INTERIM ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS OF THE CAPITAL GROUP OF BENEFIT SYSTEMS

FOR THE PERIOD OF SIX MONTHS ENDED ON 30 JUNE 2018

TABLE OF CONTENTS

UNLESS PROVIDED OTHERWISE ALL FIGURES ARE STATED IN PLN THOUSANDS

1. ABRIDGED CONSOLIDATED BALANCE SHEET

ASSETS	30.06.2018	31.12.2017*
Non-current assets		
Goodwill	209 659	191 558
Intangible assets	42 199	26 976
Property, plant and equipment	220 860	196 866
Investments in associates	36 019	36 624
Receivables and loans	86 924	56 166
Other long-term financial assets	298	619
Long-term prepayments	216	1 458
Deferred tax asset	18 894	7 731
Non-current assets	**615 069**	**517 998**
Current assets		
Inventory	8 074	7 823
Trade receivables and other receivables	121 248	131 248
Current income tax receivable	420	352
Loans	21 826	23 424
Other short-term financial assets	110	187
Accruals	18 714	20 623
Cash and cash equivalents	232 032	52 458
Current assets	**402 424**	**236 115**
Total assets	**1 017 493**	**754 113**

**Data restated as a result of presentational adjustment of assets and a provision for deferred income tax (note 6.2.5.)*

UNLESS PROVIDED OTHERWISE ALL FIGURES ARE STATED IN PLN THOUSANDS

EQUITY AND LIABILITIES	30.06.2018	31.12.2017*
Equity		
Equity attributable to equity holders of the parent:		
Share capital	2 859	2 675
Treasury shares	(10 157)	(100 094)
Supplementary capital	35 806	(50 951)
Share premium	278 416	60 586
Foreign exchange differences on consolidation	(577)	339
Other capital	265 222	216 018
Retained earnings / (losses of the previous years):	(16 698)	73 460
- loss of the previous years	(62 681)	(14 643)
- net profit attributable to equity holders of the parent	45 983	88 103
Equity attributable to equity holders of the parent	**554 871**	**202 033**
Non-controlling interests	1 471	17 844
Equity	**556 342**	**219 877**
Liabilities		
Non-current liabilities		
Interest-bearing bank loans, borrowings and debt securities	92 195	122 036
Financial lease	12 342	15 571
Other liabilities	8 363	44 925
Provision for deferred income tax	2 569	1 471
Long-term prepayments	13 750	9 788
Non-current liabilities	**129 219**	**193 791**
Current liabilities		
Trade payables and other liabilities	117 443	130 556
Current income tax liabilities	18 501	21 890
Interest-bearing bank loans, borrowings and debt securities	89 303	70 594
Financial lease	7 844	8 711
Liabilities and provisions for employee benefits	19 250	18 604
Other short-term provisions	908	3 070
Accruals	78 683	87 020
Current liabilities	**331 932**	**340 445**
Total liabilities	**461 151**	**534 236**
TOTAL EQUITY AND LIABILITIES	**1 017 493**	**754 113**

** Data restated as a result of presentational adjustment of assets and a provision for deferred income tax (note 6.2.5.)*

UNLESS PROVIDED OTHERWISE ALL FIGURES ARE STATED IN PLN THOUSANDS

2. ABRIDGED CONSOLIDATED INCOME STATEMENT

	from 01.01 to 30.06.2018	from 01.04 to 30.06.2018	from 01.01 to 30.06.2017	from 01.04 to 30.06.2017
Continuing operations				
Sales revenues	**588 110**	**303 416**	**457 643**	**235 377**
Revenues from sale of services	580 505	299 354	455 002	232 736
Revenues from sale of goods and materials	7 605	4 062	2 641	2 641
Cost of sales	**(432 743)**	**(218 611)**	**(341 600)**	**(166 995)**
Cost of sold services	(424 519)	(212 834)	(339 880)	(165 275)
Cost of sold goods and materials	(8 224)	(5 777)	(1 720)	(1 720)
Gross profit on sales	**155 367**	**84 805**	**116 043**	**68 382**
Selling expenses	(37 934)	(20 886)	(28 147)	(15 593)
General and administrative expenses	(51 876)	(27 762)	(38 898)	(22 868)
Other operating income	7 688	5 812	2 989	978
Other operating costs	(8 653)	(5 910)	(4 699)	(2 043)
Operating profit	**64 592**	**36 059**	**47 288**	**28 856**
Financial income	5 061	4 088	1 588	942
Financial costs	(6 644)	(4 385)	(4 717)	(2 637)
Share in a net profit/(loss) of entities accounted for using the equity method (+/-)	(607)	(1 181)	1 785	1 182
Profit before tax	**62 402**	**34 581**	**45 944**	**28 343**
Income tax	(16 198)	(10 019)	(9 617)	(5 940)
Net profit from continuing operations	**46 204**	**24 562**	**36 327**	**22 403**
Net profit	**46 204**	**24 562**	**36 327**	**22 403**
Net profit / (loss) attributable to:				
- equity holders of the parent	45 983	24 279	37 233	23 141
- non-controlling interests	221	283	(906)	(738)

NET EARNINGS PER (ORDINARY) SHARE (PLN)

	from 01.01 to 30.06.2018	from 01.01 to 30.06.2017
from continuing operations		
- basic	16.96	14.32
- diluted	16.84	13.96

UNLESS PROVIDED OTHERWISE ALL FIGURES ARE STATED IN PLN THOUSANDS

3. ABRIDGED STATEMENT OF COMPREHENSIVE INCOME

	from 01.01 to 30.06.2018	od 01.04 do 30.06.2018	from 01.01 to 30.06.2017	from 01.04 to 30.06.2017
Net profit	**46 204**	**24 562**	**36 327**	**22 403**
Other comprehensive income	0	0	0	0
Items not transferred to financial income	0	0	0	0
Items transferred to financial income	0	0	0	0
Total comprehensive income	**46 204**	**24 562**	**36 327**	**22 403**
Total comprehensive income attributable to:				
- equity holders of the parent	45 983	24 279	37 233	23 141
- non-controlling entities	221	283	(906)	(738)

UNLESS PROVIDED OTHERWISE ALL FIGURES ARE STATED IN PLN THOUSANDS

4. ABRIDGED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to the holders of the parent									
	Share capital	**Treasury shares**	**Share premium**	**FX gains / (losses) on consolidation**	**Supplementary capital**	**Other capital**	**Retained profits / (losses) of the previous years**	**Total**	**Non-controlling interests**	**Total equity**
Balance as at 01.01.2018	**2 675**	**(100 094)**	**60 586**	**339**	**(50 951)**	**216 018**	**73 460**	**202 033**	**17 844**	**219 877**
Equity movements in the period from 01.01 to 30.06.2018										
Share issue	184	0	186 130	0	0	0	0	**186 314**	0	**186 314**
Option valuation (share-based payments)	0	0	6 162	0	0	0	0	**6 162**	0	**6 162**
Change of the structure of the capital group (transactions with non-controlling entities)	0	0	0	0	35 757	0	(35 937)	**(180)**	(16 567)	**(16 747)**
Sale of treasury shares	0	89 937	0	0	0	0	0	**89 937**	0	**89 937**
Treasury share premium	0	0	25 538	0	0	0	0	**25 538**	0	**25 538**
Foreign exchange gains /(losses)	0	0	0	(916)	0	0	0	**(916)**	(27)	**(943)**
Transfer of capital reserve to supplementary capital	0	0	0	0	51 000	(51 000)	0	**0**	0	**0**
Transfer of profits to capital reserve	0	0	0	0	0	100 204	(100 204)	**0**	0	**0**
Total transactions with equity holders	**184**	**89 937**	**217 830**	**(916)**	**86 757**	**49 204**	**(136 141)**	**306 855**	**(16 594)**	**290 261**
Net profit for the period from 01.01 to 30.06.2018	0	0	0	0	0	0	45 983	**45 983**	221	**46 204**
Total comprehensive income	**0**	**0**	**0**	**0**	**0**	**0**	**45 983**	**45 983**	**221**	**46 204**
Balance as at 30.06.2018	**2 859**	**(10 157)**	**278 416**	**(577)**	**35 806**	**265 222**	**(16 698)**	**554 871**	**1 471**	**556 342**

UNLESS PROVIDED OTHERWISE ALL FIGURES ARE STATED IN PLN THOUSANDS

CONTINUED

	Equity attributable to the holders of the parent									
	Share capital	Treasury shares	Share premium	FX gains/ (losses) on consolidation	Supplementary capital	Other capital	Retained profits / (losses) of the previous years	Total	Non-controlling interests	Total equity
Balance as at 01.01.2017	**2 600**	**(57 594)**	**51 444**	**(131)**	**(50 951)**	**131 347**	**83 718**	**160 433**	**17 251**	**177 684**
Equity movements in the period from 01.01 to 30.06.2017										
Option valuation (share-based payments)	0	0	3 428	0	0	0	0	**3 428**	0	**3 428**
Foreign exchange gains/(losses)	0	0	0	228	0	0	0	**228**	(23)	**205**
Dividends	0	0	0	0	0	0	0	**0**	(307)	**(307)**
Transfer of profits to capital reserve	0	0	0	0	0	73 428	(73 428)	**0**	0	**0**
Total transactions with equity holders	**0**	**0**	**3 428**	**228**	**0**	**73 428**	**(73 428)**	**3 656**	**(330)**	**3 326**
Net profit (loss) for the period from 01.01 to 30.06.2017	0	0	0	0	0	0	37 233	**37 233**	(906)	**36 327**
Total comprehensive income	**0**	**0**	**0**	**0**	**0**	**0**	**37 233**	**37 233**	**(906)**	**36 327**
Balance as at 30.06.2017	**2 600**	**(57 594)**	**54 872**	**97**	**(50 951)**	**204 775**	**47 524**	**201 323**	**16 015**	**217 338**

UNLESS PROVIDED OTHERWISE ALL FIGURES ARE STATED IN PLN THOUSANDS

5. ABRIDGED CONSOLIDATED CASH FLOW STATEMENT

	from 01.01 to 30.06.2018	**from 01.01 to 30.06.2017**
Cash flow from operating activities		
Profit before tax	**62 402**	**45 944**
Adjustments:		
Depreciation and impairment allowances of property, plant and equipment	17 038	14 240
Amortisation and impairment allowances of intangible assets	2 741	1 621
Change in the fair value of financial assets/(liabilities) valued through the profit and loss account	(51)	(7)
Financial assets impairment allowances	1 025	255
Loss on sale of non-financial fixed assets	241	236
Loss on sale of financial assets (other than derivatives)	0	306
Foreign exchange (gains) / loss	(1 859)	896
Cost of interest	3 684	6 975
Interest and dividend income	(1 751)	(5 474)
Cost of share-based payments (incentive plan)	6 162	3 428
Share in the profits / (losses) of associates	607	(1 785)
Other adjustments	2 284	(2 877)
Total adjustments	**30 121**	**17 814**
Change in inventory	(251)	7 256
Change in accounts receivable	6 756	(25 036)
Change in accounts payable	9 007	62
Change in provisions, prepayments and accruals	1 386	25 168
Change in working capital	**16 898**	**7 450**
Income tax paid	(31 939)	(16 963)
Net cash from operating activities	**77 482**	**54 245**

UNLESS PROVIDED OTHERWISE ALL FIGURES ARE STATED IN PLN THOUSANDS

CONTINUED

	from 01.01 to 30.06.2018	from 01.01 to 30.06.2017
Cash flow from investing activities		
Expenses on acquisition of intangible assets	(30 535)	(7 548)
Expenses on acquisition of property, plant and equipment	(48 655)	(29 940)
Proceeds from sale of property, plant and equipment	762	361
Net expenses on acquisition of subsidiaries	(63 008)	(13 334)
Received repayments of the loans granted	6 074	2 826
Loans granted	(34 101)	(9 909)
Expenses on acquisition of other financial assets	0	(5 928)
Proceeds from sale of other financial assets	0	501
Interest received	768	449
Net cash from investing activities	**(168 695)**	**(62 522)**
Cash flow from financial activities		
Net proceeds from issuance of stocks and sale of treasury shares	289 814	0
Redemption of debt securities	(50 000)	0
Proceeds from loans and borrowings	50 645	1 792
Repayment of loans and borrowings	(10 449)	(2 916)
Repayment of financial lease	(4 302)	(5 471)
Interest paid	(4 921)	(3 150)
Net cash from financial activity	**270 787**	**(9 745)**
Net change in cash and cash equivalents	**179 574**	**(18 022)**
Cash and cash equivalents: opening balance	52 458	65 195
Cash and cash equivalents: closing balance	**232 032**	**47 173**

UNLESS PROVIDED OTHERWISE ALL FIGURES ARE STATED IN PLN THOUSANDS

6. ADDITIONAL INFORMATIONA AND EXPLANATIONS TO THE INTERIM ABRIDGED CONSOLIDATED FINANCIAL STATEMENT

6.1. General

Benefit Systems S.A. is the parent company of the Capital Group of Benefit Systems (hereinafter referred to as the "Capital Group", the "Group") (hereinafter referred to as the "parent company", "Issuer"). The Capital Group is not a part of another capital group.

The parent company was established as a result of transformation of limited liability company into joint stock company. The transformation was performed on the basis of resolution No. 2/2010 of the Shareholders Meeting of 3 November 2010. The parent company is entered in the register of business entities of the National Court Register maintained by District Court for the capital city of Warsaw in Warsaw, 12th Commercial Division, under No. KRS 0000370919. The parent company was assigned statistical identification number REGON 750721670. The parent company is listed on the Warsaw Stock Exchange.

The registered seat of the parent company is in Warsaw at ul. Plac Europejski 2 (postal code: PL-00-844 Warszawa). The registered seat of the parent company is concurrently the principal place of business of the Capital Group.

The Capital Group of Benefit Systems is a provider of solutions in the area of non-payroll employee benefits, in particular in the field of sports and recreation (the MultiSport and the MultiSport Kids cards, fitness chains) and culture and entertainment (the Cinema Plan, the MultiTeatr). The group has unique products to offer, such as the Kafeteria, that allow an employee to choose non-payroll benefits from a list approved by the employer. The Group also holds a well-developing chain of fitness clubs. The Group conducts its activity in the territory of Poland and also abroad: in the Czech Republic, Slovakia, Bulgaria, Croatia and Greece.

In accordance with the Polish Classification of Activities (list as of 2007), the core business of the parent company consists in: other business activity, not elsewhere classified, coded under No. 9609Z (PKD 2007).

The interim abridged consolidated financial statements cover the parent company and the following subsidiaries:

Operating segment	Subsidiary name	Principal place of business	Group's participation in the equity:		
			30.06.2018	**30.06.2017**	**31.12.2017**
The Sports cards Segment	VanityStyle Sp. z o.o.	ul. Jasna 24 00-054 Warsaw Poland	100.00%	100.00%	100.00%
	FitSport Polska Sp. z o.o.	ul. Plac Europejski 2 00-844 Warsaw Poland	100.00%	100.00%	100.00%
	Benefit IP Sp. z o.o.	ul. Plac Europejski 2 00-844 Warsaw Poland	100.00%	100.00%	100.00%
	Benefit IP Spółka z ograniczoną odpowiedzialnością sp.k.	ul. Plac Europejski 2 00-844 Warsaw Poland	100.00%	100.00%	100.00%
The Fitness Segment	Fit Invest Sp. z o.o.	ul. Plac Europejski 3 00-844 Warsaw Poland	100.00%	100.00%	100.00%
	Fitness Academy Sp. z o.o.	ul. Plac Europejski 2 00-844 Warsaw Poland	100.00%	100.00%	100.00%

UNLESS PROVIDED OTHERWISE ALL FIGURES ARE STATED IN PLN THOUSANDS

Operating segment	Subsidiary name	Principal place of business	Group's participation in the equity:		
			30.06.2018	30.06.2017	31.12.2017
	Fitness Academy Spółka z ograniczoną odpowiedzialnością SKA	ul. Powstańców Śląskich 95 53-332 Wrocław Poland	100.00%	100.00%	100.00%
	AM Classic Sp. z o.o.	Pl. Dominikański 3 50-159 Wrocław Poland	100.00%	100.00%	100.00%
	Jupiter Sport Sp. z o.o.	ul. Żegiestowska 11 50-542 Wrocław Poland	100.00%	100.00%	100.00%
	Fabryka Formy S.A.	ul. Bolesława Krzywoustego 72 61-144 Poznań Poland	100.00%	66.06%	66.06%*
	Fitness za Rogiem Sp. z o.o.	ul. Skrajna 1 62-080 Sierosław Poland	100.00%	66.06%	66.06%*
	Fitness Place Sp. z o.o.	Plac Europejski 3 00-844 Warsaw Poland	100.00%	100.00%	100.00%
	Zdrofit Sp. z o.o.	ul. Mangalia 4 02-758 Warsaw Poland	100.00%	55.03%	55.03%
	Tiger Sp. z o.o.	Aleja Grunwaldzka 82 80-244 Gdańsk Poland	100.00%	30.00%**	30.00%**
	Wesolandia Sp. z o.o.	ul. Wspólna 4 05-075 Warsaw Poland	100.00%	100.00%	100.00%
	Fitness Management Sp. z o.o.	Plac Europejski 3, 00-844 Warsaw, Poland	100.00%	-	99.99%
	M Group Sp. z o.o.	ul. Reymonta16, 80-290 Gdańska, Poland	100.00%	-	100.00%
The Foreign Segment	Benefit Systems International Sp. z o.o.	ul. Plac Europejski 2 00-844 Warsaw Poland	100.00%	100.00%	100.00%
	Multisport Benefit S.R.O.	Zeleny Pruh 95/98 14000 Praha 4 Czech Republic	74.00%	74.00%	74.00%
	Benefit Systems Slovakia S.R.O.	Karadzicova 8/A 821 08 Bratislava Slovakia	83.00%	93.00%	83.00%
	Benefit Systems Bulgaria EOOD	58 Bulgaria Blvd Sofia 1680 Bulgaria	100.00%	100.00%	100.00%
	Benefit Systems D.O.O.	Zagreb (Grad Zagreb) Strossmayerow trg 8, Croatia	100.00%	-	100.00%
	Benefit Systems Greece MIKE***	Kifissias 332 Ave. 6th floor Halandri, Greece	100.00%	-	-
	Fit Invest Bulgaria EOOD	8 Tsar Kaloyan Str. 2nd floor, Sofia 1000 Bulgaria	100.00%	100.00%	100.00%
	Fitness Place S.R.O.	Pobřežní 394/12 186 00 Praha 8 Czech Republic	100.00%	100.00%	100.00%

UNLESS PROVIDED OTHERWISE ALL FIGURES ARE STATED IN PLN THOUSANDS

Operating segment	Subsidiary name	Principal place of business	Group's participation in the equity:		
			30.06.2018	30.06.2017	31.12.2017
	Beck Box Club Praha S.R.O.	Vinohradská 2405/190 Vinohrady, 130 00 Praha 3 Czech Republic	100.00%	0.00%	100.00%
	Form Factory S.R.O.	Jablunkovská 406 Staré Město 739 61 Třinec Czech Republic	0.00%	66.06%	0.00%****
The Cafeterias Segment	MyBenefit Sp. z o.o.	ul. Powstańców Śląskich 28/30 53-333 Wrocław Poland	100.00%	100.00%	100.00%
	MultiBenefit Sp. z o.o.	ul. Plac Europejski 2 00-844 Warsaw Poland	100.00%	100.00%	100.00%

* *As at the balance sheet date, the Group held 66.06% of shares, however since agreement for acquisition of the remaining 33.94% of shares was executed, the company is being fully consolidated based on an assumption that the Group will hold 100% of shares in the share capital of the company (note 6.7.).*

** *The Group held 30% of shares in the company, however, since it was holding call options for the remaining 70% of non-controlling interests that could be exercised as of 22 June 2016, the company was being fully consolidated based on the assumption that the Group would be holding 100% of shares in the share capital of the company.*

*** *The company was not subject to the consolidation due to [its] unimportance.*

**** *In the 3rd quarter of 2017, company Form Factory S.R.O. was transformed into The One Gym S.R.O., which was sold on 27 December 2017. The result of the company was subject to full consolidation for year 2017.*

The basic financial data as at the balance sheet date of the subsidiaries in which non-controlling interests are present, are as follows:

	Assets	Liabilities	Equity attributable to the equity holders of the parent	Non-controlling interests	Net profit (loss) attributable to the equity holders of the parent	Net profit (loss) attributable to non-controlling entities	Proceeds from sale
MultiSport Benefit S.R.O.	16 894	11 827	2 913	2 154	(177)	(62)	45 366
Benefit Systems Slovakia S.R.O	1 164	5 214	(3 367)	(683)	(419)	(86)	6 304
Total	**18 058**	**17 041**	**(454)**	**1 471**	**(596)**	**(148)**	**51 670**

In the abridged interim consolidated financial statements prepared as at 30 June 2018, interests in eight associated companies were accounted for using the equity method.

Operating segment	Subsidiary name	Principal place of business	Share in equity / profit or loss	30.06.2018
				Balance sheet value
The Fitness segment	Baltic Fitness Center Sp. z o.o.	ul. Puławska 427, 02-801 Warsaw	49.95%	0
	Instytut Rozwoju Fitness Sp. z o.o.	ul. Puławska 427, 02-801 Warsaw	48.10%	3 591
	Benefit Partners Sp. z o.o.	Plac Europejski 2, 00-844 Warsaw	47.51%	1 562
	Calypso Fitness S.A.	ul. Puławska 427, 02-801 Warsaw	33.33%	18 459
	Fit Fabric Sp. z o.o.	ul. 1go Maja 119/121, 90-766 Łódź	30.00%	4 100

	Get Fit Katowice II Sp. z o.o.	ul. Uniwersytecka 13, 40-007 Katowice	20.00%	0
Other companies	LangMedia Sp. z o.o.	ul. Skwierzyńska 25/3, 53-521 Wrocław	37.00%	5 367
	X-code Sp. z o.o.	ul. Klaudyny 21/4, 01-684 Warsaw	31.15%	2 940
			Total balance sheet value	**36 019**

Basic financial data of the associates as of 30 June 2018 are as follows:

	Assets	Liabilities	Equity	Net financial result	Sales
Baltic Fitness Center Sp. z o.o.	1 377	2 028	(651)	(191)	1 191
Instytut Rozwoju Fitness Sp. z o.o.	17 841	10 985	6 856	548	15 150
Benefit Partners Sp. z o.o.	84 737	82 222	2 515	(1 087)	5 196
Calypso Fitness S.A.	93 055	58 808	34 247	(3 406)	55 932
Fit Fabric Sp. z o.o.	11 970	10 189	1 782	641	12 044
Get Fit Katowice II Sp. z o.o.	754	2 138	(1 384)	(68)	1 581
LangMedia Sp. z o.o.	816	419	397	742	2 798
X-code Sp. z o.o.	4 975	506	4 469	708	4 770
Total	**215 525**	**167 295**	**48 231**	**(2 113)**	**98 662**

These interim abridged consolidated financial statements were approved for publication purposes by the Management Board of the parent company on 22 August 2018.

6.2. Basis for preparation and accounting policies

6.2.1. Basis for preparation

The interim abridged consolidated financial statements of the Capital Group which covers the period of six months ended on 30.06.2018 were prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*.

The interim abridged consolidated financial statements do not contain all the information that is disclosed in the annual consolidated financial statements that are prepared in accordance with the International Financial Reporting Standards (IFRS). These abridged interim consolidated financial statements should be read jointly with the consolidated financial statements of the Capital Group for year 2017.

The currency of these interim abridged financial statements is PLN, and all the figures are expressed in PLN thousands, unless provided otherwise.

The interim abridged consolidated financial statements were prepared on the basis of the assumption that the companies of the Group would continue to operate as going concerns in the foreseeable future. As of the date of approval of these interim abridged consolidated financial statements for publication purposes, there are no circumstances that would indicate any threats to the continuity of the operations of the member companies of the Group.

6.2.2. Accounting policies

The interim abridged consolidated financial statements were prepared in accordance with the accounting policies that were presented in the most recent consolidated financial statements of the Group for year ended on 31 December 2017 and in the analogous interim period of the preceding year save for adoption of new and revised standards, as described in Note 6.2.3. The new accounting policies that have been applied as of 1.01.2018 are described below.

(i) IFRS 15 *Revenue from Contracts with Customers*

The Group implemented the IFRS 15 standard as of 1 January 2018. Due to the fact that prior to implementation of the standard, the Group recognized the revenues in the amount equal to the transaction price at the time of transfer of the services to the customer, the services are not sold in packages, and there is no rebate or discount on sale items, a right to return or an insurance, implementation of the new standard has no material effect on the accounting policy of the Company. The Company does not act as an intermediary, but rather is the main provider of the services.

The new five-degree model makes recognizing of the revenue dependant on transfer of control of the goods or services to the customer in the amount equal to the transaction price. All the goods or services sold in packages that can be separated as part of the package should be recognized separately; furthermore, all the rebates or discounts applicable to the transaction price should be on principle allocated to individual components of the package. Pursuant to the new standard, in the event that the amount of the revenue is variable then variable amounts are classified into revenue if there is high likelihood that as a result of revaluation no reversal of recognition of the revenue occurs in future. Furthermore, in accordance with IFRS 15, costs incurred with a view to acquiring and securing a contract with a customer should be activated and cleared over time throughout the period of consuming the benefit derived from the contract.

(ii) IFRS 9 *Financial Instruments*

The Group decided to implement the IFRS 9 standard retroactively as of 1 January 2018, and took advantage of the option not to transform the comparative data. Therefore, data for years 2017 and 2018 will not be compared with each other.

The Company does not apply hedge accounting. Therefore, IFRS 9 does not apply in this respect.

Since 1 January 2018, the Company has been classifying financial assets into the following measurement categories:

- at amortised cost;
- at fair value through profit and loss;
- at fair value through other comprehensive income.

The classification depends on the model of management of financial assets, as adopted by the Company and on the contractual terms for cash flows. The Company only reclassifies investment into debt instruments when the model of management of the said assets changes.

Debt instruments are maintained with a view to collecting contractual cash flows which only include repayment of the principal amounts and interest (hereinafter, the “SPPI”), The Group measures [the debt instruments] at amortised cost. The Group performs the SPPI test for the loans granted by comparing the amounts of the principal and interest with a model instrument conforming to IFRS 9. Interest income is calculated using the effective interest rate method and is reported in the Item: Interest income, in: The financial income, section. Impairment allowances are presented in item: Impairment allowances of financial assets.

The Company performs assessment of the expected loan losses in relation to the debt instruments that are measured at amortised cost and at fair value, through other comprehensive income.

The Group does not make use of any third-party instruments such as factoring. As part of analysis of the business model established for the trade receivables, it was determined that all trade receivables meet the model of being held for the purpose of debt collection; the Group has not and does not plan to sell any trade receivables; all of them are held to maturity. The Group makes assessment whether the classification test conforming to IFRS 9, a so-called SPPI test, has been met, i.e. by checking whether payments for the receivables represent only repayment of the principal and interest. In the event that the test is met, trade receivables are measured at amortised cost.

The Group makes use of a matrix of write-downs in which write-downs are calculated for trade receivables that are classified into different age brackets or overdue periods. Due to high dynamics of growth, the Group carries out an analysis of irrecoverability for the last three years. The analysis involves sales invoices representing the receivables that are broken down into quarterly periods over the period in question, and grouped on the basis of similarity of the characteristics of credit risk. On the basis of the said data, a group of invoices is identified which, during the reporting period, were recognized as irrecoverable, and written down to costs. On the basis of the above, the Group determines the irrecoverability ratio for the following time brackets: up to 180 days, between 180 and 360 days, above 360 days, which it subsequently applies with a view to determining the expected loan loss on the total receivables of the Group as at the balance sheet date.

With respect to receivables on which the Group has made impairment allowances during the year, the following solutions have been adopted with a view to determining additional coefficients of their irrecoverability in future:

- receivables on which impairment allowances were made, have been divided into two risk groups – fully irrecoverable and irrecoverable in 50%;

- The ratios have been calculated on the basis of the total gross amount receivable.

At the present moment, the Group has not identified any adverse change on the market that may result in an adverse influence of any future factors on the amount of financial loss. The macroeconomic factors (GDP, unemployment) do not give raise to any premise justifying application of any further portfolio write-downs with regard to the status of receivables as at the balance sheet date.

The Company employs a 3-stage classification of financial assets in terms of loss of their value, except for trade receivables:

- Stage 1 – balances, with respect to which no significant increase of the credit risk occurred since the time of their initial recognition, and for which the expected loss is identified on the basis of likelihood that the liability will not be satisfied during 12 months (i.e. total expected loan loss multiplied by the likelihood that the loss will occur during the next 12 months);

- Stage 2 – balances, with respect to which a significant increase of the credit risk did occur since the time of their initial recognition, however, no objective impairment evidence has been identified and for which the expected loss is determined on the basis of likelihood that the liability will not be satisfied throughout the entire contractual life cycle of the asset;

- Stage 3 – balances with an objective impairment evidence.

The Company classifies trade receivables into Stage 2 or Stage 3:

- Stage 2 – trade receivables with respect to which a simplified approach has been applied to the measurement of the expected loan loss throughout the entire life cycle of the receivable save for certain trade receivables which are classified into Stage 3;
- Stage 3 – trade receivables overdue for more than 180 days whereby an objective impairment evidence has been identified.

The financial assets are written down in their entirety or in part when the Company has exhausted all the recovery measures and is aware that no collection of the debts can be reasonably expected, which usually occurs when the asset component has been overdue for more than 360 days.

UNLESS PROVIDED OTHERWISE ALL FIGURES ARE STATED IN PLN THOUSANDS

The Company classifies investments into equity instruments at fair value after initial recognition. The Company chose the option of presenting profits and losses on account of changes in the fair value of equity instruments in the other comprehensive income. Therefore, profits and losses on account of changes in the fair value are not subsequently reclassified into financial income at the time when the investments are no longer recognized.

The Company performs measurement of the expected loan losses related to debt instruments that are measured at the amortised cost and at the fair value through other comprehensive income. The financial assets are written down in their entirety or in part when the Company has exhausted all the recovery measures and is aware that no collection of the debts can be reasonably expected, which usually occurs when the asset component has been overdue for more than 360 days.

6.2.3. New and amended accounting policies adopted by the Company

6.2.3.1. Effect of implementation of IFRS 15

The Company implemented IFRS 15 as of 1 January 2018. Due to the fact that prior to implementing the standard, the Group had recognized the revenues in the amount equal to the transaction price at the time of transfer of services to the customer, the services are not sold in packages, and there is no rebate or discount on sale items, right to return or insurance, implementation of the new standard has no material effect on the accounting policy of the Company. The Company does not act as an intermediary, but rather is the main provider of the services.

6.2.3.2. Effect of implementation of IFRS 9

The Group decided to implement IFRS 9 retroactively as of 1 January 2018, whereby it took advantage of the option not to transform the comparative data. Therefore, figures for years 2017 and 2018 will not be comparable with each other in this respect. Implementation of IFRS 9 resulted in a change of the accounting principles and adjustment of the figures reported in the financial statements. The adjustments attributable to the adaptation to IFRS 9 were introduced as at 1 January 2018 with the influence thereof reflected in the equity. As at the date of these interim financial statements, the Company has completed implementation of IFRS 9 and does not expect any further changes in the assessment of the influence of the standard, which is presented below.

(i) Comparison of financial assets and liabilities in accordance with IAS 39 and IFRS 9:

Financial assets	**IAS 39**	**IFRS 9**				**Effect of the change**
			Fair value cleared through:			
As at 01.01.2018	Amortised cost	Amortised cost	Income	Other comprehensive income	**Total**	Increase / (Decrease)
Trade receivables	96 851	94 598	0	0	94 598	(2 253)
Gross value	102 042	102 042	0	0	102 042	0
Impairment allowances	(5 191)	(7 444)	0	0	(7 444)	2 253
Loans granted	75 055	74 497	0	0	74 497	(558)
Gross values	76 009	76 009	0	0	76 009	0
Impairment allowances	(954)	(1 512)	0	0	(1 512)	558
Cash	52 458	52 458	0	0	52 458	0
Financial assets	**224 364**	**221 553**	**0**	**0**	**221 553**	**(2 811)**

UNLESS PROVIDED OTHERWISE ALL FIGURES ARE STATED IN PLN THOUSANDS

(ii) Effect of implementation of IFRS 9 on the equity of the Company:

Balance as at 01.01.2018 year	**Accumulated other comprehensive income**	**Retained profits**	**Total equity**
Reclassification of items classified at the amortised cost to items measured at fair value, for:			
Receivables	0	0	0
Loans	0	0	0
Adjustment of impairment allowances for assets measured at the amortised cost, for:			
Receivables	0	(2 253)	(2 253)
Loans	0	(558)	(558)
Deferred tax adjustments	0	534	534
Total	**0**	**(2 277)**	**(2 277)**

(iii) Classification into individual depreciation stages and determination of impairment allowances and their comparison to the impairment allowances conforming to IAS 39:

	Measurement at amortised cost (impairment occurrence classification)			
Balance as at 01.01.2018	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross value	**75 038**	**95 839**	**7 174**	**178 051**
Trade receivables	0	94 126	7 916	102 042
Loans granted	75 038	1 713	(742)	76 009
Shares in other companies	0	0	0	0
Impairment allowances (IFRS 9)	**(450)**	**(1 783)**	**(6 723)**	**(8 956)**
Trade receivables	0	(1 675)	(5 769)	(7 444)
Loans granted	(450)	(108)	(954)	(1 512)
Shares in other companies	0	0	0	0
Balance sheet value (IFRS 9)	**74 588**	**94 056**	**451**	**169 095**

(iv) Comparison of the amounts of impairment allowances made in accordance with IFRS 9 and IAS 39:

	Measurement at amortised cost (impairment occurrence classification)			
Balance as at 01.01.2018 year	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Impairment allowance in accordance with IAS 39	**0**	**366**	**5 779**	**6 145**
Trade receivables	0	366	4 825	5 191
Loans granted	0	0	954	954
Increase / (Decrease) – trade receivables	0	1 309	944	2 253
Increase – loans granted	450	108	0	558
Total in accordance with IFRS 9	**450**	**1 783**	**6 723**	**8 956**

(v) Effect of adjustments on deferred tax

The deferred tax due on the above-described adjustments will be recognized respectively in the retained earnings.

6.2.4. Uncertainty of estimates

When preparing the interim abridged consolidated financial statements, the Management Board of the parent company use their judgment to determine numerous estimations and assumptions that have influence on the applied accounting standards and presented values of assets, liabilities, revenues and costs. Actual values may differ from the estimates of the Management Board.

Information on estimates and assumptions that are material for the consolidated financial statements were presented in the consolidated financial statements for year 2017. Additionally, due to the fact that IFRS 9 was applied, the calculation and measurement of the expected loan losses with respect to the trade receivables is an area that requires material judgment with regard to selection of an appropriate methodology, model and input data. In their model, the Group mainly uses historical information adjusted by the effect of future factors.

The Group has analysed the results of its subsidiaries while taking into consideration its further development plans and has not identified any premises for impairment.

6.2.5. Correction of errors and change of the accounting policies

In 2018, changes in the accounting policies were effected due to implementation of new standards: IFRS 9 and IFRS 15 (Note 6.2.2.).

An adjustment was made that consisted of a presentational change concerning reporting of deferred tax asset and deferred tax provision. In accordance with IAS 12 these items should be offset, if they refer to the same entity. The value of deferred tax asset and deferred tax provision as at 31 December 2017 reached PLN 15 653 thousand and PLN 9 394 thousand, respectively. As a result of the adjustment, these items declined by PLN 7 922 thousand and amount to PLN 7 731 thousand and PLN 1 472 thousand, respectively. After the adjustment, the balance sheet total declined by the value of the adjustment, i.e. PLN 7 922 thousand.

6.3. Material events and transactions

In the period covered by the interim abridged consolidated financial statements, the following material events and transactions took place:

Information concerning subsidiaries in the Group of the Benefit Systems

Withdrawal of the application for a concentration consisting in takeover of control of Calypso Fitness S.A.

On 2 January 2018, the parent company filed, with the Office of Competition and Consumer Protection (hereinafter, the “OCCP”), a letter containing: withdrawal of application of 10 October 2016 concerning concentration consisting in the Issuer’s taking over control of Calypso Fitness S.A. with its registered seat in Warsaw, and application for discontinuance of proceedings conducted by the President of the Office of Competition and Consumer Protection in connection with the filed notification.

The said application was filed as a consequence of expiry, on 31 December 2017, of conditional binding agreement for sale of stocks in Calypso Fitness S.A. of 5 October 2016, which was concluded among Issuer’s subsidiary: Fit Invest Sp. z o.o., Glastonbury Ventures Limited (Ltd) and Mr Mikołaj Nawacki.

Conclusion of agreement concerning division of Calypso Fitness S.A. and future acquisition of shares in companies taking over a portion of assets spun off from Calypso Fitness S.A.

On 19 February 2018, Benefit Systems S.A. concluded agreement with Fit Invest Sp. z o.o., Glastonbury Ventures Limited (Ltd) (hereinafter, the “GVL”), on behalf of which negotiations were entered into by Mr Mikołaj Nawacki (hereinafter, “MN”) and Fitness Investment Sp. z o.o. The subject matter of the agreement consisted in particular in determination of the terms and conditions of multi-phase procedure that would ultimately lead to transformation of Calypso Fitness S.A., and, subsequently, to conclusion of agreements for sale of shares in the companies controlled by stockholders in Calypso Fitness S.A. other than Fit Invest Sp. z o.o., to whom portions of assets separated from Calypso Fitness S.A. would be transferred.

In accordance with the Agreement, transformation of Calypso Fitness S.A. will involve division of Calypso Fitness S.A. by way of spinning off of a portion of assets of the company and transferring it to three separate entities (hereinafter, the “Spin-off”), which on the date of spin-off, are 100% controlled directly by the existing stockholders of Calypso Fitness S.A., i.e. to subsidiary of GVL (hereinafter, the “NewCo1”), subsidiary of Fit Invest Sp. z o.o. (hereinafter, the “NewCo2”) and subsidiary of Fitness Investment (hereinafter, the “NewCo3”). The assets spun off from Calypso Fitness S.A. will include the assets and liabilities that currently make up 10 fitness clubs. According to the parties to the Agreement, the procedure leading to initiation of the Spin-Off process, as well as the Spin-off itself, will have been completed by 31 January 2019, however, an exceeding of the deadline will not constitute a violation of the Agreement.

The Agreement comprises a covenant of GVL and of Fit Invest Sp. z o.o. to conclude, after the transformation of Calypso Fitness S.A. is completed, agreement for sale of all the shares in NewCo1 and in NewCo3 (which will have already been acquired by GVL from Fitness Investment) (hereinafter, the “Shares” and the “Sale Agreement”, respectively) at the total price due to GVL (as the seller) from Fit Invest Sp. z o.o. (as the buyer) of PLN 69 million (hereinafter, the “Price”). The Price will be payable once-off within three (3) business days following conclusion of the Sale Agreement to the bank account of GVL. The ownership title to the Shares will be transferred to Fit Invest Sp. z o.o. on the date when the bank account is credited with the Price. Notwithstanding the amount of the Price, on the basis of the Sale Agreement, Fit Invest Sp. z o.o. will be obliged to pay additional sums to GVL in the total amount not exceeding PLN 37 million which depends on the Issuer’s market cap increase.

As a result of the Spin-Off and implementation of the provisions of the Sale Agreement, Fit Invest Sp. z o.o. will become the sole shareholder in NewCo1, NewCo2 and NewCo3. Pursuant to the Agreement, the Issuer will also be jointly and severally liable for all the obligations of Fit Invest Sp. z o.o. under the Agreement and under the Sale Agreement, and MN will be jointly and severally liable for all the obligations of GVL under the Agreement and under the Sale Agreement. The Agreement also provides for bilateral contractual penalties amounting to PLN 10 million, if GVL or Fit Invest Sp. z o.o. does not enter into the Sale Agreement even though division of Calypso Fitness S.A. has been completed and the terms and conditions specified in the Agreement have been met.

The Agreement was concluded on condition subsequent taking the form of a failure to obtain consent from the Supervisory Board of the Issuer (in the form of relevant resolution) for conclusion of the Agreement by 28 February 2018 at the latest. On 26 February 2018, the Supervisory Board of the Issuer adopted resolution to grant consent for conclusion of the aforementioned Agreement.

Execution of annex to the Investment Agreement and agreements for sale of shares in Zdrofit Sp. z o.o.

On 30 January 2018, the Shareholders of Zdrofit Sp. z o.o., the Issuer and Fit Invest Sp. z o.o. executed Annex 2 to Investment Agreement of 2 December 2013. On the basis of the

Annex, as of 30 January 2018, the wording of the agreement executed among the said entities was amended.

On the basis of the amendments introduced into the Agreement pursuant to the Annex, on 30 January 2018, Fit Invest Sp. z o.o. entered into conditional agreement for sale of shares in the share capital of Zdrofit Sp. z o.o. with each of the Shareholders. On the basis of the aforesaid agreements, Fit Invest Sp. z o.o. will acquire in aggregate 1 349 Shares accounting for 44.97% of the share capital of Zdrofit Sp. z o.o. at the total price of PLN 52.5 million from the Shareholders. The title to the shares was transferred to Fit Invest Sp. z o.o. as of the date when the bank accounts of the Shareholders were credited with the price and agreement was executed with the Brokerage House to make a respective record on the securities account of the Seller due to the partial payment for the shares taking the form of the Issuer's stocks. As a result of the transaction, Fit Invest Sp. z o.o. holds 100% of shares in the share capital of Zdrofit Sp. z o.o.

Due to the change in the way of acquisition of stake in Zdrofit Sp. z o.o., put option and call option expired. As a result, put option liability of Zdrofit Sp. z .o.o. was taken off the books while related reserve capital in the amount of PLN 35.8 million PLN was transferred to retained earnings. The settlement of acquistion of 44.97% stake in Zdrofit was presented in retained earnings (loss in the amount of PLN 180 000).

Conclusion of agreement for sale of the enterprise of Fitness Club S4 sp. z o.o. sp. k.

On 4 April 2018, agreement for sale of the business of Fitness Club S4 sp. z o.o. sp. k. was concluded between the Parent Company and Fitness Management sp. z o.o. Fitness Management was indicated as an entity authorized to enter into the agreement by Fit Invest, a parent company of Fitness Management and a party to the preliminary agreement dated 22 August 2017.

On the basis of the Agreement, Fitness Management acquired the business of Fitness Club S4 from the latter company, the said business comprising a chain of 14 fitness clubs situated mostly in Warsaw, at the price in the amount of PLN 22.2 million. The price may be reduced subject to the principles set forth in the Agreement.

Consent of the Supervisory Board of the Parent Company for the restructuring of debts of subsidiaries of the Fitness segment

On 13 February 2018, the Supervisory Board of the Parent Company, acting upon request of the Management Board of the Parent Company, granted consent for performance, by the Parent Company, of the restructuring of debts of selected companies of the Fitness Segment, consisting in increase of the share capital of Fit Invest Sp. z o.o. (Fit Invest Sp. z o.o. is 100% controlled by the Company) from PLN 4 713.6 thousand up to PLN 10 813.6 thousand, i.e. by PLN 6 100 thousand, by way of creating 122 thousand new shares and their taking up by the Parent Company in return for contribution in cash of PLN 61 million, which will be spent on:

- increase of the share capital of Fitness Academy Spółka z ograniczoną odpowiedzialnością SKA, which is 100% controlled by Fit Invest Sp. z o.o., from PLN 160 thousand up to PLN 2 860 thousand, i.e. by PLN 2 700 thousand, by way of creating 27 thousand new shares and their taking up by Fit Invest Sp. z o.o. in return for contribution in cash of PLN 27 million;

- increase of the share capital of Fabryka Formy S.A., which is 100% controlled by Fit Invest Sp. z o.o., from PLN 3 457.7 thousand up to PLN 5 457.7 thousand, i.e. by PLN 2 million, by way of creating 20 million new shares and their taking up by Fit Invest Sp. z o.o. in return for contribution in cash of PLN 20 million; and

- increase of the share capital of Fitness Place Sp. z o.o., which is 100% controlled by Fit Invest Sp. z o.o., from PLN 5 thousand up to PLN 1 405 thousand, i.e. by PLN 1.4 million, by way of creating 28 thousand new shares and their taking up by Fit Invest Sp. z o.o. in return for contribution in cash of PLN 14 million.

The funds received by Fitness Academy Spółka z ograniczoną odpowiedzialnością SKA, Fabryka Formy S.A. and by Fitness Place Sp. z o.o. will be spent on repayment of liabilities on account of loans granted to them by the Parent Company. The above-described activities were performed during the first six months of 2018.

The above-described events had no effect on the Group's consolidated financial statements.

Notice of initiation of antimonopoly proceedings

On 28 June 2018, Issuer's subsidiary: Fit Invest Sp. z o.o., received decision of the President of the Office of Competition and Consumer Protection to initiate antimonopoly proceedings, against, among others, Fit Invest and Benefit Systems S.A., concerning violation of the prohibitions stipulated in Article 6 Sec. 1 Items 3 and 6 of the Competition and Consumer Protection Act (hereinafter, the "CCPA") and Article 101 Sec. 1 letter point c) and Article 101 Sec. 1 of the Treaty on the Functioning of the European Union (hereinafter, the "TFEU").

The proceedings were initiated in connection with suspicions that an agreement has been concluded concerning division of the fitness club market, arrangements have been made concerning exclusivity of cooperation with fitness clubs, and the possibility of offering services as part of sports and recreation services packages has been limited. Proceedings were also initiated against business entities other than the Company, including also entities in which the Issuer holds, directly or indirectly, including in particular through Fit Invest, stocks or shares.

A business entity that, even unintentionally, has violated the prohibition specified in Article 6 of CCPA may face a financial penalty in an amount not exceeding 10% of the revenue generated in the financial year preceding the year in which the penalty was imposed. The penalty is imposed by the President of the OCCP in a respective decision.

The Company disagrees with the objections raised by the President of OCCP and presented its standpoint in the matter at hand within the deadlines set by the President of OCCP. Concurrently, the Issuer announced the risk that the hitherto investigation conducted by the President of OCCP may be transformed into proceedings against the Company and about the risk of imposition of penalty in the Management Board's Report on the Company's Activity and in the Consolidated Report of the Management Board on the Activity of the Capital Group of Benefit Systems for financial year 2017.

Other information

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

On 6 April 2018, the Parent Company and Bank Zachodni WBK S.A. with its registered seat in Wrocław (hereinafter, the "Bank") executed annex to agreement of 2 April 2012 for a limit for the bank guarantees. The subject-matter of the annex consists in particular of a change of the amount of the Bank's commitment to provide guarantee on the basis of the principal's order/instruction up to the amount of PLN 54 million during the loan availability period until 30 April 2019, for the following guarantee types: guarantees for payment of all kinds of liabilities arising from tenancy agreements and good performance guarantees for tenancy agreements.

On the same day, the Parent Company and Bank Zachodni WBK S.A. with its registered seat in Wrocław (hereinafter, the "Bank") executed annex to agreement for multi-purpose and multi-currency credit facility line. The subject-matter of the annex consists in particular of change of the period of availability of the overdraft limit (up to PLN 41 million) and extending it until 30 April 2019, as well as change of the period of availability of the guarantees extended by the Bank on the basis of the principal's order/instruction and extending it until 30 April 2019.

As of 30 June 2018, indebtedness of the Parent Company under that agreement amounted to PLN 58.8 million.

In connection with the aforesaid annexes, the Parent Company is obliged to make a statement on submission to court execution procedure pursuant to Article 777 § 1 Item 5) of the Polish Code of Civil Procedure up to PLN 142.5 million (which also includes the claims arising from the agreement of 2 April 2012 for a limit for bank guarantees and agreement of 18 July 2012 for multi-purpose and mulit-currency credit facility line, as amended), whereby the Bank will be able to apply for attaching a writ of execution to the notarial deed (i.e. the enforcement title) until 30 April 2026.

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

The Management Board of Benefit Systems S.A. announced that on 19 March 2018, Fit Invest Sp. z o.o., Fitness Place Sp. z o.o and bank Powszechna Kasa Oszczędności Bank Polski S.A. entered into investment loan agreement (the "Agreement").

The scope of the Agreement consists of the granting, to Benefit Systems S.A., Fit Invest Sp. z o.o. and to Fitness Place Sp. z o.o. (the, "Borrowers"), of investment loan up to the total amount of PLN 100 million. In particular, the Borrowers may use the loan for:

1) Financing and refinancing of capital expenditures (including acquisition of shares / stocks / enterprises / organised parts of enterprise);
2) Financing of loans granted to subsidiaries (in relation to acquisition of shares / stocks / enterprises / organised parts of enterprise);
3) Financing of loans granted to subsidiaries and affiliates (in connection with the financing or refinancing of purchase of fitness equipment); and
4) Financing of other capital expenditures.

Interest at the WIBOR 1M rate plus bank margin will be charged on the used amount of a loan.

As of 30 June 2018, indebtedness of the Parent Company under the said agreement amounted to PLN 50.4 million.

Establishing limits for loans as part of the Partner Support Plan at Benefit Systems S.A.

On 13 February 2018, the Supervisory Board of the Parent Company granted consent to increasing of the limit for loans granted by the Parent Company as part of the Partner Support Plan up to the total amount of PLN 35 million.

The Plan is addressed to entities providing sports-and-recreation services in favour of the users of the MultiSport Programme cards, with whom the Parent Company entered into cooperation agreement (hereinafter the "Partner"). Provided that the Partner has met specific terms stipulated in the principles of the Programme (including in particular a continuous cooperation with the Parent Company for at least 12 months and failing to ascertain any irregularities in complying with the terms and conditions of the cooperation agreement over that period of time; application for a loan filed along with the required documentation; establishing the relevant collaterals for the loan agreement, as specified in detail in the rules of the Programme) and obtained a positive decision from the Parent Company, the Parent Company will grant the financial support in the form of a loan to Partners intending to open a new or to modernise an existing fitness club.

The balance of receivables on account of loans granted as part of the Plan amounted to PLN 17.3 million as at 30 June 2018 (PLN 14.4 million as at 31 December 2017.)

Issuance of series F ordinary bearer stocks of the Parent Company

In March 2018, the Management Board of the Issuer decided that the Parent Company has an intention to raise funds for implementation of specific purpose by way of effecting concurrently the following: (i) increase of the share capital of the Company by way of issuance of up to 184,000 series F ordinary bearer stocks of the Company involving the divesting the so far stockholders, in entirety, of the pre-emptive rights; and (ii) disposal (resale) of up to 100,000 treasury shares of the Company (the details as above). In connection with the above-described intention to raise funds, the Company was granted the required approvals from the Supervisory Board. The objective of the Company was to procure funds for further development of the Group and taking advantage of the growth potential, in particular on the foreign markets, both in the Sports Card segment and the supporting investments into the fitness sector. The procurement of funds by the Company for implementation of the aforesaid purpose was made conditional on adoption of respective resolutions by the Extraordinary General Meeting of the Company.

On 20 April 2018, Extraordinary General Meeting of Benefit Systems S.A. was held. In the meeting, resolution was adopted concerning increase of the share capital of the Parent Company by way of issuance of series F ordinary bearer shares, divesting the existing stockholders in entirety of the pre-emptive rights to all the series F shares, amendment to the Articles of Association of the Company and application for admission and introduction of the Company's F series shares and allotment certificates to the series F shares to trading on the regulated market maintained by the Warsaw Stock Exchange and dematerialization of the series F shares and allotment certificates to the series F shares. Particulars of the adopted resolution were presented in current report RB No. 28/2018 of 20 April 2018.

Series F shares were offered as part of private subscription as part of public offering (the “Offering”). Subscription for the series F shares was carried out on the basis of resolution of the Extraordinary General Meeting of the Company of 20 April 2018 concerning increase of the share capital of the Company by way of issuance of series F ordinary bearer shares, divesting the so far stockholders, in entirety, of the pre-emptive rights to all the series F shares, amendment to the Articles of Association of the Company and application for admitting and introduction of the series F shares and series F share allotment certificates into stock exchange listing on the regulated market maintained by the Warsaw Stock Exchange and dematerialization of the series F shares and series F share allotment certificates.

The book-building process was carried out on 8 - 10 May 2018. The subscription covered 184 000 series F shares. Issuance of the series F shares was effected in connection with conclusion of subscription agreements for all the series F shares until 15 May 2018. Series F shares in the amount of 184 000, each with the nominal value of PLN 1.00, were taken up at the issue price of PLN 1 035 per shares in return for contributions in cash. The total value of the share issue was PLN 190 440 thousand, and the costs of the stock issuance amounted to PLN 4 126 thousand.

On 6 June 2018, the Management Board of the Warsaw Stock Exchange adopted resolutions concerning:

(i) setting the last day of listing of 184 000 of allotment certificates for series F ordinary bearer stocks of the Company, each at the nominal value of PLN 1.00, on the Main Market of WSE on 7 June 2018; and

(ii) admitting and introducing into stock-exchange trading on the Main Market of WSE of 184 000 series F ordinary bearer stocks of the Company, each with the nominal value of PLN 1.00, on 8 June 2018, that were identified by Krajowy Depozyt Papierów Wartościowych S.A. (hereinafter, the “KDPW”) (the National Depository of Securities) with code ISIN PLBNFTS00018.

Introduction of the series F shares of the Parent Company into stock exchange listing was preceded by introduction into listing on the parallel market of allotment certificates to series F ordinary bearer stocks on the basis of decision of the Management Board of the Warsaw Stock Exchange of 23 May 2018.

Disposal of treasury stocks by Benefit Systems S.A.

On 23 March 2018, the Management Board of Benefit Systems S.A. disposed 11 632 treasury shares, each with the nominal value of PLN 1, which represented in aggregate 0.43% of the share capital of the Issuer and constituted the equivalents of 11 632 votes at the General Meeting of the Issuer (i.e. 0.43% of the total number of votes) to Fit Invest Sp. z o.o. as part of a block trade transaction which was performed at the Warsaw Stock Exchange in Warsaw. The purchase price was PLN 1 030 per treasury share and PLN 11 980 960 in total for all the treasury shares, less commission fee of PLN 5 990.

Fit Invest purchased the Treasury Shares with a view to using them in the transactions of acquisition of other entities of the fitness industry and clearing the selling price for shares in Zdrofit Sp. z o.o that Fit Invest purchased on the basis of share sale agreements of 30 January 2018. In accordance with the said agreements, the treasury shares that would be transferred as a result of clearing of the sale price for the shares in Zdrofit (the „Shares as a Trade-in") are subject to lock-up so that until 1 January 2019, no Shares as a Trade-in may be subject to transfer, and after 1 January 2019, no more than 50% of Shares as a Trade-in may only be subject to transfer, and after 31 December 2019, all Shares as a Trade-in may be subject to transfer.

Furthermore, on 15 May 2018, the D Parent Company sold 100 000 treasury shares of the Company, representing 100 000 votes in the general meeting of the Company and accounting for approx. 3.74% of the share capital of the Company entitling to exercise approx. 3.74% of the total number of votes in the general meeting of the Company (the "Treasury Shares") at the selling price of PLN 1 035 per Treasury Share and PLN 103 500 000 in total for all the Treasury Shares as part of block trades on the regulated market maintained by the Warsaw Stock Exchange.

After the effecting of the aforementioned transactions of sale of the Treasury Shares, the Parent Company now holds 8 448 treasury shares representing 8 448 votes in the general meeting of the Company, accounting for approx. 0.32% of the share capital of the Company and entitling to exercise approx. 0.32% of the total number of votes in the general meeting of the Company, with the proviso that the Company shall not exercise the voting right from the treasury shares.

Proposed distribution of net profit of the Parent Company for year 2017

On 10 May 2018, acting in line with the Distribution of Profits to Stockholders Policy that is applicable to the Parent Company in years 2016-2019, the Management Board of the Parent Company adopted resolution concerning submitting of a proposal to the Ordinary General Meeting of the Company to allocate in its entirety the profit reported in the financial statements of the Parent Company for year 2017, which amounts to PLN 100.2 million, for the statutory supplementary capital of the Parent Company and recommending to the Ordinary General Meeting of the Company to allocate the sum of PLN 51.0 million for share buyback program. On 10 May 2018, the Supervisory Board of the Parent Company issued positive opinion on the above-mentioned request of the Management Board of the Company concerning distribution of profit of the Company for year 2017 (resolution of the General Meeting of Stockholders of 12 June 2018).

Notice of the exceeding of the threshold of 5% of the total number of votes in the Parent Company

The Management Board of Benefit Systems S.A. with its registered seat in Warsaw hereby announces that the Parent Company received from Invesco (UK) Ltd., who was acting on behalf of the entities controlled thereby: Invesco Canada Ltd. and Invesco Advisers, Inc. (hereinafter jointly referred to as “Invesco”), notification that Invesco has jointly exceeded the threshold of 5% of the total number of votes in the Parent Company. In accordance with the notice, the exceeding of the threshold of 5% in the Parent Company occurred as a result of transaction of acquisition of stocks in the Parent Company, which was carried out on 15 May 2018, and was cleared on 17 May 2018. Invesco holds 147 496 stocks in the Parent Company, which account for 5.51% of the share capital of the Parent Company and entitle to 147 496 votes in the General Meeting, which account for 5.51% of the total number of votes in the General Meeting of the Parent Company.

Registration of share capital increase

On 25 May 2018, the District Court for the capital city of Warsaw in Warsaw, 12th Commercial Division of the National Court Register, entered, in the register of business entities that was maintained for the Company, the following: (i) increase of the share capital of the Company from PLN 2 674 842.00 up to PLN 2 858 842.00, i.e. by PLN 184 000, by way of issuance of 184 000 series F ordinary bearer stocks in the Parent Company, each with the nominal value of PLN 1.00; and (ii) respective amendment of the Articles of Association of the Company.

After the registration, the share capital of the Parent Company amounts to PLN 2 858 842.00 and is divided into 2 858 842 ordinary bearer stocks, each with the nominal value of PLN 1.00, including: (i) 2 204 842 series A ordinary bearer stocks; (ii) 200 000 series B ordinary bearer stocks; (iii) 150 000 series C ordinary bearer stocks; (iv) 120 000 series D ordinary bearer stocks; and (v) 184 000 series F Stocks. After the registration by the court, the total number of votes attributable to all the issued stocks in the Parent Company amounts to 2 858 842 votes.

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

Due to the fact that the hitherto term of office of members of the Supervisory Board of the Company has elapsed, on 12 June 2018, the Ordinary General Meeting of the Company appointed the following persons to the Supervisory Board of the Company:

- Mr James Van Bergh,
- Mr Marcin Marczuk,
- Mr Artur Osuchowski,
- Mr Michael Rohde Pedersen; and
- Mr Michael Sanderson;

for a joint five-year term of office which will elapse on the date when General Meeting of the Company approving the financial statements for year 2022 will be held.

6.4. Seasonality of the business

Seasonality of the activity of holders of cards such as MultiSport Plus and/or FitSport is typical of the industry of additional employee benefits that is based on access to sports and recreational facilities. Traditionally, in the first calendar quarter of calendar year (I quarter of the financial year of the Group), the activity of the card users is the greatest in comparison to the remaining periods of the financial year, which is also reflected in the results of the Group. The latter may also be additionally attributable to weather conditions, arrangement of the statutory public holidays in specific years and to other factors.

UNLESS PROVIDED OTHERWISE ALL FIGURES ARE STATED IN PLN THOUSANDS

6.5. Earnings per share

Basic earnings per share are calculated in accordance with the formula: net profit divided by weighted average number of ordinary shares existing at the given time.

Upon calculation of diluted earnings per share, a diluting effect of the options convertible into stocks of the Parent Company that were issued as part of incentive plans implemented by the Group is taken into account. Calculation of earnings per share is presented below:

	from 01.01 to 30.06.2018	**from 01.01 to 30.06.2017**
Number of shares used as the denominator in the formula		
Weighted average number of ordinary shares	2 711 439	2 599 642
Diluting effect of options convertible into shares	19 258	67 654
Weighted average diluted number of ordinary shares	2 730 697	2 667 296
Continuing operations		
Net profit from continuing operations	45 983	37 233
Basic earnings per share (PLN)	16.96	14.32
Diluted earnings per share (PLN)	16.84	13.96

6.6. Operating segments

Upon separation of the operating segments, the Management Board of the parent company takes into account the product lines representing the main services provided by the Group. Each segment is managed separately within specific product line due to specificity of the services provided, resources and implementation approach.

The Capital Group has divided its operations into the following operating segments:

- Sports Cards,
- Fitness,
- Abroad,
- Cafeterias,
- Other items and arrangements.

The definitions and financial results of individual operating segments are presented in the Consolidated Report of the Management Board on the Activity of the Company. The results of the operating segments are derived from internal reports that are periodically verified by the Management Board of the parent company (i.e. the main decision-making body in the Capital Group). The Management Board of the parent company analyses the results of the operating segments at the level of gross profit (loss).

In the period of the first six months of 2018, no changes in the accounting policies of the Group occurred in terms of separation of operating segments and/or the principles of measurement of revenues, results and assets of the segments that were presented in the most recent annual consolidated financial statements of the Group.

Revenues from sale that were reported in the consolidated income statement do not differ from the revenues presented as part of the operating segments, save for revenues not attributed to the segments and save for the consolidation exemptions concerning intra-segmental transactions.

Within the capital group or the individual companies, there are no material dependencies on their main third-party customers.

UNLESS PROVIDED OTHERWISE ALL FIGURES ARE STATED IN PLN THOUSANDS

The table below presents information about revenues, result, material non-cash items and assets of the operating segments.

	Sports Cards	Fitness	Foreign	Cafeterias	Other	Total
For the period from 01.01 to 30.06.2018						
Total Revenues	416 988	117 363	92 994	24 612	(63 846)	588 110
Operating result of the segment	84 535	(4 447)	(10 024)	1 263	(6 734)	64 592
Other information:						
D&A	(4 476)	(11 623)	(2 485)	(821)	(374)	(19 779)
Assets of the operating segment	866 437	421 992	92 740	91 464	(455 140)	1 017 493
For the period from 01.01 to 30.06.2017						
Total Revenues	356 246	77 740	38 596	20 152	(35 091)	457 643
Operating result of the segment	58 423	(4 260)	(3 988)	173	(3 060)	47 288
Other information:						
D&A	(4 024)	(10 602)	(137)	(619)	(479)	(15 861)
Assets of the operating segment	450 912	236 398	46 019	81 724	(175 666)	639 387

UNLESS PROVIDED OTHERWISE ALL FIGURES ARE STATED IN PLN THOUSANDS

Reconciliation of the aggregate values of revenues, result and assets of the operating segments with the respective items of the consolidated financial statements of the Group is presented as follows:

	from 01.01 to 30.06.2018	from 01.01 to 30.06.2017
Revenues of the segments		
Total revenues of the operating segments	651 957	492 734
Revenues not attributed to the segments	0	0
Eliminatios of the revenues from intrasegmental transactions	(63 847)	(35 091)
Revenues from sales	**588 110**	**457 643**
Operating result of the segments		
Operating result of the segments	64 592	47 288
Other revenues not attributed to the segments	0	0
Other costs not attributed to the segments (-)	0	0
Eliminations of the result from the intrasegmental transactions	(6 734)	(3 292)
Operating profit (loss)	**64 592**	**47 288**
Financial revenues	5 061	1 588
Financial expenses (-)	(6 644)	(4 717)
Share in the financial results of the entities accounted for by the equity method (+/-)	(607)	1 785
Profit (loss) before tax	**62 402**	**45 944**

	30.06.2018	31.12.2017
Assets of the segments		
Aggregate assets of the operating segments	1 472 633	1 168 603
Assets not allocated to the segments	0	0
Eliminations of the intrasegmental transactions	(455 140)	(414 490)
Total assets	**1 017 493**	**754 113**

In the periods covered by the consolidated financial statements, revenues from sales not attributed to the operating segments include in particular exclusions of the intrasegmental transactions. The costs are related to the administrative and strategic activities within the Group, the costs of the Incentive Program, the support functions and other activity not attributed to the separated operating segments.

6.7. Takeovers, acquisitions, and loss of control of subsidiaries

6.7.1 Acquisitions during the first six months of 2018

Details of acquisitions of the organized parts of enterprises effected by the Group during the first six months of 2018 and the determined provisional values of goodwill and profits arising from the acquisitions that were cleared during that period are presented below:

	Acquisition date	Percentage of acquired equity instruments with the voting rights attached	Payment: Acquirer	Payment: Non-controlling interests	Net assets of the acquired entity (fair value)	Goodwill (+) / profit (-)
Fitness Management Sp. z o.o.	01.04.2018	100%	22 501	0%	9 127	13 374
Fitness Place S.R.O.	30.04.2018	100%	17 838	0%	7 837	10 001

UNLESS PROVIDED OTHERWISE ALL FIGURES ARE STATED IN PLN THOUSANDS

Goodwill

The capital group reports the goodwill arisen as a result of acquisition of an organized part of enterprise of Jatomi Fitness (Czech Republic) by Fitness Place S.R.O.in April 2018, in the amount of PLN 10.0 million. The Capital Group acquired the fitness club chain with a view to building its position on the Czech market for fitness services. The price, which was paid to the sellers in cash, amounted to PLN 17.8 million.

The Capital Group also reports the goodwill arisen as a result of acquisition of an organized part of enterprise of Fitness Club S4 by Fitness Management Sp. z o.o. in April 2018 in the amount of PLN 13.4 million. The Capital Group acquired the said organized part of enterprise with a view to increasing the availability of the fitness clubs for the sports cards users. The price, which was paid to the sellers in cash, amounted to PLN 22.5 million. The priced paid to the sellers is finals and the acquisition agreement does not include any additional compensation.

The goodwill arisen as a result of provisional clearing of the above transactions results from the projected synergies arising from putting to use of the acquired assets as part of the activity of the Capital Group and presents the value of assets that could not be reported separately in accordance with the requirements of IAS 38 (employees and their knowledge). The goodwill was allocated to cash-generating units and is attributed to the Fitness operating segment.

The goodwill arising from the clearing of the merger of companies has no effect on determination of the income taxation base.

On the date of preparation of these interim abridged consolidated financial statements, the process of measurement of the fair value of acquired assets and liabilities has not been completed. The values will be ultimately determined during 12 months from the date of acquisition. The provisional values of the identified assets and liabilities due on the acquired assets that are reported in the interim abridged consolidated financial statements are as follows:

	Fair value as at the date of acquisition:	
	Fitness Management Sp. z o.o. Fitness Club S4	Fitness Place S.R.O. Jatomi Fitness
Assets		
Intangible assets	5 835	9 301
Property, plant and equipment	2 341	0
Inventory	0	204
Receivables and loans	16	321
Other assets	903	0
Cash	32	335
Total assets	**9 127**	**10 161**
Liabilities		
Trade payables	0	851
Other liabilities	0	1 473
Total liabilities	**0**	**2 324**
Fair value of net assets	**9 127**	**7 837**
Goodwill (+) / Profit (-)	13 374	10 001
Payment for the entity acquired:	**22 501**	**17 838**
Acquirer:		
Cash	32	335

Identified net assets

The fair value of receivables and loans acquired as part of the merger of the companies amounted to PLN 337 thousand.

UNLESS PROVIDED OTHERWISE ALL FIGURES ARE STATED IN PLN THOUSANDS

Payment provided by the acquirer
The provided payment covers the purchase price for the organised parts of the enterprise, which was paid in cash in the amount of PLN 40 339 thousand until 30.06.2018.

In the interim abridged consolidated cash flow statement, net expenses on:
- acquisition of subsidiaries, were reported in item: net expenses on acquisition of subsidiaries – acquisition of shares;
- acquisition of organized part of enterprise were reported in the items: expenses on acquisition of intangible assets in the amount of PLN 22.5 million, and expenses on acquisition of tangible fixed assets in the total amount of PLN 17.8 million.

	from 01.01 to 30.06.2018
Payment made in cash (-)	(40 339)
Cash acquired together with subsidiary	367
Net expenses	**(39 972)**

On 2 January 2018 year, the Capital Group acquired 70% of the equity instruments of Tiger Sp. z o.o. with its registered office in Gdańsk, at Aleja Grunwaldzka 82. The latter company runs 9 fitness clubs in Gdańsk and the region. The Group acquired the other shares in the company with a view to reinforcing its position on the market for the fitness services. The payment provided by the Capital Group to the former owners amounted to PLN 7.8 million and included the purchase price for the shares paid in cash.

Prior to the date of acquisition of 70% of shares in Tiger, the Group's interest in the share capital of the latter company amounted to 30%, however, due to the fact that the Capital Group held options entitling to purchase of the remaining 70% of non-controlling shares with the exercise date as of 22 June 2016, since July 2016, the company has been fully consolidated based on the assumption of a 100% participation of the Group in the share capital of the said company.

Additionally, on 30 March 2018, the Capital Group acquired 44.97% of equity instruments of Zdrofit Sp. z o.o. with its registered seat in Warsaw, at ul. Mangalia 4, which runs 29 fitness clubs in Warsaw and in the region. The Group acquired the remaining shares in the company with a view to reinforcing its position on the market for fitness services. The payment provided by the Group to the former owners amounted to PLN 52.5 million and included the purchase price for shares paid in cash in the amount of PLN 41.0 million and in the form of shares in the Parent Company with the value of PLN 12.0 million.

During the first six months of 2018, the Group made payment for 33.94% of shares in Fabryka Formy Sp. z o.o. in the amount of PLN 12.0 million. As at 31 December 2017, the Group was holding 66.06% of shares, however, due to the fact that the Group executed agreement for acquisition of the remaining 33.94% shares in the company in December 2017, Fabryka Formy is fully consolidated based on the assumption that the Group has had a 100% interest in the share capital of the company since the moment of signing the agreement for sale of shares.

In the reporting period, the Parent Company also paid the last instalment for the shares in MyBenefit Sp. z o.o. in the amount of PLN 1 933 thousand.

6.7.2 Clearing of the fair value of the acquired assets and liabilities

As at the date of these consolidated financial statements, the process of allocation of the purchase price to assets and liabilities that were taken over during 12 months from the date of acquisition has been completed. The final values of the identified assets and liabilities of the acquired entities are as follows:

UNLESS PROVIDED OTHERWISE ALL FIGURES ARE STATED IN PLN THOUSANDS

	Fair value as at the date of acquisition:				
	Fitness Place S.R.O.		Wesolandia Sp. z o.o.	Beck Box Club Praha S.R.O.	Fitness Place Sp. z o.o.
	Holmes Place S.R.O.	World Class Wenceslas Square S.R.O.			Platinium Wellness Sp. z o.o.
Assets					
Intangible assets	187	78	2 049	4 042	927
Property, plant and equipment	6 858	0	6 319	8 354	14 623
Inventory	57	10	19	31	25
Receivables and loans	521	242	145	1 644	160
Other assets	37	43	73	51	423
Cash	219	16	392	1 445	3
Total assets	**7 879**	**389**	**8 997**	**15 567**	**16 161**
Liabilities					
Deferred income tax provision	769	412	0	256	0
Provisions	178	0	0	0	0
Loans and borrowings	0	0	0	6 290	0
Trade payables	1 366	242	345	1 879	588
Other liabilities	170	29	3	3 070	160
Total liabilities	**2 483**	**683**	**348**	**11 498**	**748**
Net fair value of assets	**5 396**	**(294)**	**8 649**	**4 069**	**15 413**
Goodwill (+) / Profit (-)	3 542	4 001	1 341	7 211	23 926
Payment for the company acquired:	**8 938**	**3 707**	**9 990**	**11 280**	**39 339**
Acquirer:					
Cash	219	16	392	1 445	3

The goodwill generated as a result of clearing of the aforesaid transactions was allocated to the cash-generating units and is attributed to the Fitness operating segment.

6.8. Goodwill

The table below presents changes in goodwill in the specific reporting periods:

	30.06.2018	**31.12.2017**
Gross value		
Balance at the beginning of the period	191 558	146 252
Acquisition of business entities / acquisition of organized part of the enterprise	23 375	45 306
Purchase price allocation	(5 274)	0
Gross value at the end of the period	**209 659**	**191 558**
Impairment		
Impairment at the end of the period	0	0
Goodwill – carrying value at the end of the period	**209 659**	**191 558**

Goodwill arising from the settlement of business combinations and organized part of the enterprise does not affect the determination of the basis for income tax.

UNLESS PROVIDED OTHERWISE ALL FIGURES ARE STATED IN PLN THOUSANDS

6.9. Property, plant and equipment

As at 30 June 2018, the net carrying amount of property, plant and equipment was PLN 220.9 million. The increase of PLN 24.0 million in the value of property, plant and equipment as compared to the end of 2017 results primarily from: investments in new fitness clubs by Zdrofit Sp. z o.o. (PLN 11.0 million), Fitness Place S.R.O. (PLN 10.0 million) consolidation of the subsidiary of Fitness Management Sp. z o.o. (PLN 2.5 million) and purchase of fitness equipment by other subsidiaries.

6.10. Receivables and loans

Increase in the value of loans by PLN 28.2 million compared to 2017 year-end resulted from granting loans in the amount of PLN 34.1 million in the reporting period. The main items are: PLN 25.0 million loan granted to associated company Benefit Partners Sp. z o.o. and loans to the Partners of the MultiSport Program in the total amount of PLN 5.2 million. Repayments of loans reached PLN 6.8 million in the reporting period.

Change in carrying amount of loans granted, including write-downs, is presented in the following table:

	from 01.01 to 30.06.2018	**from 01.01 to 31.12.2017**
Gross value		
Balance at the beginning of the period	75 055	56 152
Loans granted in the period	34 101	19 632
Interest calculated at the effective interest rate	2 636	1 611
Repayments of loans (-)	(5 279)	(4 801)
Deduction of loans (compensation)	(795)	(421)
Interest payments (-)	(522)	(674)
Deduction of interest on loans (compensation)	(246)	(84)
Other changes	(940)	5 214
Gross value at the end of the period	**105 846**	**76 891**
Write-downs		
Balance at the beginning of the period	1 836	262
Write-downs recognized as expense in the period	748	1 574
Other changes	0	0
Write-downs at the end of the period	**2 584**	**1 836**
Carrying amount at the end of the period	**103 262**	**75 055**

6.11. Fair value of financial instruments

IAS 34 requires the inclusion in the condensed interim financial statements of selected disclosures from IFRS 7 Financial instruments: Disclosures and IFRS 13 Determination of Fair Value. These disclosures concern the fair value of financial instruments by class and by fair value.

During the reporting period, there were no significant transfers between Level 1 and Level 2 of fair value of instruments.

The group qualified the put option for the purchase of non-controlling stake in Multisport Benefit SRO to level 3. The fair value of the liability for exercising the put option in the net amount of PLN 25.1 million, recognized on the date of the acquisition, reflects estimated, probability-weighted present value of cash flows. To determine the fair value, the Management Board of the parent company assumed a 100% probability that the assumed pre-requisite conditions would be met.

UNLESS PROVIDED OTHERWISE ALL FIGURES ARE STATED IN PLN THOUSANDS

Contingent payment for the acquisition of control over Fabryka Formy Sp. z o.o. was classified as a financial liability valued at fair value at the balance sheet date.

The fair value, as of the acquisition date, of the contingent payment liability in the net amount of PLN 10 million reflects the present value of flows weighted by the degree of probability estimated by the Parent Company. To determine the initial fair value, the Management Board assumed 83.33% probability that the assumed conditions will be met.

Valuation of the fair value of the liability of contingent payment for the acquisition of control over Fabryka Formy Sp. z o.o. as of the balance sheet date (PLN 10.0 million) was carried out using the same method, assuming that the probability did not change.

The book value of assets and financial liabilities as of 30 June 2018 does not significantly differ from their fair value.

6.12. Share capital

In May 2018 the parent company issued 184 000 F series ordinary bearer shares. The price was set at PLN 1 035 per share and PLN 190 440 000 in total. During six months of 2018, the parent company did not issue any shares as a result of excercising options granted to employees under the Management Stock Option Program.

As of 30 June 2018 share capital of the parent company amounted to PLN 2 859 thousand (as of 2017 year-end: PLN 2 675 thousand) and was divided into 2 858 842 shares (2017 year-end: 2 674 842) with a nominal value of PLN 1.00 each. All shares have been fully paid up. Alle shares participate equally in profit distribution and each share gives the right to one vote at the General Meeting of Shareholders. The parent company does not excercise voting rights from the 8 448 own shares.

Share capital as at the balance sheet date was as follows:

	30.06.2018	**31.12.2017**
Number of shares	2 858 842	2 674 842
Nominal value of shares (PLN)	1	1
Share capital	**2 858 842**	**2 674 842**

6.13. Long-term pre-payments (liabilities)

As at 30 June 2018, the Group discloses long-term prepayments (liability) of 13 750 thousand PLN. This primarily accounts for fit-outs and rent-free periods at Zdrofit Sp. z o.o. in the amount of PLN 6 727 thousand, contribution costs of rental agreements at Fabryka Formy Sp. z o.o. at PLN 5 281 thousand as well as long-term pre-payments of remaining subsidiaries.

UNLESS PROVIDED OTHERWISE ALL FIGURES ARE STATED IN PLN THOUSANDS

6.14. Financial liabilities

As at the balance sheet date the financial liabilities of the Group, other than derivative instruments, fall into the following classes of maturity:

	Short-term:		Long-term:			Total cash flow before discounting
	up to 6 months	6 to 12 months	1 to 3 years	3 to 5 years	over 5 years	
As at 30.06.2018						
Loans in the credit account	565	566	1 179	0	0	2 310
Overdrafts	7	0	0	0	0	7
Investment loans	7 500	10 651	62 657	28 359	0	109 167
Loans	13	111	0	0	0	124
Debt securities	0	69 890	0	0	0	69 890
Financial leases	3 894	3 950	12 064	278	0	20 186
Trade payables and other financial liabilities	116 043	0	10 363	0	0	126 406
Total liquidity risk exposure	**128 022**	**82 017**	**89 414**	**28 637**	**0**	**328 090**
As at 31.12.2017						
Loans in the credit account	253	1 628	884	0	0	2 765
Overdrafts	0	8 547	0	0	0	8 547
Investment loans	0	8 750	51 250	0	0	60 000
Loans	169	(22)	0	0	0	147
Debt securities	0	51 269	69 902	0	0	121 171
Financial leases	455	8 256	15 112	459	0	24 282
Trade payables and other financial liabilities	126 249	0	44 925	0	0	171 174
Total liquidity risk exposure	**127 126**	**78 428**	**182 073**	**459**	**0**	**388 086**

The table shows the contractual value of liabilities, without taking into account the discount resulting from valuation of liabilities at amortized cost. Hence, the amounts presented here may differe from those in the consolidated statement of financial position.

6.15. Accruals (liabilities)

Short-term accruals (liabilities) show primarily the estimated value of liabilities of the Parent Company and Vanity Style Sp. z o.o. in the amount of PLN 58.6 million towards sport facilities (Partners), whose services were used by sport card users.

In addition, this item also covers costs of future liabilities of the MultiBilet product (PLN 4.1 million, settlements of invoiced sport card revenues for future periods (PLN 7.0 million), settlement of fit-outs in Zdrofit Sp. z o.o. (PLN 2.8 million), rent-free period of the Parent Company (PLN 2.2 million) and other short-term accruals of subsidiaries.

6.16. Share-based payments

The Incentive Program (hereinafter, the Program or IP) is aimed at senior and middle management of the company and the subsidiaries of Benefit Systems Group, with which the parent company has entered into appropriate agreements. As part of the Program, eligible employees receive subscription warrants, that are convertible into shares of the parent company.

On 10 February 2016, the Supervisory Board of the parent company adopted a proposal for the next edition of the Incentive Program for 2017-2020. The aim of the program is to create an incentive system that will promote efficient and loyal work targetedat achieving high financial results and a long-term increase in the value of the parent company. During the Incentive Program for the period 2017-2020 its participants (at most 149 people) will be able to receive a maximum of 100 000 subscription warrants (which after conversion into shares will represent 3.38% of the share capital of the parent company), which will entitle them to subscribe to the specific number of shares of the parent company in four equal tranches. The options granted may be exercised up to 30 September 2021.

Specified employees, both senior executives and employees from middle management, can participate in the Incentive Program. A necessary condition for starting the program in any given year is the attainment of a specific level of pre-tax profit (2017-2010 Program) adjusted for the cost of the program attributable to this financial year.

The assumptions of Incentive Program for 2017-2020 were adopted in the form of a resolution at the Annual General Meeting on 15 June 2016.

The execution thresholds of the Program are presented in the table below:

		Maximum number of warrants	**Adjusted pre-tax profit (million PLN)**			
			2017	**2018**	**2019**	**2020**
Execution thresholds based on adjusted consolidated pre-tax profit (excl. IP cost) (million PLN)	100%	25 000	90	105.0	120	140
	75%	18 750	85	97.5	110	130
	50%	12 500	80	91.0	106	121

Management Stock Option Program valuation for 2018 was based on the following assumptions:

Valuation of the Management Stock Option Program - Black and Scholes model

Dane	**2018**
X(t) – share price at the valuation date (PLN)	1 130.00
P – excercise price (PLN)	491.93
r- risk-free rate for PLN	1.82%
T – expiry date	2018-12-31
t – current date (for priceing)	2018-02-13
Sigma – daily volatility	31.62%

According to the above, 13 February 2018 was the allocation date of 5 050 subscription warrants. Provision for the Management Stock Option Program cost in the reporting period amounted to 6 162 thousand PLN.

Allocation of the remaining warrants is conditional on, inter alia, the realization of pre-tax profit. Assuming the 100% execution threshold for 2018, 19 950 warrants remain to be allocated.

Since the inception of the Incentive Program (2011) the Company has been using the same valuation method of the provisions for the costs of the Program in the income statement.

6.17. Dividend

On 10 February 2016, the Management Board for the parent company adopted its Shareholder Profit Distribution Policy for the years 2016-2019, which was subsequently approved by the Supervisory Board and Annual General Meeting of the parent company. In each year of the Profit Distribution Policy the buyback of shares will be carried out in the amount of at least 50% of the standalone net profit of the parent company for the previous financial year. The policy takes into account the financial situation and investment requirements of the parent company and Group's companies, including those related to the implementation of investment agreements, as well as liquidity needs within the Group. The Profit Distribution Policy is in force and commenced with the distribution of net profit of the parent company for the year ended 31 December 2015, and constitutes a continuation of the Dividend Policy of 25 September 2012.

UNLESS PROVIDED OTHERWISE ALL FIGURES ARE STATED IN PLN THOUSANDS

O 10 May 2018 Supervisory Board of the parent company approved the Management Board's motion, sent to the Ordinary General Meeting of Shareholders, on (i) proposed allocation of the total standalone 2017 net profit in the amount of PLN 100.2 million to reserve capital and (ii) proposed recommendation to the AGM on allocating PLN 51.0 million to dividend share buyback.

On 12 June 2018 AGM of the parent company adopted a resolution on profit allocation from the financial year of 2017. Taking into consideration share buyback plans of the Management Board of the parent company in accordance with Shareholder Profit Distribution Policy for the years 2016-2019, net profit of PLN 100.2 million was fully allocated to reserve capital.

6.18. Issue and redemption of debt securities

During the six months of 2018, neither the parent company nor its subsidiaries issued any debt instruments.

On 30 May 2018 the parent company redeemed at maturity 50 million PLN series A bonds issued in June 2015.

6.19. Breaches of contractual provisons (borrowings, loans)

During the six months of 2018, the Group did not violate any conditions of its loan or borrowing agreements.

6.20. Provisions

The value of provisions recognized in the condensed consolidated financial statements and their changes are presented in the following table:

	Current provisions and liabilities	
	30.06.2018	**31.12.2017**
Short-term employee benefits:		
Liabilities for remuneration	6 270	4 875
Social insurance liabilities	4 670	3 786
Provisions for unused holidays	8 310	9 943
Total liabilities and provisions for employee benefits	**19 250**	**18 604**
Other current provisions:		
Provisions for court cases	16	58
Other provisions	892	3 012
Total current provisions	**908**	**3 070**

UNLESS PROVIDED OTHERWISE ALL FIGURES ARE STATED IN PLN THOUSANDS

6.21. Contingent liabilities

End of period value of contingent liabilities (including these of associates) are as follows:

	30.06.2018	31.12.2017
To associates:		
Guarantees granted / surety repayment liabilities	14 708	11 497
Associates total	**14 708**	**11 497**
To subsidiaries:		
Guarantees granted	24 628	16 013
Subsidiaries total	**24 628**	**16 013**
To other entities:		
Guarantees granted / surety repayment liabilities	0	0
Other entities total	**0**	0
Total contingent liabilities	**39 336**	**27 510**

During the six months of 2018, the Group was not a party to any significant court proceedings.

6. 22. Interest rate risk

The management of interest rate risk focuses on minimizing the fluctuations of interest cash flows related to assets and liabilities with floating interest rates.

The Group's exposure to interest rate risk is related to the following categories of assets and financial liabilities:

- loans,
- borrowings, loans, other debt securities,
- financial leases.

A sensitivity analysis of net income and other comprehensive income to potential interest rate fluctuations of +/- 1 percentage point is presented below:

	Change in the interest rate	Impact on net income:		Impact on other comprehensive income:	
		from 01.01 to 30.06.2018	from 01.01 to 31.12.2017	**from 01.01 to 30.06.2018**	from 01.01 to 31.12.2017
Interest rate increase	1 p.p.	(2 017)	(2 169)	(2 017)	(2 169)
Interest rate decline	-1 p.p.	2 017	2 169	2 017	2 169

6.23. Discontinued operations

During the six months of 2018, the Group did not discontinue any operations.

6.24. Transactions with related parties

Transactions concluded between companies within the Group, which have been eliminated in the process of consolidation, are presented in the standalone financial statements of the companies.

Presented below are the transactions with related parties recognized in the condensed consolidated financial statements of the Group (not eliminated in consolidation):

UNLESS PROVIDED OTHERWISE ALL FIGURES ARE STATED IN PLN THOUSANDS

	Revenues from operating activities		Receivables	
	from 01.01 to 30.06.2018	from 01.01 to 30.06.2017	30.06.2018	31.12.2017
Sales to:				
Associates	2 501	2 519	548	721
Other related entities	1	2	0	0
Total	**2 502**	**2 521**	**548**	**721**

	Purchases (costs, assets)		Liabilities	
	from 01.01 to 30.06.2018	from 01.01 to 30.06.2017	30.06.2018	31.12.2017
Purchases from:				
Associates	18 524	16 098	1 113	19
Other related entities	48	0	10	0
Total	**18 572**	**16 098**	**1 123**	**19**

	from 01.01 to 30.06.2018		from 01.01 to 31.12.2017	
	Granted in the period	Cumulative balance	Granted in the period	Cumulative balance
Loans granted to:				
Associates	25 000	69 699	5 950	46 917
Other related entities	0	0	0	0
Total	**25 000**	**69 699**	**5 950**	**46 917**

6.25. Events after the balance sheet date

After 30 June 2018 the following important events took place that did not require inclusion in the abridged consolidated interim financial statements for the period of the first 6 months of 2018:

Changes in the Management Board of Benefit Systems S.A.

On the basis of resolution of the Supervisory Board of the Company of 23 July 2018, Mr Wojciech Szwarc, who is responsible for partner relations, was appointed to the Management Board of the Company.

Conclusion of an Annex no. 3 to the agreement on the division of Calypso Fitness S.A.

On 9/08/2018 parties to the Agreement signed an Annex no. 3 to the Agreement. Pursuant to the Annex no. 3, the composition of assets that are to be separated from Calypso Fitness has changed in relation to that hitherto provided for under the Agreement and consists of assets (assets and liabilities) constituting 13 (thirteen) fitness clubs. Furthermore, before initiating the division procedure of Calypso Fitness, NewCo1 (a subsidiary of Glastonbury Ventures Limited) will take over the Calypso Fitness contractual rights and obligations under the lease agreements of 5 (five) premises for the future fitness clubs. Subsequently, Fit Invest will acquire 100% shares in NewCo1 (a subsidiary of Glastonbury Ventures Limited) and NewCo3 (a subsidiary of Fitness Investment).

6.26. Other information required by law (selected financials in euro)

In the periods covered by these condensed consolidated interim financial statements, the following average PLN/EUR exchange rates, as determined by the National Bank of Poland, were applied to convert selected financial data:

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

  - 30/06/2018: 4.3616 PLN/EUR,
  - 31/12/2017: 4.1709 PLN/EUR.

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

  - 01/01–30/06/2018: 4.2395 PLN/EUR,
  - 01/01–30/06/2017: 4.2474 PLN/EUR.

The main items of the consolidated statement of financial position, the consolidated income statement and the consolidated cash flow statement, converted into euro are presented in the table below (data restated for comparative periods):

	from 01.01 to 30.06.2018	from 01.01 to 30.06.2017	**from 01.01 to 30.06.2018**	from 01.01 to 30.06.2017
	'000s PLN		**'000s EUR**	
Income statement				
Revenues	588 110	457 643	138 722	107 747
Operating profit	64 592	47 288	15 236	11 133
Pre-tax profit	62 402	45 944	14 719	10 817
Net profit	46 204	36 327	10 899	8 553
Net profit attributable to shareholders of the parent company	45 983	37 233	10 846	8 766
Earnings per share (PLN; EUR)	16.96	14.32	4.00	3.37
Diluted Earnings per share (PLN; EUR)	16.84	13.96	3.97	3.29
PLN/EUR exchange rate (average)	-	-	4.2395	4.2474
Cash flow statement				
Cash flow from operating activities	77 482	54 245	18 276	12 771
Cash flow from investing activities	(168 695)	(62 522)	(39 791)	(14 720)
Cash flow from financing activities	270 787	(9 745)	63 872	(2 294)
Net change in cash and cash equivalents	179 574	(18 022)	42 357	(4 243)
PLN/EUR exchange rate (average)	-	-	4.2395	4.2474

	30.06.2018	31.12.2017	**30.06.2018**	31.12.2017
	'000s PLN		**'000s EUR**	
Balance sheet				
Assets	1 017 493	754 113	233 284	180 803
Non-current liabilities	129 219	193 791	29 627	46 463
Current liabilities	331 932	340 445	76 103	81 624
Equity	556 342	219 877	127 555	52 717
Equity attributable to equity holders of the company	554 871	202 033	127 217	48 439
PLN/EUR exchange rate (end of period)		-	4.3616	4.1709

6.27. Approval for publication

These abridged consolidated interim financial statements prepared for the period of 6 months ended 30 June 2018 (with comparative data) were approved for publication by the parent company's Management Board on 22 August 2018.

Signatures of all the Members of the Management Board

Date	**Name**	**Position**	**Signature**
22 August 2018	Izabela Walczewska-Schneyder	Member of the Management Board	
22 August 2018	Grzegorz Haftarczyk	Member of the Management Board	
22 August 2018	Arkadiusz Hanszke	Member of the Management Board	
22 August 2018	Adam Radzki	Member of the Management Board	
22 August 2018	Emilia Rogalewicz	Member of the Management Board	
22 August 2018	Wojciech Szwarc	Member of the Management Board	

Signature of the person responsible for preparing the abridged consolidated interim financial statements

Date	**Name**	**Position**	**Signature**
22 August 2018	Arkadiusz Szczygielski	Finance Director	