

CONSOLIDATED QUARTERLY REPORT OF THE CAPITAL GROUP OF BENEFIT SYSTEMS

FOR THE PERIOD OF 3 MONTHS
ENDED ON 31 MARCH 2020



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SELECTED FINANCIAL DATA FOR BENEFIT SYSTEMS GROUP

Table 1: Selected financial data for Benefit Systems Group for the 1st quarter of 2020

In thousands of PLN	1Q 2020	1Q 2019 Restated*
Revenues	386 080	354 067
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	96 264	74 123
<i>of which the result on lease contracts change</i>	(1 128)	0
Operating profit increased by depreciation and amortisation (EBITDA) excluding the Incentive Programme's costs	97 188	75 439
Earnings before interest, tax (EBIT)	42 939	31 889
<i>of which the right-of-use asset amortization</i>	(32 947)	(19 932)
Profit before tax	1 534	20 835
<i>of which the interest expense on lease liabilities</i>	(4 367)	(8 553)
Net profit attributable to shareholders of the parent company	2 049	16 246
Net profit attributable to non-controlling entities	(632)	(169)
Net profit	1 417	16 077
Net cash flows from operating activities	111 899	76 070
Net cash flows from investment activities	(13 890)	(45 704)
Net cash flows from financing activities	21 861	(711)
Net change in cash and cash equivalents	119 870	29 655
Earnings per share (PLN)	0.73	5.62

* Data restated as a result of the netting of proceeds and cost of sales at MultiBenefit Sp. z o.o. on account of contract reanalysing following application of IFRS 15.

In thousands of PLN	As of 31st March, 2020	As of 31st December, 2019
Non-current assets	1 794 491	1 804 753
<i>of which the right-to-use assets</i>	872 312	896 838
Current assets	367 357	274 876
Total assets	2 161 848	2 079 629
<i>of which the right-to-use assets</i>	872 312	896 838
Non-current liabilities	963 574	942 704
<i>of which the lease liabilities</i>	824 251	810 766
Current liabilities	578 217	516 665
<i>of which the lease liabilities</i>	151 477	145 362
Equity	620 057	620 260
Equity attributable to shareholders of the parent company	620 533	618 557

In thousands of PLN	As of 31st March, 2020	As of 31st December, 2019
Share capital	2 859	2 859
Number of shares	2 858 842	2 858 842
Diluted number of shares	2 827 202	2 805 630
Book value per share (PLN)	217.06	216.37
Diluted book value per share (PLN)	219.49	220.47

All data in the report (unless otherwise stated) covers the period January - March, 2020, and the comparative data presents the same period of 2019. All figures are presented in thousands PLN, unless stated otherwise.

DEVELOPMENT OF THE BENEFIT SYSTEMS CAPITAL GROUP AND ITS MARKET ENVIRONMENT

As at the end of first quarter of 2020, the number of sports cards amounted to 1,548.9 thousand, of which 1,177.5 thousand were issued to employees in Poland and 371.4 thousand to users on the foreign markets. As at the end of March 2020, companies with the Benefit Systems Capital Group as the major shareholder operated in aggregate 163 sports facilities in the Polish segment. Users increasingly often choose the MultiSport Card due to its highly attractive offer and the favourable locations of the partner facilities. The Group also operates 15 clubs in the Czech Republic, 9 clubs in Bulgaria and 1 in Slovakia, supporting product development on new markets

The Cafeterias segment may boast more than 482 thousand enrolled Users, with the Sports category invariably remaining their preferred non-payroll benefits on the cafeteria e-platforms.

The Benefit Systems Capital Group specializes in providing employers with effective solutions in terms of employee-dedicated non-payroll benefits. The strategy of the Parent Company is closely related to the strategy of the Capital Group. It envisages, among other things, organic development of the Group in Poland and abroad, supporting the sports cards product by development of the fitness infrastructure, growth in the number of active sports cards in Poland, dynamic development of active sports cards on foreign market and sustainable growth of Users of the cafeterias segment and the building of the competitive advantage by making the products of the Group more attractive.

The corporate social responsibility and sustainable development are also an indispensable element of the business activity of the Group. In September 2018, Benefit Systems as Central and Eastern Europe's first public company was awarded the B Corp. certificate. The B Corporation community groups organizations that have written the corporate social responsibility rules into their business model, engage into solving specific social problems and their functioning is based on the win-win partnership cooperation model they apply to all their stakeholders.

The Group's flagship product is the MultiSport programme, which has been successfully developed both in Poland and on foreign markets, as confirmed, among other things, by a constantly growing number of sports cards.

The key goals of a long-term and stable development of the Benefit Systems Group include the maintaining of an attractive product in Poland and its development on other markets as well as a continued development of the sports and recreation infrastructure for the benefit of sports cards Users.

Since 2019, the Benefit Systems Group has been operating in three (3) segments:

- The **Poland** segment, which is responsible for the sale of sports cards and for the building of its own sports infrastructure by way of managing and investing into fitness clubs on the Polish market. The sports cards allow

access to a broad range of over 4.6 thousand sports and recreation facilities, a part of which are owned and operated by the subsidiaries of the Group.

- The **Foreign** segment is responsible for the sale of sports cards and for the building of the Group's own infrastructure by way of managing fitness clubs on foreign markets and investing into them.
- The **Cafeterias** is a modern and flexible channel for distribution of non-payroll benefits representing not only sports, but also cultural, touristic and other types of activities.

Market environment

The minimum rate of physical activity recommended by the World Health Organization (WHO) for adults is 150 minutes of moderate or 75 minutes of intensive physical effort weekly. Reduction of immobility in daily life translates into reduction of the risk of diabetes, heart diseases and obesity. According to surveys, growth in the BMI index currently affects 40 percent of those aged 25 - 29, 55 percent of those aged 35 - 39 and over 65 of those over 50. In spite of a steady growth in the percentage of overweight and/or obese Poles, only 39 percent of Poles consider it a problem (MultiSport Index 2019).

Increasingly often it is employers who join the fight against the sedentary lifestyle, who encourage activity among their employees. Already in 2017, as many as 80 percent of companies declared that they intended to expand their offer of non-payroll benefits that support physical activity of their employees in the following three years (Poland Benefits Trends Survey, Willis Towers Watson). Even employees themselves can see how their health condition benefits from physical activity. Currently, as many as 28 per cent of them consider sports as an important component of disease prevention strategy. Employees' awareness in terms of promotion of active lifestyle can also influence their acceptance of a job offer - as many as two in five employees are only considering working for those who see employee health and wellbeing as a priority.

Physical activity in the pandemic times

In connection with the COVID-19 epidemic, since the governmental authorities announced (Regulation of the Minister of Health of 13 March 2020) closure of sports facilities and fitness clubs, many Poles take advantage of on-line instruction while exercising at home. Figures from the Google Trends show that in March 2020, hits for phrase "exercising at home" in the browsers grew by as much as 200 percent y-o-y (i.e. than in March 2019).

In the opinion of experts, given the state of pandemic and harsher restrictions to move, physical activity at home becomes of key importance not only for physical health but also for the psychical well-being, which often comes to be tested at the time of social distancing. Survey by Open Research shows that as many as 65 percent of Poles have had to cope with negative emotions during the quarantine, suffered more frequently by women (72 percent) than men (58 percent). Research analysis carried out under the guidance of doctor Felipe Schucha, Ph.D. (published in the American Journal of Psychiatry in April 2018) also proved that engaging in physical activity (at least 150 minutes a week) reduces, by as much as 22 percent, the risk of depression.

Due to the present situation, large numbers of workers carry out official duties from home, thus contributing to a significant blurring of the work-rest line. International study "State of Remote Report 2020" shows that as many as 18 percent of those working remotely have problems with the demarcation of the work and non-work time, struggling the feeling of being at work all the time, whereby 12 percent of respondents reported problems with keeping focus on work performed from home. Nearly 30 percent of Poles who work remotely have a feeling that professional activities consume much more time than they would have they worked at an office. Work ergonomics has increasingly become a problem. Many Poles do not have conditions that would allow them to work from a home office. Lack of physical exercise plus a sedentary lifestyle lead to many illnesses and/or ailments. The data gathered so far are not very optimistic. As many as seven in ten professionally active Poles spend approx. two thousand hours sitting annually (source: surveys by Nowa Era Motywacji, Hays Poland, Mind & Sould Business).

The effectiveness of benefits that support daily functioning of employees has become of key importance. In addition to an abundant on-line offer of sports activities offered as part of the MultiSport programme, for the time of epidemic, employees will also receive access to cafeterias plans allowing them to acquire attractive products or services via Internet. On the other hand, according to Benefit Systems's own analyses, in the time of pandemic, the popularity of diet-supporting educational materials supplementing the sports offer that helps building employees' resilience has doubled.

Since mid-March 2020, MultiSport's offer was significantly extended by on-line solutions, including sports trainings, also with the participation of coaches running on-line classes at partners' facilities, professional dietary plans and cooking workshops, as well as English learning programme. In the leisure time, MultiSport provides access to ebooks and audiobooks, as well as sports animations for parents and children and stories for the latter. As of 11 May, users may also take advantage of singular expert articles discussing HR topics in monthly magazine published by Benefit Systems and webinars on management solutions and strategies. A special zone with educational materials on how to reduce stress including a course on mindfulness and meditation trainings was made available in May.

1. IMPORTANT INFORMATION ON THE BENEFIT SYSTEMS CAPITAL GROUP

1.1. GENERAL INFORMATION ON THE GROUP AND THE MEMBER COMPANIES OF THE GROUP

Benefit Systems Group is comprised of Benefit Systems S.A., responsible for the sale of sport cards in Poland, as well as entities operating on the non-payroll employee benefits market and sports market. Currently, only in the Polish Sports Cards segment, over 16,500 companies and institutions are customers of Benefit Systems Group.

Benefit Systems S.A. has been listed on the main trading floor of the Warsaw Stock Exchange since April, 2011. The flagship product of Benefit Systems Group is the MultiSport Programme, which provides access to over 4,600 of the best and most popular sports facilities in approximately 650 towns and cities throughout Poland. Benefit Systems Group also offers other sports cards, for example, the FitProfit card, described in the further part of the report. In total there are over 1,177.5 thousand users in Poland and 371.4 thousand users abroad of the sports products alone from Benefit Systems Group. The MultiSport programme enable a holder to lead an active, and thus a healthy lifestyle since 2004, and due to broad offer suited for various needs, it became the quality and standard synonym on the market.

With a view to support the dynamic development of the flagship product, the Benefit Systems Group has been investing into the fitness market thus providing an appropriate infrastructure for the holders of the MultiSport cards. In accordance with a survey carried out by the Benefit Systems Group, one half (50%) of the cards issued by the Group goes to rookie users. This means that fitness clubs and other sports facilities get several thousand new customers annually. Thanks to investing into companies operating fitness clubs, the Benefit Systems Group can guarantee the sports cards users well outfitted with state-of-the-art equipment sports clubs offering a wide range of professional services.

Benefit Systems Group also offers the MyBenefit and MultiKafeteria cafeteria platforms, which give employees a choice of any non-wage employee benefits from a list accepted by their employer. From the Group's perspective cafeteria platforms are predominantly a distribution channel for the main product – sport cards. Cafeteria systems include the Benefit Systems Group's own products, such as the MultiBilet cultural and entertainment programme,

allowing users to watch any of the films offered in hundreds of cinemas throughout Poland, the MultiTeatr programme offering tickets to the most popular theatrical performances, and the BenefitLunch programme with its dining offer for employees

The concept of the MultiSport Programme supported by investments into the fitness sector is also exploited in the foreign business development. The Benefit Systems Group is already present on the Czech (since 2011), and also on the Slovakian and Bulgarian (since 2015) markets, as well as in Croatia and Greece (since 2018). The aggregate business development potential in the said countries (mainly in the capital cities) may even surmount the capacity of the Polish market.

SUBSIDIARIES AND AFFILIATES

COMPANIES OF THE POLISH SEGMENT

Benefit Systems S.A. is responsible for the sale of MultiSport cards and also in scope of established Fitness Branch is concentrating activity of owned fitness clubs. Since 2011, it has been listed on the main floor of the Warsaw Stock Exchange.

Benefit Systems S.A. the Fitness Branch in Warsaw was established as a result of merging Fit Invest Sp. z o.o. into Benefit Systems S.A. and spinning it off into newly established self-balancing Fitness Branch (14 January 2019). The Fitness Branch manages the Group's investments into the fitness clubs operating on the Polish market. At the final stage of reorganisation process, on 4 November 2019, the following companies were included in the Branch: Zdrofit Sp. z o.o., Fabryka Formy S.A., Fitness Academy BIS Sp. z o.o., and Fitness Place Sp. z o.o., operating in aggregate 146 fitness clubs across Poland

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

VanityStyle Sp. z o.o. specializes in providing sports and recreation solutions. The Company provides large and medium-sized businesses with FitProfit and FitSport cards that have similar characteristics to the products of Benefit Systems S.A., but with a narrower range of services offered, fewer partners and, in principle, a product positioned as less expensive. Furthermore, the Company has enhanced the sports cards offer with a products called *Bilet CinemaProfit* and *Qltura Profit*.

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

FitFabric Sp. z o.o. operates 17 fitness clubs located primarily in the łódzkie region. The company is fully consolidated from 31 October 2018.

Benefit Partners Sp. z o.o. is a Benefit Systems' subsidiary (affiliate until 15 January, 2019), which has been providing fitness equipment to sports clubs owned by the companies of the Group on the basis of lease contracts.

COMPANIES FROM THE FOREIGN SEGMENT

Benefit Systems International Sp. z o.o. is the entity through which Benefit Systems Group conducts operations abroad in the area of sport cards. Benefit Systems International Sp. z o.o. is the majority owner of the Group's

shares in foreign companies: MultiSport Benefit S.R.O. (the Czech Republic), Benefit Systems Slovakia S.R.O. (Slovakia), Benefit Systems Bulgaria EOOD (Bulgaria), Benefit Systems D.O.O. (Croatia), Benefit Systems MIKE (Greece) and Benefit Systems, storitve, D.O.O. (Slovenia), which are responsible for the sale of sports cards in these countries.

Fit Invest International Sp. z o.o. is an entity which manages investments of Benefit Systems Group within the Foreign segment. Form Factory S.R.O. (Czech Republic) and Fit Invest Bulgaria EOOD (Bulgaria) are companies responsible for investments in fitness clubs, including the purchase of existing clubs and the opening of new facilities in the Czech Republic and Bulgaria, respectively. They both operate 9 clubs, respectively. Beck Box Club Praha S.R.O. operates six fitness clubs in Prague, Fit Invest Slovakia S.R.O. operates one clubs in Slovakia.

COMPANIES IN THE CAFETERIAS SEGMENT

MyBenefit Sp. z o.o. develops and sells products (through its special cafeteria platform) that can be used by companies to motivate and reward employees. Currently, the company has in its portfolio a cafeteria system tailored to the needs of customers, including, among others, gift cards for retail chains, cinema or cultural programmes, tourism vouchers and a recreation funding system. In 2019 MultiBenefit Sp. z o.o. conducted activities related to non-wage employee benefits, including, among others: MultiKafeteria, MultiBilet, MultiTeatr and BenefitLunch. On 31 December 2019 the company merged with My Benefit Sp. z o.o. company and the activity is continued as one entity.

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

Table 2: Table of subsidiaries

Operating segment	Name of the subsidiary	Registered office of the subsidiary	Group's share in equity	
			31/03/2020	31/03/2019
SEGMENT POLAND	VanityStyle Sp. z o.o.	ul. Skierniewicka 16/20 01-230 Warsaw	100.00%	100.00%
	FitSport Polska Sp. z o.o.	Plac Europejski 2 00-844 Warsaw	100.00%	100.00%
	Benefit IP Sp. z o.o.	Plac Europejski 2 00-844 Warsaw	100.00%	100.00%
	Benefit IP Spółka z ograniczoną odpowiedzialnością sp. k.	Plac Europejski 2 00-844 Warsaw	100.00%	100.00%
	Fitness Academy Sp. z o.o.	Plac Europejski 2 00-844 Warsaw	100.00%	100.00%
	FitFabric Sp. z o.o. ¹⁾	ul. 1go Maja 119/121 90-766 Łódź	52.50%	52.50%
	Benefit Partners Sp. z o.o.	Plac Europejski 2 00-844 Warsaw	100.00%	95.00%
FOREIGN SEGMENT	Benefit Systems International Sp. z o.o.	ul. Młynarska 8/12 01-194 Warsaw	97.20%	100.00%
	Benefit Systems Bulgaria EOOD	11-13, Yunak Str., floor 1 Sofia 1612, Bulgaria	94.50%	100.00%
	Benefit Systems D.O.O.	Zagreb (Grad Zagreb) Heinzlova ulica 44, Croatia	98.50%	100.00%
	Benefit Systems Greece MIKE	12 Agias Fotinis Str.Nea Smyrni, 17121, Greece	96.00%	100.00%

Operating segment	Name of the subsidiary	Registered office of the subsidiary	Group's share in equity	
			31/03/2020	31/03/2019
	Benefit Systems Slovakia S.R.O.	Ružová dolina 6 Bratislava - mestská časť Ružinov 821 08, Slovakia	96.00%	83.00%
	MultiSport Benefit S.R.O.	Lomnickeho 1705/9 140 00 Praha 4 Czech Republic	96.00%	78.80%
	Form Factory S.R.O.	Vinohradská 2405/190 Vinohrady, 130 00 Praha 3 Czech Republic	100.00%	100.00%
	Fit Invest Bulgaria EOOD	Atanas Dukov 32 M-Plaza building 1407 Sofia, Bulgaria	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%
	Fit Invest International Sp. z o.o.	ul. Młynarska 8/12 01-194 Warsaw	100.00%	100.00%
	Fit Invest Slovakia S.R.O. ²⁾	Ružová dolina 480/6 Bratislava - mestská časť Ružinov 821 08, Slovakia	100.00%	0.00%
	Benefit Systems, storitve D.O.O. ³⁾	Trg republike 3, 1000 Ljubljana, Slovenia	95.00%	0.00%
SEGMENT CAFETERIAS	MyBenefit Sp. z o.o. ³⁾	ul. Powstańców Śląskich 28/30, 53-333 Wrocław	100.00%	100.00%
	MultiBenefit Sp. z o.o. ³⁾	Plac Europejski 2 00-844 Warsaw	0.00%	100.00%
OTHER	MW Legal 24 Sp. z o.o. ⁴⁾	Plac Europejski 2 00-844 Warsaw	100.00%	100.00%

1) FitFabric Sp. z o.o. has been consolidated since 2018 as a fully (100%) controlled entity, net of minority shares, given the fact that the minority shareholders executed contracts obliging them to dispose of the remaining shares.

2) Fit Invest Slovakia S.R.O. 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.

3) On 31 December 2019 MultiBenefit Sp. z o.o. merged with MyBenefit Sp. z o.o

4) Company not consolidated due to lack of business activity.

Table 3: Table of associates and others

Operating segment	Name of the associate	Registered office of the associate	Group's share in equity	
			31/03/2020	31/03/2019
POLAND SEGMENT	Baltic Fitness Center Sp. z o.o.	ul. Puławska 427 02-801 Warsaw	49.95%	49.95%
	Instytut Rozwoju Fitness Sp. z o.o.	ul. Puławska 427 02-801 Warsaw	48.10%	48.10%
	Calypto Fitness S.A.	ul. Puławska 427 02-801 Warsaw	33.33%	33.33%
	Get Fit Katowice II Sp. z o.o.	ul. Uniwersytecka 13 40-007 Katowice	20.00%	20.00%
OTHER COMPANIES	LangMedia Sp. z o.o.	ul. Skwierzyńska 25/3 53-521 Wrocław	37.00%	37.00%
	X-code Sp. z o.o.	ul. Kludyny 21/4 01-684 Warsaw	31.15%	31.15%

1.2. INCOME STATEMENT

Table 4: Income Statement of Benefit Systems Group for 1Q 2020

In thousands of PLN	1Q 2020	1Q 2019 Restated	Change
Sales revenues	386 080	354 067	9.0%
Revenues from services	381 370	349 960	9.0%
Revenues from sales of goods and materials	4 710	4 107	14.7%
Costs of sales	(291 155)	(269 926)	7.9%
Cost of services rendered	(288 156)	(266 875)	8.0%
Cost of goods and materials sold	(2 999)	(3 051)	(1.7%)
Gross profit on sales	94 925	84 141	12.8%
Selling expenses	(23 905)	(23 706)	0.8%
General and administrative expenses	(30 372)	(29 966)	1.4%
Other operating income	3 384	4 712	(28.2%)
Other operating costs	(1 093)	(5 332)	(79.5%)
Re-measurement to fair value of existing holdings	0	2 040	-
Operating profit	42 939	31 889	34.7%
Financial income, of which	9 609	859	-
<i>Interest income on loans</i>	<i>515</i>	<i>673</i>	<i>(23.5%)</i>
Financial expenses, of which	(51 898)	(12 777)	306.2%
<i>Interest expense on lease liabilities</i>	<i>(4 367)</i>	<i>(8 553)</i>	<i>(48.9%)</i>
<i>Write down of financial assets</i>	<i>(220)</i>	<i>(4)</i>	-
Share of profits (loss) for entities accounted for using the equity method	884	864	2.3%
Profit before tax	1 534	20 835	(92.6%)
Income tax	(117)	(4 758)	(97.5%)
Net profit from continuing operations	1 417	16 077	(91.2%)
Gross margin on sales %	24.6%	23.5%	0.8 p.p.

1.3. PROSPECTS IN THE LIGHT OF COVID-19 EPIDEMIC IN POLAND AND AROUND THE WORLD

The short-, and medium-term perspectives of the Company and of the Capital Group have been materially impacted by the COVID-19 epidemics in Poland and in the region. In mid-March 2020, on all the markets on which the Capital Group operates, fitness clubs and other sports facilities were closed which materially impacted the possibility of generating income. The Group expects that the lockdown will adversely influence the results of 2Q 2020, and the potential macroeconomic consequences of the COVID-19 epidemics may also affect the results of the Group in 2H 2020.

The main drivers impacting the results of 2Q 2020:

- Both in Poland and abroad, the companies of the Capital Group charge no fee for the sports carnets to the customers (B2C) of the fitness chains.
- on the Polish market, during the time when the clubs are closed, the MutliSport programme will be based on services provided on-line. Clients and their employees will be able to use rebates or decide to have their cards suspended at that time. The estimated proportion of suspended cards amounts to ca. 70%;

- on foreign markets, the MultiSport programme does not provide for services delivered on-line, which naturally limits the possibility of generating income from that area during the lockdown period.

As of the date of the report, the opening of fitness clubs in Poland is planned for 1 June 2020 subject to the sanitary restrictions. The Group is prepared for the opening of the clubs as soon as it is possible and to comply with all the sanitary requirements and ensure safety to the participants.

Fitness clubs have been allowed to resume their activity in the Czech Republic since 27 April 2020. This was the day, on which all the clubs (15) belonging to the companies of the Group were opened (while meeting the required sanitary restrictions). Since the beginning of May, the Czech company resumed charging fees for the MultiSport cards. As of the date of this report, around 50% partner facilities are operating on Czech market (in comparison to around 36% as of 27 April 2020). The number of active sport cards in the Czech Republic (as of 22 May 2020) amounts to 121 thousand cards in comparison to 187 thousand cards in March 2020. During the initial period after club opening MultiSport Benefit S.R.O. company observed increased number of cards deactivations; however, in the last 2 weeks the number of activations surpassed the number of deactivations. Relaxing of some sanitary restrictions since 11 May (among others lifting of the requirement to use protective masks, higher number of users allowed per class) contributed positively to the number of cards activations.

In Bulgaria, fitness clubs have been allowed to resume their activity since 18 May 2020. On that day, all the clubs (9) of the companies of the Group were opened (while observing the required sanitary restrictions). Due to the fact that on account of closure of clubs, a portion of the March revenues has been deferred over time to represent revenues in May, the Bulgarian entity will resume charging fees for the MultiSport cards starting from early June. As of the date of this report, around 70% partner facilities are operating on Bulgarian market

In Croatia, fitness clubs have been allowed to resume their activity as of 13 May 2020. As of that day, the Croatian company resumed charging fees for the MultiSport cards. As of the date of this report, around 89% partner facilities are operating on Croatian market

In Slovakia, fitness clubs are planned to be open on 3 June 2020.

The results of 2Q 2020 will be shaped by the activities taken by the Group on the costs side, which include:

- reductions in the costs related to the activity of sports clubs in Poland (in the event that the clubs are closed for the entire month, costs savings are at the level of PLN 14-17 million per month);
- short-term restrictions on the costs of sales and overheads in the Capital Group of the Company and savings on the costs directly related to the operation of fitness clubs on foreign markets (the estimated reductions in the monthly scale amount to PLN 5-7 million);
- cutting costs in other categories.

In the perspective of 2H 2020, the results of the Company and its Capital Group will depend on the macroeconomic effects of the COVID-19 pandemic and their impact on the labour market and on the private consumption on the markets where the Capital Group operates.

In the long-term, the Group has invariably been upholding its estimates of the potential of sports cards market in Poland at 1.8 million – 2.2 million cards, and has been observing high potential for the development of the MultiSport programme on foreign markets (which currently are in a relatively early phase of growth). Furthermore, the COVID-19 epidemic may, in the long run, contribute to an increased social awareness of protection of health and building resilience, which in turn may generate demand for services related to physical activity which represent the core area of activity of the Group.

2. FINANCIAL RESULTS FOR 1Q 2020

2.1. INTRODUCTION

The Benefit Systems Group has been presenting its results on the basis of operating segments since 2014. In line with the thresholds defined in IFRS 8, the Benefit Systems Group is obliged to present results of the segments, where the revenues have exceeded the threshold of 10% of the total revenues of the Group; however, acting in response to the needs of various stakeholder groups, the Group has been presenting the segments' data in a broader scope every year.

Since 2019, the Group has been presenting the results on the basis of three (3) core reporting segments: Poland, Foreign and Cafeterias, as well as Other activities and arrangements (other non-segmental operations).

Moreover, since 2020 data for operating segments will be presented at the operating profit level due to the fact that financing activities are established on the Capital Group level. The dominant entity made appropriate restatements to the comparable data that it presents in these Statements.

The revenues of the Segment represented the revenues generated from sales to third-party customers or from transactions with other segments. They can be directly attributed to a specific segment. The costs of the segment include the costs of sales to third-party customers and the costs of transactions with the other segments of the Group. The expenses follow from the operating activity of specific segments and are directly attributable thereto along with a respective portion of the costs of the Capital Group that is clearly attributable to specific segment. The costs of operating segment are reported net of the costs of income tax. Segment's result is established at the operating profit level.

Table 5: Selected financial data for operating segments for 1Q 2020

In thousands of PLN	Poland	Foreign	Cafeterias	Other activities and arrangements	Total
Sales revenues	299 338	80 826	8 711	(2 795)	386 080
Costs of sales	(217 276)	(72 789)	(5 724)	4 634	(291 155)
Gross profit on sales	82 062	8 037	2 987	1 839	94 925
Selling expenses	(13 410)	(8 971)	(1 510)	(14)	(23 905)
General and administrative expenses	(19 010)	(8 731)	(1 798)	(833)	(30 372)
<i>Incentive Programme</i>	0	0	0	(924)	(924)
Other operating income and expenses	2 217	18	(2)	58	2 291
Operating profit (loss)	51 859	(9 647)	(323)	1 050	42 939
EBITDA	96 776	(968)	1 011	(555)	96 264
Share of profits (loss) for entities accounted for using the equity method	400	-	-	484	884
Interest expense on lease liabilities	(3 999)	(417)	(41)	90	(4 367)
Financial costs (other than interest expense on lease liabilities)					(37 922)
Profit before tax					1 534

Segment assets	1 970 141	282 644	118 328	(209 265)	2 161 848
<i>of which, the right-of-use asset</i>	771 112	105 875	6 371	(11 046)	872 312
Depreciation and amortization	44 917	8 679	1 334	(1 605)	53 325
<i>of which, the right-of-use asset amortization</i>	27 511	5 744	473	(781)	32 947

Table 6: Reconciliation of the total value of revenues, income and assets of operating segments with similar items of the consolidated financial statements of Benefit Systems Group for 1Q 2020

In thousands of PLN	1Q 2020	1Q 2019
Segments revenue		
Total revenue of operating segments	388 875	362 391
Total revenue not allocated to segments	354	0
Excluding revenue from intersegment transactions	(3 149)	(8 324)
Sales revenues	386 080	354 067
Result of segments		
Operating result of segments	41 889	31 532
Elimination of the result from intersegment transactions (IRFS 16)	781	308
Others operating expenses not allocated to segments (-)	0	0
Exclusion of result from intersegment transactions	269	49
Operating profit	42 939	31 889
Financial income and expenses	(42 289)	(11 918)
Share in profit or loss of entities accounted for using the equity method (+/-)	884	864
Profit before tax	1 534	20 835
In thousands of PLN	As of 31 March, 2020	As of 31 December, 2019
Total assets of operating segments	2 371 113	2 222 139
Total assets not allocated to segments	53 209	47 530
Exclusion of intersegment transactions	(262 474)	(190 040)
Total assets	2 161 848	2 079 629

In the period covered by the consolidated financial statements, revenues from sales attributed to the Other activities and arrangements segment primarily include exclusions of intersegment transactions, the cost of the Incentive Programme and other activities not allocated to separate operating segments.

2.2. INFORMATION ABOUT OPERATING SEGMENTS

2.2.1. SEGMENT POLAND

The **Poland** segment deals in the sales of sports cards and investments into and management of fitness clubs on the Polish market.

Sports cards are distributed by: Benefit Systems S.A., FitSport Polska Sp. z o.o. and VanityStyle Sp. z o.o. Currently the following cards are available:

MultiSport Plus - this card allows for the unlimited use of nearly 4,500 sports and recreational facilities throughout Poland, providing access to over 25 different sports;

MultiSport Classic - this card can be used once a day at nearly 2,600 sports facilities providing access to almost 25 different sports;

MultiActive - this card provides access to over 2,500 sports facilities and over 20 different sports up to the prepaid limit stored on the card;

MultiSport Plus Kids / MultiActive Kids - these cards give children access to activities such as martial arts, dance classes, and entrance to swimming pools, adventure playgrounds, salt caves or ice rinks; with the new features including selected climbing walls and rope parks;

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

MultiSport Senior – the card dedicated to users above 60 years of age, which allows for a single daily use of services offered by sports facilities before 4pm. The card provides access to more than 3,000 facilities and over 25 different sport activities;

FitSport - the card gives access to many sports services, such as fitness, gym, sauna, and swimming pool cooperating with VanityStyle Sp. z o.o. within the specified limit of permitted entrances - 8 entrances per month;

FitProfit - this card allows the use of services from facilities cooperating with VanityStyle Sp. z o.o, i.e. with more than 3,500 facilities in 590 towns and cities in Poland.

Sports cards are one of the most popular benefits in Poland. They are one of the most preferred benefits by the employees – they are expected by more than 50% of job applicants. Sports cards are unique because this single product represents a combination of gains derived therefrom by multiple market participants: for employers, they are an effective tool providing incentives for their employees; they enable the cardholders to take advantage of the diverse offer of multiple sports facilities and activities; and for the sports facility owners the sports cards represent a good complementation of their business. As a result of all of this, the growth tendency of active sports cards continues, given in particular that the market potential remains high since many Poles still do not engage in any sports activity, and employers increasingly often can see that they benefit from their employee's care for their physical condition, and, by the same, their health.

As of the end of 1Q 2020, the Benefit Systems group recorded sports cards increase to level of 1,177.5 thousand cards. During last twelve months it translated into growth by 145.4 thousand cards, i.e. 14.1%.

Considering continued growth in the number of sports Cardholders, the Benefit Systems Group has been investing into fitness clubs, including in particular the Group's own fitness clubs, with a view to securing an adequate base of sports-recreation facilities. Since 4Q 2018, the present subsidiaries [of the Group] operating on the fitness market, which included companies running fitness clubs and sports-recreation facilities, and entities managing investments into fitness clubs, have been undergoing a gradual reorganization consisting in their mergers and inclusion into Benefit Systems S.A., taking the form of a branch. The reorganization process ended on 4 November 2019.

As of the end of 1Q 2020, the Benefit Systems Group managed Polish companies running in aggregate one hundred and sixty-three (163) sports clubs on their own. Additionally, the Group held interests in companies managing additional 48 facilities. As compared to the end of 4Q 2019, the scope of the results consolidated fully to the results

of the Group grew by 2 facilities. The facilities represent the following well-known brands (fitness club chains): **Zdrofit, Fabryka Formy, Fitness Academy, My Fitness Place, FitFabric, S4 and AquaPark Wesolandia.**

Table 7: Selected financial data from the segment Poland

In thousands of PLN	1Q 2020	1Q 2019	Change
Sales revenues	299 338	284 793	5.1%
Costs of sales	(217 276)	(213 864)	1.6%
Gross profit on sales	82 062	70 929	15.7%
Selling expenses	(13 410)	(14 170)	(5.4%)
General and administrative expenses	(19 010)	(17 348)	9.6%
Other operating income and expenses	2 217	(90)	-
<i>Incl. re-measurement to fair value of existing holdings</i>	<i>0</i>	<i>2 040</i>	<i>-</i>
Operating profit	51 859	39 321	31.9%
EBITDA	96 776	75 309	28.5%
<i>Interest expense on lease liabilities</i>	<i>(3 999)</i>	<i>(7 808)</i>	<i>(48.8%)</i>
<i>Gross margin on sales</i>	<i>27.4%</i>	<i>24.9%</i>	<i>2.5 p.p.</i>
<i>Number of sports cards (in thousand)</i>	<i>1 177.5</i>	<i>1 032.1</i>	<i>145.4</i>
<i>Number of clubs</i>	<i>163</i>	<i>150</i>	<i>13</i>

The revenues of the Polish segment grew by 5.1% y-o-y; i.e. less than in the analogous periods in the past. This was primarily attributable to the impact that restrictions imposed to curb the COVID-19 pandemic, consisting mainly of closing sports facilities as of 14 March 2020, had on the activity of the companies of the segment. On the other hand, the number of active cards higher than as compared to 1Q 2019, as well as development of the support base and of the activity of the own clubs still allowed generating high revenues throughout the period under review. Gross profit on sales grew by 15.7% y-o-y to 2019, which was attributable to both an overall development of the Capital Group and to the impact of the pandemic on the results of the segment.

The growth in the scale of the activity of the segment was attributable to development of various functions at individual companies, which however also contributed to growth in the overheads, primarily in the finance, legal or IT departments. At the same time, the Group initiated activities aimed at curbing both the direct costs of sports facilities and the selling expenses (including the marketing costs) and overheads. The first effects of it could be seen in 1Q 2020.

The period under review, i.e. 1Q 2020, saw incessant pursuing of various marketing campaigns to promote the Group's core product and the activity of its own clubs. In the face of the evolving situation unleashed by the pandemic, the end of 1Q 2020 saw intensive efforts aimed at providing the holders of contracts and carnets to sports facilities with services that could be provided on-line and offering the users of the active sports cards with attractive services. The offer included, among other things, access to an e-book and audiobook library, professional dietary plans, on-line trainings, podcasts with participation of experts, and educational materials. In April 2020, MultiSport card users were also offered individual consultations with sports trainers and dieticians, a platform to learn English and animations dedicated to children. Furthermore, the holders of active cards may participate in on-line classes of partner facilities of their choice (while other clients have to pay for them).

Other revenues and operating expenses represent reversal of the revaluation reserves, trade receivables as a result of a significant improvements in the debt-collection procedures.

In 1Q 2020, the Polish segment reported a PLN 27.5 million amortisation of the right-of-use assets and PLN 3.9 million interest on lease liabilities.

2.2.2. FOREIGN SEGMENT

The segment is comprised of companies that develop the MultiSport programme and companies operating fitness clubs in the foreign markets as a part of the strategy to secure the main product – MS card. MultiSport programme is currently being developed in 5 foreign markets, while fitness clubs are operated in the Czech Republic, Bulgaria and Slovakia. The segment is comprised of the following companies: Benefit Systems International Sp. z o.o., MultiSport Benefit S.R.O, Benefit Systems Bulgaria EOOD, Benefit Systems Slovakia S.R.O., Benefit Systems D.O.O., Benefit Systems Greece MIKE, Fit Invest Bulgaria EOOD, Form Factory S.R.O., Beck Box Club Praha S.R.O., Fit Invest International Sp. z o.o., Fit Invest Slovakia S.R.O. and Benefit Systems, storitve, D.O.O. (established on 25 November 2019).

Benefit Systems International Sp. z o.o. is the dominant entity in relation to other segment companies. The results of all listed companies are consolidated using the full method.

Table 8: Selected financial data of foreign segment

In thousands of PLN	1Q 2020	1Q 2019	Change
Sales revenues	80 826	72 030	12.2%
Cost of sales	(72 789)	(63 275)	15.0%
Gross profit on sales	8 037	8 755	(8.2%)
Selling expenses	(8 971)	(8 080)	11.0%
General and administrative expenses	(8 731)	(7 287)	19.8%
Other operating income and expenses	18	(319)	-
Loss from operations	(9 647)	(6 931)	39.2%
EBITDA	(968)	(1 666)	(41.9%)
<i>Interest expense on lease liabilities</i>	<i>(417)</i>	<i>(1 270)</i>	<i>(67.2%)</i>
<i>Gross margin on sales</i>	<i>9.9%</i>	<i>12.2%</i>	<i>(2.3 p.p.)</i>
<i>Number of sports cards (in thousands)</i>	<i>371.4</i>	<i>265.3</i>	<i>106.1</i>
<i>Number of clubs</i>	<i>25</i>	<i>21</i>	<i>4</i>

Revenues from the Foreign segment grew by 12.2% as compared to the analogous period of 2019 to reach level of PLN 80.8 million. Growth in the number of cards remained at a highly dynamic level. As of the end of March 2020, there were 371.4 thousand active cards, i.e. 106.1 thousand cards y-o-y, representing growth of nearly 40%. In the second week of March 2020, the governments of the countries where the MultiSport cards are offered decided that fitness facilities would be closed, thus rendering provision of the services impossible. Therefore, sales revenues were lower than it might be assumed based on the growth in the number of cards.

Table 9. Number of sports cards (thousands) in the countries of the Foreign segment*

Country	1 quarter 2020	1 quarter 2019	Change
Czech Republic	186.7	141.5	45.2
Bulgaria	113.2	90.0	23.2
Slovakia	46.0	26.7	19.3
Croatia	24.9	7.1	17.8
Greece	0.6	-	0.6
Total	371.4	265.3	106.1

* weighted average number of cards for the last month of the period indicated.

The highest dynamics of growth was observed on the Croatian market, where our activity was launched in 2018. The MultiSport programme has been enjoying invariably high appreciation among Partners and Clients. Apart from Poland, the Czech Republic has invariably been the biggest market for the MultiSport programme. In spite that this is a mature market, double-digit growth rates in the number of cards y-o-y can still be observed thanks to a high quality of services offered on the Czech market and an effective strategy of winning over new partners and clients. Bulgaria, with its increase in the number of cards by more than 20 thousand y-o-y, also reported high dynamics of growth.

In Slovakia, growth in the number of cards amounted to 72% as compared to 1Q 2019. This was possible thanks to development of the quality of the sales structures and an effective acquisition of new clients.

The continuous development of partner networks made Foreign segment companies offer available to an increasingly greater number of customers. In 1Q 2020 the number of partners grew by over 1.4 thousand in aggregate vs. year 2019. The number of partner facilities totalled 5.8 thousand.

However, the Foreign segment has also been developing their own network of clubs so that customers can be offered top quality services. As of the end of 1Q 2020, the Foreign segment had 25 clubs on three markets. 1Q 2020 saw the opening of one club in Bulgaria.

Table 10: Number of fitness clubs operated by the Group in foreign markets.

Company	Number of fitness clubs		
	31/03/2020	31/03/2019	Change
Form Factory S.R.O.	9	9	-
Beck Box Club Praha S.R.O.	6	6	-
Fit Invest Bulgaria EOOD	9	6	3
Fit Invest Slovakia S.R.O.	1	-	1
Total	25	21	4

1Q 2020 also saw growth in the revenues from fitness clubs, even though the decision to close clubs in mid-March dictated by the COVID-19 pandemics situation seriously impacted the revenues generated by the fitness segment. Even though clubs had to remain closed for more than two weeks in March, the revenues for 1Q 2020 surpassed those for the analogous period in 2019.

A growth in the selling expenses and overheads in 1Q 2020 was attributable, among other things, to development of the sales structures and a growing number of cards, which, in turn, generated the need to increase headcounts in the administrative departments that are responsible for customer support. However, the dynamics of the growth in the revenues still prevails over the dynamics of the growth in the costs of sales and overheads.

In 1Q 2020, the Foreign segment reported amortisation of the right-of-use assets at PLN 5.7 million and interest on lease liabilities at PLN 0.4 million.

2.2.3. CAFETERIAS SEGMENT

The Cafeterias segment is responsible for development of the MyBenefit and MultiKafeteria cafeteria platforms which offer a vast range of products and services, including the Benefit Systems Group's own products. The offer of the cafeteria platforms is focused on non-payroll benefits in the area of culture, entertainment, sports, recreation, catering, education, wellness, leisure, and the domestic and foreign tourism. Available are also shopping vouchers of Polish renowned chain stores and brands, courses, trainings and gastronomic offers. The benefits are delivered

by proven providers, and the partnership network, which continues to develop, already groups a few thousand entities. In Cafeterias Segment on 31 December 2019 MultiBenefit Sp. z o.o. merged with MyBenefit Sp. z o.o. by way of its acquisition by MyBenefit Sp. z o.o.

MyBenefit and MultiKafeteria platforms allow employee users to freely choose from among the benefits offered by the platforms within limited ranges and budgets as defined by employers. Users can choose benefits directly from Cafeteria - a web platform in which each user has an individual account. The popularity of the solution, which allow full control of the spent benefits and settlement of accounts thereof in a simple manner, ranges from production, service and trade companies to financial and governmental institutions with sizes of employment ranging from fifty to several thousand persons. The Cafeteria programmes include benefits ranging from sports and health to tourism and culture combined with shopping vouchers of Polish renowned chain stores and brands. The Cafeterias segment is also an important distribution channel for Sports Cards offered by the Group.

A **Cinema programme MultiBilet** is an independent part of the cultural and entertainment programme offered by the Group. MultiBilet offers tickets to over 200 partner cinemas in all of Poland (including in particular: Cinema City, Helios and Multikino, in addition to many local cinemas).

QlturaProfit Voucher offered by Vanity Style company grants access to specific theatre spectacles, movie screenings, and exhibitions forming parts of the cultural offer of approximately 50 theatres, 190 cinemas, 50 museums and 28 thematic parks across Poland

Apart from the Cafeteria platforms and the Cinema Programme in Group's offer there are:

MultiTeatr – vouchers for theatrical performances in the most popular theatres;

MultiMuzeum – gives access to museums and art galleries in the largest Polish cities;

MultiZoo – an offer of entrance tickets to zoological parks, represents the latest proposal in the portfolio;

BenefitLunch – offers a subscription or pass access for lunch in more than 200 premises.

Table 11: Selected financial data from the Cafeterias segment

In thousands of PLN	1Q 2020	1Q 2019 Restated	Change
Sales revenues	8 711	5 568	56.4%
Costs of sales	(5 724)	(3 873)	47.8%
Gross profit on sales	2 987	1 695	76.2%
Selling expenses	(1 510)	(1 455)	3.8%
General and administrative expenses	(1 798)	(1 045)	72.1%
Other operating income and expenses	(2)	(53)	(96.2%)
Operating loss	(323)	(858)	(62.4%)
EBITDA	1 011	23	-
<i>Interest expense on lease liabilities</i>	<i>(41)</i>	<i>(134)</i>	<i>(69.2%)</i>
<i>Gross margin on sales</i>	<i>34.3%</i>	<i>30.4%</i>	<i>3.9 p.p.</i>
<i>Turnover (in millions of PLN) *</i>	<i>85.5</i>	<i>74.3</i>	<i>11.2</i>
<i>Number of users (in thousands)</i>	<i>482</i>	<i>389</i>	<i>93</i>

* On the basis of bookkeeping notes, invoices and bills issued by cafeteria platforms: MultiKafeteria and MyBenefit.

As of the end of 1Q 2020, cafeteria-style e-platforms: MyBenefit and MultiKafeteria, were grouping nearly 483 thousand Users, whose number grew by 93 thousand y-o-y. Such high growth in the number of Users by nearly

one fourth part has translated into growth in the turnovers generated by the cafeteria platforms by 15.1% and revenues of the segment by 56.4% y-o-y.

The structure of sales of the benefits offered via the distribution channel discussed at this point shows that the Sports category invariably enjoys the greatest success. In the 2020 period under review, Sports have already accounted for 52% of turnover of the e-platforms

Increase in the own costs of sales in the portion of fixed costs allocated to this item. The foregoing was attributable to a higher level of employment in the Cafeterias segment by 26% y-o-y, in particular in the product development and customer service departments, and higher investments into technologies supporting sales and customer service.

Total indirect expenses of the Cafeterias segment grew by PLN 0.8 million, which was primarily attributable to personnel costs resulting from increased level of employment and costs of development of new projects and services that will be continued over subsequent calendar quarters of 2020.

Higher level of employment in the sales, marketing departments and in the key account support team of the Cafeterias segment, as well as increased outlays on promotion and communication with customers and users of the Cafeteria platform have contributed to growth of the selling expenses by ca. PLN 0.1 million.

Increase in the general and administrative expenses by PLN 0.7 million results from increase in the scope of activity contributing to development of more complex administrative or reporting structures.

Inclusion of construction in progress in company's assets resulted in the growth of depreciation by PLN 0.5 million. The said projects were aimed at development and modernisation of the Cafeterias System with the intention to make the IT solutions more attractive for users.

In the period preceding its takeover by MyBenefit Sp. z o.o (31.12.2019), MultiBenefit Sp. z o.o. re-analysed its role in the sales of the Cafeterias benefits in the context of the extent of risk incurred by the both parties. An analysis showed that in a significant part of the transaction, the Company acts as an agent (in particular, sale of the MultiBilet, sale of the BenefitLunch) and, therefore, in accordance with IFRS 15, the Company should only present, in the Revenues, a commission fee (or margin) on its acting as an intermediary in the trading in specific benefits. Therefore, the presentation of the revenues and expenses of the Company for year 2019 was adjusted without any effect on the results of the Company and of the Group

In 1Q 2020, the Cafeterias segment reported amortisation of the right-of-use assets at PLN 0.4 million and interest on lease liabilities at PLN 0.04 million.

Table 12: Effect of change in revenues classification to the comparable data in the Cafeterias segment (related to the implementation of IFRS 15)

In thousands of PLN	1Q 2019 after change in classification	1Q 2019 before change in classification	Change
Sales revenues	5 568	9 204	(3 636)
Costs of sales	(3 873)	(7 509)	3 636
Gross profit on sales	1 695	1 695	0
Selling expenses	(1 455)	(1 455)	0
General and administrative expenses	(1 045)	(1 045)	0
Other operating income and expenses	(53)	(53)	0
Operating profit (loss)	(858)	(858)	0
EBITDA	23	23	0
<i>Interest expense on lease liabilities</i>	<i>(134)</i>	<i>(134)</i>	0

2.2.4. OTHER ACTIVITIES AND ARRANGEMENTS

Other activities and arrangements include revenues other than from the sale of non-wage incentive products and supporting activities of fitness investments and indirect costs that are not allocated to these revenues. Revenues primarily include the elimination of transactions between segments, whereby settlements of account for making the cafeteria platforms available as the distribution channel for the sale of sports cards represent the most important item. The costs are associated with management and administration activities, strategic activities in Benefit Systems Group and the cost of the Incentive Programme, support functions and other activities not allocated to separate operating segments. It also includes elimination of the costs of amortization of a trademark generated as part of the Group.

Table 13: Other activities and arrangements

In thousands of PLN	1Q 2020	1Q 2019	Change
Sales Revenue	(2 795)	(8 324)	(66.4%)
Costs of sales	4 634	11 086	(58.2%)
Gross profit on sales	1 839	2 762	(33.4%)
Selling expenses	(14)	(1)	-
General and administrative expenses	(833)	(4 286)	(80.6%)
<i>including the Incentive Programme</i>	<i>(924)</i>	<i>(1 316)</i>	<i>(29.8%)</i>
Other operating income and expenses	58	1 882	(96.9%)
Operating profit (loss)	1 050	357	194.1%
EBITDA	(555)	457	-
<i>Interest expense on lease liabilities</i>	<i>90</i>	<i>659</i>	<i>(86.3%)</i>

2.3. OTHER FINANCIAL DATA

Table 14: Financial income and expenses unassigned to any operating segment

In thousands of PLN	1Q 2020	1Q 2019	Change
Financial income:	9 609	859	-
<i>Interest income</i>	515	673	(23.5%)
Financial expenses	(47 531)	(4 224)	-
<i>Write-downs of financial assets</i>	(220)	(4)	-
Share of profits (loss) for entities accounted for using the equity method	884	864	2.3%

In the period under review, growth in the financial income was largely attributable to positive foreign exchange differences, which resulted from a revaluation of the loans extended in foreign currencies by the dominant Company and by Benefit Systems International Sp. z o.o. due to significant fluctuations (+ PLN 4.6 million) in the FX rates and a revaluation of the contingent payment liabilities (+ PLN 4.0 million).

Significant items of financial costs include foreign exchange differences attributable to the translation of the values of lease contracts settled in foreign currencies, due to a considerable rise in the foreign exchange rate of EUR (- PLN 44.5 million) and the costs of interest on lease liabilities (- PLN 4.3 million) (1Q 2019: - PLN 8.6 million). A lower value of lease liabilities than in the analogous period of year 2019 was attributable, among other things, to the revaluation of the discount rates applied to contract settlement.

In 1Q 2020, the Group reported its participation of PLN 0.8 million in the profit of the entities accounted for using the equity method, i.e. Langmedia Sp. z o.o. (PLN 411 thousand), Instytut Rozwoju Fitness Sp z o. o. (PLN 400 thousand) and X-Code sp. z o.o. (PLN 74 thousand).

Table 15: Statement of financial position

In thousands of PLN	As of 31.03.2020	As of 31.12.2019	Change	As of 31.03.2019
Non-current assets	1 794 491	1 804 753	(0.6%)	1 532 715
<i>share in balance sheet total</i>	83.0%	86.8%	(3.8 p.p.)	83.9%
Current assets	367 357	274 876	33.6%	293 385
<i>share in balance sheet total</i>	17.0%	13.2%	3.8 p.p.	16.1%
Total assets	2 161 848	2 079 629	4.0%	1 826 100
Capital equity of the shareholders in the parent company	620 533	618 557	0.3%	581 135
<i>share in balance sheet total</i>	28.7%	29.7%	(1.0 p.p.)	31.8%
non-controlling interests	(476)	1 703	(128.0%)	2 365
<i>share in balance sheet total</i>	0.0%	0.1%	(0.1 p.p.)	0.1%
Long-term provisions and liabilities	963 574	942 704	2.2%	752 447
<i>share in balance sheet total</i>	44.6%	45.3%	(0.7 p.p.)	41.2%
Short-term provisions and liabilities	578 217	516 665	11.9%	490 153

In thousands of PLN	As of 31.03.2020	As of 31.12.2019	Change	As of 31.03.2019
<i>share in balance sheet total</i>	26.7%	24.8%	1.9 p.p.	26.8%
Total equity and liabilities	2 161 848	2 079 629	4.0%	1 826 100

Non-current assets

As of the end of 1Q 2020, non-current assets of the Benefit Systems Group amounted to PLN 1,794.5 million, which was less by PLN 10.3 million as compared to 31 December 2019. The balance of the right-of-use assets significantly dropped (- PLN 24.5 million), of which PLN 21.3 million was attributable to the Fitness Segment of Benefit Systems S.A., as a result of recognizing amortisation of assets under leases and equipment lease contracts, which, in turn, was partially offset by the recognizing of new assets following execution of new lease contracts to equip clubs with additional fitness equipment. As of the end of the period under review, drop in the value of the Tangible fixed assets by PLN 3.8 million was reported primarily due to lower expenditures resulting from a small number of new club openings, so the expenditures have not surpassed the amortisation and depreciation recognized for the period.

The balance of the deferred income tax asset grew mainly as an effect of increase of lease liabilities due to FX differences (+ PLN 12.4 million, of which + PLN 10.2 million at Benefit Systems S.A.). Growth in the intangible assets (PLN 3.5 million) was also recorded. Growth in intangible assets is primarily attributable to development of the functionalities of the cafeterias platforms with MyBenefit Sp. z o.o.

Investments into affiliates grew by PLN 0.9 million, which corresponds to the value of the Group's share in the result of the said companies in 1Q 2020. Items: Trade liabilities, and Loans, grew by PLN 0.9 million and by PLN 0.7 million, respectively.

Current assets

A significant growth in current assets as compared to end of 2019 (+ PLN 92.5 million) resulted, primarily, from growth in the balance of cash and cash equivalents with most of the companies of the Capital Group. The value of the item grew by PLN 119.8 million across the entire Capital Group. To a significant extent, this is an effect of deferment of a portion of payments due, among other things, as income tax, as a result of introduction of tax credit by the Polish government to counteract the effects of pandemic. At the same time, a significant drop in the trade receivables by PLN 21.8 million was observed. The reasons for this should be primarily attributed to the seasonal character of the Cafeterias Segment, for which the peak of activity and the resulting leap in value always falls in the end of year.

Long-term and short-term liabilities and provisions

As compared to the status as of 31 December 2019, the total value of the liabilities of the Group grew by PLN 82.4 million, which was primarily attributable a higher, by PLN 90.5 million, balance of item: loans, borrowings, and other debt instruments, which was largely due to execution of loan agreement by the dominant Company in January 2020. Concurrently, the aforementioned growth was offset by redemption of notes issued by Benefit Partners Sp. z o.o at PLN 30.3 million.

The period under review saw growth in the balance of lease liabilities as a result of recalculation of the contracts indexed to EUR. After recognizing of repayments made in the period under review, the value of the item grew in total by PLN 19.6 million.

Drop in the value of trade liabilities and other liabilities by PLN 29.6 million as compared to end of year 2019 is, among other things, an effect of repayment of the liability for the buy-back of shares in a subsidiary and a lower than as of the end of the preceding year, balance of liabilities of MyBenefit Sp. z o.o. This was attributable to the seasonal character of the business pursued by the Cafeterias Segment and to a concurrent growth in the value of trade liabilities of the dominant Company as a consequence of the steps taken by the latter with a view to extending the deadlines for payment of liabilities as part of management of the liquidity of the Group.

Income Tax Liability and Reserve grew by PLN 6.9 million, and short-term accrued charges were lower by PLN 0.5 million.

Table 16: Statement of cash flows

In thousands of PLN	1Q 2020	1Q 2019	Change
Net cash flows from operating activities	111 899	76 070	47.1%
Net cash flows from investment activities	(13 890)	(45 704)	(69.6%)
Net cash flows from financing activities	21 861	(711)	-
Net change in cash and cash equivalents	119 870	29 655	304.2%
Cash and cash equivalents at end of period	191 920	105 474	82.0%
Net cash / (net debt)*	(76 218)	(141 389)	(46.1%)

* Cash and cash equivalents less loans, borrowing

As of 31 March 2020, the Group was holding cash of PLN 191.9 million, which was accumulated predominantly on the bank accounts of the dominating entity Benefit Systems S.A. (PLN 59.0 million) and subsidiaries: FitSport Polska Sp. z o.o. (PLN 16.6 million), Benefit IP Sp. z o.o. sp. k. (PLN 26.9 million), Benefit Systems International Sp. z o.o. (PLN 35.4 million), MyBenefit Sp. z o.o. (PLN 18.9 million) and other foreign subsidiaries (PLN 28.4 million).

In 1Q 2020 the Benefit Systems Group neither is or was engaged in any currency options or any other hedge or speculative derivatives.

The ongoing pandemic was the reason for a number of activities aimed at securing financial liquidity for the Group, such as the curbing of investment costs or capital expenditures and extension of deadlines for the payment of trade liabilities and public dues.

Operating activities

In 1Q 2020, cash flows from operating activities amounted to PLN 111.9 million and were higher by PLN 35.8 million as compared to the analogous period of 2019, which was attributable to a growth in the operating profit of the Group by PLN 11.1 million, and to recognizing amortization in an amount higher by PLN 11.1 million. The balance of movements in the working capital was at a similar level, while income tax paid was lower by PLN 18.5 million as a result of postponement of the tax payment deadline in connection with relief introduced by the government to counteract the effects of pandemic.

Investing activities

In 1Q 2020, cash flows from investment activities amounted to PLN -13.9 million. As compared to 1Q 2019, expenditures on acquisition of tangible fixed assets and intangible assets dropped by PLN 24.9 million, which was attributable, among other things, to a lower number of new clubs being opened and to development of the already held intangible assets as part of internal works. Expenses on the acquisition of subsidiaries decelerated to zero,

whereby the analogous quarter of 2019 saw acquisition of shares in Benefit Partners Sp. z o.o. The value of new loans extended to external partners was lower by PLN 3.5 million, which was attributable, among other things, to the influence of the pandemic situation on decisions to grant financial support.

Financing activities

In 1Q 2020, cash flows from financing activities amounted to PLN 21.9 million, and were higher by PLN 22.6 million than in the analogous period of year 2019. The most important item was represented by proceeds from loans incurred from banks and from other entities, which in the period under review, totalled PLN 131.5 million. The proceeds were mainly attributable to a bank loan obtained by the dominant Company

Concurrently, 1Q 2020 saw repayment of bonds issued by Benefit Partners Sp. z o.o. at PLN 30.3 million, buyback of shares in subsidiaries at PLN 30.4 million, repayment of bank loans and borrowings at PLN 10.7 million - the latter primarily by the dominant Company, and repayment of lease liabilities at PLN 36.6 million, mainly attributable to the Fitness Division.

2.4. SELECTED FINANCIAL INDICATORS

Table 17: Selected financial indicators *

Profitability ratios	1Q 2020	1Q 2019 Restated	Change
Gross margin	24.6%	23.8%	0.8 p.p.
EBITDA margin	24.9%	20.9%	4.0 p.p.
EBIT margin	11.1%	9.0%	2.1 p.p.
Pre-tax margin	0.4%	5.8%	(5.4 p.p.)
Net margin	0.4%	4.5%	(4.1 p.p.)
Return on equity (ROE)	0.2%	2.8%	(2.6 p.p.)
Return on assets (ROA)	0.1%	0.9%	(0.8 p.p.)
Liquidity ratios	1Q 2020	1Q 2019	Change
Current ratio	0.64	0.60	6.7%
Quick ratio	0.60	0.54	11.1%

* Including impact of IFRS 16

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

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

3. ADDITIONAL INFORMATION

3.1. MATERIAL EVENTS IN THE GROUP DURING THE REPORTING PERIOD

Execution of credit agreement and of multi-purpose credit line agreement with BNP Paribas Bank Polska

On 24 January 2020, the Company executed a PLN 70 million agreement for non-revolving loan and a 30 PLN million multi-purpose credit line agreement with BNP Paribas Bank Polska S.A. with its registered office in Warsaw. The non-revolving loan will be available for 48 months and may be spent on the investments falling in line with the strategy of the Benefit Systems Group. The multi-purpose credit line may be used to finance the current business activity for 12 months from the agreement execution date.

The date of completion of the antimonopoly proceedings postponed

On 3 March 2020, 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 29 July 2020

COVID-19 Epidemic

In accordance to the situation in Poland and around the world the Group has recognized a new risk regarding activity of the Company a Group in short term. The expected impact of the event on financial situation and financial results of the Group was described in point 1.3 PROSPECTS IN THE LIGHT OF COVID-19 EPIDEMIC IN POLAND AND AROUND THE WORLD

3.2. MATERIAL EVENTS IN THE GROUP AFTER THE BALANCE SHEET DATE

Issue of shares under a conditional increase of the Company's share capital

In current report of 10 November 2019, the Management Board of the Benefit Systems S.A. with its registered seat in Warsaw communicated, that on 1 April 2020 300 E series ordinary bearer shares with nominal value of PLN 1.00 each, issued by the Company in connection with the exercise by eligible person of the rights under H series subscription warrants granted to them as part of the Incentive Scheme for 2017-2020, were recorded on the securities accounts of the eligible person

Notice of the exceeding of the threshold of 10% of the total number of votes in the Company

On 3 April 2020 the Parent Company received a notification on exceeding the threshold of 10% of the total number of votes in the Parent Company from Invesco Ltd. with its registered seat in Atlanta.

Proposed distribution of the Company's net profit for year 2019

On 16 April, 2020 the Management Board of the Parent Company adopted resolution concerning a proposal to the Ordinary General Meeting regarding appropriation of the entire profit reported in the financial statements of the Company for year 2019, in the amount of PLN 166 342 521.78 in full for the supplementary capital of the Company. The above-mentioned proposal, which received a positive opinion of the Supervisory Board of the Company, constitutes a departure from the Dividend Policy of Benefit Systems S.A. for the years 2020 - 2023.

This departure from the Dividend Policy is of one-off nature and is associated with the economic uncertainty caused by the COVID-19 coronavirus epidemic.

Benefit Systems Group decision to withdraw from Greek market

At the meeting of the Supervisory Board of Benefit Systems International in April 2020 the decision to withdraw from Greek market was passed. Currently, various forms of exit strategy are being analysed.

3.3. COMPOSITION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

As of the date of this Report, the Management Board of Benefit Systems S.A. consisted of four (4) members, who were the following persons:

- Bartosz Józefiak – Management Board Member,
- Adam Radzki – Management Board Member,
- Emilia Rogalewicz – Management Board Member,
- Wojciech Szwarc – Management Board Member.

There were no changes in the composition of the Management Board in the reported period.

As of the date of this Report, the Supervisory Board of the dominant entity was composed of five (5) members, who were the following persons:

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

There were no changes in the composition of the Supervisory Board in the reported period.

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

The levels of shares held in Benefit Systems S.A. or allotment certificates (options) held by the Members of the Management Board and Supervisory Boards of the Company as of the date of the report are as follows:

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

Management Board	As at the date of submitting the report for 1Q 2020		As at the date of submitting the report for 2019		Change
	Number of shares	Percentage of share capital	Number of shares	Percentage of share capital	
Bartosz Józefiak	0	0.00%	0	0.00%	0
Adam Radzki	3 020	0.11%	3 020	0.11%	0
Emilia Rogalewicz	1 081	0.04%	1 081	0.04%	0
Wojciech Szwarc	0	0.00%	0	0.00%	0
Total	4 101	0.14%	4 101	0.14%	0

Table 19: Benefits for Members of the Management Board in the form of due and potentially due I and J series warrants at the end of 1Q 2020

Management Board Member	Series I warrants granted for 2019	Series J warrants conditionally granted for 2020	Total	Value* (In thousands of PLN)
Bartosz Józefiak	500	600	1 100	553
Adam Radzki	2 750	600	3 350	1 480
Emilia Rogalewicz	3 250	600	3 850	1 686
Wojciech Szwarc	2 250	600	2 850	1 274
Total	8 750	2 400	11 150	4 993

* The value of payment under vested subscription warrants is equal to the difference between the option strike price and the share price as of the valuation date. The valuation of the series I warrants was based on the prices and terms applicable to the 2019 pool of warrants (12/02/2019 – 390.07 PLN and 31/12/2019 – 412.07 PLN); the valuation of the series J warrants was based on the prices and terms applicable to the 2020 pool of warrants (20/02/2020 – 578,07 PLN).

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

Supervisory Board	As at the date of submitting the report for 1Q 2020		As at the date of submitting the report for 2019		Change
	Number of shares	Percentage of share capital	Number of shares	Percentage of share capital	
James van Bergh*	537 195	18.79%	537 195	18.79%	-
Marcin Marczuk	0	0.00%	0	0.00%	-
Artur Osuchowski	0	0.00%	0	0.00%	-
Michael Rohde Pedersen	0	0.00%	0	0.00%	-
Michael Sanderson	0	0.00%	0	0.00%	-
Total	537 195	18.79%	537 195	18.79%	-

*Direct holding; additionally, a person closely related to the Chairman of the Supervisory Board (within the meaning of article 160, paragraph 2, point 1 of the act on trading) controls Benefit Invest Ltd. as a shareholder with a holding of 93.3%, where this company holds shares in Benefit Systems S.A. in the number of 309 921 representing 10.82% of the share capital and of the total number of votes (as at the date of submitting the report 1Q 2020); in addition, a person closely related to the Chairman of the Supervisory Board is the Chairwoman of the Council of Fundacja Drzewo i Jutro (formerly as Fundacja Benefit Systems), which holds a 8.38% stake in share capital of Benefit Systems S.A.

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

3.5. SHAREHOLDERS

The percentage of the Parent company's share capital and voting rights takes into account the parent company's share capital increase made under the conditional capital issuance. Series D shares were acquired as part of the conditional share capital issuance by the holders of subscription warrants for series D and E, granted by the parent company in accordance with the provisions of the Incentive Programme for the years 2014-2016 and subscription warrants for series H, granted by the parent company in accordance with the provisions of the Incentive Programme for the years 2017-2020.

Table 21: Shareholders structure

Shareholder	As at the date of submitting the report for 1Q 2020			As at the date of submitting the report for 2019			Change
	Number of shares*	Share in equity	Share in the total no. of votes at GM	Number of shares	Share in equity	Share in the total no. of votes at GM	
James Van Bergh*	537 195	18,79%	18,79%	537 195	18,79%	18,79%	-
Benefit Invest Ltd.*	309 221	10,82%	10,82%	309 221	10,82%	10,82%	-
Invesco Ltd.***	286 814	10,03%	10,03%	147 496	5,16%	5,16%	139 318
Marek Kamola	245 000	8,57%	8,57%	245 000	8,57%	8,57%	-
Fundacja Drzewo i Jutro	239 628	8,38%	8,38%	239 628	8,38%	8,38%	-
MetLife OFE	267 331	9,35%	9,35%	267 331	9,35%	9,35%	-
Nationale-Nederlanden OFE**	158 408	5,54%	5,54%	158 408	5,54%	5,54%	-
Others	815 545	28,52%	28,52%	954 563	33,40%	33,40%	(139 018)
<i>including Benefit Systems S.A. (own shares)</i>	<i>118 053</i>	<i>4,13%</i>	<i>4,13%</i>	<i>118 053</i>	<i>4,13%</i>	<i>4,13%</i>	<i>-</i>
Total	2 859 142	100,00%	100,00%	2 858 842	100,00%	100,00%	300

* Entities linked in the personal and/or capital terms, in accordance with information provided in Note 23. Transactions with affiliates, in the Annual Consolidated Financial Statements for 2019

** In accordance with the annual asset structure as at 31.12.2019

*** In accordance with the received statement from 3 April 2020

The Company's share capital amounts to 2,859,142 PLN. Number of shares in the share capital: 2,859,142 shares, including 2,204,842 shares of series A, 200,000 shares of series B, 150,000 shares of series C, 120,000 shares of series D, 300 shares of series E and 184,000 shares of series F. The shares of all series have a nominal value of 1 PLN each. The total number of votes resulting from all the shares issued amounts to 2,859,142. Percentage share in capital of shareholders is equal to the percentage share in votes at the General Meeting, wherein, as of publication date if this report the Company had 118 053 own shares, from which it does not exercise voting rights.

3.6. DIVIDEND

On 9 December 2019, the Management Board of the Dominant Entity adopted Dividend Policy for 2020-2023, in accordance with which in each year of the Policy, the Management Board of the Dominating Entity will recommend to the General Meeting payout of dividend with the value representing at least 50% of the consolidated net profit of the capital group of the Company for the preceding financial year. The Management Board's recommendation will take into account the financial and liquidity situation, the development prospects and the investment needs of the Dominating Company and of the capital group of the Company. The Dividend Policy has been in force and applied starting from the distribution of profit for the financial year ended on 31 December 2019. The Dividend Policy was approved by the Supervisory Board of the Company on 9 December 2019.

On 16 April, 2020 the Management Board of the Parent Company adopted resolution concerning a proposal to the Ordinary General Meeting regarding appropriation of the entire profit reported in the financial statements of the

Company for year 2019, in the amount of PLN 166 342 521.78 in full for the supplementary capital of the Company.

The above-mentioned proposal, which received a positive opinion of the Supervisory Board of the Company, constitutes a departure from the Dividend Policy of Benefit Systems S.A. for the years 2020 - 2023. This departure from the Dividend Policy is of one-off nature and is associated with the economic uncertainty caused by the COVID-19 coronavirus epidemic.

3.7. INCENTIVE PROGRAMME

On the basis of resolutions of the General Meeting of Shareholders, an Incentive Programme (hereinafter the Programme or IP) exists 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 3.38% 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 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 30 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 15 June, 2016.

Table 22: Performance thresholds for the Incentive Programme

	Share in the maximum number of warrants for the year		Level of adjusted consolidated pre-tax profit (in millions of PLN)			
			2017	2018	2019	2020
Thresholds in millions of PLN - adjusted consolidated pre-tax profit (excl. IP cost)	100%	25 000	90	105	120	140
	75%	18 750	85	97.5	110	130
	50%	12 500	80	91	106	121

The fair value of the subscription warrants granted to the employees has been estimated as at the grant date, using the Black-Scholes Model.

Table 23: Valuation of options - Incentive Programme

Valuation of the Incentive Programme options - Black and Scholes model	
Data	2020
X (t) - quotation of shares at the valuation date (PLN)	1 070.00
P - option exercise price (PLN)	491.93
r - risk-free rate for PLN	1.58%
T - date of expiration	2021-09-30
t - current day (for pricing)	2020-02-20
Sigma - daily volatility	44.87%

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 21/02/2019- 20/02/2020 (options for 2020).

The Parent Company has not recognized the cost of the Programme for 2020, as the Management Board of the Dominating Entity evaluates, that there is no certainty, that the required 50% threshold of adjusted consolidated pre-tax profit (Table 22) will be met.

Total cost of the Programme recognized in the reporting period amounted to PLN 924 thousand and corresponded to revaluation of the II tranche of warrants granted for 2019 on 9 January 2020 (the difference between provision included in 2019 and actual settlement in 2020).

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

In current report of 31 March 2020, and in the Management Board's Report on the activity of the Capital Group of Benefit Systems for year 2019 (Chapter 1.3), the Group announced an anticipated materially adverse effect of the COVID-19 coronavirus pandemic on the results of 2Q 2020 and a relatively minor impact of the pandemic on the results of 1Q 2020. Also, in line with projections, in 1Q 2020, the operating profit was higher as compared to that of 1Q 2019. Lower profit before tax is primarily attributable to the depreciation of PLN, which led to the recognizing, in 1Q 2020, of significant negative currency translation differences on account of revaluation of lease liabilities from lease contracts indexed to EUR.

3.9. SEASONALITY OF THE BUSINESS

The industry in which the Capital Group operates is characterised by seasonality. Traditionally, in the third calendar quarter (coinciding with the 3rd quarter of the financial year of the Group), the activity of the holders of sports cards and carnets is lower than in 1Q, 2Q, and 4Q, which, on general, has an effect on the revenues and profitability of the activities related to sales of sports cards and to the operating of fitness clubs. However, due to the ongoing pandemic and temporary closure of fitness clubs and other sports facilities, the seasonality factor affecting so far the results of the Group will not be reflected in the results for years 2020.

3.10. INFORMATION ON BANK LOANS AND BORROWINGS INCURRED BY AND GUARANTEES AND SURETY EXTENDED TO BENEFIT SYSTEMS GROUP

In 1Q 2020 and in the period until publication of this Report, Benefit Systems S.A. and BNP Paribas Bank Polska S.A. executed: a PLN 70 million agreement for non-revolving loan; and a 30 PLN million multi-purpose credit line agreement.

Pursuant to the non-revolving loan agreement, the loan will be available for 12 months from the agreement execution date and may be spent on the investments falling in line with the strategy of the Benefit Systems Group. The lending period amounted to 48 months from the date of execution of the loan agreement. Pursuant to the Agreement, the multi-purpose credit line may be used to finance the current business activity for 12 months from the agreement execution date. The agreements were executed with a view to diversifying the sources of financing.

In 1Q 2020, the Group procured loans from entities or institutions for a total amount of PLN 241.2 million, of which PLN 109.7 million represented loans from affiliated entities.

3.11. INFORMATION ON LOANS, SURETY AND GUARANTEES GRANTED

In 1Q 2020, the Group extended loans totalling PLN 110.0 million, including loans of PLN 109.7 million to subsidiaries. Information on the principal amounts, interest and maturity of loans extended:

Table 24: Loans extended

In thousands of PLN	Maturity	Interest	Principal amount
Loans to non-affiliated MultiSport partners	From 10/01/2024 to 10/03/2025	WIBOR 3M + margin	260

In the period under review, the Group also stood sureties and extended guarantees to subsidiaries and affiliates.

Table 25: Contingent liabilities

In thousands of PLN	Status as of the date of submission of report for 1Q 2020	Status as of the end of 2019	Change
Guarantees and sureties	53 775	51 191	2 584

In the period under review, Benefit Systems S.A. and the companies of its Capital Group neither stood suretyship for a loan incurred from an entity or institution nor extended a guarantee to an entity or such entity's subsidiary, whereby the total value of such suretyships and/or guarantees would be significant with respect to the level of Benefit Systems S.A.'s equity. The significant level of equity value was adopted in accordance with the Individual Reporting Standards which have been in place since July 2016, on the basis of which a significant level of equity is recognized at the threshold of 10% of the equity of the Dominant Entity as established on the basis of the most recently published annual consolidated financial statements.

The above-described contingent liabilities were incurred by the companies of the Polish segment. The main reasons behind them are payments on account of leases for fitness equipment and rent payment guarantees. The growth in the value of guarantees in the period under review follows from an increased number of guarantees extended in pace with the growing number of new fitness clubs within the structures of the Group, and, consequently, new liabilities requiring a guarantee and from EUR rate appreciation in comparison to the rate at the end of 2019.

3.12. INFORMATION ON THE BENEFIT SYSTEMS GROUP'S EXECUTION OF TRANSACTIONS WITH RELATED PARTIES ON NON-MARKET TERMS

During the period under review, the Benefit Systems Group did not enter into any transaction with its affiliates the value of which, whether separately or in aggregate, might be significant, or that were concluded otherwise than at arm's length.

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

On 22 June, 2018, the explanatory activities that the President of the OPCC had been conducting since November 2015, were transformed into proceedings against the Company.

On 29 June, 2018, the dominant Company was notified that the Chairman of the OCCP initiated antimonopoly proceedings against Benefit Systems S.A. and against fifteen other undertakings in connection with a suspicion of a scheme that could result in a limitation of the competition on the local or the national market for fitness services or on other relevant markets. The proceedings also involved six (6) managers, one (1) of whom worked for the Capital Group of Benefit Systems. The proceedings pertain to issues dating back to 2012-2015.

The dominant Company disagrees with the objections raised by the Chairman of OCCP and, on 27 July, 2018, submitted their reply, in which, in addition to taking a detailed stance on specific objections, described a positive role that the Company has been playing on the Polish market for fitness services.

In accordance with the regulations, a penalty potentially imposed on the dominant Company may be as high as the equivalent of 10% of the dominant Company's turnover volume in the year preceding issuance of the decision. Additionally, specific members of the dominant Company's Management Board may face individual penalties.

The anticipated deadline to complete the antimonopoly proceedings has already been postponed four times. The company addresses all questions and issues raised by the President of the OCCP. In accordance with law and in line with good practice, the Management Board of the dominant Company will keep the market informed about any subsequent steps taken as part of the proceedings initiated by the OCCP.

Furthermore, on 25 January, 2018, fiscal and customs authorities launched an inspection with the dominant Company on the basis of authorization to carry out fiscal and customs inspection that was obtained from the Head of the Małopolski Customs and Fiscal Office in Kraków. The inspection is aimed at checking compliance with Corporate Income Tax Act of 15 February 1992 in terms of taxation of the income generated in 2012-2016. In their letters of 25 June, 2019, the Head of the Małopolski Customs and Fiscal Office in Kraków presented the outcome of the customs and fiscal inspection regarding taxation of income generated in 2013, 2014 and 2015 and stated that no irregularity was ascertained.

Acting in response to the inquiries received by the dominant Company from the Head of the Małopolski Customs and Revenue Office in Kraków, at the current stage of the inspection, the Dominant Entity is presenting their tax ledgers for 2016 along with the underlying evidence to the inspectors. As of the date of publication of this quarterly report, the inspection has not yet been completed.

In 1Q 2020 the Benefit Systems Capital Group has neither initiated nor was a party to legal proceedings with the total value of claim(s) representing more than 10% of the equity of the Group.

4. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF BENEFIT SYSTEMS GROUP FOR THE 3 MONTHS ENDED 31 MARCH, 2020

4.1. SELECTED FINANCIAL DATA FOR BENEFIT SYSTEMS GROUP

Table 26: Selected financial data

	1Q 2020 (‘000s PLN)	1Q 2019 (‘000s PLN) Restated	1Q 2020 (‘000s EUR)	1Q 2019 (‘000s EUR) Restated
Sales revenues	386 080	354 067	87 820	82 383
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	96 264	74 123	21 897	17 247
Operating profit	42 939	31 889	9 767	7 420
Profit before tax	1 534	20 835	349	4 848
Net profit	1 417	16 077	322	3 741
Net profit attributable to shareholders of the parent company	2 049	16 246	466	3 780
Net cash from operating activities	111 899	76 070	25 453	17 700
Net cash from investment activities	(13 890)	(45 704)	(3 159)	(10 634)
Net cash from financial activities	21 861	(711)	4 973	(165)
Net change in cash and cash equivalents	119 870	29 655	27 266	6 900
Weighted average number of ordinary shares	2 804 031	2 858 842	2 804 031	2 858 842
Diluted weighted average number of ordinary shares	2 827 202	2 871 777	2 827 202	2 871 777
EPS (in PLN/EUR)	0.73	5.62	0.17	1.31
Diluted EPS (in PLN/EUR)	0.72	5.60	0.16	1.30

	31.03.2020 (‘000s PLN)	31.12.2019 (‘000s PLN)	31.03.2020 (‘000s EUR)	31.12.2019 (‘000s EUR)
Non-current assets	1 794 491	1 804 753	394 194	423 800
Current assets	367 357	274 876	80 697	64 548
Total assets	2 161 848	2 079 629	474 891	488 348
Non-current liabilities	963 574	942 704	211 668	221 370
Current liabilities	578 217	516 665	127 016	121 326
Equity	620 057	620 260	136 207	145 652
Equity attributable to shareholders of the parent company	620 533	618 557	136 312	145 252
Share capital	2 859	2 859	628	671
Number of ordinary shares	2 858 842	2 858 842	2 858 842	2 858 842
Book value (in PLN/EUR)	217.06	216.37	47.68	50.81

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

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

- 31/03/2020: 4.5523 EUR/PLN.

- 31/12/2019: 4.2585 EUR/PLN.

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

- 01/01 – 31/03/2020: 4.3963 EUR/PLN.

- 01/01 – 31/03/2019: 4.2978 EUR/PLN.

The highest rate applicable in each period was as follows:

- 01/01 – 31/03/2020: 4.5523 EUR/PLN.

- 01/01 – 31/03/2019: 4.3120 EUR/PLN.

The lowest rate applicable in each period was as follows:

- 01/01 – 31/03/2020: 4.3010 EUR/PLN.

- 01/01 – 31/03/2019: 4.2802 EUR/PLN.

4.2. CONSOLIDATED INCOME STATEMENT

Table 27: Consolidated income statement

In thousands of PLN	1Q 2020	1Q 2019 Restated
Sales revenues	386 080	354 067
Revenues from rendering services	381 370	349 960
Revenues from sales of goods and materials	4 710	4 107
Costs of sales	(291 155)	(269 926)
Cost of services rendered	(288 156)	(266 875)
Cost of goods and materials sold	(2 999)	(3 051)
Gross profit on sales	94 925	84 141
Selling expenses	(23 905)	(23 706)
General and administrative expenses	(30 372)	(29 966)
Other operating income	3 384	4 712
Other operating costs	(1 093)	(5 332)
Re-measurement to fair value of existing holdings	0	2 040
Operating profit	42 939	31 889
Financial income, of which	9 609	859
<i>Interest income</i>	<i>515</i>	<i>673</i>
Financial expenses, including:	(51 898)	(12 777)
<i>Interest costs on lease liabilities</i>	<i>(4 367)</i>	<i>(8 553)</i>
<i>Write-downs of financial assets</i>	<i>(220)</i>	<i>(4)</i>
Share of profits (loss) of associates accounted for using the equity method (+/-)	884	864
Profit before tax	1 534	20 835
Income tax	(117)	(4 758)
Net profit from continuing operations	1 417	16 077
Net profit	1 417	16 077
<i>Net profit attributable to:</i>		
- shareholders of the parent company	2 049	16 246
- non-controlling interests	(632)	(169)

Table 28: Earnings per ordinary share (PLN)

	1Q 2020	1Q 2019
from continuing operations		
- basic	0.73	5.62
- diluted	0.72	5.60
from continuing and discontinued operations		
- basic	0.73	5.62
- diluted	0.72	5.60

Table 29: Statement of other comprehensive income

In thousands of PLN	1Q 2020	1Q 2019
Net profit	1 417	16 077
Financial assets available for sale:	0	0
- gains (losses) for the period in other comprehensive income	0	0
Income tax relating to components reclassified to profit and loss	0	0
Other comprehensive income after tax	0	0
FX differences transferred to profit	(1 566)	34
Total comprehensive income	(149)	16 111
Total comprehensive income attributable to:		
- shareholders of the parent company	596	16 280
- non-controlling interests	(745)	(169)

4.3. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Table 30: Consolidated statement of financial position - Assets

In thousands of PLN	As at 31/03/2020	As at 31/12/2019	As at 31/03/2019
Non-current assets			
Goodwill	363 330	363 330	355 539
Intangible assets	68 819	65 270	75 562
Property, plant and equipment	374 783	378 609	360 824
Right-to-use	872 312	896 838	637 512
Investments in associates	14 452	13 568	13 394
Receivables	6 278	5 343	6 196
Loans	65 084	64 344	60 269
Other long-term financial assets	97	97	97
Long-term prepayments	1 853	2 238	1 583
Deferred tax assets	27 483	15 116	21 739
Non-current assets	1 794 491	1 804 753	1 532 715
Current assets			
Inventories	4 097	5 559	5 119
Trade receivables and other receivables	145 255	167 048	145 179
Income tax receivable	704	766	2 851
Loans	11 190	14 597	12 797
Other short-term financial assets	102	123	116
Accruals	14 089	14 733	21 849
Cash and cash equivalents	191 920	72 050	105 474
Current assets	367 357	274 876	293 385
Total assets	2 161 848	2 079 629	1 826 100

Table 31: Consolidated statement of financial position – Liabilities and Equity

In thousands of PLN	As at 31/03/2020	As at 31/12/2019	As at 31/03/2019
Equity			
Equity attributable to shareholders of the parent company			
Share capital	2 859	2 859	2 859
Own shares	(118 157)	(118 157)	(61 157)
Share premium	272 107	272 107	272 107
Exchange differences from consolidation	(2 178)	(725)	(597)
Reserve capital	(7 865)	(37 418)	(31 194)
Other capital	491 771	491 005	333 971
Retained earnings:	(18 004)	8 886	65 146
- accumulated earnings for the previous reporting periods	(20 053)	(96 448)	48 900
- net profit attributable to shareholders of the parent company	2 049	105 334	16 246
Equity attributable to shareholders of the parent company	620 533	618 557	581 135
Non-controlling interests	(476)	1 703	2 365
Equity	620 057	620 260	583 500
Non-current liabilities			
Interest-bearing loans, borrowings and debt instruments	115 375	104 365	136 461
Finance leases	824 251	810 766	582 401
Lease liabilities	21 061	25 015	31 282
Other liabilities	2 650	2 335	2 202
Deferred income tax liabilities	237	223	0
Long-term prepayments	0	0	101
Total non-current liabilities	963 574	942 704	752 447
Current liabilities			
Trade payables and other liabilities	149 381	179 018	137 867
Income tax payable	19 324	12 782	12 725
Interest-bearing loans, borrowings and debt instruments	152 763	73 294	110 402
Finance leases	151 477	145 362	123 906
Lease liabilities	28 150	29 095	22 699
Liabilities and provisions for employee benefits	1 237	684	137
Other short-term provisions:	75 885	76 430	82 417
Total current liabilities	578 217	516 665	490 153
Total liabilities	1 541 791	1 459 369	1 242 600
Total equity and liabilities	2 161 848	2 079 629	1 826 100

4.4. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Table 32: Consolidated statement of changes in equity

In thousands of PLN	Share capital	Own shares	Share premium	FX differences from consolidation	Reserve capital	Other capital	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at 01 January 2020	2 859	(118 157)	272 107	(725)	(37 418)	491 005	8 886	618 557	1 703	620 260
<i>Changes in equity in the period from 01/01 to 31/03/2020</i>										
Issue of shares related to stock options (Share-based payment programme)	0	0	0	0	0	766	0	766	0	766
Change in the structure of the Group (transactions with non-controlling interests)	0	0	0	0	0	0	1 098	1 098	(1 434)	(336)
Realised options	0	0	0	0	29 553	0	(30 037)	(484)	0	(484)
Total transactions with owners	0	0	0	0	29 553	766	(28 939)	1 380	(1 434)	(54)
Net profit (loss) for the period from 01/01 to 31/03/2020	0	0	0	0	0	0	2 049	2 049	(632)	1 417
Currency translation on foreign operations	0	0	0	(1 453)	0	0	0	(1 453)	(113)	(1 566)
Total comprehensive income	0	0	0	(1 453)	0	0	2 049	596	(745)	(149)
Balance as at 31/03/2020	2 859	(118 157)	272 107	(2 178)	(7 865)	491 771	(18 004)	620 533	(476)	620 057

Table 33: Consolidated statement of changes in equity – cont.

In thousands of PLN	Share capital	Own shares	Share premium	FX differences from consolidation	Reserve capital	Other capital	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at 31 December 2018	2 859	(61 157)	272 107	(617)	(31 194)	332 655	50 074	564 727	2 242	566 969
Correction due to the application of IFRS 9 (including tax)	-	-	-	-	-	-	-	-	-	-
Balance as at 1 January 2019	2 859	(61 157)	272 107	(617)	(31 194)	332 655	50 074	564 727	2 242	566 969
<i>Changes in equity in the period from 01/01 to 31/12/ 2019</i>										
Issue of shares related to stock options (Share-based payment programme)	-	-	-	-	-	10 586	-	10 586	-	10 586
Change in the structure of the Group (transactions with non-controlling interests)	-	-	-	-	-	-	9 582	9 582	(1 653)	7 929
Realised options	-	-	-	-	8 340	-	(8 340)	-	-	-
Valuation of PUT option for non-controlling shares	-	-	-	-	(14 564)	-	-	(14 564)	-	(14 564)
Share buyback	-	(57 000)	-	-	-	-	-	(57 000)	-	(57 000)
Dividends	-	-	-	-	-	-	-	-	(569)	(569)
Transfer of net profit to capital	-	-	-	-	-	147 764	(147 764)	-	-	-
Total transactions with owners	-	(57 000)	-	-	(6 224)	158 350	(146 522)	(51 396)	(2 222)	(53 618)
Net profit (loss) for the period from 01/01 to 31/12/2019	-	-	-	-	-	-	105 334	105 334	1 688	107 022
Currency translation on foreign operations	-	-	-	(108)	-	-	-	(108)	(5)	(113)
Total comprehensive income	-	-	-	(108)	-	-	105 334	105 226	1 683	106 909
Balance as at 31/12/2019	2 859	(118 157)	272 107	(725)	(37 418)	491 005	8 886	618 557	1 703	620 260

Table 34: Consolidated statement of changes in equity – cont.

In thousands of PLN	Share capital	Own shares	Share premium	FX differences from consolidation	Reserve capital	Other capital	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at 31 December 2018	2 859	(61 157)	272 107	(617)	(31 194)	332 655	50 074	564 727	2 242	566 969
Correction due to the application of IFRS 9 (including tax)	-	-	-	-	-	-	-	-	-	-
Balance as at 1 January 2019	2 859	(61 157)	272 107	(617)	(31 194)	332 655	50 074	564 727	2 242	566 969
<i>Changes in equity in the period from 01/01 to 31/03/2019</i>										
Issue of shares	-	-	-	-	-	1 316	-	1 316	-	1 316
Change in the structure of the Group (transactions with non-controlling interests)	-	-	-	-	-	-	(1 174)	(1 174)	278	(896)
Total transactions with owners	0	0	0	0	0	1 316	(1 174)	142	278	420
Net profit (loss) for the period from 01/01 to 31/03/2019	-	-	-	-	-	-	16 246	16 246	(169)	16 077
Currency translation on foreign operations	-	-	-	-	-	-	-	20	14	34
Currency translation on foreign operations	-	-	-	20	-	-	16 246	16 266	(155)	16 111
Balance as at 31/03/2019	2 859	(61 157)	272 107	(597)	(31 194)	333 971	65 146	581 135	2 365	583 500

4.5. CONSOLIDATED STATEMENT OF CASH FLOWS

Table 35: Consolidated statement of cash flows

In thousands of PLN	1Q 2020	1Q 2019
<i>Cash flows from operating activities</i>		
Profit before tax	1 534	20 835
Total adjustments	97 793	60 687
Changes in working capital	19 243	19 692
Income tax paid	(6 671)	(25 144)
Net cash from operating activities	111 899	76 070
<i>Cash flows from investment activities</i>		
Expenditures on the acquisition of intangible assets	(6 292)	(12 408)
Proceeds from the sale of intangible assets	0	(79)
Expenditures on the acquisition of property, plant and equipment	(12 007)	(30 799)
Proceeds from the sale of property, plant, equipment	323	395
Net expenses on the acquisition of subsidiaries	0	(3 740)
Loans collected	3 801	3 497
Loans granted	(260)	(3 790)
Interest received	545	1 220
Net cash from investment activities	(13 890)	(45 704)
<i>Cash flows from financing activities</i>		
Transactions with non-controlling entities	(30 369)	0
Repayments of debt securities	(30 250)	(2 250)
Proceeds from loans and borrowings	131 496	40 678
Repayment of borrowings	(10 666)	(2 626)
Lease payments	(36 579)	(25 214)
Interest paid	(1 771)	(11 299)
Net cash from financial activities	21 861	(711)
Net change in cash and cash equivalents	119 870	29 655
Cash and cash equivalents at beginning of period	72 050	75 819
Cash and cash equivalents at end of period	191 920	105 474

5. CONDENSED FINANCIAL STATEMENTS OF BENEFIT SYSTEMS S.A. PREPARED FOR THE 3 MONTHS ENDED 31 MARCH, 2020

5.1. SELECTED FINANCIAL DATA FOR BENEFIT SYSTEMS S.A

Table 36: Selected financial data of Benefit Systems S.A.

	1Q 2020 in thousands of PLN	1Q 2019 in thousands of PLN	1Q 2020 in thousands of EUR	1Q 2019 in thousands of EUR
Sales revenues	273 035	216 785	62 106	50 441
Operating profit	39 613	22 160	9 011	5 156
Profit before tax	11 436	34 638	2 601	8 059
Net profit from continuing operations	10 812	32 467	2 459	7 554
Net cash from operating activities	89 336	27 565	20 321	6 414
Net cash from investment activities	(94 628)	(46 649)	(21 525)	(10 854)
Net cash from financial activities	57 122	48 484	12 993	11 281
Net change in cash and cash equivalents	51 830	29 400	11 790	6 841
Weighted average number of ordinary shares	2 804 031	2 858 842	2 804 031	2 858 842
Diluted weighted average number of ordinary Shares	2 827 202	2 871 777	2 827 202	2 871 777
Earnings per ordinary share (in PLN/EUR)	3.86	11.36	0.88	2.64
Diluted earnings per ordinary share (in PLN/EUR)	3.82	11.31	0.87	2.63

	As at 31/03/2020 in thousands of PLN	As at 31/12/2019 in thousands of PLN	As at 31/03/2020 in thousands of EUR	As at 31/12/2019 in thousands of EUR
Non-current assets	1 778 697	1 695 935	390 725	398 247
Current assets	182 968	118 240	40 192	27 766
Total assets	1 961 665	1 814 175	430 917	426 013
Non-current liabilities	863 812	838 800	189 753	196 971
Current liabilities	434 666	323 766	95 483	76 028
Equity	663 187	651 609	145 682	153 014
Share capital	2 859	2 859	628	671
Number of ordinary shares	2 858 842	2 858 842	2 858 842	2 858 842
Book value per share (in PLN/EUR per share)	231.98	227.93	50.96	53.52

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

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

- 31.03.2020: 4.5523 EUR/PLN,

- 31.12.2019: 4.2585 EUR/PLN.

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

- 01.01 - 31.03.2020: 4.3963 EUR/PLN,

- 01.01 - 31.03.2019: 4.2978 EUR/PLN.

The highest rate applicable in each period was as follows:

- 01.01 - 31.03.2020: 4.5523 EUR/PLN,

- 01.01 - 31.03.2019: 4.3120 EUR/PLN.

The lowest rate applicable in each period was as follows:

- 01.01 - 31.03.2020: 4.3010 EUR/PLN,

- 01.01 - 31.03.2019: 4.2802 EUR/PLN.

5.2. INCOME STATEMENT

Table 37: Income statement of Benefit Systems S.A

In thousands of PLN	1Q 2020	1Q 2019
Sales revenues	273 035	216 785
Revenues from rendering services	269 490	216 785
Revenues from sales of goods and materials	3 545	-
Costs of sales	(208 685)	(176 816)
Cost of services rendered	(206 014)	(176 816)
Cost of sales of goods and materials	(2 671)	-
Gross profit on sales	64 350	39 969
Selling expenses	(10 562)	(6 439)
General and administrative expenses	(16 682)	(11 573)
Other operating income	3 137	465
Other operating costs	(630)	(262)
Operating profit	39 613	22 160
Financial income, including:	15 307	14 815
<i>Interest income</i>	<i>3 401</i>	<i>4 842</i>
<i>Dividend income</i>	<i>4 254</i>	<i>3 880</i>
<i>Reversal of financial assets write-down</i>	<i>0</i>	<i>5 996</i>
Financial expenses, including:	(43 484)	(2 337)
<i>Interest costs</i>	<i>(432)</i>	<i>(530)</i>
<i>Interest costs on lease liability</i>	<i>(4 039)</i>	<i>(554)</i>
<i>Write-downs of financial assets</i>	<i>(219)</i>	<i>-</i>
Profit before tax	11 436	34 638
Income tax charge	(624)	(2 171)
Net income	10 812	32 467

Table 38: Net income per ordinary share (PLN)

	1Q 2020	1Q 2019
From continuing operations		
- Basic	3.86	11.36
- Diluted	3.82	11.31
From continuing and discontinued operations		
- Basic	3.86	11.36
- Diluted	3.82	11.31

Table 39: Statement of other comprehensive income

In thousands of PLN	1Q 2020	1Q 2019
Net profit	10 812	32 467
Financial assets available for sale:	-	-
- Gains (losses) for the period in other comprehensive income	-	-
Income tax relating to components reclassified to profit and loss	-	-
Other comprehensive income after tax	-	-
Comprehensive income	10 812	32 467

5.3. STATEMENT OF FINANCIAL POSITION

Table 40: Statement of financial position of Benefit Systems S.A. - Assets

In thousands of PLN	As at 31/03/2020	As at 31/12/2019	As at 31/03/2019
Non-current assets			
Intangible assets	217 617	217 617	-
Property, plant and equipment	36 694	35 735	21 093
Right-of-use assets	227 705	234 322	42 915
Investments in subsidiaries	774 394	795 765	30 328
Investments in associates	83 360	82 959	367 512
Long-term receivables	8 193	8 192	9 448
Loans	3 973	3 976	267
Long-term prepayments	404 994	305 886	489 443
Deferred tax assets	263	144	184
Intangible assets	21 504	11 339	11 362
Total non-current assets	1 778 697	1 695 935	972 552
Current assets			
Inventories	2 441	4 136	-
Trade receivables and other receivables	98 283	80 004	51 097
Income tax receivables	245	245	-
Loans	9 879	12 399	59 796
Other short-term financial assets	102	123	-
Accruals	12 950	14 095	8 232
Cash and cash equivalents	59 068	7 238	48 345
Total current assets	182 968	118 240	167 470
Total assets	1 961 665	1 814 175	1 140 022

Table 41: Statement of financial position of Benefit Systems S.A. – Liabilities and Equity

In thousands of PLN	As at 31/03/2020	As at 31/12/2019	As at 31/03/2019
Equity			
Share capital	2 859	2 859	2 859
Own shares	(118 157)	(118 157)	(61 157)
Share premium	211 521	211 521	211 521
Reserve capital	9 906	9 906	9 906
Other capital	384 141	383 375	361 851
Retained earnings:	172 917	162 105	174 225
- Accumulated earnings (losses) for the previous reporting periods	162 105	(4 237)	141 758
- Net profit	10 812	166 342	32 467
Total equity	663 187	651 609	699 205
Liabilities			
Non-current liabilities			
Interest-bearing loans, borrowings and debt instruments	123 507	106 536	128 171
Finance leases	736 953	724 900	6 998
Other liabilities	3 227	7 239	10 044
Liabilities and provisions for employee benefits	125	125	-
Total non-current liabilities	863 812	838 800	145 213
Current liabilities			
Trade payables and other liabilities	58 768	30 563	18 133
Income tax payable	10 875	5 447	8 981
Interest-bearing loans, borrowings and debt instruments	159 362	85 713	142 827
Finance leases	132 864	127 394	40 431
Liabilities and provisions for employee benefits	16 973	17 371	9 827
Accruals	55 824	57 278	75 405
Total current liabilities	434 666	323 766	295 604
Total liabilities	1 298 478	1 162 566	440 817
Total equity and liabilities	1 961 665	1 814 175	1 140 022

5.4. STATEMENT OF CHANGES IN EQUITY

Table 42: Statement of changes in equity of Benefit Systems S.A.

In thousands of PLN	Share capital	Own shares	Share premium	Reserve capital	Other capital	Retained earnings	Total equity
As at 01/01/2020	2 859	(118 157)	211 521	9 906	383 375	162 105	651 609
<i>Equity in the period from 01/01 to 31/03/2020</i>							
Valuation of options	0	0	0	0	766	0	766
Total transactions with owners	0	0	0	0	766	0	766
Net profit for the period from 01/01 to 31/03/2019	0	0	0	0	0	10 812	10 812
Total comprehensive income	0	0	0	0	0	10 812	10 812
As at 31/03/2020	2 859	(118 157)	211 521	9 906	384 141	172 917	663 187
In thousands of PLN	Share capital	Own shares	Share premium	Reserve capital	Other capital	Retained earnings	Total equity
Balance as at 31/12/2018	2 859	(61 157)	211 521	9 906	386 049	141 758	690 936
Correction due to the application of IFRS 16	-	-	-	-	-	-	-
Balance as at 01 January 2019	2 859	(61 157)	211 521	9 906	386 049	141 758	690 936
<i>Changes in equity in the period from 01/01 to 31/12/ 2019</i>							
Valuation of PUT option for non-controlling shares	-	-	-	-	10 586	-	10 586
Equity due to acquisition	-	-	-	-	(159 255)	-	(159 255)
Share buyback	-	(57 000)	-	-	-	-	(57 000)
Transfer of net profit to capital	-	-	-	-	145 995	(145 995)	-
Total transactions with owners	-	(57 000)	-	-	(2 674)	(145 995)	(205 669)
Net profit (loss) for the period from 01/01 to 31/12/2019	-	-	-	-	-	166 342	166 342
Total comprehensive income	-	-	-	-	-	166 342	166 342
Balance as at 31/12/2019	2 859	(118 157)	211 521	9 906	383 375	162 105	651 609

Table 43: Statement of changes in equity of Benefit Systems S.A. - cont.

In thousands of PLN	Share capital	Own shares	Share premium	Reserve capital	Other capital	Retained earnings	Total equity
Balance as at 31/12/2018	2 859	(61 157)	211 521	9 906	386 049	141 758	690 936
Correction due to the application of IFRS 16	-	-	-	-	-	-	-
Balance as at 01 January 2019	2 859	(61 157)	211 521	9 906	386 049	141 758	690 936
<i>Changes in equity in the period from 01/01 to 31/03/ 2019</i>							
Valuation of PUT option for non-controlling shares	-	-	-	-	1 316	-	1 316
Equity due to acquisition	-	-	-	-	(25 514)	-	(25 514)
Total transactions with owners	-	-	-	-	(24 198)	-	(24 198)
Net profit (loss) for the period from 01/01 to 31/03/2019	-	-	-	-	-	32 467	32 467
Total comprehensive income	-	-	-	-	-	32 467	32 467
Balance as at 31/03/2019	2 859	(61 157)	211 521	9 906	361 851	174 225	699 205

5.5. STATEMENT OF CASH FLOWS

Table 44: Cash flows for Benefit Systems S.A

In thousands of PLN	1Q 2020	1Q 2019
<i>Cash flows from operating activities</i>		
Profit before tax	11 436	34 638
Total adjustments	68 096	(4 421)
Changes in working capital	15 168	19 579
Income tax paid	(5 364)	(22 231)
Net cash from operating activities	89 336	27 565
<i>Cash flows from investment activities</i>		
Expenditures on the acquisition of intangible assets	(2 448)	(1 827)
Expenditures on the acquisition of property, plant and equipment	(4 547)	(2 318)
Proceeds from the sale of property, plant, equipment	43	15
Net expenses on the acquisition of subsidiaries	0	(3 740)
Loans collected	3 805	5 192
Loans granted	(92 088)	(47 457)
Interest received	607	986
Dividends received	0	2 500
Net cash from investment activities	(94 628)	(46 649)
<i>Cash flows from financing activities</i>		
Proceeds from the sale of own shares	-	-
Transactions with non-controlling entities	(333)	-
Proceeds from loans and borrowings	139 498	56 178
Repayment of borrowings	(43 502)	(5 500)
Lease payments	(31 629)	(1 467)
Interest paid	(6 912)	(727)
Net cash from financial activities	57 122	48 484
Net change in cash and cash equivalents	51 830	29 400
Cash and cash equivalents at beginning of period	7 238	18 945
Cash and cash equivalents at end of period	59 068	48 345

APPROVAL FOR PUBLICATION

The consolidated quarterly report of Benefit Systems Group prepared for the 3 months period ending 31 March, 2020 (with comparative data) was approved for publication by the Parent company's Management Board on 22 May, 2020.

Date	Full Name	Function	Signature
22 May, 2020	Bartosz Józefiak	Management Board Member	
22 May, 2020	Adam Radzki	Management Board Member	
22 May, 2020	Emilia Rogalewicz	Management Board Member	
22 May, 2020	Wojciech Szwarc	Management Board Member	