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

[FOREIGN TRADE COMPANY "BALTONA" JOINT STOCK COMPANY]

QUARTERLY SHORTENED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD OF THREE MONTHS ENDED

ON 31 MARCH 2018

IN THOUSANDS POLISH ZLOTYS

This document is a translation of financial statements originally issued in Polish.
The Polish original should be referred to in matters of interpretation.

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

Quarterly shortened consolidated financial statements for the period of 3 months ended on 31 March 2018

Table of contents

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

Quarterly shortened consolidated statement of financial position

ASSETS	Note	2018-03-31 *(unaudited)*	31.12.2017	2017-03-31 *(unaudited)*
Non-current assets				
Property, plant and equipment	10	17 324	13 643	13 656
Intangible assets		926	1 049	756
Goodwill		5 719	5 719	5 719
Other receivables	13	5 556	4 953	4 042
Deferred income tax assets		3 337	3 351	2 934
Non-current assets		32 862	28 715	27 107
Current assets				
Inventories	12	44 476	36 904	45 639
Trade and other receivables	13	21 208	19 939	23 066
Short-term investments	11	2 092	117	112
Current income tax receivables		50	136	-
Cash and cash equivalents	14	9 429	12 340	6 911
Current assets		77 255	69 436	75 728
TOTAL ASSETS		110 117	98 151	102 835

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

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

Quarterly shortened consolidated statement of financial position

LIABILITIES	Note	2018-03-31 *(unaudited)*	31.12.2017	2017-03-31 *(unaudited)*
Equity				
Share capital		2 814	2 814	2 814
Capital from sale of shares above face value		4 655	4 655	4 655
Reserve capital		23 064	23 064	23 064
Treasury shares		(2 042)	(2 042)	(2 042)
Translation differences		(1 269)	(1 317)	(1 177)
Retained profits		(24 017)	(20 494)	(21 059)
Equity attributable to the parent entity's owners		3 205	6 680	6 255
Non-controlling shares		(615)	(87)	(283)
Total equity		2 590	6 593	5 972
Liabilities				
Liabilities under credits, loans and other debt instruments	17.1	25 573	23 118	23 341
Deferred income	22	103	148	280
Provisions	20	1 094	1 094	1 094
Liabilities under employee benefits	19	4 196	4 070	5 440
Long-term liabilities		30 966	28 430	30 155
Liabilities under credits, loans and other debt instruments	17.2	20 261	13 615	15 412
Trade and other liabilities	18	51 787	45 847	47 426
Liabilities under income tax		137	79	97
Liabilities under employee benefits	19	4 372	3 580	3 672
Deferred income	22	2	5	38
Provisions	20	2	2	63
Short-term liabilities		76 561	63 128	66 708
Liabilities		107 527	91 558	96 863
TOTAL LIABILITIES		110 117	98 151	102 835

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

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

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

	Note	01.01.2018-31.03.2018 *(unaudited)*	01.01.2017-31.03.2017 *(unaudited)*
Sales revenue	5	91 856	90 891
Other operating revenue	7	276	99
Total operating revenue		92 132	90 990
Depreciation and impairment write-offs		(1 398)	(1 736)
Consumption of raw materials and materials		(815)	(792)
Third party services		(19 495)	(17 769)
Costs of employee benefits		(11 122)	(10 269)
Taxes and fees		(391)	(433)
Other cost items		(919)	(661)
Value of goods and materials sold		(61 794)	(62 325)
Other operating costs	7	(27)	(49)
Total operating costs		(95 961)	(94 034)
Operating loss		(3 829)	(3 044)
Financial revenue		454	918
Financial costs		(524)	(260)
Net financial (costs)/revenue	8	(70)	658
Loss before tax		(3 899)	(2 386)
Income tax	9	(169)	(128)
Net loss for the reporting period		(4 068)	(2 514)
Other comprehensive income			
Items which may be carried to the profit and loss account			
Exchange differences from translation of entities operating abroad		65	(13)
Other comprehensive net income for the reporting period		65	(13)
Total comprehensive income for the reporting period		(4 003)	(2 527)
Profit/(Loss) attributable to:			
Owners of the Parent Entity		(3 523)	(1 942)
Non-controlling shares		(545)	(572)
Loss for the reporting period		(4 068)	(2 514)
Total comprehensive income attributable to:			
Owners of the Parent Entity		(3 475)	(1 947)
Non-controlling shares		(528)	(580)
Total comprehensive income for the reporting period		(4 003)	(2 527)
Profit/(Loss) per share			
Basic (PLN)		(0,32)	(0,18)
Diluted (PLN)		(0,32)	(0,18)

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

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

Quarterly shortened consolidated cash flow statement

	Note	01.01.2018-31.03.2018 *(unaudited)*	01.01.2017-31.03.2017 *(unaudited)*
Operating cash flow			
Net profit/(loss) for the reporting period		(4 068)	(2 514)
Adjustments:			
Depreciation of property, plant and equipment and intangible assets		1 398	1 736
Net financial (revenue)/costs	8.1	70	(658)
(Profit)/Los on sale of property, plant and equipment	7.1	-	(26)
Income tax	9.1	169	128
Other adjustments		38	57
		(2 393)	(1 277)
Change in inventories		(7 572)	(3 035)
Change in trade and other receivables		(1 872)	3 434
Change in trade and other liabilities		4 223	(6 867)
Change in provisions and liabilities under employee benefits		918	160
Change in deferred income		(48)	(45)
Cash generated on operating activity		**(6 744)**	**(7 630)**
Tax paid		(178)	(58)
Net cash from operating activity		(6 922)	(7 688)
Investment cash flows			
Proceeds from sale of property, plant and equipment		-	26
Acquisition of property, plant and equipment and intangible assets		(3 562)	(474)
Loan granted to an affiliate		(1 991)	-
Net cash from investment activity		(5 553)	(448)
Financial cash flows			
Credits and loans drawn		4 948	-
Expenditures on repayment of credits and loans		(240)	(233)
Payment of financial lease liabilities		(185)	(265)
Interest paid		(208)	(201)
Net cash from financial activity		4 315	(699)
Total net cash flows		(8 160)	(8 835)
Cash and cash equivalents at the beginning of the period		533	2 210
Influence of changes related to exchange rate differences concerning cash and cash equivalents		1	2
Cash at the end of the period	14	**(7 626)**	**(6 624)**

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

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

Quarterly shortened consolidated statement of changes in equity

		Share capital	Capital from sales of shares above face value	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		-	-	-	-	-	(3 523)	(3 523)	(545)	(4 068)
Other comprehensive income										
Exchange differences from translation of entities operating abroad		-	-	-	-	48	-	48	17	65
Total other comprehensive income		-	-	-	-	48	-	48	17	65
Total comprehensive income for the reporting period		-	-	-	-	48	(3 523)	(3 475)	(528)	(4 003)
Transactions with owners of the Parent Entity recognised directly in equity										
Acquired treasury shares	15.2	-	-		-	-	-	-	-	-
Total transactions with owners of the Parent Entity		-	-	-	-	-	-	-	-	-
Equity as at 31.03.2018		2 814	4 655	23 064	(2 042)	(1 269)	(24 017)	3 205	(615)	2 590

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

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

Grupa Kapitałowa Przedsiębiorstwo Handlu Zagranicznego „Baltona" S.A.

Quarterly shortened consolidated statement of changes in equity

	Note	Share capital	Capital from sales of shares above face value	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	281
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	15.2	-	-	-	-	-	-	-	-	-
Transfer of profit to reserve capital		-	-	-	-	-	-	-	-	-
Total transactions with owners of the Parent Entity		-	-	-	-	-	-	-	-	-
Equity as at 31.12.2017		2 814	4 655	23 064	(2 042)	(1 317)	(20 494)	6 680	(87)	6 593

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

Grupa Kapitałowa Przedsiębiorstwo Handlu Zagranicznego „Baltona" S.A.

Quarterly shortened consolidated statement of changes in equity

	Note	Share capital	Capital from sales of shares above face value	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		-	-	-	-	-	(1 942)	(1 942)	(573)	(2 515)
Other comprehensive income										
Exchange differences from translation of entities operating abroad		-	-	-	-	(5)	-	(5)	(8)	(13)
Total other comprehensive income		-	-	-	-	(5)	-	(5)	(8)	(13)
Total comprehensive income for the reporting period		-	-	-	-	(5)	(1 942)	(1 947)	(581)	(2 528)
Transactions with owners of the Parent Entity recognised directly in equity										
Acquired treasury shares	15.2	-	-		-	-	-	-	-	-
Total transactions with owners of the Parent Entity		-	-	-	-	-	-	-	-	-
Equity as at 31.03.2017		2 814	4 655	23 064	(2 042)	(1 177)	(21 059)	6 255	(284)	5 972

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

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

Explanatory information to the quarterly shortened consolidated financial statements

Table of contents

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

Explanatory information to the quarterly shortened consolidated financial statements

1. Identification of the Parent Entity

Przedsiębiorstwo Handlu Zagranicznego "BALTONA" Spółka Akcyjna [Foreign Trade Company "BALTONA" Joint Stock Company], hereinafter referred to as the "Parent Entity" is a joint stock company incorporated in Poland.
The registered office of the Company is located at ul. Marcina Flisa 4 in Warsaw (postal code: 02-247).
The quarterly shortened consolidated financial statements for the reporting period ended on 31 March 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 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 quarterly shortened consolidated financial statements have been prepared in compliance with the International Financial Reporting Standard 34 "Interim Financial Reporting", as approved by the European Union, and with the Regulation of the Minister of Finance of 29 March 2018 on ongoing and periodic information submitted by issuers of securities and prerequisites for considering information required under the laws of a non-EU member state as equivalent (consolidated text in the Polish Journal of Laws of 2018, item 757).

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

The quarterly shortened consolidated financial statements prepared for the period of 3 months ended on 31 March 2018 have not been reviewed by an expert auditor, whereas the annual consolidated statements as at 31 December 2017 were reviewed by an expert auditor who expressed an opinion without objections.

The quarterly shortened consolidated financial statements have been prepared based on the assumption of going concern within foreseeable future with regard to the Parent Entity and all significant subsidiaries making up the Group. As at the date of approval of these interim shortened consolidated financial statements, no circumstances indicating a threat to continuation of business activity by the Group are identified.

These interim shortened consolidated financial statements have been prepared on the accrual basis.

The quarterly shortened consolidated financial statements were approved for publication by the Management Board of the Parent Entity on 18 May 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.

The functional currency is determined for each subsidiary, which is used for measurement of the assets and liabilities of the entity. Subsidiaries use the following functional currencies: EUR (companies of CDD Holding BV Group, Baltona France S.A.S., Baltona Italy S.R.L., Baltona Duty Free Estonia OÜ; Liege Airport Shop BVBA), USD (Baldemar Holdings Limited), RON (Gredy Company SRL) and UAH (Flemingo Duty Free Ukraine). The Group applies the direct consolidation method and has selected a method of accounting for translation gains or losses in accordance with the method.

2.3 Judgements and estimations made

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

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

2.4 Error corrections and presentation changes

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

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

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

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

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.

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 31 March 2018 allocated to respective segments, except for goodwill recognised in the consolidated balance sheet as at 31 March 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.

	Shops		Gastronomy		B2B		Total	
	01.01.2018-31.03.2018 (unaudited)	01.01.2017-31.03.2017 (unaudited)	01.01.2018-31.03.2018 (unaudited)	01.01.2017-31.03.2017 (unaudited)	01.01.2018-31.03.2018 (unaudited)	01.01.2017-31.03.2017 (unaudited)	01.01.2018-31.03.2018 (unaudited)	01.01.2017-31.03.2017 (unaudited)
Revenue from third party customers	65 654	58 318	5 982	12 777	20 496	19 895	92 132	90 990
Revenue from sales among segments	9 053	2 818	261	5	4 180	1 835	13 494	4 658
Operating result	(2 663)	(1 574)	(455)	(659)	(712)	(811)	(3 830)	(3 044)
Result before tax	(2 654)	(1 364)	(605)	(811)	(646)	(214)	(3 905)	(2 389)
Assets of the reporting segment	115 717	96 969	3 835	6 673	19 966	21 101	139 518	124 743
Investment expenditures	3 469	263	82	194	11	17	3 562	474
Liabilities of the reporting segment	80 405	63 191	16 333	17 260	38 093	39 090	134 831	119 541

Reconciliation of revenue, profits and losses

	01.01.2018-31.03.2018	01.01.2017-31.03.2017
Revenue		
Total revenue of reporting segments	105 626	95 648
Elimination of revenue from transactions among segments	(13 494)	(4 658)
Consolidated revenue	**92 132**	**90 990**
(Loss)/Profit before tax		
Total profit or loss before tax from reported segments	(3 905)	(2 389)
Elimination of (profits)/losses from transactions among segments	6	3
Profit or loss before tax	**(3 899)**	**(2 386)**

Reconciliation of balance sheet items	**2018-03-31**	**2017-03-31**
Assets		
Total assets of reporting segments	139 518	124 743
Elimination of balances from settlements among segments	(35 119)	(27 626)
Goodwill	5 718	5 718
Total consolidated assets	**110 117**	**102 835**
Liabilities		
Total liabilities of reporting segments	134 831	119 541
Other liabilities - loan for purchase of CDD shares	10 405	10 920
Elimination of balances from settlements among segments	(35 119)	(27 626)
Total consolidated liabilities	**110 117**	**102 835**

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

5. Revenue

5.1. Material structure

	01.01.2018-31.03.2018	01.01.2017-31.03.2017
Revenue from sales of products		
Marketing services	204	200
Sublease of space	10	10
DCC revenue*	513	392
Other	20	20
Total revenue from sales of products	**747**	**622**
Revenue from sales of goods and materials		
Public retail sales	15 434	20 792
Duty free retail sales	62 065	54 266
Wholesale and shipchandling	13 545	14 939
Other	65	272
Total revenue from sales of goods and materials	**91 109**	**90 269**
Total revenue from sales	**91 856**	**90 891**

*In 2018 and 2017, the Group generated DCC (Dynamic Currency Conversion) revenue, i.e. 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

	01.01.2018-31.03.2018	01.01.2017-31.03.2017
Revenue from sales of products		
Poland	535	421
Other	212	201
Total revenue from sales of products	**747**	**622**
Revenue from sales of goods and materials		
Poland	70 112	70 158
Other	20 997	20 111
Total revenue from sales of goods and materials	**91 109**	**90 269**
Total revenue from sales	**91 856**	**90 891**

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

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

To a large extent, the operating activity of the 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. As a result, revenue of the 1st and 4th quarters of the year is usually lower, while it grows in the 2nd and 3rd quarters of the year. Seasonal character influences the margins and financial results achieved during particular months and quarters of the year, ant it causes diversified working capital requirements on the part of the Group.

7. Other operating revenue and costs

7.1. Recognised as profit or loss of the current period

	01.01.2018-31.03.2018	01.01.2017-31.03.2017
Reversal of provisions	223	-
Profit on sale of non-financial non-current assets	-	26
Reversal of receivables revaluation write-off	1	2
Other	52	71
Total other operating revenue	**276**	**99**

	01.01.2018-31.03.2018	01.01.2017-31.03.2017
Penalties and damages	(2)	(3)
Other	(25)	(46)
Total other operating costs	**(27)**	**(49)**

8. Financial revenue and costs

8.1. Recognised as profit or loss of the current period

	01.01.2018-31.03.2018	01.01.2017-31.03.2017
Revenue from interest on granted loans and receivables	5	3
Net exchange rate differences	449	915
Total financial revenue	**454**	**918**

	01.01.2018-31.03.2018	01.01.2017-31.03.2017
Costs of interest on financial liabilities carried at amortised cost	(506)	(260)
Revaluation write-offs on financial instruments	(18)	-
Total financial costs	**(524)**	**(260)**
Net financial costs recognised as the profit or loss of the current period	**(70)**	**658**

9. Income tax

	01.01.2018-31.03.2018	01.01.2017-31.03.2017
Income tax (current part)		
Income tax for the current period	169	128
	169	**128**
Income tax (deferred part)		
Occurrence/reversal of interim differences	-	-
	-	**-**
Total income tax	**169**	**128**

During the period of three months ended on 31 March 2018, there were no significant changes regarding deferred income tax assets and provisions. A detailed overview of these items is contained in the published annual consolidated statements for 2017.

10. Property, plant and equipment and intangible assets

During the period of three months ended on 31 March 2018, the Group acquired property, plant and equipment and intangible assets worth PLN 3,562 thousand (period of three months ended on 31 March 2017: PLN 667 thousand).

No costs of external financing were activated during the reporting period or during the comparable period.
No impairment write-offs on property, plant and equipment (or reversal of previously performed write-offs) were performed during the reporting period.

11. Other investments

Short-term investments	**31.03.2018**	**31.12.2017**	**31.03.2017**
Loans granted to affiliated entities	2 110	117	112
Other short term financial assets (valuation)	(18)	-	
	2 092	**117**	**112**

12. Inventories

	31.03.2018	**31.12.2017**	**31.03.2017**
Goods and finished products	44 476	36 904	45 639
	44 476	**36 904**	**45 639**

From 1 January 2018 to 31 March 2018, the value of trading goods and materials included in own cost of sales amounted to PLN 61,794 thousand (from 1 January 2017 to 31 March 2017: PLN 62,325 thousand). During the period of three months ended on 31 March 2018 and in the corresponding period of the previous year, there were no changes in inventory revaluation write-offs.

13. Trade and other receivables

	31.03.2018	**31.12.2017**	**31.03.2017**
Trade receivables	12 269	13 201	13 090
Budgetary receivables	6 073	4 667	4 291
Other receivables	2 370	3 238	6 251
Receivables under deposits	2 450	1 095	-
Accruals and deferrals	3 602	2 691	3 476
Total receivables	**26 764**	**24 892**	**27 108**
Long-term	5 556	4 953	4 042
Short-term	21 208	19 939	23 066
	26 764	**24 892**	**27 108**

The amount of long-term receivables includes, among others, the amount of PLN 2,141 thousand related to the subsidiary BH Travel Retail Poland Sp. z o.o., discussed in note 23 “Contingent liabilities and disputes” and security deposits at PLN 2,770 thousand.

From 1 January 2018 to 31 March 2018, receivables revaluation write-offs amounting to PLN 1 thousand were reversed. From 1 January 2018 to 31 March 2017, receivables revaluation write-offs amounting to PLN 2 thousand were reversed.

14. Cash and cash equivalents

	31.03.2018	31.12.2017	31.03.2017
Cash in hand and in bank	7 903	8 685	6 007
Cash in transit	1 526	3 655	904
Cash and cash equivalents, value recognised in the statement of financial position	**9 429**	**12 340**	**6 911**
Current account credits	(17 055)	(11 807)	(13 535)
Cash and cash equivalents, value recognised in the cash flow statement	**(7 626)**	**533**	**(6 624)**

15. Equity

15.1 Share capital

As at 31 March 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 conducted from 25 January 2012 until 1 January 2015. Under the programme, the Management Board of the Parent Entity 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 Parent Entity's shares were exercised solely through Dom Inwestycyjny BRE Bank S.A. The minimum price of purchase by the 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 allocated the maximum amount of PLN 4,650,000 from the reserve capital to purchase treasury shares. Detailed information on the treasury shares purchase programme was 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 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 of the Parent Entity. The maximum acquisition price was maintained on the level of PLN 9.20 per share.

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

By 31 March 2018, 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 quarter 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 3 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 three 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*

	31.03.2018	31.12.2017	31.03.2017
Secured credits and loans	4 521	1 236	1 397
Loans from affiliated entities	20 255	20 933	21 007
Liabilities under financial lease	797	949	937
	25 573	**23 118**	**23 341**

17.2 Short-term liabilities

	31.03.2018	31.12.2017	31.03.2017
Current account credits	17 055	11 804	13 535
Secured credits and loans	2 553	1 130	947
Loans from affiliated entities	84	74	84
Short-term part of liabilities under financial lease	569	607	846
	20 261	**13 615**	**15 412**

17.3 Credit and loan repayment terms and schedule

Deadlines of repayment and terms of open credit agreements:

	Currency	Nominalna stopa	Year of maturity	2018-03-31 Book value	2017-12-31 Book value	2017-03-31 Book value
Unsecured loan from an affiliated entity	USD	5,00%	2018	2 929	2 960	3 259
Unsecured loan from an affiliated entity	EUR	5,00%	2018	15 837	16 459	16 088
Unsecured loan from an affiliated entity	EUR	5,00%	2018	34	40	36
Unsecured loan from an affiliated entity	USD	5,00%	2018	1 499	1 514	1 664
Unsecured loan from an affiliated entity	USD	5,00%	2018	40	34	48
Current account credit	EUR	EURIBOR + margin	2018	3 367	3 365	3 376
Current account credit	PLN	WIBOR3M+bank's margin	2021*	12 322	7 499	8 950
Current account credit	PLN	WIBOR3M+bank's margin	2018	1 366	940	1 205
Short-term credit	PLN	WIBOR3M+bank's margin	2019	1 398	1 637	2 344
Short-term credit	PLN	WIBOR3M+bank's margin	2020	3 808	729	-
Short-term credit	PLN	WIBOR3M+bank's margin	2022	1 868	-	-
Liabilities under financial lease	PLN, EUR	WIBOR1M / LIBOR1M + margin	2017-2020	1 366	1 556	1 783
Total interest bearing liabilities				**45 834**	**36 733**	**38 753**

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

Current account credits 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., 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 49,500 thousand in connection with the issued promissory note,
- establishment of registered pledge on the inventory of goods constituting the Company's property, located at warehouses and shops, including declaration on submission to enforcement with respect to release of the items up to PLN 14,000 thousand (joint security of the current account credit agreement, non-revolving credit agreement dated 30.08.2016, non-revolving credit agreement dated 29.09.2017 and non-revolving credit agreement dated 20.02.2018),
- 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 (joint security of the current account credit agreement, non-revolving credit agreement dated 30.08.2016, non-revolving credit agreement dated 29.09.2017 and non-revolving credit agreement dated 20.02.2018),

- corporate guarantee issued by Flemingo International Limited for PLN 51,000 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., BH Travel Retail Poland Sp. z o.o., Centrum Usług Wspólnych Baltona Sp. z o.o. maintained at BGŻ BNP Paribas sp. z o.o.,
- subordination of 100% of all current and future loans granted to the Company by entities controlling it indirectly or directly (joint security of the current account credit agreement, non-revolving credit agreement dated 30.08.2016, non-revolving credit agreement dated 29.09.2017 and non-revolving credit agreement dated 20.02.2018),
- additional security for the current account credit 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.

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 Company's property, located at warehouses and shops, including declaration on submission to enforcement with respect to release of the items up to PLN 14,000 thousand (joint security of the current account credit agreement, non-revolving credit agreement dated 30.08.2016, non-revolving credit agreement dated 29.09.2017 and non-revolving credit agreement dated 20.02.2018),
- 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 (joint security of the current account credit agreement, non-revolving credit agreement dated 30.08.2016, non-revolving credit agreement dated 29.09.2017 and non-revolving credit agreement dated 20.02.2018),

- 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 current account credit agreement, non-revolving credit agreement dated 30.08.2016, non-revolving credit agreement dated 29.09.2017 and non-revolving credit agreement dated 20.02.2018).

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 Company's property, located at warehouses and shops, including declaration on submission to enforcement with respect to release of the items up to PLN 14,000 thousand (joint security of the current account credit agreement, non-revolving credit agreement dated 30.08.2016, non-revolving credit agreement dated 29.09.2017 and non-revolving credit agreement dated 20.02.2018),
- 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 (joint security of the current account credit agreement, non-revolving credit agreement dated 30.08.2016, non-revolving credit agreement dated 29.09.2017 and non-revolving credit agreement dated 20.02.2018),
- 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 current account credit agreement, non-revolving credit agreement dated 30.08.2016, non-revolving credit agreement dated 29.09.2017 and non-revolving credit agreement dated 20.02.2018).

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 Company's property, located at warehouses and shops, including declaration on submission to enforcement with respect to release of the items up to PLN 14,000 thousand (joint security of the current account credit agreement, non-revolving credit agreement dated 30.08.2016, non-revolving credit agreement dated 29.09.2017 and non-revolving credit agreement dated 20.02.2018),
- 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 (joint security of the current account credit agreement, non-revolving credit agreement dated 30.08.2016, non-revolving credit agreement dated 29.09.2017 and non-revolving credit agreement dated 20.02.2018),
- 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 current account credit agreement, non-revolving credit agreement dated 30.08.2016, non-revolving credit agreement dated 29.09.2017 and non-revolving credit agreement dated 20.02.2018).

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.

17.4 Liabilities under financial lease

	Future minimum lease payments 31.03.2018	Interest 31.03.2018	Present value of future minimum lease payments 31.03.2018	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	611	42	569	655	48	607
2 to 5 years	850	53	797	1 010	61	949
above 5 years						
	1 461	**95**	**1 366**	**1 665**	**109**	**1 556**

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

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

18. Trade and other liabilities

	Note	31.03.2018	31.12.2017	31.03.2017
Trade liabilities towards related entities	24.3	458	493	569
Trade liabilities towards other entities		41 179	39 282	38 119
Budgetary liabilities		5 587	4 434	4 872
Other liabilities		69	83	180
Accruals and deferrals		4 077	1 329	3 418
Special funds		417	226	268
		51 787	**45 847**	**47 426**
including:				
- long-term part		-	-	-
- short-term part		51 787	45 847	47 426

19. Liabilities under employee benefits

	31.03.2018	31.12.2017	31.03.2017
Liabilities under retirement severance pay	265	264	208
Liabilities under the defined benefits programme	3 931	3 806	5 232
Liabilities under salaries	2 242	1 843	1 678
Other liabilities	2 130	1 737	1 994
	8 568	**7 650**	**9 112**
including:			
- long-term part	4 196	4 070	5 440
- short-term part	4 372	3 580	3 672

All amounts 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**
Increases	-	31	-	**31**
As at 31 March 2017 (unaudited)	**52**	**63**	**1 042**	**1 157**
long-term part	52	-	1 042	1 094
short-term part	-	63		63

	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 December 2017	**52**	**2**	**1 042**	**1 096**
long-term part	52	-	1 042	**1 094**
short-term part	-	2	-	2

	Court proceedings	Other provisions	Dispute	Total
As at 1 January 2018	52	2	1 042	**1 096**
Provisions utilised during the period	-	-	-	**-**
As at 31 March 2018 (unaudited)	**52**	**2**	**1 042**	**1 096**
long-term part	52	-	1 042	1 094
short-term part	-	2	-	2

The dispute, amounting to PLN 1,042 thousand, concerns 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 23.

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

As at 31 March 2018, none of the Group companies had entered into an obligation to purchase property, plant and equipment.

22. Deferred income

	31.03.2018	31.12.2017	31.03.2017
Marketing services - deferred income	2	5	-
Development subsidy	103	148	280
Other	-	-	38
	105	**153**	**318**
including:			
- long-term part	103	148	280
- short-term part	2	5	38

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 31 March 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. Contingent liabilities

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. Considering legal doubts as to the basis of acquisition of the remaining share, both petitioners filed for suspension of the proceedings. Until the date of publication of these statements, the request has not been handled. Once the whole ownership is focused in the hands of one natural person, the proceedings will – in terms of evidence – still focus exclusively on the reconciliation of benefits and outlays.

At present, it is not possible to estimate potential 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 from the proceedings will not have significant impact onto the Company's financial result. In the evaluation of the Management Board, the proceedings in this case will take several years. The Parent Entity established a provision for this liability at PLN 52 thousand.

As at 31 March 2018, the subsidiary BH Travel Retail Poland Sp. z o.o. was a party to the dispute with Przedsiębiorstwo Państwowe Porty Lotnicze ("PPPL") regarding termination in 2012 of retail space lease agreements at Warsaw Chopin Airport by PPPL. On the date of publication of the present statements, BH Travel does not conduct retail activity at Warsaw Chopin Airport, but **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 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 (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 still in 2018.

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). In the opinion of BH Travel, the above termination notices were groundless and legally ineffective and, in consequence, as at 31 March 2019 BH Travel remained in a dispute with 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 the following proceedings:

1. **Action brought by BH Travel against PPPL for payment of PLN 998,573.80, during which PPPL filed a counterclaim against BH Travel for payment of PLN 5,135,804.96**. The amount claimed by BH Travel included amounts charged by PPPL from bank guarantees issued upon the instruction of BH Travel to cover contractual penalties for delay in returning leased premises and capitalised interest. The amount claimed by PPPL included contractual penalties for delay in returning leased premises and costs incurred by PPPL in connection with disassembly and storage of movables of BH Travel, removed from those premises.
   By way of judgement of 24 March 2016, the Regional Court in Warsaw accepted the action of BH Travel and dismissed the counterclaim of PPPL in whole. As a result of appeals filed by PPPL, the case is awaiting to be handled by the Court of Appeal in Warsaw. In connection with the Settlement concluded, on 8 May 2018 BH Travel and PPPL filed procedural documents in which they withdrew the petitions and requested discontinuation of the proceedings. The requests have not been examined until the date of publication of these reports.
2. **Action brought by BH Travel against PPPL for payment of damages and release of the premises of "Baltona" Perfumery.** In the suit of 14 June 2013, BH Travel claimed adjudication of PLN 356,381,305.60 as damages for the loss involving non-performance by PPPL of lease agreements concerning the premises of "Baltona" Classic and "Baltona" Perfumery for the period until 31 December 2013 including capitalised interest, and ordering PPPL to prepare the premises of "Baltona" Perfumery in the proper condition and release them to BH Travel. PPPL requested dismissal of the action in whole. Moreover, on 31 December 2016, BH Travel requested extension of the action to include the claim for additional adjudication of PLN 71,464,566 as damages for the loss resulting from non-performance by PPPL of the lease agreements for the period from 1 January 2014 until 31 December 2016.
   By way of the ruling of 19 April 2016, the Regional Court in Warsaw suspended the proceedings until legally valid examination of another case upon the action of BH Travel against PPPL – concerning release of the premises of "Baltona" Classic (item 3 below). Both parties to the proceedings appealed against the decision. As a result of the appeal against the suspension decision, the Court of Appeal in Warsaw repealed the decision of the Regional Court in this respect. The date of the next hearing was scheduled on 22 May 2018. In connection with the Settlement concluded, on 8 May 2018 BH Travel filed a procedural document in which it withdrew the petition in whole and requested discontinuation of the proceedings. On the same day, PPPL joined the request for discontinuation of the proceedings. The requests have not been examined until the date of publication of these reports.

3. **Action brought by BH Travel against PPPL for release of the premises of “Baltona” Classic.** In the suit of 20 June 2012, BH Travel claimed ordering PPPL to release to BH Travel the premises of Baltona Classic. By the judgement of 3 December 2014, the Regional Court in Warsaw dismissed the claim of BH Travel in whole. As a result of the appeal filed by BH Travel, with the judgement of 17 August 2016, the Court of Appeal in Warsaw dismissed in whole the judgement of the Regional Court and referred the case for repeated examination. The next hearing was scheduled on 21 May 2018. In connection with the Settlement concluded, on 8 May 2018 BH Travel filed a procedural document in which it withdrew the petition in whole and requested discontinuation of the proceedings. On the same day, PPPL joined the request for discontinuation of the proceedings. The requests have not been examined until the date of publication of these reports.
4. **Action brought by PPPL against BH Travel for payment of the contractual penalty** of PLN 262,014 for delay in returning by BH Travel the premises of W. Kruk to PPPL. The outcome of the case depends on evaluation of effectiveness of the statement of PPPL on termination of the said lease agreement. The first instance proceedings are pending, the next hearing was scheduled on 22 May 2018. In connection with the Settlement concluded, on 8 May 2018 PPPL filed a procedural document in which it withdrew the petition in whole and requested discontinuation of the proceedings. On the same day, BH Travel joined the request for discontinuation of the proceedings. The requests have not been examined until the date of publication of these reports.
5. **Action brought by PPPL against BH Travel and against PHZ “Baltona” S.A. for unfair competition actions.** PPPL claimed adjudication of PLN 120,000 from BH Travel and PLN 120,000 from PHZ Baltona S.A. in favour of a cultural organisation – Museum of Aviation, and submission by BH Travel of a statement/apology. The claims of PPPL derive from the allegation that BH Travel and PHZ “Baltona” committed unfair competition actions against PPPL by disseminating their opinion that the actions of PPPL against BH Travel were illegal. The cases were distinguished for separate proceedings and were at the stage of examination before the court of first instance. Another hearing was scheduled on 22 May 2018. In connection with the Settlement concluded, on 8 May 2018 PPPL filed a procedural document in which it withdrew the petition in whole and requested discontinuation of the proceedings. On the same day, BH Travel joined the request for discontinuation of the proceedings. The requests have not been examined until the date of publication of these reports.
6. **Action brought by Vistula Group S.A. against BH Travel.** 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.

As at 31 March 2018, the consolidated financial statements of the Group present the following assets and long-term liabilities of BH Travel relating to the above litigations:

Assets

• Amount receivable from PPPL in connection with return of the amount charged from the guarantee – PLN 917 thousand.

• Amount receivable from PPPL in connection with unadjusted costs of lease after the termination date – PLN 776 thousand.

• Amount receivable from PPPL in connection with claim concerning rent overpaid in preceding years at one of the shops – PLN 171 thousand.

• Court deposit made towards the actions brought against PPPL – PLN 282 thousand.

Liabilities

• Provision for liabilities towards PPPL in connection with the costs of lease and other benefits – PLN 1,042 thousand.

Pursuant to the provisions of the Settlement, PPPL and the Parent Entity, BH Travel, Flemingo and Ashdod waived towards each other any mutual claims (current and future) connected with the litigations referred to above, including in particular proceedings before domestic courts initiated, respectively, by BH Travel and PPPL, as well as the claims of Flemingo towards the Republic of Poland, pursued under the bilateral investment treaty concluded on 7 October 1996 between the Government of the Republic of Poland and the Government of the Republic of India, resulting from the judgement of the arbitration tribunal at the Permanent Court of Arbitration in Hague (Kingdom of the Netherlands), and from the dispute notification performed by Ashdod pursuant to the bilateral investment treaty between the Republic of Poland and the Republic of Cyprus dated 4 June 1992. Waiver of mutual claims (current and future) includes moreover the Parties' undertaking to lead to discontinuation of pending court and enforcement proceedings, and to refrain from initiating any further proceedings aimed at pursuance, determination and enforcement of claims connected with the above litigations.

24. Related party transactions

24.1 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.

24.2 Transactions with managerial staff

Remuneration of key members of the Group's managerial staff during the first quarter of 2018 and in the comparable period was as follows:

	01.01.2018-31.03.2018	**01.01.2017-31.03.2017**
Remuneration of members of managerial staff	366	350
	366	**350**

24.3 Other related party transactions

	Value of transactions for		Unsettled balances as at	
	01.01.2018-31.03.2018	01.01.2017-31.03.2017	2018-03-31	2017-12-31
Sales of goods and services				
Flemingo International Ltd. - sales of services	-	-	489	489
Flemingo Brasil Importacao Limitada	-	-	363	363
Flemingo Tanger	-	-	4	4
Ashdod Holdings Ltd. - sales of services	-	-	29	29
Flemingo Duty Free Shop Pvt. Ltd	-	-	100	-
	-	**-**	**985**	**885**
Other revenue - loans				
Rafał Kazimierski - interest and loan revenue	2	2	118	117
Harding Brothers Retail Ltd.- interest and loan revenue	1	-	1 992	-
	3	**2**	**2 110**	**117**
Purchases of raw materials, goods and services				
Flemingo International Ltd. - other services	-	-	415	451
Flemingo International Ltd. - other liabilities		-		
Flemingo International Tortola- other services	56	58	19	19
Ashdod Holdings Ltd. - other liabilities	-	-	24	24
	56	**58**	**458**	**494**
Other costs				
Flemingo International Ltd. - loans/interest costs*	205	239	20 339	21 007
	205	**239**	**20 339**	**21 007**

* The Group obtained loans from the affiliates Flemingo International (BVI) Limited and Flemingo International Limited, whose repayment deadlines fall on 31 December 2018 (PLN 20,265 thousand) and on 31 December 2018 (PLN 74 thousand).

In connection with current account credit agreements and the guarantee lines referred to in note 17.3, Group companies obtained corporate guarantees issued by Flemingo International (BVI) Limited, which as at 31 March 2018 totalled PLN 70,327.5 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.

25. Composition of the Capital Group

Company name	Country	Share in %	Share in %	Share in %
		2018-03-31	2017-12-31	2017-03-31
BH Travel Retail Poland Sp. z o.o.	Poland	100	100	100
Baltona Shipchandlers Sp. z o.o.	Poland	100	100	100
Gredy Company SRL	Romania	100	100	100
Centrum Usług Wspólnych Baltona Sp. z o.o.	Poland	100	100	100
Baltona France S.A.S.	France	100	100	100
Baldemar Holdings Limited *and its subsidiary:*	Cyprus	100	100	100
Flemingo Duty Free Ukraine	Ukraine	100	100	100
Magna Project Sp. z o.o.	Poland	0	0	100
Centrum Obsługi Operacyjnej Sp. z o.o.	Poland	100	100	100
KW Shelf Company Sp. z o.o.	Poland	100	100	100
Baltona Duty Free Estonia OÜ	Estonia	100	100	0
Baltona Italy S.R.L.	Italy	100	100	100
Sandpipier 3 Sp z o.o.	Poland	100	100	0
Liege Airport Shop BVBA	Belgium	100	100	0
CDD Holding BV and its subsidiaries*:*	the Netherlands	62	62	62
Chacalli-De Decker NV	Belgium	62	62	62
Chacalli Den Haag BV	the Netherlands	62	62	62
Rotterdam Airport Tax-Free Shop BV	the Netherlands	62	62	62
Niederrhein Airport Shop GmbH	Germany	62	62	62
Chacalli-De Decker Limited	Great Britain	62	62	62

No changes within the capital structure of the Group occurred during 2018.

26. Events after the end of the reporting period

On 6 May 2018 the Issuer, its subsidiary BH Travel Retail Poland Sp. z o.o., Flemingo Dutyfree Shop Private Limited, Ashdod Holdings Limited and Przedsiębiorstwo Państwowe Porty Lotnicze [State Airports Company] concluded a settlement defining the principles of mutual settlements connected with litigations concerning retail space lease at Warsaw Chopin Airport. Pursuant to the provisions of the Settlement, the Parties waived towards each other any mutual claims (current and future) connected with the litigations referred to above, including in particular proceedings before domestic courts initiated, respectively, by BH Travel and PPPL, as well as the claims of Flemingo towards the Republic of Poland, pursued under the bilateral investment treaty concluded on 7 October 1996 between the Government of the Republic of Poland and the Government of the Republic of India, resulting from the judgement of the arbitration tribunal at the Permanent Court of Arbitration in Hague (Kingdom of the Netherlands), and from the dispute notification performed by Ashdod pursuant to the bilateral investment treaty between the Republic of Poland and the Republic of Cyprus dated 4 June 1992. Waiver of mutual claims (current and future) includes moreover the Parties' undertaking to lead to discontinuation of pending court and enforcement proceedings, and to refrain from initiating any further proceedings aimed at pursuance, determination and enforcement of claims connected with the above litigations.

In connection with conclusion of the Settlement, the Issuer and PPL concluded, also on 6 May 2018, a package consisting of the total of 14 agreements of retail space lease, covering 14 shops at both Airport Terminals with the total area of app. 2,818.75 sqm. The Lease Agreements foresee gradual taking over of particular premises. The term of particular Lease Agreements is defined as 9 years after handing over of the premises covered by the given Lease Agreement, provided however that in the case of two premises with the total area of 1,326 sqm., the Parties outlined their mutual rights and obligations applicable in the case if redevelopment of the building of Airport Terminal 2 occurs during the term of the agreements so that the redevelopment has significant influence onto operation of the said premises. In particular, the Parties foresee the possibility of partial or complete early termination of the Lease Agreements covering those premises. Estimated value of the Lease Agreements during the term thereof will total to app. PLN 710 million net. The estimated value of particular agreements includes, among others, the sum of monthly lease rents agreed by the Parties, and service charges. Detailed information concerning the said agreements is contained in current report no. 8/2018 dated 6 May 2018.

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

The above interim shortened consolidated financial statements were drawn up on 18 May 2018 and approved for publication by the Management Board of Przedsiębiorstwo Handlu Zagranicznego "Baltona" S.A. on the same day.

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