CAPITAL GROUP OF PRZEDSIĘBIORSTWO HANDLU ZAGRANICZNEGO "BALTONA" S.A.

[FOREIGN TRADE COMPANY "BALTONA" JOINT STOCK COMPANY]

SEMI-ANNUAL SHORTENED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD OF SIX MONTHS

ENDED ON 30 JUNE 2018

Warsaw, 24 August 2018

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

Semi-annual shortened consolidated financial statements for the period ended on 30 June 2018

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

Semi-annual shortened consolidated 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	10	25 625	13 643	12 995
Intangible assets		762	1 049	793
Goodwill		5 719	5 719	5 719
Trade and other receivables	13	4 471	4 953	4 417
Deferred income tax assets		3 286	3 351	3 179
Non-current assets		39 863	28 715	27 103
Current assets				
Inventories	12	42 050	36 904	31 383
Trade and other receivables	13	16 994	19 939	24 051
Short-term investments	11	97	117	114
Current income tax receivables		-	136	81
Cash and cash equivalents	14	9 794	12 340	10 355
Current assets		68 935	69 436	65 984
Current assets held for sale		462	-	-
Current assets making up a group to be sold		16 295	-	-
TOTAL ASSETS		125 555	98 151	93 087

The additional explanations to the semi-annual shortened consolidated financial statements attached on the following pages from 11 to 38 constitute an integral part of the statements.

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

Semi-annual shortened consolidated 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		23 529	23 064	23 064
Treasury shares		(2 042)	(2 042)	(2 042)
Translation differences		(1 335)	(1 317)	(1 408)
Retained profits		(24 179)	(20 494)	(19 388)
Equity attributable to the parent entity's owners		3 442	6 680	7 695
Non-controlling shares		(940)	(87)	(109)
Total equity		2 502	6 593	7 586
Liabilities				
Liabilities under credits, loans and other debt instruments	17.1	28 666	23 118	22 974
Deferred income	22	-	148	236
Provisions	20	52	1 094	1 094
Liabilities under employee benefits	19	292	4 070	4 607
Long-term liabilities		29 010	28 430	28 911
Liabilities under credits, loans and other debt instruments	17.2	21 767	13 615	18 049
Trade and other liabilities	18	50 016	45 847	35 059
Liabilities under income tax		168	79	138
Liabilities under employee benefits	19	3 175	3 580	3 273
Deferred income	22	59	5	71
Provisions	20	-	2	-
Short-term liabilities		75 185	63 128	56 590
Liabilities making up a group to be sold		18 858	-	-
Liabilities		123 053	91 558	85 501
TOTAL LIABILITIES		125 555	98 151	93 087

The additional explanations to the semi-annual shortened consolidated financial statements attached on the following pages from 11 to 38 constitute an integral part of the statements.

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

Semi-annual shortened consolidated 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) (transformed)
Sales revenue	5	203 097	169 542
Other operating revenue	7	127	900
Total operating revenue		203 224	170 442
Depreciation and impairment write-offs		(2 897)	(3 452)
Consumption of raw materials and materials		(1 663)	(1 347)
Rents and other third party services		(45 288)	(30 395)
Costs of employee benefits		(19 102)	(15 507)
Taxes and fees		(773)	(815)
Other cost items		(1 875)	(1 117)
Value of goods sold		(133 806)	(117 528)
Other operating costs	7	(60)	(163)
Total operating costs		(205 464)	(170 324)
Operating (loss)/profit		(2 240)	118
Financial revenue		179	866
Financial costs		(938)	(573)
Net financial (costs)/revenue	8	(759)	293
(Loss)/Profit before tax		(2 999)	411
Income tax	9	(464)	(38)
Net (loss)/profit from continued activity		(3 463)	373
Discontinued activity:			
Net loss from discontinued activity, after tax		(785)	(1 086)
Net loss for the reporting period		(4 248)	(713)
Other comprehensive income			
Items which may be carried to the profit and loss account			
Exchange differences from translation of entities operating abroad		157	(200)
Other comprehensive net income for the reporting period		157	(200)
Total comprehensive income for the reporting period		(4 091)	(913)
Net profit/(loss) from continued activity, attributable to:			
Owners of the Parent Entity		(2 733)	402
Non-controlling shares		(730)	(29)
Net profit/(loss) from continued activity		(3 463)	373
Net profit/(loss) from discontinued activity, attributable to:			
Owners of the Parent Entity		(487)	(673)
Non-controlling shares		(298)	(413)
Net loss from discontinued activity		(785)	(1 086)
Total comprehensive income attributable to:			
Owners of the Parent Entity		(3 238)	(507)
Non-controlling shares		(853)	(406)
Total comprehensive income for the reporting period		(4 091)	(913)
Loss per 1 share			
Basic (PLN)		(0,25)	(0,02)
Diluted (PLN)		(0,25)	(0,02)

The additional explanations to the semi-annual shortened consolidated financial statements attached on the following pages from 11 to 38 constitute an integral part of the statements.

Capital Group of Przedsiębiorstwo Handlu Zagranicznego "Baltona" S.A.
Semi-annual shortened consolidated 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) (transformed)
Operating cash flow			
Net loss for the reporting period		(4 248)	(713)
Adjustments:			
Depreciation of property, plant and equipment		2 897	3 525
Net financial (revenue)/costs	8.1	759	(293)
(Profit)/Loss on sale of property, plant and equipment	7.1	-	(34)
Income tax	9.1	464	38
Other adjustments		2 068	145
		1 940	2 668
Change in inventories		(5 146)	11 221
Change in trade and other receivables		3 427	2 074
Change in trade and other liabilities		5 500	(19 677)
Change in liabilities under employee benefits		(5 225)	(1 132)
Change in deferred income		(94)	(56)
Cash generated on operating activity		**402**	**(4 902)**
Interest paid			
Tax paid		(346)	(260)
Net cash from operating activity		56	(5 162)
Investment cash flows			
Proceeds from sale of property, plant and equipment		-	34
Proceeds from investments		1 991	-
Acquisition of property, plant and equipment and intangible assets		(13 148)	(1 595)
Contribution of bank deposit		(1 991)	-
Net cash from investment activity		(13 148)	(1 561)
Financial cash flows			
Credits and loans drawn		6 782	-
Expenditures on repayment of credits and loans		(601)	(467)
Payment of financial lease liabilities		(365)	(540)
Interest paid		(490)	(469)
Net cash from financial activity		5 326	(1 476)
Total net cash flows		(7 766)	(8 199)
Cash and cash equivalents at the beginning of the period		533	2 210
Cash at the end of the period	14	**(7 233)**	**(5 989)**

The additional explanations to the semi-annual shortened consolidated financial statements attached on the following pages from 11 to 38 constitute an integral part of the statements.

Capital Group of Przedsiębiorstwo Handlu Zagranicznego “Baltona” S.A.

Semi-annual shortened consolidated statement of changes in equity

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

	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	2 814	4 655	23 064	(2 042)	(1 172)	(19 117)	8 202	297	8 499
Comprehensive income for the reporting period									
Net (loss) for the reporting period	-	-	-	-	-	(271)	(271)	(442)	(713)
Other comprehensive income									
Exchange differences from translation of entities operating abroad	-	-	-	-	(236)	-	(236)	36	(200)
Total other comprehensive income	-	-	-	-	(236)	-	(236)	36	(200)
Total comprehensive income for the reporting period	-	-	-	-	(236)	(271)	(507)	(406)	(913)
Transactions with owners of the Parent entity recognised directly in equity									
Acquired treasury shares	-	-	-	-	-	-	-	-	-
Other							-	-	-
Transfer of profit to reserve capital	-	-	-	-	-	-	-	-	-
Total transactions with owners of the Parent Entity	-	-	-	-	-	-	-	-	-
Equity as at 30.06.2017 (unaudited)	2 814	4 655	23 064	(2 042)	(1 408)	(19 388)	7 695	(109)	7 586

The Parent Entity is Przedsiębiorstwo Handlu Zagranicznego “Baltona” S.A. [Foreign Trade Company “Baltona” Joint Stock Company].

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

Semi-annual shortened consolidated statement of changes in equity

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

	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	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) from the programme of defined benefits	-	-		-	-	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 Parent Entity is Przedsiębiorstwo Handlu Zagranicznego "Baltona" S.A. [Foreign Trade Company "Baltona" Joint Stock Company].

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

Semi-annual shortened consolidated statement of changes in equity

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

	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	-	-	-	-	-	(3 220)	(3 220)	(1 028)	(4 248)
Other comprehensive income									
Exchange differences from translation of entities operating abroad	-	-	-	-	(18)	-	(18)	175	157
Total other comprehensive income	-	-	-	-	(18)	-	(18)	175	157
Total comprehensive income for the reporting period	-	-	-	-	(18)	(3 220)	(3 238)	(853)	(4 091)
Transactions with owners of the Parent Entity recognised directly in equity									
Contributions from and disbursements to owners									
Acquired treasury shares	-	-	-	-	-	-	-	-	-
Other									
Transfer of profit to reserve capital	-	-	465	-	-	(465)	-	-	-
Total transactions with owners of the Parent Entity	-	-	465	-	-	(465)	-	-	-
Equity as at 30.06.2018 (unaudited)	2 814	4 655	23 529	(2 042)	(1 335)	(24 179)	3 442	(940)	2 502

The Parent Entity is Przedsiębiorstwo Handlu Zagranicznego "Baltona" S.A. [Foreign Trade Company "Baltona" Joint Stock Company].

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

Additional explanations to the semi-annual shortened consolidated financial statements

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

Additional explanations to the semi-annual 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 semi-annual shortened consolidated financial statements for the reporting period ended on 30 June 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 6 months ended on 30 June 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, as well as in Belgium, Germany and the Netherlands. Moreover, the Group deals among others with supplying diplomatic establishments as well as crews of ships and vessels moored at Polish seaports (shipchandling activity). In 2012, the Group extended its portfolio with catering activities and sales of goods in the B2B channel. In November 2017, the Group commenced sales activity on sea ferries operating on the Baltic Sea, whereas 1 January 2018 saw launch of sales activity at Tallinn airport.

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 semi-annual 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 semi-annual 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 semi-annual shortened consolidated financial statements prepared for the period ended on 30 June 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 semi-annual shortened consolidated financial statements have been prepared based on the assumption of going concern within foreseeable future.

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

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 Parent Entity's functional currency.

2.3 Judgements and estimations made

Preparation of the semi-annual 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 semi-annual shortened consolidated financial statements, material estimates made by the Management Board of the Parent Entity 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 or presentation changes. In connection with separation of discontinued activity, a respective transformation of data was performed as at 30 June 2017; therefore, the data presented regarding result items and the cash flow statement differ from those published for the preceding period.

2.5 *Discontinued activity and assets designated for sale*

In connection with the agreement concluded on 11 July 2018 between the Issuer's subsidiary CDD Holding B.V. (hereinafter: Seller) and Flemingo International (BVI) Limited (hereinafter: Buyer or Flemingo) regarding sale of shares in Chacalli Companies, i.e. Chacalli-De Decker N.V. (Belgium), Chacalli Den Haag B.V. (the Netherlands) and Chacalli-De Decker Limited (Great Britain), these consolidated financial statements contain the separated result on discontinued activity as well as assets and liabilities assigned to the assets, designated for sale. The discontinued activity concerns services to diplomatic establishments, conducted by the above Companies making up the B2B segment.

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

Amendments to standards

The principles (policies) of accounting applied by the Group in preparation of the semi-annual shortened consolidated financial statements are consistent with those applied in preparation of the annual consolidated financial statements as at 31 December 2017, except for principles introduced as a result of implementation of the new IFRS 9 and 15 standards as of 1 January 2018. Impact of the new standards onto the principles (policies) of accounting followed by the Group is discussed in note 3.19 to the consolidated financial statements for the year 2017.

Standards not yet effective and not approved by the European Commission

The Group intends to adopt amendments to EU IFRS, published but not yet effective as on the date of publication of these semi-annual shortened consolidated 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;
- 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 Group intends to adopt amendments to EU IFRS, published but not yet effective as on the date of publication of these semi-annual 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 June 2018, the Group leases space at approximately 10 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., 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) B2B – 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. After the balance sheet date, three companies of the Chacalli-De Decker were sold.

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 June 2018 allocated to respective segments, except for goodwill recognised in the consolidated balance sheet as at 30 June 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.

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

	Shops		Gastronomy		B2B		Total continued activity		Discontinued activity	
	01.01.2018-30.06.2018	01.01.2017-30.06.2017	01.01.2018-30.06.2018	01.01.2017-30.06.2017	01.01.2018-30.06.2018	01.01.2017-30.06.2017	01.01.2018-30.06.2018	01.01.2017-30.06.2017	01.01.2018-30.06.2018	01.01.2017-30.06.2017
Revenue from third party customers	140 243	123 751	13 823	19 541	49 158	27 150	203 224	170 442	18 445	20 602
Revenue from sales among segments	29 099	12 573	261	14	4 180	4 715	33 540	17 302	-	-
Operating result	(1 291)	420	49	(1 018)	(998)	715	(2 240)	117	(714)	(978)
Result before tax	(492)	(284)	(253)	(1 316)	(2 271)	2 002	(3 016)	402	(785)	(1 086)
Assets of the reporting segment	138 120	80 946	3 724	5 566	3 383	22 714	145 227	109 226	16 757	-
Investment expenditures	9 856	525	523	996	2 768	73	13 147	1 594	-	-
Liabilities of the reporting segment	97 315	57 558	15 870	16 742	22 070	40 663	135 255	114 963	18 858	-

	01.01.2018-30.06.2018	01.01.2017-30.06.2017
(Loss)/Profit before tax		
Total profit or loss before tax from reported segments	(3 016)	402
Elimination of profits from transactions among segments	17	9
Elimination of discontinued activity	(785)	(1 086)
Profit or loss before tax, considering discontinued activity	**(3 784)**	**(676)**

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

5. Revenue

5.1. Material structure

	01.01.2018-30.06.2018 (unaudited)	01.01.2017-30.06.2017 (unaudited) (transformed)
Revenue from sales of services		
Marketing services	510	155
Sublease of space	21	21
DCC* revenue	1 104	674
Other	23	33
Total revenue from sales of services	**1 658**	**883**
Revenue from sales of goods		
Public retail sales	36 958	38 664
Duty free retail sales	149 658	104 010
Wholesale and shipchandling	14 823	25 983
Other	-	2
Total revenue from sales of goods	**201 439**	**168 659**
Total revenue from sales	**203 097**	**169 542**

* 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

	01.01.2018-30.06.2018 (unaudited)	01.01.2017-30.06.2017 (unaudited) (transformed)
Revenue from sales of products		
Poland	1 139	727
Other	519	156
Total revenue from sales of products	**1 658**	**883**
Revenue from sales of goods		
Poland	164 643	128 519
Other	36 796	40 140
Total revenue from sales of goods and materials	**201 439**	**168 659**
Total revenue from sales	**203 097**	**169 542**

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.

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

7. Other operating 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) (transformed)
Grants	89	89
Reversal of provisions	10	392
Profit on sale of non-financial non-current assets	-	34
Change in inventory revaluation write-off	5	-
DCC* revenue	-	-
Reversal of receivables revaluation write-offs	1	4
Other	22	381
Total other operating revenue	**127**	**900**

	01.01.2018-30.06.2018 (unaudited)	**01.01.2017-30.06.2017** (unaudited) (transformed)
Liquidation of property, plant and equipment	-	(32)
Receivables revaluation write-offs	-	(4)
Penalties and damages	(5)	(52)
Other	(55)	(75)
Total other operating costs	**(60)**	**(163)**

8. Financial revenue and costs

8.1. Recognised as profit or loss of the current period

	01.01.2018-30.06.2018 (unaudited)	**01.01.2017-30.06.2017** (unaudited) (transformed)
Revenue from interest on granted loans and receivables	7	(4)
Net exchange rate differences	172	866
Other	-	4
Total financial revenue	**179**	**866**

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

	01.01.2018-30.06.2018 (unaudited)	01.01.2017-30.06.2017 (unaudited) (transformed)
Costs of interest on financial liabilities carried at amortised cost	(911)	(573)
Revaluation write-offs of financial instruments maintained until maturity	(24)	-
Other	(3)	-
Total financial costs	**(938)**	**(573)**
Net financial costs recognised as the profit of the current period	**(759)**	**293**

9. Income tax

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

	01.01.2018-30.06.2018 (unaudited)	01.01.2017-30.06.2017 (unaudited)
Income tax (current part)		
Income tax for the current period	464	283
	464	**283**
Income tax (deferred part)		
Creation/reversal of interim differences	-	(245)
	-	**(245)**
Total income tax	**464**	**38**

10. Property, plant and equipment

10.1. Acquisitions and reductions of property, plant and equipment

During the period of six months ended on 30 June 2018, the Group acquired property, plant and equipment worth PLN 13,148 thousand (period of six months ended on 30 June 2017: PLN 1,452 thousand). No costs of external financing were activated during the reporting period and during the period of six months ended on 30 June 2017.

No impairment write-offs regarding property, plant and equipment were performed during the reporting period.

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

11. Other investments

Short-term investments	**30.06.2018** (unaudited)	**31.12.2017**	**30.06.2017** (unaudited)
Loans granted to affiliated entities	121	117	114
Other short-term financial assets	(24)	-	
	97	**117**	**114**

12. Inventories

	30.06.2018 (unaudited)	**31.12.2017**	**30.06.2017** (unaudited)
Goods	42 050	36 904	31 383
	42 050	**36 904**	**31 383**

From 1 January 2018 to 30 June 2018, the value of trading goods included in own cost of sales amounted to PLN 133,806 thousand (from 1 January 2017 to 30 June 2017: PLN 117,528 thousand). During the period of six months ended on 30 June 2018 and during the period of six months 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 103 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 19.06.2018 to the multi-purpose credit line agreement, the collateral was 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.

13. Trade and other receivables

	30.06.2018 (unaudited)	**31.12.2017**	**30.06.2017** (unaudited)
Trade receivables	5 466	13 201	15 247
Budgetary receivables	8 065	4 667	2 601
Other receivables	299	3 238	1 616
Receivables under deposit	3 744	1 095	4 858
Accruals and deferrals	3 891	2 691	4 146
Total receivables	**21 465**	**24 892**	**28 468**
Long-term	4 471	4 953	4 417
Short-term	16 994	19 939	24 051
	21 465	**24 892**	**28 468**

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

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

From 1 January 2017 to 30 June 2017, receivables revaluation write-offs amounting to PLN 8 thousand were reversed and a write-off of PLN 4 thousand was performed.

14. Cash and cash equivalents

	30.06.2018 (unaudited)	31.12.2017	30.06.2017 (unaudited)
Cash in hand and in bank	7 591	8 685	9 143
Cash in transit	2 203	3 655	1 212
Cash and cash equivalents, value recognised in the statement of financial position	**9 794**	**12 340**	**10 355**
Overdrafts	(17 027)	(11 807)	(16 344)
Cash and cash equivalents, value recognised in the cash flow statement	**(7 233)**	**533**	**(5 989)**

15. Equity

15.1 Share capital

As at 30 June 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.

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.

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

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 June 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 6 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 six months ended on 31 March 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

	30.06.2018 (unaudited)	31.12.2017	30.06.2017 (unaudited)
Secured credits and loans	6 351	1 236	1 156
Loans from affiliated entities	21 407	20 933	20 968
Liabilities under financial lease	908	949	850
	28 666	**23 118**	**22 974**

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

17.2 Short-term liabilities

	30.06.2018 (unaudited)	31.12.2017	30.06.2017 (unaudited)
Secured credits and loans	4 070	1 130	955
Overdrafts	17 027	11 804	16 344
Loans from affiliated entities	78	74	84
Short-term part of liabilities under financial lease	592	607	666
	21 767	**13 615**	**18 049**

A specification of loans received from affiliated entities is contained in note 25.3.

17.3 Credit and loan repayment terms and schedule

Deadlines of repayment and terms of open credit agreements:

	Currency	Nominal rate	Year of maturity	2018-06-30 Book value (unaudited)	2017-12-31 Book value
Unsecured loan from an affiliated entity	USD	5,00%	2018	3 220	2 960
Unsecured loan from an affiliated entity	EUR	5,00%	2018	16 587	16 459
Unsecured loan from an affiliated entity	USD	5,00%	2018	43	40
Unsecured loan from an affiliated entity	USD	5,00%	2018	1 661	1 514
Unsecured loan from an affiliated entity	EUR	5,00%	2018	35	34
Overdraft	EUR	EURIBOR + margin	2018	3 489	3 365
Overdraft	PLN	WIBOR3M+ bank's margin	2021*	11 259	7 499
Overdraft	PLN	WIBOR3M+ bank's margin	2018	2 279	940
Short-term credit	PLN	WIBOR3M+ bank's margin	2019	1 155	1 637
Short-term credit	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	2017-2021	1 439	1 556
Total interest bearing liabilities				**50 433**	**36 733**

* 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 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 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,
- 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 PKO 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 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 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 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),
- 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 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).

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 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 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 securities 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.

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

17.4 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	636	44	592	655	48	607
from 1 to 5 years	959	51	908	1 010	61	949
	1 595	**95**	**1 500**	**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 for amounts equal to the lessors' claims.

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

18. Trade and other liabilities

	Note	30.06.2018 (unaudited)	31.12.2017	30.06.2017 (unaudited)
Trade liabilities towards related entities	25	459	493	570
Trade liabilities towards other entities		39 282	39 282	28 905
Budgetary liabilities		8 539	4 434	3 641
Other liabilities		102	83	179
Accruals and deferrals		1 266	1 329	1 458
Special funds		368	226	306
		50 016	**45 847**	**35 059**
including:				
- long-term part		-	-	-
- short-term part		50 016	45 847	35 059

19. Liabilities under employee benefits

	30.06.2018 (unaudited)	31.12.2017	30.06.2017 (unaudited)
Liabilities under retirement severance pay	292	264	208
Liabilities under defined benefits programme	-	3 806	4 399
Liabilities under salaries	1 072	1 843	1 488
Other liabilities	2 103	1 737	1 785
	3 467	**7 650**	**7 880**
including:			
- long-term part	292	4 070	4 607
- short-term part	3 175	3 580	3 273

All amounts are presented in thousands Polish zlotys (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 June 2017	**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**
Increases	-	-	-	**-**
Provisions reversed during the period	-	(30)	-	**(30)**
As at 31 January 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	-	-	(1 042)	**(1 042)**
Provisions utilised during the period		(2)		**(2)**
As at 30 June 2018	**52**	**-**	**-**	**52**
long-term part	52	-	-	52
short-term part	-	-	-	-

The dispute, 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 Enterprise, 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 Polish zlotys (PLN) unless stated otherwise

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

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

22. Deferred income

	30.06.2018 (unaudited)	31.12.2017	30.06.2017 (unaudited)
Marketing services - deferred income	-	5	33
Development subsidy	59	148	236
Other	-	-	38
	59	**153**	**307**
including:			
- long-term part	-	148	236
- short-term part	59	5	71

The balance of accruals and deferrals includes mainly the subsidy for development of intangible assets.

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

24. 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 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.

Pursuant to the information obtained by the Parent Entity, 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.

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

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 Parent Entity by PPPL, the previous tender procedure concerning lease of retail space at Warsaw Chopin Airport were 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. 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.

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:

	01.01.2018-30.06.2018 (unaudited)	**01.01.2017-30.06.2017** (unaudited)
Remuneration of management members	968	716
	968	**716**

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

25.3 Other related party transactions

	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				
Flemingo International Ltd. - sales of services	-	-	489	489
Flemingo International Tanger - sales of services	-	4	-	4
Ashdod Holdings Ltd.	-	-	29	29
Flemingo Brasil Importacao Limitada	-	-	363	363
Flemingo Duty Free Shop Pvt. Ltd	-	-	110	-
	-	**4**	**991**	**885**
Other revenue - loans				
Flemingo International Ltd. - interest revenue	-	-	-	-
Rafał Kazimierski - interest revenue	4	3	121	117
	4	**3**	**121**	**117**
Purchases of raw materials, goods and services				
Flemingo International Ltd. - other services	-	-	415	451
Flemingo International Ltd. - other liabilities	34	46	-	-
Flemingo International Tortola- other services	114	115	20	19
Ashdod Holdings Ltd. - other services	-	2	25	24
	148	**163**	**460**	**494**
Other costs				
Flemingo International Ltd. - loans/interest costs	424	432	21 485	21 007
	424	**432**	**21 485**	**21 007**

The Group received from related entities Flemingo International (BVI) Limited and Flemingo International Limited loans whose repayment dates fall on 31 December 2018 (PLN 21,407 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 17.3, corporate guarantees issued by Flemingo International Limited were granted to the Group, whose total amount as at 30 June 2018 was PLN 184,327.5 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 17.3.

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

26. Composition of the Capital Group

Company name	Country	Share in %	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 *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	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.

27. Discontinued activity and assets designated for sale

In connection with the agreement concluded on 11 July 2018 between the Issuer's subsidiary CDD Holding B.V. (hereinafter: Seller) and Flemingo International (BVI) Limited (hereinafter: Buyer or Flemingo)concerning sale of shares in the Chacalli Companies, i.e. Chacalli-De Decker N.V. (Belgium), Chacalli Den Haag B.V. (the Netherlands) and Chacalli-De Decker Limited (Great Britain), these consolidated financial statements contain a separated result on discontinued activity as well as assets and liabilities assigned to the assets, designated for sale. The discontinued activity concerns deliveries to diplomatic establishments, carried out by the above mentioned Companies, belonging to the B2B segment.

The main groups of assets and liabilities qualified to the group to be sold, as well as results and flows from discontinued activity are presented in the tables below:

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

The main groups of assets and liabilities qualified to the group to be sold:

ASSETS	**2018-06-30**
Non-current assets	
Property, plant and equipment	420
Intangible assets	42
Non-current assets designated for sale	**462**
Current assets	
Inventories	4 528
Trade and other receivables	10 416
Cash and cash equivalents	1 351
Current assets making up the group to be sold	**16 295**
Total assets making up the group to be sold	**16 757**
LIABILITIES	
Long-term liabiilties	**4 229**
Liabilities under lease	61
Liabilities under employee benefits	4 168
Short-term liabilities	**14 629**
Liabilities under lease	0
Trade liabilities	13 551
Liabilities under employee benefits	1 078
Total liabilities making up the group to be sold	**18 858**
Total assets	**-2 101**

Net profit/loss on discontinued activity

	For the period	
	from 01.01.18 to 30.06.18	from 01.01.17 to 30.06.17
Revenue	18 445	20 602
Costs	-19 159	-21 580
Operating loss	**-714**	**-978**
Financial revenue	11	7
Financial costs	-82	-115
Loss on discontinued activity, before tax	**-785**	**-1 086**
Income tax	0	0
Net loss on discontinued activity	**-785**	**-1 086**

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

Cash flows from discontinued activity

	For the period from 01.01.18 to 30.06.18	from 01.01.17 to 30.06.17
Net operating cash flows	-861	-1 504
Net investment cash flows	0	0
Net financial cash flows	-13	0
Net cash flows from discontinued activity	**-874**	**-1 504**

28. Events after the end of the reporting period

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, 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 procedure 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 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 indirect 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 13 July 2018, the Management Board of the subsidiary Baltona Shipchandlers Sp. z o.o. signed an annex to the overdraft agreement, increasing the debt limit to PLN 3,500 thousand, with the repayment deadline falling on 30 April 2019.

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.

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

The above semi-annual shortened consolidated 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