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

[FOREIGN TRADE COMPANY "BALTONA" JOINT STOCK COMPANY]

QUARTERLY SHORTENED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD OF NINE MONTHS

ENDED ON 30 SEPTEMBER 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, 29 November 2019

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

Quarterly shortened consolidated financial statements for the period ended on 30 September 2019

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

Quarterly shortened consolidated statement of financial position

All amounts are presented in thousands Polish zlotys unless stated otherwise

ASSETS	**Note**	**30.09.2019** (unaudited)	**31.12.2018** (transformed)	**30.09.2018** (unaudited) (transformed)
Non-current assets				
Property, plant and equipment	10	91 850	87 130	49 531
Assets under the right of use	12	517 271	-	-
Intangible assets		85 578	92 717	2 356
Goodwill		-	4 449	4 448
Trade and other receivables	15	2 492	4 465	3 867
Deferred income tax assets		1 634	1 634	3 286
Non-current assets		698 825	190 395	63 488
Current assets				
Inventories	14	48 416	42 915	43 317
Trade and other receivables	15	32 990	45 589	37 626
Short-term investments	13	1 129	1 071	1 402
Current income tax assets		-	103	-
Cash and cash equivalents	16	9 365	11 638	14 647
Current assets		91 900	101 316	96 992
TOTAL ASSETS		790 725	291 711	160 480

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

Quarterly shortened consolidated statement of financial position

All amounts are presented in thousands Polish zlotys unless stated otherwise

LIABILITIES	**Note**	**30.09.2019** (unaudited)	**31.12.2018** (transformed)	**30.09.2018** (unaudited) (transformed)
Equity				
Share capital	17.1	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		(65)	(803)	(1 411)
Capital from transactions with owners		94 992	94 992	-
Retained profits		(90 867)	(26 529)	(20 116)
Equity attributable to the parent entity's owners		33 016	96 616	7 429
Non-controlling shares		708	216	565
Total equity		33 724	96 832	7 994
Liabilities				
Liabilities under credits, loans and other debt instruments	19.1	48 105	54 076	42 562
Liabilities under lease	19.5	465 008	1 277	775
Trade and other liabilities	20	10 836	10 836	-
Deferred income	24	49	69	-
Provisions	22	52	52	52
Liabilities under employee benefits	21	383	340	132
Long-term liabilities		524 433	66 650	43 521
Liabilities under credits, loans and other debt instruments	19.2	44 436	45 987	28 452
Liabilities under lease	19.5	73 070	703	560
Trade and other liabilities	20	109 455	71 169	73 637
Liabilities under income tax		501	3 038	2 369
Liabilities under employee benefits	21	4 261	3 719	3 932
Deferred income	24	845	3 611	15
Provisions	22	-	2	-
Short-term liabilities		232 568	128 229	108 965
Liabilities		757 001	194 879	152 486
TOTAL LIABILITIES		790 725	291 711	160 480

Additional explanatory information to the quarterly shortened consolidated financial statements, attached on the following pages from 11 to 48, constitutes an integral part hereof.

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

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

All amounts are presented in thousands Polish zlotys unless stated otherwise

	Note	01.07.2019-30.09.2019 (unaudited)	01.07.2018-30.09.2018 (unaudited)	01.01.2019-30.09.2019 (unaudited)	01.01.2018-30.09.2018 (unaudited)
Revenue from sales	5	161 551	158 423	411 879	361 010
Other operating revenue	7	33	438	105	565
Total operating revenue		161 584	158 861	411 984	361 575
Depreciation and impairment write-offs		(27 725)	(1 898)	(82 154)	(4 795)
Consumption of raw materials and materials		(1 351)	(1 105)	(3 828)	(2 768)
Third party services		(31 429)	(31 096)	(75 366)	(76 384)
Costs of employee benefits		(12 962)	(14 980)	(38 419)	(34 082)
Taxes and fees		(589)	(664)	(1 944)	(1 437)
Other cost items		(1 023)	(1 249)	(3 053)	(3 124)
Value of goods and materials sold		(95 988)	(103 103)	(249 881)	(236 399)
Other operating costs	7	(293)	(81)	(469)	(141)
Total operating costs		(171 360)	(154 176)	(455 114)	(359 130)
Operating (loss)/profit		(9 776)	4 685	(43 130)	2 445
Financial revenue		22	157	113	336
Financial costs		(6 764)	(1 184)	(19 304)	(2 122)
Net financial costs	8	(6 742)	(1 027)	(19 191)	(1 786)
Result on disposal of shares in subsidiaries		-	2 316	1 045	2 316
(Loss)/Profit before tax		(16 518)	5 974	(61 276)	2 975
Income tax	9	(547)	(848)	(613)	(1 312)
Net (loss)/profit for the reporting period		(17 065)	5 126	(61 889)	1 663
Other comprehensive income					
Items which may be carried to the profit and loss account					
Exchange differences from translation of entities operating abroad		552	(251)	687	(94)
Other comprehensive net income for the reporting period		552	(251)	687	(94)
Total comprehensive income for the reporting period		(16 513)	4 875	(61 202)	1 569
Profit/(Loss) attributable to:					
Owners of the Parent Entity		(17 081)	3 919	(62 432)	1 186
Non-controlling shares		16	1 207	543	477
(Loss)/Profit for the reporting period		(17 065)	5 126	(61 889)	1 663
Total comprehensive income attributable to:					
Owners of the Parent Entity		(16 495)	3 737	(61 694)	918
Non-controlling shares		(18)	1 138	492	651
Total comprehensive income for the reporting period		(16 513)	4 875	(61 202)	1 569
Profit/(Loss) per share					
Basic (PLN)		(1,56)	0,36	(5,68)	0,11
Diluted (PLN)		(1,61)	0,36	(5,73)	0,11

Additional explanatory information to the quarterly shortened consolidated financial statements, attached on the following pages from 11 to 48, constitutes an integral part hereof.

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

Quarterly shortened consolidated cash flow statement

All amounts are presented in thousands Polish zlotys unless stated otherwise

	01.01.2019-30.09.2019 (unaudited)	01.01.2018-30.09.2018 (unaudited)
Operating cash flows		
Net profit/(loss) for the reporting period	(61 889)	1 663
Adjustments:		
Depreciation	82 154	4 795
Net financial (revenue)/costs	19 191	1 786
Income tax	613	1 312
Other adjustments	(653)	(49)
	39 416	9 507
Change in inventories	(5 501)	(7 352)
Change in trade and other receivables	12 599	(17 567)
Change in trade and other liabilities	38 286	26 518
Change in provisions and liabilities under employee benefits	583	(76)
Change in deferred income	(2 786)	10
Cash generated on operating activity	**82 597**	**11 040**
Tax paid	(3 335)	(550)
Net cash from operating activity	79 262	10 490
Investment cash flows		
Receipts from sale of property, plant and equipment	2	-
Sale of shares in a subsidiary	6 434	-
Receipts from repayment of loans	-	1 992
Acquisition of property, plant and equipment	(18 826)	(40 184)
Acquisition of intangible assets	(29)	-
Loans granted	-	(1 992)
Net cash from investment activity	(12 419)	(40 184)
Financial cash flows		
Credits and loans drawn	-	25 765
Expenditures on repayment of credits and loans	(8 950)	(1 611)
Payment of financial lease liabilities	(55 689)	(546)
Interest paid	(2 946)	(987)
Net cash from financial activity	(67 585)	22 621
Total net cash flows	(742)	(7 073)
Cash and cash equivalents at the beginning of the period	(21 302)	533
Influence of exchange rate differences concerning cash and cash equivalents	-	-
Cash at the end of the period	**(22 044)**	**(6 540)**

Additional explanatory information to the quarterly shortened consolidated financial statements, attached on the following pages from 11 to 48, constitutes an integral part hereof.

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

Quarterly shortened consolidated statement of changes in equity

All amounts are presented in thousands Polish zlotys unless stated otherwise

	Share capital	Share premium	Supplementary capital	Treasury shares	Exchange differences on translation	Retained profits	Capital from transactions with owners	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 for the reporting period	-	-	-	-	-	1 186	-	1 186	477	1 663
Other comprehensive income										
Exchange differences from translation of entities operating abroad	-	-	-	-	(94)	-	-	(94)	174	80
Total other comprehensive income	-	-	-	-	(94)	-	-	(94)	174	80
Total comprehensive income for the reporting period	-	-	-	-	(94)	1 186	-	1 092	651	1 743
Transactions with owners of the Parent Entity recognised directly in equity										
Changes in the ownership structure of subordinated entities										
Disposal of shares, not involving change in control	-	-	-	-	-	1 842	-	1 842	-	1 842
Transfer of profit to supplementary capital	-	-	465	-	-	(465)	-	-	-	-
Total transactions with owners of the Parent Entity	-	-	465	-	-	1 377	-	1 842	-	1 842
Equity as at 30.09.2018 (transformed)	2 814	4 655	23 529	(2 042)	(1 411)	(20 116)	-	7 429	565	7 994

The parent entity is Przedsiębiorstwo Handlu Zagranicznego „Baltona" S.A. [Foreign Trade Company „Baltona" Joint Stock Company].

Additional explanatory information to the quarterly shortened consolidated financial statements, attached on the following pages from 11 to 48, constitutes an integral part hereof.

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

Quarterly shortened consolidated statement of changes in equity

All amounts are presented in thousands Polish zlotys unless stated otherwise

	Share capital	Share premium	Supplementary capital	Treasury shares	Exchange differences on translation	Retained profits	Capital from transactions with owners	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)	352
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].

Additional explanatory information to the quarterly shortened consolidated financial statements, attached on the following pages from 11 to 48, constitutes an integral part hereof.

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

Quarterly shortened consolidated statement of changes in equity

All amounts are presented in thousands Polish zlotys unless stated otherwise

	Share capital	Share premium	Supplementary capital	Treasury shares	Exchange differences on translation	Retained profits	Capital from transactions with owners	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	-	-	-	-	-	(62 432)	-	(62 432)	543	(61 889)
Other comprehensive income								-		
Exchange differences from translation of entities operating abroad	-	-	-	-	738	-	-	738	(51)	687
Total other comprehensive income	-	-	-	-	738	-	-	738	(51)	687
Total comprehensive income for the reporting period	-	-	-	-	738	(62 432)	-	(61 694)	492	(61 202)
Transactions with owners of the Parent Entity recognised directly in equity								-		
Changes in the ownership structure of subordinated entities								-		
Disposal of shares	-	-	-	-	-	(1 906)	-	(1 906)	-	(1 906)
Total transactions with owners of the Parent Entity	-	-	-	-	-	(1 906)	-	(1 906)	-	(1 906)
Equity as at 30.09.2019 (unaudited)	2 814	4 655	23 529	(2 042)	(65)	(90 867)	94 992	33 016	708	33 724

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.

Explanatory information to the quarterly shortened consolidated financial statements

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

Explanatory information to the quarterly shortened consolidated financial statements

1. Identification of the Parent Entity

Przedsiębiorstwo Handlu Zagranicznego "BALTONA" Spółka Akcyjna [Foreign Trade Company "BALTONA" Joint Stock Company], hereinafter referred to as the "Parent Entity" is a joint stock company incorporated in Poland.
The registered office of the Parent Entity is located at ul. Flisa 4 in Warsaw (postal code: 02-247).
The quarterly shortened consolidated financial statements for the reporting period ended on 30 September 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 consolidated statements include comparative data for the period of 9 months ended on 30 September 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 and Estonia, as well as on sea ferries operating on the Baltic Sea. Moreover, the Group deals among others with gastronomy activity and supplying crews of ships and vessels moored at Polish seaports (shipchandling activity).

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

The ultimate parent which recognises the data of "Baltona" Group in its statements is Flemingo International Limited.

2. Basis of preparation of the financial statements

2.1 Statement of compliance and general principles of preparation

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

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

All amounts are presented in thousands Polish zlotys unless stated otherwise

The quarterly shortened consolidated financial statements prepared for the period of 9 months ended on 30 September 2019 have not been reviewed by an expert auditor. The consolidated financial statements for the year ended on 31 December 2018 were reviewed by an expert auditor who expressed an opinion without objections concerning the consolidated financial statements.

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

During the current period, the Group generated a net loss of PLN 61,889 thousand; moreover, the net working capital (defined as current assets less short-term liabilities) was negative on 30 September 2019 at PLN 140,668 thousand, mainly due to repayment dates of intra-group credits and loans as well as trade and lease liabilities, falling within a shorter perspective than 12 months.

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

	2019-09-30			***2019-06-30***		
category	***1-30 days***	***31-60 days***	***above 61 days***	***1-30 days***	***31-60 days***	***above 61 days***
overdue liabilities	18 911	12 542	3 697	15 561	10 866	1 801

As at 31 October 2019 and on the date of publication of this report, there were no significant overdue trade liabilities towards non-related parties.

The balance of overdue liabilities increased during the 3rd quarter of 2019 as a result of the following circumstances:

- 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.

Moreover, the Parent Entity informs that the rate of sales revenue growth as a result of the commercial activity at Warsaw airport has been lower in recent months than assumed during the preceding reporting period, which resulted in a further increase in the balance of overdue liabilities.

The Parent Entity informs that in October 2019 the Company received funds from B series bond issue at PLN 45 million, allocated first of all to settling overdue trade liabilities. The bond issue is discussed in detail in note 29 Events after the balance sheet date. At the same time, influence of the above was nearly neutral from the point of view of sales revenue generated in October of this year, but the Parent Entity expects that positive impact, involving among others the ability to make prepayments for suppliers, will affect sales in the fourth quarter of 2019 in a positive manner.

The quarterly shortened consolidated financial statements were approved for publication by the Management Board of the Parent Entity on 29 November 2019.

2.2 Presentation and functional currency

Figures in the financial statements are presented in Polish zlotys rounded to full thousands unless stated otherwise.
The Polish zloty is the Parent Entity's functional currency.

2.3 Judgements and estimations made

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

As at the date of preparation of these quarterly shortened consolidated financial statements, material estimates made by the Management Board of the Parent Entity concerning the Group's principles of accountancy 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 presentation changes

The consolidated financial statements do not contain corrections of fundamental errors, but they contain presentation changes of comparative figures.

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 separate – in comparative figures – the result on abandoned activity as well as assets and related liabilities to be disposed of. Abandoned activity concerned services to diplomatic establishments conducted by the above mentioned companies, making up the B2B segment.

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

The principles (policies) of accounting applied by the Group in preparation of the quarterly shortened consolidated financial statements are consistent with those applied in preparation of the annual consolidated financial statements as at 31 December 2018, except for the principles introduced in connection with implementation of new standards with effect of 1 January 2019, including in particular

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IFRS 16. The impact of the new standards onto the principles (policies) of accounting is discussed in note 3.19 to the consolidated financial statements for 2018.

The Group intends to adopt amendments to EU IFRS, published but not yet effective as on the date of publication of these quarterly shortened consolidated financial statements, in accordance with their effective date. Estimation of 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 recognised 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 recognised 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

Moreover, implementation of IFRS 16 has influence onto the structure of the statement of profit or loss and other comprehensive income. During the 9 months of 2019, in connection with implementation of the new standard, depreciation increased by PLN 61,769 thousand, operating result decreased by PLN 6,776 thousand, whereas the result before tax fell by PLN 21,493 thousand. As a result of introduction of the new standard, the EBITDA measure is higher by PLN 54,993 thousand.

All amounts are presented in thousands Polish zlotys unless stated otherwise

The influence of changes resulting from implementation of IFRS 16 onto items of the consolidated financial statements as at 31.09.2019 is presented in the following table:

Item of financial statements	As at 30.09.2019 without consideration of the impact of IFRS 16	Impact of IFRS 16 onto the consolidated statement of financial position	As at 30.09.2019 after implementation of IFRS 16
Property, plant and equipment	94 479	(2 629)	91 850
Assets under the right of use	-	517 271	517 271
Retained profits	(69 374)	(21 493)	(90 867)
Long-term liabilities under lease	1 295	463 713	465 008
Short-term liabilities under lease	699	72 371	73 070
Depreciation	(20 385)	(61 769)	(82 154)
Third party services	(130 359)	54 993	(75 366)
Financial costs – interest	(4 410)	(14 717)	(19 127)

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 and Liege Airport Shop BVBA. On 29 May 2019, the subsidiary CDD Holding B.V. concluded with a foreign industry entity operating in the countries of Western Europe an agreement concerning purchase from CDD of all shares in CDD's subsidiaries, i.e. Rotterdam Airport Tax-Free Shop B.V and Niederrhein Airport Shop GmbH. Until the date of sale, figures for those companies were recognised in the Shops segment data and comparative figures. Moreover, on 31 March 2019 the Group ended its operation at 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 11 July 2018, an agreement concerning sale of three companies of the Chacalli-De Decker group was concluded; consequently, the figures for nine months of 2019 do not include data for the disposed companies, whereas comparative figures include the

balance sheets and results of those companies generated during the period of nine months 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 segments.

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

	Shops		Gastronomy		B2B		Total	
	01.01.2019-30.09.2019	**01.01.2018-30.09.2018**	**01.01.2019-30.09.2019**	**01.01.2018-30.09.2018**	**01.01.2019-30.09.2019**	**01.01.2018-30.09.2018**	**01.01.2019-30.09.2019**	**01.01.2018-30.09.2018**
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue from third party customers	335 853	269 353	20 329	22 252	55 802	69 970	411 984	361 575
Revenue from sales among segments	11 109	13 377	88	88	1 797	1 797	12 994	15 262
Operating result	(44 489)	2 340	(686)	723	2 045	(618)	(43 130)	2 445
Result before tax	(66 575)	1 751	(1 117)	266	6 416	916	(61 276)	2 933
Assets of the reporting segment	346 834	156 056	4 895	4 654	27 978	10 611	379 707	171 321
Investment expenditures	(18 036)	(37 750)	(90)	(2 047)	(700)	(387)	(18 826)	(40 184)
Liabilities of the reporting segment	271 980	141 955	18 249	16 280	12 774	7 393	303 003	165 628

	01.01.2019-30.09.2019	**01.01.2018-30.09.2018**
	(unaudited)	(unaudited)
(Loss)/Profit before tax		
Total profit or loss before tax from reported segments	(61 276)	2 933
Elimination of profits from transactions among segments	-	42
Profit or loss before tax	**(61 276)**	**2 975**

All amounts are presented in thousands Polish zlotys unless stated otherwise

	Shops		**Gastronomy**		**B2B**		**Total**	
	01.07.2019 - 30.09.2019	**01.07.2018 - 30.09.2018**	**01.07.2019 - 30.09.2019**	**01.07.2018 - 30.09.2018**	**01.07.2019 - 30.09.2019**	**01.07.2018 - 30.09.2018**	**01.07.2019 - 30.09.2019**	**01.07.2018 - 30.09.2018**
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue from third party customers	133 008	129 620	8 112	8 429	20 464	20 812	161 584	158 861
Revenue from sales among segments	118	2 723	-	(173)	-	(2 383)	118	167
Operating result	(10 929)	3 631	305	674	848	1 094	(9 776)	5 399
Result before tax	(20 814)	2 243	155	519	5 181	3 972	(15 478)	6 734
Assets of the reporting segment	346 834	156 056	4 895	4 654	27 978	10 611	379 707	171 321
Investment expenditures	(373)	(27 894)	(15)	(1 524)	(672)	2 381	(1 060)	(27 037)
Liabilities of the reporting segment	271 980	141 955	18 249	16 280	12 774	7 393	303 003	165 628

All amounts are presented in thousands Polish zlotys unless stated otherwise

5. Revenue

5.1. Material structure

	01.07.2019-30.09.2019 (unaudited)	01.07.2018-30.09.2018 (unaudited)	01.01.2019-30.09.2019 (unaudited)	01.01.2018-30.09.2018 (unaudited)
Revenue from sales of products				
Sublease of space	11	11	33	32
DCC* revenue	774	566	1 986	1 670
Other	77	70	257	93
Total revenue from sales of services	**862**	**647**	**2 276**	**1 795**
Revenue from sales of goods and materials				
Public retail sales	23 173	82 035	57 024	118 993
Duty free retail sales	116 497	36 456	295 369	186 114
Wholesale and shipchandling	21 019	39 266	57 141	54 089
Other	-	19	69	19
Total revenue from sales of goods and materials	**160 689**	**157 776**	**409 603**	**359 215**
Total revenue from sales	**161 551**	**158 423**	**411 879**	**361 010**

* DCC (Dynamic Currency Conversion) – 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

	01.07.2019-30.09.2019 (unaudited)	01.07.2018-30.09.2018 (unaudited)	01.01.2019-30.09.2019 (unaudited)	01.01.2018-30.09.2018 (unaudited)
Revenue from sales of services				
Poland	833	525	2 167	1 664
Other	29	122	109	131
Total revenue from sales of services	**862**	**647**	**2 276**	**1 795**
Revenue from sales of goods and materials				
Poland	136 111	112 305	343 693	276 948
Other	24 578	45 471	65 910	82 267
Total revenue from sales of goods and materials	**160 689**	**157 776**	**409 603**	**359 215**
Total revenue from sales	**161 551**	**158 423**	**411 879**	**361 010**

All amounts are presented in thousands Polish zlotys unless stated otherwise

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

To a large extent, the operating activity of the 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.

7. Other operating revenue and costs

7.1. Recognised as profit or loss of the current period

	01.07.2019-30.09.2019 (unaudited)	**01.07.2018-30.09.2018** (unaudited)	**01.01.2019-30.09.2019** (unaudited)	**01.01.2018-30.09.2018** (unaudited)
Subsidies	-	44	-	133
Reversal of provisions	1	7	13	17
Profit on sales of non-financial non-current assets	-	-	2	-
Damages received	-	13	-	13
Change in inventories revaluation write-off	-	(5)	-	-
Reversal of receivables revaluation write-offs	1	1	25	2
Other	31	378	65	400
Total other operating revenue	**33**	**438**	**105**	**565**

	01.07.2019-30.09.2019 (unaudited)	**01.07.2018-30.09.2018** (unaudited)	**01.01.2019-30.09.2019** (unaudited)	**01.01.2018-30.09.2018** (unaudited)
Inventory taking shortfalls	(206)	-	(206)	-
Liquidation of goods	(30)	-	(33)	-
Penalties and damages	-	(1)	(126)	(6)
Other	(57)	(80)	(104)	(135)
Total operating costs	**(293)**	**(81)**	**(469)**	**(141)**

All amounts are presented in thousands Polish zlotys unless stated otherwise

8. Financial revenue and costs

8.1. Recognised as profit or loss of the current period

	01.07.2019-30.09.2019 (unaudited)	01.07.2018-30.09.2018 (unaudited)	01.01.2019-30.09.2019 (unaudited)	01.01.2018-30.09.2018 (unaudited)
Revenue from interest on granted loans and receivables	-	16	5	23
Net exchange rate differences	5	141	108	313
Valuation of derivative instruments	17	-	-	-
Total financial revenue	**22**	**157**	**113**	**336**

	01.07.2019-30.09.2019 (unaudited)	01.07.2018-30.09.2018 (unaudited)	01.01.2019-30.09.2019 (unaudited)	01.01.2018-30.09.2018 (unaudited)
Costs of interest on financial liabilities carried at amortised cost	(1 597)	(934)	(4 410)	(1 845)
Costs of interest on liabilities under lease	(4 733)	-	(14 717)	-
Net exchange rate differences	(417)	-	-	-
Valuation of derivative instruments	-	(253)	(44)	(277)
Other	(17)	3	(133)	-
Total financial costs	**(6 764)**	**(1 184)**	**(19 304)**	**(2 122)**
Net financial costs recognised as profit or loss of the current period	**(6 742)**	**(1 027)**	**(19 191)**	**(1 786)**

9. Income tax

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

	01.07.2019-30.09.2019 (unaudited)	01.07.2018-30.09.2018 (unaudited)	01.01.2019-30.09.2019 (unaudited)	01.01.2018-30.09.2018 (unaudited)
Income tax (current part)				
Income tax for the current period	547	848	613	1 312
	547	**848**	**613**	**1 312**
Income tax (deferred part)				
Creation/reversal of interim differences	-	-	-	-
	-	-	-	-
Total income tax	**547**	**848**	**613**	**1 312**

10. Property, plant and equipment

10.1. Acquisition and reductions in property, plant and equipment

During the period of nine months ended on 30 September 2019, the Group acquired property, plant and equipment worth PLN 18,826 thousand (period of nine months ended on 30 September 2018: PLN 40,184 thousand). No costs of external financing were activated during the reporting period or during the period of nine months ended on 30 September 2018.
No impairment write-offs regarding property, plant and equipment were performed during the reporting period.

11. Intangible assets

During the period of nine months ended on 30 September 2019, the Group acquired software worth PLN 29 thousand; no sales or liquidation of intangible assets occurred.

On 24 April 2019, the Management Board of Przedsiębiorstwo Handlu Zagranicznego "Baltona" S.A. adopted a decision to recognise an element of intangible assets identified as the right to conclude an agreement, with the value of PLN 94,992 thousand, in the balance sheet drawn up as of 31 December 2018 of, respectively, the Parent Entity and the Issuer's Capital Group. The right to conclude the agreement will be recognised in the group of non-current assets, in the item of "intangible assets" and, on the other part, in the liabilities' item of "Capital from transactions with owners" and it increased each of these items by the above amount. Recognition of the right to conclude the agreement, referred to above, is connected with the possibility of accounting settlement of circumstances related to waiver of claims by Flemingo Dutyfree Shop Private Limited, i.e. company of Flemingo Group, in connection with the litigation ended with the judgement of the court of arbitration at the Permanent Court of Arbitration in the Hague, of which the Group notified, among others, in the Report on the activity of the Issuer's Capital Group for 2017. Flemingo's waiver of claims for the damages adjudicated by the Permanent Court of Arbitration in the Hague was possible as a result of signature on 6 May 2018 of the Settlement and 14 Lease agreements concerning space at Warsaw Chopin Airport, discussed in the current report no. 8/2018 of 6 May 2018. Value of the right in the form of Right to conclude an agreement was determined based on the amount of damages stated in the judgement of the Permanent Court of Arbitration in the Hague, increased by interest accrued until the date of conclusion of the said Settlement of 6 May 2018. During the period of nine months ended on 30 September 2019, depreciation of the above mentioned right amounted to PLN 7,647 thousand.

All amounts are presented in thousands Polish zlotys unless stated otherwise

12. Assets under the right of use

The Group is a lessee of space at approximately 20 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 amortisation.

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	-	2	637	**639**
Disposal of entities	(2 143)	-	-	**(2 143)**
Decreases (sale/liquidation/transfer)	-	-	-	**-**
Gross value as at 30.09.2019	**576 410**	**4 204**	**4 132**	**584 746**

12.2 Amortisation 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	61 769	338	372	**62 479**
Amortisation and impairment write-offs as at 30.09.2019	**61 769**	**2 904**	**2 802**	**67 475**

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 30.09.2019	**514 641**	**1 300**	**1 330**	**517 271**

All amounts are presented in thousands Polish zlotys unless stated otherwise

13. Other investments

Short-term investments	**30.09.2019**	**31.12.2018**	**30.09.2018**
	(unaudited)		(unaudited)
Loans granted to affiliated entities	1 129	1 071	1 679
Other short-term financial assets (valuation)	-	-	(277)
	1 129	**1 071**	**1 402**

14. Inventories

	30.09.2019	**31.12.2018**	**30.09.2018**
	(unaudited)		(unaudited)
Goods	48 416	42 915	43 317
	48 416	**42 915**	**43 317**

During the period from 1 January 2019 until 30 September 2019, the value of trading goods recognised in own cost of sales amounted to PLN 249,881 thousand (from 1 January 2018 until 30 September 2018: PLN 236,399 thousand). During the period of nine months ended on 30 September 2019, the Group established an inventory revaluation write-off at PLN 112 thousand, while there occurred no changes in the inventory revaluation write-off during the period of nine months ended on 30 June 2018. During the period of nine months ended on 30 September 2019, a provision was established for inventory shortfalls at PLN 404 thousand; to compare, during the period of nine months ended on 30 September, the provision amounted to PLN 159 thousand.

In order to secure the Group's liabilities under the multi-purpose credit line and non-revolving credit agreements which Group companies are parties to, a registered pledge was established on the inventory of goods for sale, located at warehouses and shops and being the Group's property, including the Group's statement on submission to enforcement with regard to release of the goods. The value of the pledge object at the prices of purchase cannot be lower for all agreements than PLN 34,000 thousand.

All amounts are presented in thousands Polish zlotys unless stated otherwise

15. Trade and other receivables

	30.09.2019	31.12.2018	30.09.2018
	(unaudited)		(unaudited)
Trade receivables from related entities	8 997	11 074	10 986
Trade receivables from other entities	7 647	15 714	8 731
Budgetary receivables	10 936	18 376	14 565
Other receivables	434	50	172
Receivables under deposits	2 926	3 869	3 974
Deferrals and accruals	4 542	971	3 064
Total receivables	**35 482**	**50 054**	**41 492**
Long-term	2 492	4 465	3 867
Short-term	32 990	45 589	37 626
	35 482	**50 054**	**41 493**

During the period from 1 January 2019 until 30 September 2019, revaluation write-offs amounting to PLN 25 thousand were reversed.

During the period from 1 January 2018 until 30 September 2018, revaluation write-offs amounting to PLN 2 thousand were reversed.

16. Cash and cash equivalents

	30.09.2019	31.12.2018	30.09.2018
	(unaudited)		(unaudited)
Cash in hand and in bank	6 695	8 311	10 667
Cash in transit	2 670	3 327	3 980
Cash and cash equivalents, value recognised in the statement of financial position	**9 365**	**11 638**	**14 647**
Overdrafts	(31 409)	(32 940)	(21 187)
Cash and cash equivalents, value recognised in the cash flow statement	**(22 044)**	**(21 302)**	**(6 540)**

17. Equity

17.1 Share capital

As at 30 September 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 Entity purchase treasury shares. The treasury shares purchase programme was to be conducted from 25 January 2012 until 1 January 2015, but no longer than until the resources allocated to purchases of the shares were exhausted. Under the programme, the Management Board of the Parent Entity was authorised to purchase no more than 500,000 treasury shares with the face value of PLN 125,000 in order to redeem them or release them to shareholders of the company taken over by the Parent Entity. Purchases of the Parent Entity's shares will be exercised solely through Dom Inwestycyjny BRE Bank S.A. The minimum price of purchase by the Entity of one treasury share was determined at PLN 0.25, whereas the maximum price was set at PLN 9.20. In total, the Parent Entity 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 Company adopted a resolution pursuant to which the treasury shares purchase programme was extended in terms of duration and volume, i.e. the number of the 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 can be acquired for redemption, release to shareholders or partners of the company taken over by the 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.

All amounts are presented in thousands Polish zlotys unless stated otherwise

By 30 September 2019 and by the date of publication of this report, 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 period of nine months ended on 30 September 2019 and during 2018, 0 ordinary shares of the Company were purchased.

17.3 Dividends proposed by the Management Board

During the period of 9 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 nine months ended on 30 September 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

	30.09.2019 (unaudited)	**31.12.2018**	**30.09.2018** (unaudited)
Secured credits and loans	27 597	34 953	21 302
Loans from affiliated entities	20 508	19 123	21 260
	48 105	**54 076**	**42 562**

19.2 Short-term liabilities

	30.09.2019 (unaudited)	**31.12.2018**	**30.09.2018** (unaudited)
Secured credits and loans	12 381	12 445	7 187
Overdrafts	31 409	32 940	21 187
Loans from affiliated entities	78	78	78
Measurement of derivative instruments (IRS)	568	524	-
	44 436	**45 987**	**28 452**

Detailed information concerning loans received from affiliated entities is contained in note 27.3.

All amounts are presented in thousands Polish zlotys unless stated otherwise

19.3 Credit and loan repayment terms and schedule

Deadlines of repayment and terms of open credit agreements:

				30.09.2019	**31.12.2018**	**30.09.2018**
	Currency	**Nominal rate**	**Year of maturity**	**Book value**	**Book value**	**Book value**
Unsecured loan from an affiliated entity	USD	5,00%	2020	3 791	3 278	3 186
Unsecured loan from an affiliated entity	EUR	5,00%	2020	14 855	14 144	16 428
Unsecured loan from an affiliated entity	USD	5,00%	2020	43	43	43
Unsecured loan from an affiliated entity	USD	5,00%	2020	1 862	1 701	1 646
Unsecured loan from an affiliated entity	EUR	5,00%	2020	35	35	35
Overdraft	PLN	WIBOR3M+bank's margin	2021*	12 588	23 984	12 038
Overdraft	PLN	WIBOR1M+bank's margin	2019	14 925	6 027	7 380
Overdraft	PLN	WIBOR3M+bank's margin	2019	3 896	2 928	1 769
Non-revolving credit	PLN	WIBOR3M+bank's margin	2019	0	667	911
Non-revolving credit	PLN	WIBOR3M+bank's margin	2020	2 418	3 819	4 279
Non-revolving credit	PLN	WIBOR3M+bank's margin	2022	2 986	3 912	4 221
Non-revolving credit	PLN	WIBOR3M+bank's margin	2022	34 574	39 000	19 078
Liabilities under financial lease	PLN, EUR	WIBOR1M / LIBOR1M + margin	2019-2022	0	1 980	1 335
Liabilities under financial lease	PLN, EUR	WIBOR1M / LIBOR1M + margin	2019-2027	538 078	0	0
Total interest bearing liabilities				**630 051**	**101 519**	**72 349**

* Crediting period until 8 February 2021. Current credit availability term falls on 31 January 2020.

Overdraft facilities, covered by annexes signed on 20 November 2019, are secured on the Group's assets as follows:

- own blank promissory note with promissory note declaration, issued by the Group, 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 Parent Entity 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 (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 (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,
- 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 of 30.08.2016 was repaid in full on 06.08.2019; on 16.10.2019, the bank consented to release of collaterals on the Parent Entity's assets, namely:

- own blank promissory note with promissory note declaration, issued by the Parent Entity 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 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 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 Parent Entity 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 on 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 Parent Entity 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 on 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 that 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 collaterals existed on the date of the statement of financial position:

- 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 September 2019 totals PLN 31,409 thousand. Pursuant to the terms of the agreements, the crediting period lasts until 8 February 2021, with the current availability period expiring on 31 January 2020.
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.

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Due to additional financing and impact of the introduction of IFRS 16, which may involve violation of further covenants, the Management Board of the Parent Entity undertook discussions with the bank in order to adapt the covenants to the current legal status and capabilities of the Group.

19.5 Liabilities under financial lease

As at 30 September 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:

	30.09.2019	**31.12.2018**	**30.09.2018**
Lease of means of transport	844	834	843
Lease of equipment and fittings	1 151	1 146	492
Lease of premises	536 083	-	-
	538 078	**1 980**	**1 335**
Long-term	465 008	1 277	775
Short-term	73 070	703	560
	538 078	**1 980**	**1 335**

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Current value of lease payments is presented in the following table:

	Future minimum lease payments	Interest	Present value of future minimum lease payments	Future minimum lease payments	Interest	Present value of future minimum lease payments
	30.09.2019	**30.09.2019**	**30.09.2019**	**31.12.2018**	**31.12.2018**	**31.12.2018**
	(unaudited)	(unaudited)	(unaudited)			
Liabilities under financial lease						
up to 1 year	90 472	17 402	73 070	770	67	703
1 to 5 years	394 611	51 035	343 576	1 376	99	1 277
above 5 years	125 973	4 541	121 432	-	-	-
	611 056	**72 978**	**538 078**	**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.

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20. Trade and other liabilities

	Note	30.09.2019 (unaudited)	31.12.2018	30.09.2018 (unaudited)
Trade liabilities towards related entities	27	2 124	8 686	6 111
Trade liabilities towards other entities		85 626	50 773	53 078
Budgetary liabilities		6 935	10 796	8 649
Other liabilities		229	138	94
Liabilities connected from purchase of goods		-	-	3 302
Accruals and deferrals		24 780	11 386	2 060
Special funds		597	226	343
		120 291	**82 005**	**73 637**
including:				
- long-term part		10 836	10 836	-
- short-term part		109 455	71 169	73 637

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

	30.09.2019 (unaudited)	31.12.2018	30.09.2018 (unaudited)
Liabilities under retirement severance pay	399	356	132
Liabilities under unused holidays	1 476	1 375	1 527
Liabilities under salaries	2 765	2 277	2 341
Other liabilities	4	51	64
	4 644	**4 059**	**4 064**
including:			
- long-term part	383	340	132
- short-term part	4 261	3 719	3 932

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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.

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

There were no contractual obligations to purchase property, plant and equipment entered at the end of the reporting period, but not yet disclosed in the statement of financial position.

24. Deferred income

	30.09.2019 (unaudited)	**31.12.2018**	**30.09.2018** (unaudited)
Marketing services – deferred income	894	3 680	-
Development subsidy	-	-	15
	894	**3 680**	**15**
including:			
- long-term part	49	69	-
- short-term part	845	3 611	15

25. Financial instruments measured at fair value

As at 30 September 2019, Przedsiębiorstwo Handlu Zagranicznego "BALTONA" S.A. had an active Interest Rate Swap, measured on that date at PLN -28,330.90.

As at 30 September 2019, BH Travel Retail Sp. z o.o. had an active Interest Rate Swap, measured on that date at PLN -539,425.13.

As at 30 September 2018, Przedsiębiorstwo Handlu Zagranicznego "BALTONA" S.A. had an active Interest Rate Swap, measured on that date at PLN -25,569.29.

As at 30 September 2018, the subsidiary BH Travel retail Poland Sp. z o.o. had an active Interest Rate Swap, measured on that date at PLN -251,197.52.

26. Contingency liabilities and disputes

Proceedings upon the petition of a natural person 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 another participant of the proceedings. On 8 May 2018, the Court suspended the proceedings upon the request of one of participants of the proceedings. In the ruling issued on 15 January 2019, the Regional Court in Gdańsk dismissed the decision appealed by the other co-owner. Consequently, the case was returned for re-examination by the District Court and, pursuant to the opinion of the lawyers representing the Parent Entity, proceedings in this case will not be concluded in coming years.
At present, it is not possible to estimate possible liabilities of the Group 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 Group's financial result. In the evaluation of the Management Board, the proceedings in this case will take several years. The Group established a provision for this claim at PLN 52 thousand.

On 6 May 2018, the Company, BH Travel, Flemingo Dutyfree Shop Private Limited (Flemingo Duty Free), Ashdod Holding Limited (Ashdod) (Flemingo Dutyfree and Ashdod being the parent entities of Przedsiębiorstwo Handlu Zagranicznego "Baltona" S.A.) concluded with the State Airports Company (PPL) 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 PPL (Settlement). In connection with conclusion of the Settlement, the Parent Entity and PPL concluded 14 retail space lease agreements, as a result of which retail activity will be partly resumed by Baltona Group at Warsaw Chopin Airport.
In 2012 the subsidiary BH Travel Retail Poland Sp. z o.o. (BH Travel) suspended its retail activity at Warsaw Chopin Airport as a result of the notice of termination of the lease agreements furnished by Przedsiębiorstwo Państwowe Porty Lotnicze (State Airports Company – PPL). The dispute connected with termination of the lease agreements by PPL 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 PPL. In connection with termination of the lease agreements by PPL, 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. In the judgement of 6 February 2019, the Court of Appeal in Warsaw revoked the appealed judgement and referred the case to re-examination by the District Court in Warsaw. The hearing scheduled on 6 November 2019 was cancelled. Scheduling of another hearing is being awaited.

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. Subsequently, by means of the pleading dated 30 May 2019, LTR changed the petition in such a manner that it first of all requests the Court to state invalidity of the agreements in question or, possibly, cancel them.
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, resulting in invalidity of said agreements or the right to request cancellation thereof.
Due to the above, the Parent Entity does not see any reasons why LTR’s petition for cancellation of the lease agreements concluded with PPL 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 25 January 2019, the Court served the proxy of the Parent Entity with a copy of the said petition. The Parent Entity responded to the petition on 25 February 2019, requesting dismissal of the petition in whole. By means of the letter dated 30 May 2019, LTR modified the claims of the petition in such a way that LTR submitted the main claim – claim regarding declaration of invalidity of the lease agreements concluded on 6 May 2018 between PPL and Baltona. The claim pursued by LTR so far – regarding cancellation of those lease agreements – was identified by LTR as alternative claim. By means of the document dated 23 August 2019, Baltona replied to the amended petition, requesting dismissal thereof in whole. The proceedings are pending. The District Court scheduled the first hearing on 19 March 2020.
Moreover, on 7 November 2018, the Parent Entity was furnished with a copy of the petition filed by LTR against Port Lotniczy Wrocław S.A. (hereinafter: Wrocław Airport) and the Company. The claim of the suit is stated as the request to cancel the agreement concluded between Wrocław Airport and the Parent Entity for lease of space. Moreover, the petitioner raised the alternative claim concerning adjudication of invalidity of the above mentioned agreement. Also in this case, the legal basis of the request to invalidate the agreement is art. 705 of the Civil Code, which refers to conducting the tendering procedure in a manner inconsistent with the law or good habits. The legal basis of the alternative claim is art. 58 of the Civil Code, but the petitioner also refers to alleged irregularities of the bidding procedure

and alleged violation of the petitioner's priority right to occupy a part of the lease object. Value of the object of litigation is specified by LTR as PLN 250,000.
On 28 November 2018, the Parent Entity filed its reply to the petition, requesting dismissal of the petition in whole. On 7 March 2019, the District Court in Warsaw, 16th Trade Division dismissed the petition in whole. LTR appealed against the judgement, but subsequently withdrew the appeal, as a result of which the Court dismissed the proceedings initiated by the appeal. Thus, the judgement dismissing the appeal ought to be considered legally valid.

On 1 October 2019, the Company was served with copies of pleadings extending and defining in detail the petition filed by Alfa-Center Sp. z o.o. [Alfa Center or Petitioner] against the Issuer, Flemingo International Limited [Flemingo] and Ashdod Holdings Limited [Ashdod] [hereinafter jointly as Defendants], in the case pending before the District Court in Warsaw, 20th Trade Division. The Issuer explains that the original value of the object of dispute at the time of filing thereof [November 2015] amounted to PLN 250,000; yet, in the Issuer's evaluation, claims raised against the Company as one of the parties were absolutely groundless. Considering the above, i.e. low value of the object of dispute and evaluation concerning unjustified claims towards the Company, the Issuer considered that information irrelevant. The current value of the dispute object after extension of the petition is PLN 15,737,013.00.
In order to explain the essence of the case, it is emphasised that: in the petition dated November 2015, the main claim was raised as follows: "I petition for determination of the obligation of joint and several payment – in favour of the petitioner – by Przedsiębiorstwo Handlu Zagranicznego Baltona S.A. with the registered office in Warsaw, Flemingo International Limited with the registered office in Dubai, United Arab Emirates, and Ashdod Holdings Limited with the registered office in Larnaca, Cyprus, of the amount of PLN 250,000 plus statutory interest from the date of filing the petition until the date of payment – in connection with joint and several liability for illegal actions [pursuant to art. 415 and following articles of the Civil Code]". Alfa-Center claimed to have suffered a loss involving inability to enforce its claims against Culex Sp. z o.o. Moreover, in its petition Alfa-Center raised subsidiary claims [in case if the Court dismissed the main claim]. The claims concerned "declaring ineffective towards the Petitioner pursuant to the provisions of art. 527 and following articles of the Civil Code" of a number of legal actions, one of them being an action which the Issuer is a party to, i.e.: "legal action involving sale to Culex by PHZ Baltona S.A., under the Share Assumption Agreement concluded on 21 April 2011, of 55,000 E series shares of the new issue in PHZ Baltona S.A., for PLN 506,000". The remaining legal actions, regarding which the Petitioner raised the actio Pauliana claims, were not actions which the Issuer was a party to.
By means of the document of 20 August 2019, served to the Issuer's proxy on 1 October 2019, Alfa-Center stated: "I hereby extend the claim from PLN 250,000 (regarding the petition for damages) up to the full amount of the loss identified in the petition, covering the principal amount due under the Share Sale Agreement adjudicated in the judgement of the Court of Aribtration at the National Chamber of Commerce at PLN 7,149,589, statutory interest due, costs of proceedings before the Court of Arbitration at the National Chamber of Commerce in case ref. SA 263/201 at PLN 178,319 and the remaining costs identified in the petition. The subsidiary claim from actio Pauliana remains unchanged and concerns the full protected claim." [original text]. The Issuer explains that the judgement of the Court of Arbitration referred to above was issued in proceedings which neither the Issuer nor Flemingo International Limited or Ashdod Holdings Limited were a party to. By means of the pleading of 27 September 2019, served to the Issuer's proxy also on 1 October 2019, Alfa-Center stated that it was "defining in detail and supplementing the pleading of 20.08.2019" and stated as follows [original text]: "petition for payment

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in favour of the petitioner, jointly and severally, by the defendants of the amount of: a] PLN 15,737,013 plus statutory default interest accrued until 20 August 2019, or b) the amount [i] identified in item a) increased by the amount of further interest payable to the Petitioner, i.e. by the amount of statutory delay interest accrued on the amount of PLN 7,149,589.00 for each day from 20 August 2019 until the date of issuance of the judgement by the Court [at present PLN 1371.15 per day] and by the amount of statutory delay interest accrued on the amount of PLN 7,000,000,- for each day from 20 August 2019 until the date of issuance of the judgement by the Court [at present PLN 1371.15 per day] together with [ii] statutory delay interest accrued from the date of issuance of the judgement by the Court in this case, - for their joint and several liability for illegal actions [pursuant to art. 415 and the following articles of the Civil Code]". Moreover, Alfa-Center stated in the above document with regard to the alternative claim from actio Pauliana, regarding the action which the Issuer was a party to in 2011 that: "I hereby define in detail that, under the petition, I petition for declaring invalidity of the legal action related to assumption of 55,000 E series shares of the new issue in PHZ Baltona S.A. by Culex Sp. z o.o. pursuant to the Shares Assumption Agreement concluded on 21 April 2011". The Issuer explains that the text of the Petitioner's claims is quoted herein as the wording renders justified problems with respect to interpretation, making it difficult to quickly and precisely draw conclusions and discuss them. The Company filed a reply to the extended claims of the petitioner, requesting their dismissal in whole. The hearing in the case has been scheduled on 5 March 2020.

To supplement the above, the Issuer informs that during the 2nd half of November 2019 the Company was notified of another modification of the petition filed by the Petitioner, regarding inclusion in the petition of the current majority shareholder of the Issuer – Kempley Sp. z o.o. [Kempley] and extension of the claim for damages to be adjudicated jointly and severally also from Kempley, as well as extension of subsidiary claims in such a manner that the claims under actio Pauliana also include sale of shares between Ashdod and Kempley. On the date of preparation of this report, the Issuer is waiting for a copy of the Petitioner's pleading and related documentation. At the same time, the Issuer fully sustains the evaluation of claims and actions undertaken by Alfa-Center, as contained in the current report no. 41/2019, also with respect to subsequent modifications of the petition and considers them absolutely groundless. In the Issuer's evaluation, the Issuer did not undertake any forbidden actions harmful to Alfa-Center and it was not a party to any legal actions harmful to Alfa-Center as the creditor of Culex Sp. z o.o., which would justify Alfa-Center's claim.

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 management staff

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

	01.07.2019-30.09.2019 (unaudited)	**01.07.2018-30.09.2018** (unaudited)	**01.01.2019-30.09.2019** (unaudited)	**01.01.2018-30.09.2018** (unaudited)
Remuneration of management members	366	283	1 316	1 251
	366	**283**	**1 316**	**1 251**

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27.3 Other related party transactions

	Value of transactions for the period		Value of transactions for the period		Outstanding balances as at	
	01.07.2019-30.09.2019 (unaudited)	01.07.2018-30.09.2018 (unaudited)	01.01.2019-30.09.2019 (unaudited)	01.01.2018-30.09.2018 (unaudited)	30.09.2019 (unaudited)	31.12.2018
Sales of goods and services						
Flemingo International Ltd. - sales of services	-	-	-	-	488	488
Ashdod Holdings Ltd. - sales of services	-	-	-	-	42	29
Flemingo Brasil Importacao Limitada	-	-	-	-	363	363
Flemingo Duty Free Shop Pvt. Ltd	-	-	-	-	110	110
Chacalli-De Decker NV	53	51	153	51	2 375	7 410
Chacalli Den Haag BV	22	9	46	9	2 237	2 102
Chacalli-De Decker Limited	16	8	45	8	626	572
Rotterdam Airport Tax-Free Shop B.V	-	-	50	-	40	-
Niederrhein Airport Shop GmbH	-	-	99	-	39	-
	91	**68**	**393**	**68**	**6 320**	**11 074**
Other revenue – loans						
Rafał Kazimierski – interest revenue	2	1	6	5	129	124
Chacalli-De Decker NV	-	7	-	7	-	-
Chacalli-De Decker Limited	9	7	25	7	1 000	947
	11	**15**	**31**	**19**	**1 129**	**1 071**
Purchases of raw materials, goods and services						
Flemingo International Ltd. – other liabilities	53	-	93	-	-	-
Flemingo International Ltd. – other services	-	29	-	63	536	443
Flemingo International Tortola- other services	59	58	175	172	175	19
Flemingo Duty Free Shop Pvt. Ltd	-	-	56	-	-	19
Ashdod Holdings Ltd. – other services	-	-	-	-	25	24
Chacalli-De Decker NV	-	2 336	347	2 336	62	5 314
	112	**2 423**	**671**	**2 571**	**798**	**5 820**
Other costs						
Flemingo International Ltd. – loans/interest costs	454	218	821	642	20 586	19 201
Chacalli-De Decker NV – purchase of shares in LAS	-	-	-	3 302	2 032	2 866
	454	**218**	**821**	**3 944**	**22 618**	**22 067**

The Group received from the related entities Flemingo International (BVI) Limited and Flemingo International Limited loans whose repayment dates fall on 31 December 2020 (PLN 20,507 thousand) and interest on 31 December 2020 (PLN 78 thousand).

In connection with the overdraft facility and guarantee line agreements discussed in note 19.3, Group companies were granted with corporate guarantees issued by Flemingo International (BVI) Limited, totalling PLN 187,327.5 thousand as at 30 September 2019.

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All outstanding 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 %
		2019-09-30	2018-12-31
BH Travel Retail Poland Sp. z o.o.	Poland	100	100
Baltona Shipchandlers Sp. z o.o.	Poland	100	100
Gredy Company SRL	Romania	100	100
Centrum Usług Wspólnych Baltona Sp. z o.o.	Poland	100	100
Baltona France S.A.S.	France	100	100
Baldemar Holdings Limited *and its subsidiary:*	Cyprus	100	100
Flemingo Duty Free Ukraine LLC	Ukraine	100	100
Centrum Obsługi Operacyjnej Sp. z o.o.	Poland	100	100
KW Shelf Company Sp. z o.o.	Poland	100	100
Baltona Duty Free Estonia OÜ	Estonia	100	100
Sandpiper 3 Sp z o.o.	Poland	100	100
Liege Airport Shop BVBA	Belgium	100	100
Baltona Italy S.R.L.	Italy	100	100
CDD Holding BV *and its subsidiaries:*	the Netherlands	62	62
Rotterdam Airport Tax-Free Shop BV	the Netherlands	0	62
Niederrhein Airport Shop GmbH	Germany	0	62

The following changes in the capital structure of the Group occurred during the period of nine months ended on 30 September 2019:

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: RAD & 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. As a result of the transaction, in the consolidated financial statements the Issuer recognised net profit on the transaction at PLN 1,040 thousand during the reporting period. 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.

29. Events after the end of the reporting period

On 8 October 2019, the Parent Entity received from Kempley Sp. z o.o. with the registered office in Warsaw and Ashdod Holdings Limited with the registered office in Larnaca (Cyprus) two notifications regarding change in the total number of votes of the Parent Entity as of 1 October 2019. As a result of the change, Kempley Sp. z o.o. became the holder of 9,081,600 of the Parent Entity's shares, accounting for app. 80.68% of the share capital and total number of votes at the General Meeting of the Company's Shareholders.

On 8 October 2019, the investment agreement was concluded by and between Flemingo International Limited BVI [Flemingo], indirect subsidiary of Flemingo, i.e. Kempley Sp. z o.o. [Seller], the Parent Entity and Przedsiębiorstwo Państwowe "Porty Lotnicze" [State Airports Company] [PPL or Buyer], pursuant to which:

- under the separate agreement concluded on the same day by and between the Buyer and the Company, the Parent Entity will issue, in two series, 1,750 fifteen-month secured bonds with the face value of PLN 100,000 each and total face value of PLN 175 million [Bonds], to be taken up by PPL in order to refinance existing debt and provide funds to finance the working capital,
- PPL, the Seller and Flemingo identified terms of the transaction involving sale by the Seller to PPL of all shares held in the Company, i.e. 9,081,600 shares of the Parent Entity, representing app. 80.68% of the share capital and total number of votes at the General Meeting of Shareholders [Shares] in return for the total price of PLN 20,796,864, i.e. PLN 2.29 per one Share.

The date of Bond issue will be the registration date of the Bonds in the securities repository maintained by Krajowy Depozyt Papierów Wartościowych S.A. [National Securities Repository].

Moreover, under the Investment Agreement, the Buyer undertook – in accordance with the provisions of art. 74 of the Act on public offerings – to publish a call for subscriptions to sale of 100% of the Company's shares [Call] within three business days following the Bond issue date [but no sooner than after performance of technical and formal actions identified in the Investment Agreement]. The Seller undertook to sell the Company's Shares in response to the Call for the price stated above, while the price of acquisition of the Company's shares in the Call for minority shareholders will be determined by PPL in accordance with applicable legal regulations in this area. The remaining terms on which the Company's Shares will be purchased will be specified in the Call document, to be published in accordance with applicable legal regulations.

The Call will be conditional and will involve the obligation to ensure:

- approval of President of the Office of Competition and Consumer Protection [UOKiK] to the transaction,

- adoption by the Extraordinary General Meeting of Shareholders of the Company of resolutions regarding amendment of the Supervisory Board's composition,
- signature by the Parent Entity of a guarantee agreement, pursuant to which the Company will confirm refraining from activities identified in the Investment Agreement, connected among others with disposal of assets, drawing of obligations, etc., and
- covering with subscriptions in the call at least 7,429,340 shares, representing 66% of the share capital and total number of votes at the General Meeting of Shareholders of the Company.

Closing of the transaction will take place on the date of registration of the Company's shares in PPL's securities account as a result of settlement of the Call [Closing Date].

Pursuant to the Investment Agreement, the Seller is obliged to cause the Company to sell all the shares it holds in Liege Airport Shop BVBA and CDD Holding B.V. and settle the intra-group loans granted to or received from those entities by the transaction Closing Date.

The Investment Agreement contains provisions concerning settlement of payments among the Seller and the Buyer, as well as a number of additional obligations and rights of the Buyer and the Seller in connection with the representations, assurances, guarantees made and the obligation to furnish certain documents, resolutions connected with the mutual responsibility of the Buyer, Seller and Flemingo, as well as obligations relating to, among others, disposal of assets and drawing of liabilities by the Company which, in the Company's evaluation, do not have material impact onto the organisational and operational position of the Parent Entity and its capital group. What is more, the Investment Agreement does not stipulate material penalties which may be charged from the Parent Entity in connection with fulfilment thereof.

The Investment Agreement will expire automatically in the following cases:

- if, within 134 days following publication of the Call, the above mentioned conditions of the Call are not fulfilled or exempted from fulfilment subject to separate arrangements,
- if, within 60 days after conclusion of the Investment Agreement, the Bonds are not issued due to reasons other than violation of obligations resulting from the documentation covering the Bond issue.

In the remaining scope, provisions of the Investment Agreement, including those pertaining to assurances and representations as well as additional guarantees connected with conducting operating activity and possible competitive activity, do not deviate from standard provisions typical of this kind of agreement.

On 8 October 2019, the Parent Entity concluded the bond issue agreement with Przedsiębiorstwo Państwowe "Porty Lotnicze" [State Airports Company]. In performance of the concluded agreement, the Management Board of the Parent Entity adopted a resolution concerning issue of the total of 1,750 bonds with the face value of PLN 100,000 each and total face value of PLN 175 million, in two A and B series, with the buyout deadline set 15 months after the issue date, i.e. after the registration date of the Bonds in the securities repository maintained by Krajowy Depozyt Papierów Wartościowych S.A. [National Securities Repository]. The Bonds will not be placed in regulated market turnover or into an alternative trading system. The offer concerning purchase of all the Bonds will be addressed exclusively to PPL.

Funds from the Bond issue will be utilised in the following issue purposes:

- the amount of PLN 130 million obtained from A series Bond issue will be allocated first of all to repayment of the debt of the Parent Entity and the subsidiary, i.e. BH Travel Retail Poland Sp. z o.o. [BH Travel] towards BNP Paribas Bank Polska S.A. [Bank], followed by financing of ongoing activity of the Company or repayment of intra-group loans, provided however that funds from A series Bond issue will be available to the Company [by releasing them from the reserved escrow account] once PPL obtains approval of President of the Office of Competition and Consumer Protection to taking over the Parent Entity,

- the amount of 45 million obtained from B series Bond issue will be allocated to ensuring full stocking of shops and repayment of due trade liabilities, followed by financing of ongoing activity or repayment of intra-group loans.

The interest rate on both bond series is variable and based on the WIBOR 6M rate increased with a margin of 5 percentage points. The Bond issue price is equal to their face value. The Bonds will be bought out on the due date and for the face value. The Bond interest period was set at 6 months [except for the first and last interest period, which may be shorter].

The Bonds will be issued as bonds secured with:

- corporate guarantees issued by Flemingo International Limited BVI up to the maximum amount of, respectively, PLN 195 million and PLN 67.5 million,
- financial pledge on all shares of the Parent Entity held by the dominant shareholder of the Company, i.e. Kempley sp. z o.o. [Kempley], up to the maximum collateral amount of PLN 262.5 million,
- financial and registered pledge on 100 shares in Kempley, corresponding with 100% of the share capital, established by Kempley's owner, i.e. Ashdod Holdings Limited [Ashdod], up to the maximum collateral amount of PLN 262.5 million,
- registered pledge up to the maximum collateral amount of PLN 262.5 million, established on the fixed assets of BH Travel,
- registered pledge up to the maximum collateral amount of PLN 262.5 million, established on the inventories of the Parent Entity,
- registered pledge up to the maximum collateral amount of PLN 262.5 million, established on the inventories of BH Travel,
- financial and registered pledge on the escrow account up to the maximum collateral amount of PLN 195 million, as sole collateral of A series Bonds. The deadline for establishment of collaterals in the form of registered pledges is set as 90 days after the issue date.

In addition to the above:

a] the Parent Entity furnished PPL with a statement on submission to enforcement proceedings under art. 777 of the Code of Civil Procedure in connection with liabilities under the Bonds, and

b] BH Travel, Kempley and Ashdod furnished the collaterals' administrator with a statement on submission to enforcement proceedings under art. 777 of the Code of Civil Procedure in connection with their liabilities under respective pledge agreements.

The Parent Entity is only entitled to require early buyout of all or some Bonds during the first or second interest payment date.

In the case of A series Bonds:

a] the Parent Entity is additionally entitled to require early buyout of the Bonds, and

b] the bond holder is entitled to require early buyout, respectively:

- on each business day after issue by President of the Office of Competition and Consumer Protection of conditional consent or refusal to concentration concerning taking over the Parent Entity's shares in accordance with the provisions of the Investment Agreement, or

- on each business day falling after expiry of 134 days after the date of publication by PPL of the call for sale of the Parent Entity's shares, in accordance with provisions of the Investment Agreement, until the business day falling before the buyout date.

Among others, the Bond issue conditions stipulate, among others, the following violations resulting in early buyout of the Bonds:

1] adoption of decisions regarding assets and entry into liabilities in a manner not compliant with the Bond issue conditions; in the evaluation of the Parent Entity, this limitation does not have material impact onto the organisational and operational position of the Parent Entity and its capital group;

2] as long as PPL remains the holder of the Bonds, i] violation of any of the representations or assurances made by the parties other than PPL in the Investment Agreement, resulting in occurrence of a loss of PLN 2.5 million or more on the part of PPL; ii] violation by either party of the transaction documents, namely the Investment Agreement, Agreement of Bond issue and any of the documents concerning establishment of Bond collaterals [Transaction Documents], other than PPL, with respect to any of its material obligations under the Transaction Documents.

The remaining Bond issue conditions, including those pertaining to notifying violations resulting in the Bond holder's right to require early or immediate buyout, do not deviate from provisions typical for this kind of bond issues.

On 14 October 2019, the Parent Entity adopted a resolution regarding allocation of Bonds to the State Airports Company [PPL], stating above all acceptance by PPL of the proposal regarding acquisition of all Bonds by way of payment by PPL for them. Moreover, the resolution states that upon registration of the Bonds at Krajowy Depozyt Papierów Wartościowych S.A. [KDPW; National Securities Repository], they will be considered acquired by PPL. The Bond buyout deadline was set 15 months after the issue date, i.e. after registration of the Bonds at KDPW.

On 15 October 2019, the Parent Entity was notified of registration on the same date by Krajowy Depozyt Papierów Wartościowych S.A. [KDPW] of the Bonds in the securities repository maintained by KDPW; in consequence, the Bond issue was completed. A series Bonds were assigned with the ISIN PLO167300014 code, while B series Bonds were assigned with the ISIN PLO167300022 code; the Bonds will not be placed in regulated market turnover or into an alternative trading system. The Issuer informs, moreover, that the Company has received funds from B series Bonds issue, in the amount of PLN 45 million. Funds from A series Bonds issue will be available to the Company [by releasing them from the reserved escrow account] once PPL obtains approval of President of the Office of Competition and Consumer Protection to taking over the Issuer.

On 16 October 2019, the Parent Entity was notified of publication by Przedsiębiorstwo Państwowe "Porty Lotnicze" [State Airports Company] of a call for subscriptions to sale of 100% of the Company's shares.

On 7 November, the Parent Entity signed an annex to the lease agreement concluded with Port Lotniczy Poznań – Ławica Sp. z o. o. [Poznań-Ławica Airport] concerning space in Terminal T2 – level "0", under which the retail space lease term lasts until 31 October 2020. Pursuant to the provisions of the Annex, the lease area has not changed as compared with the space leased so far and is app. 1852 m^2. Estimated value of the lease object during the term of the Agreement will be from PLN 13.4 million net to PLN 14.1 million net.

On 19 November 2019, the Parent Entity was notified of mailing to the Company of PPL's statements, dated on the same day, referring to provisions of the lease agreements and calling the Issuer to undertake joint actions aimed at development of an amicable solution regarding amounts due [in the evaluation of PPL] to PPL which, on the date of preparation of this report, remain questioned by the Company. Moreover, the Issuer explains that – on the date of preparation of the report – the very fact of submission of the statements does not constitute, in the evaluation of the Company, a default under the settlement of 6 May 2018 or under the investment agreement concluded on 8 October 2019 between, among others, the Company and PPL. At the same time, the Issuer informs that the Parties' failure to reach an amicable solution will enable PPL to take advantage of the legal collaterals of the above mentioned lease agreements, namely the bank guarantees furnished by the Company, as well as statements on submission to enforcement proceedings under art. 777 of the Code of Civil Procedure and it will enable PPL to submit statements of will on termination of the above mentioned lease agreements. By the date of preparation of this interim report, the process of amicable arrangements in the above area is being continued.

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

The above interim shortened consolidated financial statements were drawn up on 29 November 2019 and approved for publication by the Management Board of Przedsiębiorstwo Handlu Zagranicznego "Baltona" S.A. on 29 November 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