

**INTERIM DIRECTORS' REPORT
ON THE OPERATIONS
OF THE BENEFIT SYSTEMS GROUP**

FOR THE SIX MONTHS ENDED
JUNE 30TH 2022



TABLE OF CONTENTS

TABLE OF CONTENTS.....	2
SELECTED FINANCIAL DATA FOR THE SIX MONTHS ENDED JUNE 30TH 2022	3
1. OVERVIEW OF THE COMPANY'S MATERIAL ACHIEVEMENTS OR FAILURES IN THE PERIOD	4
2. MATERIAL INFORMATION ON THE BENEFIT SYSTEMS GROUP	6
2.1. OVERVIEW AND COMPOSITION OF THE BENEFIT SYSTEMS GROUP	6
2.2. STATEMENT OF PROFIT OR LOSS	11
2.3. OUTLOOK	11
3. FINANCIAL RESULTS FOR THE SIX MONTHS ENDED JUNE 30TH 2022	12
3.1 INTRODUCTION	12
3.2. OPERATING SEGMENTS	14
3.3. OTHER FINANCIAL DATA	22
3.4. SELECTED FINANCIAL RATIOS.....	24
4. ADDITIONAL INFORMATION	25
4.1. SIGNIFICANT EVENTS AT THE GROUP DURING THE REPORTING PERIOD	25
4.2. SIGNIFICANT EVENTS AT THE GROUP AFTER THE REPORTING DATE	27
4.3. COMPOSITION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD	27
4.4. SHARES OR OTHER RIGHTS TO SHARES HELD BY MEMBERS OF THE MANAGEMENT BOARD OR THE SUPERVISORY BOARD	27
4.5. SHAREHOLDING STRUCTURE	28
4.6. DIVIDEND	29
4.7. INCENTIVE SCHEME.....	29
4.8. MANAGEMENT BOARD'S POSITION REGARDING DELIVERY AGAINST PROFIT FORECASTS	30
4.9. SEASONALITY OF THE BUSINESS	30
4.10. BORROWINGS, GUARANTEES AND SURETIES OBTAINED BY THE GROUP	30
4.11. LOANS, SURETIES AND GUARANTEES GRANTED BY THE GROUP	31
4.12. RELATED-PARTY TRANSACTIONS EXECUTED BY THE GROUP ON NON-ARM'S LENGTH TERMS	31
4.13. PROCEEDINGS BEFORE A COURT OR ADMINISTRATIVE AUTHORITY, AND MATERIAL SETTLEMENTS ARISING IN CONNECTION WITH COURT PROCEEDINGS.....	32
4.14. SIGNIFICANT RISKS AND THREATS	32
5. REPRESENTATIONS BY THE MANAGEMENT BOARD OF BENEFIT SYSTEMS S.A.....	38

SELECTED FINANCIAL DATA FOR THE SIX MONTHS ENDED JUNE 30TH 2022

Selected financial data of the Benefit Systems Group for the six months ended June 30th 2022

PLN '000	Six months ended June 30th 2022	Six months ended June 30th 2021
Revenue	861,439	279,073
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	181,858	53,921
Operating profit/(loss) (EBIT)	69,651	(48,102)
Profit before tax	50,401	(43,221)
Net profit/(loss) attributable to owners of the parent	39,706	(38,648)
Net profit/(loss)	40,153	(39,011)
Net cash flows from operating activities	162,342	88,067
Net cash flows from investing activities	(84,719)	(31,717)
Net cash flows from financing activities	(218,478)	(81,744)
Net change in cash and cash equivalents	(140,855)	(25,394)
Weighted average number of ordinary shares	2,933,542	2,776,234
Diluted weighted average number of ordinary shares	2,933,542	2,792,932
Earnings/(loss) per share attributable to owners of the parent (PLN)	13.54	(13.92)
Diluted earnings/(loss) per ordinary share attributable to owners of the parent (PLN/EUR)	13.54	(13.84)

PLN '000	As at June 30th 2022	As at June 30th 2021
Non-current assets	1,710,421	1,575,708
Current assets	292,033	334,608
Total assets	2,002,454	1,910,316
Non-current liabilities	857,545	823,555
Current liabilities	510,963	602,670
Equity	633,946	484,091
Equity attributable to owners of the parent	636,771	486,437
Share capital	2,934	2,894
Number of shares	2,933,542	2,894,287
Book value per share attributable to owners of the parent (PLN)	216.10	168.07

Unless stated otherwise, all data in this report covers the period from January to June 2022, and the comparative data presents changes over the corresponding period of 2021. All amounts are presented in thousands of PLN, unless stated otherwise.

1. OVERVIEW OF THE COMPANY'S MATERIAL ACHIEVEMENTS OR FAILURES IN THE PERIOD

Recent years have seen a rapid rise in the awareness of the importance of leading a healthy and active lifestyle. MultiSport membership cards, a key tool for supporting employee health and well-being at many companies, have after two years of the pandemic become an even more desirable perquisite among working Poles. This is reflected in data – in June 2022, the number of Benefit Systems sport card holders in Poland exceeded one million, having increased by 171 thousand since January 1st 2022, while the number of MultiSport Programme users in foreign markets rose to 358 thousand.

According to experts, supported by a vast body of research, and as confirmed by companies' first-hand experience, schemes dedicated to promoting healthy lifestyles, including physical activity, may contribute to enhancing employee productivity and engagement and thus improve an organisation's long-term performance. They may also help reduce employee turnover and absenteeism due to illness. In the 'Health Capital' survey conducted in 2020 by the Union of Entrepreneurs and Employers, as many as 82% of the respondent companies acknowledged that their spending on employee health had increased during the pandemic, while 41% of the decision-makers at Polish companies expressed a belief that the promotion of physical activity would be a key driver supporting employee health in the future. Employees largely share this conviction. According to the **MultiSport Index 2022** survey, as many as 92% of Poles in employment consider physical activity to be a crucial element of preventive healthcare, with 88% emphasising the benefits of being physically active for mental health improvement and maintenance.

The scale of challenges related to mental wellbeing in the workplace, which became an area of particular focus for the Benefit Systems Group over the reporting period, is well illustrated, among others, by the rate of absenteeism due to illness in 2021, when mental and behavioural disorders were the cause of more than 25 million lost workdays. As a result of the growing scale of mental health problems, for the first time in the history of MultiSport Index surveys mental wellbeing was identified as the number-one motivation for Poles to engage in physical activity, with as many as 42% of the respondents including it in their answers. At the same time, 20% of physically active Poles choose to work out at fitness clubs, which is as much as 8pp more than in 2021.

'We Have More in Common Than You Think' campaign

The 'We Have More in Common Than You Think' campaign launched in January is based on comical antagonisms known from social media. The brand incorporated them in contrasting videos and graphics, each promoting a selected sports discipline available under the MultiSport Programme. The campaign was supported with marketing materials for Benefit Systems customers, social media competitions, influencer collaborations, as well as PR activities such as online media publications.

Żabka Nano at Zdrofit

The Zdrofit Bemowo fitness club in Warsaw is the first sports facility in Poland featuring Żabka Nano, a self-service convenience store that uses an innovative method of authorisation and payment for purchases. The store, which offers approximately 300 products, is equipped with a CCTV system using machine learning and other dedicated algorithms to identify products picked up by the shopper, calculate the amount due and charge the shopper automatically to a payment card used to enter the store.

Securing PLN 205m in long-term financing

In April 2022, Benefit Systems secured PLN 205m in long-term financing under a five-year credit facility agreement signed with a syndicate of the European Bank for Reconstruction and Development and Santander Bank Polska. Benefit Systems is to use funds drawn under the credit facility to support the Group's organic growth, develop the MultiLife Programme, conduct acquisitions, and carry out environmental sustainability projects. The amount of the financing available may be increased by a further PLN 35m. The Company also maintains credit limits of PLN 115m with Santander Bank Polska to finance its day-to-day operations. The financing will support Benefit Systems in delivering desirable and innovative non-pay benefits to employers and employees as well as creating state-of-the-art workout locations operated as part of the Group's own fitness club networks. The newly secured funds will also be allocated to promoting active lifestyles among all social groups, including seniors in Poland, e.g. through further development of the MultiSport Senior Programme, and people with disabilities – by ensuring that 80% of fitness clubs in the country meet accessibility requirements. Benefit Systems has also committed to preparing its future non-financial reports in accordance with the 'ESG Reporting Guidelines' as published by EBRD and the Warsaw Stock Exchange.

New acquisition – Lunching.pl

Benefit Systems acquired a 73.97% ownership interest in Lunching.pl, a company focused on supporting employers in building healthy eating habits among staff by offering them access to freshly prepared meals on a regular basis. Lunching is an intuitive application, website and HR tool linking employees, employers, and various caterers, including restaurants. This new acquisition has expanded Benefit Systems' offering in the growing non-pay benefit market segment of meal subsidies and supporting healthy eating habits among employees. Research shows that more than half of all employees in Poland expect meal allowances¹ and that regular meals increase employee productivity by as much as 25%². Lunching is a solution designed to facilitate arranging meals for staff by employers in a financing model of their choice. The company operates throughout Poland, serving both blue- and white-collar workforce, with office employees in Warsaw, Poznań, Wrocław and Kraków accounting for the largest shares of its deliveries. Benefit Systems plans to acquire the remaining 26.03% interest in the company by 2026.

Another edition of the MultiSport Summer Game

In June 2022, another edition of the MultiSport Summer Game was launched. Its key objective is to support the close to one million users of MultiSport membership cards in Poland in keeping up the habit of regular physical activity and, consequently, improving their mental and physical health and general well-being. The project will run until August 10th 2022. Throughout its duration, MultiSport membership card holders will score points for various activities, including regular workouts, visiting new sports and recreational facilities, taking part in educational activities such knowledge quizzes, and reading expert articles on active lifestyles.

Improved attendance at fitness clubs

¹ See Pracuj.pl – <https://media.pracuj.pl/78522-polacy-o-jedzeniu-w-pracy>

² See Health Enhancement Research Organization – Self-Rated Job Performance and Absenteeism According to Employee Engagement, Health Behaviors, and Physical Health, *Journal of Occupational and Environmental Medicine*: January 2013 – Volume 55 – Issue 1 – pp. 10–18, doi: 10.1097/JOM.0b013e31827b73af

The performance of the Group's fitness clubs has been strong. In the first three months of 2022, the number of customers at Benefit Systems-owned fitness clubs (including Zdrofit, FitFabric and Fitness Academy clubs) increased 17% year on year. What is also important, their number in June 2022 remained largely flat on the prior quarter (161 thousand vs. 160 thousand in March 2022), while in previous years June would usually see a drop in the number of fitness club carnets due to upcoming summer holidays.

2. MATERIAL INFORMATION ON THE BENEFIT SYSTEMS GROUP

2.1. OVERVIEW AND COMPOSITION OF THE BENEFIT SYSTEMS GROUP

The Benefit Systems Group comprises Benefit Systems S.A., which is responsible for sales of sport cards and management of its own fitness clubs in Poland, as well as other entities operating in the market for non-pay employee benefits and in the market for sports.

Benefit Systems S.A. has been listed on the main market of the Warsaw Stock Exchange (WSE) since April 2011. The Benefit Systems Group's flagship product is the MultiSport programme, whereby MultiSport cardholders are provided access to over 4,700 sports facilities in close to 720 locations across Poland. The Group's offering includes other sport cards, such as FitProfit. The MultiSport Programme is among Poland's most popular non-pay benefits, allowing members to live an active lifestyle and keep fit and healthy. In addition, the Group also provides access to online offering, including through the Yes2Move training platform and additional services for users of active sport cards.

The development of the flagship product is consistently supported by investments in the fitness market, thus ensuring adequate infrastructure for MultiSport cardholders. Investments in fitness clubs enable the Benefit Systems Group to provide membership card holders with guaranteed access to modern, well-equipped clubs offering a complete suite of professional services.

The Group also offers access to the cafeteria platform MyBenefit, enabling employees to choose a non-pay benefit from an employer-approved list. For the Group, the platform primarily serves as a distribution channel of sport cards, Benefit Systems' main product. The cafeteria system offers the Group's own products: the MultiBilet culture and entertainment programme for members to see a film of their choice in any of the several hundred cinemas across Poland; the MultiTeatr programme offering tickets to most popular theatre shows; and the BenefitLunch offering staff lunches.

The Group continues to expand its offering on a regular basis. In 2021–2022, it launched gamification-based employee engagement services, a mobile application dedicated to enhancing the mental health of employees, and an online platform for ordering food with delivery to the workplace.

The MultiSport programme concept, supported with investment in fitness facilities, has been replicated to expand the Group's operations in foreign markets. The Benefit Systems Group has been present on the Czech market since 2011, in Slovakia and Bulgaria since 2015, in Croatia since 2018, and in Turkey since 2021. These countries' combined potential for business growth (mainly in their respective capital cities) may exceed the potential of the Polish market.

SUBSIDIARIES AND AFFILIATES

COMPANIES OF THE POLAND SEGMENT

Benefit Systems S.A. is responsible for sales of MultiSport cards and, through the **Fitness Branch**, operates own fitness clubs. Benefit Systems S.A. has been listed on the main market of the Warsaw Stock Exchange (WSE) since 2011.

VanityStyle Sp. z o.o. specialises in offering sports and recreational products. The subsidiary provides small- and medium-sized companies with FitProfit and FitSport membership cards, which are similar to the products sold by Benefit Systems S.A. but which, as lower-cost products, typically offer a smaller range of services provided by a smaller number of Partners. The Company also offers *Kupon CinemaProfit* and *Qltura Profit* products.

FitFabric Sp. z o.o. operates 16 fitness clubs, most of which are located in the Łódzkie voivodeship.

Benefit Partners Sp. z o.o. is a subsidiary of Benefit Systems S.A. It rents own fitness equipment for sports clubs to the Group companies under lease contracts.

Yes to Move Sp. z o.o., whose principal business activity is retail sale via mail order houses or via Internet, in the third quarter of 2020 launched an online store offering food supplements, dietetic foods, fitness accessories, and many other products supporting workout and healthy lifestyle. In 2021, the Company took over certain procurement responsibilities from other Group companies in order to centralise the procurement function within the Group and achieve related synergies, including though centralised assessment and selection of suppliers, establishment of a single supplier base, and making available Group-wide e-procurement tools.

The business object of Benefit IP Spółka z ograniczoną odpowiedzialnością sp.k. is centralised management of the marketing activities of the Benefit Systems Group and management of all trademarks and industrial property rights of the companies in the Poland segment (grant of trademark licences).

Benefit IP Sp. z o.o. is the general partner and minority shareholder in the company.

Zdrowe Miejsce Sp. z o.o. (formerly Rehabilitacja i Ortopedia Sp. z o.o.) is a company operating as a healthcare establishment under the Zdrofit Healthy Place brand. The main services provided by Zdrofit Healthy Place are physioprophyllaxis medical services, including kinesitherapy (fitness improvement with exercise), aimed at maintaining or improving health.

Focusly sp. z o.o. is a subsidiary of Benefit Systems S.A. It was acquired on November 3rd 2021 from Daftcode, a technology group. The purpose of the acquisition was to gain know-how in the rapidly developing mental health segment and to strengthen the MultiLife programme with a mobile application supporting the mental condition of employees.

Total Fitness sp. z o.o. is a subsidiary of Benefit Systems S.A. It was acquired in the fourth quarter of 2021 as part of the strategy to expand the Group's own portfolio of sports and recreational facilities, adding 14 clubs to the portfolio. The clubs are located in the main districts of Warsaw and in the towns of Piaseczno, Pruszków, Gdańsk and Radom, in commercial buildings with large exposure to residential areas, which makes sport cards, the Group's main product, more attractive to current and prospective customers.

YesIndeed Sp. z o.o. offers staff activation services in the B2B model. The services are divided into two categories: for sales departments under the YesIndeed brand and own prize cafeterias used in the offered

programmes. The main element of the projects is gamification with tangible and intangible rewards, based on results imported from sales, HR and payroll, and sports systems. The Company has its own IT systems based on extensive experience in sales force activation.

Lunching.pl Sp. z o.o. is a subsidiary of Benefit Systems S.A. It was acquired in the second quarter of 2022. Lunching is a solution designed to facilitate the organisation of meals for employee teams by employers in a financing model of their choice. The acquisition of Lunching.pl allowed the Group to expand its offering in the growing segment of the non-pay benefit market, i.e. co-financing of meals and supporting healthy eating habits of employees.

COMPANIES IN THE FOREIGN MARKETS SEGMENT

Benefit Systems International Sp. z o.o. is a vehicle used by the Benefit Systems Group to sell sport cards on foreign markets. It is also a majority shareholder in the following international companies: MultiSport Benefit S.R.O. (Czech Republic), Benefit Systems Slovakia S.R.O. (Slovakia), Benefit Systems Bulgaria EOOD (Bulgaria), and Benefit Systems D.O.O. (Croatia), as well as, indirectly through BSI Investments Sp z o.o., in Benefit Systems Spor Hizmetleri Limited Sirketi (Turkey), which are responsible for selling sport cards in their respective local markets. The company is also the majority shareholder in Benefit Systems, storitve, D.O.O. (Slovenia), which is not engaged in any operating activities.

Fit Invest International Sp. z o.o. manages the Benefit Systems Group's foreign investments in sports clubs. Form Factory S.R.O. (Czech Republic) and Next Level Fitness EOOD (Bulgaria) are companies investing in the existing fitness clubs and responsible for opening new ones. Form Factory S.R.O. runs ten fitness clubs in the Czech Republic, and Next Level Fitness – nine in Bulgaria. Beck Box Club Praha S.R.O. operates three fitness clubs in Prague, and Form Factory Slovakia S.R.O owns two clubs in Slovakia.

List of subsidiaries

Operating segments	Subsidiary	Registered address	Group's ownership interest*:	
			June 30th 2022	June 30th 2021
POLAND	YesIndeed Sp. z o.o.	ul. Przeskok 2, 00-032 Warsaw, Poland	100.00%	100.00%
	VanityStyle Sp. z o.o.	ul. Skierniewicka 16/20, 01-230 Warsaw, Poland	100.00%	100.00%
	Focusly Sp. z o.o.	ul. Skierniewicka 16/20, 01-230 Warsaw, Poland	100.00%	100.00%
	Lunching.pl Sp. z o.o. ¹⁾	ul. Fabryczna 20A, 31-553 Kraków, Poland	73.97%	0.00%
	Benefit IP Sp. z o.o.	Plac Europejski 2, 00-844 Warsaw, Poland	100.00%	100.00%
	Benefit IP Spółka z ograniczoną odpowiedzialnością sp.k.	Plac Europejski 2, 00-844 Warsaw, Poland	100.00%	100.00%
	Benefit Partners Sp. z o.o.	Plac Europejski 2, 00-844 Warsaw, Poland	100.00%	100.00%
	Fit Fabric Sp. z o.o.	Plac Europejski 2, 00-844 Warsaw, Poland	100.00%	100.00%
	Total Fitness Sp. z o.o. ²⁾	Aleja Bohaterów Września 9, 02-389 Warsaw, Poland	88.23%	0.00%

	Zdrowe Miejsce Sp. z o.o.	ul. Odyńca 71, 02-644 Warsaw, Poland	80.00%	80.00%
	Yes to Move Sp. z o.o.	Plac Europejski 2, 00-844 Warsaw, Poland	100.00%	100.00%
FOREIGN MARKETS	Benefit Systems International Sp. z o.o.	ul. Młynarska 8/12, 01-194 Warsaw, Poland	97.20%	97.20%
	Fit Invest International Sp. z o.o.	ul. Młynarska 8/12, 01-194 Warsaw, Poland	97.20%	97.20%
	BSI Investments Sp. z o.o.	ul. Młynarska 8/12, 01-194 Warsaw, Poland	97.20%	97.20%
	Form Factory Slovakia S.R.O.	Ružová dolina 480/6 Bratislava - mestská časť Ružinov 821 08, Slovakia	97.20%	97.20%
	Form Factory S.R.O.	Vinohradská 2405/190 Vinohrady, 130 00 Praha 3, Czech Republic	97.20%	97.20%
	Next Level Fitness EOOD	Bul. Simeonovsko Shosse 35, 1700 Sofia, Bulgaria	97.20%	97.20%
	Beck Box Club Praha S.R.O.	Vinohradská 2405/190 Vinohrady, 130 00 Praha 3, Czech Republic	97.20%	97.20%
	MultiSport Benefit S.R.O. ³⁾	Lomnickeho 1705/9, 140 00 Praha 4, Czech Republic	97.20%	95.26%
	Benefit Systems Slovakia S.R.O.	Ružová dolina 6 Bratislava - mestská časť Ružinov 821 08, Slovakia	95.26%	95.26%
	Benefit Systems Bulgaria EOOD	11-13, Yunak Str., floor 1, 1612 Sofia, Bulgaria	93.31%	93.31%
	Benefit Systems D.O.O. ⁴⁾	Zagreb (Grad Zagreb) Heinzlova ulica 44, Croatia	94.28%	95.74%
	Benefit Systems, storitve, D.O.O.	Komenskega street 36, 1000 Ljubana, Slovenia	92.34%	92.34%
	Benefit Systems Spor Hizmetleri Ltd ⁵⁾	Eski Büyükdere Caddesi No: 7, GİZ 2000 Plaza, Kat 4. 13. VE 14. Bağımsız Bölümler, Maslak, Sarıyer/ 34398 İstanbul, Turkey	90.40%	0.00%
OTHER	Multisport Foundation ⁶⁾	ul. Racjonalizacji 5, 02-673 Warsaw, Poland	100.00%	0.00%
	MW Legal Sp. z o.o. ⁷⁾	Plac Europejski 2, 00-844 Warsaw, Poland	100.00%	100.00%

* The table presents the Group's indirect ownership interest in its subsidiaries.

1) On April 13th 2022, the parent acquired a 75% stake in Lunching.pl Sp. z o.o. On May 23rd 2022, an increase in the share capital of Lunching.pl Sp. z o.o. was registered, following which the parent's interest in the company was 73.97% as at June 30th 2022. The company has been consolidated since the acquisition date based on the assumption that the Group exercises full (100%) control in view of the options included in the share purchase agreement.

2) On November 4th 2021, an agreement was signed whereby the Parent purchased 88.23% of shares in Total Fitness Sp. z o.o.

3) On January 11th 2022, the sale of 2% of shares in Multisport Benefit S.R.O. was effected, as a result of which Benefit Systems International Sp. z o.o. holds 100% of shares in the company.

4) On July 13th 2021, Benefit Systems International Sp. z o.o. sold 3.5% of shares in Benefit Systems D.O.O. On October 25th 2021, Benefit Systems International Sp. z o.o. purchased 2% of shares in Benefit Systems D.O.O. Following the transactions, Benefit System International Sp. z o.o.'s equity interest in the company fell to 97%.

5) On August 16th 2021, Benefit Systems Spor Hizmetleri Ltd of Turkey was registered; 93% of its shares are held by BSI Investments Sp. z o.o.

6) On August 26th 2021, the Multisport Foundation was registered, with Benefit Systems S.A. as the sole founder.

7) The company is not consolidated as it does not conduct any business activity.

Associates and other companies

Operating segments	Associate	Registered address	Group's ownership interest:	
			June 30th 2022	June 30th 2021
POLAND	Baltic Fitness Center Sp. z o.o.	ul. Puławska 427, 02-801 Warsaw, Poland	49.95%	49.95%
	Instytut Rozwoju Fitness Sp. z o.o.	ul. Puławska 427, 02-801 Warsaw, Poland	48.10%	48.10%
	Calypso Fitness S.A.	ul. Puławska 427, 02-801 Warsaw, Poland	33.33%	33.33%
	Get Fit Katowice II Sp. z o.o.	ul. Uniwersytecka 13, 40-007 Katowice, Poland	20.00%	20.00%

2.2. STATEMENT OF PROFIT OR LOSS

Consolidated statement of profit or loss of the Benefit Systems Group

PLN '000	Six months ended June 30th 2022	Six months ended June 30th 2021	Change
Revenue	861,439	279,073	208.7%
Revenue from sales of services	849,267	276,618	207.0%
Revenue from sales of merchandise and materials	12,172	2,455	395.8%
Cost of sales	(665,023)	(263,077)	152.8%
Cost of services sold	(657,458)	(261,624)	151.3%
Cost of merchandise and materials sold	(7,565)	(1,453)	420.6%
Gross profit/(loss)	196,416	15,996	1127.9%
Selling expenses	(60,416)	(32,661)	85.0%
Administrative expenses	(65,160)	(49,180)	32.5%
Other income	4,034	21,748	(81.5%)
Other expenses	(5,223)	(4,005)	30.4%
Operating profit/(loss)	69,651	(48,102)	(244.8%)
Finance income, including:	1,887	15,179	(87.6%)
<i>Interest income on loans</i>	<i>1,523</i>	<i>735</i>	<i>107.2%</i>
Finance costs, including:	(20,432)	(11,019)	85.4%
<i>Interest expense on lease liabilities</i>	<i>(5,894)</i>	<i>(5,957)</i>	<i>(1.1%)</i>
Impairment losses on financial assets	(878)	(103)	752.4%
Share of profit/(loss) of equity-accounted entities	173	824	(79.0%)
Profit/(loss) before tax	50,401	(43,221)	-
Income tax	(10,248)	4,210	(343.4%)
Net profit/(loss) from continuing operations	40,153	(39,011)	-
Gross margin	22.8%	5.7%	17.1pp

2.3. OUTLOOK

The outlook for 2022 is significantly affected by the armed conflict in Ukraine, which may harm the economies of the countries where the Group operates in a number of ways, such as higher prices of fuels, raw materials and energy, continued inflation or depreciation of local currencies, and this, in turn, may hamper the demand for the services and products offered by the Group and lead to higher operating expenses.

The Group invariably sees high long-term growth potential for the MultiSport programme, which is currently at a relatively early stage of development, in Poland and foreign markets. Moreover, the COVID-

19 pandemic may, in the long term, increase public awareness of matters related to health protection and immunity improvement. This in turn may generate demand for physical activity services, which are the Group's main business area.

3. FINANCIAL RESULTS FOR THE SIX MONTHS ENDED JUNE 30TH 2022

3.1 INTRODUCTION

The Group presents segment information in accordance with IFRS 8 *Operating Segments* for the current reporting period and the comparative period.

The Group presents results by segments reflecting its long-term investment strategy and the business management model, taking into account the nature of its business. The Group identified the following reportable segments:

1. Poland
2. Foreign Markets

In the financial statements for the previous years, the Group presented the Cafeterias segment in addition to the Poland and Foreign Markets segments. In view of the ongoing product integration process and the resulting organisational transition reflected in the merger of Benefit Systems S.A. and MyBenefit Sp. z o.o., the framework based on which the Group's Management Board assesses the Group's business performance and makes decisions on allocation of resources has been redefined. As a result, the Group has decided to include Cafeterias in the Poland segment.

The Group generates income and expenses from the above business lines which are reviewed regularly by the operating decision makers and used to make decisions on resources allocated to each segment and to assess the segments' results.

The Group has separate financial information available for each of the segments. The Group applies the same accounting policies for all operating segments. The Group accounts for inter-segment transactions on an arm's-length basis.

The segment's performance is assessed based on operating profit or loss and EBITDA (which is a non-IFRS measure) defined by the Group as operating profit before depreciation and amortisation. In addition, the Group allocates to the operating segments interest on lease liabilities and share of profits (losses) of equity-accounted entities whose business is similar to that of a given segment.

In the reporting period, the Group did not identify any individual customer which would account for more than 10% of the Group's total revenue.

Revenue disclosed in the consolidated statement of profit or loss does not differ from revenue presented by the operating segments, except for consolidation eliminations on intersegment transactions.

Measurement of the operating segments' results used in the management calculations is consistent with the accounting policies applied in the preparation of the consolidated financial statements.

Selected financial data of the operating segments for the six months ended June 30th 2022

PLN '000	Poland	Foreign Markets	Corporate	Total
Revenue	621,254	240,244	(59)	861,439
Cost of sales	(470,139)	(194,884)	0	(665,023)
Gross profit/(loss)	151,115	45,360	(59)	196,416
Selling expenses	(42,320)	(18,096)	0	(60,416)
Administrative expenses	(43,093)	(20,471)	(1,596)	(65,160)
Other income and expenses	(2,092)	1,021	(118)	(1,189)
Operating profit/(loss)	63,610	7,814	(1,773)	69,651
EBITDA	157,105	26,527	(1,773)	181,858
Share of profit/(loss) of equity-accounted entities	173	0	0	173
Interest expense on lease liabilities	(4,970)	(924)	0	(5,894)
Finance income and costs (other than interest expense on lease liabilities)	0	0	(13,529)	(13,529)
Profit/(loss) before tax				50,401
Segment's assets	1,972,080	275,459	(245,085)	2,002,454
<i>including right-of-use assets</i>	<i>667,865</i>	<i>109,664</i>	<i>0</i>	<i>777,529</i>
Depreciation and amortisation	93,495	18,713	0	112,208
<i>including depreciation of right-of-use assets</i>	<i>56,781</i>	<i>11,799</i>	<i>0</i>	<i>68,580</i>

Selected financial data of the operating segments for the second quarter of 2022

PLN '000	Poland	Foreign Markets	Corporate	Total
Revenue	329,605	130,053	(53)	459,605
Cost of sales	(237,122)	(102,992)	0	(340,114)
Gross profit/(loss)	92,483	27,061	(53)	119,491
Selling expenses	(22,485)	(10,011)	0	(32,496)
Administrative expenses	(22,121)	(10,733)	(1,668)	(34,522)
Other income and expenses	(2,444)	417	(118)	(2,145)
Operating profit/(loss)	45,433	6,734	(1,839)	50,328
EBITDA	92,716	16,341	(1,839)	107,218
Share of profit/(loss) of equity-accounted entities	277	0	0	277
Interest expense on lease liabilities	(2,616)	(497)	0	(3,113)
Finance income and costs (other than interest expense on lease liabilities)	0	0	(7,275)	(7,275)
Profit/(loss) before tax				40,217

Reconciliation of total revenue, profit or loss and assets of the operating segments to the corresponding items of the Group's consolidated financial statements for the six months ended June 30th 2022

PLN '000	Six months ended June 30th 2022	Six months ended June 30th 2021 (restated)*
<i>Segments' revenue</i>		
Total revenue of operating segments	861,498	279,118
Unallocated revenue	0	0
Elimination of revenue from inter-segment transactions	(59)	(45)
Revenue	861,439	279,073
<i>Segments' profit/(loss)</i>		
Segments' operating profit/(loss)	71,424	(48,321)
Elimination of profit/(loss) from inter-segment transactions (IFRS 16)	0	0
Unallocated profit/(loss)	(1,773)	219
Operating profit/(loss)	69,651	(48,102)
Finance income and costs	(18,545)	4,160
Impairment losses on financial assets	(878)	(103)
Share of profit/(loss) of equity-accounted entities (+/-)	173	824
Profit/(loss) before tax	50,401	(43,221)
PLN '000	As at June 30th 2022	As at June 30th 2021
Total assets of operating segments	2,247,540	2,157,061
Unallocated assets	0	0
Elimination of inter-segment transactions	(245,086)	(246,745)
Total assets	2,002,454	1,910,316

* The restatement reflects the combination of the Poland and Cafeterias segments.

The unallocated expenses are costs of the Incentive Scheme. Eliminations of assets mainly include loans and trade receivables.

3.2. OPERATING SEGMENTS

3.2.1. POLAND

The Poland segment's scope of operations includes non-pay benefits, such as sport cards and cafeteria platforms, management of fitness clubs, and investment in new clubs on the Polish market.

Sport cards are distributed by Benefit Systems S.A. and VanityStyle Sp. z o.o. Currently the following cards are available: **MultiSport Plus, MultiSport Classic, MultiSport Light, MultiSport Kids/MultiSport Kids Aqua, MultiSport Student, MultiSport Senior, as well as FitSport and FitProfit.**

Sport cards are one of the most popular non-pay benefits in Poland and, at the same time, they are also among the benefits most preferred by employees. Sport cards are unique because they combine, in a

single product, benefits for various market participants; they benefit: employers as an effective tool for incentivising employees, cardholders by providing access to numerous facilities and activities, and sports facility operators by generating additional revenue streams. The market potential remains strong, as many Poles do not practise any sports and employers increasingly appreciate the benefits of their employees staying fit and healthy. At the end of the reporting period, the number of active cards in Poland was 1,013.2 thousand.

The Group is investing in the development of MyBenefit, its proprietary cafeteria platform offering a wide range of products and services, including the Benefit Systems Group's own products. The platform offers benefits spanning sport and health, culture, entertainment, recreation, leisure, as well as domestic and foreign travel. The offering also comprises shopping vouchers that can be used at popular brand store chains in Poland, training courses, and food offering. Benefits are offered by reliable suppliers, and the partner network comprises nearly four thousand entities and is constantly adapted to market and customer needs.

The MyBenefit cafeteria platform allows employees to choose freely from among a range of available benefits, within the limits and budgets set by their employers. Users can select benefits directly from Cafeteria – an online platform featuring individual user accounts. The solution, which gives employers full control of the benefits selected and simple settlement methods, has been taken up by companies from the manufacturing, services and trade industries, as well as public institutions. The MyBenefit platform is also an important channel for distributing sport cards offered by the Group.

The MultiBilet Cinema Programme is an independent pillar of the Group's culture and entertainment offering, with tickets available to 250 partner cinemas across Poland (including Cinema City, Helios and Multikino, in addition to a number of local cinemas).

The QlturaProfit vouchers offered by VanityStyle Sp. z o.o. allow their holders to enjoy selected plays, films and exhibitions as part of a cultural offering created by about 50 theatres, 180 cinemas, 60 museums and 27 thematic parks across Poland.

The Group also offers MultiTeatr, MultiMuzeum, MultiZoo and BenefitLunch, providing access to numerous theatres, museums, zoos and restaurants.

Since 2021, the Group has been offering B2B employee engagement services based on gamification. The gamification services offered by YesIndeed Sp. z o.o. are divided into two categories:

- incentive schemes for sales and marketing departments offered under the YesIndeed brand, and
- own prize cafeterias used in the offered programmes.

The main element of the projects is gamification with tangible and intangible rewards, based on results imported from sales, HR and payroll, and sports systems.

The Benefit Systems Group also invests in fitness clubs to secure access to an adequate base of sports and recreation facilities. As at June 30th 2022, the Group had 171 own clubs in Poland operated by the Fitness Branch within Benefit Systems S.A. and by Fit Fabric Sp. z o.o. and Total Fitness Sp. z o.o. The Group's facilities operate under the following brands: Zdrofit, Fabryka Formy, Fitness Academy, My Fitness Place, FitFabric, Step One, S4, Total Fitness and AquaPark Wesolandia. The Group also held equity

interests in companies managing another 38 facilities. In addition, the Parent operates the Atmosfera Multisport club, which organises activities for children and young people.

Selected financial data of the Poland segment for the six months ended June 30th 2022 and June 30th 2021

PLN '000	Six months ended June 30th 2022	Six months ended June 30th 2021 (restated)*	Change
Revenue	621,254	210,103	195.7%
Cost of sales	(470,139)	(191,127)	146.0%
Gross profit/(loss)	151,115	18,976	696.3%
Selling expenses	(42,320)	(22,229)	90.4%
Administrative expenses	(43,093)	(33,336)	29.3%
Other income and expenses	(2,092)	3,640	(157.5%)
Operating profit/(loss)	63,610	(32,948)	-
EBITDA	157,105	52,821	197.4%
Interest expense on lease liabilities	(4,970)	(5,311)	(6.4%)
<i>Gross margin</i>	24.3%	9.0%	15.3pp
<i>Number of sport cards</i>	1013.2	548.1	465.1
<i>Number of clubs</i>	171	155	16
<i>Turnover of the Cafeterias segment (PLNm) **</i>	162.0	144.0	12.5%
<i>Number of Cafeterias users ('000)</i>	546.2	497.7	9.7%

* The restatement reflects the combination of the Poland and Cafeterias segments.

** Based on the value of services provided and settlement of intermediation in payments in cafeteria e-platforms (excluding sales of sport cards).

Selected financial data of the Poland segment for the three months ended June 30th 2022 and June 30th 2021:

PLN '000	Q2 2022	Q2 2021 (restated)*	Change
Revenue	329,605	125,889	161.8%
Cost of sales	(237,122)	(99,682)	137.9%
Gross profit/(loss)	92,483	26,207	252.9%
Selling expenses	(22,485)	(10,798)	108.2%
Administrative expenses	(22,121)	(17,092)	29.4%
Other income and expenses	(2,444)	(1,900)	28.6%
Operating profit/(loss)	45,433	(3,583)	-
EBITDA	92,716	38,977	137.9%
Interest expense on lease liabilities	(2,616)	(2,470)	5.9%
<i>Gross margin</i>	28.1%	20.8%	7.2pp
<i>Number of sport cards</i>	1013.2	548.1	465.1
<i>Number of clubs</i>	171	155	16
<i>Sales of the Cafeterias segment (PLNm) **</i>	82.5	76.6	7.7%

Number of Cafeterias users ('000)	546.2	497.7	9.7%
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* The restatement reflects the combination of the Poland and Cafeterias segments.

** Based on the value of services provided and settlement of intermediation in payments in cafeteria e-platforms (excluding sales of sport cards).

Revenue of the Poland segment rose 195.7% year on year, mainly as a result of the lifting of the COVID-19-related restrictions, in particular the lockdown of sports facilities until May 28th 2021. Cost of sales increased 146.0%, and gross profit came in at PLN 151.1m.

Five new fitness clubs were opened in the first quarter of 2022, three of them in Warsaw (Zdrofit Wola Mennica Legacy Tower, Zdrofit Wola The Warsaw HUB, Zdrofit Bemowo Lazurowa), one in Stara Iwiczna near Warsaw (Zdrofit N-Park), and one in Łódź (Fit Fabric Strażacka).

One fitness club in Warsaw, namely Zdrofit Wola dla Kobiet, ceased operations in the second quarter of 2022.

In February 2022, the Zdrofit Zdrowe Miejsce (Zdrofit Healthy Place) project was reorganised to adapt the offering to market needs and optimise the costs. As a result of the changes, nine fitness clubs providing physical therapy and kinesiotherapy services have been left. Moreover, as part of treatment with exercise, Zdrofit Healthy Place patients receive, among others, individual fitness improvement programmes prepared by physiotherapists.

The Group is intensively developing its online products, such as the exercise platform which provides access to a constantly expanding base of online and live workouts conducted by qualified trainers, and the Yes2Move online store which offers, among other things, food supplements and dietetic food, fitness accessories and many other items to support physical exercise and promote a healthy lifestyle. The Parent is continuing the development of MultiLife – a product providing access to online services such as a diet creator, language platform, mindfulness course, e-books, yoga course, and online consultations with experts.

In the first half of 2022, the parent acquired a 73.97% stake in Lunching.pl Sp. z o.o. The acquired company owns the platform and application for ordering food with delivery to the workplace. Lunching is a solution designed to facilitate the organisation of meals for employee teams by employers in a financing model of their choice. The acquisition of shares in Lunching.pl will significantly increase the Group's competence in healthy nutrition and co-financing of meals for employees. Knowledge and experience in this area will be used, among others, to develop and enhance the offering of the MultiLife programme.

As at June 30th 2022, the MyBenefit cafeteria platform had more than 546 thousand users, up 49 thousand year on year. The user growth, coupled with the re-opening of industries which had previously been locked down due to the COVID-19 pandemic, translated into a PLN 18m (12.5%) year-on-year increase in the Cafeterias segment's turnover in the first half of 2022.

The most popular benefit categories are retail (130.2m turnover vs PLN 115.8m in the corresponding period of 2021), as well as travel and food.

In the first half of 2022, savings of PLN 4.7m resulting from COVID-19-related rent concessions were recognised. The Group is still in talks with several lessors on rent concessions for the pandemic period, which will enable it to recognise savings also in the remaining months of 2022.

In the first six months of 2022, the Poland segment recognised depreciation of right-of-use assets of PLN 56.8m and interest expense on lease liabilities of PLN 4.97m.

3.2.2. FOREIGN MARKETS

The segment consists of companies engaged in the development of the MultiSport programme, companies managing fitness clubs as part of the strategy to support the MultiSport card as the Group's main product, as well as holding companies: Benefit Systems International Sp. z o.o., Fit Invest International Sp. z o.o. and BSI Investments Sp. z o.o.

In the first half of 2022, the following companies engaged in the development of the MultiSport programme were part of the segment: The Czech Republic (MultiSport Benefit S.R.O.), Bulgaria (Benefit Systems Bulgaria EOOD), Slovakia (Benefit Systems Slovakia S.R.O.), Croatia (Benefit Systems D.O.O.), and Turkey (Benefit Systems Spor Hizmetleri LTD). Fitness clubs were operated by Beck Box Club Praha S.R.O. and Form Factory S.R.O. in the Czech Republic, Fit Invest Slovakia S.R.O. in Slovakia, and Next Level Fitness EOOD in Bulgaria.

The segment also includes Benefit Systems, storitve, D.O.O. (Slovenia), which was not operational in the first half of 2022.

Benefit Systems International Sp. z o.o. is the Parent of the other companies in the segment. All these companies are fully consolidated.

Selected financial data of the Foreign Markets segment for the six months ended June 30th 2022 and June 30th 2021

PLN '000	Six months ended June 30th 2022	Six months ended June 30th 2021	Change
Revenue	240,244	69,015	248.1%
Cost of sales	(194,884)	(71,950)	170.9%
Gross profit/(loss)	45,360	(2,935)	-
Selling expenses	(18,096)	(10,432)	73.5%
Administrative expenses	(20,471)	(16,062)	27.4%
Other income and expenses	1,021	14,056	-
Operating profit/(loss)	7,814	(15,373)	-
EBITDA	26,527	881	2909.5%
Interest expense on lease liabilities	(924)	(646)	43.0%
<i>Gross margin</i>	<i>18.9%</i>	<i>(4.3%)</i>	<i>23.1pp</i>
<i>Number of sport cards</i>	<i>357.7</i>	<i>249.9</i>	<i>107.8</i>
<i>Number of clubs</i>	<i>24</i>	<i>23</i>	<i>1</i>

Selected financial data of the Foreign Markets segment for the three months ended June 30th 2022 and June 30th 2021:

PLN '000	Q2 2022	Q2 2021	Change
Revenue	130,053	54,776	137.4%
Cost of sales	(102,992)	(47,058)	118.9%
Gross profit/(loss)	27,061	7,718	250.6%
Selling expenses	(10,011)	(5,578)	79.5%
Administrative expenses	(10,733)	(8,526)	25.9%
Other income and expenses	417	11,079	-
Operating profit/(loss)	6,734	4,693	43.5%
EBITDA	16,341	12,751	28.2%
Interest expense on lease liabilities	(497)	(318)	56.3%
<i>Gross margin</i>	20.8%	14.1%	6.7pp
<i>Number of sport cards</i>	357.7	249.9	107.8
<i>Number of clubs</i>	24	23	1

As at the end of 2021, there were 284.7 thousand active cards in the Foreign Markets segment and, as a result of consistent growth in the following months, the first quarter of 2022 was closed with 316.3 thousand cards. The fastest growth, of more than 15%, was recorded on the Bulgarian and Croatian markets. The second quarter saw a higher sales growth, translating into a more than 13% quarter-on-quarter increase in the number of active cards, to 357.7 thousand as at June 30th 2022. In absolute terms, the active card base grew the fastest on the Czech market, by as much as 18 thousand on March 2022. In percentage terms, Slovakia was the fastest growing market, with the number of active cards up by 7.1 thousand.

Sales activities in the Turkish market were launched in the first quarter of 2022. As at June 30th 2022, the number of active cards reached more than 0.1 thousand. The sales activities carried out in Turkey are expected to bring results in the coming quarters.

Number of active sport cards in Foreign Markets countries*

Country	As at June 30th 2022	As at March 31st 2022	As at December 31st 2021	% change June 30th vs. March 31st 2022	% change March 31st 2022 vs. December 31st 2021
Czech Republic	184.9	167.0	156.2	11%	7%
Bulgaria	112.1	97.6	82.8	15%	18%
Slovakia	35.9	28.8	26.5	25%	9%
Croatia	24.7	22.9	19.1	8%	20%
Turkey	0.1	-	-	-	-
Total	357.7	316.3	284.6	13%	11%

* Weighted average number of cards in the last month of the period.

The increases shown above were supported by the improving epidemic situation on the markets. In early February, all restrictions were lifted in the Czech Republic, while in the other markets, despite some restrictions, customers and users were getting back on track. As a result, more and more "old" customers

reactivated the cards they had suspended for the time of the COVID-19 epidemic, while “new” customers, accustomed to the pandemic reality, were more willing to sign MultiSport programme contracts. In the second quarter of 2022, as the pandemic situation did not deteriorate, no new lockdowns or other restrictions were imposed in any of the segment’s geographies.

In parallel to the sales activities, the Foreign Markets segment companies improved the experience for MultiSport customers by developing the Partnership network and monitoring the quality of cooperation with Partners within the existing network. As at the end of the first quarter of 2022, the MultiSport partnership network operated a total of 4,202 Partner locations, of which nearly 80 were in Turkey. In the second quarter of 2022, the number of partner locations remained largely flat on the Czech, Slovak, Bulgarian and Croatian markets, while in Turkey it rose by close to 50% quarter on quarter.

Numbers of partner locations in Foreign Markets countries

Country	As at June 30th 2022	As at March 31st 2022	As at December 31st 2021	% change June 30th vs. March 31st 2022	% change March 31st 2022 vs. December 31st 2021
Czech Republic	1,948	1,960	1,954	(1%)	0%
Bulgaria	885	890	918	(1%)	(3%)
Slovakia	849	848	866	0%	(2%)
Croatia	429	427	426	0%	0%
Turkey	113	77	-	47%	-
Total	4,224	4,202	4,164	1%	1%

As at the end of 2021, the company was engaged in investment projects in the Czech Republic (13 clubs), Bulgaria (9 clubs) and Slovakia (2 clubs). In early 2022, the Czech company launched one new club in Ostrava (Avion). In the second quarter of 2022, one investment club in Prague (Form Factory Chodov) was closed. At the same time, the segment companies actively sought opportunities to invest in new clubs with a view to expanding their own networks, which would allow them to reach more retail users as well as prospective and existing MultiSport card holders.

Numbers of own fitness clubs in Foreign Markets countries

Country	As at June 30th 2022	As at March 31st 2022	As at December 31st 2021	% change June 30th vs. March 31st 2022	% change March 31st 2022 vs. December 31st 2021
Czech Republic	13	14	13	(7%)	8%
Bulgaria	9	9	9	0%	0%
Slovakia	2	2	2	0%	0%
Total	24	25	24	(4%)	4%

As no new lockdowns or other restrictions were imposed following the stabilisation of the pandemic situation, the active card base continued to grow rapidly across all foreign markets where the MultiSport programme is offered. At the same time, the companies operating fitness clubs carried out effective marketing activities to increase the number of active B2C subscribers (fitness club carnets). This translated into a 18% and 48% quarter-on-quarter increase in revenue and gross profit, respectively, in the second quarter of 2022.

In the first half of 2022, the Foreign Markets segment companies did not benefit from aid schemes aimed at mitigating the adverse economic impacts of the COVID pandemic.

3.2.3. OTHER ACTIVITIES AND CORPORATE

The Other Activities and Corporate segment mainly includes intersegment eliminations.

Selected financial data of the Other Activities and Corporate segment for the six months ended June 30th 2022 and June 30th 2021

PLN '000	Six months ended June 30th 2022	Six months ended June 30th 2021 (restated)*	Change
Revenue	(59)	(45)	30.2%
Cost of sales	0	0	-
Gross profit/(loss)	(59)	(45)	30.2%
Selling expenses	0	0	-
Administrative expenses	(1,596)	218	-
Other income and expenses	(118)	47	-
Operating profit/(loss)	(1,773)	219	-
EBITDA	(1,773)	219	-
Interest expense on lease liabilities	0	0	-
<i>Gross margin</i>	<i>100.0%</i>	<i>100.0%</i>	-

* The restatement reflects the combination of the Poland and Cafeterias segments.

Selected financial data of the Other Activities and Corporate segment for the three months ended June 30th 2022 and June 30th 2021:

PLN '000	Q2 2022	Q2 2021 (restated)*	Change
Revenue	(53)	(105)	(94.3%)
Cost of sales	0	0	-
Gross profit/(loss)	(53)	(105)	(94.3%)
Selling expenses	0	0	-
Administrative expenses	(1,668)	189	-
Other income and expenses	(118)	71	-
Operating profit/(loss)	(1 839)	155	-
EBITDA	(1 839)	155	-
Interest expense on lease liabilities	0	0	-

* The restatement reflects the combination of the Poland and Cafeterias segments.

3.3. OTHER FINANCIAL DATA

Finance income and costs of the Benefit Systems Group

PLN '000	Six months ended June 30th 2022	Six months ended June 30th 2021	Change
Finance income, including:	1,887	15,179	(87.6%)
Interest income on loans	1,523	735	107.2%
Remeasurement of liabilities arising from acquisition of shares	62	1,802	(96.6%)
Foreign exchange gains	0	12,254	(100.0%)
Finance costs, including:	(20,432)	(11,019)	85.4%
Foreign exchange losses	(6,981)	0	-
Credit and bond costs	(6,180)	(3,263)	89.4%
Interest expense on lease liabilities	(5,894)	(5,957)	(1.1%)
Total finance income and costs	(18,545)	4,160	-

In the reporting period, finance income was significantly affected by the recognition of interest income on loans of PLN 1.5m. In the comparative period, finance income included foreign exchange gains of PLN 12.3m, related mainly to lease liabilities and remeasurement of contingent payment liabilities of PLN 1.8m. The increase in finance costs was mainly attributable to foreign exchange losses of PLN 7.0m. Finance costs also include costs of borrowings and bonds (PLN 6.2m) and interest on lease liabilities (PLN 5.9m).

Consolidated statement of financial position of the Benefit Systems Group

PLN '000	As at June 30th 2022	As at December 31st 2021	Change	As at June 30th 2021
Non-current assets	1,710,421	1,727,957	(1.0%)	1,575,708
<i>share of total equity and liabilities</i>	85.4%	79.2%	6.2pp	82.48%
Current assets	292,033	452,841	(35.5%)	334,608
<i>share of total equity and liabilities</i>	14.6%	20.8%	(6.2pp)	17.52%
Total assets	2,002,454	2,180,798	(8.2%)	1,910,316
Equity attributable to owners of the parent	636,771	603,747	5.5%	486,437
<i>share of total equity and liabilities</i>	31.8%	27.7%	4.1pp	25.46%
non-controlling interests	(2,825)	(2,070)	36.5%	-2,346
<i>share of total equity and liabilities</i>	(0.1%)	(0.1%)	(0.0pp)	-0.12%
Non-current liabilities and provisions	857,545	894,823	(4.2%)	823,555
<i>share of total equity and liabilities</i>	42.8%	41.0%	1.8pp	43.11%
Current liabilities and provisions	510,963	684,298	(25.3%)	602,670

<i>share of total equity and liabilities</i>	25.5%	31.4%	(5.9pp)	31.55%
Total equity and liabilities	2,002,454	2,180,798	(8.2%)	1,910,316

Non-current assets

As at the end of the first half of 2022, the Group's non-current assets were PLN 1,710.4m, down by PLN 17.5m on December 31st 2021. Property, plant and equipment decreased significantly (PLN 25.5m), mainly due to depreciation charges. As at June 30th 2022, the carrying amount of intangible assets was PLN 12.9m higher than as at December 31st 2021. The increase results mainly from expenditure on development, integration and optimisation of business and sales systems and online platforms for customers, as well as the development of ERP. The amount of loans and other non-current financial assets decreased mainly as a result of offsetting loans (PLN 4.0m). Also, in the first half of 2022 the Group recognised goodwill of PLN 14.7m in connection with the acquisition of Lunching.pl Sp. z o.o., as well as a PLN 2.0m decrease in deferred tax assets.

Current assets

The PLN 160.8m decrease in current assets relative to December 31st 2021 primarily reflected a decrease in cash (PLN 140.9m), which was mainly attributable to the redemption of PLN 100m worth of bonds and higher capital expenditure, including on the acquisition of subsidiaries. Current assets were also significantly affected by a decline in trade and other receivables (PLN 26.4m), attributable chiefly to the seasonality of the Cafeterias business (which always peaks towards the end of the year, driving a material increase in receivables).

Non-current and current liabilities and provisions

Compared with December 31st 2021, the Group's total liabilities and provisions fell by PLN 210.6m. The change was mainly attributable to lower liabilities under borrowings and other debt instruments (down by PLN 119.6m), leases (down by PLN 25.4m), and other financial liabilities (down by PLN 19.1m). The decrease in the last item resulted from, among others, the exercise of a call option over shares in MultiSport Benefit S.R.O. (PLN 4.6m), payment of the liability related to the purchase of shares in Fit Fabric Sp. z o.o. (PLN 3m), and payment of part of the liabilities related to the purchase of shares in Total Fitness Sp. z o.o. (PLN 15.9m) and Focusly Sp. z o.o. (PLN 1m), partly offset by the recognition of contingent liabilities related to the purchase of shares in Lunching.pl Sp. z o.o. (PLN 5.1m).

Consolidated statement of cash flows of the Benefit Systems Group

PLN '000	Six months ended June 30th 2022	Six months ended June 30th 2021	Change
Net cash flows from operating activities	162,342	88,067	84.3%
Net cash flows from investing activities	(84,719)	(31,717)	167.1%
Net cash flows from financing activities	(218,478)	(81,744)	167.3%
Total net cash flows	(140,855)	(25,394)	454.7%
Cash and cash equivalents at end of period	112,160	198,386	(43.5%)
Net cash/(net debt)*	9,828	(36,859)	-

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

As at June 30th 2022, the Benefit Systems Group held cash of PLN 112.2m, mainly in the accounts of the parent Benefit Systems S.A. (PLN 60.7m) and in the accounts of its subsidiaries in the Czech Republic, Bulgaria and Slovakia (PLN 37.5m).

Operating activities

In the six months ended June 30th 2022, net cash from operating activities was positive at PLN 162.4m, having increased PLN 74.3m year on year. The change was primarily attributable to the Group's pre-tax profit of PLN 50.4m for the first half of 2022 (H1 2021: pre-tax loss of PLN 43.2m), which translated into positive cash flows of PLN 169.1m (up by PLN 63m year on year). Income tax paid in the first half of 2022 was PLN 11.3m lower than a year earlier. The significant increase in cash flows from operating activities is mainly attributable to the recovery of the sport card base and the return of customers to fitness clubs following the pandemic, while for a major part of the first half of 2021, including for five months in Poland, the fitness industry remained locked down in all geographies where the Group operates.

Investing activities

In the reporting period, net cash from investing activities were negative at PLN 84.7m, up PLN 53m year on year. Year on year, expenditure on intangible assets rose by PLN 7.8m, expenditure on property, plant and equipment by PLN 18.7m, and expenditure on the acquisition of subsidiaries by PLN 25.1m. In the first half of 2022, the liability related to the purchase of shares in Fit Fabric Sp. z o.o. (PLN 3m) was paid, and part of the liabilities related to the purchase of shares in Total Fitness Sp. Z o.o. (PLN 15.9m) and Focusly Sp. z o.o. (PLN 1m) were paid. Also, the first instalment (PLN 13.4m) of the amount due for the shares purchased in Lunching.pl Sp. z o.o. was paid.

Financing activities

In the six months ended June 30th 2022, net cash from financing activities were negative at PLN 218.5m (H1 2021: negative at PLN 81.7m). The first half of 2022 saw redemption of PLN 100m worth of bonds and contracting of PLN 52m in new financing. Repayments of borrowings amounted to 70.8m (vs. PLN 26.9m in the comparative period), and repayments of lease liabilities PLN 86.8m (vs. PLN 40.1m in the comparative period). The significant increase in lease payments is mainly attributable to the low base effect (as a result of temporary COVID-19-related rent concessions).

3.4. SELECTED FINANCIAL RATIOS

Financial ratios of the Benefit Systems Group*

Profitability ratios	Six months ended June 30th 2022	Six months ended June 30th 2021	Change
Gross margin	22.8%	5.7%	17.1pp
EBITDA margin	21.1%	19.3%	1.8pp
EBIT margin	8.1%	(17.2%)	25.3pp
Pre-tax margin	5.8%	(13.7%)	19.5pp
Net margin	4.6%	(12.3%)	17.0pp

Return on equity (ROE)	6.3%	(8.1%)	14.4pp
Return on assets (ROA)	2.0%	(2.0%)	4.1pp

Liquidity ratios	Six months ended June 30th 2022	Six months ended June 30th 2021	Change
Current ratio	0.57	0.56	0.2%
Quick ratio	0.56	0.55	(0.8%)

* Including the effect of IFRS 16

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

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

4. ADDITIONAL INFORMATION

4.1. SIGNIFICANT EVENTS AT THE GROUP DURING THE REPORTING PERIOD

Information on the impact of the armed conflict in Ukraine on the Group's operations

On February 24th 2022, Russia began a military invasion of Ukraine. The Group does not hold any assets in Ukraine or Russia, nor does it operate in any of these countries or provide services to entities located there. As at the date of the interim condensed consolidated financial statements, there was no noticeable effect of the war on the Group's operations. The Management Board does not rule out the risk of a material adverse effect of the ongoing conflict on the Group's trading partners. However, since there is no concentration of sales to or receivables from a single trading partner, other entities' potential liquidity problems should not have any significant effect on the Group's financial condition.

Although the armed conflict in Ukraine has not had any material effect on the Group's day-to-day operations, in a longer run it may harm the economies of the countries where the Group operates through, inter alia, higher prices of fuels, raw materials and energy, further inflation increase or the weakening of the local currencies, which may hamper the demand for the services and products offered by the Group and lead to higher operating expenses.

Redemption of Series A and Series B bonds

On April 7th 2022, 50,000 Series A bonds issued by the Parent, with a total nominal value of PLN 50m, were redeemed when due.

On March 24th 2022, a meeting of holders of Series B ordinary bearer bonds issued by Benefit Systems S.A. (the "Bonds") (the "Bondholders Meeting") was held. Resolution No. 3/03/2022 of the Bondholders Meeting amended the terms and conditions of the Bonds to allow the Company to redeem the Bonds early, on April 7th or 14th 2022.

On April 14th 2022, 50,000 Series B bonds with a total nominal value of PLN 50m were redeemed early.

Acquisition of shares in Lunching.pl Sp. z o.o.

On April 13th 2022, Benefit Systems S.A. signed an agreement to purchase 75% of shares in Lunching.pl Sp. z o.o. for PLN 12.6m, payable upon execution of the agreement. Subsequently, the Company paid PLN 0.75m to increase the latter's share capital and, as a result, acquired 73.97% of shares in the acquiree. The company has been consolidated since the acquisition date based on the assumption that the Group exercises full (100%) control in view of the options included in the share purchase agreement. The acquired company owns the platform and application for ordering food with delivery to the workplace. Lunching is a solution designed to facilitate the organisation of meals for employee teams by employers in a financing model of their choice. The new project will expand the Group's offering in the growing segment of the non-pay benefit market, i.e., co-financing of meals and supporting healthy eating habits of employees. Moreover, the acquisition of shares in Lunching.pl will significantly increase the Group's competence in healthy nutrition and co-financing of meals for employees. Knowledge and experience in this area will be used, among others, to develop and enhance the offering of the MultiLife programme.

Agreements signed with PKO BP S.A.

On May 5th 2022, agreements were signed between PKO BP S.A. and Benefit Systems S.A. Pursuant to the agreements, the PLN 50m multi-purpose credit facility agreement of August 22nd 2017 and the PLN 100m investment facility agreement of March 19th 2018 were terminated. The multi-purpose credit facility agreement was terminated with effect from May 5th 2022. The investment facility agreement was terminated with effect from May 13th 2022. The outstanding balance of PLN 37m was repaid in full on the same day.

Coverage of the parent's net loss for 2021

On June 29th 2022, the Parent's Annual General Meeting passed a resolution to cover the net loss of PLN 15.6m for the financial year 2021 from future profits.

Notice to shareholders of the intention to merge Benefit Systems S.A. with Benefit IP sp. z o.o. and Benefit IP spółka z ograniczoną odpowiedzialnością sp.k.

On June 30th 2022, the Management Board of Benefit Systems S.A. for the first time notified the shareholders of the intended merger of Benefit Systems S.A. (the acquirer) with Benefit IP sp. z o.o. and Benefit IP spółka z ograniczoną odpowiedzialnością sp.k. The merger plan as agreed between the merging companies on June 30th 2022 was released to the public.

4.2. SIGNIFICANT EVENTS AT THE GROUP AFTER THE REPORTING DATE

Group to record more than 1.4m active sport cards

As at the end of July 2022, the number of active sport cards across the Benefit Systems Group was 1,381 thousand, including 1,019 thousand in Poland and 362 thousand on foreign markets. By the end of August 2022, the Group expects to record 1,401 thousand active sport cards, including 1,034 thousand in Poland and 367 thousand on foreign markets.

4.3. COMPOSITION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

As at the date of issue of this report, the Management Board of the parent was composed of three members:

- Bartosz Józefiak – Member of the Management Board,
- Emilia Rogalewicz – Member of the Management Board,
- Wojciech Szwarc – Member of the Management Board.

In the reporting period, there were no changes in the composition of the Management Board.

As at the date of issue of this report, the Supervisory Board of Benefit Systems S.A. was composed of five 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.

In the reporting period, there were no changes in the composition of the Supervisory Board.

4.4. SHARES OR OTHER RIGHTS TO SHARES HELD BY MEMBERS OF THE MANAGEMENT BOARD OR THE SUPERVISORY BOARD

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

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

Management Board	As at the issue date of H1 2022 report		As at the issue date of Q1 2022 report		
	Number of shares	Equity interest	Number of shares	Equity interest	Change
Bartosz Józefiak	664	0.02%	0	0.00%	664
Emilia Rogalewicz	2,500	0.09%	2,500	0.09%	0
Wojciech Szwarc	2,620	0.09%	2,370	0.08%	250
Total	5,784	0.20%	4,870	0.17%	914

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

Supervisory Board	As at the issue date of H1 2022 report		As at the issue date of Q1 2022 report		Change
	Number of shares	Equity interest	Number of shares	Equity interest	
James van Bergh*	463,691	15.81%	478,191	16.30%	(14,500)
Marcin Marczuk	0	0.00%	0	0.00%	0
Artur Osuchowski	0	0.00%	0	0.00%	0
Michael Rohde Pedersen	0	0.00%	0	0.00%	0
Michael Sanderson	0	0.00%	0	0.00%	0
Total	463,961	15.81%	478,191	16.30%	(14,500)

* Direct interest; additionally, a person closely related to the Chairman of the Supervisory Board (within the meaning of Art. 160(2)(1) of the Act on Trading in Financial Instruments) controls Benefit Invest Ltd. and that company holds 295,421 shares in Benefit Systems S.A., representing 10.07% of its share capital and the same percentage of total voting rights (as at the issue date of the report for the first half of 2022). In addition, a person closely related to the Chairman of the Supervisory Board is the Chairperson of the Supervisory Board of the Drzewo i Jutro Foundation, holding 8.05% of Benefit Systems S.A. share capital.

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

4.5. SHAREHOLDING STRUCTURE

The equity and voting interests held in the parent take account of the increase in the parent's share capital made within the limit of its conditional share capital. Series D shares were acquired as part of the conditional share capital by holders of Series D, Series E and Series F subscription warrants granted by the parent in accordance with the terms of the 2014–2016 Incentive Scheme, and Series E shares – by holders of Series G, H and I subscription warrants granted by the parent in accordance with the terms of the 2017–2020 Incentive Scheme.

Shareholding structure

Shareholder	As at the issue date of H1 2022 report			As at the issue date of the report for 2021			Change
	Number of shares	Ownership interest	Voting interest	Number of shares	Ownership interest	Voting interest	
James van Bergh*	463,691	15.81%	15.81%	478,191	16.30%	16.30%	(14,500)
Benefit Invest Ltd.*	295,421	10.07%	10.07%	295,421	10.07%	10.07%	-
Invesco Ltd.	288,577	9.84%	9.84%	288,577	9.84%	9.84%	-
Marek Kamola	237,440	8.09%	8.09%	237,440	8.09%	8.09%	-
Fundacja Drzewo i Jutro*	235,997	8.05%	8.05%	239,628	8.17%	8.17%	(3,631)
MetLife OFE	219,655	7.49%	7.49%	222,318	7.58%	7.58%	(2,663)
Nationale-Nederlanden OFE	199,000	6.78%	6.78%	201,527	6.87%	6.87%	(2,527)
Aviva OFE AVIVA Santander	199,000	6.78%	6.78%	186,085	6.34%	6.34%	12,915
Other	794,761	27.09%	27.09%	784,355	26.74%	26.74%	10,406
TOTAL	2,933,542	100.00%	100.00%	2,933,542	100.00%	100.00%	-

* Related individuals and/or entities as described in 'Related-party transactions' in the Group's full-year consolidated financial statements for 2021.

The amount of the Parent's share capital is PLN 2,933,542. Number of shares comprising the share capital: 2,933,542 shares, including 2,204,842 Series A shares, 200,000 Series B shares, 150,000 Series C shares, 120,000 Series D shares, 74,700 Series E shares and 184,000 Series F shares. All Series F shares have a par value of PLN 1.00 per share. The total number of voting rights carried by all outstanding shares is 2,933,542. The equity interests held by individual shareholders in Benefit Systems S.A. are equal to their respective voting interests in the Company.

4.6. DIVIDEND

On December 9th 2019, the Management Board of the parent adopted a dividend policy for 2020-2023, under which the Management Board will recommend to the General Meeting payment of dividend of at least 50% of the Group's consolidated net profit for the previous financial year. The Management Board's recommendation will take into account the financial and liquidity position, growth prospects and investment needs of the Parent and the Group. The dividend policy is effective and applies as of the distribution of profit for the financial year ended December 31st 2019. The policy was positively assessed by the Supervisory Board of the Parent on December 9th 2019.

4.7. INCENTIVE SCHEME

Pursuant to resolutions of the General Meeting, Benefit Systems S.A. has in place an Incentive Scheme (the Incentive Scheme) for senior and middle management of the Parent and for the Benefit Systems Group subsidiaries. Under the Incentive Scheme, eligible employees may receive subscription warrants convertible into shares in the Parent. The Scheme is open to selected employees, both from among senior management and middle management.

On February 3rd 2021, the Extraordinary General Meeting of the Company resolved to establish an Incentive Scheme for 2021–2025 at the Company. The purpose of the Scheme is to provide an incentive system that would promote employee productivity and loyalty, aimed at achieving strong financial performance and a long-term increase in the Parent’s value. In the 2021–2025 edition of the Incentive Scheme, its participants (up to 149 persons) will be able to acquire up to a total of 125,000 subscription warrants (which, upon conversion into shares, will represent 4.1% of the Parent's (post-issue) share capital), entitling them to subscribe for a specific number of shares in the Parent in five equal tranches.

The vesting of the warrants will depend on the satisfaction of certain loyalty and effectiveness criteria set out in the Incentive Scheme Rules, and the operation of the Incentive Scheme in a given year will be subject to the mandatory condition that a specified level of consolidated operating profit adjusted for the accounting cost of the Incentive Scheme is achieved for a given financial year.

In the first half of 2022, the parent did not recognise any costs of the Incentive Scheme for 2022. The Parent did not recognise any costs of the Scheme in the same period of 2021, either.

4.8. MANAGEMENT BOARD’S POSITION REGARDING DELIVERY AGAINST PROFIT FORECASTS

The Company has not released any profit forecasts for 2022.

4.9. SEASONALITY OF THE BUSINESS

The industry in which the Group operates is subject to seasonal variation. In the third quarter of the calendar year, the activity of holders of sport cards and fitness club carnets tends to be lower than in the first, second and fourth quarters of the year, which affects revenue and profitability of the sport card business and the operation of fitness clubs. On the other hand, seasonality of sales in the Cafeterias segment is reflected in an increase in revenues in the last month of the year, partly attributable to the Christmas period.

4.10. BORROWINGS, GUARANTEES AND SURETIES OBTAINED BY THE GROUP

Execution of a financing agreement with the European Bank for Reconstruction and Development and Santander Bank Polska S.A.

On April 1st 2022, the Parent and some of its subsidiaries signed a long-term financing agreement (the “Agreement”) with the European Bank for Reconstruction and Development (“EBRD”) and Santander Bank Polska S.A. (“Santander”) (jointly: the “Banks”) for PLN 205m (the “Financing”). The Financing amount may be additionally increased by no more than PLN 35m.

Under the Agreement, the Banks grant the Company Financing which may be used to cover capital expenditure on the organic growth of the Group, development of the MultiLife platform, acquisitions, environmental projects, refinancing of the Company’s existing debt under bank borrowings in Poland, and general corporate objectives.

Agreements signed with PKO BP S.A.

On May 5th 2022, agreements were signed between PKO BP S.A. and Benefit Systems S.A. Pursuant to the agreements, the PLN 50m multi-purpose credit facility agreement of August 22nd 2017 and the PLN

100m investment facility agreement of March 19th 2018 were terminated. The multi-purpose credit facility agreement was terminated with effect from May 5th 2022. The investment facility agreement was terminated with effect from May 13th 2022. The outstanding balance of PLN 37m was repaid in full on the same day.

Execution of an agreement concerning a multi-purpose credit facility contracted from BNP Paribas Bank Polska S.A.

On June 30th 2022, an agreement was signed between BNP Paribas Bank Polska S.A. and Benefit Systems S.A., whereby the parties amended and restated the multi-purpose credit facility agreement bis of January 24th 2020. Under the amendment and restatement agreement, the facility limit was reduced from PLN 30m to PLN 1m. The purpose of the facility is the provision of bank guarantees.

Execution of an amendment agreement with Santander Bank Polska S.A.

On June 30th 2022, Santander Bank Polska S.A. and Benefit Systems S.A. signed an amendment agreement to a Multi-Facility Agreement, Whereby the available bank guarantee limit was increased from PLN 65m to PLN 70m.

4.11. LOANS, SURETIES AND GUARANTEES GRANTED BY THE GROUP

In the first half of 2022, the Group did not advance any new loans to third parties.

In the reporting period, the Group provided surety and guarantees to its associates.

Contingent liabilities

PLN '000	As at the issue date of H1 2022 report	As at the issue date of Q1 2022 report	Change
Sureties and guarantees to associates	8,210	8,512	(302)

In the reporting period, neither Benefit Systems S.A. nor the Group companies provided any sureties for any credit facility or loan or guarantees to a single entity or its subsidiary where the aggregate amount of such instruments would be significant in relation to Benefit Systems S.A.'s equity. The significant amount of equity has been determined in accordance with Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16th 2014 on market abuse (market abuse regulation), and the threshold for recognition of an amount as significant is 10% of the Parent's equity based on the most recent published full-year consolidated financial statements. The contingent liabilities relate mainly to the guarantees provided for rent payments.

For information on material proceedings before a court or administrative authority, see Section 4.13 of this report.

4.12. RELATED-PARTY TRANSACTIONS EXECUTED BY THE GROUP ON NON-ARM'S LENGTH TERMS

In the reporting period, the Benefit Systems Group did not enter into any related-party transactions that individually or jointly would be significant and would be concluded on non-arm's length terms.

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

Antitrust proceedings against Benefit Systems S.A.

The antitrust proceedings against Benefit Systems S.A. (and other entities) were initiated by the President of the Office of Competition and Consumer Protection (the "President of UOKiK") on June 22nd 2018 in connection with the suspicion of certain activities potentially restricting competition on the domestic market of sports and recreational services packages or on the domestic market of fitness clubs or local fitness clubs (the "Proceedings").

On January 4th 2021, the Company received a decision of the President of UOKiK (the "Decision") concerning one of the three alleged breaches in respect of which the Procedure was initiated.

The President of UOKiK recognised the Company's participation in a market-sharing agreement between 2012 and 2017 as a practice restricting competition in the domestic market for the provision of fitness services in clubs, which constitutes an infringement of Article 6(1)(3) of the Act on Competition and Consumer Protection and Article 101(1)(c) of the Treaty on the Functioning of the European Union.

The President of UOKiK imposed fines on the parties to the Proceedings, including: on the Company in the amount of PLN 26,915,218.36 (taking into account the succession resulting from the merger of the Company with those of its subsidiaries which are also named in the Proceedings) and on its subsidiary (Yes to Move sp. z o.o., formerly: Fitness Academy sp. z o.o.) in the amount of PLN 1,748.74. Guided by, among other things, an analysis of well-known cases involving competition-restricting practices, where courts have often decided to significantly reduce fines imposed on businesses (in some cases by as much as 60-90%), and by the opinion of lawyers, the Company recognised a provision for the fine of PLN 10.8m in 2020. In the absence of any new circumstances affecting the case, the provision remained unchanged as at June 30th 2022.

The Company does not agree with the Decision and has therefore filed an appeal against the Decision within the period prescribed by law.

With respect to the two other alleged breaches (alleged concerted practices with respect to exclusive cooperation arrangements with fitness clubs, and alleged concerted practices to restrict competition in the market for sports and recreation package services), the proceedings were closed following the issue, on December 7th 2021, of a decision by the President of UOKiK ("Decision 2") under Art. 12.1 of the Act on Competition and Consumer Protection of February 16th 2007. By Decision 2, the President of UOKiK did not impose any fine on the Company and obliged the Company to take certain measures described in Note 34.1 to the consolidated financial statements of the Group for 2021.

4.14. SIGNIFICANT RISKS AND THREATS

The most significant risks identified by the Parent and the Group include:

Risk of operating in a high inflation economic environment

The risk related to operating in a high inflation economic environment may materialise for the Group in the form of inability to effectively increase the prices of services provided to customers (MS cards, carnets) in the medium term in a situation of significant cost pressures due to high inflation (salaries and wages, energy costs, etc.), thus eroding margins and profitability. The possibility of increasing the prices

of services in a high inflation environment may be further undermined by the price pressure from competitors, which are increasingly seeking to carve out larger shares in the market for non-pay employee benefits. Since 2021, the Group has been running a process to increase the prices of sport cards in Poland and other geographies. Since its launch, the average price of a sport card has increased by more than 10%, depending on the market. The Group has taken similar measures with respect to B2C carnets.

Risk of deteriorating macroeconomic conditions, including due to Russia's invasion on Ukraine

The risk of a macroeconomic downturn in view of Russia's invasion on Ukraine, manifest in a lower GDP growth rate (or even a GDP drop), economic downturn and deterioration in labour market conditions, may materialise in the form of revenue decline if the Group's customers and users choose to save money by spending less on sports and recreation, which may adversely affect the number of Group's customers and the number of MultiSport cards and carnets. In addition, despite the deterioration of macroeconomic conditions, the continuing inflationary pressure may increase operating expenses and finance costs due to, e.g., higher energy prices and reference rates, which will further add to the adverse impact of weaker macroeconomic conditions on the net result.

Risk of fiercer competition from direct competitors and introduction of new non-pay employee benefits or new products in the area of sports benefits offered to employers

The Group's business model is based on offering customers non-pay employee benefits. The Group is the leader in sport cards on the Polish market, constantly expanding the range of sports and recreational activities offered under the MultiSport programme at the Group's own sports facilities and a network of partner facilities, in the cafeteria area (MyBenefit platform), and developing new products, such as the Multilife card.

The main competitors of Benefit Systems Group companies are Medicover Sport and PZU Sport. Over the past 12 months, Medicover Sport launched a card that combines medical care with fitness services (a health and fitness bundle). PZU Sport offers a fitness and recreational membership plan available through a mobile app in partner sports facilities.

There is a risk that competitors will continue to expand their networks of own and partner facilities, increasing their share in the card market and introducing new innovative sport products offered to employers and/or directly to their employees. Moreover, upon entry into a new market, competitors may offer sport cards at discount prices different from those offered by the Group (price pressure). As a result of further acquisitions of sports facilities by Medicover Sport, the competition in card prices may also extend to the prices of carnets and the flexibility of their validity periods.

Competitive pressures arising from the above factors may lead to decline in the Group's growth rate, stagnation or reduction of the Group's market share and lower profitability.

Business model risk (MultiSport card price)

In determining the prices of its card products, the Company is guided by its own estimates of the frequency of visits by cardholders (users) to sport facilities. These estimates are based on an analysis of available data on the activity of users (customer's employees) for different types of organisations and for different product financing models.

The Company's principal costs are costs associated with: (i) payments to partner fitness chains, (ii) day-to-day operations of the Company and its own clubs. Sudden changes in the activity of users (MultiSport cardholders), may result in underestimation of prices of the Company's main product and inability to quickly adjust them to the level of costs incurred by the Group. Furthermore, no assurance can be given that unit cost of cardholders' visits to partner venues would not increase, or that costs incurred by the Group to operate its own clubs would not increase. In addition, there is a risk that due to the economic situation of the Group's partner companies and customers, their flexibility to adapt to new business conditions may be limited. This may result in a longer period of adjustment of product prices to the costs incurred and may create the risk of lower profits margins achieved on the Group's core product. An additional factor is the price pressure from competitors, which are increasingly seeking to carve out larger shares in the sport card section of the market for non-pay employee benefits.

Risk of changing employee preferences with respect to employee benefits

The Group's flagship product is MultiSport cards, which provide users with access to fitness clubs and other recreational activities. Access to fitness clubs and sports facilities remains the main reason why the Group's customers choose to establish a relationship with the Group.

There is a risk that the preferences of existing and potential cardholders may change, including as a result of unforeseen events (e.g., a pandemic), and they will decide to exercise away from sports facilities (at home or outdoors) or change their selection of non-pay benefits. The occurrence of the above risk, despite the adaptation of the Group's offer to changing expectations (e.g., new sport activities, online exercise platform, cafeteria programmes, development of new Multilife services), may in the long term result in an increase in the number of membership cancellations by users, which in turn may have a material adverse effect on the Group's business, financial position or growth prospects.

Risk of change in the model of financing MultiSport cards by employers and change in regulations on company social benefits fund

Most MultiSport cards are co-financed by employers – the Group's clients – for their employees (cardholders). There is a risk that, in particular as a result of deterioration in the financial situation of the Group's customers, the funding model for MultiSport cards by employers will change, which could adversely affect the amount of fees paid by users, reduce user numbers and drive a lasting uptrend in the share of heavy users as a percentage of all MultiSport users, which, in turn, would adversely affect the Group's revenue and profitability.

Part of the revenue the Group generates from sales of MultiSport cards and cafeteria programmes is financed or co-financed by customers from the company social benefits fund, the creation of which is regulated by the Act of March 4th 1994 on company social benefits fund. Lifting of or changes to the requirement for employers to establish such a fund could have an adverse effect on the Group's business.

Risks associated with the COVID-19 epidemic – risk of declining number of cards, decrease in revenue and financial result, closure of clubs

Another wave of the COVID-19 pandemic may have a material impact on the Group's business and performance. The emergence of a new, more contagious and vaccine-resistant SARS-CoV-2 variant would lead to significantly higher hospitalisation rates. As a result, the governments in the affected countries would be forced to take more restrictive measures, with an adverse effect on businesses. Some

customers could then decide to suspend or cancel their cards and not use the MultiSport programme for financial and/or health reasons.

The risk pertains to restrictions on the operation of fitness clubs and other sports facilities introduced as a result of the pandemic. The restrictions may lead to a decrease in the Group's revenue both as a result of some customers signing out of sport and as a result of the Group's intensified efforts to retain the existing customers (e.g., discounts, temporary fee suspension). Furthermore, health and sanitary requirements may lead to an increase in the Group's costs.

There is also the risk of other new restrictions or rules being imposed that may directly or indirectly affect the Company's and the Group's business.

Another risk for the Group may be renewed restrictions or new safety rules in foreign markets (the Czech Republic, Slovakia, Bulgaria, Croatia, and Turkey).

The occurrence of the above risks may adversely affect the Group's business and financial results.

Risk of bankruptcy of business partners and a significant reduction of the MultiSport merchant base

More than 90% of the sports facilities with which the Group cooperates under the MultiSport programme are partner facilities. A potential discontinuation of cooperation by partners who own fitness clubs or sports facilities (also due to acquisitions by competitors, including Medicover), especially in premium locations, could deprive the Group of the required geographical reach to users, subsequently leading to an increased number of MultiSport card cancellations.

The Group operates a loan programme to support partners in upgrading their existing facilities and opening new venues. Potential insolvency of a partner could mean that the partner would not be able to pay its financial obligations to the Group temporarily or permanently.

The risk may have a material adverse effect on the Group's business, financial condition or growth prospects.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to repay its financial obligations as they fall due. Such risk may arise from, among others, a significant decline in the Group's financial performance and cash generation capacity (including a decline in the results/cash generation capacity as a consequence of a prolonged pandemic leading to a significant reduction in the Group's revenue due to club closures, key customers' failure to pay a significant portion of receivables, partners' failure to repay loans, etc.). The inability to service debt also includes the inability of the Group companies to pay their financial liabilities.

This risk also includes the limitation by external institutions of the Group's ability to further increase funding due to a downgrade of the Group's rating following deterioration of its financial performance and prospects.

Currency risks

Most of the Group's revenue and expenses are generated on the Polish market and denominated in PLN. The Group also operates in foreign markets (the Czech Republic, Slovakia, Bulgaria, Croatia, and Turkey), generating revenue and incurring costs in local currencies (CZK, EUR, BGN, HRK, TRY).

In addition, a significant portion of the Group's lease contracts are executed in EUR and accounted for based on the EUR/PLN exchange rate.

An excessive depreciation of the Polish currency in relation to, especially, the euro may increase the Group's operating expenses and finance costs. Fluctuations in the exchange rates of the currencies in which the foreign companies earn revenue and incur expenses may be reflected in the Group's consolidated results.

Risks associated with managing a large corporate group and difficulties in delivering operating performance targets

As at June 30th 2022, the Group comprised 26 subsidiaries, both Polish and foreign, and four associates. The Group's size, planned development and a future increase in the number of clubs add to the complexity of the Group's operations and affect its management.

The complexity of the Group increases the significance of operational risk and the financial results may also be affected by potential losses due to processes, technology, infrastructure, human resources (described in detail under human resources risk) and external factors that arise from the Group's activities. Reducing this risk requires significant commitment of resources and additional expenses related to the integration of new companies, introduction of unified corporate governance principles, further centralisation of selected processes, design and implementation of elements of the internal control system, as well as to the management of sports club.

No assurance can be given by the Company that the steps taken will prevent the occurrence of possible negative effects associated with the size and scale of the Group's business.

Risk related to foreign expansion

The Group's strategy is based, among others, on its ability to grow in foreign markets. The Group operates in the Czech Republic, Bulgaria, Croatia, Slovakia, and Turkey. The Group also explores other markets for potential expansion opportunities. In the first half of 2022, the Foreign Markets segment posted an operating profit.

It is not certain whether the Company's business model will deliver the expected profitability in foreign markets and whether it will be adopted in potential new markets due to, among other things, differences in laws governing non-pay benefits, cultural differences, differences in levels of sporting activity or traditional methods of non-pay motivation. Unsuccessful expansion into new markets may mean that the expenditure incurred cannot be recouped.

The occurrence of the risk in the future may in particular slow down the Group's development and thereby have a material adverse effect on the Group's business, financial position or growth prospects.

Risks related to changes resulting from technological progress

In its operations, the Group makes significant use of a range of technological solutions.

Despite regular monitoring by the Group of technological developments in the market, it cannot be ruled out that the technologies on which the Group relies will become unattractive in terms of cost or quality to the Group, its customers or their end users, and a switch to new technologies will require significant financial expenditure and their effective implementation will be time-consuming. In addition, no assurance

can be given that competitors offering customers and users more attractive technological solutions will not enter the Group's markets.

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

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

In particular, the Group has in place procedures and mechanisms for developing and maintaining systems, managing changes, and ensuring data security. The Group relies on redundant hardware and system solutions to minimise the risk of disruption to its key IT systems.

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

Its activities supporting the principal card product are based on an integrated terminal system, enabling registration of club visits by holders of sport cards. The risk of a possible failure of the terminal system is mitigated by means of redundancy solutions and appropriate network safeguards.

Human resources risk

The factors affecting the Group's business and its future growth include work and skills of key highly qualified employees, including the management staff. Failure to employ and maintain highly qualified management personnel may have an adverse effect on the Group's business and results.

Risks related to human resources include changes in the labour market leading to higher salary expectations and pressures, particularly in an inflationary environment, which may affect the pay component of the Group's operating expenses.

Risk related to antitrust regulations and proceedings

Regulatory risks are properly managed and monitored and the Group attaches great importance to the way it treats all trading partners, in particular customers, holders of sports and recreational cards and carnets, and providers of sports services. However, the risk that an adverse decision will be issued by competent antitrust authorities cannot be ruled out, especially in relation to past events. In the Group's opinion, any decisions issued by the President of the Office of Competition and Consumer Protection ("UOKIK") may have a limited impact on the risk of further operations of Benefit Systems S.A. and, consequently, of the entire Group.

Risk related to personal data protection regulations

There is a risk resulting from the process of adapting the Group's operations, including the fitness and cafeteria business lines, to the guidelines provided for in the GDPR (Regulation (EU) 2016/679 of the European Parliament and of the Council of April 27th 2016).

The Group has taken a number of steps to comply with the requirements of the GDPR regulations, such as process updates, IT systems adjustments and amendments to agreements with the Group's customers to the extent they relate to the processing of personal data. However, even the best legal data protection system does not provide full protection against incidents. The changes and adjustments needed to comply with the regulatory requirements continue to be made at various levels of the Group's

activities, and include legal, organisational and systemic solutions, with a focus on the security of network resources and IT systems.

Risk related to changes in legal environment and interpretation of tax regulations

Changing laws or different interpretations of laws may be an adverse factor for the Group's business. The Polish legal system is characterized by frequent changes in tax regulations, therefore the most significant consequences for the Group may arise from changes in this particular area of law. Quite often, such regulations are not precise enough and are ambiguously interpreted. Interpretations of tax regulations as delivered by tax authorities and courts tend to vary and lack consistency. Due to divergent interpretations of tax laws, a company operating in Poland faces a greater risk than a company operating in more stable tax systems. Should the tax authorities adopt a different interpretation of tax regulations than the one used as a basis for calculation of the tax liability and applied by the Group, this fact may have a significant impact on the Group's business, both in terms of finances and growth prospects.

5. REPRESENTATIONS BY THE MANAGEMENT BOARD OF BENEFIT SYSTEMS S.A.

As required by the Regulation of the Polish Council of Ministers of March 29th 2018 on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, the Management Board of Benefit Systems S.A. represent that:

- to the best of their knowledge, the interim condensed consolidated financial statements and comparative data were prepared in accordance with the applicable accounting standards, and give a true, accurate and fair view of the financial position, assets and financial result of the Benefit Systems Group;
- to the best of their knowledge, interim condensed consolidated financial statements and the comparable data were prepared in line with the applicable accounting principles and give an accurate, true and fair view of the financial situation of Benefit Systems S.A. and its financial result;
- the interim consolidated Directors' Report gives a true view of the development, achievements and standing of the Benefit Systems Group, including a description of risk factors and threats;
- the entity qualified to audit financial statements that reviewed the interim separate and consolidated financial statements of the Company and its Group was appointed in compliance with the applicable laws. Both the said entity and the certified auditors who carried out the audit satisfied the requirements to provide an unbiased and independent report on the audit in compliance with the applicable provisions of the national laws.

Date	Full name	Position	Signature
August 16th 2022	Bartosz Józefiak	Member of the Management Board	
August 16th 2022	Emilia Rogalewicz	Member of the Management Board	
August 16th 2022	Wojciech Szwarc	Member of the Management Board	