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

FOR THE SIX MONTHS ENDED JUNE 30TH 2021

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SELECTED FINANCIAL DATA FOR THE SIX MONTHS ENDED JUNE 30TH 2021

Selected financial data of the Benefit Systems Group for the six months ended June 30th 2021

PLN ’000	Six months ended June 30th 2021	Six months ended June 30th 2020
Revenue	279,073	547,472
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	53,921	115,580
Operating profit/(loss) (EBIT)	(48,102)	9,066
Profit before tax	(43,221)	(30,370)
Net profit/(loss) attributable to owners of the parent	(38,648)	(38,761)
Net profit/(loss)	(39,011)	(37,690)
Net cash flows from operating activities	88,067	141,084
Net cash flows from investing activities	(31,717)	(14,970)
Net cash flows from financing activities	(81,744)	(67,014)
Net change in cash and cash equivalents	(25,394)	59,100
Weighted average number of ordinary shares	2,776,234	2,740,939
Diluted weighted average number of ordinary shares	2,792,932	2,771,705
Earnings/(loss) per share attributable to owners of the parent (PLN)	(13.92)	(14.14)
Diluted earnings/(loss) per ordinary share attributable to owners of the parent (PLN/EUR)	(13.84)	(13.98)

PLN ’000	As at June 30th 2021	As at December 31st 2020
Non-current assets	1,575,708	1,620,773
Current assets	334,608	423,530
Total assets	1,910,316	2,044,303
Non-current liabilities	823,555	969,436
Current liabilities	602,670	551,867
Equity	484,091	523,000
Equity attributable to owners of the parent	486,437	524,527
Share capital	2,894	2,894
Number of shares	2,894,287	2,894,287
Book value per share attributable to owners of the parent (PLN)	168.07	181.23

Unless stated otherwise, all data in this report covers the period from January to June 2021, and the comparative data presents changes over the corresponding period of 2020. All amounts are presented in thousands of PLN, unless stated otherwise.

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

The Benefit Systems Group (the “Benefit Systems Group”, the “Group”) is a specialist provider of effective non-pay employee benefit solutions to employers. The parent's strategy is closely linked to the Group's strategy. It also proposes to organically grow the Group's business in Poland and in foreign markets, to support sport cards by developing fitness facilities, to increase the number of sport cards in Poland, to significantly increase their number on foreign markets, to sustainably grow the number of users in the Cafeterias segment, and to build the competitive advantage by enhancing the Group's products.

Corporate social responsibility and sustainable development are an inherent part of the Group's business. Benefit Systems S.A. was the first public company in Central and Eastern Europe to have been awarded the B Corp certification (in September 2018). The B Corporation community includes organisations whose business models are consistent with the principles of corporate social responsibility, are involved in solving specific social issues and operate in line with a partnership model of cooperation with all stakeholders, based on the win-win principle.

The tailored MultiSport programme, the Group's flagship product, has been successfully developed in Poland and in foreign markets.

The Benefit Systems Group operates in three segments:

• **Poland** – responsible for sales of sport cards and building its own infrastructure through managing and investing in fitness clubs in Poland. The sport cards provide their holders with access to a broad range of more than 4,000 sports and recreational facilities, some of which are owned by the parent or its subsidiaries.

• **Foreign Markets** – responsible for sales of sport cards and building its own infrastructure through managing and investing in fitness clubs abroad.

• **Cafeterias** – a modern channel for the distribution of non-pay benefits, not only relating to sports, but also culture, travel, etc.

In the first half of 2021, the parent continued work on the development of the MultiLife programme. The programme will ultimately offer a wide portfolio of appropriately selected well-being services, including solutions in the area of physical health, mental well-being and relaxation as well as strengthening of soft competences or language skills. Currently, users have access to such facilities as the Yes2Move.com training platform (including e-store discounts), the Diet Creator, online consultations with trainers, dieticians and psychologists, e-books from the Legimi online store, language courses (English and German) on the eTutor platform (see https://www.kartamultisport.pl/multilife/poznaj-multilife for more information on the programme). In the second quarter of 2021, Zdrofit Healthy Place (Zdrofit Zdrowe Miejsce) medical facilities commenced their activities, helping clients to return to good health and physical fitness under the care of physiotherapists. As part of treatment with exercise (kinesitherapy), Zdrofit Healthy Place patients receive, among others, individual Fitness Improvement Programmes prepared by physiotherapists.

According to Acitivy’s report drawn up after the first lockdown in 2020, cafeteria programmes are attracting growing interest as almost every second Polish employee indicated them as a desired benefit.

Growing interest in solutions offering different types of benefits and services within a single platform is driven by, among others, their high flexibility and availability through online channels, which is particularly important at the time of pandemic. Employees today expect a wide range of benefits tailored to their current circumstances and individual needs, and cafeteria programmes successfully meet these requirements. Seeing their potential, the Company is constantly developing its cafeteria programmes, which is appreciated by both employers and employees. In recent months, the number of MyBenefit users increased to half a million.

In June, in response to market expectations and trends associated with digitalisation of services, the parent acquired 100% of shares in YesIndeed Sp. z o.o., which develops comprehensive gamification and incentive systems and offers the WannaBuy cafeteria programme. The acquisition of YesIndeed expands Benefit Systems' offering to include digital solutions and know-how that fit with the Group's long-term product development strategy. The companies have cooperated before in organising two editions of the MultiSport Summer Game Programme, including this year's edition which was promoted by the "On Your Marks" (*Gotuj się do sportu*) campaign. The ambassador of the campaign was Robert Makłowicz, who encouraged Poles to find a suitable sports activity and pursue an active lifestyle. The campaign promoted the sports activities available under the MultiSport Programme and invited people to participate in the gamification-based MultiSport Summer Game.

At the end of the first half of 2021, the parent joined the 30% Club Poland, an initiative promoting diversity in business. One of its key objectives is to achieve at least a 30% representation of women on management and supervisory boards (calculated jointly) at the 140 largest Polish listed companies by 2030. Indirect objectives include achieving a 20% presence of women on the governing bodies of the companies included in the WIG20, mWIG40 and sWIG80 indices by 2025 and no companies with no women on their governing bodies.

On July 8th 2021, the parent sold all of its treasury shares (118,053 shares), representing approximately 4.08% of its share capital.

2. MATERIAL INFORMATION ON THE BENEFIT SYSTEMS GROUP

2.1. OVERVIEW AND COMPOSITION OF THE BENEFIT SYSTEMS GROUP

The Benefit Systems Group comprises the parent Benefit Systems S.A., which is responsible for selling sport cards and operating own fitness clubs in Poland, and entities operating in the market for non-pay employee benefits and in the sports market. At present, the number of the Group's sport card customers in the Poland segment alone exceeds 16.5 thousand companies.

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 card users are provided access to over 4,000 sports facilities in around 650 locations across Poland. The Group's offering includes other sport cards, such as FitProfit, described in detail further in this report. As at the end of June 2021, the number of active sport cards was 548.1 thousand (up +15.3%

on the end of 2020) in the Poland segment, while in the foreign markets the number of sport cards which were active in June 2021 was 249.9 thousand (down 1.5% vs. the end of 2020). The MultiSport programme has supported Poles in living healthy and active lifestyles since 2004 and thanks to its extensive sports offering tailored to various needs it has become a byword for quality and a standard in the market.

The development of the flagship product is consistently supported by investments in the fitness market, thus ensuring adequate infrastructure for MultiSport card users. 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 provides cafeteria platforms MyBenefit and MultiKafeteria, enabling employees to choose a non-pay benefit from an employer-approved list. For the Group, the two platforms primarily serve as distribution channels of sport cards, Benefit Systems' main product. The cafeteria systems offer the Group's own products: the MultiBilet culture and entertainment programme for members to see a film of their choice in any of the several hundred cinemas across Poland; the MultiTeatr programme offering tickets to most popular theatre shows; and the BenefitLunch offering staff lunches.

The 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 and in Croatia since 2018. These countries' combined potential for business growth (mainly in their respective capital cities) may exceed the potential of the Polish market.

SUBSIDIARIES AND AFFILIATES

COMPANIES OF THE POLAND SEGMENT

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

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

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

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 former Fitness Academy Sp. z o.o. The Company operates an online store offering dietary supplements and dietetic foods, fitness accessories and other exercise and healthy lifestyle gadgets.

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

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

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 for entire organisations under the WannaBuy brand. 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.

COMPANIES IN THE FOREIGN MARKETS SEGMENT

Benefit Systems International Sp. z o.o. is a vehicle used by the Benefit Systems Group to sell sport cards on foreign markets. It is also a majority shareholder in the following international companies: MultiSport Benefit S.R.O. (Czech Republic), Benefit Systems Slovakia S.R.O. (Slovakia), Benefit Systems Bulgaria EOOD (Bulgaria), and Benefit Systems D.O.O. (Croatia), which are responsible for selling sport cards in their respective local markets. The company is also the majority shareholder in Benefit Systems, storitve, D.O.O. (Slovenia) and BSI Investments Sp. z o.o.

Fit Invest International Sp. z o.o. manages Benefit Systems Group's investments in the Foreign Markets segment. Form Factory S.R.O. (Czech Republic) and Next Level Fitness EOOD (Bulgaria) are responsible for investments in fitness clubs in foreign markets, and in particular for acquisition of existing facilities and new club openings. They own seven and nine fitness clubs, respectively. Beck Box Club Praha S.R.O. operates six fitness clubs in Prague, and Fit Invest Slovakia S.R.O owns one club in Slovakia.

COMPANIES IN THE CAFETERIAS SEGMENT

MyBenefit Sp. z o.o. develops and sells (through MyBenefit and Multikafeteria, online cafeteria platforms) products that businesses may use as incentives and bonuses for employees. The company's portfolio currently includes cafeteria systems, including retailer gift cards, cinema and culture programmes, travel vouchers and a leisure subsidy system, as well as private products such as MultiBilet, MultiTeatr, MultiMuzeum and BenefitLunch.

List of subsidiaries

Operating segments	Subsidiary	Registered address	Group's ownership interest*:	
			June 30th 2021	June 30th 2020
POLAND	VanityStyle Sp. z o.o.	ul. Skierniewicka 16/20, 01-230 Warsaw, Poland	100.00%	100.00%
	Benefit IP Sp. z o.o.	Plac Europejski 2, 00-844 Warsaw, Poland	100.00%	100.00%
	Benefit IP Spółka z ograniczoną odpowiedzialnością sp.k.	Plac Europejski 2, 00-844 Warsaw, Poland	100.00%	100.00%
	Yes To Move Sp. z o.o.	Plac Europejski 2, 00-844 Warsaw, Poland	100.00%	100.00%
	Benefit Partners Sp. z o.o.	Plac Europejski 2, 00-844 Warsaw, Poland	100.00%	100.00%
	Fit Fabric Sp. z o.o.[1)]	al. 1 Maja 119/121, 90-766 Łódź, Poland	100.00%	52.50%
	YesIndeed Sp. z o. o.[2)]	ul. Przeskok 2, 00-032 Warsaw, Poland	100.00%	0.00%
	Rehabilitacja i Ortopedia Sp. z o.o.[3)]	ul. Biały Kamień 2, 02-593 Warsaw, Poland	80.00%	0.00%
	FitSport Polska Sp. z o.o.[4)]	Plac Europejski 2, 00-844 Warsaw, Poland	0.00%	100.00%
FOREIGN MARKETS	Benefit Systems International Sp. z o.o.	ul. Młynarska 8/12, 01-194 Warsaw, Poland	97.20%	97.20%
	Fit Invest International Sp. z o.o.	ul. Młynarska 8/12, 01-194 Warsaw, Poland	97.20%	97.20%
	Fit Invest Slovakia S.R.O.	Ružová dolina 480/6 Bratislava - mestská časť Ružinov 821 08, Slovakia	97.20%	97.20%
	Form Factory S.R.O.	Vinohradská 2405/190 Vinohrady, 130 00 Praha 3, Czech Republic	97.20%	97.20%
	Next Level Fitness EOOD	Krasno Selo district, 11-13 Yunak str., 1612 Sofia, Bulgaria	97.20%	97.20%
	Beck Box Club Praha S.R.O.	Vinohradská 2405/190 Vinohrady, 130 00 Praha 3, Czech Republic	97.20%	97.20%
	BSI Investments Sp. z o. o.[5)]	ul. Młynarska 8/12, 01-194 Warsaw, Poland	97.20%	0.00%
	Benefit Systems D.O.O.	Zagreb (Grad Zagreb) Heinzelova ulica 44, Croatia	95.74%	95.74%
	MultiSport Benefit S.R.O.[6)]	Lomnickeho 1705/9, 140 00 Praha 4, Czech Republic	95.26%	93.31%
	Benefit Systems Slovakia S.R.O.	Ružová dolina 6 Bratislava - mestská časť Ružinov 821 08, Slovakia	95.26%	93.31%
	Benefit Systems Bulgaria EOOD	11-13, Yunak Str., floor 1 Sofia 1612, Bulgaria	93.31%	93.31%
	Benefit Systems, storitve, D.O.O.	Komenskega street 36, 1000 Lublana, Slovenia	92.34%	92.34%

CAFETERIAS	MyBenefit Sp. z o.o.	ul. Powstańców Śląskich 28/30, 53-333 Wrocław, Poland	100.00%	100.00%
OTHER	MW Legal Sp. z o.o.[7)]	Plac Europejski 2, 00-844 Warsaw, Poland	100.00%	100.00%

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

1) FitFabric Sp. z o.o. has been consolidated since 2018 based on the assumption that the Group exercises full (100%) control, as agreements have been executed with the minority shareholders committing them to sell their residual interests. On May 18th 2021, the parent signed an agreement with the minority shareholders of Fit Fabric Sp. z o.o., whereby it acquired 47.5% of the company's share capital, increasing its equity interest to 100%.
2) On June 17th 2021, the purchase of 100% of shares in YesIndeed Sp. z o.o. was effected.
3) On April 26th 2021, the purchase 80% of shares in Rehabilitacja i Ortopedia Sp. z o.o. was effected.
4) November 30th 2020 saw merger by acquisition between FitSport Polska Sp. z o.o. (the acquiree) and Benefit Systems S.A. (the acquirer).
5) BSI Investments Sp. z o.o. was established on December 3rd 2020.
6) On April 1st 2021, the sale of 2% of shares in Multisport S.R.O. was effected, as a result of which Benefit Systems International Sp. z o.o. holds 98% of shares in the company.
7) The company is not consolidated as it does not conduct any business activity.

Associates and other companies

Operating segments	Associate	Registered address	Group's ownership interest:	
			June 30th 2021	June 30th 2020
POLAND	Baltic Fitness Center Sp. z o.o.	ul. Puławska 427, 02-801 Warsaw, Poland	49.95%	49.95%
	Instytut Rozwoju Fitness Sp. z o.o.	ul. Puławska 427, 02-801 Warsaw, Poland	48.10%	48.10%
	Calypso Fitness S.A.	ul. Puławska 427, 02-801 Warsaw, Poland	33.33%	33.33%
	Get Fit Katowice II Sp. z o.o.	Uniwersytecka St. 13, 40-007 Katowice	20.00%	20.00%
OTHER	LangMedia Sp. z o.o.	ul. Skwierzyńska 25/3 53-521 Wrocław, Poland	0.00%	37.00%
	X-Code Sp. z o.o.	ul. Klaudyny 21/4 01-684 Warsaw, Poland	0.00%	31.15%

2.2. STATEMENT OF PROFIT OR LOSS

Consolidated statement of profit or loss of the Benefit Systems Group

PLN '000	Six months ended June 30th 2021	Six months ended June 30th 2020	Change
Revenue	279,073	547,472	(49.0%)
Revenue from sales of services	276,618	541,171	(48.9%)
Revenue from sales of merchandise and materials	2,455	6,301	(61.0%)
Cost of sales	**(263,077)**	**(432,118)**	**(39.1%)**
Cost of services sold	(261,624)	(427,771)	(38.8%)
Cost of merchandise and materials sold	(1,453)	(4,347)	(66.6%)
Gross profit/(loss)	**15,996**	**115,354**	**(86.1%)**
Selling expenses	(32,661)	(39,815)	(18.0%)
Administrative expenses	(49,180)	(58,377)	(15.8%)

Other income	21,748	8,766	148.1%
Other expenses	(4,005)	(16,862)	(76.2%)
Operating profit/(loss)	**(48,102)**	**9,066**	**-**
Finance income, including:	15,179	4,038	275.9%
Interest income on loans	*735*	*1,231*	*(40.3%)*
Finance costs, including:	(11,019)	(43,036)	(74.4%)
Interest expense on lease liabilities	*(5,957)*	*(7,496)*	*(20.5%)*
Impairment losses on financial assets	(103)	(1,242)	(91.7%)
Share of profit/(loss) of equity-accounted entities	824	804	2.5%
Profit/(loss) before tax	**(43,221)**	**(30,370)**	**42.3%**
Income tax	4,210	(7,320)	-
Net profit/(loss) from continuing operations	**(39,011)**	**(37,690)**	**3.5%**
Gross margin	5.7%	21.1%	(15.4pp)

2.3. OUTLOOK

The outlook in 2021 is significantly impacted by the continuing COVID-19 pandemic, mainly due to the uncertainty surrounding the imposed restrictions.

The COVID-19 pandemic is affecting the global economy and the economies of the countries where Group companies operate, which also contributes to the falling demand for sport cards among customers. At the same time, it is important to note that the demand for sporting activities among holders of sport cards, as measured by club attendance, does not differ significantly from the levels observed before the pandemic.

The Group is expanding the scope of its offering to include services outside the non-pay benefits market and fitness club management market, where it has already established a stable position. In response to the challenges posed by the prevailing uncertainty, new online services for retail customers are being developed, including the Yes2Move exercise platform, an online store with sports food and accessories, and the MultiLife product offering a range of various online services (such as personalised nutrition plans, consultations with nutritionists and personal trainers, a language learning platform, a variety of expert materials for healthy lifestyle, a mindfulness course). The activities of the Poland segment have been expanded to include rehabilitation services.

The Group invariably estimates the long-term potential of the sport card market in Poland at between 1.8 million and 2.2 million units, and sees high growth potential for the MultiSport Programme in foreign markets (currently at a relatively early stage of development). Moreover, the COVID-19 pandemic may, in the long term, increase the 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 2021

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 identifies the following segments:

1. Poland
2. Foreign Markets
3. Cafeterias

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 not a International Accounting Standards 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 for the operating segments, except for unallocated revenue and consolidation eliminations on inter-segment transactions. As of 2020, the segment data is presented down to the level of operating profit as financing decisions are made from the perspective of the Group as a whole.

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 2021

PLN '000	Poland	Foreign Markets	Cafeterias	Corporate	Total
Revenue	**192,001**	**69,015**	**20,344**	**(2,287)**	**279,073**
Cost of sales	(183,983)	(71,950)	(10,294)	3,150	(263,077)
Gross profit/(loss)	**8,018**	**(2,935)**	**10,050**	**863**	**15,996**
Selling expenses	(21,374)	(10,432)	(1,461)	606	(32,661)
Administrative expenses	(28,536)	(16,062)	(5,321)	739	(49,180)
Other income and expenses	3,395	14,056	245	47	17,743
Operating profit/(loss)	**(38,497)**	**(15,373)**	**3,513**	**2,255**	**(48,102)**
EBITDA	**44,676**	**881**	**6,747**	**1,617**	**53,921**
Share of profit/(loss) of equity-accounted entities	824	0	0	0	824
Interest expense on lease liabilities	(5,283)	(646)	(59)	30	(5,957)
Finance income and costs (other than interest expense on lease liabilities)	0	0	0	10,014	10,014
Profit/(loss) before tax					**(43,221)**
Segment's assets	1,775,559	232,438	149,064	(246,745)	1,910,316
including right-of-use assets	*637,235*	*89,805*	*4,358*	*(2,606)*	*728,792*
Depreciation and amortisation	83,173	16,254	3,234	(638)	102,023
including depreciation of right-of-use assets	*52,122*	*9,968*	*948*	*(631)*	*62,407*

Selected financial data of the operating segments for the three months ended June 30th 2021

PLN '000	Poland	Foreign Markets	Cafeterias	Corporate	Total
Revenue	**117,375**	**54,776**	**9,769**	**(1,360)**	**180,560**
Cost of sales	(96,506)	(47,058)	(4,903)	1,727	(146,740)
Gross profit/(loss)	**20,869**	**7,718**	**4,866**	**367**	**33,820**
Selling expenses	(10,759)	(5,578)	(566)	527	(16,376)
Administrative expenses	(14,347)	(8,526)	(3,043)	487	(25,429)
Other income and expenses	(2,107)	11,079	206	72	9,250
Operating profit/(loss)	**(6,344)**	**4,693**	**1,463**	**1,453**	**1,265**
EBITDA	**34,953**	**12,751**	**3,071**	**1,108**	**51,883**
Share of profit/(loss) of equity-accounted entities	934	0	0	0	934
Interest expense on lease liabilities	(2,459)	(318)	(28)	16	(2,788)
Finance income and costs (other than interest expense on lease liabilities)	0	0	0	14,134	14,134
Profit/(loss) before tax					**13,545**

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 2021

PLN '000	Six months ended June 30th 2021	Six months ended June 30th 2020
Segments' revenue		
Total revenue of operating segments	281,360	551,276
Unallocated revenue	140	654
Elimination of revenue from inter-segment transactions	(2,427)	(4,458)
Revenue	**279,073**	**547,472**
Segments' profit/(loss)		
Segments' operating profit/(loss)	(50,357)	6,343
Elimination of profit/(loss) from inter-segment transactions (IFRS 16)	62	62
Unallocated profit/(loss)	2,193	2,661
Operating profit/(loss)	**(48,102)**	**9,066**
Finance income and costs	4,057	(40,240)
Share of profit/(loss) of equity-accounted entities (+/-)	824	804
Profit/(loss) before tax	**(43,221)**	**(30,370)**
PLN '000	**As at June 30th 2021**	**As at December 31st 2020**
Total assets of operating segments	2,157,061	2,292,772
Unallocated assets	0	0
Elimination of inter-segment transactions	(246,745)	(248,469)
Total assets	**1,910,316**	**2,044,303**

The unallocated expenses are costs of the Incentive Scheme, support functions and other activities not allocated to any of the identified operating segments. Eliminations of assets mainly include loans and trade receivables.

3.2. OPERATING SEGMENTS

3.2.1. POLAND

The Poland segment comprises the sale of sport cards, management of fitness clubs and investments in new clubs on the Polish market. Sport cards are distributed by Benefit Systems S.A. and VanityStyle Sp. z o.o. The companies currently offer the following cards: 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, card users 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 548.1 thousand.

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 2021, the Group had 155 own clubs in Poland operated by the Fitness Branch, a part of Benefit Systems S.A., and Fit Fabric 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 and AquaPark Wesolandia. The Group also held equity interests in companies managing another 44 facilities. In addition, the parent operates the Atmosfera Multisport club, which organises activities for children and young people.

Selected financial data of the Poland segment for the six months ended June 30th 2021 and the six months ended June 30th 2020:

PLN '000	Six months ended June 30th 2021	Six months ended June 30th 2020	Change
Revenue	**192,001**	**364,342**	**(47.3%)**
Cost of sales	(183,983)	(297,339)	(38.1%)
Gross profit/(loss)	**8,018**	**67,003**	**(88.0%)**
Selling expenses	(21,374)	(22,561)	(5.3%)
Administrative expenses	(28,536)	(36,756)	(22.4%)
Other income and expenses	3,395	(4,948)	-
Operating profit/(loss)	**(38,497)**	**2,738**	**-**
EBITDA	**44,676**	**92,585**	**(51.7%)**
Interest expense on lease liabilities	(5,283)	(6,713)	(21.3%)
Gross margin	*4.2%*	*18.4%*	(14.2pp)
Number of sport cards	*548.1*	*498.9*	*49.2*
Number of owned clubs	*155*	*159*	*(4)*

Selected financial data of the Poland segment for the second quarter of 2021 and the second quarter of 2020:

PLN '000	Second quarter of 2021	Second quarter of 2020	Change
Revenue	**117,375**	**65,004**	**80.6%**
Cost of sales	(96,506)	(80,063)	20.5%
Gross profit/(loss)	**20,869**	**(15,059)**	**-**
Selling expenses	(10,759)	(9,151)	17.6%
Administrative expenses	(14,347)	(17,746)	(19.2%)
Other income and expenses	(2,107)	(7,165)	(70.6%)
Operating profit/(loss)	**(6,344)**	**(49,121)**	**(87.1%)**
EBITDA	**34,953**	**(4,191)**	**-**
Interest expense on lease liabilities	(2,459)	(2,714)	(9.4%)
Gross margin	*17.8%*	*(23.2%)*	-
Number of sport cards	*548.1*	*498.9*	*49.2*
Number of clubs	*155*	*159*	*(4)*

As a result of the restrictions due to the ongoing COVID-19 pandemic, in particular the shutdown of sports facilities until May 28th 2021, the Poland segment's revenue fell 47.3% year on year. Cost of sales decreased by PLN 113.3m and gross profit came in at PLN 8.0m.

On May 28th 2021, the Group reopened 121 owned clubs. Further facilities will be opened in accordance with the reopening schedule in place. 139 facilities were open as at the end of the first half of 2021.

In the first six months of 2021, efforts were continued to provide an attractive offer of online services to contract and pass holders, including through extension of the offer to include psychological consultations, German language teaching, and individual consultations with dieticians and coaches.

In June 2021, measures were launched to promote the MultiSport brand and encourage customers to return to sports facilities with a view to restoring the sport card base. June also saw the start of activities undertaken as part of the next edition of MultiSport Summer Game, which encourages sport card holders to collect points through physical activity.

In the first half of 2021, three fitness clubs owned by Benefit Systems S.A. (one from the My Fitness Place network, one from the S4 network and one from FitFabric network) were closed. The closures had a PLN 0.5m adverse effect on the results for the six months ended June 30th 2021, attributable to the cost of early termination fees (PLN -0.58m), which was partly offset by the termination of lease contracts (PLN +0.03m).

In the six months ended June 30th 2021, the Poland segment recognised PLN 52.1m in depreciation of right-of-use assets and a PLN 5.3m interest expense on lease liabilities.

In addition, in the first half of 2021 the Poland segment companies used the support programmes designed to minimise the negative economic effects of the COVID-19 pandemic. The following assistance was obtained:

- wage subsidies,
- waivers of social security contributions,

The amount of grants recognised in the six months ended June 30th 2021 in the Poland segment was PLN 8.2m.

3.2.2. FOREIGN MARKETS

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

In the first half of 2021, 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.), and Croatia (Benefit Systems D.O.O.). Fitness clubs were operated by Beck Box Club Praha S.R.O. and Form Factory S.R.O. in the Czech Republic, Fit Invest Slovakia S.R.O. in Slovakia, and Next Level Fitness EOOD in Bulgaria.

The segment also includes Benefit Systems, storitve, D.O.O. (Slovenia) and BSI Investments Sp. z o.o. (holding company), neither of which was operational in the first half of 2021.

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

Selected financial data of the Foreign Markets segment for the six months ended June 30th 2021 and the six months ended June 30th 2020

PLN '000	Six months ended June 30th 2021	Six months ended June 30th 2020	Change
Revenue	**69,015**	**171,378**	**(59.7%)**
Cost of sales	(71,950)	(130,454)	(44.8%)
Gross profit/(loss)	**(2,935)**	**40,924**	**-**
Selling expenses	(10,432)	(14,602)	(28.6%)
Administrative expenses	(16,062)	(17,946)	(10.5%)
Other income and expenses	14,056	(647)	-
Operating profit/(loss)	**(15,373)**	**7,729**	**-**
EBITDA	**881**	**25,317**	**(96.5%)**
Interest expense on lease liabilities	(646)	(833)	(22.5%)
Gross margin	*(4.3%)*	*23.9%*	-
Number of sport cards	*249.9*	*288.2*	*(38.3)*
Number of clubs	*23*	*25*	*(2)*

Selected financial data of the Foreign Markets segment for the second quarter of 2021 and the second quarter of 2020:

PLN '000	Second quarter of 2021	Second quarter of 2020	Change
Revenue	**54,776**	**90,552**	**(39.5%)**
Cost of sales	(47,058)	(57,665)	(18.4%)
Gross profit/(loss)	**7,718**	**32,887**	**(76.5%)**
Selling expenses	(5,578)	(5,631)	(0.9%)
Administrative expenses	(8,526)	(9,215)	(7.5%)
Other income and expenses	11,079	(665)	-
Operating profit/(loss)	**4,693**	**17,376**	**(73.0%)**
EBITDA	**12,751**	**26,285**	**(51.5%)**
Interest expense on lease liabilities	(318)	(416)	(23.6%)
Gross margin	*14.1%*	*36.3%*	(22.2pp)
Number of sport cards	*249.9*	*288.2*	*(38.3)*
Number of clubs	*23*	*25*	*(2)*

At the end of 2020, restrictions were in place across all markets of the segment, preventing customers from using the MultiSport programme, and the fitness companies in the Czech, Slovak and Bulgarian markets from operating the clubs. The situation continued throughout January 2021.

At the end of January 2021, some of the restrictions were lifted on the Bulgarian market, which enabled continuation of the MultiSport programme and reopening of fitness clubs from February 1st 2021. The Group's own clubs and partner locations were reopened under the applicable sanitary regime (one person per 15 square meters), but this had no significant impact on the activity of card users and club members.

When the lockdown was introduced in November 2020, the number of active cards in Bulgaria was 86.9 thousand. After the restrictions were lifted in February 2021, the number stood at 69.7 thousand. In March, the number of active cards increased again, to 78.8 thousand. In the second half of March, as the number of new COVID-19 cases grew again, the Bulgarian government decided to reintroduce restrictions in selected business sectors, including the fitness industry. The lockdown in the Bulgarian market lasted from March 22nd to March 31st 2021, and both the MultiSport programme and the operations of fitness clubs were suspended during that time. Ultimately, the number of active cards at the end of the half-year was 85.4 thousand.

In the first half of February 2021, as the Government of Croatia decided to lift some of the restrictions, the MultiSport Programme was re-launched in Croatia on February 15th 2021. Before the lockdown introduced in November 2020, 13.7 thousand cards had been active in the Croatian market. In February 2021, after the re-launch of the MultiSport programme, the number of active cards was 8.6 thousand. March 2021 saw a return to the level recorded before the November lockdown. In the following months, the number of active cards grew by several hundred per month, to reach 14.6 thousand at the end of June 2021.

In the Czech and Slovak markets, a 'hard lockdown' was in force throughout the first quarter of 2021, and both the MultiSport programme and the activities of fitness clubs were suspended. Prior to the introduction of the lockdown in December 2020, the number of cards on the Czech and Slovak markets had been 134.8 thousand and 18.4 thousand, respectively. As the pandemic situation in the country improved and the Slovak Government decided to lift the restrictions, fitness clubs were reopened and the MultiSport programme was re-launched on May 1st 2021. In the Czech market, restrictions were lifted, fitness clubs were reopened and the MultiSport programme was re-launched on May 17th 2021. At the end of the first half of the year, 25.9 thousand and 124.0 thousand cards were active on the Slovak and Czech markets, respectively.

Revenue for the first six months of 2021 fell by PLN 102.3m year on year. The decrease was caused by the restrictions which led to suspension of the MultiSport programme and fitness club operations for the duration of the restrictions, and by a decrease in the total number of MultiSport cards in the segment by 38.1 thousand relative to June 2020. In addition, the results for the first half of 2020 included a one-off adjustment due to VAT refund in the Czech Republic for 2019, which increased the revenue for the first half of 2020 by PLN 32.1m and the operating result by PLN 16.9m.

At the end of the first half of 2021, 4.2 thousand partner locations were active in the entire segment, which is the same number as at the end of the first half of 2020.

As at the end of the first half of 2021, the company operated investment clubs in the Czech Republic (13 clubs), Bulgaria (9 clubs) and Slovakia (1 club). In February 2021, one new club in Bulgaria (NLF

Residential) was opened. In the first half of 2021, in the Czech Republic the company closed two clubs: Form Factory Evropska in Prague and Form Factory Karolina in Ostrava. Both clubs discontinued operations in early May 2021. In the six months under analysis, the company worked on the fit-out of two new clubs, one in Prague and one in Bratislava, which are planned to be opened at the end of the third and beginning of the fourth quarter of 2021.

The saving measures undertaken in 2020 had an impact on the level of costs generated by the Foreign Markets companies in the six months ended June 30th 2021. At the same time, recruitment of new hires was suspended throughout the lockdown period in the first quarter of 2021.

In addition, companies in the Foreign Markets segment actively used support programmes offered by national governments as well as the European Union to mitigate the negative economic effects of the COVID-19 pandemic. These programmes included:

- rent subsidies,
- wage subsidies,
- waivers of social security contributions,
- compensation for revenue decrease.

The total amount of grants recognised in the six months ended June 30th 2021 in the Foreign Markets segment was PLN 13.6m.

3.2.3. CAFETERIAS

The Cafeterias segment is responsible for developing the MyBenefit and MultiKafeteria non-pay employee benefit platforms, which offer a wide range of products and services, including the Benefit Systems Group’s own products. The segment's offering is focused on benefits spanning culture, entertainment, recreation, leisure, as well as domestic and foreign travel. The offering also comprises shopping vouchers that can be used at popular brand store chains in Poland, training courses, and food offering. Benefits are offered by reliable suppliers, and the partner network comprises nearly four thousand entities and is constantly adapted to market and customer needs.

The MyBenefit and MultiKafeteria cafeteria platforms allow users 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 Cafeteria benefits cover sports, health, travel and culture, and include shopping vouchers that can be used at Polish renowned chain retailers and brand stores. The Cafeteria platforms are 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 55 theatres, 170 cinemas, 50 museums and 25 thematic parks across Poland.

In addition to the Cafeteria platforms and the **Cinema Programme, the Group offers MultiTeatr, MultiMuzeum, MultiZoo and BenefitLunch**, providing access to numerous theatres, museums, zoos and restaurants.

Selected financial data of the Cafeterias segment for the six months ended June 30th 2021 and the six months ended June 30th 2020

PLN '000	Six months ended June 30th 2021	Six months ended June 30th 2020	Change
Revenue	**20,344**	**15,556**	**30.8%**
Cost of sales	(10,294)	(11,497)	(10.5%)
Gross profit/(loss)	**10,050**	**4,059**	**147.6%**
Selling expenses	(1,461)	(2,652)	(44.9%)
Administrative expenses	(5,321)	(2,949)	80.4%
Other income and expenses	245	(2,582)	-
Operating profit/(loss)	**3,513**	**(4,124)**	**-**
EBITDA	**6,747**	**(1,263)**	**-**
Interest expense on lease liabilities	(59)	(82)	(28.6%)
Gross margin	*49.4%*	*26.1%*	23.3pp
*Sales (PLNm) **	*172.3*	*158.2*	*14.1*
Number of users (in thousands)	*497.7*	*481.1*	*16.6*

** Based on invoices, bills and notes from two cafeteria platforms: MultiKafeteria and MyBenefit.*

Selected financial data of the Cafeterias segment for the second quarter of 2021 and the second quarter of 2020:

PLN '000	Second quarter of 2021	Second quarter of 2020	Change
Revenue	**9,769**	**6,845**	**42.7%**
Cost of sales	(4,903)	(5,773)	(15.1%)
Gross profit/(loss)	**4,866**	**1,072**	**353.9%**
Selling expenses	(566)	(1,142)	(50.4%)
Administrative expenses	(3,043)	(1,151)	164.4%
Other income and expenses	206	(2,580)	-
Operating profit/(loss)	**1,463**	**(3,801)**	**-**
EBITDA	**3,071**	**(2,274)**	**-**
Interest expense on lease liabilities	(28)	(41)	(32.8%)
Gross margin	*49.8%*	*15.7%*	34.1pp
*Sales (PLNm) **	*95.3*	*72.7*	*22.6*
Number of users (in thousands)	*497.7*	*481.1*	*16.6*

** Based on invoices, bills and notes from two cafeteria platforms: MultiKafeteria and MyBenefit.*

As at the end of the first half of 2021, the MyBenefit and MultiKafeteria e-platforms had almost 498 thousand users, up 16.6 thousand year on year. MyBenefit's customer base grew by 49 from the beginning of 2021 and by 81 year on year.

In the first half of 2021, the increase in the number of users translated into higher sales in the cafeteria platforms by PLN 14.1m year on year. Adaptation of the product offering to the pandemic conditions also helped to boost sales. The loss of turnover in the categories adversely affected by COVID-19 (sport cards, cinema) was offset by higher sales in the store category (PLN 115.7m in the first half of 2021 and PLN 79.2m in the first half of 2020).

The increase in administrative expenses in 2021 was attributable to higher personnel costs and a change in the allocation of costs within the organisation. The year-on-year increase in personnel costs was attributable to the establishment of a new department responsible mainly for planning and implementing new growth directions and enhancing the product mix. The change in allocation relates to the recognition of the costs of back-office departments, such as administration, HR or IT, which until 2020 had been allocated to the costs of departments to which an internal service was provided and, as a result, were presented according to the character of the department in the cost of sales, selling expenses or administrative expenses. Since 2021, these costs have been fully charged to administrative expenses.

The decrease in cost of sales relative to the first half of 2020 was mainly attributable to lower costs of maintaining the cafeteria system and a change in cost allocation.

Selling expenses fell mainly as a result of organisational changes and the resultant decrease in personnel costs and change in cost allocation.

The PLN 0.4m increase in depreciation and amortisation is attributable to capitalisation of expenditure related to the investment programme focusing on the development and upgrade of the cafeteria system and aimed at offering more attractive IT solutions to users.

In the first half of 2021, the Cafeterias segment recognised over PLN 0.9m in depreciation of right-of-use assets and PLN 59 thousand in interest expense on lease liabilities.

3.2.4. OTHER ACTIVITIES AND CORPORATE

The Corporate segment primarily includes eliminations of inter-segment transactions, with the most significant item being settlements for the provision of cafeteria platforms as sales channels for sport cards. Other income and expenses are related to support functions and other activities not allocated to the operating segments, including sublease of space, marketing activities and costs of the Incentive Scheme. In 2020, elimination of the Group trademark amortisation expense was presented in the Corporate segment. As of 2021, the elimination is transferred to the Poland segment, where the cost is charged. As a result, starting from 2021 the Group trademark amortisation has no effect on the profit or loss of any of the operating segments.

Other Activities and Corporate for the six months ended June 30th 2021 and the six months ended June 30th 2020

PLN '000	Six months ended June 30th 2021	Six months ended June 30th 2020	Change
Revenue	**(2,287)**	**(3,804)**	**(39.9%)**
Cost of sales	3,150	7,172	(56.1%)
Gross profit/(loss)	**863**	**3,368**	**(74.4%)**
Selling expenses	606	0	-
Administrative expenses	739	(726)	-
including the Incentive Scheme	*0*	*(924)*	-
Other income and expenses	47	81	(42.1%)
Operating profit/(loss)	**2,255**	**2,723**	**(17.2%)**
EBITDA	**1,617**	**(1,059)**	**-**
Interest expense on lease liabilities	30	132	(77.3%)
Gross margin	*(37.7%)*	*(88.5%)*	50.8pp

Other Activities and Corporate for the second quarter of 2021 and the second quarter of 2020:

PLN '000	Second quarter of 2021	Second quarter of 2020	Change
Revenue	**(1,360)**	**(1,009)**	**34.8%**
Cost of sales	1,727	2,538	(31.9%)
Gross profit/(loss)	**367**	**1,529**	**(76.0%)**
Selling expenses	527	14	3,664.3%
Administrative expenses	487	107	355.1%
Other income and expenses	72	23	213.0%
Operating profit/(loss)	**1,453**	**1,673**	**(13.2%)**
EBITDA	**1,108**	**(504)**	**-**
Interest expense on lease liabilities	16	42	(61.9%)
Gross margin	*(27.0%)*	*(151.5%)*	124.5pp

3.3. OTHER FINANCIAL DATA

Finance income and costs of the Benefit Systems Group

PLN '000	Six months ended June 30th 2021	Six months ended June 30th 2020	Change
Finance income, including:	**15,179**	**4,038**	**275.9%**
Interest income on loans	735	1,231	(40.3%)
Remeasurement of liabilities arising from acquisition of shares	1,802	427	322.0%
Foreign exchange gains	12,254	0	-
Finance costs, including:	**(11,019)**	**(43,036)**	**(74.4%)**
Foreign exchange losses	0	(26,680)	-
Credit and bond costs	(3,263)	(3,000)	8.8%
Interest expense on lease liabilities	(5,957)	(7,496)	(20.5%)

In the reporting period, finance income was significantly affected by the recognition of foreign exchange differences of PLN 12.3m, related mainly to lease liabilities, and remeasurement of contingent payment liabilities of PLN 1.8m. Finance costs include mainly costs of borrowings and bonds (PLN 3.3m) and interest on lease liabilities (PLN 6.0m). In the comparative period, finance costs also included significant exchange differences on translating lease contracts settled in foreign currencies due to a significant increase in the EUR/PLN exchange rate (PLN 31.7m).

Consolidated statement of financial position of the Benefit Systems Group

PLN '000	As at June 30th 2021	As at December 31st 2020	Change	As at June 30th 2020
Non-current assets	1,575,708	1,620,773	*(2.8%)*	1,719,274
share of total equity and liabilities	*82.5%*	*79.3%*	3.2pp	*85.40%*
Current assets	334,608	423,530	*(21.0%)*	293,008
share of total equity and liabilities	*17.5%*	*20.7%*	(3.2pp)	*14.60%*
Total assets	1,910,316	2,044,303	*(6.6%)*	2,012,282
Equity attributable to owners of the parent	486,437	524,527	*(7.3%)*	574,194
share of total equity and liabilities	*25.5%*	*25.7%*	(0.2pp)	*28.50%*
non-controlling interests	(2,346)	(1,527)	*53.6%*	1,367
share of total equity and liabilities	*(0.1%)*	*(0.1%)*	(0.0pp)	*0.10%*
Non-current liabilities and provisions	823,555	969,436	*(15.0%)*	949,565
share of total equity and liabilities	*43.1%*	*47.4%*	(4.3pp)	*47.20%*
Current liabilities and provisions	602,670	551,867	*9.2%*	487,156
share of total equity and liabilities	*31.5%*	*27.0%*	4.5pp	*24.20%*
Total equity and liabilities	1,910,316	2,044,303	*(6.6%)*	2,012,282

Non-current assets

As at the end of the first half of 2021, the Group's non-current assets were PLN 1,575.7m, down by PLN 45.1m on December 31st 2020. The amount of right-of-use assets decreased significantly (PLN 44.8m), primarily due to the depreciation of assets under rental contracts (PLN 64m). Capital expenditure on property, plant and equipment incurred in the first half of 2021 was mainly related to investments in existing fitness clubs. As at June 30th 2021, the carrying amount of intangible assets was PLN 13.1m higher than as at December 31st 2020. The increase results mainly from expenditure on development, integration and optimisation of business and sales systems and online platforms for customers, as well as the development of ERP. Furthermore, in the first half of 2021 the Group recognised goodwill of PLN 6.4m in connection with the acquisition of YesIndeed Sp. z o.o., as well as a PLN 4.2m increase in deferred tax assets and a PLN 1.2m decrease in loans.

Current assets

Current assets fell by PLN 88.9m on the end of 2020 mainly as a result of a PLN 68.6m decline in trade and other receivables, attributable chiefly to the seasonality of the Cafeterias business, which always peaks towards the end of the year, driving a material increase in receivables.

Non-current and current liabilities and provisions

Compared with December 31st 2020, the Group's total liabilities fell by PLN 95.1m. The change was mainly attributable to lower liabilities under borrowings and other debt instruments (down by PLN 26.3m), leases (down by PLN 49.8m), current income tax (down by PLN 10.1m) and other financial liabilities (down by PLN 11.8m). The decrease in the last item was attributable, among others, to the exercise of a call option over shares in MultiSport Benefit S.R.O. (PLN 5.4m), payment of part of the liability related to the purchase of shares in Fit Fabric Sp. z o.o. (PLN 5.1m), valuation of contingent consideration relating to the purchase of shares in Fabryka Formy S.A. and to Calypso Fitness S.A. in a total amount of (PLN 1.9m), and was partly offset by an increase as result of the execution of an agreement to purchase shares in YesIndeed Sp. z o.o. (PLN 2.7m).

Consolidated statement of cash flows of the Benefit Systems Group

PLN '000	Six months ended June 30th 2021	Six months ended June 30th 2020	Change
Net cash flows from operating activities	88,067	141,084	(37.6%)
Net cash flows from investing activities	(31,717)	(14,970)	111.9%
Net cash flows from financing activities	(81,744)	(67,014)	22.0%
Total net cash flows	(25,394)	59,100	-
Cash and cash equivalents at end of period	**198,386**	**131,150**	**51.3%**
Net cash/(net debt)*	(36,859)	(54,151)	(31.9%)

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

As at June 30th 2021, the Benefit Systems Group held cash of PLN 198.4m, mainly in the accounts of the parent Benefit Systems S.A.

Operating activities

In the six months ended June 30th 2021, cash from operating activities was positive and amounted to PLN 88.1m, that is PLN 53.0m less year on year. The change was due to higher income tax paid (by PLN 11.2m) and lower cash flows from operations (by PLN 41.8m). The reasons behind the lower cash flows from operations include mainly the closure of the fitness industry for a major part of the first half of 2021 in all markets where the Group operates, including five months in Poland.

Investing activities

In the reporting period, net cash flows from investing activities were negative and amounted to (PLN 31.7m). Expenditure on intangible assets rose by PLN 6.8m relative to the first half of 2020, while expenditure on property, plant and equipment decreased by PLN 7.5m. The first half of 2021 saw payment of the first tranche for the shares in YesIndeed Sp. z o.o. (PLN 8m) and payment of a part of the liability related to the purchase of shares in Fit Fabric Sp. z o.o. (PLN 5.1m), while in the corresponding period of 2020 no expenditure to acquire subsidiaries was incurred. The value of repayments under loans granted was significantly lower as in the reporting period loans were settled primarily through set-off.

Financing activities

In the six months ended June 30th 2021, cash flows from financing activities were negative and amounted PLN 81.7m. The main categories of expenditure included in this category are payments of lease liabilities (PLN 40.1m), repayment of borrowings (PLN 26.9m) and interest (PLN 4.2m). The amount of payments under the above items was PLN 20.6m higher than in the first half of 2020. In addition, the Group incurred expenses related to the exercise of the call option over shares in MultiSport Benefit S.R.O. (PLN 5.4m) and another tranche of payments for shares in Fit Fabric Sp. z o.o. (PLN 5.1m). In the reporting period, the Group did not incur any new liabilities.

3.4. SELECTED FINANCIAL RATIOS

Financial ratios of the Benefit Systems Group*

Profitability ratios	**Six months ended June 30th 2021**	**Six months ended June 30th 2020**	**Change**
Gross margin	5.7%	21.1%	(15.4pp)
EBITDA margin	19.3%	21.1%	(1.8pp)
EBIT margin	(17.2%)	1.7%	(18.9pp)
Pre-tax margin	(13.7%)	(5.4%)	(8.3pp)
Net margin	(12.3%)	(6.7%)	(5.6pp)
Return on equity (ROE)	(8.1%)	(6.5%)	(1.6pp)
Return on assets (ROA)	(2.0%)	(1.9%)	(0.1pp)

Liquidity ratios	**Six months ended June 30th 2021**	**Six months ended June 30th 2020**	**Change**
Current ratio	0.56	0.60	(7.7%)

** 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 + extraordinary gains),*
- *net margin: net profit / (operating income + finance income + extraordinary gains),*
- *return on equity (ROE): net profit / equity (end of period),*
- *return on assets (ROA): net profit / total assets (end of period),*
- *current ratio: current assets / current liabilities.*

4. ADDITIONAL INFORMATION

4.1. SIGNIFICANT EVENTS AT THE GROUP DURING THE REPORTING PERIOD

Impact of the COVID-19 pandemic on the Group's business

In the six months ended June 30th 2021, the Group's business was affected by the coronavirus pandemic, and in particular by the temporary government restrictions imposed in the Group's home markets on the operation of sports facilities. The Group's customers and card users used the option to suspend sport cards, and the Group did not charge membership fees. Since January 18th 2021, the parent has earned revenue from sales of services relating to active sport cards.
The management of the Group and its subsidiaries took a number of measures to secure and support revenue streams and reduce operating costs. Managing the Group's liquidity is of the highest priority, and the steps taken by the Group include securing access to various sources of financing, monitoring of debt repayments on an ongoing basis, reducing capital expenditure, using public aid instruments, and, where justified, extending payment deadlines and maintaining safe levels of the net debt and liquidity ratios. As at the end of June 2021, the number of active sport cards was 548.1 thousand (up +15.3% on the end of 2020) in the Poland segment, while in the foreign markets the number of sport cards which were active in June 2021 was 249.9 thousand (down 1.5% vs. the end of 2020).
The sports facilities in all markets where the Group operates have been gradually resuming operations since February 2021. Poland was the last market where sports facilities resumed operations (on May 28th 2021).
In the opinion of the Group, the COVID-19 pandemic has not significantly affected the long-term prospects of the market's potential and the factors supporting the sale of sport cards.
The Group is expanding its offering of online products, such as sports, recreational and health exercises online, the training platform and Yes2Move online shop, the new MultiLife card. Additional services (such as advice, diets, urban bicycles, special holiday offers) are being developed and work is continuing on the expansion of the partnership network, which is of strategic importance to the Group. In addition, optimisation measures were taken with a focus on: (i) new customer retention processes and sales of services, implementation of subscription contracts better suited to consumer preferences, (ii) implementation of a new management structure and centralisation of functions across all networks (procurement, administration, back office), and (iii) implementation of restructuring plans at sports clubs with the least potential.

Execution of an annex to the agreement with BNP Paribas

On February 19th 2021, the parent signed an annex to the multi-purpose credit facility agreement with BNP Paribas Bank Polska S.A., extending the facility availability period until February 19th 2023. The facility limit was set at PLN 30m and as at the date of this report its full amount was available for drawdown.

Execution of an agreement with the minority shareholders of Fit Fabric Sp. z o.o.

On May 18th 2021, the parent signed an agreement with the minority shareholders of Fit Fabric Sp. z o.o., whereby it acquired 47.5% of the company's share capital, increasing its equity interest to 100%.

Decision on amendments to the Articles of Association of the parent

On May 19th 2021, the Management Board of the parent was notified that on May 7th 2021 the District Court for the Capital City of Warsaw issued a decision to dismiss the parent's application for the registration of amendments to its Articles of Association in connection with a reduction of the share capital of the parent through the cancellation of treasury shares, based on resolutions passed by the Annual General Meeting on June 10th 2020.
In addition, on May 19th 2021 the Management Board of the parent was notified that on May 7th 2021 the District Court for the Capital City of Warsaw issued a decision to register amendments to the parent’s Articles of Association adopted by its Extraordinary General Meeting on February 3rd 2021, concerning a change to the conditional share capital of the parent for the purpose of granting the right to acquire shares to the holders of subscription warrants under the 2021–2025 Incentive Scheme.

Changes on the Management Board of the parent

On May 19th 2021, the Supervisory Board of the parent removed, with effect from the end of May 19th 2021, all existing members of the Management Board and appointed, with effect from May 20th 2021, the following persons to serve as members of the parent's Management Board for another four-year joint term of office:

1. Emilia Rogalewicz,
2. Bartosz Józefiak,
3. Adam Radzki,
4. Wojciech Szwarc.

On June 22nd 2021, Adam Radzki resigned as Member of the Management Board of Benefit Systems S.A.

Execution of agreements with Santander Bank Polska

On May 27th 2021, the PLN 45m multi-purpose and multi-currency credit facility agreement of July 18th 2012 between the parent and Santander Bank Polska was terminated. On May 28th 2021, the parent and Santander Bank Polska executed a PLN 22.5m working capital facility agreement. The facility will be available until September 30th 2021 and may be used to finance day-to-day operations. The facility repayment date is May 31st 2023.
On May 28th 2021, an annex to a bank guarantee facility agreement was executed, whereby the facility limit was increased from PLN 60m to PLN 65m.

On May 28th 2021, an annex to the guarantee facility agreement was executed. Pursuant to the annex, the parent was granted an overdraft facility of up to PLN 45m, and the guarantee limit was raised from PLN 5m to PLN 10m, with the proviso that the aggregate amount of drawdowns under the overdraft facility and the guarantee facility based on the agreement may not exceed PLN 50m. The facility repayment date is May 31st 2023.

Extension of deadline for closing of antitrust proceedings

On May 31st 2021, the Management Board of the parent received a decision of the President of the Office of Competition and Consumer Protection ("UOKiK"), whereby the antitrust proceedings are expected to be closed on October 29th 2021.

Acquisition of shares in YesIndeed Sp. z o.o.

On June 17th 2021, a share purchase agreement was signed under which the parent purchased 100% of shares in YesIndeed Sp. z o.o., a company providing staff activation services in the B2B model, described in more detail in Section 1 of this Report.

Appropriation of the parent's net loss for 2020

On June 29th 2021, the parent's Annual General Meeting passed a resolution to cover the net loss of PLN 81.7m for the financial year 2020 from future profits.

4.2. SIGNIFICANT EVENTS AT THE GROUP AFTER THE BALANCE SHEET DATE

Sale (resale) of the parent's treasury shares

On July 8th 2021, as part of block transactions executed on the regulated market operated by the Warsaw Stock Exchange, the parent sold 118,053 treasury shares, representing 4.08% of the parent's share capital and conferring the right to 4.08% of total voting rights at its General Meeting ("Treasury Shares"), with a total value – being the product of the number of Treasury Shares sold and the selling price of PLN 800 per Treasury Share – of PLN 94,442,400 ("Sale of Treasury Shares").
Following the sale of Treasury Shares, the Parent does not hold any of treasury shares.

Notification of exceeding the threshold of 5% of total voting rights at the parent

On July 13th 2021, the parent received a notification from Aviva Powszechne Towarzystwo Emerytalne Aviva Santander S.A. of Warsaw, to the effect that Aviva Otwarty Fundusz Emerytalny Aviva Santander had exceeded the threshold of 5% of total voting rights at the parent following acquisition of the parent's shares on July 8th 2021, following which Aviva Santander's share of the total vote rose from 4.93% to 5.42%.

Execution of annexes to agreements with PKO BP S.A.

On August 11th 2021, the parent signed an annex to the multi-purpose credit facility agreement with PKO Bank Polski S.A., extending the facility availability period until August 21st 2022. The overdraft facility limit is PLN 50m.

On August 11th 2021, the parent signed an annex to the investment credit facility agreement, introducing uniform definitions of ratios in the bank agreements.

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.

On June 22nd 2021, Adam Radzki resigned as Member of the Management Board.

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

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

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

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

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

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

	As at the issue date of H1 2021 report		As at the issue date of Q1 2021 report		
Management Board	**Number of shares**	**Equity interest**	**Number of shares**	**Equity interest**	**Change**
Bartosz Józefiak	0	0.00%	0	0.00%	0
Emilia Rogalewicz	0	0.00%	0	0.00%	0
Wojciech Szwarc	270	0.01%	290	0.01%	(20)
Total	**270**	**0.01%**	**290**	**0.01%**	**(20)**

Benefits of members of the Management Board in the form of Series G, H and I warrants due as at the date of issue of the report for the six months ended June 30th 2021:

Member of the Management Board	Series G, H and I Warrants granted for 2017-2019	Unexercised Series G, H and I warrants
Bartosz Józefiak	500	0
Emilia Rogalewicz	8,000	4,000
Wojciech Szwarc	6,400	2,100
TOTAL	**14,900**	**6,100**

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

	As at the issue date of H1 2021 report		As at the issue date of Q1 2021 report		
Supervisory Board	**Number of shares**	**Equity interest**	**Number of shares**	**Equity interest**	**Change**
James van Bergh*	504,695	17.44%	504,695	17.44%	0
Marcin Marczuk	0	0.00%	0	0.00%	0
Artur Osuchowski	0	0.00%	0	0.00%	0
Michael Rohde Pedersen	0	0.00%	0	0.00%	0
Michael Sanderson	0	0.00%	0	0.00%	0
Total	**504,695**	**17.44%**	**504,695**	**17.44%**	**0**

**Direct interest; additionally, a person closely related to the Chairman of the Supervisory Board (within the meaning of Art. 160.2.1 of the Act on Trading in Financial Instruments) controls Benefit Invest Ltd. as a shareholder with a 93.3% equity interest, and that company holds 300,421 shares in Benefit Systems S.A., representing 10.38% of its share capital and the same percentage of total voting rights (as at the issue date of the Q1 2021 report). In addition, a person closely related to the Chairperson of the Supervisory Board is the Chairman of the Supervisory Board of the Drzewo and Jutro Foundation (former name: Benefit Systems Foundation) and holds 8.28% of Benefit Systems S.A. share capital*

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

4.5. SHAREHOLDING STRUCTURE

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

Shareholding structure:

	As at the issue date of H1 2021 report			As at the issue date of Q1 2021 report			
Shareholder	**Number of shares**	**Ownership interest**	**Voting interest**	**Number of shares**	**Ownership interest**	**Voting interest**	**Change**
James van Bergh*	504,695	17.44%	17.44%	504,695	17.44%	17.44%	-
Benefit Invest Ltd.*	300,421	10.38%	10.38%	300,421	10.38%	10.38%	-
Invesco Ltd.	288,577	9.97%	9.97%	288,577	9.97%	9.97%	-
Fundacja Drzewo i Jutro*	239,628	8.28%	8.28%	239,628	8.28%	8.28%	-
Marek Kamola	237,440	8.20%	8.20%	237,440	8.20%	8.20%	-
MetLife OFE	210,000	7.26%	7.26%	210,000	7.26%	7.26%	-
Nationale-Nederlanden OFE	159,000	5.49%	5.49%	159,000	5.49%	5.49%	-
Aviva OFE Aviva Santander	156,789	5.42%	5.42%	n/a	n/a	n/a	n/a
Other	797,737	27.56%	27.56%	954,526	32.98%	32.98%	(156,789)
including Benefit Systems S.A. (treasury shares)	*0*	0.00%	-	*118,053*	*4.08%*	*not applicable***	(118,053)
TOTAL	**2,894,287**	**100.00%**	**100.00%**	**2,894,287**	**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 2020.

** The parent did not exercise voting rights in respect of treasury shares.

The amount of the parent's share capital is PLN 2,894,287. Number of shares comprising the share capital: 2,894,287: including 2,204,842 Series A shares; 200,000 Series B shares; 150,000 Series C shares; 120,000 Series D shares; 35,445 Series E shares, and 184,000 Series F shares. The shares of all series have a par value of PLN 1.00 per share. The total number of voting rights carried by all outstanding shares is 2,894,287. The equity interests held by individual shareholders in Benefit Systems S.A. are equal to their respective voting interests in the Company.

4.6. DIVIDEND

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

On June 29th 2021, the parent's Annual General Meeting passed a resolution to cover the net loss of PLN 81.7m for the financial year 2020 from future earnings.

4.7. INCENTIVE SCHEME

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

The vesting of the warrants will depend on the satisfaction of certain loyalty and effectiveness criteria set out in the Incentive Scheme Rules, and the operation of the 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 Scheme is achieved for a given financial year.

In the first half of 2021, there were no grounds for recognising the costs of the Incentive Scheme. In the corresponding period in 2020, the total cost of the Scheme charged against Benefit Systems S.A.'s profit or loss was PLN 924 thousand and was related to remeasurement of the second tranche of warrants granted for 2019, with January 9th 2020 as the grant date (the difference between the cost charged in 2019 and the final cost accounted for in 2020).

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

The Company has not released any profit forecasts for 2021.

4.9. SEASONALITY OF THE BUSINESS

The industry in which the Group operates is subject to seasonal variation. Traditionally, in the third quarter of the calendar year, the activity of holders of sport cards and vouchers is lower than in the first, second and fourth quarters of the year, which affects revenue and profitability of sport card business and the operation of fitness clubs. On the other hand, seasonality in the Cafeterias segment is reflected in an increase in turnover in the last month of the year due to, among other things, the Christmas period.

In the first half of 2021, the seasonality patterns observed to date could change as a result of the coronavirus pandemic and the temporary closure of fitness clubs and other sports facilities.

4.10. BORROWINGS, GUARANTEES AND SURETIES OBTAINED BY THE GROUP

Execution of an annex to an agreement with BNP Paribas

On February 19th 2021, the parent signed an annex to the multi-purpose credit facility agreement with BNP Paribas Bank Polska S.A., extending the facility availability period until February 19th 2023. The facility limit was set at PLN 30m and as at the date of this report its full amount was available for drawdown.

Execution of agreements with Santander Bank Polska

On May 27th 2021, the PLN 45m multi-purpose and multi-currency credit facility agreement of July 18th 2012 between the parent and Santander Bank Polska was terminated. On May 28th 2021, the parent and Santander Bank Polska executed a PLN 22.5m working capital facility agreement. The facility will be available until September 30th 2021 and may be used to finance day-to-day operations. The facility repayment date is May 31st 2023.

On May 28th 2021, an annex to a bank guarantee facility agreement was executed, whereby the facility limit was increased from PLN 60m to PLN 65m.

On May 28th 2021, an annex to the guarantee facility agreement was executed. Pursuant to the annex, the parent was granted an overdraft facility of up to PLN 45m, and the guarantee limit was raised from PLN 5m to PLN 10m, with the proviso that the aggregate amount of drawdowns under the overdraft facility and the guarantee facility based on the agreement may not exceed PLN 50m. The facility repayment date is May 31st 2023.

4.11.LOANS, SURETIES AND GUARANTEES GRANTED BY THE GROUP

In the first half of 2021, the Group did not advance any new loans to third parties, except for a EUR 10 thousand loan advanced by Benefit Systems International Sp. z o.o. to Benefit Systems Greece MIKE.

In the first half of 2021, the Group provided surety and guarantees to its associates.

Contingent liabilities

PLN '000	As at the issue date of H1 2021 report	As at the issue date of Q1 2021 report	Change
Sureties and guarantees to associates	9,248	9,431	(183)

In the reporting period, neither Benefit Systems S.A. nor the Group companies provided any sureties for any credit facility or loan or guarantees to a single entity or its subsidiary where the aggregate amount of such instruments would be significant in relation to Benefit Systems S.A.'s equity. A significant amount of equity was determined in accordance with the MAR (Regulation (EU) No 596/2014 of the European

Parliament and of the Council of 16 April 2014 on market abuse), therefore the threshold for recognising an amount as significant is 10% of the parent's equity based on the most recent published full-year consolidated financial statements. The contingent liabilities relate mainly to the guarantees provided for rent payments.

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

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

In the reporting period, the Benefit Systems Group did not enter into any related-party transactions that individually or jointly would be significant or 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 2021.

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

Pursuant to the decision of the President of UOKiK, as announced by the Company in Current Reort No. 51/2020 of December 28th 2020, with respect to the two remaining allegations (allegation of entering in exclusivity arrangements with fitness clubs and allegation of concerted practices to restrict competition in the market for sports and recreation package services), the proceedings should be concluded on

October 29th 2021 (the deadline has been postponed several times). So far, the President of UOKiK has not presented detailed grounds for the allegations.

4.14. SIGNIFICANT RISK FACTORS AND THREATS

Key risks identified by the parent include:

Risk of the Company's and Group's business model, concentration and sales of the flagship product only to companies

The vast majority of the Group's revenue is derived from MultiSport card fees. A decline in demand for this product may have a material effect on the Group's revenue.

Risks related to changes in the economy and an economic downturn in Poland may cause existing and potential customers to spend less on leisure activities and, as a consequence, may adversely affect the number of customers and sales of MultiSport cards. These risks may in particular be exacerbated by the current COVID-19 pandemic. Some customers may decide to suspend or cancel their cards and not use the MultiSport programme for financial and/or safety reasons.

In addition, in determining the prices of the offered products, the Company is guided by its own estimates of the frequency of visits by cardholders (users) to sports clubs. These estimates are based on an analysis of available data on employee activity for different types of organisations and for different product financing models.

The Company's principal costs are costs associated with: (i) payments to partner fitness chains, (ii) day-to-day operations of the Company and its own clubs. Sudden changes in the activity of users (MultiSport card users), may result in underestimation of prices of the Company's main product and inability to quickly adjust them to the level of costs incurred by the Group. Furthermore, no assurance can be given that unit cost of card users' visits to partner venues would not increase, or that costs incurred by the Group to operate its own clubs would not increase. In addition, there is a risk that due to the economic situation of the Group's partner companies and customers, their flexibility to adapt to new business conditions may be limited. This may result in a longer period of adjustment of product prices to the costs incurred.

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 card users may change, including as a result of unforeseen events such as a preference to exercise away from sports facilities (at home or outdoors). The occurrence of the above risk, despite the adaptation of the Group's offer to the new model (e.g. online exercises), 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 development prospects.

Moreover, due to the current pandemic and remote working situation, there is a risk of change in employees' preferences regarding choice of employee benefits. In the rankings of benefits chosen by employees, there is a visibly growing interest in remote working, medical care and benefits that can be used online.

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 (card users). 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 fees and the number of card users, and consequently the Group's revenue and profitability.

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

The Sejm of the Republic of Poland has passed an act on subsidies to interest rates on bank loans granted to ensure financial liquidity of businesses affected by COVID-19 and on changes to some other acts, the so-called Anti-crisis Shield 4.0. Under the legislation, during the pandemic emergency or the state of pandemic declared due to COVID-19, an employer may decide to suspend contributions to or operation of a company social benefit fund if the employer’s turnover declined or there has been a significant increase in the payroll burden.

Risk of competition and new non-payment employee benefits or new products in the area of sports benefits offered to employers

The Group’s business model is based on offering non-payment employee benefits to the Group’s customers. The Group is the leader in sport cards on the Polish market, constantly expanding the range of possible sports and recreational activities offered under the MultiSport programme.

There is a risk that competitors will introduce new innovative sports products offered to employers and/or directly to their employees.

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

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

The COVID-19 pandemic caused by the SARS-CoV-2 virus, spreading across Poland and globally, may have a material impact on the Group’s business and results.

The risk relates to the introduction of restrictions on the operation of fitness clubs and other sports facilities, which have been introduced and may be re-introduced as a result of the spread of the pandemic. The restrictions may lead to a decrease in the Group's revenue both as a result of some customers signing out of sport and as a result of intensification of the Group's promotional activities aimed at retaining existing customers (e.g. discounts, temporary suspension of fees). Furthermore, health and sanitary requirements may lead to an increase in the Group's costs.

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

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

The spread of the COVID-19 outbreak may involve reputational risks and the risk of negative perception (of sports venues in general and the Company's own clubs in particular) by consumers as places where virus transmission may occur. During the summer holiday season, the Company is conducting a marketing campaign in which sanitary safety at clubs is one of the main messages. While the sanitary guidelines at the Company's own clubs are a priority, the Company cannot completely eliminate the risk of infection, nor does it have any influence on the operations of partner clubs or other facilities.

In addition, the effects of the COVID-19 pandemic may also indirectly affect the Group's business. The deteriorating economic situation of employers may adversely affect their budgets for non-pay benefits, as well as the number of employees receiving such benefits. The adverse macroeconomic impact of the pandemic involves the risk that some customers may discontinue using the Group's products, for example, in favour of cheaper products offered by competitors. Deteriorating conditions on the labour market situation, in particular an increase in the number of unemployed, may adversely affect the Group's business. Changes in the attitude of customers (employers) to the way cards are financed, as well as decisions related to the organisation of work (e.g. decisions to extend remote working may involve the risk of customers and user being less inclined to activate cards) may constitute a risk to the development of the Company's business.

The worsening financial situation of end-users (e.g. related to rising unemployment and declining household disposable income) may affect their willingness to co-finance non-pay benefits (sport cards) and buy B2C passes. The deterioration of the macroeconomic situation may have different impacts on the Group's operations in different countries.

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

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

More than 90% of the sports facilities with which the Group cooperates under the MultiSport programme are partner facilities. Possible discontinuation of cooperation with partners who own fitness clubs or sports facilities, especially at prominent locations, could deprive the Group of the required geographical reach to users, which could subsequently lead to an increased number of MultiSport card cancellations.

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

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

Liquidity risk

Liquidity risk is the risk that the Company / Group will not be able to repay its financial obligations as they fall due, due to, among other things, a significant reduction in its financial result and cash generation capacity (including a reduction in result / cash generation capacity resulting from the risk of a prolonged pandemic resulting in a significant reduction in the Group's revenue due to, inter alia, club closures, non-payment of a significant portion of receivables by key customers and loan receivables by Partners). The inability to service debt also includes the inability of the Group companies to repay financial liabilities.

This risk also includes the limitation by external institutions of the Group's ability to further increase funding due to the downgrading of the Group's rating as a result of the deterioration of its financial results.

Currency risks

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

Excessive depreciation of the PLN/EUR exchange rate may result in an increase in the Group's operating expenses. Fluctuations in the rates of exchange of currencies in which the foreign companies earn income and incur expenses may be reflected in the Group's consolidated results.

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

As at June 30th 2021, the Group comprised 22 subsidiaries and four associates, both Polish and foreign. The Group’s size, planned development and increase in future acquisitions will be adding to the complexity of the Group’s operations, affecting its management.

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

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

Risk related to foreign expansion

The Group’s strategy is based, among other things, on its ability to grow in foreign markets, including the Czech Republic, Bulgaria, Croatia and Slovakia. In the first half of 2021, the Foreign Markets segment posted an operating loss.

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 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 development prospects.

Risks related to changes resulting from technological progress

In its operations, the Group uses technological solutions. In particular, in the Cafeterias segment, IT solutions are used to facilitate use of available non-pay benefit options by customers.

Despite regular monitoring by the Group of technological changes in the market, it cannot be ruled out that the technologies on which the Group relies will become unattractive in terms of cost or quality to the Group's customers or their end users. In addition, no assurance can be given that competitors offering more attractive technological solutions will not enter the Group's markets.

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

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

In particular, the Company has established 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.

As part of cybersecurity management, the Group updates network security systems on an ongoing basis and uses solutions tested and recognised on the market.

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

Human resources risk

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

Risks related to human resources include changes in the labour market leading to higher salary expectations and pressures, which may affect the Group's operating expenses.

Risk related to antitrust regulations and proceedings

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 PLN 26,915,218.36 (twenty six million, nine hundred and fifteen thousand, two hundred and eighteen złoty, 36/100) on the Company (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 PLN 1,748.74 (one million, seven hundred and forty eight thousand, 74/100) on its subsidiary (Yes To Move sp. z o.o., formerly Fitness Academy sp. z o.o.).

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

Additionally, on May 31st 2021 the Company received a decision of the President of UOKiK which extended until October 29th 2021 the expected date of completion of the antitrust proceedings (in connection with the Decision: with respect to two other allegations).

Regulatory risks are properly managed and monitored and the Benefit Systems Group attaches great importance to the way it treats all trading partners, in particular customers, holders of sports and recreational cards 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 Company'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 Company's operations, especially its fitness operations, 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 Company 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 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 legal provisions 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 development prospects.

At present, due to the pandemic, an additional source of uncertainty is the regulations regarding the operation of operating swimming pools and fitness clubs.

Regulatory risk of the Company as an issuer of financial instruments listed on the WSE/ATS

Regulatory risk includes primarily the possibility of non-compliance with applicable laws, financial reporting standards and supervisory regulations applicable to a company whose shares are listed on the WSE and notes in an ATS and which has the status of a public interest entity.

The risk also includes the possibility of breaching disclosure obligations for issuers of securities traded on the regulated market arising from the Act on Public Offering and secondary legislation issued on its basis, i.e. the obligation to submit periodic reports (including financial statements) to the Polish Financial Supervision Authority, to the company operating the regulated market and to the public.

Furthermore, this risk involves the possibility of breaching by the Company of corporate obligations under the Commercial Companies Code and the Act on Trading in Financial Instruments, and includes the risk of trading in Company shares/notes being suspended and administrative penalties being imposed on the Company.

4.15 CALCULATION OF ADDITIONAL FINANCIAL RATIOS, INCLUDING THOSE RESULTING FROM THE TERMS AND CONDITIONS OF THE BONDS

The Group manages capital to ensure the Group's ability to continue as a going concern and to ensure the expected rate of return for shareholders and other entities with interest in the Group's financial condition.

The Group monitors the level of capital based on the carrying amount of equity. The Group uses this amount to calculate the ratio of equity to total debt as defined in the existing credit facility agreements – also excluding lease liabilities under lease contracts disclosed in the statement of financial position.

In addition, the Group monitors its debt service capacity using the equity to total funding ratio, which is the ratio of equity to the sum of shareholders' equity and borrowings, other debt instruments and lease liabilities, and the ratio of debt (i.e. borrowings and other debt instruments less cash held) to LTM EBITDA, excluding the effect of IFRS 16. The effect of IFRS 16 on EBITDA is calculated as the difference between cost savings on operating leases under IAS 17 (the sum of lease payments spread over the lease term) and the effect of modifications of lease contracts recognised in accordance with IFRS 16 (including gain /(loss) on closing, modification of the contract scope, application of the COVID-19 practical expedient to IFRS 16).

The ratios in the reporting period are presented below.

	June 30th 2021	**December 31st 2020**
Equity	484,091	523,000
Equity	**484,091**	**523,000**
Equity	484,091	523,000
Borrowings, other debt instruments	235,245	261,501
Lease liabilities	881,942	931,698
Total sources of funding	**1,601,278**	**1,716,199**
Equity to total sources of funding	**0.3**	**0.3**
Net profit/(loss) for 12 months	(100,013)	(98,692)
Share of profit/(loss) of equity-accounted entities	1,788	1,768
Net finance income/(costs)	(44,716)	(89,013)
Income tax	(3,470)	8,060
Depreciation and amortisation	206,732	211,223
EBITDA	**146,177**	**207,836**
Theoretical operating lease costs under IAS 17 *	132,762	136,916

Gain/(loss) on closing and changing the contract scope	674	3,848
Effect of IFRS 16	**133,436**	**140,764**
EBITDA, excl. IFRS 16	**12,742**	**67,072**
Borrowings, other debt instruments	235,245	261,501
Cash and cash equivalents at end of period	198,386	223,780
Debt (Net financial liabilities)	**36,859**	**37,721**
Debt to EBITDA	0.25	**0.18**
Debt to EBITDA, excl. IFRS 16	2.89	**0.56**

** The sum of annual lease payments, assuming equal spread over the lease term.*

The terms and conditions of the bonds require the group to maintain at the appropriate level the following ratios:

Leverage Ratio, which is the ratio of adjusted net financial debt to adjusted EBITDA excluding the effect of IFRS 16.

Adjusted net financial debt is calculated as the sum of the carrying amount of non-current and current liabilities under borrowings, debt securities, sureties, recourse factoring, and reverse factoring. The debt includes accumulated unpaid interest. The debt also includes right-of-use liabilities excluding right-of-use liabilities classified as on-balance-sheet liabilities in accordance with International Financial Reporting Standard 16 (IFRS 16), with the proviso that the exemption does not apply to leases classified as on-balance-sheet liabilities in accordance with International Accounting Standards 17 (IAS 17). Financial debt is reduced by unrestricted cash; however, bank term deposits and the cash in the split payment account (i.e. the account designated for the settlement of VAT invoices) are regarded as unrestricted cash.

Adjusted EBITDA excluding the effect of IFRS 16 means operating profit for the last 12 months adjusted (increased) for depreciation and amortisation, excluding the accounting effect of IFRS 16 and further adjusted for the impact of events listed in the table below.

The DSCR ratio is the ratio of the IFRS16 EBITDA (operating profit for the last 12 months, adjusted (increased) for depreciation and amortisation, additionally adjusted for the effects of the events listed in the table below) to the total interest and liabilities accrued in the period.

The Leverage ratio should be not higher than 3.0 (or 3.5 where permitted by the agreement). The DSCR ration should not be lower than 1.05 in the period until June 30th 2021 and in the period from July 1st 2021 to the redemption date – not lower than 1.2.

The calculation of both ratios is presented in the tables below.

Calculation of the Leverage Ratio in accordance with the Terms and Conditions:	July 1st 2020 – June 30th 2021
Net financial debt, including:	**48,340**
Investment credit facilities	136,045
Debt securities	99,136
Lease liabilities*	2,297
Guarantees for liabilities under sureties for the Calypso Group	9,248
Cash	198,386
EBITDA, excl. IFRS 16	**12,741**
EBITDA	146,177
Effect of IFRS 16	133,436
Material non-financial items:	**19,978**
Write-down of intangible assets in the Cafeterias segment	493
Provision for lease receivables from Calypso Fitness Group companies	12,101
Cost of closing fitness clubs	1,989
Other long-term provisions	10,767
Provision for settlement of billed revenue	(5,372)
Adjusted EBITDA, excl. IFRS 16	**32,719**
Leverage Ratio (Net financial debt / Adjusted EBITDA, excl. IFRS 16)	**1.48**

** Lease liabilities classified as on-balance-sheet liabilities in accordance with International Accounting Standard 17 (IAS 17).*

Calculation of the DSCR ratio:	July 1st 2020 – June 30th 2021
Financial debt under IFRS 16 (payment of liabilities and accrued interest in the period)	**147,548**
Repayment of bank borrowings in the period	49,072
Interest on bank-borrowings accrued in the period	3,069
Interest on bonds accrued in the period	1,884
Payment of lease liabilities in the period	94,091
Accrued interest on leases	168
Non-cash effect of termination or remeasurement of rights of use	(736)
EBITDA	**146,177**

Material non-financial items:	**19,242**
Non-cash effect of termination or remeasurement of rights of use	(736)
Write-down of intangible assets in the Cafeterias segment	493
Provision for lease receivables from Calypso Fitness Group companies	12,101
Cost of closing fitness clubs	1,989
Other long-term provisions	10,767
Provision for settlement of billed revenue	(5,372)
IFRS 16 EBITDA under the Terms and Conditions	**165,419**
DSCR under the Terms and Conditions (IFRS 16 EBITDA/IFRS 16 financial debt)	**1.12**

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 its knowledge, the interim condensed consolidated financial statements and the 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 18th 2021	Bartosz Józefiak	Member of the Management Board	
August 18th 2021	Emilia Rogalewicz	Member of the Management Board	
August 18th 2021	Wojciech Szwarc	Member of the Management Board	