INTERIM DIRECTOR'S REPORT ON THE OPERATIONS OF THE BENEFIT SYSTEMS GROUP

FOR THE SIX MONTHS ENDED 30 JUNE 2018

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1. SELECTED FINANCIAL DATA FOR THE SIX MONTHS ENDED JUNE 30TH 2018

Table 1: Selected financial data of the Benefit Systems Group for the six months ended June 30th 2018

PLN thousand	Six months ended June 30th 2018	Six months ended June 30th 2017
Revenue	588,110	457,643
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	84,371	63,149
Operating profit increased by depreciation and amortisation (EBITDA), net of Incentive Scheme costs	90,533	66,577
Earnings before interest and tax (EBIT)	64,592	47,288
Profit before tax	62,402	45,944
Net profit attributable to owners of the parent	45,983	37,233
Net cash flows from operating activities	77,482	54,245
Net cash flows from investing activities	(168,695)	(62,522)
Net cash flows from financing activities	270,787	(9,745)
Net change in cash and cash equivalents	179,574	(18,022)
Earnings per share attributable to owners of the parent (PLN)	16.96	14.32
PLN thousand	**As at June 30th 2018**	**As of December 31st 2017***
Non-current assets	615,069	517,998
Current assets	402,424	236,115
Total assets	1,017,493	754,113
Non-current liabilities	129,219	193,791
Current liabilities	331,932	340,445
Equity	556,342	219,877
Equity attributable to owners of the parent	554,871	202,033
Share capital	2,859	2,675
Number of shares	2,858,842	2,674,842
Diluted number of shares	2,730,697	2,632,894
Book value per share attributable to owners of the parent (PLN)	204.64	77.10
Book value per share attributable to owners of the parent (diluted, PLN)	203.20	83.51

** Data restated to reflect a presentation adjustment in deferred tax assets and liabilities*

Unless stated otherwise, all data in this report covers the period from January to June 2018, and the comparative data presents changes over the corresponding period of 2017. All figures are presented in thousands of PLN, unless stated otherwise.

2. GROWTH OF THE BENEFIT SYSTEMS GROUP AND ITS MARKET ENVIRONMENT

The number of MultiSport cards reached 1,097.3 thousand in the first half of 2018, up 14.5% in Poland and up 85.8% in foreign markets year on year. The MultiSport Programme had a membership of 919.5 thousand in Poland and 177.7 thousand in foreign markets. The network of fitness clubs that are majority-owned by the Group comprises 110 centres in Poland, and their highly attractive offerings and locations are an important factor for Cardholders and Customers in their decision to sign up for MultiSport membership. The Group also owns 15 clubs in the Czech Republic and Bulgaria, which help to build the presence of the Group's product in new markets.

Membership numbers in the Cafeterias segment reached just under 320,000, with the Sports category attracting the most interest.

The Benefit Systems Group specialises in providing employers with effective solutions in the area of non-pay employee benefits. The unique business model of the Benefit Systems Group relies on building and fostering sustainable relations with Customers (businesses), Partners (sports and recreation facilities, fitness clubs, restaurants, etc.) and Cardholders (holders of the MultiSport card).

The pillars of the Benefit Systems Group's growth include in particular maintaining an attractive product in Poland and expanding its presence abroad, and continued development of the sports and recreation infrastructure for Cardholders through investments in fitness clubs.

The Benefit Systems Group operates in four segments:

• Sport Cards – offering access to a wide selection of over 4,000 sports and leisure facilities.

• Fitness – comprising companies operating sports clubs throughout Poland, in which the Benefit Systems Group owns an equity interest. They provide well-equipped fitness facilities in prime locations, designed to ensure members' comfort.

• Foreign Markets – selling sport cards in foreign markets. The Group's investments in foreign fitness companies have also been presented in the Foreign Markets segment since 2018.

• Cafeterias – providing a modern channel for the distribution of non-pay benefits, not only relating to sports but also culture, travel, etc.

The Polish non-pay benefits market in Poland is worth approximately PLN 11.3bn and is set to grow at an annual rate of about PLN 0.5bn in the years to come. Employers allocate almost PLN 1,250 per employee per year, with the amount growing by the year – 87% of employees in companies offering non-pay benefits have access to non-pay benefits (according to a survey conducted by ARC Market and Opinion for Benefit Systems). According to Sedlak&Sedlak (*Świadczenia dodatkowe w oczach pracowników w 2018 roku* [*Non-pay benefits in the eyes of employees in 2018*]), sport cards have been the most popular non-pay benefit for several years now, with about 46.5% of employees receiving them these days.

The trend for more active lifestyles is changing the lives of Poles and employers' approach to health promotion among employees and counteracting lifestyle diseases. The change is highly beneficial as studies show that a sedentary lifestyle increases the risk of diabetes by 112% and eight hours at a desk increases the risk of premature death by 15% (American College of Cardiology data). An effective tool in preventing lifestyle-related diseases is the MultiSport card. As many as 78% of

Cardholders believe the card has helped them increase their physical activity, and 68% – that it has changed their habits. Cardholders more often and more willingly try new sports activities.

In order to meet the expectations of its Customers and Cardholders, the Benefit Systems Group runs a series of initiatives promoting physical activity among MultiSport card holders during summer holidays. In the second quarter, a summer offering was launched, enabling Cardholders to enjoy the benefits of outdoor swimming pools, trampoline and adventure parks and fitness classes for children. A gamification project available in the Cardholder Zone (https://www.kartamultisport.pl/) since July, in which participants can collect points and redeem prizes or support a charity (school kits), has attracted strong interest. The Group is also active in other product categories, including MyBenefit and MultiKafeteria platforms, which constantly expand their range of culture, entertainment and travel products, and products of partner retailers in various industries.

The strong outlook for the Benefit Systems Group in the coming years stems from the growing trend towards active and healthy lifestyles and from the diverse needs of employees in terms of non-pay benefits. It is the wide selection of options and access to the appealing offering of the Benefit Systems Group that make its range a product of choice for employers.

3. OVERVIEW OF THE BENEFIT SYSTEMS GROUP

3.1. GENERAL INFORMATION AND GROUP STRUCTURE

The Benefit Systems Group comprises the parent Benefit Systems S.A., which is responsible for sales of sport cards in Poland, and entities operating in the market for non-pay employee benefits and in the fitness market. The Benefit Systems Group's customer base currently encompasses over 13,000 businesses and institutions with a total headcount of 3.3m.

Benefit Systems S.A. has been listed on the main market of the Warsaw Stock Exchange (WSE) since April 2011. The Benefit Systems Group's flagship product is the MultiSport Programme, providing access to over 4,000 premier and most frequented sports facilities in around 650 locations across Poland. The MultiSport Programme is among Poland's most popular non-pay benefits, allowing members to live an active lifestyle and keep fit and healthy. The Group's offering includes other sport cards, FitProfit among them. Over 919,500 people in Poland and more than 177,700 in other geographies use the Benefit Systems Group's fitness products alone.

The Group also provides cafeteria platforms MyBenefit and MultiKafeteria, enabling employees to choose a non-pay benefit from an employer-approved list. The cafeteria systems offer the Group's own products: MultiBilet culture and entertainment programme for members to see a film of their choice in any of the several hundred cinemas across Poland; MultiTeatr programme providing tickets to popular theatre shows; MultiMuzeum offering museum vouchers; and BenefitLunch catering programme for employees;

One of the strategic goals of the Benefit Systems Group is to invest in the fitness market in order to ensure appropriate infrastructure for MultiSport card holders. According to a survey conducted by the Benefit Systems Group, 50% of all membership cards issued by the Group are received by employees who have never used it before. This means that fitness clubs and other fitness facilities gain several thousand new customers annually. Investments in fitness club operators enable the Benefit Systems Group to provide membership card holders with guaranteed access to modern, well-equipped clubs offering a complete suite of professional services.

The MultiSport Programme concept has been replicated to expand the Group's foreign operations. The Benefit Systems Group established its presence in the Czech Republic in 2011 and in Slovakia and Bulgaria in 2015. The Group launched sales of membership cards in Croatia in 2018, and since April 2018 preparations have been under way to introduce the MultiSport Programme in Greece.

SUBSIDIARIES AND AFFILIATES

COMPANIES IN THE SPORT CARDS SEGMENT

Benefit Systems S.A. is responsible for sales of the MultiSport membership cards. Benefit Systems S.A. has been listed on the main market of the Warsaw Stock Exchange (WSE) since 2011.

FitSport Polska Sp. z o.o. offers sport cards to small and medium enterprises and operates as a distributor of Benefit Systems S.A.'s products.

VanityStyle Sp. z o.o. offers sports and recreation products. The subsidiary provides small- and medium-sized companies with FitProfit and FitSport membership cards, which are similar to the products sold by Benefit Systems S.A. but which, as lower-cost products, typically offer a smaller range of services provided by a smaller number of Partners. The offering includes the Prestige variation of the membership card product, providing access to the most prestigious centres and sports facilities meeting the highest standards of service. The company has also added a cinema programme called CinemaProfit Ticket to its sport card range.

COMPANIES IN THE FITNESS SEGMENT

Fit Invest International Sp. z o.o. manages Benefit Systems Group's investments in the Fitness segment. The company holds shares in Fabryka Formy S.A., Calypso Fitness S.A., Fitness Academy Spółka z ograniczoną odpowiedzialnością SKA, Zdrofit Sp. z o.o., Fitness Place Sp. z o.o., Wesolandia Sp. z o.o, Tiger Sp. z o.o., Fitness Management Sp. z o.o., and minority interests in Baltic Fitness Center Sp. z o.o., Instytut Rozwoju Fitness Sp. z o.o., Fit Fabric Sp. z o.o., and Benefit Partners Sp. z o.o.

It also owns Fitness Place S.R.O., Fit Invest Bulgaria EOOD and Beck Box Club Praha S. R. O., the companies responsible for growing foreign fitness club operations, reported as part of the Foreign Markets segment.

Fitness Academy Spółka z ograniczoną odpowiedzialnością SKA operates 18 fitness clubs in Wrocław, Katowice and Kraków. Its general partner is Fitness Academy Sp. z o.o. It owns all shares in AM Classic Sp. z o.o. and Jupiter Sport Sp. z o.o.

Fabryka Formy S.A. operates 25 fitness clubs in Poznań and in the neighbouring areas. It fully-owns Fitness za Rogiem Sp. z o.o. (three fitness clubs).

Zdrofit Sp. z o.o. operates 29 fitness clubs in and around Warsaw.

Fitness Place Sp. z o.o. operates 14 fitness clubs under the brand name of My Fitness Place, most of them located in the Kraków Province.

Wesolandia Sp. z o.o. owns the Aquapark Wesolandia recreation complex in the Wesoła district of Warsaw, comprising pools, a fitness club and a tennis court.

Tiger Sp. z o.o. runs nine fitness clubs in and around Gdańsk.

M Group Sp. z o.o. is a wholly-owned subsidiary of Tiger Sp. z o.o. Its leases space to Tiger Sp. z o.o. in the Alchemia business complex in Gdańsk.

Fitness Management Sp. z o.o. manages 14 fitness clubs purchased from S4 Fitness Club and located in Warsaw, Toruń, Gdynia, and Białystok.

COMPANIES IN THE FOREIGN MARKETS SEGMENT

Benefit Systems International Sp. z o.o. is a vehicle through which the Benefit Systems Group conducts its foreign operations. Benefit Systems International Sp. z o. o. is the majority shareholder in the following international companies: MultiSport Benefit S.R.O. (Czech Republic), Benefit Systems Slovakia S.R.O. (Slovakia), Benefit Systems Bulgaria EOOD (Bulgaria), Benefit Systems D.O.O. (Croatia) and Benefit Systems Greece MIKE (Greece), which are responsible for selling sport card cards in their respective countries of domicile.

Fitness Place S.R.O and Fit Invest Bulgaria EOOD are responsible for investments in fitness clubs abroad, particularly for the acquisition of existing facilities and new club openings in the Czech Republic and Bulgaria. Fitness Place S.R.O. operates nine and Fit Invest Bulgaria EOOD two fitness clubs.

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

COMPANIES IN THE CAFETERIAS SEGMENT

MyBenefit Sp. z o.o. develops and sells (through a dedicated cafeteria platform) products that businesses may use as incentives and bonuses for employees. The company’s portfolio currently includes a bespoke cafeteria system including retailer gift cards, cinema and culture programmes, travel vouchers and a leisure subsidy system.

The non-pay benefits business of **MultiBenefit Sp. z o.o.** comprises the MultiKafeteria platform and the MultiBilet, MultiTeatr, MultiMuzeum and BenefitLunch programmes.

OTHER COMPANIES

The business object of **Benefit IP Spółka z ograniczoną odpowiedzialnością sp.k**. is centralised management of the marketing activities of the Benefit Systems Group and of all trademarks and industrial property rights owned by the Benefit Systems Group companies (trademark licensing). Benefit IP Sp. z o.o. is the general partner and minority shareholder in the company.

The total number of voting rights held by the Benefit Systems Group in its subsidiaries equals the Group’s equity interest in those companies.

Table 2: List of subsidiaries

Operating segment	Subsidiary	Registered address	Group's equity interest:	
			June 30 2018	June 30 2017
SPORT CARDS SEGMENT	VanityStyleSp. 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 3, 00-844 Warsaw	100.00%	100.00%
	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	100.00%	66.06%
	Fabryka Formy S.A.	ul. B. Krzywoustego 72 61-144 Poznań	100.00%	66.06%
	Fitness Place Sp. z o.o.	Plac Europejski 3, 00-844 Warsaw	100.00%	100.00%
	Wesolandia Sp. z o.o.	ul. Wspólna 4 05-075 Warsaw-Wesoła	100.00%	100.00%
	ZdrofitSp. z o.o.	ul. Mangalia 4 02-758 Warsaw	100.00%	55.03%
	Tiger Sp. z o.o.	Aleja Grunwaldzka 82 80-244 Gdańsk	100.00%	30.00%*
	M Group Sp. z o.o.	ul. Reymonta16 80-290 Gdańsk	100.00%	-
	Fitness Management Sp. z o.o.	Plac Europejski 3, 00-844 Warsaw	99.99%	-
FOREIGN MARKETS SEGMENT	Benefit Systems International Sp. z o.o.	Plac Europejski 2, 00-844 Warsaw	100.00%	100.00%
	Benefit Systems Bulgaria EOOD	58 Bulgaria Blvd Sofia 1680, Bulgaria	100.00%	100.00%
	Benefit Systems D.0.0.	Zagreb (Grad Zagreb) Strossmayerow trg 8 Croatia	100.00%	-

Operating segment	Subsidiary	Registered address	Group's equity interest:	
			June 30 2018	June 30 2017
	Benefit Systems Greece MIKE	Kifissias332Ave. 6th floor Halandri, Greece	100.00%	
	Benefit Systems Slovakia S.R.O.	Karadzicova 8/A 821 08 Bratislava, Slovakia	83.00%	93.00%
	MultiSport Benefit S.R.O.	Zeleny Pruh 95/97 14000 Praha 4 Czech Republic	74.00%	74.00%
	Fitness Place S.R.O.	Plzeńska 233/8 150 00 Praha 5 Czech Republic	100.00%	100.00%
	Fit Invest Bulgaria EOOD	8 Tsar Kaloyan Sofia 1000, Bulgaria	100.00%	100.00%
	Beck Box Club Praha S.R.O.	Vinohradska 2405/190 Vinohrady, 130 00 Praha 3 Czech Republic	100.00%	-
	Form Factory S.R.O.	Jablunkovska406 Stare Mesto, 739 61 Tfinec	-	66.06%
CAFETERIAS 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%

** The Group's equity interest was 30%. However, as the Group held call options on the remaining 70% of the non-controlling interests, exercisable as of June 22nd 2016, the company was fully consolidated as if Grupa Benefit Systems had held 100% of its share capital.*

Table 3: Associates and other companies

Operating segment	Associate	Registered address	Group's equity interest:	
			Jun 30 2018	Jun 30 2017
FITNESS SEGMENT	Baltic Fitness Center Sp. zo.o.	ul. Puławska 427 02-801 Warsaw	49.95%	49.95%
	Instytut Rozwoju Fitness Sp. z o.o.	ul. Puławska 427 02-801 Warsaw	48.10%	48.10%
	Benefit Partners Sp. z o.o.	Plac Europejski 2, 00-844 Warsaw	47.51%	47.51%
	Calypso Fitness S.A.	ul. Puławska 427 02-801 Warsaw	33.33%	33.33%
	Fit Fabric Sp. zo.o.	ul. 1go Maja 119/121 90-766 Łódź	30.00%	30.00%
	Get Fit Katowice II Sp. z o.o.	ul. Uniwersytecka 13 40-007 Katowice	20.00%	20.00%
	Zdrofit Sport Sp. zo.o.	ul. Mangalia 4 02-758 Warsaw	-	26.69%
Operating segment	**Associate**	**Registered address**	**Group's equity interest:**	
			Jun 30 2018 – Jun 30 2017	

OTHER COMPANIES	LangMedia Sp. z o.o.	ul. Skwierzyńska 25/3 53-521 Wrocław	37.00%	37.00%
	X-code Sp. z o.o.	ul. Klaudyny 21/4 01-684 Warsaw	31.15%	31.15%
	Notatek.pl Sp. z o.o.	ul. Kielecka 28/2 31-532 Kraków	-	27.00%
	Eventlabs Sp. zo.o.	ul. Żurawia 6/12 00-503 Warsaw		23.07%

3.2. STATEMENT OF PROFIT OR LOSS

Table 4: Statement of profit or loss of the Benefit Systems Group

PLN thousand	**Six months**	**Six months**	**Change**
Revenue	**588,110**	**457,643**	**28.5%**
Revenue from sale of services	580,505	455,002	27.6%
Revenue from sale of merchandise and materials	7,605	2,641	188.0%
Cost of sales	**(432,743)**	**(341,600)**	**26.7%**
Cost of services sold	(424,519)	(339,880)	24.9%
Cost of merchandise and materials sold	(8,224)	(1,720)	378.1%
Gross profit	**155,367**	**116,043**	**33.9%**
Selling expenses	(37,934)	(28,147)	34.8%
Administrative expenses	(51,876)	(38,898)	33.4%
Other income	7,688	2,989	157.2%
Other expenses	(8,653)	(4,699)	84.1%
Operating profit	**64,592**	**47,288**	**36.6%**
Finance income	5,061	1,588	218.7%
Finance costs	(6,644)	(4,717)	40.9%
Share of profit/(loss) of equity-accounted entities	(607)	1,785	-
Profit before tax	**62,402**	**45,944**	**35.8%**
Income tax	(16,198)	(9,617)	68.4%
Net profit from continuing operations	**46,204**	**36,327**	**27.2%**
Gross profit margin (%)	*26.4%*	*25.4%*	7.0pp

3.3. OUTLOOK

The Benefit Systems Group does not publish annual budgets or short-term financial guidance. The Group's current performance enables the Group to finance its investment projects from internally generated funds and borrowings. Proceeds from share issues will be used in accordance with Extraordinary General Meeting resolutions specifying the purpose of the share capital increase (to be effected through the issue of Series F Shares), which is to support the Group's further growth and realise its growth potential, particularly in foreign markets, both in the sport card and fitness segments.

4. FINANCIAL DATA FOR THE SIX MONTHS ENDED JUNE 30TH 2018

4.1. INTRODUCTION

The Benefit Systems Group has presented its financial results based on operating segments since 2014. The results presented in this report are compared with historical data. In line with the threshold framework set out in IFRS 8, the Benefit Systems Group is required to present the results of its Sport Cards, Fitness and Cafeterias segments only (10% or more of the Group's revenue). However, the Group has resolved to present all identified segments as their results are close to the thresholds defined in IFRS 8 and may exceed them in future reporting periods.

The Group is of the opinion that the results of the Fitness and Sport Cards segments should be analysed jointly given the numerous synergies occurring between those two business lines.

The presentation of all operating segments is to also enhance the clarity and quality of disclosure.

Since 2015, the Benefit Systems Group's business has been divided into four core operating segments: Sport Cards, Fitness, Foreign Markets, Cafeterias and the supporting segment Other Activities and Corporate ("Corporate"). The foreign fitness club operations were reclassified to the Foreign Markets segment in 2018 (earlier they were part of the Fitness segment). The Company restated the relevant comparative data accordingly.

The Corporate segment consists of management and administration functions and strategic activities within the Group. It contains items not allocated to other operating segments and eliminations of intragroup transactions.

Segment revenue comprises revenue from sales to external customers or from intersegment transactions. It can be allocated directly to the relevant segments. Segment expenses are expenses associated with sales to external customers or with intersegment transactions. They arise from the operations of a given segment and can be allocated to that segment along with the relevant portion of the Group's expenses that can be clearly allocated to that segment. Income tax expense is not included in segment expenses. A segment's result is its gross profit.

Table 5: Selected financial data of the operating segments for the six months ended June 30th 2018

PLN thousand	Sport Cards	Fitness	Foreign Markets	Cafeterias	Corporate	Total
Revenue	**416,988**	**117,363**	**92,994**	**24,612**	**(63,846)**	**588,110**
Cost of sales	(300,853)	(102,042)	(79,321)	(17,981)	67,454	(432,743)
Gross profit	**116,135**	**15,321**	**13,673**	**6,630**	**3,608**	**155,367**
Selling expenses	(14,898)	(9,163)	(11,734)	(2,223)	84	(37,934)
Administrative expenses	(16216)	(10,674)	(12,362)	(3,077)	(9,547)	(51,876)
including the Incentive Scheme	-	-	-	-	*(6,162)*	*(6,162)*
Other income and expenses	(486)	69	399	(67)	(880)	(965)
Operating profit/(loss)	**84,535**	**(4,447)**	**(10,024)**	**1,263**	**(6,734)**	**64,592**
Finance income and costs	**-**	(6,639)	(850)	236	5,671	(1,583**)**
Share of profit/loss of equity-accounted entities	**-**	(827)	-	-	220	(607)
Profit (loss) before tax	**84,535**	**(11,914)**	**(10,875)**	**1,499**	(843)	**62,402**
EBITDA	**89,011**	**7,176**	**(7,539)**	**2,084**	**(6,360)**	**84,372**
Segment assets	866,437	421,992	92,740	91,464	(455,140)	1,017,493

Table 6: Reconciliation of total revenue, profit or loss and assets of the operating segments to the corresponding items of the Group's consolidated financial statements for the six months ended June 30th 2018.

PLN thousand	Six months ended June 30th 2018	Six months ended June 30th 2017
Segments' revenue		
Total revenue of operating segments	720,798	492,734
Revenue not allocated to segments	0	0
Elimination of revenue from intersegment transactions	(132,688)	(35,091)
Revenue	**588,110**	**457,643**
Segments' profit or loss		
Segments' operating profit or loss	64,592	47,288
Other income not allocated to segments	0	0
Other expenses not allocated to segments (-)	0	0
Elimination of profit or loss from intersegment transactions	0	0
Operating profit	**64,592**	**47,288**
Finance income and costs	(1,583)	(3,129)
Share of profit/(loss) of equity-accounted entities (+/-)	(607)	1,785
Profit before tax	**62,402**	**45,944**

PLN thousand	As at June 30th 2018	As at December 31st 2017
Total assets of operating segments	1,794,713	825,270
Assets not allocated to segments	0	0
Elimination of intersegment transactions	(777,220)	(175,667)
Total assets	**1,017,493**	**649,603**

In the period covered by the consolidated Directors' Report, revenue allocated to the Corporate segment included primarily eliminations of intersegment transactions. Expenses were associated with management and administration, strategic activities within the Group, the Incentive Scheme, support functions, and other activities not allocated to the identified operating segments (including revenue from profit distributions within the Group).

4.2. OPERATING SEGMENTS

4.2.1. SPORT CARDS SEGMENT

The **Sport Cards** segment is responsible for selling sport cards in Poland via the distribution companies Benefit Systems SA, FitSport Polska Sp. z o.o. and VanityStyle Sp. z o.o. The following cards are currently on offer:

MultiSport Plus – the card provides unlimited access to over 4,000 sports and recreation facilities across Poland and more than 25 different sports;

MultiSport Classic – the card can be used once daily in over 2,000 sports facilities and almost 25 different sports;

MultiActive – the card provides access to over 1,700 sports facilities and over 20 different sports up to the prepaid limit;

MultiSport Plus Kids / MultiActive Kids – the cards provide children with access to activities such as martial arts dance classes, swimming pool, salt caves, ice rinks, etc.;

MultiSport Plus Dziecko / MultiActive Dziecko – the cards provide access to selected swimming pools that recognise the cards.

FitSport – the card provides access to a range of sport services, including fitness clubs, gyms, saunas and swimming pools in VanityStyle Sp. z o.o.'s partner facilities up to a specified limit (eight visits a month);

FitProfit – the card provides access to services offered by VanityStyle Sp. z o.o.'s partner facilities (over 3,300 facilities in about 590 towns and cities across Poland).

Sport cards are among the most popular non-pay benefits in Poland, beaten only by medical care. They are one of the benefits preferred by employees, with as many as 50% of candidates expecting future employers to provide a sport card in the remuneration package.

Sport cards are unique because they combine benefits to the various market participants in a single product – they benefit employers as an effective tool for incentivising employees, they benefit the cardholders because they provide access to numerous facilities and activities, and they benefit sports facility operators because they complement their core business activities. This drives continued growth in the number of active sport cards, particularly that the market potential remains strong, as many Poles do not practise any sports and employers increasingly appreciate the benefits of their employees staying fit and healthy.

As at the end of June 2018, the Benefit Systems Group reported an increase in sport card number in Poland, to 919,500. In the six months of the reporting period, the number rose by 54,000, or 6.7%. This growth demonstrates that the cardholders find the services available under the membership programmes attractive. They become natural ambassadors of the sport cards in their community, generating new sales to new and existing customers.

Seasonal deals further enhance attractiveness of the cards. After the winter campaign, in which customers could use ice rinks and participate in activities at the National Stadium (ski conditioning workout, curling, and ice sliding) in addition to the regular offering, the city bike service was again added to the offering in April. At the end of the second quarter, a summer holiday campaign was launched, enabling cardholders to enjoy the fun in adventure parks, trampoline parks and outdoor swimming pools starting from June. The offering also included beach volleyball and – a novelty – indoor badminton and fitness classes for children. All these activities were very popular and contributed to increasing cardholder satisfaction and retention rates. The cost of this year's special offers is yet unknown, but the marketing plan and preliminary estimates of performance against the plan show the cost will be lower than in the preceding year.

Table 7: Selected financial data of the Sport Cards segment

PLN thousand	**Six months ended June 30th 2018**	**Six months ended June 30th 2017**	**Change**
Revenue	**416,988**	**356,246**	**17.1%**
Cost of sales	(300,853)	(267,966)	12.3%
Gross profit	**116,135**	**88,281**	**31.6%**
Selling expenses	(14,898)	(15,357)	(3.0%)
Administrative expenses	(16216)	(13,865)	17.0%
Other income and expenses	(486)	(635)	(23.5%)
Operating profit	**84,535**	**58,424**	**44.7%**
EBITDA	**89,011**	**62,448**	**42.5%**
Gross profit margin	*27.9%*	*24.8%*	*3.7pp*
*Number of sport cards**	*919,471*	*803,123*	*14.5%*

** weighted average for the last month of the reporting period*

Cost of sales in the Sport Cards segment includes a PLN 12.2m expense relating to settlements between the Sport Cards and Fitness segments, and PLN 4.5m in expenses incurred by Benefit Systems S.A. on account of the fitness structure being managed by Fit Invest Sp. z o.o.

The segment's revenue rose PLN 60.7m year on year. Gross profit margin increased to PLN 27.9m in the period. These nominal growth figures are a result of a 14.5% increase in the number of active sport cards, to 116,300 relative to the same period of the previous year.

The 3.1pp increase in gross margin is attributable mainly to a receding share of heavy users in the Cardholder base in the long run. A growing number of people practising sports occasionally decide to sign up for the MultiSport programme as being fit is now part of a healthy lifestyle. This is why the share of limited access cards is growing in the Group's portfolio, driving up gross margin.

Administrative expenses rose by PLN 2.4m, but their share in segment revenue remained flat (3.9%). The nominal growth in administrative expenses was mainly an effect of the expanding scale of operations, which led to an increase in the workforce supporting the segment. The segment's profit margins are influenced by the seasonality of cardholders' activity (reaching a low in the summer time and reaching a high in the first quarter of a year). These lasting trends were coupled with the weather conditions in each month, the calendar line-up and extraordinary events, such as the FIFA World Cup, which commenced in June 2018. The confluence of these factors had an overall positive effect on profitability reported by the segment in the first and second quarter of 2018.

4.2.2. FITNESS SEGMENT

Due to a growing sport cards users numbers, the Benefit Systems Group invests in own fitness clubs in order to secure a sufficient number of high quality sports and recreation facilities.

The Fitness segment consists of subsidiaries and associates operating in the fitness market. They include operators of fitness clubs and sports and recreation facilities and companies managing investments in fitness clubs (for a detailed description, see the section 'Overview of the Benefit Systems Group').

The Fitness segment is complementary to that of Sport Cards. The expanding number of the Group's sports clubs is a response to growing demand from new holders of Sport cards. To accommodate the growing number of Cardholders driven by an upward trend in average physical activity levels among Poles, the Group needs to supply additional sports facility space to ensure continued good access to exercise infrastructure and the comfort of members. Quality sports facilities attract many new Cardholders, while encouraging existing ones to take up new activities.

As at the end of the first half of 2018, the Benefit Systems Group managed Polish companies running a total of 110 own sports clubs. Compared with the first six months of 2017, 48 locations were added to the Group's investee fitness clubs (within its subsidiary networks) in Poland (of which 20 were added through organic growth). Additionally, the Group held (minority) interests in companies managing a further 66 facilities.

The Fitness segment's performance reflects the results of the following fully consolidated companies: Fit Invest 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., Tiger Sp. z o.o., Wesolandia Sp. z o.o., Fitness Place Sp. z o.o., M Group Sp. z o.o. and Fitness Management Sp. z o.o. The results of other companies within the Fitness segment are accounted for with the equity method.

Table 8: Selected financial data of the Fitness segment

PLN thousand	Six months ended June 30th 2018	Six months ended June 30th 2017	Change
Revenue	**117,363**	**76,175**	54.1%
Cost of sales	(102,042)	(62,782)	62.5%
Gross profit	**15,321**	**13,393**	14.4%
Selling expenses	(9,163)	(6,108)	50.0%
Administrative expenses	(10,674)	(8,959)	19.1%
Other income and expenses	69	(625)	-
Operating loss	(4,447)	**(2,299)**	93.4%
Finance income and costs	**(**6,639)	(4,070)	63.1%
Share of profit/(loss) of equity-accounted entities	(827)	2,020	-
Loss before tax	**(11,913)**	**(4,349)**	173.9%
EBITDA	**7,176**	**8,203**	(12.5%)
Gross profit margin	*13.1%*	*17.6%*	*4.5pp*
Number of subsidiary clubs	*110*	*62*	*77.4%*

Revenue of the Fitness segment grew 54.1% year on year, with the newly included fitness entities (acquired after H1 2017) having recorded a combined revenue of PLN 15.6m. The revenue growth in 2018 was additionally driven by intersegment benefits accounted for between the Fitness and Sport Cards segments, calculated at PLN 12.2m.

Another component of revenue were amounts related to the management of the entire fitness organisation by the holding company Fit Invest for Benefit Systems and member companies. In the period under review, the amounts totalled PLN 6.0m (including PLN 4.5m attributable to intersegment sales between Sport Cards (expense) and Fitness (income)), with PLN 1.5m accounted for within the Fitness segment, with no effect on its profit or loss. Both amounts are neutral for the Group's overall result.

The decline in gross profit margin with the concurrent increase in administrative expenses follows from strong expansion of the Fitness segment. One segment-specific item are fixed costs, which go down in relation to revenue as clubs gain regular customers and reach maturity. A significant share of newly opened clubs within the network is an adverse factor for the segment's short-term performance, but translates into higher sales and better retention of sport cards.

In the first half of 2018, the segment's selling and administrative expenses rose by PLN 4.8m, of which PLN 3.9m was attributable to companies newly transitioned (relative to the first half of 2017) to full consolidation accounting, with the balance due largely to the growing number of processes and FTEs within the centralised functions performed for companies of the expanding Group.

Effect of reclassifications between the Fitness and Foreign Markets segments on historical data (H1 2017)

Since 2018, there has been a change in the presentation of foreign fitness clubs run by Fit Invest EOOD, Fitness Place S.R.O. and Beck Box Club Praha S.R.O., which are now classified into the Foreign Markets segment. Comparative data for the first half of 2017 was restated accordingly to account for the reclassifications.

Table 9: Fitness segment reclassifications – before and after restatement

PLN thousand	**Six months ended June 30th 2017 – after restatement**	**Six months ended June 30th 2017 – before restatement**	**Change**
Revenue	**76,175**	**77,740**	**(1,565)**
Cost of sales	(62,782)	(64,731)	1,949
Gross profit	**13,393**	**13,009**	**384**
Selling expenses	(6,108)	(6,362)	254
Administrative expenses	(8,959)	(10,214)	1,255
Other income and expenses	(625)	(694)	69
Operating loss	**(2,299)**	**(4,261)**	**1,962**
Finance income and costs	(4,070)	(4,070)	0
Share of profit/(loss) of equity-accounted entities	2,020	2,020	0
Loss before tax	**(4,349)**	**(6,310)**	**1,961**
EBITDA	**8,203**	**6,342**	**1,861**
Gross profit margin	*17.6%*	*16.7%*	*0.9pp*
Number of subsidiary clubs	*62*	*62*	*0*

4.2.3. FOREIGN MARKETS SEGMENT

Foreign Markets currently includes the following companies developing the MultiSport Programme outside of Poland: Benefit Systems International Sp. z o.o., MultiSport Benefit S.R.O, Benefit Systems Bulgaria EOOD, Benefit Systems Slovakia S.R.O., Benefit Systems D.O.O. and Benefit Systems Greece MIKE. The results of all these companies are fully consolidated.

Table 10: Selected financial data of the Foreign Markets segment

PLN thousand	**Six months ended June 30th 2018**	**Six months ended June 30th 2017**	**Change**
Revenue	**92,994**	**39,826**	**133.5%**
Cost of sales	(79,321)	(33,246)	138.6%
Gross profit	**13,673**	**6,581**	**107.8%**
Selling expenses	(11,734)	(5,230)	124.4%
Administrative expenses	(12,362)	(7,203)	71.6%
Other income and expenses	399	134	197.8%
Operating loss	**(10,024)**	**(5,719)**	**75.3%**

PLN thousand	Six months ended June 30th 2018	Six months ended June 30th 2017	Change
Finance income and costs	(850)	0	-
Loss before tax	**(10,874)**	**(5,719)**	**90.1%**
EBITDA	**(7,539)**	**(5,582)**	**35.1%**
Gross profit margin	*14.7%*	*16.5%*	*(1.8pp)*
*Number of sport cards (in thousands)**	*177,733*	*95,732*	*85.7%*

** weighted average for the last month of the reporting period*

The number of active cards at the end of H1 2018 was 177.7 thousand, a year-on-year increase of 82 thousand. During the first six months of 2018, the number of active sport cards went up by almost 47 thousand (33% more than in H1 2017).

All foreign markets where the MultiSport product is sold saw card numbers grow strongly over the first half of 2018. Number of active cards at the end of June 2018, by market:

Table 11: Number of sport cards (in thousands), by country of the Foreign Markets segment*

Country	Six months ended June 30th 2018	Six months ended June 30th 2017	Change
Czech Republic	99.8	54.8	82.1%
Bulgaria	63.2	36.0	75.8%
Slovakia	14.7	5.0	195.6%

** weighted average number of cards for the last month*

In the period under review, sales gained momentum especially in the Czech/Slovak area.

In Q1 and Q2 2018, respectively, new companies were established in Croatia and Greece, engaged in developing the MultiSport Programme on the local markets. Their initial phase activities are focused on the product development (networking with partner facilities), with the break-even point typically expected after about three to four years, depending on the specific market.

As at the issue date of this report, the Croatian company had already gained first customers, to be included in subsequently reported customer numbers.

The rise in active card numbers results from the expansion and improving efficiency of the Group's sales teams, wide-ranging campaigns to promote healthy and active lifestyles and the addition of new partner facilities and locations, notably those added through the acquisition of foreign fitness companies. As at the end of the first half of 2018, the number of partner facilities abroad was 1,439 in the Czech Republic, 677 in Bulgaria, 479 in Slovakia and 77 in Croatia.

The partner network is being developed both in the capital cities of each country and in smaller locations, which allows the Group to reach business customers operating outside the capitals with its MultiSport product.

The Czech Republic stands out as the market consistently generating the highest revenue within the sport cards business of Foreign Markets. As at the end of H1 2018, it accounted for 58% of the segment's total revenue (compared with 63% the year before). Taken together with sales generated by the complementary Slovak market, its revenue more than doubled year on year driven, among other factors, by a higher average price of sport cards.

Revenue from sales of sport cards on the Bulgarian market also doubled, with a substantial improvement in gross margin (currently at 9.9%, versus 1.9% in the first half of 2017).

The overall decline in gross margin was due to the first-time consolidation of new fitness companies, whose sales volumes are insufficient to offset high fixed costs, recorded mostly under cost of sales. Gross margin on sales of sport cards in Foreign Markets remained stable, at 18% relative to the comparative period, a satisfactory level given the nascent stage of the entire foreign business. EBITDA loss on that part of the segment's business increased by PLN 0.6m between the comparative periods, reflecting a negative impact of PLN 1m in business development costs recognised for Croatia in H1 2018. Albeit the sales force and administrative functions were being developed at a brisk pace on the new markets, it was possible to keep selling and administrative expenses from growing faster than revenue from sales of sport cards in the Foreign Markets segment (171.1% against 185.7%).

FOREIGN MARKETS SEGMENT – FITNESS BUSINESS

The Foreign Markets performance from fitness clubs was generated by two facilities in Bulgaria (under the Top Fit brand) and 15 facilities in the Czech Republic (including six BBC Fitness clubs, five Jatomi clubs, one World Class club, two Holmes Place clubs and one Fabryka Formy facility). Further three clubs are due to open in Bulgaria by the end of 2018. Moreover, the results on this part of the Group's business include revenue and expenses of the company managing foreign fitness companies under the name of Fit Invest Bulgaria.

The undertaken consolidation of foreign fitness networks had a negative impact on the Foreign Markets segment's result, delivering a total EBITDA loss of PLN -3.3m for the six months to June 30th 2018, compared with a loss of PLN -2.0m for the same period of 2017. The results reflect a limited base of customers using new network facilities, as well as the upfront costs of starting up and administering the new locations.

Table 12: Foreign Markets segment reclassifications – before and after restatement

PLN thousand	**Six months ended June 30th 2017 - after restatement**	**Six months ended June 30th 2017 - before restatement**	**Change**
Revenue	**39,826**	**38,261**	**1,565**
Cost of sales	(33,246)	(31,297)	(1,949)
Gross profit	**6,581**	**6,965**	**(384)**
Selling expenses	(5,230)	(4,976)	(254)
Administrative expenses	(7,203)	(5,948)	(1,255)
Other income and expenses	134	203	(69)

PLN thousand	Six months ended June 30th 2017 - after restatement	Six months ended June 30th 2017 - before restatement	Change
Operating loss	**(5,719)**	**(3,757)**	**(1,962)**
Finance income and costs	**-**	-	**-**
Loss before tax	**(5,719)**	**(3,758)**	**(1,961)**
EBITDA	**(5,582)**	**(3,721)**	**(1,861)**
Gross profit margin	*16.5%*	*18.2%*	*(1.7pp)*
Number of sport cards	*95,732*	*95,732*	*0*

4.2.4. CAFETERIAS SEGMENT

The Cafeterias segment is responsible for developing the MyBenefit and MultiKafeteria non-pay employee benefit platforms, which offer a wide range of products and services, including the Benefit Systems Group's own products. The offering is focused on non-pay benefits spanning culture, entertainment, sports, recreation, restaurants, education, wellness, leisure, as well as domestic and foreign travel. The benefits come from proven providers – the partner network, which is being continually expanded, already comprising several thousand entities.

MyBenefit and **MultiKafeteria** allow employee users to choose freely from among a range of available benefits, within the limits and budgets set by their employers. Users can select benefits directly from a Cafeteria – an online platform featuring individual user accounts. The solution, which gives employers full control of the benefits selected and simple settlement methods, has been taken up by companies from the manufacturing, service and trade industries, as well as financial and government institutions, with headcounts ranging from fifty to several thousand. The Cafeteria benefits cover sports, health, travel and culture, and include shopping vouchers that can be used at Polish renowned chain retailers and brand stores.

The MultiBilet Cinema Programme is an independent pillar of the Group's culture and entertainment offering, with tickets available to over 200 partner cinemas across Poland (including Cinema City, Helios and Multikino, in addition to a number of local cinemas).

Apart from the Cafeteria platforms and the Cinema Programme, the Group offers:

MultiTeatr vouchers redeemable at the most popular theatres;

MultiMuzeum for a museum and art gallery experience in Poland's largest cities;

BenefitLunch with catering service available from nearly 260 restaurants.

Table 13: Selected financial data of the Cafeterias segment

PLN thousand	Six months ended June 30th 2018	Six months ended June 30th 2017	Change
Revenue	**24,612**	**20,152**	**22.1%**
Cost of sales	(17,981)	(14,724)	22.1%
Gross profit	**6,631**	**5,428**	**22.2%**
Selling expenses	(2,223)	(1,489)	49.3%
Administrative expenses	(3,077)	(3,709)	(17.1%)
Other income and expenses	(67)	(56)	20.6%
Operating profit/(loss)	**1,264**	**174**	**626.4%**
Finance income and costs	236	(111)	-
Share of profit/(loss) of equity-accounted entities	0	0	0
Profit before tax	**1,500**	**63**	**-**
EBITDA	**2,084**	**794**	**162.5%**
Gross profit margin	*26.9%*	*26.9%*	*0.0pp*
*Turnover (PLNm)**	*124.7*	*103.5*	*20.5%*
Number of Users (in thousands)	*318.1*	*262.8*	*21.0%*

**Based on commercial notes, invoices and bills issued by the Cafeteria platforms: MultiKafeteria and MyBenefit*

As at the end of the first half of 2018, the non-pay benefit e-platforms MyBenefit and MultiKafeteria registered a total of just under 318.1 thousand Users, representing a year-on-year increase of over 55.3 thousand. The about 21% growth in the number of Users led to proportional increases in the Cafeteria business turnover and revenue. The revenue growth was also partly driven by the roll-out of new culture products among the available non-pay benefits, distributed both through and outside the Cafeteria platforms. Gross margin remained broadly unchanged – both in relation to revenue and turnover generated in the compared semi-annual periods of 2018 and 2017.

As for the popularity of benefits offered via the Cafeterias channel, Q2 2018 was another period with a rising share of the Sports category in total sales (53% in H1 2018, up from 51% in H1 2017), as well as increased uptake of cinema and culture products.

The rise in the Cafeterias segment's turnover and an FTE increase at MyBenefit were direct drivers of higher selling expenses. The addition to staffing levels was needed to address the growing number of Users, and thus of turnover, as well as the internal organisational development. In addition to expanding the sales force FTEs at the Wrocław branch, a regional sales branch was set up in Warsaw in April 2017. Selling expenses were also pushed up by increased amortisation charges on a higher value of projects implemented by the IT department.

The recorded decline in the segment's administrative expenses was due to an additional consideration for the sale of MyBenefit Sp. z o.o. shares of PLN 0.94m recognised in the first half of 2017, partially offset by higher salaries and wages reflecting the FTE increase at MyBenefit.

The actual growth in the Cafeterias segment's EBITDA (excluding the one-off effect described above on the 2017 performance) was 16% (or PLN 0.3m) year on year, with a stable EBITDA to revenue ratio.

4.2.4. OTHER ACTIVITIES AND CORPORATE

Other Activities and Corporate include revenue other than from sales of non-pay incentive products, as well as indirect costs not allocated to such revenue. Its main component are intersegment eliminations. The relevant expenses are associated with the management and administrative functions, strategic activities at the Benefit Systems Group, the Incentive Scheme, support functions and other activities not allocated to the separate operating segments.

Table 14: Other Activities and Corporate

PLN thousand	Six months ended June 30th 2018	Six months ended June 30th 2017	Change
Revenue	**(63,846)**	**(34,757)**	**83.7%**
Cost of sales	67,454	37,118	81.7%
Gross profit	**3,608**	**2,360**	**52.9%**
Selling expenses	84	38	120.3%
Administrative expenses	(9,547)	(5,162)	85.0%
including the Incentive Scheme	*(6,162)*	*(3,428)*	*79.8%*
Other income and expenses	69	(529)	-
Operating loss	**(11,947)**	**(3,292)**	**262.9%**
Finance income and costs	5,671	1,053	438.5%
Share of profit/(loss) of equity-accounted entities	220	(235)	-
Loss before tax	**(6,057)**	**(2,474)**	**144.8%**
EBITDA	**(6,360)**	**(2,713)**	**134.4%**

The growth in both revenue and cost of sales is largely attributable to the rising number of sport Cardholders combined with an expanding base of sports facilities run by the Group. The resulting rise in Cardholders' visits at the Group's clubs is driving up costs incurred by the Sport Cards segment for the Fitness segment. An additional factor behind higher eliminations is the growing share of the Group's Cafeteria platforms as a distribution channel for sport cards, resulting in higher intersegment fees payable by Sport Cards to Cafeterias.

The segment's gross profit is a function of revenue generated by Benefit Intellectual Property Spółka z ograniczoną odpowiedzialnością sp. k for other Group companies on account of marketing activities and activities not allocated to any operating segments, as well as intragroup eliminations of trademarks owned by that company.

Other income comprises the shared services settled between Group companies classified into different segments. The related expenses are incurred mainly on management, legal support, accounting, consulting and other services). Moreover, other expenses include the cost of charity activities undertaken by Benefit Systems.

The increase in finance income is primarily an effect of financing extended to some Fitness segment subsidiaries (partly subject to intragroup eliminations).

4.3. OTHER FINANCIAL DATA

Table 15: Finance income and costs of the Benefit Systems Group

PLN thousand	**Six months ended June 30th 2018**	**Six months ended June 30th 2017**	**Change**
Finance income	5,061	1,588	218.7%
Finance costs	6,644	4,717	40.9%
Share of profit/(loss) of equity-accounted entities (+/-)	(607)	1,785	-

Net finance costs posted by the Group for the first half of 2018 were largely driven by costs associated with the issue of two bond series (including interest expense), an increase in the available credit facility limit and finance lease liabilities (under fitness equipment leaseback arrangements). The main component of finance income, up by almost 182% on the comparative period of 2017, was income from loans to the Group's associates and strategic partners.

As at the date of this report, the parent Benefit Systems S.A. advanced loans for a total carrying amount of PLN 454.1m (June 30th 2017: PLN 280.8m), of which a total of PLN 353.5m was advanced to subsidiaries.

The main purpose of such capital support is to finance investments in fitness entities (90.0%), including in the form of loans granted to independent companies (2.2%), and – to a lesser extent (4.0%) – to mitigate current liquidity issues at non-fitness subsidiaries. Long-term loans accounted for 85% of the carrying amount of total loans.

All the loan agreements were entered into on arm's length terms, with a floating interest rate linked to 3M WIBOR. This mitigates the lender's risk in the event of any adverse movements in interest rates.

As at the date of this report, the parent had outstanding debt on account of three-year bonds in issue of PLN 69.9m together with interest, loans from related parties of PLN 57.3m, an investment credit facility of PLN 68.8m and finance lease arrangements of PLN 18.4m. The recorded increase in finance costs was led mainly by interest expenses on bonds (PLN 1.8m), credit facilities (PLN 1.0m) and borrowings from related parties (PLN 1.1m), as well as a loss allowance for loans advanced of PLN 0.9m. Additionally, the item included the costs of finance lease arrangements covering fitness equipment of PLN 0.42m.

Net profit of equity accounted associates fell by PLN 2,392 thousand year on year. The item represented the Group's shares of the investees' profit or loss corresponding to its respective equity interests: Calypso Fitness S.A. (PLN -1.1m), Instytut Rozwoju Fitness Sp. z o.o. (PLN 0.4m) and LangMedia Sp. z o.o. (PLN 0.3m), X-Code Sp. z o.o. (PLN 0.2m) and Fit Fabric Sp. z o.o. (PLN 0.2m). The item also included the financial result (of PLN -0.5m) booked by Benefit Partners Sp. z o.o., fully consolidated until May 15th 2017, but accounted for with the equity method in the first half of 2018.

Table 13: Statement of financial position of the Benefit Systems Group

PLN thousand	**As at June 30th 2018**	**As at December 31st 2017***	**Change**	**As at June 30th 2017**
Non-current assets	615,069	517,998	18.7%	449,460
share of total assets	*60.4%*	*68.7%*	*(8.2pp)*	*69.2%*
Current assets	402,424	236,115	70.4%	200,143
share of total assets	*39.6%*	*31.3%*	*8.2pp*	*30.8%*
Total assets	1,017,493	754,113	34.9%	649,603
Equity attributable to owners of the parent	554,871	202,033	174.6%	201,323
share of total equity and liabilities	*54.5%*	*26.8%*	*27.7pp*	*31.0%*
Non-controlling interests	1,471	17,844	(91.8%)	16,015
share of total equity and liabilities	*0.1%*	*2.4%*	*(2.2pp)*	*2.5%*
Long-term liabilities and provisions	129,219	193,791	(33.3%)	158,877
share of total equity and liabilities	*12.7%*	*25.7%*	*(13.0pp)*	*24.5%*
Short-term liabilities and provisions	331,932	340,445	(2.5%)	273,388
share of total equity and liabilities	*32.6%*	*45.1%*	*(12.5pp)*	*42.1%*
Total equity and liabilities	1,017,493	754,113	34.9%	649,603

** Data restated to reflect a presentation adjustment in deferred tax assets and liabilities*

Non-current assets

Non-current assets of the Benefit Systems Group grew by PLN 97.1m relative to December 2017. The largest increase (of PLN 29.5m) was seen in long-term receivables from loans. The amount consisted mainly of loans granted to Benefit Partners Sp. z o.o., not eliminated on consolidation as at June 30th 2017 as the company's status within the Group changed from subsidiary to associate. An increase was also recorded in property, plant and equipment (up by PLN 24m), mainly on account of full consolidation of new subsidiaries and fitness equipment purchases by the subsidiaries. There was also a rise in deferred tax assets (by PLN 11.2m) and intangible assets (by PLN 15.2m). Additionally, in the first half of 2018, the Group acquired the business assets of Jatomi and Fitness Club S4, recognising respective goodwill amounts of PLN 10m and PLN 13.4m.

On the other hand, decreases were recorded in non-current prepayments and accrued income (PLN 1.2m), investments in associates (PLN 0.6m) and other non-current financial assets (PLN 0.3m).

Current assets

Total current assets grew over the six months to June 30th 2018 by PLN 166.3m, with cash and cash equivalents up PLN 179.6m. A key factor behind the item's substantial increase was the new share issue carried out in the second quarter of 2018 and the sale of treasury shares, bringing PLN 293.9m in aggregate proceeds for Benefit Systems (excluding the transaction costs).

Trade receivables went up by PLN 10.0m, mainly on higher sales volumes. The carrying amount of loans increased by PLN 1.6m over the period under review, driven chiefly by a programme of loans for MultiSport partners. The level of inventories remained stable compared with the end of 2017.

Long-term liabilities and provisions

The Group's total non-current liabilities fell in relation to the end of 2017 by PLN 64.6m. The most significant decline was seen in other liabilities (down by PLN 36.6m), reflecting the reversal of a provision for put options over shares in the subsidiary Zdrofit Sp. z o.o. At the same time, finance lease liabilities fell by PLN 3.2m (leaseback of sports equipment), while deferred tax liabilities rose by PLN 1.1m.

Borrowings and other debt instruments declined considerably (by PLN 29.8m), especially on the reclassification of PLN 70m of bonds from long- to short-term borrowings given their maturity date falling on June 30th 2019.

Short-term liabilities and provisions

In the first half of 2018, there was a slight (2.5%) decrease in total current liabilities (down by PLN 8.5m). It was mainly attributable to the reclassification of PLN 50m of bonds issued by Benefit Systems from non-current to current liabilities given their maturity date falling within the next 12 months. Additionally, trade payables fell by PLN 13.1m, mainly on account of shares purchased in related entities and current tax liabilities (of PLN 3.4m).

Table 14: Statement of cash flows of the Benefit Systems Group

PLN thousand	**Six months ended June 30th 2018**	**. Six months ended June 30th 2017**	**Change**
Net cash flows from operating activities	77,482	54,245	42.8%
Net cash flows from investing activities	(168,695)	(62,522)	169.8%
Net cash flows from financing activities	270,787	(9,745)	-
Total net cash flows	179,575	(18,022)	-
Cash and cash equivalents at end of period	**232,032**	**47,173**	**391.9%**
Net cash/(net debt)*	**30,348**	**(110,357)**	**-**

** Cash less borrowings and other debt instruments, long- and short-term leases*

As at June 30th 2018, the Group held cash of PLN 232.0m, mostly in bank accounts of the parent Benefit Systems S.A. (PLN 206.5m). In 2018 and 2017, the Benefit Systems Group had no open positions in currency options or any other hedge or speculative derivatives.

Considering the level of the Group's own funds (raised through the secondary share issue in Q2 2018 and sale of treasury shares) plus the available credit facilities, as at the date of this report the Group foresaw no liquidity issues in connection with its investment plans (including planned equity investments).

Operating activities

Net cash flows from operating activities as at June 30th 2018 amounted to PLN 77.5m, up by PLN 23.2m on H1 2017, driven mainly by a PLN 24.0m increase in EBITDA (adjusted for the cost of the Incentive Scheme), as well as positive movements in working capital adding up to PLN 13.1m. At the same time, PLN 15.0m more was paid in income tax relative to the comparative period, which represented an 88% increase.

Investing activities

Net cash flows from investing activities amounted to PLN -168.7m, significantly above the corresponding value generated in H1 2017 (an increase by PLN 106.2m). They consisted of payments for shares acquired in subsidiaries (PLN 63m), purchases of property, plant and equipment and intangible assets (PLN 79.2m), including mainly fitness equipment purchased at newly opened clubs (and investments in Jatomi and Fitness Club S4 made by Fitness Place S.R.O. and Fitness Management Sp. z o.o.). Key equity investments made in subsidiaries over the six months to June 30th 2018 included: Zdrofit (PLN 41.1m), Fabryka Formy (PLN 12.0m), Tiger (PLN 7.8m), and MyBenefit (PLN 1.9m).

In the first half of 2018, the Group advanced loans of PLN 34.1m, mainly to its associates and MultiSport partners.

Investing inflows included repayments of loans together with interest (PLN 6.8m) and proceeds from sale of property, plant and equipment (PLN 0.7m).

Financing activities

Net cash flows from financing activities as at June 30th 2018 amounted to PLN 270.8m, an untypically high level reflecting the Q2 2018 share issue and sale of treasury shares, which contributed a total of PLN 293.9m. Other inflows in the reviewed period included PLN 50.0m on account of borrowings, connected mainly with the PLN 50.4m investment facility taken out by Fit Invest Sp. z o.o.

Key financing outflows were on the redemption of bonds for PLN 50m, which took place on May 30th 2018.

4.4. SELECTED FINANCIAL RATIOS

Table 15: Financial ratios of the Benefit Systems Group

Profitability ratios	**Six months ended June 30th 2018**	**Six months ended June 30th**	**Change**
Gross margin	26.4%	25.4%	(1.1pp)

EBITDA margin	14.3%	13.8%	0.5pp
EBIT margin	11.0%	10.3%	0.7pp
Pre-tax margin	10.4%	9.9%	0.4pp
Net margin	7.7%	7.9%	0.2pp
Return on equity (ROE)	8.3%	16.7%	(8.4pp)
Return on assets (ROA)	4.5%	5.6%	(1.1pp)

Liquidity ratios	**Six months ended June 30th 2018**	**Six months ended June 30th**	**Change**
Current ratio	1.21	0.73	0.48
Quick ratio	1.13	0.66	0.47

The Group's profitability was assessed based on the following ratios defined below:

- *gross margin: gross profit / revenue,*
- *EBITDA margin: EBITDA / revenue,*
- *EBIT margin: operating profit / revenue,*
- *pre-tax margin: profit before tax / (operating revenue + finance income + extraordinary gains),*
- *net margin: net profit / (operating revenue + finance income + extraordinary gains),*
- *return on equity (ROE): net profit / equity (end of period),*
- *return on assets (ROA): net profit / total assets (end of period),*
- *current ratio: current assets / current liabilities,*
- *quick ratio: (current assets - inventory - current prepayments) / current liabilities.*

5. ADDITIONAL INFORMATION

5.1. MATERIAL EVENTS AT THE GROUP DURING THE REPORTING PERIOD

Information on subsidiaries of the Benefit Systems Group

Withdrawal of a merger notification concerning proposed acquisition of control over Calypso Fitness S.A.

On January 2nd 2018, the parent submitted a letter to the Polish Office of Competition and Consumer Protection (UOKiK) whereby it (i) withdrew its earlier merger notification of October 10th 2016 concerning intended acquisition by the Company of control over Calypso Fitness S.A. of Warsaw (the "Notification") and (ii) requested discontinuation of the merger control proceedings conducted by the President of UOKiK with respect to the Notification.

Submission of these requests was a consequence of expiry on December 31st 2017 of a conditional agreement of October 5th 2016 obliging the owner to sell Calypso Fitness S.A. shares, concluded by the Company's subsidiary: Fit Invest Sp. z o.o. of Warsaw with Glastonbury Ventures Limited (Ltd) of Limassol and Mr Mikołaj Nawacki.

Conclusion of an agreement on division of Calypso Fitness S.A. and future acquisition of shares in the transferees of assets/liabilities spun off from Calypso Fitness S.A.

On February 19th 2018, Benefit Systems S.A. concluded an agreement with Fit Invest Sp. z o.o, Glastonbury Ventures Limited (Ltd) of Limassol ("GVL"), represented in the negotiations by Mr Mikołaj Nawacki ("MN"), and Fitness Investment Sp. z o.o. The agreement set out the terms of a staged procedure that would ultimately lead to Calypso Fitness S.A.'s corporate transformation, and then to the conclusion of agreements on the sale of shares in companies controlled by Calypso Fitness S.A. shareholders other than Fit Invest Sp. z o.o, to which a part of assets/liabilities spun off from Calypso Fitness S.A. would be transferred.

Under the agreement, the transformation of Calypso Fitness S.A. would involve its division by spinning off a part of the company's assets/liabilities and transferring them to three separate entities (the "Spin-off"), wholly and directly owned as at the Spin-off date by Calypso Fitness S.A.'s existing shareholders, i.e. to a subsidiary of GVL ("NewCo1"), a subsidiary of Fit Invest Sp. z o.o. ("NewCo2") and a subsidiary of Fitness Investment ("NewCo3"). The part spun off from Calypso Fitness S.A.'s business would consist of assets/liabilities currently forming 10 fitness clubs. The parties to the agreement expect that the procedures leading up to the Spin-off, as well as the Spin-off itself, would be completed by January 31st 2019, but failure to complete them by this deadline would not constitute a breach of the agreement.

The agreement contains a commitment by GVL and Fit Invest Sp. z o.o. to conclude, after Calypso Fitness S.A.'s transformation, an agreement on the sale of all shares in NewCo1 and NewCo3 (previously acquired from Fitness Investment by GVL) (the "Shares" and the "Sale Agreement"), for a total consideration due to GVL (as the seller) from Fit Invest Sp. z o.o. (as the purchaser) of PLN 69m (the "Price"). The Price would be paid in a single instalment, within three working days of the Sale Agreement date to GVL's bank account. Ownership of the Shares would be effectively transferred to Fit Invest Sp. z o.o. on the day when the Price payment is credited to the account. Irrespective of the Price, Fit Invest Sp. z o.o. would be obliged under the Sale Agreement to pay additional sums to GVL in a total amount not exceeding PLN 37m, depending on an increase in the Company's capitalisation.

As a result of the Spin-off and performance of the Sale Agreement, Fit Invest Sp. z o.o. would become the sole shareholder of NewCo1, NewCo2 and NewCo3. Pursuant to the provisions of the Agreement, the Company would be jointly and severally liable for all liabilities of Fit Invest Sp. z o.o. under the Agreement and the Sale Agreement, while MN would be jointly and severally liable for all liabilities of GVL under the Agreement and the Sale Agreement. The Agreement also provides for bilateral contractual penalties of PLN 10m for GVL's or Fit Invest Sp. z o.o.'s failure to accede to the Sale Agreement despite the completed division of Calypso Fitness S.A. and fulfilment of the conditions set forth in the Agreement.

The Agreement was concluded under a condition subsequent of not obtaining consent from the Company's Supervisory Board (in the form of a relevant resolution) to the execution of the Agreement by February 28th 2018. On February 26th 2018, the Company's Supervisory Board passed a resolution expressing its consent to the execution of the Agreement.

Conclusion of an annex to the Investment Agreement and agreements on sale of shares in Zdrofit Sp. z o.o.

On January 30th 2018, the shareholders of Zdrofit Sp. z o.o. ("Shareholders"), the Company and Fit Invest Sp. z o.o. executed Annex 2 to the Investment Agreement of December 2nd 2013 pursuant to which the contents of the Agreement between these entities were amended, effective January 30th 2018.

In connection with the amendments introduced under the annex, on January 30th 2018 Fit Invest Sp. z o.o. concluded an agreement on the sale of shares in Zdrofit Sp. z o.o. with each of the Shareholders. Based on these agreements, Fit Invest Sp. z o.o. will purchase from the Shareholders a total of 1,349 Shares, representing 44.97% of the company's share capital, for a total price of PLN 52.5m. Ownership of the Shares was effectively transferred to Fit Invest Sp. z o.o. on the date when the payments were credited to the Shareholders' bank accounts. As a result of the transaction, Fit Invest Sp. z o.o. now holds 100% of shares in the company's share capital.

Consent of the parent's Supervisory Board to debt restructuring at Fitness segment subsidiaries

On February 13th 2018, the parent's Supervisory Board, acting on a proposal from the parent's Management Board, gave its consent to debt restructuring to be carried out by the parent at certain companies of the Fitness segment, which would consist in increasing the share capital of Fit Invest Sp. z o.o. of Warsaw, a wholly-owned subsidiary of the Company, from PLN 4,713.6 thousand to PLN 10,813.6 thousand, i.e. by PLN 6,100 thousand, through the issue of 122 thousand new shares and taking them up by the parent in exchange for a cash contribution of PLN 61m, which would be used for the purpose of:

a. increasing the share capital of Fitness Academy Spółka z ograniczoną odpowiedzialnością SKA of Wrocław, a wholly-owned subsidiary of Fit Invest Sp. z o.o., from PLN 160 thousand to PLN 2,860 thousand, i.e. by PLN 2,700 thousand, through the issue of 27 thousand new shares and taking them up by Fit Invest Sp. z o.o. in exchange for a cash contribution of PLN 27m,
b. increasing the share capital of Fabryka Formy S.A. of Sierosław, a wholly-owned subsidiary of Fit Invest Sp. z o.o., from PLN 3,457.7 thousand to PLN 5,457.7 thousand, i.e. by PLN 2m, through the issue of 20m new shares and taking them up by Fit Invest Sp. z o.o. in exchange for a cash contribution of PLN 20m,
c. increasing the share capital of Fitness Place Sp. z o.o. of Warsaw, a wholly-owned subsidiary of Fit Invest Sp. z o.o., from PLN 5 thousand to PLN 1,405 thousand, i.e. by PLN 1.4m, through the issue of 28 thousand new shares and taking them up by Fit Invest Sp. z o.o. in exchange for a cash contribution of PLN 14m.

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 advanced to them by the parent. The parent's Management Board expects these actions to be completed in the first half of 2018.

Conclusion of a sale agreement concerning Fitness Club S4 Sp. z o.o. sp. k.'s business

On April 4th 2018, Benefit Systems S.A. entered into an agreement with Fitness Management Sp. z o.o. on the sale of Fitness Club S4 Sp. z o.o. sp. k.'s business, whereby Fitness Management purchased from Fitness Club S4 the latter's business comprising a chain of 14 fitness clubs located mainly in Warsaw, for a price of PLN 22.2m. The amount may be reduced in accordance with the rules defined in the agreement.

Loan agreements within the Benefit Systems Group

Over the first six months of 2018, the following loan agreements were entered into between Benefit Systems S.A. (as the lender) and its related entities (as borrowers):

- a loan agreement with Fitness Place Sp. z o.o. for a total amount of PLN 7m, as a result of which the total value of all loan agreements concluded between the lender and the borrower over the past 12 months reached PLN 69.15m. The loans are repayable by December 31st 2022;

- a loan agreement with Fit Invest Sp. z o.o. for a total amount of PLN 66.0m, as a result of which the total value of all loan agreements concluded between the lender and the borrower over the past 12 months reached PLN 44.9m. The purpose of the loans was to enable the borrower to meet its obligation to pay the price for shares in Zdrofit Sp. z o.o., pursuant to agreements on the sale of shares in Zdrofit Sp. z o.o. executed on January 30th 2018, and to allow the borrower to finance its day-to-day operations, including those related to investments in the Fitness segment;

- a loan agreement with Fitness Place S.R.O. for an amount of EUR 4.3m and CZK 7m, as a result of which the total value of all loan agreements concluded between the lender and the borrower over the past 12 months reached PLN 32m. The loans are repayable by December 31st 2023;

- a loan agreement with Benefit Partners Sp. z o.o. for an amount of PLN 25m, as a result of which the total value of all loan agreements concluded between the lender and the borrower over the past 12 months reached PLN 25m. The loan is repayable by December 31st 2022;

- a loan agreement with Fitness Management Sp. z o.o. for an amount of PLN 7m. The loan is repayable by February 29th 2024.

The loans bear interest at floating rates set on market terms. The loan agreements contain no conditions precedent or subsequent, nor provide for any contractual penalties. Their other provision do not differ from those generally applied in agreements of this kind.

Other information

Conclusion of an annex to the bank guarantee facility agreement and an annex to the credit facility agreement with Bank Zachodni WBK S.A.

On April 6th 2018, the Company and Bank Zachodni WBK S.A. of Wrocław signed an annex to the bank guarantee facility agreement of April 2nd 2012. The provisions of the annex raised the amount of BZ WBK's commitment to provide guarantees on the client's instructions up to PLN 54m over the availability period until April 30th 2019. The agreement provides for the issuance of guarantees covering all payment obligations under lease contracts and of performance bonds in respect of such lease contracts.

On the same date, an annex was executed to a multi-purpose multi-currency credit facility agreement, extending the availability period of the overdraft facility until May 30th 2019 and extending the availability period of BZ WBK's guarantee facility until April 30th 2019.

In connection with the annexes, the Company is obliged to submit a statement on voluntary submission to enforcement pursuant to Art. 777 §1(5) of the Code of Civil Procedure up to PLN 142.5m (covering also its receivables under the bank guarantee facility agreement of April 2nd 2012 and the multi-purpose multi-currency credit facility agreement of July 18th 2012, as amended), whereby the Bank will be entitled to apply for the notarial deed to be declared enforceable until April 30th 2026.

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

On March 19th 2018, Benefit Systems S.A., Fit Invest Sp. z o.o., Fitness Place Sp. z o.o. and Powszechna Kasa Oszczędności Bank Polski S.A. executed an investment facility agreement (the "Agreement").

Under the Agreement, Benefit Systems S.A., Fit Invest Sp. z o.o. and Fitness Place Sp. z o.o. (the "Borrowers") were granted an investment credit facility totalling up to PLN 100m, which may be used by the Borrowers e.g. for the following purposes:

1) financing and refinancing of investment outlays (including on the acquisition of shares / businesses / organised parts of businesses),
2) financing of loans to subsidiaries (related to the acquisition of shares / businesses / organised parts of businesses),
3) financing of loans to subsidiaries and associates (related to the financing or refinancing of fitness equipment purchases),
4) financing of other investment outlays.

Interest on the drawdown amounts will accrue at the rate equal to 1M WIBOR plus by a bank margin.

Loan limits established under Benefit Systems S.A.'s Partner Support Programme

On February 13th 2018, the Company's Supervisory Board gave its consent to raising the limit of loans granted by the parent under its Partner Support Programme up to a total of PLN 35m.

The Programme is offered to entities providing sports and recreation services to MultiSport Cardholders with which the Company has entered into cooperation agreements. Provided that a Partner has complied with detailed conditions laid down in the Programme rules (e.g. cooperation with the Company on a continuous basis for at least 12 months and no instances of incompliance with the terms of the cooperation agreement over that period; submission of a loan application along with the required documents; and provision of appropriate security for the loan agreement, as detailed in the Programme rules) and received the Company's approval, the Company will grant financial support in the form of a loan to its Partner intending to open a new fitness club or upgrade an existing one.

Extraordinary General Meeting of the parent

On April 20th 2018, an Extraordinary General Meeting of Benefit Systems S.A. was held, passing a resolution to increase the parent's share capital through the issue of Series F ordinary bearer shares, waive in full the existing shareholders' pre-emptive rights to all the Series F shares, amend the Company's Articles of Association, apply for the admission and introduction of the Series F shares and related allotment certificates to trading on the regulated market of the Warsaw Stock Exchange, and convert into book-entry form the Series F shares and related allotment certificates. Details of the resolution were presented in Current Report No. 28/2018 of April 20th 2018. The consolidated text of the amended Articles of Association was published together with Current Report No. 67/2018 of July 23rd 2018.

Issue of Series F ordinary bearer shares in the Company

In March 2018, the Company's Management Board resolved to increase the Company's share capital by issuing up to 184,000 Series F ordinary bearer shares and to sell (resell) up to 100,000 treasury shares. The Company's objective was to raise funds to further develop the Group and exploit its growth potential, especially on foreign markets, both in Sport Cards and supporting fitness investments. The Company obtained the required consents of its Supervisory Board and Extraordinary General Meeting.

The Series F shares were offered through a private placement as part of a public offering.

The book building process was carried out between May 8th and May 10th 2018, with the subscription orders covering 184,000 Series F shares. The issue of Series F shares took place following the conclusion of subscription agreements covering all the Series F shares by May 15th 2018. The Series F shares were subscribed for in exchange for cash contributions.

The introduction of the Company Series F shares to trading was preceded by the introduction of related allotment certificates to trading on the parallel market by a decision of the Warsaw Stock Exchange's Management Board of May 23rd 2018.

Sale (resale) of the parent's treasury shares

On May 15th 2018, pursuant to a resolution of the Extraordinary General Meeting, the Company sold, in block trades on the regulated market operated by the Warsaw Stock Exchange, 100 thousand of the parent's treasury shares, representing approximately 3.74% of the parent's share capital and conferring approximately 3.74% of total voting rights at the parent's General Meeting, with a total value of PLN 103.5m.

Following the sale of treasury shares, the parent holds 8,448 treasury shares, representing approximately 0.32% of the parent's share capital and conferring approximately 0.32% of total voting rights at the parent's General Meeting, with the reservation that the parent does not exercise voting rights from treasury shares.

Proposal regarding allocation of the Company's net profit for 2017

In line with the 2016–2019 Profit Distribution Policy applicable at the Company, on May 10th 2018 the parent's Management Board passed a resolution to propose that the Annual General Meeting allocate the entire profit totalling PLN 100.2m, as reported in the parent's financial statements for 2017, to statutory reserve funds of Benefit Systems S.A. and to recommend that PLN 51.0m be allocated to buyback of Company shares. On May 10th 2018, the Company's Supervisory Board endorsed the aforementioned proposal of the Management Board regarding allocation of the Company's profit for 2017.

Notification of exceeding the threshold of 5% of total voting rights at the parent

The Management Board of Benefit Systems S.A. of Warsaw announces that the Company received a notification from Invesco (UK) Ltd., acting on behalf of entities it controls – Invesco Canada Ltd. and Invesco Advisers, Inc. (jointly "Invesco"), of Invesco's jointly exceeding the threshold of 5% of total voting rights at the parent. According to the notification, the 5% threshold of the voting power at the parent was exceeded as a result of the parent's transaction to purchase its own shares, executed on May 15th 2018 and settled on May 17th 2018. Invesco holds 147,496 shares in the parent, which represent 5.51% of the parent's share capital and confer 147,496 voting rights, constituting 5.51% of total voting rights, at the parent's General Meeting.

Registration of a share capital increase and amendment to the parent's Articles of Association

On May 25th 2018, the Company's share capital was formally increased (by way of a relevant entry in the National Court Register) from PLN 2,674,842.00 to PLN 2,858,842.00, i.e. by PLN 184,000, through the issue of 184,000 Series F ordinary bearer shares with a par value of PLN 1.00 per share, and a relevant amendment to the Company's Articles of Association was approved.

Appointment of members of the Supervisory Board of Benefit Systems S.A.

On June 12th 2018, given the expiry of the term of office of members of the Company's Supervisory Board, the Annual General Meeting appointed the following persons to the Supervisory Board:

- James van Bergh,
- Marcin Marczuk,
- Artur Osuchowski,
- Michael Rohde Pedersen,
- Michael Sanderson

for a joint five-year term due to expire on the date of the parent's General Meeting held to receive and approve its financial statements for 2022.

Notice of initiation of antitrust proceedings

On June 28th 2018, the Company's subsidiary Fit Invest Sp. z o.o. was served with a decision of the President of the Polish Office of Competition and Consumer Protection (UOKiK) to initiate antitrust proceedings against, among other parties, Fit Invest and Benefit Systems S.A. regarding an alleged violation of the provisions of the Polish Act on Competition and Consumer Protection (the "Act") and the Treaty on the Functioning of the European Union.

The proceedings were initiated in respect of the suspected establishment of a market sharing cartel for fitness clubs, suspected entry into exclusive cooperation arrangements with fitness clubs and suspected restrictions on the possibility of offering services as part of sports and recreation packages.

The President of UOKiK has the power to impose a fine, by way of a relevant decision, on an undertaking that violates, even without a deliberate intent, the prohibition set forth in Art. 6 of the Act, of up to 10% of total revenue generated by that undertaking in the financial year preceding the year in which the fine is imposed.

The Company disagrees with the allegations of the President of UOKIK and will submit its position on the case within the deadlines prescribed by the President of UOKIK.

The risk that the then ongoing investigation by the President of UOKiK could turn into antitrust proceedings against the Company and the risk that a fine would be imposed were disclosed by the Company in its interim reports for Q1 2018 and in annual reports.

5.2. MATERIAL EVENTS AT THE GROUP AFTER THE REPORTING DATE

The following events, which did not need to be reported in the condensed interim financial statements for the six months ended June 30th 2018, took place after the reporting date of June 30th 2018:

Loan agreements within the Benefit Systems Group

Subsequent to the reporting date, the following loan agreements were entered into between the Company (as the lender) and its related entities (as borrowers):

- a loan agreement with Fitness Place Sp. z o.o. for an amount of PLN 5.0m. As a result, the total outstanding value of all loan agreements concluded between Benefit Systems S.A. and the borrower over the past 12 months (net of repayments made) reached PLN 55.4m. The loan is repayable by December 31st 2022;

- a loan agreement with Zdrofit Sp. z o.o. for an amount of PLN 18.0m, as a result of which the total outstanding value of all loan agreements concluded between the lender and the borrower over the past 12 months (net of repayments made) reached PLN 34.0m. The loan is repayable by September 30th 2023.

Change in the composition of the Management Board

On July 23rd 2018, pursuant to a resolution of the Supervisory Board, Mr Wojciech Szwarc was appointed as a new member of the Management Board of Benefit Systems S.A. responsible for its relations with Partners.

In the Company's opinion, the addition of the new Management Board member will strengthen the management of the entire Group. Mr Wojciech Szwarc was appointed to the Company's Management Board as part of an internal promotion process, having previously served at the Company for four years.

Conclusion of Annex 3 to the agreement on the division of Calypso Fitness S.A.

On August 9th 2018, Annex 3 to the agreement on the division of Calypso Fitness S.A. was signed between its parties. In accordance with the annex, the composition of assets/liabilities to be spun off from Calypso Fitness forming 13 fitness clubs was changed in relation to the one previously specified in the agreement. In addition, prior to the commencement of the division of Calypso Fitness, NewCo1 (Glastonbury Ventures Limited (Ltd)) will assume Calypso Fitness' contractual rights and obligations under five lease contracts for the premises where the fitness clubs will operate in the future. As a next step, Fit Invest will acquire 100% of shares in NewCo1 and NewCo3 (Fitness Investment).

5.3. COMPOSITION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

As at the issue date of this report, the parent's Management Board consisted of the following six members:

- Grzegorz Haftarczyk – Member of the Management Board,
- Arkadiusz Hanszke – Member of the Management Board,
- Adam Radzki – Member of the Management Board,
- Emilia Rogalewicz – Member of the Management Board,
- Wojciech Szwarc – Member of the Management Board,
- Izabela Walczewska-Schneyder – Member of the Management Board.

In the period between January 1st and August 22nd 2018, there was a change in the composition of the parent's Management Board. On July 23rd 2018, the parent's Supervisory Board appointed Mr Wojciech Szwarc as Member of the Management Board of Benefit Systems S.A.

As at the issue date of this report, the parent's Supervisory Board was composed of the following five members:

- James Van Bergh – Chairman of the Supervisory Board,
- Marcin Marczuk – Deputy Chairman of the Supervisory Board,
- Artur Osuchowski – Member of the Supervisory Board,
- Michael Rohde Pedersen – Member of the Supervisory Board,
- Michael Sanderson – Member of the Supervisory Board.

In the period between January 1st and August 22nd 2018, there were changes in the composition of the parent's Supervisory Board. Following the General Meeting which received and approved the parent's financial statements for the financial year 2017, the mandates of members of the parent's Supervisory Board expired on June 12th 2018. The following persons were appointed to the parent's Supervisory Board for the next term of office:

- James van Bergh,
- Marcin Marczuk,
- Artur Osuchowski,
- Michael Rohde Pedersen,
- Michael Sanderson.

On July 23rd 2018, the Company's Supervisory Board appointed James Van Bergh as Chairman of the Supervisory Board and Marcin Marczuk as Deputy Chairman of the Supervisory Board.

5.4. SHARES OR OTHER RIGHTS TO SHARES HELD BY MANAGEMENT BOARD OR SUPERVISORY BOARD MEMBERS

The holdings of shares or other rights to shares (options) in Benefit Systems S.A. by members of its Management Board and Supervisory Board as at the issue date of this report were as follows:

Table 16: Shares held by members of the Management Board of Benefit Systems S.A.

	As at the issue date of H1 2018 report		As at the issue date of Q1 2018 report		
Management Board	**Number of shares**	**Equity interest**	**Number of shares**	**Equity interest**	**Change**
Grzegorz Haftarczyk	1,563	0.060%	1,563	0.058%	0
Arkadiusz Hanszke	**0**	0.000%	**0**	0.000%	0
Adam Radzki	3,077	0.011%	3,077	0.11 5%	0
Emilia Rogalewicz	1,081	0.040%	1,081	0.040%	0
Wojciech Szwarc	**0**	0.000%	**0**	0.000%	0
Izabela Walczewska-Schneyder	6,088	0.220%	5,088	0.228%	0
Total	**11,809**	**0.33%**	**11,809**	**0.441%**	**0**

Table 17: Benefits for members of the Management Board in the form of due or potentially due Series G and H warrants as at the end of H1 2018

Management Board member	**Series G-warrants subscribed for in 2018 for 2017**	**Initial number of Series H warrants conditionally allotted 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
Wojciech Szwarc	1,900	100	2,000	742
Izabela Walczewska-Schneyder	2,500	600	3,100	1,276
Total	**12,400**	**3,100**	**15,500**	**6,407**

**The benefit under allotted subscription warrants is equal to the difference between the option exercise price and the share price as at the valuation date. The valuation of Series G warrants was based on the prices and conditions applicable to the 2017 pool of warrants (PLN 357.17); while the valuation of Series H warrants was based on the prices and conditions applicable to the 2018 pool of warrants (PLN 638.07).*

Table 18: Shares held by members of the Supervisory Board of Benefit Systems S.A.

	As at the issue date of H1 2018 report		As at the issue date of Q1 2018 report		
Supervisory Board	**Number of shares**	**Equity interest**	**Number of shares**	**Equity interest**	**Change**
James van Bergh*	586,285	20.51%	595,396	23.67%	(9,111)
Marcin Marczuk	**0**	0.00%	**0**	0.00%	0
Artur Osuchowski	**0**	0.00%	**0**	0.00%	0
Michael Rohde Pedersen	**0**	0.00%	**0**	0.00%	0
Michael Sanderson	**0**	0.00%	**0**	0.00%	0
Total	**586,285**	**20.51%**	**595,396**	**23.67%**	**(9,111)**

**Direct holding; additionally, a person closely related to the Chairman of the Supervisory Board (within the meaning of Art. 160.2.1 of the Act on Trading in Financial Instruments) controls Benefit Invest Ltd. as a shareholder with a 93.3% equity interest, and that company holds 322,606 shares in Benefit Systems S.A., representing 11.3% of its share capital and the same percentage of total voting rights (as at the issue date of the H1 2018 report).*

Members of the parent's Management Board and Supervisory Board do not hold any shares in the subsidiaries.

5.5. SHAREHOLDING STRUCTURE

The equity interests and percentages of total voting rights held in the parent take account of the increase in the parent's share capital made within the limit of its conditional share capital. The Series D shares were subscribed for as part of the conditional share capital by the holders of Series D and E subscription warrants allotted to them by the parent in accordance with the provisions of the Incentive Scheme for 2014–2016.

Table 19: Shareholding structure

	As at the issue date of H1 2018 report			As at the issue date of Q1 2018 report			
Shareholder	**Number of shares***	**Equity interest**	**Share in total voting rights at GM**	**Number of shares**	**Equity interest**	**Share in total voting rights at GM**	**Change**
James van Bergh	586,285	20.51%	20.51%	586,285	21.92%	21.92%	-
Benefit Invest Ltd	322,606	11.29%	11.29%	572,606	21.37%	21.37%	(250,000)
Marek Kamola Benefit Systems	254,000	8.89%	8.89%	254,500	9.51%	9.51%	(500)

	250,000	8.75%	8.75%	**-**		-	250,000
MetLife OFE	226,468	7.93%	7.93%	226,468	8.47%	8.47%	**-**
Nationale-Nederlanden OFE	**1** 50,000	5.25%	5.25%	150,000	5.61%	5.61%	**-**
Invesco Ltd.	147,496	5.16%	5.16%	**-**		-	147,496
Other shareholders	921,987	32.22%	32.22%	884,983	33.12%	33.12%	37,004
including Benefit Systems S.A. (treasury shares)	*8,448*	*0.30%*	*0.30%*	*108,448*	*4.07%*	*4.07%*	*(100,000)*
	2,858,842	100.00%	**100.00%**	**2,674,842**	100.00%	**100.00%**	184,000

* *The above shareholding structure reflects the number of shares as registered for the General Meeting held on June 12th 2018*

The parent's share capital amounts to PLN 2,858,842. Number of shares comprising the share capital: 2,858,842: including 2,204,842 Series A shares; 200,000 Series B shares; 150,000 Series C shares; 120,000 Series D shares; and 184,000 Series F shares. The shares of all series have a par value of PLN 1 per share. The total number of voting rights carried by all the shares in issue is 2,848,842. The equity interests held by individual shareholders in Benefit Systems S.A. are equal to their respective shares in the total number of voting rights at the General Meeting. As at the issue date of this report, the parent held 8,448 non-voting treasury shares.

5.6. DIVIDEND

On February 10th 2016, the parent's Management Board adopted a Profit Distribution Policy for 2016–2019, approved subsequently by the parent's Supervisory Board and Annual General Meeting. In each year covered by the Profit Distribution Policy, at least 50% of the parent's net profit for the previous financial year is to be allocated to a share buyback programme. The relevant decision will take due account of the financial condition and investment requirements of both the parent and other Group companies, including those related to the performance of investment agreements, as well as their liquidity demands. The Profit Distribution Policy is operative, applying for the first time to the distribution of the parent's net profit for the year ended December 31st 2015, as a continuation of the Dividend Policy of September 25th 2012.

On May 10th 2018, the parent's Supervisory Board endorsed a motion put forward by the parent's Management Board to propose that the Annual General Meeting allocate the entire profit totalling PLN 100.2m, as reported in the parent's financial statements for 2017, to Benefit Systems S.A.'s statutory reserve funds and to recommend that PLN 51.0m be allocated to the buyback of parent shares. On June 12th 2018, the parent's Annual General Meeting passed a resolution to allocate the parent's net profit for 2017. Given the planned buyback of parent shares as contemplated by the Management Board, in line with the 2016–2019 Profit Distribution Policy, the General Meeting resolved to allocate the entire net profit totalling PLN 100.2m to statutory reserve funds.

5.7. INCENTIVE SCHEME

Based on resolutions of the General Meeting, an Incentive Scheme (the "Incentive Scheme" or the "Scheme") is in place at the Benefit Systems Group. Eligible to participate in the Scheme are designated employees from among the senior executive and middle management staff. Under the Scheme, eligible employees receive subscription warrants convertible into parent shares. The necessary pre-condition for the Incentive Scheme to operate in a given year is the achievement of a specific level of profit before tax (for the years 2017–2020) adjusted for the book cost of the Scheme attributable to the financial year.

On February 10th 2016, the parent's Supervisory Board adopted a proposal for the next edition of the Incentive Scheme for 2017–2020. The purpose of the Scheme is to provide an incentive system that would promote employee productivity and loyalty, aimed at achieving strong financial performance and a long-term increase in the parent's value. Under the Incentive Scheme for 2017–2020, eligible employees (up to 149 persons) will be able to receive up to 100 thousand subscription warrants (which, after conversion into shares, would represent 3.38% of the parent's share capital, increased by an amount corresponding to the maximum number of exercised warrants), which will entitle them to subscribe for a specific number of parent shares at par value in four equal tranches. The options are exercisable until September 30th 2021.

The provisions of the Incentive Scheme for 2017–2020 were adopted by way of a resolution of the Annual General Meeting on June 15th 2016.

Table 20: Valuation of Incentive Scheme options

Valuation of Incentive Scheme options - Black and Scholes model	
Data	**2018**
X (t) - share price at the valuation date (PLN)	1,130.00
P - option exercise price (PLN)	491.93
r - risk-free rate for PLN	1.82%
T - expiration date	2018-12-31
t - current day (for pricing)	2018-02-13
Sigma - daily volatility	31.62%

Table 21: Performance thresholds for the Incentive Scheme

	Share in the maximum number of warrants for the year		**Level of adjusted profit before tax (in PLNm)**			
			2017	**2018**	**2019**	**2020**
Performance thresholds in PLNm – adjusted profit before tax (excluding Incentive Scheme costs)	100%	25,000	90	105	120	140
	75%	18,750	85	97.5	110	130
	50%	12,500	80	**91**	106	121

According to the information presented above, the date of awarding 5,050 subscription warrants was

February 13th 2018. The provision for the Incentive Scheme costs recognised in the reporting period was PLN 6,162 thousand.

The balance of warrants to be awarded depends, among other factors, on the actual level of profit before tax. Assuming the threshold for the allocation of 100% of the warrants for 2018 is met, 19,950 warrants remain to be awarded.

Since the inception of the Incentive Scheme (2011), the Company has used the same methods of estimating the provision for the Incentive Scheme costs in its statement of profit or loss.

5.8. MANAGEMENT BOARD'S POSITION REGARDING DELIVERY AGAINST PROFIT FORECASTS

The Benefit Systems Group did not publish any profit forecasts for the first half of 2018.

5.9. SEASONALITY OF THE BUSINESS

The industry in which the Group operates is subject to seasonal variation in the activity of Cardholders. Typically, in the third calendar quarter (coinciding with the third quarter of the Group's financial year) the activity of holders of sport cards is lower than in the first, second or fourth quarters.

5.10. INFORMATION ON BANK AND OTHER BORROWINGS, AND ON GUARANTEES AND SURETIES GRANTED TO THE GROUP

On January 15th 2018, the parent and Bank Zachodni WBK S.A. of Wrocław (the "Bank") signed an annex to the bank guarantee facility agreement of April 2nd 2012. Under the annex, the amount of the Bank's commitment to issue guarantees on the parent's instructions was raised to PLN 38m.

In connection with the annex, the parent is obliged to submit a statement on voluntary submission to enforcement pursuant to Art. 777 §1(5) of the Code of Civil Procedure up to PLN 118.5m (covering its receivables under the multi-purpose multi-currency credit facility agreement of July 18th 2012), whereby the Bank would be entitled to apply for the notarial deed to be declared enforceable until April 30th 2025. Otherwise, the annex contains provisions typical of such contracts.

On March 19th 2018, the Management Board of Benefit Systems S.A. announced the execution by Fit Invest Sp. z o.o. – a wholly-owned subsidiary of the Company, and Fitness Place Sp. z.o.o. – a wholly-owned subsidiary of Fit Invest Sp. z o.o., of an investment facility agreement with Powszechna Kasa Oszczędności Bank Polski S.A. (the "Agreement").

Under the Agreement, Benefit Systems S.A., Fit Invest Sp. z o.o. and Fitness Place Sp. z o.o. (jointly the "Borrowers" or individually a "Borrower") were granted an investment credit facility totalling up to PLN 100m, which may be applied by the Borrowers e.g. for the following purposes:

1) financing and refinancing of investment outlays (including on the acquisition of shares / businesses / organised parts of businesses),
2) financing of loans to subsidiaries (related to the acquisition of shares / businesses / organised parts of businesses),
3) financing of loans to subsidiaries and associates (related to the financing or refinancing of

fitness equipment purchases),

4) financing of other investment outlays.

Interest on the drawdown amounts will accrue at the rate equal to 1M WIBOR plus by a bank margin.

In the first half of 2018, the Group received loans or contracted credit facilities for a total amount of PLN 50.7m, of which PLN 50.4m was attributable to the investment credit facility taken out by Fit Invest Sp. z o.o., maturing on February 28th 2023.

5.11. LOANS, SURETIES AND GUARANTEES GRANTED

Table 22: Loans

In the first half of 2018, the Group entities advanced loans for a total amount of PLN 190.8m, of which PLN 156.7m was advanced to subsidiaries. Information on the principal amounts, interest rates on and maturities of the loans:

PLN thousand	**Repayment date**	**Interest rate**	**Loan amount**
Loan to an associate	Dec 31 2021	3M WIBOR + margin	25,000
Loans to MultiSport partners	April 10th 2021 to December 31st 2022	3M WIBOR + margin	5,230
Loans to other entities	Mar 31 2021	3M WIBOR + margin	3,500

In the period under review, the Group also stood surety and extended guarantees to its subsidiaries and associates.

Table 23: Contingent liabilities

PLN thousand	As at the issue date of H1 2018 report	As at the issue date of Q1 2018 report	Change
Sureties and guarantees	39,336	35,227	4,109

These contingent liabilities are related to capital support extended to the parent's strategic partners in the performance of investment agreements – they concern mainly lease payments for fitness equipment and guarantees securing rental payments. Additionally, the parent granted a surety for the repayment of investment credit liabilities of its subsidiary Fabryka Formy S.A. The decrease in total contingent liabilities reflects the amended terms of the provision of guarantees, as per the annex to the credit facility agreement executed with Bank Zachodni WBK S.A.

5.12. SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES CONCLUDED OTHERWISE THAN AT ARM'S LENGTH

In the reporting period, the Benefit Systems Group did not conclude any such transactions.

5.13. INFORMATION ON PROCEEDINGS BEFORE A COURT OR ADMINISTRATIVE AUTHORITY, AND ON MATERIAL SETTLEMENTS ARISING IN CONNECTION WITH COURT PROCEEDINGS

On June 22nd 2018, an investigation carried out by the President of the Polish Office of Competition and Consumer Protection (UOKiK) from November 2015 was converted into antitrust proceedings against the Company.

On June 29th 2018, the Company received the President of UOKiK's "Decision" notifying it of antitrust proceedings having been initiated against Benefit Systems S.A. and 15 other undertakings in connection with a suspected arrangement that could lead to restricting competition in the local or national market for fitness services or in other relevant markets. The proceedings also involved six managers, three of whom were employed at the Benefit Systems Group. The matters to which the case pertains date back to 2012–2015.

Disagreeing with the allegations raised by the President of UOKiK, on July 27th 2018 the Company submitted its response where, in addition to a detailed (36-page long) position on the respective allegations, it described the positive role it has played in the Polish fitness market.

In accordance with the applicable regulations, a fine that can potentially be imposed on an undertaking involved may equal up to 10% of its revenue for the year preceding the issuance of the relevant decision. Additionally, fines of up to PLN 2m may be imposed on individual members of its management board. The Company's Management Board analysed the situation, concluding that the

Company would appeal against the fine, should any such fine be imposed, to the Court of Competition and Consumer Protection (SOKiK).

In accordance with the applicable provisions of law and good practice, the Company's Management Board will keep the market informed of any subsequent developments in the proceedings initiated by UOKiK.

Furthermore, on January 25th 2018, customs and tax authorities launched an inspection at the parent based on an authorisation from the Head of the Kraków Province Tax and Customs Office. The purpose of the inspection is to check the parent's compliance with the Corporate Income Tax Act of February 15th 1992 with respect to taxation of income generated in 2012–2016. In response to inquiries received by the parent from the Head of the Kraków Province Tax and Customs Office, at the current stage the parent is presenting its tax ledgers along with underlying evidence to the inspectors. As at the issue date of this report, the inspection was not yet completed.

During the reporting period, the Benefit Systems Group did not initiate or was a party to any court proceedings with the total value of claim(s) representing more than 10% of the Group's equity. In the period under review, no material settlements were reported in connection with any court cases.

5.14. DESCRIPTION OF SIGNIFICANT RISK FACTORS AND THREATS

The Benefit Systems Group is not expecting any significant changes in its operations over the next period. Key risks identified by the parent include:

Risk of failure to adapt the business model to the specific activity of an agent in the sports services market

The unique business model embraced by Benefit Systems S.A. consists in providing solutions designed to support physical activity, as well as agency services in the sports and recreation market through the distribution of MultiSport cards. The key driver of business growth is a steady increase in the number of sport cards.

In card pricing, the parent relies on its own estimates regarding the frequency of Cardholders' visits to sports clubs. The main cost item carried by the parent are liabilities to partners related to Cardholders' visits. Accordingly, the parent is exposed to the risk of underestimating the number of visits, which could result in lower than expected profit margins on individual contracts.

This risk is mitigated by favourable labour market trends and the growing popularity of healthy lifestyles in Poland. The parent additionally mitigates it through contracts with short notice periods and renegotiation of unprofitable contracts.

Risks associated with the management of a large corporate group and difficulties in achieving operating performance targets

As at December 31st 2017, the Benefit Systems Group comprised 28 subsidiaries, 9 associates and 4 other entities. The parent consistently pursues its strategy of investing in the sports and recreation services market.

The Group's size, planned development and increase in future acquisitions will be adding to the complexity of the Group's operations, affecting its management. In order to reduce the attendant risks, the Group needs to commit significant resources and incur additional expenses on the integration of

acquirees, introduction of uniform corporate governance frameworks,
and on design and implementation of various elements of the internal control and risk management systems deployed at the Group.

Tax regime and regulatory risks, including those related to concentration and competition issues, and to the parent's listing on regulated securities markets

Poland's legal environment is subject to very rapid changes, especially in the case of regulations and interpretations in the areas of tax law, laws governing business activity and obligations associated with the parent's stock exchange presence. Quite often, such regulations are not precise enough and are ambiguously interpreted. Interpretations of legal provisions, including the applicable tax regime, as delivered by tax authorities and courts tend to vary and lack consistency. The tax regime and regulatory risks also involve a possibility that decisions delivered in any pending or potential proceedings before administrative authorities, including the President of UOKiK and/or tax authorities, could be unfavourable to the parent.

Due to divergent interpretations of tax regulations, there is a risk that tax authorities may adopt an interpretation different from the one applied by the parent as the basis for calculating a tax liability. If the said risk materialises, it could have a major impact on the Benefit Systems Group in terms of its financial standing or development prospects.

As regards the legal and regulatory risks posed by concentration and competition issues, the parent – as stated in Section. 5.13 – has identified the risk of fines being imposed in proceedings launched against the Group companies. The parent operates in the market of non-pay employee benefits, where it pioneered the development of a sport and recreation card product. The parent competes for employers' budgets with strong rivals offering substitution benefits, such as medical plans, holiday subsidies, group insurance and other benefits. Although such definition of the market in which the parent operates is correct in its opinion, as supported by expert studies, there is a risk that the relevant market will be significantly narrowed down by UOKiK. In this respect, however, the parent makes every effort to ensure that its activities, even if it were assumed that it holds a significant position in a narrowly defined market, do not violate the applicable laws.

This risk is adequately managed and monitored, with much importance attached by the parent to fair treatment of all its business partners, including customers, holders of sport and recreation cards and providers of sports services. However, the risk that an adverse decision will be finally issued by competent antitrust authorities cannot be ruled out, especially in relation to past events.

Market risks – risk of emergence of new competitors or expansion of existing ones due to the absence of entry barriers to the markets of non-pay benefits and sports services

The parent identifies a risk that new entrants could emerge, or that the position of its existing competitors, which are increasingly active in the common market for non-pay benefits, could be strengthened. Such risk may be posed by organised entities
offering sports and recreation services, through the establishment of an entity modelled after the parent, or through the market entry by large Polish or foreign players, so far absent from the segment of such services offered to corporate customers.

A similar risk is perceived by the parent in relation to new products, whose innovative solutions may in the future be replicated by competitors. To address this risk, the parent has taken appropriate measures, including deployment of distribution platforms and investments in sports clubs.

Another risk identified by the Group lies in potential consolidation of the sports and recreation services market. The emergence of a large chain of sports clubs, which would be able to compete with the parent's products by offering subscriptions to its own fitness facilities to corporate customers, could exert downward pressure on the prices of the parent's services.

Risks from personal data processing and protection, related in particular to compliance with GDPR, in legal, organisational and technical terms

Such risks result from the need to ensure the parent's compliance with new guidelines laid down in the GDPR (Regulation (EU) 2016/679 of the European Parliament and of the Council of April 27th 2016).

The changes and adjustments needed to comply with the regulatory requirements take place on different levels of the Group's activity, including legal, organisational and systemic solutions, with a focus on the security of network resources and IT systems.

The parent has taken a number of measures to bring its activity into compliance with the relevant requirements, for example by updating processes, adjusting its IT systems and revising agreements with its Customers with respect to entrusting the processing of personal data.

Risks related to the conduct of business activity and expansion into foreign markets, including political and currency risks

As part of its strategy to scale up the business, the Benefit Systems Group has consistently expanded its foreign presence, including in the Czech Republic (through MultiSport Benefit S.R.O., Fitness Place S.R.O. and Beck Box Club Praha S.R.O.) since 2010, in the Slovak market (through Systems Slovakia S.R.O.) and the Bulgarian market (through Systems Bulgaria EOOD and Fit Invest Bulgaria EOOD) since 2015, in Croatia (through Systems d.o.o. HR) since 2017, and in Greece (through Systems Greece MIKE) since 2018.

In the Czech market, the Group has already reached a break-even point and is developing at a fast pace, while in the other markets it is still building its business. It is not certain whether the business model adopted by Benefit Systems S.A., which has proved its worth in Poland, will catch on in a new market, given its different legal environment, culture and sports activity levels, as well as differences in non-pay methods of employee motivation.

Failure to attain the Group's plans in any of the new markets may have an adverse impact on its financial performance. It should, however, be stressed that before making a decision to enter a new market the Group researches its potential, analysing possible threats. In addition, it has adopted a strategy of incurring capital expenditures in a gradual process, depending on the prevailing market conditions, currency risk and business growth recorded in a given country. All these measures reduce the size of potential losses in the event of an investment failure.

Risk from changing demographics in Poland and other countries where the Benefit Systems Group operates

In the long run, the Group's operations may be affected by shifts in Poland's demographic structure, especially the population ageing. As this trend progresses and the target group (of professionally active people) shrinks, it cannot be ruled out that the parent's current product offering will no longer attract so much interest, which may have an adverse long-term effect on its financial performance. However, in the parent's opinion this risk will be mitigated by an upward trend, similar to the one observed in the developed countries of Western Europe, in physical activity levels among older people, offering potential for entry into a new market segment.

Risks associated with the implementation and maintenance of IT systems and cybersecurity

The parent's IT risks are managed by putting in place appropriate procedures and controls, which enable their effective prevention or mitigation.

In particular, procedures and controls are established in relation to the development and maintenance of the parent's IT systems, change management and data security. The parent relies on redundant hardware and system solutions to minimise the risk of disruption to its key IT systems.

Its cybersecurity management efforts include continual updating of network security systems. The parent uses solutions well tried and tested on the market.

Its flagship product activity is based on an integrated terminal system, enabling visit registration through sport cards. The risk of a possible failure of the terminal system is mitigated by the parent by means of redundancy solutions and appropriate network safeguards.

Financial risks, especially credit and liquidity risks

Financial risks arise predominantly in connection with the Benefit Systems Group's debt under bank borrowings, bonds in issue and other instruments.

The Group's failure to meet financial (EBITDA) targets could entail the risk of incompliance with relevant covenants set out in the terms and conditions of its bonds or in credit facility agreements, in particular with respect to the debt ratio level. This could trigger accelerated repayment of liabilities under these agreements, which would affect the parent's liquidity.
In the reporting period, Benefit Systems S.A. raised proceeds from the issue of new shares and sale of treasury shares, thereby significantly reducing financial risks, especially in areas related to the issue objectives (i.e. the Group's foreign and domestic expansion).

Seeking to address existing risks as part of the liquidity risk management process, the parent projects its future cash flows and monitors liquidity ratios. In addition, the parent's Management Board renegotiates the terms of its agreements and considers alternative methods to raise external financing.

Risks associated with recruiting and managing human resources, including the risk of losing key employees

The parent's operations depend on a range of factors, including the work and skills of its key people: the management personnel, as well as other teams and employees. In the Management Board's opinion, the pace of the Group's development going forward will depend on its ability to recruit and retain highly qualified management staff and key employees. A loss of a substantial part of such personnel could have an adverse effect on the parent's operations. So far, Benefit Systems S.A. has been successful in recruiting appropriate human resources, aided in these efforts by its position of a valued employer and workplace atmosphere. The parent has adopted a strategy to additionally motivate its management staff and key employees by means of an Incentive Scheme.

Risk factors identified by the parent in the area of human resources include changes on the labour market related to growing pay expectations, which may drive up the parent's operating expenses.

6. REPRESENTATIONS BY THE BENEFIT SYSTEMS S.A. MANAGEMENT BOARD

As required by the Regulation of the Polish Council of Ministers of February 19th 2009 on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, the Management Board of Benefit Systems S.A. represent that:

- to the best of their knowledge, the interim condensed consolidated financial statements and comparative data were prepared in accordance with the applicable accounting standards, and give a true, accurate and fair view of the financial position, assets and financial result of the Benefit Systems Group;
- to the best of their knowledge, the interim condensed separate financial statements and comparative data were prepared in accordance with the applicable accounting standards, and give a true, accurate and fair view of the financial position, assets and financial result of Benefit Systems S.A.;
- the interim consolidated Directors' Report gives a true view of the development, achievements and standing of the Benefit Systems Group, including a description of risk factors and threats;
- the entity qualified to audit financial statements that reviewed the interim separate and consolidated financial statements of the Company and its Group was appointed in compliance with the applicable laws. That entity and certified auditors performing the review on its behalf met the conditions
  required to issue an impartial and independent report on the reviewed financial statements, in compliance with the applicable provisions of Polish law.

Date	Full name	Position	Signature
August 22nd 2018	Grzegorz Haftarczyk	Management Board Member	
August 22nd 2018	Arkadiusz Hanszke	Management Board Member	
August 22nd 2018	Adam Radzki	Management Board Member	
August 22nd 2018	Emilia Rogalewicz	Management Board Member	
August 22nd 2018	Wojciech Szwarc	Management Board Member	
August 22nd 2018	Izabela Walczewska-Schneyder	Management Board Member	