

MANAGEMENT BOARD REPORT ON THE ACTIVITIES OF BENEFIT SYSTEMS GROUP

FOR THE PERIOD OF
JANUARY – MARCH 2017



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SELECTED FINANCIAL DATA FOR BENEFIT SYSTEMS GROUP

Table 1: Selected financial data for Benefit Systems Group for the 1st quarter of 2017

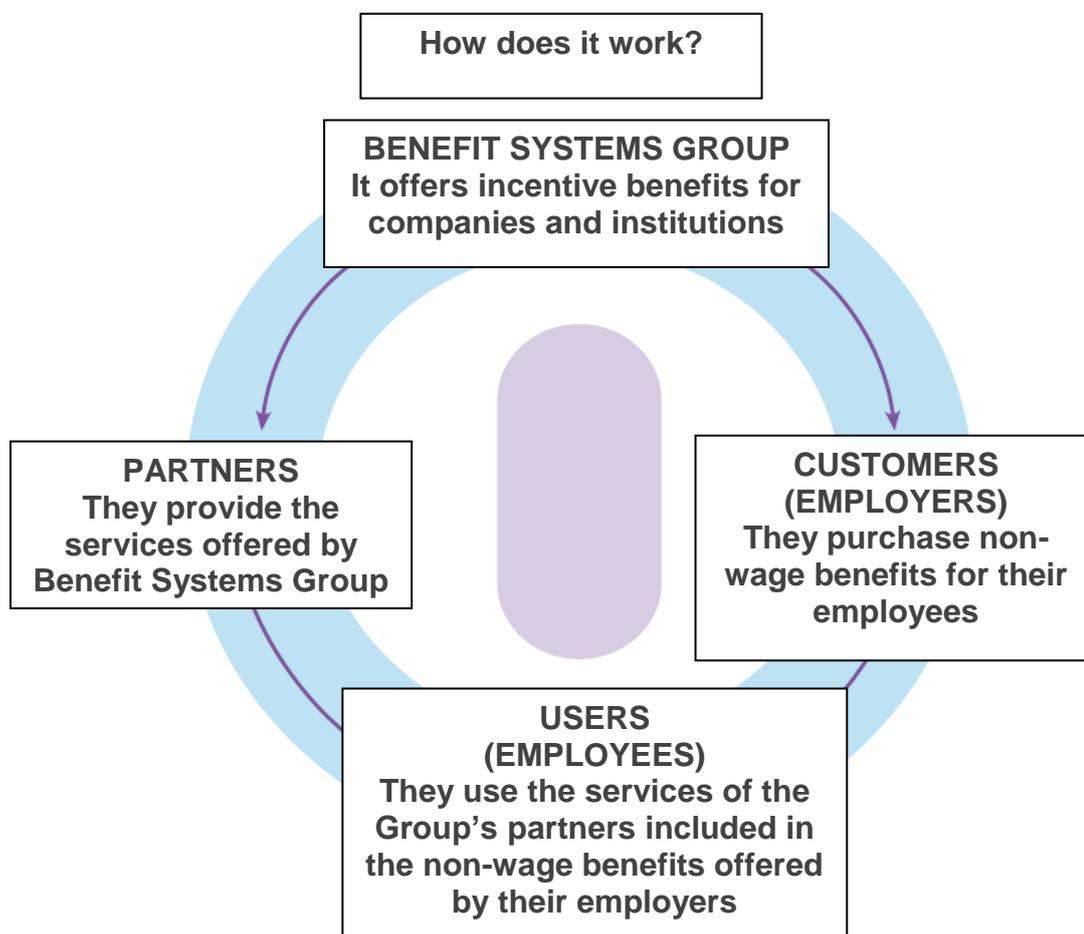
In thousands of PLN	1 st quarter of 2017	1 st quarter of 2016
Sales revenues	220,490	172,081
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	25,404	15,570
Operating profit increased by depreciation and amortisation (EBITDA) excluding the Incentive Programme	27,118	17,443
Operating profit (EBIT)	18,308	10,222
Profit before tax	17,656	10,635
Net profit attributable to shareholders of the parent company	14,221	8,620
Net profit attributable to non-controlling entities	(168)	(304)
Net profit	14,053	8,316
Net cash from operating activities	26,185	19,323
Net cash from investment activities	(31,367)	(7,999)
Net cash from financial activities	(3,842)	(2,438)
Total net cash flow	(9,024)	8,886
Net income per share attributable to shareholders of the parent company (in PLN per share)	5.47	3.37

In thousands of PLN	As of 31 st March, 2017	As of 31 st March, 2016
Non-current assets	395,869	302,842
Current assets	197,313	122,219
Total assets	593,182	425,061
Non-current liabilities	159,768	91,442
Current liabilities	175,434	132,252
Equity	257,980	201,367
Equity attributable to shareholders of the parent Company	240,968	196,062
Share capital	2,600	2,555
Number of shares	2,599,642	2,554,842
Book value per share attributable to shareholders of the parent company (in PLN per share)	92.69	76.74

All data in the report (unless otherwise stated) covers the period January - March, 2017 and the comparative data presents the same period of 2016. All figures are presented in thousands of zloty, unless stated otherwise.

FACTORS CONTRIBUTING TO THE GROWTH OF BENEFIT SYSTEMS GROUP AND THE MARKET ENVIRONMENT

Benefit Systems Group operates on the sports card market and specialises in providing employers with innovative and modern solutions with respect to non-wage employee benefits in the area of sports, recreation, culture and entertainment as well as tailor made cafeteria programmes. Its overriding goal is to promote an active and healthy lifestyle. The company's unique business model consists of building and maintaining a balanced relationship with customers (companies purchasing the Group's products for their employees) and Partners (sports facilities, fitness clubs, restaurants, etc.), which ultimately results in offering high quality services to MultiSport card users.



Benefit Systems Group operates in 4 segments:

- Sports Cards - offering access to a wide range of sports and leisure facilities. At the end of the first quarter of 2017, there were 786,000 cards in use in Poland.
- Fitness segment - created from a network of 128 sports clubs located throughout Poland, in which Benefit Systems Group has equity investments.

- Foreign segment - sales of sports cards on foreign markets offering access to a wide range of sports and recreational facilities. The number of MultiSport cards issued in the Czech Republic, Bulgaria and Slovakia totalled 81,000 at the end of the first quarter of 2017.
- Cafeteria Segment - a modern distribution channel for additional non-wage employee benefits in the area of culture, tourism and others.

The key elements of the Group's growth in the first quarter of 2017 were a further stable increase in the number of sports cards - by 42,000 in Poland and by 20,500 cards abroad (compared to the end of 2016), an increase in revenues from sales in the Foreign segment (mainly the Czech Republic and Bulgaria) and further investment in fitness clubs, both in Poland and abroad: Benefit Systems Group has opened 11 new clubs in Poland and acquired two clubs in both the Czech Republic and Bulgaria.

Changes in the labour market seem to be the most important challenge in the Group's market environment. The level of unemployment in Poland is falling and in January, 2017, was 8.7%. Staff turnover is high and the approach to work by the new generations of employees is significantly different from the standards, to which generation X representatives have accustomed employers. Currently, millennials constitute a growing and demanding group in Poland. According to forecasts by Deloitte, as many as two-thirds of the representatives of generation Y intend to leave the companies they are currently working with by 2020. Employee loyalty has become one of the most important values for companies and their management boards. The non-wage employee benefits offered by Benefit Systems Group can play a role in building up this loyalty.

Employee motivation, including in the pursuit of a healthy and active lifestyle, has tangible and measurable effects in the form of increased corporate income. This is confirmed by the results of research contained in the "Additional Benefits for Employees 2016" report, where fitness and gym passes were ranked first among the most popular non-wage employee benefits. These results show that it is worth investing in solutions, such as the MultiSport card, which additionally has a positive influence on the development of the Polish fitness industry. According to the report "European Health & Fitness Market 2017", fitness is the most popular form of sports activity in Europe. This is confirmed by the statistics on MultiSport card users, who use fitness, gym and swimming pools classes the most frequently.

The prospects for further development of the fitness and sports card market continue to be outstanding. According to Deloitte and EuropeActive, currently 2.84 million Poles visit fitness clubs, numbering over 2500 at the end of last year, and over the next three to five years this figure may even increase to 4 million people, of which many will be elderly people.

1. BASIC INFORMATION ABOUT BENEFIT SYSTEMS GROUP

1.1. GENERAL INFORMATION AND COMPOSITION OF BENEFIT SYSTEMS GROUP

Benefit Systems Group is comprised of Benefit Systems S.A. (the parent company), responsible for the sale of MultiSport cards, as well as entities operating on the non-wage employee benefits market and in the sports industry. Currently, nearly 12,000 companies and institutions employing over 2.5 million employees are customers of the parent company.

Benefit Systems S.A. has been listed on the Warsaw Stock Exchange since April, 2011. The Group's flagship product is the MultiSport programme, which provides almost unlimited access to the best and most popular sports facilities throughout Poland. The Group also offers other sports cards, for example, the FitProfit or FitSport cards. In total there are over 786,100 users in Poland and 81,200 thousand users abroad of the Group's sports products. The MultiSport programme is one of the most popular non-wage employee benefits in Poland, enabling a holder to lead an active, and thus a healthy lifestyle, by providing access to nearly 4,000 sports and recreation facilities in approximately 650 Polish towns and cities throughout Poland.

One of the Group's strategic goals is to invest in the fitness market, aimed at strengthening and increasing the attractiveness of the flagship product - the MultiSport programme. Thanks to its capital investments in fitness clubs, the Group provides a growing group of sports card holders with reliable and attractive sports and recreation facilities.

Benefit Systems Group also offers the MyBenefit and MultiKafeteria cafeteria platforms, which give employees a choice of any non-wage employee benefits from a list accepted by their employer. Cafeteria systems include the Group's own products, such as the MultiBilet cultural and entertainment programme, allowing users to watch their favourite films in hundreds of cinemas throughout Poland, the MultiTeatr programme offering tickets to the most popular theatrical performances, and the BenefitLunch programme with its dining offer for employees.

The potential of the MultiSport programme is also used to support foreign expansion. Since 2010, the Group has operated on the Czech market, and since early 2015 in Slovakia and Bulgaria, where it is successfully expanding its range of services.

A LIST OF SUBSIDIARIES AND ASSOCIATES

COMPANIES IN THE SPORTS CARD SEGMENT

Benefit Systems S.A. is responsible for the sale of MultiSport cards. Since 2011, it has been listed on the main floor of the Warsaw Stock Exchange.

FitSport Polska Sp. z o.o. offers sports cards to small and medium-sized enterprises and is also a distributor of products from Benefit Systems S.A.

Vanity Style Sp. z o.o. specialises in providing sport and recreation solutions. The company provides large and medium-sized businesses with FitProfit and FitSport cards that have similar characteristics

to the products of Benefit Systems S.A., but with a narrower range of services offered, fewer partners and, in principle, a product positioned as less expensive. To supplement the basic products and services offered by Vanity Style Sp. z o.o., the Prestige card, providing access to the most prestigious locations and sports facilities of the highest standard, was added in 2012. Furthermore, the company has enhanced the sports cards offered with a programme for access to cinema chains, called Bilet CinemaProfit.

COMPANIES IN THE FITNESS SEGMENT

Fit Invest Sp. z o.o. is the entity responsible for managing the investments by Benefit Systems Group in the Fitness segment. The company holds shares in Fabryka Formy S.A. and Calypso Fitness S.A., as well as shares in Fitness Academy Sp. z o.o. SKA and Benefit Partners Sp. z o.o., Zdrofit Sp. z o.o., Zdrofit Sport Sp. z o.o., Baltic Fitness Center Sp. z o.o., Instytut Rozwoju Fitness Sp. z o.o., Tiger Sp. z o.o., Fit Fabric Sp. z o.o. and Fitness Place Sp. z o.o., Fitness Place S.R.O. and Fit Invest Bulgaria EOOD.

Fitness Academy Spółka z ograniczoną odpowiedzialnością SKA operates a network of twelve fitness clubs in Wrocław, Katowice and Kraków. The general partner in the company is Fitness Academy Sp. z o.o. The company is the sole shareholder in the companies AM Classic Sp. z o.o. and Jupiter Sport Sp. z o.o.

Fabryka Formy S.A. operates a network of twenty-one fitness clubs, including five in Poznań and its surroundings. The company is the sole shareholder in the company Fitness za Rogiem Sp. z o.o. and the Czech company Form Factory S.R.O.

Zdrofit Sp. z o.o. operates a network of thirteen fitness clubs in Warsaw.

Benefit Partners Sp. z o.o. implements a programme to support the Group's partners through capital investments and the development of infrastructure in the facilities of partners - in particular a programme for the lease of equipment.

Fitness Place Sp. z o.o., Fitness Place S.R.O. and Fit Invest Bulgaria EOOD are newly established companies responsible for investments in fitness clubs, including the purchase of existing clubs and the opening of new facilities in Poland, the Czech Republic and Bulgaria respectively.

COMPANIES FROM THE FOREIGN SEGMENT

Benefit Systems International Sp. z o.o. is the entity through which Benefit Systems Group conducts operations abroad. Benefit Systems International Sp. z o.o. is the owner of the Group's shares in foreign companies: MultiSport Benefit S.R.O. (the Czech Republic), Benefit Systems Slovakia S.R.O. (Slovakia), Benefit Systems Bulgaria EOOD (Bulgaria).

COMPANIES IN THE CAFETERIA SEGMENT

MyBenefit Sp. z o.o. develops and sells products that can be used by companies to motivate and reward employees. Currently, the company has in its portfolio a cafeteria system tailored to the needs of customers, among others, gift cards for retail chains, cinema or cultural programmes, tourism vouchers and a recreation funding system.

MultiBenefit Sp. z o.o. conducts activities related to non-wage employee benefits, including, among others: MultiKafeteria, MultiBilet, MultiTeatr and BenefitLunch.

OTHER COMPANIES

Benefit IP Spółka z ograniczoną odpowiedzialnością sp.k. manages the marketing activities of Benefit Systems Group and all trademarks and industrial property rights owned by the companies of Benefit Systems Group (granting licenses for the use of trademarks) in order to implement the centralized management of marketing activities and industrial property in the Group. The general partner and minority shareholder of the company is Benefit IP Sp. z o.o.

The share in the total number of votes held by the Group in subsidiaries is equal to the Group's holding in the capital of these entities.

Table 2: Table of subsidiaries

Operating Segment	Name of the subsidiary	Registered office of the subsidiary	The Group's share in the equity	
			31/03/2017	31/03/2016
SPORTS CARD SEGMENT	VanityStyle Sp. z o.o.	ul. Jasna 24 00-054 Warsaw	100.00%	100.00%
	FitSport Polska Sp. z o.o.	Plac Europejski 2 00-844 Warsaw	100.00%	100.00%
	Benefit IP Sp. z o.o.	Plac Europejski 2 00-844 Warsaw	100.00%	100.00%
	Benefit IP Spółka z ograniczoną odpowiedzialnością sp. k.	Plac Europejski 2 00-844 Warsaw	100.00%	100.00%
FITNESS SEGMENT	Fit Invest Sp. z o.o.	Plac Europejski 2 00-844 Warsaw	100.00%	100.00%
	Benefit Partners Sp. z o.o.	Plac Europejski 2 00-844 Warsaw	100.00%	100.00%
	Fabryka Formy S.A.	ul. B. Krzywoustego 72 61-144 Poznań	66.06%	66.06%
	Fitness Academy Sp. z o.o.	Plac Europejski 2 00-844 Warsaw	100.00%	100.00%
	Fitness Academy Spółka z ograniczoną odpowiedzialnością SKA	ul. Powstańców Śląskich 95 53-332 Wrocław	100.00%	100.00%
	AM Classic Sp. z o.o.	Plac Dominikański 3 53-209 Wrocław	100.00%	100.00%
	Jupiter Sport Sp. z o.o.	ul. Żegiestowska 11 50-542 Wrocław	100.00%	100.00%
	Fitness za Rogiem Sp. z o.o.	ul. Skrajna 1 62-080 Sierosław	66.06%	66.06%
	Form Factory S.R.O.	Jablunkovská 406 Staré Město, 739 61 Třinec	66.06%	66.06%
	Zdrofit Sp. z o.o.	ul. Mangalia 4 02-758 Warsaw	55.03%	28.38%
	Fitness Place S.R.O.	Pobřežní 394/12 186 00 Praha 8	100.00%	-
	Fit Invest Bulgaria EOOD	8 Tsar Kaloyan Str. 2 nd floor, Sofia 1000	100.00%	-
	Fitness Place Sp. z o.o.	Plac Europejski 3 00-844 Warsaw	99.00%	-

Operating Segment	Name of the subsidiary	Registered office of the subsidiary	The Group's share in the equity	
			31/03/2017	31/03/2016
FOREIGN SEGMENT	Benefit Systems International Sp. z o.o.	Plac Europejski 2 00-844 Warsaw	100.00%	100.00%
	MultiSport Benefit S.R.O.	Zeleny Pruh 95/97 14000 Praha 4	74.00%	74.00%
	Benefit Systems Slovakia S.R.O.	Karadzicova 8/A 821 08 Bratislava	93.00%	100.00%
	Benefit Systems Bulgaria EOOD	58 Bulgaria Blvd Sofia 1680	100.00%	100.00%
CAFETERIA SEGMENT	MyBenefit Sp. z o.o.	ul. Powstańców Śląskich 28/30, 53-333 Wrocław	100.00%	100.00%
	MultiBenefit Sp. z o.o.	Plac Europejski 2 00-844 Warsaw	100.00%	100.00%

Table 3: Table of associates and other entities

Operating Segment	Name of associate	Registered office of the associate	The Group's share in the equity	
			31/03/2017	31/03/2016
FITNESS SEGMENT	Baltic Fitness Center Sp. z o.o.	ul. Puławska 427 02-801 Warsaw	49.95%	49.95%
	Calypso Fitness S.A.	ul. Puławska 427 02-801 Warsaw	33.33%	33.33%
	Get Fit Katowice II Sp. z o.o.	ul. Uniwersytecka 13 40-007 Katowice	20.00%	20.00%
	Instytut Rozwoju Fitness Sp. z o.o.	ul. Puławska 427 02-801 Warsaw	48.10%	48.10%
	Tiger Sp. z o.o.	Aleja Grunwaldzka 82 80-244 Gdańsk	30.00%	-
	Zdrofit Sport Sp. z o.o.	ul. Mangalia 4 02-758 Warsaw	26.69%	26.69%
	Fit Fabric Sp. z o.o.	ul. 1go Maja 119/121 90-766 Łódź	30.00%	-
OTHER COMPANIES	X-code Sp. z o.o.	ul. Klaudyń 21/4 01-684 Warsaw	46.15%	46.15%
	LangMedia Sp. z o.o.	ul. Skwierzyńska 25/3 53-521 Wrocław	37.00%	37.00%
	Notatek.pl Sp. z o.o.	ul. Kielecka 28/2 31-532 Kraków	27.00%	12.00%
	Eventlabs Sp. z o.o.	ul. Żurawia 6/12 00-503 Warsaw	23.07%	-

1.2. STATEMENT OF PROFIT

Table 4: Statement of profit for Benefit Systems Group for the first quarter of 2017

In thousands of PLN	1 st quarter of 2017	1 st quarter of 2016	Change
Sales revenues	220,490	172,081	28.1%
Revenues from sales of services	217,497	168,584	29.0%
Revenues from sales of goods and materials	2,993	3,497	(14.4%)
Costs of sales	(174,058)	(140,243)	24.1%
Cost of products sold	0	(42)	-
Cost of services rendered	(171,752)	(137,616)	24.8%
Cost of goods and materials sold	(2,306)	(2,585)	(10.8%)
Gross profit on sales	46,432	31,838	45.8%
Selling expenses	(12,132)	(8,999)	34.8%
General and administrative expenses	(15,330)	(12,276)	24.9%
Other operating income	1,994	514	287.9%
Other operating costs	(2,656)	(855)	210.6%
Operating profit	18,308	10,222	79.1%
Financial income	688	687	0.1%
Financial costs	(2,089)	(1,102)	89.6%
Share of profits of associates accounted for using the equity method	749	828	(9.5%)
Profit before tax	17,656	10,635	66.0%
Income tax charge	(3,603)	(2,319)	55.4%
Net profit from continuing operations	14,053	8,316	69.0%
<i>Gross margin on sales (%)</i>	<i>21.1%</i>	<i>18.5%</i>	<i>2.6 p.p.</i>

1.3. PROSPECTS

Benefit Systems Group does not publish its annual budget or short-term financial forecasts. In the Group's assessment, the current financial position supports implementation of investment projects using its own resources and externally available funding.

2. FINANCIAL RESULTS FOR THE 1ST QUARTER OF 2017 BY OPERATING SEGMENTS OF BENEFIT SYSTEMS GROUP

2.1. INTRODUCTION

Commencing from 2014, Benefit Systems Group presents its results based on operating segments. The results presented in the report are compared to historical data. Based on the thresholds defined in IFRS 8 Benefit Systems Group has an obligation to separately disclose only the results of the "Sports Card" and "Fitness" segments (a minimum of 10% of the Group's revenues). However, the Group has chosen to present all the defined segments due to the fact that the results of these segments are approaching the thresholds defined in IFRS 8 and there is a likelihood that the threshold will be exceeded in the following reporting periods. The presentation of all operating segments also increases the transparency of data and improves the quality of information.

Since 2015, the operations of Benefit Systems Group have been divided into the following operating segments:

- Sports cards
- Fitness
- Foreign
- Cafeteria
- Corporate and other

"Corporate and other" includes activities related to management, administration and the strategic activities of the Group. It includes items that are not allocated to other operating segments and exclude intercompany transactions.

Segment revenue includes both sales to external customers and intersegment sales or transfers which can be directly allocated to an identified segment. They can be directly allocated to a specific segment.

Segment costs are the costs related to sales to external customers and costs of intersegment transactions. They result from the operating costs of the segment and can be directly attributed to it, together with a proportionate share of the Group's costs, which can be directly attributed or allocated to the segment. The costs of an operating segment do not include the costs of income tax. The segment result is determined at the level of gross profit.

Table 5: Selected financial data for operating segments for the 1st quarter of 2017

In thousands of PLN	Sports cards	Fitness	Foreign	Cafeteria	Corporate and other	Total
Sales revenues	173,738	37,018	17,293	9,063	(16,622)	220,490
Costs of sales	(142,004)	(28,503)	(14,933)	(6,222)	17,604	(174,058)
Gross profit on sales	31,734	8,515	2,360	2,841	982	46,432
Selling expenses	(6,328)	(3,036)	(2,258)	(574)	64	(12,132)

General and administrative expenses	(5,654)	(3,745)	(2,446)	(1,156)	(2,329)	(15,330)
<i>including the Incentive Programme</i>	0	0	0	0	(1,714)	(1,714)
Other income and operating expenses	(154)	(462)	132	(43)	(135)	(662)
Operating profit (loss)	19,598	1,272	(2,212)	1,068	(1,418)	18,308
Financial incomes and expenses	0	(1,494)	(328)	(48)	469	(1,401)
Share of profits of associates accounted for using the equity method	0	708	0	0	41	749
Gross profit (loss)	19,598	486	(2,540)	1,020	(908)	17,656
EBITDA	21,318	6,197	(2,156)	1,360	(1,314)	25,405
Segment assets	412,812	292,629	23,196	74,312	(209,767)	593,182

Table 6: Reconciliation of the total value of revenues, income and assets of operating segments with similar items of the consolidated financial statements of the Group for the 1st quarter of 2017

In thousands of PLN	1 st quarter of 2017	1 st quarter of 2016
Segment revenue		
Total revenue of operating segments	237,112	179,458
Revenue not attributed to segments	0	0
Excluding revenue from intersegment transactions	(16,622)	(7,377)
Sales revenues	220,490	172,081
Segment results		
Operating result of segments	19,726	11,829
Other operating revenue not attributed to segments	0	0
Other costs not attributed to segments (-)	0	0
Exclusion of result from intersegment transactions	(1,418)	(1,607)
Operating profit	18,308	10,222
Financial incomes and expenses	(1,401)	(415)
Share in profit or loss of entities accounted for using the equity method (+/-)	749	828
Profit before tax	17,656	10,635
In thousands of PLN	As of 31st March, 2017	As of 31st December, 2016
Total assets of operating segments	802,949	753,266
Assets not allocated to segments	0	0
Exclusion of intersegment transactions	(209,767)	(183,826)
Total assets	593,182	569,440

In the period covered by the consolidated financial statements, revenues from sales attributed to the Corporate and other segment primarily include exclusions of intersegment transactions. The costs are associated with management and administration activities, strategic activities in the Group and the cost

of the Incentive Programme, support functions and other activities not allocated to separate operating segments.

2.2. INFORMATION ABOUT OPERATING SEGMENTS

2.2.1. SPORT CARDS SEGMENT

The "**Sports card**" segment includes sports cards that are offered on the Polish market, distributed by: Benefit Systems S.A., FitSport Polska Sp. z o.o. and VanityStyle Sp. z o.o. Currently the following cards are available:

MultiSport Plus - This card allows the unlimited use of nearly 4000 sports and recreational facilities throughout Poland, providing access to over 25 different sports;

MultiSport Classic - This card can be used once a day at nearly 2000 sports facilities providing access to almost 25 different sports;

MultiActive - This card provides access to over 1700 sports facilities and over 20 different sports up to the prepaid limit stored on the card;

MultiSport Plus Kids / MultiActive Kids - These cards give children access to activities such as martial arts, dance classes, and entrance to swimming pools, adventure playgrounds, salt caves or ice rinks;

MultiSport Plus Dziecko / MultiActive Dziecko - Allows entry to selected swimming pools honouring these types of cards;

FitSport - The card gives access to many sports services, such as fitness, gym, sauna, and swimming pool within the specified limit of permitted entrances - 8, 10, 12 entrances per month;

FitProfit - This card allows the use of services from facilities cooperating with VanityStyle Sp. z o.o, i.e. with more than 3300 facilities in 530 towns and cities in Poland.

Sports cards are one of the most popular benefits in Poland, which are increasingly expected by potential employees. A healthy lifestyle is becoming increasingly popular among Poles. Consequently, both for employees and their families, physical fitness is synonymous with health care. It also contributes to their greater satisfaction from life and, consequently, greater engagement and efficiency at work.

Multisport cards provide access to nearly 4000 sports and leisure facilities throughout Poland. They allow users to engage in a highly diverse range of sports, while additionally adapting the range of available activities to the seasons.

In the first quarter of 2017, the Group recorded an increase in the number of sports cards to 786,100. In year-on-year terms, their number increased by 108,900 cards, i.e. by 16.1%. The achievement of this result stems from the Group's effective use of its market potential and the close cooperation between the various teams in the Customer Relations Department, which has been developed and maintained over the past year.

Table 7: Selected financial data from the Sports Card segment

In thousands of PLN	1 st quarter of 2017	1 st quarter of 2016	Change
Sales revenues	173,738	146,037	19.0%
Costs of sales	(142,004)	(122,870)	15.6%
Gross profit on sales	31,734	23,167	37.0%
Selling expenses	(6,328)	(5,568)	13.6%
General and administrative expenses	(5,654)	(5,074)	11.4%
Other operating income and expenses	(154)	(148)	4.1%
Operating profit	19,598	12,377	58.3%
EBITDA	21,318	13,775	54.8%
<i>Gross margin on sales</i>	<i>18.3%</i>	<i>15.9%</i>	<i>2.4 p.p.</i>
<i>Number of sports cards (in thousands)</i>	<i>786.1</i>	<i>677.2</i>	<i>16.1%</i>

Revenues of the Sports Cards segment increased by 19.0% year-on-year, which is mainly due to the increase in sports card sales. Gross margin in the comparable period increased by 8,567,000 PLN. The increase of 2.4 percentage points is mainly due to the higher share in the Group's portfolio of limited cards and the higher unit price of cards. The increase in sales costs of 13.6% is due to an increase in the scale of operations and an increase in the commission on sale of sports cards. General and administrative expenses increased by 0.6 million PLN mainly due to additional legal costs and the employment of new software developers. Other operating income and expenses included write-downs for the deactivation of sports cards in the amount of 128,000 PLN.

The results of the Sports Cards segment are affected by the seasonal activity of card users, such as MultiSport Plus and FitSport. In the first quarter of the calendar year (the first quarter of the Group's financial year) user activity is highest in comparison to other periods of the financial year, which is reflected in the results of the Group. This phenomenon may additionally be dependent on weather conditions (especially in the summer) or the number of public holidays in a given year.

2.2.2. FITNESS SEGMENT

The Fitness segment is made up of subsidiaries, which - apart from those operating fitness club networks - include companies managing the investments in fitness clubs and a company responsible for leasing fitness equipment, as well as associates operating fitness clubs, described in detail in the first section of the report - Important information about Benefit Systems Group.

On 18th January, 2017, Fitness Place S.R.O. - a wholly-owned subsidiary of Fit Invest Sp. z o.o. - was registered in the Czech Republic, and on 24th January, 2017, Fit Invest Bulgaria EOOD was registered in Bulgaria, also a wholly-owned subsidiary of Fit Invest Sp. z o.o. Both companies will be responsible for investing in fitness clubs, including the purchase of existing clubs and the opening of new facilities. These activities will primarily aim at maintaining and securing product superiority in the Czech and Bulgarian markets, as well as improving the attractiveness of the offering for MultiSport card users in these countries.

The Fitness segment is fully complementary to the Sports Cards segment and the newly opened clubs guarantee an increase in floor area, thereby enhancing the attractiveness and variety of the offer for

current and future sports card users. The growth from acquisitions guarantees MultiSport card users access to the most attractive locations, as well as a suitable standard for them.

Table 8: Number of fitness clubs

Company / Group	The Group's share in the equity at the end of the 1 st quarter of 2017	The number of fitness clubs		
		31/03/2017	31/03/2016	Change
Fitness Academy	100.00%	16	11	5
Fabryka Formy	66.06%	22	15	7
Zdrofit	55.03%	14	11	3
Calypso Fitness	33.33%	42	33	9
Fit Fabric	30.00%	8	-	8
Tiger	30.00%	8	-	8
Get Fit II Katowice	20.00%	1	1	0
Fitness Club S4*	0.00%	17	-	17
Total	-	128	71	57

* A conditional agreement which had not entered into force on 31st March, 2017

At the end of the first quarter of 2017, the investment in fitness networks involved a total of 128 clubs with an area of nearly 172,000 m². Compared to the first quarter of 2016, the investment base of fitness clubs grew by 57 facilities.

The Fitness segment includes the results of the following fully consolidated subsidiaries: Fit Invest Sp. z o.o., Benefit Partners Sp. z o.o., Fitness Academy Spółka z ograniczoną odpowiedzialnością SKA, AM Classic Sp. z o.o., Jupiter Sport Sp. z o.o., Fabryka Formy S.A., Fitness za Rogiem Sp. z o.o., Form Factory S.R.O., Zdrofit Sp. z o.o. The results of other companies in the Fitness segment are consolidated using the equity method.

Table 9: Selected financial data for the Fitness Segment

In thousands of PLN	1 st quarter of 2017	1 st quarter of 2016	Change
Sales revenues	37,018	18,092	104.6%
Costs of sales	(28,503)	(14,138)	101.6%
Gross profit on sales	8,515	3,954	115.4%
Selling expenses	(3,036)	(2,260)	34.3%
General and administrative expenses	(3,745)	(1,338)	179.9%
Other operating income and expenses	(462)	(27)	1,611.1%
Operating profit	1,272	329	286.6%
Financial incomes and expenses	(1,494)	(935)	59.8%
Share of profits of associates accounted for using the equity method	708	685	3.4%
Profit before tax	486	79	515.2%
EBITDA	6,197	3,646	70.0%
Gross margin on sales	23.0%	21.9%	1.1 p.p.
Number of clubs	128	71	80.3%

During this period, sales revenues for the Fitness segment significantly increased compared to the same period of 2016. This is primarily the effect of a doubling in the number of clubs in subsidiaries, including 9 clubs of Fabryka Formy S.A. and Fitness Academy Spółka z ograniczoną odpowiedzialnością SKA, and 17 clubs acquired on the basis of investment agreements (Zdrofit Sp. z o.o. and Fitness za Rogiem Sp. z o.o.). In January, 2017, an investment agreement entered into force, in which Fit Invest Sp. z o.o. acquired 30% of the shares in the network of clubs belonging to Fit Fabric. In the reporting period, 1.5 million PLN in revenue was allocated from the Sports Card segment to the Fitness segment on the basis of the synergies between these segments.

The significant increase in general and administrative expenses is a result of the dynamic growth of the Fitness segment. Despite the high proportion of newly opened clubs (higher costs) the Fitness segment companies together present positive results, both in terms of EBITDA and gross margin. Their impact on the consolidated results for the first quarter of 2017 depends directly on the current share in the company's capital. In the first quarter of 2017, the results of Zdrofit Sp. z o.o. were consolidated using the full method, whereas in the comparable period they were consolidated using the equity method. The process of increasing the involvement of the Group and the simultaneous restructuring of these companies is on-going and the Group believes this will bring positive results in the Sports Card segment.

2.2.3. FOREIGN SEGMENT

The Foreign segment includes all activities of Benefit Systems Group undertaken outside the Polish market. Benefit Systems International Sp. z o.o. is responsible for the Group's foreign expansion and supervises the development of the MultiSport Programme on the Czech, Slovak and Bulgarian markets. At the end of the first quarter of 2017, 81,200 MultiSport cards were active on foreign markets, which is an increase of over 146% compared to the end of the first quarter of 2016. The key factors assisting card sales on foreign markets are primarily the experienced sales teams, which are continually developing to maintain the current high rate of sales, the expanding offering from Partner facilities, both in the capitals of the individual countries and in smaller towns, and the increasing awareness of the Multisport brand on these markets.

The high growth in sales was maintained in this period on the Czech and Bulgarian markets. Compared to the first quarter of 2016, the cumulative increase in active cards on both markets was over 48,000. Apart from effective sales activities, this result was also a consequence of customer engagement activities and events promoting a healthy and active lifestyle among employees.

Benefit Systems Slovakia S.R.O. is continuing the development of its partner network outside Bratislava to allow its users to use the MultiSport programme throughout the country. At the same time intense sales activities are being conducted.

Table 10: Selected financial data from the Foreign segment

In thousands of PLN	1 st quarter of 2017	1 st quarter of 2016	Change
Sales revenues	17,293	7,334	135.8%
Costs of sales	(14,933)	(6,143)	143.1%
Gross profit on sales	2,360	1,191	98.2%
Selling expenses	(2,258)	(506)	346.2%

In thousands of PLN	1 st quarter of 2017	1 st quarter of 2016	Change
General and administrative expenses	(2,446)	(1,570)	55.8%
Other operating income and expenses	132	(1)	-
Loss from operations	(2,212)	(886)	149.7%
Financial incomes and expenses	(328)	(36)	811.1%
Loss before tax	(2,540)	(922)	175.5%
EBITDA	(2,156)	(855)	152.2%
<i>Gross margin on sales</i>	<i>13.6%</i>	<i>16.2%</i>	<i>(2.6 p.p.)</i>
<i>Number of sports cards (in thousands)</i>	<i>81.2</i>	<i>33.0</i>	<i>146.1%</i>

The significant increase in both revenues and cost of sales for the Foreign segment is caused by more than a doubling in growth of the number of sports cards in all three markets. In the period discussed, the Czech, Bulgarian and Slovakian markets generated respectively 65%, 30% and 5% of the entire segment's revenues. The decline in gross margin on sales is the result of lower card prices in Bulgaria, coupled with a greater number of cards and more active users on this market. During the period under review, a further expansion of sales and intra-company structures was undertaken to ensure the quality of service to customers and users, which is reflected respectively in sales costs and general and administrative expenses, (including commission paid on sales).

2.2.4. CAFETERIA SEGMENT

The Cafeteria segment is responsible for the development of the MyBenefit and MultiKafeteria platforms, which offer a wide range of products and services, including the Group's own products in the area of culture and entertainment.

The **MyBenefit** and **MultiKafeteria** cafeteria platforms give employees the choice of any non-wage benefits within a budget specified by the employer, as well as the scope of these benefits. The benefits can be selected using the internet platform, accessible only by authorised personnel. The programme offers cafeteria products and services in the area of sport, health, tourism, culture and shopping vouchers, which can be used at the retail chains of famous brands in Poland.

The Cinema Programme is the main pillar of the cultural and entertainment programme offered by the Group, in which tickets are available to over 200 partner cinemas throughout Poland (including Cinema City, Helios and Multikino).

MultiTeatr is a selected offer of vouchers for hundreds of theatrical performances. The programme includes popular theatres in major Polish towns and cities.

BenefitLunch offers a subscription or pass access for lunch in nearly 600 premises in dozens of Polish towns and cities.

Table 11: Selected financial data of the Cafeteria segment

In thousands of PLN	1 st quarter of 2017	1 st quarter of 2016	Change
Sales revenues	9,063	7,994	13.4%
Costs of sales	(6,222)	(5,771)	7.8%

In thousands of PLN	1 st quarter of 2017	1 st quarter of 2016	Change
Gross profit on sales	2,841	2,223	27.8%
Selling expenses	(574)	(675)	(15.0%)
General and administrative expenses	(1,156)	(1,519)	(23.9%)
Other operating income and expenses	(43)	(20)	115.0%
Operating profit (loss)	1,068	(9)	-
Financial incomes and expenses	(48)	(5)	860.0%
Share of profits of associates accounted for using the equity method	0	94	-
Profit before tax	1,020	98	940.8%
EBITDA	1,360	219	521.0%
<i>Gross margin on sales</i>	<i>31.3%</i>	<i>27.8%</i>	<i>3.5 p.p.</i>
<i>Turnover (in millions) *</i>	<i>50.3</i>	<i>40.7</i>	<i>23.6%</i>
<i>Number of users (in thousands)</i>	<i>251.3</i>	<i>204.4</i>	<i>22.9%</i>

* On the basis of notes, invoices and bills from the MultiKafeteria and MyBenefit cafeteria platforms.

In the first quarter of 2017, the MyBenefit and MultiKafeteria cafeteria platforms were used by more than 251,000 users, which is an increase of 46,900 users compared to the same period in 2016. The increase in the number of users of cafeteria platforms has had a direct impact on the level of turnover achieved, generating additional revenue from distribution and service operations. Turnover from cafeteria platforms in the first quarter of 2017 amounted to 50.3 million PLN, which generated 13.4% higher revenues for the segment compared to the same period in 2016. The continuation in the development strategy of cafeteria platforms and the optimisation of general and administrative expenses contributed to a gross profit of 1.0 million PLN.

2.2.5. CORPORATE AND OTHER

Corporate and other include revenues other than from the sale of non-wage incentive products and indirect costs that are not allocated to these revenues. Revenues primarily include the elimination of transactions between segments. The costs are associated with management and administration activities, strategic activities in the Group and the cost of the Incentive Programme, support functions and other activities not allocated to separate operating segments.

Table 12: Corporate and other

In thousands of PLN	1 st quarter of 2017	1 st quarter of 2016	Change
Sales revenues	(16,622)	(7,376)	125.4%
Costs of sales	17,604	8,679	102.8%
Gross profit on sales	982	1,303	(24.6%)
Selling expenses	64	10	540.0%
General and administrative expenses	(615)	(902)	(31.8%)
<i>Cost of the Incentive Programme</i>	<i>(1,714)</i>	<i>(1,873)</i>	<i>(8.5%)</i>
Other operating income and expenses	(135)	(145)	(6.9%)
Loss from operations	(1,418)	(1,607)	(11.8%)

In thousands of PLN	1 st quarter of 2017	1 st quarter of 2016	Change
Financial incomes and expenses	469	561	(16.4%)
Share of profits of associates accounted for using the equity method	41	49	(16.3%)
Loss before tax	(908)	(997)	(8.9%)
EBITDA	(1,314)	(1,168)	12.5%

The change in sales revenue and cost of sales is mainly a result of the increase in intra-group transactions between the Fitness and Sports Cards segments. Gross profit from sales reflects income from the Group's marketing activities, and other income not allocated to operating segments. In the first quarter of 2017, there was a decline in the cost of the Incentive Programme due to the lower annual volume of shares and the higher share price for the 2017-2020 Programme. General and administrative costs of the Corporate and other segment decreased by 31.8%.

2.3. OTHER FINANCIAL DATA

Table 13: Financial income and expenses

In thousands of PLN	1 st quarter of 2017	1 st quarter of 2016	Change
Financial income	688	687	0.1%
Financial costs	(2,089)	(1,102)	89.6%
Share of profits (loss) for entities accounted for using the equity method	749	828	(9.5%)

The Group's financial results in the first quarter of 2017 were influenced primarily by the costs connected with the issue of two series of bonds (including interest expenses), an increase in the credit line and financial lease liabilities (leaseback for fitness equipment). Financial income, maintained at a level comparable to that of the previous year, was primarily the proceeds from loans granted to associates and strategic partners of the Group.

At the reporting date, the parent company of Benefit Systems S.A. granted loans to the balance sheet total of 233.2 million PLN (31st March, 2016: 156.7 million PLN), of which 173.5 million PLN was to subsidiaries. Capital support in this form is primarily targeted at investments in entities operating in the fitness segment (91%), including under a loans programme for subsidiaries (3.5%), and to a lesser extent (6.6%) as ensuring current liquidity in subsidiaries outside the fitness segment. Almost 82% of this pool were long-term loans.

All loan agreements were concluded on conditions that do not deviate from market conditions with a variable interest rate depending on WIBOR 3M or WIBOR 1M. This reduces the lender's risk in the event of an unfavourable change in interest rates.

At the reporting date the parent company had debt from 3-year bonds issued to the amount of 121.0 million PLN, together with interest, loans from related parties of 32.0 million PLN and 26.5 million PLN from finance leases. The increase in financial expenses is mainly interest on the bonds to the amount of

0.96 million PLN, the cost of finance leases for fitness equipment to the amount of 0,29 million PLN and foreign exchange differences of 0.36 million PLN.

The results of associates accounted for using the equity method slightly decreased compared to the comparable quarter (-79,000 PLN). This item does not include the result of Zdrofit Sp. z o.o. (fully consolidated throughout the first quarter of 2017), but takes into account the result for Tiger Sp. z o.o.

Table 14: Statement of financial position

In thousands of PLN	As at 31/03/2017	As at 31/12/2016	Change	As at 31/03/2016
Non-current assets	395,869	373,660	5.9%	302,842
<i>share in balance sheet total</i>	66.7%	65.6%	1.1 p.p.	71.2%
Current assets	197,313	195,780	0.8%	122,219
<i>share in balance sheet total</i>	33.3%	34.4%	(1.1 p.p.)	28.8%
Total assets	593,182	569,440	4.2%	425,061
Capital equity of the shareholders in the parent company	240,968	224,946	7.1%	196,062
<i>share in balance sheet total</i>	40.6%	39.5%	1.1 p.p.	46.1%
non-controlling interests	17,012	17,251	(1.4%)	5,305
<i>share in balance sheet total</i>	2.9%	3.0%	(0.2 p.p.)	1.2%
Long-term provisions and liabilities	159,768	159,861	(0.1%)	91,442
<i>share in balance sheet total</i>	26.9%	28.1%	(1.1 p.p.)	21.5%
Short-term provisions and liabilities	175,434	167,382	4.8%	132,252
<i>share in balance sheet total</i>	29.6%	29.4%	0.2 p.p.	31.1%
Total liabilities	593,182	569,440	4.2%	425,061

Non-current assets

The fixed assets of Benefit Systems Group increased by 22.2 million PLN compared to December, 2016. The largest increase was recorded in deferred tax assets, i.e. 10.0 million PLN. In addition, there was an increase in the value of tangible fixed assets of 6.1 million PLN (the purchase of fitness equipment by subsidiaries). The increase also relates to investments in associates of 4.4 million PLN, including: Fit Fabric Sp. z o.o. 3.6 million PLN and a share in the results of associates of 0.8 million PLN. Other long-term financial assets (an increase of 3.4 million PLN compared to the end of 2016) include investments in fitness companies abroad: Fit Invest Bulgaria EOOD, Fitness Place Sp. z o.o. and Fitness Place S.R.O. These are the costs of establishing these companies, not included in the consolidation because they did not carry out their operations in the first quarter of 2017.

In the same period, intangible assets remained at a comparable level and long-term loans receivable decreased by 1.5 million PLN.

Current assets

Total current assets increased by 1.5 million PLN compared to the end of 2016. Trade receivables increased by 6.9 million PLN, while the carrying value of loans extended increased by 2.1 million PLN, mainly as a result of the Multisport partner loan programme. Inventories (mainly fitness equipment not yet leased to partners under leasing) increased by 4.2 million PLN in the parent company, while in MyBenefit Sp. z o.o. and MultiBenefit Sp. z o.o. they decreased by 1.3 million PLN and 0.6 million PLN, respectively.

At the same time, the Group's cash flow decreased by 9.0 million PLN, which was connected with the negative cash flows from investing activities, which were almost three times larger than in the comparable period, and a decrease in short-term prepayments of 1.3 million PLN.

Long-term provisions and liabilities

Total long-term liabilities in the first quarter of 2017 remained at the same level in the Group as in the comparable period. Long-term prepayments (3.6 million PLN), liabilities due to bonds issued by the parent and borrowings (0.8 million PLN) and deferred income tax liabilities (1.0 million PLN) all increased.

However, financial lease liabilities decreased by 1.2 million PLN and other liabilities decreased by 4.3 million PLN.

Short-term provisions and liabilities

There was an increase in short-term liabilities in the first quarter of 2017 of 8.1 million PLN. This is mainly due to the increase in short-term prepayments of 17.3 million PLN, which is typical for the beginning of the financial year, offset by a decrease in trade payables of 2.1 million PLN and a decrease in current income tax liabilities of 3.2 million PLN.

In addition, liabilities due to employee benefits decreased by 4.5 million PLN compared to the end of 2016. Short-term debt of the Group for interest bearing and non-interest bearing loans decreased by 0.4 million PLN to 2.1 million PLN.

Table 15: Cash flows for Benefit Systems Group

In thousands of PLN	1 st quarter of 2017	1 st quarter of 2016	Change
Net cash from operating activities	26,185	19,323	35.5%
Net cash from investment activities	(31,367)	(7,999)	292.1%
Net cash from financing activities	(3,842)	(2,438)	57.6%
Net cash flow, total	(9,024)	8,886	-
Cash and cash equivalents at end of period	55,896	32,883	70.0%

On 31st March, 2017, the Group had cash and cash equivalents of 55.9 million PLN. These funds were accumulated mainly in the account of the parent company Benefit Systems S.A. (17.2 million PLN) and the subsidiaries MyBenefit Sp. z o.o. (19.2 million PLN), Fitness Academy Spółka z

ograniczoną odpowiedzialnością SKA (3.8 million PLN) and the Czech company MultiSport Benefit S.R.O (5.6 million PLN). In the first quarter of 2017, Benefit Systems Group has not been involved in any foreign currency options or any other derivative instruments used for hedging or for speculative purposes.

On the date of this report, taking into account the cash position and available credit lines, the Group does not anticipate any liquidity problems in connection with the implementation of its investment plans (including capital investments).

Operating activities

On 31st March, 2017, cash flow from operating activities amounted to 26.2 million PLN and was 6.9 million PLN higher compared to the first quarter of 2016, which was influenced by, among others: a higher net result of 5.7 million PLN and positive adjustments to the amount of 9.5 million PLN, of which 7.1 million PLN is amortization.

Investment activities

Net cash flow from investment activities amounted to -31.4 million PLN. These included: expenditure on the purchase of fixed assets, mainly the acquisition of fitness equipment (-11.7 million PLN), expenditure on the acquisition of shares in the associate Fit Fabric Sp. z o.o. (-3.6 million PLN), the payment of the next instalment for shares in MyBenefit Sp. z o.o. (-2.6 million PLN) and expenses related to establishing subsidiaries of Fitness Place in Poland and the Czech Republic (-3.4 million PLN). In the first quarter of 2017, the Group granted loans for the amount of 9.9 million PLN, mainly to Fitness Place S.R.O., compared to 0.05 million PLN in the comparable period of 2016.

The proceeds from investment activities were mainly related to the repayment of loans granted together with interest (1.2 million PLN) and sale of fitness equipment under leaseback (0.3 million PLN).

Financing activities

Cash flows from financing activities as at 31st March, 2017, amounted to -3.8 million PLN and were 1.4 million PLN higher compared to the first quarter of 2016. Net cash flows from financing activities were mainly influenced by the repayment of finance lease liabilities of 2.9 million PLN, repayment of loans and borrowings of 0.6 million PLN and interest paid of 0.4 million PLN.

2.4. SELECTED FINANCIAL INDICATORS

Table 16: Financial indicators

Profitability ratios	1 st quarter of 2017	1 st quarter of 2016	Change
Gross return on sales	21.1%	18.5%	2.6 p.p.
EBITDA	11.5%	9.0%	2.5 p.p.
Return on operations (EBIT)	8.3%	5.9%	2.4 p.p.
Gross profitability	7.9%	6.1%	1.8 p.p.
Net profitability	6.3%	4.8%	1.5 p.p.
Return on equity (ROE)	5.4%	4.1%	1.3 p.p.

Profitability ratios	1st quarter of 2017	1st quarter of 2016	Change
Return on assets (ROA)	2.4%	2.0%	0.4 p.p.
Liquidity ratios	1st quarter of 2017	1st quarter of 2016	Change
Current liquidity	1.12	0.92	0.20
Quick ratio	1.00	0.84	0.16

The profitability assessment was carried out on the basis of the following indicators defined below:

- *gross profitability on sales: gross profit from sales / revenues from sales,*
- *profitability on EBITDA: EBITDA / revenues from sales,*
- *profitability from operations: operating profit (EBIT) / revenues from sales,*
- *gross profitability: gross profit / (operating income + financial income + extraordinary profits),*
- *net profitability: net profit / (operating income + financial income + extraordinary profits),*
- *return on equity (ROE): net profit / equity (end of period),*
- *return on assets (ROA): net profit / total assets (end of period),*
- *current ratio: current assets / current liabilities,*
- *quick ratio: (current assets - inventory - short-term prepayments) / current liabilities.*

3. ADDITIONAL INFORMATION

3.1. SIGNIFICANT EVENTS IN THE GROUP DURING THE REPORTING PERIOD

Loan agreements within Benefit Systems Group

On 11th January, 2017, loan agreements were concluded between the Issuer and Fit Invest Sp. z o.o. for the amount of 3.6 million PLN, as a result of which the total value of the loan agreements entered into between the Lender and the Borrower in the 12 months reached 22.6 million PLN. The interest rate on the loan is variable and was set according to market terms. The loan is intended to enable the Borrower to finance current operations, including operations connected with its investment activities in the fitness sector.

On 2nd January, 2017, a loan agreement was concluded between the Issuer and Fitness Academy Spółka z ograniczoną odpowiedzialnością SKA for the amount of 3.0 million PLN, as a result of which the total value of the loan agreements entered into between the Lender and the Borrower in the 12 months reached 10.8 million PLN (in total 58.6 million PLN). The interest rate on the loan is variable and was set according to market terms. The loan is intended to enable the Borrower to finance current operations, including operations connected with its investment activities in the fitness sector.

On 15th March, 2017, a loan agreement was entered into between Benefit Systems S.A. and Fit Invest Sp. z o.o. for the amount of 4.5 million PLN, as a result of which the total value of loan agreements concluded between the Lender and the Borrower in the last 12 months reached 25.6 million PLN. The amount of the loan will be paid in tranches, according to the Borrower's requirements. The interest rate on the loan is variable and was set according to market terms. The loan is to be repaid by 31st December, 2020.

Conclusion of an annex to an investment agreement and the acquisition of shares in Fit Fabric Sp. z o.o.

On 12th January, 2017, the Issuer's subsidiaries: Fabryka Formy S.A. and Fit Invest Sp. z o.o. concluded an annex to the investment agreement, dated 30th June, 2016, with Marcin Warzycki, Katarzyna Zgierska, Tomasz Nowiński and Grzegorz Zgierski, relating to the investment in Fit Fabric Sp. z o.o. On the basis of the annex Fabryka Formy S.A. transferred all the rights and obligations due to it under the agreement to Fit Invest Sp. z o.o., as a consequence of which on 12th January, 2017, between Fit Invest Sp. z o.o. and Marcin Wawrzycki, Katarzyna Zgierska and Tomasz Nowiński, sale agreements were concluded for the shares in Fit Fabric Sp. z o.o. under the conditions indicated in current report No. 23/2016. In addition, from 2020 Fit Invest Sp. z o.o. will be entitled to acquire the remaining shares in the share capital of Fit Fabric Sp. z o.o., under the conditions referred to in the Issuer's current report No. 23/2016.

Conclusion of understandings on agreements for the sale of shares in MyBenefit sp. z o.o.

On 20th March, 2017, Benefit Systems S.A. entered into an understanding with Mr Witold Szlachta and Mr Łukasz Bartoszewicz amending the agreements for the sale of shares (together referred to as "the Understandings") in MyBenefit Sp. z o.o. with its registered office in Wrocław ("MyBenefit"). Under the Understandings, certain terms and conditions of bonus payment were modified, which the Company

informed of in current report No. 17/2015 of 3rd April, 2015, and in current report No. 40/2015 dated 9th December, 2015 ("Bonus"). As a consequence of the above arrangements, the remaining part of the Bonus to be paid will be payable by the Company in 2017. The maximum total amount of the Bonus has remained unchanged.

Simultaneously with the signing of the Understandings, Mr Witold Szlachta and Mr Łukasz Bartoszewicz resigned from their positions in the Management Board of MyBenefit Sp. z o.o. with effect from 30th June, 2017. These changes are a manifestation of the strategy consistently pursued by Benefit Systems Group to develop the cafeteria platform segment.

Conclusion of a significant agreement

On 15th March, 2017, the Parent Company signed an agreement with Poczta Polska S.A., in which Poczta Polska employees (and their families) will have access to sports and leisure services. The contract was signed as a result of a tender under a public procurement contract. The maximum remuneration for the Parent Company for executing the order is 28,127,804.04 PLN gross. The agreement was concluded for the period from 10/04/2017 to 09/01/2019. The agreement is a continuation of the previous contract with Poczta Polska S.A.

Consent of the Issuer to change the Conditions of Issue for series B bonds

On 9th February, 2017, a Meeting of Bondholders was held at the Issuer's registered office for the series B bonds issued by the Issuer, which adopted a resolution to change the terms of the issue of series B bonds consisting of the adoption of new wording for the definition of Financial Debt contained in the issue terms and conditions and to the extent necessary to grant the bondholders additional remuneration. The Issuer, acting in accordance with article 67, paragraph 2 of the act dated 15th January, 2015, on bonds (Journal of Law from 2015, item 238) expressed consent to the change in the Terms of Issue.

Admission and introduction of series D shares for trading

On 30th March, 2017, the Management Board of Benefit Systems S.A. received information that on 3rd April, 2017, registration will be made with the National Depository for Securities of 14,700 series D shares of the Parent Company under the ISIN code: PLBNFTS00018. The registration of series D shares relates to the shares issued by the Parent Company in accordance with the principles of the Incentive Programme for the years 2014-2016, specified in the resolutions of the General Meeting of Shareholders for the Company.

3.2. COMPOSITION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

On the date of the report, the Management Board of the Parent Company consists of three members. Its members are:

- Arkadiusz Hanszke - Member of the Management Board
- Adam Kędzierski - Member of the Management Board
- Izabela Walczewska-Schneyder – Member of the Management Board

The Parent Company's Supervisory Board comprises five members on the date of the report:

- James Van Bergh - Chairman of the Supervisory Board
- Przemysław Gacek - Deputy Chairman of the Supervisory Board
- Marcin Marczuk - Member of the Supervisory Board

- Artur Osuchowski - Member of the Supervisory Board
- Michael Sanderson - Member of the Supervisory Board

3.3. SHARES OR OTHER RIGHTS TO THEM IN THE POSSESSION OF MEMBERS OF THE MANAGEMENT BOARD OR SUPERVISORY BOARD

Ownership of shares in Benefit Systems S.A. or other rights to them (options) by Members of the Management Board and Members of the Supervisory Board on the date of the report's submission is as follows:

Table 17: Shares held by members of the Management Board of Benefit Systems S.A.

Management Board	Status on the date of submitting the report for the 1 st quarter of 2017		As at the end of 2016		Change in status
	Number of shares	Percentage of share capital	Number of shares	Percentage of share capital	
Arkadiusz Hanszke	-	-	-	-	-
Adam Kędzierski	1,069	0.04%	2,069	0.08%	(1,000)
Izabela Walczewska-Schneyder	1,105	0.05%	1,105	0.05%	-
Total	2,174	0.09%	3,174	0.13%	(1,000)

Table 18: Benefits for Members of the Management Board in the form of due and potentially due D and E series warrants at the end of the first quarter of 2017

Member of the Management Board	Warrants of Series D covered in 2015 for 2014	Warrants of Series E covered in 2016 for 2015	The number of conditionally granted warrants of series F for 2016	Initial number of conditionally granted G series warrants for 2017	Total	Value*
Arkadiusz Hanszke	0	0	2,350	600	2,950	795
Adam Kędzierski	5,500	5,500	7,000	600	18,600	3,545
Izabela Walczewska-Schneyder	3,500	4,000	5,000	600	13,100	2,549
Total	9,000	9,500	14,350	1,800	34,650	6,889

* The value of the benefits from the subscription warrants granted is the difference between the exercise price and the share price on the valuation date. The valuation of series D warrants was based on the prices and conditions from 2014 (130.29 PLN), the valuation of series E warrants was based on the prices and conditions from 2015 (160.45 PLN), the valuation of series F warrants was based on the prices and conditions from 2016 (247.44 PLN), while the valuation of series G warrants was based on the prices and conditions from 2017 (357.17 PLN).

Table 19: Shares held by members of the Supervisory Board of Benefit Systems S.A.

Supervisory Board	Status on the date of submitting the report for the 1 st quarter of 2017		As at the end of 2016		Change in status
	Number of shares	Percentage of share capital	Number of shares	Percentage of share capital	
James van Bergh*	595,396	23.67%	605,396	24.07%	(10,000)
Przemysław Gacek	0	0.00%	0	0.00%	-
Marcin Marczuk	0	0.00%	0	0.00%	-
Artur Osuchowski	0	0.00%	0	0.00%	-
Michael Sanderson	0	0.00%	0	0.00%	-
Total	595,396	23.67%	605,396	24.07%	(10,000)

* Direct share; additionally a person close to the Chairman of the Supervisory Board (within the meaning of article 160, paragraph 2, point 1 of the act on trading) controls Benefit Invest Ltd. as a shareholder with a holding of 93.3%, where this company holds shares in Benefit Systems S.A. numbering 581,504, representing 23.12% of the share capital and the total number of votes (as at the date of the submission of the report for the first quarter of 2017).

The members of the Management Board and Supervisory Board of the parent company do not hold interests in subsidiaries.

3.4. SHAREHOLDERS

The percentage of the share capital and voting rights takes into account the share capital increase made under the conditional capital issuance. Series D shares were acquired as part of the conditional share capital issuance by the holders of subscription warrants for series D and E, granted by the parent company in accordance with the provisions of the Incentive Programme for 2014-2016.

Table 20: Shareholder structure

Shareholder	Status on the date of submitting the report for the first quarter of 2017		As at the end of 2016		Change
	Number of shares	Share in the total number of votes at a General Meeting of Shareholders	Number of shares	Share in the total number of votes at a General Meeting of Shareholders	
James Van Bergh	595,396	23.67%	605,396	24.07%	(0.4 p.p.)
Benefit Invest Ltd.	581,504	23.12%	581,504	23.12%	-
MetLife DFE	293,951	11.69%	293,951	11.69%	-
Marek Kamola	262,830	10.45%	262,830	10.45%	-
Nationale-Nederlanden	245,000	9.74%	245,000	9.74%	-
Others	620,961	21.33%	610,961	20.93%	0.4 p.p.

Shareholder	Status on the date of submitting the report for the first quarter of 2017		As at the end of 2016		Change
	Number of shares	Share in the total number of votes at a General Meeting of Shareholders	Number of shares	Share in the total number of votes at a General Meeting of Shareholders	
<i>including Benefit Systems S.A. (own shares)</i>	84,730	-	84,730	-	-
TOTAL	2,599,642	100.00%	2,599,642	100.00%	-

The parent company's share capital amounts to 2,599,642 PLN. The number of shares in the share capital: 2,599,642 shares, including 2,204,842 shares of series A, 200,000 shares of series B, 150,000 shares of series C and 44,800 shares of series D. The shares of all series have a nominal value of 1 PLN each. The total number of votes resulting from all the shares issued amounts to 2,599,642. The shares give participation in the share capital of Benefit Systems S.A. equal to the share in the total number of votes at the General Meeting of Shareholders.

3.5. DIVIDEND

On 10th February, 2016, the Management Board adopted its Shareholder Profit Distribution Policy for the years 2016 to 2019, which was subsequently approved by the Supervisory Board and Annual General Meeting of the Parent Company. In each year of the Profit Distribution Policy the buyback of shares will be carried out for at least 50% of the net profit of the Parent Company for the previous financial year. The policy takes into account the financial situation and investment requirements of the parent company and Group companies, including those related to the implementation of investment agreements, as well as the demand for liquid cash with companies. The Profit Distribution Policy is in force and applied commencing with the distribution of net profit of the parent company for the year ended 31st December, 2015, and constitutes a continuation of the Dividend Policy of 25th September, 2012. On 15th June, 2016, the Annual General Meeting of the parent company adopted a resolution regarding the allocation of net profit for 2015. Given the plans of the parent company's Management Board regarding the share buyback, in accordance with the Profit Distribution Policy for the years 2016-2019, it was decided to allocate the net profit of 54.08 million PLN entirely to supplementary capital.

As part of the share buyback conducted in September, 2016, in accordance with the dividend policy, Benefit Systems S.A. spent 27,4 million PLN on the purchase of a total of 39,730 of its own shares. In addition, on 23rd September, 2016, the company acquired a total of 45,000 of its own shares for a total amount of 30.1 million PLN.

3.6. INCENTIVE PROGRAMME

On the basis of resolutions of the General Meeting of Shareholders, an Incentive Programme functions at Benefit Systems S.A., which is aimed at the senior and middle management of the company

and the subsidiaries of Benefit Systems Group, with which the parent company has entered into appropriate agreements. Under this programme, eligible employees receive options, which are convertible into shares of the parent company.

The specified employees, both among senior executives (with the proviso that Mr James Van Bergh will not participate in the incentive programme) and employees from middle management, can participate in the incentive programme. An obligatory condition for starting the incentive programme in a given year is the attainment of a specific level of EBITDA adjusted for the book cost of the programme attributable to the financial year.

On 31st May, 2012, the incentive programme was adopted for the years 2014-2016, in which a total of 99 employees participate and in which it was planned to issue up to 120,000 shares of a new issue of Series D. On the basis of the resolution of the Supervisory Board dated 12th July, 2015, the parent company allotted 40,000 subscription warrants from series D for the year 2014, which entitle their holders to subscribe to ordinary bearer shares from series D shares. On the basis of a resolution of the Supervisory Board dated 20th July, 2016, the Management Board for the parent company allotted 40,000 subscription warrants from series E for 2015 to authorised parties, which entitle their holders to subscribe to ordinary bearer shares from series D shares.

On 1st September, 2016, in accordance with the applicable rules of the Incentive Programme for the years 2014-2016, 30,100 series D subscription warrants were converted into shares of series D, while on 27th September, 2016, 14,700 series E warrants were converted into shares of series D.

On 10th February, 2016, the Supervisory Board of the parent company adopted a proposal for the next edition of the Incentive Programme for the period 2017-2020. The aim of the programme is to create an incentive system that will promote efficient and loyal work aimed at achieving high financial results and a long-term increase in the value of the parent company. During the Incentive Programme for the period 2017-2020 its participants (149 people) will be able to receive a maximum of 100,000 subscription warrants (which after conversion into shares will represent 3.91% of the share capital of the parent company), which will give an entitlement to subscribe to the specific number of shares of the parent company in four equal tranches.

The assumptions of the Incentive Programme for the period 2017-2020 were adopted in the form of a resolution at the Annual General Meeting on 15th June, 2016. The thresholds are presented in the table below:

	Share in the maximum number of warrants for the year		Level of adjusted gross profit (in millions of PLN)			
			of 2017	2018	2019	2020
Thresholds in millions of PLN - adjusted gross profit (excluding Incentive Programme expenditures)	100 %	25,000	90	105.0	120	140
	75%	18,750	85	97.5	110	130
	50%	12,500	80	91.0	106	121

3.7. POSITION OF THE MANAGEMENT BOARD REGARDING THE IMPLEMENTATION OF FINANCIAL FORECASTS

Benefit Systems Group has not published forecasts for the first quarter of 2017.

3.8. SEASONAL NATURE OF THE BUSINESS

A characteristic feature of the industry in which the Group operates is the seasonal activity of sports cardholders. Traditionally, in the third quarter of the calendar year (the third quarter of the financial year for the Group) the activity of cardholders is lower than in the first, second and fourth quarters of the financial year.

3.9. CONTINGENT LIABILITIES

Table 21: Contingent liabilities

Contingent liabilities in thousands of PLN	Status on the date of submitting the report for the 1st quarter of 2017	As at the end of 2016	Change in status
Sureties and guarantees	18,828	18,568	260

These specified contingent liabilities relate to the capital support of strategic partners of the company and constitute the implementation of the provisions of investment agreements - they primarily deal with lease payments for fitness equipment and rental guarantees.

3.10. SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES

In the reporting period, Benefit Systems Group did not conclude transactions with related entities, which either individually or together could be considered significant or were concluded on other than market terms.

3.11. INFORMATION ABOUT PROCEEDINGS INSTITUTED BEFORE A COURT OR ADMINISTRATIVE AUTHORITY

In reference to the information provided by the company in the Management Board's Report on the Company's activity in 2016, the Company states that the investigation conducted by the Office of Competition and Consumer Protection is still ongoing. These activities by the Office were standard in nature. The company continues to declare its full cooperation in the course of the Office's clarifying activities.

Over the past quarter, Benefit Systems Group has not instigated nor has it been a party in court proceedings in respect of receivables, for which the total value exceeds 10% of equity. In the past quarter there were also no significant settlements in court cases.

4. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR BENEFIT SYSTEMS GROUP FOR THE 3 MONTHS ENDED 31ST MARCH, 2017

4.1. SELECTED FINANCIAL DATA FOR BENEFIT SYSTEMS GROUP

Table 22: Selected financial data

	1 st quarter of 2017 in thousands of PLN	1 st quarter of 2016 in thousands of PLN	1 st quarter of 2017 in thousands of EUR	1 st quarter of 2016 in thousands of EUR
Sales revenues	220,490	172,081	51,407	39,505
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	25,404	15,570	5,923	3,575
Operating profit	18,308	10,222	4,268	2,347
Profit before tax	17,656	10,635	4,116	2,441
Net profit	14,053	8,316	3,276	1,909
Net profit attributable to shareholders of the parent company	14,221	8,620	3,316	1,979
Net cash from operating activities	26,185	19,323	6,105	4,436
Net cash from investment activities	(31,367)	(7,999)	(7,313)	(1,836)
Net cash from financial activities	(3,842)	(2,438)	(896)	(560)
Net change in cash and cash equivalents	(9,024)	8,886	(2,104)	2,040
Weighted average number of ordinary shares	2,599,642	2,554,842	2,599,642	2,554,842
Diluted weighted average number of ordinary shares	2,662,975	2,687,265	2,662,975	2,687,265
Earnings per ordinary share attributable to shareholders of the parent company (in PLN/EUR)	5.47	3.37	1.28	0.77
Diluted earnings per ordinary share attributable to shareholders of the parent company (in PLN/EUR)	5.34	3.21	1.25	0.74

	As at 31/03/2017 in thousands of PLN	As at 31/12/2016 in thousands of PLN	As at 31/03/2017 in thousands of EUR	As at 31/12/2016 in thousands of EUR
Non-current assets	395,869	373,660	93,812	84,462
Current assets	197,313	195,780	46,759	44,254
Total assets	593,182	569,440	140,571	128,716
Non-current liabilities	159,768	159,861	37,862	36,135
Current liabilities	175,434	167,382	41,574	37,835
Equity	257,980	242,197	61,136	54,746
Equity attributable to shareholders of the parent company	240,968	224,946	57,104	50,847
Share capital	2,600	2,600	616	588
Number of ordinary shares	2,599,642	2,599,642	2,599,642	2,599,642
Book value per share attributable to shareholders of the parent company (in PLN/EUR per share)	92.69	86.53	21.97	19.56

In the periods covered by the financial statements, the following average exchange rates for the zloty against the Euro, established by the National Bank of Poland, were adopted for the conversion of selected financial data:

- the rate applicable on the last day of the reporting period:

- 31/03/2017 - 4.2198 PLN/EUR,
- 31/12/2016 - 4.4240 PLN/EUR.

- the average exchange rate in the period, calculated as the arithmetic average of the rates prevailing on the last day of each month in the period:

- 01/01 - 31/03/2017 - 4.2891 PLN/EUR,
- 01/01 - 31/03/2016 - 4.3559 PLN/EUR.

The highest rate applicable in each period was as follows:

- 01/01 - 31/03/2017 - 4.3308 PLN/EUR,
- 01/01 - 31/03/2016 - 4.4405 PLN/EUR.

The lowest rate applicable in each period was as follows:

- 01/01 - 31/03/2017 - 4.2198 PLN/EUR,
- 01/01 - 31/03/2016 - 4.2684 PLN/EUR.

4.2. CONSOLIDATED INCOME STATEMENT

Table 23: Consolidated income statement

In thousands of PLN	1 st quarter of 2017	1 st quarter of 2016
Sales revenues	220,490	172,081
Revenues from sales of services	217,497	168,584
Revenues from sales of goods and materials	2,993	3,497
Costs of sales	(174,058)	(140,243)
Cost of products sold	0	(42)
Cost of services rendered	(171,752)	(137,616)
Cost of goods and materials sold	(2,306)	(2,585)
Gross profit on sales	46,432	31,838
Selling expenses	(12,132)	(8,999)
General and administrative expenses	(15,330)	(12,276)
Other operating income	1,994	514
Other operating costs	(2,656)	(855)
Operating profit	18,308	10,222
Financial income	688	687
Financial costs	(2,089)	(1,102)
Share of profits of associates accounted for using the equity method (+/-)	749	828
Profit before tax	17,656	10,635
Income tax charge	(3,603)	(2,319)
Net profit from continuing operations	14,053	8,316
Net profit	14,053	8,316
<i>Net profit attributable to:</i>		
- shareholders of the parent company	14,221	8,620
- non-controlling interests	(168)	(304)

Table 24: Net income per ordinary share (PLN)

	31/03/2017	31/03/2016
from continuing operations		
- basic	5.47	3.37
- diluted	5.34	3.21
from continuing and discontinued operations		
- basic	5.47	3.37
- diluted	5.34	3.21

Table 25: Statement of other comprehensive income

In thousands of PLN	1 st quarter of 2017	1 st quarter of 2016
Net profit	14,053	8,316
Financial assets available for sale:	0	0
- gains (losses) recognized in the period in other comprehensive income	0	0
Income tax relating to items transferred to the financial result	0	0
Other comprehensive income after tax	0	0
Comprehensive income	14,053	8,316
Total comprehensive income attributable to:		
- shareholders of the parent company	14,221	8,620
- non-controlling interests	(168)	(304)

4.3. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Table 26: Consolidated statement of financial position - Assets

In thousands of PLN	As at 31/03/2017	As at 31/12/2016	As at 31/03/2016
Non-current assets			
Goodwill	131,331	131,320	99,905
Intangible assets	17,753	17,874	11,338
Property, plant and equipment	141,375	135,251	108,784
Investments in subsidiaries	0	0	105
Investments in associates	38,115	33,731	29,250
Loans and receivables	44,129	45,602	36,076

In thousands of PLN	As at 31/03/2017	As at 31/12/2016	As at 31/03/2016
Other long-term financial assets	3,510	97	0
Long-term prepayments	605	702	1,078
Deferred tax assets	19,051	9,083	16,306
Non-current assets	395,869	373,660	302,842
Current assets			
Inventories	15,341	12,850	6,252
Trade and other receivables	100,813	93,918	70,651
Income tax receivable	543	206	0
Loans	17,526	15,431	8,040
Other short-term financial assets	242	242	0
Accruals	6,202	7,463	4,393
Cash and cash equivalents	55,896	64,920	32,883
Fixed assets classified as held for sale	750	750	0
Current assets	197,313	195,780	122,219
Total assets	593,182	569,440	425,061

Table 27: Consolidated statement of financial position - Liabilities

In thousands of PLN	As at 31/03/2017	As at 31/12/2016	As at 31/03/2016
Equity			
Equity attributable to shareholders of the parent company:			
Share capital	2,600	2,600	2,555
Own shares	(57,594)	(57,594)	0
Exchange differences on translation of foreign operations	(44)	(131)	(27)
Share premium	53,158	51,444	43,331
Reserve capital	9,906	9,906	30,500
Other capital	131,347	131,347	48,956
Retained earnings:	101,595	87,374	70,747
- accumulated earnings for the previous reporting periods	87,374	4,608	62,127
- net profit attributable to share attributable to shareholders of the parent company	14,221	82,766	8,620

In thousands of PLN	As at 31/03/2017	As at 31/12/2016	As at 31/03/2016
Equity attributable to shareholders of the parent company:	240,968	224,946	196,062
Non-controlling interests	17,012	17,251	5,305
Equity	257,980	242,197	201,367
<i>Non-current liabilities</i>			
Interest-bearing bank loans, borrowings and debt securities	122,274	121,445	56,280
Finance lease liabilities	26,173	27,355	21,916
Other liabilities	0	4,255	8,095
Deferred tax liabilities	6,870	5,907	5,142
Liabilities to employees and provisions for employee benefits	0	0	9
Long-term prepayments	4,451	899	0
Total non-current liabilities	159,768	159,861	91,442
<i>Current liabilities</i>			
Trade payables and other liabilities	65,415	67,513	41,520
Income tax payable	10,992	14,220	7,059
Interest-bearing bank loans, borrowings and debt securities	2,098	2,505	11,956
Finance lease liabilities	10,423	10,397	10,043
Liabilities to employees and provisions for employee benefits	7,127	11,619	5,528
Other short-term provisions	3,547	2,621	3,272
Accruals	75,832	58,507	52,874
Total current liabilities	175,434	167,382	132,252
Total liabilities	335,202	327,243	223,694
Total liabilities	593,182	569,440	425,061

4.4. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Table 28: Consolidated statement of changes in equity

In thousands of PLN	Share capital	Own shares	Exchange differences on translation of foreign operations	Share premium	Reserve capital	Other capital	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at 01/01/2017	2,600	(57,594)	(131)	51,444	9,906	131,347	87,374	224,946	17,251	242,197
<i>Changes in equity in the period from 01/01 to 31/03/2017</i>										
Valuation of options (share-based payment programme)	0	0	0	1,714	0	0	0	1,714	0	1,714
Exchange differences from consolidation	0	0	87	0	0	0	0	87	(71)	16
Total transactions with owners	0	0	87	1,714	0	0	0	1,801	(71)	1,730
Net profit (loss) for the period 01/01-31/03/2017	0	0	0	0	0	0	14,221	14,221	(168)	14,053
Total comprehensive income	0	0	0	0	0	0	14,221	14,221	(168)	14,053
Balance as at 31/03/2017	2,600	(57,594)	(44)	53,158	9,906	131,347	101,595	240,968	17,012	257,980

Table 29: Consolidated statement of changes in equity - cont.

thousands of PLN	Share capital	Own shares	Exchange differences on translation of foreign operations	Share premium	Reserve capital	Other capital	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at 01/01/2016	2,555	0	(38)	41,458	30,500	48,956	62,128	185,558	5,703	191,262
<i>Changes in equity in the period from 01/01 to 31/12/2016</i>										
Shares' issuance	45	0	0	0	0	0	0	45	0	45
Shares' issuance in connection with the execution of options (share-based payment programme)	0	0	0	0	0	6,698	0	6,698	0	6,698
Share buyback	0	(57,594)	0	0	(57,594)	57,594	0	(57,594)	0	(57,594)
Valuation of options (share-based payment programme)	0	0	0	9,986	0	0	0	9,986	0	9,986
Change in the structure of the group (transactions with non-controlling interests)	0	0	0	0	0	0	(2,421)	(2,421)	16,474	14,053
Exchange differences from consolidation	0	0	(93)	0	0	0	0	(93)	0	(93)
Transfer of supplementary capital to reserve capital	0	0	0	0	37,000	(37,000)	0	0	0	0
Transfer of net profit to capital	0	0	0	0	0	55,099	(55,099)	0	0	0
Total transactions with owners	45	(57,594)	(93)	9,986	(20,594)	82,391	(57,520)	(43,379)	16,474	(26,905)
Net profit (loss) for the period 01/01-31/12/2016	0	0	0	0	0	0	82,766	82,766	(4,926)	77,840

thousands of PLN	Share capital	Own shares	Exchange differences on translation of foreign operations	Share premium	Reserve capital	Other capital	Retained earnings	Total	Non-controlling interests	Total equity
Total comprehensive income	0	0	0	0	0	0	82,766	82,766	(4,926)	77,840
Balance as at 31/12/2016	2,600	(57,594)	(131)	51,444	9,906	131,347	87,374	224,946	17,251	242,197

Table 30: Consolidated statement of changes in equity - cont.

In thousands of PLN	Share capital	Own shares	Exchange differences on translation of foreign operations	Share premium	Reserve capital	Other capital	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at 01/01/2016	2,555	0	(38)	41,458	30,500	48,956	62,127	185,558	5,703	191,261
<i>Changes in equity in the period from 01/01 to 31/03/2016</i>										
Valuation of options (share-based payment programme)	0	0	0	1,873	0	0	0	1,873	0	1,873
Change in the structure of the group (transactions with non-controlling interests)	0	0	0	0	0	0	0	0	(94)	(94)
Exchange differences from consolidation	0	0	11	0	0	0	0	11	0	11
Total transactions with owners	0	0	11	1,873	0	0	0	1,884	(94)	1,790
Net profit (loss) for the period 01/01-31/03/2016	0	0	0	0	0	0	8,620	8,620	(304)	8,316
Total comprehensive income	0	0	0	0	0	0	8,620	8,620	(304)	8,316
Balance as at 31/03/2016	2,555	0	(27)	43,331	30,500	48,956	70,747	196,062	5,305	201,367

4.5. CONSOLIDATED STATEMENT OF CASH FLOWS

Table 31: Consolidated statement of cash flows

In thousands of PLN	1 st quarter of 2017	1 st quarter of 2016	Change
<i>Cash flows from operating activities</i>			
Profit before tax	17,656	10,635	66.0%
Total adjustments	9,565	6,334	51.0%
Changes in working capital	13,418	7,060	90.1%
Interest paid on operating activities	0	(3)	-
Income tax paid	(14,454)	(4,703)	207.3%
Net cash from operating activities	26,185	19,323	35.5%
<i>Cash flows from investment activities</i>			
Expenditures on the acquisition of intangible assets	(1,520)	(1,331)	14.2%
Expenditure on the acquisition of property, plant and equipment	(11,727)	(8,716)	34.5%
Proceeds from the sale of property, plant, equipment	248	4,673	(94.7%)
Net expenses on acquisition of subsidiaries	(6,062)	(1,933)	213.6%
Loans collected	972	236	311.9%
Loans granted	(9,864)	(50)	-
Expenditure on the acquisition of other financial assets	(3,636)	(1,300)	179.7%
Proceeds from the sale of other financial assets	0	145	-
Interest received	222	96	131.3%
Dividends received	0	181	-
Net cash from investment activities	(31,367)	(7,999)	292.1%
<i>Cash flows from financing activities</i>			
Proceeds from loans and borrowings	0	2,885	-
Repayment of borrowings	(575)	(2,148)	(73.2%)
Repayment of finance leases	(2,857)	(2,763)	3.4%
Interest paid	(410)	(412)	(0.5%)
Net cash from financial activities	(3,842)	(2,438)	57.6%
Net change in cash and cash equivalents	(9,024)	8,886	-
Cash and cash equivalents at beginning of period	64,920	23,997	170.5%
Cash and cash equivalents at end of period	55,896	32,883	70.0%

5. CONDENSED FINANCIAL STATEMENTS OF BENEFIT SYSTEMS S.A. FOR THE 3 MONTHS ENDED 31ST MARCH, 2017

5.1. SELECTED FINANCIAL DATA OF BENEFIT SYSTEMS S.A.

Table 32: Selected financial data of Benefit Systems S.A.

	1 st quarter of 2017 in thousands of PLN	1 st quarter of 2016 in thousands of PLN	1 st quarter of 2017 in thousands of EUR	1 st quarter of 2016 in thousands of EUR
Sales revenues	158,230	132,744	36,891	30,474
Operating profit	11,241	3,656	2,621	839
Profit before tax	14,610	6,337	3,406	1,455
Net profit from continuing operations	12,136	4,981	2,829	1,143
Net cash from operating activities	2,390	7,035	557	1,615
Net cash from investment activities	(23,969)	(12,627)	(5,588)	(2,899)
Net cash from financial activities	6,319	4,806	1,473	1,103
Net change in cash and cash equivalents	(15,260)	(786)	(3,558)	(180)
Weighted average number of ordinary shares	2,599,642	2,554,842	2,599,642	2,554,842
Diluted weighted average number of ordinary shares	2,662,975	2,687,265	2,662,975	2,687,265
Earnings per ordinary share (in PLN/EUR)	4.67	1.95	1.09	0.45
Diluted earnings per ordinary share (in PLN/EUR)	4.56	1.85	1.06	0.43

	As at 31/03/2017 in thousands of PLN	As at 31/12/2016 in thousands of PLN	As at 31/03/2017 in thousands of EUR	As at 31/12/2016 in thousands of EUR
Non-current assets	375,103	331,156	88,891	74,854
Current assets	138,786	153,991	32,889	34,808
Total assets	513,889	485,147	121,780	109,663
Non-current liabilities	174,946	169,974	41,458	38,421
Current liabilities	121,570	111,650	28,809	25,237
Equity	217,373	203,523	51,513	46,004
Share capital	2,600	2,600	616	588
Number of ordinary shares	2,599,642	2,599,642	2,599,642	2,599,642

	As at 31/03/2017 in thousands of PLN	As at 31/12/2016 in thousands of PLN	As at 31/03/2017 in thousands of EUR	As at 31/12/2016 in thousands of EUR
Book value per share (in PLN/EUR per share)	83.62	78.29	19.82	17.70

In the periods covered by the financial statements, the following average exchange rates for the zloty against the Euro, established by the National Bank of Poland, were adopted for the conversion of selected financial data:

- the rate applicable on the last day of the reporting period:

- 31/03/2017 - 4.2198 PLN/EUR,
- 31/12/2016 - 4.4240 PLN/EUR.

- the average exchange rate in the period, calculated as the arithmetic average of the rates prevailing on the last day of each month in the period:

- 01/01 - 31/03/2017 - 4.2891 PLN/EUR,
- 01/01 - 31/03/2016 - 4.3559 PLN/EUR.

The highest rate applicable in each period was as follows:

- 01/01 - 31/03/2017 - 4.3308 PLN/EUR,
- 01/01 - 31/03/2016 - 4.4405 PLN/EUR.

The lowest rate applicable in each period was as follows:

- 01/01 - 31/03/2017 - 4.2198 PLN/EUR,
- 01/01 - 31/03/2016 - 4.2684 PLN/EUR.

5.2. STATEMENT OF PROFIT

Table 33: Statement of profit for Benefit Systems S.A.

In thousands of PLN	1 st quarter of 2017	1 st quarter of 2016	Change
Continuing operations			
Sales revenues	158,230	132,744	19.2%
Revenues from sales of services	158,230	132,744	19.2%
Costs of sales	(134,467)	(117,420)	14.5%
Cost of services rendered	(134,467)	(117,420)	14.5%
Gross profit on sales	23,763	15,324	55.1%
Selling expenses	(5,451)	(4,981)	9.4%
General and administrative expenses	(7,049)	(6,706)	5.1%
Other operating income	1,995	1,285	55.3%
Other operating costs	(2,017)	(1,266)	59.3%
Operating profit	11,241	3,656	207.5%
Financial income	5,293	3,741	41.5%
Financial costs	(1,924)	(1,060)	81.5%
Profit before tax	14,610	6,337	130.6%
Income tax charge	(2,474)	(1,356)	82.4%
Net profit from continuing operations	12,136	4,981	143.6%
Discontinued operations			
Net profit from discontinued operations	0	0	-
Net profit	12,136	4,981	143.6%

Table 34: Net income per ordinary share (PLN)

	31/03/2017	31/03/2016
from continuing operations		
- basic	4.67	1.95
- diluted	4.56	1.85
from continuing and discontinued operations		
- basic	4.67	1.95
- diluted	4.56	1.85

Table 35: Statement of other comprehensive income

In thousands of PLN	1 st quarter of 2017	1 st quarter of 2016
Net profit	12,136	4,981
Financial assets available for sale:	0	0
- gains (losses) recognized in the period in other comprehensive income	0	0
Income tax relating to items transferred to the financial result	0	0
Other comprehensive income after tax	0	0
Comprehensive income	12,136	4,981

5.3. STATEMENT OF FINANCIAL POSITION

Table 36: Statement of financial position of Benefit Systems S.A. - Assets

In thousands of PLN	As at 31/03/2017	As at 31/12/2016	As at 31/03/2016
<i>Non-current assets</i>			
Intangible assets	10,800	11,010	6,027
Property, plant and equipment	47,012	46,630	32,486
Investments in subsidiaries	107,221	107,221	107,221
Investments in associates	6,621	6,621	6,367
Loans and receivables	186,481	151,644	122,429
Deferred tax assets	16,968	8,030	14,297
Total non-current assets	375,103	331,156	288,827
<i>Current assets</i>			
Inventories	12,039	7,878	4,324
Trade and other receivables	58,535	52,822	53,660
Loans	47,320	55,607	34,883
Accruals	3,671	5,203	880
Cash and cash equivalents	17,221	32,481	1,187
Total current assets	138,786	153,991	94,934
Total assets	513,889	485,147	383,761

Table 37: Statement of financial position of Benefit Systems S.A. - Liabilities

In thousands of PLN	As at 31/03/2017	As at 31/12/2016	As at 31/03/2016
Equity			
Share capital	2,600	2,600	2,555
Own shares	(57,594)	(57,594)	0
Reserve capital	9,906	9,906	30,500
Other capital	178,518	176,804	87,317
Retained earnings:	83,943	71,807	58,602
- accumulated earnings (losses) for the previous reporting periods	71,807	(461)	53,621
- net profit	12,136	72,268	4,981
Total equity	217,373	203,523	178,974
Liabilities			
Non-current liabilities			
Interest-bearing bank loans, borrowings and debt securities	146,996	137,813	72,002
Finance lease liabilities	20,099	20,275	11,373
Other liabilities	0	4,248	8,093
Deferred tax liabilities	7,851	7,638	6,686
Total non-current liabilities	174,946	169,974	98,154
Current liabilities			
Trade payables and other liabilities	28,545	29,022	16,689
Income tax payable	10,022	12,457	6,277
Interest-bearing bank loans, borrowings and debt securities	6,040	5,975	29,279
Finance lease liabilities	6,441	5,935	3,491
Liabilities to employees and provisions for employee benefits	3,549	6,858	3,324
Accruals	66,973	51,403	47,573
Total current liabilities	121,570	111,650	106,633
Total liabilities	296,516	281,624	204,787
Total liabilities	513,889	485,147	383,761

5.4. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Table 38: Statement of changes in equity of Benefit Systems S.A.

In thousands of PLN	Share capital	Own shares	Reserve capital	Other capital	Retained earnings	Total equity
Balance as at 01/01/2017	2,600	(57,594)	9,906	176,804	71,807	203,523
<i>Changes in equity in the period from 01/01 to 31/03/2017</i>						
Valuation of options (share-based payment programme)	0	0	0	1,714	0	1,714
Total transactions with owners	0	0	0	1,714	0	1,714
Net profit for the period 01/01 to 31/03/2017	0	0	0	0	12,136	12,136
Total comprehensive income	0	0	0	0	12,136	12,136
Balance as at 31/03/2017	2,600	(57,594)	9,906	178,518	83,943	217,373

Table 39: Statement of changes in equity of Benefit Systems S.A. - cont.

In thousands of PLN	Share capital	Own shares	Reserve capital	Other capital	Retained earnings	Total equity
Balance as at 01/01/2016	2,555	0	30,500	85,444	53,621	172,120
Changes in equity in the period from 01/01 to 31/12/2016						
Shares' issuance	45	0	0	6,698	0	6,743
Share buyback	0	(57,594)	(57,594)	57,594	0	(57,594)
Valuation of options (share-based payment programme)	0	0	0	9,986	0	9,986
Reposting of capital	0	0	37,000	(37,000)	0	0
Transfer of net profit to capital	0	0	0	54,082	(54,082)	0
Total transactions with owners	45	(57,594)	(20,594)	91,360	(54,082)	(40,865)
Net profit for the period 01/01 to 31/12/2016	0	0	0	0	72,268	72,268
Total comprehensive income	0	0	0	0	72,268	72,268
Balance as at 31/12/2016	2,600	(57,594)	9,906	176,804	71,807	203,523

Table 40: Statement of changes in equity of Benefit Systems S.A. - cont.

In thousands of PLN	Share capital	Own shares	Reserve capital	Other capital	Retained earnings	Total equity
Balance as at 01/01/2016	2,555	0	30,500	85,444	53,621	172,120
Changes in equity in the period from 01/01 to 31/03/2016						
Valuation of options (share-based payment programme)	0	0	0	1,873	0	1,873
Total transactions with owners	0	0	0	1,873	0	1,873
Net profit for the period 01/01 to 31/03/2016	0	0	0	0	4,981	4,981
Total comprehensive income	0	0	0	0	4,981	4,981
Balance as at 31/03/2016	2,555	0	30,500	87,317	58,602	178,974

5.5. STATEMENT OF CASH FLOWS

Table 41: Cash flows for Benefit Systems S.A.

In thousands of PLN	1 st quarter of 2017	1 st quarter of 2016	Change
<i>Cash flows from operating activities</i>			
Profit before tax	14,610	6,337	130.6%
Total adjustments	1,259	938	34.2%
Changes in working capital	154	3,520	(95.6%)
Income tax paid	(13,633)	(3,760)	262.6%
Net cash from operating activities	2,390	7,035	(66.0%)
<i>Cash flows from investment activities</i>			
Expenditures on the acquisition of intangible assets	(1,090)	(922)	18.2%
Expenditure on the acquisition of property, plant and equipment	(153)	(4,303)	(96.4%)
Proceeds from the sale of property, plant, equipment	150	4,533	(96.7%)
Net expenses on acquisition of subsidiaries	(2,638)	(1,933)	36.5%
Loans collected	1,025	565	81.4%
Loans granted	(26,883)	(9,550)	181.5%
Expenditure on the acquisition of other financial assets	0	(1,300)	-
Proceeds from the sale of other financial assets	0	145	-
Interest received	909	138	558.7%
Dividends received	4,711	0	-
Net cash from investment activities	(23,969)	(12,627)	89.8%
<i>Cash flows from financing activities</i>			
Proceeds from loans and borrowings	8,000	5,927	35.0%
Repayment of finance leases	(1,381)	(914)	51.1%
Interest paid	(300)	(207)	44.9%
Net cash from financial activities	6,319	4,806	31.5%
Net change in cash and cash equivalents	(15,260)	(786)	1,841.5%
Cash and cash equivalents at beginning of period	32,481	1,973	1,546.3%
Cash and cash equivalents at end of period	17,221	1,187	1,350.8%

Date	Forename and surname	Position	Signature
25 th April, 2017	Izabela Walczevska-Schneyder	Member of the Management Board	
25 th April, 2017	Arkadiusz Hanszke	Member of the Management Board	
25 th April, 2017	Adam Kędzierski	Member of the Management Board	