

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE BENEFIT SYSTEMS GROUP

FOR THE SIX MONTHS
ENDED JUNE 30TH 2023



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CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE BENEFIT SYSTEMS GROUP

1. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Notes	Jun 30 2023 (unaudited)	Dec 31 2022
Goodwill	6.7	507,638	460,624
Intangible assets	6.8	137,983	128,983
Property, plant and equipment	6.8	286,133	294,412
Right-of-use assets	6.9	927,893	834,176
Investments in associates	6.1	2,798	2,435
Trade and other receivables	6.23	9,940	9,510
Loans and other non-current financial assets	6.10	7,024	9,653
Deferred tax assets		24,800	27,917
Non-current assets		1,904,209	1,767,710
Inventories		8,487	6,472
Trade and other receivables	6.23	175,391	236,756
Current tax assets		575	482
Loans and other current financial assets	6.10	3,561	4,274
Cash and cash equivalents		347,601	218,327
Current assets		535,615	466,311
Total current assets		535,615	466,311
Total assets		2,439,824	2,234,021

Cont.

EQUITY AND LIABILITIES	Notes	Jun 30 2023 (unaudited)	Dec 31 2022
<i>Equity attributable to owners of the parent:</i>			
Share capital	6.12	2,934	2,934
Share premium		291,378	291,378
Exchange differences on translating foreign operations		(5,482)	(10,361)
Retained earnings		478,999	443,082
Equity attributable to owners of the parent		767,829	727,033
Non-controlling interests	6.6	(955)	(1,617)
Total equity		766,874	725,416
Non-current liabilities			
Employee benefit provisions	6.13	254	259
Other provisions	6.21	10,991	10,767
Total long-term provisions		11,245	11,026
Trade and other payables		19	111
Deferred tax liability		2,230	3,212
Other financial liabilities	6.22	62,283	32,328
Borrowings, other debt instruments	6.14	51,248	60,566
Lease liabilities	6.9	815,932	789,716
Non-current liabilities		942,957	896,959
Current liabilities			
Employee benefit provisions	6.13	5,104	3,081
Other provisions		0	24
Total short-term provisions		5,104	3,105
Trade and other payables	6.18.2	460,240	369,888
Current income tax liabilities	6.11	33,403	9,515
Other financial liabilities	6.22	4,523	16,788
Borrowings, other debt instruments	6.14	18,623	24,140
Lease liabilities	6.9	184,183	164,879
Contract liabilities		23,917	23,331
Current liabilities		729,993	611,646
Total current liabilities		729,993	611,646
Total liabilities		1,672,950	1,508,605
Total equity and liabilities		2,439,824	2,234,021

2. CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note s	Jan 1–Jun 30 2023 (unaudited)	Apr 1–Jun 30 2023 (unaudited)	Jan 1–Jun 30 2022 (unaudited)	Apr 1–Jun 30 2022 (unaudited)
Continuing operations					
Revenue	6.5	1,322,803	697,492	861,439	459,605
Revenue from sales of services		1,304,058	688,230	849,267	453,350
Revenue from sales of merchandise and materials		18,745	9,262	12,172	6,255
Cost of sales		(939,703)	(460,093)	(665,023)	(340,114)
Cost of services sold		(929,143)	(454,800)	(657,458)	(335,768)
Cost of merchandise and materials sold		(10,560)	(5,293)	(7,565)	(4,346)
Gross profit		383,100	237,399	196,416	119,491
Selling expenses		(80,079)	(40,133)	(60,416)	(32,496)
Administrative expenses		(91,607)	(53,038)	(65,160)	(34,523)
Other income	6.16	2,947	1,472	4,034	2,674
Other expenses	6.16	(5,425)	(2,498)	(5,223)	(4,818)
Operating profit		208,936	143,202	69,651	50,328
Finance income	6.17	31,385	25,235	1,887	1,509
Finance costs	6.17	(19,638)	(9,883)	(20,432)	(11,827)
Impairment losses on financial assets	6.17	2,588	131	(878)	(70)
Share of profit of equity-accounted entities (+/-)		363	215	173	277
Profit before tax		223,634	158,900	50,401	40,217
Income tax	6.11	(40,180)	(28,973)	(10,248)	(8,190)
Net profit from continuing operations		183,454	129,927	40,153	32,027
Net profit		183,454	129,927	40,153	32,027
Net profit attributable to:					
- owners of the parent		181,837	129,465	39,706	31,606
- non-controlling interests		1,617	462	447	421

EARNINGS PER ORDINARY SHARE (PLN)

	Notes	Jan 1–Jun 30 2023 (unaudited)	Jan 1–Jun 30 2022 (unaudited)
Earnings per share			
Basic earnings per share from continuing operations		61.99	13.54
Basic earnings per share from discontinued operations		0.00	0.00
Earnings per share	6.18.1	61.99	13.54
Diluted earnings per share from continuing operations		61.86	13.54
Diluted earnings per share from discontinued operations		0.00	0.00
Diluted earnings per share	6.18.1	61.86	13.54

3. CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Jan 1–Jun 30 2023 (unaudited)	Apr 1–Jun 30 2023 (unaudited)	Jan 1–Jun 30 2022 (unaudited)	Apr 1–Jun 30 2022 (unaudited)
Net profit	183,454	129,927	40,153	32,027
Other comprehensive income	5,194	5,916	(2,213)	(390)
Items not reclassified to profit or loss	0	0	0	0
Items reclassified to profit or loss	5,194	5,916	(2,213)	(390)
- Exchange differences on translation of foreign operations	5,194	5,916	(2,213)	(390)
Comprehensive income	188,648	135,843	37,940	31,637
Comprehensive income attributable to:				
- owners of the parent	186,716	135,064	37,582	31,219
- non-controlling interests	1,932	779	358	418

4. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital	Share premium	Exchange differences on translating foreign operations	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at Jan 1 2023		2,934	291,378	(10,361)	443,082	727,033	(1,617)	725,416
<i>Changes in equity in the period Jan 1–Jun 30 2023 (unaudited)</i>								
Cost of equity-settled share-based payment plan	6.12.3	0	0	0	5,022	5,022	0	5,022
Increase in shares in subsidiary due to acquisition of non-controlling interest without change of control	6.6.2	0	0	0	390	390	(390)	0
Valuation of put options attributable to minority shareholders	6.22	0	0	0	(30,562)	(30,562)	(880)	(31,442)
Dividends	6.18.2	0	0	0	(120,770)	(120,770)	0	(120,770)
Total transactions with owners		0	0	0	(145,920)	(145,920)	(1,270)	(147,190)
Net profit for the period Jan 1–Jun 30 2023		0	0	0	181,837	181,837	1,617	183,454
Exchange differences on translating foreign operations		0	0	4,879	0	4,879	315	5,194
Total comprehensive income		0	0	4,879	181,837	186,716	1,932	188,648
Total changes		0	0	4,879	35,917	40,796	662	41,458
Balance as at Jun 30 2023 (unaudited)		2,934	291,378	(5,482)	478,999	767,829	(955)	766,874

CONTD.

	Note	Share capital	Share premium	Exchange differences on translating foreign operations	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at Jan 1 2022		2,934	291,378	(7,416)	316,851	603,747	(2,070)	601,677
<i>Changes in equity in the period Jan 1–Jun 30 2022 (unaudited)</i>								
Changes in Group structure (transactions with non-controlling interests)		0	0	0	(5,776)	(5,776)	105	(5,671)
Valuation of put options attributable to minority shareholders		0	0	0	286	286	(286)	0
Dividends		0	0	0	932	932	(932)	0
Total transactions with owners		0	0	0	(4,558)	(4,558)	(1,113)	(5,671)
Net profit for the period Jan 1–Jun 30 2022		0	0	0	39,706	39,706	447	40,153
Exchange differences on translating foreign operations		0	0	(2,124)	0	(2,124)	(89)	(2,213)
Total comprehensive income		0	0	(2,124)	39,706	37,582	358	37,940
Total changes		0	0	(2,124)	35,148	33,024	(755)	32,269
Balance as at Jun 30 2022 (unaudited)		2,934	291,378	(9,540)	351,999	636,771	(2,825)	633,946

5. CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Jan 1–Jun 30 2023 (unaudited)	Jan 1–Jun 30 2022 (unaudited)
Cash flows from operating activities			
Profit before tax		223,634	50,401
Adjustments:			
Depreciation and amortisation of non-financial non-current assets		135,788	112,208
Measurement of liabilities arising from acquisition of shares	6.17	920	(62)
Change in impairment losses and write-off of assets		(651)	1,519
Effect of lease modifications	6.9.3	(325)	(5,333)
(Gains)/losses on sale and value of liquidated non-financial non-current assets		(378)	2,241
(Gains)/losses on disposal of financial assets	6.1	(50)	0
Foreign exchange gains/(losses)	6.17	(26,936)	6,981
Interest expense	6.17	17,955	12,016
Interest income	6.17	(4,399)	(1,820)
Cost of share-based payments (Incentive Scheme)	6.12.3	5,022	0
Share of profit/(loss) of associates		(363)	(173)
Change in inventories		(1,980)	(1,525)
Change in receivables		49,031	30,479
Change in liabilities		(42,890)	(39,390)
Change in provisions		2,218	2,666
Other adjustments		(846)	(1,136)
Cash flows provided by (used in) operating activities		355,750	169,072
Income tax paid		(12,037)	(6,730)
Net cash from operating activities		343,713	162,342
Cash flows from investing activities			
Purchase of intangible assets		(16,137)	(23,061)
Purchase of property, plant and equipment		(39,206)	(28,569)
Proceeds from sale of property, plant and equipment		8,977	0
Acquisition of subsidiaries, net of cash acquired	6.3, 6.6.1, 6.22	(54,178)	(33,240)
Proceeds from sale of associates	6.1	50	0
Repayments of loans	6.10	1,919	273
Loans advanced	6.10	(1,880)	(399)
Interest received		3,782	277
Net cash from investing activities		(96,673)	(84,719)
Cash flows from financing activities			
Expenditure on transactions with non-controlling interests	6.6.2	0	(4,842)
Redemption of debt securities		0	(100,000)
Proceeds from borrowings		0	51,983
Repayment of borrowings	6.14	(14,835)	(70,834)
Payment of lease liabilities	6.9	(97,853)	(86,789)
Payments of interest		(4,583)	(7,651)
Dividends paid		(495)	(345)
Net cash from financing activities		(117,766)	(218,478)
Net change in cash and cash equivalents before exchange differences		129,274	(140,855)
Net change in cash and cash equivalents		129,274	(140,855)
Cash and cash equivalents at beginning of period		218,327	253,015
Cash and cash equivalents at end of period		347,601	112,160

6. NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6.1. General information

The parent of the Benefit Systems Group (the “Group”) is Benefit Systems S.A. (the “Parent”). Benefit Systems S.A. is the Group’s ultimate reporting entity.

The Parent was established through transformation of a limited liability company into a joint-stock company. The transformation was effected pursuant to Resolution No. 2/2010 of the General Meeting of November 3rd 2010. The Parent is entered in the Business Register of the National Court Register maintained by the District Court for the Capital City of Warsaw, 13th Commercial Division, under entry No. KRS 0000370919. The Parent’s Industry Identification Number (REGON) is 750721670. In the reporting period, the identification data of the reporting entity did not change. The shares of the Parent are listed on the Warsaw Stock Exchange.

The Parent’s registered office is located at Plac Europejski 2, 00-844 Warsaw, Poland. It is also the principal place of business of the Group.

The Benefit Systems Group is a provider of non-pay employee benefit solutions in the area of sports and recreation offered in the form of the MultiSport sport card, the Group’s leading product, and related products with access to sports networks, including facilities owned by the Group companies. The network of fitness clubs provides infrastructure support for the sport cards business. Activities based on synergies between the sale of sport cards and infrastructure investments are carried out in Poland and in foreign markets. The Group is present in the Czech Republic, Slovakia, Bulgaria, Croatia and Turkey.

The Parent is continuing the development of MultiLife – a product providing access to online services such as a diet creator, language platform, mindfulness course, e-books, yoga course, and online consultations with experts.

The Group also offers the MyBenefit Cafeteria e-platform, which allows employees of B2B customers to flexibly choose from among various non-pay benefits from a set of benefits pre-approved by the employer. The Group is also a provider of cultural and entertainment solutions (including the Cinema Programme, MultiTeatr), which are offered mainly through the Cafeteria channel.

The principal business of the Parent according to the Polish Classification of Activities (PKD) is: Other activities not classified elsewhere (PKD 2007) 9609Z.

These interim condensed consolidated financial statements include the Parent and the following subsidiaries:

Subsidiary	Principal place of business and country of registration	Group’s ownership interest*	
		Jun 30 2023	Dec 31 2022
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%	77.68%

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%	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%
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%	90.40%
Form Factory Slovakia S.R.O.	Prievozska 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.	Lomnického 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.	Prievozska 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 Ljubljana, Slovenia	92.34%	92.34%
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 in the amount of PLN 2.1 million 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 100% of the 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 (see Note 6.6).
- 3) On April 13th 2023, the Parent purchased 100% of shares in Saturn Fitness Group Sp. z o.o. (see Note 6.6).
- 4) On April 4th 2023, Benefit Systems S.A. acquired the residual 11.77% of shares in Total Fitness Sp. z o.o. for the amount of PLN 14 million, 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.

The Group's voting interests in its subsidiaries are consistent with its respective interests in their share capital. The Parent and the consolidated entities were incorporated for indefinite time.

In the interim condensed consolidated financial statements prepared as at June 30th 2023, the interests in three associates were accounted for using the equity method.

	Principal place of business and country of registration	Equity interest as at Jun 30 2023	% of total voting rights as at Jun 30 2023	Carrying amount as at Jun 30 2023	Carrying amount as at Dec 31 2022
Institut Rozwoju Fitness Sp. z o.o.	ul. Puławska 427, 02-801 Warsaw, Poland	48.10%	48.10%	2,798	2,435
Calypso Fitness S.A.	ul. Puławska 427, 02-801 Warsaw, Poland	33.33%	33.33%	0	0
Get Fit Katowice II Sp. z o.o.	ul. Uniwersytecka 13, 40-007 Katowice, Poland	20.00%	20.00%	0	0
Total carrying amount				2,798	2,435

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.

6.2. Basis of accounting and accounting policies

6.2.1. Basis of accounting

These interim condensed consolidated financial statements were authorised for issue by the Parent's Management Board on August 16th 2023.

These interim condensed consolidated financial statements of the Group cover the period of six months ended June 30th 2023 and have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*, as endorsed by the European Union, and the requirements laid down in the Regulation of the Minister of Finance 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, dated March 29th 2018 (consolidated text: Dz.U. of 2018, item 757).

These interim condensed consolidated have been prepared in a condensed form and do not contain all the information which is typically disclosed in full-year consolidated financial statements of the Group prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union. These interim condensed consolidated financial statements should be read in conjunction with the Group's full-year consolidated financial statements for 2022.

The functional currency of the Parent and the presentation currency of these interim condensed consolidated financial statements is the Polish złoty, and all amounts are expressed in thousands of Polish złoty (unless indicated otherwise).

The interim condensed consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern in the foreseeable future. As at the date of authorisation of these interim condensed consolidated financial statements, no circumstances have been identified which would indicate any threat to the Group's or the Parent's ability to continue as a going concern.

6.2.2. Accounting policies

These interim condensed consolidated financial statements have been prepared in accordance with the accounting policies presented in the Group's most recent consolidated financial statements for the year ended December 31st 2022, and in accordance with the policies applied in the same interim period of the previous year.

These interim condensed consolidated financial statements have been prepared on a historical cost basis, except with respect to items measured at fair value.

6.2.3. New and amended standards applied by the Group as of January 1st 2023

New and amended standards applied by the Group as of January 1st 2023

- IFRS 17 Insurance Contracts and amendments to IFRS 17;
- Amendments to IFRS 17 Insurance Contracts – Initial Application of IFRS 17 and IFRS 9 – Comparative Information;
- Amendments to IAS 1: Presentation of Financial Statements and the IASB Practice Statement 2 Making Materiality Judgements with respect to the application of materiality judgements to accounting policy disclosure
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – definition of accounting estimates
- Amendments to IAS 12: Income Taxes – Deferred Taxes related to Assets and Liabilities arising from a Single Transaction

The new or amended standards and interpretations coming into effect for the first time in 2023 do not have a material effect on the Group's consolidated financial statements.

Since the date of issue of the consolidated financial statements for 2022, prepared in accordance with International Financial Reporting Standards as endorsed by the European Union, the following new standards and interpretations have been published:

- Amendments to IAS 12 Income Taxes: International Tax Reform – Pillar Two Model Rules – effective for annual periods beginning on or after January 1st 2023. By the date of authorisation of these financial statements, the amendments were not endorsed by the European Union.

6.2.4. Uncertainty of estimates

When preparing these interim condensed consolidated financial statements, the Management Board of the Parent is guided by its judgement in making numerous estimates and assumptions that affect the accounting policies applied and the disclosed amounts of assets, liabilities, income and expenses. Actual amounts may differ from the estimates made by the Management Board of the Parent.

For information on estimates and assumptions which are material to the interim condensed consolidated financial statements, see the Group's full-year consolidated financial statements for 2022, as well as the following notes to these interim condensed consolidated financial statements: 6.6 Acquisitions and change in non-controlling interests, 6.7 Goodwill, 6.9 Leases, 6.21 Provisions and contingent liabilities, 6.22 Financial instruments, and 6.23.1 Credit risk.

6.2.5. Presentation adjustment and change of accounting policies

No corrections of errors or changes in accounting policies were made by the Group in the reporting period.

6.3. Significant events and transactions

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 (see Note 6.6.1).
- 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 (see Note 6.10). 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 (see Note 6.25).

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 (see Note 6.6.1).

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 (see Note 6.18.2).

6.4. Seasonality of operations

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.

6.5. Operating segments

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 presents the following segments:

1. Poland
2. Foreign Markets

The Group generates income and expenses from the above business lines which are reviewed regularly 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 not a standard 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.

Reconciliation of the segments' results to the Group's total results in the six months ended June 30th 2023 and in the comparative period is presented below.

	Poland	Foreign Markets	Corporate	Total
for the period Jan 1–Jun 30 2023				
Revenue	931,852	391,025	(74)	1,322,803
<i>including from external customers</i>	931,778	391,025	0	1,322,803
<i>including inter-segment sales</i>	74	0	(74)	0
Cost of sales	(650,645)	(289,098)	40	(939,703)
Gross profit/(loss)	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/(loss)	160,947	53,406	(5,417)	208,936
Share of profit 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
as at Jun 30 2023				
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

* The Group calculates EBITDA as operating profit plus depreciation and amortisation.

	Poland	Foreign Markets	Corporate	Total
for the period Jan 1–Jun 30 2022				
Revenue	621,254	240,244	(59)	861,439
<i>including from external customers</i>	621,195	240,244	0	861,439
<i>including inter-segment sales</i>	59	0	(59)	0
Cost of sales	(470,139)	(194,884)	0	(665,023)
<i>including practical expedient under IFRS 16</i>	4,691	264	0	4,955
Gross profit/(loss)	151,115	45,360	(59)	196,416
Selling expenses	(42,320)	(18,096)	0	(60,416)
Administrative expenses	(43,093)	(20,471)	(1,596)	(65,160)
Other income and expenses	(2,092)	1,021	(118)	(1,189)
Operating profit/(loss)	63,610	7,814	(1,773)	69,651
Share of profit of equity-accounted entities	173	0	0	173
Interest expense on lease liabilities	(4,970)	(924)	0	(5,894)
Depreciation and amortisation	93,495	18,713	0	112,208
EBITDA	157,105	26,527	(1,773)	181,859
as at Jun 30 2022				
Segment's assets	1,972,080	275,459	(245,085)	2,002,454
Segment's liabilities	1,174,410	439,348	(245,250)	1,368,508
Investments in associates	5,540	0	0	5,540

* The Group calculates EBITDA as operating profit plus depreciation and amortisation.

There is no significant concentration of sales to one or more external customers. In the reporting period of the six months ended June 30th 2023, 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.

Reconciliation of total revenue, profit or loss and assets and liabilities of the operating segments with the corresponding items of the Group's interim condensed consolidated financial statements:

	Jan 1–Jun 30 2023	Jan 1–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	31,385	1,887
Finance costs (-)	(19,638)	(20,432)
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

	Jun 30 2023	Dec 31 2022
Segments' assets		
Total assets of operating segments	2,623,780	2,478,142
Unallocated assets	328	294
Elimination of intragroup balances and transactions	(184,284)	(244,415)
Total assets	2,439,824	2,234,021

	Jun 30 2023	Dec 31 2022
Segments' liabilities		
Total liabilities of operating segments	1,857,188	1,752,919
Unallocated liabilities	50	19
Elimination of intragroup balances and transactions	(184,288)	(244,333)
Total liabilities	1,672,950	1,508,605

Eliminations of assets and liabilities include primarily inter-segment loans and trade receivables arising from inter-segment transactions.

The table below presents the segments' revenue from external customers and non-current assets by country.

	Poland	Foreign Markets	Corporate	Total
Jan 1–Jun 30 2023				
Revenue from external customers:	931,778	391,025	0	1,322,803
<i>Poland</i>	931,778	156	0	931,934
<i>Czech Republic</i>	0	224,263	0	224,263
<i>Bulgaria</i>	0	97,747	0	97,747
<i>Other</i>	0	68,859	0	68,859
Non-current assets*:	1,659,720	202,725	0	1,862,445
<i>Poland</i>	1,659,720	109,261	0	1,768,981
<i>Czech Republic</i>	0	44,310	0	44,310
<i>Bulgaria</i>	0	41,753	0	41,753
<i>Other</i>	0	7,401	0	7,401

* Excluding financial instruments and deferred tax assets.

	Poland	Foreign Markets	Corporate	Total
Jan 1–Jun 30 2022				
Revenue from external customers:	621,254	240,244	0	861,498
<i>Poland</i>	621,254	98	0	621,352
<i>Czech Republic</i>	0	139,792	0	139,792
<i>Bulgaria</i>	0	63,890	0	63,890
<i>Other</i>	0	36,464	0	36,464
Non-current assets*:	1,460,072	200,036	0	1,660,108
<i>Poland</i>	1,460,072	4,582	0	1,464,654
<i>Czech Republic</i>	0	116,573	0	116,573
<i>Bulgaria</i>	0	55,058	0	55,058
<i>Other</i>	0	23,823	0	23,823

* Excluding financial instruments and deferred tax assets.

		Jan 1–Jun 30 2023	Jan 1–Jun 30 2022
Revenue by category:			
Sale of sport cards in Poland	B2B	737,777	483,808
Sale of sport cards on foreign markets	B2B	364,200	218,645
Sale of cafeteria benefits	B2B	23,630	20,694
Sale of fitness clubs in Poland	B2B/B2C	166,649	113,909
Sale of fitness clubs on foreign markets	B2C	26,721	21,517
Other settlements	B2B	2,482	599
Revenue from contracts with customers (IFRS 15)		1,321,459	859,172
<i>Revenue from IFRS 16</i>		1,344	2,267
Total revenue		1,322,803	861,439

Operating expenses by segment:

	Poland	Foreign Markets	Corporate	Total
for the period Jan 1–Jun 30 2023				
Depreciation and amortisation	115,726	20,062	0	135,788
<i>including depreciation of right-of-use assets</i>	69,061	12,690	0	81,751
Employee benefits	125,964	43,708	5,022	174,694
Raw materials and consumables used	26,087	7,230	0	33,317
Services	475,331	262,331	(176)	737,486
Taxes and charges	2,266	120	0	2,386
Other expenses	13,607	3,551	0	17,158
Total expenses by nature of expense	758,981	337,002	4,846	1,100,829
Cost of merchandise and materials sold	8,722	1,838	0	10,560
Cost of sales, selling expenses and administrative expenses	767,703	338,840	4,846	1,111,389

	Poland	Foreign Markets	Corporate	Total
for the period Jan 1–Jun 30 2022				
Depreciation and amortisation	93,507	18,701	0	112,208
<i>including depreciation of right-of-use assets</i>	56,793	11,787	0	68,580
Employee benefits	104,963	35,970	1,831	155,690
Raw materials and consumables used	18,149	6,325	0	24,028
Services	320,060	165,009	(235)	471,908
Taxes and charges	2,208	101	0	2,309
Other expenses	10,597	5,848	0	16,445
Total expenses by nature of expense	549,484	231,954	1,596	783,034
Cost of merchandise and materials sold	6,068	1497	0	7,565
Cost of sales, selling expenses and administrative expenses	555,552	233,451	1,596	790,599

6.6. Acquisitions and change in non-controlling interests

6.6.1. Acquisitions in the six months ended June 30th 2023

Acquisition of organised parts of business comprising 12 fitness clubs from Calypso Fitness S.A.

As part of the review of the available courses of action towards the Company's investment in the associate Calypso Fitness S.A. ("CF") and as a result of the performance of the agreements of February 28th 2023 (see Note 6.3), the demerger of CF, agreed under the CF demerger plan prepared on October 7th 2022, was registered on March 31st 2023. The demerger was effected by spinning off 12 organised parts of CF's business (fitness clubs) to three companies: FIT 1 Sp. z o.o. (3 clubs based in Szczecin, Gdańsk and Gdynia), FIT 2 Sp. z o.o. (2 clubs based in Szczecin and Gdańsk) and Sport Operator Sp. z o.o. (7 clubs: 3 clubs based in Gdańsk, 2 clubs based in Warsaw, Szczecin – 2 clubs, and in Wrocław). As at the demerger date, the sole shareholders in the respective companies were CF shareholders: Benefit Systems S.A., Cal Capital Sp. z o.o. ("CC") and Camaro Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych ("Camaro"). Subsequently, on the same day, the Parent acquired all shares in FIT 2 Sp. z o.o. and Sport Operator Sp. z o.o. from CC and Camaro.

As a result of the operations described above, 12 fitness clubs were added to the Group's own club portfolio: in Gdańsk (5 clubs), Szczecin (4 clubs), Gdynia, Warsaw, and Wrocław.

The total purchase price of 12 organised parts of business from CF was PLN 29m. The price was settled by transferring Benefit Systems S.A.'s claims against CF Group companies of PLN 18m to CC and Camaro and making a cash payment of PLN 11m to Camaro.

As part of the provisional accounting for the acquisition, as at the acquisition date the Group allocated the excess of the purchase price over net assets to goodwill in the amount of PLN 37.4m.

The transaction described above was accounted for using the acquisition method in accordance with IFRS 3 *Business Combinations* as at the acquisition being the date of acquiring organised parts of business, i.e., March 31st 2023. Due to the commercial substance of the transaction, the way the acquired clubs are managed (the Parent's Fitness Branch acting as the operator) and the merger of FIT 1 Sp. z o.o., FIT 2 Sp. z o.o. and Sport Operator Sp. z o.o. with Benefit Systems S.A. planned for the second half of 2023, the transaction was accounted for jointly for all 12 organised parts of business.

The goodwill was allocated to cash generating units in the Poland segment.

As at the date of these consolidated financial statements, the purchase price allocation process had not been completed by the Group. The Group is currently reviewing, identifying and measuring the assets and liabilities acquired and therefore the goodwill recognised on the acquisition from CF of organised parts of business in the form of 12 fitness clubs may change within 12 months from the acquisition date.

Acquisition date of organised parts of business comprising 12 fitness clubs	March 31st 2023
Purchase price as at the acquisition date, including:	
<i>cash</i>	11,000
<i>settlement of claims*</i>	17,959
Purchase price as at the acquisition date	28,959
Net assets acquired:	
Intangible assets – customer relations**	812
Right-of-use assets	49,120
Other property, plant and equipment	2,930
Other current assets	5,216
Cash	865
Non-current lease liabilities	(39,095)
Current lease liabilities	(10,025)
Other current liabilities **	(18,252)
Total net assets as at the acquisition date	(8,429)
Goodwill as at the acquisition date	37,388

* The settlement of claims involved settlement of PLN 15.9m worth of trade receivables and PLN 2.1m worth of loans.

** As part of the remeasurement of provisional accounting for the acquisition, in the second quarter of 2023 customer-related intangible assets were recognised and the value of other current liabilities was adjusted by PLN (0.5)m, which resulted in a goodwill reduction of PLN 1.3m relative to the initial measurement.

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

On April 13th 2023, an agreement was signed whereby the Parent purchased 100% of shares in Saturn Fitness Group Sp. z o.o. ("Saturn Fitness").

The total purchase price is PLN 26.1m and includes:

- the price for the shares of PLN 0.5m, paid on the agreement date, which may be increased by PLN 1.2m, to be computed in accordance with the agreement (for instance if Saturn Fitness achieves the agreed revenue) and payable by the end of October 2023;
- the amount of Saturn Fitness's cash liabilities of PLN 24.5m, resulting from the acquisition by Saturn Fitness on April 12th 2023 of organised parts of business in the form of 6 fitness clubs and the fitness branch head office.

As at the date of acquisition of control, according to the Company's best estimates of the fulfilment of the conditions set forth in the share purchase agreement, the fair value of the total purchase price is PLN 26.1m (the nominal value before discounting is PLN 26.2m).

As a result of the acquisition of Saturn Fitness, 6 fitness clubs were added to the Group's own club portfolio: in Gdynia, Warsaw, Kraków, Łódź, Gorzów Wielkopolski and Chorzów. The goodwill was allocated to cash generating units in the Poland segment.

As at the date of these consolidated financial statements, the purchase price allocation process had not been completed by the Group, in particular work was ongoing to transfer the company's accounting records and to review, identify and perform fair-value measurement of the assets and liabilities acquired. Therefore the goodwill recognised on acquisition of Saturn Fitness Group Sp. z o.o. may change within 12 months from the acquisition date.

Acquiree	Saturn Fitness Group Sp. z o.o.
Acquisition date	Apr 13 2023
Purchase price as at the acquisition date, including:	
<i>cash</i>	500
<i>cash – repayment of assumed liabilities for the acquisition of organised parts of business</i>	24,500
<i>deferred contingent payment</i>	572
<i>deferred payment</i>	538
Purchase price as at the acquisition date	26,110
Net assets acquired:	
Intangible assets – trademarks	10,140
Intangible assets – customer relations	462
Property, plant and equipment	9,341
Right-of-use assets	24,490
Other property, plant and equipment	556
Cash	70
Other current assets	792
Borrowings, other debt instruments	(1,649)
Non-current lease liabilities	(19,249)
Current lease liabilities	(5,241)
Other current liabilities	(2,906)
Total net assets as at the acquisition date	16,806
Goodwill as at the acquisition date	9,304

6.6.2. Change in non-controlling interests

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 – from 97.20% to 98.54% in Form Factory S.R.O. and from

97.20% to 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.

6.7. Goodwill

The changes in goodwill in the reporting periods are presented below.

	Jan 1–Jun 30 2023	Jan 1–Jun 30 2022
Gross carrying amount		
Balance at beginning of period	460,624	446,395
Acquisitions and business combinations, including:	47,014	14,652
<i>Lunching.pl Sp. z o.o.</i> *	322	14,652
- acquisition of organised parts of business from CF (Note 6.6.1)	37,388	-
<i>Saturn Fitness Group Sp. z o.o.</i> (Note 6.6.1)	9,304	-
Gross carrying amount at end of period	507,638	461,047
Impairment losses		
Accumulated impairment losses at end of period	0	0
Goodwill – carrying amount at end of period	507,638	461,047

* In the first quarter of 2023, accounting for the acquisition of *Lunching.pl Sp. z o.o.* was completed. Adjustment to provisional goodwill measurement results from remeasurement of the liability under contractual options to purchase the remaining shares. The amount of the liability depends on revenue generated by *Lunching.pl Sp. z o.o.*

Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the business combination, provided that the cash-generating units are not larger than the operating segments. The Group identifies cash-generating units for sales of sport cards and operation of fitness clubs at country level, given the complementary nature of these two business lines.

Goodwill presented in the assets was allocated in accordance with the policies described above to the following cash-generating units:

	Jun 30 2023	Dec 31 2022
Poland	478,909	431,895
Czech Republic	28,340	28,340
Bulgaria	389	389
Total goodwill	507,638	460,624

As at the reporting date, no indications of impairment were identified for any of the cash-generating units.

6.8. Property, plant and equipment and intangible assets

As at June 30th 2023, the carrying amount of property, plant and equipment was PLN 286.1m. The PLN 8.3m decrease in property, plant and equipment relative to the end of 2022 was mainly attributable to a depreciation charge of PLN 35.7m and settlement of the PLN 14.1m investment in new clubs (PLN 6.4m of the investment amount was settled with the tenants). Capital expenditure of PLN 35.3m in the first half of 2023 was mainly related to investments in new and existing fitness clubs. In the first half of 2023, the Group acquired Saturn Fitness Group Sp. z o.o. and organised parts of business from Calypso Fitness S.A., which resulted in an increase in the carrying amount of property, plant and equipment by PLN 9.0m and PLN 2.9m, respectively (Note 6.6.1). An impairment loss of PLN 1.6m was recognised due to the

closure of Atmosfera MultiSport facility. In addition, property, plant and equipment with a carrying amount of PLN 2.6m was sold and foreign exchange losses of PLN 3.0m were recognised.

As at June 30th 2023, the carrying amount of intangible assets was PLN 138.0m, up by PLN 9.0m on December 31st 2022. The increase, offset by the recognition of a PLN 19.0m amortisation charge, results mainly from expenditure of PLN 16.1m on the development, integration and optimisation of business and sales systems and online platforms for customers. In the first half of 2023, the value of the acquired trademark of PLN 10.1m and customer relations of PLN 0.5m were recognised upon the acquisition of Saturn Fitness Group Sp. z o.o., and the value of customer relations estimated at PLN 0.8m was recognised upon the acquisition of organised parts of business from Calypso Fitness S.A. (Note 6.6.1).

6.9. Leases

6.9.1. Right-of-use assets

Changes in the carrying amount of the right-of-use assets are presented below.

	Property	Fitness equipment	Other	Total
<i>for the period Jan 1–Jun 30 2023</i>				
Net carrying amount as at Jan 1 2023	813,805	10,766	9,605	834,176
New lease contracts	32,833	0	2,408	35,241
Business combinations (Note 6.6.1)	73,610	0	0	73,610
Modifications, termination of contracts	68,745	1,905	308	70,958
Depreciation and amortisation	(78,367)	(617)	(2,767)	(81,751)
Exchange differences on translating foreign operations	(4,165)	0	(176)	(4,341)
Net carrying amount as at Jun 30 2023	906,461	12,054	9,378	927,893

	Property	Fitness equipment	Other	Total
<i>for the period Jan 1–Jun 30 2022</i>				
Net carrying amount as at Jan 1 2022	769,351	8,825	8,277	786,453
New lease contracts	50,808	0	1,486	52,294
Modifications, termination of contracts	4,052	856	436	5,344
Depreciation and amortisation	(64,888)	(1,839)	(1,853)	(68,580)
Exchange differences on translating foreign operations	2,146	0	(128)	2,018
Net carrying amount as at Jun 30 2022	761,469	7,842	8,218	777,529

The modifications of lease contracts in the six months ended June 30th 2023 were mainly attributable to renegotiation of the terms and conditions of the rental contracts for retail and office space.

6.9.2. Lease liabilities

Changes in lease liabilities for the six months ended June 30th 2023 are presented below.

	Jan 1–Jun 30 2023	Jan 1–Jun 30 2022
Balance at beginning of period	954,595	936,835
New lease contracts	26,691	46,125
Business combinations (Note 6.6.1)	73,610	0
Modifications, termination of contracts	70,243	2,522
Effect of application of COVID-19 practical expedient	0	(4,955)
Accrued interest	13,169	5,894
Exchange differences	(35,844)	9,586
Settlement of liabilities	(97,853)	(86,789)
Exchange differences on translating foreign operations	(4,496)	2,222
Balance at end of period	1,000,115	911,440
Non-current	815,932	743,507
Current	184,183	167,933

The lease modifications in the six months ended June 30th 2023 were attributable, among other things, to renegotiation of the terms and conditions of rental contracts for retail and office space.

Maturities of the lease liabilities as at June 30th 2023 and December 31st 2022 are presented below:

As at Jun 30 2023	Lease payments due in:			
	up to 1 year	1 to 5 years	over 5 years	total
Lease payments	186,525	652,355	250,979	1,089,859
Finance costs (-)	(2,342)	(45,946)	(41,456)	(89,744)
Present value	184,183	606,409	209,523	1,000,115

As at Dec 31 2022	Lease payments due in:			
	up to 1 year	1 to 5 years	over 5 years	total
Lease payments	166,231	584,002	258,607	1,008,840
Finance costs (-)	(1,352)	(26,963)	(25,930)	(54,245)
Present value	164,879	557,039	232,677	954,595

The Group is a party to lease contracts for fitness clubs whose terms have not yet commenced; the contracts were not recognised in the measurement of lease liabilities. The potential future cash outflows under these contracts were estimated at PLN 65,827 thousand as at June 30th 2023 (December 31st 2022: PLN 70,769 thousand).

6.9.3. Lease amounts disclosed in the reporting period

Amounts disclosed in the six months ended June 30th 2023 and 2022 relating to the lease contracts recognised in the statement of financial position are presented below.

	Jan 1–Jun 30 2023	Jan 1–Jun 30 2022
Amounts disclosed in the consolidated statement of profit or loss		
Depreciation of right-of-use assets (recognised in cost of sales, selling expenses and administrative expenses)	(81,751)	(68,580)
Gain/(loss) on lease modifications (recognised in other income/expenses)	325	378
Application of the COVID-19 practical expedient (recognised in cost of sales)	0	4,955
Interest expense on lease liabilities (recognised in finance costs)	(13,169)	(5,894)
Exchange differences on lease liabilities denominated in foreign currencies (recognised in finance income/costs)	35,844	(9,586)
Total	(58,751)	(78,727)
Amounts disclosed in the consolidated statement of cash flows		
Lease payments (recognised in cash flow from financing activities)	(97,853)	(86,789)

Costs of short-term lease contracts and leases of low-value assets that are not recognised in the measurement of the lease liabilities and are expensed in the interim consolidated statement of profit or loss stood at PLN 709 thousand and PLN 264 thousand in the six months ended June 30th 2023 and June 30th 2022, respectively. The costs included mainly rental of advertising space (PLN 357 thousand and 69 thousand, respectively) and leases of assorted equipment for fitness clubs and offices (PLN 352 thousand and 195 thousand, respectively). In the six months ended June 30th 2023 and June 30th 2022, there were no variable lease payments.

In 2022, in connection with the COVID-19 pandemic, the Group renegotiated terms of the lease contracts, which impacted the amount of lease liabilities. The Group applied the practical expedient introduced by the amendment to IFRS 16, whereby rent concessions resulting from the renegotiation of lease contracts do not constitute lease modification, and the effects of remeasurement of lease liabilities are recognised in profit or loss for the period. The practical expedient could be applied with respect to rent payments originally due on or before June 30th 2022. Each lease contract was assessed to determine whether the criteria for applying the practical expedient are met. The practical expedient was applied with respect to rent concessions under property lease contracts (sports clubs, offices). In the first half of 2022, the amount of the remeasurement of the lease liability resulting from the negotiated concessions was recognised in the statement of profit and loss as a PLN 4,955 thousand decrease in cost of sales. The abovementioned amendment to IFRS 16 cannot be applied in 2023.

6.9.4. Subleases

The Group is an intermediate lessor with respect to fitness equipment leased to facilities which are the Group's partners, and with respect to office space. The sublease contracts were recognised as operating leases.

In the interim consolidated statement of profit or loss for the six months ended June 30th 2023, the Group recognised income from leases of fitness equipment under an operating sublease of PLN 805 thousand and income from sublease of office space of PLN 539 thousand. In the six months ended June 30th 2022, the amounts were PLN 1,958 thousand and PLN 309

thousand, respectively. These amounts include minimum fixed sublease payments only. In the reporting period, there were no contingent or other payments.

6.10. Loans advanced

Loans account for the largest part of 'loans and other financial assets' in the Group's statement of financial position. The table below presents the breakdown of the loans into long-term and short-term loans.

	Jun 30 2023	Dec 31 2022
Long-term loans	6,928	9,557
Short-term loans	3,527	4,240
Total loans	10,455	13,797

Changes in the carrying amount of the loans, including impairment losses, are presented below.

	Jan 1–Jun 30 2023	Jan 1–Jun 30 2022
Gross carrying amount		
Balance at beginning of period	59,992	66,604
Loans advanced in period	1,880	399
Interest accrued at the effective interest rate	391	1,523
Payment of principal and interest (-)	(1,931)	(550)
Changes due to accounting for CF Transaction (Note 6.3)	(18,779)	0
Other cancelations (-)	(3,555)	0
Other changes (offsets, exchange differences on translation)	(1,516)	(4,474)
Gross carrying amount at end of period	36,482	63,502
Impairment losses		
Balance at beginning of period	46,195	44,706
Impairment losses expensed in period	0	878
Impairment losses reversed, recognised as income in period (-)	(489)	0
Changes due to accounting for CF Transaction (Note 6.3)	(18,779)	0
Other cancelations (-)	(3,555)	0
Other movements	2,655	0
Accumulated impairment losses at end of period	26,027	45,584
Carrying amount at end of period	10,455	17,918

6.11. Effective tax rate

In the six months ended June 30th 2023, the Group's effective income tax rate was 18%, i.e., close to that paid by the Parent.

As at the end of June 2023, the current income tax liability was PLN 33.4m, up by PLN 23.9m on the end of 2022. The increase in the liability is attributable to the application by the Parent of the simplified method of CIT advance payment in 2023.

6.12. Equity

6.12.1. Share capital

In the first six months of 2023, there were no changes in the Parent's share capital.

As at June 30th 2023, the Parent's share capital amounted to PLN 2,934 thousand (December 31st 2022: PLN 2,934 thousand) and was divided into 2,933,542 shares with a par value of PLN 1 per share. All the shares were paid up in full. All shares participate equally in the distribution of dividends and each share confers the right to one vote at the General Meeting.

The share capital was as follows:

	Jan 1–Jun 30 2023	Jan 1–Jun 30 2022
Shares issued and fully paid up:		
Number of shares at beginning of period	2,933,542	2,933,542
Changes in the number of shares	0	0
Number of shares at end of period	2,933,542	2,933,542

6.12.2. Other components of equity

In the first half of 2023, a capital reserve of PLN 20.0m was created to finance loans to senior management, including members of the Parent's Management Board and its subsidiaries, to finance the purchase of shares in the Parent through the exercise of subscription warrants taken up under the share-based payment scheme described in more detail in Note 6.12.3 Share-based payment scheme.

6.12.3. Share-based payment 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.

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 to the employees 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 5,023 thousand. In 2022, the Group did not recognise the costs of the Scheme as the conditions for granting the 2021 tranche were not satisfied.

Note 4.7 to the Directors' Report on the Group's operations in the six months ended June 30th 2023 describes the terms and conditions of allotment of warrants not granted for 2021 in tranches for 2023 (up to 12,500 warrants) and for 2025 (up to 12,500 warrants).

6.13. Employee benefit obligations and provisions

The amounts of employee benefit obligations and provisions are presented below.

	Current liabilities and provisions		Non-current liabilities and provisions	
	Jun 30 2023	Dec 31 2022	Jun 30 2023	Dec 31 2022
<i>Employee benefits:</i>				
Salaries and wages payable	11,231	11,315	0	0
Social security contributions payable	8,610	8,573	0	0
Provisions for bonuses, commissions and other*	19,181	36,857	0	0
Provision for accrued holiday entitlements	5,092	3,066	0	5
Provisions for retirement gratuity benefits	12	15	254	254
Total employee benefit obligations and provisions	44,126	59,826	254	259

*provisions for termination benefits

Wages and social security contributions payable, provisions for bonuses, commissions and other items are disclosed under trade and other payables. Provisions for retirement severance payments and accrued holiday entitlements are included in employee benefit provisions.

6.14. Borrowings, other debt instruments

The table below presents information about borrowings and other debt instruments.

	Currency	Interest rate	Maturity	Carrying amount	Current liabilities	Non-current liabilities
As at Jun 30 2023						
Investment/syndicated credit facility	PLN	Variable, 3M WIBOR + margin	Apr 1 2027	69,868	18,620	51,248
Overdraft facilities	PLN	Variable	May 31 2026	0	0	0
Overdraft facilities	PLN	Variable	-	3	3	0
Total borrowings, other debt instruments as at Jun 30 2023				69,871	18,623	51,248

As at Dec 31 2022

Investment/syndicated credit facility	PLN	Variable, 3M WIBOR + margin	Apr 1 2027	79,188	18,622	60,566
Working capital facility	PLN	Variable, 1M WIBOR + margin	May 31 2023	5,357	5,357	0
Overdraft facilities	PLN	Variable	-	3	3	0
Other loans	PLN	-	-	158	158	0
Total borrowings, other debt instruments as at Dec 31 2022				84,706	24,140	60,566

6.15. Issue and redemption of debt securities

In the six months ended June 30th 2023, the Parent and its subsidiaries did not issue any debt securities.

6.16. Other income and expenses

Other income and expenses are as follows:

Other income	Jan 1–Jun 30 2023	Jan 1–Jun 30 2022
Gain on disposal of non-financial non-current assets	412	0
Reversal of impairment losses on receivables	52	0
Gain/(loss) on change in lease contracts	325	378
Contractual penalties and damages received	652	400
Grants	77	10
Other	1,429	3,246
Total other income	2,947	4,034

Other expenses	Jan 1–Jun 30 2023	Jan 1–Jun 30 2022
Loss on disposal of non-financial non-current assets	0	1,178
Impairment losses on non-financial receivables	184	32
Lease contract early termination fees and related costs	780	0
Liquidation of and impairment losses on property, plant and equipment and on intangible assets	1,724	1,063
Impairment losses on financial receivables	115	628
Compensation and penalties paid	32	653
Other	2,590	1,669
Total other expenses	5,425	5,223

In the first six months of 2023, the Group recognised other income of PLN 2.9m and other expenses of PLN 5.4m, including an impairment loss of PLN 1.6m recognised following the closure of the Atmosfera MultiSport facility, which translated into a net other loss of PLN 2.5m.

6.17. Finance income and costs

The key items of the Group's finance income and costs are presented below.

Finance income	Jan 1–Jun 30 2023	Jan 1–Jun 30 2022
Interest on investments	4,008	297
Interest on loans and receivables	391	1,523

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

Finance costs	Jan 1–Jun 30 2023	Jan 1–Jun 30 2022
Interest on lease liabilities	13,169	5,894
Interest on overdraft and investment credit facilities	4,517	3,443
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
Total finance costs	19,638	20,432

Impairment losses on financial assets (income +/-)	Jan 1–Jun 30 2023	Jan 1–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)

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. (Note 6.3).

6.18. Earnings per share and distribution of profit for 2022

6.18.1. Earnings per share

Basic earnings per share are calculated as the quotient of the net profit attributable to owners of the Parent divided by the weighted average number of ordinary shares (excluding treasury shares) outstanding during the period.

The calculation of diluted earnings per share takes into account the effect of options convertible into Parent shares that have been issued under the Group's incentive schemes.

The calculation of earnings per share is presented below.

	Jan 1–Jun 30 2023	Jan 1–Jun 30 2022
Number of shares used as denominator		
Weighted average number of ordinary shares	2,933,542	2,933,542
Dilutive effect of options convertible into shares	5,986	0
Diluted weighted average number of ordinary shares	2,939,528	2,933,542
Continuing operations		
Net profit from continued operations attributable to shareholders of the Parent	181,837	39,706
Basic earnings per share (PLN)	61.99	13.54
Diluted earnings per share (PLN)	61.86	13.54

6.18.2. Distribution of 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 of PLN 41 per share. The number of shares from which dividend will be paid is 2,933,542. The Annual General Meeting set the dividend record date for September 15th 2023 and the dividend payment date for September 29th 2023;
- Allocate PLN 21.2m to statutory reserve funds.

Dividend payable is presented in the consolidated statement of financial position under current trade and other payables.

6.19. Discontinued operations

In the first half of 2023, no operations were discontinued.

6.20. Related-party transactions

Related-party transactions which have been recognised in the Group's interim condensed consolidated financial statements (i.e., which were not eliminated in consolidation) are presented below.

	Revenue	
	Jan 1–Jun 30 2023	Jan 1–Jun 30 2022
Sales to:		
Associates	4,696	4,786
Other related parties	27	26
Total	4,723	4,812

	Receivables	
	Jun 30 2023	Dec 31 2022
Sales to:		
Associates	325	15,795
Other related parties	8	4
Total	333	15,799

The decrease in receivables from associates is attributable to the settlement of receivables as part of the acquisition of organised parts of business from Calypso Fitness S.A. (Note 6.3).

Purchase (costs, assets)	
Jan 1–Jun 30 2023	Jan 1–Jun 30 2022

Purchases from:

Associates	7,680	7,182
Other related parties	12	0
Total	7,692	7,182

Liabilities	
Jun 30 2023	Dec 31 2022

Purchases from:

Associates	883	3,132
Other related parties	12	0
Total	895	3,132

Jan 1–Jun 30 2023			Jan 1–Jun 30 2022		
Granted in the period	Cumulative balance	Finance income	Granted in the period	Cumulative balance	Finance income

Loans to:

Associates	0	0	0	0	944	0
Total	0	0	0	0	944	0

Sales to associates include mainly income from lease of fitness equipment by Benefit Systems Sp. z o.o., while expenses are related to settlements of visits by holders of sport cards to the associates' clubs.

Transactions with key management personnel

The Group's key management personnel includes members of the Management Board of the Parent.

In the implementation of the Incentive Scheme, 11,000 warrants were granted to members of the Parent's Management Board in the first quarter of 2023. Warrants held by Members of the Management Board as at the issue date of this report:

Series L Warrants granted for 2022	Outstanding series L warrants
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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 the options granted for 2022 amount to PLN 793,01, reduced by the amount of dividends paid (per share) before the options exercise date.

6.21. Provisions and contingent liabilities

Contingent liabilities under sureties as at the end of each reporting period are presented below.

	Jun 30 2023	Dec 31 2022
<i>Guarantees provided / Surety for repayment of liabilities</i>		
Associates	4,291	8,001
Total contingent liabilities	4,291	8,001

Pending proceedings before administrative authorities

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.

6.22. Financial instruments

The amounts of financial assets presented in the interim condensed consolidated statement of financial position relate to the following categories of financial instruments specified in IFRS 9:

- financial assets measured at amortised cost,
- assets outside the scope of IFRS 9.

The Group does not hold:

- financial assets at fair value through profit or loss (equity instruments designated on initial recognition as at fair value through other comprehensive income),
- equity instruments designated upon initial recognition as measured at fair value through other comprehensive income,
- financial assets at fair value through other comprehensive income,
- financial instruments designated as hedging instruments.

The table below does not include those categories of financial assets which the Group did not recognise as at June 30th 2023 and as at December 31st 2022. Additionally in the table below assets that are not financial instruments has been included.

	Note	Financial instruments Financial assets at amortised cost	Non-financial assets outside the scope of IFRS 9	Total
As at Jun 30 2023				
Non-current assets:				
Trade and other receivables	6.23.1	9,484	456	9,940
Loans and other non-current financial assets	6.10	7,024	0	7,024
Current assets:				
Trade and other receivables	6.23.1	119,340	56,051	175,391
Loans and other current financial assets	6.10	3,527	34	3,561
Cash and cash equivalents	6.23.1	347,601	0	347,601
Total		486,976	56,541	543,517

As at Dec 31 2022

Non-current assets:				
Trade and other receivables	6.23.1	8,663	847	9,510
Loans and other non-current financial assets	6.10	9,653	0	9,653
Current assets:				
Trade and other receivables	6.23.1	187,777	48,979	236,756
Loans and other current financial assets	6.10	4,240	34	4,274
Cash and cash equivalents	6.23.1	218,327	0	218,327
Total		428,660	49,860	478,520

The amounts of financial liabilities presented in the interim condensed consolidated statement of financial position relate to the following categories of financial instruments specified in IFRS 9:

- financial liabilities measured at amortised cost,
- financial liabilities at fair value through profit or loss – designated as such on initial recognition or subsequently,
- liabilities outside the scope of IFRS 9 (non-IFRS 9).

The table below does not include those categories of financial liabilities which the Group did not recognise as at June 30th 2023. The table below also presents liabilities other than financial instruments.

Note	Categories of financial instruments Financial liabilities at amortised cost	Categories of financial instruments Financial liabilities at fair value through profit or loss designated as such on initial recognition or subsequently	Categories of financial instruments outside the scope of IFRS 9	Non-financial liabilities outside the scope of IFRS 9	Total
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As at Jun 30 2023

Non-current liabilities:						
Borrowings, other debt instruments	6.14	51,248	0	0	0	51,248
Lease liabilities	6.9	0	0	815,932	0	815,932
Other financial liabilities		0	62,283	0	0	62,283
Current liabilities:						
Trade and other payables	6.18	203,564	0	0	256,676	460,240
Contract liabilities		0	0	0	23,917	23,917
Borrowings, other debt instruments	6.14	18,623	0	0	0	18,623
Lease liabilities	6.9	0	0	184,183	0	184,183
Other financial liabilities		0	4,523	0	0	4,523
Total		273,435	66,806	1,000,115	280,593	1,620,949

As at Dec 31 2022

Non-current liabilities:						
Borrowings, other debt instruments	6.14	60,566	0	0	0	60,566
Lease liabilities	6.9	0	0	789,716	0	789,716
Other financial liabilities		95	32,328	0	16	32,439
Current liabilities:						
Trade and other payables		128,494	0	0	241,394	369,888
Contract liabilities		0	0	0	23,331	23,331
Borrowings, other debt instruments	6.14	24,140	0	0	0	24,140
Lease liabilities	6.9	0	0	164,879	0	164,879
Other financial liabilities		0	16,788	0	0	16,788
Total		213,295	49,116	954,595	264,741	1,481,747

Other financial liabilities disclosed in the Group's statement of financial position include mainly liabilities under the options to purchase minority interests in companies of the Foreign Markets segment. This item also includes liabilities under contingent and deferred consideration for acquired shares in subsidiaries. The individual liabilities are presented in the following tables:

	Note	Jun 30 2023	Dec 31 2022
Liability arising from acquisition of shares in Lunching.pl Sp. z o.o.		1,092	3,109
Benefit Systems International S.A.		43,773	17,645
Benefit Systems Bulgaria EOOD		12,700	8,670
Benefit Systems Slovakia S.R.O.		1,326	1,078
Benefit Systems D.O.O (Croatia)		2,083	1,373
Benefit Systems Spor Hizmetleri Ltd (Turkey)		285	0
Other		1,024	453
Total other non-current financial liabilities		62,283	32,328

		Jun 30 2023	Dec 31 2022
Liability arising from acquisition of shares in Total Fitness Sp. z o.o.	6.1	0	13,857
Liability arising from acquisition of shares in Lunching.pl Sp. z o.o.		2,326	1,866
Liability arising from acquisition of shares in YesIndeed Sp. z o.o.		1,065	1,065
Liability arising from acquisition of shares in Saturn Fitness Group Sp. z o.o.	6.6.1	1,132	0
Total other current financial liabilities		4,523	16,788

Valuation of liabilities under the options to purchase minority interests in companies of the Foreign Markets segment as of June 30, 2023 was estimated at PLN 61.2 million (versus PLN 29.2 million as of December 31, 2022). The change in valuation is primarily due to the updating of discount rates, in particular by a change in the assessment of risks previously associated with the initial stage of operations of the companies in the Foreign Markets segment. The PLN 32 million increase in liabilities was recognized as a decrease in capital reserve (PLN 31.4 million) and an increase in financial expenses (PLN 0.6 million).

Settlement of liability arising from acquisition of shares in Total Fitness Sp. z o.o. is related to the acquisition by Benefit Systems S.A. on April 4, 2023 of the remaining 11.77% of shares in the company's share capital for PLN 14 million.

6.23. Risk arising from financial instruments

6.23.1. Credit risk

The Group's maximum exposure to credit risk is determined by the carrying amounts of financial assets and off-balance-sheet liabilities presented in the table below.

	Jun 30 2023	Dec 31 2022
Loans advanced	10,455	13,797
Trade receivables and other financial receivables	128,824	196,440
Cash and cash equivalents	347,601	218,327
Contingent liabilities under guarantees and sureties issued	4,291	8,001
Total credit risk exposure	491,171	436,565

The Group continuously monitors any past due payments from its customers (trade receivables) or borrowers, including evaluating related credit risk on an individual basis or

reviewing financial asset groupings with shared credit risk characteristics. In addition, as part of its credit risk management, the Group enters into B2B transactions with trading partners with confirmed creditworthiness, as detailed in Note 2.3 Accounting Policies to the financial statements for 2022.

The aging structure and past due information for the Group's receivables as the most significant category of assets exposed to credit risk are presented below.

	Jun 30 2023		Dec 31 2022	
	Not past due	Past due	Not past due	Past due
Short-term receivables:				
Trade receivables	87,716	44,905	129,080	78,853
Impairment losses on trade receivables (-)	(187)	(15,234)	(1,298)	(20,795)
Net trade receivables	87,529	29,671	127,782	58,058
Other net financial receivables	2,140	0	1,937	0
Impairment loss on other receivables (-)	0	0	0	0
Other net financial receivables	2,140	0	1,937	0
Financial receivables	89,669	29,671	129,719	58,058

With respect to trade receivables, the Group is not exposed to credit risk of a single major trading partner or a group of partners with shared credit risk characteristics. Based on historical past due trends, past due receivables do not show a significant deterioration in quality as a majority of them fall within the range of less than one month and in the case of past due receivables from the other ranges appropriate collection measures have been taken.

As at June 30th 2023, the Group applied the following default rates for individual past due periods:

	Loss rate					
	Not past due	Past due 1–30 days	Past due 31–90 days	Past due 91–180 days	Past due 181–360 days	Past due over 360 days
As at Jun 30 2023						
B2B receivables	0.25%	1.53%	4.73%	6.76%	10.27%	14.90%
B2C receivables	3.50%	3.50%	30.00%	45.00%	70.00%	90.00%

The gross carrying amounts of individual trade receivables groupings and impairment losses recognised thereon were as follows:

	Trade receivables						Total
	Not past due	Past due 1–30 days	Past due 31–90 days	Past due 91–180 days	Past due 181–360 days	Past due over 360 days	
Short-term receivables:							
As at Jun 30 2023							
Gross carrying amount	87,716	19,320	6,861	3,558	4,246	10,920	132,621
Impairment loss (-)	(187)	(190)	(824)	(1,782)	(2,680)	(9,758)	(15,421)
Net receivables	87,529	19,130	6,037	1,776	1,566	1,162	117,200
<i>of net receivables past due:</i>							29,671
As at Dec 31 2022							
Gross carrying amount	129,080	29,732	6,040	4,363	6,464	32,254	207,933

Impairment loss (-)	(1,298)	(653)	(517)	(630)	(1,594)	(17,401)	(22,093)
Net receivables	127,782	29,079	5,523	3,733	4,870	14,853	185,840
<i>of net receivables past due:</i>							58,058

As at December 31st 2022, the amount of receivables from Calypso Fitness S.A. and its subsidiaries that were past due by more than 12 months and had not been written off was PLN 14,020 thousand. As at June 30th 2023, the receivables were settled under an agreement of February 28th 2023, as described in more detail in Note 6.3.

The Group recognises loss allowances in accordance with IFRS 9.

Financial assets are presented below by stage of impairment, which is determined in order to estimate expected credit losses.

The Group applies a three-stage classification of financial assets to estimate expected credit losses thereon, described under *Financial assets* in Note 2.3 *Accounting policies* to the Financial Statements for 2022.

Balance as at Jun 30 2023	Measurement at amortised cost			
	Stage 1	Stage 2*	Stage 3	Total
Gross carrying amount	473,245	1,934	41,601	516,780
Trade receivables	116,451	0	16,170	132,621
Loans advanced	9,117	1,934	25,431	36,482
Cash and cash equivalents	347,677	0	0	347,677
Impairment losses (IFRS 9)	(2,210)	(484)	(38,830)	(41,524)
Trade receivables	(2,022)	0	(13,399)	(15,421)
Loans advanced	(112)	(484)	(25,431)	(26,027)
Cash and cash equivalents	(76)	0	0	(76)
Net carrying amount (IFRS 9)	471,035	1,450	2,771	475,256

*Stage 2 does not include trade receivables, to which the Group applies the simplified approach under IFRS 9.

Balance as at Dec 31 2022	Measurement at amortised cost			
	Stage 1	Stage 2*	Stage 3	Total
Gross carrying amount	392,199	3,322	91,031	486,552
Trade receivables	163,391	0	44,542	207,933
Loans advanced	10,181	3,322	46,489	59,992
Cash and cash equivalents	218,627	0	0	218,627
Impairment losses (IFRS 9)	(3,480)	(831)	(64,277)	(68,588)
Trade receivables	(2,905)	0	(19,188)	(22,093)
Loans advanced	(275)	(831)	(45,089)	(46,195)
Cash and cash equivalents	(300)	0	0	(300)
Net carrying amount (IFRS 9)	388,719	2,491	26,754	417,964

*Stage 2 does not include trade receivables, to which the Group applies the simplified approach under IFRS 9.

In the opinion of the Management Board of the Parent, the above financial assets, which are not past due, can be considered as assets of good credit quality.

The credit risk of cash and cash equivalents, market securities and derivative financial instruments is considered immaterial due to the high credibility of the counterparties (primarily banks).

6.23.2. Currency risks

Most of the Parent's transactions are executed in PLN. Foreign exchange transactions are CZK- and EUR-denominated loans to consolidated entities of the Benefit Systems Group, which are eliminated on consolidation. Costs of leasing/renting office space and sports facilities are denominated in EUR and disclosed under lease liabilities, which amounted to EUR 212,937 thousand (PLN 947,634 thousand) as at June 30th 2023 and EUR 195,252 thousand (PLN 915,712 thousand) as at December 31st 2022.

Below is presented an analysis of the sensitivity of the financial result with respect to the Group's financial assets and liabilities as at the end of the reporting period and the PLN exchange rate movements vs EUR, assuming a 10% increase or decrease of the exchange rate with respect to the closing rate as at June 30th 2023:

	Exchange rate movements	Effect on profit/(loss):	
		Jun 30 2023	Dec 31 2022
Exchange rate increase	10%	(94,345)	(61,332)
Exchange rate decrease	-10%	94,345	61,332

Exposure to currency risk changes during the year depending on the volume of transactions denominated in foreign currencies. However, the sensitivity analysis is considered to be representative of the Group's exposure to currency risk at the reporting date.

6.23.3. Liquidity risk

The Group manages the liquidity risk by monitoring payment dates and cash requirements for short-term payments (current transactions monitored weekly) and long-term cash requirements based on cash flow forecasts updated on monthly basis. The cash requirements are then compared against the available cash sources (in particular, the Group's borrowing capacity) and the amount of free cash placements.

The Group's financial liabilities other than derivative instruments as at the reporting date are presented below.

	Short-term:		Long-term:			Total
	up to 6 months	6 to 12 months	1 to 3 years	3 to 5 years	over 5 years	
As at Jun 30 2023						
Investment credit facility	9,310	9,310	38,436	12,812	0	69,868
Overdraft and working capital credit facility	3	0	0	0	0	3
Lease liabilities	94,766	89,417	336,067	270,342	209,523	1,000,115
Dividends payable	120,275	0	0	0	0	120,275
Trade payables	83,289	0	0	0	0	83,289
Total exposure to liquidity risk	307,643	98,727	374,503	283,154	209,523	1,273,550
As at Dec 31 2022						
Investment credit facility	9,311	9,311	37,244	23,322	0	79,188
Overdraft and working capital credit facility	5,360	0	0	0	0	5,360
Loans	158	0	0	0	0	158
Lease liabilities	87,151	77,729	299,104	257,934	232,677	954,595
Trade payables	128,494	0	0	0	0	128,494
Total exposure to liquidity risk	230,474	87,040	336,348	281,256	232,677	1,167,795

The table presents liabilities at amounts disclosed in the consolidated statement of financial position.

As at each reporting date, the Group also had available the following credit limits:

	Jun 30 2023	Dec 31 2022
Credit limits granted – overdraft facility	45,000	45,000
Overdraft facility limit reduction upon utilisation of related guarantee facility (-)	0	(1,070)
Credit limits granted – investment credit facility	115,000	115,000
Amounts drawn – overdraft facility (-)	0	0
Available credit limits – overdraft facility	45,000	43,930
Available credit limits – investment credit facility	115,000	115,000

As at June 30th 2023, the Group's current assets were PLN 535.6m And the amount of current liabilities was PLN 730.0m (including lease liabilities of PLN 184.2m). In the Group's opinion, the available and undrawn credit facility limits of PLN 45.0m provide a sufficient liquidity buffer. The PLN 45m overdraft facility limit expires in May 2026, and The PLN 115m investment credit facility limit expires in April 2027.

6.23.4. Interest rate risk

The management of interest rate risk focuses on minimising the fluctuations in interest cash flows from financial assets and liabilities bearing variable rates of interest. The Group is exposed to interest rate risk in connection with the following categories of variable-rate financial assets and liabilities:

- loans
- borrowings.

The analysis does not take into account cash in bank accounts as the asset's exposure to the currency risk is estimated as low, because interest rates on bank deposits are currently very low.

Sensitivity of net profit/(loss) as at June 30th 2023 to potential +/-1pp movements in the interest rates is presented below.

	Interest rate movements	Effect on profit/(loss):	
		Jan 1–Jun 30 2023	Jan 1–Jun 30 2022
Interest rate increase	1pp	(593)	(422)
Interest decrease	-1pp	593	422

Other comprehensive income is not sensitive to interest rate changes.

6.24. Non-compliance with debt covenants

In the six months ended June 30th 2023, the Group did not breach any of its debt covenants.

6.25. Events 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 (see Note 6.3), 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 (see Note 6.3), while amount 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 estimate the goodwill as of the date of acquisition 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 1,320.6 thousand in the Poland segment and 464.3 thousand in the Foreign Markets segment.

AUTHORISATION FOR ISSUE

These interim condensed consolidated financial statements for the six months ended June 30th 2023 (including the comparative information) were authorised for issue by the Management Board of the Parent on August 16th 2023.

Signatures of all Members of the Management Board

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	

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

Date	Full name	Position	Signature
August 16th 2023	Katarzyna Beuch	Finance Director	