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

FOR THE SIX MONTHS ENDED JUNE 30TH 2023

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SELECTED FINANCIAL DATA FOR THE SIX MONTHS ENDED JUNE 30TH 2023

Selected financial data of the Benefit Systems Group for the six months ended June 30th 2023

PLN '000	Six months ended Jun 30 2023	Six months ended Jun 30 2022
Revenue	1,322,803	861,439
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	344,724	181,858
Operating profit (EBIT)	208,936	69,651
Profit before tax	223,634	50,401
Net profit attributable to owners of the parent	181,837	39,706
Net profit	183,454	40,153
Net cash flows from operating activities	343,713	162,342
Net cash flows from investing activities	(96,673)	(84,719)
Net cash flows from financing activities	(117,766)	(218,478)
Net change in cash and cash equivalents	129,274	(140,855)
Weighted average number of ordinary shares	2,933,542	2,933,542
Diluted weighted average number of ordinary shares	2,939,528	2,933,542
Earnings per share attributable to owners of the parent (PLN)	61.99	13.54
Diluted earnings per ordinary share attributable to owners of the parent (PLN/EUR)	61.86	13.54

PLN '000	As at Jun 30 2023	As at Jun 30 2022
Non-current assets	1,904,209	1,710,421
Current assets	535,615	292,033
Total assets	2,439,824	2,002,454
Non-current liabilities	942,957	857,545
Current liabilities	729,993	510,963
Equity	766,874	633,946
Equity attributable to owners of the parent	766,949	636,771
Share capital	2,934	2,934
Number of shares	2,933,542	2,933,542
Book value per share attributable to owners of the parent (PLN)	261.44	217.07

Unless stated otherwise, all data in this report covers the period from January to June 2023, and the comparative data presents changes over the corresponding period of 2022. All amounts are presented in thousands of PLN, unless stated otherwise.

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

B Corp recertification

Benefit Systems S.A. is the first and so far the only listed company in Poland that was recertified, after it had joined the B Corp movement in 2018. B Corp is a certificate issued by B Lab, an international NGO originating from the United States. It is granted to companies whose business model is aligned with the principles of sustainable development and whose activities make a key contribution to solving today's social, labour and environmental problems.

Distribution of profit for 2022

In June 2023, the General Meeting passed a resolution to pay dividend of over PLN 120m, representing 87% of the Group's consolidated net profit for 2022 and translating into payment of PLN 41 per share. The dividend record date was set at September 15th 2023 and the dividend payment date – at September 29th 2023.

Sport card holders

As at the end of the second quarter of 2023, there were 1,800.3 thousand holders of sport cards offered by the Benefit Systems Group, including 1,329.8 thousand in Poland and 470.5 thousand in foreign markets. The Company sees a constantly high interest from both employers and employees in the sports offerings across all markets in which it operates.

New fitness clubs

In January 2023, 2 new large-format clubs were opened in the My Fitness Place network. The facilities, with their spa zones, salt walls, and saunas, offer solutions promoting physical health and post-workout recovery, and help people boost their immunity, relax, and regain mental balance. Each new club has about 2,000 square metres of floor space with a selection of workout zones, including gyms with high-end equipment, tartan treadmills – an excellent choice for running routines or long jump practice – fitness rooms for group classes and fitness bars offering products supporting a healthy diet for physically active people.

In February 2023, Benefit Systems S.A. entered into an agreement with Calypso Fitness whereby the Parent acquired 16 Calypso clubs in the form of organised parts of business (12 clubs in the first and 3 clubs in the second stage of the transaction) and by way of assignment of a lease contract (1 club in the first stage), in cities with a high potential for further business development. In the first stage, by March 31st 2023, the Company acquired 13 facilities, including 7 clubs in the Gdańsk-Sopot-Gdynia agglomeration and 4 in Szczecin, where the Company is seeing a continually growing interest in the MultiSport programme, and as well as 1 club in Warsaw and Wrocław each. In the second stage, on July 31st 2023, Benefit Systems S.A. will acquire three Calypso clubs located in Warsaw, Kraków, and Częstochowa.

In April 2023, the Company finalised the purchase agreement for 6 Saturn Fitness clubs. The newly acquired entities will strengthen the Group's offering in cities considered strategic for the MultiSport Programme, such as Kraków and Gdynia, as well as the Upper Silesia region.

As a result of the activities described above, the number of Benefit Systems' own fitness clubs in Poland rose to 185 as at March 31st 2023 and to 190 as at the date of this report.

In the first quarter of 2023, conversion work in leased space was completed and two new clubs were opened: in February – Luzanky in Brno, and in March – Zaimov in Sofia. As at the date of this report, the Group had 25 own clubs abroad.

The Design Your Fitness (Zaprojektuj formę) programme

The Design Your Fitness programme was launched in February 2023, targeting the users of MultiSport membership cards in Poland. As part of the programme, sport card holders have access to pre-designed plans aimed at enhancing health and overall quality of life. These plans encompass guidance from a diverse range of experts, including personal trainers, dieticians, and wellness specialists. A wealth of comprehensive knowledge is offered through 113 lessons spread across 19 specialised online courses.

The Good Day for MultiLife (Dzień dobry na MultiLife) campaign

In March 2023, the Good Day for MultiLife campaign was initiated. The first edition of the campaign aimed to build awareness of the MultiLife brand among employers and employees. The new product supports employers in ensuring mental and physical wellbeing and development of employees. The MultiLife programme is aligned with existing trends and employee expectations: based on Deloitte's 'From Great Resignation to Great Reimagination' report, as many as 91% of workers are ready to look for a new job if the employer does not show concern for their well-being. The first stage of the campaign ended in April and the next edition started in late May 2023.

Survey of psychophysical well-being of Poles

At the end of May 2023, the MultiSport Index 2023 survey report was released. This ongoing project, commissioned by Benefit Systems, has been conducted for several years to systematically analyse the physical and sporting activities of the Polish population.

In this year's study, the popularity of gym and fitness classes experienced a significant surge. In the three months leading up to the survey, approximately one-third of the respondents (31%) reported participating in gym and fitness classes (up 11pp compared to the previous year). According to experts, engaging in intensive physical exercises at such facilities serves as a means for Poles to manage mental stress, among other benefits. Currently, 42% of active Poles engage in physical activity to enhance their mental well-being, while one in four individuals does so to proactively prevent illnesses.

Summer Game

On June 6th 2023, the latest iteration of the MultiSport Summer Game was launched. The main goal of the initiative is to encourage sport card holders to partake in physical activities throughout the summer season. As part of the summer gamification, participants are able to accumulate points for various activities, such as visiting new sports facilities and maintaining a consistent training routine. These points can subsequently be redeemed for enticing rewards. Furthermore, participants of the Summer Game have the option to contribute their earned points towards designated charitable endeavours.

Benefit Systems with the title of Trustworthy Brand

Benefit Systems has won the title of Trustworthy Brand, thus joining the group of 25 brands enjoying the greatest trust among entrepreneurs. The first Polish BCorp was awarded by My Company Polska in the category "Employee Carer – the company that offers the most interesting or most extensive array of employee benefits”. Winners were selected on the basis of a nationwide survey conducted by Kantar Polska.

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 in Poland and abroad.

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 4,800 sports facilities in close to 730 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, the MultiLife 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 also 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. In addition, the platform offers shopping vouchers that can be used at popular brand store chains in Poland, as well as benefits spanning sport and health, culture, entertainment, recreation, leisure, as well as domestic and foreign travel. Courses and training as well as a food offering are also available.

Benefit Systems Group is also developing MultiLife, a product offering online services focused on employee wellbeing, especially in the areas of mental health, personal development, healthy eating and physical activity. MultiLife currently combines more than a dozen services such as psychologist’s support, mindfulness course, consultations with dieticians and coaches, diet creator, yoga course, access to the Yes2Move.com online exercise platform, preventive medical examination package, e-books on Legimi, and Leanovatica, a streaming learning service.

The Group continues to expand its offering on a regular basis. In 2021–2022, it lunched 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 large 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 sport cards, MultiLife membership plans, and MyBenefit Cafeteria offering, as well as for operating owned fitness clubs and the Yes2Move online exercise platform through the **Fitness Branch**. 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.

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. is the owner an online store that sells dietary and other supplements.

Zdrowe Miejsce Sp. z o.o is a company operating healthcare establishments under the Zdrofit Healthy Place brand. The main services provided by Zdrofit Healthy Place are physioprophylactic 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 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.

FIT 1 Sp. z o.o. is a subsidiary of Benefit Systems S.A. acquired in November 2022. Following the acquisition, as of March 2023 the Group's own club portfolio was increased by three clubs, situated in Gdańsk and Szczecin. The acquisition was made to expand the portfolio of the Group's own sports and recreation facilities, thus making the Group's main product – sport cards – more attractive to current and future customers.

FIT 2 Sp. z o.o. is a subsidiary of Benefit Systems S.A. The acquisition was completed in March 2023 and added two clubs, located in Gdańsk and Szczecin, to the Group's own club portfolio. The acquisition was made to expand the portfolio of the Group's own sports and recreation facilities, thus making the Group's main product – sport cards – more attractive to current and future customers.

Sport Operator Sp. z o.o. is a subsidiary of Benefit Systems S.A. The acquisition was completed in March 2023 and added seven clubs, located in Gdańsk, Szczecin, Warsaw and Wrocław, to the Group's own club portfolio. The acquisition was made to expand the portfolio of the Group's own sports and recreation facilities, thus making the Group's main product – sport cards – more attractive to current and future customers.

Saturn Fitness Group Sp. z o.o. is a subsidiary of Benefit Systems S.A. The acquisition was completed in April 2023 and added six clubs, located in Chorzów, Gdynia, Gorzów, Łódź, Kraków and Warsaw, to the Group's own club portfolio. The acquisition was made to expand the portfolio of the Group's own sports and recreation facilities, thus making the Group's main product – sport cards – more attractive to current and future 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 S.A. is a vehicle used by the Benefit Systems Group to sell sport cards on foreign markets. On September 29th 2022, the transformation of the legal form of Benefit Systems International from spółka z ograniczoną odpowiedzialnością (limited liability company) into spółka akcyjna (joint-stock company) was registered. The company is a majority shareholder in the following foreign 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), which are responsible for selling sport cards in their respective local markets.

The company is also a shareholder in BSI Investments (Poland), which has been developing the MultiSport programme in Turkey through its subsidiary Benefit Systems Spor Hizmetleri Ltd. Şti (Turkey). Benefit Systems International S.A.'s portfolio also includes Benefit Systems Storitve d.o.o. (Slovenia), which has remained dormant.

In the past six months, the Company acquired shares in BeckBox Club Praha s.r.o. and Form Factory s.r.o. The companies operate fitness clubs in the Czech Republic, while being directly managed by Fit Invest International Sp. z o.o.

Fit Invest International Sp. z o.o. manages the Benefit Systems Group's foreign investments in sports clubs through the following subsidiaries: Beck Box Club Praha S.R.O. (Czech Republic) Form Factory

S.R.O. (Czech Republic), Next Level Fitness EOOD (Bulgaria) and Form Factory Slovakia s.r.o. (Slovakia). The subsidiaries are responsible for investments in existing and new fitness facilities.

List of subsidiaries

Operating segments	Subsidiary	Registered address	Group's ownership interest*:	
			Jun 30 2023	Jun 30 2022
POLAND	Focusly Sp. z o.o.	ul. Skierniewicka 16/20, 01-230 Warsaw, Poland	100.00%	100.00%
	VanityStyle Sp. z o.o.	ul. Skierniewicka 16/20, 01-230 Warsaw, Poland	100.00%	100.00%
	YesIndeed Sp. z o.o.	ul. Przeskok 2, 00-032 Warsaw, Poland	100.00%	100.00%
	Benefit Partners Sp. z o.o.	Plac Europejski 2, 00-844 Warsaw, Poland	100.00%	100.00%
	Lunching.pl Sp. z o.o. 1)	ul. Fabryczna 20A, 31-553 Kraków, Poland	87.63%	73.97%
	Yes to Move Sp. z o.o.	Plac Europejski 2, 00-844 Warsaw, Poland	100.00%	100.00%
	FIT 1 Sp. z o.o. 2)	Plac Europejski 2, 00-844 Warsaw, Poland	100.00%	-
	FIT 2 Sp. z o.o. 2)	Plac Europejski 2, 00-844 Warsaw, Poland	100.00%	-
	Sport Operator Sp. z o.o. 2)	Plac Europejski 2, 00-844 Warsaw, Poland	100.00%	-
	Saturn Fitness Group Sp. z o.o. 3)	ul. Arkuszowa 18, 01-934 Warsaw, Poland	100.00%	-
	Total Fitness Sp. z o.o. 4)	Aleja Bohaterów Września 9, 02-389 Warsaw, Poland	100.00%	88.23%
	Zdrowe Miejsce Sp. z o.o.	ul. Odyńca 71, 02-644 Warsaw, Poland	80.00%	80.00%
FOREIGN MARKETS	Benefit Systems International S.A.	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	90.40%	97.20%
	Form Factory Slovakia S.R.O.	Prievozská 14, Bratislava - mestská časť Ružinov 821 09, Slovakia	97.20%	97.20%
	Form Factory S.R.O. 5)	Vinohradská 2405/190 Vinohrady, 130 00 Praha 3, Czech Republic	98.54%	97.20%
	Next Level Fitness EOOD	Bul. Simeonovsko Shosse 35, 1700 Sofia, Bulgaria	97.20%	97.20%
	Beck Box Club Praha S.R.O. 5)	Vinohradská 2405/190 Vinohrady, 130 00 Praha 3, Czech Republic	98.49%	97.20%
	MultiSport Benefit S.R.O.	Lomnickeho 1705/9, 140 00 Praha 4, Czech Republic	97.20%	97.20%
	Benefit Systems Spor Hizmetleri Ltd	Eski Büyükdere Caddesi No: 7, GİZ 2000 Plaza, Kat 4. 13. VE 14. Bağımsız Bölümler, Maslak, Sarıyer/ 34398 İstanbul, Turkey	90.40%	90.40%
	Benefit Systems Slovakia S.R.O.	Prievozská 14, Bratislava - mestská časť Ružinov 821 09, Slovakia	95.26%	95.26%
	Benefit Systems D.O.O.	Zagreb (Grad Zagreb) Heinzelova ulica 44, Croatia	94.28%	94.28%

	Benefit Systems Bulgaria EOOD	11-13, Yunak Str., floor 1, 1612 Sofia, Bulgaria	93.31%	93.31%
	Benefit Systems, storitve, D.O.O.	Komenskega street 36, 1000 Lublana, Slovenia	92.34%	92.34%
OTHER	Multisport Foundation	ul. Racjonalizacji 5, 02-673 Warsaw, Poland	100.00%	100.00%
	MW Legal Sp. z o.o.6)	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 February 27th 2023, an increase in the share capital of Lunching.pl Sp. z o.o. was registered, following which the Parent's interest in the company rose to 79.89%; subsequently, on June 23rd 2023 the Parent exercised the option provided for in the share purchase agreement and increased its interest to 87.63% as at June 30th 2023. Since the date of acquisition of 73.97% of Lunching.pl shares (i.e., April 13th 2022), the company has been consolidated based on the assumption that the Group exercises full (100%) control in view of the options included in the share purchase agreement.*
2) *On March 31st 2023, the Parent acquired shares in FIT 2 Sp. z o.o. and Sport Operator Sp. z o.o., which had taken over assets spun off from Calypso Fitness S.A., comprising 9 out of the 12 organised parts of business (fitness clubs) owned by the company. The remaining 3 out of the 12 fitness clubs were spun off to FIT 1 Sp. z o.o., which is wholly owned by Benefit Systems.*
3) *On April 13th 2023, the Parent purchased 100% of shares in Saturn Fitness Group Sp. z o.o.*
4) *On April 4th 2023, Benefit Systems S.A. acquired the residual 11.77% of shares in Total Fitness Sp. z o.o., and thus its equity interest in the company rose to 100%. Since the date of acquisition of 88.23% of Total Fitness Sp. z o.o. shares (i.e. November 4th 2021), the company has been consolidated based on the assumption that the Group exercises full (100%) control in view of the options included in the share purchase agreement.*
5) *On May 23rd 2023, agreements were signed whereby loans advanced to the Czech companies Form Factory S.R.O. and Beck Box Club Praha S.R.O. by Benefit Systems S.A. and Benefit Systems International S.A. were converted into equity. As a result, the Group's equity interest in the Czech companies rose – to 98.54% in Form Factory S.R.O. and 98.49% in Beck Box Club Praha S.R.O. as at June 30th 2023. Conversion of the loans into equity is one of the stages of a project leading to the merger of the Czech companies.*
6) *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:	
			Jun 30 2023	Jun 30 2022
POLAND	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%

On April 27th 2023, Benefit Systems S.A. sold its equity interest (49.95%) in Baltic Fitness Center Sp. z o.o., with a carrying amount of nil, to Calypso Fitness S.A. for PLN 50 thousand.

2.2. STATEMENT OF PROFIT OR LOSS

Consolidated statement of profit or loss of the Benefit Systems Group

PLN '000	Six months ended Jun 30 2023	Six months ended Jun 30 2022	Change
Revenue	1,322,803	861,439	53.6%
Revenue from sales of services	1,304,058	849,267	53.6%
Revenue from sales of merchandise and materials	18,745	12,172	54.0%
Cost of sales	(939,703)	(665,023)	41.3%
Cost of services sold	(929,143)	(657,458)	41.3%
Cost of merchandise and materials sold	(10,560)	(7,565)	39.6%
Gross profit	383,100	196,416	95.0%
Selling expenses	(80,079)	(60,416)	32.5%
Administrative expenses	(91,607)	(65,160)	40.6%
Other income	2,947	4,034	(26.9%)
Other expenses	(5,425)	(5,223)	3.9%
Operating profit	208,936	69,651	200.0%
Finance income, including:	31,385	1,887	1,563.2%
Interest income on loans	*391*	*1,523*	*(74.3%)*
Finance costs, including:	(19,638)	(20,432)	(3.9%)
Interest expense on lease liabilities	*(13,169)*	*(5,894)*	*123.4%*
Impairment losses on financial assets	2,588	(878)	-
Share of profit of equity-accounted entities	363	173	109.8%
Profit before tax	223,634	50,401	343.7%
Income tax	(40,180)	(10,248)	292.1%
Net profit from continuing operations	183,454	40,153	356.9%
Gross margin	29.0%	22.8%	6.2pp

2.3. OUTLOOK

The outlook for the coming periods is significantly affected by the economic situation in the countries where the Group operates, including high inflation, growing prices of energy, raw materials and fuels, regulatory changes, slowing business activity in certain industries potentially leading to increased unemployment, or depreciation of local currencies, which, in turn, may increase operating costs and hamper the demand for the services and products offered by the Group.

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 2023

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

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 2023

PLN '000	Poland	Foreign Markets	Corporate	Total
Revenue	**931,852**	**391,025**	**(74)**	**1,322,803**
Cost of sales	(650,645)	(289,098)	40	(939,703)
Gross profit	**281,207**	**101,927**	**(34)**	**383,100**
Selling expenses	(56,483)	(23,596)	0	(80,079)
Administrative expenses	(60,575)	(26,146)	(4,886)	(91,607)
Other income and expenses	(3,202)	1,221	(497)	(2,478)
Operating profit	**160,947**	**53,406**	**(5,417)**	**208,936**

Share of profit/(loss) of equity-accounted entities	363	0	0	363
Interest expense on lease liabilities	(11,344)	(1,825)	0	(13,169)
Depreciation and amortisation	115,726	20,062	0	135,788
EBITDA	**276,673**	**73,468**	**(5,417)**	**344,724**
Segment's assets	2,308,031	315,749	(183,956)	2,439,824
Segment's liabilities	1,421,885	435,303	(184,238)	1,672,950
Investments in associates	2,798	0	0	2,798

Selected financial data of the operating segments for the second quarter of 2023

PLN '000	Poland	Foreign Markets	Corporate	Total
Revenue	**496,461**	**201,103**	**(72)**	**697,492**
Cost of sales	(321,401)	(138,732)	40	(460,093)
Gross profit	**175,060**	**62,371**	**(32)**	**237,399**
Selling expenses	(28,207)	(11,926)	0	(40,133)
Administrative expenses	(35,054)	(14,263)	(3,721)	(53,038)
Other income and expenses	(1,551)	841	(316)	(1,026)
Operating profit/(loss)	**110,248**	**37,023**	**(4,069)**	**143,202**
Share of profit of equity-accounted entities	215	0	0	215
Interest expense on lease liabilities	(5,814)	(801)	0	(6,615)
Depreciation and amortisation	62,155	10,256	0	72,411
EBITDA	**172,403**	**47,279**	**(4,069)**	**215,613**

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 2023

PLN '000	Six months ended Jun 30 2023	Six months ended Jun 30 2022
Segments' revenue		
Total revenue of operating segments	1,322,877	861,498
Unallocated revenue	0	0
Elimination of revenue from inter-segment transactions	(74)	(59)
Revenue	**1,322,803**	**861,439**

Segments' profit/(loss)		
Segments' operating profit/(loss)	214,353	71,424
Elimination of profit/(loss) from inter-segment transactions (IFRS 16)	0	0
Unallocated profit/(loss)	(5,417)	(1,773)
Operating profit	**208,936**	**69,651**

Finance income and costs	11,747	(18,545)
Impairment losses on financial assets	2,588	(878)
Share of profit/(loss) of equity-accounted entities (+/-)	363	173
Profit before tax	**223,634**	**50,401**

PLN '000	As at Jun 30 2023	As at Jun 30 2022
Total assets of operating segments	2,623,780	2,247,540
Unallocated assets	328	0
Elimination of inter-segment transactions	(184,284)	(245,086)
Total assets	**2,439,824**	**2,002,454**
Total liabilities of operating segments	1,857,188	1,613,759
Unallocated liabilities	50	17
Elimination of inter-segment transactions	(184,288)	(245,268)
Total liabilities	**1,672,950**	**1,368,508**

The costs not allocated to operating segments are primarily 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, cafeteria platforms and the MultiLife programme, 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 1,329.8 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 three 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 over 200 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 45 theatres, 180 cinemas, 60 museums and 25 thematic parks across Poland.

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

Since 2021, the Group has been offering B2B employee engagement services based on gamification. Gamification services offered by YesIndeed Sp. z o.o. are incentive schemes dedicated to sales and marketing departments.

The Parent continues to develop MultiLife, an online platform that provides holistic support in caring for employee wellbeing in four areas: growth, nutrition, health and psychology. It provides access to online services such as language platform, e-books and audiobooks, diet creator, yoga course, mindfulness course, and consultations with experts.

The Benefit Systems Group also invests in fitness clubs to secure access to an adequate base of sports and recreation facilities. As at the end of June 2023, the Group had 190 own clubs in Poland operated by the Fitness Branch within Benefit Systems S.A., Total Fitness Sp. z o.o., Sport Operator Sp. z o.o., FIT 1 Sp. z o.o., FIT 2 Sp. z o.o. and Saturn Fitness Group 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, Saturn Fitness and AquaPark Wesolandia. The Group also holds equity interests in companies managing a further 23 facilities.

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 healthy lifestyles.

Selected financial data of the Poland segment for the six months ended June 30th 2023 and June 30th 2022

PLN '000	Six months ended Jun 30 2023	Six months ended Jun 30 2022	Change
Revenue	**931,852**	**621,254**	**50.0%**
Cost of sales	(650,645)	(470,139)	38.4%
Gross profit	**281,207**	**151,115**	**86.1%**
Selling expenses	(56,483)	(42,320)	33.5%
Administrative expenses	(60,575)	(43,093)	40.6%
Other income and expenses	(3,202)	(2,092)	53.1%
Operating profit	**160,947**	**63,610**	**153.0%**
EBITDA	**276,673**	**157,105**	**76.1%**
Interest expense on lease liabilities	(11,344)	(4,970)	128.2%
Gross margin	*30.2%*	*24.3%*	5.9pp
Number of sport cards	*1,329.8*	*1,013.2*	*316.6*
Number of clubs	*190*	*171*	*19*
*Cafeterias sales (PLNm) **	*182.2*	*162.0*	12.5%
Number of Cafeterias users ('000)	*669.5*	*546.2*	22.6%

** Excluding sales of sport cards*

Selected financial data of the Poland segment for the three months ended June 30th 2023 and June 30th 2022:

PLN '000	Three months ended Jun 30 2023	Three months ended Jun 30 2022	Change
Revenue	**496,461**	**329,605**	**50.6%**
Cost of sales	(321,401)	(237,122)	35.5%
Gross profit/(loss)	**175,060**	**92,483**	**89.3%**
Selling expenses	(28,207)	(22,485)	25.4%
Administrative expenses	(35,054)	(22,121)	58.5%
Other income and expenses	(1,551)	(2,444)	(36.5%)
Operating profit/(loss)	**110,248**	**45,433**	**142.7%**
EBITDA	**172,403**	**92,716**	**85.9%**
Interest expense on lease liabilities	(5,814)	(2,616)	122.2%
Gross margin	*35.3%*	*28.1%*	7.2pp
Number of sport cards	*1,329.8*	*1,013.2*	*316.6*
Number of clubs	*190*	*171*	*19*
*Cafeterias sales (PLNm) **	*92.0*	*82.5*	11.5%
Number of Cafeterias users ('000)	*669.5*	*546.2*	22.6%

** Excluding sales of sport cards*

Revenue of the Poland segment for the first half of 2023 grew 50% year on year. Cost of sales increased 38.4%, and gross profit came in at PLN 281.2m.

As at June 30th 2023, the MyBenefit cafeteria platform had more than 669 thousand users, up 123 thousand year on year. The increase in user numbers translated into a PLN 20m (12.5%) year-on-year increase in the Cafeterias segment's turnover in the first half of 2023.

The most popular benefit categories are retail (148.1m turnover vs PLN 130.2m in the corresponding period of 2022), as well as travel and food.

In March 2023, in the first stage of the deal with Calypso Fitness S.A., the Group acquired 13 fitness clubs (12 clubs in the form of an organised part of business and 1 club by way of assignment of the lease contract), of which 7 are located in the Gdańsk-Sopot-Gdynia agglomeration, 4 in Szczecin and 1 in Warsaw and Wrocław each. The club in Gdynia started operating under the Zdrofit Gdynia Witawa brand on March 20th 2023. The other facilities started operating under the Zdrofit and Fitness Academy (1 club in Wrocław) brands on April 1st 2023.

On April 13th 2023, the Group acquired a 100% stake in Saturn Fitness Group Sp. z o.o., which manages 6 fitness clubs.

In the second quarter of 2023, one club operating under the FitFabric brand in Łódź and Atmosfera MultiSport, a facility run by the Parent, were closed.

In the first six months of 2023, the Poland segment recognised depreciation of right-of-use assets of PLN 67.8m and interest expense on lease liabilities of PLN 11.3m.

3.2.2. FOREIGN MARKETS

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

In the first half of 2023, 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, Form Factory 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 2023.

Benefit Systems International S.A. 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 2023 and June 30th 2022

PLN '000	Six months ended Jun 30 2023	Six months ended Jun 30 2022	Change
Revenue	**391,025**	**240,244**	**62.8%**
Cost of sales	(289,098)	(194,884)	48.3%
Gross profit	**101,927**	**45,360**	**124.7%**
Selling expenses	(23,596)	(18,096)	30.4%
Administrative expenses	(26,146)	(20,471)	27.7%
Other income and expenses	1,221	1,021	19.6%
Operating profit	**53,406**	**7,814**	**583.5%**
EBITDA	**73,468**	**26,527**	**177.0%**
Interest expense on lease liabilities	(1,825)	(924)	97.5%
Gross margin	*26.1%*	*18.9%*	7.2pp
Number of sport cards	*470.5*	*357.7*	*112.8*
Number of clubs	*25*	*24*	*1*

Selected financial data of the Foreign Markets segment for the three months ended June 30th 2023 and June 30th 2022:

PLN '000	Three months ended Jun 30 2023	Three months ended Jun 30 2022	Change
Revenue	**201,103**	**130,053**	**54.6%**
Cost of sales	(138,732)	(102,992)	34.7%
Gross profit	**62,371**	**27,061**	**130.5%**
Selling expenses	(11,926)	(10,011)	19.1%
Administrative expenses	(14,263)	(10,733)	32.9%
Other income and expenses	841	417	101.7%
Operating profit	**37,023**	**6,734**	**449.8%**
EBITDA	**47,279**	**16,341**	**189.3%**
Interest expense on lease liabilities	(801)	(497)	61.2%
Gross margin	*31.0%*	*20.8%*	10.2pp
Number of sport cards	*470.5*	*357.7*	*112.8*
Number of clubs	*25*	*24*	*1*

As at the end of 2022, there were 430.8 thousand active cards in the Foreign Markets segment and, as a result of consistent growth in the following months, the first quarter of 2023 was closed with 462.1 thousand cards. The highest percentage increase in the card volume was recorded in Turkey, the 'youngest' of all markets. Of the markets where the Group had been present for more than five years, the highest volume growth was seen on the Croatian market, where the number of cards increased by almost 16% relative to December 2022. The largest growth in the number of cards in nominal terms was observed in the Czech market, where the number of cards rose by almost 12.0 thousand compared with December

2022. In the Slovak and Bulgarian markets, the number of active cards grew by 5.6 thousand and 7.1 thousand, respectively.

The second quarter of 2023 saw a stable increase in the number of cards on the Czech and Slovak markets. Both markets saw a more than 5% increase in the number of cards compared with March 2023. The Croatian market posted a slight decline following deactivation of some cards before the summer holiday season. In the case of the Bulgarian market, as at the end of the second quarter of 2023 the number of cards fell by almost 5% quarter on quarter. This was the effect of introducing a new price list for MultiSport customers. In the second quarter of 2023, the number of cards on the Turkish market grew by 0.6 thousand, thus exceeding the level of 3.0 thousand active cards at the end of the half-year.

Number of active sport cards in Foreign Markets countries* ('000):

Country	As at Jun 30 2023	As at Mar 31 2023	As at Dec 31 2022	Jun 30 vs. Mar 31 2023	Mar 31 2023 vs. Dec 31 2022
Czech Republic	241.1	229.1	217.2	5%	5%
Bulgaria	135.0	141.7	134.6	(5%)	5%
Slovakia	54.1	51.0	45.4	6%	12%
Croatia	37.1	37.8	32.7	(2%)	16%
Turkey	3.1	2.5	0.9	23%	179%
Total	**470.5**	**462.1**	**430.8**	**2%**	**7%**

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

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 fourth quarter of 2022, the MultiSport partnership network comprised a total of 4,195 facilities, of which more than 300 were located in Turkey. In the first quarter of 2023, more than 100 partners were acquired for cooperation. The majority of growth comes from the Turkish market, where the MultiSport partner network had more than 400 partners in total at the end of March. The next quarter saw a stable increase in partner locations in almost all markets, with only Croatia posting a slight decline (by six locations). In the second quarter, the total number of cooperating partner locations rose by 85.

Numbers of partner locations in Foreign Markets countries

Country	As at Jun 30 2023	As at Mar 31 2023	As at Dec 31 2022	Jun 30 vs. Mar 31 2023	Mar 31 2023 vs. Dec 31 2022
Czech Republic	1,865	1,817	1,805	3%	1%
Bulgaria	896	879	876	2%	-
Slovakia	801	791	797	1%	(1%)
Croatia	406	412	413	(1%)	-
Turkey	422	406	304	4%	34%
Total	**4,390**	**4,305**	**4,195**	**2%**	**3%**

As at the end of the fourth quarter of 2022, the companies in this segment ran a total of 24 investment projects in foreign markets. In the first quarter of 2023, leased space conversion was completed and two new clubs were opened: Zaimov in Sofia and Luzanky in Brno. The Lamac club in Slovakia was closed down in the first quarter of 2023. In the second quarter of 2023, the segment companies actively searched for potential locations for new investment projects, and started conversion works at two new locations (one in the Czech Republic and one in Bulgaria).

Numbers of own fitness clubs in Foreign Markets countries

Country	As at Jun 30 2023	As at Mar 31 2023	As at Dec 31 2022	Jun 30 vs. Mar 31 2023	Mar 31 2023 vs. Dec 31 2022
Czech Republic	15	15	14	0%	7%
Bulgaria	9	9	8	0%	13%
Slovakia	1	1	2	0%	(50%)
Total	**25**	**25**	**24**	**0%**	**4%**

Favourable macroeconomic conditions in the markets where the Foreign Markets segment operates, coupled with effective sales efforts, facilitated the sustained growth of MultiSport membership cards. Concurrently, the cost structure of the fitness companies was stabilised. Alongside an uptick in the count of active B2C subscribers (fitness club passes), this culminated in a favourable financial outcome for these companies. The positive trends should continue in the next quarter.

3.2.3. OTHER ACTIVITIES AND CORPORATE

he Other Activities and Corporate segment includes primarily elimination of intersegment transactions, costs of the Incentive Scheme based on Parent's shares, and activities of the Multisport Foundation.

Selected financial data of the Other Activities and Corporate segment for the six months ended June 30th 2023 and June 30th 2022

PLN '000	Six months ended Jun 30 2023	Six months ended Jun 30 2022	Change
Revenue	**(74)**	**(59)**	**25.4%**
Cost of sales	40	0	-
Gross profit	**(34)**	**(59)**	**(42.4%)**
Selling expenses	0	0	-
Administrative expenses	(4,886)	(1,596)	206.1%
Other income and expenses	(497)	(118)	321.2%
Operating profit	**(5,417)**	**(1,773)**	**205.5%**
EBITDA	**(5,417)**	**(1,773)**	**205.5%**
Interest expense on lease liabilities	0	0	-

Selected financial data of the Other Activities and Corporate segment for the three months ended June 30th 2023 and June 30th 2022:

PLN '000	Three months ended Jun 30 2023	Three months ended Jun 30 2022	Change
Revenue	**(72)**	**(53)**	**35.8%**
Cost of sales	40	0	-
Gross profit/(loss)	**(32)**	**(53)**	**(39.6%)**
Selling expenses	0	0	-
Administrative expenses	(3,721)	(1,668)	123.1%
Other income and expenses	(316)	(118)	167.8%
Operating profit/(loss)	**(4,069)**	**(1,839)**	**121.3%**
EBITDA	**(4,069)**	**(1,839)**	**121.3%**
Interest expense on lease liabilities	0	0	-

Incentive Scheme costs (which in the first six months of 2023 amounted to PLN 5,022 thousand, of which PLN 3,767 thousand was recognised in the second quarter of 2023) were the most significant item of costs classified under Other Activities and Corporate. For information on the Incentive Scheme, see Section 4.7 of this Directors' Report.

3.3. OTHER FINANCIAL DATA

Finance income and costs of the Benefit Systems Group

PLN '000	Six months ended Jun 30 2023	Six months ended Jun 30 2022	Change
Interest on investments	4,008	297	1,249.5%
Interest on loans and receivables	391	1,523	(74.3%)
Foreign exchange gains	26,936	0	-
Measurement of other financial liabilities	0	62	-
Gains on disposal of financial assets	50	0	-
Other finance income	0	5	-
Total finance income	**31,385**	**1,887**	**1,563.2%**

PLN '000	Six months ended Jun 30 2023	Six months ended Jun 30 2022	Change
Interest on lease liabilities	(13,169)	(5,894)	123.4%
Interest on overdraft and investment credit facilities	(4,517)	(3,443)	31.2%
Interest on debt securities	0	(2,737)	-
Interest on loans	(66)	0	-
Interest on trade and other payables	(203)	0	-
Foreign exchange losses	0	(6,981)	-
Measurement of other financial liabilities	(920)	0	-

Other finance costs	(763)	(1,377)	(44.6%)
Total finance costs	**(19,638)**	**(20,432)**	**(3.9%)**

Impairment losses on financial assets (income +/ loss -)	**Six months ended Jun 30 2023**	**Six months ended Jun 30 2022**
Reversal of impairment losses on financial assets – loans (+)	2,588	0
Financial assets written off (-)	0	(878)
Total impairment losses on financial assets (+/-)	**2,588**	**(878)**

In the reporting period, finance income was significantly affected by the recognition of foreign exchange gains of PLN 26.9m. In the comparative period, foreign exchange losses of PLN 7m were reported.

The amount of impairment losses on financial assets is a result of reversal of unused impairment losses recognised in previous years on loans, of which PLN 2.1m was related to Calypso Fitness S.A.

Consolidated statement of financial position of the Benefit Systems Group

PLN '000	**As at Jun 30 2023**	**As at Dec 31 2022**	**Change**	**As at Jun 30 2022**
Non-current assets	1,904,209	1,767,710	*7.7%*	1,710,421
share of total equity and liabilities	*78.0%*	*79.1%*	(1.1pp)	85.4%
Current assets	535,615	466,311	*14.9%*	292,033
share of total equity and liabilities	*22.0%*	*20.9%*	1.1pp	14.6%
Total assets	**2,439,824**	**2,234,021**	**9.2%**	**2,002,454**
Equity attributable to owners of the parent	767,829	727,033	*5.6%*	636,771
share of total equity and liabilities	*31.5%*	*32.5%*	(1.1pp)	31.8%
non-controlling interests	(955)	(1,617)	*(40.9%)*	(2,825)
share of total equity and liabilities	*(0.0%)*	*(0.1%)*	0.1pp	(0.1%)
Non-current liabilities and provisions	942,957	896,959	*5.1%*	857,545
share of total equity and liabilities	*38.6%*	*40.1%*	(1.5pp)	42.8%
Current liabilities and provisions	729,993	611,646	*19.3%*	510,963
share of total equity and liabilities	*29.9%*	*27.4%*	2.5pp	25.5%
Total equity and liabilities	**2,439,824**	**2,234,021**	**9.2%**	**2,002,454**

Non-current assets

As at the end of the first half of 2023, Benefit Systems Group's non-current assets were PLN 1,904.2m, having increased by PLN 136.5 thousand relative to December 31st 2022. Right-of-use assets increased by PLN 93.7m, mainly due to acquisition of fitness clubs from Calypso Fitness and acquisition of shares in Saturn Fitness Group Sp. z o.o. (a total increase of PLN 73.6m).

Property, plant and equipment fell by PLN 8.3m relative to the end of 2022. The main factors which had an effect on the value of property, plant and equipment included a depreciation charge of PLN 35.7m, PLN 14.1m on account of settlement of investments in new clubs, which led to a decrease in assets, expenditure of PLN 35.3m on new assets, which was mainly related to investments in new and existing fitness clubs, and a PLN 11.9m increase resulting from acquisition of Saturn Fitness Group Sp. z o.o. and acquisition of clubs from Calypso Fitness S.A.

As at June 30th 2023, the carrying amount of intangible assets was PLN 9.0m higher than as at December 31st 2022. The increase resulted mainly from expenditure on development, integration and optimisation of business and sales systems and online platforms for customers, as well as the value of the trademark acquired following the acquisition of Saturn Fitness Group Sp. z o.o. The amount of loans and other non-current financial assets decreased by PLN 2.6m. In the first half of 2023, the Group recognised goodwill of PLN 47.0m, which was mainly attributable to the acquisition of organised parts of business from Calypso Fitness (PLN 37.4m) and acquisition of Saturn Fitness Group Sp. z o.o. (PLN 9.3m), and recognised a decrease in deferred tax assets of PLN 3.1m.

Current assets

The PLN 69.3m increase in current assets relative to the end of 2022 primarily reflected an increase in cash (PLN 129.3m), which was mainly attributable to very good operating performance of the Group and moderate capex. Current assets were also significantly affected by a decline in trade and other receivables (PLN 61.4m), attributable chiefly to the seasonality of the Cafeterias business (which always peaks towards the end of the year, driving a material increase in receivables), and settlement of claims following the acquisition of organised parts of business from Calypso Fitness S.A.

Non-current and current liabilities and provisions

Compared with December 31st 2022, the Group's total liabilities and provisions fell by PLN 164.3m, of which PLN 120.3m was the amount of dividends payable. Trade payables fell by PLN 32.1m, while lease liabilities and current income tax liabilities rose, respectively, by PLN 45.5m and PLN 23.9m. Liabilities under borrowings and other debt instruments decreased by PLN 14.8m, while other financial liabilities went up by PLN 17.7m.

Consolidated statement of cash flows of the Benefit Systems Group

PLN '000	Six months ended Jun 30 2023	Six months ended Jun 30 2022	Change
Net cash flows from operating activities	343,713	162,342	111.7%
Net cash flows from investing activities	(96,673)	(84,719)	14.1%
Net cash flows from financing activities	(117,766)	(218,478)	(46.1%)
Total net cash flows	129,274	(140,855)	(191.8%)
Cash and cash equivalents at end of period	**347,601**	**112,160**	**209.9%**
Net cash/(net debt)*	277,730	9,828	2,725.9%

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

As at June 30th 2023, the Benefit Systems Group held cash of PLN 347.6m, mainly in the accounts of the parent Benefit Systems S.A. (PLN 260.4m) and in the accounts of its subsidiaries in the Czech Republic, Bulgaria and Slovakia (PLN 59.2m).

Operating activities

In the six months ended June 30th 2023, net cash flows from operating activities were positive at PLN 343.7m, having increased PLN 181.4m year on year. The change was primarily attributable to a higher profitability and scale of operations. In the first half of 2023, the Group's pre-tax profit reached PLN 223.6m (first half of 2022: pre-tax profit of PLN 50.4m), which translated into positive cash flows from operating activities before tax of PLN 355.8m (up by PLN 186.7m year on year). Income tax paid in the first half of 2023 was PLN 5.3m higher than a year earlier.

Investing activities

In the reporting period, net cash flows from investing activities were negative at PLN 96.7m, up PLN 12m year on year. Expenditure on intangible assets fell by PLN 6.9m relative to the first half of 2022, while expenditure on property, plant and equipment increased by PLN 10.6m. In the six months ended June 30th 2023, expenditure on acquisition of subsidiaries was PLN 54.2m, up PLN 20.9m year on year. The expenditure was made to acquire Total Fitness Sp. z o.o. (PLN 14m), Lunching.pl Sp. z o.o. (PLN 2.1m), Sport Operator Sp. z o.o. (PLN 11m), Concept Self Investment Sp. z o.o. (PLN 3m), and Saturn Fitness Group Sp. z o.o. (PLN 25m).

Financing activities

In the six months ended June 30th 2023, net cash flows from financing activities were negative at PLN 117.8m, driven by repayment of lease liabilities of PLN 97.9m, repayment of borrowings of PLN 14.8m, and interest paid of PLN 4.6m. In the six months ended June 30th 2022, net cash flows from financing activities were also negative, amounting to PLN 218.5m.

3.4. SELECTED FINANCIAL RATIOS

Financial ratios of the Benefit Systems Group*

Profitability ratios	**Six months ended Jun 30 2023**	**Six months ended Jun 30 2022**	**Change**
Gross margin	29.0%	22.8%	6.2pp
EBITDA margin	26.1%	21.1%	5.0pp
EBIT margin	15.8%	8.1%	7.7pp
Pre-tax margin	16.5%	5.8%	10.7pp
Net margin	13.5%	4.6%	8.9pp
Return on equity (ROE)	23.9%	6.3%	17.6pp
Return on assets (ROA)	7.5%	2.0%	5.5pp

Liquidity ratios	**Six months ended Jun 30 2023**	**Six months ended Jun 30 2022**	**Change**
Current ratio	0.73	0.57	*28.1%*
Quick ratio	0.72	0.56	*28.6%*

** 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 (for half-year)/ equity (end of period),*
- *return on assets (ROA): net profit (for half-year)/ 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

Steps taken with respect to associate Calypso Fitness S.A. ("CF")

As part of the review of the available courses of action towards the Company's investment in the associate Calypso Fitness S.A., described in more detail in Note 33 to the consolidated financial statements for 2022, on February 28th 2023 the CF shareholders, i.e., Benefit Systems S.A., Camaro Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych ("Camaro") and Cal Capital Sp. z o.o. ("CC"), executed an agreement in which they confirmed the key terms of the transaction the purpose of which is, among other things, to settle CF's liabilities towards its shareholders (the "Transaction").

As part of the first stage of the Transaction executed in the first quarter of 2023:

a. A demerger of CF was effected by spinning off 12 organised parts of business comprising fitness clubs to FIT 1 Sp. z o.o. (3 clubs), FIT 2 Sp. z o.o. (2 clubs) and Sport Operator Sp. z o.o. (7 clubs), controlled by, respectively, Benefit Systems S.A., CC and Camaro (CF shareholders).

b. The Parent acquired shares in FIT 2 Sp. z o.o. and Sport Operator Sp. z o.o., which had taken over CF's assets comprising 9 out of the 12 organised parts of CF's business (fitness clubs), located in the Gdańsk-Sopot-Gdynia agglomeration (6), Szczecin (4), Warsaw (1) and Wrocław (1). The title to the shares was transferred on March 31st 2023, i.e. the date of registration of the CF demerger, as agreed in the CF demerger plan of October 7th 2022. The remaining 3 out of the 12 organised parts of CF's business were contributed to FIT 1 Sp. z o.o., which is wholly owned by Benefit Systems S.A. The total consideration for the acquisition of the companies from CC and Camaro was PLN 29m, and was paid by: (i) transferring the Company's claims against CF of PLN 18m to the other CF shareholders, and (ii) making a payment of PLN 11m in cash to Camaro.

c. The share capital of CF was increased by converting Benefit Systems S.A.'s claims against CF of PLN 14.5m and claims held by Camaro and CC into shares in the increased share capital of CF, with the existing shareholding structure of CF retained, i.e., the Parent's interest in CF remained at 33.33%. The share capital increase at CF was registered by the registry court on April 26th 2023. As a result, in April 2023 the Parent cancelled CF's loan interest debt of PLN 10.3m.

d. Outside the demerger process described above, on March 20th 2023, CF assigned its rights and obligations under a lease contract for another fitness club located in the Gdańsk-Sopot-Gdynia agglomeration to Benefit Systems S.A. The assignment was settled against amounts owed by CF to the Parent totalling PLN 1.1m.

e. On March 31st 2023, the Parent advanced a loan to CF through conversion of trade (PLN 8.1m) and loan (PLN 9.7m) receivables (PLN 17.8m in aggregate), for which an impairment loss was recognised at 100% of their amount in previous years. The loan was secured by a pledge over shares in Instytut Rozwoju Fitness Sp. z o.o. held by CF.

f. In addition, on February 28th 2023, the Parent placed PLN 3m in a notarial deposit for the purpose of future acquisitions in the second stage of the Transaction.

The effect of the above transaction on the consolidated financial statements of the Group for the six months ended June 30th 2023 is presented below:

SELECTED FINANCIAL DATA as at June 30th 2023	Acquisition of organised parts of business comprising 12 fitness clubs					Assignment of lease contract for one fitness club	**EFFECT**
	purchase price	goodwill	assets and liabilities acquired	impairment	elimination of intra-group transactions		
Goodwill		37,388					37,388
Intangible assets – customer relations			812				812
Right-of-use assets			49,120			6,229	55,349
Receivables settled in the Transaction	(17,959)			4,099	(11,568)	(1,121)	(26,549)
Other fixed assets			2,930				2,930
Other current assets			5,216				5,216
Cash	(11,000)		865				(10,135)
TOTAL ASSETS	**(28,959)**	**37,388**	**58,943**	**4,099**	**(11,568)**	**5,108**	**65,011**
EQUITY			**(8,429)**	**4,099**			**(4,330)**
Lease liabilities			49,120			5,108	54,228
Other current liabilities			18,252		(11,568)		6,684
TOTAL LIABILITIES			**67,372**	**0**	**(11,568)**	**5,108**	**60,912**
TOTAL EQUITY AND LIABILITIES			**58,943**	**4,099**	**(11,568)**	**5,108**	**56,582**
Other income				2,000			2,000
Finance income				2,099			2,099
GROUP NET PROFIT				**4,099**			**4,099**

As specified in the table above, the total effect of the Transaction on the Group's net profit and equity was PLN 4.1m following reversal of unused impairment losses recognised in previous years on loans (PLN 2.1m reversed in the first quarter of 2023) and trade receivables (PLN 2.0m reversed in the second quarter of 2023).

In addition, as part of the Phase I Transaction:

- PLN 14.5 million of the Group's receivables were settled by converting them into CF's equity while maintaining CF's existing shareholding ratio

- The parent company converted other receivables from the CF Group (PLN 8.1 million of trade receivables and PLN 9.7 million of loan receivables fully impaired in previous years) into a loan of PLN 17.8 million secured by a pledge on the shares of Instytut Rozwoju Fitness Sp. z o.o. held by CF.

Following completion of the steps described above, the Parent continues to hold debt claims against CF totalling PLN 17.8m (in respect of which impairment losses were recognised in previous reporting periods), which the Parent will be able to settle in potential subsequent acquisitions.

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

On April 4th 2023, an annex was signed to the long-term financing agreement of April 1st 2022 with the European Bank for Reconstruction and Development and Santander Bank Polska S.A. The annex extends the availability period for the unutilised part of the financing of PLN 115m until December 31st 2023.

Acquisition of Saturn Fitness Group Sp. z o.o.

On April 13th 2023, the Parent acquired 100% of shares in Saturn Fitness Group Sp. z o.o., as a result of which six fitness clubs located in Gdynia, Warsaw, Kraków, Łódź, Gorzów Wielkopolski and Chorzów were added to the Group's own clubs portfolio.

Distribution of Parent's net profit for 2022

On June 29th 2023, the Annual General Meeting of the Parent passed a resolution on distribution of the PLN 141.5m net profit earned for 2022 and decided to allocate PLN 120.3m to dividend payment and PLN 21.2m to statutory reserve funds.

4.2. SIGNIFICANT EVENTS AT THE GROUP AFTER THE REPORTING DATE

Steps taken with respect to associate Calypso Fitness S.A. ("CF")

As a result of the agreement of February 28th 2023, in the second stage of the Transaction on July 31st 2023:

a. A demerger of CF was effected by spinning off 3 organised parts of business comprising fitness clubs to FIT 1 Sp. z o.o. (1 club), FIT 3 Sp. z o.o. (1 club) and Concept Self Investment Sp. z o.o. (1 club), controlled, respectively, by Benefit Systems S.A., CC and Camaro (CF shareholders).

b. The Parent acquired shares in FIT 3 Sp. z o.o. and Concept Self Investment Sp. z o.o., to which CF's assets comprising 2 out of the 3 organised parts of CF's business (fitness clubs) located in Warsaw and Kraków were spun off. The title to the shares was transferred on July 31st 2023, i.e., the date of registration of the CF demerger agreed in the Calypso Fitness demerger plan of May 8th 2023. The remaining 1 out of the 3 organised parts of CF's business was contributed to FIT 1 Sp. z o.o., which is wholly owned by Benefit Systems S.A. The total purchase price of the 3 organised parts of business was PLN 4m and was paid by paying cash of PLN 3m to Camaro, placed on February 28th 2023 in a notarial deposit, while amont of PLN 1m is owed to CC. As at the date of these consolidated financial statements, the process of accounting for the acquisition had not been completed by the Group, in particular work was underway to transfer the clubs' accounting records and to review, identify and perform fair-value measurement of the assets and liabilities acquired as well as identifying Goodwill as of acquisition date i.e. 31 July 2023.

Changes in the composition of the Supervisory Board in 2022

On August 10th 2023, the Extraordinary General Meeting of the Company passed a resolution to appoint Ms Katarzyna Kazior as Member of the Company's Supervisory Board for a joint term of office which commenced on June 29th 2023, with effect from the date on which the registry court enters the amendment to the Company's Articles of Association made under Resolution No. 4 of the Extraordinary General Meeting of the Company of August 10th 2023 in the Business Register of the National Court Register. As at the date of authorisation of the interim condensed consolidated financial statements for issue, i.e., August 16th 2023, the entry was not made.

Number of active sport cards

In August 2023, the estimated number of active sport cards was 1,321 thousand in the Poland segment and 464 thousand in the Foreign Markets segment.

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 – Chair of the Supervisory Board,
- Marcin Marczuk – Deputy Chair of the Supervisory Board,
- Aniela Anna Hejnowska – Member of the Supervisory Board,
- Krzysztof Kaczmarczyk – Member of the Supervisory Board,
- Michael Sanderson – Member of the Supervisory Board.

On June 29th 2023, following the expiry of the term of office of the Supervisory Board, the Annual General Meeting of the Parent appointed a new Supervisory Board for a joint five-year term of office, which will expire on the date of the Parent's Annual General Meeting which will approve the Parent's financial statements for 2027.

On August 10th 2023, the Extraordinary General Meeting of the Parent passed a resolution to expand the composition of the Supervisory Board to six members and appoint Katarzyna Kazior to the Supervisory Board for a joint five-year term of office which commenced on June 29th 2023.

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 (subscription warrants) in Benefit Systems S.A. by members of the Management Board and the Supervisory Board of the Parent as at the issue date of this report are as follows:

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

	As at the issue date of H1 2023 report		As at the issue date of Q1 2023 report		
Management Board	**Number of shares**	**Equity interest**	**Number of shares**	**Equity interest**	**Change**
Bartosz Józefiak	902	0.03%	864	0.03%	38
Emilia Rogalewicz	1,500	0.05%	2,500	0.09%	(1,000)
Wojciech Szwarc	2,620	0.09%	2,620	0.09%	-
Total	**5,022**	**0.17%**	**5,984**	**0.20%**	**(962)**

Warrants held by Members of the Management Board as at the issue date of the report for the first half of 2023:

Management Board Member	**Series L Warrants granted for 2022**	**Outstanding series L warrants**
Bartosz Józefiak	4,000	4,000
Emilia Rogalewicz	4,000	4,000
Wojciech Szwarc	3,000	3,000
Total	**11,000**	**11,000**

The exercise price of options granted for 2022 is PLN 793.01 reduced by the amount of dividend paid (per share) before the option exercise date.

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

	As at the issue date of H1 2023 report		As at the issue date of Q1 2023 report		
Supervisory Board	**Number of shares**	**Equity interest**	**Number of shares**	**Equity interest**	**Change**
James van Bergh*	453,691	15.47%	453,691	15.47%	-
Aniela Anna Hejnowska**	0	0.00%	N/A	N/A	N/A
Krzysztof Kaczmarczyk**	0	0.00%	N/A	N/A	N/A
Artur Osuchowski	0	0.00%	0	0.00%	-
Michael Sanderson	0	0.00%	0	0.00%	-
Total	**453,691**	**15.47%**	**453,691**	**15.47%**	**-**

** Direct interest; additionally, a person closely related to the Chair 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 70,421 shares in Benefit Systems S.A., representing 2.40% 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 2023). In addition, a person closely related to the Chair of the Supervisory Board is the Chair of the Supervisory Board of the Drzewo i Jutro Foundation, holding 7.11% of Benefit Systems S.A. share capital.*

*** Members of the Supervisory Board in office since June 29th 2023.*

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

	As at the issue date of H1 2023 report			As at the issue date of Q1 2023 report			
Shareholder	**Number of shares**	**Ownership interest**	**Voting interest**	**Number of shares**	**Ownership interest**	**Voting interest**	**Change**
James van Bergh*	453,691	15.47%	15.47%	453,691	15.47%	15.47%	-
Fundacja Drzewo i Jutro*	208,497	7.11%	7.11%	208,497	7.11%	7.11%	-
Benefit Invest Ltd.*	70,421	2.40%	2.40%	70,421	2.40%	2.40%	-
Nationale-Nederlanden PTE	307,053	10.47%	10.47%	307,053	10.47%	10.47%	-
Generali PTE	274,479	9.36%	9.36%	276,572	9.43%	9.43%	(2,093)
Allianz OFE	276,290	9.42%	9.42%	276,290	9.42%	9.42%	-
Marek Kamola	233,500	7.96%	7.96%	237,440	8.09%	8.09%	(3,940)
Other	1,109,611	37.82%	37.82%	1,103,578	37.62%	37.62%	6,033
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 2022.

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 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 15th 2022, the Management Board of the Parent adopted a dividend policy for 2023-2025, under which the Management Board will recommend to the General Meeting payment of dividend of at least 60% of the Group's consolidated net profit for the previous financial year, less any unrealised foreign exchange gains or losses for the same period. 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 2022. The policy was positively assessed by the Supervisory Board of the Parent on December 15th 2022. The Management Board of the Parent also resolved to disapply the Dividend Policy for 2020–2023.

On May 25th 2023, the Parent's Management Board passed a resolution to propose that the Annual General Meeting distribute the Company's net profit for 2022 in such a way that PLN 120,275,222 (PLN 41 per Company share) be allocated to dividend payment to the Company's shareholders and the balance of PLN 21,260,203 to the Company's statutory reserve funds. The Management Board's proposal was approved by the Company's Supervisory Board at its meeting held on May 25th 2023.

On June 29th 2023, the Parent's Annual General Meeting passed a resolution to pay dividend of PLN 120,275,222, i.e., PLN 41 per share. The Parent's Annual General Meeting set the dividend record date for September 15th 2023 and the dividend payment date for September 29th 2023.

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 with which the Parent has entered into relevant agreements. Under the Scheme, eligible employees receive subscription warrants convertible into shares in the Parent.

The Scheme is open to selected employees from among senior management and middle management.

On February 3rd 2021, the Supervisory Board resolved to establish an Incentive Scheme for 2021–2025 at the Parent. The purpose of the Incentive 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.

Following achievement of 100% of the threshold for the condition relating to adjusted consolidated operating profit of the Group for 2022, 25,000 subscription warrants were granted to senior management (including the Management Board of the Parent) on March 1st 2023. The fair value of the subscription warrants granted was estimated as at the grant date using the Black-Scholes model.

Valuation of Incentive Scheme options – Black-Scholes model	
Data	**Tranche for 2022**
X (t) – share price at the valuation date (PLN)	836.00
P – option exercise price (PLN)	793.01
r – risk-free rate for PLN	6.54%
T – expiry date	Dec 31 2025
t – current day (for pricing purposes)	Mar 1 2023
Sigma – daily variability	30.00%

The total cost of the 2022 tranche granted on March 1st 2023 was estimated at PLN 6,278 thousand. The cost recognised in the Group's profit or loss in the reporting period was PLN 5,022 thousand. In 2022, the Group did not recognise the costs of the Scheme as the conditions for granting the 2021 tranche were not satisfied.

By decision of the General Meeting, the warrants not granted for 2021 may increase the number of warrants for 2023 (up to 12,500 Series K1 warrants) and 2025 (up to 12,500 Series K2 warrants). Series K1 Warrants will be granted in a number representing 50%, 75% and 100% of the maximum number of Series K1 Warrants only if the cumulative consolidated adjusted operating profit (net of the costs of the Incentive Scheme) exceeds the sum of the thresholds for 2021-2023, i.e., PLN 400m, PLN 460m and PLN 515m, respectively. In the case of Series K2, the warrants will be granted if cumulative consolidated adjusted operating profit (net of the costs of the Incentive Scheme) for 2021-2025 exceeds the sum of the thresholds for that period (PLN 825m, PLN 920m and PLN 1,010m), in a number representing, respectively, 50%, 75% and 100% of the maximum number of Series K2 warrants.

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

The Parent has not released any profit forecasts for 2023.

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 passes 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 annexes to a financing agreement with the European Bank for Reconstruction and Development and Santander Bank Polska S.A.

On April 4th 2023, an annex was signed to the long-term financing agreement of April 1st 2022 with the European Bank for Reconstruction and Development and Santander Bank Polska S.A. The annex extends the availability period for the unutilised part of the financing of PLN 115m until December 31st 2023.

Execution of amendment agreements with Santander Bank Polska S.A.

On May 31st 2023, amendment agreements signed by Santander Bank Polska S.A. and Benefit Systems S.A. to the Multi-Facility agreements took effect. Under the amendment agreements, the facility limit for bank guarantees was increased from PLN 70m to PLN 85m, and the availability period for the Multi-Facility was set as effective until May 31st 2026.

4.11. LOANS, SURETIES AND GUARANTEES GRANTED BY THE GROUP

For information on the amounts of loans, see Note 6.10 to the Benefit Systems Group's Interim Consolidated Financial Statements for the first six months of 2023.

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

Contingent liabilities

PLN '000	As at the issue date of H1 2023 report	As at the issue date of Q1 2023 report	Change
Sureties and guarantees to associates	4,291	4,172	119

In the reporting period, neither Benefit Systems S.A. nor the Group companies provided any loans, 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 the Individual Reporting Standards effective since July 2016, 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.

These contingent liabilities are related to the capital support provided to the associated companies – they mainly consist of guarantees in respect of lease payments for fitness equipment and rent guarantees.

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 2023.

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 2022.

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, passes) and/or commissions receivable from cafeteria partners in the medium term in a situation of significant cost pressures due to high inflation (salaries and wages, energy costs, inflation-adjusted rents, outsourcing 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. In 2023, the Group was able to increase the prices of its products without causing customer attrition.

Risk of deteriorating macroeconomic conditions, including due to Russia's invasion of Ukraine and global economic factors

The risk of a macroeconomic downturn due to Russia's invasion of Ukraine and its global repercussions, manifest in a lower GDP growth rate, slowing business activity and deterioration in labour market conditions, may materialise in the form of revenue decline if customers and users choose to save money by spending less on sports and recreation and other non-pay benefits, which may lead to an increased customer churn rate. In addition, despite the deterioration of macroeconomic conditions, the continuing inflationary pressure and high commodity prices result in increased operating expenses and finance costs due to, *inter alia*, a significant increase in energy prices in 2023 and high reference rates, which may further add to the adverse effect of weaker macroeconomic conditions on financial performance. As at the date of this report, the Group did not identify any material adverse effect of the macroeconomic situation on the behaviour of customers or on its financial performance in the first half of 2023.

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 of the sport card market in Poland and continues to expand the range of sports and recreational activities offered under the MultiSport programme at the Group's own sports facilities and through a network of partner facilities. The Group is also active on the market of other non-pay employee benefits, such as cafeteria solutions (MyBenefit platform), developing and adapting its offering in line with evolving employer expectations as well as creating new products/services, e.g., the MultiLife platform.

The Group's main competitors on the sport card market in Poland are Medicover Sport and PZU Sport. Medicover Sport launched a card that bundles medical care with fitness services (a healthcare and fitness plan) provided through a continuously expanding network of own and partner sports facilities. PZU Sport offers a fitness and recreational membership plan available through a mobile app in partner sports facilities. These players have easier access to decision makers at large companies' HR departments responsible for purchasing non-pay benefits for employees as they already provide medical and insurance services to such customers. There is a risk that they may use this channel to offer sport cards and plans.

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). There is a risk that chains of partners sports facilities owned by competitors will terminate agreements to accept the Group's sport cards, reducing their attractiveness to the Group's existing and potential future customers. As a result of further acquisitions of sports facilities by other companies, the competition in card prices may also extend to the prices of passes and the flexibility of their validity periods.

Strong competition also exists in the market of cafeteria solutions, necessitating swift adaptation in response to ever changing employer expectations and market conditions, including by continuously developing cafeteria platform technologies and expanding the product and service offering. With regard to cafeteria solutions, there is a risk that competitors will deploy more advanced and attractive technologies (e.g. in terms of the number of functionalities, improved user experience, and enhanced speed and security), providing better integration with employers' systems, as well as being able to offer new innovative non-pay employee benefit services more quickly.

Competition 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 Group 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 Group's main costs are those associated with: (i) payments to partner fitness chains and (ii) day-to-day operations of the Group and its own fitness clubs. Sudden changes in the activity of users (MultiSport cardholders) may result in inadequate prices of the 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 changing 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.

A portion of the Group's revenue from sales of MultiSport cards and cafeteria programmes in Poland is financed or co-financed by customers using their companies' social benefits funds, the creation of which is regulated applicable legislation. Lifting of or changes to the requirement for employers to establish such funds could have an adverse effect on the Group's business. However, given the recent announcements by the government regarding the increase in the amount of the basic contribution to such a fund in this and next year, the Group assesses the risk of such negative changes as small.

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), especially in premium locations, may deprive the Group of the required geographical reach to users, subsequently leading to an increased number of MultiSport card cancellations. The risk may have a material adverse effect on the Group's business, financial condition or growth prospects.

The Group also 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 become temporarily or permanently unable to pay its liabilities towards the Group. Accordingly, the Group on an ongoing basis monitors the operating and financial condition of partners which are also its borrowers.

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, TRY, and, until year-end 2022, HRK). 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

The size of the Group (comprising subsidiaries and associates) and its further growth plans, including development of new business lines and expansion of its own fitness club chain, are key factors translating into increasing complexity and the Group's operations and their management. The complexity of the Group raises the materiality of operational risk, including related to processes, technologies, infrastructure, human resources, and external factors that arise from the Group's activities. A loss, damage, or other adverse occurrence in any of those areas may have a bearing on the Group's financial performance.

Reducing this risk requires significant commitment of resources and additional expenses related to the integration of new companies and business lines, introduction of unified corporate governance policies, further centralisation of key processes, design and implementation of effective internal controls, as well as effective management.

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.

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

The Group relies extensively on technology in its operations.

Despite regular monitoring by the Group of technological developments in the market, it cannot be ruled out that the technologies used by the Group will become unattractive in terms of cost or quality to the Group, its customers or their end users, and a switch to new technologies or upgrading the existing ones will require significant financial expenditure and their effective implementation will be time-consuming and involve a major commitment of resources. In addition, no assurance can be given that competitors offering customers and users more advanced and attractive technological solutions (e.g. in terms of the number of functionalities, improved user experience, and enhanced speed and security) 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 Company has in place procedures and mechanisms for developing and maintaining systems, managing changes, and ensuring data security. The Company 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 (MultiSport membership card) 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 passes, 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.

Also legislation changes in foreign markets may adversely affect the Group's operations. In the first half of 2023, the Czech authorities announced a package of legislative changes providing for, among others, an increase in taxes/contributions paid in relation to non-pay benefits, such as sport cards. If the regulations enter into force, this may adversely affect the willingness of customers and users to purchase sport cards due to higher costs of such non-pay benefits.

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

Date	Full name	Position	Signature
August 16th 2023	Bartosz Józefiak	Member of the Management Board	
August 16th 2023	Emilia Rogalewicz	Member of the Management Board	
August 16th 2023	Wojciech Szwarc	Member of the Management Board	