company is located at ul. Flisa 4 in Warsaw (postal code: 02-247).

The semi-annual shortened individual financial statements have been drawn up for the reporting period ended on 30 June 2018. The financial statements contain comparative data for the period of 6 months ended on 30 June 2017 and for the year ended on 31 December 2017.

The Company’s business includes sales of goods at retail shops, including in particular duty free shops at airports located in Poland and at border crossings. In November 2017, the Company commenced business activity at sea ferries operating on the Baltic Sea.

Duration of the Company is unlimited.

2. Basis of preparation of the financial statements

2.1 Statement of compliance and general principles of preparation

The semi-annual shortened individual 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 individual annual financial statements prepared for the year ended on 31 December 2017. These semi-annual shortened individual 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 semi-annual shortened individual financial statements prepared for the period ended on 30 June 2018 have not been reviewed by an expert auditor. The individual financial statements for the year ended on 31 December 2017 were reviewed by an expert auditor who expressed an opinion without objections concerning the individual financial statements.

The semi-annual shortened financial statements have been prepared based on the assumption of going concern within foreseeable future.

The semi-annual shortened financial statements ought to be analysed together with the individual financial statements for the year ended on 31 December 2017.

The semi-annual shortened financial statements were approved for publication by the Management Board of the Parent Entity on 24 August 2018.

The additional explanations to the semi-annual shortened individual financial statements attached on the following pages from 11 to 34 constitute an integral part of the statements.

All amounts are presented in thousands Polish zlotys (PLN) unless stated otherwise

2.2 Presentation and functional currency

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

Polish zloty is the Company's functional currency.

2.3 Judgements and estimations made

Preparation of the semi-annual shortened financial statements pursuant to EU IFRS requires the Management Board 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 semi-annual shortened individual statements, material estimates made by the Management Board and the main sources of estimate uncertainty remain unchanged as compared with those applied in the preparation of the annual individual financial statements for the financial year ended on 31 December 2017.

2.4 Error corrections and presentation changes

These financial statements do not contain fundamental error corrections or presentation changes.

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

Amendments to standards

The principles (policies) of accounting applied in preparation of the semi-annual financial statements are consistent with those applied in preparation of the annual financial statements as at 31 December 2017, except for application of amendments to standards and new interpretations applicable to annual periods commencing on or after 1 January 2018.

Standards not yet effective and not approved by the European Commission

The Company intends to adopt amendments to EU IFRS, published but not yet effective as on the date of publication of these semi-annual shortened individual financial statements, in accordance with their effective date. Standards and interpretations adopted by the International Accounting Standards Board which, as at 30 June 2018, were not approved by the European Commission (EC) for application and, as a result, they were not applied in these statements, include:

- Financial reporting conceptual assumptions, applicable to reporting periods commencing on or after 1 January 2020;
- Amendments to IFRS 9 "Financial instruments", introducing provisions related to contracts with the prepayment option, applicable to reporting periods commencing on or after 1 January 2019;
- IFRS 16 "Leases", applicable to reporting periods commencing on or after 1 January 2019;
- Amendments to IAS 28 "Investments in associates and joint ventures", applicable to reporting periods commencing on or after 1 January 2019;
- IFRS 17 "Insurance contracts", applicable to reporting periods commencing on or after 1 January 2021;
- Amendments to IAS 19, defining the method for identification of the costs of defined pension benefit programmes by the entity in case of changes in the programme of such benefits, applicable to reporting periods commencing on or after 1 January 2019;

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- Amendments to IFRS 10 “Consolidated financial statements” and IAS 28 “Investments in associates and joint ventures” – sale or contribution of assets among the investor and its associate or joint venture and subsequent changes (the effective date of the amendments has been postponed until completion of analytical works on the equity method);
- Interpretation IFRIC 23 “Uncertainty over income tax treatments” (applicable to annual periods commencing on or after 1 January 2019).

The Company intends to adopt amendments to EU IFRS, published but not yet effective as on the date of publication of these semi-annual shortened individual 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 Company 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 June 2018, the Company leases space at approximately 10 locations, pursuant to leases concluded for the terms from 1 to 5 years, which – according to the Company’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. Revenue

4.1 Material structure

	01.01.2018- 30.06.2018	01.01.2017- 30.06.2017
	(unaudited)	(unaudited)
Revenue from sales of services		
Sublease of space	21	21
DCC* revenue	1 065	572
Other	8	-
Total revenue from sales of services	1 094	593
Revenue from sales of goods		
Retail sales to the public	12 890	8 762
Duty free retail sales	108 097	71 502
Wholesale	2 268	20 042
Export sales	1 044	1 068
Other	817	1 031
Total revenue from sales of goods	125 116	102 405
Total revenue from sales	126 210	102 998

* DCC (Dynamic Currency Conversion) revenues 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.

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4.2. Territorial structure

	01.01.2018- 30.06.2018	01.01.2017- 30.06.2017
	(unaudited)	(unaudited)
Revenue from sales of services		
Poland	1 086	593
Other	8	-
Total revenue from sales of services	<u>1 094</u>	<u>593</u>
Revenue from sales of goods		
Poland	118 353	82 119
Other	6 763	20 286
Total revenue from sales of goods	<u>125 116</u>	<u>102 405</u>
Total revenue from sales	<u>126 210</u>	<u>102 998</u>

5. Information on the seasonal or cyclical character of the Company's business during the presented period

To a large extent, the operating activity of the Capital 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, and it causes diversified working capital requirements on the part of the Company.

6. Other operating revenue and costs

6.1 Recognised as profit or loss of the current period

	01.01.2018- 30.06.2018	01.01.2017- 30.06.2017
	(unaudited)	(unaudited)
Profit on sale of non-financial non-current assets	-	31
Damages received	4	13
Reversal of receivables revaluation write-offs	1	4
Reversal of fixed assets revaluation write-offs		172
Other	4	165
Total other operating revenue	<u>9</u>	<u>385</u>

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	01.01.2018- 30.06.2018 (unaudited)	01.01.2017- 30.06.2017 (unaudited)
Written off receivables	-	2
Penalties and damages	-	(14)
Other	(26)	(60)
Total other operating costs	(26)	(72)

7. Financial revenue and costs

7.1 Recognised as profit or loss of the current period

	01.01.2018- 30.06.2018 (unaudited)	01.01.2017- 30.06.2017 (unaudited)
Revenue from interest on granted loans and receivables	586	493
Dividends received	737	8 465
Net exchange rate differences	970	-
Total financial revenue	2 293	8 958

	01.01.2018- 30.06.2018 (unaudited)	01.01.2017- 30.06.2017 (unaudited)
Costs of interest on financial liabilities carried at amortised cost	(873)	(659)
Revaluation of derivative instruments carried at fair value through profit or loss	(24)	-
Revaluation write-off of the value of investment in a subsidiary	(4)	(4)
Net exchange rate differences	-	(389)
Total financial costs	(901)	(1 052)
Net financial revenue recognised as the profit of the current period	1 392	7 906

8. Property, plant and equipment

8.1 Acquisitions and reductions of property, plant and equipment

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During the period of six months ended on 30 June 2018, the Company acquired property, plant and equipment worth PLN 5,824 thousand (period of six months ended on 30 June 2017: PLN 920 thousand). During the period of six months ended on 30 June 2018, the Company did not sell property, plant and equipment (during the period of six months ended on 30 June 2017, the Company sold property, plant and equipment for PLN 35 thousand and achieved a profit of PLN 31 thousand on those transactions).

8.2 Impairment write-offs and their subsequent reversal

In these semi-annual shortened financial statements for the period ended on 30 June 2018, the Company did not perform impairment write-offs (period of six months ended on 30 June 2017: PLN 0 thousand). During the period of six months ended on 30 June 2018, the Company did not reverse revaluation write-offs, while during the period of six months ended on 30 June 2017, the Company reversed revaluation write-offs of PLN 172 thousand.

9. Other investments

<i>Long-term investments</i>	30.06.2018 (unaudited)	31.12.2017	30.06.2017 (unaudited)
Shares in affiliated entities	9 361	9 264	9 220
Loans granted to affiliated entities	39 235	30 754	31 980
	<u>48 596</u>	<u>40 018</u>	<u>41 201</u>
<i>Short-term investments</i>	30.06.2018 (unaudited)	31.12.2017	30.06.2017 (unaudited)
Loans granted to affiliated entities	120	117	114
Loans granted to other entities	-	-	-
Bank deposits as collateral of guarantees granted	-	-	-
Other short-term financial assets	(24)	-	-
	<u>96</u>	<u>117</u>	<u>114</u>
10. Inventories	30.06.2018 (unaudited)	31.12.2017	30.06.2017 (unaudited)
Goods and finished products	22 822	17 248	13 396
	<u>22 822</u>	<u>17 248</u>	<u>13 396</u>

From 1 January 2018 to 30 June 2018, the value of trading goods and materials included in own cost of sales amounted to PLN 89,055 thousand (from 1 January 2017 to 30 June 2017: PLN 75,685 thousand). During the period of six months ended on 30 June 2018 and during the period of six months

The additional explanations to the semi-annual shortened individual financial statements attached on the following pages from 11 to 34 constitute an integral part of the statements.

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ended on 30 June 2017, there were no changes in inventory revaluation write-offs. During the first half of 2018, a provision for inventory taking deficiencies was established at PLN 90 thousand.

In order to secure the Company's liabilities under the multi-purpose credit line, a registered pledge was established on the inventory of goods for sale located at warehouses and shops, being the Company's property, together with the Company's statement on submission to enforcement with respect to release of the items. Value of the pledge object at the prices of acquisition can in no circumstances be lower than PLN 14,000 thousand. Pursuant to the annex dated 19.06.2018 to the multi-purpose credit line, the collateral will be increased to PLN 29,000 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.

11. Trade and other receivables

	30.06.2018 (unaudited)	31.12.2017	30.06.2017 (unaudited)
Trade receivables	12 005	9 017	8 299
Budgetary receivables	3 707	2 471	1 256
Other receivables	31	162	13
Receivables under deposit	3 698	2 736	4 720
Accruals and deferrals	2 172	459	2 255
Total receivables	21 613	14 845	16 543
Long-term	4 036	1 993	2 000
Short-term	17 577	12 852	14 543
	21 613	14 845	16 543

From 1 January 2018 to 30 June 2018, receivables revaluation write-offs amounting to PLN 1 thousand were reversed.

During the period of six months ended on 30 June 2017, receivables revaluation write-offs amounting to PLN 4 thousand were reversed and a write-off of PLN 4 thousand was performed.

All amounts are presented in thousands Polish zlotys (PLN) unless stated otherwise

12. Cash and cash equivalents

	30.06.2018	31.12.2017	30.06.2017
	(unaudited)		(unaudited)
Cash in hand and in bank	2 369	2 998	2 099
Cash in transit	1 678	2 593	709
Cash and cash equivalents, value recognised in the statement of financial position	4 047	5 591	2 808
Overdrafts	(11 259)	(7 499)	(11 120)
Cash and cash equivalents, value recognised in the cash flow statement	(7 212)	(1 908)	(8 312)

13. Equity

13.1 Treasury shares purchase programme

On 16 January 2012, the Management Board became authorised by the Company to 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 Entity. Purchases of the Company's shares were exercised solely through Dom Inwestycyjny BRE Bank S.A. The minimum price of purchase by the Company of one treasury share was determined at PLN 0.25, whereas the maximum price was set at PLN 9.20. In total, the Company 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 Company in its current reports.

On 19 February 2015, the Extraordinary General Meeting of Shareholders of the Company 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 Company'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 Company 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

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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 June 2018 and by the date of publication of these statements, within the programme, the Company 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.

13.2 Distribution of 2017 result

By means of resolution no. 7 of 26 June 2018, the Ordinary General Meeting of Shareholders of the Foreign Trade Company "Baltona" decided to allocate the whole net profit for the business year 2017, at PLN 464,728.11 thousand to increasing the reserve capital.

14. Share based payments

During the period of six months ended on 30 June 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.

15. Liabilities under credits, loans and other debt instruments

15.1 Long-term liabilities

	30.06.2018 (unaudited)	31.12.2017	30.06.2017 (unaudited)
Long-term bank credits	6 351	1 236	1 156
Loans from affiliated entities	16 672	16 533	16 378
Liabilities under financial lease	305	269	179
	<u>23 328</u>	<u>18 038</u>	<u>17 713</u>

15.2 Short-term liabilities

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	30.06.2018 (unaudited)	31.12.2017	30.06.2017 (unaudited)
Overdrafts	11 259	7 499	11 120
Short-term bank credits	4 070	1 130	955
Loans from affiliated entities	1 014	-	
Short-term part of liabilities under financial lease	172	199	245
	<u>16 515</u>	<u>8 828</u>	<u>12 320</u>

A specification of loans received from affiliated entities is contained in note 22.3.

15.3 Credit and loan repayment terms and schedule

	Currency	Nominal rate	Year of maturity	30.06.2018 Book value (unaudited)	2017-12-31 Book value
Unsecured loan from an affiliated entity	USD	5,00%	2018	35	34
Unsecured loan from an affiliated entity	EUR	5,00%	2018	16 588	16 459
Unsecured loan from an affiliated entity	PLN	WIBOR12M +margin	2018	1 014	-
Unsecured loan from an affiliated entity	EUR	5,00%	2018	43	40
Overdraft secured on the Company's assets	PLN	WIBOR3M+ bank's margin	2021*	11 265	7 499
Non-revolving credit secured on the Company's assets	PLN	WIBOR3M+ bank's margin	2019	1 155	1 637
Non-revolving credit secured on the Company's assets	PLN	WIBOR3M+ bank's margin	2020	4 736	729
Short-term credit	PLN	WIBOR3M+ bank's margin	2022	4 530	-
Liabilities under financial lease	PLN, EUR	WIBOR1M / LIBOR1M + margin	2017-2019	477	468
Total interest bearing liabilities				<u>39 843</u>	<u>26 866</u>

* Crediting period until 8 February 2021. Current credit availability term falls on 30 September 2018.

Overdraft facilities, covered by annexes signed on 19 June 2018, are secured on the Company'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

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issuer on submission to enforcement proceedings up to PLN 106,500 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 29,000 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 29,000 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.

In the annex dated 19 June 2018, Foreign Trade Company "BALTONA" 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 Company'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,

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- 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 29,000 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 29,000 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 Company'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 29,000 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 29,000 thousand from 30

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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 Company's assets as follows:

- own blank promissory note with promissory note declaration, issued by the Company and guaranteed by Baltona Shipchangers 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 29,000 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 29,000 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).

On 19 June 2018, the subsidiary BH Travel concluded the non-revolving credit agreement of PLN 39 million, to be used for financing and refinancing the costs of investment related to commencement of

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business activity by the Capital Group of Baltona at Warsaw airport. The credit is granted for the term of 60 months, with the release deadline at the end of the first quarter of 2019. Securities of credit repayment include own blank promissory note up to PLN 58.5 million with the enforceability term until 19 June 2026, guaranteed by Foreign Trade Company "BALTONA" Joint Stock Company and registered pledge up to PLN 14 million (until 29 November 2018) and up to PLN 29 million from 30 November 2018 onwards, established on the inventories belonging to BH Travel and the Issuer.

Moreover, there are corporate guarantees issued by Flemingo International Limited up to PLN 1,500 thousand as security of transactions on currency contracts.

15.4 Liabilities under financial lease

	Future minimum lease payments 30.06.2018 (unaudited)	Interest 30.06.2018 (unaudited)	Present value of future minimum lease payments 30.06.2018 (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						
up to one year	180	8	172	206	7	199
1 to 5 years	310	5	305	273	4	269
	<u>490</u>	<u>13</u>	<u>477</u>	<u>479</u>	<u>11</u>	<u>468</u>

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

The additional explanations to the semi-annual shortened individual financial statements attached on the following pages from 11 to 34 constitute an integral part of the statements.

16. Trade and other liabilities

	Note	30.06.2018 (unaudited)	31.12.2017	30.06.2017 (unaudited)
Trade liabilities towards related entities	23	8 153	4 847	2 526
Trade liabilities towards other entities		31 956	22 206	12 945
Budgetary liabilities		6 062	3 158	2 080
Other liabilities		21	13	47
Accruals and deferrals		408	602	719
Special funds		219	134	180
		<u>46 819</u>	<u>30 960</u>	<u>18 497</u>
including:				
- long-term part		-	-	-
- short-term part		46 819	30 960	18 497

17. Liabilities under employee benefits

	30.06.2018 (unaudited)	31.12.2017	30.06.2017 (unaudited)
Liabilities under retirement severance pay	35	35	37
Liabilities under salaries	917	954	570
Liabilities under unused holidays	542	386	416
Other liabilities	12	33	6
	<u>1 506</u>	<u>1 408</u>	<u>1 029</u>
including:			
- long-term part	35	35	37
- short-term part	1 471	1 373	992

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18. Deferred income

	30.06.2018 (unaudited)	31.12.2017	30.06.2017 (unaudited)
Marketing services and advertising space rental - deferred income	-	5	35
	<u>-</u>	<u>5</u>	<u>35</u>
including:			
- long-term part	-	-	-
- short-term part	-	5	35

19. Financial instruments carried at fair value

As at 30 June 2018, Foreign Trade Company „BALTONA” Joint Stock Company had an active Interest Rate Swap, valued on that date at PLN -24,057.97.

No financial instruments carried at fair value occurred during the period from 1 January 2017 until 30 June 2017.

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

During the period from 1 January 2018 until 30 June 2018, there were no contractual obligations drawn in order to purchase property, plant and equipment.

21. Contingent liabilities and court cases

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 Company 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

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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 Company, 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.

Consequently, 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 Company 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.

Pursuant to the information obtained by the Company, 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. The ruling in this scope is not yet legally valid. 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 Company by PPPL, the previous tender proceedings concerning lease of retail space at Warsaw Chopin Airport was ended by PPPL without selection of a

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bid. The Company did not participate in these proceedings and the lease agreements were concluded by way of negotiations.

The Company 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 Company 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 Company has not been furnished with a copy of the petition. The Company 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.

22. Related party transactions

22.1 Parent entity and ultimate parent

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

The parent entity on the lowest level of the capital group whose part is the Company as a subsidiary belonging at the same time to the capital group referred to above is Ashdod Holdings Limited with the registered office in Cyprus.

22.2 Transactions with managerial staff

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

	01.01.2018- 30.06.2018	01.01.2017- 30.06.2017
	(unaudited)	(unaudited)
Remuneration of management members	625	447
	625	447

22.3 Other related party transactions

The additional explanations to the semi-annual shortened individual financial statements attached on the following pages from 11 to 34 constitute an integral part of the statements.

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	Value of transactions for the period		Unsettled balances as at	
	01.01.2018- 30.06.2018 (unaudited)	01.01.2017- 30.06.2017 (unaudited)	2018-06-30 (unaudited)	2017-12-31
Sales of goods and services / Receivables				
Baltona Shipchandlers Sp. z o.o. - sales of services	-	-	-	3
BH Travel Retail Poland Sp. z o.o. - sales of services	2	2	207	-
Centrum Obsługi Operacyjnej Sp. z o.o. - sales of goods	-	49	-	2 047
Centrum Obsługi Operacyjnej Sp. z o.o. - sales of services	14	13	467	-
Centrum Usług Wspólnych Baltona Sp. z o.o. - sales of services	198	194	-	-
Baltona France S.A.S. - sales of goods	-	57	465	550
Baltona Italy S.R.L. - sales of goods, fixed assets	4	7	15	43
Flemingo Duty Free Ukraine LLC - sales of goods	1 600	981	580	358
Gredy Company SRL - sales of goods	75	126	179	200
Flemingo International Ltd. - sales of services	-	-	478	479
Flemingo Brasil Importacao Limitada	-	-	363	363
Flemingo International Tanger	-	-	-	4
KW Shelf Company Sp. z o.o. - sales of services	2	2	6	4
Ashdod Holdings Ltd. - sales of services	-	-	29	29
Rotterdam Airport Tax-Free Shop BV - sales of goods	1	-	20	40
Chacalli-De Decker NV - sales of goods	7	-	-	81
Chacalli Den Haag BV - sales of goods	82	-	85	3
Niederrhein Airport GmbH	1	-	19	48
Baltona Estonia - sales of goods	109	-	5 984	1 691
Sandpiper - sales of services	2	-	-	11
	2 097	1 431	8 897	5 954
Interest revenue - loans granted				
BH Travel Retail Poland Sp. z o.o. - interest revenue / loan balance	149	125	10 247	9 402
Gredy Company SRL - interest revenue / loan balance	9	9	1 535	1 460
Centrum Obsługi Operacyjnej Sp. z o.o. - interest revenue / loan balance	288	270	11 545	11 256
Baltona France S.A.S. - interest revenue / loan balance	37	37	4 195	3 975
Harding Brothers Retail Ltd. - interest revenue / loan balance	1	-	1	-
Baldemar Holdings Limited - interest revenue / loan balance	15	14	800	715
Pan Rafał Kazimiński - interest revenue / loan balance	3	3	120	117
Liege Airport Shop BVBA - interest revenue / loan balance	-	-	66	-
KW Shelf Company Sp. z o.o. - interest revenue / loan balance	4	4	-	-
Sandpiper 3 - interest revenue / loan balance	-	8	-	23
Baltona Italy S.R.L. - interest revenue / loan balance	11	13	1 211	907
Chacalli-De Decker NV - interest revenue / loan balance	104	12	2 364	1 282
Chacalli-De Decker Limited - interest revenue / loan balance	13	2	961	904
Baltona Duty Free Estonia OÜ - interest revenue / loan balance	42	-	6 310	830
	676	497	39 355	30 871

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All amounts are presented in thousands Polish zlotys (PLN) unless stated otherwise

	Value of transactions for the period		Unsettled balances as at	
	01.01.2018- 30.06.2018 (unaudited)	01.01.2017- 30.06.2017 (unaudited)	2018-06-30 (unaudited)	2017-12-31
Purchases of raw materials, goods and services / Liabilities				
Baltona Shipchandlers Sp. z o.o. - logistic services	-	-	-	4
Baltona Shipchandlers Sp. z o.o. - purchase of goods	7	948	-	-
BH Travel Retail Poland Sp. z o.o. - purchase of fixed assets	13	-	-	-
Centrum Obsługi Operacyjnej Sp. z o.o. - purchase of goods and services	78	257	-	-
Centrum Usług Wspólnych Baltona Sp. z o.o. - trademark royalty, payment for administrative services	6 067	3 978	6 866	3 823
Flemingo International Ltd. - other services	39	46	415	451
Flemingo International Tortola - other services	114	115	20	19
Sandpiper 3 Sp.z.o.o - purchase of services	206	-	160	-
Chacalli-De Decker NV - purchase of goods	1 030	2 115	692	549
	7 554	7 458	8 153	4 846
Interest costs / Loans received				
Flemingo International Ltd. - interest costs	351	275	16 666	16 533
Baltona Shipchandlers Sp. z o.o.	13	16	1 014	-
	364	291	17 680	16 533

The Company received from related entities Flemingo International (BVI) Limited and Flemingo International Limited loans whose repayment dates fall on 31 December 2018 (PLN 16,588 thousand) and interest on 31 December 2018 (PLN 78 thousand).

In connection with agreements of the overdraft facility and guarantee lines referred to in note 15.3, corporate guarantees issued by Flemingo International Limited were granted to the Company, whose total amount as at 30 June 2018 was PLN 125,827.5 thousand.

All unreconciled 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 15.3.

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23. Subsidiaries of the Company

Company name	Country	Share in %	
		2018-06-30	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 <i>and its subsidiary:</i>	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	99,5	99,5
Baltona Italy S.R.L.	Italy	100	100
CDD Holding BV and its subsidiaries:	the Netherlands	62	62
Chacalli-De Decker NV	Belgium	62	62
Chacalli Den Haag BV	the Netherlands	62	62
Rotterdam Airport Tax-Free Shop BV	the Netherlands	62	62
Niederrhein Airport Shop GmbH	Germany	62	62
Chacalli-De Decker Limited	Great Britain	62	62

No changes within the capital structure of the Group occurred during the first half of 2018. Changes within the Group structure, which occurred after the balance sheet date, are discussed in the following item on events after the date of publication of these statements.

24. Events after the balance sheet date

On 4 July 2018, the Management Board of the Issuer was notified of filing by Lagardere Travel Retail Sp. z o.o. with the registered office in Warsaw (hereinafter: LTR) against the State Airports Company (hereinafter: PPL or the Counterparty) and the Company of a petition at the Regional Court in Warsaw, 16th Trade Division, for cancellation of 14 lease agreements concluded between the Issuer and PPL on 6 May 2018. According to the Issuer's knowledge, 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. Pursuant to the information obtained by the Issuer, the petition contains a motion requesting security of the claims, namely a request concerning 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. The value of the object of litigation was determined by LTR as PLN 78.9 million. According to the information furnished to the Issuer by the Counterparty, the previous tender proceedings concerning lease of retail space at Warsaw Chopin Airport was ended by the Counterparty without selection of a bid. The Issuer did not participate in these proceedings and the lease agreements between the Issuer and the Counterparty were concluded by way of negotiations. The Issuer is not familiar with any circumstances which could substantiate the conclusion that signature of the lease agreements between the Issuer and the Counterparty occurred as a result of violation of the law or good habits. Due to the above, the Issuer does not see any reasons why LTR's petition for cancellation of the lease agreements by the Issuer concluded with the Counterparty should be accepted. At present, the Issuer is awaiting delivery of a copy of the petition and related documentation. Then, the Issuer

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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.

On 11 July 2018, the Issuer's Management Board undertook actions aimed at separation from the activity of the Issuer's Capital Group of the activity related to supplying diplomatic establishments. The business related to supplying diplomatic establishments is carried out at three direct subsidiaries, i.e. Chacalli-De Decker N.V. (Belgium), Chacalli Den Haag B.V. (the Netherlands) and Chacalli-De Decker Limited (Great Britain) (hereinafter referred to jointly as Chacalli Companies). In connection with the above process, also on 11 July 2018, an agreement covering sale of shares in the Chacalli Companies was concluded between the Company and CDD Holding B.V. (hereinafter: Seller) and Flemingo International (BVI) Limited (hereinafter: Buyer or Flemingo). Flemingo is an entity related to the Issuer in such a manner that Ashdod Holdings Limited, i.e. the dominant shareholder of the Company, is controlled by Flemingo International Limited. Moreover, the Agreement sets the principles upon which the Travel Retail activity, currently conducted within Chacalli-De Decker N.V. (Belgium), will be transferred in whole as the organised part of the enterprise, into the structures of Baltona Group. Ownership title to the Chacalli Companies' shares sold will be transferred within 60 days after conclusion of the Agreement, subject to fulfilment of formalities and registration activities applicable in the legal systems within which particular Chacalli Companies operate, as well as after execution of the transaction involving purchase by the Issuer of assets from the Travel Retail area currently functioning within Chacalli-De Decker N.V. (Belgium).

On 20 July 2018, the Company was furnished with a bilaterally signed supply agreement, whose parties are the Issuer, five of the Issuer's subsidiaries, i.e. BH Travel Retail Poland Sp. z o. o., Baltona France SAS, Baltona Italy S.r.l., Niederrhein Airport Shop GmbH and Baltona Duty Free Estonia OÜ (hereinafter jointly: Subsidiaries) and Gebr. Heinemann SE & Co. KG (hereinafter: Supplier), pursuant to which the parties established the principles governing mutual deliveries of a predefined range of goods (including alcohol, tobacco products, perfumes, cosmetics) until the end of March 2019. Estimated value of the Agreement is app. EUR 18 million, being the equivalent of app. PLN 77.9 million. Deliveries will be executed pursuant to an agreed schedule, subject to the Supplier's approval. The Issuer and the Subsidiaries were granted with a trade credit up to the total amount of EUR 2.4 million, whose security will be a bank guarantee furnished by the Issuer. The deliveries will be executed pursuant to the DAP formula (Incoterms 2010). Moreover, the Agreement defines a selective distribution system related to products offered by several dozen luxury brands. In case of violation of the selective distribution principles by the Issuer or any of the Subsidiaries, the Issuer or the given Subsidiary will be obliged to pay contractual damages of EUR 250 thousand for each violation. What is more, the Agreement does not define a limit of contractual damages which may be charged in connection with the above. The Agreement does not contain other provisions concerning contractual damages than the ones identified above. Pursuant to the Agreement, the Issuer acts as a joint debtor liable for the Subsidiaries' debts towards the Supplier. The remaining provisions of the Agreement, including those pertaining to termination of the agreement or liability for the deliveries, are in line with standard provisions of such agreements.

After the end of the reporting period, in connection with temporary delays in commencing business activity at the retail units at Warsaw Chopin Airport as compared with the original schedule, the Company was furnished by PPL with debit notes covering penalties for delays in timely completion of fit-out works as well as invoices for the fit-out period rent. On the date of drawing up these periodic statements, these total PLN 2.7 million. The circumstances which triggered issuance of the debit notes and invoices, as well as the reasons referred to by PPL in the documents, do not constitute violation of the settlement of 6 May 2018, and the Issuer is in the process of clarifying the situation with PPL.

The additional explanations to the semi-annual shortened individual financial statements attached on the following pages from 11 to 34 constitute an integral part of the statements.

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The above semi-annual shortened individual financial statements were drawn up on 24 August 2018 and approved for publication by the Management Board of Przedsiębiorstwo Handlu Zagranicznego "Baltona" S.A. on 24 August 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