

Date: Warsaw, 12 September 2019

From: **Carlo Bernasconi**
Flemingo International Limited
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On behalf of:

1. **Flemingo Dutyfree Shop Private Limited**
Navi Mumbai, India
2. **Ashdod Holdings Limited**
Larnaka, Cyprus
3. **Flemingo International Limited BVI**
Tortola, British Virgin Islands

To: **Mr. Mariusz Szpikowski**
Przedsiębiorstwo Państwowe „Porty Lotnicze” („PPL”)

Re.: “Sailor Project” negotiations and follow-up to the Letter of PPL of 26 April 2019

Dear Mr. President,

On behalf of the Flemingo Group I am required to:

a) comment on the status and progress of the negotiations in course of the “Sailor Project” aimed at acquisition of the shares in Przedsiębiorstwo Handlu Zagranicznego Baltona S.A. (“**Baltona**”) by PPL;

and

b) follow-up on the letter of PPL dated 26 April 2019 and our subsequent meetings on 23 May 2019 and 27 May 2019 at the Office of the General Counsel to the Republic of Poland in the presence of Mr. Mikołaj Wild, Minister of Transportation.

As you surely recall, by the letter of 26 April 2019 PPL has requested Flemingo Group (namely Flemingo Dutyfree Shop Private Limited and Ashdod Holdings Limited) to intervene in the relation between Baltona and PPL relative to the Lease Agreements executed on Baltona and PPL. These Lease Agreements were executed as a result of the 6 May 2018 Settlement Agreement by way of which Flemingo Dutyfree Shop Private Limited intended to settle amicably and in good faith the conflict with PPL and the Republic of Poland resulting from the occurrences which took place in 2012. This conflict led to the issuance of the Arbitral Award dated 12 August 2016 awarding nearly EUR 20 Million from the Republic of Poland to Flemingo Dutyfree Shop Private Limited.

Regardless of Flemingo Group's assessment of the relation between Baltona and PPL and the nature and real source of the problems which have arisen, Flemingo Group has taken PPL's letter of 26 April 2019 and PPL's request formulated therein seriously and with utmost care. As a result of our immediate efforts, which followed PPL's letter of 26 April 2019, we were able to present already in May 2019 two workable solutions, which, should they have been put into motion, surely by now, the claims which PPL is raising against Baltona would have been addressed and resolved. These solutions however required certain level of cooperation of PPL and the Ministry of Transportation.

These options were presented to PPL and to the Ministry of Transportation both on writing and during joint meetings. What we have read from PPL's and Ministry's reaction to our proposals was a clear indication that on the side of the State Treasury there has been an intention to acquire shares in Baltona in order to develop travel retail/duty-free operations under the auspices of PPL. What we do consider as a very reasonable concept for the interests of the public/State, PPL and regional airports. Indeed, such model of airport/duty-free operations is commonly known in our industry.

Subsequently the Flemingo Group has entered into discussions with PPL with full engagement and good faith. When deciding to engage in the discussions with PPL, we have also been requested to withdraw from any alternative discussions with other investors and sign a Letter of Intent including exclusivity provisions. We have complied with this request.

Over the last months both PPL and Flemingo Group dedicated massive resources in developing proper transactional documentation. The structure of the transaction has evolved and was remodeled a number of times to address most properly PPL's risks and requirements. Finally, we were able to agree drafts of the key documents, being the Investment Agreement, Bond documentation and other ancillary documents. In course of the negotiations, Flemingo Group agreed for every single request and expectation coming from PPL to the fullest possible extent. The contractual documentation, despite our best efforts, is strongly unbalanced to the benefit of PPL, what we have agreed to for the benefit of time and the possibility to close the entire transaction.

Needless to say, the purchase price included in PPL's offer which is to be unconditionally paid to Flemingo Group in cash, stands for approx. 15% of the amounts which have been awarded to Flemingo Dutyfree Shop Private Limited in the Arbitral Award of 12 August 2016. And it amounts to less than quarterly rent payable by Baltona to PPL under the 6 May 2018 Lease Agreements. All this is additionally accompanied by massive guarantees and warranties requested from the Flemingo Group.

After all those efforts and taking into consideration the extent of the concessions of Flemingo Group, we are greatly concerned with the situation we are now confronted with. Namely by the fact that in two following sessions the Supervisory Board of PPL did not grant its approval of the transaction in the current structure. After such heavy investments of both parties, after receiving PPL's offers for

acquisition of the shares and after agreeing for a transactional documentation which is so greatly for the benefit of PPL, we are struggling to understand the reason of such an outcome.

We of course understand that the final approval of any transaction requires detailed analysis from various angles. We also do see that there is a certain, unobvious relation between the timing of the transaction and the current political calendar in Poland. All this however was surely known and taken into consideration already earlier. Now we are concerned that further delay of the process may have very negative impact thereon.

We have been focused strictly on the negotiations with PPL, trusting that a workable solution may be found. This is how we understood the declarations made by Mr. Mikołaj Wild during our meetings in May 2019. Furthermore, upon those meetings it became clear to us, that PPL is interested in the transaction and thus, any alternative route may not be realistic (as the options presented by us did require certain cooperation of PPL and the Ministry of Transportation). Now, any further delay, may endanger the process.

As you know Baltona is a listed company. In the very beginning of the negotiations with PPL, Baltona has informed the investors on initiation of the process of review of strategic options. As the negotiations between us progressed, Baltona has also decided to postpone announcement of the mid-year report to the WSE – to the end of September 2019. Furthermore, we have involved BNP Paribas Bank Polska S.A. in our transactional process as a result of which the Bank is now reviewing all our request to extend Baltona's credit facility in relation to the expected transaction. Finally, also Baltona made a number of business decisions on the assumption that the contemplated transaction will be finalized, basis on which, Baltona will obtain additional financing (from the bond program). This assumption impacted Baltona's cash flow predictions.

Currently Baltona is under the obligation to publish its half-year report for 2019 – by end of September 2019. Taking into account the duty of the management board of Baltona to properly inform the market on the current situation of the company, we now consider this date as critical for the success of the transaction. Furthermore, as to our knowledge, end of September 2019 is also critical for the due course of business of Baltona, e.g. taking into account relations with airports (mostly towards Katowice and Poznań) and commitments towards vendors.

Said that, and also taking into account the technical aspects of signing of the contemplated transactional documentation, additional time is required to facilitate the model of the transaction as requested by PPL (e.g. to transfer the Sale Shares to Flemingo's Polish SPV), time now is of critical meaning.

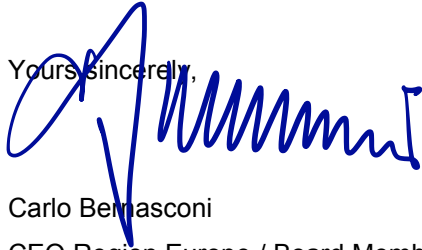
Thus, we kindly request you to yet again consider the overall situation and provide us with your decision in course of the following week (16 – 20 September). Upon your decision, signing of the contractual

documentation could be planned for end of next week or beginning of the following one (23 - 27 September) the latest. Only then, the mid-year report which will need to be published by Baltona by 30 September 2019 can inform on the execution of the contractual documentation instead of addressing other issues identified by the management and the auditors.

We are absolutely convinced that PPL's decision on acquisition of Baltona on the terms and conditions as specified in the documentation which is currently in place is most beneficial for PPL, for the State Treasury, for the duty-free marked in Poland (including regional airports) and for Baltona itself. On the other hand, should you chose to consider an alternative option (whereas such choice can also be made by further delay in signature of the contractual documentation), please note that such will lead to results beneficiary only to one party, who has already benefited from the conflict between Flemingo Group/Baltona and PPL in the period of 2012-2018.

We are dedicated to executing the transactional documentation as soon as possible and to avoid overruling of the positive outcomes of the 6 May 2018 Settlement Agreement. However, to achieve this goal we need your cooperation in this very final stage of the process. Now all that is needed, to prevent us from finding ourselves in the situation analogous to the one we have already been in before the 6 May 2018 Settlement Agreement, is your final positive decision.

Yours sincerely,



Carlo Bernasconi
CEO Region Europe / Board Member