



Baltona

DUTY FREE _____

PRZEDSIĘBIORSTWO HANDLU ZAGRANICZNEGO „BALTONA” S.A.
[FOREIGN TRADE COMPANY “BALTONA” JOINT STOCK COMPANY’]
SEMI-ANNUAL SHORTENED INDIVIDUAL FINANCIAL STATEMENTS
FOR THE PERIOD OF SIX MONTHS ENDED
ON 30 JUNE 2019

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

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

Warsaw, 30 September 2019

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Przedsiębiorstwo Handlu Zagranicznego "Baltona" S.A.
Semi-annual shortened individual statement of financial position
All amounts are presented in thousands Polish zlotys (PLN) unless stated otherwise

ASSETS	Nota	30.06.2019 (unaudited)	31.12.2018 (restated)	30.06.2018 (unaudited) (restated)
Non-current assets				
Property, plant and equipment	8	8 295	10 725	9 852
Assets under the right of use		35 520	-	-
Intangible assets		86 922	92 264	298
Trade and other receivables	13	2 095	3 535	4 036
Long-term investments	11	60 853	48 423	48 596
Deferred income tax assets		38	38	2 228
Non-current assets total		<u>193 723</u>	<u>154 985</u>	<u>65 010</u>
Current assets				
Inventories	12	19 037	17 688	22 822
Trade and other receivables	13	47 858	38 984	17 577
Short-term investments	11	6 604	124	96
Cash and cash equivalents	14	3 750	3 171	4 047
Current assets total		<u>77 249</u>	<u>59 967</u>	<u>44 542</u>
TOTAL ASSETS		<u>270 972</u>	<u>214 952</u>	<u>109 552</u>

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

Przedsiębiorstwo Handlu Zagranicznego "Baltona" S.A.
Semi-annual shortened individual statement of financial position
All amounts are presented in thousands Polish zlotys (PLN) unless stated otherwise

LIABILITIES	Nota	30.06.2019 (unaudited)	31.12.2018 (restated)	30.06.2018 (unaudited) (restated)
Equity				
Share capital		2 814	2 814	2 814
Share premium		4 655	4 655	4 655
Supplementary capital		21 467	21 467	21 467
Treasury shares		(2 043)	(2 043)	(2 043)
Capital from transactions with owners		94 992	94 992	-
Retained profits		(20 108)	(12 340)	(7 746)
Total equity		<u>101 777</u>	<u>109 545</u>	<u>19 147</u>
Liabilities				
Liabilities under credits, loans and other debt instruments	17	18 865	18 842	23 023
Leasing liabilities	17	21 296	845	305
Trade and other liabilities	18	10 836	10 836	-
Provisions		52	52	52
Liabilities under employee benefits	17	49	49	35
Long-term liabilities		<u>51 098</u>	<u>30 624</u>	<u>23 415</u>
Liabilities under credits, loans and other debt instruments	17	40 687	29 843	16 343
Leasing liabilities	17	15 066	320	172
Trade and other liabilities	18	58 069	38 788	46 819
Corporate income tax liabilities		1 686	2 237	2 185
Liabilities under employee benefits	19	1 526	1 469	1 471
Deferred income	20	1 063	2 126	-
Short-term liabilities		<u>118 097</u>	<u>74 783</u>	<u>66 990</u>
Liabilities		<u>169 195</u>	<u>105 407</u>	<u>90 405</u>
TOTAL LIABILITIES		<u>270 972</u>	<u>214 952</u>	<u>109 552</u>

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

Przedsiębiorstwo Handlu Zagranicznego "Baltona" S.A.
Semi-annual shortened individual statement of profit and loss and other comprehensive income

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

	Nota	01.01.2019- 30.06.2019 (unaudited)	01.01.2018- 30.06.2018 (unaudited)
Revenue from sales	4	107 359	126 210
Other operating revenue	6	40	9
Total operating revenue		<u>107 399</u>	<u>126 219</u>
Depreciation and impairment write-offs		(15 254)	(1 247)
Consumption of raw materials and materials		(634)	(679)
Third party services		(23 246)	(33 270)
Costs of employee benefits		(8 089)	(6 742)
Taxes and fees		(813)	(483)
Other cost items		(861)	(1 098)
Value of goods and materials sold		(71 212)	(89 055)
Other operating costs	6	(19)	(26)
Total operating costs		<u>(120 128)</u>	<u>(132 600)</u>
Operating loss		<u>(12 729)</u>	<u>(6 381)</u>
Financial revenue		10 150	2 293
Financial costs		(5 189)	(901)
Net financial revenue / (costs)	7	<u>4 961</u>	<u>1 392</u>
Loss before tax		<u>(7 768)</u>	<u>(4 989)</u>
Income tax		-	-
Net loss for reporting period		<u>(7 768)</u>	<u>(4 989)</u>
Other comprehensive income			
Other comprehensive income for the reporting period		-	-
Total comprehensive income for the period		<u>(7 768)</u>	<u>(4 989)</u>
Earnings per 1 share			
Basic (PLN)		(0,71)	(0,46)
Diluted (PLN)		(0,71)	(0,46)

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

Przedsiębiorstwo Handlu Zagranicznego "Baltona" S.A.
Semi-annual shortened individual cash flow statement
All amounts are presented in thousands Polish zlotys (PLN) unless stated otherwise

	Nota	01.01.2019- 30.06.2019 (unaudited)	01.01.2018- 30.06.2018 (unaudited)
Operating cash flows			
Net profit/(loss) for the reporting period		(7 768)	(4 989)
Adjustments:			
Depreciation of property, plant and equipment		9 883	1 132
Depreciation of intangible assets		5 371	115
(Reversal)/Creating allowances for shares in subsidiaries		539	-
Net financial (revenue)/costs	7.1	(4 961)	(1 392)
(Gain)/Loss on the sale of fixed assets		(2)	-
Other adjustments		(618)	100
		<u>2 444</u>	<u>(5 034)</u>
Change in inventories		(1 349)	(5 574)
Change in trade receivables and other receivables		(7 289)	(6 768)
Change in trade and other liabilities		20 939	19 956
Change in provisions and liabilities under employee benefits		57	98
Change in deferred income		(1 063)	(5)
Cash generated on operating activity		<u>13 739</u>	<u>2 673</u>
Tax paid		(551)	-
Net cash from operating activity		<u>13 188</u>	<u>2 673</u>
Investment cash flows			
Dividends received		890	737
Inflows from sales of tangibles and intangibles		2	-
Proceeds from investments (repayment of loans granted)		1 185	2 100
Acquisition of property, plant and equipment, and intangible assets		(263)	(9 641)
Acquisition of investments (loans granted)		(17 396)	(8 655)
Net cash from investments		<u>(15 582)</u>	<u>(15 459)</u>
Financial cash flows			
Inflows from credits and loans drawn		12 947	8 656
Expenditures on repayment of credits and loans		(2 646)	(601)
Payment of financial lease liabilities		(8 308)	(158)
Interest paid		(762)	(415)
Net cash from financial activity		<u>1 231</u>	<u>7 482</u>
Total net cash flows		<u>(1 163)</u>	<u>(5 304)</u>
Cash and cash equivalents at the beginning of the period		<u>(20 813)</u>	<u>(1 908)</u>
Cash at the end of the period	14	<u>(21 976)</u>	<u>(7 212)</u>

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

Przedsiębiorstwo Handlu Zagranicznego "Baltona" S.A.
Semi-annual shortened individual statement of changes in equity

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

	Share capital	Share premium	Supplementary capital	Treasury shares	Retained profits	Capital from transactions with owners	Total equity
Equity as at 01.01.2018	2 814	4 655	21 003	(2 043)	(2 293)	-	24 136
							-
Comprehensive income for the reporting period							-
Net loss for the reporting period	-	-	-	-	(4 989)	-	(4 989)
							-
Total comprehensive income for the reporting period	-	-	-	-	(4 989)	-	(4 989)
Transactions with owners recognised directly in equity							
Own shares purchased	-	-	-	-	-	-	-
Other							
Transfer of profit to supplementary capital	-	-	464	-	(464)	-	-
Total transactions with owners	-	-	464	-	(464)	-	-
Equity as at 30.06.2018 (unaudited)	2 814	4 655	21 467	(2 043)	(7 746)	-	19 147

The additional explanations to the semi-annual shortened individual financial statements attached on the following pages from 11 to 37 constitute an integral part of the statements.

Przedsiębiorstwo Handlu Zagranicznego "Baltona" S.A.
Semi-annual shortened individual statement of changes in equity

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

	Share capital	Share premium	Supplementary capital	Treasury shares	Retained profits	Capital from transactions with owners	Total equity
Equity as at 01.01.2018	2 814	4 655	21 003	(2 043)	(2 293)	-	24 136
Comprehensive income for the reporting period							
Net loss for the reporting period	-	-	-	-	(9 583)	-	(9 583)
Total comprehensive income for the reporting period	-	-	-	-	(9 583)	-	(9 583)
Transactions with owners recognised directly in equity							
Own shares purchased	-	-	-	-	-	-	-
Other							
Equity from the right to conclude contract						94 992	94 992
Transfer of profit to supplementary capital	-	-	464	-	(464)	-	-
Total transactions with owners	-	-	464	-	(464)	94 992	94 992
Equity as at 31.12.2018	2 814	4 655	21 467	(2 043)	(12 340)	94 992	109 545

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

Przedsiębiorstwo Handlu Zagranicznego “Baltona” S.A.
Semi-annual shortened individual statement of changes in equity

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

	Share capital	Share premium	Supplemen tary capital	Treasury shares	Retained profits	Capital from transactions with owners	Total equity
Equity as at 01.01.2019	2 814	4 655	21 467	(2 043)	(12 340)	94 992	109 545
Comprehensive income for the reporting period							
Net loss for the reporting period	-	-	-	-	(7 768)	-	(7 768)
Total comprehensive income for the reporting period	-	-	-	-	(7 768)	-	(7 768)
Transactions with owners recognised directly in equity							
Own shares purchased	-	-	-	-	-	-	-
Other							
Transfer of profit to supplementary capital	-	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	-	-	-
Equity as at 30.06.2019 (unaudited)	2 814	4 655	21 467	(2 043)	(20 108)	94 992	101 777

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

Przedsiębiorstwo Handlu Zagranicznego "Baltona" S.A.**Additional explanations to the semi-annual shortened individual financial statements****Table of contents**

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The additional explanations to the semi-annual shortened individual financial statements attached on the following pages from 11 to 37 constitute an integral part of the statements.

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

1. Identification of the Entity

Przedsiębiorstwo Handlu Zagranicznego "BALTONA" Spółka Akcyjna [Foreign Trade Company "BALTONA" Joint Stock Company], hereinafter referred to as the "Company" or "Entity" is a joint stock company incorporated in Poland.

The registered office of the Company is located at ul. Flisa 4 in Warsaw (postal code: 02-247).

The semi-annual shortened individual financial statements have been drawn up for the reporting period ended on 30 June 2019. The financial statements contain comparative data for the period of 6 months ended on 30 June 2018 and for the year ended on 31 December 2018.

The Company's business includes sales of goods at retail shops, including in particular duty free shops at airports located in Poland and at border crossings. In November 2017, the Company commenced business activity at sea ferries operating on the Baltic Sea.

Duration of the Company is unlimited.

2. Basis of preparation of the financial statements

2.1 Statement of compliance and general principles of preparation

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

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

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

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

In the current period, the Company generated a net loss of PLN 7,768 thousand, in addition as at June 30, 2019, net working capital (defined as current assets less current liabilities) was negative and amounted to PLN 40,848 thousand, mainly due to repayment dates of intragroup loans and credits as well as trade and leasing liabilities which are due for repayment in the period shorter than 12 months.

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

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

As at the date of publication of this report, the Issuer estimates that the balance of overdue liabilities is about PLN 19,1 million, while unused credit lines amounted to about PLN 6,2 million.

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

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

The semi-annual shortened financial statements ought to be analysed together with the individual financial statements for the year ended on 31 December 2018.

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

2.2 Presentation and functional currency

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

Polish zloty is the Company's functional currency.

2.3 Judgements and estimations made

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

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

2.4 Error corrections and presentation changes

These financial statements do not contain fundamental error corrections, however there were presentation changes.

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

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

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 period 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, leasing liabilities have been separated within comparative data.

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

Amendments to standards

The principles (policies) of accounting applied in preparation of the semi-annual financial statements are consistent with those applied in preparation of the annual financial statements as at 31 December 2018, except for application of amendments to standards and new interpretations applicable to annual periods commencing on or after 1 January 2019, including in particular IFRS 16. The impact of the new standards onto the principles (policies) of accounting is discussed in note 3.18 to the financial statements for 2018.

The Company intends to adopt amendments to EU IFRS, published but not yet effective as on the date of publication of these semi-annual shortened individual 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 Company 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 company will not reassess whether or not a specific agreement is or contains lease; the Company 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 Company as operating leases in accordance with IAS 17 on the date of first time adoption of IFRS 16 will be determined at the amount of liability under lease, adjusted by charges and prepayments recognized in the consolidated statement of financial position drawn up immediately before the date of the first time adoption,
- within the portfolio approach to all car lease agreements, the Company will apply a single discount rate,
- agreements expiring in 2019 are recognized by the company 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 standalone statement of financial position is presented in the following table:

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

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	10 725	(1 437)	9 288
Assets under the right of use	-	44 205	44 205
Retained profits	(12 340)	-	(12 340)
Leasing Liabilities	1 165	42 768	43 933

Moreover, implementation of IFRS 16 has influence onto the structure of the statement of profit or loss and other comprehensive income. During the 6 months of 2019, in connection with implementation of the new standard, depreciation increased by PLN 8,445 thousand, operating result decreased by PLN 317 thousand, whereas the result before tax fell by PLN 1,029 thousand. As a result of introduction of the new standard, the EBITDA measure is higher by PLN 8,128 thousand.

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

Item of financial statements	As at 30.06.2019 without consideration of the impact of IFRS 16	Impact of IFRS 16 onto the consolidated statement of financial position	As at 30.06.2019 after implementation of IFRS 16
Property, plant and equipment	9 492	(1 197)	8 295
Assets under the right of use	-	35 520	35 520
Retained profits	(23 435)	3 327	(20 108)
Long-term leasing liabilities	690	20 606	21 296
Short-term leasing liabilities	320	14 746	15 066
Amortization	(6 809)	(8 445)	(15 254)
Third party services	(31 374)	8 128	(23 246)
Financial costs - interest	(1 315)	(712)	(2 144)

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4. Revenue

4.1 Material structure

	01.01.2019- 30.06.2019	01.01.2018- 30.06.2018
	(unaudited)	(unaudited)
Revenues from the sale of services		
Sublet the area	22	21
Revenues from DCC *	746	1 065
Others	0	8
Revenues from the sale of services in total	<u>768</u>	<u>1 094</u>
Revenues from the sale of goods and materials		
Retail sales to the public	11 680	12 890
Retail duty free	86 573	108 097
Wholesale	7 016	2 268
Export sales	987	1 044
Others	335	817
Revenues from the sale of goods and materials in total	<u>106 591</u>	<u>125 116</u>
Total sales revenues	<u>107 359</u>	<u>126 210</u>

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

4.2. Territorial structure

	01.01.2019- 30.06.2019	01.01.2018- 30.06.2018
	(unaudited)	(unaudited)
Revenues from the sale of products		
Poland	768	1 086
Others	0	8
Revenues from the sale of products in total	<u>768</u>	<u>1 094</u>
Revenues from the sale of goods and materials		
Poland	93 997	118 353
Others	12 594	6 763
Revenues from the sale of goods and materials in total	<u>106 591</u>	<u>125 116</u>
Total sales revenues	<u>107 359</u>	<u>126 210</u>

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

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

5. Information on the seasonal or cyclical character of the Company's business during the presented period

To a large extent, the operating activity of the Capital Group companies is dependent on the intensity of air traffic, which influences the level of demand, profitability and sales during the given month. This results from specific features of the air transport industry and resulting seasonal character of air traffic. The Company 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, and it causes diversified working capital requirements on the part of the Company.

6. Other operating revenue and costs

6.1 Recognised as profit or loss of the current period

	01.01.2019- 30.06.2019	01.01.2018- 30.06.2018
	(unaudited)	(unaudited)
Profit from disposal of non-financial fixed assets	2	-
Compensations received	1	4
Reversal of allowances for receivables	24	1
Other	13	4
Other operating income in total	40	9

	01.01.2019- 30.06.2019	01.01.2018- 30.06.2018
	(unaudited)	(unaudited)
Loss on disposal of fixed assets	(1)	-
Penalties and damages	(1)	-
Other	(17)	(26)
Other operating expenses in total	(19)	(26)

7. Financial revenue and costs

7.1 Recognised as profit or loss of the current period

	01.01.2019- 30.06.2019	01.01.2018- 30.06.2018
	(unaudited)	(unaudited)
Interest income	763	586
Dividends	9 078	737
Net exchange differences	303	970
Revaluation of investments at fair value through profit or loss	6	-
Total financial income	10 150	2 293

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

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

	01.01.2019- 30.06.2019	01.01.2018- 30.06.2018
	(unaudited)	(unaudited)
Interests expenses from financial liabilities valued at amortized costs	(1 432)	(873)
Interests expenses from leasing liabilities	(712)	-
Revaluation of investments at fair value through profit or loss	-	(24)
Allowances for investment in subsidiaries	(3 018)	(4)
Other	(27)	-
Total financial costs	(5 189)	(901)
Net financial income recognized as a gain or loss on the current period	4 961	1 392

In the period from January 1, 2019 to June 30, 2019, the Company created an impairment allowance for investment in subsidiaries in the amount of PLN 1,223 thousand, and an impairment allowance for loans granted in in the amount of PLN 1,790 thousand.

8. Property, plant and equipment

8.1 Acquisitions and reductions of property, plant and equipment

During the period of six months ended on 30 June 2019, the Company acquired property, plant and equipment worth PLN 263 thousand (period of six months ended on 30 June 2018: PLN 5,824 thousand). During the period of six months ended on 30 June 2019, the Company sold fixed assets for the amount of PLN 2 thousand, while during the period of six months ended on 30 June 2018, the Company did not sell any property, plant and equipment.

8.2 Impairment write-offs and their subsequent reversal

In these semi-annual shortened financial statements for the period ended on 30 June 2019, the Company did not perform impairment write-offs (period of six months ended on 30 June 2018: PLN 0 thousand). During the period of six months ended on 30 June 2019 and in the comparable period, the Company did not reverse revaluation write-offs.

9. Intangible assets

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

On 24 April 2019, the Management Board of Przedsiębiorstwo Handlu Zagranicznego Baltona S.A. made a decision to recognise an intangible asset under the name "right to conclude an agreement" amounting to PLN 94,992 thousand in the statement of financial position of both the Company and the Group prepared as at 31 December 2018. The right to conclude an agreement was disclosed under non-current assets as "intangible assets" and, on the equity and liabilities side, as "Equity arising from transactions with owners", and w increased each of these items by the amount indicated above. The recognition of the right to conclude an agreement referred to above is related to the possibility of accounting for the waiver of claims by Flemingo Dutyfree Shop Private Limited, i.e. a member of the Flemingo Group, related to the dispute which ended with a ruling of the arbitral tribunal at the

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Permanent Court of Arbitration in The Hague, on which the Company reported in, inter alia, the Management Board's Report on the Operations of the Company in 2017. Flemingo's waiver of claims to compensation awarded by the Permanent Court of Arbitration in The Hague made it possible to execute a settlement and 14 agreements for the lease of space at the Warsaw Chopin Airport on 6 May 2018, as announced in Current Report No. 8/2018 of 6 May 2018. The amount of the right to conclude an agreement was determined based on the amount of compensation specified in the ruling of the arbitral tribunal at the Permanent Court of Arbitration in The Hague, plus interest accrued until the date of the settlement, i.e. 6 May 2018. Amortization value of the abovementioned right over a period of six months ended June 30, 2019 amounted to PLN 5,046 thousand.

10. Assets under the right of use

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

10.1 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	42 768	2 599	978	46 345
Increases	-	3	-	3
Decreases (sales/liquidation/transfer)	-	-	-	-
Gross value as at 30.06.2019	42 768	2 602	978	46 348

10.2 Amortisation and impairment write-offs

	Buildings and structures	Machines and equipment	Means of transport	Total
Depreciation and impairment allowances 01.01.2019	-	1 588	552	2 140
Amortization	8 445	157	86	8 688
Decreases (sales/liquidation/transfer)	-	-	-	-
Depreciation and impairment allowances 30.06.2019	8 445	1 745	638	10 828

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10.3 Net value

	Buildings and structures	Machines and equipment	Means of transport	Total
As at 31.12.2018	42 768	1 011	426	44 205
As at 30.06.2019	34 323	857	340	35 520

11. Other investments

<i>Long-term investment</i>	30.06.2019 (unaudited)	31.12.2018	30.06.2018 (unaudited)
Shares in related parties	8 429	9 309	9 361
Loans granted to related entities	52 424	39 114	39 235
	60 853	48 423	48 596
<i>Short-term investment</i>	30.06.2019 (unaudited)	31.12.2018	30.06.2018 (unaudited)
Loans granted to related entities	6 604	124	120
Other shortterm financial assets	-	-	(24)
	6 604	124	96

In the period from January 1, 2019 to June 30, 2019, the Company created an impairment allowance for investment in subsidiaries in the amount of PLN 1,223 thousand, and an impairment allowance for loans granted in in the amount of PLN 1,790 thousand.

12. Inventories

	30.06.2019 (unaudited)	31.12.2018	30.06.2018 (unaudited)
Goods and finished products	19 037	17 688	22 822
	19 037	17 688	22 822

From 1 January 2019 to 30 June 2019, the value of trading goods and materials included in own cost of sales amounted to PLN 71,212 thousand (from 1 January 2018 to 30 June 2018: PLN 89,055 thousand). During the period of six months ended on 30 June 2019 The Company created an inventory revaluation write-off in the amount of PLN 112 thousand. During the period of six months ended on 30 June 2018, there were no changes in inventory revaluation write-offs. During the first half of 2019, a provision for inventory taking deficiencies was established at PLN 150 thousand, while in the comparable period this reserve was established in the amount PLN 90 thousand.

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In order to secure the Company's liabilities under the multi-purpose credit line, a registered pledge was established on the inventory of goods for sale located at warehouses and shops, being the Company's property, together with the Company's statement on submission to enforcement with respect to release of the items. Value of the pledge object at the prices of acquisition for all contracts can in no circumstances be lower than PLN 34,000 thousand.

13. Trade and other receivables

	30.06.2019 (unaudited)	31.12.2018	30.06.2018 (unaudited)
Trade receivables from related parties	39 181	24 950	9 180
Trade receivables from third parties	925	7 041	2 825
Budget receivables	4 860	5 445	3 707
Other receivables	232	1 020	31
Receivables from deposit	2 576	3 529	3 698
Prepayments	2 178	534	2 172
Total receivables	49 953	42 519	21 613
Long-term	2 095	3 535	4 036
Short-term	47 858	38 984	17 577
	49 953	42 519	21 613

From 1 January 2019 to 30 June 2019, receivables revaluation write-offs amounting to PLN 27 thousand were reversed.

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

14. Cash and cash equivalents

	30.06.2019 (niebadane)	31.12.2018	30.06.2018 (niebadane)
Cash in hand and in bank	1 927	1 221	2 369
Cash in transit	1 824	1 950	1 678
Cash and cash equivalents, value recognised in the statement of financial position	3 750	3 171	4 047
Overdrafts	(25 726)	(23 984)	(11 259)
Cash and cash equivalents, value recognised in the cash flow statement	(21 976)	(20 813)	(7 212)

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15. Equity

15.1 Treasury shares purchase programme

On 16 January 2012, the Management Board became authorised by the Company to purchase treasury shares. The treasury shares purchase programme was originally to be conducted from 25 January 2012 until 1 January 2015, but no longer than until exhaustion of resources allocated to purchasing them. Under the programme, the Management Board was authorised to purchase no more than 500,000 treasury shares with the face value of PLN 125,000 in order to redeem them or release them to shareholders of the company taken over by the Entity. Purchases of the Company's shares were exercised solely through Dom Inwestycyjny BRE Bank S.A. The minimum price of purchase by the Company of one treasury share was determined at PLN 0.25, whereas the maximum price was set at PLN 9.20. In total, the Company 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 Company 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 Company's treasury shares which could be purchased was increased to 750,000. The treasury shares buy-out deadline was postponed until 1 January 2017. The shares may be acquired for redemption, release to shareholders or partners of the company taken over by the Company or release to holders of subscription warrants issued pursuant to resolutions of the General Meeting of Shareholders. The maximum acquisition price was maintained on the level of PLN 9.20 per share.

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

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

15.2 Distribution of 2018 result

By means of resolution no. 7 of 27 June 2019, the Ordinary General Meeting of Shareholders of the Foreign Trade Company "Baltona" decided to cover the loss in the amount of PLN (-) 9.581.105,55 from future profits.

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16. Share based payments

During the period of six months ended on 30 June 2019, there were no changes with respect to share based payments. A detailed discussion of events is contained in the published annual consolidated financial statements for 2018.

17. Liabilities under credits, loans and other debt instruments

17.1 Long-term liabilities

	30.06.2019 (unaudited)	31.12.2018	30.06.2018 (unaudited)
Longterm credits and loans	3 039	4 620	6 351
Loans from related parties	15 826	14 222	16 672
	<u>18 865</u>	<u>18 842</u>	<u>23 023</u>

Above mentioned loans from related parties are subordinated to credit repayments.

17.2 Short-term liabilities

	30.06.2019 (unaudited)	31.12.2018	30.06.2018 (unaudited)
Overdrafts	25 726	23 984	11 259
Shortterm credits and loans	3 313	3 778	4 070
Loans from related parties	11 616	2 043	1 014
Valuation of derivative instruments (IRS)	32	38	-
	<u>40 687</u>	<u>29 843</u>	<u>16 343</u>

A specification of loans received from affiliated entities is contained in note 24.3.

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17.3 Credit and loan repayment terms and schedule

				30.06.2019	31.12.2018
	Currency	Nominal rate	Year of maturity	Book value (unaudited)	Book value
Unsecured loan from an affiliated entity	USD	5,00%	2020	35	35
Unsecured loan from an affiliated entity	EUR	5,00%	2020	14 271	14 144
Unsecured loan from an affiliated entity	EUR	5,00%	2020	43	43
Unsecured loan from an affiliated entity	PLN	WIBOR12M+margin	2019	5 141	2 043
Unsecured loan from an affiliated entity	PLN	WIBOR12M+margin	2019	25	-
Unsecured loan from an affiliated entity	EUR	WIBOR12M+margin	2023	1 477	-
Unsecured loan from an affiliated entity	EUR	EURIBOR3M+margin	2020	6 444	-
Overdraft	PLN	WIBOR3M+margin banku	2021*	25 732	23 984
Short-term credit	PLN	WIBOR3M+margin banku	2019	168	666
Non-revolving credit	PLN	WIBOR3M+margin banku	2020	2 889	3 819
Non-revolving credit	PLN	WIBOR3M+margin banku	2022	3 295	3 912
Leasing liabilities	PLN, EUR	WIBOR1M/ LIBOR1M + margin	2017-2019	36 362	1 165
Total interest bearing liabilities				95 881	49 812

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

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

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

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- 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,
- financial pledge towards the account of Baltona France SAS maintained at BNP Paribas (France),
- bank's power of attorney towards the accounts of Centrum Obsługi Operacyjnej Sp. z o.o., Centrum Usług Wspólnych Baltona Sp. z o.o.,
- subordination of 100% of all current and future loans granted to Baltona Group Companies by entities controlling it indirectly or directly (joint security of the overdraft facility agreement, non-revolving credit agreement dated 30.08.2016, non-revolving credit agreement dated 29.09.2017, non-revolving credit agreement dated 20.02.2018 and non-revolving credit agreement dated 19.06.2018),
- additional security for the overdraft facility in the form of bank guarantee issued by Barclays Bank PLC at USD 1,150 thousand or its PLN equivalent.

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

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

- own blank promissory note with promissory note declaration, issued by the Company and guaranteed by Baltona Shipchangers 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,
- financial pledge towards the account of Baltona France SAS maintained at BNP Paribas (France),

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- bank's power of attorney towards the accounts of BH Travel Retail Poland sp. z o.o., 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 Company's assets as follows:

- own blank promissory note with promissory note declaration, issued by the Company and guaranteed by Baltona Shipchangers 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 7,282.5 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,
- bank's power of attorney towards the account of Baltona France SAS maintained at BNP Paribas (France),
- subordination of 100% of all current and future loans granted to the Company by entities controlling it indirectly or directly (joint security of the overdraft facility agreement, non-revolving credit agreement dated 30.08.2016, non-revolving credit agreement dated 29.09.2017, non-revolving credit agreement dated 20.02.2018 and non-revolving credit agreement dated 19.06.2018).

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

- own blank promissory note with promissory note declaration, issued by the Company and guaranteed by Baltona Shipchangers 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

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

On 19 June 2018, the subsidiary BH Travel concluded the non-revolving credit agreement of PLN 39 million, to be used for financing and refinancing the costs of investment related to commencement of business activity by the Capital Group of Baltona at Warsaw airport. The credit is granted for the term of 60 months, with the release deadline at the end of the first quarter of 2019. Securities of credit repayment include own blank promissory note up to PLN 58.5 million with the enforceability term until 19 June 2026, guaranteed by Foreign Trade Company "BALTONA" Joint Stock Company, Centrum Usług Wspólnych Baltona Sp. z o.o. , Centrum Obsługi Operacyjnej Sp. z o.o. and registered pledge up to PLN 14 million (until 29 November 2018) and up to PLN 34 million from 15 May 2019 onwards, established on the inventories belonging to BH Travel and the Issuer, as well as assignment of rights under the insurance policy concerning the inventory (together with the agreement concerning assignment of receivables from the policy) in favour of the bank, up to PLN 14,000 thousand till 28 November 2018 and up to PLN 34,000 thousand from 31 March 2019 onwards.

Moreover, there are corporate guarantees issued by Flemingo International Limited up to PLN 3,000 thousand as security of transactions on currency contracts.

17.4 Breach of terms of credit facility agreements

The Company uses overdraft facilities, the carrying amount of which as at 30 June 2019 totalled PLN 25,726 thousand. Under the agreements, the terms of the facilities expires on 8 February 2021, with the current availability period expiring on 31 October 2019.

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Under the existing credit facility agreements, the Group is obliged to meet the following covenants by maintaining the relevant indicators at the following levels:

- the debt-service coverage ratio (DSCR) – not less than 1.2 (where DSCR is defined as the quotient of EBITDA less tax paid and the total of instalments of principal and interest on the Baltona Group's bank debt, as well as other financial liabilities repaid together with interest, with relevant financing provided by related parties and other financial institutions),
- the ratio of net financial liabilities to EBITDA – not higher than 3 (where net financial liabilities are defined as the total of long-term and short-term loans, borrowings, securities issues and other financial liabilities towards other and related entities (except for financial liabilities subordinated to repayments of credit facilities) less cash and cash equivalents),
- current ratio – 1, where the ratio is defined as the quotient of (inventories less non-transferable inventories increased by short-term receivables net of uncollectible receivables and receivables under court proceedings and increased by short-term investments) and (current liabilities to related parties and to other entities, excluding special funds).

The ratios are reviewed based on consolidated financial data of the Baltona Group. The analysis performed as at 31 December 2018 demonstrated that the ratio of net financial liabilities to EBITDA exceeded 3 as a result of additional financing received in 2018 for newly opened shops in Tallinn, Wrocław and Warsaw.

In view of the additional financing and the impact of application of IFRS 16, which may result in breach of further covenants, the Management Board of the Parent commenced talks with the bank to adjust the covenants to the current law and the Group's capabilities.

17.5 Leasing liabilities

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

	30.06.2019	31.12.2018	30.06.2018
Lease of means of transport	193	250	341
Lease of equipment and fittings	817	915	136
Lease of premises	35 352	-	-
	36 362	1 165	477
Long-term	21 296	845	305
Short-term	15 066	320	172
	36 362	1 165	477

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

17.5 Liabilities under financial lease

	Future minimum lease payments 30.06.2019 (unaudited)	Interest 30.06.2019 (unaudited)	Present value of future minimum lease payments 30.06.2019 (unaudited)	Future minimum lease payments 31.12.2018	Interest 31.12.2018	Present value of future minimum lease payments 31.12.2018
Leasing liabilities						
up to one year	16 089	1 023	15 066	351	31	320
2 to 5 years	22 162	866	21 296	891	46	845
	<u>38 251</u>	<u>1 889</u>	<u>36 362</u>	<u>1 242</u>	<u>77</u>	<u>1 165</u>

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

The additional explanations to the semi-annual shortened individual financial statements attached on the following pages from 11 to 37 constitute an integral part of the statements.

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18. Trade and other liabilities

	Nota	30.06.2019 (unaudited)	31.12.2018	30.06.2018 (unaudited)
Trade liabilities towards related entities	25	3 834	8 744	8 153
Trade liabilities towards third parties		53 683	24 925	31 956
Budgetary liabilities		3 363	8 090	6 062
Other liabilities		191	68	21
Accruals and deferrals		7 591	7 669	408
Special funds		243	128	219
		<u>68 905</u>	<u>49 624</u>	<u>46 819</u>
including:				
- long-term part		10 836	10 836	-
- short-term part		58 069	38 788	46 819

19. Liabilities under employee benefits

	30.06.2019 (unaudited)	31.12.2018	30.06.2018 (unaudited)
Liabilities under retirement severance pay	49	49	35
Liabilities under salaries	931	866	917
Liabilities under unused holidays	587	571	542
Other liabilities	8	32	12
	<u>1 575</u>	<u>1 518</u>	<u>1 506</u>
including:			
- long-term part	49	49	35
- short-term part	1 526	1 469	1 471

20. Deferred income

	30.06.2019 (unaudited)	31.12.2018	30.06.2018 (unaudited)
Marketing services - deferred income	1 063	2 126	-
	<u>1 063</u>	<u>2 126</u>	<u>-</u>
including:			
- long-term part	-	-	-
- short-term part	1 063	2 126	-

The additional explanations to the semi-annual shortened individual financial statements attached on the following pages from 11 to 37 constitute an integral part of the statements.

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21. Financial instruments carried at fair value

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

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

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

As at 30 June 2019, there were no contractual obligations drawn in order to purchase property, plant and equipment.

23. Contingent liabilities and court cases

Proceedings upon the petition of a natural person (in previous statements described as proceedings upon the petition of Mr. Edward Łaskawiec) concerning liquidation of co-ownership title to the property located in Gdynia, at ul. 10 Lutego 7, are in progress before the District Court in Gdynia. The proceedings involve the claim concerning return of benefits from the property. The court expert appointed to clarify achievable benefits for the period from 20 December 1994 until 25 September 1998 issued an opinion stating that rental revenue during the said period could have amounted to over PLN 3,300 thousand. In the evaluation of the Management Board, this opinion is absolutely incorrect. So far, the Court has focused on elimination of co-ownership and, consequently, it has not dealt with settlement of benefits and outlays of particular co-owners. After the process related to determination of the circumstances concerning purposefulness of elimination of property co-ownership, which took over two years, the Court proceeded to analyse who and how performed property management while the Company was one of the co-owners, as well as who and at what amount obtained benefits therefrom. On 2 May 2017, the District Court suspended the proceedings, but the decision was subsequently repealed by the Regional Court. In the meantime, the other co-owner sold his shares to the original petitioner in the discussed proceedings. On 8 May 2018, the Court suspended the proceedings upon the petitioner's request. 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 Company which may arise in connection with the proceedings. In the opinion of the Management Board, any liabilities which may arise as a result of this case, will not have material impact onto the Company's financial result. In the evaluation of the Management Board, the proceedings in this case will take several years. The Company established a provision for this liability at PLN 52 thousand.

On 6 May 2018, the 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 (PPPL) a settlement in which the Parties determined the principles of settlement of mutual claims connected with termination in 2012 of retail space lease agreements at Warsaw Chopin Airport by PPPL (Settlement). In connection with conclusion of the Settlement, the Parent Entity and PPPL concluded 14 retail space lease agreements, as a result of which retail activity will be partly resumed by Baltona Group at Warsaw Chopin Airport.

In 2012 the subsidiary BH Travel Retail Poland Sp. z o.o. (BH Travel) suspended its retail activity at Warsaw Chopin Airport as a result of the notice of termination of the lease agreements furnished by

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Przedsiębiorstwo Państwowe Porty Lotnicze (State Airports Company – PPPL). The dispute connected with termination of the lease agreements by PPPL and activities related to preparing modernisation of Terminal 1 at Warsaw Chopin Airport included several proceedings which, by the date of publication of these statements, have been discontinued as a result of conclusion of the Settlement.

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

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

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

By the date of publication of these statements, the court has dismissed the motion requesting security of the claims related to submission of reports. LTR’s objection against the ruling of the Regional Court dismissing the motion was also dismissed. To the best of the Parent Entity’s knowledge, the other motion requesting security has not been handled to date. However, all the premises covered by the above mentioned lease agreements have been released to the Parent Entity by the date of publication of these statements.

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

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

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

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

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 Parent Entity. 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. The judgment is not final. Based on information held by the Company, LTR appealed against the judgment, but the copy of the appeal was not delivered to the Company.

24. Related party transactions

24.1 Parent entity and ultimate parent

The ultimate parent of the capital group whose part is the Company as a subsidiary is Flemingo International Limited with the registered office in the British Virgin Islands.

The parent entity on the lowest level of the capital group whose part is the Company as a subsidiary belonging at the same time to the capital group referred to above is Ashdod Holdings Limited with the registered office in Cyprus.

24.2 Transactions with managerial staff

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

	01.01.2019- 30.06.2019	01.01.2018- 30.06.2018
	(unaudited)	(unaudited)
Remuneration of Management	570	625
	570	625

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24.3 Other related party transactions

	Value of transactions for the period		Outstanding balances as at	
	01.01.2019- 30.06.2019 (unaudited)	01.01.2018- 30.06.2018 (unaudited)	30.06.2019 (unaudited)	31.12.2018
Sales of goods and services / Receivables				
Baltona Shipchandlers Sp. z o.o. - sales of goods	15	-	-	-
Baltona Shipchandlers Sp. z o.o. - sales of services	-	-	-	2
BH Travel Retail Poland Sp. z o.o. - sales of goods	4 985	-	-	-
BH Travel Retail Poland Sp. z o.o. - sales of services	77	2	29 537	12 506
Centrum Obsługi Operacyjnej Sp. z o.o. - sales of services	15	14	1 292	2 130
Centrum Usług Wspólnych Baltona Sp. z o.o. - sales of services	199	198	-	-
Baltona France S.A.S. - sales of goods	326	-	1 357	854
Baltona Italy S.R.L. - sales of goods, fixed assets	61	4	22	24
Flemingo Duty Free Ukraine LLC - sales of goods	987	1 600	-	922
Gredy Company SRL - sales of goods	80	75	29	52
Flemingo International Ltd. - sales of services	-	-	478	478
Flemingo Brasil Importacao Limitada	-	-	363	363
Flemingo Duty Free Shop Pvt. Ltd	-	-	110	110
KW Shelf Company Sp. z o.o. - sales of services	2	2	11	9
Ashdod Holdings Ltd. - sales of services	-	-	29	29
Rotterdam Airport Tax-Free Shop BV - sales of goods	2	1	14	53
Chacalli-De Decker NV - sales of goods	-	7	-	79
Chacalli Den Haag BV - sales of goods	-	82	82	82
Niederrhein Airport GmbH	73	1	48	238
Liege Airport Shop BVBA	-	-	6	44
Baltona Estonia - sales of goods	787	109	5 802	6 975
Sandpiper - sales of services	2	2	-	-
	7 611	2 097	39 181	24 950
Interests income on loans / Loans granted				
BH Travel Retail Poland Sp. z o.o. - interests income on loans /loan balance	294	149	22 507	10 447
Gredy Company SRL - interests income on loans /loan balance	10	9	1 447	1 521
Centrum Obsługi Operacyjnej Sp. z o.o. - interests income on loans /loan balance	257	288	12 920	11 838
Baltona France S.A.S. - interests income on loans /loan balance	65	37	6 464	4 174
Harding Brothers Retail Ltd.- interests income on loans i pożyczki	-	1	-	-
Baldemar Holdings Limited - interests income on loans /loan balance	-	15	-	-
Pan Rafał Kazimierski - interests income on loans /loan balance	4	3	128	124
Centrum Usług Wspólnych Sp. z o.o. - interests income on loans /loan balance	1	-	5 118	-
Liege Airport Shop BVBA- interests income on loans /loan balance	3	-	284	453
KW Shelf Company Sp. z o.o. - interests income on loans /loan balance	4	4	-	-
Sandpiper 3 - interests income on loans /loan balance	-	-	126	-
Baltona Italy S.R.L. - interests income on loans /loan balance	13	11	859	1 205
Chacalli-De Decker NV - interests income on loans /loan balance	-	104	-	-
Chacalli-De Decker Limited - interests income on loans /loan balance	16	13	952	947
Rotterdam Airport Tax-Free Shop BV - interests income on loans /loan balance	6	-	-	301
Baltona Duty Free Estonia OÜ - interests income on loans /loan balance	89	42	8 223	8 228
	766	676	59 028	39 238

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	Value of transactions for the period		Outstanding balances as at	
	01.01.2019- 30.06.2019	01.01.2018- 30.06.2018	30.06.2019	31.12.2018
	(niebadane)	(niebadane)	(niebadane)	
Purchases of raw materials, goods and services/ Liabilities				
Baltona Shipchangers Sp. z o.o. - purchase of goods	-	7	-	-
BH Travel Retail Poland Sp. z o.o. - purchase of services, fixed assets	233	13	-	-
Centrum Obsługi Operacyjnej Sp. z o.o. - purchase of goods and services	63	78	-	-
Centrum Usług Wspólnych Baltona Sp. z o.o. - fee for trademark, administration services	4 897	6 067	929	5 343
Flemingo International Ltd. - purchase of goods and services	-	39	483	443
Flemingo Duty Free Shop Pvt. Ltd	19	-	56	19
Flemingo International BVI Ltd.	-	-	-	19
Flemingo International Tortola - other services	19	114	116	
Sandpiper 3 Sp.z.o.o - purchase of services	233	206	-	36
Liege Airport Shop BVBA - purchase of goods	45	-	-	
Flemingo Duty Free Ukraine - purchase of goods	15	-	-	-
Chacalli-De Decker NV - purchase of goods	347	1 030	2 250	2 881
Baltona Duty Free Estonia OÜ - purchase of goods and services	-	-	-	3
	5 871	7 554	3 834	8 744
Interests expenses on loans / Loans received				
Centrum Usług Wspólnych Baltona Sp. z o.o. - interests expenses on loans/loan balance	25	-	25	-
Flemingo International Ltd. - - interests expenses on loans/loan balance	288	351	14 349	14 222
Baltona Shipchangers Sp. z o.o. - interests expenses on loans/loan	98	13	5 142	2 043
Baldemar Holdings Limited - interests expenses on loans/loan balance	31	-	1 477	-
CDD Holding BV- interests expenses on loans/loan balance	10	-	6 449	-
	452	364	27 442	16 265

The Company received from related entities Flemingo International (BVI) Limited and Flemingo International Limited loans whose repayment dates fall on 31 December 2020 (PLN 14,271 thousand) and interest on 31 December 2020 (PLN 78 thousand).

In connection with agreements of the overdraft facility and guarantee lines referred to in note 17.3, corporate guarantees issued by Flemingo International Limited were granted to the Company, whose total amount as at 30 June 2019 was PLN 125,827.5 thousand.

All unreconciled balances with related entities are measured at arm's length terms and are to be settled as follows: in case of cash settlements for trade receivables within 12 months of the end of the reporting period, in case of loans received – within the deadlines enumerated in note 17.3.

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25. Subsidiaries of the Company

Company name	Country	Share %	
		30.06.2019	31.12.2018
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 <i>and its subsidiary:</i>	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	99,5	99,5
Baltona Italy S.R.L.	Italy	100	100
CDD Holding BV <i>and its subsidiaries:</i>	the Netherlands	62	62
Rotterdam Airport Tax-Free Shop BV	the Netherlands	0	62
Niederrhein Airport Shop GmbH	Germany	0	62

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

On 29 May 2019, the Issuer's subsidiary CDD Holding B.V. (hereinafter: CDD) concluded with a foreign industry partner operating in the countries of Western Europe (hereinafter: Buyer) an agreement concerning purchase from CDD of all shares in two CDD's subsidiaries, i.e. Rotterdam Airport Tax-Free Shop B.V and Niederrhein Airport Shop GmbH (hereinafter jointly: RAS and NAS). The Issuer reminds that it is in the possession of 62% shares in CDD which, in turn, holds 100% shares of RAS and NAS each. The total sale price of RAS and NAS is app. EUR 1.51 million (i.e. app. PLN 6.5 million) and it was paid on the date of Agreement conclusion. Transfer of the ownership title towards the shares in RAS and NAS occurred on the date of Agreement conclusion. The Issuer recognized in the consolidated financial statements the profit on the sale of subsidiary in the amount of PLN 1,040 thousand. The Agreement does not contain provisions in the area of liquidated damages. The remaining provisions of the Agreement, including those pertaining to liability for statements made or the possibility to terminate the Agreement or withdraw from it, do not differ from standards applied in such agreements. The business activity conducted by RAS and 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 and 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

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options concerning operational utilisation of particular asset groups of the Issuer's Capital Group and continued development of its business. The Buyer is not a related party towards the Issuer or the persons performing management and supervisory functions with respect to the Issuer. Moreover, the Issuer advises that, as on the date of preparation of that current report, the above mentioned process related to review of strategic options is in progress with regard to all areas identified in the said current report.

26. Events after the balance sheet date

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

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

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

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

The Management Board of Przedsiębiorstwo Handlu Zagranicznego "Baltona" S.A. informs that on September 30, 2019, it received information about the obtaining by the State Enterprise "Airports" (Przedsiębiorstwo Państwowe „Porty Lotnicze”) [PPL] of the initial consent of corporate bodies to conclude an investment agreement and accompanying documentation, based on which:

- i) The issuer is to issue bonds to be taken up by PPL in order to refinance the Company's current debt and provide funds to finance the Company's working capital;
- ii) PPL and entities from the Flemingo Capital Group [Seller] shall determine the terms of the sale transaction by the Seller to PPL of all the Company's shares held.

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Currently, the Issuer is awaiting information on the finalization of the examination of formal and legal conditions, which must be met by the parties to conclude contracts in the case, and in the absence of formal obstacles to agree on the final arrangements and the date of their conclusion.

At the same time, the Issuer notes that due to the fact that in the process the Company is a party to talks only to the extent that it concerns the issue of bonds (it is not a party to talks regarding the sale of the Company's shares), there may be circumstances unknown to the Company lying on the side of the Seller or PPL in the case of occurrences, the implementation of which contracts may not be completed. About the next stages of the above the issuer will inform in the course of relevant current reports about the process and detailed terms of the bond issue.

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

Piotr Kazimierski
President of the Management Board

Karolina Szuba
Member of the Management Board

Michał Kacprzak
Member of the Management Board, Chief Accountant
Person responsible for maintenance
of accounting books