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

[FOREIGN TRADE COMPANY “BALTONA” JOINT STOCK COMPANY]

QUARTERLY REPORT ON THE ACTIVITY OF THE ISSUER

FOR THE PERIOD OF THREE MONTHS

ENDED ON 31 MARCH 2019

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.

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1. Selected financial data

1.1. Selected financial data of Baltona Group

	for the period of 3 months ended on 31 March		for the period of 3 months ended on 31 March	
	2019	2018	2019	2018
		in 000 PLN		in 000 EUR
Net revenue from sales of goods and services	116 545	91 652	27 117	21 935
Operating profit / (loss)	(16 483)	(3 829)	(3 835)	(916)
EBITDA from operating activity*	9 843	(2 431)	2 290	(582)
Net profit / (loss) attributable to owners of the parent entity	(22 720)	(3 523)	(5 286)	(843)
Weighted average number of issued shares in units	10 887 582	10 887 582	10 887 582	10 887 582
Number of potential diluting ordinary shares	-	-	-	-
Earnings / (Loss) per share (in PLN/EUR)	(2,10)	(0,32)	(0,49)	(0,08)
Diluted earnings/(loss) per share (in PLN/EUR)	(2,09)	(0,32)	(0,49)	(0,08)

** EBITDA = operating profit adjusted by depreciation and impairment write-offs*

	2019-03-31	2018-12-31	2019-03-31	2018-12-31
		in 000 PLN		*in 000 EUR*
Total assets	844 562	291 711	196 350	67 840
Share capital	2 814	2 814	654	654
Equity of the parent entity's owners	74 080	96 616	17 223	22 469
Long-term liabilities	554 687	66 650	128 958	15 500
Short-term liabilities	215 743	128 229	50 158	29 821
Liabilities and liability provisions	770 430	194 879	179 116	45 321
Book value per share (in PLN/EUR)	6,80	8,87	1,58	2,06
Diluted book value per share (in PLN/EUR)	6,80	8,87	1,58	2,06

	for the period of 3 months ended on 31 March		for the period of 3 months ended on 31 March	
	2019	2018	2019	2018
		in 000 PLN		*in 000 EUR*
Operating cash flows	32 254	(6 922)	7 505	(1 657)
Investment cash flows	(11 329)	(5 553)	(2 636)	(1 329)
Financial cash flows	(22 555)	4 315	(5 248)	1 033
Total net cash flows	(1 630)	(8 160)	(379)	(1 953)

Amounts are presented in thousands PLN

1.2. Selected financial data of PHZ "Baltona" S.A. – Individual

	for the period of 3 months ended on 31 March		for the period of 3 months ended on 31 March	
	2019	2018	2019	2018
		in 000 PLN		in 000 EUR
Net revenue from sales of goods and services	53 651	53 910	12 483	12 902
Operating profit/(loss)	(5 676)	(3 796)	(1 321)	(908)
EBITDA from operating activity*	1 866	(3 213)	434	(769)
Net profit/(loss)	(5 270)	(3 218)	(1 226)	(770)
Weighted average number of issued shares, in units	10 887 582	10 887 582	10 887 582	10 887 582
Number of potential diluting ordinary shares	-	-	-	-
Earnings/(Loss) per share (in PLN/EUR)	(0,48)	(0,29)	(0,11)	(0,07)
Diluted earnings/(loss) per share (in PLN/EUR)	(0,48)	(0,29)	(0,11)	(0,07)

** EBITDA = operating profit adjusted by depreciation and impairment write-offs*

	2019-03-31	2018-12-31	2019-03-31	2018-12-31
		in 000 PLN		*in 000 EUR*
Total assets	252 452	214 952	58 692	49 989
Share capital	2 814	2 814	654	654
Total equity	104 275	109 545	24 243	25 475
Long-term liabilities	52 220	30 624	12 141	7 122
Short-term liabilities	95 957	74 783	22 309	17 391
Liabilities and liability provisions	148 177	105 407	34 449	24 513
Book value per share (in PLN/EUR)	9,58	10,06	2,23	2,34
Diluted book value per share (in PLN/EUR)	9,58	10,06	2,23	2,34

	for the period of 3 months ended on 31 March		for the period of 3 months ended on 31 March	
	2019	2018	2019	2018
		in 000 PLN		*in 000 EUR*
Operating cash flows	6 871	(5 682)	1 599	(1 360)
Investment cash flows	(2 817)	(8 450)	(655)	(2 022)
Financial cash flows	396	6 391	92	1 530
Total net cash flows	4 450	(7 741)	1 035	(1 853)

Amounts are presented in thousands PLN

1.3. Average PLN/EUR exchange rates published by the National Bank of Poland (NBP)

	for the period of 3 months ended on 31 March	
	2019	2018
average exchange rate during the period	4,2978	4,1784

	as at	
	2019-03-31	2018-12-31
exchange rate at the end of the period	4,3013	4,3

2. Information on the organisation of the Capital Group, including indication of the entities covered by consolidation

2.1. Structure of Baltona Group

The Capital Group of BALTONA consists of the parent entity – Przedsiębiorstwo Handlu Zagranicznego BALTONA S.A. [Foreign Trade Company BALTONA Joint Stock Company] (hereinafter referred to as the "Parent Entity", "Baltona", "PZH Baltona S.A.", "Company", "Issuer") – and subsidiaries.

Przedsiębiorstwo Handlu Zagranicznego BALTONA Spółka Akcyjna [Foreign Trade Company BALTONA Joint Stock Company] is a joint stock company registered in Poland. Since 2013, the Parent Entity has been listed on the main market of Giełda Papierów Wartościowych S.A. [Warsaw Stock Exchange] in Warsaw.

The Parent Entity was entered into the register of entrepreneurs of the National Court Register at the District Court for the Capital City of Warsaw, 13th Trade Division under number KRS 0000051757. The company was assigned with the statistical number REGON 00014435. The registered office of the Parent Company is located at ul. Flisa 4 in Warsaw (postal code: 02-247).

In connection with this Report, the Parent Entity together with the subsidiaries are referred to as Baltona Group (hereinafter also: "Group").

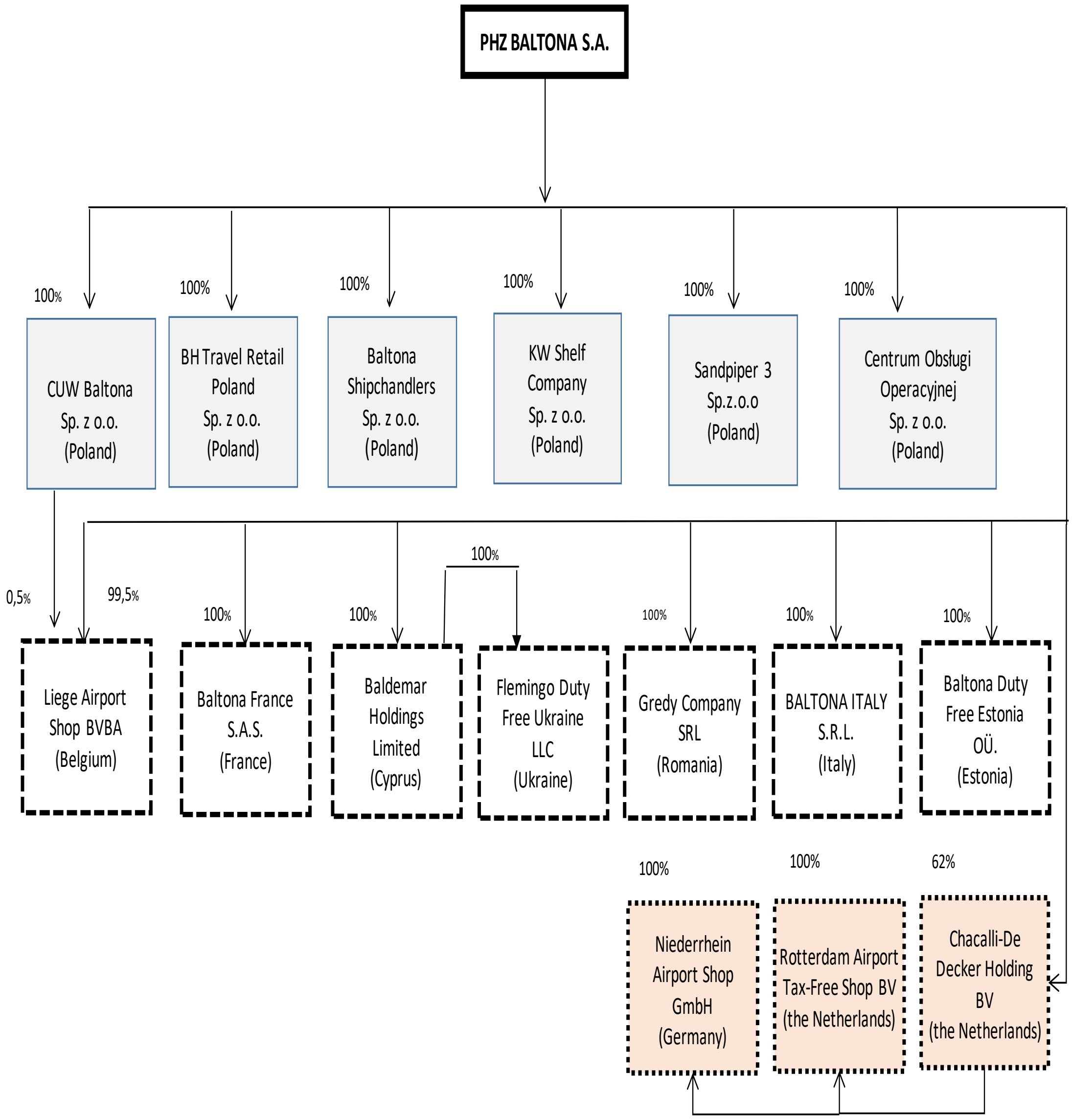
As at 31 March 2019, the Group – next to the Parent Entity, consisted of the following entities:

Amounts are presented in thousands PLN

Company name	Area of activity	Consolidation method
BH Travel Retail Poland Sp. z o.o.	B2B sales	Full
Baltona Shipchandlers Sp. z o.o.	Supplying sea ship crews and B2B sales	Full
Gredy Company SRL	Retail sales	Full
Centrum Usług Wspólnych Baltona Sp. z o.o.	Administrative and accounting services to Group companies	Full
Baltona France S.A.S.	Retail sales at duty free shops	Full
Baldemar Holdings Limited and its subsidiary:	Holding company	Full
Flemingo Duty Free Ukraine LLC	Retail sales at duty free shops	Full
Centrum Obsługi Operacyjnej Sp. z o.o.	Gastronomy activity	Full
Sandpipier 3 Sp z o.o.	IT activity	Full
KW Shelf Company Sp. z o.o.	Property lease to own account	Full
Baltona Duty Free Estonia OÜ	Retail sales at duty free shops	Full
Baltona Italy S.r.l.	Retail sales at duty free shops	Full
Liege Airport Shop BVBA	Retail sales at duty free shops	Full
CDD Holding BV	Holding company	Full
Rotterdam Airport Shop BV	Retail sales at duty free shops	Full
Niederrhein Airport Shop GmbH	Retail sales at duty free shops	Full

As at 31 March 2019, the largest shareholder of the Parent Entity is Ashdod Holdings Limited, company holding 80.68% shares. As Ashdod is controlled by Flemingo International Limited, since 2010 the Group of PHZ „Baltona" S.A. has been part of the international capital group headed by Flemingo International (BVI) Limited.

The following diagram presents detailed capital relationships among entities making up "Baltona" Group as at 31 March 2019:



* The Parent Entity holds shares in Flemingo Duty Free Ukraine LLC via the subsidiary Baldemar Holdings Limited

** The Parent Entity holds shares in Rotterdam Airport Shop BV and Niederrhein Airport Shop GmbH via the subsidiary Chacalli-De Decker Holding BV.

2.2. Description of entities covered by consolidation

As at 31 March 2019, consolidation covered PHZ "Baltona" S.A. as the Parent Entity and the following subsidiaries:

Company name	Share capital	Currency	Registered seat	Share as at 31.03.2019	Share as at 31.12.2018
BH Travel Retail Poland Sp. z o.o.	3.000.000	PLN	Poland	100%	100%
Baltona Shipchandlers Sp. z o.o.	2.233.000	PLN	Poland	100%	100%
Gredy Company SRL	200	RON	Romania	100%	100%
Centrum Usług Wspólnych Baltona Sp. z o.o.	28.081.850	PLN	Poland	100%	100%
Baltona France S.A.S.	1.000	EUR	France	100%	100%
Baldemar Holdings Limited	1.432	USD	Cyprus	100%	100%
Flemingo Duty Free Ukraine LLC	439.587,50	UAH	Ukraine	100%	100%
Centrum Obsługi Operacyjnej Sp. z o.o.	5.000	PLN	Poland	100%	100%
Sandpipier 3 Sp z o.o.	5.000	PLN	Poland	100%	100%
KW Shelf Company Sp. z o.o.	5.000	PLN	Poland	100%	100%
Baltona Duty Free Estonia OÜ	2.500	EUR	Estonia	100%	100%
Baltona Italy S.r.l.	10.000	EUR	Italy	100%	100%
Liege Airport Shop BVBA	487.967,20	EUR	Belgium	99,5%	99,5%
CDD Holding BV	2.035.000	EUR	the Netherlands	62%	62%
Rotterdam Airport Shop BV	45.378,02	EUR	the Netherlands	62%	62%
Niederrhein Airport Shop GmbH	25.000	EUR	Germany	62%	62%

The companies do not have branches (subordinated facilities).

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

No changes within the structure of the Capital Group occurred in 2019 and by the date of preparation of these statements.

3. Identification of changes within the organisation structure of the Issuer's Capital Group, including those resulting from business combinations, acquisition or loss of control over subsidiaries and long-term investments, as well as division, restructuring or discontinuation of activity

No significant changes within the structure of the Issuer's Capital Group occurred during the reporting period and by the date of preparation of this Report.

Amounts are presented in thousands PLN

On 11 July 2018, the Company, CDD Holding B.V. (hereinafter: Seller) and Flemingo International (BVI) Limited (hereinafter: Buyer or Flemingo) concluded an agreement concerning sale of shares in indirect subsidiaries of Chacalli Group, i.e. Chacalli-De Decker N.V. (Belgium), Chacalli Den Haag B.V. (the Netherlands) and Chacalli-De Decker Limited (Great Britain). The above companies' activity is connected with supplying diplomatic establishments. Moreover, the Agreement identified the principles subject to which the Travel Retail business currently conducted within Chacalli-De Decker N.V. (Belgium) was in whole transferred as an organised part of the enterprise into the structures of Baltona Group. In consequence of the above, formal and registration related activities were performed in 2018, and ownership title to shares of two Chacalli companies (i.e. Chacalli De Decker N.V. and Chacalli De Decker Ltd.) was transferred. The process related to transfer of the ownership title to shares of the third Chacalli Company, namely Chacalli Den Haag B.V. (the Netherlands), is pending as at the date of preparation of this report.

On 29 May 2019, the Issuer's subsidiary CDD Holding B.V. concluded with a foreign industry partner operating in the countries of Western Europe (hereinafter: Buyer) an agreement concerning purchase from CDD of all shares in two CDD's subsidiaries, i.e. Rotterdam Airport Tax-Free Shop B.V and Niederrhein Airport Shop GmbH. The Issuer reminds that it is in the possession of 62% shares in CDD which, in turn, holds 100% shares of RAS and NAS each. Transfer of the ownership title towards the shares in RAS & NAS occurred on the date of Agreement conclusion. Detailed information on the above transaction was published in the current report no. 22/2019 of 29 May 2019.

4. Position of the Management Board regarding possibilities to accomplish previously published result forecasts for the given year in the light of results presented in the quarterly report as compared with result forecasts

The Management Board of PHZ "Baltona" S.A. did not publish any result forecasts for 2019.

5. Information on transactions concluded by the issuer or its subsidiary with related parties on non-arm's length terms

All transactions concluded by the Parent Entity and its subsidiaries, including transactions with related parties, are concluded on arm's length terms. All concluded transactions were typical and routine ones, concluded on arm's length terms, and their character and terms resulted from ongoing operating activity of the Group's companies.

A list of related entities and value of transactions concluded by Group companies with those entities during the first quarter of 2019 and during the comparable period as well as unsettled balances from those transactions as at 31 March 2019 and 31 December 2018 are presented in detail in note 25 to the quarterly shortened consolidated financial statements of the Group of PHZ Baltona S.A. for the period of three months ended on 31 March 2019.

6. Shareholders holding directly or indirectly via subsidiaries at least 5% of the total number of votes at the general meeting of shareholders of PHZ "Baltona" S.A. as at the date of submission of the consolidated quarterly report, and changes in the ownership structure of significant packages of shares in PHZ "Baltona" S.A. during the period from submission of the previous consolidated periodic report, in accordance with the information available to PHZ "Baltona" S.A.

Shareholder	Number of shares	% share in the share capital	Change in the number of shares	Number of shares	% share in the share capital	Number of votes	% shares in the total number of votes	Change in the number of votes	Number of votes	% share in the total number of votes
	as at the date identified in the most recent report			as at the date of publication of the report		as at the date identified in the most recent report			as at the date of publication of the report	
Ashdod Holdings	9 081 600	80,68%	-	9 081 600	80,68%	9 081 600	80,68%	-	9 081 600	80,68%
Others (below 5% share in votes)	2 174 977	19,32%	-	2 174 977	19,32%	2 174 977	19,32%	-	2 174 977	19,32%
Total number of shares of the Company and related votes	11 256 577	100,00%	-	11 256 577	100,00%	11 256 577	100,00%	-	11 256 577	100,00%

Amounts are presented in thousands PLN

Ashdod Holdings is a company of the laws of Cyprus with the registered office in Larnaca (Cyprus), holding 9,081,600 of the Issuer's shares and the same number of votes at the General Meeting of Shareholders, corresponding with 80.68% of the Issuer's shares and 80.68% of the total number of votes as the General Meeting of Shareholders. The entity is the sole shareholder controlling the Issuer. No changes in this respect have occurred as compared with the date of publication of the preceding report.

7. Specification of the possession of the shares of PHZ "Baltona" S.A. or rights (options) related to the shares by persons performing management and supervisory functions at PHZ "Baltona" S.A. as at the date of submission of the consolidated periodic report, with identification of changes in shareholding during the period from submission of the previous periodic report, in accordance with the information available to PHZ "Baltona" S.A.

As at the date of preparation of this report, no member of the Supervisory Board or member of the Management Board held actions of PHZ "Baltona" S.A. or any rights thereto. No changes in this respect have occurred as compared with the date of publication of the preceding report.

8. Information on significant proceedings pending before a court, authority competent for conducting arbitration proceedings or public administration body, concerning the liabilities and receivables of the issuer or its subsidiary, including identification of the object of proceedings, value of the object of dispute, date of initiation of the proceedings, parties to the initiated proceedings and the issuer's standpoint

A detailed discussion of pending proceedings is presented in the Explanatory Information to the quarterly shortened consolidated financial statements, in par. 24 Contingent liabilities.

9. Information on credit or loan securities or guarantees granted by the Issuer or its subsidiary – jointly to one entity or subsidiary of that entity if the total value of existing securities or guarantees is significant

During the period covered by this interim report, the Issuer and its Subsidiaries did not grant significant securities or guarantees, except for securities resulting from the package of documents identifying the terms of cooperation with PT Dystrybucja S.A. regarding deliveries of FMCG goods, received after the date of the statement of financial position. Detailed information regarding credit collaterals is presented in the Explanatory Information to the quarterly shortened consolidated financial statements, par. 18.3 Terms and schedule of credit and loan repayment.

The value of securities or guarantees issued by or on behalf of companies of the Issuer's Group is as follows:

- As at 31 March 2019, contingent liabilities under guarantees granted by banks and insurance companies to companies of Baltona Capital Group, mainly towards suppliers, landlords as well as customs and tax institutions, amounted to PLN 48,306.47 thousand.
- As at 31 March 2019, the Group is taking advantage of an insurance guarantee to secure the customs debt, at PLN 1,000 thousand, and of an insurance guarantee concerning the Common Transit Procedure, at PLN 500 thousand.
- As at 31 March 2019, liabilities under securities which PHZ "Baltona" S.A. granted with respect to the subsidiaries' liabilities, mainly towards banks, lessors and landlords, amounted to PLN 58,606 thousand.

- In connection with the overdraft agreements, the Parent Entity was granted with a corporate guarantee issued by Flemingo International Limited up to the total amount of PLN 106,500 thousand with respect to the multi-purpose credit line agreement. In connection with the overdraft agreements, the Parent Entity was granted with a corporate guarantee issued by Flemingo International Limited up to the total amount of PLN 106,500 thousand with respect to the multi-purpose credit line agreement.
- In connection with the non-revolving credit agreements, the Parent Entity was granted with a corporate guarantee issued by Flemingo International Limited up to the total amount of PLN 6,750 thousand with respect to the non-revolving credit agreement dated 30.08.2016, a corporate guarantee issued by Flemingo International Limited up to the total amount of PLN 5,782.5 thousand with respect to the non-revolving credit agreement dated 29.09.2017 and a corporate guarantee issued by Flemingo International Limited up to the total amount of PLN 6,795 thousand with respect to the non-revolving credit agreement dated 20.02.2018.
- In connection with the non-revolving credit agreements, the subsidiary BH Travel Retail Poland Sp. z o.o. was granted with a corporate guarantee issued by Flemingo International Limited up to the total amount of PLN 58,500 thousand with respect to the non-revolving credit agreement dated 19.06.2018.
- As at 31 March 2019, corporate guarantees issued by Flemingo International Limited to secure currency contract transactions amounted to PLN 3,000 thousand.
- In connection with the signed annexes to the credit agreements, the Issuer's subsidiaries issued to the Bank BGŻ BNP Paribas S.A. guarantees under promissory notes for liabilities under the credit agreements. The guarantees granted together by Centrum Usług Wspólnych Sp. z o.o., Centrum Obsługi Operacyjnej Sp. z o.o. and Baltona Shipchandlers Sp. z o.o. were granted up to the amount of PLN 106,500 thousand with respect to the multi-purpose credit line agreement. The guarantees granted together by Centrum Usług Wspólnych sp. z o.o, Centrum Obsługi Operacyjnej sp. z o.o, BH Travel Retail Poland sp. z o.o. and Baltona Shipchandlers sp. z o.o. were granted up to the amount of PLN 6,750 thousand with respect to the non-revolving credit agreement dated 30.08.2016, up to PLN 5,782.5 thousand with respect to the non-revolving credit agreement dated 29.09.2017 and up to PLN 6,795 thousand with respect to the non-revolving credit agreement dated 20.02.2018. The guarantees granted together by Przedsiębiorstwo Handlu Zagranicznego "BALTONA" S.A, Centrum Usług Wspólnych sp. z o.o. and Centrum Obsługi Operacyjnej sp. z o.o. were granted up to the amount of PLN 58,500 thousand with respect to the non-revolving credit dated 19.06.2018.
- As at 31 March 2019, corporate guarantees issued by Baltona Duty Free Estonia OÜ to secure the non-revolving credit agreement amounted to PLN 5,782.5 thousand.

Apart from the securities and guarantees enumerated above, the Group does not have significant non-balance sheet items.

10. Other information which the Company considers important to evaluate the position of the Capital Group in terms of human resources, property, finance, financial results and changes thereof, and information important from the point of view of evaluating the Issuer's capability to satisfy its liabilities

During the reporting period, the Group made a number of investments – above all, on opening and fitting out of new shops and cafes, as well as purchase of property, plant and equipment. The investments were financed with funds from bank and trade credits, loans and investment proceeds.

In the evaluation of the management, Group companies are capable of drawing and settling financial liabilities. Observed in recent months, the growing balance of overdue liabilities is, in the opinion of the Issuer's Management Board, temporary and connected in particular with outlays on Warsaw airport (investments in premises, stocking). The Issuer expects that, in connection with foreseen growth in sales revenue generated from sales activity at Warsaw airport, the balance of overdue liabilities will be gradually decreasing (in particular, due to the oncoming seasonal air traffic growth).

As at the date of preparation of this report, in order to improve the structure and level of current capital needed due to increased capital requirements, the possibility to obtain financing is being considered, among others in the form of loans from non-banking sector entities or the possibility to carry out an issue of short- or medium-term corporate bond, as well as the possibility to take advantage of other similar products.

Next to the possibility of obtaining financial resources from the external sources referred to above, the Issuer emphasises the possibility to obtain funds based on potential sale transactions selected groups of Baltona Capital Group's operating assets. After the date of the statement of financial position, on 29 May 2019, the Issuer's subsidiary CDD Holding B.V. (hereinafter: CDD) concluded with a foreign industry partner operating in the countries of Western Europe (hereinafter: Buyer) an agreement concerning purchase from CDD of all shares in two CDD's subsidiaries, i.e. Rotterdam Airport Tax-Free Shop B.V and Niederrhein Airport Shop GmbH (hereinafter jointly: RAS & NAS) (hereinafter: Agreement). The Issuer reminds that it is in the possession of 62% shares in CDD which, in turn, holds 100% shares of RAS and NAS each. The total sale price of RAS & NAS is app. EUR 1.51 million (i.e. app. PLN 6.5 million) and it was paid on the date of Agreement conclusion. Transfer of the ownership title towards the shares in RAS & NAS occurred on the date of Agreement conclusion. The Issuer expects recognition in the consolidated financial statements during the subsequent reporting period of profit on the transaction at app. EUR 0.2 million, that being an equivalent of app. PLN 0.86 million. The above transaction was carried out in connection with decreased attractiveness of the locations concerned by the assets being the object of the transaction, as evaluated by the Issuer, along with the intention to focus operating and management activities as well as financial resources on development of business activity in alternative locations where the Issuer's Capital Group companies conduct their business activity.

In connection with the review of strategic options, pending on the date of preparation of this report, the Group does not exclude the possibility of further transactions concerning other asset groups controlled by the Issuer's Capital Group.

Subject to planned investment expenditures, Group Companies did not draw other investment liabilities.

11. Employment information

As at 31 March 2019 and 31 December 2018, respectively, employment (measured by FTEs) within the Group companies was as follows:

Company	*2019-03-31*	*2018-12-31*	*Change*
PHZ Baltona S.A.	222	220	2
BH Travel Retail Poland Sp. z o.o.	129	90	39
Centrum Obsługi Operacyjnej Sp. z o.o.	102	93	9
Centrum Usług Wspólnych Baltona Sp. z o.o.	45	47	-2
Baltona Shipchandlers Sp. z o.o.	32	32	0
Baltona France SAS	15	15	0
Baltona Italy S.r.l.	9	9	0
Gredy Company SRL	12	13	-1
Flemingo Duty Free Ukraine	23	21	2
Baltona Duty Free Estonia OÜ	35	33	2
Liege Airport Shop BVBA	6	6	0
Grupa Chacall-De Decker	23	24	-1
Total	**653**	**603**	**50**

No changes with respect to the remuneration policy have occurred in 2019 except for changes caused by adaptation to market conditions.

12. Identification of factors which, in the Issuer's evaluation, will influence the results achieved by the Issuer and the Capital Group within at least one subsequent quarter

In the evaluation of the Issuer, the financial results of its Capital Group within at least the subsequent quarter will be influenced by:

- Results achieved by newly opened shops, cafes and retail outlets in Poland, as well as shops at Warsaw Chopin, Tallinn and Wrocław airports which commenced operation in 2019 and 2018, as well as cafes in Warsaw in attractive locations at the Central Railway Station and in Nowy Świat street.
- Development of operating activity at retail outlets (including achievement of a satisfactory stock level) at Warsaw Chopin Airport in connection with conclusion of a settlement with Przedsiębiorstwo Państwowe Porty Lotnicze [State Airports Company] on 6 May 2018 concerning lease of retail space, covering 14 shops at both Airport Terminals, with the total area of app. 2,818.75 m².
- Cooperation with Przedsiębiorstwo Państwowe Porty Lotnicze [State Airports Company] regarding execution of the retail space lease agreements, as mentioned above, as well as verification of the technical aspects of cooperation conducted so far and the fit-out process for all concluded lease agreements, which will constitute the basis for arrangement of an appropriate mechanism for settlement of disputable rent settlements.
- Conclusion on 27 November 2018 of an annex with Port Lotniczy Poznań-Ławica Sp. z o.o. [Poznań-Ławica Airport], enabling the Lessor to extend the lease term after expiry of the agreement, i.e. after 6 July 2019 on the terms identified in the annex. The extended lease term may apply no longer than until 7 November 2019.

Amounts are presented in thousands PLN

- Outcome of analyses connected with review of the Issuer's strategic options, commenced on 23 May 2019, as well as decisions of the Dominant Shareholder pertaining to the parallel process related to review of strategic options connected with investment in the Company.
- Achievement of a satisfactory operating efficiency level in connection with logistic processes carried out within the Group.
- Securing of current capital financing.
- Prospects of growth in scheduled passenger traffic at Warsaw-Modlin airport and at other airports where shops of the Group companies are located.
- Maintaining the appropriate level of stock at the Group's shops.
- Maintaining current and acquisition of new sources of financing, including in particular bank credits.
- Development of currency exchange rates, in particular with regard to the EUR/PLN pair.
- Development of interest rates determining the costs of service of the Group's indebtedness.
- Political situation in Ukraine.
- Cost optimisations achieved via negotiations and process changes.

13. Brief description of significant achievements or failures of the Capital Group during the period covered by the report, including specification of the main events related thereto

Operational area

During the period of 3 months ended on 31 March 2019, the Group focused on optimisation of its operational activity, in particular regarding the need to secure financing of its operating activity and investment outlays connected with outlets located at Warsaw Chopin Airport.

On 15 January 2019, the Issuer was notified of bilateral signature of an annex to the framework agreement on commercial cooperation regarding sales of cigarettes, pharmaceuticals, beauty articles and foods between the Issuer and its subsidiaries, namely Baltona Shipchandlers Sp. z o. o., Centrum Obsługi Operacyjnej Sp. z o. o. and Eurocash Serwis Sp. z o. o., pursuant to which the term of the Agreement was extended until the end of March 2019.

In order to optimise logistic processes, on 19 February 2019 the Management Board of Przedsiębiorstwo Handlu Zagranicznego "Baltona" S.A. concluded with Loxxess Polska Sp. z o.o. a warehouse logistics agreement. Pursuant to the agreement, Loxxess will perform warehousing operations in favour of Baltona Group entities at its own warehouse, including other services agreed by the parties, necessary for placement, storage and disbursement of the goods stored therein. At the turn of the 1st and 2nd quarters of 2019, the Group was carrying out the stocking process at the central warehouse operated by Loxxess Polska Sp. z o.o. The planned target stocking level will be achieved by the end of the 2nd quarter of 2019.

During the 4th quarter of 2018 and the 1st quarter of 2019, the Group conducted a number of optimisation activities connected with the structure of its warehousing items. The main initiatives accomplished in this area included verification of the stock in terms of optimum condition, shifting of goods between particular locations and discount sales of slowly rotating goods.

Financial area

On 14 February 2019, the Management Board of the Parent Entity adopted a decision regarding the intention to correct the tax return form for 2015, resulting in the obligation to make an additional payment of app. PLN 0.5 million in favour of the tax authorities. The decision resulted from the customs and tax audit carried out by the Podkarpackie Province Customs and Tax Authority in Przemyśl (UKS) concerning reliability of the declared tax bases as well as correct calculation and payment of corporate income tax for 2015. The audit was ended and the Parent Entity filed a correction of the CIT-8 return form for 2015, covering all irregularities in the area covered by the audit. Moreover, the Parent Entity intends to correct the tax return forms for years 2013-2017 in connection with the irregularities identified during the audit of the year 2015. The financial statements for 2018 included fundamental error correction on that account, amounting to PLN 2,185 thousand.

On 4 March 2019, a settlement and understanding were concluded between the State Airports Company [PPL] and the Company regarding engagement of a third party to verify the technical aspects of cooperation conducted so far and the fit-out process for all concluded lease agreements, which will constitute the basis for arrangement of an appropriate mechanism for settlement of disputable rent settlements. The amount of claims related to rent payments covered by the understanding amounts to PLN 9.6 million net, while the amount claims under penalties connected with delays in commencing activity for particular outlets amounts to PLN 5.3 million, totalling PLN 14.9 million. The amount of PLN 1.7 million related to the above was recognised in the financial statements as deferrals. Pursuant to the Company's best evaluation and internal calculations, the above mentioned amount of PLN 1.7 million ought to satisfy the amount of the Company's potential liability towards PPL under the above mentioned disputable rent settlements. If the parties agree on a financial settlement based on the third party's opinion, reconciliation of the Issuer's liabilities towards PPL will be performed in 3 monthly instalments payable during the 4th quarter of 2019. If the third party's opinion is not issued by the end of August 2019, the parties will undertake further negotiations in order to perform mutual financial settlements based on the findings made so far. Irrespective of the above, pursuant to the provisions of concluded documents, the Issuer decided to accept the claims of PPL concerning settlement related to 3 lease agreements for which the periods of temporary activity fell from July to August/October 2018. The financial settlements include payments of rent at PLN 7.4 million net and penalties for delays in commencing business activity at particular outlets at PLN 1 million; in total, PLN 8.4 million net. The amount resulting from the settlement is recognised in the financial statements in whole as long-term liabilities. The Issuer undertook to pay the liabilities at the above amount in the form of monthly payments during the period from May 2020 until December 2020. Moreover, the parties agreed on the principles governing repayment of the above liabilities in case of delays as compared with originally agreed deadlines. In connection with conclusion of the Settlement, terms of the standard rental agreement collateral – i.e. bank guarantee – and statement on submission to enforcement proceedings accompanying guarantee instruments will also be updated, provided however that amendment of the guarantee will not involve any increase of the guarantee sum, except for the cases foreseen in the lease agreements (e.g. rent indexation).

During the reporting period, the Group completed the fit-out process of the premises rented from PPL pursuant to lease agreements concluded on 6 May 2018. There occurred delays concerning commencement of activity at particular outlets at Warsaw Chopin Airport as compared with the originally adopted fit-out schedule which, in the Group's evaluation, are not caused by its fault. However, PPL initiated the procedure related to charging the Company with lease rent invoices in reference to the original schedules, instead of acting based on actual circumstances related to commencement of activity at that airport. As a result, the Company received, respectively, invoices for the lease rent and charge notes covering penalties for delays in accomplishment of specific activities within the fit-out process. On 4 March 2019, a settlement and understanding were concluded concerning the State Airports Company [PPL] and Przedsiębiorstwo Handlu Zagranicznego "Baltona" S.A. regarding engagement of a third party to verify the technical aspects of cooperation conducted so far and the fit-out process for all concluded lease agreements, which will constitute the basis for arrangement of an appropriate mechanism for settlement of disputable rent settlements. Irrespective of the above arrangements, in May 2019 the Company received further charge notes from PPL covering penalties for delays in accomplishment of specific activities identified in the agreement. The Company will analyse the submitted claims and adopt appropriate decisions. As at the date of preparation of this interim report, total value of PPL's claims declared in May 2019 as discussed above, disputed by the Company, amounts respectively to PLN 7.3 million in connection with delay penalties.

Locations and investments

Moreover, investment outlays performed during the 1st quarter of 2019 on fitting out the premises amounted to app. PLN 11.3 million, while estimated outlays planned until the end of 2019 will amount to app. PLN 6.8 million more. The amount of planned outlays includes mainly completion of the investment at Warsaw Chopin Airport and construction of a new shop at Montpellier airport in France.

On 31 March 2019, the Issuer ended the activity at Liege airport.

Impact of recognition of the right to conclude an agreement in the Group's statement of financial position

On 25 April 2019, value of the so-called right to conclude an agreement was recognised in the accounting books, at PLN 94,992 thousand. Recognition of the above asset results in retrospective recognition of depreciation write-offs performed in 2018 as well as the need to perform depreciation write-offs in subsequent months in accordance with the adopted annual depreciation rate set at app. 10.6%. The said depreciation write-offs will materially increase the cost base, but the Issuer reminds that these are of a non-monetary character and do not impact the EBITDA result.

Impact of recognition of assets under the right of use in the Group's statement of financial position

As a result of adoption of IFRS 16, the Group recognised assets under the right of use and liabilities under lease in its financial statements, amounting to PLN 560,372 thousand and PLN 565,386 thousand, respectively. Recognition of the above asset involves the obligation to perform depreciation write-offs during the terms of agreements recognised as leases. The above depreciation write-offs will materially increase the cost base, but the Issuer reminds that these are of a non-monetary character and do not impact the EBITDA result.

14. Indication of amounts and kinds of items influencing the assets, liabilities, equity, net result or cash flows, untypical due to their kind, value or frequency

The balance sheet sum as at 31 March 2019 in the consolidated statements of Baltona Group amounted to PLN 844,562 thousand and was by PLN 552,851 thousand, i.e. by 190% higher as compared with the balance sheet sum as at 31.12.2018. The reason of this high growth is adoption of the new IFRS 16 standard resulting in recognition of assets under the right of use and corresponding liabilities under lease.

The negative net financial result generated during the period of 3 months ended on 31 March 2019 was mainly influenced by growth in depreciation costs connected with recognition of assets under the right of use and the right to conclude an agreement, increase in the cost of rents connected with newly opened shops and increase in financial costs related to investment credit service.

15. Identification of factors and events, including in particular untypical ones, which have material influence onto the consolidated financial results

During the period of 3 months ended on 31 March 2019, the Group achieved total sales revenue of PLN 116.5 million, which denotes an increase in absolute amounts by over PLN 24.8 million, i.e. by 27.2% as compared with the corresponding period of 2018. As compared with the first quarter of 2018, public retail sales decreased by 6%, while duty free retail sales, wholesale and shipchandling increased by 37% and 18%, respectively. Growth of sales revenue in 2018 resulted mainly from shop openings and resumption of activity at Warsaw Chopin Airport. However, revenue increase was lower than expected because of delays in opening of shops at Warsaw Chopin Airport.

The result of the Group’s operating activity after the first quarter of 2019 was the loss of PLN 16,483 thousand; to compare, the result for the corresponding period of the previous year was the loss of PLN 3,829 thousand. As far as the costs area is concerned, the greatest increase (in absolute amounts) during the periods being compared concerned the costs of depreciation, own cost of sales and costs of employee benefits – amounting to PLN 24.9 million, PLN 12.9 million and PLN 1.4 million, respectively.

The EBITDA result (calculated as the operating result adjusted by depreciation) generated during the period amounted to PLN 9.843 thousand and was by 505% higher as compared with the first quarter of 2018, when it amounted to PLN -2.431 thousand. Growth in the EBITDA measure was influenced by the above mentioned cost of depreciation, resulting from amortisation of the recognised asset under the right of use, and amortisation of outlays on newly opened shops.

To compare, the Group’s net result for the period of 3 months ended on 31 March 2019 closed with the loss of PLN 22.853 thousand. Net loss for the corresponding period of 2018 was lower and amounted to PLN 4.068 thousand. The negative net financial result was caused by the operating activity discussed above and increase in the service costs of credits drawn in preceding periods.

Financial results of the Group for the period of 3 months ended on 31 March 2019 was to a largest extent influenced by the following factors:

- adoption of IFRS 16, resulting in recognition of assets under the right of use and liabilities under lease, as well as the obligation to recognise depreciation of the above assets totalling PLN 20.6 million and lease interest of PLN 5 million in the costs of the reporting period, and exclusion of the fixed part of rents from third party services amounting to PLN 18.2 million,
- recognition of depreciation connected with an intangible asset, recognised as the right to conclude an agreement, totalling PLN 2.5 million, during the reporting period,
- costs and investment outlays borne in connection with new locations, including in particular rents, costs of employment and salaries of staff at newly opened shops at Warsaw Chopin Airport,
- costs connected with implementation of the logistics and warehousing project for Baltona Group and with stocking of new retail locations,
- lower than originally estimated sales at locations situated at Warsaw airport as a result of delays as compared with the schedule regarding opening of particular shops.

16. Information on seasonal or cyclical character of activity during the presented period

The business of Baltona Group is characterised with seasonal character of demand, profitability and sales. This results from specific features of the air transport industry and resulting seasonal character of air traffic. Baltona Group records the lowest sales in the period from November to April, and the highest sales from May to October. As a result, sales revenue generated during the 1st and 4th quarters of the year is usually lower than the revenue generated in the 2nd and 3rd quarters. 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.

17. Information on issue, buy-back and repayment of non-share based and equity securities

During the period of three months ended on 31 March 2019, the Parent Entity did not introduce new securities into turnover on the capital market, and it did not have any issued debt securities which would require repayment or buy-back.

18. Information on paid out (or declared) dividend, in total and per one share, with division into ordinary and privileged shares

During the period of three months ended on 31 March 2019, PHZ "Baltona" S.A. did not pay out or declare any dividend.

19. Events after the date of preparation of the quarterly shortened financial statements, not disclosed in the statements, but which may have significant impact onto the Issuer's future financial results

On 25 April 2019, the Management Board of Przedsiębiorstwo Handlu Zagranicznego "Baltona" S.A. [Foreign Trade Company "Baltona" S.A.] signed with La Société Aéroport de Montpellier Méditerranée S.A. an annex to the agreement, pursuant to which the lease term was extended until 31 January 2029. Moreover, pursuant to the provisions of the annex, the lease area was increased considerably as compared with the area leased before, and is now app. 411 m^2. During the lease term, estimated value of the lease object will be from PLN 2.4 million net to PLN 4.1 million net. Estimated value of the object of the Agreement includes the sum of fixed quarterly fees agreed by the parties and variable payments depending on the amount of sales revenue.

On 9 May 2019, the Management Board of Przedsiębiorstwo Handlu Zagranicznego "Baltona" S.A. concluded a package of documents establishing the terms of cooperation with PT Dystrybucja S.A. regarding deliveries of FMCG goods and establishment of collaterals for those agreements. In connection with the above, cooperation with that supplier will cover deliveries performed directly to shops located at airports in Poland, including those located at Warsaw airport, where activity is connected by the Issuer’s subsidiary, i.e. BH Travel Retail Poland Sp. z o.o. Cooperation with PT Dystrybucja S.A. was initiated for an unspecified term, with the possibility of termination upon one-month notice. Estimated value of total cooperation of the Issuer’s capital group with the Supplier amounts to app. PLN 100 million per year. Within the framework of cooperation, transfer of the ownership title to the goods takes place after payment of the total sale price. As a result of granting the trade credits in connection with cooperation, collaterals including in particular blank own promissory notes with promissory note declarations, statements of submission to enforcement proceedings by the Issuer in the mode prescribed in art. 777 § 1 item 5 of the Code of Civil Procedure up to the total amount of PLN 5.5 million valid until the end of 2025 and an indefinite guarantee up to PLN 3.85 million for the liabilities of BH Travel resulting from the trade credit granted to that company by the supplier, will be established by the Issuer in favour of the Supplier.

On 23 May 2019, the Issuer received from Flemingo Dutyfree Shop Private Limited and Flemingo International Limited (hereinafter: Flemingo) a letter notifying of initiation by Flemingo and Ashdod Holding Limited, i.e. dominant shareholder of the Company (hereinafter: Ashdod) of a process involving review of strategic options connected with Flemingo’s investment in the Company. Pursuant to the information contained therein, the above process involves consideration – among others – of scenarios connected with strengthening of operational cooperation between Flemingo Group entities as well as the possibility to introduce organisational changes within Flemingo group, which may include acquisition of a potential equity/strategic investor for the Issuer. On 23 May 2019, the Issuer adopted the decision on commencing the process of internal analyses initiating review of strategic options concerning operational utilisation of particular groups of assets of the Issuer’s Capital Group and further development of its activity. It is the intention of the Issuer’s Management Board to identify, within the said process, scenarios related to development of operating activity and identify options related to an optimum financing structure of the Issuer’s Capital Group based on available sources of financing within different timeframes. Within the framework of the above process, the Issuer’s Management Board anticipates performance of analyses in, among others, the following areas:

• comprehensive review of the potential and directions for optimum utilisation of all operating assets of the Issuer’s Capital Group, taking into account the possibility of modifications related to the operating activity by – for example – execution of sale transactions involving selected operating assets, including businesses belonging to the Issuer’s Capital Group separated according to their kind or geographical area,

• acquisition of debt financing, issues of shares, short- or medium-term bonds or utilisation of other mixed financial instruments,

• changes connected with optimisation or simplification of the Issuer’s Capital Group organisational structure,

• engagement of a new investor/strategic partner for the whole Capital Group of the Issuer or particular areas of its activity.

On 29 May 2019, the Issuer's subsidiary CDD Holding B.V. (hereinafter: CDD) concluded with a foreign industry partner operating in the countries of Western Europe (hereinafter: Buyer) an agreement concerning purchase from CDD of all shares in two CDD's subsidiaries, i.e. Rotterdam Airport Tax-Free Shop B.V and Niederrhein Airport Shop GmbH (hereinafter jointly: RAS & NAS) (hereinafter: Agreement). The Issuer reminds that it is in the possession of 62% shares in CDD which, in turn, holds 100% shares of RAS and NAS each. The total sale price of RAS & NAS is app. EUR 1.51 million (i.e. app. PLN 6.5 million) and it was paid on the date of Agreement conclusion. Transfer of the ownership title towards the shares in RAS & NAS occurred on the date of Agreement conclusion. The Issuer expects recognition in the consolidated financial statements during the subsequent reporting period of profit on the transaction at app. EUR 0.2 million, that being an equivalent of app. PLN 0.86 million. The Agreement does not contain provisions in the area of liquidated damages. The remaining provisions of the Agreement, including those pertaining to liability for statements made or the possibility to terminate the Agreement or withdraw from it, do not differ from standards applied in such agreements. The business activity conducted by RAS & NAS accounted for 4.5% of consolidated revenue from sales in 2018 and 2.8% of revenue from sales during the first quarter of 2019, with total net profit of PLN 1.15 million during 2018 and total net loss of PLN (-) 0.35 million during the first quarter of 2019. As at the end of March 2019, the share of assets of RAS & NAS in the balance sheet sum of the Capital Group was 1.7%. The above transaction was carried out in connection with decreased attractiveness of the locations concerned by the assets being the object of the transaction, as evaluated by the Issuer, along with the intention to focus operating and management activities as well as financial resources on development of business activity in alternative locations where the Issuer's Capital Group companies conduct their business activity. The possibility to obtain financial resources based on potential sale transactions of selected groups of operating assets of Baltona Capital Group was notified by the Issuer – among others – in the Report on activity in 2018 (page 51), as well as in the current report no. 20/2019 concerning initiation of the process related to review of strategic options concerning operational utilisation of particular asset groups of the Issuer's Capital Group and continued development of its business. The Buyer is not a related party towards the Issuer or the persons performing management and supervisory functions with respect to the Issuer. Moreover, the Issuer advises that, as on the date of preparation of that current report, the above mentioned process related to review of strategic options is in progress with regard to all areas identified in the said current report.

20. Information on changes in contingent liabilities or contingent assets, which have occurred since the end of the last business year

Any changes since the end of the last business year with regard to the Capital Group's contingent liabilities are presented in the additional explanations notes to the quarterly shortened consolidated financial statements.

21. Information regarding the principles of preparation of financial statements

The quarterly shortened consolidated financial statements and the individual financial statements have been prepared in compliance with the International Financial Reporting Standard 34 "Interim Financial Reporting", as approved by the European Union. Overview of the principles governing preparation of particular statements is contained in the above financial statements.

The quarterly shortened consolidated financial statements do not include all the information required for full annual financial statements prepared in compliance with the International Financial Reporting Standards as approved by the European Union, hereinafter referred to as "EU IFRS" and, consequently, ought to be read in conjunction with the financial statements of the Company for the year ended on 31 December 2018, approved for publication on 30 April 2019.

22. Risk factors and threats

Risk factors related to the environment in which the Group operates are presented below:

•risk connected with the macroeconomic situation on the Group's operating markets;

•risk connected with development of currency exchange rates;

•risk connected with the Group's operating market and competition on the market;

•risk connected with new locations;

•risk connected with consumer preferences;

•risk connected with tobacco smoking restrictions;

•risk connected with influence of macroeconomic situation onto debt financing availability;

•risk connected with changes in the law, its interpretation and application;

•risk connected with regulation and functioning of customs free zones and free warehouses;

•risk connected with the petition filed by Lagardere Travel Retail Sp. z o.o. with the registered office in Warsaw,

•risk of inability to accomplish strategic objectives adopted by the Group;

•risk connected with pending court proceedings and disputes;

•risk of IT system breakdown;

•risk connected with seasonal character of business;

•risk connected with specific characteristics of airport logistics;

•risk of liquidity loss;

•operating risk connected with the Group's activity;

•risk connected with the Group's indebtedness;

•risk of losing experienced management staff;

•risk connected with dependence on the air transport industry;

•risk related to entry onto new markets;

•risk connected with space lease agreements;

•risk connected with concentration of suppliers;

•risk connected with possible infringement of information obligations;

•financial risk.

Irrespective of the above, as a result of changes in the airport logistics model, which currently based on deliveries from own central warehouse, i.e. based on direct relationships with manufacturers, the Issuer identifies temporary risk related to availability of the complete product range, in particular at retail locations situated at Warsaw airport. The above results from identified delays in arranging commercial terms with manufacturers as well as organisational limitations in the capability to execute deliveries (e.g. delays in deliveries of merchandising structures and elements of particular manufacturers or delays in execution of fit-out works at those locations). In the Issuer's evaluation, the above limitations will result in reduction of the sales potential during the 2nd quarter of 2019. It is the Issuer's intention to achieve an optimum stock level at shops situated at Warsaw airport during the 2nd and 3rd quarter of the current year.

A summary of information related to risk factors connected with the financial area, including in particular the risk connected with indebtedness and liquidity risk, is presented below.

The structure of overdue trade liabilities towards non-related parties as at 31 March 2019 and as at 30 April 2019 is presented below.

	2019-04-30			2019-03-31		
category	*1-30 days*	*31-60 days*	*above 61 days*	*1-30 days*	*31-60 days*	*above 61 days*
overdue liabilities	14 573	9 200	7 146	13 754	9 625	3 496

The balance of overdue liabilities increased during the 1st quarter of 2019 as a result of the following circumstances:

- necessity of investment outlays in order to open retail locations at Warsaw airport as soon as possible;
- investment outlays borne on stocking of the above locations;
- lower than originally estimated sales at outlets situated at Warsaw airport as a result of delays as compared with the opening schedule of particular outlets.

In the Issuer's evaluation, growth in the balance of overdue liabilities over the last months was temporary. The Issuer expects that, in connection with expected increase in sales revenue generated from the sales activity at Warsaw airport, the balance of overdue liabilities will be gradually falling over the coming months. As at the date of publication of this report, the balance of overdue liabilities decreased to PLN 25.7 million.

Irrespective of the above, the Issuer intends to acquire external financing to be used for securing ongoing activity of the Company. The Issuer expects that the requirements related to the financing of ongoing business from external sources will be falling gradually over subsequent quarters, as a result of:

- completion of fit-out works for Warsaw Chopin Airport locations, which required significant investment outlays over the last quarters, in April 2019;
- the above will result in significant reduction of the level of investment outlays year-on-year, by the end of 2019;
- achievement by the newly opened shops located at Warsaw Chopin Airport of an optimum sales level, which ought to take place at the turn of the 2nd/3rd quarters of 2019.

At the turn of the 1st and 2nd quarters of 2019, the Group conducted the stocking process of the central warehouse operated by Loxxess Polska Sp. z o.o. The target inventory level will be achieved by the end of the 2nd quarter of 2019.

In order to secure ongoing payments, the Group has also undertaken the following actions:

- arrangements with business partners aimed at obtaining prepayments for marketing services provided,

Amounts are presented in thousands PLN

- optimisation of the inventory level,
- negotiations with suppliers of goods and services regarding extension of payment terms.

Information regarding indebtedness under financial agreements (credits, loans and lease agreements) as at 31 March 2019 and 30 April 2019 is presented below:

Long-term liabilities

	2019-04-30	**31.03.2019**
Secured credits and loans	31 998	31 998
Loans from related entities	19 426	19 409
Liabilities under financial lease	1 037	1 771
	52 461	**53 178**

Short-term liabilities

	2019-04-30	**31.03.2019**
Overdrafts	28 103	31 369
Secured credits and loans	11 149	12 213
Loans from related entities	78	78
Valuation of derivative instruments (IRS)	508	605
Liabilities under financial lease	676	684
	40 514	**44 949**

The table does not include liabilities under financial lease, recognised in 2019 pursuant to IFRS 16.

The financial data presented above are below the selected financial ratios expected by the financial institutions cooperating with the Issuer, declared in financial agreements. However, the Issuer explains that due to undertaken actions and discussions with the financial entities, in the Issuer's evaluation the above circumstance does not impact ongoing performance of financial agreements or the Issuer's liquidity position. Material terms of concluded bank agreements have not changed by the date of publication of this report.

During the period covered by the report, the Group was settling its liabilities under interest in a timely manner. Moreover, the Management Board does not expect any difficulties in settling the liabilities under interest.

As at 31 March 2019, Group companies had unused credit facilities at the total amount of PLN 1,037 thousand, which amounted to PLN 4,385 thousand at 30 April 2019, and to PLN 670 thousand as at the date of publication of this report.

A detailed overview of particular risk factors is presented in the report on the activity of Baltona Group for 2018 and it remains up to date on the date of preparation of this report.

23. Statement of the Management Board

Amounts are presented in thousands PLN

To the best of knowledge of the Company's Management Board, the quarterly shortened individual and consolidated financial statements for the period of 3 months ended on 31 March 2019 and the comparable data have been drawn up in accordance with applicable principles of accounting and they reflect in a true, reliable and transparent manner the property and financial standing of PHZ Baltona S.A. and of the Capital Group of PHZ Baltona, as presented in the statements for the above period. This report of the Management Board on the activity of the Capital Group of PHZ Baltona for the period of 3 months ended on 31 March 2019 contains a true illustration of the development, achievements and standing of PHZ Baltona S.A. and its Capital Group, including an overview of the primary threats and risks.

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

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

Warsaw, 30 May 2019.