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

[FOREIGN TRADE COMPANY “BALTONA” JOINT STOCK COMPANY]

SEMI-ANNUAL SHORTENED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD OF SIX MONTHS

ENDED ON 30 JUNE 2019

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

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

Warsaw, 30 September 2019

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

Semi-annual shortened consolidated financial statements for the period ended on 30 June 2019

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

Semi-annual shortened consolidated statement of financial position

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

ASSETS	Note	30.06.2019 (unaudited)	31.12.2018	30.06.2018 (unaudited)
Non-current assets				
Property, plant and equipment	10	94 999	87 130	25 625
Assets under right of use	12	537 362	-	-
Intangible assets		88 318	92 717	762
Goodwill		-	4 449	5 719
Other receivables	15	2 396	4 465	4 471
Deferred income tax assets		1 634	1 634	3 286
Non-current assets		724 710	190 395	39 863
Current assets				
Inventories	14	46 777	42 915	42 050
Trade and other receivables	15	31 029	45 589	16 994
Short-term investments	13	1 080	1 071	97
Current income tax receivables		7	103	-
Cash and cash equivalents	16	11 302	11 638	9 794
Current assets		90 195	101 316	68 935
Non-Current assets held for sale		-	-	462
Current assets making up a disposal group		-	-	16 295
TOTAL ASSETS		814 905	291 711	125 555

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

Semi-annual shortened consolidated statement of financial position

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

LIABILITIES	Note	30.06.2019 *(unaudited)*	31.12.2018	30.06.2018 *(unaudited)*
Equity				
Share capital		2 814	2 814	2 814
Share premium		4 655	4 655	4 655
Supplementary capital		23 529	23 529	23 529
Treasury shares		(2 042)	(2 042)	(2 042)
Translation differences		(651)	(803)	(1 335)
Equity from transactions with owners		94 992	94 992	-
Retained profits		(73 703)	(26 529)	(26 364)
Equity attributable to the parent entity's owners		49 594	96 616	1 257
Non-controlling shares		726	216	(939)
Total equity		50 320	96 832	318
Liabilities				
Liabilities under credits, loans and other debt instruments	19.1	49 991	54 076	27 758
Liabilities under lease	19.5	477 245	1 277	908
Trade and other liabilities	20	10 836	10 836	-
Deferred income	22	54	69	-
Provisions	22	52	52	52
Liabilities under employee benefits	21	357	340	292
Long-term liabilities		538 535	66 650	29 010
Liabilities under credits, loans and other debt instruments	19.2	45 657	45 987	21 175
Liabilities under lease	19.5	74 673	703	592
Trade and other liabilities	20	97 940	71 169	50 016
Liabilities under income tax		1 935	3 038	2 352
Liabilities under employee benefits	21	4 368	3 719	3 175
Deferred income	24	1 476	3 611	59
Provisions	22	2	2	-
Short-term liabilities		226 050	128 228	77 369
Liabilities making up a disposal group		-	-	18 858
Liabilities		764 585	194 879	125 237
TOTAL LIABILITIES		814 905	291 711	125 555

The additional explanations to the semi-annual shortened consolidated financial statements attached on the following pages from 11 to 41 constitute an integral part of the statements.

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

Semi-annual shortened consolidated statement of profit and loss and other comprehensive income

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

	Note	01.01.2019-30.06.2019 *(unaudited)*	01.01.2018-30.06.2018 *(unaudited)* *(restated)*
Revenue from sales	5	250 328	202 587
Other revenue	7	72	127
Total operating revenue		250 400	202 714
Depreciation and impairment write-offs		(54 429)	(2 897)
Consumption of raw materials and materials		(2 477)	(1 663)
Third party services		(43 937)	(45 288)
Costs of employee benefits		(25 457)	(19 102)
Taxes and fees		(1 355)	(773)
Other cost items		(2 030)	(1 875)
Value of goods and materials sold		(153 893)	(133 296)
Other operating costs	7	(176)	(60)
Total operating costs		(283 754)	(204 954)
Operating loss		(33 354)	(2 240)
Financial revenue		539	179
Financial costs		(12 983)	(938)
Net financial costs	8	(12 444)	(759)
Loss before tax		(45 798)	(2 999)
Income tax	9	(66)	(464)
Net (loss)/profit from continued activity		(45 864)	(3 463)
(Loss)/Gain on the sale of subsidiary		1 040	-
Discontinued activity:			
Net loss from discontinued activity, after tax		-	(785)
Net (loss)/profit for the reporting period		(44 824)	(4 248)
Other comprehensive income			
Items which may be carried to the profit and loss account			
Exchange differences from translation of entities operating abroad		135	157
Other comprehensive net income for the reporting period		135	157
Total comprehensive income for the period		(44 689)	(4 091)
Profit/(Loss) attributable to:			
Owners of the Parent Entity		(45 351)	(2 733)
Non-controlling shares		527	(730)
Profit/(Loss) from continued activity		(44 824)	(3 463)
Profit/(Loss) from discontinued activity attributable to:			
Owners of the Parent Entity		-	(487)
Non-controlling shares		-	(298)
Profit/(Loss) for the reporting period		-	(785)
Total comprehensive income attributable to:			
Owners of the Parent Entity		(45 199)	(3 238)
Non-controlling shares		510	(853)
Total comprehensive income for the period		(44 689)	(4 091)
Earnings/(Loss) per share		-	-
Basic (PLN)		(4,12)	(0,25)
Diluted (PLN)		(4,12)	(0,25)

The additional explanations to the semi-annual shortened consolidated financial statements attached on the following pages from 11 to 41 constitute an integral part of the statements.

Capital Group of Przedsiębiorstwo Handlu Zagranicznego "Baltona" S.A.
Semi-annual shortened consolidated cash flow statement

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

	Note	01.01.2019-30.06.2019 *(unaudited)*	01.01.2018-30.06.2018 *(unaudited)* *(restated)*
Operating cash flow			
Net profit/(loss) for the reporting period		(44 824)	(4 248)
Adjustments:			
Depreciation of property, plant and equipment, and intangible assets		54 429	2 897
Net financial (revenue)/costs	8.1	12 444	759
(Gain)/Loss on the sale of fixed assets	7.1	(2)	-
Income tax	9.1	66	464
Other adjustments		116	2 068
		22 228	1 940
Change in inventories		(3 862)	(5 146)
Change in trade and other receivables		21 344	3 427
Change in trade and other liabilities		17 748	5 500
Change in provisions and liabilities under employee benefits		666	(5 225)
Change in deferred income		(2 150)	(94)
Cash generated on operating activity		**55 974**	**402**
Interests paid		-	-
Tax paid		(1 329)	(346)
Net cash from operating activity		54 646	56
Investment cash flows			
Inflows from sale of fixed assets		2	-
Inflows from sale of subsidiaries		6 434	-
Inflows from investment (return of loan)		-	1 991
Acquisition of property, plant and equipment, and intangible assets		(17 766)	(13 148)
Loan granted to a related entity		-	(1 991)
Net cash flow from investment activity		(11 330)	(13 148)
Financial cash flows			
Credits and loans drawn		-	6 782
Expenditures on repayment of credits and loans		(4 935)	(601)
Payment of financial lease liabilities		(37 064)	(365)
Interest paid		(1 943)	(490)
Net cash from financial activity		(43 942)	5 326
Total net cash flows		(627)	(7 766)
Cash and cash equivalents at the beginning of the period		(21 302)	533
Cash at the end of the period	16	**(21 929)**	**(7 233)**

The additional explanations to the semi-annual shortened consolidated financial statements attached on the following pages from 11 to 41 constitute an integral part of the statements.

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

Semi-annual shortened consolidated statement of changes in equity

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

	Note	Share capital	Share premium	Supplementary capital	Treasury shares	Exchange differences on translation	Retained profits	Capital from transactions with owners	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)	(22 679)	-	4 495	(86)	4 409
Comprehensive income for the reporting period											
Net (loss) for the reporting period		-	-	-	-	-	(3 220)	-	(3 220)	(1 028)	(4 248)
Other comprehensive income		-	-	-	-	-	-	-	-	-	-
Exchange differences from translation of entities operating abroad		-	-	-	-	(18)	-	-	(18)	175	157
Total other comprehensive income		-	-	-	-	(18)	-	-	(18)	175	157
Total comprehensive income for the reporting period		-	-	-	-	(18)	(3 220)	-	(3 238)	(853)	(4 091)
Transactions with owners of the Parent entity recognised directly in equity											
Other									-	-	
Transfer of profit to reserve capital		-	-	465	-	-	(465)		-	-	-
Total transactions with owners of the Parent Entity		-	-	465	-	-	(465)	-	-	-	-
Equity as at 30.06.2018		2 814	4 655	23 529	(2 042)	(1 335)	(26 364)	-	1 257	(939)	318

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

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

Semi-annual shortened consolidated statement of changes in equity

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

	Note	Share capital	Share premium	Supplementary capital	Treasury shares	Exchange differences on translation	Retained profits	Capital from transactions with owners	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)	(22 679)	-	4 495	(86)	4 409
Comprehensive income for the reporting period											
Net profit (loss) for the reporting period		-	-	-	-	-	(4 806)	-	(4 806)	464	(4 342)
Other comprehensive income		-	-	-	-	-	-	-	-	-	-
Exchange differences from translation of entities operating abroad		-	-	-	-	514	-	-	514	(162)	352
Total other comprehensive income		-	-	-	-	514	-	-	514	(162)	866
Total comprehensive income for the reporting period		-	-	-	-	514	(4 806)	-	(4 292)	302	(3 990)
Transactions with owners of the Parent Entity recognised directly in equity											
Disposal of shares in subsidiaries		-	-	-	-	-	1 421	-	1 421	-	1 421
Capital from the agreement conclusion right		-	-	-	-	-	-	94 992	94 992	-	94 992
Transfer of profit to supplementary capital		-	-	465	-	-	(465)	-	-	-	-
Total transactions with owners of the Parent Entity		-	-	465	-	-	956	94 992	96 413	-	96 413
Equity as at 31.12.2018		2 814	4 655	23 529	(2 042)	(803)	(26 529)	94 992	96 616	216	96 832

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

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

Semi-annual shortened consolidated statement of changes in equity

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

	Share capital	Share premium	Supplementary capital	Treasury shares	Exchange differences on translation	Retained profits	Capital from transactions with owners	Total equity of the parent entity's owners	Non-controlling shares	Total equity
Equity as at 01.01.2019	2 814	4 655	23 529	(2 042)	(803)	(26 529)	94 992	96 616	216	96 832
Comprehensive income for the reporting period										
Net profit (loss) for the reporting period	-	-	-	-	-	(45 351)	-	(45 351)	527	(44 824)
Other comprehensive income								-		
Exchange differences from translation of entities operating abroad	-	-	-	-	152	-	-	152	(17)	135
Total other comprehensive income	-	-	-	-	152	-	-	152	(17)	135
Total comprehensive income for the reporting period	-	-	-	-	152	(45 351)	-	(45 199)	510	(44 689)
Transactions with owners of the Parent Entity recognised directly in equity										
Disposal of shares in subsidiaries						(1 823)		(1 823)		(1 823)
Total transactions with owners of the Parent Entity	-	-	-	-	-	(1 823)	-	(1 823)	-	(1 823)
Equity as at 30.06.2019	2 814	4 655	23 529	(2 042)	(651)	(73 703)	94 992	49 594	726	50 320

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

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

Additional explanations to the semi-annual shortened consolidated financial statements

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

Additional explanations to the semi-annual shortened consolidated financial statements

1. Identification of the Parent Entity

Przedsiębiorstwo Handlu Zagranicznego "BALTONA" Spółka Akcyjna [Foreign Trade Company "BALTONA" Joint Stock Company], hereinafter referred to as the "Parent Entity" is a joint stock company incorporated in Poland.
The registered office of the Parent Entity is located at ul. Marcina Flisa 4 in Warsaw (postal code: 02-247).
The semi-annual shortened consolidated financial statements for the reporting period ended on 30 June 2019 include the financial statements of the Parent Entity and its subsidiaries (hereinafter referred to jointly as the "Group" and individually as "Group Entities"). The statements contain comparative data for the period of 6 months ended on 30 June 2018 and for the year ended on 31 December 2018.

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, Estonia as well as activity on sea ferries operating on the Baltic Sea. Moreover, the Group deals among others with catering activities as well as supplying crews of ships and vessels moored at Polish seaports (shipchandling activity).

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

A higher-level parent company that includes the "Baltona" Group's data in its report is Flemingo International Limited.

2. Basis of preparation of the financial statements

2.1 Statement of compliance and general principles of preparation

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

Selected notes are included to explain events and transactions important for understanding changes in the financial standing and results of the Company since the last consolidated annual financial statements prepared for the year ended on 31 December 2018. These semi-annual shortened consolidated financial statements do not include all the information required for full annual financial statements prepared in compliance with the International Financial Reporting Standards as approved by the European Union, hereinafter referred to as "EU IFRS" and, consequently, ought to be read in conjunction with the financial statements of the Company for the year ended on 31 December 2018, approved for publication on 30 April 2019.

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

The semi-annual shortened consolidated financial statements prepared for the period ended on 30 June 2019 have not been audited by an external auditor, however they were subject of auditor's review. The consolidated financial statements for the year ended on 31 December 2018 were audited by an external auditor who expressed an unqualified opinion concerning the consolidated financial statements.

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

In the current period, the Group generated a net loss of PLN 44,824 thousand, in addition as at June 30, 2019, net working capital (defined as current assets less current liabilities) was negative and amounted to PLN 135,855,000, mainly due to repayment dates of intragroup loans and credits as well as trade and leasing liabilities which are due for repayment in the period shorter than 12 months.

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

	31.08.2019			31.03.2019		
category	1-30 days	31-60 days	above 61 days	1-30 days	31-60 days	above 61 days
overdue liabilities	17 090	14 078	1 582	13 754	9 625	3 496

The balance of overdue liabilities increased during the 2nd 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.

The Company also indicates that the rate of increase in sales revenues generated under commercial activity at the airport in Warsaw, in recent months was lower than expected in perspective of the previous reporting period as a consequence of which the balance overdue liabilities is further increased. To the approaching ending period of seasonal increase in air traffic, the Company identifies over the next months risk of insufficient reduction of overdue liabilities. In the case of failure to obtain external financing at the expected level and schedule, the Management Board of the Company considers it real that it is necessary to take restrictive actions mitigating the risk associated with overdue debt.

As at the date of publication of this report, the Issuer estimates that the balance is overdue consolidated liabilities is up to approx. PLN 39,3 million, while unused credit lines amount to PLN 6,200 thousand.

Considering the above, the Management Board of the Parent Entity plans to attract a new investor and focus its activities under the review of strategic options on the process of issuing short-term debt instruments, about which the Issuer informed in the current report 25/2019 of June 12, 2019. On June 12, 2019 The Management Board of Przedsiębiorstwo Handlu Zagranicznego "Baltona" SA received from Flemingo International Limited a letter dated on the same day informing about the signing by Flemingo and Ashdod Holding Limited, i.e. the dominant shareholder of the Company (hereinafter: Ashdod), a non-binding letter of intent with the potential investor, which he expressed initial interest in the possibility of co-financing the Company based on short-term debt instruments (bonds), which would be issued by the Company and additionally secured by Ashdod or Flemingo, as well as the possibility of acquiring existing shares of the Company. As at the date of publication of these financial statements prepared as at 30.06.2019, negotiations with the potential investor remain in progress. At the same time, the Group received a letter of support from the parent shareholder of the Parent who declared financing for the Group for a period of at least 12 months from the balance sheet date or until the issue of debt instruments.

Taking into account the declared support and planned issue of debt instruments, the Management Board of the Parent Entity analysed the time frame, nature and scale of potential financial needs and believes that the available financial resources as well as the expected cash flows will be sufficient to finance cash needs for a period of at least 12 months from balance sheet date.

The semi-annual shortened consolidated financial statements were approved for publication by the Management Board of the Parent Entity on 30 September 2019.

2.2 Presentation and functional currency

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

Polish zloty is the Parent Entity's functional currency.

2.3 Judgements and estimations made

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

As at the date of preparation of these semi-annual shortened consolidated financial statements, material estimates made by the Management Board of the Parent Entity and the main sources of estimate uncertainty remain unchanged as compared with those applied in the preparation of the annual consolidated financial statements for the financial year ended on 31 December 2018.

2.4 Error corrections and changes in presentation

The consolidated financial statements do not contain corrections of fundamental errors, however there are changes in presentation.

The financial statements for 2018 include a fundamental error correction in connection with completion of legal and tax analyses concerning the methods of reconciliation of royalties for the right of use of the "Baltona" trademarks for years 2013-2017, adopted by the Company, at PLN 2,185 thousand. Due to change of the opening balance, the figures presented differ from those published for the corresponding quarter of 2018 in the items of retained profits and income tax liabilities. Moreover, marketing services are presented as reduction of own cost of sales. In connection with implementation of IFRS 16, liabilities under lease have been separated within comparative data.

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

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

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

Amendments to standards

The principles (policies) of accounting applied by the Group in preparation of the semi-annual shortened consolidated financial statements are consistent with those applied in preparation of the annual consolidated financial statements as at 31 December 2018, except for principles introduced as a result of implementation of the new standards as of 1 January 2019 including in particular IFRS 16. Impact of the new standards onto the principles (policies) of accounting followed by the Group is discussed in note 3.19 to the consolidated financial statements for the year 2018.

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

3.1 Influence of first time application of IFRS 16

With effect on 01.01.2019, the Group introduced IFRS 16 with application of the modified retrospective method, i.e. without transformation of comparative data, but including recognition of the total effect of first time adoption of the standard as adjustment of the opening balance of retained profits on the date of first time application. Moreover, the Group applied the following practical solutions allowed by the standard:
- on the date of first time adoption of IFRS 16, the Group will not reassess whether or not a specific agreement is or contains lease; the Group intends to apply the standard only towards those agreements which were identified as leases in accordance with IAS 17 and IFRIC 4 before that date,
- value of the right of use under all agreements previously classified by the Group as operating leases in accordance with IAS 17 on the date of first time adoption of IFRS 16 will be determined at the amount of liability under lease, adjusted by charges and prepayments recognized in the consolidated statement of financial position drawn up immediately before the date of the first time adoption,
- within the portfolio approach to all car lease agreements, the Group will apply a single discount rate – agreements expiring in 2019 are recognized by the Group as costs, with application of the linear method during the lease period.

The influence of changes resulting from implementation of IFRS 16 onto the opening balance of changes onto the consolidated statement of financial position is presented in the following table:

Item of financial statements	As at 01.01.2019 before the change	Impact of IFRS 16 onto the consolidated statement of financial position	As at 01.01.2019 after the change
Property, plant and equipment	87 130	(2 701)	84 429
Assets under the right of use	-	581 254	581 254
Retained profits	(26 529)	-	(26 529)
Liabilities under lease	1 980	578 553	580 533

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

Moreover, implementation of IFRS 16 has influence onto the structure of the statement of profit or loss and other comprehensive income. During the 6 months of 2019, in connection with implementation of the new standard, depreciation increased by PLN 41,283 thousand, operating result decreased by PLN 4,680 thousand, whereas the result before tax fell by PLN 14,664 thousand. As a result of introduction of the new standard, the EBITDA measure is higher by PLN 36,603 thousand.

The influence of changes resulting from implementation of IFRS 16 onto items of the consolidated financial statements as at 30.06.2019 is presented in the following table:

Item of financial statements	As at 30.06.2019 without consideration of the impact of IFRS 16	Impact of IFRS 16 onto the consolidated statement of financial position	As at 30.06.2019 after implementation of IFRS 16
Property, plant and equipment	97 234	(2 235)	94 999
Assets under the right of use	-	537 362	537 362
Retained profits	(59 039)	(14 664)	(73 703)
Long-term liabilities under lease	1 436	475 809	477 245
Short-term liabilities under lease	742	73 931	74 673
Depreciation	(10 249)	(41 283)	(51 532)
Third party services	(80 540)	36 603	(43 937)
Financial costs - interest	(2 813)	(9 984)	(12 797)

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. On May 29, 2019, the subsidiary CDD Holding B.V. she concluded with foreign entity operating in Western Europe in the same industry agreement to purchase from CDD all shares of two CDD subsidiaries, ie Rotterdam Airport Tax-Free Shop B.V and Niederrhein Airport Shop GmbH. Data of these companies until sales were included in the data of the Shops segment and comparative data. In addition, on March 31, 2019, the Group ceased operations at the Liege airport.
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, as well as sales of goods to ship and vessel crews (shipchandling). On July 11, 2018, a sales agreement was concluded for three companies from the Chacalli-De Decker group, hence the data for the first half of 2019 does not include data of the companies sold, while the comparative data include the balance sheets and results of these companies achieved in the first half of 2018.

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

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

The item of operating segment assets includes all assets controlled by the Group as at 30 June 2019 allocated to respective segments, except for goodwill recognised in the consolidated balance sheet as at 30 June 2019.

As compared with the consolidated financial statements for 2018, there are no changes with respect to separation of the segments and measurement of the profit or loss of the segment.

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

	Shops		Gastronomy		B2B		Total continued operations		Total discontinued operations	
	01.01.2019-30.06.2019 (unaudited)	01.01.2018-30.06.2018 (unaudited)	01.01.2019-30.06.2019 (unaudited)	01.01.2018-30.06.2018 (unaudited)	01.01.2019-30.06.2019 (unaudited)	01.01.2018-30.06.2018 (unaudited)	01.01.2019-30.06.2019 (unaudited)	01.01.2018-30.06.2018 (unaudited)	01.01.2019-30.06.2019	01.01.2018-30.06.2018
Revenue from third party customers	202 845	139 733	12 217	13 823	35 338	49 158	250 400	202 714	-	18 445
Revenue from sales among segments	10 991	29 099	88	261	1 797	4 180	12 876	33 540	-	-
Operating result	(33 560)	(1 291)	(991)	49	1 197	(998)	(33 354)	(2 240)	-	(714)
Result before tax	(45 761)	(475)	(1 272)	(253)	1 235	(2 271)	(45 798)	(2 999)	-	(785)
Assets of the reporting segment	355 559	138 120	5 152	3 724	26 770	3 383	387 481	145 227	-	16 757
Investment expenditures	17 663	9 856	75	523	28	2 768	17 766	13 147	-	-
Liabilities of the reporting segment	272 780	97 315	18 661	15 870	12 502	22 070	303 943	135 255	-	18 858

	01.01.2019-30.06.2019	01.01.2018-30.06.2018
(Profit)/Loss before tax		
Total profit or loss before tax from reported segments	(45 818)	(3 016)
Elimination of (profits)/losses from transactions among segments	20	17
Elimination of discontinued operations	-	(785)
Profit of loss before tax	**(45 798)**	**(3 784)**

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

5. Revenue

5.1. Material structure

	01.01.2019-30.06.2019 *(unaudited)*	01.01.2018-30.06.2018 *(unaudited)* *(restated)*
Revenue from sales of products		
Sublease of space	22	21
DCC* revenue	1 212	1 104
Other	180	23
Total revenue from sales of products	**1 414**	**1 454**
Revenue from sales of goods and materials		
Public retail sales	33 851	36 958
Duty free retail sales	178 872	131 423
Wholesale and shipchandling	36 122	33 058
Other	69	-
Total revenue from sales of goods and materials	**248 914**	**201 439**
Total revenue from sales	**250 328**	**202 893**

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

5.2. Territorial structure

	01.01.2019-30.06.2019	01.01.2018-30.06.2018
Revenue from sales of products		
Poland	1 334	629
Other	80	519
Total revenue from sales of products	**1 414**	**1 148**
Revenue from sales of goods and materials		
Poland	207 582	164 643
Other	41 332	36 796
Total revenue from sales of goods and materials	**248 914**	**201 439**
Total revenue from sales	**250 328**	**202 587**

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

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

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

7. Other operating revenue and costs

7.1. Recognised as profit or loss of the current period

	01.01.2019-30.06.2019 *(unaudited)*	**01.01.2018-30.06.2018** *(unaudited)*
Grants	-	89
Reversal of provisions	12	10
Profit from the sale of fixed assets	2	-
Reversal of inventory write-offs	-	5
Reversal of receivables revaluation write-offs	24	1
Other	34	22
Total other operating revenue	**72**	**127**

	01.01.2019-30.06.2019 *(unaudited)*	**01.01.2018-30.06.2018** *(unaudited)*
Liquidation of goods	(3)	-
Penalties and damages	(126)	(5)
Other	(47)	(55)
Total other operating costs	**(176)**	**(60)**

8. Financial revenue and costs

8.1. Recognised as profit or loss of the current period

	01.01.2019-30.06.2019 *(unaudited)*	**01.01.2018-30.06.2018** *(unaudited)*
Revenue from interest on granted loans and receivables	9	7
Net exchange rate differences	525	172
Other	5	-
Total financial revenue	**539**	**179**

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

	01.01.2019-30.06.2019 *(unaudited)*	**01.01.2018-30.06.2018** *(unaudited)*
Costs of interest on financial liabilities carried at amortised cost	(2 813)	(884)
Cost of interest on liabilities under lease	(9 984)	(27)
Revaluation write-offs of financial instruments	(61)	(24)
Other	(125)	(3)
Total financial costs	**(12 983)**	**(938)**
Net financial costs recognised as profit or loss of the current period	**(12 444)**	**(759)**

9. Income tax

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

	01.01.2019-30.06.2019	**01.01.2018-30.06.2018**
Income tax (current part)		
Income tax for the current period	66	464
	66	**464**
Income tax (deferred part)		
Creation/reversal of interim differences	-	-
	-	**-**
Total income tax	**66**	**464**

10. Property, plant and equipment

10.1. Acquisitions and reductions of property, plant and equipment

During the period of six months ended on 30 June 2019, the Group acquired property, plant and equipment worth PLN 17,766 thousand (period of six months ended on 30 June 2018: PLN 13,148 thousand). No costs of external financing were activated during the reporting period and during the period of six months ended on 30 June 2018.

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

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

11. Intangible assets

During the six-month period ended June 30, 2019, the Company acquired software with a value of PLN 29 thousand, there were no disposals or liquidations of intangible assets.

On 24 April 2019, the Management Board of Przedsiębiorstwo Handlu Zagranicznego Baltona S.A. made a decision to recognise an intangible asset under the name “right to conclude an agreement” amounting to PLN 94,992 thousand in the statement of financial position of both the Company and the Group. The right to conclude an agreement was disclosed under non-current assets as “intangible assets” and, on the equity and liabilities side, as “Equity arising from transactions with owners”, and w increased each of these items by the amount indicated above. The recognition of the right to conclude an agreement referred to above is related to the possibility of accounting for the waiver of claims by Flemingo Dutyfree Shop Private Limited, i.e. a member of the Flemingo Group, related to the dispute which ended with a ruling of the arbitral tribunal at the Permanent Court of Arbitration in The Hague, on which the Company reported in, inter alia, the Management Board’s Report on the Operations of the Company in 2017. Flemingo’s waiver of claims to compensation awarded by the Permanent Court of Arbitration in The Hague made it possible to execute a settlement and 14 agreements for the lease of space at the Warsaw Chopin Airport on 6 May 2018, as announced in Current Report No. 8/2018 of 6 May 2018. The amount of the right to conclude an agreement was determined based on the amount of compensation specified in the ruling of the arbitral tribunal at the Permanent Court of Arbitration in The Hague, plus interest accrued until the date of the settlement, i.e. 6 May 2018. Amortization value of the abovementioned right over a period of six months ended June 30, 2019 amounted to PLN 5,046 thousand.

12. Assets under the right of use

The Company is a lessee of space at approximately 10 locations, with agreements concluded on average for terms of 1 to 5 years, meeting the definition of lease pursuant to IFRS 16. The following tables present the right of use relating to assets and their amortization.

12.1 Gross value of tangible assets under the right of use

	Buildings and structures	Machines and equipment	Means of transport	Total
Gross value as at 01.01.2019	**578 553**	**4 202**	**3 495**	**586 250**
Increases	-	5	-	**5**
Sales of subsidiaries	(2 143)	-		**(2 143)**
Decreases (sale/liquidation/transfer)	-	-	-	**-**
Gross value as at 30.06.2019	**576 410**	**4 207**	**3 495**	**584 112**

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

12.2 Amortization and impairment write-offs

	Buildings and structures	Machines and equipment	Means of transport	Total
Amortisation and impairment write-offs as at 01.01.2019	**-**	**2 566**	**2 430**	**4 996**
Depreciation	41 283	234	237	**41 754**
Decreases (sale/liquidation/transfer)	-	-	-	**-**
Amortisation and impairment write-offs as at 30.06.2019	**41 283**	**2 800**	**2 667**	**46 750**

12.3 Net value

	Buildings and structures	Machines and equipment	Means of transport	Total
As at 31.12.2018	**578 553**	**1 636**	**1 065**	**581 254**
As at 30.06.2019	**535 127**	**1 407**	**828**	**537 362**

13. Other investments

Short-term investments	**30.06.2019**	**31.12.2018**	**30.06.2018**
Loans granted to affiliated entities	1 080	1 071	121
Other short-term financial assets (valuation)	-	-	(24)
	1 080	**1 071**	**97**

14. Inventories

	30.06.2019 *(unaudited)*	**31.12.2018**	**30.06.2018** *(unaudited)*
Goods and finished products	46 777	42 915	42 050
	46 777	**42 915**	**42 050**

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

From 1 January 2019 to 30 June 2019, the value of trading goods included in own cost of sales amounted to PLN 153,893 thousand (from 1 January 2018 to 30 June 2018: PLN 133,296 thousand). During the period of six months ended on 30 June 2019 the Group created an inventory revaluation write-off in the amount of PLN 112 thousand, while during the period of six months ended on 30 June 2018, there were no changes in inventory revaluation write-offs. During the first half of 2019, a provision for inventory taking deficiencies was established at PLN 304 thousand and the first half of 2018 at PLN 103 thousand.

In order to secure the Group's liabilities under the overdraft facility agreement and under the guarantee facility agreement, which the Parent Entity is a party to, a registered pledge was established on the inventory of goods for sale located at warehouses and shops, being the Parent Entity's property, together with the Parent Entity's statement on submission to enforcement with respect to release of the items. Value of the pledge object can for all contracts in no circumstances be lower than PLN 34,000 thousand.

15. Trade and other receivables

	30.06.2019	31.12.2018	30.06.2018
Trade receivables from related parties	6 090	11 074	990
Trade receivables from third parties	8 835	15 714	4 476
Budgetary receivables	10 949	18 376	8 065
Other receivables	393	50	299
Receivables under deposits	2 841	3 869	3 744
Prepayments	4 317	971	3 891
Total receivables	**33 425**	**50 054**	**21 465**
Long-term	2 396	4 465	4 471
Short-term	31 029	45 589	16 994
	33 425	**50 054**	**21 465**

From 1 January 2019 to 30 June 2019, receivables revaluation write-offs amounting to PLN 25 thousand were reversed.

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

16. Cash and cash equivalents

	30.06.2019	31.12.2018	30.06.2018
Cash in hand and in bank	7 378	8 311	7 591
Cash in transit	3 924	3 327	2 203
Cash and cash equivalents, value recognised in the statement of financial position	**11 302**	**11 638**	**9 794**
Overdrafts	(33 231)	(32 940)	(17 027)
Cash and cash equivalents, value recognised in the cash flow statement	**(21 929)**	**(21 302)**	**(7 233)**

17. Equity

17.1 Share capital

As at 30 June 2019, 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.

17.2 Treasury shares purchase programme

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

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

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

By 30 June 2019 and by the date of publication of these statements, within the programme, the Parent Entity had bought back the total of 368,995 treasury shares, bearing the right to 3.278% votes at the General Meeting of Shareholders and 3.278% of the share capital of the Company. During the first half of 2019 and during 2018, 0 ordinary shares of the Company were purchased.

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

17.3 Dividends proposed by the Management Board

During the period of 6 months of 2019, 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 2018.

18. Share based payments

During the period of six months ended on 30 June 2019, 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 2018.

19. Liabilities under credits, loans and other debt instruments

19.1 Long-term liabilities

	30.06.2019 *(unaudited)*	**31.12.2018**	**30.06.2018** *(unaudited)*
Secured credits and loans	30 699	34 953	6 351
Loans from affiliated entities	19 292	19 123	21 407
	49 991	**54 076**	**27 758**

19.2 Short-term liabilities

	30.06.2019 *(unaudited)*	**31.12.2018**	**30.06.2018** *(unaudited)*
Secured credits and loans	11 764	12 445	4 070
Overdrafts	33 231	32 940	17 027
Loans from affiliated entities	78	78	78
Measurement of derivative instruments (IRS)	584	524	-
	45 657	**45 987**	**21 175**

A specification of loans received from affiliated entities is contained in note 27.3.

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

19.3 Credit and loan repayment terms and schedule

Deadlines of repayment and terms of open credit agreements:

	Currency	Nominal rate	Year of maturity	30.06.2019 Book value	31.12.2018 Book value	30.06.2018 Book value
Unsecured loan from an affiliated entity	USD	5,00%	2020	3 300	3 278	3 220
Unsecured loan from an affiliated entity	EUR	5,00%	2020	14 272	14 144	16 587
Unsecured loan from an affiliated entity	USD	5,00%	2020	43	43	43
Unsecured loan from an affiliated entity	USD	5,00%	2020	1 721	1 701	1 661
Unsecured loan from an affiliated entity	EUR	5,00%	2020	35	35	35
Overdraft	EUR	EURIBOR+bank's margin	2019	0	0	3 489
Overdraft	PLN	WIBOR3M+bank's margin	2021*	25 726	23 984	11 259
Overdraft	PLN	WIBOR1M+bank's margin	2019	3 613	6 027	0
Overdraft	PLN	WIBOR3M+bank's margin	2019	3 891	2 928	2 279
Short-term credit	PLN	WIBOR3M+bank's margin	2019	168	667	1 155
Non-revolving credit	PLN	WIBOR3M+bank's margin	2020	2 889	3 819	4 736
Non-revolving credit	PLN	WIBOR3M+bank's margin	2021	3 295	3 912	4 530
Non-revolving credit	PLN	WIBOR3M+bank's margin	2022	36 111	39 000	0
Liabilities under financial lease	PLN, EUR	Lease interest rate	2019-2022	0	1 980	1 439
Liabilities under financial lease	PLN, EUR	Lease interest rate	2019-2027	551 918	0	0
Total interest bearing liabilities				**646 982**	**101 519**	**50 433**

* Crediting period until 8 February 2021. Current credit availability term falls on 31 October 2019.

Overdraft facilities, covered by annexes signed on 10 June 2019, are secured on the Group's assets, as follows:

- own blank promissory note with promissory note declaration, issued by the Company, guaranteed by Baltona Shipchandlers sp. z o.o., Centrum Usług Wspólnych Baltona sp. z o.o., Centrum Obsługi Operacyjnej Sp. z o.o., together with declaration of the promissory note issuer on submission to enforcement proceedings up to PLN 114,000 thousand in connection with the issued promissory note,
- establishment of registered pledge on the inventory of goods constituting the property of the Company and its subsidiary BH Travel Retail Poland Sp. z o.o., located at warehouses and shops, up to PLN 34,000 thousand from 15 May 2019 onwards (joint security of the overdraft facility agreement, non-revolving credit agreement dated 30.08.2016, non-revolving credit agreement dated 29.09.2017, non-revolving credit agreement dated 20.02.2018 and non-revolving credit agreement dated 19.06.2018),

- assignment of rights under the insurance policy concerning the inventory (together with the agreement concerning assignment of receivables from the policy) in favour of the bank up to PLN 34,000 thousand from 31 March 2019 onwards (joint security of the overdraft facility agreement, non-revolving credit agreement dated 30.08.2016, non-revolving credit agreement dated 29.09.2017, non-revolving credit agreement dated 20.02.2018 and non-revolving credit agreement dated 19.06.2018),
- corporate guarantee issued by Flemingo International Limited for PLN 106,500 thousand including the Guarantor's statement on submission to enforcement in favour of the Bank,
- corporate guarantee issued by Chacalli – De Decker N.V for PLN 49,500 thousand including the Guarantor's statement on submission to enforcement in favour of the Bank,
- bank's power of attorney towards the account of Baltona France SAS maintained at BNP Paribas (France),
- subordination of 100% of all current and future loans granted to Baltona Group Companies by entities controlling it indirectly or directly (joint security of the overdraft facility agreement, non-revolving credit agreement dated 30.08.2016, non-revolving credit agreement dated 29.09.2017, non-revolving credit agreement dated 20.02.2018 and non-revolving credit agreement dated 19.06.2018),
- additional security for the overdraft facility in the form of bank guarantee issued by Barclays Bank PLC at USD 1,150 thousand or its PLN equivalent,

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

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

- own blank promissory note with promissory note declaration, issued by the Company and guaranteed by Baltona Shipchandlers sp. z o.o., Centrum Usług Wspólnych Baltona sp. z o.o., BH Travel Retail Poland sp. z o.o., Centrum Obsługi Operacyjnej Sp. z o.o., together with declaration of the promissory note issuer on submission to enforcement proceedings up to PLN 6,750 thousand in connection with the issued promissory note,
- establishment of registered pledge on the inventory of goods constituting the property of the Parent Entity and BH Travel Retail Poland Sp. z o.o., located at warehouses and shops, up to PLN 34,000 thousand from 15 May 2019 onwards (joint security of the overdraft facility agreement, non-revolving credit agreement dated 30.08.2016, non-revolving credit agreement dated 29.09.2017, non-revolving credit agreement dated 20.02.2018 and non-revolving credit agreement dated 19.06.2018),
- assignment of rights under the insurance policy concerning the inventory (together with the agreement concerning assignment of receivables from the policy) in favour of the bank, up to PLN 34,000 thousand from 15 May 2019 onwards (joint security of the overdraft facility agreement, non-revolving credit agreement dated 30.08.2016, non-revolving credit agreement dated 29.09.2017, non-revolving credit agreement dated 20.02.2018 and non-revolving credit agreement dated 19.06.2018),
- corporate guarantee issued by Flemingo International Limited for PLN 6,750 thousand,
- corporate guarantee issued by Chacalli – De Decker N.V for PLN 6,750 thousand,

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

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

- own blank promissory note with promissory note declaration, issued by the Company and guaranteed by Baltona Shipchandlers sp. z o.o., Centrum Usług Wspólnych Baltona sp. z o.o., BH Travel Retail Poland sp. z o.o., Centrum Obsługi Operacyjnej Sp. z o.o., together with declaration of the promissory note issuer on submission to enforcement proceedings up to PLN 5,782.5 thousand in connection with the issued promissory note,
- corporate guarantee issued by Flemingo International Limited for PLN 5,782.5 thousand,
- corporate guarantee issued by Baltona Duty Free Estonia OÜ for PLN 5,782.5 thousand,
- corporate guarantee issued by Chacalli – De Decker N.V for PLN 5,782.5 thousand,
- establishment of registered pledge on the inventory of goods constituting the property of the Parent Entity and BH Travel Retail Poland Sp. z o.o., located at warehouses and shops, up to PLN 34,000 thousand from 15 May 2019 onwards (joint security of the overdraft facility agreement, non-revolving credit agreement dated 30.08.2016, non-revolving credit agreement dated 29.09.2017, non-revolving credit agreement dated 20.02.2018 and non-revolving credit agreement dated 19.06.2018),
- assignment of rights under the insurance policy concerning the inventory (together with the agreement concerning assignment of receivables from the policy) in favour of the bank, up to PLN 34,000 thousand from 31 March 2019 onwards (joint security of the overdraft facility agreement, non-revolving credit agreement dated 30.08.2016, non-revolving credit agreement dated 29.09.2017, non-revolving credit agreement dated 20.02.2018 and non-revolving credit agreement dated 19.06.2018),
- powers of attorney towards the accounts of Centrum Obsługi Operacyjnej Sp. z o.o., BH Travel Retail Poland Sp. z o.o., Centrum Usług Wspólnych Baltona Sp. z o.o. and Baltona Duty Free Estonia OÜ,
- financial pledge towards the account of Baltona France SAS maintained at BNP Paribas (France),
- subordination of 100% of all current and future loans granted to the Company by entities controlling it indirectly or directly (joint security of the overdraft facility agreement, non-revolving credit agreement dated 30.08.2016, non-revolving credit agreement dated 29.09.2017, non-revolving credit agreement dated 20.02.2018 and non-revolving credit agreement dated 19.06.2018).

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

- own blank promissory note with promissory note declaration, issued by the Company and guaranteed by Baltona Shipchandlers sp. z o.o., Centrum Usług Wspólnych Baltona sp. z o.o., BH Travel Retail Poland sp. z o.o., Centrum Obsługi Operacyjnej Sp. z o.o., together with declaration of the promissory note issuer on submission to enforcement proceedings up to PLN 6,795 thousand in connection with the issued promissory note,
- corporate guarantee issued by Flemingo International Limited for PLN 6,795 thousand,
- corporate guarantee issued by Chacalli – De Decker N.V for PLN 6,795 thousand,
- establishment of registered pledge on the inventory of goods constituting the property of the Parent Entity and BH Travel Retail Poland Sp. z o.o., located at warehouses and shops, up to PLN 34,000 thousand from 15 May 2019 onwards (joint security of the overdraft facility agreement, non-revolving credit agreement dated 30.08.2016, non-revolving credit agreement dated 29.09.2017, non-revolving credit agreement dated 20.02.2018 and non-revolving credit agreement dated 19.06.2018),
- assignment of rights under the insurance policy concerning the inventory (together with the agreement concerning assignment of receivables from the policy) in favour of the bank, up to PLN 34,000 thousand from 31 March 2019 onwards (joint security of the overdraft facility agreement, non-revolving credit agreement dated 30.08.2016, non-revolving credit agreement dated 29.09.2017, non-revolving credit agreement dated 20.02.2018 and non-revolving credit agreement dated 19.06.2018),
- financial pledge towards the account of Baltona France SAS maintained at BNP Paribas (France),
- subordination of 100% of all current and future loans granted to the Company by entities controlling it indirectly or directly (joint security of the overdraft facility agreement, non-revolving credit agreement dated 30.08.2016, non-revolving credit agreement dated 29.09.2017, non-revolving credit agreement dated 20.02.2018 and non-revolving credit agreement dated 19.06.2018).

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

- own blank promissory note with promissory note declaration, issued by the Company and guaranteed by Przedsiębiorstwo Handlu Zagranicznego "BALTONA" S.A., Centrum Usług Wspólnych Baltona sp. z o.o., Centrum Obsługi Operacyjnej Sp. z o.o., together with declaration of the promissory note issuer on submission to enforcement proceedings up to PLN 58,500 thousand in connection with the issued promissory note,
- establishment of registered pledge on the inventory of goods constituting the property of the Parent Entity and BH Travel Retail Poland Sp. z o.o., located at warehouses and shops, up to PLN 34,000 thousand from 15 May 2019 onwards (joint security of the overdraft facility agreement, non-revolving credit agreement dated 30.08.2016, non-revolving credit agreement dated 29.09.2017, non-revolving credit agreement dated 20.02.2018 and non-revolving credit agreement dated 19.06.2018),
- assignment of rights under the insurance policy concerning the inventory (together with the agreement concerning assignment of receivables from the policy) in favour of the bank, up to PLN 34,000 thousand from 31 March 2019 onwards (joint security of the overdraft facility agreement, non-revolving credit agreement dated 30.08.2016, non-revolving credit

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

- corporate guarantee issued by Flemingo International Limited BVI for PLN 58,500 thousand,
- bank's power of attorney towards the accounts of the guarantors,
- subordination of 100% of all current and future loans granted to the Company by entities controlling it indirectly or directly (joint security of the overdraft facility agreement, non-revolving credit agreement dated 30.08.2016, non-revolving credit agreement dated 29.09.2017, non-revolving credit agreement dated 20.02.2018 and non-revolving credit agreement dated 19.06.2018),
- establishment of registered pledge on equipment of the shops owned by the Borrower with the total value not lower than PLN 6,000 thousand (until establishment of the pledge – transfer of the ownership title in favour of the Bank),
- assignment in favour of the bank of rights under the insurance policy covering the shop equipment, provided however that the insurance sum cannot be lower than PLN 6,000 thousand.

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

- corporate guarantee issued by Flemingo International BVI up to PLN 3,000 thousand as security of transactions on currency contracts.

19.4 Failure to observe credit agreement terms

The Group is taking advantage of overdrafts, whose book value as at 30 June 2019 totals PLN 33,231 thousand. Pursuant to the terms of the agreements, the crediting period lasts until 8 February 2021, with the current availability period expiring on 31 October 2019.

Pursuant to the concluded credit agreements, the Group is obliged to maintain the following covenants as defined below:

- the debt service coverage ratio (DSCR) on a level not lower than 1.2 (where DSCR is defined, defined as the quotient of EBITDA less tax paid and the total of amounts of principal and interest instalments paid on Baltona Group's bank debt, and other financial liabilities granted by affiliated entities and other financial institutions, paid with interest),
- quotient of the net amount of financial liabilities to EBITDA on a level not higher than 3 (where net financial liabilities are defined, the sum of long-term and short-term credits, loans, issues of securities and other financial liabilities towards third parties and affiliated entities (except for those subordinated to credit repayment) less cash and other monetary assets),
- current liquidity ratio on the level of 1, where the ratio is defined as the quotient (of inventories less non-saleable inventories plus short-term receivables less non-recoverable receivables and receivables claimed in court plus short-term investments) and (short-term liabilities towards affiliated entities and third parties, excluding special funds).

Verification of the ratios is performed every half-year and takes place based on consolidated financial data of Baltona Group. Analysis performed as at 31.12.2018 demonstrated that the quotient of net financial liabilities to EBITDA exceeded 3 as a result of additional financing obtained in 2018 for newly opened stores in Tallinn, Wrocław and Warsaw.

Due to the additional funding and impact of the entry into force of IFRS 16, which may result violation of further covenants the Management Board of the Parent Entity initiated talks with the bank regarding conditions for providing banking products in the longer perspective.

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

19.5 Liabilities under financial lease

As at 30 June 2019, the object of lease agreements where the Group is the lessee were means of transport, equipment and fittings of shops and cafes, as well as premises where operating activity is conducted. The division is presented in the following table:

	30.06.2019	**31.12.2018**	**30.06.2018**
Lease of means of transport	1 072	834	1 035
Lease of equipment and fittings	1 106	1 146	465
Lease of premises	549 740	-	-
	551 918	**1 980**	**1 500**
Long-term	477 245	1 277	908
Short-term	74 673	703	592
	551 918	**1 980**	**1 500**

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

19.5 Liabilities under financial lease

	Future minimum lease payments 30.06.2019	**Interest 30.06.2019**	**Present value of future minimum lease payments 30.06.2019**	**Future minimum lease payments 31.12.2018**	**Interest 31.12.2018**	**Present value of future minimum lease payments 31.12.2018**
Liabilities under financial lease						
up to one year	92 794	18 121	74 673	770	67	703
2 to 5 years	394 039	54 049	339 990	1 376	99	1 277
above 5 years	143 005	5 750	137 255	-	-	-
	629 838	**77 920**	**551 918**	**2 146**	**166**	**1 980**

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

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

20. Trade and other liabilities

	Note	30.06.2019	31.12.2018	30.06.2018
Trade liabilities towards related entities	27	3 025	8 686	459
Trade liabilities towards third parties		81 451	50 773	39 282
Budgetary liabilities		5 677	10 796	8 539
Other liabilities		229	138	102
Accruals and deferrals		17 755	11 386	1 266
Special funds		639	226	368
		108 776	**82 005**	**50 016**
including:				
- long-term part		10 836	10 836	-
- short-term part		97 940	71 169	50 016

The long-term part of the liabilities concerns in whole payments under charges/penalties connected with rent and delays in commencement of business activity for particular outlets, towards Przedsiębiorstwo Państwowe "Porty Lotnicze" [State Airports Company] which, pursuant to the settlement of 4 March 2019 the Group undertook to pay as monthly payments during the period from May 2020 until December 2020.

21. Liabilities under employee benefits

	30.06.2019	31.12.2018	30.06.2018
Liabilities under retirement severance pay	373	356	292
Liabilities under salaries	2 678	2 277	1 072
Other liabilities	1 674	1 426	2 103
	4 725	**4 059**	**3 467**
including:			
- long-term part	357	340	292
- short-term part	4 368	3 719	3 175

22. Provisions

The provision for court cases amounting to PLN 52 thousand concerns proceedings pending before the District Court in Gdynia upon a natural person's petition for return of benefits from the property locatedin Gdynia. Details of the case are discussed in note 26.

The provision reversed in 2018, amounting to PLN 1,042 thousand, concerned the dispute between the Group entity BH Travel Retail Poland Sp. z o.o. and Przedsiębiorstwo Państwowe "Porty Lotnicze" [State Airports Company], ended on 6 May 2018 with the settlement defining the principles of settlement of mutual claims connected with disputes relating to lease of retail space at Warsaw Chopin Airport.

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

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

There were no contractual obligations related to the acquisition of tangible and intangible assets fixed assets incurred at the end of the reporting period, but not yet recognized in the statement of financial position.

24. Deferred income

	30.06.2019 *(unaudited)*	31.12.2018	30.06.2018 *(unaudited)*
Marketing services - deferred income	1 530	3 680	-
Development subsidy	-	-	59
	1 530	**3 680**	**59**
including:			
- long-term part	54	69	-
- short-term part	1 476	3 611	59

25. Financial instruments carried at fair value

As at 30 June 2019, Foreign Trade Company „BALTONA" Joint Stock Company had an active Interest Rate Swap, valued on that date at PLN -32,248.28.

As at 30 June 2019, BH Travel Retail Sp.z.o.o had an active Interest Rate Swap, valued on that date at PLN -552,004.48.

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

26. Contingent liabilities and court cases

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

15, 2019, overruled the order appealed by the second co-owner. In connection with the above, the case was referred back to the District Court and in accordance with the opinion of lawyers representing the Company, the proceedings in this case will not be completed within the next years.

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

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

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

In connection with the above dispute, the case brought by Vistula Group S.A. against BH Travel is still pending. Until 2012, Vistula Group S.A. was the sub-lessee of one of the premises leased by BH Travel from PPPL. In connection with termination of the lease agreements by PPPL, BH Travel terminated the sublease agreement with Vistula Group. However, Vistula Group failed to return the premises to BH Travel or pay the sublease rent. BH Travel required payments from the bank guarantee issued upon the instruction of Vistula Group S.A. In the suit of 12 August 2012, Vistula Group S.A. requested adjudication from BH Travel of PLN 279,947.33 with interest (amount charged under the bank guarantee). The payment order issued on 1 October 2012 in the payment order proceedings was appealed by BH Travel in whole. On 26 April 2017, the first instance court issued a judgement in which it adjudicated from BH Travel the amount of PLN 279,947.33 with statutory interest and costs of proceedings. On 19 June 2017, BH Travel appealed from the said judgement and Vistula Group S.A. responded to the appeal. By judgment of February 6, 2019, the Warsaw Court of Appeal set aside the judgment under appeal and remitted the case to the Warsaw Regional Court for reconsideration. The date of the hearing was set for November 6, 2019. These proceedings are not covered by the Settlement.

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

Pursuant to the information obtained by the Parent Entity, LTR submitted two motions requesting security of the claims, namely: (a) requesting prohibition to release the units covered by the above mentioned lease agreements to the Company by PPL and prohibition to perform the said lease agreements, (b) requesting issuance of an order to furnish the court with monthly statements on performance of the said lease agreements.

Until the date of publication of this report, the court dismissed the security application in the form of the obligation to submit reports. LTR's complaint against the Regional Court's decision rejecting the security application was also dismissed. The second of the security applications, to the best of the Parent's knowledge, has not yet been considered. At the same time, by the day of publication of this report, all premises covered by the above-mentioned lease agreements had been delivered to the Company.

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

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

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

On January 25, 2019, the Court delivered a copy of the above claim to the attorney of the Parent Entity. The Parent Entity responded to the lawsuit on February 25, 2019, demanding that the claim be dismissed in its entirety. By letter of 30 May 2019, LTR modified the claims in such a way that LTR filed the main claim - a request to annul the lease agreements concluded on 6 May 2018 between PPL and Baltona. The request so far sought by LTR - cancellation of these lease agreements - has been identified by LTR as an alternative claim. By letter of 23 August 2019, Baltona responded to the amended lawsuit, demanding that it be dismissed in its entirety. The proceedings remain ongoing. The District Court set the date of the next hearing to be March 19, 2020.

In addition, on November 7, 2018, the Parent Company received a copy of a lawsuit filed by LTR against Wrocław Airport S.A. (hereinafter: PL Wrocław) and the Company. The claim was specified as a request to cancel the contract concluded between PL Wrocław and the Parent Company for the lease of space. In addition, the plaintiff submitted a possible request for annulment of the contract in question. Also in this case, the legal basis for the request to cancel the contract is Art. 705 of the Civil Code, concerning conducting a tender contrary to the law or decency. The legal basis of the possible claim is Art. 58 of the Civil Code, whereby the plaintiff also refers in this respect to alleged alleged irregularities in the tender competition and to the alleged violation of the claimant's priority right to a part of the subject of the lease. The value of the subject of dispute was determined by LTR at PLN 250,000.

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On November 28, 2018, the Company responded to the lawsuit, demanding that the claim be dismissed in its entirety. On March 7, 2019, the District Court in Warsaw, 16th Commercial Division, dismissed the abovementioned action in full. The judgment is not final. Based on information held by the Company, LTR appealed against the judgment, but the copy of the appeal was not delivered to the Company.

27. Related party transactions

27.1 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.

27.2 Transactions with managerial staff

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

	01.01.2019-30.06.2019	**01.01.2018-30.06.2018**
Remuneration of management members	950	968
	950	**968**

27.3 Other related party transactions

	Value of transactions for the period		**Outstanding balances as at**	
	01.01.2019-30.06.2019 *(unaudited)*	**01.01.2018-30.06.2018** *(unaudited)*	**30.06.2019** *(unaudited)*	**31.12.2018** *(unaudited)*
Sales of goods and services				
Flemingo International Ltd. - sales of services	-	-	488	488
Ashdod Holdings Ltd. - sales of services	-	-	29	29
Flemingo Brasil Importacao Limitada	-	-	363	363
Flemingo Duty Free Shop Pvt. Ltd	-	-	110	110
Chacalli-De Decker NV	100	-	2 267	7 410
Chacalli Den Haag BV	24	-	2 158	2 102
Chacalli-De Decker Limited	29	-	596	572
Rotterdam Airport Tax-Free Shop B.V	50	-	40	-
Niederrhein Airport Shop GmbH	99	-	39	-
	302	**-**	**6 090**	**11 074**
Other revenue - loans				
Rafał Kazimierski - interest and loan revenue	4	4	128	124
Chacalli-De Decker Limited - interest revenue	16	-	952	947
	20	**4**	**1 080**	**1 071**
Purchases of raw materials, goods and services				
Flemingo International Ltd. - purchase of goods	-	-	483	443
Flemingo International Ltd. - other services	40	34	-	-
Flemingo International Tortola- other services	116	114	116	19
Flemingo Duty Free Shop Pvt. Ltd	56	-	56	19
Ashdod Holdings Ltd. - other liabilities	-	-	24	24
Chacalli-De Decker NV	347	-	163	5 314
	559	**148**	**842**	**5 820**
Other costs				
Flemingo International Ltd. - loans/interest costs*	367	424	19 370	19 201
Chacalli-De Decker NV - purchase of shares in LAS	-	-	2 183	2 866
	367	**424**	**21 553**	**22 067**

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

The Group received from related entities Flemingo International (BVI) Limited and Flemingo International Limited loans whose repayment dates fall on 31 December 2020 (PLN 19,292 thousand) and interest on 31 December 2020 (PLN 78 thousand).

In connection with agreements of the overdraft facility and guarantee lines referred to in note 19.3, corporate guarantees issued by Flemingo International Limited were granted to the Group, whose total amount as at 30 June 2019 was PLN 187,327.5 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 19.3.

28. Composition of the Capital Group

Company name	Country	Share in %	Share in %	Share in %
		30.06.2019	**31.12.2018**	**30.06.2018**
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
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	100
Baltona Italy S.R.L.	Italy	100	100	100
Sandpipier 3 Sp z o.o.	Poland	100	100	100
Liege Airport Shop BVBA	Belgium	100	100	100
CDD Holding BV and its subsidiaries*:*	the Netherlands	62	62	62
Rotterdam Airport Tax-Free Shop BV	the Netherlands	0	62	62
Niederrhein Airport Shop GmbH	Germany	0	62	62

During the first half of 2019, the following changes in the group structure took place:

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 and 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 and 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 and NAS occurred on the date of Agreement conclusion. The Issuer recognized in the consolidated financial statements profit on the sale of subsidiaries in the amount of PLN 1,040 thousand. 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.

29. Events after the end of the reporting period

On August 14, 2019, the Management Board of the Parent Company decided to start the process of merging the Issuer with the following subsidiaries: Centrum Usług Wspólnych Baltona Sp. z o.o. and Sandpiper 3 Sp. z o.o. The merger is planned in accordance with art. 492 § 1 item 1 of the Commercial Companies Code, i.e. by transferring all assets of the Subsidiaries to the Issuer, without increasing the Company's share capital. Due to the fact that the Issuer holds all the shares of Subsidiaries, the merger will be carried out in a simplified mode in accordance with art. 516 § 6 of the Code of Commercial Companies.

On August 28, 2019, the Company received a bilaterally signed annex concluded with Przedsiębiorstwo Państwowe Porty Lotnicze [PPL] under which: i] the deadline was extended until December 5, 2019, in which if an external entity's opinion is not issued, the parties undertake further negotiations in order to make mutual settlements on the basis of the arrangements made so far; ii] in the case of settlement between the parties based on the opinion of an external entity, the settlement of the Issuer's obligations towards PPL in 3 monthly installments was moved from the fourth quarter of 2019 to the period January - April 2020. Other significant terms of the Agreement have not changed significantly.

In the first half of September 2019, the Company received an annex to the lease agreement with Górnośląskie Towarzystwo Lotnicze S.A. extending the period of validity of the lease agreement until 31.08.2020, provided that the Lessee settles the arrears to the Lessor for the rent until 30.09.2019. The above obligations were not settled by 30 September and the Company asked for permission to pay the liabilities within 2 weeks.

On September 13, 2019, the Company received a statement from the Bank pursuant to which the current period of granting the loan under the multi-purpose credit line to PLN 76 million was extended until October 31, 2019. At the same time, the Issuer is conducting talks with the Bank regarding the conditions for providing access to banking products in the long term and about agreeing these conditions, the Issuer will inform in the mode of the next current report.

The Management Board of Przedsiębiorstwo Handlu Zagranicznego "Baltona" S.A. informs that on September 30, 2019, it received information about the obtaining by the State Enterprise "Airports" (Przedsiębiorstwo Państwowe „Porty Lotnicze”) [PPL] of the initial consent of corporate bodies to conclude an investment agreement and accompanying documentation, based on which:
i] The issuer is to issue bonds to be taken up by PPL in order to refinance the Company's current debt and provide funds to finance the Company's working capital;
ii] PPL and entities from the Flemingo Capital Group [Seller] shall determine the terms of the sale transaction by the Seller to PPL of all the Company's shares held.

Currently, the Issuer is awaiting information on the finalization of the examination of formal and legal conditions, which must be met by the parties to conclude contracts in the case, and in the absence of formal obstacles to agree on the final arrangements and the date of their conclusion.
At the same time, the Issuer notes that due to the fact that in the process the Company is a party to talks only to the extent that it concerns the issue of bonds (it is not a party to talks regarding the sale of the Company's shares), there may be circumstances unknown to the Company lying on the side of the Seller or PPL in the case of occurrences, the implementation of which contracts may not be completed. About the next stages of the above the issuer will inform in the course of relevant current reports about the process and detailed terms of the bond issue.

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

The above semi-annual shortened consolidated financial statements were drawn up on 30 September 2019 and approved for publication by the Management Board of Przedsiębiorstwo Handlu Zagranicznego "Baltona" S.A. on 30 September 2019.

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