CONDENSED INTERIM FINANCIAL STATEMENTS OF BENEFIT SYSTEMS GROUP

FOR THE PERIOD OF SIX MONTHS ENDED ON 30 JUNE 2019

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1. CONDENSED CONSOLIDATED BALANCE SHEET

ASSETS	**30.06.2019**	**31.12.2018**
Non-current assets		
Goodwill	353 764	348 547
Intangible assets	60 088	52 189
Property, plant and equipment	356 077	270 755
Right-of-use assets	862 560	0
Investments in associates	12 969	14 149
Receivables	5 348	5 335
Loans	61 402	88 932
Other long-term financial assets	97	97
Long-term prepayments	2 005	947
Deferred tax asset	19 353	10 717
Non-current assets	**1 733 663**	**791 668**
Current assets		
Inventory	5 961	5 798
Trade receivables and other receivables	151 740	172 179
Current income tax receivable	1 955	1 428
Loans	10 905	25 024
Other short-term financial assets	116	116
Accruals	24 136	16 633
Cash and cash equivalents	66 731	75 819
Current assets	**261 544**	**296 997**
Total assets	**1 995 207**	**1 088 665**

UNLESS PROVIDED OTHERWISE ALL FIGURES ARE STATED IN PLN THOUSANDS (TRANSLATION ONLY)

EQUITY AND LIABILITIES	**30.06.2019**	**31.12.2018**
Equity		
Equity attributable to equity holders of the parent:		
Share capital	2 859	2 859
Treasury shares	(61 157)	(61 157)
Share premium	272 107	272 107
Foreign exchange differences on consolidation	(458)	(617)
Suplementary capital	25 806	(31 194)
Other capital	422 060	332 655
Retained earnings / (losses of the previous years):	(39 760)	50 074
- loss of the previous years	(95 921)	(64 571)
- net profit attributable to equity holders of the parent	56 161	114 645
Equity attributable to equity holders of the parent	**621 457**	**564 727**
Non-controlling interests	2 722	2 242
Equity	**624 179**	**566 969**
Liabilities		
Non-current liabilities		
Interest-bearing bank loans, borrowings and debt securities	121 977	79 393
Financial lease	0	9 327
Lease liabilities	780 026	0
Other liabilities	21 534	31 850
Provision for deferred income tax	462	1 109
Long-term prepayments	0	26 775
Non-current liabilities	**923 999**	**148 454**
Current liabilities		
Trade payables and other liabilities	131 382	145 148
Current income tax liabilities	14 047	24 586
Interest-bearing bank loans, borrowings and debt securities	81 097	94 704
Financial lease	0	7 398
Lease liabilities	123 587	0
Liabilities and provisions for employee benefits	24 253	25 942
Other short-term provisions	1 047	800
Accruals	71 616	74 664
Current liabilities	**447 029**	**373 242**
Total liabilities	**1 371 028**	**521 696**
TOTAL EQUITY AND LIABILITIES	**1 995 207**	**1 088 665**

UNLESS PROVIDED OTHERWISE ALL FIGURES ARE STATED IN PLN THOUSANDS (TRANSLATION ONLY)

2. CONDENSED CONSOLIDATED INCOME STATEMENT

	from 01.01 to 30.06.2019	from 01.04 to 30.06.2019	from 01.01 to 30.06.2018 *Restated	from 01.04 to 30.06.2018 *Restated
Continuing operations				
Sales revenues	**735 506**	**377 803**	**581 953**	**300 346**
Revenues from sale of services	726 948	373 352	574 348	296 285
Revenues from sale of goods and materials	8 558	4 451	7 605	4 061
Cost of sales	**(551 899)**	**(278 337)**	**(426 586)**	**(215 541)**
Cost of sold services	(546 146)	(275 635)	(418 362)	(209 764)
Cost of sold goods and materials	(5 753)	(2 702)	(8 224)	(5 777)
Gross profit on sales	**183 607**	**99 466**	**155 367**	**84 805**
Selling expenses	(49 345)	(25 639)	(37 934)	(20 886)
General and administrative expenses	(59 417)	(29 451)	(51 876)	(27 762)
Other operating income	3 754	(958)	7 688	5 812
Other operating costs	(9 760)	(4 428)	(8 653)	(5 910)
Result on the re-measurement to fair value of existing holdings	940	(1 100)	0	0
Operating profit	**69 779**	**37 890**	**64 592**	**36 059**
Financial income, including:	17 581	16 722	5 061	4 088
Interest income	*1 615*	*942*	-	-
Financial costs, including:	(16 316)	(3 539)	(6 644)	(4 385)
Interest costs on lease liability	*(10 045)*	*(1 492)*	-	-
Write-downs of financial assets	(1 158)	(1 158)	-	-
Share in a net profit/(loss) of entities accounted for using the equity method (+/-)	1 032	168	(607)	(1 181)
Profit before tax	**70 918**	**50 083**	**62 402**	**34 581**
Income tax	(14 449)	(9 691)	(16 198)	(10 019)
Net profit from continuing operations	**56 469**	**40 392**	**46 204**	**24 562**
Net profit	**56 469**	**40 392**	**46 204**	**24 562**
Net profit / (loss) attributable to:				
- equity holders of the parent	56 161	39 915	45 983	24 279
- non-controlling interests	308	477	221	283

*Data restated due to the correction of revenues in the Cafeterias segment (IFRS 15)

NET EARNINGS PER (ORDINARY) SHARE (PLN)

	from 01.01 to 30.06.2019	from 01.01 to 30.06.2018
from continuing operations		
- basic	19.64	16.96
- diluted	19.57	16.84

UNLESS PROVIDED OTHERWISE ALL FIGURES ARE STATED IN PLN THOUSANDS (TRANSLATION ONLY)

3. CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	from 01.01 to 30.06.2019	from 01.04 to 30.06.2019	from 01.01 to 30.06.2018	from 01.04 to 30.06.2018*
Net profit	**56 469**	**40 392**	**46 204**	**24 562**
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
Foreign exchange gains/(losses)	205	171	(943)	(524)
Total comprehensive income	**56 674**	**40 563**	**45 261**	**24 038**
Total comprehensive income attributable to:				
- equity holders of the parent	56 320	40 054	45 067	23 765
- non-controlling entities	354	509	194	273

UNLESS PROVIDED OTHERWISE ALL FIGURES ARE STATED IN PLN THOUSANDS (TRANSLATION ONLY)

4. CONDENSED 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 01.01.2019	**2 859**	**(61 157)**	**272 107**	**(617)**	**(31 194)**	**332 655**	**50 074**	**564 727**	**2 242**	**566 969**
Equity movements in the period from 01.01 to 30.06.2019										
Option valuation (share-based payments)	0	0	0	0	0	410	0	**410**	0	**410**
Change of the structure of the capital group (transactions with non-controlling entities)	0	0	0	0	0	0	0	**0**	126	**126**
Transfer of capital reserve to supplementary capital	0	0	0	0	0	145 995	(145 995)	**0**	0	**0**
Transfer of profits to capital reserve	0	0	0	0	57 000	(57 000)	0	**0**	0	**0**
Total transactions with equity holders	**0**	**0**	**0**	**0**	**57 000**	**89 405**	**(145 995)**	**410**	**126**	**536**
Net profit for the period from 01.01 to 30.06.2019	0	0	0	0	0	0	56 161	**56 161**	308	**56 469**
Foreign exchange gains/(losses)	0	0	0	159	0	0	0	**159**	46	**205**
Total comprehensive income	**0**	**0**	**0**	**159**	**0**	**0**	**56 161**	**56 320**	**354**	**56 469**
Balance as at 30.06.2019	**2 859**	**(61 157)**	**272 107**	**(458)**	**25 806**	**422 060**	**(39 760)**	**621 457**	**2 722**	**624 179**

UNLESS PROVIDED OTHERWISE ALL FIGURES ARE STATED IN PLN THOUSANDS (TRANSLATION ONLY)

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 01.12.2018	**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**
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**	**0**	**86 767**	**49 204**	**(136 141)**	**307 771**	**(16 567)**	**291 204**
Net profit (loss) for the period from 01.01 to 30.06.2018	0	0	0	0	0	0	45 983	**45 983**	221	**46 204**
Foreign exchange gains /(losses)	0	0	0	(916)	0	0	0	**(916)**	(27)	**(943)**
Total comprehensive income	**0**	**0**	**0**	**(916)**	**0**	**0**	**45 983**	**45 067**	**194**	**45 261**
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 (TRANSLATION ONLY)

5. CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	from 01.01 to 30.06.2019	**from 01.01 to 30.06.2018**
Cash flow from operating activities		
Profit before tax	**70 918**	**62 402**
Adjustments:		
Depreciation and impairment allowances of property, plant and equipment	27 313	17 038
Amortisation and impairment allowances of intangible assets	4 172	2 741
Amortisation of the right-of-use assets	60 321	-
Change in the fair value of financial assets/(liabilities) valued through the profit and loss account	0	(51)
Financial assets impairment allowances	1 240	1 025
Loss on sale of non-financial fixed assets	39	241
Foreign exchange (gains) / loss	(4 007)	(1 859)
Cost of interest	13 196	3 684
Interest and dividend income	(1 519)	(1 751)
Cost of share-based payments (incentive plan)	410	6 162
Share in the profits / (losses) of associates	(1 032)	607
Other adjustments	965	2 284
Total adjustments	**101 098**	**30 121**
Change in inventory	(163)	(251)
Change in accounts receivable	20 439	6 756
Change in accounts payable	857	9 007
Change in provisions, prepayments and accruals	(12 240)	1 386
Change in working capital	**8 893**	**16 898**
Income tax paid	(32 885)	(31 939)
Net cash from operating activities	**148 024**	**77 482**

UNLESS PROVIDED OTHERWISE ALL FIGURES ARE STATED IN PLN THOUSANDS (TRANSLATION ONLY)

CONTINUED

	from 01.01 to 30.06.2019	from 01.01 to 30.06.2018
Cash flow from investing activities		
Expenses on acquisition of intangible assets	(9 715)	(30 535)
Proceeds from the sale of intangible assets	(176)	-
Expenses on acquisition of property, plant and equipment	(55 817)	(48 655)
Proceeds from sale of property, plant and equipment	610	762
Net expenses on acquisition of subsidiaries	(10 324)	(63 008)
Received repayments of the loans granted	5 289	6 074
Loans granted	(6 027)	(34 101)
Interest received	1 341	768
Dividends received	592	0
Net cash from investing activities	**(74 227)**	**(168 695)**
Cash flow from financial activities		
Net proceeds from issuance of stocks and sale of treasury shares	0	289 814
Redemption of debt securities	(74 500)	(50 000)
Proceeds from loans and borrowings	78 503	50 645
Repayment of loans and borrowings	(10 079)	(10 449)
Repayment of financial lease	(64 058)	(4 302)
Interest paid	(12 751)	(4 921)
Net cash from financial activity	**(82 885)**	**270 787**
Net change in cash and cash equivalents	**(9 088)**	**179 574**
Cash and cash equivalents: opening balance	75 819	52 458
Cash and cash equivalents: closing balance	**66 731**	**232 032**

UNLESS PROVIDED OTHERWISE ALL FIGURES ARE STATED IN PLN THOUSANDS (TRANSLATION ONLY)

6. ADDITIONAL INFORMATION AND EXPLANATIONS TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENT

6.1. General information

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 within the scope of sports and recreation by way of sales of the leading MultiSport card and related products with access to the network of sports facilities, including the facilities belonging to the companies of the Group. The network of fitness clubs owned by the Group provides infrastructural support for the sports cards business. The activity based on the synergy between the sales of sports cards and investments into the infrastructure is conducted in the territory of Poland and abroad: in the Czech Republic, Slovakia, Bulgaria, Croatia and Greece.

The Group also offers unique solutions in the form of the Cafeteria e-platforms that allow Customer's employees to freely choose among non-payroll benefits from a list pre-approved by the employer. The Group is also a provider of the cultural and entertainment solutions (the Cinema Programme and MultiTeatr) that are mainly offered via the Cafeteria channel.

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 condensed 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:		
			30.06.2019	**30.06.2018**	**31.12.2018**
Segment Poland	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%
	Fit Invest Sp. z o.o.[1)]	ul. Plac Europejski 3 00-844 Warsaw, Poland	0.00%	100.00%	100.00%
	Fitness Academy	ul. Plac Europejski 2	100,00%	100,00%	100,00%

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Sp. z o.o.	00-844 Warsaw, Poland			
Fitness Academy BIS Sp. z o.o.[2)]	ul. Powstańców Śląskich 95 53-332 Wrocław, Poland	100,00%	100,00%	100,00%
AM Classic Sp. z o.o. [10)]	Pl. Dominikański 3 50-159 Wrocław, Poland	100,00%	100,00%	100,00%
Jupiter Sport Sp. z o.o. [10)]	ul. Żegiestowska 11 50-542 Wrocław, Poland	100,00%	100,00%	100,00%
Fabryka Formy S.A. [3)]	ul. Rolna 16 62-070 Dopiewo, Polska	100,00%	100,00%	100,00%
Fitness za Rogiem Sp. z o.o. [3)]	ul. Rolna 16 62-070 Dopiewo, Polska	0,00%	100,00%	100,00%
Fitness Place Sp. z o.o.	Plac Europejski 3 00-844 Warsaw, Poland	100.00%	100.00%	100.00%
Zdrofit Sp. z o.o. [4)]	ul. Mangalia 4 02-758 Warsaw, Poland	100.00%	55.03%	55.03%
Tiger Sp. z o.o. [5)]	Aleja Grunwaldzka 82 80-244 Gdańsk, Poland	0.00%	100.00%	0.00%
Wesolandia Sp. z o.o. [4)]	ul. Wspólna 4 05-075 Warsaw, Poland	0.00%	100.00%	100.00%
Fitness Management Sp. z o.o. [4)]	Plac Europejski 3, 00-844 Warsaw, Poland	0,00%	100,00%	100,00%
M Group Sp. z o.o. [6)]	ul. Reymonta16, 80-290 Gdańska, Poland	0,00%	100,00%	100,00%
Masovian Sports Center Sp. z o.o. [4)]	Plac Europejski 3 00-844 Warsaw, Poland	0,00%	0,00%	100,00%
NewCo2 Sp. z o.o. [4)]	Plac Europejski 3 00-844 Warsaw, Poland	0,00%	0,00%	100,00%
NewCo3 Sp. z o.o. [4)]	Plac Europejski 3 00-844 Warsaw, Poland	0,00%	0,00%	100,00%
Fit Fabric Sp. z o.o.[7)]	ul. 1go Maja 119/121 90-766 Łódź, Poland	52.50%	30.00%	52.50%
Benefit Partners Sp. z o.o.	ul. Plac Europejski 2 00-844 Warsaw, Poland	95.00%	47.51%	47.51%
Benefit Systems International Sp. z o.o.	ul. Młynarska 8/12 00-844 Warsaw, Poland	100.00%	100.00%	100.00%
Multisport Benefit S.R.O.	Lomnickeho 1705/9 140 00 Praha4, Czech Republic	78.80%	74.00%	78.80%
Benefit Systems Slovakia S.R.O.	Ružová dolina 6 Bratislava - mestská časť Ružinov 821 08, Slovakia	83.00%	83.00%	83.00%
Benefit Systems Bulgaria EOOD	11-13, Yunak Str., floor 1 Sofia 1612, Bulgaria	100.00%	100.00%	100.00%
Benefit Systems D.O.O.	Zagreb (Grad Zagreb) Ožujska 2, Croatia	100.00%	100.00%	100.00%
Benefit Systems Greece MIKE	L. Vouliagmenis 47 16675 Hellenic – Argyroupoli, Greece	100.00%	100.00%	100.00%
Fit Invest Bulgaria EOOD	Atanas Dukov 32 M-Plaza building 1407 Sofia, Bulgaria	100.00%	100.00%	100.00%
Beck Box Club Praha S.R.O.	Vinohradská 2405/190 Vinohrady, 130 00 Praha 3 Czech Republic	100.00%	100.00%	100.00%

UNLESS PROVIDED OTHERWISE ALL FIGURES ARE STATED IN PLN THOUSANDS (TRANSLATION ONLY)

	Fit Invest International Sp. z o.o.	ul. Młynarska 8/12 00-844 Warszawa, Polska	100.00%	0.00%	100.00%
	Form Factory S.R.O.[8)]	Vinohradská 2405/190 Vinohrady, 130 00 Praha 3 Czech Republic	100.00%	100.00%	100.00%
	Fit Invest Slovakia S.R.O. [9)]	Ružová dolina 480/6 Bratislava - mestská časť Ružinov 821 08, Slovakia	100.00%	-	-
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%
Other	MW Legal 24 Sp. z o.o. [11)]	ul. Plac Europejski 2 00-844 Warsaw, Polska	100.00%	100.00%	100.00%

1) *On 14 January 2019, Fit Invest Sp. z o.o. merged with Benefit Systems S.A. and was subsequently spun off into a newly established Fitness Branch.*
2) *On 14 March 2019, Fitness Academy Sp. z o.o SKA was transformed into Fitness Academy BIS Sp. z o.o.*
3) *On 17 January 2019, Fitness za Rogiem Sp. z o.o. merged with Fabryka Formy S.A.*
4) *On 1 March 2019, Wesolandia Sp. z o.o., Fitness Management Sp. z o.o., Masovian Sports Center Sp. z o.o., NewCo2 Sp. z o.o., and NewCo3 Sp. z o.o. merged by way of their acquisition by Zdrofit Sp. z o.o.*
5) *On 31 July 2018, Zdrofit Sp. z o.o. merged Tiger Sp. z o.o. by way of its takeover.*
6) *On 10 January, 2019, Zdrofit Sp. z o.o. merged M Group Sp. z o.o. by way of its acquisition.*
7) *[The Group] has been consolidated since 2018 based on the assumption of full (100%) control, net of minority shares, given the fact that the minority shareholders executed contracts obliging them to dispose of the remaining shares.*
8) *Form Factory S.R.O. was established on the basis of transformation of Fitness Place S.R.O. on 20 December, 2018.*
9) *Fit Invest Slovakia S.R.O. was was registered on 4 June 2019. The Group holds 100% of company's shares, of which 25% are held by Benefit Systems International Sp. z o.o and 75% are held by Fit Invest International Sp. z o.o. Due to its lack of importance, the company was not consolidated in the first six months of the year under review.*
10) *On 30 July 2019, Fitness Academy BIS Sp. z o.o. merged AM Classic Sp. z o.o. and Jupiter Sport Sp. z o.o.*
11) *Entity not consolidated due to lack of materiality and lack of business operations.*

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**	**Revenues**
MultiSport Benefit S.R.O.	34 004	24 250	6 371	3 383	1 842	495	72 644
Benefit Systems Slovakia S.R.O	4 874	9 613	(3 934)	(806)	(1 011)	(207)	14 115
Benefit Partners Sp. z o.o	90 240	87 516	2 759	145	371	20	10 020
Total	129 118	121 379	5 197	2 722	1 202	308	96 779

In the condensed interim consolidated financial statements prepared as at 30 June 2019, interests in six (6) 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**
Segment Poland	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%	4 191

	Calypso Fitness S.A.	ul. Puławska 427, 02-801 Warsaw	33.33%	0
	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%	5 686
	X-code Sp. z o.o.	ul. Klaudyny 21/4, 01-684 Warsaw	31.15%	3 092
			Total balance sheet value	**12 969**

Basic financial data of the associates as of 30 June 2019 are as follows:

	Assets	Liabilities	Equity	Net financial result	Sales
Baltic Fitness Center Sp. z o.o.	1 176	2 213	(1 038)	(55)	1 196
Instytut Rozwoju Fitness Sp. z o.o.	19 399	11 683	7 716	882	17 384
Calypso Fitness S.A.	61 766	64 711	(2 945)	(7 421)	49 780
Get Fit Katowice II Sp. z o.o.	536	1 880	(1 360)	104	1 717
LangMedia Sp. z o.o.	4 181	689	3 491	935	4 213
X-code Sp. z o.o.	6 161	1 204	4 958	352	4 806
Total	**93 219**	**82 380**	**10 822**	**(5 203)**	**79 096**

These interim condensed consolidated financial statements were approved for publication purposes by the Management Board of the parent company on 22 August 2019.

6.2. Basis for preparation and accounting policies

6.2.1. Basis for preparation

The interim condensed 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 condensed 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 condensed interim consolidated financial statements should be read jointly with the consolidated financial statements of the Capital Group for year 2018.

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

The interim condensed 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. Although at the balance sheet date the current liquidity is below 1, as of the date of approval of these interim condesned 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. The Group has been generating positive operating cash flows and, additionally, can use a credit line facility granted to it in the amount of PLN 82 million, PLN 47 million of which in the form of a loan with maturity after 30 June 2020.

6.2.2. Accounting policies

These interim consolidated financial statements were prepared in accordance with the accounting standards that were presented in the most recent consolidated financial statements of the Group for year ended on 31 December 2018, save for a change in the application of IFRS 16 within the scope, as described in Note 6.3.2., and in accordance with the standards applied in the analogous interim period of the previous year, save for acceptance of new and amended standards, as described in Note 6.2.3. *The new accounting standards applied as of 1 January 2019*, are described below.

The consolidated financial statements were prepared in accordance with the historical costs principle, save for items measured at fair value, e.g. the liability on account of the contingent payments for the acquired shares.

6.2.3. New and amended accounting policies adopted by the Company from 1 January, 2019

New IFRS 16 "Leases"

The new standard specifies how an IFRS reporter will recognize, measure, present and disclose leases. All leases result in the lessee acquiring the right to use the asset as well as an obligation on account of liability for payment. By the same, IFRS 16 has removed the classification into the operating and financial leases in accordance with IAS 17 and introduced a single model for the lessee to recognise lease for the accounting purposes. The lessee is obliged to recognize: (a) assets and liabilities for the lease transactions concluded for a period beyond 12 months save for low-value assets; and (b) depreciation of the leased asset separately from interest on the lease liability; in the statement of profit or loss.

IFRS 16 largely reiterates the regulations of IAS 17 with respect to how a lessee should recognize lease in the accounts. Consequenty, a lessor will continue the classification, broken down into the operation and financial leases and diversify the accounting treatment respectively. At the Benefit Systems Group, the following companies are lessors: Benefit Partners and Benefit Systems S.A. (mainly for lease of the fitness equipment used primarily by the subsidiaries that have sports clubs, but also external customers).

The Group has implemented the new standard with its effective date as required; therefore, the standard has been first applied to the statements for the reporting period beginning on 1 January, 2019.

The effect of the standard on the financial statements, resulting from application of the new standard for the first time was described in point 6.2.3.1 of this note.

6.2.3.1. Effect of application of IFRS 16

The Group implemented IFRS 16 using the modified retrospective method, i.e. without restating the comparable data, with inclusion of the combined effect of application of the standard for the first time as a correction of the opening balance of the earnings retained on the date when the standard was first used.

In accordance with previous estimations of the Group expressed in the annual consolidated financial statements for year 2018, the new standard had a material effect on the financial statements of the Group.

As of 30 June 2019, the Group was a leesee under 784 operating lease, rental and tenance agreements entered into for terms from 1 month to 14 years.

Following analysis, the Group has identified and reports three main groups of leasing contracts:

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- real property: the principal and regional offices; fitness clubs in Poland and abroad;
- fitness equipment constituting the base outfitting of the sports facilities belonging to subsidiaries or affiliates that have the relevant activity profile;
- other (including business cars and office equipment with the value above PLN 3 thousand).

In connection with application of IFRS 16, the Group has originally recognized as of the date of first application [of the standard], the rights of use at PLN 745 million and lease liabilities of PLN 775 million. As a result of change in the accounting policy and recalculation of the effect of IFRS 16 on the financial statements of the Group, the sums amounted to PLN 850.6 million.

The rights of use were presented in the consolidated statement of financial position under item "Right-of-use assets," whereby lease liabilties were presented under item "Lease liabiities," broken down into short-term and long-term ones. The Group does not hold any real property in perpetual usufruct. Following its initial recognition, the right of use is classifed as a fixed asset and measured at the initial value minus depreciation.

A lease liability includes future discounted lease payments for the identified contracts meeting the conditions set out in IFRS 16. The manner in which these items are recognized in the statement of financial position depends on the term of contract that has been adopted for individual contract types: the said term covers a non-cancellable term of lease, periods arising from the options to extend the term of lease, and the periods arising from the option to terminate lease if it can be assumed with sufficient certainty that the lessee will take advantage of the option.

Upon determining the term of lease, the following was also taken into account: laws and customary regulations applicable to the Polish legal environment, the specific character of the contracts concluded within the Group; the structures of the fixed and variable payments in the agreement and determination of the final interest rate. The discount rates adopted by the Group for the purpose of a measurement compliant with IFRS 16 were based on the risk-free rate based on Treasury notes and on the bank's margin typical for the terms of bank loan extened for an asset analogous to the subject-matter of specific lease agreement (taking into account the term and the specific components of the agreement). The lease data published in the report for Q1 2019 and their previous estimations published in the consolidated financial statements for year 2018 were based on the discount rate assumptions different than the ones described above. The effect of the change is presented in the following tables:

Before the change of the discount rate:

Balance as at 01.01.2019*	**Real estate**	**Fitness equipment**	**Other**	**Total**
Non-current assets	**664 290**	**72 558**	**7 698**	**744 546**
Right-of-use assets	664 290	72 558	7 698	744 546
Long-term liabilities	**664 290**	**72 558**	**7 698**	**744 546**
Lease liabilities	664 290	72 558	7 698	744 546

After the change of the discount rate:

Balance as at 01.01.2019*	**Real estate**	**Fitness equipment**	**Other**	**Total**
Non-current assets	**758 032**	**81 461**	**11 125**	**850 618**
Right-of-use assets	758 032	81 461	11 125	850 618
Long-term liabilities	**758 032**	**81 461**	**11 125**	**850 618**
Lease liabilities	758 032	81 461	11 125	850 618

Change:

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*Balance as at 01.01.2019**	Real estate	Fitness equipment	Other	Total
Non-urrent assets	**93 742**	**8 903**	**3 427**	**106 072**
Right-of-use assets	93 742	8 903	3 427	106 072
Long-term liabilities	**93 742**	**8 903**	**3 427**	**106 072**
Lease liabilities	93 742	8 903	3 427	106 072

Before the change of the discount rate :

from 01.01 to 30.06.2019	Real estate	Fitness equipment	Other	Total
Operating activity	**46 428**	**2 611**	**2 109**	**51 148**
Depreciation of the right-of-use assets	46 428	2 611	2 109	51 148
Financial activity	**19 515**	**74**	**135**	**19 725**
Financial costs (interest)	19 515	74	135	19 725

After the change of the discount rate:

from 01.01 to 30.06.2019	Real estate	Fitness equipment	Other	Total
Operating activity	**52 736**	**2 149**	**3 883**	**58 768**
Depreciation of the right-of-use assets	52 736	2 149	3 883	58 768
Financial activity	**9 700**	**130**	**111**	**9 940**
Financial costs (interest)	9 700	130	111	9 940

Change:

from 01.01 to 30.06.2019	Real estate	Fitness equipment	Other	Total
Operating activity	**6 308**	**(462)**	**1 774**	**7 620**
Depreciation of the right-of-use assets	6 308	(462)	1 774	7 620
Financial activity	**(9 816)**	**56**	**(25)**	**(9 785)**
Financial costs (interest)	(9 816)	56	(25)	(9 785)

*The respective balances acknowledge the agreements for lease from Benefit Partners Sp. z o.o., which was an affiliate as of 1 January 2019. As of 15 January 2019, Benefit Partners Sp. z o.o. has been included in the full consolidation.

Otherwise, the Group applies accounting policy as described in the 2018 consolidated financial statments of the Benefit Systems Group.

The above items that influence recognition of lease contracts in accordance with IFRS 16 are based on a subjective judgment of the management taking into account the current interpretations of IFRS 16. The subjective judgment and estimations of the management may change if the International Accounting Standards Board issues new interpretations of IFRS 16 and/or if more transparent interpretations in this regard are developed in the course of the generally adopted practice of use of the accounting standards.

In addition to changes in the statement of financial position, the adoption of IFRS 16 has the effect on:

- statement of financial position, in the following manner: the right-of-use asset has started to be depreciated and interest expenses (rather than operating expenses) have been recognized on the lease liability;
- the moment of recognition of expenses in the profit and loss account (their recognition has accelerated during the term of the contract), which, in particular, is attributable to the financial component;
- cash flow statement, in the following manner:

- payments of lease liabilities are reported under the financial activities.
- correction of amortisation of the right-of-use assets
- interest payments have remained an item of the financial activities;
- net cash from investment activities has not changed;

Furthermore, when subleasing the fitness equipment leased under the financial lease contracts to the partner facilities of the Group, the Group recognizes contracts of sublease constituting a financial lease. In accordance with IAS 17, sublease was treated as operating lease.

The fixed assets leased under financial leases (leaseback) (recognized as such in compliance with IAS 17) by Benefit Systems and Benefit Partners, were reclassified into the right-of-use assets. Lease liability, amortisation costs and financial costs are also recognized jointly, as required under IFRS 16.

6.2.4. Uncertainty of estimates

When preparing the interim condensed 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 2018. 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 and loans granted 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.

Liabilities under the contingent payments on the acquired shares - measurement as of the date of the financial statements

On 31 October 2018, affiliate: Calypso Fitness S.A. was divided as a result of spin off, as a result of which, in particular, a portion of the assets of Calypso Fitness S.A., as the company being divided, was transferred to company under the business name of NewCo2 Sp. z o.o.

On 2 November 2018, Fit Invest Sp. z o.o. acquired 100% shares in the share capital of company under the business name of Masovian Sports Center Sp. z o.o. (the equivalent of "NewCo1") and 100% shares in the share capital of company under the business name of NewCo3 Sp. z o.o. The total selling price amounted to PLN 69 million, and additionally, Fit Invest Sp. z o.o. remains obliged to pay GVL additional amounts totaling no more than PLN 37 million, depending on incresase in the capitalization of Benefit Systems S.A. As a result of the transformation and implementation of the provisions of the agreement, Fit Invest Sp. z o.o. became the sole shareholder in NewCo1 Sp. z o.o., NewCo2 Sp. z o.o. and NewCo3 Sp. z o.o., i.e. companies established as a result of division of Calypso Fitness S.A.

On 15 January 2019, Benefit Systems SA merged Fit Invest Sp. z o.o. and, along with the entirety of the obligations, also assumed the obligations, including conditional obligations, towards GVL. As at 31 December 2018, using the option (binominal tree) model, the Group has measured them at PLN 7,359 thousand. As of 30 June 2019, the said sum was updated on the basis of the available share quotation statistics and amounted to PLN 0 (null). The valuation difference in the amount of PLN 7,359 thousand was recognized in the financial result for the current period.

The Group will perform calculations of the above amounts in subsequent reporting periods and and the final price allocation in the following 12 months of the acquisition date. Provisional goodwill recognized remains unchanged compared to the calculation presented in the Group's consolidated financial statements for 2018.

The details of the transaction were described in the consolidated financial statment of the Benefit systems Group for year 2018, on pages 42 - 43: *Multi-phasal transaction of acquisition of the assets spun off from Calypso Fitness S.A. – transaction details and the manner of reporting it in the Financial Statements*

Fabryka Formy

A contingent payment for takeover of control of Fabryka Formy was classified as a financial liability, which as at 31 December 2018, was measured at fair value equal to: PLN 2 438 ths. , as updated as at 30 June 2019 to the value of 0 (zero), which had an effect on the result of the reporting period in the amount of: PLN 2 438 ths.

FitFabric

On the basis of preliminary agreement of 11 October 2018, minority shares in the share capital of Fit Fabric sp. z o.o. at 47.5% will be acquired at a price not higher than PLN 30,875 thousand no later than until 31 July, 2021, whereby the final level of the price will be established on the basis of the financial results of Fit Fabric Sp. z o.o. The fair value of the liability under this title was estaimated based on the forecast of discounted futures cash flows of the company. Given the contractual committment to acquire the remaining shares, the Group recognized that the risks and benefits on account of the shares held by the minority shareholders were transferred to the Group. Therefore, in these Financial Statements, the Group presents a 100% shareholding in the dominant entity.

Due to the fact that the projections of the financial results of Fit Fabric Sp. z o.o. have been upheld, the Group has not changed the measurement of the above-described contingent liability. The related liability was recognized at PLN 21.2 million.

Put options for the purchase of shares in foreign companies

The fair value of the liability on account of exercise of the put option for the purchase of non-controlling shares in MultiSport Benefit S.R.O. at PLN 35.2 milllion net recognised as at the acquisition date reflects the probability-weighted current value of cash flows as estimated by the Group. With a view to determiing the fair value, the Management Board of the dominant Company assumed with a 100% probability that the presumed prerequisites would be met. As of the date of the financial statements, the evaluation has remained unchanged as compared to the balance of 2018 .

The fair value of the liability on account of exercise of the put option for the purchase of non-controlling shares in Benefit Systems Slovakia S.R.O. recognised, as at the acquisition date, at the net amount of PLN 5.3 milllion reflects the probability-weighted current value of cash flows estimated by the Group. With a view to determiing the fair value, the Management Board of the dominant Company assumed with a 100% probability that the presumed prerequisites would be met. As of the date of the financial statements, the evaluation has remained unchanged as compared to the balance of 2018.

The Group analysed the results of the subsidiaries of individual segments (Polish, Foreign and Cafeterias) taking into account their development plans and has not identified any premise for impairment loss. Changes in the definitions of the segments had no effect on the valuation.

Based on the results of estimates of fair value of contingent payments liability for acquisitions of shares in foreign companies, the company recognized material financial income (nota 6.10.).

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6.2.5. Correction of errors and change of the accounting policies

As of 1 January 2019, changes have been introduced to the accounting policy in connection with implementation of a new accounting standard, i.e. IFRS 16. An error resulting from change of the discount rate applied for the purposes of IFRS 16, as described in Note 6.2.3, was also corrected.

	1Q 2019 Reported data	Correction	1Q 2019 Corrected
Operating profit	31 889	0	31 889
Financial costs	(11 918)	3 931	(7 987)
Pre-tax profit	20 835	3 931	16 904
Net income	**16 077**	**3 931**	**12 146**

Moreover, the Group restated information on operating segments (Note 6.6).

6.3. Material events and transactions

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

Acquisition of the controlling interests in Benefit Partners Sp. z o.o.

On 15 January, 2019, Benefit Systems S.A. entered into agreement with Cal Capital sp. z o.o. for acquisition of 47.5% of shares in Benefit Partners sp. z o.o. at PLN 2.6 million. As a result of the transaction, the dominant entity holds the total of 95% of shares in the share capital of the controlled company. Benefit Partners Sp. z o.o. had been an affiliate since May 2017.

Acquisition of organized parts of the enterprise in the form of fitness clubs

On 25 January, 2019, for sale of an organized part of enterprise taking the form of a fitness club in Skawina was executed between Benefit Systems S.A. (the Purchaser's Surety), Fitness Place Sp. z o.o. (the Purchaser) and Mr Bartosz Gibała running business activity under the name of Bartosz Gibała Platinium with its registered seat in Kraków (PGB). The price of sale was set at the amount of PLN 4 671 thousand. The transfer of ownership of the organized part of the enterprise to the Purchaser took place on February 1, 2019.

Investments are being made into the fitness clubs situated in the Małopolskie (Lesser Poland) and in the Silesian Voivodships with a view to securing an appropriate training base for the holders of the MultiSport card, which is the flagship product of the capital group of Benefit Systems.

On 10 June 2019, Fit Invest Bulgaria EOOD, acting on the basis of agreement executed with M-Unite with its registered seat in Sophia, became the owner of:

- the right of use (lease agreement) of the 2 FIT club, situated at shopping mall: The Mall, in Mladost, Bulgaria; and

- assets including in particular fitness equipment and investments into third-party fixed asset.

The value of the agreement amounted to EUR 450 ths (the equivalent of BGN 880 ths).

The club was acquired with a view to ensuring the Bulgarian holders of the sport cards an uninterrupted access to one of the most popular clubs in Sofia.

Merger of Benefit Systems S.A. and Fit Invest Sp. z o.o. and spin-off of the branch

On 14 January, 2019, Benefit Systems S.A. (acquiring company) merged Fit Invest Sp. z o.o. (acquiree) by way of transferring of all the assets of the acquiree to the acquiror on the basis of resolution of the Extraordinary Shareholders Meeting of Benefit Systems S.A. adopted on 30 November, 2018. The operations of Fit Invest sp. z o.o. have been spun off in the form of a self-balancing entity being a branch of Benefit Systems S.A.

On 1 March, 2019 (date of entry in the relevant court register) a Zdrofit Sp. z o.o. merged by acquisition the following companies:

- Wesolandia Sp. z o.o.,
- Fitness Management Sp. z o.o.,
- NewCo2 Sp. z o.o., NewCo3 Sp. z o.o., and Masovian Sports Center Sp. z o.o.,

on the basis of Resolution of Extraordinary Shareholders Meeting of Zdrofit Sp. z o.o. adopted on 1 February, 2019.

On 14 March, 2019 (date of entry in the relevant court register), company undergoing transformation: Fitness Academy spółka z ograniczoną odpowiedzialnoscią spółka komandytowo-akcyjna (limited liability partnership) was transformed into limited liability company under the business name of Fitness Academy Bis Sp. z o.o. The transformation resolution was adopted by the General Meeting of Fitness Academy spółka z ograniczoną odpowiedzialnoscią spółka komandytowo-akcyjna on 22 January, 2019.

Execution of an annex to agreement for bank guarantee limit with Santander Bank Polska S.A. with its registered seat in Warsaw

On 25 April 2019, Benefit Systems S.A. and Santander Bank Polska S.A. executed annex to agreement of 2 April 2012, envisaging, among other things, a change in the amount of the bank’s committment to provide, upon order/instruction from the customer, a guarantee of up to PLN 65 million over the availability period elapsing on 30 April 2020. The guarantee limit covers payment of all liabilities arising from lease contracts.

Execution of an annex to credit agreement with Santander Bank Polska S.A.

On 25 April 2019, Benefit Systems S.A. and Santander Bank Polska S.A. executed annex to multi-purpose multi-currency credit facility agreement, with a view to changing the period of availability of the already granted revolving loan by extending it until 30 May 2020, and with a view to changing the period in which the Bank, acting to an order/instruction from the Company, may provide guarantee, by extending the period until 30 May 2020.

The launching of the shareholders agreements with the key persons programme, intended to develop the companies of the Foreign Segment

On 24 April, 2019, the Management and Supervisory Boards of Benefit Systems S.A., on the basis of their resolutions, decided to accept the assumptions of a programme envisaging execution of shareholders’ agreements with the key persons with a view to developing the companies of the Foreign Segment so that the key persons will become minority shareholders in specific companies.

In performance of the programme, the Company declared that it would use endeavours so as to procure, by the end of 2026, a third-party investor for the companies of the Foreign Segment, in particular by means of an initial public offering of shares in Benefit Systems International Sp. z o.o. (following a prior transformation of the company into a joint stock company).

The parties of the agreements executed in May and June were Benefit Systems International Sp. z o.o. and:

• Benefit Systems Greece MIKE with its seat in w Athens („BS Greece")

• Benefit Systems d.o.o. with its seat in Zagreb („BS Croatia")

• Benefit Systems Bulgaria EOOD with its seat in Sofia („BS Bulgaria").

Share capital increase and taking up of shares as a result of execution of the agreements took place after the balance-sheet date.

The date of completion of the antimonopoly proceedings postponed

On 5 May 2019, the Management Board of the dominant Company received decision from the Chairman of the Office of Competition and Consumer Protection (the "OCCP") providing for another anticipated date of completion of the antimonopoly proceedings; the implied completion date was identified as 30 September 2019.

Proposed distribution of the Company's net profit for year 2018

In line with the 2016-2019 Distribution of Profits to Shareholders Policy applicable to the Company, on 21 May 2019, the Management Board of the dominant Company adopted resolution concerning proposal, which was to be presented to the Ordinary General Meeting, to appropriate the entire profit totaling PLN 146.0 million, as reported in the financial statements of the dominant Company for year 2018, for the supplementary capital of Benefit Systems S.A. (presented in Other capital in the Condensed Consolidated Statement of Changes in Equity) and to recommend that PLN 57 milion be appropriated for a buyback of the Comany's own shares.

The motion was approved in the form of resolution of the General Shareholders Meeting of 25 June 2019.

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. This trend is reflected in many financial categories: on the cost side in entities connected with sale of sports cards and on the income side in the entites offering access to fitness services, what may also be additionally attributable to weather conditions, arrangement of the statutory public holidays in specific years and to other factors. Seasonality in the Cafeteria segment is reflected in the growth of sales in the last moth of the year, due to the holiday season.

6.5. Earnings per share

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

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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 30.06.2019	from 01.01 to 30.06.2018
Number of shares used as the denominator in the formula		
Weighted average number of ordinary shares	2 858 842	2 711 439
Diluting effect of options convertible into shares	10 549	19 258
Weighted average diluted number of ordinary shares	2 869 391	2 730 697
Continuing operations		
Net profit from continuing operations	56 161	45 983
Basic earnings per share (PLN)	19.64	16.96
Diluted earnings per share (PLN)	19.57	16.84

6.6. Operating segments

The Group presents the information concerning the operating segments in compliance with IFRS 8 - Operating segments, for the current reporting period and for the analogous period.

Since 1Q 2019, the Parent Company has been presenting the results broken down into segments that reflect the long-term investment strategy and the business management model taking into account the activity types. The Company presents the following segments:

1. Polish
2. Foreign
3. Cafeterias

The BS Group generates revenues and costs from the above-specified business operations, which are reguarly reviewed by the [governing] bodies vested with the operating decsion-making powers and used when making decisions concerning the resources allocated to specific segments and upon assessment of the segment results.

The BS Group has at its disposal separate financial information concerning the above-specified segments.

In the financial statements of the previous years, in addition to the Foregin and the Cafeterias segments, the Company presented incorrectly the Sports Cards and the Fitness segments. Following internal analyses, in the opinion of the Management Board of the Company, the Polish segment better reflects the strategies of and the management of the Group.

The key decisions regarding investments and disinvestments into the fitness business have been made on the basis of the benefits for the BS Group from the point of view of the major product - sports cards. The Management Board of the Parent Company is of the opinion that with a view to ensuring a stable development of the sports cards over the long term it is important that the fitness infrastructure meets the expectations of the existing or potential customers for fitness servicese (in particular, in terms of location, space, the required standard of the sports equipment, etc.).

Additionally, analyses related to the investment process are considered from the point of view of the effective offer of space in terms of square meters given the increase year-on-year demand for physical activity among Poles that is realised using the MultiSport programme.

From the perspective of the main product, i.e. the sports cards, the Parent Company's management does not consider the revenues or the activity of the clubs as independent cash inflows.

Acquisitions of the fitness clubs of the previous years were done with a view to building the infrastructure (new space for exercising) for the main product that was being developed, i.e. the sports cards, and with a view to building the competitive advantage. Fast development of the Group's own network of sports clubs (where the BS Group enjoys exclusivity) has contributed to a further dynamic growth of sales of sports cards. Apart from the BS Group, so far there has been no other entity on the Polish market that conducted similar activities in the sports cards segment.

The major customers of the Company have branches in many locations in Poland and their employees visit both the partner clubs and the Benefit Systems' own clubs. The Group's own clubs in the attractive locations appreciated by the users constitute an important distinguishing feature of the Group which largely prevails when BS is chosen as the provider of the sports card services. Owing to this, Users (customers' employees) have a guaranteed access to many locations.

The key tasks of the fitness activity, whether in Poland or in other countries, include development of the cards by creating infrastructure at the locations where there is demand for the sports cards services and the building of the competitive edge.

The Group has been applying the same accounting standards to all the operating segments, including the Foreign Segment. The Group has been settling intra-segmental transactions as if they applied to non-related parties, i.e. using the market prices.

EBITDA and operating profit or loss provide the basis for the assessment of the results of the segments' activities. For the Group, EBITDA means EBIT plus amortisation and depreciation adjsuted for one-offs for non-financial assets, whereby EBIT means profit (loss) on continued activity before taxation, earnings and financial expenses, i.e. operating profit/loss.

In the period from 1 January 2019 through 30 June 2019 and in the analogous period, the reporting of the Group was broken down as follows:

In thousands of PLN	Poland	Foreign	Cafeteria s	Other activities and arrangements	Total
Sales revenues	580 132	151 033	18 534	(14 193)	735 506
Including revenues from external clients	*571 178*	*151 033*	*11 910*	*1 385*	*735 506*
Including intrasegment sales	*8 954*	*0*	*6 624*	*(15 578)*	*0*
Costs of sales	(427 545)	(128 469)	(13 861)	17 976	(551 899)
Gross profit on sales	152 587	22 564	4 673	3 783	183 607
Selling expenses	(29 538)	(16 949)	(2 893)	35	(49 345)
General and administrative expenses	(36 361)	(16 494)	(2 273)	(4 289)	(59 417)
Incentive Programme	*0*	*0*	*0*	*(410)*	*(410)*

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Other operating income and expenses	(5 872)	(467)	(71)	1 344	(5 066)
including Re-measurement to fair value of existing holdings	940	0	0	0	940
Operating profit (loss)	80 816	(11 346)	(564)	873	69 779
Operating profit (loss) excluding IFRS 16 impact	76 942	(12 041)	(604)	438	64 734
Financial income and expenses	(7 180)	(3 821)	125	10 983	107
Share in the profits of associates accounted for using the equity method	576	0	0	456	1 032
Pre-tax profit (loss)	74 212	(15 167)	(439)	12 312	70 918
Pre-tax (loss) excluding IFRS 16 impact	79 231	(14 710)	(358)	11 650	75 813
D&A	77 761	13 625	1 984	(1 564)	91 806
EBITDA	158 577	2 279	1 420	(691)	161 585
EBITDA excluding IFRS 16 impact	106 426	(7 896)	655	(1 413)	97 772
Segment assets	1 815 213	228 899	115 427	(164 332)	1 995 207
Segment assets excluding IRFS 16 impact	1 057 964	134 940	105 053	(165 310)	1 132 647

	Poland	Foreign	Cafeterias	Other	Total
From 01.01 to 30.06.2018					
Sales revenues	476 142	92 994	18 454	(5 637)	581 953
Including revenues from external clients	*471 043*	*92 994*	*14 202*	*3 714*	*581 953*
Including intrasegment sales	*5 099*	*0*	*4 252*	*(9 351)*	*0*
Operating profit (loss)	80 087	(10 024)	1 264	(6 735)	64 592
D&A	16 099	(2 485)	(821)	374	19 779
Segment assets	911 653	82 571	91 208	(67 939)	1 017 493

In the current reporting period ended on 30 June 2019, the Group has not identified individual customers with whom they might generate revenues on sales in excess of 10% of the total revenues of the BS Group.

In the opinon of the Management Board, the segment across Poland, including its components: sports cards and fitness, which have been so far recognized separately, which was not correct, reflects best the activity that the Group has been conducting at least since 2015.

Revenues from sales reported in the consolidated income statement are not different from the revenues presented as part of the operating segments, save for the revenues not attributed to segments and for consolidation exclusions applicable to intrasegmental transactions.

The Capital Group is not significantly dependent on major external customers.

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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 30.06.2019	from 01.01 to 30.06.2018
Revenues of the segments		
Total revenues of the operating segments	749 699	587 590
Revenues not attributed to the segments	1 385	3 714
Eliminatios of the revenues from intrasegmental transactions	(15 578)	(9 351)
Revenues from sales	735 506	581 953
Operating result of the segments		
Operating result of the segments	68 906	71 328
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 (IFRS 16)	591	0
Profit (loss) not allocated to segments	282	(6 736)
Operating profit (loss)	**69 779**	**64 592**
Financial revenues	17 581	5 061
Financial expenses (-)	(17 474)	(6 644)
Share in the financial results of the entities accounted for by the equity method (+/-)	1 032	(607)
Profit (loss) before tax	**70 918**	**62 402**

	30.06.2019	31.12.2018
Assets of the segments		
Aggregate assets of the operating segments	2 159 539	1 735 734
Assets not allocated to the segments	51 462	48 547
Eliminations of the intrasegmental transactions	(215 794)	(695 616)
Total assets	**1 995 207**	**1 088 665**

In the periods covered by the consolidated financial statements, revenues from sales not attributed to the operating segments include in particular revenues from marketing activities of the Group. 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 2019

Details of acquisitions of the organized parts of enterprises effected by the Group during the first six months of 2019 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:		Net assets of the acquired entity (fair value)	Goodwill (+) / profit (-)
			Acquirer	Non-controlling interests		
Benefit Partners Sp. z o.o.	15.01.2019	95%	5 281*	5%	2 471	2 810
Bartosz Gibała Platinium	01.02.2019	100%	4 671	-	434	4 237

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M-Unite (klub 2FIT)	10.06.2019	100%	1 913	0%	1 525	388

** amount related to 95% of share; including PLN 2 638 thousand paid in the first half of 2019 regarding the controlling stake (above the previously held shares)*

Goodwill

The Capital Group recognizes the goodwill that was generated as a result of Benefit Systems SA's acquisition of 47.5% of shares in Benefit Partners sp. z o.o. at the price of PLN 2.6 million from Cal Capital Sp. z o.o on 15 January 2019. Following the transaction, the dominant Company now holds in aggregate 95% of shares in Benefit Partners and took over control of the company.

Benefit Partners Sp. z o.o. is the main lessor of the sports equipment used by the fitness clubs belonging to the companies of the Capital Group. The acquisition of a subsidiary increases the Group's impact on the development of its operations in a direction consistent with the Group's strategy.

On 25 January, 2019, for sale of an organized part of enterprise taking the form of a fitness club in Skawina was executed between Benefit Systems S.A. (the Purchaser's Surety), Fitness Place Sp. z o.o. (the Purchaser) and Mr Bartosz Gibała running business activity under the name of Bartosz Gibała Platinium with its registered seat in Kraków (PGB). The price of sale was set at the amount of PLN 4 671 thousand. The transfer of ownership of the organized part of the enterprise to the Purchaser took place on February 1, 2019.

On 10 June 2019, Fit Invest Bulgaria EOOD, acting on the basis of agreement executed with M-Unite with its registered seat in Sophia, became the owner of:

- the right of use (lease agreement) of the 2 FIT club, situated at shopping mall: The Mall, in Mladost, Bulgaria; and

- assets including in particular fitness equipment and investments into third-party fixed asset.

The value of the agreement amounted to EUR 450 ths (the equivalent of BGN 880 ths).

The club was acquired with a view to ensuring the Bulgarian holders of the sport cards an uninterrupted access to one of the most popular clubs in Sofia.

The goodwill originating from a provisional accounting for the above transactions follows from the projected synergies resulting from the use of the acquired assets in the business of the Capital Group and presents the value of assets that could not be recognized individually in accordance with IAS 38. The goodwill, which was allocated to cash flow generating units: Polska (Benefit Partners oraz Platinium Wellness) and Bulgaria (2FIT).

The goodwill resulting from the accounting for the mergers has no effect on the determination of the income tax base.

Until the date of these condensed interim consolidated financial statements, the measurement of the fair value of the assumed assets and liabilities has not yet been completed. The said values will be ultimately established over the period of 12 months from the date of acquisition. The tentative values of the assets and liabilities identified in relation to the acquired asssets as recognized in the condensed interim consolidated financial statements are as follows:

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	Fair value as at the acquisition date:		
	Benefit Partners Sp. z o.o.*	PBG	M-UNITE EOOD – 2FIT
Assets			
Intangible assets	9	0	0
Property, plant and equipment	78 720	457	1 525
Inventories	0	21,8	0
Receivables and loans	1 271	0	0
Other assets	1 739	9,2	0
Cash and cash equivalents	2 368	0	0
Total assets	84 107	468	1 525
Liabilities			
Trade payables and other liabilities	932	35	0
Other liabilities	80 704	0	0
Total liabilities	**81 636**	**35**	**0**
Fair value of net assets	**2 471**	**434**	**1 525**
Goodwill (+) / Profit(-)	2 810	4 237	388
Revaluation gains	940	0	0
Book value of previously held holding	1 704	0	0
Payment for the acquired entity:	**2 638**	**4 671**	**1 913**

** amount related to 95% of share; including PLN 2 638 thousand paid in the first half of 2019 regarding the controlling stake (above the previously held shares) acquired on 15 January 2019.*

Identified net assets:

The fair value of the tangible fixed assets amounted to PLN 78 720 thousand. The assets primarily consisted of the fitness equipment leased to the sports facilities owned by the subsidiaries and affiliates of the Group.

The fair value of the receivables and loans acquired as a result of the takeovers amounted to PLN 1,271 thousand.

Payment provided by the acquirer

The provided payment includes the final purchase price for the organized parts of enterprise, which, as at 30 June 2019, was paid in cash in the following amounts:

PLN 2,638 thousand (for Benefit Partners Sp. z o.o.), PLN 4,671 thousand (for Platinium Wellness, the Skawina club) and EUR 558 thousand (i.e. the equivalent of PLN 1,913 thousand) including EUR 90 thousand of VAT (for M-UNITE EOOD).

In the condensed interim consolidated cash flow statement, net expenses on acquisition of subsidiaries were reported under item: Net expenses on acquisition of subsidiaries

- acquisition of shares at PLN 5,281 thousand.

- acquisition of an organized part of enterprise was reported under item: expenses on acquisition of intangible assets at PLN 6,584 thousand

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	from 01.01 to 30.06.2019
Payment provided in cash (-)	(10 324)
Cash acquired along with the taken over subsidiary	2 368
Net expenses	(7 956)

6.7.2 Accounting for 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:

	Fair value as at the acquisition date:	
	Fitness Management Sp. z o.o. – S4	Fitness Place S.R.O. Jatomi Fitness
Assets		
Intangible assets	6 381	2 210
Property, plant and equipment	2 470	9 301
Inventory	16	204
Receivables and loans	912	321
Other assets	0	0
Cash	32	335
Total assets	**9 811**	**12 371**
Liabilities		
Trade payables	0	851
Other liabilities	0	1 473
Total liabilities	**0**	**2 324**
Net fair value of assets	**9 811**	**10 047**
Goodwill (+) / Profit (-)	12 351	7 791
Payment for the company acquired:	**22 162**	**17 838**
Acquirer:		
Cash	32	335

The Capital Group recognizes goodwill of PLN 7.8 million originating from acquisition of an organized part of enterprise under the business name of Jatomi Fitness (Czech Republic) by Fitness Place S.R.O. in April 2018. The Capital Group acquired the network of fitness clubs with a view to building its position on the Czech market for fitness services. The sellers received payment in cash in the amount of PLN 17.8 million. The said purchase price and its allocation are final and no additional consideration is contemplated under the purchase agreement.

The Capital Group also recognizes goodwill of PLN 12.4 million originating from acquisition of an organized part of enterprise of Fitness Club S4 by Fitness Management Sp. z o.o. in April 2018. The Capital Group acquired the said businesses with a view to increasing the availabiltiy of fitness clubs to sports cards users. The sellers received payment in cash in the amount of PLN 22.2 million. The said purchase price and its allocation are final and no additional consideration is contemplated under the purchase agreement.

The goodwill originating from the ultimate accounting for the above transactions follows from the projected synergies resulting from the use of the acquired assets in the business of the Capital Group and presents the value of assets that could not be recognized individually in accordance with IAS 38. The goodwill, which was allocated to cash flow generating units, is attributed to the Polish or Foreign segment.

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6.8. Goodwill

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

	30.06.2019	31.12.2018	30.06.2018
Gross value			
Balance at the beginning of the period	348 547	191 558	191 558
Acquisition of business entities / acquisition of organized part of the enterprise	7 436	162 729	23 375
Purchase price allocation	(2 219)	(5 740)	(5 274)
Gross value at the end of the period	**353 764**	**348 547**	**209 659**
Impairment value	0	0	0
Goodwill – carrying value at the end of the period	**353 764**	**348 547**	**209 659**

The change of the provisional accounting for the said positions results from recognition of additional intangible assets related to the acquisition of Fitness Place S.R.O. that were not reported as part of the aggregate goodwill in the Benefit Systems Group.

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.

6.9. Property, plant and equipment

As at 30 June 2019, the net carrying amount of property, plant and equipment was PLN 356.1 million. The increase of PLN 85.3 million in the value of property, plant and equipment as compared to the end of 2018 results primarily from: consolidation of the subsidiary Benefit Partners Sp. z o.o. (PLN 86.3 million) and investments in new fitness clubs by Zdrofit Sp. z o.o. (PLN 21.3 million), Fitness Place Sp. z o.o. (PLN 2.3 million) and purchase of fitness equipment by other subsidiaries.

6.10. Receivables and loans

A drop in the value of loans by PLN 41.6 million as compared to end of 2018, is attributable to inclusion of subsidiary Benefits Partners Sp. z o.o. in the consolidation and elimination of the loans extended to the said company (PLN 40.9 million). The Group extended loans to the Partners in the MultiSport Programme at the total amount of PLN 6 million. The amount of loans repaid by the borrowers in the said period amounted to PLN 6.6 million.

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

	from 01.01 to 30.06.2019	from 01.01 to 31.12.2018
Gross value		
Balance at the beginning of the period	116 340	75 055
Loans granted in the period	6 027	52 606
Interest calculated at the effective interest rate	1 615	3 987
Repayments of loans (-)	(6 630)	(11 201)
Other changes (primarily related to Benefit Partners)	(42 389)	(4 107)

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Gross value at the end of the period	**74 963**	**116 340**
Write-downs		
Balance at the beginning of the period	2 384	1 835
Write-downs recognized as expense in the period	572	964
Reversla of write-downs recognized as revenue (-)	0	(973)
IFRS 9 adjustment	0	558
Other changes	(300)	0
Write-downs at the end of the period	**2 656**	**2 384**
Carrying amount at the end of the period	**72 307**	**132 956**

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 35.2 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.

The Group classified the put options for the purchase of non-controlling shares in Benefit Systems Slovakia S.R.O. into Stage 3. The fair value of the liability on account of exercise of the put options at PLN 5.3 milllion net recognised as at the acquisition date reflects the probability-weighted current value of cash flows as estimated by the Group. With a view to determiing the fair value, the Management Board of the dominant Company assumed with a 100% probability that the presumed prerequisites would be met.

Contingent payments for takeover of control of Fabryka Formy Sp. z o.o. and the companies originated following the transformation of Calypso Fitness SA were classified as a financial liability that was measured at fair value of nil as at the balance sheet date. Decrease in the valuation of liabilities for contingent payments in the amount of PLN 9,797 thousand was recognized in financial income.

Due to the fact that the projections of the financial results of Fit Fabric Sp. z o.o. have been upheld, the Group has not changed the measurement of the contingent liability related to acquisition of 47.5% minotiry stake compred to the valuation of 31 Decmber 2018. Value of the aforementioned liability stands at 21.2mn.

The book valuation of the financial assets and liabilities as at 30 June 2019 does not significantly depart from their fair value measurement.

6.12. Share capital

Over six months of 2019, the dominant Company has not issued any shares, in particular in connection with the exercise of the options vested in the employeees as part of the Incentive Programme.

As of 30 June 2019 share capital of the parent company amounted to PLN 2 859 thousand (as of 2018 year-end: PLN 2 859 thousand) and was divided into 2 858 842 shares (2018 year-end: 2 858 842) with a nominal value of PLN 1.00 each. All shares have been fully paid up.

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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 54 811 own shares.

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

	30.06.2019	31.12.2018
Number of shares	2 858 842	2 858 842
Nominal value of shares (PLN)	1	1
Share capital	**2 858 842**	**2 858 842**

6.13. 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 30.06.2019						
Loans in the credit account	22 015	49 554	96 254	0	0	167 823
Loans in the current account	3 470	0	0	0	0	3 470
Loans	0	35	0	0	0	35
Debt securities	3 000	3 023	25 750	0	0	31 773
Financial leases	0	0	0	0	0	0
Trade payables and other financial liabilities	131 381	0	21 534	0	0	152 915
Total liquidity risk exposure	159 866	52 612	143 538	0	0	356 016
As at 31.12.2018						
Loans in the credit account	382	23 262	79 393	0	0	103 037
Overdrafts	1 113	0	0	0	0	1 113
Debt securities	0	70 006	0	0	0	70 006
Financial leases	433	6 965	9 327	0	0	16 725
Trade payables and other financial liabilities	176 998	0	0	0	0	176 998
Total liquidity risk exposure	**178 926**	**100 233**	**88 720**	**0**	**0**	**367 879**

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.

6.14. Accruals (liabilities)

Short-term accruals (liabilities) – reported at PLN 71 million - show primarily the estimated value of liabilities towards sport facilities (Partners) in the amount of PLN 42.0mn, whose services were used by sport card users. In addition, this item also covers costs of future liabilities of the MultiBilet product (PLN 4.5 million, settlements of invoiced sport card revenues for future periods (PLN 19.1 million) and other short-term accruals of subsidiaries adjusted for mutual transactions between subsidiaries.

6.15. Share-based payments

On the basis of resolutions of the General Meeting of Shareholders, an Incentive Programme (hereinafter the Programme or IP) existis at Benefit Systems Group. On 10th February, 2016, the Supervisory Board of the Parent company adopted a proposal for the next edition of the

Incentive Programme for the period 2017-2020. Specified employees, both among senior executives and employees from middle management can participate in the Incentive Programme. The aim of the programme is to create an incentive system that will promote efficient and loyal work aimed at achieving high financial results and a long-term increase in the value of the Parent company. Under this Programme, eligible employees receive subscription warrants, which are convertible into shares of the parent company. During the Incentive Programme for the period 2017-2020 its participants (at most 149 people) will be able to receive a maximum of 100,000 subscription warrants (which after conversion into shares will represent 3.44% of the share capital of the parent company, increased by the maximum number of warrants), which will give an entitlement to subscribe to the specific number of shares in the parent company at their nominal value in four equal tranches.

The condition for acquiring rights to subscribe for the warrants is to meet the three criteria:

- Loyalty criterium – that is to remain in the employment contract, which is not terminated, at the end of the calendar year, for which the options are being granted,

- Quality criterium – evaluated after the Group reaches the agreed level of pre-tax profit adjusted for the book cost of the programme attributable to the financial year,

- Evaluation criterium – understood as a positive evaluation of a member of the Programme's work based on the adopted in the Parent Company internal regulations and the annual goals.

The necessary condition for initiating the Incentive Programme in a a given year is the attainment of a specific level of pre-tax profit (the programme for the years 2017-2020) adjusted for the book cost of the programme attributable to the financial year. The options granted may be exercised up to 30th September, 2021.

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

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 2019 was based on the following assumptions:

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

Data	**2019**
X(t) – share price at the valuation date (PLN)	904.00
P – excercise price (PLN)	491.93
r- risk-free rate for PLN	1.69%
T – expiry date	2021-03-31
t – current date (for pricing)	2019-02-12
Sigma – daily volatility	33.85%

** date of final, full allocation of warrants*

The expected share volatility was estimated on the basis of historical quotations of shares of the Dominant Entity on the Warsaw Stock Exchange for the period of 02.01.2016 - 31.12.2016 (options for 2017), for the period of 02.01.2017 - 30.12.2017 (options for 2018), and for the period of 02.01.2018 - 30.12.2018 (options for 2019).

The cost of the Programme recognized in the reporting period in the amount of PLN 410 thousand corresponds to realisation of the 50% threshold for the condition of consolidated profit before tax of the Capital Group. Since the origin of the Incentive Plan (i.e. since 2011), the Company has been applying the same measurement methods to the costs of the Plan in the profit and loss account, with the proviso that starting from 2019, the costs recognized in the reporting period only apply to the tranche of warrants that was attributed to specific holders on the basis of the contracts with managers. In 1H 2019, there were 4,350 warrants.

6.16. 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.

On 21 May 2019, the Supervisory Board of the dominant Company issued a positive opinion on the motion put forth by the Management Board of the dominant Company to present the Ordinary General Meeting with a proposal to appropriate the entire profit, as reported in the financial statements of the Company for year 2018, in the amount of PLN 146.0 million, for the supplementary capital of the dominant Company and to recommend it to the Ordinary General Meeting to appropriate the sum of PLN 57 milion for a dividend buyback of the dominant Comany’s own shares.

On 25 June 2019, Ordinary General Meeting of the dominant Company adopted resolution concerning appropriation of the net profit of the dominant Company for year 2018. Given the buy-back of the dominant Company’s own shares as contemplated by its Management Board, acting in line with the 2016-2019 Distribution of Profits to Shareholders Policy, the General Meeting decided to appropriate the entire net profit of PLN 146.0 million for the supplementary capital.

6.17. Issue and redemption of debt securities

During the six months of 2019, neither the parent company nor its subsidiaries issued any debt instruments.

On 28 June 2019 the parent company redeemed at maturity 70 million PLN series B bonds issued in June 2016.

In addition, Benefit Partners Sp. z o.o. prior to maturity partially redeemed series A bonds issued in 2017 in the amount of PLN 4.5mn.

6.18. Breaches of contractual provisons (borrowings, loans)

During the six months of 2019, the Group did not violate any conditions of its loan or borrowing agreements.

6.19. Provisions and short-term employee benefits

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

UNLESS PROVIDED OTHERWISE ALL FIGURES ARE STATED IN PLN THOUSANDS (TRANSLATION ONLY)

	Current provisions and liabilities	
	30.06.2019	**31.12.2018**
Short-term employee benefits:		
Liabilities for remuneration	7 120	8 066
Social insurance liabilities	8 005	6 276
Provisions for unused holidays	9 128	11 600
Total liabilities and provisions for employee benefits	**24 253**	**25 942**
Other current provisions:		
Provisions for court cases	2	35
Other provisions	1 045	765
Total current provisions	**1 047**	**800**

6.20. Contingent liabilities

End of period value of contingent liabilities are as follows:

	30.06.2019	**31.12.2018**
To associates:		
Guarantees granted / surety repayment liabilities	8 761	46 087
Associates total	**8 761**	**46 087**
Total contingent liabilities	**8 761**	**46 087**

During the six months of 2019, the Group was not a party to any significant court proceedings.

6.21. Currency risk

The Group has 130 lease agreements (mainly regarding the lease of fitness facilities), whose monthly rate is based on the Euro exchange rate.

The impact of positive exchange rate differences on the report in the 1st half of 2019 in connection with the change in the valuation of liabilities under the right to use amounted to PLN 4,940 thousand and and resulted from a change in the average NBP exchange rate from 4.30 EUR/PLN (31.12.2018) to 4.25 EUR/PLN.

	Change:	Impact on net income:	
		from 01.01 to 30.06.2019	from 01.01 to 31.12.2018
Increse in EUR exchange rate	+ 5%	(9 880)	-
Derease in EUR exchange rate	- 5%	9 880	-

Currency risk related to other currencies related to Group's operations outside of Poland is not material.

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,
- leases recognized in accordance with IFRS 16.

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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:	
		from 01.01 to 30.06.2019	from 01.01 to 31.12.2018
Interest rate increase	1 p.p.	(5 534)	(1 908)
Interest rate decline	-1 p.p.	5 534	1 908

There is no impact on other comprehensive income.

6.23. Credit concentration risk

In connection with the concentration of the loans extended by Benefit Systems SA to affiliate Calypso Fitness SA and its major shareholder (Mr Mikołaj Nawacki), the Company has made write-downs for the expected credit loss in compliance with IFRS 9.

Given the character of the long-term cooperation and the business and capital affiliations with the above-specified entities, despite concentration of receivables, the Parent Company assesses the risk as moderate.

Calypso Fitness SA, which is the owner of 47 clubs in attractive locations in Poland (including eight (8) clubs in Warsaw) has been an affiliate of the Group (currently, 33.3% of its shares are held by Benefit Systems S.A.) since 2011. In November 2018, as a result of a multi-phasal transaction, FitInvest took over fourteen (14) clubs of the Calypso network in specific locations in Warsaw at the base price of PLN 69 million, plus additional amounts of conditional liability (not exceeding PLN 37 million in total) dependent on the capitalization of Benefit Systems SA. As of the date of these financial statements, the contingent liability for the acquired shares has not been fully accounted for.

Calypso Fitness SA is an important Partner in the country-wide network of sports facilities accessible via the MultiSport programme that generates high percentage of visits of the Users holding the sports cards. The average value of monthly receivables due to Calypso Fitness SA exceeds PLN 2 million gross (liabilities of Benefit Systems and Vanity Style).

The outfitting of the Calypso clubs is based on sports equipment provided under operating lease agreement by Benefit Partners Sp. z o.o. and Benefit Systems SA. As at the date of these financial statements, the receivable balance on account of the above-mentioned payments amounted to PLN 2,301 thousand and has not exceeded 120 days past the payment deadline.

It is the intention of the Capital Group of BS to upkeep the cooperation with Calypso Fitness SA in terms of the operating activities.

List of the loans recognized in the financial statements of Benefit Systems SA as at 30 June 2019:

Borrower	As at 30 June 2019	Principal	Interest
Calypso Fitness SA	22 537	18 273	4 264
Mikołaj Nawacki	2 635	2 500	135
	25 171	20 773	4 399

The loans were extended on the basis of the WIBOR3M rate and the margin subject to the market conditions typical for this kind of agreements.

UNLESS PROVIDED OTHERWISE ALL FIGURES ARE STATED IN PLN THOUSANDS (TRANSLATION ONLY)

As of the date of the financial statements, the receivables under the loan agreements were not mature, and their repayment is planned until the end of year 2025 at the latest. The Company is monitoring the inflow of the amounts receivable on a daily basis and makes respective write-offs that acknowledge, among others, the above-described items.

6.24. Discontinued operations

During the six months of 2019, the Group did not discontinue any operations.

6.25 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):

	Revenues from operating activities		Receivables	
	from 01.01 to 30.06.2019	from 01.01 to 30.06.2018	30.06.2019	31.12.2018
Sales to:				
Associates	4 105	2 501	3 310	906
Other related entities	0	1	0	0
Total	**4 105**	**2 502**	**3 310**	**906**

	Purchases (costs, assets)		Liabilities	
	from 01.01 to 30.06.2019	from 01.01 to 30.06.2018	30.06.2019	31.12.2018
Purchases from:				
Associates	8 711	18 524	31	1 651
Other related entities	0	48	0	0
Total	**8 711**	**18 572**	**31**	**1 651**

	from 01.01 to 30.06.2019		from 01.01 to 31.12.2018	
	Granted in the period	Cumulative balance	Granted in the period	Cumulative balance
Loans granted to:				
Associates	0	28 650	30 000	69 019
Other related entities	0	0	0	0
Total	**0**	**28 650**	**30 000**	**69 019**

6.26. Events after the balance sheet date

Acquisition of organized parts of the enterprise in the form of fitness clubs

UNLESS PROVIDED OTHERWISE ALL FIGURES ARE STATED IN PLN THOUSANDS (TRANSLATION ONLY)

On 27 June 2019, agreement for sale of an organized part of enterprise (2 fitness clubs in Cracow) was executed between Benefit Systems S.A. (the Purchaser's Surety), Fitness Place Sp. z o.o. (the Purchaser) and Platinium Wellness Sp. z o.o. The price of sale was set at the amount of PLN 11 251 thousand. The transfer of ownership title of the organized part of the enterprise to the Purchaser took place on July 1, 2019.

The conclusion of agreements was the final stage of the transaction of the purchase of organized parts of the enterprise constituting 12 fitness clubs operating under the company Platinium Fitness, resulting from the conditional sales agreements of the organized part of the enterprise, concluded in 2017.

Resignation of Management Board Member of Benefit Systems S.A.

On 2 July, 2019 Izabela Walczewska-Schneyder resigned from the position of Management Board Member of the Company with the effect from 2 July, 2019.

Implementation of the subsequent phases of reorganisation of the Capital Group of Benefit Systems

On 30 July 2019, Fitness Academy BIS Sp. z o.o. merged with AM Classic Sp. z o.o. and Jupiter Sport Sp. z o.o. as part of another phase of reorganization of the Group.

6.27 Approval for publication

These condensed consolidated interim financial statements prepared for the period of 6 months ended 30 June 2019 (with comparative data) were approved for publication by the parent company's Management Board on 21 August 2019.

Signatures of all the Members of the Management Board

Date	Name	Position	Signature
22 August 2019	Adam Radzki	Member of the Management Board	
22 August 2019	Emilia Rogalewicz	Member of the Management Board	
22 August 2019	Wojciech Szwarc	Member of the Management Board	

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

Date	Name	Position	Signature
22 August 2019	Agnieszka Jastrząb	Finance Director	