MANAGEMENT BOARD REPORT ON THE ACTIVITIES OF BENEFIT SYSTEMS GROUP

FOR THE 12 MONTHS ENDED 31ST DECEMBER, 2017

BENEFIT systems

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LETTER OF THE MANAGEMENT BOARD

Dear Shareholders,

The year 2017 was another good year for Benefit Systems Group. MultiSport cards, our most important product, are appreciated by an increasing group of users. The number of cards in Poland increased by 121,000 to 865,500 and the number of cards abroad doubled from 61,000 to 131,000. In total, we have therefore reached a level of almost one million MultiSport cards. The social role of sports cards is also growing.

The MultiSport programme has a positive impact on:

- Card users - it activates them to exercise and become more physically active; every second person who received a MultiSport card previously was not in a fitness club;
- Partners (the owners of sports facilities) - thanks to the MultiSport card, they have a permanent source of income, which enables them to maintain and develop their business. Since 2011, thanks to Benefit Systems S.A., almost 2 billion PLN has been transferred from the corporation to private entrepreneurs. This has a positive direct impact on the lives of tens of thousands of people - the owners of facilities, their families and employees;
- Customers (companies) - the MultiSport card is a convenient benefit that is highly desired by employees, which not only increases employee satisfaction, but also encourages their loyalty, and brings savings to the company associated with lower absenteeism and costs associated with employees leaving.

The increase in the number of sports cards imposes on us an obligation to ensure card holders have an appropriate level of space for their activities. That is why we are continuing our investments in the network of fitness clubs, which is an element in the implementation of our long-term strategy, both in Poland and abroad. The network of investment clubs has increased by 41 facilities, of which 22 are newly opened locations. At the end of 2017, Benefit Systems Group held shares in 149 facilities in Poland, out of which it managed 78 clubs directly. A further 10 facilities in the Czech Republic and 2 in Bulgaria should be added to this number. Our goal is sustainable development and the promotion of an active and healthy lifestyle, and the investments carried out are aimed at ensuring an attractive training base for Multisport card users.

However, apart from its direct investments in clubs, Benefit Systems S.A. focuses primarily on good cooperation with its external partners - owners of sports facilities, of which there are almost 4,000 (including 2,500 fitness clubs). The Company's partners declare over 90% satisfaction in their cooperation with Benefit Systems S.A., and the Company tries to support their business through, among others, training sessions provided by the ICAN Institute and the Multisport Academy, as well as the very popular loan programme for the development and modernisation of clubs. We supported partners to a total of 20 million PLN under the loans granted in 2017. This programme will also be continued in the following years.

A key value of the company are people. Without their commitment, passion and the solutions prepared by them, achieving such good results would not have been possible. That is why we striving for a high level of satisfaction among our employees, which also translates into the quality of relationships with our Partners and Customers. We are proud that last year the level of employee satisfaction and commitment amounted to 79% (AON Hewitt), customer satisfaction from cooperation with us was as high as 98% (IPSOS), and the level of satisfaction among our partners is 93% (IPSOS). We are pleased with the satisfaction of Users of the MultiSport Programme, as well as the growing and increasing trust of the nearly 3,000 Partners managing 4,000 facilities, and over 12,000 Customers.

We have written about these and other elements related to the Company's activities in the area of corporate social responsibility (CSR) in the non-financial report we have issued for the first time.

We wish to thank our Employees, Associates, Customers, Partners, Users of our cards and Investors for their good cooperation and trust they place in us every day.

The Management Board for Benefit Systems S.A.

SELECTED FINANCIAL DATA FOR BENEFIT SYSTEMS GROUP

Table 1: Selected financial data for Benefit Systems Group for 2017

In thousands of PLN	4th quarter, 2017	4th quarter, 2016 Restated*	4 quarters of 2017	4 quarters of 2016 Restated*
Sales revenues	266,743	203,790	964,786	743,818
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	41,297	32,440	155,529	116,867
Operating profit increased by depreciation and amortisation (EBITDA) excluding the Incentive Programme's costs	45,296	36,807	164,670	126,853
Earnings before interest, tax (EBIT)	31,697	25,790	121,411	93,175
Profit before tax	28,110	31,251	116,291	98,839
Net profit attributable to shareholders of the parent company	18,000	27,279	88,103	80,519
Net profit attributable to non-controlling entities	(167)	(2,571)	(1 395)	(4,926)
Net profit	17,833	24,708	86,708	75,593
Net cash flows from operating activities	33,866	40,056	139,161	120,611
Net cash flows from investment activities	(10,431)	(26,135)	(161 847)	(68,743)
Net cash flows from financing activities	(17 295)	(7,424)	9,949	(10,650)
Net change in cash and cash equivalents	6,140	6,497	(12,737)	41,218
Net income per share attributable to shareholders of the parent company (in PLN per share)	6.15	8.62	33.09	29.43

In thousands of PLN	31st December, 2017	31st December, 2016 Restated*
Non-current assets	525,920	391,798
Current assets	236,115	198,842
Total assets	762,035	590,640
Non-current liabilities	201,713	236,349
Current liabilities	340,445	176,607
Equity	219,877	177,684
Equity attributable to shareholders of the parent company	202,033	160,433
Share capital	2,675	2,600
Number of shares	2,674,842	2,599,642
Book value per share attributable to shareholders of the parent company (in PLN per share)	75.53	61.71

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

**Comparative data are presented restated as a result of the correction of errors from previous years (note 3.23).*

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

Benefit Systems Group operates on the non-monetary employee benefits market and specialises in providing employers with innovative and modern solutions in the area of sports, recreation, culture and entertainment, as well as tailor made cafeteria programmes. Its products assist in promoting an active and healthy lifestyle. The unique business model of Benefit Systems Group consists of building and maintaining a balanced relationship with Customers (companies) and Partners (sports facilities, fitness clubs, restaurants, etc.).

The key elements of Benefit Systems Group's growth were primarily maintaining an attractive product in Poland developing it abroad, as well as the further increased growth of its sports and leisure infrastructure for users of sports cards, among others, from investments in fitness clubs in Poland and abroad.

Benefit Systems Group operates in 4 segments:

- **Sports Cards** - offering access to a wide range of nearly 4,000 sports and leisure facilities. There were 865,000 active cards in Poland at the end of 2017.
- **Fitness segment** - created from companies with sports clubs throughout Poland, in which Benefit Systems Group has equity investments. These clubs extend and enhance the offer of sports activities for users of sports cards.
- **Foreign segment** - responsible for sales of sports cards on foreign markets. Sales of cards in the Czech Republic, Slovakia and Bulgaria totalled 131,100 at the end of 2017.
- **Cafeteria segment** - a modern distribution channel for both non-wage employee benefits in the area of culture and tourism, as well as sports cards.

Research carried out by the Institute of Occupational Medicine shows that currently every second employer exceeds the statutory minimum in supporting the health of their employees, and only 15% of them support their physical activity after working hours. According to WHO recommendations, adults (16-64 years of age) should undertake moderate physical exercise for at least 150 minutes each week. However, it turns out that only one in seven Poles aged 15-69 meets the standards recommended by the World Health Organization, and Poland is among the six most obese nations in Europe (WHO, Kantar Public, the Institute of Mother and Child, 2017). Therefore, raising awareness of regular physical activity is becoming the basis for proper functioning in the modern world. The benefits of regular activity are also recognised by employers who appreciate its real impact on the quality of life of employees. In 2017, gym passes, including the MultiSport card providing access to nearly 4,000 sports and leisure facilities, were the most frequently chosen non-wage benefit by HR departments. Currently, more than 12,000 companies and institutions in Poland are helping employees to have access to the MultiSport Programme, out of which by the end of 2017 865,500 people had already taken advantage of this programme. For them, activity is a valuable way of spending time (96%) and a means to self-fulfilment (90% - data from Benefit Systems S.A., SW Research).

The popularity of an active lifestyle and growing needs related to the sports offer have a positive impact on the development of the fitness market in Poland. According to data from Deloitte and EuropeActive, currently 3 million Poles visit fitness clubs, and over five years their number may increase to 4 million.

The attractiveness of Benefit Systems Group's flagship product, i.e. the sports cards, the favourable labour market trends and the growing popularity of a healthy and active lifestyle in Europe, as well as the dynamic development of the sports industry, indicate that Benefit Systems Group has the potential to continue its growth in the coming years.

1. BASIC INFORMATION ABOUT BENEFIT SYSTEMS GROUP

1.1. GENERAL INFORMATION AND COMPOSITION OF BENEFIT SYSTEMS

Benefit Systems Group is comprised of Benefit Systems S.A., responsible for the sale of sport cards in Poland, as well as entities operating on the non-monetary employee benefits market and sports market. Currently, over 12,000 companies and institutions employing over 2.5 million employees are customers of Benefit Systems Group.

Benefit Systems S.A. has been listed on the main trading floor of the Warsaw Stock Exchange since April, 2011. The flagship product of Benefit Systems Group is the MultiSport Programme, which provides access to almost 4,000 of the best and most popular sports facilities in approximately 650 towns and cities throughout Poland. Benefit Systems Group also offers other sports cards, for example, the FitProfit card. In total there are over 865,500 users in Poland and 131,100 users abroad of the sports products alone from Benefit Systems Group. The MultiSport programme is one of the most popular employee benefits in Poland, enabling a holder to lead an active, and thus a healthy lifestyle.

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 Benefit Systems Group's own products, such as the MultiBilet cultural and entertainment programme, allowing users to watch any of the films offered 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.

One of Benefit Systems Group's strategic goals is to invest in the fitness market, aimed at ensuring the appropriate infrastructure for MultiSport card users. According to Benefit Systems Group's research, half of all cards issued go to completely new users. This means that each year tens of thousands of new people go to fitness clubs and other sports facilities. Thanks to its investments in companies with fitness clubs, Benefit Systems Group guarantees that users of sports cards can benefit from modern, well-equipped clubs that offer a wide range of professional services.

The concept of the MultiSport programme is also used to support foreign expansion abroad. Since 2011, Benefit Systems Group has operated on the Czech market, and since 2015 also in Slovakia and Bulgaria. In 2017, Benefit Systems Group commenced preparations to introduce the MultiSport Programme to the Croatian market.

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 sports 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. The Prestige card, providing access to the most prestigious locations and sports facilities of the highest standard, was also added in 2012 to the basic products and services offered. 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, 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., The One Gym S.R.O., Fit Invest Bulgaria EOOD, Wesolandia Sp. z o.o. and Beck Box Club Praha S.R.O.

Fitness Academy Spółka z ograniczoną odpowiedzialnością SKA operates a network of seventeen 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 23 fitness clubs, including several clubs in Poznań and its surroundings. The Company is the sole shareholder in the company Fitness za Rogiem Sp. (3 clubs) and until 27th December, 2017, it was the sole shareholder in the Czech company The One Gym S.R.O. (formerly Form Factory S.R.O.).

Zdrofit Sp. z o.o. operates seventeen fitness clubs in Warsaw.

Fitness Place Sp. z o.o., Fitness Place S.R.O. and **Fit Invest Bulgaria EOOD** are 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. Fitness Place Sp. operates 14 clubs. Fitness Place S.R.O. operates 4 clubs, and Fit Invest Bulgaria EOOD operates 2 clubs.

Wesolandia Sp. z o.o. is the owner of the Aquapark Wesolandia leisure complex, consisting of, among others, a swimming pool, fitness club and tennis court, located in Warsaw - Wesoła.

Tiger Sp. z o.o. operates nine fitness clubs in Gdańsk and its surroundings.

Beck Box Club Praha S.R.O. operates six fitness clubs in Prague.

M Group Sp. z o.o. is a 100% subsidiary of Tiger Sp. z o.o. The Company leases space to Tiger Sp. z o.o. in the Alchemia business location in Gdańsk.

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) and Benefit Systems D.O.O. (Croatia), which are responsible for the sale of sports cards in these countries.

COMPANIES IN THE CAFETERIA SEGMENT

My Benefit Sp. z o.o. develops and sells products (through its special cafeteria platform) 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, including 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 Benefit Systems Group in subsidiaries is equal to Benefit Systems 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	Group's share in equity	
			31/12/2017	31/12/2016
SPORTS CARDS 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%
	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%
	The One Gym S.R.O.**	Jablunkovská 406 Staré Město 739 61 Třinec The Czech Republic	0.00%	66.06%
	Zdrofit Sp. z o.o.	ul. Mangalia 4 02-758 Warsaw	55.03%	55.03%
	Fitness Place S.R.O.	Plzeňská 233/8 150 00 Praha 5 The Czech Republic	100.00%	0.00%
	Fit Invest Bulgaria EOOD	8 Tsar Kaloyan Sofia 1000 Bulgaria	100.00%	0.00%
	Fitness Place Sp. z o.o.	Plac Europejski 3 00-844 Warsaw	100.00%	0.00%
	Wesolandia Sp. z o.o.	ul. Wspólna 4 05-075 Warsaw-Wesoła	100.00%	0.00%
	Beck Box Club Praha S.R.O.	Vinohradská 2405/190 Vinohrady, 130 00 Praha 3 The Czech Republic	100,00%	0.00%
	Tiger Sp. z o.o.***	Aleja Grunwaldzka 82 80-244 Gdańsk	30.00%	30.00%
	Fitness Management Sp. z o.o. ****	Plac Europejski 3 00-844 Warsaw	99.99%	0.00%
	M Group Sp. z o.o.	ul. Reymonta 16 80-290 Gdańsk	100.00%	0.00%
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%
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 The Czech Republic	74.00%	74.00%
	Benefit Systems Slovakia S.R.O.	Karadzicova 8/A 821 08 Bratislava Slovak Republic	83.00%	93.00%
	Benefit Systems Bulgaria EOOD	58 Bulgaria Blvd Sofia 1680 Bulgaria	100.00%	100.00%
	Benefit Systems D.O.O.	Zagreb (Grad Zagreb) Strossmayerow trg 8 Republic of Croatia	100.00%	0.00%

** As at the balance-sheet date, Benefit Systems Group held 66.06% of the shares; however, as a result of signing an agreement for acquisition of a further 33.94% of the shares in this company and the recognition in the books as at the balance-sheet date of the liabilities from this acquisition, the company is consolidated using the full method assuming a 100% shareholding in the share capital of Benefit Systems Group.*
*** The One Gym S.R.O. company was formed as a result of the transformation of Form Factory S.R.O. and was sold on 27th December, 2017. The company's result was fully consolidated for the year 2017.*
*** Benefit Systems Group's share in the equity amounts to 30%, however, due to the options held to purchase the remaining 70% of non-controlling interests with effect from 22nd June, 2016, the company is consolidated using the full method, assuming a 100% share by Benefit Systems Group in the equity of this company.*
***** The company is not included in consolidation due to immateriality (lack of activity).*

Table 3: Table of associates and others

Operating segment	Name of associate	Registered office of the associate	Group's share in equity	
			31/12/2017	31/12/2016
FITNESS SEGMENT	Baltic Fitness Center Sp. z o.o.	ul. Puławska 427 02-801 Warsaw	49.95%	49.95%
	Benefit Partners Sp. z o.o.	Plac Europejski 2 00-844 Warsaw	47.51%	100.00%
	Calypso Fitness S.A.	ul. Puławska 427 02-801 Warsaw	33.33%	33.33%
	Fit Fabric Sp. z o.o.	ul. 1go Maja 119/121 90-766 Łódź	30.00%	0.00%
	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%
	Zdrofit Sport Sp. z o.o. (in liquidation)	ul. Mangalia 4 02-758 Warsaw	26.69%	26.69%
OTHER COMPANIES	X-code Sp. z o.o.	ul. Klaudyny 21/4 01-684 Warsaw	31.15%	46.15%
	LangMedia Sp. z o.o.	ul. Skwierzyńska 25/3 53-521 Wrocław	37.00%	37.00%

1.2. INCOME STATEMENT

Table 4: Statement of profit for Benefit Systems Group for 2017

In thousands of PLN	12 months of 2017	12 months of 2016 Restated	Change
Sales revenues	**964,786**	**743,818**	**29.7%**
Revenues from rendering services	959,359	734,433	30.6%
Revenues from sales of goods and materials	5,427	9,385	(42.2%)
Costs of sales	**(699,127)**	**(537,678)**	**30.0%**
Cost of services rendered	(695 509)	(530,354)	31.1%
Cost of goods and materials sold	(3 618)	(7 324)	(50.6%)
Gross profit on sales	**265,659**	**206,140**	**28.9%**
Selling expenses	(57 747)	(42,734)	35.1%
General and administrative expenses	(87,944)	(67,919)	29.5%
Other operating income	9,085	8,902	2.1%
Other operating costs	(7,443)	(11,214)	(33.6%)
Profit (loss) on sales of subsidiaries (+/-)	(199)	0	-
Operating profit	**121,411**	**93,175**	**30.3%**
Financial income	3,915	2,948	32.8%
Financial expenses	(12,101)	(6,859)	76.4%
Share of profits (loss) for entities accounted for using the equity method	3,066	9,575	(68.0%)

In thousands of PLN	12 months of 2017	12 months of 2016 Restated	Change
Profit before tax	**116,291**	**98,839**	**17.7%**
Income tax charge	(29 583)	(23,246)	27.3%
Net profit from continuing operations	**86,708**	**75,593**	**14.7%**
Gross margin on sales %	27.5%	27.7%	(0.2 p.p.)

1.3. PROSPECTS

Benefit Systems Group does not publish its annual budget nor short-term financial forecasts. The current financial position of Benefit Systems Group supports implementation of investment projects using its own resources and externally available funding.

2. FINANCIAL RESULTS FOR 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 Benefit Systems Group's revenues). However, Benefit Systems 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 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,
- Other activities and arrangements.

Other activities and arrangements include activities related to management, administration and the strategic activities of Benefit Systems 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 Benefit Systems Group's costs. 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 period of 12 months of 2017

In thousands of PLN	Sports cards	Fitness	Foreign	Cafeteria	Arrangements	Total
Sales revenues	**730,744**	**180,173**	**91,936**	**67,447**	**(105,514)**	**964,786**
Costs of sales	(539,522)	(153,161)	(71,720)	(44,190)	109,466	(699,127)
Gross profit on sales	**191,222**	**27,012**	**20,216**	**2,257**	**3,952**	**265,659**
Selling expenses	(28,524)	(13,327)	(12,059)	(3,742)	(95)	(57,747)
General and administrative expenses	(29,370)	(24,190)	(13,617)	(6,866)	(13,901)	(87,944)
including the Incentive Programme	0	0	0	0	(9,141)	(9,141)
Other operating income and expenses	(870)	(2,908)	(79)	(91)	5,590	1,642
Loss from the sale of subsidiaries	0	(199)	0	0	0	(199)
Operating profit (loss)	**132,458**	**(13,612)**	**(5,539)**	**12,558**	**(4,454)**	**121,411**
Financial incomes and expenses	0	(10,360)	(891)	(194)	3,259	(8,186)
Share in the profits of associates accounted for using the equity method	0	3,176	0	0	(110)	3,066
Gross profit (loss)	**132,458**	**(20,796)**	**(6,430)**	**12,364**	**(1,305)**	**116,291**
EBITDA	141,291	9,145	(5,241)	13,932	(3,598)	155,529
Segment assets	603,925	439,740	32,675	100,185	(414,490)	762,035

Table 6: Reconciliation of the total value of revenues, income and assets of operating segments with similar items of the consolidated financial statements of Benefit Systems Group for the 12 months of 2017

In thousands of PLN	12 months of 2017	12 months of 2016 Restated
Segment revenue		
Total revenue of operating segments	1,070,300	782,528
Excluding revenue from intersegment transactions	(105,514)	(38,710)
Sales revenues	**964,786**	**743,818**
Segment results		
Operating result of segments	125,865	103,618
Exclusion of result from intersegment transactions	(4,454)	(10,443)
Operating profit	**121,411**	**93,175**
Financial incomes and expenses	(8,186)	(3 911)
Share in profit or loss of entities accounted for using the equity method (+/-)	3,066	9,575

Profit before tax	116,291	98,839
In thousands of PLN	**As of 31st December, 2017**	**As of 31st December, 2016 Restated**
Total assets of operating segments	1,176,525	784,716
Exclusion of intersegment transactions	(414,490)	(194,076)
Total assets	**762,035**	**590,640**

In the period covered by the consolidated financial statements, revenues from sales attributed to the Arrangements segment primarily include exclusions of intersegment transactions. The costs are associated with management and administration activities, strategic activities in Benefit Systems 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. SPORTS 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 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 often expected by potential employees. In addition, 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.

At the end of 2017, Benefit Systems Group recorded an increase in the number of sports cards in Poland to 865,500 cards. 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, and activities designed to improve the attractiveness of cards offered seasonally to MultiSport users.

As part of its additional offer, in 2017 Benefit Systems Group once again conducted the "MultiSport for summer" campaign, under which MultiSport card users could use city bikes, 58 outdoor swimming pools, 24 rope parks and 17 trampoline parks all over Poland throughout the summer. In July and August, training sessions were also held at the Legia Stadium in Warsaw, as well as outdoor activities conducted by certified coaches. For the first time active sports cards users were also offered an additional benefit in the form of free tickets to cinemas and museums - a total of 2 tickets to the cinema and 2 in July and August. The additional activities introduced by the Group in the MultiSport Programme proved very popular among users and a breakdown can be found at the following address: www.kartamultisport.pl. These actions influence the year-round activity of users, especially during the summer period, which significantly prevented the seasonal decrease of active sports cards observed in previous years. Outside the holiday season, Benefit Systems Group provides its users with seasonal add-ons, including those dedicated to winter sports (e.g. pre-season training or access to ice rinks).

Table 7: Selected financial data from the Sports Card segment

In thousands of PLN	12 months of 2017	12 months of 2016 Restated	Change
Sales revenues	**730,744**	**620,692**	**17.7%**
Costs of sales	(539,522)	(453,800)	18.9%
Gross profit on sales	**191,222**	**166,892**	**14.6%**
Selling expenses	(28,524)	(24,848)	14.8%
General and administrative expenses	(29,370)	(25,965)	13.1%
Other operating income and expenses	(870)	(508)	71.4%
Operating profit	**132,458**	**115,571**	**14.6%**
EBITDA	**141,291**	**121,847**	**16.0%**
Gross margin on sales	26.2%	26.9%	(0.7 p.p.)
Number of sports cards	*865,500*	*744,100*	*121,400*

Revenues for the Sports Cards segment year-on-year increased by 110.1 million PLN. Gross margin in the comparable period increased by 24.3 million PLN. Both increases are a consequence of the continuing growth in active sports cards. Their number at the end of the fourth quarter of 2017 was 121,400 higher than in the corresponding period of the previous year. The lower percentage increase in gross profit on sales as compared to the percentage increase in sales revenue is a result of the provision for own cost of sales at the amount of 13.7 million PLN due to settlements between the Sports Cards and Fitness segments. The decrease in gross margin on sales by 0.7 p.p. was also affected by the costs of tickets to the cinema and museum from the holiday campaign (18.9 million PLN), shown in the third quarter of 2017, and the increased activity at winter facilities in the fourth quarter of 2017 (they are characterized by a higher unit cost per visit than fitness clubs).

The increase in sales costs of 14.8% is due to an increase in the scale of operations at Benefit Systems Group. Nevertheless, the percentage share of these expenses in revenues fell by 0.1 p.p. General and administrative expenses increased by 3.4 million PLN, but their share in the segment's revenues fell by 0.2 p.p. The nominal increase in these costs results to a large extent from the increased scale of Benefit System Group's operations (which translated into an increased number of positions supporting this segment), as well as from extensive market research conducted by the parent company. In addition, the costs of legal services also increased, mainly as a result of assisting the Office for Consumer Protection and Competition in their explanatory activities (details in point 3.31 of this report).

The most significant items of other operating income and expenses were: costs of write-downs for deactivated sports cards (0.43 million PLN) and write-downs for bad debts (0.29 million PLN).

The results of the Sports Cards segment are affected by the seasonal activity of card users, such as MultiSport Plus and FitSport. This phenomenon may additionally be dependent on weather conditions (especially in the summer) or the number of free days in a given year.

2.2.2. FITNESS SEGMENT

A constant increase in the number of sports cards expands the market of people exercising - every second MultiSport card user has not used sports facilities before. Therefore, in order to ensure an appropriate base of sports and recreation facilities for the growing group of MultiSport card users, Benefit Systems Group invests in its own clubs, which supplement the current base of partner facilities.

The Fitness segment is made up of associates and subsidiaries operating on the fitness market. These include companies operating fitness clubs and fitness and leisure facilities, companies managing investments in fitness clubs and a company responsible for the lease of fitness equipment - detailed information on these is included in the section entitled *Important information about Benefit Systems Group.* The investment activities carried out in the Fitness segment relate to sports facilities to support the MultiSport Programme. It is estimated that the Polish fitness market consists of approximately 2.5 fitness clubs, which may be used by as many as 4 million people in five years time.

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 ensures that MultiSport card users have access to clubs in different locations, as well as a proper standard for these clubs.

At the end of 2017, Benefit Systems Group managed a network in Poland of 77 of its own clubs. In addition, the Group held shares in companies managing a further 56 facilities and signed a conditional agreement for the acquisition of 15 S4 clubs. Compared to 2016 the investment base of fitness clubs in Poland increased by 39 facilities. Growth outside Poland is also very important for the Group, and is aimed primarily at maintaining and enhancing the offer of MultiSport cards available to users in the Czech Republic, Slovakia and Bulgaria. As at the date of publication of this report, there were 12. investment clubs in foreign markets.

The Fitness segment includes the results of the following fully consolidated subsidiaries: Fit Invest Sp. z o.o., Fitness Place 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., Zdrofit Sp. z o.o., Wesolandia Sp. z o.o., Tiger Sp. z o.o., Fit Invest EOOD, Fitness Place S.R.O., Beck Box Club Praha and The One Gym S.R.O. The results of other companies in the Fitness segment are consolidated using the equity method.

Table 8: Selected financial data for the Fitness Segment

In thousands of PLN	12 months of 2017	12 months of 2016 Restated	Change
Sales revenues	**180,173**	**81,146**	**122.0%**
Costs of sales	(153,161)	(68,311)	124.2%
Gross profit on sales	**27,012**	**12,835**	**110.5%**
Selling expenses	(13,327)	(11,587)	15.0%
General and administrative expenses	(24,190)	(10,651)	127.1%
Other operating income and expenses	(2,908)	(2,094)	38.9%
Loss from the sale of subsidiaries	(199)	0	-
Loss from operations	**(13,612)**	**(11,497)**	**18.4%**
Financial incomes and expenses	(10,360)	(4,681)	121.3%
Share in the profits of associates accounted for using the equity method	3,176	8,995	(64.7%)
Loss before tax	**(20,796)**	**(7,183)**	**189.5%**
EBITDA	**9,145**	**4,231**	**116.1%**
Gross margin on sales	15.0%	15.8%	(0.8 p.p.)
*Number of clubs **	*146*	*117*	*53*

** in Poland and abroad, excluding conditional agreements (S4)*

Sales revenues from the Fitness segment increased in comparison to the same period of 2016 by 122%, mainly due to the increase in the number of investment clubs in subsidiaries and the acquisition of new fitness entities. The newly established companies generated a total of 22.4 million PLN in revenue in 2017, including 15.5 million PLN from 12 foreign clubs (10 in the Czech Republic and 2 in Bulgaria). The increase in revenues in 2017 was also influenced by the establishment of a revenue reserve of 13.7 million PLN relating to settlements between the Sports Card segment and the Fitness segment (in 2016 it was 5.5 million PLN) connected with the settlement of transfer prices.

The significant increase in general and administrative expenses is a result of the dynamic growth of the Fitness segment. In the first months of their operations, new fitness clubs generate high costs, while revenues remain relatively low. The percentage share of general and administrative costs in revenues decreases with clubs reaching maturity and gaining regular customers. In 2017, general and administrative costs of newly established companies totalled 6 million PLN.

The increase in losses before tax on the whole segment is a result of the dynamic growth of the fitness network: investments in new locations in Poland and abroad and development of administrative support, enabling dynamic expansion and providing sports cards users with a rich sports offer. The share in the loss of newly consolidated companies in 2017 (Fitness Place Sp. z o.o., Wesolandia Sp. z o.o., Fitness Place S.R.O., Fit Invest EOOD, Bex Box Club Praha S.R.O.) amounted to -6.8 million PLN, while the impact of newly opened clubs within the already consolidated network was at the level of -4 million PLN.

2.2.3. FOREIGN SEGMENT

Benefit Systems International Sp. z o.o., which supervises the development of the MultiSport Programme in the Czech Republic, Slovakia and Bulgaria, as well as the operations of the company established in November, 2017, in Croatia, is responsible for the Group's operations outside the Polish market.

The fourth quarter of 2017 ended with 131,100 active cards, which means an increase by over 70,000 cards
as compared to December, 2016 (116% increase in the number of cards).

All foreign markets, where the MultiSport Programme is present, were characterised by high sales dynamics in 2017. At the end of 2017, there were the following total cards on active markets:

- The Czech Republic: 74,100 cards,
- Bulgaria: 48,100 cards,
- Slovakia: 8,900 cards.

The increase in the number of active cards is a result of the growing number and effectiveness of sales teams, extensive efforts to promote a healthy and active lifestyle among customers and potential customers, and the addition of new locations to the offer of partner outlets.

Last year, the number of partner facilities abroad increased significantly and at the end of 2017 amounted to 1,200 in the Czech Republic, 600 in Bulgaria and 400 in Slovakia, respectively.

The partnership network continues to be developed both in national capitals and in smaller towns. This allows us to offer the Multisport product to customers operating outside the capitals of these countries.

The Foreign segment includes the results of: Benefit Systems International Sp. z o.o., MultiSport Benefit S.R.O, Benefit Systems Bulgaria EOOD and Benefit Systems Slovakia S.R.O., fully consolidated.

Table 9: Selected financial data from the Foreign segment

In thousands of PLN	12 months of 2017	12 months of 2016 Restated	Change
Sales revenues	**91,936**	**40,788**	**125.4%**
Costs of sales	(71,720)	(29,360)	144.3%
Gross profit on sales	**20,216**	**11,428**	**76.9%**
Selling expenses	(12,059)	(2,625)	359.4%
General and administrative expenses	(13,617)	(10,457)	30.2%
Other operating income and expenses	(79)	16	-
Loss from operations	**(5,539)**	**(1,638)**	**238.1%**
Financial incomes and expenses	(891)	(145)	514.5%
Loss before tax	**(6,430)**	**(1,783)**	**260.5%**
EBITDA	**(5,241)**	**(1,462)**	**258.5%**

In thousands of PLN	12 months of 2017	12 months of 2016 Restated	Change
Gross margin on sales	22.0%	28.0%	(6.0 p.p.)
Number of sports cards (in thousands)	*131.1*	*60.7*	*70.4*

The largest foreign market remains the Czech market, which generates approximately 60% of the segment's total revenues, followed by the Bulgarian market generating approximately 34% of the segment's revenues, with Slovakia being making up the smallest market segment with approximately 6% of the revenues for the entire segment.

The cost of sales, which mainly includes the cost of visits to partner facilities, increases as the number of cards increases. With the number of cards increasing between December, 2017, and December, 2016, at a level of 116%, the increase in cost of sales was 144.3%. High activity of users was observed in particular on the Bulgarian market. At the same time, in 2017, the share of this market in the total result generated by the Foreign segment increased significantly, which, at a lower margin than in the Czech Republic and Slovakia, translated into a slower growth of the margin for the entire segment. However, it is worth mentioning that high user activity is a normal phenomenon in a market at such an early stage of development.

In the comparable periods of 2017 and 2016 the costs of sales and general and administrative costs are increasing. This increase in the cost of sales is a continuation in the intensive development of sales structures, as well as structures ensuring the proper level of quality in serving the growing number of customers. Between 2017 and 2016, the number of employees in the sales department increased by 41%, sales teams were created operating outside the capitals of particular countries and teams specialised in sales to specific groups of customers, e.g. customers from the public sector. The second significant element of the cost of sales is the cost of visits generated by test cards, which increased by almost 70% between 2017 and 2016, reaching the level of 3.2 million PLN for the entire year 2017.

The increase in general administrative expenses is related to the increase in employment in support departments by approximately 54% year-on-year, as well as to the implementation of projects - mainly in the area of IT aimed at the development of sales and card handling systems.

The result of these activities is an increase in pre-tax losses and decline in EBITDA for the entire Foreign segment.

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 Benefit Systems 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 Benefit Systems 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.

MultiMuzeum gives access to 18 museums and art galleries for selected exhibitions - the owner of a MultiMuzeum voucher decides where, when and which exhibition they want to go.

Table 10: Selected financial data from the Cafeteria segment

In thousands of PLN	12 months of 2017	12 months of 2016 Restated	Change
Sales revenues	**67,447**	**39,903**	**69.0%**
Costs of sales	(44,190)	(26,883)	64.4%
Gross profit on sales	**23,257**	**13,020**	**78.6%**
Selling expenses	(3,742)	(3,656)	2.4%
General and administrative expenses	(6,866)	(7,850)	(12.5%)
Other operating income and expenses	(91)	(333)	(72.7%)
Operating profit	**12,558**	**1,181**	**963.3%**
Financial incomes and expenses	(194)	(128)	51.6%
Share in the profits of associates accounted for using the equity method	0	145	-
Profit before tax	**12,364**	**1,198**	**932.1%**
EBITDA	**13,932**	**2,124**	**555.9%**
Gross margin on sales	34.5%	32.6%	1.9 p.p.
*Turnover (in millions of PLN) **	*246.2*	*195.6*	*50.6*
Number of users (in thousands)	*296*	*235*	*61.0*

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

In December, 2017, the MyBenefit and MultiKafeteria cafeteria platforms had a total of almost 300,000 users, and during the whole year the number of users increased by 61,000. The increase in the number of users by approximately 26% contributed to a proportional increase in turnover and contributed to an increase in the sales revenues from the platforms. An important component of the segment's sales revenue was the sale of tickets to cinemas and museums as part of the "MultiSport for the Summer" campaign (18.9 million PLN). The impact of this campaign on the segment's gross profit amounted to 5.6 million PLN. The increase in sales revenues is also due to the introduction of new non-wage products relating to culture, which are distributed both through the cafeteria platforms and elsewhere. The drop in the general and administrative expenses for the segment is the result of the cost optimisations carried out in MultiBenefit Sp. z o.o. and also results from the amounts reported in general and administrative expenses in both periods related to supplementary remuneration under the agreements for the sale of shares in MyBenefit Sp. z o.o. in the amount of 1.8 million PLN in 2016 and 0.9 million PLN in 2017, respectively.

2.2.5. OTHER ACTIVITIES AND ARRANGEMENTS

Other activities and arrangements 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 Benefit Systems Group and the cost of the Incentive Programme, support functions and other activities not allocated to separate operating segments.

Table 11: Other activities and agreements

In thousands of PLN	12 months of 2017	12 months of 2016 Restated	Change
Sales revenues	**(105,514)**	**(38,711)**	**172.6%**
Costs of sales	109,466	40,676	169.1%
Gross profit on sales	**3,952**	**1,965**	**101.1%**
Selling expenses	(95)	(18)	427.8%
General and administrative expenses	(13,901)	(12,996)	7.0%
including the cost of the Incentive Programme	(9,141)	*(9,986)*	(8.5%)
Other operating income and expenses	5,590	607	821.6%
Loss from operations	**(4,454)**	**(10,442)**	**(57.3%)**
Financial incomes and expenses	3,259	1,043	212.5%
Share in the profits of associates accounted for using the equity method	(110)	435	-
Loss before tax	**(1,305)**	**(8,964)**	**(85.4%)**
EBITDA	**(3,598)**	**(9,874)**	**(63.6%)**

The increase in the value of inter-segment exclusions is mainly related to the growing number of investment clubs accepting sports cards issued by Benefit Systems Group, and the growth in the number of sports card users, as well as the growing share of the cafeteria segment as a distribution channel for sports cards. Gross profit on sales reflects income from marketing activities and activities not assigned to segments. It is also a result of the consolidation exclusions for the amortisation of trademarks owned by Benefit Intellectual Property Spółka z ograniczoną odpowiedzialnością sp.k. The decrease in costs of the Incentive Programme is caused by a lower annual number of campaigns and the higher price of including campaigns in the Programme for 2017-2020.

Other operating activities include, among others, donations made as part of the Group's charitable activities, as well as the result from the sale of fixed assets. The increase in income from financing activities is, among other things, the result of financing granted to subsidiaries included in the Fitness segment.

The negative result on shares in entities measured by the equity method is the result of the loss on the transaction for the sale of shares in X-Code amounting to 0.4 million PLN.

2.3. OTHER FINANCIAL DATA

Table 12: Financial incomes and expenses

In thousands of PLN	12 months of 2017	12 months of 2016 Restated	Change
Financial income	3,915	2,948	32.8%
Financial expenses	(12,101)	(6,859)	76.4%
Share of profits (loss) for entities accounted for using the equity method	3,066	9,575	(68.0%)

The Group's financial results in 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, which was higher by 1.0 million PLN than in the previous year, was mainly generated from loans granted to associates and strategic partners of the Benefit Systems Group.

At the reporting date, the parent company Benefit Systems S.A. granted loans to the balance sheet total of 399.8 million PLN (31st December, 2016: 206.4 million PLN), of which 326.2 million PLN was to subsidiaries. This financial support is directed mainly at investments in entities operating in the fitness industry (90.6%), including within the framework of the loan programme for Partners (3.6%), and to a lesser extent (4.4%) at providing ongoing liquidity in subsidiaries outside the fitness segment. Almost 74.0% 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. This reduces the lender's risk in the event of an unfavourable change in interest rates.

On the reporting date, the parent company had debt from 3-year bonds issued at the amount of 121.2 million PLN plus interest, loans from related parties 46.7 million PLN, a loan in an investment account of 60.0 million PLN, an overdraft facility in its current account of 7.8 million PLN and 21.7 million PLN due to finance leases. The increase in financial expenses is mainly interest on the bonds to the amount of 3.9 million PLN, the cost of finance leases for fitness equipment to the amount of 1 million PLN and foreign exchange differences of 0.9 million PLN. In addition, interest on loans from related parties (1.5 million PLN), a write-down for loans granted (1.8 million PLN), loss on the sale of investments (0.4 million PLN) and loan valuation according to the adjusted purchase price (1.8 million PLN).

Excluding one-off events, i.e. the effect of taking control over Zdrofit Sp. z o.o. (6.8 million PLN) in 2016, the result of associates measured using the equity method increased by 279,000 PLN as compared to the corresponding period. This item consists of the results of the following companies: Calypso Fitness S.A. (1,731,000 PLN), Instytut Rozwoju Fitness Sp. z o.o. (1,316,000 PLN) and LangMedia Sp. z o.o. (525,000 PLN), as well as the share in the result of X-Code Sp. z o.o. (-224,000 PLN). The result of 2017 also includes the results of companies not valued using the equity method in the comparable period, i.e. Fit Fabric Sp. z o.o. (270,000 PLN) and Benefit Partners Sp. z o.o. consolidated until 15th May, 2017, using the full method (-550,000 PLN).

Table 13: Statement of financial position

In thousands of PLN	31/12/2017	31/12/2016 Restated	Change
Non-current assets	525,920	391,798	34.2%
share in balance sheet total	*69.0%*	*66.3%*	*2.7 p.p.*
Current assets	236,115	198,842	18.7%
share in balance sheet total	*31.0%*	*33.7%*	*(2.7 p.p.)*
Total assets	**762,035**	**590,640**	**29.0%**
Capital equity of the shareholders in the parent company	202,033	160,433	25.9%
share in balance sheet total	*26.5%*	*27.2%*	*(0.7 p.p.)*
non-controlling interests	17,844	17,251	3.4%
share in balance sheet total	*2.3%*	*2.9%*	*(0.6 p.p.)*
Long-term provisions and liabilities	201,713	236,349	(14.7%)
share in balance sheet total	*26.5%*	*40.0%*	*(13.5 p.p)*
Short-term provisions and liabilities	340,445	176,607	92.8%
share in balance sheet total	*44.7%*	*29.9%*	*14.8 p.p.*
Total equity and liabilities	**762,035**	**590,640**	**29.0%**

Non-current assets

The fixed assets of Benefit Systems Group increased by 134.1 million PLN compared to December, 2016. The biggest increase was recorded in property, plant and equipment, i.e. an increase of 49.0 million PLN, mainly as a result of the full consolidation of the new subsidiaries (Zdrofit Sp. z o.o., Fitness Place Sp. z o.o., Fitness Place S.R.O., Beck Box Club S.R.O., Fit Invest EOOD, Wesolandia Sp. z o.o., M Group Sp. z o.o.) and the purchase of fitness equipment by subsidiaries. A significant increase was recorded in goodwill +45.3 million PLN, created as a result of the acquisition of the following companies: Wesolandia Sp. z o.o., Beck Box Club Praha S.R.O. and the acquisition of an organised part of Platinium Wellness S.R.O., Holmes Place S.R.O. and World Class Wenceslas Square S.R.O. There was also an increase in the value of deferred income tax assets, i.e. an increase of 6.6 million PLN, and long-term receivables from loans granted increased by 13.4 million PLN. This amount consists mainly of loans granted to Benefit Partners Sp. z o.o., included in consolidation as at 31st December, 2017, due to the change in the type of affiliation of this company in Benefit Systems Group from a subsidiary to an affiliated company in May, 2017. In addition, in the period discussed of 2017, Benefit Systems Group acquired shares in Wesolandia Sp. z o.o. and Beck Box Club S.R.O. - with recognised goodwill of 3.4 million PLN and 9.2 million PLN respectively. Benefit Systems Group acquired assets in Holmes Place and World Class Wenceslas Square in the Czech Republic - the recognized goodwill amounted to 7.8 million PLN, and Platinum Wellness - recognized goodwill amounted to 24.9 million PLN. The increase also relates to investments in associates at the amount of 8.9 million PLN, including: acquisition of Fit Fabric Sp. z o.o. 3.6 million PLN, a change in the consolidation method for Benefit Partners Sp. z o.o. due to the loss of control of 2.6 million PLN and a share in the result of associates of 3.1 million PLN.

Current assets

Total current assets increased by 37.3 million PLN compared to the end of 2016. Trade receivables increased by 36.0 million PLN, including trade receivables resulting from full consolidation of new companies (7.7 million PLN). In the reporting period, the balance sheet value of loans extended increased by 8.0 million PLN, mainly as a result of the Multisport partner loan programme (5.5 million PLN). Inventory levels decreased by 5 million PLN, of which 7.8 million PLN in the parent company, mainly as a result of transferring fitness equipment to Partners for leasing.

At the same time, the level of cash in Benefit Systems Group decreased by 12.7 million PLN. Short-term prepayments increased by 11.9 million PLN, of which 3.8 million PLN were uninvoiced sports card settlements in the parent company.

Long-term provisions and liabilities

Total long-term liabilities in 2017 fell compared to the end of 2016 by 34.6 million PLN, mainly as a result of the reclassification of the liability for the series A bonds issued by the parent company as a short-term liability (-50.0 million PLN). Long-term prepayments and accruals increased (8.9 million PLN), consisting of settlements for fittings-out and rental holidays at Zdrofit Sp. z o.o. of 3.8 million PLN, and Fitness Academy Spółka z ograniczoną odpowiedzialnością SKA at the amount of 5 million PLN. Deferred income tax liabilities increased by 3.5 million PLN. Financial lease liabilities decreased (11.8 million PLN), mainly as a result of not including in the consolidation process of Benefit Partners Sp. z o.o. (leaseback for sports equipment) and other liabilities by the amount of 31.5 million PLN, of which 25.1 million PLN constitutes the reclassification of the liability arising from the put option to short-term liabilities at Multisport Benefit S.R.O. In addition, the parent company repaid the liability resulting from the acquisition of shares in the subsidiary company MyBenefit Sp. z o.o. (4.0 million zloty).

Short-term provisions and liabilities

There was an increase in short-term liabilities in 2017 of 163.8 million PLN. It is mainly related to the reclassification of liabilities under the series A bond issue as short-term liabilities (50.0 million PLN), the increase in other liabilities of 25.1 million PLN (including reclassification of the put option as short-term liabilities), and the increase in short-term prepayments of 28.3 million PLN, which include provisions for the costs of visits in the Sports Card segment. In addition, as a result of an increase in the current account overdraft facility, Benefit Systems Group's short-term debt from loans and borrowings increased by 66.5 million PLN.

However, in the discussed period, leasing liabilities decreased by 1.7 million PLN.

Table 14: Statement of cash flows

In thousands of PLN	12 months of 2017	12 months of 2016 Restated	Change
Net cash flows from operating activities	139,161	120,611	15.4%
Net cash flows from investment activities	(161,847)	(68,743)	135.4%
Net cash flows from financing activities	9,949	(10,650)	-
Net change in cash and cash equivalents	(12,737)	41,218	-
Cash and cash equivalents at end of period	**52,458**	**65,195**	**(19.5%)**

On 31st March, 2017, the Group had cash and cash equivalents of 52.4 million PLN. This was mainly accumulated in the accounts of the parent company Benefit Systems S.A. (4.7 million PLN) and the subsidiaries: Fit Invest Sp. z o.o. (19.4 million PLN), MyBenefit Sp. z o.o. (5.7 million PLN), the Czech company MultiSport Benefit S.R.O. (5.9 million PLN), Zdrofit Sp. z o.o. (2.4 million PLN) and MultiBenefit Sp. z o.o. (2.4 million PLN), Fitness Academy Sp. z o.o. SKA (2.2 million PLN). In 2017, Benefit Systems Group is not and 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

Cash flows from operating activities as at 31st March, 2017, amounted to 139.2 million PLN and were 18.6 million PLN higher compared to 2016, which was influenced by, among others: a higher gross result of 17.5 million PLN, as well as positive adjustments of 12.4 million PLN, of which 10.4 million PLN constitutes depreciation, and positive changes in working capital of 0.5 million PLN. At the same time, the income tax paid was higher by 11.8 million PLN than in the corresponding period.

Investment activities

Net cash flow from investment activities amounted to -161.8 million PLN. They were composed of, among others, the following expenditure on the purchase of fixed assets (mainly the purchase of fitness equipment), and the acquisition of an organised part of the enterprise in the form of fitness clubs (-59.1 million PLN): Holmes Place S.R.O., World Class Wenceslas Square S.R.O. and Platinum Wellness Sp. z o.o. The Group also incurred expenses on the acquisition of shares in the following subsidiaries: Wesolandia Sp. z o.o. (10 million PLN) and Beck Box Club S.R.O. (-11.3 million PLN), and also paid a further instalment for the shares in MyBenefit Sp. z o.o. (-9.9 million PLN).

In addition, the Group incurred expenses related to the acquisition of the associate Fit Fabric Sp. z o.o. (3.6 million PLN), an increase in capital in the company Benefit Partners Sp. z o.o. (2.1 million PLN). In 2017, the Group granted loans to the amount of 19.6 million PLN, mainly to associates and partners of the Multisport programme.

The proceeds from investment activities were mainly related to the repayment of loans granted together with interest (5.1 million PLN) and the sale of shares in associates (0.5 million PLN) and the sale of property, plant and equipment (0.5 million PLN).

Financing activities

As at 31st December, 2017, cash flows from financing activities amounted to 9.9 million PLN and were 20.6 million PLN higher than in the corresponding period of 2016, mainly due to the investment loan (60.0 million PLN) and increase in the overdraft facility (7.9 million PLN) and proceeds from the issue of shares as a result of executing the subscription warrants from the Incentive Programme (11.3 million PLN). Additionally, net cash flows from financing activities were significantly affected by the payment of a dividend in the form of the buyback of shares by the parent company in September, 2017 (42.5 million PLN), and the repayment of finance lease liabilities at the amount of 9.7 million PLN, interest paid at the amount of 5.6 million PLN and repayment of loans and borrowings at the amount of 10.7 million PLN.

2.4. SELECTED FINANCIAL INDICATORS

Table 15: Selected financial indicators

Profitability ratios	**12 months of 2017**	**12 months of 2016 Restated**	**Change**
Gross return on sales	27.5%	27.7%	(0.2 p.p.)
EBITDA	16.1%	15.7%	0.4 p.p.
Return on operations (EBIT)	12.6%	12.5%	0.1 p.p.
Gross profitability	11.9%	13.1%	(1.2 p.p.)
Net profitability	8.9%	10.0%	(1.1 p.p.)
Return on equity (ROE)	39.4%	42.5%	(3.1 p.p.)
Return on assets (ROA)	11.4%	12.8%	(1.4 p.p.)

Liquidity ratios	**12 months of 2017**	**12 months of 2016 Restated**	**Change**
Current liquidity	0.69	1.13	(38.4%)
Quick ratio	0.61	1.00	(39.2%)

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

- *gross return on sales: gross profit from sales / revenues from sales,*
- *profitability on EBITDA: EBITDA / revenues from sales,*
- *profitability from operations: operating profit / 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 liquidity: current assets / current liabilities,*
- *quick ratio: (current assets - inventory - short-term prepayments) / current liabilities.*

3. ADDITIONAL INFORMATION

3.1. EMPLOYMENT

As at 31st December, 2017, Benefit Systems Group recorded an increase in employment from 690 to 1,170 employees, which translates into a change of 70% year on year. The increase in employment results mainly from the growing scale of the Group's operations, including activities on new markets, consolidation of new companies, as well as from the need to specialise in functions supporting those operations. Due to the specific nature of its operations Benefit Systems Group attaches great importance to the continuous improvement of its employees' qualifications and over 80% of them are university graduates.

3.2 MANAGEMENT OF FINANCIAL RESOURCES AT BENEFIT SYSTEMS GROUP

In 2017, there were no threats to Benefit Systems Group relating to the management of financial resources, with particular emphasis on the Group's ability to meet its liabilities, and there were no significant liabilities arising from the purchase of fixed assets.

3.3. AN EVALUATION OF THE FEASIBILITY OF IMPLEMENTING THE INVESTMENT PLANS COMPARED WITH THE FUNDS HELD

In the opinion of Benefit Systems Group, the implementation of the investment plans is feasible based on its financial resources and the available external financing.

3.4. SIGNIFICANT EVENTS IN BENEFIT SYSTEMS GROUP IN 2017

Information on subsidiaries of Benefit Systems Group

Conclusion of an annex to an investment agreement relating to Fabryka Formy S.A.

On 27th April, 2017, an annex was signed between Benefit Systems S.A. and Mr Ireneusz Sęk, a shareholder of Fabryka Formy S.A., regarding the investment agreement of 16th March, 2012. In accordance with the annex, the scope of investment support related to the further development of the network of clubs belonging to Fabryka Formy S.A. was updated as follows:

- granting sureties with a total value not exceeding 10 million PLN (previously: 15 million PLN),
- granting loans to a total value not exceeding 46.5 million PLN (previously: 41.5 million PLN),
- conclusion of lease agreements for fitness equipment with a total value not exceeding 21.5 million PLN (unchanged).

The remaining significant provisions of the investment agreement remain unchanged. Simultaneously, together with the annex concluded, the Issuer concluded an annex to the loan agreement with Fabryka Formy S.A., taking into account the aforementioned provisions.

Conclusion of an agreement giving rise to an obligation to sell shares in Fabryka Formy S.A.

On 16th November 2017, the Management Board of Benefit Systems S.A. announced that Fit Invest Sp. z o.o. had concluded an agreement with Mr Ireneusz Sęk, a shareholder in Fabryka Formy S.A., obliging it to sell shares, under which on 2nd January, 2018, Fit Invest Sp. z o.o. acquired the right to 11,735,342 shares of Fabryka Formy S.A., constituting 33.94% of the share capital of Fabryka Formy S.A., for the price of PLN 12 million. In accordance with the Agreement, Mr Ireneusz Sęk, in addition to the price referred to above, was entitled to receive so-called additional amounts from Fit Invest Sp. z o.o. to a total amount of no more than 12 million PLN. The additional amounts will amount to 0.5% of the increase in the parent company's capitalisation in 2018-2022 above the amount of 2.6 billion PLN. The additional amounts for a given year will be paid by Fit Invest Sp. z o.o., by 31st January of the following year, wherein the first payment will be made by 31st January, 2019.

Following the closure of the transaction, Benefit Systems Group holds 100% of the shares in Fabryka Formy S.A. At the same time, in connection with the closure of the transaction, the investment agreement of 16th March, 2012, between the Parent Company and Mr Ireneusz Sęk was terminated, which the Parent Company informed about in its current reports.

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 its rights and | obligations under the agreement to Fit Invest Sp. z o.o., as a consequence of which on 12th January, 2017, share purchase agreements were concluded for Fit Fabric Sp. z o.o. between Fit Invest Sp. z o.o. and Marcin Wawrzycki, Katarzyna Zgierska and Tomasz Nowiński. After the conclusion of the transaction Fit Invest Sp. z o.o. has 30% of the shares in Fit Fabric Sp. z o.o. 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., on the terms which the Issuer reported in a current report.

Conclusion of an annex to the conditional agreement establishing an obligation to purchase shares in Calypso Fitness S.A.

On 14th June, 2017, Benefit Systems S.A. and the Issuer's subsidiary: Fit Invest Sp. z o.o. concluded an annex with Glastonbury Ventures Limited (Ltd) and Mr Mikołaj Nawacki to the conditional agreement establishing an obligation to sell shares in Calypso Fitness S.A. The agreement relates to the purchase of a block of 79,471 shares in Calypso Fitness S.A. with its registered office in Warsaw from the Seller, i.e. the purchase of 26,898 shares conferring the right to 16.957% of the share capital and the right to the same number of votes at the General Meeting of Shareholders by Fit Invest Sp. z o.o. and the acquisition of 52,573 shares conferring the right to 33.143% of the share capital and the right to the same number of votes at the General Meeting of Shareholders by the Issuer.

On the basis of the Annex, the Agreement was extended until 31st December, 2017, and there was a change in the amount and principles for paying the purchase price for the shares of Calypso Fitness S.A. The suspending condition for the Agreement is the final decision of the President of the Office of Competition and Consumer Protection granting consent for the concentration.

On 27th November, 2017, the Issuer received a letter from the President of the Office of Competition and Consumer Protection ("OCCP") presenting the reservations of the President of OCCP in connection with the Issuer's proceedings regarding concentration involving the Issuer's acquisition of control over Calypso Fitness S. A., which were conducted at the Issuer's request. The doubts of the President of OCCP concerned the Issuer's definition of the relevant market in terms of product-related aspects. The President of the Office for Competition and Consumer Protection noted in the concentration that, among other things, there was a potential possibility of restricting competition in the markets for sports and recreational services offered to employers and providing access to sports and recreation services in fitness clubs.

Due to the fact that the conditional agreement giving rise to the obligation to acquire the shares of Calypso Fitness S.A. expired on 31st December, 2017 the parent company decided to withdraw from OCCP the application for approval of the concentration.

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

On 20th March, 2017, Benefit Systems S.A. concluded understandings with Mr Witold Szlachta and Mr Łukasz Bartoszewicz amending the agreements for the sale of shares in MyBenefit | Sp. z o.o. with its registered office in Wrocław. Under the understandings, certain terms and conditions of the bonus payment were modified, which the parent company informed of in its current reports. As a consequence of the above arrangements, the remaining part of the bonus to be paid will be payable by the parent 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.

Conclusion of a preliminary sale agreement for the company Fitness Club S4 Spółka z ograniczoną odpowiedzialnością sp. k

On 22nd August, 2017, an understanding was concluded between Fit Invest Sp. z o.o. and the company Fitness Club S4 Sp. z o.o. (the Company), B.J. Kowalczyk, R. Woźniak and U.Borawska-Kowalczyk, on the basis of which on 22nd August, 2017, the termination took place, on an understanding between the parties, of the investment agreement concluded between these entities on 22nd June, 2016, concerning the Company in the light of the failure to meet the deadline specified in the aforementioned agreement provided for therein.

At the same time, on 22nd August, 2017, Fit Invest Sp. z o.o. and the Company concluded a preliminary sale agreement for the Company. Under this agreement, Fitness Club S4 Sp. z o.o. and Fit Invest Sp. z o.o. undertook to conclude a promised sale agreement for the Company's enterprise in the form of a network of fitness clubs, consisting of 15 fitness clubs located mostly in Warsaw, by 30th July, 2018, for a total price not exceeding 23,827,684.40 PLN. The preliminary agreement sets out a number of conditions precedent for the conclusion of the promised sale agreement for the Company's business. The parties have agreed that the promised contract may be concluded by another entity than Fit Invest Sp. z o.o., belonging to the Fit Invest Group.

Conclusion of agreements concerning the purchase of fitness clubs belonging to Platinium Wellness Sp. z o.o.

On 20th July, 2017, the Issuer's subsidiaries, i.e. Fitness Place Sp. z o.o. ("the Buyer") and Fit Invest Sp. z o.o. ("the Buyer's Guarantor") entered into a conditional agreement for the sale of organised parts of the business with the company Platinium Wellness Sp. z o.o. with its registered office in Kraków ("the Seller"). Based on the agreement, Fitness Place Sp. z o.o. will acquire 9 fitness clubs, including:

- five fitness clubs in the Małopolskie Voivodship operating under the brand "Fitness Platinium";
- four fitness clubs in the Silesian and Opolskie voivodships operating under the "Smart Gym" brand;

for a total price not exceeding 38,568,124.91 PLN. The agreement sets out a number of conditions precedent with regard to the effectiveness of transferring the fitness clubs to the Buyer. Under the agreement, the Buyer's Guarantor granted a surety for all the Buyer's liabilities under this agreement up to the amount of 38,568,124.91 PLN.

Subsequently, on 23rd August, 2017, the aforementioned entities concluded another preliminary conditional agreement for the sale of organised parts of the enterprise. On the basis of this agreement, the Buyer and Seller undertook to conclude, by 31st December, 2019, a promised sale agreement for the organised parts of the Seller's enterprise consisting of three fitness clubs located in the Małopolskie voivodship for a total price not exceeding 14,013,000 PLN. In connection with the acquisition of the organised parts of the enterprise referred to above, the Buyer shall take over the liabilities directly related to the business activity of these organised parts of the business for the total amount not exceeding 600,000 PLN. The agreement sets forth a number of conditions precedent for the conclusion of the promised sale agreement for the organised parts of the Seller's enterprise, wherein these have been reserved for the Buyer, and therefore it has the right to enter into the final agreement also in the event of non-performance of certain precedent conditions. In addition, in accordance with the agreement, the Buyer's Guarantor granted a surety for all the Buyer's obligations under the agreement up to the amount of 14,000 PLN.

Fulfilment of the conditions of the conditional contract for the sale of organised parts of an enterprise in the form of fitness clubs belonging to Platinium Wellness Sp. z o.o.

On 27th October, 2017, the Management Board of Benefit Systems S.A. informed that due to the fact that all the precedent conditions have been satisfied as specified in the conditional sale agreement for organised parts of an enterprise in the form of fitness clubs belonging to Platinium Wellness Sp. z o.o., concluded on 20th July, 2017, between the Issuer's subsidiary companies, i.e. Fitness Place Sp. z o.o., as the buyer ("the Buyer"), Fit Invest Sp. z o.o., as the Buyer's guarantor ("the Buyer's Guarantor") and Platinium Wellness Sp. z o.o. as the Seller, and the sale price of 38,568,124.91 PLN was paid by the Buyer within the time limit stipulated by the parties in the agreement, the Buyer effectively purchased 9 fitness clubs in the form of:

- five fitness clubs in the Małopolskie Voivodship operating under the brand "Fitness Platinium" and
- four fitness clubs in the Silesian and Opolskie voivodships operating under the "Smart Gym" brand.

At the same time, the Issuer states that due to the Buyer's payment of the sale price, the surety granted by the Buyer's Guarantor in relation to the Buyer's liability has expired.

The conclusion of an annex to the Investment Agreement of 22nd December, 2016, and agreements for the sale of shares in Tiger Sp. z o.o.

On 15th December, 2017, the Management Board of Benefit Systems S.A. ("the Issuer") informed that it had signed an annex between Fit Invest Sp. z o.o., a subsidiary of the Issuer, and the Company, Mr Tomasz Wolsztyniak and Mr Dariusz Michalczewski ("the Partners"), on the basis of which as of 15th December, 2017, the content of the Agreement between these entities was amended ("the Annex"). Furthermore, on 15th December, 2017, Fit Invest Sp. z o.o. concluded with each of the Partners an agreement for the sale of shares in the share capital of the Company ("Sale Agreements").

In accordance with the Annex, on the basis of the Sale Agreements, Fit Invest Sp. z o.o. will purchase from its Partners a total of 1,540 shares ("the Shares") representing 70% of the share capital of the Company, for the total price of 7,777,000 PLN. The Price was paid on 2th February, 2018. The ownership of the Shares was transferred to Fit Invest Sp. z o.o. on the day of crediting the payment of the Price, to the bank accounts of the Partners. As a result of the transaction, Fit Invest Sp. z o.o. holds 100% of the shares in the share capital of the Company.

Loan agreements within Benefit Systems Group

In 2017, loan agreements were concluded between Benefit Systems S.A. and Fitness Academy Spółka z ograniczoną odpowiedzialnością SKA (the Borrower) for the total amount of 10.0 million PLN, as a result of which the total value of loan agreements concluded between these companies in the period of 12 months was 25.0 million PLN. The interest rate on the loans is variable and was set at market conditions. The loans are intended to enable the Borrower to finance its day-to-day operations.

In the period discussed, loan agreements were concluded between Benefit Systems S.A. and Fit Invest Sp. z o.o. (the Borrower) for a total amount of 63.4 million PLN, with the longest repayment term until 6th April, 2024. After concluding the last loan agreement, the total value of the loan agreements concluded between Benefit Systems S.A. and Fit Invest Sp. z o.o. in the last 12 months was 63.4 million PLN. All loan amounts will be disbursed in accordance with the provisions of the individual agreements (in tranches or once only). The interest rate on the loans is variable and was set at market conditions. The loan agreements do not contain any suspending or terminating conditions, nor do they provide for contractual penalties, and the remaining conditions do not differ from those commonly applied in such agreements. Loans granted to Fit Invest Sp. z o.o. shall enable the company to finance its investment activities.

In 2017, loan agreements were concluded between Benefit Systems S.A. and Fitness Place Sp. z o.o.(the Borrower) for the total amount of 60.9 million PLN, as a result of which the total value of loan agreements concluded between these companies in the period of 12 months was 62.2 million PLN. The loan amounts will be disbursed in tranches as required by the Borrower. The interest rate on the loans is variable and was set at market conditions. The loans are intended to enable the Borrower to finance day-to-day activities, including those related to the investment activity in the fitness area.

Other information

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 of the parent company for the execution of the contract will amount to 28.1 million 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), agreed to change the Issue Terms and Conditions.

Conclusion of an annex to the loan agreement with Bank Zachodni WBK S.A.

On 26th April, 2017, the Management Board of Benefit Systems S.A. received from Bank Zachodni WBK S.A. an annex to the agreement for a multi-purpose and multi-currency credit line, which takes into account a change of the credit repayment date to 30th April, 2018, and the Bank's obligation to issue a guarantee, based on the Company's order/instruction up to 6 million PLN (within the credit line granted up to 41.0 million PLN) during the period of availability until 30th April, 2018, for the following types: payment of rent, commercial payments, proper execution of trade agreements; expiring no later than 2 years after the date the Bank's obligation arises.

Conclusion of an investment loan agreement with Bank Zachodni WBK S.A.

On 27th June, 2017, the parent company received an agreement from Bank Zachodni WBK S.A. for investment credit. Interest at WIBOR 1M plus the bank's margin will be charged on the amount of credit used. The loan will be repaid in 25 instalments payable on the last day of each calendar month, wherein:

1) 24 equal instalments of 1.25 million PLN shall be payable from 30th June, 2018,
2) the last, 25th instalment of 30 million PLN shall be payable on 27th June, 2020.

The loan repayment is secured by collateral:

a) a blank promissory note issued by the parent company together with a promissory note declaration;
b) a statement made by the parent company on submission to enforcement pursuant to article 777, § 1, point 5) of the Code for Civil Proceedings up to the amount of 90 million PLN, wherein, the Bank will be able to apply for a declaration of enforceability for the notary deed by 27th June, 2025.

In all other aspects, the contract contains provisions typical of such contracts.

Conclusion of a multi-purpose credit limit agreement with Powszechna Kasa Oszczędności Bank Polski S.A.

On 22nd August, 2017, Benefit Systems S.A. and Powszechna Kasa Oszczędności Bank Polski S.A. with its registered office in Warsaw (the Bank) concluded an agreement for a multi-purpose credit limit. The subject of the agreement is granting the parent company a sublimit for an overdraft up to 50 million PLN, which may be used by the parent company to finance current liabilities resulting from its business activity. Interest at WIBOR 1M plus the bank's margin will be charged on the amount of credit used. The overdraft limit is granted for the period from 22nd August, 2017, to 22nd August, 2020.

The loan repayment is secured by collateral:

a) a blank promissory note issued by the parent company together with a promissory note declaration;
b) a statement made by the parent company on submission to enforcement pursuant to article 777, § 1, point 5) of the Code for Civil Proceedings up to the amount of 75 million PLN, wherein, the Bank will be able to apply for a declaration of enforceability for the notary deed by 21st August, 2022.

In all other aspects, the contract contains provisions typical of such contracts.

Appointment of members of the Management Board for Benefit Systems S.A. for a new joint term

On 10th May, 2017, the Supervisory Board of the parent company, in connection with the expiry on 11th June, 2017, of the current term of office of the joint Management Board of the parent company, determined that starting from 11th June, 2017, the next term of office of the joint Management Board of the parent company shall consist of three members.

At the same time, the Supervisory Board appointed:

- Mr Arkadiusz Hanszke,
- Mr Adam Kędzierski and
- Ms Izabela Walczewska-Schneyder,

to perform the function of members of the Management Board of the parent company for the next joint term of office.

Changes in the Management Board of Benefit Systems S.A. and Benefit Systems International Sp. z o.o.

On 10th August, 2017, the Supervisory Board of Benefit Systems S.A. accepted changes in the composition of the Management Board of Benefit Systems S.A. Three new members were added to the Management Board of the parent company:

- Mr Grzegorz Haftarczyk,
- Mr Adam Radzki,
- Ms Emilia Rogalewicz.

At the same time, in connection with the plans for dynamic development on foreign markets, on 10th August, 2017, Mr Adam Kędzierski resigned from his position as a member of the Management Board of Benefit Systems S.A. and was appointed President of Benefit Systems International Sp. z o.o., a 100% subsidiary of the parent company, and will be responsible for Benefit Systems Group's development on foreign markets.

Appointment of the Audit Committee by the Supervisory Board of Benefit Systems S.A.

On 13th July, 2017, the Supervisory Board of Benefit Systems S.A. appointed an Audit Committee with the following composition:

- Mr Marcin Marczuk - Chairman of the Audit Committee,
- Mr James Van Bergh - Member of the Audit Committee,
- Mr Artur Osuchowski - Member of the Audit Committee.

Hitherto, the tasks of the Audit Committee were performed by the Supervisory Board of the parent company. The composition of the Audit Committee takes into account the independence criteria and other requirements specified in article 129, paragraphs 1, 3, 5 and 6 of the act dated 11th May, 2017, on statutory auditors, audit firms and public supervision (Journal of Laws of 2017, item 1089).

Changes in the members of the Supervisory Board for Benefit Systems S.A.

On 10th November, 2017, Mr Przemysław Gacek resigned from his function as Member and Deputy Chairman of the parent company's Supervisory Board, without giving a reason.

On 15th November, 2017, the parent company's Supervisory Board, on the basis of § 20 paragraph 5 of the parent company's statute, in a resolution on co-option, appointed Ms Zofia Dzik as Member of the Supervisory Board with effect from 16th November, 2017. According to the parent company's statute, the newly appointed Member of the Supervisory Board shall perform her duties until the General Meeting of the parent company elects the Member of the Supervisory Board. In addition, in a resolution adopted by the parent company's Supervisory Board on 15th November, 2017, Mr Marcin Marczuk was entrusted with the function of Deputy Chairman of the Supervisory Board for Benefit Systems S.A.

Proposal for the distribution of the parent company's net profit for 2016

On 10th May, 2017, in connection with the parent company's Shareholder Profit Distribution Policy for the years 2016-2019, the Management Board of the parent company adopted a resolution concerning a proposal to the Ordinary General Meeting of Shareholders to allocate the profit disclosed in the financial statements of the parent company for 2016 in the amount of 72.3 million PLN in total to the reserve capital of the parent company and to recommend to the Ordinary General Meeting of Shareholders that the amount of 42.5 million PLN be allocated on buying back the parent company's own shares. On 10th May, 2017, the Supervisory Board of the parent company issued a positive opinion on the above mentioned motion from the parent company's Management Board regarding the distribution of the parent company's profit for 2016.

Announcement of the offer to purchase shares and acquisition of own shares by Benefit Systems S.A. - profit distribution

On 12th September, 2017, the Management Board of Benefit Systems S.A. announced an offer by the parent company to purchase no more than 35,350 shares of the parent company, and the offered purchase price of one share of the parent company was 1,200.00 PLN. The parent company allocated up to 42.5 million PLN for the acquisition of shares under the offer. The sales offers were accepted until 22nd September, 2017, and the settlement took place on 29th September, 2017.

On 29th September, 2017, Benefit Systems S.A. purchased a total of 35,350 of its own shares, with a nominal value of 1.00 PLN each, which in total constitute 1.32% of the share capital of the parent company and together correspond to 35,350 votes at the General Meeting of Shareholders for the parent company. The purchase price was 1,200 PLN per purchased share and 42.42 million PLN for all the purchased shares. Before the settlement of the offer, the parent company held 84,730 of its own shares. After the settlement of the offer, the parent company holds 120,080 of its own shares with a nominal value of 1.00 PLN per share, which together constitute 4.49% of the share capital of the parent company and jointly correspond to 120,080 votes at the General Meeting of Shareholders for the parent company, which constitutes 4.49% of votes at the General Meeting of Shareholders for the parent company. According to the law, the parent company does not exercise any rights attached to its own shares.

Implementation of the Incentive Programme

On 19th July, 2017, the Management Board of the parent company, based on a resolution of the Supervisory Board of the parent company, allocated 40,000 series F warrants to entitled persons giving their holders the right to take up series D ordinary bearer shares in the parent company. Subscription warrants are issued on the terms and for the purpose of implementing the Incentive Programme, whose assumptions were adopted on the basis of the aforementioned resolutions. The warrants were issued free of charge and entitle the holders to take up series D shares of the parent company from 1st September to 30th September, 2017, at the issue price specified in resolution No. 20/31.05.2012 of the parent company's Ordinary General Meeting of Shareholders on 31st May, 2012, as amended by Resolution No. 23/25.06.2014 of the Ordinary General Meeting of Shareholders of the parent company of 25th June, 2014.

Acquisition of series D shares of the parent company in exchange for series D, E and F subscription warrants

On 1st-4th September, 2017, the persons entitled to convert 75,200 series D subscription warrants (9,900 warrants), E (25,300 warrants) and F (40,000 warrants) into series D shares of the parent company, under the conditional increase of the parent company's capital connected with the Incentive Programme for the years 2014-2016, subscribed to 75,200 series D shares of the parent company. In connection with the above, the share capital of the parent company was increased from 2,599,642.00 PLN to 2,674,842.00 PLN and divided into:

a) 2,204,842 series A shares with a nominal value of 1.00 PLN each,
b) 200,000 series B shares with a nominal value of 1.00 PLN each,
c) 150,000 series C shares with a nominal value of 1.00 PLN each,
d) 120,000 series D shares with a nominal value of 1.00 PLN each,

constituting in total (after subscription of series D shares to securities accounts of Eligible Persons) 2,674,842 votes at the General Meeting of the parent company.

As a result of the acquisition of series D shares in the parent company, these subscription warrants of series D, E and F held by persons holding D shares have expired. The rights from series D shares in the parent company will arise when the shares are registered in the securities accounts of the Eligible Persons. The issue of D series shares in exchange for series D, E and F warrants was carried out in accordance with the Programme's rules set out in the resolutions of the General Meeting of Shareholders for the parent company, which the parent company reported in its current reports.

Admission and introduction to trading of D series shares to the Warsaw Stock Exchange S.A.

On 3rd April, 2017, the registration was carried out with the National Depository for Securities (Krajowy Depozyt Papierów Wartościowych S.A.) of 14,700 series D ordinary shares of the parent company under ISIN code: PLBNFTS00018 and on 4th October, 2017, the Management Board of the Warsaw Stock Exchange admitted and introduced to ordinary listed trading on the parallel market of 75,200 series D ordinary bearer shares of the parent company (registration under ISIN code: PLBNFTS00018, with a nominal value of 1.00 PLN per share.

The issue of series D shares introduced and admitted to exchange trading was conducted in accordance with the Incentive Programme rules for the years 2014-2016, set forth in the resolutions of the General Meeting of Shareholders for the parent company. The shares allotted were the last tranche of the programme.

Disclosure of changes in the parent company's share capital in the register of entrepreneurs

On 5th December, 2017, the District Court for the capital city of Warsaw in Warsaw, 12th Commercial Division of the National Court Register, disclosed in the register of entrepreneurs the change in the amount of the parent company's share capital, which occurred as a result of taking up and issuing 75,200 series D shares of the parent company by persons entitled to convert series D, E and F subscription warrants into series D shares, within the framework of a conditional increase in the parent company's capital.

In connection with the above, the parent company's share capital disclosed in the National Court Register currently amounts to 2,674,842.00 PLN and is divided into:

a) 2,204,842 series A shares with a nominal value of 1 PLN each,

b) 200,000 series B shares with a nominal value of 1 PLN each,

c) 150,000 series C shares with a nominal value of 1 PLN each,

d) 120,000 series D shares with a nominal value of 1 PLN each,

in connection with which the total number of votes at a general meeting of the parent company resulting from all the shares issued amounts to 2,674,842 votes.

Registration by the Court of Registration of amendments to the Statute of the parent company

On 20th September, 2017, the parent company received a decision from the District Court for the Capital City of Warsaw in Warsaw, 12th Commercial Division of the National Court Register, on the registration by the Court of amendments to the provisions of the parent company's Statute (§ 26, paragraph 3, letter e.):

"e. giving consent, at the request of the Management Board of the parent company, to transactions involving the sale or acquisition of shares or other property or incurring a liability, if the value of the transaction exceeds 10% of the parent company's equity (based on the recently published annual consolidated financial statements)."

Notice of a reduction of the shareholding below 10% in the total number of votes

On 17th May, 2017, Benefit Systems S.A. received from MetLife PTE S.A. a notification under article 69, paragraph 1 of the act dated 29th July, 2005, on public offering, conditions governing the introduction of financial instruments to organised trading, and public companies (Journal of Laws No. 05.184.1539, as amended), stating that the fund managed by MetLife Otwarty Fundusz Emerytalny ("OFE") has reduced its holding to below 10% of the votes in the parent company. The decrease in the shareholding was caused by the sale of the parent company's shares on 15th May, 2017. Currently OFE holds 253,891 shares in the parent company, which constitute 9.77% of the share capital of the parent company and correspond to 253,891 votes at the General Meeting of Shareholders for the parent company, giving 9.77% of the total votes at the General Meeting of Shareholders for the parent company.

On 6th September, 2017, the parent company received a notification from Mr Marek Kamola, that 260,000 shares held by him as a result of the increase in the share capital of the parent company (as a result of payment of D series shares by entitled persons) constitute less than 10% of the total number of votes - currently it is 9.72% of the share capital of the parent company.

3.5. SIGNIFICANT EVENTS IN BENEFIT SYSTEMS GROUP AFTER THE BALANCE SHEET DATE

Withdrawal of the application for concentration consisting of the acquisition of control over Calypso Fitness S.A.

On 2nd January, 2018, the parent company filed a letter with the Office of Competition and Consumer Protection containing: (i) withdrawal of the application of 10th October, 2016, regarding the concentration consisting of the Issuer taking control over Calypso Fitness S.A. with its registered office in Warsaw ("the Submission") and (ii) an application for discontinuance of proceedings conducted by the President of the Office of Competition and Consumer Protection in connection with the Submission made.

The submission of the above applications was a consequence of the expiry on 31st December, 2017, of the conditional agreement obliging the sale of shares in Calypso Fitness S.A. of 5th October, 2016, concluded by the Issuer's subsidiary: Fit Invest Sp. z o.o. with its registered office in Warsaw with Glastonbury Ventures Limited (Ltd) with its registered office in Limassol and Mr Mikołaj Nawacki.

Conclusion of an agreement concerning the division of Calypso Fitness S.A. and the future acquisition of shares in the companies taking over part of the assets separated from Calypso Fitness S.A.

On 19th February, 2018, Benefit Systems S.A. concluded an agreement with Fit Invest Sp. z o.o., Glastonbury Ventures Limited (Ltd) with its registered office in Limassol ("GVL"), on behalf of which negotiations were opened by Mr Mikołaj Nawacki ("MN") and Fitness Investment Sp. z o.o. with its registered office in Warsaw ("Fitness Investment") - the subject of the agreement is primarily to define the terms and conditions which are to be followed in order to conduct a multi-stage procedure aimed at ultimately transforming Calypso Fitness and, subsequently, to conclude agreements for the sale of shares in companies controlled by other shareholders than Fit Invest Sp. z o.o. to Calypso Fitness S.A., to whom a part of the assets separated from Calypso Fitness S.A. will be transferred ("Agreement").

According to the Agreement, Calypso Fitness S.A.'s transformation will involve the division of Calypso Fitness S.A. by separating part of its assets and transferring it to three separate entities ("the Division"), on the day of the division directly and 100% from the current shareholders of Calypso Fitness S.A., i.e.: to a subsidiary of GVL ("NewCo1"), a subsidiary of Fit Invest Sp. z o.o. ("NewCo2") and subsidiary of Fitness Investment ("NewCo3"). The assets separated from Calypso Fitness S.A. will consist of assets (assets and liabilities) currently forming 10 (in words: ten) fitness clubs. The Parties to the Agreement envisage completion of the procedures leading to the commencement of the Division process, as well as the Division procedure itself, by 31st January, 2019, provided that any exceeding of this deadline will not constitute a breach of the Agreement.

The Agreement contains the obligation of GVL and Fit Invest Sp. z o.o. to conclude an agreement, after the transformation of Calypso Fitness S.A., for the sale of all shares in NewCo1 and NewCo3 (previously purchased from Fitness Investment by GVL) ("Shares" and "Purchase Agreement"), for the total price payable to GVL (as the Seller) from Fit Invest Sp. z o.o. (as the Buyer) of 69 million PLN ("Price"). The price will be paid once, within three working days after the conclusion of the Sales Agreement, to the bank account of GVL. The transfer of ownership to the Shares to Fit Invest Sp. z o.o. shall take place on the date of crediting the payment of the Price. Regardless of the amount of the Price, under the Sale Agreement Fit Invest Sp. z o.o. will be obliged to pay to GVL additional amounts to the total amount not exceeding 37 million PLN, depending on the increase in the Issuer's capitalization.

As a result of the Division and the implementation of the Sale Agreement, Fit Invest Sp. z o.o. will become the sole shareholder in NewCo1, NewCo2 and NewCo3. Pursuant to the provisions of the Agreement, the Issuer will be jointly and severally liable for all liabilities of Fit Invest Sp. z o.o. under the Agreement and the Sales Agreement, while MN will be jointly and severally liable for all liabilities of GVL under the Agreement and the Sales Agreement. The Agreement also provides for bilateral contractual penalties at the amount of 10 million PLN for the failure by GVL or Fit Invest Sp. z o.o. to accede to the Sales Agreement despite the completion of the division of Calypso Fitness S.A. and fulfilment of the conditions specified in the Agreement.

The Agreement was concluded on a termination condition in the form of failure to obtain consent of the Issuer's Supervisory Board (in the form of a relevant resolution) for the conclusion of the Agreement by 28th February, 2018, at the latest.

On 26th February, 2018, the Issuer's Supervisory Board adopted a resolution expressing its consent to the conclusion of the aforementioned Agreement.

The conclusion of Annex No. 2 to the Investment Agreement of 2nd December, 2013, and agreements for the sale of shares in Zdrofit Sp. z o.o.

On 30th January, 2018, Annex No. 2 to the Investment Agreement of 2nd December, 2013, was signed between Mr Jakub Raniszewski, Mr Przemysław Szczęsny, Mr Kamil Wróblewski, Ms Aneta Katarzyna Warsinska, Ms Monika Bronikowska, Mr Daniel Tomasz Smajek and Mr Rafał Ludwik Klimczewski, being partners in Zdrofit Sp. z o.o. ("the Shareholders"), the Issuer and Fit Invest Sp. z o.o., under which, as of 30th January, 2018, the content of the Agreement concluded between these entities was changed ("the Annex").

Furthermore, in connection with the amendments to the Agreement introduced pursuant to the Annex, on 30th January, 2018, Fit Invest Sp. z o.o. concluded with each of the Partners an agreement for the sale of shares in the share capital of Zdrofit Sp. z o.o. ("the Sale Agreements"). On the basis of the Sale Agreements, Fit Invest Sp. z o.o. will purchase from the Partners a total of 1,349 Shares representing 44.97% of the share capital of Zdrofit Sp. z o.o., for the total price of 52.5 million PLN ("the Price"). The Price was paid on 28th February, 2018. The ownership of the Shares was transferred to Fit Invest Sp. z o.o. on the day of crediting the payment of the Price, in appropriate proportions, to the bank accounts of the Partners. As a result of the transaction, Fit Invest Sp. z o.o. holds 100% of the shares in the share capital of the Company.

On 19th February, 2018, annexes to the share purchase agreements of 30th January, 2018, were signed, pursuant to which the payment of the sale price of the shares in Zdrofit Sp. z o.o. shall be made in two instalments, with the first instalment being paid on 28th February, 2018, and the second instalment shall be paid by 30th March, 2018.

Consent of the parent company's Supervisory Board to carry out debt restructuring of subsidiaries from the Fitness segment

On 13th February, 2018, the parent company's Supervisory Board, at the request of the parent company's Management Board, granted its consent for the parent company to carry out debt restructuring of selected companies from the so-called Fitness Segment, involving an increase in the share capital of Fit Invest Sp. z o.o. with its registered office in Warsaw, being a 100% subsidiary of the Company, from 4,713,600 PLN to 10,813,600 PLN, i.e. by 6,100,000 PLN, through the creation of 122,000 new shares and their acquisition by the parent company in exchange for a cash contribution of 61 million PLN, which will be used for the purpose of the following:

a. increasing the share capital of Fitness Academy Spółka z ograniczoną odpowiedzialnością SKA with its registered office in Wrocław, being a 100% subsidiary of Fit Invest Sp. z o.o. from 160,000 PLN to 2,860,000 PLN, i.e. by 2,700,000 PLN through the creation of 27,000 new shares and their acquisition by Fit Invest Sp. z o.o. in exchange for a cash contribution of 27 million PLN,
b. increasing the share capital of Fabryka Formy S.A. with its registered office in Sierosław, being a 100% subsidiary of Fit Invest Sp. z o.o. from 3,457,702 PLN to 5,457,702 PLN, i.e. by 2 million PLN, through the creation of 20 million new shares and their acquisition by Fit Invest Sp. z o.o. in exchange for a cash contribution of 20 million PLN,
c. increasing the share capital of Fitness Place Sp. z o.o. with its registered office in Warsaw, being a 100% subsidiary of Fit Invest Sp. z o.o. from 5,000 PLN to 1,405,000 PLN, i.e. by 1.4 million PLN, through the creation of 28,000 new shares and their acquisition by Fit Invest in exchange for a cash contribution of 14 million PLN.

The funds received by Fitness Academy Spółka z ograniczoną odpowiedzialnością SKA, Fabryka Formy S.A. and Fitness Place Sp. z o.o. will be used to repay liabilities under loans granted to these entities by the parent company. The parent company's Management Board indicates that the expected date for the implementation of the aforementioned activities is the first half of 2018.

Conclusion of an annex to the agreement on the limit for the bank guarantees with Bank Zachodni WBK S.A.

The Management Board of Benefit System S.A. informed that the parent company received an annex dated 15th January, 2018, to the agreement dated 2nd April, 2012, signed by Bank Zachodni WBK S.A. with its registered office in Wrocław ("the Bank") concerning the limit for the bank guarantees. The subject of the annex is a change in the amount of the Bank's commitment to provide guarantees, on the basis of an order/instruction of the parent company, up to the amount of 38 million PLN.

In connection with the aforementioned annex, the parent company is obliged to submit a declaration of submission to enforcement pursuant to article 777, §1, point 5) of the Code of Civil Procedure up to the amount of 118.5 million PLN (including also receivables resulting from the agreement of 18th July, 2012, on a multi-purpose and multi-currency credit line), where the Bank will be able to apply for an enforcement clause to the notary deed up to 30th April, 2025. In all other aspects, the annex contains provisions typical of such contracts.

Establishment of loan limits within the framework of the Benefit Systems S.A. Partner Support Programme

On 13th February, 2018, the parent company's Supervisory Board agreed to increase the limit of loans granted by the parent company under the partner support programme to the total amount of 35 million PLN (the "Programme").

The programme is addressed to entities providing sports and recreation services to MultiSport Programme card users, with whom the parent company has concluded a cooperation agreement ("Partner"). Provided that the Partner meets the detailed conditions specified in the Programme's rules (e.g. cooperation with the parent company on a continuous basis for a period of at least 12 months and the absence of any confirmed irregularities in compliance with the terms of the cooperation agreement during this period; submitting an application for a loan together with the required documentation; establishing appropriate collateral for the loan agreement indicated in detail in the principles of the Programme) and obtaining the positive approval of the parent company, the parent company grants financial support in the form of a loan to Partners intending to open a new fitness club or modernize an already functioning fitness club.

Loan agreements within Benefit Systems Group

On 25th October, 2018, a loan agreement was concluded ("the Agreement") between the Issuer and Fitness Place Sp. z o.o. with its registered office in Warsaw ("the Borrower"), which is a 100% indirect subsidiary in relation to the Issuer, for the amount of 4 million PLN, as a result of which the total value of loan agreements concluded between the Issuer and the Borrower over the last 12 months reached 66.15 million PLN. The amount of the loan will be paid in tranches, according to the Borrower's requirements. The loan is to be repaid by 31st December, 2020.

In the period after the balance sheet date, loan agreements ("the Agreements") were concluded between the Issuer (the "Lender") and Fit Invest Sp. z o.o., with its registered office in Warsaw (the "Borrower"), being a 100% direct subsidiary of the Issuer, for the total amount of 53.1 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 111.3 million PLN. The loan amounts will be disbursed in tranches as required by the Borrower. The loan is to be repaid by 31st December, 2028. The loans are to enable the Borrower to fulfil its obligation to pay the sale price of shares in Zdrofit sp. z o.o. with its registered office in Warsaw, in accordance with the agreements signed on 30th January, 2018, between the Issuer, the Borrower and Mr Jakub Raniszewski, Mr Przemysław Szczęsny, Mr Kamil Wróblewski, Ms Aneta Katarzyna Warsinska, Ms Monika Bronikowska, Mr Daniel Tomasz Smajek and Mr Rafał Ludwik Klimczewski, Partners in Zdrofit, for the sale of shares in the share capital of Zdrofit Sp. z o.o.

The above loans bear interest at a variable rate and are granted at market rates. The loan agreement does not contain any conditions precedent or terminating, nor does it provide for contractual penalties. The remaining terms and conditions of the Loan Agreement do not differ from the terms and conditions commonly used in such agreements.

Tax inspection conducted

Furthermore, on 25th January, 2018, a customs and treasury inspection commenced at the parent company on the basis of the authorisation received from the Head of the Małopolska Customs and

Treasury Office in Kraków to perform a customs and treasury inspection. The audit concerns compliance with the provisions of the Corporate Income Tax Act of 15th February, 1992, with respect to taxation of income earned in the years 2012-2016. At the present stage of the inspection, the parent company is making available its tax books and accounting documents, which are the basis for entries in these books, in accordance with the summons received from the Head of the Małopolska Customs and Treasury Office in Kraków. As at the date of publication of this report, the inspection was not completed.

Conclusion of an investment loan agreement with Powszechna Kasa Oszczędności Bank Polski S.A.

On 19 March 2018, the Management Board of Benefit Systems S.A. announced that Fit Invest Sp. z o.o. - a 100% subsidiary of the Issuer, Fitness Place Sp. z o.o. - a 100% subsidiary of Fit Invest Sp. z o.o. and Powszechna Kasa Oszczędności Bank Polski S.A. signed an investment loan agreement (the "Agreement").

The subject of the Agreement is granting to Benefit Systems S.A., Fit Invest Sp. z o.o. and Fitness Place Sp. z o.o. (jointly referred to as the "Borrowers" and each of them individually as the "Borrower") an investment loan of up to 100 million PLN, which may be used by the Borrowers, among others, for the following purposes:

1) financing and refinancing of investment outlays (including acquisition of shares / stocks / enterprises / organised parts of an enterprise),
2) financing the granting of loans to subsidiaries (related to the acquisition of shares / stocks / enterprises / organised parts of an enterprise),
3) financing the provision of loans to subsidiaries and associates (in connection with the financing or refinancing of the purchase of fitness equipment),
4) financing of other investment outlays.

Interest at WIBOR 1M plus the bank's margin will be charged on the amount of credit used.

3.6. A DESCRIPTION OF FACTORS AND EVENTS, INCLUDING UNUSUAL ONES, HAVING A SIGNIFICANT IMPACT ON THE FINANCIAL RESULTS ACHIEVED

In the period presented, there were no unusual or extraordinary events having a significant impact on the financial results achieved by Benefit Systems Group.

3.7. EXPLANATIONS CONCERNING THE SEASONAL OR CYCLICAL NATURE OF OPERATIONS IN THE PERIOD PRESENTED

A characteristic feature of the industry in which Benefit Systems 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 Benefit Systems Group) the activity of cardholders is lower than in the first, second and fourth quarters of the financial year.

3.8. SALES AND SUPPLY MARKETS AND REQUIREMENTS FOR CUSTOMERS AND SUPPLIERS

In 2017, Benefit Systems Group carried out its operations and generated its revenues primarily on the domestic market. The customers of Benefit Systems Group are companies and institutions from all sectors. The share in the total turnover of Benefit Systems Group of any individual customer did not exceed 3% during this period. Therefore, in the opinion of Benefit Systems Group, it is not dependent on any of its customers for its services. The main suppliers of Benefit Systems Group include companies offering access to sports facilities and activities offered by Benefit Systems Group to its customers as part of the MultiSport sports programmes. On the date of preparing the report, Benefit Systems Group was not dependent on services provided by any of the partners.

3.9. INFORMATION ON IMPAIRMENT LOSSES ON FINANCIAL ASSETS, FIXED ASSETS, INTANGIBLE ASSETS OR OTHER ASSETS AND ON REVERSING IMPAIRMENT LOSSES ON SUCH ASSETS

On the basis of impairment tests, the parent company made a write-down for loans granted to the amount of 1,835,000 PLN, of which 741,600 PLN concerns loans granted to Partners of the MultiSport programme, and 1,096,000 PLN for loans granted to unrelated parties. Apart from these write-downs, Benefit Systems Group has not found it necessary to make any other write-downs for each of the following categories: financial assets, fixed assets, intangible assets. It also did not revoke these write-downs.

3.10. INFORMATION ON CHANGES IN THE ECONOMIC SITUATION AND CONDITIONS OF CONDUCTING BUSINESS ACTIVITY, WHICH HAVE A SIGNIFICANT IMPACT ON THE FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

In 2017, there were no significant changes in the economic situation and conditions of conducting business activity, which could have had a significant impact on the fair value of the financial assets of Benefit Systems Group.

3.11. INFORMATION ON NON-REPAYMENT OF A CREDIT OR LOAN OR BREACH OF MATERIAL PROVISIONS OF A CREDIT OR LOAN AGREEMENT, IN RELATION TO WHICH NO REPAIR ACTIVITIES WERE UNDERTAKEN BY THE END OF THE REPORTING PERIOD

As at 31st December, 2017, and as at the date of approving the financial statements for publication, none of the companies in Benefit Systems Group had breached any provisions of their credit or loan agreements.

3.12. INFORMATION ON SIGNIFICANT PURCHASE AND SALE TRANSACTIONS FOR PROPERTY, PLANT, AND EQUIPMENT

In 2017, the Group acquired property, plant and equipment in the form of equipment and fixtures and fittings for fitness clubs to the total amount of 6,358,000 PLN. Furthermore, the Group acquired property, plant and equipment in the form of an organised part of Platinium Wellness S.R.O., World Class Wenceslas Square S.R.O. and Holmes Place S.R.O. for the total amount of 21.5 million PLN.

In 2017, the parent company sold fitness equipment to the associated company Benefit Partners Sp. z o.o. to the total amount of 7.8 million PLN.

3.13. INFORMATION ON A SIGNIFICANT LIABILITY DUE TO THE PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

As at the balance sheet date, the Group did not incur any significant liabilities due to the purchase of property, plant or equipment.

3.14. INFORMATION ON WRITE-DOWNS OF INVENTORIES TO NET REALISABLE VALUE AND REVERSALS OF WRITE-DOWNS

In 2017, Benefit Systems Group did not make any impairment of inventory.

3.15. INFORMATION ON A CHANGE IN THE CLASSIFICATION OF FINANCIAL ASSETS AS A RESULT OF A CHANGE IN THE PURPOSE OR USE MADE OF THEM

In 2017, Benefit Systems Group did not reclassify any financial assets.

3.16. INFORMATION ON A CHANGE IN THE METHOD OF MEASURING FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

In 2017, Benefit Systems Group did not change the measurement method for financial instruments.

3.17. INCENTIVE PROGRAMME

On the basis of resolutions of the General Meeting of Shareholders, an Incentive Programme (hereinafter the Programme or IP) functions at Benefit Systems Group. Specified employees, both among senior executives and employees from middle management can participate in the Incentive Programme. Under this Programme, eligible employees receive subscription warrants, which are convertible into shares of the parent company. An obligatory condition for starting the Incentive Programme in a given year is the attainment of a specific level of EBITDA (the programme for the years 2014-2016) or gross profit (the programme for the years 2017-2020) 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 120,000 shares of a new issue of series D were issued.

On the basis of the resolution of the Supervisory Board for the parent company dated 19th July, 2017, the parent company's Management Board allotted 40,000 subscription warrants from series F to authorised parties, which entitle their holders to subscribe to ordinary bearer shares from series D shares in the parent company.

On 1st September, 2017, in accordance with the Incentive Programme for the years 2014-2016, 75,200 series D, E and F, were converted into shares of series D. As a result of the acquisition of series D shares in the parent company, these subscription warrants of series D, E and F held by persons holding D shares have expired.

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 (at most 149 people) will be able to receive a maximum of 100,000 subscription warrants (which after conversion into shares will represent 3.60% of the share capital of the parent company, increased by the maximum number of warrants), which will give an entitlement to subscribe to the specific number of shares in the parent company at their nominal value in four equal tranches. The options granted may be exercised up to 30th September, 2021.

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.

Table 16: Performance thresholds for the Incentive Programme

	Share in the maximum number of warrants for the year		**Level of adjusted consolidated gross profit (in millions of PLN)**			
			2017	**2018**	**2019**	**2020**
Thresholds in millions of PLN - adjusted consolidated gross profit (excluding Incentive Programme expenditures)	100%	25,000	90	105	120	140
	75%	18,750	85	97.5	110	130
	50%	12,500	80	91	106	121

The Programme's valuation for 2017 was based on the following assumptions:

Table 17: Valuation of options - Incentive Programme

Valuation of the Incentive Programme options - Black and Scholes model	
Data	**2017**
X (t) - quotation of shares at the valuation date (PLN)	849.1
P - option exercise price (PLN)	491.93
r - risk-free rate for PLN	1.50%
T - date of expiration	2017-12-31
t - current day (for pricing)	2017-02-15
Sigma - daily variation	31.48%

According to the above date, 25,000 series G subscription warrants were issued on 15th February, 2017. The annual cost of the Programme amounted to 9,142,000 PLN.

3.18. DIVIDEND

On 10th February, 2016, the Management Board for the parent company 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's 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 10th May, 2017, the Supervisory Board of the parent company gave its approval to the Management Board's motion, sent to the Ordinary General Meeting of Shareholders, for the proposed allocation of profit reported in the financial statements for the parent company for 2016, in the amount of 72.27 million PLN in total to the reserve capital of the parent company and to recommend to the Ordinary General Meeting of Shareholders that the amount of 42.5 million PLN be allocated on buying back the parent company's own shares. On 20th June, 2017, the Annual General Meeting of the parent company adopted a resolution regarding the allocation of the parent company's net profit for 2016. Given the plans of the parent company's Management Board regarding the share buyback, in accordance with the Shareholder Profit Distribution Policy for the years 2016-2019, it was decided to allocate the net profit of 72.27 million PLN entirely to supplementary capital.

As part of the share buyback conducted in September of 2017 in accordance with the dividend policy, Benefit Systems S.A. spent 42.42 million PLN on the acquisition of a total of 35,350 of its own shares.

3.19. DESCRIPTION OF TRANSACTIONS WITH RELATED ENTITIES, IF INDIVIDUALLY OR COLLECTIVELY THEY ARE SIGNIFICANT AND HAVE BEEN CONCLUDED ON OTHER THAN MARKET TERMS

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. Transactions with related parties are presented in detail in the consolidated financial statements of Benefit Systems Group for the 12 month period of 2017 (note 23).

3.20. ASSESSMENT AND JUSTIFICATION OF THE MANAGEMENT OF FINANCIAL RESOURCES

Information on the assessment and its justification regarding the management of financial resources is presented in Note 25 to the consolidated financial statements of Benefit Systems Group for the 12 month period of 2017.

3.21. AGREEMENTS WITH THE ENTITY AUTHORISED TO AUDIT FINANCIAL STATEMENTS

PricewaterhouseCoopers Sp. z o.o. is the auditor responsible for auditing and reviewing the consolidated financial statements of the parent company and Benefit Systems Group for the financial years 2017 and 2018.

3.22. INFORMATION ON CREDITS OBTAINED, LOANS RECEIVED AND GUARANTEES AND SURETIES GRANTED TO BENEFIT SYSTEMS GROUP

On 26th April, 2017, the Management Board of Benefit Systems S.A. received from Bank Zachodni WBK S.A. an annex to the agreement for a multi-purpose and multi-currency credit line, which takes into account a change of the credit repayment date to 30th April, 2018, and the Bank's obligation to issue a guarantee, based on the Company's order/instruction up to 6 million PLN (within the credit line granted up to 41.0 million PLN) during the period of availability until 30th April, 2018, for the following types: payment of rent, commercial payments, proper execution of trade agreements; expiring no later than 2 years after the date the Bank's obligation arises.

On 27th June, 2017, the parent company received an agreement from Bank Zachodni WBK S.A. for investment credit. Interest at WIBOR 1M plus the bank's margin will be charged on the amount of credit used. The loan will be repaid in 25 instalments payable on the last day of each calendar month, wherein:

1) 24 equal instalments of 1.25 million PLN shall be payable from 30th June, 2018,
2) the last, 25th instalment of 30 million PLN shall be payable on 27th June, 2020.

The loan repayment is secured by collateral:

a) a blank promissory note issued by the parent company together with a promissory note declaration;
b) a statement made by the parent company on submission to enforcement pursuant to article 777, § 1, point 5) of the Code for Civil Proceedings up to the amount of 90 million PLN, wherein, the Bank will be able to apply for a declaration of enforceability for the notary deed by 27th June, 2025.

In all other aspects, the contract contains provisions typical of such contracts.

On 22nd August, 2017, Benefit Systems S.A. and Powszechna Kasa Oszczędności Bank Polski S.A. with its registered office in Warsaw (the Bank) concluded an agreement for a multi-purpose credit limit. The subject of the agreement is the granting of a 50 million PLN overdraft limit to the parent company by the Bank, which may be used by the parent company to finance current liabilities resulting from its activities. Interest at WIBOR 1M plus the bank's margin will be charged on the amount of credit used. The overdraft limit is granted for the period from 22nd August, 2017, to 22nd August, 2020.

The loan repayment is secured by collateral:

a) a blank promissory note issued by the parent company together with a promissory note declaration;
b) a statement made by the parent company on submission to enforcement pursuant to article 777, § 1, point 5) of the Code for Civil Proceedings up to the amount of 75 million PLN, wherein, the Bank will be able to apply for a declaration of enforceability for the notary deed by 21st August, 2022.

In all other aspects, the contract contains provisions typical of such contracts.

In 2017, Benefit Systems Group received loans for the total amount of 24.4 million PLN, all from related entities in Benefit Systems Group. Information on the amount of borrowings and interest rates is available in the consolidated financial statements of Benefit Systems Group for the 12 month period of 2017.

3.23. INFORMATION ON LOANS GRANTED, INCLUDING THEIR MATURITY DATES, AS WELL AS SURETIES AND GUARANTEES GIVEN

Table 18: Contingent liabilities

Contingent liabilities	As at the date of submitting the report for 2017	As at the date of submitting the report for the three quarters of 2017	Change
Sureties and guarantees	27,510	24,777	2,733

These contingent liabilities constitute the implementation of the provisions of investment agreements - their main subject matter are lease payments for fitness equipment and rental guarantees. The increase in value of guarantees in the fourth quarter of 2017 results from the increase in the number of guarantees granted and the introduction of new subsidiaries to the list of customers (Fitness Place S.R.O., Fitness Place Sp. z o.o., Beck Box Club S.R.O.), and thus new guarantees. In addition, the weakening of the zloty in relation to the Euro also contributed to the increase in value of guarantees.

3.24. DESCRIPTION OF THE USE OF PROCEEDS FROM SHARE ISSUES

In 2017, the parent company issued shares as part of implementing the share-based payment programme (see point 3.16). On 1st September, 2017, in accordance with the Incentive Programme for the years 2014-2016, a total of 75,200 series D (9,900), E (25,300) and F (40,000) subscription warrants were converted into shares of series D. As a result of the acquisition of series D shares in the parent company, these subscription warrants of series D, E and F held by persons holding D shares have expired. The shares of all series have a nominal value of 1 PLN each. The proceeds from the share issue in the amount of 11.32 million PLN are allocated to current needs dictated by the objectives expressed in the prospectus.

3.25. CORRECTIONS OF ERRORS FROM PREVIOUS PERIODS

In 2017, there were no changes in the accounting policies. However, the following corrections of errors were made that affected the financial data presented for comparable periods:

- The valuation of put options obliging Benefit Systems Group to purchase non-controlling interests in Zdrofit Sp. z o.o. and Multisport Benefit S.R.O. has not been included in the opening balance sheet of the parent company. The correction relates to long-term liabilities in the amounts respectively of 35.8 million PLN and 25.1 million PLN and reserve capital in the amount of 60.9 million PLN.

  The valuation of these options was made using a mathematical formula based on the Group's estimates for the results of these companies: for 2017 for the options in Multisport Benefit S.R.O. and for 2018 for the options in Zdrofit Sp. z o.o. The forecast date for exercising the options accepted in the calculation of the estimate is Q1 of 2018 for Multisport Benefit S.R.O. and Q1 of 2019 for Zdrofit Sp. z o.o.

- The valuation of supplementary remuneration II from the agreement to purchase shares in MyBenefit Sp. z o.o. has not been included in the books of the year. The correction relates to a decrease in profit for past years of 3.3 million PLN and the recognition of a liability of 3.3 million PLN. The total amount of the liability for this as at 30th June, 2017, was 4.2 million PLN.
- As a result of the call option for the acquisition of the remaining 70% of the shares in Tiger Sp. z o.o. from the date of the sale agreement, i.e. from 22nd June, 2016, the company should be fully consolidated with a 100% holding in the share capital of Tiger Sp. z o.o. instead of the equity method. The correction relates to all items of the Group's financial statements for 2016. Due to the full consolidation of Tiger Sp. z o.o., it is necessary to recognise the valuation of the put options obliging Benefit Systems Group to acquire the remaining shares of Tiger Sp. z o.o. Benefit Systems Group recognised liabilities of 11.3 million PLN in correspondence with goodwill.

  The valuation of put options was made using the mathematical formula contained in the agreement, consisting of a fixed price less net debt increased by net profit. The forecast date for exercising the options assumed in the calculation of the valuation is Q2 of 2018.

The parent company also made a presentation correction in the comparative period of 2016. In the financial statements for this period, all costs of assets under construction, including intangible assets and fixed assets, were presented in one item: intangible assets during production. The parent company has identified fixed assets under construction and presented them in a separate item: property, plant and equipment under construction. The presentation adjustment relates to the opening balance of intangible assets and property, plant and equipment of 810,000 PLN.

The above adjustments are presented in the Condensed Interim Financial Statements for the period of 6 months ended 30th June, 2017, in note 6.2.4.

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

Benefit Systems Group has not published any forecasts of results for 2017.

3.27. INFORMATION ABOUT AGREEMENTS KNOWN TO BENEFIT SYSTEMS GROUP, WHICH IN FUTURE MAY RESULT IN CHANGES IN THE PROPORTIONS OF SHARES HELD BY THE EXISTING SHAREHOLDERS

Benefit Systems Group is not aware of any such agreements.

3.28. INFORMATION ON SHAREHOLDERS HOLDING AT LEAST 5% OF THE VOTES AT THE GENERAL MEETING OF THE PARENT COMPANY AND CHANGES IN THE OWNERSHIP OF SIGNIFICANT SHARE HOLDINGS IN THE COMPANY SINCE THE PREVIOUS QUARTERLY REPORT

The percentage of the parent company's share capital and voting rights takes into account the parent company's 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, E and F, granted by the parent company in accordance with the provisions of the Incentive Programme for the years 2014-2016.

Table 19: Shareholder structure

Shareholder	As at the date of submitting the report for 2017			As at the date of submitting the report for the three quarters of 2017			Change
	Number of shares*	Share in equity	Share in the total number of votes at a General Meeting of Shareholders	Number of shares	Share in equity	Share in the total number of votes at a General Meeting of Shareholders	
James van Bergh	586,285	21.92%	22.95%	586,285	21.92%	22.95%	-
Benefit Invest Ltd.	571,606	21.37%	22.37%	571,606	21.37%	22.37%	-
Marek Kamola	260,000	9.72%	10.18%	260,000	9.72%	10.18%	-
MetLife OFE	253,891	9.49%	9.94%	253,891	9.49%	9.94%	-
Nationale-Nederlanden	245,000	9.16%	9.59%	245,000	9.16%	9.59%	-
Others	758,060	28.34%	24.97%	758,060	28.34%	24.97%	-
including Benefit Systems S.A. (own shares)	*120,080*	*4.49%*	-	*120,080*	*4.49%*	-	-
Total	**2,674,842**	**100.00 %**	**100.00%**	**2,674,842**	**100.00 %**	**100.00%**	**-**

The parent company's share capital amounts to 2,674,842 PLN. Number of shares in the share capital: 2,674,842 shares, including 2,204,842 shares of series A, 200,000 shares of series B, 150,000 shares of series C and 120,000 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 2,674,842, wherein as at the date of publishing this report the parent company held 120,080 of its own shares, for which it cannot exercise voting rights. Therefore, the share in the share capital of Benefit Systems S.A. of individual shareholders is not equal to their participation in the total number of votes at the General Meeting of Shareholders.

3.29. STATEMENT OF CHANGES IN THE OWNERSHIP OF SHARES OR RIGHTS BY MANAGING AND SUPERVISING PERSONS

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

Table 20: Shares held by members of the Management Board of Benefit Systems S.A.

Management Board	As at the date of submitting the report for 2017		As at the date of submitting the report for the three quarters of 2017		Change
	Number of shares	Percentage of share capital	Number of shares	Percentage of share capital	
Grzegorz Haftarczyk	1,563	0.058%	1,563	0.058%	-
Arkadiusz Hanszke	0	0.000%	0	0.000%	-
Adam Radzki	3,077	0.115%	3,077	0.115%	-
Emilia Rogalewicz	1,081	0.040%	1,081	0.040%	-
Izabela Walczewska-Schneyder	6,088	0.228%	6,088	0.228%	-
Total	**11,809**	**0.441%**	**11,809**	**0.441%**	**-**

Table 21: Shares held by members of the Supervisory Board of Benefit Systems S.A.

Supervisory Board	As at the date of submitting the report for 2017		As at the date of submitting the report for the three quarters of 2017		Change
	Number of shares	Percentage of share capital	Number of shares	Percentage of share capital	
James van Bergh*	586,285	21.92%	586,285	21.92%	-
Zofia Dzik	0	0.00%	0	0.00%	
Marcin Marczuk	0	0.00%	0	0.00%	-
Michael Sanderson	0	0.00%	0	0.00%	-
Artur Osuchowski	0	0.00%	0	0.00%	-
Total	**586,285**	**21.92%**	**586,285**	**21.92%**	**-**

** 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 571,606 representing 21.37% of the share capital and in the total number of votes (as at the date of submitting the report for 2017).*

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

3.30. AGREEMENTS CONCLUDED BETWEEN BENEFIT SYSTEMS GROUP AND ITS MANAGERS PROVIDING FOR COMPENSATION IN THE EVENT OF THEIR RESIGNATION OR DISMISSAL FROM THEIR POSITIONS WITHOUT A VALID REASON

In the event of the termination of an employment contract with a Member of the Management Board by the Employer (after the lapse of 12 months of the employment contract), the Employer guarantees to pay the Employee a severance pay equal to three times the average monthly remuneration of the

Employee gross salary from the last 12 months in two equal instalments, the first paid on the day of termination of the contract, and the second on the lapse of 90 days from the day of termination of the contract. In addition, a non-competition agreement will apply for 12 months. In return for refraining from competitive activity, the Employer pays 25% of the basic gross monthly remuneration as of the last day of the employment contract, for each month of the term of the Agreement.

In 2017, Benefit Systems Group did not have any liabilities resulting from retirement pensions or benefits of a similar nature for former management personnel supervising the parent company.

3.31. THE VALUE OF REMUNERATION, REWARDS OR BENEFITS, INCLUDING THOSE RESULTING FROM INCENTIVE OR BONUS PROGRAMMES BASED ON THE CAPITAL OF BENEFIT SYSTEMS S.A., FOR MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODIES

Table 22: Remuneration of Members of the Management Board at Benefit Systems S.A. from 1st January to 31st December, 2017 (no remuneration from subsidiaries)

Member of the Management Board	Remuneration	Other benefits	Total
Grzegorz Haftarczyk	176	6	182
Arkadiusz Hanszke	453	9	462
Adam Kędzierski	521	7	528
Adam Radzki	140	3	143
Emilia Rogalewicz	164	9	173
Izabela Walczewska-Schneyder	621	9	630
Total	**2,075**	**43**	**2,118**

Table 23: Benefits for Members of the Management Board in the form of due and potentially due G and H series warrants at the end of 2017

Member of the Management Board	Series G warrants to be covered in 2018 for 2017	Conditionally granted series H warrants for 2018	Total	Value*
Grzegorz Haftarczyk	1,750	600	2,350	1,008
Arkadiusz Hanszke	2,000	600	2,600	1,097
Adam Radzki	1,750	600	2,350	1,008
Emilia Rogalewicz	2,500	600	3,100	1,276
Izabela Walczewska-Schneyder	2,500	600	3,100	1,276
Total	**10,500**	**3,000**	**13,500**	**5,665**

**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 G warrants was based on the prices and conditions from the warrant pool for 2017 (357.17 PLN), and the valuation of series H warrants was based on the prices and conditions from the warrant pool for 2018 (638.07 PLN).*

Table 24: Remuneration of Members of the Supervisor Board at Benefit Systems S.A. from 1st January, 2017, to 31st December, 2017 (no remuneration from subsidiaries)

Supervisory Board	Remuneration	Other benefits	Total
James van Bergh	120	0	120
Zofia Dzik	5	0	5
Przemysław Gacek	43	0	43
Marcin Marczuk	33	0	33
Artur Osuchowski	30	0	30
Michael Sanderson	30	0	30
Total	**261**	**0**	**261**

3.32. INFORMATION ON THE CONTROL SYSTEM FOR EMPLOYEE SHARE OWNERSHIP PROGRAMMES

Described in point *3.17. Incentive Programme* The Management Board's report on the operations of Benefit Systems Group in 2017.

3.33. INFORMATION ON INSTITUTED PROCEEDINGS BEFORE A COURT OR ADMINISTRATIVE AUTHORITY AND INFORMATION ON SIGNIFICANT SETTLEMENTS FROM COURT CASES

In reference to the information provided by the parent company in the Management Board's Report regarding the publication of the Annual Report for 2016 and for interim reports for the 1st, 2nd and 3rd quarter of 2017 relating to: (i) proceedings for concentration conducted by the President of the Office of Competition and Consumer Protection (the "President of the OCCP") related to the conclusion of a conditional agreement on 50.1% of the shares in Calypso Fitness S.A. (the "Conditional Agreement") and (ii) explanatory activities conducted by the President of the Office for Competition and Consumer Protection, the Management Board of Benefit Systems S.A. informs that with respect to concentration proceedings, the Conditional Agreement expired on 31st December, 2017. Therefore, on 2nd January, 2018, the parent company withdrew the said concentration application and the proceedings in this respect were discontinued.

At the same time, the parent company's Management Board informs that explanatory activities conducted by the President of the Office for Competition and Consumer Protection are still in progress. The parent company is cooperating closely with the Office for Competition and Consumer Protection and provides all the necessary materials and information without any delays.

The explanatory activities started in November, 2015, and at the end of January, 2017, selected premises of Benefit Systems were searched by the Office's employees, which has already been reported by the parent company in its report for 2016. Similar inspections were carried out at Benefit Partners, Fit Invest, Fitness Academy, as well as Calypso Fitness, Platinium and PZPF. The Management Board of Benefit Systems S.A. has evaluated a number of legal analyses which conclude that there is a risk of the current investigation turning into proceedings against the parent company. If the explanatory activities are transformed into proceedings against the parent company and if such proceedings lead to the imposition of penalties, the Management Board of Benefit Systems S.A. informs that the maximum penalty that may be imposed by the OCCP, in accordance with the applicable provisions of law, is not more than 10% of the parent company's turnover generated in the financial year preceding the year in which the penalty was imposed.

In accordance with good practice and legal regulations, the parent company's Management Board will inform the market about possible further steps within the framework of explanatory activities.

Furthermore, on 25th January, 2018, a customs and treasury inspection commenced at the parent company on the basis of the authorisation received from the Head of the Małopolska Customs and Treasury Office in Kraków to perform a customs and treasury inspection. The inspection concerns compliance with the provisions of the Corporate Income Tax Act of 15/02/1992 with respect to corporate income tax on income attained in the years 2012-2016. At the present stage of the inspection, the parent company is making available its tax books and accounting documents, which are the basis for entries in these books, in accordance with the summons received from the Head of the Małopolska Customs and Treasury Office in Kraków. As at the date of publication of this report, the inspection was not completed.

In 2017, Benefit Systems Group was not a party to any court proceedings instituted in excess of 10% of its equity.

3.34. INFORMATION ON ONE OR MORE TRANSACTIONS CONCLUDED BY BENEFIT SYSTEMS GROUP WITH RELATED ENTITIES

In 2017, there were no significant transactions by Benefit Systems Group with related entities concluded on terms other than market terms.

3.35. INFORMATION ON THE GRANTING BY BENEFIT SYSTEMS GROUP OF SURETIES, CREDITS, LOANS OR GUARANTEES - JOINTLY TO ONE ENTITY - IF THE VALUE OF SURETIES OR GUARANTEES IS EQUIVALENT TO AT LEAST 10% OF THE EQUITY CAPITAL

In 2017, Benefit Systems Group did not grant any credit or loan sureties or guarantees with a value exceeding 10% of the Company's equity.

3.36. OPERATING SEGMENTS

Benefit Systems Group's operating segments have been described in section 2.2. of this Management Board's Report on operations.

3.37. CHANGES IN THE PRINCIPLES FOR MANAGING THE BUSINESS AT BENEFIT SYSTEMS GROUP

In 2017, there were no changes in the principles for managing the business at Benefit Systems Group.

3.38. INFORMATION ABOUT AGREEMENTS KNOWN TO BENEFIT SYSTEMS GROUP (INCLUDING THOSE CONCLUDED AFTER THE BALANCE SHEET DATE), WHICH IN FUTURE MAY RESULT IN CHANGES IN THE PROPORTIONS OF SHARES HELD BY THE EXISTING SHAREHOLDERS AND BONDHOLDERS

According to the information available to Benefit Systems Group, no agreements have been concluded or are in force as a result of which changes in the proportions of shares held by the existing Shareholders and Bondholders may occur in the future.

3.39. ENTITY AUTHORISED TO AUDIT THE FINANCIAL STATEMENTS

On 9th November, 2016, the Supervisory Board of the parent company selected PricewaterhouseCoopers Sp. z o.o. to carry out an audit of the separate and consolidated annual financial statements and to review the separate and consolidated interim financial statements of Benefit Systems Group for the financial years 2017 and 2018 and to issue opinions and reports on the audits and reviews carried out. The agreement was signed on 15th May, 2017.

Information on the auditor's remuneration is presented in note 28.5 to the consolidated financial statements of Benefit Systems Group for the 12 month period of 2017.

3.40. FACTORS WHICH, IN THE OPINION OF BENEFIT SYSTEMS GROUP, WILL AFFECT THE RESULTS ACHIEVED IN THE PERSPECTIVE OF AT LEAST THE NEXT QUARTER

Benefit Systems Group does not expect any significant changes in its operations in the subsequent period. The most important risks defined by the parent company are:

Risk of not adapting the business model to the specificity of an intermediary on the sports services market

Benefit System's unique business model consists of providing solutions supporting physical activity and providing intermediary services in the sports and recreation services market through the distribution of MultiSport cards. The key element of its growth is the stable increase in the number of sports cards.

In setting the price of a card, the parent company uses its own estimates regarding the frequency of cardholders' visits to sports clubs. The main cost of the parent company are payments to partners for visits by cardholders. The parent company is exposed to the risk of underestimating the number of visits, which may result in lower than expected profitability of individual contracts.

The impact of this risk is minimised by the favourable labour market trends and the growing popularity of a healthy lifestyle in Poland. Additionally, the impact is limited by the parent company by concluding agreements with short notice periods and by the possibility of renegotiating unprofitable contracts.

The risks related to the management of a large capital group and difficulties in achieving the assumed operating efficiency

As at 31st December, 2017, Benefit Systems Group comprises 28 subsidiaries, 9 affiliated companies and 4 other entities. The parent company consistently pursues its strategy of investing in the sports and recreation services sector.

The size of the capital group, and the planned development and increase in acquisitions in the future contribute to the growing complexity of the Group's operations and its management. Reducing this risk requires significant commitment of resources and additional expenses related to the integration of new companies, the introduction of unified corporate governance principles, the design and implementation of elements of the internal control system as well as risk management in the Group.

Legal and tax risks, regulatory risks, including those related to concentration and competition, as well as the parent company's listing on capital markets

The legal environment in Poland is changing very dynamically. This applies in particular to regulations and interpretations of rules and regulations in the field of tax law, regulating business activity and related to obligations related to the presence of the parent company on the stock exchange. Many of the provisions in force are not sufficiently precise and often lack clear interpretation and the interpretations of tax regulations, including the interpretations of tax regulations by tax authorities and courts, are subject to frequent changes and are not consistent. The legal, tax and regulatory risk also includes the possibility of unfavourable decisions for the parent company in pending or potential proceedings before administrative bodies, including the tax administration and the President of the Office for Competition and Consumer Protection.

In connection with the inconsistent interpretations of tax regulations there is a risk that the tax authorities will adopt an interpretation of the regulations different from the one applied by the parent company and constituting the basis for calculating the tax liability. The realisation of this risk may have a significant impact on the parent company's operations, both in terms of its financial standing and its development prospects.

With respect to legal and regulatory risks related to the concentration and competition, the parent company - in accordance with the information presented in point 3.33 - identifies the risk of transformation of explanatory activities conducted by the Office of Competition and Consumer Protection since 2015 into proceedings against the parent company. The parent company operates on the non-wage benefits market and within this market it was one of the creators of its product, i.e. a sports and recreation card. However, the parent company competes for employers' budgets with strong competitors offering substitute services, such as medical subscriptions, holiday subsidies, group insurance and others. Although such a definition of the market on which the parent company operates is, in the opinion of the parent company, correct, and this assessment was supported by expert studies, there is a risk that the definition will be significantly narrowed down by the Office of Competition and Consumer Protection. In such a case, however, it should be pointed out that the parent company exercises due diligence to ensure that its actions, even if it were to be assumed that to a certain extent it holds a significant position in a narrowly defined market, would not violate the provisions of law.

The risk is properly managed and monitored, and the parent company attaches great importance to the appropriate treatment of all its business partners, in particular customers, sports and recreation card users and sports service providers. However, it cannot be excluded that adverse developments by the competition authorities, in particular with regard to the past, may be taken. In the opinion of the parent company, possible decisions issued by the President of the Office of Competition and Consumer Protection may have a limited impact on the risk of further operations of the parent company.

Market risk - the risk of the emergence of new competitors or the risk of expansion of existing competitors due to the lack of barriers to entry on the market of non-wage benefits and on the market of sports services

The parent company sees a risk of new competitors emerging. It may appear from organised entities offering sports and recreational services, through the establishment of an entity operating similarly to the parent company, or by entering the market with an offer of services for corporate customers of large domestic and foreign entities, which have so far been absent in this area.

The parent company sees a similar risk in relation to new products, whose innovative solutions on the market may be duplicated in the future by competitive companies. In response to this risk, the parent company takes appropriate actions to ensure its competitive advantages, i.e. it has implemented distribution platforms and invests in sports clubs.

The parent company sees a risk of potential consolidation on the sports and recreation services market. A large network of sports clubs, which would be able to compete with the parent company's products by offering passes to corporate customers for their own fitness facilities, could exert downward pressure on the prices of the parent company's services.

Risks in the area of personal data processing and protection, inter alia, related to adaptation to the RODO regulations, in legal, organisational and technical terms

The risk results from the need to adjust the parent company's activities to the new guidelines resulting from the RODO provisions (Regulation of the European Parliament and Council (EU) 2016/679 of 27th April, 2016).

The extent of the necessary changes and adjustments to requirements is apparent on different levels of the parent company's activity, including legal, organisational and systemic solutions with emphasis on the security of network resources and IT systems.

The parent company undertook a number of activities aimed at adjusting to the requirements resulting from the regulations, for example, concerning updating processes, adjusting IT systems and updating agreements with Benefit Systems S.A. Customers with respect to entrusting the processing of personal data.

Risk related to conducting business activity and expansion on foreign markets, including political and currency risk

As part of its business expansion strategy, Benefit Systems Group continues to expand on foreign markets, including the Czech Republic (MultiSport Benefit S.R.O., Fitness Place S.R.O., Beck Box Club Praha S.R.O.) since 2010, on the markets of Slovakia (Benefit Systems Slovakia S.R.O.) and Bulgaria (Benefit Systems Bulgaria EOOD, Fit Invest Bulgaria EOOD) since 2015, and started operating in Croatia (Benefit Systems d.o.o. HR) as of 2017.

On the Czech market, Benefit Systems Group has reached the profitability point and is developing dynamically, on other markets and business continues to be built up. It is not certain that the business model of Benefit Systems S.A., which has proved its worth in Poland, will be fully accepted in the new markets where legal, cultural and sports differences exist, as well as differences in the level of sports activity and proposals for the non-wage motivation of employees.

Failure to execute plans in any of the new markets may have a negative impact on the financial results of Benefit Systems Group. However, it should be noted that before making a decision on entering a given market, Benefit Systems Group carries out a potential study together with an analysis of potential threats. In addition, the Group adopted a strategy of the gradual incurring of capital expenditures in a manner that takes into account the current market situation, currency risk and observed business growth in a given country. All activities reduce the size of potential losses in the event of an investment failure.

Risk of changes in the demographic status in Poland and in the countries where Benefit Systems Group operates

In the long turn, the Group's operations may be affected by changes in Poland's demographic structure, in particular, the ageing of the population. It cannot be precluded that with this phenomenon and the resulting decrease in the target group (economically active people), the products currently offered by the parent company may cease to enjoy such a high level of interest, which may have a negative impact on its financial results in the long run. However, in the parent company's opinion the impact of this risk will be limited by the fact that, as in the developed countries of Western Europe, we can also observe in Poland an increase in physical activity among older age groups, which may constitute a potential for entering a new market segment.

Risk related to implementation and maintenance of IT systems and cyber security

The parent company manages the risk of IT systems by introducing appropriate procedures and control mechanisms, which enable effective prevention and limitation of the effects of these risks materialising.

In particular, the parent company develops procedures and mechanisms concerning development and maintenance of systems, change management and information security. The parent company uses redundant hardware and system solutions in order to minimize the risk of disruption to key IT systems.

As part of cyber security management, it continuously updates its network security systems. The parent company uses solutions that are tried and tested on the market.

The parent company's activity related to its main product is based on an integrated terminal system, allowing for the registration of visits using sports cards. The parent company mitigates the risk of a failure of the terminal system by using redundancy and appropriate network protection.

Financial risk, in particular credit risk and liquidity risk

The financial risk arises mainly from the debt of Benefit Systems Group, which includes, among others, loans and issued bonds.

Failure to meet the financial targets (EBITDA) may result in the risk of non-performance of covenants concluded in the terms of the bond issues and credit agreements, in particular with respect to the debt ratio. As a consequence, this may result in the necessity to repay the liabilities resulting from these agreements, which would affect the parent's company's financial liquidity.

In response to the existing risks within the liquidity risk management process, the parent company forecasts future cash flows and monitors liquidity ratios. In addition, the parent company's Management Board renegotiates the terms of the agreements as well as considers alternative methods of external financing.

Risk of acquiring and managing human resources, including the risk of losing key employees

The factors influencing the parent company's operations are the work and skills of key personnel, including the management staff, as well as other teams and employees. The Management Board of Benefit Systems S.A. is of the opinion that the pace of the parent company's development also depends on its ability to employ and maintain highly qualified management staff and key employees. The loss of a significant number of such persons may have a negative impact on the operating activities of the parent company. Benefit Systems S.A. successfully obtains appropriate human resources, which is supported by its position as a valued employer and the atmosphere at work. The parent company has adopted a strategy of additional motivation through an incentive programme for the management personnel and key employees.

The risk factors related to human resources include changes on the labour market related to the increase in financial expectations of employees, which may cause an increase in operating costs incurred by the parent company.

The risk factors related to human resources include changes on the labour market related to the increase in financial expectations of employees, which may cause an increase in operating costs incurred by the parent company.

4. CONSOLIDATED FINANCIAL STATEMENTS OF BENEFIT SYSTEMS GROUP AS AT 31ST DECEMBER, 2017, AND FOR THE 12 MONTHS ENDED 31ST DECEMBER, 2017

4.1. SELECTED FINANCIAL DATA FOR BENEFIT SYSTEMS GROUP

Table 25: Selected financial date

	12 months of 2017 In thousands of PLN	12 months of 2016 in thousands of PLN Restated	12 months of 2017 In thousands of EUR	12 months of 2016 in thousands of EUR Restated
Sales revenues	964,786	743,818	227,292	169,988
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	155,529	116,867	36,641	26,708
Operating profit	121,411	93,175	28,603	21,294
Profit before tax	116,291	98,839	27,397	22,588
Net profit	86,708	75,593	20,427	17,276
Net profit attributable to shareholders of the parent company	88,103	80,519	20,756	18,401
Net cash from operating activities	139,161	120,611	32,785	27,564
Net cash from investment activities	(161,847)	(68,743)	(38,129)	(15,710)
Net cash from financial activities	9,949	(10,650)	2,344	(2,434)
Net change in cash and cash equivalents	(12,737)	41,218	(3,001)	9,420
Weighted average number of ordinary shares	2,620,245	2,568,609	2,620,245	2,568,609
Diluted weighted average number of ordinary shares	2,632,894	2,627,406	2,632,894	2,627,406
Earnings per ordinary share attributable to shareholders of the parent company (in PLN/EUR)	33.09	29.43	7.80	6.73
Diluted earnings per ordinary share attributable to shareholders of the parent company (in PLN/EUR)	32.93	28.77	7.76	6.58

	31/12/2017 In thousands of PLN	31/12/2016 In thousands of PLN Restated	31/12/2017 in thousands of EUR	31/12/2016 In thousands of EUR Restated
Non-current assets	525,920	391,798	126,093	88,562
Current assets	236,115	198,842	56,610	44,946
Total assets	762,035	590,640	182,703	133,508
Non-current liabilities	201,713	236,349	48,362	53,424
Current liabilities	340,445	176,607	81,624	39,920
Equity	219,877	177,684	52,717	40,164
Equity attributable to shareholders of the parent company	202,033	160,433	48,439	36,264
Share capital	2,675	2,600	641	588
Number of ordinary shares	2,674,842	2,599,642	2,674,842	2,599,642
Book value per share attributable to shareholders of the parent company (in PLN/EUR per share)	75.53	61.71	18.11	13.95

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:

31/12/2017: 4.1709 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 - 31/12/2017: 4.2447 PLN/EUR

01/01 - 31/12/2016: 4.3757 PLN/EUR,

The highest rate applicable in each period was as follows:

01/01 - 31/12/2017: 4.3308 PLN/EUR

01/01 - 31/12/2016: 4.4405 PLN/EUR.

The lowest rate applicable in each period was as follows:

01/01 - 31/12/2017: 4.1709 PLN/EUR

01/01 - 31/12/2016: 4.2684 PLN/EUR.

4.2. CONSOLIDATED INCOME STATEMENT

Table 26: Consolidated income statement

In thousands of PLN	12 months of 2017	12 months of 2016 Restated
Sales revenues	**964,786**	**743,818**
Revenues from rendering services	959,359	734,433
Revenues from sales of goods and materials	5,427	9,385
Costs of sales	**(699,127)**	**(537,678)**
Cost of services rendered	(695,509)	(530,354)
Cost of goods and materials sold	(3,618)	(7,324)
Gross profit on sales	**265,659**	**206,140**
Selling expenses	(57,747)	(42,734)
General and administrative expenses	(87,944)	(67,919)
Other operating income	9,085	8,902
Other operating costs	(7,743)	(11,214)
Loss on sales of subsidiaries	(199)	0
Operating profit	**121,411**	**93,175**
Financial income	3,915	2,948
Financial expenses	(12,101)	(6,859)
Share of profits (loss) of associates accounted for using the equity method (+/-)	3,066	9,575
Profit before tax	**116,291**	**98,839**
Income tax charge	(29,583)	(23,246)
Net profit from continuing operations	**86,708**	**75,593**
Net profit	**86,708**	**75,593**
Net profit attributable to:		
- shareholders of the parent company	88,103	80,519
- non-controlling interests	(1,395)	(4,926)

Table 27: Net income per ordinary share (PLN)

	31/12/2017	31/12/2016 Restated
from continuing operations		
- basic	33.09	29.43
- diluted	32.93	28.77
from continuing and discontinued operations		
- basic	33.09	29.43
- diluted	32.93	28.77

Table 28: Statement of other comprehensive income

In thousands of PLN	12 months of 2017	12 months of 2016 Restated
Net profit	**86,708**	**75,593**
Financial assets available for sale:		
- gains (losses) for the period in other comprehensive income	0	0
Income tax relating to components reclassified to profit and loss	0	0
Other comprehensive income after tax	0	0
Total comprehensive income	**86,708**	**75,593**
Total comprehensive income attributable to:		
- shareholders of the parent company	88,103	80,519
- non-controlling interests	(1,395)	(4,926)

4.3. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Table 29: Assets

In thousands of PLN	31/12/2017	31/12/2016 Restated
Non-current assets		
Goodwill	191,558	146,252
Intangible assets	26,976	17,064
Property, plant and equipment	196,866	147,823
Investments in associates	36,624	27,696
Loans and receivables	56,166	42,747
Other long-term financial assets	619	431
Long-term prepayments	1,458	702
Deferred tax assets	15,653	9,083
Non-current assets	**525,920**	**391,798**
Current assets		
Inventories	7,823	12,887
Trade receivables and other receivables	131,248	95,267
Income tax receivable	352	402
Loans	23,424	15,431
Other short-term financial assets	187	242
Accruals	20,623	8,668
Cash and cash equivalents	52,458	65,195
Fixed assets classified as held for sale	0	750
Current assets	**236,115**	**198,842**
Total assets	**762,035**	**590,640**

Table 30: Liabilities

In thousands of PLN	31/12/2017	31/12/2016 Restated
Equity		
Equity attributable to shareholders of the parent company		
Share capital	2,675	2,600
Own shares	(100,094)	(57,594)
Share premium	60,586	51,444
Exchange differences from consolidation	339	(131)
Reserve capital	(50,951)	(50,951)
Other capital	216,018	131,347
Retained earnings:	73,460	83,718
- accumulated earnings for the previous reporting periods	(14,643)	3,199
- net profit attributable to shareholders of the parent company	88,103	80,519
Equity attributable to shareholders of the parent company	202,033	160,433
Non-controlling interests	17,844	17,251
Equity	**219,877**	**177,684**
Non-current liabilities		
Interest-bearing loans, borrowings and debt instruments	122,036	125,777
Finance leases	15,571	27,355
Other liabilities	44,925	76,411
Deferred income tax liabilities:	9,393	5,907
Long-term prepayments	9,788	899
Total non-current liabilities	**201,713**	**236,349**
Current liabilities		
Trade payables and other liabilities	130,556	74,984
Income tax payable	21,890	14,220
Interest-bearing loans, borrowings and debt instruments	70,594	4,093
Finance leases	8,711	10,397
Liabilities and provisions for employee benefits	18,604	11,619
Other short-term provisions:	3,070	2,637
Accruals	87,020	58,657
Total current liabilities	**340,445**	**176,607**
Total liabilities	**542,158**	**412,956**
Total equity and liabilities	**762,035**	**590,640**

4.4. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Table 31: Consolidated statement of changes in equity

In thousands of PLN	Share capital	Own shares	Share premium	Exchange differences from consolidation	Reserve capital	Other capital	Retained earnings	Total	Non-controllin g interests	Total equity
Balance as at 01/01/2017	**2,600**	**(57,594)**	**51,444**	**(131)**	**(50,951)**	**131,347**	**83,718**	**160,433**	**17,251**	**177,684**
Changes in equity in the period from 01/01 to 31/12/2016										
Issue of shares	75	0	0	0	0	11,243	0	**11,318**	0	11,318
Share buyback	0	(42,500)	0	0	(42,500)	42,500	0	**(42,500)**	0	(42,500)
Valuation of options (share-based payment programme)	0	0	9,142	0	0	0	0	**9,142**	0	9,142
Change in the structure of the Group (transactions with non-controlling interests)	0	0	0	0	0	0	(24,577)	**(24,577)**	2,279	(22,301)
Exchange differences from consolidation	0	0	0	470	0	0	0	**470**	19	489
Transfer of supplementary capital to reserve capital	0	0	0	0	42,500	(42,500)	0	**0**	0	0
Dividends	0	0	0	0	0	0	(356)	**(356)**	(307)	(663)
Transfer of net profit to capital	0	0	0	0	0	73,428	(73,428)	**0**	0	0
Total transactions with owners	**75**	**(42,500)**	**9,142**	**470**	**0**	**84,671**	**(98,361)**	**(46,503)**	**1,988**	**(44,515)**
Net profit (loss) for the period 01/01-31/12/2017	0	0	0	0	0	0	88,103	**88,103**	(1,395)	86,708
Total comprehensive income	**0**		**0**	**0**	**0**	**0**	**88,103**	**88,103**	**(1,395)**	**86,708**
As at 31/12/2017	**2,675**	**(100,094)**	**60,586**	**339**	**(50,951)**	**216,018**	**73,460**	**202,033**	**17,844**	**219,877**

Table 32: Consolidated statement of changes in equity cont.

thousands of PLN	Share capital	Own shares	Share premium	Exchange differences from consolidation	Reserve capital	Other capital	Retained earnings	Total	Non-controlling interests	Total equity
As at 01/01/2016	**2,555**	**0**	**41,458**	**(38)**	**5,400**	**48,956**	**60,718**	**159,049**	**5,703**	**164,752**
Changes in equity in the period from 01/01 to 31/12/2016 (Restated)										
Issue of shares	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	9,986	0	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	(2,420)	**(2,420)**	16,475	**14,055**
Exchange differences from consolidation	0	0	0	(93)	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**
Dividends (Zdrofit put options)	0	0	0	0	(35,757)	0	0	**0**	0	**(35,757)**
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)**	**9,986**	**(93)**	**(56,351)**	**82,391**	**(57,519)**	**(79,135)**	**16,475**	**(62,661)**
Net profit (loss) for the period 01/01-31/12/2016	0	0	0	0	0	0	80,519	**80,519**	(4,926)	**75,593**
Total comprehensive income	**0**	**0**	**0**	**0**	**0**	**0**	**80,519**	**80,519**	**(4,926)**	**75,593**
As at 31/12/2016	**2,600**	**(57,594)**	**51,444**	**(131)**	**(50,951)**	**131,347**	**83,718**	**160,433**	**17,251**	**177,684**

4.5. CONSOLIDATED STATEMENT OF CASH FLOWS

Table 33: Consolidated statement of cash flows

In thousands of PLN	12 months of 2017	12 months of 2016 Restated
Cash flows from operating activities		
Profit before tax	**116,291**	**98,839**
Total adjustments	41,633	29,257
Changes in working capital	4,904	4,354
Interest paid on operating activities	0	0
Income tax paid	(23,667)	(11,839)
Net cash from operating activities	**139,161**	**120,611**
Cash flows from investment activities		
Expenditures on the acquisition of intangible assets	(42,570)	(10,091)
Proceeds from the sale of intangible assets	6	88
Expenditures on the acquisition of property, plant and equipment	(69,150)	(29,930)
Proceeds from the sale of property, plant, equipment	479	8,004
Net expenses on the acquisition of subsidiaries	(31,688)	(13,961)
Loans collected	5,084	2,792
Loans granted	(19,632)	(18,888)
Expenditure on the acquisition of other financial assets	(5,928)	(8,177)
Proceeds from the sale of other financial assets	545	294
Interest received	896	649
Dividends received	111	477
Net cash from investment activities	**(161,847)**	**(68,743)**
Cash flows from financing activities		
Net proceeds from the issue of shares	11,318	7,615
Purchase of own shares	(42,500)	(57,594)
Proceeds from the issue of debt securities	0	70,000
Proceeds from loans and borrowings	67,866	1,352
Repayment of borrowings	(10,709)	(12,595)
Lease payments	(9,739)	(11,740)
Interest paid	(5,624)	(6,123)
Dividends paid	(663)	(1,565)
Net cash from financial activities	**9,949**	**(10,650)**
Net change in cash and cash equivalents	**(12,737)**	**41,218**
Cash and cash equivalents at beginning of period	65,195	23,977
Cash and cash equivalents at end of period	**52,458**	**65,195**

APPROVAL FOR PUBLICATION

The consolidated annual report of Benefit Systems Group prepared for the 12 month period ending 31st December, 2017 (with comparative data) was approved for publication by the parent company's Management Board on 21st March, 2018.

Date	Forename and surname	Signature
21st March, 2018	Grzegorz Haftarczyk *Member of the Management Board*	
21st March, 2018	Arkadiusz Hanszke *Member of the Management Board*	
21st March, 2018	Adam Radzki *Member of the Management Board*	
21st March, 2018	Emilia Rogalewicz *Member of the Management Board*	
21st March, 2018	Izabela Walczewska-Schneyder *Member of the Management Board*	

STATEMENT ON THE APPLICATION OF CORPORATE GOVERNANCE AT BENEFIT SYSTEMS S.A. IN 2017, CONSTITUTING AN APPENDIX TO THE MANAGEMENT BOARD'S REPORT ON THE ACTIVITIES OF BENEFIT SYSTEMS S.A. GROUP FOR 2017

1. ***An indication of the set of corporate governance rules to which the Company is subject and the place where the text of the rules are publicly available.***

Since the first listing of the Company's shares on the WSE parallel market, i.e. since 21st April, 2011, the Company has been subject to corporate governance rules resulting from the "Code of Best Practice for WSE Listed Companies" set forth in the Annex to Resolution No. 12/1170/2007 of the WSE Supervisory Board of 4th July, 2007, as amended. The text of the Code of Best Practice for WSE Listed Companies, to which the Company was subject in 2017, is publicly available at: *www.gpw.pl/pub/GPW/files/PDF/GPW_1015_17_DOBRE_PRAKTYKI_v2.pdf*.

2. ***Information on the state of application by the company of the recommendations and principles contained in the "Code of Best Practice for WSE Listed Companies 2016"[1].***

I. Information policy and communication with investors

A listed company ensures proper communication with investors and analysts through a transparent and effective information policy. To this end, it shall ensure that the information disclosed is easily accessible to any person on a non-discriminatory basis using a variety of communication tools.

Recommendations

I.R.1. If a company becomes aware of the dissemination of false information to the media which materially affects its assessment, it shall publish a notice on its website, as soon as it becomes aware of such information, containing its position on the matter, unless in the company's opinion the nature of the information and the circumstances of its publication justify deeming another solution to be more appropriate.

The recommendation is applied. The Management Board of Benefit Systems S.A. will decide on the course of action to be taken in each such situation on a case-by-case basis.

I.R.2. Where a company carries out sponsorship, charity or other activities of a similar nature, it shall include in its annual activity report information on its policy in this regard.

The recommendation is applied. Information on the Company's sponsoring, charity or other activities of a similar nature can be found in the published annual non-financial reports for the Company and the Group - starting from the report for 2017.

I.R.3. The company should enable investors and analysts to ask questions and obtain explanations on issues of interest to them, subject to the prohibitions of applicable laws. The implementation of this recommendation may take place in the form of open meetings with investors and analysts or in another form provided by the company.

[1] Annex to Resolution No. 12/1170/2007 of the Stock Exchange Board of 4th July, 2007, as amended.

The recommendation is applied. The Company strives to ensure appropriate communication for investors and analysts through constant access to information and direct contact with representatives of Investor Relations and representatives of the Company's Management Board.

The Company has an email address dedicated to contacts with investors and analysts ir@benefitsystems.pl

In addition, the Management Board for Benefit Systems S.A. meets regularly with representatives of the capital market and the media at meetings after publication of quarterly, semi-annual and annual results.

I.R.4. A company should make every effort, including taking all necessary steps in good time to prepare a periodic report, to enable investors to become acquainted with its financial results as soon as possible after the end of the reporting period.

The recommendation is applied.

Detailed rules

I.Z.1. The Company keeps a corporate website and publishes on it, in a legible form and in a separate place, in addition to information required by law:

I.Z.1.1. Basic corporate documents, in particular the company's statute.

The rule is applied.

I.Z.1.2. The composition of the company's management board and supervisory board and the professional CVs of their members, together with information on the compliance by supervisory board members of the criteria of independence.

The rule is applied.

I.Z.1.3. A diagram of the distribution of tasks and responsibilities among the members of the management board, drawn up in accordance with rule II.Z.1.

The rule is applied.

I.Z.1.4. The current shareholder structure, indicating the shareholders holding at least 5% of the total number of votes in the company - based on the information provided to the company by the shareholders in accordance with the applicable regulations.

The rule is applied.

I.Z.1.5. Current and periodic reports and prospectuses, information memoranda and annexes published by the company for at least the past five years.

The rule is applied.

I.Z.1.6. The calendar of corporate events resulting in the acquisition or limitation of rights on the part of the shareholder, the calendar for the publication of financial reports and other events significant from the investors' point of view - at a time enabling investors to make investment decisions.

The rule is applied.

I.Z.1.7. Information materials published by the company on the strategy of the company and its financial results.

The rule is applied. Information on the Company's strategy and financial results is available in the Prospectus, in the Company's and the Group's annual, semi-annual and quarterly financial reports, and in the Company's and the Group's annual non-financial report.

I.Z.1.8. A compilation of selected financial data of the company for the last 5 years of its activity in a format enabling the processing of such data by their recipients.

The rule is applied. The data is available in a file in xls format.

I.Z.1.9. information on the planned dividend and the dividend paid by the company during the last 5 financial years, including the dividend date, payment dates and the amount of dividends - in total and per share.

The rule is applied.

I.Z.1.10. Financial forecasts - if the company has decided to publish them - published for at least the last 5 years, together with information on the degree of their realisation.

The rule does not apply to the Company. The Company has decided not to publish its financial forecasts.

I.Z.1.11. Information about the company's rule concerning changing the entity authorised to audit financial statements, or about the absence of such rule.

The rule is applied.

I.Z.1.12. The inclusion in the last published annual report of the company's corporate governance statement.

The rule is applied.

I.Z.1.13. Information on the status of the company's application of the recommendations and principles contained in this document, consistent with the information that the company should provide in this respect on the basis of relevant regulations.

The rule is applied.

I.Z.1.14. Materials provided to the general meeting, including evaluations, reports and positions indicated in rule II.Z.10, submitted to the general meeting by the supervisory board.

The rule is applied.

I.Z.1.15. Information containing a description of the company's diversity policy with respect to the management of the company and its key managers; the description should include such elements of the diversity policy as gender, field of study, age, professional experience, as well as indicate the objectives of the policy and the manner in which it was implemented during the reporting period; if the company has not developed and implemented a diversity policy, it should include on its website an explanation of such a decision.

The rule is applied. The Management Board of Benefit Systems S.A. adopted the "Diversity Policy of Benefit Systems" in 2017. A description of its elements and the manner of its application is provided in the Company's Non-Financial Report and in the Group's Non-Financial Report for 2017.

I.Z.1.16. Information on the planned transmission of a general meeting - not later than 7 days prior to the date of the general meeting.

The rule is not applied. The Company does not transmit sessions of its General Meeting.

I.Z.1.17. Justification for draft resolutions of the general meeting concerning matters and decisions significant or likely to raise doubts among shareholders - in time to enable participants of the general meeting to familiarise themselves with them and to adopt the resolution with due consideration.

The rule is applied.

I.Z.1.18. Information on the reasons for cancelling a general meeting, changing the date or agenda, as well as information on a break in a general meeting and the reasons for ordering the break.

The rule is applied.

I.Z.1.19. shareholders' questions addressed to the management board pursuant to article 428, §1 or §6 of the Code for Commercial Companies, together with the management board's answers to the questions asked, or a detailed indication of the reasons for failure to provide answers, pursuant to rule IV.Z.13;

The rule is applied.

I.Z.1.20. A record of the proceedings of a general meeting, either in audio or video form;

The rule is not applied. The Company does not publish a record of the proceedings of a general meeting. Information concerning the resolutions adopted is provided by the Company in the form of current reports and published on the Company's website.

I.Z.1.21. Contact details of the persons responsible for investor communication in the company, indicating their name and e-mail address or telephone number.

The rule is applied.

I.Z.2. A company, whose shares are classified to WIG20 or mWIG40 stock exchange indices, shall ensure that its website is also available in English, at least to the extent indicated in rule I.Z.1. This rule should also be applied by companies outside these indices, if the structure of their shareholders or the nature and scope of their business so warrants.

This rule is partially applied. The Company publishes its key corporate documents and other information in English.

II. Management Board and Supervisory Board

A listed company is headed by a management board and its members act in the interest of the company and are responsible for its operations. The management board is responsible in particular for leadership in the company, involvement in setting its strategic objectives and their implementation, as well as ensuring efficiency and safety of the company. The company is overseen by an effective and competent supervisory board. Members of the supervisory board act in the interest of the company and are guided in their actions by the independence of their opinions and judgements. The supervisory board in particular issues opinions on the company's strategy and verifies the work of the management board with respect to achieving the set strategic objectives, as well as monitors the results achieved by the company.

Recommendations

II.R.1. In order to achieve the highest standards of performance of duties by the management board and the supervisory board of the company and to perform them effectively, the management board and the supervisory board are composed of persons representing high qualifications and experience.

The recommendation is applied.

II.R.2. Persons making decisions on the selection of members of the company's management board or supervisory board should strive to ensure the versatility and diversity of these bodies, inter alia, in terms of gender, educational specialisation, age and professional experience.

The recommendation is applied.

II.R.3. Performing their function in the company's management board is the main area of professional activity of a member of the management board. Additional professional activity of a member of the management board may not lead to such commitment of time and effort as to adversely affect the proper performance of their function in the company. In particular, a management board member should not be a member of bodies of other entities if the time devoted to performing functions in the other entities makes it impossible for them to perform their duties in the company in a reliable manner.

The recommendation is applied. At the same time, members of the Company's Management Board perform the functions of members of the management board in selected subsidiaries. This is in line with the distribution of responsibilities among the individual members of the Company's Management Board.

II.R.4. Members of the supervisory board should be able to devote the necessary time to perform their duties.

The recommendation is applied.

II.R.5. In the event of the resignation or inability to perform the duties of a member of the supervisory board, the company shall immediately take appropriate actions to supplement or change the composition of the supervisory board.

The recommendation is applied.

II.R.6. The supervisory board, being aware of the expiry of the term of office of the members of the management board and their plans concerning the continuation of their functions in the management board, undertakes actions in advance aimed at ensuring the effective functioning of the company's management board.

The recommendation is applied.

II.R.7. The company provides the supervisory board with professional, independent advisory services which, in the opinion of the supervisory board, are necessary for effective supervision in the company. When selecting an entity to provide advisory services, the supervisory board takes into account the financial standing of the company.

The recommendation is applied.

Detailed rules

II.Z.1. The internal division of responsibility for particular areas of the company's activity among the members of the management board should be formulated in an unambiguous and transparent manner, and the division scheme should be available on the company's website.

The rule is applied.

II.Z.2. The position of members of the company's management board in the management or supervisory boards of companies outside the company's capital group requires the consent of the supervisory board.

The rule is applied. None of the members of the management board of the company is a member of the management or supervisory board of a company outside the capital group.

II.Z.3. At least two members of the supervisory board shall meet the independence criteria referred to in rule II.Z.4.

The rule is applied.

II.Z.4. Annex II to Commission Recommendation 2005/162/EC of 15th February, 2005, on the role of non-executive or supervisory directors of listed companies and on committees of the (supervisory) board applies to the criteria of independence of supervisory board members. Notwithstanding the provisions of point 1, letter b) of the document referred to in the preceding sentence, a person employed by the company, its subsidiary or associated undertaking, as well as a person related to those undertakings by an agreement of a similar nature, may not be considered to fulfil the criteria of independence. A relationship with a shareholder precluding the independence of a member of the supervisory board as understood in this rule shall also be understood as an actual and significant relationship with a shareholder holding at least 5% of the total number of votes in the company.

The rule is applied.

II.Z.5. A member of the supervisory board shall submit to the other members of the supervisory board and to the company's management board a statement on his compliance with the independence criteria set forth in rule II.Z.4.

The rule is applied.

II.Z.6. The supervisory board shall assess whether there are any relationships or circumstances that could affect a member's ability to meet the independence criteria. The assessment of meeting the independence criteria by members of the supervisory board is presented by the supervisory board in accordance with rule II.Z.10.2.

The rule is applied. The supervisory board shall present an appropriate assessment in accordance with rule II.Z.10.2.

II.Z.7. Annex I to the Recommendation of the European Commission, referred to in rule II.Z.4, shall apply to the tasks and operation of committees operating within the supervisory board. If the functions of the audit committee are performed by the supervisory board, the above rules shall apply accordingly.

The rule is applied.

II.Z.8. The chairman of the audit committee meets the independence criteria indicated in rule II.Z.4.

The rule is applied.

II.Z.9. In order to enable the supervisory board to perform its tasks, the company's management board shall provide the supervisory board with access to information on matters concerning the company.

The rule is applied.

II.Z.10. In addition to activities resulting from legal regulations, once a year the supervisory board prepares and presents to the ordinary general meeting:

II.Z.10.1. An assessment of the company's standing, including an assessment of the internal control systems, risk management, compliance and the internal audit functions; this assessment shall cover all significant control mechanisms, including in particular those relating to financial reporting and operational activities.

The rule is applied.

II.Z.10.2. A report on the activity of the supervisory board, including at least information on the following:

- the members of the supervisory board and its committees,
- compliance of the board members with the independence criteria,
- the number of meetings of the supervisory board and its committees in the reporting period,
- a self-assessment of the work of the supervisory board;

The rule is applied.

II.Z.10.3. An assessment of the manner in which the company complies with its disclosure obligations concerning the application of corporate governance rules set forth in the Exchange Rules and Regulations concerning current and periodical information provided by issuers of securities.

The rule is applied.

II.Z.10.4. An evaluation of the rationality of the policy pursued by the company, referred to in recommendation I.R.2, or information on the absence of such a policy.

The rule is applied.

II.Z.11. The Supervisory Board considers and gives its opinion on matters to be covered by resolutions of the General Meeting.

The rule is applied.

III. Internal systems and functions

A listed company shall maintain effective internal control, risk management and supervision over compliance with the law, as well as an effective internal audit function, appropriate to the size of the company and the type and scale of its operations.

Recommendations

III.R.1. The company separates units within its structure which are responsible for the implementation of tasks in specific systems or functions, unless the separation of organisational units is not justified by the size or type of activity conducted by the company.

The recommendation is applied.

Detailed rules

III.Z.1. Implementation and maintenance of effective internal control systems, risk management, compliance and internal audit functions shall be the responsibility of the company's management board.

The rule is applied.

III.Z.2. Subject to rule III.A.3, the persons responsible for risk management, internal audit and compliance shall report directly to the chairman or another member of the management board and shall be able to report directly to the supervisory board or audit committee.

The rule is applied.

III.Z.3. The principles of independence set out in generally accepted international standards on professional practice for internal audit shall apply to the person in charge of the internal audit function and to other persons responsible for the performance of their tasks.

The rule is applied.

III.Z.4. At least once a year, the person in charge of internal audits (if such function is separated out within the company) and the management board shall present to the supervisory board their own assessment of the effectiveness of the systems and functions referred to in Rule III.Z.1, together with an appropriate report.

The rule is applied. The above assessment will be presented to the Supervisory Board at an appropriate time.

III.Z.5. The supervisory board shall monitor the effectiveness of the systems and functions referred to in rule III.Z.1. on the basis, inter alia, of reports periodically provided to it directly by the persons responsible for those functions and by the company's management board, and shall make an annual assessment of the effectiveness of those systems and functions in accordance with rule II.Z.10.1. Where an audit committee is established within a company, it shall monitor the effectiveness of the systems and functions referred to in rule III.Z.1., without, however, exempting the supervisory board from making an annual assessment of the effectiveness of those systems and functions.

The rule is applied.

III.Z.6. If the company does not have an organisationally separate internal audit function, the audit committee (or the supervisory board, if it acts as an audit committee) shall assess annually whether there is a need to do so.

The rule is applied. In the company, the internal audit function was organisationally separated.

IV. General meeting and relations with shareholders

The management board of a listed company and its supervisory board should encourage shareholders to become involved in the company's affairs, in particular by actively participating in the general meeting. The general meeting should be held in compliance with the shareholders' rights and should strive to ensure that the resolutions adopted do not violate the legitimate interests of particular groups of shareholders. Shareholders participating in the general meeting exercise their rights in a manner that does not violate good practice.

Recommendations

IV.R.1. A company should strive to hold an annual general meeting as soon as possible after the publication of the annual report, setting this date with due regard to the relevant provisions of law.

The recommendation is applied.

IV.R.2. If it is justified by the shareholding structure or the shareholders' expectations notified to the company, provided that the company is able to provide the technical infrastructure necessary for the efficient conduct of the general meeting using electronic means of communication, it should enable the shareholders to participate in the general meeting using such means, in particular by:

1) real-time transmission of the general meeting,

2) real-time two-way communication where shareholders may take the floor during a general meeting from a location other than that of the general meeting,

3) exercising, personally or by proxy, the right to vote during a General Meeting.

The recommendation does not apply to the Company. Justification:

The Company's Management Board enables the Shareholders or proxies to exercise their voting rights during a General Meeting in person or by proxy, but without the possibility of using electronic means of communication for this purpose.

The Company's Management Board does not transmit the course of a General Meeting on its website. Instead, it publishes resolutions adopted by the General Meeting in the form of current reports available on the Company's website and provides access at the Company's registered office to minutes of General Meetings.

Due to the relatively small number of Shareholders in the Company, the implementation of solutions enabling real-time two-way communication during a General Meeting of Shareholders using electronic means of communication would be too costly and complicated for the Company in relation to the actual use of such solutions by the Company's Shareholders. The Company's Management Board shall not publish the course of a General Meeting on its website. On the other hand, it will publish resolutions adopted by a General Meeting in the form of current reports available on the Company's website and will ensure access to minutes of General Meetings at the Company's registered office.

IV.R.3. The company strives to ensure that when securities issued by the company are traded in different countries (or on different markets) and under different legal systems, corporate events related to the acquisition of rights by a shareholder take place on the same dates in all countries where they are listed.

The rule does not apply to the Company. Currently, the securities issued by the Company are only traded on the Warsaw Stock Exchange.

Detailed rules

IV.Z.1. The company shall determine the place and date of a general meeting in such a way as to enable as many shareholders as possible to participate in the meeting.

The rule is applied.

IV.Z.2. If justified by the shareholder structure of the company, the company shall ensure that a real-time broadcast of a general meeting is available to the public.

The rule is not applied. To the Company's knowledge, the current organisational form of a General Meeting meets the expectations of Shareholders. Information concerning the resolutions adopted is provided by the Company in the form of current reports and published on the Company's website.

IV.Z.3. Representatives of the media shall be allowed to attend general meetings.

The rule is applied.

IV.Z.4. If the management board is informed that a general meeting has been convened pursuant to article 399, §2-4 of the Code for Commercial Companies, it shall immediately perform the actions it is obliged to perform in connection with the organisation and conduct of a general meeting. This rule shall also apply in the case of convening a general meeting on the basis of an authorisation issued by a court of registration in accordance with article 400, §3 of the Code for Commercial Companies.

The rule is applied.

IV.Z.5. The regulations of a general meeting, as well as the manner of conducting the debates and adopting resolutions must not hinder the participation of shareholders in the general meeting and the exercise of their rights. Amendments to the regulations for a general meeting should apply at the earliest from the next general meeting.

The rule is applied.

IV.Z.6. The company makes every effort to ensure that the cancellation of a general meeting, change of the date or ordering of a break in a meeting do not prevent or restrict shareholders from exercising their right to participate in the general meeting.

The rule is applied.

IV.Z.7. A general meeting may be adjourned only in special situations, each time indicated in the justification of the resolution on ordering the adjournment, prepared based on reasons presented by the shareholder requesting the adjournment.

The rule is applied.

IV.Z.8. A resolution of the general meeting concerning an adjournment shall clearly indicate the date for the resumption of the meeting, provided that such date shall not constitute a barrier for the majority of shareholders, including minority shareholders, to take part in the resumed meeting.

The rule is applied.

IV.Z.9. The company shall make every effort to ensure that draft resolutions of a general meeting contain a justification, if this facilitates the adoption of the resolution by the shareholders with due consideration. Where an item is placed on the agenda of a general meeting at the request of one or more shareholders, the management board or the chairman of the general meeting shall request that the reasons for the proposed resolution be given. In important matters or matters which may raise doubts among shareholders, the company shall provide justification, unless it presents information to the shareholders in some other manner, which will ensure adoption of the resolution with due consideration.

The rule is applied.

IV.Z.10. Exercising the rights of shareholders and the manner of exercising the rights held by them must not hinder the proper operation of the company's governing bodies.

The rule is applied.

IV.Z.11. Members of the management board and the supervisory board participate in a general meeting in a composition allowing it to provide substantive answers to questions asked during the general meeting.

The rule is applied.

IV.Z.12. The management board should present the financial results of the company to the participants of an ordinary general meeting, along with other relevant information included in the financial statements subject to approval by the general meeting.

The rule is applied.

IV.Z.13. If a shareholder requests information on the company, the company's management board is obliged to respond to the shareholder's request or to inform him/her about the refusal to provide such information no later than within 30 days, if the management board has made such a decision pursuant to article 428, §2 or §3 of the Code for Commercial Companies.

The rule is applied.

IV.Z.14. Resolutions of the general meeting should ensure that the necessary time gap is maintained between decisions causing certain corporate events and the dates on which the rights of shareholders resulting from such corporate events are determined.

The rule is applied.

IV.Z.15. A resolution of the general meeting on the issue of shares with pre-emptive rights should specify the issue price or the mechanism for determining it, or oblige the body authorised to do so to determine it before the date of the pre-emptive rights, within a period allowing for an investment decision to be taken.

The rule is applied.

IV.Z.16. The dividend date and dividend payment dates should be set in such a way that the period between them should not exceed 15 business days. A longer period between these dates shall be justified.

The rule is applied.

IV.Z.17. A resolution of the general meeting concerning a conditional dividend payment may contain only such conditions, where the possible fulfilment of which shall take place before the dividend date.

The rule is applied.

IV.Z.18. A resolution of the general meeting on the division of the nominal value of shares should not set the new nominal value of shares at a level lower than 0.50 PLN, which could result in a very low unit market value of these shares, which could consequently pose a threat to the correctness and reliability of the valuation of the company listed on the stock exchange.

The rule is applied.

V. Conflicts of interest and related party transactions

For the purposes of this section, a related party is defined in accordance with the international accounting standards adopted pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and Council of 19th July, 2002, on the application of international accounting standards.

A company should have transparent procedures in place to prevent conflicts of interest and transactions with related parties in the context of possible conflicts of interest. The procedures should provide for ways of identifying, disclosing and managing such situations.

Recommendations

V.R.1. A member of the management board or supervisory board should avoid taking up professional or non-business activities that could lead to a conflict of interest or adversely affect their reputation as a member of the company's governing body and should disclose such a conflict immediately if it arises.

The rule is applied.

Detailed rules

V.Z.1. No shareholder shall be privileged in relation to other shareholders in respect of transactions entered into by the company with its shareholders or entities related to them.

The rule is applied.

V.Z.2. A member of the management or supervisory board shall inform the management board or supervisory board accordingly of any conflict of interest which has arisen or may arise and shall not take part in the vote on a resolution concerning an issue in respect of which a conflict of interest may arise.

The rule is applied.

V.Z.3. A member of the management board or the supervisory board may not accept benefits which could affect the impartiality and objectivity of his/her decisions or adversely affect the assessment of the independence of his/her opinions and judgements.

The rule is applied.

V.Z.4. If a member of the management board or the supervisory board deems that a decision of the management board or the supervisory board, as the case may be, is contrary to the interest of the company, he/she may request that his/her position on the matter be included in the minutes of the meeting of the management board or the supervisory board.

The rule is applied.

V.Z.5. Before the company concludes a significant contract with a shareholder holding at least 5% of the total number of votes in the company or an affiliated entity, the management board shall request the consent of the supervisory board for this transaction. Before giving its consent, the supervisory board shall assess the impact of such a transaction on the company's interests. The above obligation shall not apply to typical transactions concluded on market terms as part of the company's operating activities with entities belonging to the company's capital group. If a decision on the conclusion by a company of a significant agreement with an affiliated entity is made by the general meeting of shareholders, the company shall ensure that all shareholders have access to the information necessary to assess the impact of this transaction on the company's interests before taking such a decision.

The rule is applied.

V.Z.6. In its internal regulations, the company defines the criteria and circumstances in which a conflict of interest may occur in the company, as well as the rules of conduct in the face of a conflict of interest or the possibility of its occurrence. The company's internal regulations take into account, among others, the methods of preventing, identifying and resolving conflicts of interest, as well as the principles of excluding a member of the management board or the supervisory board from participation in the examination of a matter covered or threatened by a conflict of interest.

The rule is applied. The company has implemented the relevant regulations in a basic manner and is further developing them.

VI. Remuneration

The company has a remuneration policy in place for at least the members of the company's governing bodies and key managers. The remuneration policy determines in particular the form, structure and manner of determining the remuneration for members of the company's governing bodies and its key managers.

Recommendations

VI.R.1. The remuneration of members of the company's governing bodies and key managers should be based on the adopted remuneration policy.

The rule is applied.

VI.R.2. The remuneration policy should be closely related to the company's strategy, its short-term and long-term objectives, long-term interests and performance, and should include solutions to avoid discrimination on any grounds.

The rule is applied.

VI.R.3. If there is a remuneration committee within the supervisory board, rule II.Z.7 shall apply.

The rule is not applicable. The Company does not have a separate remuneration committee.

VI.R.4. The level of remuneration for members of the management and supervisory boards and key managers should be sufficient to attract, retain and motivate persons with competences necessary for the proper management and supervision of the company. Remuneration should be commensurate with the scope of tasks entrusted to particular persons and should take into account the performance of additional functions, such as, for example, work in committees of the supervisory board.

The rule is applied.

Detailed rules

VI.Z.1. Incentive schemes should be designed to, inter alia, make the level of remuneration of the management board's members and key managers of the company dependent on the actual long-term financial standing of the company and on the long-term growth of shareholder value and the stability of the company's operations.

The rule is applied.

VI.Z.2. In order to link the remuneration of management board members and key managers to the long-term business and financial objectives of the company, the period between the granting of options or other instruments linked to the shares of the company under an incentive scheme and the possibility of their exercise should be at least two years.

The rule is not applied. The Company's incentive programme for 2014-2016 provided that the period between the granting of subscription warrants to eligible persons covered by the Incentive Programme and the possibility for such persons to acquire the Company's shares was at least 8 months. The Incentive Programme for the years 2017-2020 also provides for a period of at least 8 months.

VI.Z.3. The remuneration of members of the supervisory board should not depend on options, other derivatives or any other variable components and should not depend on the performance of the company.

The rule is applied.

VI.Z.4. In its report on the Company's activities, the Company shall present a report on the remuneration policy, containing at least:

1) general information on the remuneration system adopted in the company,

2) information on the terms and conditions of remuneration for each member of the management board, broken down into fixed and variable components of remuneration, including key parameters for determining variable remuneration components and the rules for severance pay and other termination payments, orders or other legal relationships of a similar nature, separately for the company and for each entity in the capital group,

3) information on the non-financial components of remuneration, to which individual management board members and key managers are entitled,

4) an indication of significant changes that occurred in the last financial year in the remuneration policy, or information on their absence,

5) an evaluation of the functioning of the remuneration policy from the point of view of the achievement of its objectives, in particular the long-term growth of shareholder value and the stability of the enterprise's functioning.

This rule is partially applied. In its report on the Company's activities, the Company publishes the information required by law concerning the remuneration of Management Board Members.

3. ***Description of the main features of internal control and risk management systems applied in the company in relation to the process of preparing financial statements and consolidated financial statements.***

Within its structures the Company distinguishes units supporting the implementation of tasks related to internal control, risk management and supervision of compliance with the law, as well as the internal audit function. The Management Board is responsible for implementing and maintaining an effective internal control system and the aforementioned functions.

The internal audit team is a part of the Finance and Accounting Department and administratively reports to the member of the Management Board responsible for financial affairs.

The main functions of the Finance and Accounting Department in the area of internal control include:

1) Identification and assessment of risks for particular processes in the Company, including the financial reporting process,
2) Cooperation in designing effective control mechanisms for the Company's processes,
3) monitoring the risk management process,
4) preparation of recommendations for improvement of control mechanisms,
5) preparation of information for management purposes,
6) cooperation with the internal and external auditor.

As part of their advisory role, the internal audit function and the compliance officer coordinate the preparation of resolutions, procedures and instructions regarding the Company's operating activities in order to design an effective internal control system.

In the process of preparing financial statements, data from the financial and accounting system of Symfonia SAGE ERP are used. Preparation of data in source systems is subject to formalised operational and acceptance procedures.

The financial statements are prepared by the Finance and Accounting Department, which is an organisationally separate unit reporting directly to the Member of the Management Board responsible for Financial Affairs. The preparation of the financial statements is subject to substantive and organisational supervision by the Chief Financial Officer. The prepared financial statements are then submitted to the Management Board for verification. The annual and semi-annual financial statements of the Company are subject to an independent audit and to review by a certified auditor, respectively.

The Company monitors the changes in the rules and regulations concerning the financial reporting and updates the accounting principles on an ongoing basis. The Company performs control functions in relation to subsidiaries which are consolidated for the purposes of preparing the Group's financial statements, inter alia, through the agency of financial controllers and its representatives on the Supervisory Boards of those companies.

4. ***Shareholders holding, directly or indirectly, significant blocks of shares with an indication of the number of shares held by such entities in their percentage of the capital, and the main features of internal control and risk management systems applied in the company in relation to the process of preparing financial statements and consolidated financial statements.***

	As at the date of submitting the report for 2017			As at the date of submitting the report for the 3 quarters of 2017			
Shareholder	**Number of shares**	**Share in equity**	**Share in the total number of votes at a General Meeting of Shareholders**	**Number of shares**	**Share in equity**	**Share in the total number of votes at a General Meeting of Shareholders**	**Change**
James Van Bergh	586,285	21.92%	22.95%	586,285	21.92%	22.95%	-
Benefit Invest Ltd.	571,606	21.37%	22.37%	571,606	21.37%	22.37%	-
Marek Kamola	260,000	9.72%	10.18%	260,000	9.72%	10.18%	-
MetLife OFE	253,891	9.49%	9.94%	253,891	9.49%	9.94%	-
Nationale-Nederlanden	245,000	9.16%	9.59%	245,000	9.16%	9.59%	-
Others	758,060	28.34%	24.97%	758,060	28.34%	24.97%	-
including Benefit Systems S.A. (own shares)	*120,080*	*4.49%*	-	*120,080*	*4.49%*	-	-
Total	**2,674,842**	**100.00%**	**100.00%**	**2,674,842**	**100.00%**	**100.00%**	**-**

The Company's share capital amounts to 2,674,842 PLN. Number of shares in the share capital: 2,674,842 shares, including 2,204,842 shares of series A, 200,000 shares of series B, 150,000 shares of series C and 120,000 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 2,674,842 wherein as at the date of publishing this report the Company held 120,080 of its own shares, for which it cannot exercise voting rights. Therefore, the share in the share capital of Benefit Systems S.A. of individual shareholders is not equal to their participation in the total number of votes at the General Meeting of Shareholders.

5. ***The holders of any securities with special control rights, including a description of such rights.***

The Company is not aware of any holders of securities with special rights. The Company's statute does not grant any holders of the Company's shares or other securities any special rights.

6. ***Limitations on voting rights, such as limitations on voting rights by holders of a specific part or number of votes, time limitations on voting rights or provisions according to which, with the cooperation of the company, capital rights related to securities are separated from holding securities.***

The Company's Statute does not provide for any restrictions with respect to the exercise of voting rights. The voting right is not exercised from the Company's own shares.

7. ***An indication of any limitations concerning transfer of ownership rights to the Company's securities.***

In 2017, there were restrictions on the transfer of ownership to the Company's securities. The restrictions were related to the series D shares subscribed for in exchange for the series E warrants, concerning the blocking of their sale until 1st March, 2017, with the reservation that none of the persons entitled to subscribe to series D shares in exchange for series E warrants took up the shares at the first possible date, i.e. in the period from 1st September, 2016, to 30th September, 2016 (such shares were taken up by 30th September, 2017, when the aforementioned restriction in their sale was no longer in effect).

8. ***Description of the principles concerning the appointment or dismissal of management personnel and their rights, in particular the right to make decisions on the issue or redemption of shares.***

Members of the Company's Management Board are appointed for a joint five-year term of office and dismissed on the basis of a resolution of the Company's Supervisory Board. The Supervisory Board adopts resolutions by a 3/5 majority of votes in the presence of at least half of the members of the Supervisory Board. In the event of a tied votes, the Chairman of the Supervisory Board shall have the casting vote. Resolutions of the Supervisory Board shall be valid only if all members of the Supervisory Board have been invited to the meeting.

Members of the Management Board may be appointed for further terms of office.

The Company's Management Board manages the Company's operations and assets, and represents the Company externally before courts, state authorities and third parties.

The Management Board is authorised to conduct the Company's affairs within the scope set forth in the Company's Statute and not reserved to the competence of other Company bodies on the basis of the Company's Statute and the provisions of generally applicable law.

The right to make statements on behalf of the Company, in the case of one-man Management Board, is held by the member of the Management Board acting independently, or in the case of a Management Board comprised of more than one member, by two members of the Management Board acting jointly or a member of the Management Board acting jointly with a proxy. Resolutions of the Management Board are adopted by an absolute majority of votes.

Pursuant to the Company's Shareholder Profit Distribution Policy for the Years 2016-2019, under Resolution No. 21/12.06.2015 of the Company's Ordinary General Meeting of Shareholders dated 12th June, 2015, Resolution No 22/15.06.2016 and 24/15.06.2016 of the Ordinary General Meeting of the Company of 15th June, 2016 and Resolution No 23/20.06.2017 of the Ordinary General Meeting of the Company of 20th June, 2017, adopted pursuant to and in accordance with Article 362, § 1, point 8 of the Code for Commercial Companies, the Company's Management Board was authorised to acquire the Company's own shares.

Except for the cases indicated above, the Company's Statute does not contain any provisions granting additional rights to the management personnel, including the right to make decisions on the issue or redemption of shares.

9. *A description of the rules for amending the Company's Articles of Association or Statute.*

Any amendment to the Company's Statute falls within the competence of the General Meeting of Shareholders and requires the adoption of a resolution by the General Meeting of the Company by an absolute majority of votes, while observing the specific requirements set forth in the provisions of generally applicable law.

Pursuant to the provisions of the Code for Commercial Companies, in the event of an intended amendment to the Statute, the announcement of convening the General Meeting, which is published on the Company's website, and in accordance with the rules of providing current and periodic information, includes the hitherto binding provisions and the content of the proposed amendments.

After the General Meeting adopts a resolution on amendments to the Company's Statute, the Management Board of the Company shall report this fact to the court of registration. An amendment to the Statute shall be effective upon its registration by the court.

Then, the Supervisory Board shall determine the consolidated text of the Statute taking into account the amendments introduced, provided that the General Meeting grants the Supervisory Board the appropriate authorisation in this respect.

10. *The modus operandi of the General Meeting and its fundamental powers, as well as a description of the rights of shareholders and the means in which they are exercised, in particular the rules resulting from the regulations of the General Meeting.*

Subsequently, the General Meeting of Shareholders of the Company operates on the basis of:

1) the Statute of the Company,

2) Regulations of the General Meeting of the Company - resolution of the Extraordinary General Meeting of the Company of 24th November, 2010, which defines the rules of participation in the General Meeting and exercising the right to vote, the procedure of convening and cancelling the General Meeting, its opening and course, and the manner of holding elections to the Supervisory Board.

The General Meeting takes place at the registered office of the Company and is convened by the Management Board of the Company in cases provided for in the Statute or the provisions of the Code for Commercial Companies, however, it should be held no later than within six months of the end of the financial year.

The right to convene an Ordinary General Meeting is also vested in the Supervisory Board, if the Management Board fails to convene it within the aforementioned period, and in the case of an Extraordinary General Meeting, if the Supervisory Board deems it advisable to convene it.

The Extraordinary General Meeting is convened by the Management Board of the Company on its own initiative, at the request of the Supervisory Board or at the request of any member of the Supervisory Board and in the cases specified in the Statute and mandatory provisions of law.

A request to convene a General Meeting of Shareholders and to place certain matters on its agenda, as well as a request not to consider an issue placed on its agenda, submitted by authorised entities, should be submitted to the Management Board of the Company in writing or in electronic form and justified in a manner enabling the adoption of resolutions with due discernment. Draft resolutions proposed for adoption by the General Meeting and other important materials should be presented to the shareholders together with a justification and the opinion of the Supervisory Board, if the Supervisory Board deems it justified to issue an opinion before the General Meeting, in sufficient time to enable them to become acquainted with and evaluate them, taking into account the provisions of the Code for Commercial Companies.

A General Meeting is convened by way of an announcement on the Company's website and in accordance with the rules for providing current and periodical information.

Persons entitled under registered shares and temporary certificates as well as pledgees and users entitled to vote have the right to participate in a General Meeting, if they were entered into the share book on the day of registering their participation in the General Meeting.

Persons entitled under bearer shares in the form of a document shall have the right to participate in a General Meeting if the share documents are submitted to the Company no later than the date of registering attendance at the General Meeting and are not collected before the end of that day. Instead of shares, certificates may be submitted, issued as proof of submission of shares to a notary, bank or investment firm having their registered office or branch in the territory of the European Union or a country being a party to the agreement on the European Economic Area. The certificate should specify the numbers of share certificates and state that the shares will not be issued before the end of the General Meeting.

In order to participate in the General Meeting, those entitled under dematerialized bearer shares shall have the right to demand the issuance of a registered certificate of the right to participate in the General Meeting from the entity maintaining their securities account. This request should be presented no earlier than after the announcement on convening the General Meeting and no later than on the first business day after the date of registering participation in the General Meeting.

Members of the Management Board and the Supervisory Board should participate in a General Meeting in such a composition enabling it to provide substantive answers to questions asked during the General Meeting, and a General Meeting whose agenda includes the Company's financial affairs should also be attended by the auditor who audits the Company's financial statements and the Company's chief accountant.

Experts and other persons invited by the body convening the General Meeting may participate in the General Meeting.

Members of the Supervisory Board and the Management Board as well as invited experts should, within the scope of their competences and to the extent necessary for the resolution of matters discussed by the Meeting, provide explanations and information concerning the Company to the participants of the Meeting.

In addition to the matters listed in the Code for Commercial Companies and the Statute, resolutions of the General Meeting of Shareholders are required for the following:

1) determination of the date and time of dividend payment,
2) consideration of issues submitted by the Supervisory Board, Management Board or shareholders,
3) appointing members of the Supervisory Board in accordance with the principles described in the Statute,
4) determining the rules for remunerating members of the Supervisory Board.

A shareholder who is a natural person may participate in the General Meeting and exercise voting rights in person or through a proxy.

A shareholder who is not a natural person may participate in a General Meeting and exercise voting rights through a person authorised to represent him or her or through a plenipotentiary.

The power of attorney should be drawn up in writing under pain of nullity or granted in electronic form and attached to the minutes of the General Meeting.

The Company should be notified of the granting of a power of attorney in electronic form at the address indicated in the announcement convening the General Meeting in the form of an email, making every effort to enable effective verification of the validity of the power of attorney. Together with the information on granting the power of attorney, the principal sends a scan of the power of attorney granted and a scan of the identity card, passport or driving licence allowing the identity of the shareholder as the principal and the appointed proxy. If the power of attorney is granted by a legal person or organisational unit referred to in Article 33^1 of the Civil Code, the principal additionally sends a scan of the excerpt from the register in which the principal is registered. Documents sent electronically should be translated into Polish by a sworn translator. A shareholder sending a notification of the granting of a power of attorney shall at the same time send to the Company the email address and telephone number of the shareholder and proxy through which the Company will be able to communicate with the Shareholder and his/her proxy.

Sending the aforementioned documents electronically does not release the proxy from the obligation to present the documents used to identify the proxy, when preparing the attendance list of persons entitled to participate in the General Meeting of the Company.

The Company shall take appropriate actions to identify the shareholder and the proxy in order to verify the validity of the power of attorney granted in electronic form. This verification may involve, among other things, a return question in electronic form or by telephone to the shareholder and the proxy in order to confirm the fact of granting the power of attorney.

The rules concerning identification of a shareholder and proxy are applied accordingly in the case of the revocation of a power of attorney. The notice of the granting or revoking of a power of attorney without following the procedure described above shall not have any legal effect on the Company.

A member of the Management Board or an employee of the Company may not be a shareholder's proxy at a General Meeting of Shareholders, with the reservation that this restriction does not apply to a public company.

The Company shall make available on its website a specimen form allowing the exercise of voting rights by proxy.

A shareholder may vote differently with each share held.

Voting on resolutions is open, with the reservation of the following issues: the Chairman of the General Meeting orders a secret ballot at elections and on motions to dismiss members of the Company's bodies or liquidators, to hold them accountable, as well as in personal matters. In addition, the Chairman of the General Meeting orders a secret ballot at the request of at least one of the shareholders present or represented at the General Meeting.

A General Meeting may adopt a resolution on revoking the secrecy of voting on matters related to the election of the Returning Committee. For this purpose, before adopting a resolution on the election of the Returning Committee, the General Meeting shall each time adopt a resolution on revoking the secrecy of voting on the resolution on the election of the Returning Committee.

Resolutions on a significant change in the Company's scope of activity shall be adopted in an open and registered vote and shall be published.

Voting may be conducted electronically, however, it does not mean the possibility of participation in a General Meeting using electronic means of communication provided for in article 406^{5} of the Code for Commercial Companies.

A shareholder may not vote, either in person or through a plenipotentiary or as a proxy of another person, on resolutions concerning his liability towards the Company for any reason whatsoever, including granting a vote of approval, exemption from his obligations towards the Company or a dispute between him/her and the Company. If the Company obtains the status of a public company, a Shareholder may vote as a proxy when adopting resolutions concerning him/her.

Resolutions concerning election to bodies or committees shall be adopted by voting for each candidate separately in alphabetical order. If the number of proposed candidates does not exceed the number of mandates, the Chairman of the General Meeting may order, unless any of the shareholders has raised an objection, joint voting for the list of proposed candidates.

If the candidates obtain an equal number of votes, the Chairman of the General Meeting orders a second vote with the participation of these candidates, if it is necessary to determine the persons to be elected.

Subject to § 8, paragraph 2 of the Regulations of the General Meeting of the Company, the Chairman of the General Meeting announces the result of the vote and states that the resolution was adopted or that the resolution was not adopted due to the failure to obtain the required majority of votes. The Chairman shall read out the text of the adopted resolution.

Those who object to the resolution are given the opportunity to briefly justify their objection.

Resolutions of the General Meeting shall be adopted by an absolute majority of votes, unless the Statute or the Code for Commercial Companies provide otherwise.

Resolutions of the General Meeting shall be included in the minutes drawn up by a notary public, otherwise they shall be null and void.

The minutes shall state the correctness of convening the General Meeting, its capacity to adopt resolutions and the adopted resolutions, and at each resolution the number of shares with the number pf valid votes cast, the percentage of these shares in the share capital, the total number of valid votes, the number of votes "for", "against" and "abstaining" and the objections raised. The attendance list with the signatures of the participants of the General Meeting shall be attached to the minutes. The evidence of convening the General Meeting shall be included by the Management Board in the register of minutes.

A copy of the minutes together with the evidence of convening the General Meeting and the powers of attorney granted by the shareholders shall be enclosed by the Management Board in the register of minutes. Shareholders may review the register of minutes and request copies of resolutions certified by the Management Board.

The Company shall disclose the results of votes on its website within one week of the end of the General Meeting. The results of votes should be available until the lapse of the time limit for challenging a resolution of the General Meeting.

A written statement shall be included in the minutes at the request of a participant of the General Meeting.

11. ***Composition and changes in composition during the last financial year and a description of the activities of the management, supervisory or administrative bodies of the company and their committees.***

As at 31st December, 2017, the Company's Management Board was comprised of the following members:

1) Izabela Walczewska-Schneyder - Member of the Management Board,
2) Emilia Rogalewicz - Member of the Management Board,
3) Adam Radzki - Member of the Management Board,
4) Grzegorz Haftarczyk - Member of the Management Board,
5) Arkadiusz Hanszke - Member of the Management Board.

As at 31st December, 2017, the Supervisory Board of the Company was composed of the following persons:

1) James Van Bergh - Chairman of the Supervisory Board,
2) Marcin Marczuk – Deputy Chairman of the Supervisory Board,
3) Zofia Dzik – Member of the Supervisory Board,
4) Artur Osuchowski - Member of the Supervisory Board,
5) Michael Sanderson - Member of the Supervisory Board.

The Company's Management Board operates on the basis of the Regulations of the Management Board, the Company's Statute and generally applicable legal regulations.

The Company's Supervisory Board operates on the basis of the Regulations of the Supervisory Board, the Company's Statute and generally applicable legal regulations.

In 2017, the Company's governing bodies were subject to the following changes:

1) in the composition of the Management Board, consisting of:

    a) the appointment on 11th June, 2017, of Izabela Walczewska-Schneyder as Member of the Management Board for the next joint term of office,

    b) the appointment on 11th June, 2017 of Adam Kędzierski as Member of the Management Board for the next joint term of office,

c) the appointment on 11th June, 2017, of Arkadiusz Hanszke as Member of the Management Board for the next joint term of office,

d) the resignation on 10th August, 2017, of Adam Kędzierski from his position as Member of the Management Board,

e) the appointment on 10th August, 2017, of Emilia Rogalewicz as Member of the Management Board,

f) the appointment on 10th August, 2017, of Grzegorz Haftarczyk as Member of the Management Board,

g) the appointment on 10th August, 2017, of Adam Radzki as Member of the Management Board.

2) in the composition of the Supervisory Board, consisting of:

a) the resignation on 10th November, 2017, of Przemysław Gacek from his position as Member and Deputy Chairman of the Supervisory Board,

b) the appointment on 16th November, 2017, of Zofia Dzik as Member of the Supervisory Board.

In 2017, the functions of the Audit Committee and the Remuneration Committee were performed by the Supervisory Board.

On 13th July, 2017, acting on the basis of article 128 et seq. of the act of 11th May, 2017, on statutory auditors, audit firms and public supervision (Journal of Laws from 2017, item 1089), the Supervisory Board appointed an Audit Committee operating at the Supervisory Board of the Company. The members of the Audit Committee are appointed by the Supervisory Board from among its members. The Audit Committee consists of at least three members, wherein the majority of the Audit Committee's members, including its chairman, should be independent members. The Audit Committee shall be composed of at least one member with knowledge and skills in accounting or auditing and at least one member with knowledge and skills in the sector in which the Company operates.

As of 13th July, 2017, the Audit Committee consists of:

1) Marcin Marczuk - Chairman of the Audit Committee,
2) James Van Bergh - member of the Audit Committee,
3) Artur Osuchowski - member of the Audit Committee.

The independence criteria is met by the following members of the Audit Committee:

1) Marcin Marczuk,
2) Artur Osuchowski.

Artur Osuchowski is a person with knowledge and skills in accounting or auditing among the members of the Audit Committee.

James Van Bergh is a person with knowledge and skills in the sector in which the Company operates among the members of the Audit Committee.

The detailed scope of activity and mode of work of the Audit Committee are specified in the "Regulations of the Audit Committee of the Supervisory Board of Benefit Systems S.A.".

12. ***A description of the diversity policy applied to the issuer's administrative, management and supervisory bodies with respect to aspects such as, for example, age, gender or education and professional experience, the objectives of the diversity policy, how it has been implemented and its effect during the reporting period; if the issuer does not apply such a policy, is contained in a statement explaining such a decision.***

The Management Board of Benefit Systems S.A. adopted the "Diversity Policy of Benefit Systems" in 2017.

A description of its elements and the manner of its application is provided in the Company's Non-Financial Report and in the Group's Non-Financial Report for 2017.

Date	Forename and surname	Signature
21st March, 2018	Grzegorz Haftarczyk Member of the Management Board	
21st March, 2018	Arkadiusz Hanszke Member of the Management Board	
21st March, 2018	Adam Radzki Member of the Management Board	
21st March, 2018	Emilia Rogalewicz Member of the Management Board	
21st March, 2018	Izabela Walczewska-Schneyder Member of the Management Board	