

# CONSOLIDATED QUARTERLY REPORT OF THE CAPITAL GROUP OF BENEFIT SYSTEMS

FOR THE PERIOD OF  
9 MONTHS ENDED  
ON 30 SEPTEMBER 2019



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## 1. SELECTED FINANCIAL DATA OF THE CAPITAL GROUP OF BENEFIT SYSTEMS

Table 1: Selected financial data of the Capital Group of Benefit Systems

in ths. PLN	3rd quarter 2019	3rd quarter 2018 Restated*	3 quarters 2019	3 quarters 2018
Revenues	380 196	298 057	1 115 702	880 010
Earnings before interest, taxes, depreciation and amortization (EBITDA)	105 202	49 364	266 787	133 735
<b>of which the impact of IFRS 16</b>	<b>32 280</b>	-	<b>96 093</b>	-
Earnings before interest, taxes, depreciation and amortization (EBITDA) excl. Incentive Programme	105 481	52 445	267 476	142 978
Operating profit (EBIT)	55 901	38 339	125 680	102 931
<b>of which the impact of IFRS 16</b>	<b>3 607</b>	-	<b>8 652</b>	-
Pre-tax profit	38 168	35 495	109 086	97 897
<b>of which the impact of IFRS 16</b>	<b>(2 213)</b>	-	<b>(7 109)</b>	-
Net profit attributable to shareholders of the Parent Company	26 848	27 778	83 009	73 761
Net profit	28 061	28 594	84 530	74 798
Operating cash flow	113 554	30 743	261 578	108 225
Investing cash flow	(35 766)	(22 751)	(109 993)	(191 446)
Financing cash flow	(78 991)	(56 621)	(161 876)	214 166
Total cash flow	(1 203)	(48 629)	(10 291)	130 945
EPS (attributable to shareholders of the Parent Company) (PLN per share)	9.40	9.75	29.04	26.71

\* Data restated due to the presentation correction of the deferred-tax asset and reserve, as well as due to the correction of revenues in the Cafeterias segment (IFRS 15)

in ths. PLN	As at 30 September 2019	As at 31 December 2018
Non-current assets	1 742 207	791 668
<b>of which the impact of IFRS 16</b>	<b>843 574</b>	-
Current assets	251 617	296 997
Total assets	1 993 824	1 088 665
<b>of which the impact of IFRS 16</b>	<b>843 574</b>	-
Non-current liabilities	921 666	148 454
<b>of which the impact of IFRS 16</b>	<b>785 819</b>	-
Current liabilities	491 890	373 242
<b>of which the impact of IFRS 16</b>	<b>132 081</b>	-
Equity	580 268	566 969
Equity attributable to equity holders of the Parent Company	577 356	564 727
Share capital	2 859	2 859
Number of shares	2 858 842	2 858 842
Weighted average diluted number of shares	2 869 016	2 811 396

in ths. PLN	As at 30 September 2019	As at 31 December 2018
Book value of equity attributable to equity holders of the Parent Company per share (PLN per share)	201.95	197.54
Book value of equity attributable to equity holders of the Parent Company per share (diluted, PLN per share)	201.4	200.87

*All data in the report (unless otherwise stated) covers the period January - September, 2019, and the comparative data presents the same period of 2018. All figures are presented in thousands of zloty, unless stated otherwise.*

## 2. DEVELOPMENT OF THE BENEFIT SYSTEMS CAPITAL GROUP AND ITS MARKET ENVIRONMENT

As at the end of 3Q 2019, the number of the MultiSport cards reached the level of 1,336.1 thousand, thus representing growth in the number of cards by 14.1% in Poland and by 54.8% on foreign markets as compared to 3Q 2018. Card users who advantage from the MultiSport Programme amounted to 1 046.5 thousand in Poland and to 289.6 thousand on foreign markets. In the Polish segment, as at the end of September 2019, companies in which the Group is a major shareholder operated 159 fitness facilities. Users increasingly often choose the MultiSport Card due to its highly attractive offer and favorable locations of the partner facilities. The Group also has 15 clubs in the Czech Republic and 8 in Bulgaria. The entities support product development on new markets.

More than 444,3 thousand Users are already registered in the Cafeterias segment, with the Sports category of non-payroll benefits being most preferable among them.

The Benefit Systems Group specializes in providing effective solutions in the area of non-payroll benefits to employees. A unique business model of the Benefit Systems Group consists in the building and maintaining of sustainable relations with Customers (business entities), Partners (sports and recreation facilities, fitness clubs, restaurants, catering facilities etc.) and Users (the MultiSport cardholders and Cafeteria users).

The prestigious title of B-Corp (which is awarded by American non-governmental organization: B Lab) only confirmed the responsible approach that the Group takes to the sustainable development in the said areas. Benefit Systems S.A. is the Central and Eastern Europe's first and, at the current time, Poland's only business entity with Polish background in the international community of the B-Corp enterprises which, in addition to generating profits, also contribute to solving social problems and act for the benefit of all the stakeholders.

The MultiSport Programme, which has been successfully developed both in Poland and on foreign markets, is the flagship product of the Group, which is in particular confirmed by constantly growing number of sports cards.

The development of the Benefit Systems Group is primarily attributable to efforts at maintaining an attractive product in Poland and product development abroad, which also includes continued development of the sports and recreation infrastructure for the benefit of sports cards Users, in particular, by investing into fitness clubs.

Since 2019 the Benefit Systems Group operates in three (3) segments:

- **Poland** – the segment is responsible for the sales of sports cards and for the building of its own infrastructure by way of management and investments into fitness clubs on the Polish market. Sports cards allow access to a broad range of over 4400 sports and recreation facilities, a part of which belongs to the subsidiaries of the Group.

As of the end of the 3<sup>rd</sup> quarter of 2019, the number of sports cards in Poland reached the level of 1 046.5, which represents growth in the number of cards by 14.1% as compared to the 3<sup>rd</sup> quarter of 2018. As at the end of the analyzed period, companies in which the Group was a major shareholder operated 159 facilities across Poland.

Attractiveness of their offer and their locations constitute the most important argument for Users and Customers, who decide to choose MultiSport cards (Kantar TNS Report, 2018), which enables the Group to maintain a stable growth in the number of cards.

• **Foreign** - the segment is responsible for the sale of sports cards and for the building of its own infrastructure by way of managing and investing into fitness clubs on foreign markets.

As of the end of the 3<sup>rd</sup> quarter of 2019, the number of sports cards offered by the Benefit Systems Group abroad reached the level of 289.6, which represents growth in the number of cards by 54.8% as compared to the 3<sup>rd</sup> quarter of 2018. The Group holds shares in the local companies which own 23 fitness clubs in aggregate.

Year on year, the Group has been expanding its business to cover subsequent countries and thus MultiSport cards are already present in the Czech Republic, Slovakia, Bulgaria, Croatia, and also in Greece. Analogously to the Polish market, the foreign investments into fitness infrastructure also support the development of the Group's flagship product.

• **Cafeterias** - a modern channel for distribution of non-payroll benefits representing not only sports, but also cultural, touristic and other types of activities.

In the 3<sup>rd</sup> quarter of 2019, more than 444.3 thousand Users have been already registered in the Cafeterias segment, with the Sports category being most popular among them.

### **Market environment**

The attractiveness of the most important product of the Benefit Systems Group, i.e. sports cards, favorable trends on the labor market and the popularity of active and healthy lifestyle surging in Europe as well as dynamic development of the sports industry, all show that the Benefit Systems Group has a potential to continue its growth both in Poland and on the foreign markets in the years to come.

### **Key Information**

- The value of the Polish market for non-payroll benefits in Poland: approx. PLN 12 billion (growth by nearly 8% y-o-y)
- Average sum earmarked on non-payroll benefits per employee: PLN 1,995.00 (more than in 2017 by PLN 80.00)
- Growth in the number of employees on the Polish market: a movement by one million people since 2014.
- Unemployment rate in Poland: 5.2% (865.5 thousand unemployed; August 2019)
- Number of those physically active in Poland: 21 million (64%; source: MultiSport Index 2019)
- The percentage of those who developed excessive body mass has grown in Poland: 40% of those aged 25 - 29, and 55% of those aged 35 - 39 (Narodowe Centrum Badania Kondycji Fizycznej AWF in Warsaw, 2018)
- The number of employees who see sports as an important part of disease prevention has grown to 28% (ICAN Research&Diagnostic, 2018)
- Nearly one half of employees receive passes to gyms and fitness clubs: 49.4% (Sedlak&Sedlak, Świadczenia dodatkowe w oczach pracowników w 2019 roku)

A couple of years ago, leading of a healthy and active lifestyle was only in fashion, but now it has become a regular tendency. A growing awareness of healthy lifestyle among the society has also positively contributed to the situation of employees. Survey by ICAN Research & Diagnostic: "Employee Health 2018," shows that employees are highly aware of how important caring for their own health is. Most of them actively engage into health prevention by exercising outdoors, maintaining healthy diet and undergoing periodic medical check-ups. Currently, as many as 28% of them consider sports as an important component of health prevention strategy.

Additionally, every third employee wishes their employer to start supporting or reinforcing activities attributable to the physical activity of their staff. As many as two in five employees are only considering working for those who see employee health and wellbeing as a priority. Interestingly, already in 2017, as many as 80% of companies declared that they intended to expand the offer of the benefits supporting physical activity of their employees in the following three years (Poland Benefits Trends Survey, Willis Towers Watson), since they could see a growing demand for non-payroll benefits of this kind on the part of their employees. In accordance with a survey on the budgets for non-payroll benefits carried out by ARC Rynek i Opinia to the order of Benefit Systems S.A., every third company augmented their funds for incentives in 2018. This means that the market for employee payroll benefits may continue its growth also in its part related to employee health care. The above is also important given change in Poles' attitude: in 2019, the level of physical activity of Poles (which means physical effort undertaken at least once a month, including recreation activities such as biking for transport or for ride) grew by 2 percentage points up to 64% (representing nearly 21 million people aged 15+; source: MultiSport Index 2019). Physical activity is one of the key components of health prevention, and should be fostered by employers. As many as seven in ten professionally active Poles spend approx. two thousand hours sitting annually, which means nearly twelve weeks of staying in an unhealthy posture (source: surveys by Nowa Era Motywacji, Hays Poland, Mind & Sould Business). Reduction of immobility in daily life contributes to reduction of the risk of diabetes, heart diseases and obesity. The number of those with increased BMI is still growing; surveys show that as many as 25% of those living in Poland are overweight or obese. In accordance with the surveys carried out by WHO, more than 2.5 million people die due to overweightness and obesity-related diseases (which is largely contributed to by the sitting lifestyle) every year.

On the other hand, report prepared by the Institute for Structural Research (IBS) to the order of Polish Ministry of Sports and Tourism (2017) shows that if every second out of those living in Poland who are not physically active started to exercise, the number of those overweight would drop by 190 thousand and of those obese by 634 thousand, and the costs of employee absenteeism would be reduced by PLN 3 billion.

### 3. MATERIAL INFORMATION ON THE BENEFIT SYSTEMS CAPITAL GROUP

#### 3.1. GENERAL INFORMATION ON THE GROUP AND MEMBER COMPANIES OF THE GROUP

The Benefit Systems Group is comprised of Benefit Systems S.A., the Parent Company, which is responsible for the sale of sports cards in Poland, and entities operating on the market for non-payroll employee benefits and on the sports market. Currently, the customers of the Benefit Systems Group in the sports cards area include over 25.6 thousand business entities and institutions.

Since April 2011, Benefit Systems S.A. has been quoted in the main list of the Warsaw Stock Exchange (WSE). The flagship product of the Benefit Systems Group: MultiSport Programme provides access to over 4,400 best and most popular sports facilities in approx. 650 locations all over Poland. The offer of the Group also includes other sports cards, like e.g. FitProfit, described in detail in the later part of the report. As at the end of 3Q 2019, over 1046.5 thousand users in Poland and 289.6 thousand users abroad in aggregate have used the sports products alone that are offered by the Benefit Systems Group. The Multisport Programme is one of the most popular non-payroll benefits in Poland, which allows leading an active, and therefore healthy, lifestyle.

With a view to support the dynamic development of the flagship product, the Benefit Systems Group has been investing into the fitness market thus providing an appropriate infrastructure for the holders of the MultiSport

cards. In accordance with a survey carried out by the Benefit Systems Group, one half (50%) of the cards issued by the Group goes to rookie users. This means that fitness clubs and other sports facilities get several thousand new customers annually. Thanks to investing into companies operating fitness clubs, the Benefit Systems Group can guarantee the sports cards users well outfitted with state-of-the-art equipment sports clubs offering a wide range of professional services. A high level of integration between sports cards and the fitness operations in the Group has also translated into its structure; December, 2018, saw a formal incorporation of a branch of Benefit Systems S.A. as a target to ultimately hold all the fitness clubs and concentrate all of the fitness operations. The concept of the MultiSport Programme supported by investments into the fitness sector is also exploited in the foreign business development. The Benefit Systems Group is already present on the Czech (since 2011), and also on the Slovakian and Bulgarian (since 2015) markets, as well as in Croatia and Greece (since 2018). The aggregate business development potential in the said countries (mainly in the capital cities) may even surmount the capacity of the Polish market.

The Benefit Systems Group also offers cafeteria-type platforms: MyBenefit and MultiKafeteria, which offer employees non-payroll benefits of their choice from a list pre-approved by the employer; from the point of view of the Group, the platforms are primarily distribution channels for the main product, i.e. sports cards. The cafeteria systems offer the Group's own products, such as cultural-entertainment programme: MultiBilet, which allows for seeing films of choice at one of several hundred cinemas across Poland; MultiTeatr, providing tickets to the most popular theatre spectacles; and BenefitLunch, offering catering for employees.

## LIST OF SUBSIDIARIES AND AFFILIATES

### COMPANIES OF THE POLISH SEGMENT

**Benefit Systems S.A.** is responsible for sale of the MultiSport cards. Since 2011, Benefit Systems S.A. has been quoted in the main list of the Warsaw Stock Exchange (WSE).

Benefit Systems S.A. established its branch as a result of merging Fit Invest Sp. z o.o. into Benefit Systems S.A. and spinning it off into newly established Fitness Branch. The Branch is an entity that manages the Group's investments into the fitness clubs operating on the Polish market. Together with the spun off branch, Benefit Systems S.A. holds shares in Fabryka Formy S.A., Fitness Academy BIS Sp. z o.o., Zdrofit Sp. z o.o., Fitness Place Sp. z o.o., FitFabric Sp. z o.o. and oraz Fitness Academy Sp. z o.o.

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

**VanityStyle Sp. z o.o.** specialises in the offering of sports and recreation solutions. The company provides FitProfit and FitSport cards to big and medium enterprises; FitProfit and FitSport are similar to the products of Benefit Systems S.A., meant to be less expensive, they have less business Partners and offer smaller range of services. Furthermore, in its offer the company also has products named: Bilet CinemaProfit and Qltura Profit.

**Fitness Academy BIS Sp. z o.o.** runs twenty-one (21) fitness clubs in Wrocław, Katowice, Kraków and Legnica. On 30 July 2019, Fitness Academy BIS Sp. z o.o. merged AM Classic Sp. z o.o. and Jupiter Sport Sp. z o.o.

**Fabryka Formy S.A.** operates twenty-eight (28) fitness clubs, located in 16 cities, mainly in the western part of Poland. During the first 6 months of 2019, Fabryka Formy S.A. merged by takeover Fitness za Rogiem Sp. z o.o.

**Fitness Place Sp. z o.o.** operates seventeen (17) fitness clubs under the brand name of My Fitness Place, which are predominantly located in the Małopolskie voivodship.

**FitFabric Sp. z o.o.** operates fourteen (14) fitness clubs, which are predominantly located in the Łódź voivodship. The Company has been consolidated using the full method since 31 October, 2018.

**Zdrofit Sp. z o.o.** runs seventy-eight (78) fitness clubs, fifty-nine (59) of which are situated in the Warsaw agglomeration, and the other ones are mainly located in the Pomorskie and Zachodniopomorskie voivodships and is the owner of Aquapark Wesolandia - a recreation complex that is situated in the Wesola borough of Warsaw and comprises a set of pools, a fitness club and a tennis court.

In the first six months of 2019, Zdrofit Sp. z o.o. merged by takeover Wesolandia Sp. z o.o., M Group Sp. z o.o., Fitness Management Sp. z o.o., NewCo2 Sp. z o.o. Masovian Sports Center Sp. z o.o., and NewCo3 Sp. z o.o.

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

#### COMPANIES OF THE FOREIGN SEGEMENT

**Benefit Systems International Sp. z o.o.** is a vehicle through which the Benefit Systems Group conducts the foreign activity. Benefit Systems International Sp. z o. o. is 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), Benefit Systems D.O.O. (Croatia) and Benefit Systems Greece MIKE (Greece), which are responsible for sale of sports cards in the countries of their domicile.

**Form Factory S.R.O.** (formerly as **Fitness Place S.R.O.**) and **Fit Invest Bulgaria EOOD** are responsible for investments into fitness clubs abroad.

**Beck Box Club Praha S.R.O.** is responsible for the management of six (6) fitness clubs in Prague, the Czech Republic.

**Form Factory S.R.O.** is responsible for the mangement of nine (9) fitness clubs in Prague and Ostrava, the Czech Republic.

**Fit Invest Bulgaria EOOD** is responsible for the management of nine (9) fitness clubs in Sofia, Bulgaria.

**Fit Invest International Sp. z o.o.** is entity that manages Benefit Systems Group investments in the foreign segment.

**Fit Invest Slovakia S.R.O.** was incorporated on 4 June 2019. The company's objectives include the building and managing of fitness clubs in Slovakia. The company was included in the consolidation of the results of the Group in the report for 3 quarters 2019.

#### COMPANIES OF THE CAFETERIAS SEGMENT

**MyBenefit Sp. z o.o.** deals in development and sale (through a special cafeteria platform) of products that business entities may use as incentives and bonuses for employees. Currently, the company's portfolio includes a tailor-made cafeteria system that offers in particular: chain store gift cards, a cinema and/or cultural programmes, touristic vouchers and a system for the subsidizing of leisure activities.

Activity conducted by **MultiBenefit Sp. z o.o.** in the scope of non-payroll benefits includes the MultiKafeteria platform as well as the MultiBilet, MultiTeatr, MultiMuzeum and BenefitLunch programmes.

#### OTHER COMPANIES

The business objective of **Benefit IP Spółka z ograniczoną odpowiedzialnością sp.k.** consists in the management of the marketing activities of the Benefit Systems Group within the framework of a centralized model and in the management (i.e. granting licenses to use trademarks) of all trademarks and industrial property rights belonging to the member companies of the Benefit Systems Group. Benefit IP Sp. z o.o. is the general partner and minority shareholder in the latter company.

The total number of votes held by the Benefit Systems Group in its subsidiaries equals the Group's equity interest in those companies.

Table 2: List of subsidiaries

Operating segment	Name of the subsidiary	Registered office of the subsidiary	Group's share in equity	
			30.09.2019	30.09.2018
SEGMENT POLAND	VanityStyle Sp. z o.o.	ul. Jasna 24 00-054 Warszawa, Polska	100.00%	100.00%
	FitSport Polska Sp. z o.o.	Plac Europejski 2 00-844 Warszawa, Polska	100.00%	100.00%
	Benefit IP Sp. z o.o.	Plac Europejski 2 00-844 Warszawa, Polska	100.00%	100.00%
	Benefit IP Spółka z ograniczoną odpowiedzialnością sp. k.	Plac Europejski 2 00-844 Warszawa, Polska	100.00%	100.00%
	Fit Invest Sp. z o.o. <sup>1)</sup>	Plac Europejski 3 00-844 Warszawa, Polska	0.00%	100.00%
	Fitness Academy Sp. z o.o.	Plac Europejski 2 00-844 Warsaw, Poland	100.00%	100.00%
	Fitness Academy BIS Sp. z o.o. <sup>2)</sup>	ul. Powstańców Śląskich 95 53-332 Wrocław, Poland	100.00%	100.00%
	AM Classic Sp. z o.o. <sup>3)</sup>	Plac Dominikański 3 53-209 Wrocław, Poland	0.00%	100.00%
	Jupiter Sport Sp. z o.o. <sup>3)</sup>	ul. Żegiestowska 11 50-542 Wrocław, Poland	0.00%	100.00%
	Fabryka Formy S.A. <sup>4)</sup>	ul. Rolna 16 Dąbrowa 62-070 Dopiewo, Poland	100.00%	100.00%
	Fitness za Rogiem Sp. z o.o. <sup>4)</sup>	ul. Rolna 16 Dąbrowa 62-070 Dopiewo, Poland	0.00%	100.00%
	Fitness Place Sp. z o.o.	Plac Europejski 3 00-844 Warsaw, Poland	100.00%	100.00%
	Zdrofit Sp. z o.o. <sup>5)</sup>	ul. Mangalia 4 02-758 Warsaw, Poland	100.00%	100.00%
	Wesolandia Sp. z o.o. <sup>5)</sup>	ul. Wspólna 4 05-075 Warsaw-Wesoła, Poland	0.00%	100.00%
	Fitness Management Sp. z o.o. <sup>5)</sup>	Plac Europejski 3 00-844 Warsaw, Poland	0.00%	100.00%
Masovian Sports Center Sp. z o.o. <sup>5)</sup>	Plac Europejski 3 00-844 Warsaw, Poland	0.00%	0.00%	

CONSOLIDATED QUARTERLY REPORT OF THE CAPITAL GROUP OF BENEFIT SYSTEMS  
FOR THE PERIOD OF 9 MONTHS ENDED ON 30 SEPTEMBER 2019 (TRANSLATION ONLY)

Operating segment	Name of the subsidiary	Registered office of the subsidiary	Group's share in equity	
			30.09.2019	30.09.2018
	NewCo2 Sp. z o.o. <sup>5)</sup>	Plac Europejski 3 00-844 Warsaw, Poland	0.00%	0.00%
	NewCo3 Sp. z o.o. <sup>5)</sup>	Plac Europejski 3 00-844 Warsaw, Poland	0.00%	0.00%
	M Group Sp. z o.o. <sup>6)</sup>	ul. Reymonta 16 80-290 Gdańsk, Poland	0.00%	100.00%
	Tiger Sp. z o.o. <sup>7)</sup>	Aleja Grunwaldzka 82 80-244 Gdańsk, Polska	0.00%	0.00%
	FitFabric Sp. z o.o. <sup>8)</sup>	ul. 1go Maja 119/121 90-766 Łódź, Poland	52.50%	30.00%
	Benefit Partners Sp. z o.o.	Plac Europejski 2 00-844 Warsaw, Poland	95.00%	47.51%
FOREIGN SEGMENT	Benefit Systems International Sp. z o.o.	ul. Młynarska 8/12 01-194 Warszawa, Polska	100.00%	100.00%
	MultiSport Benefit S.R.O.	Lomnického 1705/9 140 00 Praha 4, Republika Czeska	78.80%	74.00%
	Benefit Systems Slovakia S.R.O.	Ružová dolina 6 Bratislava - mestská časť Ružinov 821 08, Slovenska	83.00%	83.00%
	Benefit Systems Bulgaria EOOD	11-13, Yunak Str., floor 1 Sofia 1612, Bulgaria	94.50%	100.00%
	Benefit Systems D.O.O.	Zagreb (Grad Zagreb) Heinzelova ulica 44, Chorwacja	95.00%	100.00%
	Benefit Systems Greece MIKE	12 Agias Fotinis Str. Nea Smyrni, 17121, Grecja	100.00%	100.00%
	Fit Invest Slovakia S.R.O. <sup>9)</sup>	Ružová dolina 480/6 Bratislava - mestská časť Ružinov 821 08, Slovenska	100.00%	0.00%
	Fit Invest International Sp. z o.o.	ul. Młynarska 8/12 01-194 Warszawa, Polska	100.00%	100.00%
	Fit Invest Bulgaria EOOD	Atanas Dukov 32, M-Plaza building, 1407 Sofia, Bulgaria	100.00%	100.00%
	Beck Box Club Praha S.R.O.	Vinohradská 2405/190 Vinohrady, 130 00 Praha 3 Republika Czeska	100.00%	100.00%
Form Factory S.R.O. <sup>8)</sup>	Vinohradská 2405/190 Vinohrady, 130 00 Praha 3 Republika Czeska	100.00%	100.00%	
CAFETERIA SEGMENT	MyBenefit Sp. z o.o.	ul. Powstańców Śląskich 28/30, 53-333 Wrocław, Polska	100.00%	100.00%
	MultiBenefit Sp. z o.o.	Plac Europejski 2 00-844 Warszawa, Polska	100.00%	100.00%
OTHER	MW Legal 24 Sp. z o.o. <sup>11)</sup>	Plac Europejski 2 00-844 Warszawa, Polska	100.00%	100.00%

1) On 14 January, 2019, Fit Invest Sp. z o.o. merged with Benefit Systems S.A. and was subsequently spun off into a newly established Fitness Branch.

2) On 14 March, 2019, Fitness Academy Sp. z o.o. SKA was transformed into Fitness Academy BIS Sp. z o.o.

3) On 30 July 2019, Fitness Academy BIS Sp. z o.o. merged AM Classic Sp. z o.o. and Jupiter Sport Sp. z o.o.

4) On 17 January, 2019, Fitness za Rogiem Sp. z o.o. merged with Fabryka Formy S.A.

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- 5) On 1 March, 2019, *Wesolandia Sp. z o.o.*, *Fitness Management Sp. z o.o.*, *Masovian Sports Center Sp. z o.o.*, *NewCo2 Sp. z o.o.*, and *NewCo3 Sp. z o.o.* merged by way of their acquisition by *Zdrofit Sp. z o.o.*  
6) On 10 January, 2019, *M Group sp. z o.o.* merged with *Zdrofit Sp. z o.o.* by way of its acquisition by *Zdrofit Sp. z o.o.*  
7) On 31 July, 2018, *Tiger Sp. z o.o.* was merged with *Zdrofit Sp. z o.o.* by way of takeover by the latter company.  
8) *FitFabric Sp. z o.o.* has been consolidated since 2018 as a fully (100%) controlled entity, net of minority shares, given the fact that the minority shareholders executed contracts obliging them to dispose of the remaining shares.  
9) *Fit Invest Slovakia S.R.O.* was registered on 4 June 2019. The Group holds 100% of company's shares, of which 25% are held by *Benefit Systems International Sp. z o.o.* and 75% are held by *Fit Invest International Sp. z o.o.* The company is included in consolidation starting from 3Q 2019.  
10) *Form Factory S.R.O.* was established on the basis of transformation of *Fitness Place S.R.O.* on 20 December, 2018.  
11) Entity not included in consolidation due to lack of business operations.

Table 3: List of affiliates

Operating segment	Affiliate name	Principal place of business	Group's participation in the equity:	
			30.09.2019	30.09.2018
THE POLISH SEGMENT	Baltic Fitness Center Sp. z o.o.	ul. Puławska 427 02-801 Warszawa, Polska	49.95%	49.95%
	Instytut Rozwoju Fitness Sp. z o.o.	ul. Puławska 427 02-801 Warszawa, Polska	48.10%	48.10%
	Calypso Fitness S.A.	ul. Puławska 427 02-801 Warszawa, Polska	33.33%	33.33%
	Get Fit Katowice II Sp. z o.o.	ul. Uniwersytecka 13 40-007 Katowice, Polska	20.00%	20.00%
OTHER	LangMedia Sp. z o.o.	ul. Skwierzyńska 25/3 53-521 Wrocław, Polska	37.00%	37.00%
	X-code Sp. z o.o.	ul. Kludyny 21/4 01-684 Warszawa, Polska	31.15%	31.15%

### 3.2. STATEMENT OF FINANCIAL RESULTS

Table 4: Income statement of the Benefit Systems Group

in ths. PLN	3 quarters 2019	3 quarters 2018	Change
<b>Sales revenues</b>	<b>1 115 702</b>	<b>880 010</b>	<b>26.8%</b>
Revenues from sale of services	1 103 311	868 345	27.1%
Revenues from sale of goods and materials	12 391	11 665	6.2%
<b>Cost of sales</b>	<b>(821 747)</b>	<b>(639 826)</b>	<b>28.4%</b>
Cost of sold services	(813 382)	(630 948)	28.9%
Cost of sold goods and materials	(8 365)	(8 878)	(5.8%)
<b>Gross profit on sales</b>	<b>293 955</b>	<b>240 184</b>	<b>22.4%</b>
Selling expenses	(71 818)	(57 899)	24.0%
General and administrative expenses	(91 909)	(76 801)	19.7%
Other operating income	5 970	10 816	(44.8%)
Other operating costs	(11 458)	(13 369)	(14.3%)
Re-measurement to fair value of existing holdings	940	-	-
<b>Operating profit</b>	<b>125 680</b>	<b>102 931</b>	<b>22.1%</b>
Financial income, including:	18 896	6 043	212.7%
<i>Interest income</i>	<i>1 961</i>	-	-

in ths. PLN	3 quarters 2019	3 quarters 2018	Change
Financial costs, including:	(37 031)	(8 678)	326.7%
<i>Interest expense on right-of-use liabilities</i>	<i>(16 290)</i>	-	-
Share in a net profit/(loss) of entities accounted for using the equity method (+/-)	1 541	(2 399)	-
<b>Profit before tax</b>	<b>109 086</b>	<b>97 897</b>	<b>11.4%</b>
Income tax	24 556	23 099	6.3%
Net profit from continuing operations	<b>84 530</b>	<b>74 798</b>	<b>13,0%</b>
<i>Gross margin on sales %</i>	<i>26,3%</i>	<i>27,0%</i>	<i>(1,0 p.p.)</i>

### 3.3. PROSPECTS

The Group assesses that the attractive potential of the market for sports cards in Poland and on foreign markets will allow for generating growth in the number of sports cards, which will positively translate into the dynamics of the revenues of the Group. In addition, in recent quarters, the Group has taken actions to optimize costs in its operating segments (which included introduction of motivational programs for operational and sales managers), whose expected effects should have a positive impact on the Group's results.

In current report of 10 November 2019, the Management of Benefit Systems S.A. presented a new forecast of the financial results of the Capital Group of Benefit Systems for 2019. On the basis of an analysis of the profits of the capital group of the Company for the first three calendar quarters of 2019 and the market trends as well as an update of the estimated cost savings, it was estimated that the consolidated operating profit (EBIT) in 2019 will range between PLN 145 million - PLN 155 million, while the consolidated operating profit (EBIT) adjusted for the impact of IFRS 16 (Lease), will range between PLN 130 million - PLN 140 million in 2019.

At the same time, compared to the previous forecast (provided in the current report of 29 April 2019), the estimation of the impact of IFRS 16 (Leasing) on consolidated operating profit (EBIT) in 2019 has changed from PLN 23 million to PLN 15 million currently. This change is related to the revision the Accounting Policy related to the IFRS 16 and the recognition of lease costs in the results, making the approach of the Group's entities similar to the market's, in particular to the entities with similar business profile – as described in the Condensed Interim Consolidated Financial Statements of Benefit Systems Capital Group for the period of six months ended on 30 June 2019.

## 4. FINANCIAL RESULTS FOR THE PERIOD OF 9 MONTHS OF 2019

### 4.1. INTRODUCTION

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

Until 2018, the Group had presented the results on the basis of four (4) core reporting segments: Sports Cards, Fitness, Foreign and Cafeterias, as well as Other activities and arrangements (other non-segmental operations).

According to the opinion of the Management Board of the Dominant Entity expressed in the periodic reports, despite the existence of the separate segments, it has been purposive to analyze the results of the Fitness segment jointly with the results of the Sports Cards segment due to numerous synergies occurring between them. Moreover, only the joint results give the true view of the activity of the Group in terms of sales of sports cards and investments into fitness clubs on the Polish market.

4Q 2019 sees conclusion of the Group's reorganization process with a view to the streamlining of its structure. As a consequence of increasingly closer links between the segments, the Group decided to present operations of fitness clubs and entities selling sports cards in the same geographic region jointly in the form of a new segment: Poland and continued Foreign segment, which include the effects of all dependencies inside them.

Such a perspective of the financial standing and economic position of the core activity of the Group is consistent with the approach taken by the dominant entity's Management Board to analyses, allocation of resources and to strategic and operational decision-making.

The Dominant entity made appropriate restatements to the comparable data that it presents in this Report; information regarding the components of the Segment integrated since 2019 will be disclosed to an extent ensuring a transparency of the change.

The revenues of the segments represent revenues generated from sales to third-party customers or from transactions with other segments of the Group, which can be directly attributed to a specific segment. The costs of the segment include the costs of sales to third-party customers and the costs of transactions with the other segments of the Group. The costs follow from the operating activity of specific segments and are directly attributable thereto along with an appropriate portion of the costs of the Capital Group that is clearly attributable to the segment. The costs of income tax are not included in the operating segment's costs. Segment's result is established at the profit before tax level.

Table 5: Selected financial data for operating segments for 3 quarters of 2019 (1-3Q 2019)

In ths. of PLN	Poland	Foreign	Cafeterias	Other activities and arrangements	Total
<b>Sales revenues</b>	<b>862 735</b>	<b>232 443</b>	<b>32 415</b>	<b>(11 891)</b>	<b>1 115 702</b>
Costs of sales	(626 415)	(189 514)	(21 971)	16 153	(821 747)
<b>Gross profit on sales</b>	<b>236 320</b>	<b>42 929</b>	<b>10 444</b>	<b>4 262</b>	<b>293 955</b>
Selling expenses	(42 340)	(25 147)	(4 415)	84	(71 818)
General and administrative expenses	(53 844)	(27 332)	(4 648)	(6 085)	(91 909)
<i>Incentive Programme</i>	0	0	0	(689)	(689)
Other operating income and expenses, including:	(7 844)	(255)	(203)	3 754	(4 548)
<i>Re-measurement to fair value of existing holdings</i>	940	0	0	0	940
<b>Operating profit (loss)</b>	<b>132 292</b>	<b>(9 805)</b>	<b>1 178</b>	<b>2 015</b>	<b>125 680</b>
<b>Operating profit (loss) excl. IFRS 16 impact</b>	<b>125 264</b>	<b>(11 478)</b>	<b>1 088</b>	<b>2 154</b>	<b>117 028</b>
Financial income and expenses	(16 308)	(5 679)	249	3 603	(18 135)
Share in the profits of associates accounted for using the equity method	1 085	0	0	456	1 541
<b>Gross profit (loss)</b>	<b>117 069</b>	<b>(15 484)</b>	<b>1 427</b>	<b>6 074</b>	<b>109 086</b>
<b>Gross profit (loss) excl. IFRS 16 impact</b>	<b>123 979</b>	<b>(15 291)</b>	<b>1 520</b>	<b>5 987</b>	<b>116 195</b>
<b>EBITDA</b>	<b>252 781</b>	<b>10 599</b>	<b>4 249</b>	<b>(842)</b>	<b>266 787</b>
<b>EBITDA excluding IFRS 16 impact</b>	<b>172 122</b>	<b>(5 789)</b>	<b>3 061</b>	<b>1 309</b>	<b>170 694</b>
Segment assets	1 777 295	245 821	115 848	(145 140)	1 993 824
Segment assets excluding IFRS 16 impact	1 044 600	149 634	105 806	(133 757)	1 166 283

Table 6: Selected financial data for operating segments for third quarter of 2019 (3Q 2019)

In ths. of PLN	Poland	Foreign	Cafeterias	Other activities and arrangements	Total
<b>Sales revenues</b>	<b>282 603</b>	<b>81 410</b>	<b>13 881</b>	<b>2 302</b>	<b>380 196</b>
Costs of sales	(198 870)	(61 045)	(8 110)	(1 823)	(269 848)
<b>Gross profit on sales</b>	<b>83 733</b>	<b>20 365</b>	<b>5 771</b>	<b>479</b>	<b>110 348</b>
Selling expenses	(12 802)	(8 198)	(1 522)	49	(22 473)
General and administrative expenses, including:	(17 483)	(10 838)	(2 375)	(1 796)	(32 492)
<i>Incentive Programme</i>	0	0	0	(279)	(279)
Other operating income and expenses	(1 972)	212	(132)	2 410	518

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<i>including Re-measurement to fair value of existing holdings</i>	0	0	0	0	0
<b>Operating profit (loss)</b>	<b>51 476</b>	<b>1 541</b>	<b>1 742</b>	<b>1 142</b>	<b>55 901</b>
<b>Operating profit (loss) excl. IFRS 16 impact</b>	<b>48 322</b>	<b>563</b>	<b>1 692</b>	<b>1 716</b>	<b>52 293</b>
Financial income and expenses	(9 128)	(1 858)	124	(7 380)	(18 242)
Share in the profits of associates accounted for using the equity method	509	0	0	0	509
<b>Gross profit (loss)</b>	<b>42 857</b>	<b>(317)</b>	<b>1 866</b>	<b>(6 238)</b>	<b>38 168</b>
<b>Gross profit (loss) excl. IFRS 16 impact</b>	<b>44 748</b>	<b>(581)</b>	<b>1 878</b>	<b>(5 663)</b>	<b>40 382</b>
<b>EBITDA</b>	<b>94 204</b>	<b>8 320</b>	<b>2 829</b>	<b>(151)</b>	<b>105 202</b>
<b>EBITDA excl. IFRS 16 impact</b>	<b>65 696</b>	<b>2 098</b>	<b>2 406</b>	<b>2 722</b>	<b>72 922</b>
Segment assets	(50 942)	16 922	421	32 216	(1 383)
Segment assets excluding IFRS 16 impact	(34 205)	14 694	753	31 553	12 795

Table 7: Reconciliation of the aggregate values of revenues, the financial result and assets of the operating segments with the analogous items of the consolidated financial statements of the Group.

In thousands of PLN	3 quarters 2019	3 quarters 2018
<b>Segments revenue</b>		
Total revenue of operating segments	1 127 593	889 968
Total revenue not allocated to segments	5 137	-
Eliminations of revenue from intersegment transactions	(17 028)	(9 958)
Sales revenues	1 115 702	880 010
<b>Result of segments</b>		
Operating result of segments	123 665	112 597
Elimination of the result from intersegment transactions (IRFS 16)	(139)	-
Result not allocated to segments	2 154	(9 666)
Operating profit	125 680	102 931
Financial income and expenses	(18 135)	(2 635)
Share in profit or loss of entities accounted for using the equity method (+/-)	1 541	(2 399)
Profit before tax	109 086	97 897
In thousands of PLN	As 30 September, 2019	As at 31 December, 2018
Total assets of operating segments	2 138 964	1 735 734
Total assets not allocated to segments	55 806	48 547
Exclusion of intersegment transactions	(200 946)	(695 616)
<b>Total assets</b>	<b>1 993 824</b>	<b>1 088 665</b>

In the period covered by the this consolidated report of the Management Board on the activity of the Group, sales revenues presented in the Reconciliations segment primarily include exclusions of the intrasegmental transactions. The costs are attributable to the management and administrative activity, strategic activity within the Group, costs of the Incentive Programme, the support functions and to other activity that has not been attributed to specific operating segments.

## 4.2. INFORMATION ON THE OPERATING SEGMENTS

### 4.2.1. SEGMENT POLAND

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

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

**MultiSport Plus** - this card allows for the unlimited use of over 4 400 sports and recreational facilities throughout Poland, providing access to over 25 different sports;

**MultiSport Classic** - this card can be used once a day at nearly 2 500 sports facilities providing access to almost 25 different sports;

**MultiActive** - this card provides access to over 2 300 sports facilities and over 20 different sports up to the prepaid limit stored on the card;

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

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

**MultiSport Senior** – the card dedicated to users above 60 years of age, which allows for a single daily use of services offered by sports facilities before 4pm. The card provides access to more than 2 800 facilities and 25 different sport activities;

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

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

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

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

As of the end of the 3<sup>rd</sup> quarter of 2019, the Benefit Systems Group managed Polish companies running in aggregate one hundred and fifty nine (159) sports clubs on their own. Additionally, the Group held interests in companies managing additional 46 facilities. As compared to the end of 3<sup>rd</sup> quarter of 2018, the scope of the results consolidated fully to the results of the Group grew by 46 facilities. The facilities represent the following well-known brands (fitness club chains): **Zdrofit, Fabryka Formy, Fitness Academy, My Fitness Place, FitFabric, S4, AquaPark Wesolandia and Calypso Fitness.**

Table 8: Selected financial data of the Segment Poland

In thousands of PLN	3 quarters 2019	3 quarters 2018 Restated*	Change
<b>Sales revenues</b>	<b>862 735</b>	<b>711 760</b>	<b>21.2%</b>
Costs of sales	(626 415)	(513 457)	22.0%
<b>Gross profit on sales</b>	<b>236 320</b>	<b>198 303</b>	<b>19.2%</b>
Selling expenses	(42 340)	(36 307)	16.6%
General and administrative expenses	(53 844)	(39 109)	37.7%
Other operating income and expenses	(7 844)	(2 087)	275.9%
<i>including re-measurement to fair value of existing holdings</i>	<i>940</i>	<i>-</i>	<i>-</i>
<b>Operating profit</b>	<b>132 292</b>	<b>120 800</b>	<b>9.5%</b>
Financial income and expenses	(16 308)	(9 910)	64.6%
Share in the profits of associates accounted for using the equity method	1 085	(3 244)	-
<b>Pre-tax profit (loss)</b>	<b>117 069</b>	<b>107 646</b>	<b>8.8%</b>
<b>EBITDA</b>	<b>252 781</b>	<b>145 190</b>	<b>74.1%</b>
<i>Gross margin on sales</i>	<i>27.4%</i>	<i>27.9%</i>	<i>(0.5 p.p.)</i>
<i>Number of sports cards (in thousand)</i>	<i>1 046.5</i>	<i>917.2</i>	<i>129.3</i>
<i>Number of clubs</i>	<i>159</i>	<i>113</i>	<i>46</i>

\* The restatement consists in the joining of the Sports Cards and Fitness segments and eliminating of the mutual transactions between the segments presented in 2018.

The revenues of the Polish segment grew by 21.2% year-on-year as a result of increased sale of sports cards and their price being slightly higher on average, as well as purchases of the majority shareholdings in: - FitFabric Sp. z o.o., Masovian Sports Center Sp. z o.o., NewCo2 Sp. z o.o., NewCo3 Sp. z o.o. and Benefit Partners Sp. z o.o. (an additional revenue totaling PLN 33.4, after elimination of the mutual settlements within the Group), and as result of the organic growth of the companies controlled by the Group.

As at the end of Q3 of 2019, the Benefit Systems Group reported growth in the number of sports cards in Poland which reached the level of 1046.5 thousand cards, thus representing accretion of sports cards by 129.3 thousand, i.e. by 14.1% over twelve months. Additionally, during the three quarters of 2019, sixteen (16) new fitness clubs were opened, including seven (7) by Zdrofit (including also the former Calypso clubs), two (2) by Fitness Academy, one (1) by Fabryka Formy, three (3) by each of Fitness Place and FitFabric. Both the new facilities and the existing ones are undergoing a continued reorganization; in particular, they are being rebranded, which changes the proportions of the number of clubs in specific club chains. The analogous period represents the consolidated results of one hundred and thirteen (113) clubs.

Gross margin on sales grew by PLN 38.0 million in the period under review. In terms of revenues, the rise of the sales margin has translated into a slight drop in the profitability by 0.5 p.p. as compared to the three quarters of 2018, even though the profitability has remained at the high rate of 27.4%.

The reason behind the lower profitability is the observed higher, on average, sports cardholders' activity, than in the analogous period. Their activity is also dependent on whether Sunday is the day when shops are closed, which is when the sports cards users tend to engage in sports activities more frequently. An analysis of the statistics of sports Cardholders' visits has again proven that with the already above-average activity of the most active users (the so-called heavy users) to sports facilities, they have still increased the frequency of their visits. Additionally, year 2019 saw a growth of the fixed production costs, which was attributable to a higher number of headcount hired to support sports cards and higher costs of the supporting technologies, including replacement of terminals, installation of QR scanners (amortization of the completed projects) and projects classified into the current operating expenses, including in particular services additional to the sports cards, such as e.g. access to the Nextbike bikes and the Grywalizacja (gamification) projects, the direct costs of which being a part of the reported result amounted to PLN 3.0 million (as compared to PLN 5.0 million in the analogous period of year 2018) mainly representing the costs of rewards (prizes) and software.

The lower profitability was also attributable to a high stake of new clubs in the ownership structure of the Group. In the period from their opening until maturity, which usually takes several to a few dozen months, the relation of fixed costs to the revenues from sports facilities is relatively high. In the first stage of their development, new clubs build (or rebuild, if a mature entity was acquired) their customer bases and invest into marketing, whether B2C or B2B (i.e. sports cards users).

Overheads grew by 37.7% (PLN 14.7 million) and the costs of sales grew by 16.6% (PLN 6.0 million), and the ratio of the sum of those costs to revenues grew slightly (0.5 p.p.). The nominal increase in the level of the above-described fixed costs follows from seasonal special campaigns that were launched in 2019 to support development of the future market (including in particular the communication of and the marketing in such campaigns). Furthermore, the gradually increasing scale of operation has translated into higher need for technology and the number of employees of the back-office sections of this segment of the Group, which is, in particular, attributable to the designing, implementation and development of the ERP system. Investments into technology allow to maintain the competitive advantage and optimize the internal processes within the ever-changing structure of the Group.

A material contribution to the nominal increases in the value of that expense item followed from: development of additional services for sports cardholders, communication and marketing regarding products, promotion of the brand and sports activity among the present and potential Cardholders.

Item: Other income and operating expenses, primarily represents significant allowances for receivables, in particular, at Fitness Academy BIS Sp. z o.o. and Zdrofit Sp. z o.o. The operating result for the first nine months of 2019 also represents a profit of PLN 940 thousand attributable to fair value measurement of the shares held in Benefit Partners Sp. z o.o.; the measurement was carried out upon takeover of control of the said company, which, however, should be regarded as a non-recurring event.

Application of new accounting standard IFRS 16 to the Polish segment in the nine months of 2019 resulted in reduction of the costs of third-party services by PLN 80.6 million, growth of amortization by PLN 73.6 million and of the financial expenses by PLN 13.9 million. The aggregate impact on the gross result of the Polish segment amounted to PLN 6.9 million in the period under review.

Table 9: The effect of change in the segment classification on the comparable data of the Polish segment.

In thousands of PLN	Poland 3 quarters 2018 after change in classification (A)	Sports Cards 3 quarters 2018 before change in classification (B)	Fitness 3 quarters 2018 before change in classification (C)	Change (A-B-C)
<b>Sales revenues</b>	<b>711 760</b>	<b>624 827</b>	<b>177 054</b>	<b>(90 121)</b>
Costs of sales	(513 457)	(440 686)	(162 764)	89 993
<b>Gross profit on sales</b>	<b>198 303</b>	<b>184 141</b>	<b>14 290</b>	<b>(128)</b>
Selling expenses	(36 307)	(21 819)	(14 568)	(80)
General and administrative expenses	(39 109)	(23 613)	(15 737)	(241)
Other operating income and expenses	(2 087)	(492)	(1 404)	(191)
<b>Operating profit (loss)</b>	<b>120 800</b>	<b>138 217</b>	<b>(17 419)</b>	<b>2</b>
Financial income and expenses	(9 910)	0	(9 910)	0
Share in the profits of associates accounted for using the equity method	(3 244)	0	(3 244)	0
<b>Pre-tax profit (loss)</b>	<b>107 646</b>	<b>138 217</b>	<b>(30 573)</b>	<b>2</b>
<b>EBITDA</b>	<b>145 190</b>	<b>144 973</b>	<b>216</b>	<b>1</b>

#### 4.2.3. FOREIGN SEGMENT

The segment is comprised of companies that develop the MultiSport Programme and companies operating fitness clubs in the foreign markets. The MultiSport Programme is currently being developed in 5 foreign markets, while fitness clubs are operated in the Czech Republic and Bulgaria. The segment is comprised of the following companies: Benefit Systems International Sp. z o.o., MultiSport Benefit S.R.O, Benefit Systems Bulgaria EOOD, Benefit Systems Slovakia S.R.O., Benefit Systems D.O.O., Benefit Systems Greece MIKE, Fit Invest Bulgaria EOOD, Form Factory S.R.O., Beck Box Club Praha S.R.O., Fit Invest International Sp. z o.o. and Fit Invest Slovakia S.R.O.

Benefit Systems International Sp. z o.o. is the dominant entity that controls other companies of the segment. Results of all the companies are consolidated using the full method.

Table 10: Selected financial data of the Foreign segment

in ths. PLN	3 quarters 2019	3 quarters 2018	Change
<b>Sales revenues</b>	<b>232 443</b>	<b>148 005</b>	<b>57.1%</b>
Cost of sales	(189 514)	(122 336)	54.9%
<b>Gross profit on sales</b>	<b>42 929</b>	<b>25 669</b>	<b>67.2%</b>
Selling expenses	(25 147)	(17 956)	40.0%
General and administrative expenses	(27 332)	(20 092)	36.0%
Other operating income (costs)	(255)	659	-
<b>Operating loss</b>	<b>(9 805)</b>	<b>(11 720)</b>	<b>(16.3%)</b>
Financial income (costs)	(5 679)	(1 905)	198.1%
<b>Pre-tax loss</b>	<b>(15 484)</b>	<b>(13 625)</b>	<b>13.6%</b>
<b>EBITDA</b>	<b>10 599</b>	<b>(7 042)</b>	-
<i>Gross margin on sales</i>	<i>18,5%</i>	<i>17,3%</i>	<i>1.2 p.p.</i>
<i>Number of sport cards (in ths.)</i>	<i>289,6</i>	<i>187,0</i>	<i>102.6</i>
<i>Number of clubs</i>	<i>23</i>	<i>17</i>	<i>6</i>

Revenues from the segment grew by 57.1% as compared to the comparable period of 2018, which, among other things, was a result of high dynamics of the growth in the number of cards - the total growth in the Foreign segment amounted to nearly 55%. As of the end of September 2019, 289.6 thousand cards were active, which was more by 102.6 thousand as compared to end of September 2018.

Table 11. Number of active sports cards in the Foreign segment (in ths.)\*

Country	3 quarter 2019	3 quarter 2018	Change
Czech Republic	155.4	105.1	50.3
Bulgaria	89.9	63.4	26.5
Slovakia	33.1	18.1	15.0
Croatia	10.9	0.5	10.4
Greece	0.2	-	0.2
Total	289.6	187.0	102.6

\*weighted average number of cards in the last month of the indicated period

As compared to the analogous period, the number of sports cards in the Czech Republic and Bulgaria grew by ca. 53%. The sales activities were in particular intensified in Slovakia, i.e. a market complimentary to the Czech Republic, where the business is most mature. Also the Croatian market saw intensive sales, which now has reached the level of 10.9 thousand cards annually from the moment of acquisition of the first customers; this allows us to trust in the success of the flagship product on another new market and foreign customers' trust therein. The first six months of 2019 also saw the beginning of sales on the Greek market; parallel efforts are oriented to development of an attractive partnership network.

The Czech market, on which the Benefit Systems Group has been operating since 2011, continues to generate the highest revenues and profits from sales of cards, with the Bulgarian market coming only second to it in terms of

share in the revenues. On the basis of its previous experiences, the Group could break even on the Bulgarian market earlier than they did in Poland and in the Czech Republic.

On the foreign markets, development of partnership facilities' networks continues and, as at the end of September 2019, the number of foreign partner outlets amounted to: 1,757 - in the Czech Republic, 858 - in Bulgaria, 791 - in Slovakia, 412 - in Croatia, and 131 - in Greece, respectively. In individual countries, the partnership network is being developed both in the capital cities and in smaller locations. In this way, the Group can offer its comprehensive Multisport product to more users than only the biggest corporations centered around the capital cities.

Higher revenues were also attributable to the growth in the number of clubs included in the consolidation. As of the end of September 2019, companies of the Foreign segment were managing 8 clubs in Bulgaria and 15 clubs in the Czech Republic.

Along with a significant growth in the number of cards and revenues, gross margin on sales in the Foreign segment saw a significant accretion (17.3 million, i.e. 67%). Along with the expanding scale of business on new markets, tendencies attributable to its seasonality become increasingly more conspicuous, which usually shows in a smaller number of visits to sports facilities in the third calendar quarter. The share of investment clubs within the Foreign segment in the total number of partner facilities is not so important that a less intensive activity of Users could be reflected on the revenues side.

As compared to the analogous period of year 2018, the costs of sales and overheads significantly grew, in particular, in connection with market development in Croatia and Greece, and so did the costs of the holding company managing the business structure with its increasingly large scale and geographic extent. High costs of the executive incentive schemes and commission fee plans and marketing activities represent an important investment into product scaling on new markets, and their relation to the revenues generated by the segment has been diminishing systematically (by 1.3 p.p. as compared to the analogous relation over the nine months of 2018).

As a result of application of new accounting standard IFRS 16 to the Foreign segment, during the three calendar quarters of 2019, the costs of third-party services sank by PLN 16.4 million, amortization grew by PLN 14.7 million and the financial expenses increased by PLN 1.9 million. Long-term lease agreements for the premises of fitness clubs and use of sports equipment represented the most important items of newly recognized leases (which were partially eliminated at the level of the consolidated result of the Group), as well as rentals of office premises for the sports cards operations on the local markets.

Table 12: Number of fitness clubs of the capital group on the foreign markets

Company	Number of fitness clubs		
	30.09.2019	30.09.2018	Change
Form Factory S.R.O.	9	9	-
Beck Box Club Praha S.R.O.	6	6	-
Fit Invest Bulgaria EOOD	8	2	7
<b>Total</b>	<b>23</b>	<b>17</b>	<b>7</b>

#### 4.2.3. THE CAFETERIAS SEGMENT

The Cafeterias segment is responsible for development of the MyBenefit and MultiKafeteria cafeteria platforms which offer a vast range of products and services, including the Benefit Systems Group's own products. The offer of the cafeteria platforms is focused on non-payroll benefits in the area of culture, entertainment, sports, recreation, catering, education, wellness, leisure, and the domestic and foreign tourism. The benefits are delivered by proven providers, and the partnership network, which continues to develop, already groups a few thousand entities.

**MyBenefit and MultiKafeteria platforms** allow employee users to freely choose from the benefits offered by the platforms within limited ranges and budgets as defined by employers. Users can choose benefits directly from Cafeteria - a web platform in which each user has an individual account. The popularity of the solution, which allows full control of the spent benefits and settlement of accounts thereof in a simple manner, ranges from production, service and trade companies to financial and governmental institutions with sizes of employment ranging from a dozen to couple of thousands of persons. The Cafeteria programmes include benefits ranging from sports and health to tourism and culture combined with shopping vouchers of Polish renowned chain stores and brands.

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

**QituraProfit voucher** offered by Vanity Style company grants access to specific theatre spectacles, movie screenings, and exhibitions forming parts of the cultural offer of approximately 55 theatres, 170 cinemas, 50 museums across Poland and 25 thematic parks across Poland.

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

**MultiTeatr** - vouchers for theatrical performances in the most popular theaters.

**MultiMuzeum** – which gives access to museums and art galleries in the largest Polish cities.

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

**BenefitLunch** - offers a subscription or pass access for lunch in nearly 260 premises.

Table 13: Selected financial data of the Cafeterias segment

in ths. PLN	3 quarters 2019	3 quarters 2018 Restated	Change
<b>Sales revenues</b>	<b>32 415</b>	<b>30 203</b>	<b>7.3%</b>
Cost of sales	(21 971)	(18 367)	19.6%
<b>Gross profit on sales</b>	<b>10 444</b>	<b>11 836</b>	<b>(11.8%)</b>
Selling expenses	(4 415)	(3 485)	26.7%
General and administrative expenses	(4 648)	(4 751)	(2.2%)
Other operating income (costs)	(203)	(83)	144.6%
<b>Operating profit (loss)</b>	<b>1 178</b>	<b>3 517</b>	<b>(66.5%)</b>
Financial income (costs)	249	392	(36.5%)

in ths. PLN	3 quarters 2019	3 quarters 2018 Restated	Change
<b>Pre-tax profit (loss)</b>	<b>1 427</b>	<b>3 909</b>	<b>(63.5%)</b>
<b>EBITDA</b>	<b>4 249</b>	<b>4 809</b>	<b>(11.6%)</b>
<i>Gross margin on sales</i>	32.2%	39.2%	(7.0 p.p.)
<i>Turnover on the cafeteria platforms (in PLN million)*</i>	248.7	199.4	49.3
<i>Number of users (in ths.)</i>	444.3	341.2	103.1

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

As of the end of September 2019 Users of MyBenefit and MultiKafeteria totaled 444.3 thousand, representing growth by more than 103.1 thousand users y-o-y.

The structure of sales of the benefits offered via the above-referenced distribution channel shows that the Sports category invariably enjoys the greatest success. In the 2019 period under review, Sports have already accounted for 50.1% of turnover of the e-platforms, which only confirms the growth tendency that has been continued for a few years.

The high (i.e. by nearly 30%) growth in the number of users, contributed to the growth of turnovers on the cafeteria-style e-platforms by 25%, and so did the growth (by 7%) in the revenues of the segment (consisting primarily of commission fees from suppliers on account of turnover in the marks qualifying for use of vouchers and goods on the e-platforms) The above is attributable, among other things, to a growing share in the turnovers and margin from the low-margin product categories.

The gross margin on sales dropped by nearly 12% (with the profitability lower by 7 p.p.). The main reason behind a lower profitability in the period under review is an increase in the own costs of sales in the portion of fixed costs allocated to this item. The foregoing was attributable to a higher level of employment in MyBenefit Sp. z o.o. and higher investments into technologies supporting sales and customer service. Development of the organizational structures, higher amortization resulting also from investments of the previous years, application of the IFRS 16 standard, costs of licenses, personnel costs resulting from increased level of employment and costs of development of new projects and services that will be continued over subsequent calendar quarters of 2019, all contributed to the growth in indirect expenses.

Application of new accounting standard IFRS 16 to the Cafeterias segment in the first six months of 2019 resulted in a reduction of the costs of third-party services by PLN 1.2 million, growth of amortization by PLN 1.1 million and of the financial expenses by PLN 0.2 million.

Table 14: Effect of change in revenues classification to the comparable data in the Cafeteria segment (related to the implementation of IFRS 15)

In thousands of PLN	3 quarters 2018 after change in classification	3 quarters 2018 before change in classification	Change
<b>Sales revenues</b>	<b>30 203</b>	<b>39 797</b>	<b>(9 594)</b>
Costs of sales	(18 367)	(27 961)	9 594
<b>Gross profit on sales</b>	<b>11 836</b>	<b>11 836</b>	<b>0</b>
Selling expenses	(3 485)	(3 485)	0
General and administrative expenses	(4 751)	(4 751)	0

In thousands of PLN	3 quarters 2018 after change in classification	3 quarters 2018 before change in classification	Change
Other operating income and expenses	(83)	(83)	0
<b>Operating profit</b>	<b>3 517</b>	<b>3 517</b>	<b>0</b>
Financial income and expenses	392	392	0
<b>Profit before tax</b>	<b>3 909</b>	<b>3 909</b>	<b>0</b>
<b>EBITDA</b>	<b>4 809</b>	<b>4 808</b>	<b>1</b>
<i>Gross margin on sales</i>	39.2%	29.7%	9.5 p.p.

#### 4.2.4. OTHER ACTIVITY AND RECONCILIATIONS

Other activities and arrangements include revenues other than from the sale of non-wage incentive products and supporting activities of fitness investments and indirect costs that are not allocated to these revenues. Revenues primarily include the elimination of transactions between segments. The costs are associated with management and administration activities, strategic activities in Benefit Systems Group and the cost of the Incentive Programme, support functions and other activities not allocated to separate operating segments.

Table 15: Other activities and arrangements

in ths. PLN	3 quarters 2019	3 quarters 2018	Change
<b>Sales revenues</b>	<b>(11 891)</b>	<b>(9 958)</b>	<b>19.4%</b>
Cost of sales	16 153	14 334	12.7%
<b>Gross profit on sales</b>	<b>4 262</b>	<b>4 376</b>	<b>(2.6%)</b>
Selling expenses	84	(151)	-
General and administrative expenses	(6 085)	(12 849)	(52.6%)
<i>including Incentive Program</i>	(689)	(9 243)	(92.5%)
Other operating income (costs)	3 754	(1 042)	-
<b>Operating profit (loss)</b>	<b>2 015</b>	<b>(9 666)</b>	<b>-</b>
Financial income (costs)	3 603	8 788	(59.0%)
Share in a net profit/(loss) of entities accounted for using the equity method (+/-)	456	845	(46.0%)
<b>Pre-tax profit (loss)</b>	<b>6 074</b>	<b>(33)</b>	<b>-</b>
<b>EBITDA</b>	<b>(842)</b>	<b>(9 222)</b>	<b>(90.9%)</b>

The herein presented growths y-o-y in the Reconciliations are primarily attributable to the growing scale of operations of the Group and since the change of its structure to the change of the settlements between companies (among others the calculation of Management Fee). An increasingly higher number of users of sports cards in correlation to increasingly higher number of visits, in particular in the subsidiaries of the Fitness segment - as well as a growing importance of the cafeteria platforms as the distribution channel for the sports cards result in an increasingly higher value of exclusions from transactions between the segments. Along with the reorganization

and simplification of its structure, the Group strives also to simplify the settlement schemes between the companies comprising it.

In the reported period of 2019, the costs of the incentive scheme significantly dropped as compared to the analogous period, primarily, due to the vesting of a small pool of warrants to key persons in the first tranche and a lower valuation rate. The ultimate allocation of the warrants is expected in December 2019.

Share in a net profit/(loss) of entities accounted for using the equity method is related to Benefit Systems' subsidiaries that cannot be allocated to any of the operating segments (LangMedia Sp. z o.o. oraz XCode Sp. z o.o.). The entities has reached a similar level of net profit in both periods.

Table 16: Effect of change in segment classification to the comparable data of the Other activities and arrangements segment.

In thousands of PLN	3 quarters 2018 after change in classification	3 quarters 2018 before change in classification	Change
<b>Sales revenues</b>	<b>(9 958)</b>	<b>(100 079)</b>	<b>90 121</b>
Costs of sales	14 334	104 327	(89 993)
<b>Gross profit on sales</b>	<b>4 376</b>	<b>4 248</b>	<b>128</b>
Selling expenses	(151)	(71)	80
General and administrative expenses	(12 849)	(12 608)	241
<i>Cost of the Incentive Programme</i>	<i>(9 243)</i>	<i>(9 243)</i>	<i>0</i>
Other operating income and expenses	(1 042)	(1 233)	191
<b>Loss from operations</b>	<b>(9 666)</b>	<b>(9 664)</b>	<b>(2)</b>
Financial income and expenses	8 788	8 788	0
Share in the profits of associates accounted for using the equity method	845	845	0
<b>Loss before tax</b>	<b>(33)</b>	<b>(31)</b>	<b>(2)</b>
<b>EBITDA</b>	<b>(9 222)</b>	<b>(9 220)</b>	<b>(2)</b>

#### 4.3. OTHER FINANCIAL DATA

Table 17: Financial income and expenses of the Benefit Systems Group

In thousands of PLN	3 quarters 2019	3quarters 2018	Change
Financial income, including:	18 896	6 043	212.7%
<i>Interest income</i>	<i>1 961</i>	-	-
Financial expenses, including:	(37 031)	(8 678)	326.7%
<i>Interest expense on lease liabilities</i>	<i>(16 290)</i>	-	-
Write down of financial assets	-	-	-
Share of profits (loss) for entities accounted for using the equity method	1 541	(2 399)	-

The financial revenues were higher in comparison with the analogous period of 2018, in particular owing to revaluation of the measurement (as at the balance sheet date) of the financial instruments applied to the contingent payments (“earn-out”) for the acquired shares in Fabryka Formy and ex-Calypso (PLN 9.8 million in total). What is more, a significant impact on financial revenues and costs of the Group had the effects of the revaluation of lease liabilities (as at the balance sheet date), which payments are indexed using the euro exchange rate. In the 3<sup>rd</sup> quarter of 2019 the sum of negative foreign exchange differences on this account equaled PLN 13.2 million (financial costs), while the total effect on both revenues and financial costs in the 9 months period equaled to negative PLN 8.3 million.

Higher financial costs were also attributable to the issuance of series of bonds by Benefit Partners Sp. z o.o. in the previous periods, as well as to the increase in overdraft limit in the current account.

The profit from the affiliates accounted for using the equity method grew in relation to the analogous period by PLN 3.9 million. The above item comprises, in the part corresponding to the percentage shareholdings, the results of the following companies: Instytut Rozwoju Fitness Sp. z o.o. (PLN 721 thousand); LangMedia Sp. z o.o. (PLN 583 thousand); and X-Code Sp. z o.o. (PLN 237 thousand). The above item does no longer include FitFabric Sp. z o.o. or Benefit Partners Sp. z o.o., which, in the 1st half of 2019, have been included in the full consolidation. Shares in Calypso Fitness S.A. lost their value due to transformation of the company (see a detailed description in the 2018 annual financial statements of the Group).

Table 18: Balance sheet of Benefit Systems Group

in ths. PLN	As at 30.09.2019	As at 31.12.2018	Change	As at 30.09.2018
Non-current assets	1 742 207	791 668	120.1%	626 051
<i>In balance sheet total</i>	<i>87.4%</i>	<i>72.7%</i>	<i>14.7 p.p.</i>	<i>63.6%</i>
Current assets	251 617	296 997	(15.3%)	358 371
<i>In balance sheet total</i>	<i>12.6%</i>	<i>27.3%</i>	<i>(14.7 p.p.)</i>	<i>36.4%</i>
<b>Total assets</b>	<b>1 993 824</b>	<b>1 088 665</b>	<b>83.1%</b>	<b>984 422</b>
Equity attributable to equity holders of the Parent Company	577 356	564 727	2.2%	535 274
<i>In balance sheet total</i>	<i>29.0%</i>	<i>51.9%</i>	<i>(22.9 p.p.)</i>	<i>54.4%</i>
Non-controlling interests	2 912	2 242	29.9%	2 074
<i>In balance sheet total</i>	<i>0.1%</i>	<i>0.2%</i>	<i>(0.1 p.p.)</i>	<i>0.2%</i>
Non-current liabilities	921 666	148 454	520.8%	123 982
<i>In balance sheet total</i>	<i>46.2%</i>	<i>13.6%</i>	<i>32.6 p.p.</i>	<i>12.6%</i>
Current liabilities	491 890	373 242	31.8%	323 092
<i>In balance sheet total</i>	<i>24.7%</i>	<i>34.3%</i>	<i>9.6 p.p.</i>	<i>32.8%</i>
<b>Total liabilities and equity</b>	<b>1 993 824</b>	<b>1 088 665</b>	<b>83.1%</b>	<b>984 422</b>

#### *Non-current assets*

Non-current assets of the Benefit Systems Group grew by PLN 950.5 million, i.e. by 120.1%, as compared to December 2018. Application of IFRS 16 effective as of 1 January 2019 contributed largely to the movement, resulting, consequently, in the reporting of new right-of-use asset, with the value of PLN 843.6 million (of which

PLN 16.0 million accounts for a former financial lease which has been presented in this position before application of IFRS 16).

The period under review also saw a significant growth of Property, plant and equipment (+ PLN 97.4 million). The growth was attributable, among other things, to inclusion of Benefit Partners Sp. z o.o. in this year's consolidation, entity that has brought sports equipment in the net value of PLN 86.4 million which is subject to lease to sports facilities (not only belonging to the subsidiaries of Benefit Systems S.A.) and to Group's investments into business development, taking the form of expenditures on new fixed assets totaling PLN 80.2 million, including investments of PLN 32.1 million by Zdrofit Sp. z o.o., which manages 65 clubs in its brand.

Three calendar quarters of 2019 also saw growth in the Goodwill by PLN 13.1 million, which was mainly attributable to Fitness Place sp. z o.o.' acquisition of the organized parts of enterprise in the form of 3 fitness clubs in Kraków, as well as growth of Intangible assets, by PLN 10.6 million, which was to a significant extent attributable to MyBenefit sp. z o.o., as a result of the development of functionalities supporting the Cafeteria e-platforms, as well as the growing number of Users.

The deferred income tax asset was higher by PLN 14.9 million, mainly due to the recognition of right-of-use assets and the foreign exchange differences.

As compared to the status as of the end of December 2018, the value of non-current and current assets from loans dropped by PLN 40.3 million, which was significantly attributable to exclusion, in year 2019, of the value of loans (with the principal amounts totaling PLN 39.2 million as of the end of December 2018) to Benefit Partners Sp. z o.o.

#### *Current assets*

The balance of current assets was lower by PLN 45.2 million (i.e. by 12.6%), as compared to end of year 2018. This change was primarily attributable to reduction in the value of Trade receivables by PLN 26.7 million, including in particular the trade receivables from MyBenefit Sp. z o.o., resulting from a seasonally high level of orders and receivables in the companies of the Cafeterias segment as at the end of 2018.

The balance of cash as of the end of September 2019 was lower by PLN 10.2 million. A significantly lower value of the Cash item was noted in Benefit Systems S.A. and Zdrofit Sp. z o.o. due to higher investments expenditures (purchase of organized parts of enterprise) and financial expenditures (shares buy-back), which has been reported in those entities. On the other hand, the reduction in the balance of loans follows from the already mentioned exclusions attributable to inclusion of Benefit Partners Sp. z o.o. in consolidation in year 2019.

#### *Long-, and short-term liabilities and reserves*

As compared to end of year 2018, long-term liabilities of the Group grew by more than PLN 773.2 million. As a result of application of IFRS 16, a right-of-use liability with the value of PLN 781.0 million was reported.

The level of Other liabilities was lower by PLN 10.3 million as compared to end of year 2018 in connection with revaluation, as at the balance sheet date, of financial instruments on account of contingent payments for the shares acquired in 2019 (Calypso Fitness and Fabryka Formy).

Total short-term liabilities of the Group grew by PLN 118.6 million as compared to end of year 2018. The value of short-term liability on account of the right of use amounted to PLN 132.1 million (of which PLN 8.0 million pertained to a former financial lease qualified in this position before the application of IFRS 16). Trade liabilities, including in particular those reflected in the balance of the dominant Company and of the companies of the Foreign segment, were higher by PLN 14.1 million, what can be explained by the overall growth of scale of business activity.

Debt on account of loans from entities and institutions and other long-term and short-term debt instruments totaled PLN 202.9 million, which was more by PLN 28.9 million than at the beginning of year 2019. Such a significant growth in the level of liabilities was mainly attributable to inclusion of Benefit Partners Sp. z o.o. in the full consolidation, which commitment for issued bonds of the latter company totaled PLN 31.8 million as at the end of the 3<sup>rd</sup> quarter of 2019.

As a consequence of reporting of a new item, i.e. the right-of-use asset, in the balance sheet, the value of long-term deferred income from Fitness Academy BIS Sp. z o.o. (in 2018, operating under the name of Fitness Academy ska), Fabryka Formy S.A. and Zdrofit Sp. z o.o., was significantly reduced as compared to end of year 2018 (PLN -26.6 million). The balance of deferred income, taking into account the rent free periods, fit-outs (the outfitting of the fitness clubs) and other lease incentives settled over time, was set off against the initial value of the right-of-use asset.

Table 19: Cash flow statement of Benefit Systems Group

in ths. PLN	3 quarters 2019	3 quarters 2018	Change
Cash flow from operating activities	261 578	108 225	141.7%
Cash flow from investing activities	(109 993)	(191 446)	42.5%
Cash flow from financing activities	(161 876)	214 166	-
Net change in cash and cash equivalents	(10 291)	130 945	-
Cash and cash equivalents (end of period)	65 528	183 403	(64.3%)
Net cash / (net debt)*	(137 367)	9 306	-

\*Cash and cash equivalents less loans, borrowing and short- and long-term leases

As of 30 September 2019, the Group was holding cash of PLN 65.5 million. Most of the funds were accumulated on the bank accounts of MyBenefit Sp. z o.o. and in those entities of Foreign segment that has broke even and finance themselves.

Benefit Systems Group has not been engaged in any currency options or any other derivatives for hedging or for speculation purposes.

As of the date of this report, considering the Group's own funds and the available overdrafts, the Group does not expect any problems with its financial liquidity on account of pursuit of its investment undertakings (including in particular capital investments).

## Operating activity

In relation to the growing scale of business activity and keeping good profitability, cash flows operating activities generated throughout three quarters of 2019 amounted to PLN 261.6 million (more by PLN 153.4 million as compared to the analogous period of year 2018, whereby the gross result was higher by PLN 11.2 million). Growth in the positive adjustments was largely attributable to recognition of the right-of-use assets and liabilities (+ PLN 92.2 million of amortisation and PLN +17.0 million of lease interests) and growth in the value of Tangible fixed assets, and Intangible assets (+ PLN 18 million). A change in the method of recognizing the Share-based plan in the accounts contributed to a reduction in the positive adjustments by PLN 8.6 million as compared to the comparable period of 2018. Balance of movements in the working capital grew by PLN 20.7 million. On the other hand, paid income tax was higher by PLN 5.3 million.

## Investment activity

Balance of cash flows from investment activities amounted to - PLN 109.9 million, and was primarily attributable to expenditures on the acquisition of Tangible fixed assets (including PLN 67 million related to the investments in sports equipment and fitness infrastructure in Poland). Furthermore, expenses incurred on the acquisition of subsidiaries amounted to PLN 18.3 million, PLN 13.7 million of which was related to the acquisition of 3 Platinum Wellness clubs, PLN 1.9 million to the acquisition of clubs abroad, and PLN 2.7 million to the acquisition of shares in Benefit Partnes Sp. z o.o. In the analysed period the Group also extended third-party loans in the amount of PLN 9.7 million and received loan repayments with the value of PLN 9.3 million. As compared to the analogous period of 2018, the costs of acquisition of subsidiaries dropped significantly (PLN 44.5 million) and so did the value of the loans extended (PLN 33.9 million), mainly owing to consolidation of Benefit Partners Sp. z o.o.

## Financial activity

Cash flows from financial activities from three calendar quarters of 2019 amounted to PLN -161.9 million. The negative value of the cash flow was mainly attributable to repayment of lease liabilities in the amount of PLN 87.8 million, repurchase of debt securities worth PLN 74.5 million, acquisition of own shares in the amount of PLN 57.0 million, repayment of loans and borrowings with the value of PLN 22.5 million, and repayment of interest of PLN 13.1 million. Concurrently, the Group incurred loans from business entities and credit institutions totalling PLN 90.0 million, which were recognized as proceeds from financial activity. Change in the balance as compared to the comparable period of 2018 equalled PLN -376,0 million and was mainly attributable to high proceeds from issuance of shares in the preceding year (PLN 289.6 million), and lower, by PLN 81.1 million, repayment of financial lease liabilities.

## 4.4. SELECTED FINANCIAL RATIOS

Table 20: Financial ratios of the Benefit Systems Group

Margins	3 quarters 2019	3 quarters 2018	Change
Gross margin	26.3%	27.3%	(1.0 p.p.)
EBITDA margin	23.9%	15.2%	8.7 p.p.
Operating (EBIT) margin	11.3%	11.7%	(0.4 p.p.)
Pre-tax margin	9.6%	10.9%	(1.3 p.p.)

Margins	3 quarters 2019	3 quarters 2018	Change
Net margin	7.4%	8.3%	(0.9 p.p.)
Return on equity (ROE)	14.6%	13.9%	0.7 p.p.
Return on assets (ROA)	4.2%	7.6 %	(3.4 p.p.)

  

Liquidity ratios	3 quarters 2019	3 quarters 2018	Change
Current liquidity	0.51	1.11	(54.1%)
Quick ratio	0.46	1.01	(54.5%)

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

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

## 5. SUPPLEMENTARY INFORMATION

### 5.1. MATERIAL EVENTS IN THE GROUP DURING THE REPORTING PERIOD

Information regarding subsidiaries in the Benefit Systems Group

*Acquisition of the controlling interests in Benefit Partners Sp. z o.o.*

On 15 January, 2019, Benefit Systems S.A. entered into agreement with Cal Capital sp. z o.o. for acquisition of 47.5% of shares in Benefit Partners sp. z o.o. at PLN 2.6 million. As a result of the transaction, the dominant entity holds the total of 95% of shares in the share capital of the controlled company. Benefit Partners Sp. z o.o. had been an affiliate since May 2017.

*Acquisition of organized parts of the enterprise in the form of fitness clubs*

On 25 January, 2019, for sale of an organized part of enterprise taking the form of a fitness club in Skawina was executed between Benefit Systems S.A. (the Purchaser's Surety), Fitness Place Sp. z o.o. (the Purchaser) and Mr Bartosz Gibała running business activity under the name of Bartosz Gibała Platinum with its registered seat in Kraków (PGB). The price of sale was set at the amount of PLN 4 671 thousand. The transfer of ownership of the organized part of the enterprise to the Purchaser took place on February 1, 2019.

On 27 June 2019, agreement for sale of an organized part of enterprise (2 fitness clubs in Cracow) was executed between Benefit Systems S.A. (the Purchaser's Surety), Fitness Place Sp. z o.o. (the Purchaser) and Platinum Wellness Sp. z o.o. The price of sale was set at the amount of PLN 11 251 thousand. The transfer of ownership title of the organized part of the enterprise to the Purchaser took place on July 1, 2019.

The conclusion of agreements was the final stage of the transaction of the purchase of organized parts of the enterprise constituting 12 fitness clubs operating under the company Platinum Fitness, resulting from the conditional sales agreements of the organized part of the enterprise, concluded in 2017.

Investments are being made into the fitness clubs situated in the Małopolskie (Lesser Poland) and in the Silesian Voivodships with a view to securing an appropriate training base for the holders of the MultiSport card, which is the flagship product of the capital group of Benefit Systems.

#### *Merger of Benefit Systems S.A. and Fit Invest Sp. z o.o. and spin-off of the branch*

On 14 January, 2019, Benefit Systems S.A. (acquiring company) merged Fit Invest Sp. z o.o. (acquiree) by way of transferring of all the assets of the acquiree to the acquirer on the basis of resolution of the Extraordinary Shareholders Meeting of Benefit Systems S.A. adopted on 30 November, 2018. The operations of Fit Invest sp. z o.o. have been spun off in the form of a branch of Benefit Systems S.A.

On 1 March, 2019 (date of entry in the relevant court register) a Zdrofit Sp. z o.o. merged by acquisition the following companies:

- Wesolandia Sp. z o.o.,
- Fitness Management Sp. z o.o.,
- NewCo2 Sp. z o.o., NewCo3 Sp. z o.o., and Masovian Sports Center Sp. z o.o.,

on the basis of Resolution of Extraordinary Shareholders Meeting of Zdrofit Sp. z o.o. adopted on 1 February, 2019.

On 14 March, 2019 (date of entry in the relevant court register), company undergoing transformation: Fitness Academy spółka z ograniczoną odpowiedzialnością spółka komandytowo-akcyjna (limited liability partnership) was transformed into limited liability company under the business name of Fitness Academy BIS Sp. z o.o. The transformation resolution was adopted by the General Meeting of Fitness Academy spółka z ograniczoną odpowiedzialnością spółka komandytowo-akcyjna on 22 January, 2019.

#### *Loan agreements extended within the capital group of Benefit Systems*

In the reported period of the nine months of 2019 under review, loan agreements were executed between Benefit Systems S.A. (the Lender) and affiliates (the Borrowers) in the total amount of PLN 64.3 million. The loans aimed at enabling the Borrower to finance their current activity, including polish and foreign fitness investments, as well as activity attributable to lease of the sports equipment.

On the June 27th 2019 in relation to the investment agreement of sale of the organised parts of enterprise to Fitness Place Sp. z o.o. and on the basis of the annex to the agreement executed on July 20th 2017, the amount of loan granted has been raised to 55.5 million, for which the one-time repayment has been set on August 31st 2025.

The loans bear variable interest rate that was set on the market terms. The loan agreements contain neither conditions precedent nor subsequent, nor provide for contractual penalties. Other terms of the loan agreement are not different from those generally applied in agreements of this kind. The above mentioned transactions do not have an influence on the Consolidated Financial Statement of the Benefit Systems Group.

#### **Other information**

*Execution of an annex to agreement for bank guarantee limit with Santander Bank Polska S.A. with its registered seat in Warsaw*

On 25 April 2019, Benefit Systems S.A. and Santander Bank Polska S.A. executed annex to agreement of 2 April 2012, envisaging, among other things, a change in the amount of the bank's commitment to provide, upon order/instruction from the customer, a guarantee of up to PLN 65 million over the availability period elapsing on 30 April 2020. The guarantee limit covers payment of all liabilities arising from lease contracts.

*Execution of an annex to credit agreement with Santander Bank Polska S.A.*

On 25 April 2019, Benefit Systems S.A. and Santander Bank Polska S.A. executed annex to multi-purpose multi-currency credit facility agreement, with a view to changing the period of availability of the already granted revolving loan by extending it until 30 May 2020, and with a view to changing the period in which the Bank, acting to an order/instruction from the Company, may provide guarantee, by extending the period until 30 May 2020.

*The launching of the shareholders agreements with the key persons programme, intended to develop the companies of the Foreign Segment*

On 24 April, 2019, the Management and Supervisory Boards of Benefit Systems S.A., on the basis of their resolutions, decided to accept the assumptions of a programme envisaging execution of shareholders' agreements with the key persons with a view to developing the companies of the Foreign Segment so that the key persons will become minority shareholders in specific companies.

In performance of the programme, the Company declared that it would use endeavors so as to procure, by the end of 2026, a third-party investor for the companies of the Foreign Segment, in particular by means of an initial public offering of shares in Benefit Systems International Sp. z o.o. (following a prior transformation of the company into a joint stock company).

The parties of the agreements executed in May and June were Benefit Systems International Sp. z o.o. and:

- Benefit Systems Greece MIKE with its seat in w Athens („BS Greece”)
- Benefit Systems d.o.o. with its seat in Zagreb („BS Croatia”)
- Benefit Systems Bulgaria EOOD with its seat in Sofia („BS Bulgaria”).

The capital increase and the subscription for shares related to the concluded contracts took place in the 3rd quarter of 2019.

*Decision on the distribution of the Company's net profit for year 2018 and purchase of own shares by Benefit Systems S.A.*

In line with the 2016-2019 Distribution of Profits to Shareholders Policy applicable to the Company, on 21 May 2019, the Management Board of the dominant Company adopted resolution concerning proposal, which was to be presented to the Ordinary General Meeting, to appropriate the entire profit totaling PLN 146.0 million, as reported in the financial statements of the dominant Company for year 2018, for the supplementary capital of Benefit Systems S.A. and to recommend that PLN 57 milion be appropriated for a buyback of the Company's own shares. The motion was approved in the form of resolution of the General Shareholders Meeting on 25 June 2019.

On 27 September 2019 the purchase of Benefit Systems S.A. own shares was performed, as a result of which the Dominant Entity acquired 63 242 own shares, each with the nominal value of PLN 1.00. The said shares account in total for the 2.21% of the share capital of the Dominant Entity and in aggregate correspond to 63 242 votes at

the General Meeting of the Entity, i.e. 2.21% of total votes. The purchase price amounted to PLN 900.00 per Acquired Share and totaled PLN 56 918 thousand for all the Acquired Shares.

*Resignation of Management Board Member of Benefit Systems S.A.*

On 2 July, 2019 Izabela Walczewska-Schneyder resigned from the position of Management Board Member of the Company with the effect from 2 July, 2019.

*Appointment of a member to the Management Board of Benefit Systems S.A.*

On 3 September 2019, the Management Board of Benefit Systems S.A. appointed Mr Bartosz Józefiak to the Management Board to the position of member of the Management Board who is responsible for the supervision over the following departments: Finances, Accounting, Internal Audit, Compliance, Administration, Purchases, Investors' Relations and Legal. Mr Józefiak's appointment, effective as of 1 November 2019, extends to the joint term of office of the Management Board of Benefit Systems S.A., which started on 11 June 2017.

*Implementation of the subsequent phases of reorganization of the Capital Group of Benefit Systems*

On 30 July 2019, Fitness Academy BIS Sp. z o.o. merged with AM Classic Sp. z o.o. and Jupiter Sport Sp. z o.o. as part of another phase of reorganization of the Group.

Further events connected with reorganization took place after the balance sheet date.

## 5.2. MATERIAL EVENTS IN THE GROUP AFTER THE BALANCE SHEET DATE

*The date of completion of the antimonopoly proceedings postponed*

On 1 October 2019, the Management Board of the Dominant Company received decision from the Chairman of the Office of Competition and Consumer Protection (the "OCCP") providing for another anticipated date of completion of the antimonopoly proceedings; the implied completion date was identified as 29 February 2020.

*Realization of further phases of reorganization of the Capital Group of Benefit Systems*

On 4 October 2019, Extraordinary General Meeting of Benefit Systems S.A. was held concerning merger of Benefit Systems S.A. as the acquiring company, with the following companies: Zdrofit Sp. z o.o., Fabryka Formy S.A., Fitness Academy BIS Sp. z o.o., and Fitness Place Sp. z o.o as the acquired companies. The merger plan was also approved in the meeting.

On 4 November 2019, the merger was registered with the National Court Register, which formally ended the last phase of reorganization of the fitness activity and its integration with the sports cards business.

## 5.3. COMPOSITION OF THE MANAGEMENT BOARD AND OF THE SUPERVISORY BOARD

As of the date of publication of this report, the Management Board of the dominant entity was composed of four (4) members who are the following persons:

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

In the reported period changes have taken place in the composition of the Management Board of the Dominant Entity related to the resignation of Mrs. Izabela Walczewska-Schneyder's from the function of the Member of the Management Board and the appointment of Mr. Bartosz Józefiak to the position of the Management Board Member on 3rd September 2019 by the Supervisory Board.

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

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

In the period under review, the composition of the dominant company's Supervisory Board did not change.

#### 5.4. SHARES AND/OR ALLOTMENT CERTIFICATES HELD BY THE MEMBERS OF THE MANAGEMENT BOARD AND OF THE SUPERVISORY BOARD

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

Table 21: Shares held by the Members of the Management Board of Benefit Systems S.A.

Management Board	As of the date of the report for 3 quarters of 2019		As of the date of the report for the 1st half of 2019		Change
	Number of shares	Participation in the share capital	Number of shares	Participation in the share capital	
Bartosz Józefiak	0	0,00%	0	0,00%	-
Adam Radzki	3 020	0,11%	3 020	0,11%	-
Emilia Rogalewicz	1 081	0,04%	1 081	0,04%	-
Wojciech Szwarc	0	0,00%	0	0,00%	-
<b>Total</b>	<b>4 101</b>	<b>0,14%</b>	<b>4 101</b>	<b>0,14%</b>	<b>-</b>

Table 22: Benefits for Members of the Management Board in the form of due and potentially due G, H and I series warrants as at the date of submitting the report for 3 quarters 2019

Management Board Member	Series G warrants granted for 2017	Series H warrants granted for 2018	Series I warrants granted for 2019	Total	Value* (in ths. PLN)
Bartosz Józefiak	0	0	0	0	0
Adam Radzki	1 750	2 250	600	4 600	2 603
Emilia Rogalewicz	2 500	2 250	600	5 350	2 871

Wojciech Szwarc	1 900	2 250	600	4 750	2 657
Total	6 150	6 750	1 800	14 700	8 131

\* The valuation of the series G warrants was based on the prices and terms applicable to the 2017 pool of warrants (PLN 357.17); the valuation of the series H warrants was based on the prices and terms applicable to the 2018 pool of warrants (PLN 638.07), and the valuation of the series I warrants was based on the prices and terms applicable to the 2019 pool of warrants (PLN 904.00).

Table 23: Shares held by the Members of the Supervisory Board of Benefit Systems S.A.

Supervisory Board	As of the date of the report for 3 quarters of 2019		As of the date of the report for the 1st half of 2018		Change
	Number of shares	Participation in the share capital	Number of shares	Participation in the share capital	
James van Bergh*	552 195	19,32%	565 432	19.78%	(13 237)
Marcin Marczuk	0	0,00%	0	0.00%	-
Artur Osuchowski	0	0,00%	0	0.00%	-
Michael Sanderson	0	0,00%	0	0.00%	-
Michael Rohde Pedersen	0	0,00%	0	0.00%	-
<b>Total</b>	<b>552 195</b>	<b>19,32%</b>	<b>565 432</b>	<b>19.78%</b>	<b>(13 237)</b>

\* Direct holding; additionally, a person closely related to the Chairman of the Supervisory Board (within the meaning of article 160, paragraph 2, point 1 of the act on trading) controls Benefit Invest Ltd. as a shareholder with a holding of 93.3%, where this company holds shares in Benefit Systems S.A. in the number of 309 221 representing 10,82% of the share capital and of the total number of votes (as at the date of submitting the report for 3 quarters of 2019); in addition, a person closely related to the Chairman of the Supervisory Board is the Chairwoman of the Council of Fundacja Drzewo i Jutro, which holds 8.38% of the share capital of Benefit Systems S.A.

Those managing and supervising the Dominant Entity hold no shares in the subsidiaries.

## 5.5. SHAREHOLDING STRUCTURE

Percentage interest in the share capital of the Dominant Entity and in the number of votes reflects the increase of the share capital of the Dominant Entity that was performed as part of the contingent capital. The series D shares were taken up, as part of the contingent capital, by the holders of the series D, E and F subscription warrants that were granted by the Dominant Entity in accordance with the Incentive Plan for years 2014 – 2016.

Table 24: Shareholding structure

Shareholder:	As of the date of the report for 3 quarters of 2019			As of the date of the report for the 1H 2019			Change
	Number of shares*	% in the share capital	% in the total number of votes	Number of shares	% in the share capital	% in the total number of votes	
James Van Bergh*	552 195	19.32%	19.32%	565 432	19.78%	19.78%	(13 237)
Benefit Invest Ltd.*	309 221	10.82%	10.82%	316 634	11.08%	11.08%	(7 413)
Marek Kamola	245 000	8.57%	8.57%	245 000	8.57%	8.57%	-

Fundacja Drzewo i Jutro**	239 628	8.38%	8.38%	245 372	8.58%	8.58%	(5 744)
MetLife OFE	240 000	8.40%	8.40%	240 000	8.40%	8.40%	-
Nationale-Nederlanden OFE	162 200	5.67%	5.67%	162 000	5.67%	5.67%	200
Invesco Ltd***	147 496	5.16%	5.16%	147 496	5.16%	5.16%	-
Pozostali	963 102	33.69%	33.69%	936 908	32.77%	32.77%	26 194
<i>including Benefit Systems S.A (the treasury shares)</i>	<i>118 053</i>	<i>4.13%</i>	<i>4.13%</i>	<i>54 811</i>	<i>1.92%</i>	<i>1.92%</i>	<i>63 242</i>
<b>TOTAL</b>	<b>2 858 842</b>	<b>100.00%</b>	<b>100.00%</b>	<b>2 858 842</b>	<b>100.0%</b>	<b>100.0%</b>	<b>-</b>

\*Entities linked in the personal and/or capital terms, in accordance with information provided in Note 23 'Transactions with affiliates' in the Annual Consolidated Financial Statements for 2018;

\*\*Former name (until 5 August 2019) Foundation Benefit Systems.

\*\*\* In accordance with the received statements in 2018 (Invesco Ltd), registrations for the General Shareholders Meeting on the 4 October 2019 and notifications received after share buy-back.

The share capital of the Dominant Entity amounts to PLN 2 858 842. Number of shares in the share capital: 2 858 842 shares: including 2 204 842 series A shares; 200 000 series B shares; 150 000 series C shares; 120 000 series D shares; and 184 000 series F shares. Shares of all the issues have the par value of PLN 1.00. The total number of votes from all the issued shares amounts to 2 848 842. Participations of individual shareholders in the share capital of Benefit Systems S.A. are equal to their participations in the total number of votes at the General Shareholders Meeting; as of the date of the report, the Dominant Entity held treasury shares in the amount of 118 053 shares and exercised no voting rights therefrom.

## 5.6. DIVIDEND

On 10th February, 2016, the Management Board for the parent company adopted its Shareholder Profit Distribution Policy for the years 2016 to 2019, which was subsequently approved by the Supervisory Board and Annual General Meeting of the Parent company.

In each year of the Profit Distribution Policy the buyback of shares will be carried out for at least 50% of the net profit of the Parent company for the previous financial year. The policy takes into account the financial situation and investment requirements of the parent company and Group's companies, including those related to the implementation of investment agreements, as well as the demand for liquid cash with companies. The Profit Distribution Policy is in force and applied commencing with the distribution of net profit of the parent company for the year ended 31st December, 2015, and constitutes a continuation of the Dividend Policy of 25th September, 2012.

On 25 June 2019, Ordinary General Meeting of the dominant Company adopted resolution concerning appropriation of the net profit of the dominant Company for year 2018. Given the buy-back of the dominant Company's own shares as contemplated by its Management Board, acting in line with the 2016-2019 Distribution of Profits to Shareholders Policy, the General Meeting decided to appropriate the entire net profit of PLN 146.0 million for the supplementary capital.

On 27 September 2019 (the settlement date), buy-back of own shares was carried out. Benefit Systems S.A. acquired 63 242 own shares in aggregate, each with the nominal value of PLN 1.00, accounting for 2.21% of the

share capital of the Company and entitling to 63 242 votes, representing 2.21% votes at the General Meeting of the Company. The purchase price of PLN 900 per share totaled PLN 56 917 800 for all the acquired shares.

## 5.7. INCENTIVE PLAN

On the basis of resolutions of the General Meeting of Shareholders, an Incentive Programme (hereinafter the Programme or IP) exists at Benefit Systems Group. On 10<sup>th</sup> February, 2016, the Supervisory Board of the Parent company adopted a proposal for the next edition of the Incentive Programme for the period 2017-2020. Specified employees, both among senior executives and employees from middle management can participate in the Incentive Programme. The aim of the programme is to create an incentive system that will promote efficient and loyal work aimed at achieving high financial results and a long-term increase in the value of the Parent company. Under this Programme, eligible employees receive subscription warrants, which are convertible into shares of the parent company. During the Incentive Programme for the period 2017-2020 its participants (at most 149 people) will be able to receive a maximum of 100,000 subscription warrants (which after conversion into shares will represent 3.44% of the share capital of the parent company, increased by the maximum number of warrants), which will give an entitlement to subscribe to the specific number of shares in the parent company at their nominal value in four equal tranches.

The condition for acquiring rights to subscribe for the warrants is to meet the three criteria:

- Loyalty criterium – that is to remain in the employment contract, which is not terminated, at the end of the calendar year, for which the options are being granted,
- Quality criterium – evaluated after the Group reaches the agreed level of pre-tax profit adjusted for the book cost of the programme attributable to the financial year,
- Evaluation criterium – understood as a positive evaluation of a member of the Programme’s work based on the adopted in the Parent Company internal regulations and the annual goals.

The necessary condition for initiating the Incentive Programme in a given year is the attainment of a specific level of pre-tax profit (the programme for the years 2017-2020) adjusted for the book cost of the programme attributable to the financial year. The options granted may be exercised up to 30<sup>th</sup> September, 2021.

The assumptions of the Incentive Programme for the period 2017-2020 were adopted in the form of a resolution at the Annual General Meeting on 15<sup>th</sup> June, 2016.

Table 25: Performance thresholds for the Incentive Programme

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

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

Table 26: Valuation of options - Incentive Programme

Valuation of the Incentive Programme options - Black and Scholes model	
Dane	2019
X (t) - quotation of shares at the valuation date (PLN)	904.00
P - option exercise price (PLN)	491.93
r - risk-free rate for PLN	1.69%
T - date of expiration	2021-03-31
t - current day (for pricing)	2019-02-12
Sigma - daily volatility	33.85%

The expected share volatility was estimated on the basis of historical quotations of shares of the Dominant Entity on the Warsaw Stock Exchange for the period of 02.01.2016 - 31.12.2016 (options for 2017), for the period of 02.01.2017 - 30.12.2017 (options for 2018), and for the period of 02.01.2018 - 30.12.2018 (options for 2019).

The cost of the Programme recognized in the reporting period amounted to PLN 689,5 thousand, and its valuation results from the difference between the option exercise price and the share price as at the valuation day. Cost calculation corresponded to realisation of the 50% threshold for the condition of consolidated profit before tax of the Capital Group and is proportiona to the number of warrants granted.

#### 5.8. MANAGEMENT BOARD'S POSITION REGARDING MATERIALISATION OF THE FINANCIAL PROJECTIONS

In current report of 29 April 2019 and in the follow-up correspondence, the Management Board noted that in 2019, they expected a drop in the reported profits of the Group. Deterioration in the financial results was to be attributable both to the operating activity (revenues from sales B2C at clubs were lower than expected), and to the new method of presentation of the lease agreements (in compliance with IFRS 16).

In current report of 10 November 2019, the Management of Benefit Systems S.A. presented a new forecast of the financial results of the Capital Group of Benefit Systems for 2019. On the basis of an analysis of the profits of the capital group of the Company for the first three calendar quarters of 2019 and the market trends as well as an update of the estimated cost savings, it was estimated that the consolidated operating profit (EBIT) in 2019 will range between PLN 145 million - PLN 155 million, while the consolidated operating profit (EBIT) adjusted for the impact of IFRS 16 (Lease), will range between PLN 130 million - PLN 140 million in 2019.

At the same time, compared to the previous forecast (provided in the current report of 29 April 2019), the estimation of the impact of IFRS 16 (Leasing) on consolidated operating profit (EBIT) in 2019 has changed from PLN 23 million to PLN 15 million currently.

In the financial statements for the first six months of 2019, the Group commented on the certain assumptions of the Accounting Policy related to the impact of IFRS 16 on reports (point 6.2.3.1 Influence of the implementation of IFRS 16 to the Consolidated Financial Statement of the Benefit Systems Group for 1H 2019), which will have a positive nominal effect on the the reported results in 2019.

## 5.9. SEASONALITY OF THE BUSINESS

It is typical of the sector of non-payroll benefits based on access to sports and recreation facilities that the activity of the holders of sports cards fluctuates seasonally. Traditionally, the peak of user's activity falls to the first calendar quarter (which is also the 1st quarter of the financial year of the Group). The tendency is reflected in many financial categories of the Group: on the costs side - in the companies related to sale of sports cards and on the revenues part - in the companies offering access to fitness services. Additionally, the fluctuations may depend on weather, arrangement of public holidays in specific year and on other factors. In the Cafeterias segment, the seasonability is reflected in the growth of turnovers in the last month of the year, in particular, due to the Christmas season.

## 5.10. MOVEMENTS IN CONTINGENT LIABILITIES

In the period under review, Benefit Systems S.A. and the companies of its Capital Group have not extended any surety or guarantee for a bank loan or a loan nor provided a guarantee to a single entity or a subsidiary of such entity whereby the total value of such surety and/or guarantees would be significant with respect to the level of the equity of Benefit Systems S.A. A significant value of equity was adopted in accordance with the Individual Reporting Standards which has been in place since July 2016. Therefore, a significant value of equity is recognized at the threshold of 10% of the equity of the Dominant Entity as established on the basis of the most recently published annual consolidated financial statements

Table 27: Contingent liabilities

in PLN thousand	As of the date of submission of the report for 3 quarters of 2019	As of 30 June, 2019	Change
Guarantees and surety	51 550	50 951	599

In the period of the three calendar quarters under review, the total value of the granted reached 51.5mln. Increase of the value in the 3<sup>rd</sup> quarter of 2019 is related to the increase in the EUR/PLN exchange rate by 0.1216 PLN. The above-specified contingent liabilities are related to provision of support, in terms of capital, to strategic partners of the Dominant Entity and were incurred in performance of the investment agreements with the view to satisfying lease payments for fitness equipment and rent payment guarantees. Additionally, the Dominant Entity stood a suretyship for repayment of liabilities under a bank loan of its subsidiary: Fabryka Formy S.A., which the latter company incurred for investment purposes.

## 5.11. SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES ENTERED INTO ON TERMS DIFFERENT THAN AT ARM'S LENGTH

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

## 5.12. INFORMATION ABOUT LEGAL OR ADMINISTRATIVE PROCEEDINGS

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

On 29 June, 2018, the dominant Company was notified that the Chairman of the OCCP initiated antimonopoly proceedings against Benefit Systems S.A. and against fifteen other undertakings in connection with a suspicion of a scheme that could result in a limitation of the competition on the local or the national market for fitness services or on other relevant markets. The proceedings also involved six (6) managers, two (2) of whom worked for the Capital Group of Benefit Systems. The proceedings pertain to issues dating back to 2012-2015.

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

In accordance with the regulations, a penalty potentially imposed on the dominant Company may be as high as the equivalent of 10% of the dominant Company's turnover volume in the year preceding issuance of the decision. Additionally, specific members of the dominant Company's Management Board may face individual penalties, up to PLN 2 million. The Management Board of the dominant Company has analyzed the situation. The dominant Company will appeal against penalty, if any is imposed, to the Court for Competition and Consumers Protection.

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

Furthermore, on 25 January, 2018, fiscal and customs authorities launched an inspection with the dominant Company on the basis of authorization to carry out fiscal and customs inspection that was obtained from the Head of the Małopolski Customs and Fiscal Office in Kraków. The inspection is aimed at checking compliance with Corporate Income Tax Act of 15 February 1992 in terms of taxation of the income generated in 2012-2016.

In their letter of 17 December, 2018, the Head of the Małopolski Customs and Fiscal Office in Kraków presented the outcome of the customs and fiscal inspection regarding taxation of income generated in 2012 and stated that no irregularity was ascertained.

In their letters of 25 June, 2019, the Head of the Małopolski Customs and Fiscal Office in Kraków presented the outcome of the customs and fiscal inspection regarding taxation of income generated in 2013, 2014 and 2015 and stated that no irregularity was ascertained.

Acting in response to the inquiries received by the dominant Company from the Head of the Małopolski Customs and Revenue Office in Kraków, at the current stage of the inspection, the Dominant Entity is presenting their tax ledgers along with the underlying evidence to the inspectors.

As of the date of publication of this quarterly report, the inspection has not yet been completed.

During the past reporting period, the Benefit Systems Capital Group has neither initiated nor was a party to legal proceedings with the total value of claim(s) representing more than 10% of the equity of the Group. In the period under review, the Company had no major settlement of accounts in relation to court cases.

## 6. CONSOLIDATED FINANCIAL STATEMENTS OF THE CAPITAL GROUP OF BENEFIT SYSTEMS AS AT 30 SEPTEMBER, 2019 AND FOR THE PERIOD OF 9 MONTHS ENDED ON 30 SEPTEMBER, 2019

### 6.1. SELECTED FINANCIALS OF THE CAPITAL GROUP OF BENEFIT SYSTEMS

Table 28: Selected financials of the Capital Group of Benefit Systems

	3 quarters 2019 in ths. PLN	3 quarters 2018 in ths. PLN	3 quarters 2019 in ths. EUR	3 quarters 2018 in ths. EUR
Sales revenues	1 115 702	880 010	258 948	206 892
EBITDA	266 787	133 735	61 920	31 441
Operating profit	125 680	102 931	29 170	24 199
Pre-tax profit	109 086	97 897	25 318	23 016
Net profit	84 530	74 798	19 619	17 585
Net profit attributable to shareholders of the Parent Company	83 009	73 761	19 266	17 341
Operating cash flow	261 578	108 225	60 711	25 444
Investing cash flow	(109 993)	(191 446)	(25 529)	(45 009)
Financing cash flow	(161 876)	214 166	(37 571)	50 351
Change in cash and cash equivalents	(10 291)	130 945	(2 388)	30 785
Weighted average number of ordinary shares	2 858 842	2 761 113	2 858 842	2 761 113
Weighted average diluted number of ordinary shares	2 869 016	2 782 125	2 869 016	2 782 125
EPS attributable to shareholders of the Parent Company (PLN/EUR)	29.04	26.71	6.74	6.28
Diluted EPS attributable to shareholders of the Parent Company (w PLN/EUR)	28.93	26.51	6.72	6.23

  

	As at 30.09.2019 in ths. PLN	As at 31.12.2018 in ths. PLN	As at 30.09.2019 in ths. EUR	As at 31.12.2018 in ths. EUR
Non-current assets	1 742 207	791 668	398 346	184 109
Current assets	251 617	296 997	57 531	69 069
Total assets	1 993 824	1 088 665	455 877	253 178
Non-current liabilities	921 666	148 454	210 734	34 524
Current liabilities	491 890	373 242	112 468	86 800
Equity	580 268	566 969	132 675	131 853

	As at 30.09.2019 in ths. PLN	As at 31.12.2018 in ths. PLN	As at 30.09.2019 in ths. EUR	As at 31.12.2018 in ths. EUR
Equity attributable to equity holders of the Parent Company	577 356	564 727	132 009	131 332
Share capital	2 859	2 859	654	665
Number of shares	2 858 842	2 858 842	2 858 842	2 858 842
Book value of equity attributable to equity holders of the Parent Company per share (in PLN/EUR per share)	201.95	197.54	46.18	45.94

In the periods covered by these condensed consolidated interim financial statements, the following average PLN/EUR exchange rates, as determined by the National Bank of Poland, were applied to convert selected financial data:

- the exchange rate on the last day of the reporting period: 30.09.2019 4.3736 PLN/EUR, 31.12.2018 4.300 PLN/EUR. 30.09.2018 4.2714 PLN/EUR
- the average exchange rate in the period. calculated as the arithmetic mean of the exchange rates on the last day of each month in a given period: 01.01 - 30.09.2019 4.3086 PLN/EUR, 01.01 - 30.09.2018 4.2535 PLN/EUR.

The highest exchange rate in the reported and analogous period was as follows:

- 01.01 - 30.09.2019: 4.3844 PLN/EUR
- 01.01 - 30.09.2018: 4.3616 PLN/EUR

The lowest exchange rate in the reported and analogous period was as follows:

- 01.01 - 30.09.2019: 4.2520 PLN/EUR
- 01.01 - 30.09.2018: 4.1488 PLN/EUR.

## 6.2. CONSOLIDATED INCOME STATEMENT

Table 29: Consolidated income statement

in ths. PLN	3rd quarter 2019	3rd quarter 2018 Restated*	Change	3 quarters 2019	3 quarters 2018
<b>Sales revenues</b>	<b>380 196</b>	<b>298 057</b>	<b>27.6%</b>	<b>1 115 702</b>	<b>880 010</b>
Revenues from sale of services	376 363	293 997	28.0%	1 103 311	868 345
Revenues from sale of goods and materials	3 833	4 060	(5.6%)	12 391	11 665
<b>Cost of sales</b>	<b>(269 848)</b>	<b>(213 240)</b>	<b>26.5%</b>	<b>(821 747)</b>	<b>(639 826)</b>
Cost of sold services	(267 236)	(212 586)	25.7%	(813 382)	(630 948)
Cost of sold goods and materials	(2 612)	(654)	299.4%	(8 365)	(8 878)
<b>Gross profit on sales</b>	<b>110 348</b>	<b>84 817</b>	<b>30.1%</b>	<b>293 955</b>	<b>240 184</b>
Selling expenses	(22 473)	(19 965)	12.6%	(71 818)	(57 899)
General and administrative expenses	(32 492)	(24 925)	30.4%	(91 909)	(76 801)
Other operating income	2 216	3 128	(29.2%)	5 970	10 816
Other operating costs	(1 698)	(4 716)	(64.0%)	(11 458)	(13 369)
Re-measurement to fair value of existing holdings	-	-	-	940	-
<b>Operating profit</b>	<b>55 901</b>	<b>38 339</b>	<b>45.8%</b>	<b>125 680</b>	<b>102 931</b>
Financial income, including:	1 315	982	33.9%	18 896	6 043
<i>Interest income</i>	<i>346</i>	-	-	<i>1 961</i>	-
<i>Dividends</i>	-	-	-	-	-
Financial costs, including:	(20 715)	(2 034)	918.4%	(37 031)	(8 678)
<i>Interest expense on loans and borrowings</i>	<i>(6 245)</i>	-	-	<i>(16 290)</i>	-
<i>Interest expense on right-of-use liabilities</i>	<i>(1 158)</i>	-	-	-	-
<i>Write-off of financial assets</i>	<i>(1 158)</i>	-	-	-	-
Share in a net profit/(loss) of entities accounted for using the equity method (+/-)	509	(1 792)	-	1 541	(2 399)
<b>Profit before tax</b>	<b>38 168</b>	<b>35 495</b>	<b>7.5%</b>	<b>109 086</b>	<b>97 897</b>
Income tax	(10 107)	(6 901)	46.5%	(24 556)	(23 099)
<b>Net profit from continuing operations</b>	<b>28 061</b>	<b>28 594</b>	<b>(1.9%)</b>	<b>84 530</b>	<b>74 798</b>
<b>Net profit</b>	<b>28 061</b>	<b>28 594</b>	<b>(1.9%)</b>	<b>84 530</b>	<b>74 798</b>
<b>Net profit attributable to:</b>					
- equity holders of the parent	26 848	27 778	(3.3%)	83 009	73 761
- non-controlling interests	1 213	816	48.7%	1 521	1 037

Table 30: EPS (PLN)

	3 quarters 2019	3 quarters 2018	4 quarters 2018
<i>From continuing operations</i>			
- basic	29.04	26.71	41.71
- diluted	28.93	26.51	41.33

Table 31: Consolidated statement of comprehensive income

In ths. PLN	3 quarters 2019	3 quarters 2018	4 quarters 2018
Net profit	<b>84 530</b>	<b>74 798</b>	<b>116 190</b>
<i>Other comprehensive income</i>	0	0	0
<i>Items not transferred to financial income</i>	0	0	0
<i>Items transferred to financial income</i>	0	0	0
Foreign differences on consolidation	(860)	(243)	(1 008)
Total comprehensive income	<b>83 670</b>	<b>74 555</b>	<b>115 182</b>
Total comprehensive income attributable to:			
- equity holders of the parent	82 067	73 518	113 637
- non-controlling entities	1 603	1 037	1 545

### 6.3. CONSOLIDATED BALANCE SHEET

Table 32: Consolidated balance sheet – Assets

in ths. PLN	As at 30.09.2019	As at 31.12.2018	As at 30.09.2018
<i>Non-current assets</i>			
Goodwill	361 642	348 547	208 646
Intangible assets	62 836	52 189	43 558
Property, plant and equipment	368 160	270 755	225 818
Right-of-use assets	843 574	-	-
Investments in associates	13 478	14 149	34 222
Receivables and others	5 281	5 335	94 596
Loans	60 146	88 932	0
Other long-term financial assets	97	97	101
Long-term prepayments	1 333	947	197
Deferred tax asset	25 660	10 717	18 913
<b>Non-current assets</b>	<b>1 742 207</b>	<b>791 668</b>	<b>626 051</b>
<i>Current assets</i>			
Inventory	6 415	5 798	8 632
Trade receivables and other receivables	145 454	172 179	120 096
Current income tax receivable	759	1 428	686

in ths. PLN	As at 30.09.2019	As at 31.12.2018	As at 30.09.2018
Loans	13 494	25 024	23 457
Other short-term financial assets	116	116	116
Accruals	19 851	16 633	21 981
Cash and cash equivalents	65 528	75 819	183 403
<b>Current assets</b>	<b>251 617</b>	<b>296 997</b>	<b>358 371</b>
<b>Total assets</b>	<b>1 993 824</b>	<b>1 088 665</b>	<b>984 422</b>

Table 33: Consolidated balance sheet - Liabilities

in ths. PLN	As at 30.09.2019	As at 31.12.2018	As at 30.09.2018
<i>Equity</i>			
<i>Equity attributable to equity holders of the parent:</i>			
Share capital	2 859	2 859	2 859
Treasury shares	(118 157)	(61 157)	(61 157)
Share premium	272 107	272 107	281 350
Foreign exchange differences on consolidation	(1 559)	(617)	114
Supplementary capital	(48 409)	(31 194)	(15 194)
Other capital	481 143	332 655	316 222
Retained earnings:	(10 628)	50 074	11 080
- profit of the previous years	(93 637)	(64 571)	(62 681)
- net profit attributable to equity holders of the parent	83 009	114 645	73 761
<b>Equity attributable to equity holders of the parent</b>	<b>577 356</b>	<b>564 727</b>	<b>535 274</b>
Non-controlling interests	2 912	2 242	2 074
<b>Equity</b>	<b>580 268</b>	<b>566 969</b>	<b>537 348</b>
<i>Liabilities</i>			
<i>Non-current liabilities</i>			
Interest-bearing bank loans, borrowings and debt securities	112 186	79 393	85 719
Financial lease	-	9 327	10 552
Right-of-use liability	785 819	-	-
Other liabilities	21 553	31 850	8 362
Provision for deferred income tax	1 989	1 109	2 019
Liabilities and provisions for employee benefits	0	0	267
Other long-term provisions	0	0	27
Long-term prepayments	119	26 775	17 036
<b>Non-current liabilities</b>	<b>921 666</b>	<b>148 454</b>	<b>123 982</b>

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in ths. PLN	As at 30.09.2019	As at 31.12.2018	As at 30.09.2018
<i>Current liabilities</i>			
Trade payables and other liabilities	159 237	145 148	105 136
Current income tax liabilities	20 695	24 586	20 382
Interest-bearing bank loans, borrowings and debt securities	90 709	94 704	93 596
Financial lease	0	7 398	7 223
Right-of-use liability	132 081	-	-
Liabilities and provisions for employee benefits	19 735	25 942	13 876
Other short-term provisions	3 425	800	1 510
Accruals	66 008	74 664	81 369
<b>Current liabilities</b>	<b>491 890</b>	<b>373 242</b>	<b>323 092</b>
<b>Total liabilities</b>	<b>1 413 556</b>	<b>521 696</b>	<b>447 074</b>
<b>Total Equity and Liabilities</b>	<b>1 993 824</b>	<b>1 088 665</b>	<b>984 422</b>

#### 6.4. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Table 34: Consolidated statement of changes in Equity

In ths. PLN	Share capital	Treasury shares	FX gains (losses) on consolidation	Share premium	Supplementary capital	Other capital	Retained profits / (losses)	Total	Non-controlling interests	Total equity
Balance as at 01.01.2019	2 859	(61 157)	(617)	272 107	(31 194)	332 655	50 074	564 727	2 242	566 969
<i>Equity movements in the period from 01.01 to 30.09.2019</i>										
Option valuation (share-based payments)	0	0	0	0	0	689	0	689	0	689
Change of the structure of the capital group (transactions with non-controlling entities)	0	0	0	0	0	0	4 088	4 088	(394)	3 694
Reserve on share buyback	0	0	0	0	(17 215)	0	0	(17 215)	0	(17 215)
Share buyback	0	(57 000)	0	0	(57 000)	57 000	0	(57 000)	0	(57 000)
Dividends	0	0	0	0	0	0	0	0	(539)	(539)
Transfer of capital	0	0	0	0	0	147 799	(147 799)	0	0	0
Transfer of profits to capital reserve	0	0	0	0	57 000	(57 000)	0	0	0	0
Total transactions with equity holders	0	(57 000)	0	0	(17 215)	148 488	(143 711)	(69 438)	(933)	(70 371)
Net profit for the period from 01.01 to 30.09.2019	0	0	0	0	0	0	83 009	83 009	1 521	84 530
Exchange differences on foreign entities translation	0	0	(942)	0	0	0	0	(942)	82	(860)
Total comprehensive income	0	0	(942)	0	0	0	83 009	82 067	1 603	83 670
Balance as at 30.09.2019	2 859	(118 157)	(1 559)	272 107	(48 409)	481 143	(10 628)	577 356	2 912	580 268

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In ths. PLN	Share capital	Treasury shares	FX gains / (losses) on consolidation	Share premium	Supplementary capital	Other capital	Retained profits / (losses)	Total	Non-controlling interests	Total equity
Balance as at 01.01.2018	2 675	(100 094)	339	60 586	(50 951)	216 018	73 460	202 033	17 844	219 877
Correction due to the application of IFRS 9 (including tax)	2 675	(100 094)	339	60 586	(50 951)	216 018	76 753	205 326	17 844	223 170
<i>Equity movements in the period from 01.01 to 31.12.2018</i>										
Share issue	184	0	0	185 983	0	0	0	186 167	0	186 167
Option valuation (share-based payments)	0	0	0	0	0	16 433	0	16 433	0	16 433
Change of the structure of the capital group (transactions with non-controlling entities)	0	0	0	0	35 757	0	(35 936)	(179)	(16 568)	(16 747)
Payment with shares	0	8 042	0	3 933	0	0	0	11 975	0	11 975
Exercised options	0	0	0	0	4 630	0	(5 184)	(554)	(305)	(859)
Valuation of put option of non-controlled interests	0	0	0	0	(20 630)	0	0	(20 630)	0	(20 630)
Share buyback	0	(51 000)	0	0	(51 000)	51 000	0	(51 000)	0	(51 000)
Sale of treasury shares	0	81 895	0	21 605	0	0	0	103 500	0	103 500
Dividends	0	0	0	0	0	0	0	0	(222)	(222)
Transfer of capital	0	0	0	0	51 000	(51 000)	0	0	0	0
Transfer of profits to capital reserve	0	0	0	0	0	100 204	(100 204)	0	0	0
<b>Total transactions with equity holders</b>	<b>184</b>	<b>38 937</b>	<b>0</b>	<b>211 521</b>	<b>19 757</b>	<b>116 637</b>	<b>(141 324)</b>	<b>245 712</b>	<b>(17 095)</b>	<b>228 617</b>
Net profit for the period from 01.01 to 31.12.2018	0	0	0	0	0	0	114 645	114 645	1 545	116 190
Exchange differences on foreign entities translation	0	0	(956)	0	0	0	0	(956)	(52)	(1 008)
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>(956)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>114 645</b>	<b>113 689</b>	<b>1 493</b>	<b>115 182</b>
Balance as at 31.12.2018	2 859	(61 157)	(617)	272 107	(31 194)	332 655	50 074	564 727	2 242	566 969

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In ths. PLN	Share capital	Treasury shares	FX gains / (losses) on consolidation	Share premium	Supplementary capital	Other capital	Retained profits / (losses)	Total	Non-controlling interests	Total equity
Balance as at 01.01.2018	2 675	(100 094)	339	60 586	(50 951)	216 018	73 460	202 033	17 844	219 877
<i>Equity movements in the period from 01.01 to 30.09.2018</i>										
Share issue	184	0	0	185 983	0	0	0	186 167	0	186 167
Option valuation (share-based payments)	0	0	0	9 243	0	0	0	9 243	0	9 243
Change of the structure of the capital group (transactions with non-controlling entities)	0	0	0	0	35 757	0	(35 937)	(180)	(16 567)	(16 747)
Share buyback	0	(51 000)	0	0	(51 000)	51 000	0	51 000	0	51 000
Sale of treasury shares	0	89 937	0	0	0	0	0	89 937	0	89 937
Dividends	0	0	0	0	0	0	0	0	(222)	(222)
Treasury shares premium	0	0	0	25 538	0	0	0	25 538	0	25 538
Transfer of capital	0	0	0	0	51 000	(51 000)	0	0	0	0
Transfer of profits to capital reserve	0	0	0	0	0	100 204	(100 204)	0	0	0
<b>Total transactions with equity holders</b>	<b>184</b>	<b>38 937</b>	<b>0</b>	<b>220 764</b>	<b>35 757</b>	<b>100 204</b>	<b>(136 141)</b>	<b>259 705</b>	<b>(16 789)</b>	<b>242 916</b>
Net profit for the period from 01.01 to 30.09.2018	0	0	0	0	0	0	73 761	73 761	1 037	74 798
Exchange differences on foreign entities translation	0	0	(225)	0	0	0	0	(225)	(18)	(243)
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>(225)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>73 761</b>	<b>73 536</b>	<b>1 019</b>	<b>74 555</b>
Balance as at 30.09.2018	2 859	(61 157)	114	281 350	(15 194)	316 222	11 080	535 274	2 074	537 348

## 6.5. CONSOLIDATED CASH FLOW STATEMENT

Table 35: Consolidated cash flow statement

In ths. PLN	3 quarters 2019	3 quarters 2018	4 quarters 2018
<i>Cash flow from operating activities</i>			
Pre-tax profit	109 086	97 897	157 422
Total adjustments	171 453	44 738	56 045
Change in working capital	24 742	4 020	(28 258)
Income tax paid	(43 703)	(38 430)	(45 220)
<b>Net cash from operating activities</b>	<b>261 578</b>	<b>108 225</b>	<b>139 989</b>
<i>Cash flow from investing activities</i>			
Expenses on acquisition of intangible assets	(15 588)	(32 051)	(15 374)
Expenses on acquisition of property, plant and equipment	(80 246)	(63 446)	(75 092)
Proceeds from sale of property, plant and equipment	1 690	979	1 512
Net expenses on acquisition of subsidiaries	(18 294)	(62 813)	(132 918)
Received repayments of the loans granted	9 265	6 942	8 313
Loans granted	(9 734)	(43 625)	(52 606)
Interest received	2 322	2 291	2 888
Dividends received	592	277	277
<b>Net cash from investing activities</b>	<b>(109 993)</b>	<b>(191 446)</b>	<b>(263 000)</b>
<i>Cash flow from financial activities</i>			
Net proceeds from share issue and sale of own shares	3 609	289 667	289 667
Acquisition of own shares	(57 000)	(51 000)	(51 000)
Transactions with non-controlling entities	0	0	(58 603)
Repayment of debt securities	(74 500)	(50 000)	(50 000)
Proceeds from loans and borrowings	89 948	50 418	50 418
Repayment of loans and borrowings	(22 498)	(12 098)	(17 452)
Repayment of lease liabilities	(87 844)	(6 705)	(8 550)
Interest paid	(13 052)	(5 894)	(7 886)
Dividends paid	(539)	(222)	(222)
<b>Net cash from financial activity</b>	<b>(161 876)</b>	<b>214 166</b>	<b>146 372</b>
Net change in cash and cash equivalents	(10 291)	130 945	23 361
<b>Cash and cash equivalents: opening balance</b>	<b>75 819</b>	<b>52 458</b>	<b>52 458</b>
<b>Cash and cash equivalents: closing balance</b>	<b>65 528</b>	<b>183 403</b>	<b>75 819</b>

## 7. CONDENSED FINANCIAL STATEMENTS OF BENEFIT SYSTEMS S.A. AS AT 30 SEPTEMBER, 2019 AND FOR THE PERIOD OF 9 MONTHS ENDED ON 30 SEPTEMBER, 2019

### 7.1. SELECTED FINANCIALS OF BENEFIT SYSTEMS S.A.

Table 36: Selected financials of Benefit Systems S.A.

	3 quarters 2019 in ths. PLN	3 quarters 2018 in ths. PLN	3 quarters 2019 in ths. EUR	3 quarters 2018 in ths. EUR
Sales revenues	667 228	581 155	154 860	136 631
Operating profit	110 413	104 648	25 626	24 603
Pre-tax profit	164 371	134 107	38 150	31 529
Net profit	134 950	113 942	31 321	26 788
Operating cash flow	112 895	124 947	26 202	29 375
Investing cash flow	(66 841)	(161 263)	(15 513)	(37 913)
Financing cash flow	(62 618)	182 211	(14 533)	42 838
Change in cash and cash equivalents	(16 564)	145 895	(3 844)	34 300
Weighted average number of ordinary shares	2 858 842	2 761 113	2 858 842	2 761 113
Weighted average diluted number of ordinary shares	2 869 016	2 782 125	2 869 016	2 782 125
EPS (PLN/EUR)	47.20	41.27	10.96	9.70
Diluted EPS (in PLN/EUR)	47.04	40.96	10.92	9.63

  

	As of 30.09.2019 in ths. PLN	As of 31.12.2018 in ths. PLN	As of 30.09.2019 in ths. EUR	As of 31.12.2018 in ths. EUR
Non-current assets	1 004 996	835 685	229 787	194 345
Current assets	123 922	159 139	28 334	37 009
Total assets	1 128 918	994 824	258 121	231 354
Non-current liabilities	138 370	47 886	31 638	11 136
Current liabilities	253 552	256 002	57 973	59 535
Equity	736 996	690 936	168 510	160 683
Share capital	2 859	2 859	654	665
Number of shares	2 858 842	2 858 842	2 858 842	2 858 842
Book value of equity per share (in PLN/EUR per share)	257.80	241.68	58.94	56.21

In the periods covered by these condensed consolidated interim financial statements, the following average PLN/EUR exchange rates, as determined by the National Bank of Poland, were applied to convert selected financial data:

- the exchange rate on the last day of the reporting period: 30.09.2019 4.3736 PLN/EUR, 31.12.2018 4.300 PLN/EUR, 30.09.2018 4.2714 PLN/EUR

- the average exchange rate in the period, calculated as the arithmetic mean of the exchange rates on the last day of each month in a given period: 01.01 - 30.09.2019 4.3086 PLN/EUR, 01.01 - 30.09.2018 4.2535 PLN/EUR.

The highest exchange rate in the reported and analogous period was as follows:

- 01.01 - 30.09.2019: 4.3844 PLN/EUR
- 01.01 - 30.09.2018: 4.3616 PLN/EUR

The lowest exchange rate in the reported and analogous period was as follows:

- 01.01 - 30.09.2019: 4.2520 PLN/EUR
- 01.01 - 30.09.2018: 4.1488 PLN/EUR.

## 7.2. INCOME STATEMENT

Table 37: Income statement of Benefit Systems S.A.

in ths. PLN	3rd quarter 2019	3rd quarter 2018	Change	3 quarters 2019	3 quarters 2018
<b>Sales revenues</b>	<b>223 654</b>	<b>193 526</b>	<b>15.6%</b>	<b>667 228</b>	<b>581 155</b>
Revenues from sale of services	223 654	193 526	15.6%	667 228	581 155
<b>Cost of sales</b>	<b>(160 569)</b>	<b>(137 286)</b>	<b>17.0%</b>	<b>(505 282)</b>	<b>(428 555)</b>
Cost of sold services	(160 569)	(137 286)	17.0%	(505 282)	(428 555)
<b>Gross profit on sales</b>	<b>63 085</b>	<b>56 240</b>	<b>12.2%</b>	<b>161 946</b>	<b>152 600</b>
Selling expenses	(5 053)	(5 016)	0.7%	(18 630)	(15 694)
General and administrative expenses	(10 912)	(10 303)	5.9%	(32 599)	(31 933)
Other operating income	67	1 917	(96.5%)	680	5 738
Other operating costs	(88)	(1 958)	(95.5%)	(984)	(6 063)
<b>Operating profit</b>	<b>47 099</b>	<b>40 880</b>	<b>15.2%</b>	<b>110 413</b>	<b>104 648</b>
Financial income, including:	14 763	12 369	19.4%	63 374	37 342
<i>Interest income</i>	5 538	-	-	15 638	-
<i>Dividends</i>	5 687	-	-	30 286	-
Financial costs, including:	(4 222)	(1 630)	159.0%	(9 416)	(7 883)
<i>Interest expense on loans and borrowings</i>	(594)	-	-	(1 791)	-
<i>Interest expense on lease liabilities</i>	(306)	-	-	(960)	-
<b>Profit before tax</b>	<b>57 640</b>	<b>51 619</b>	<b>11.7%</b>	<b>164 371</b>	<b>134 107</b>
Income tax	(11 168)	(6 480)	72.3%	(29 421)	(20 165)
<b>Net profit from continuing operations</b>	<b>46 472</b>	<b>45 139</b>	<b>3.0%</b>	<b>134 950</b>	<b>113 942</b>
<b>Net profit</b>	<b>46 472</b>	<b>45 139</b>	<b>3.0%</b>	<b>134 950</b>	<b>113 942</b>

Table 38: Ordinary EPS (PLN)

	3 quarters 2019	3 quarters 2018	4 quarters 2018
<i>From continuing operations</i>			
- basic	47.20	41.27	52.41
- diluted	47.04	40.96	51.93

Table 39: Statement of comprehensive income

In ths. PLN	3 quarters 2019	3 quarters 2018	4 quarters 2018
<b>Net profit</b>	<b>134 950</b>	<b>113 942</b>	<b>145 995</b>
<i>Other comprehensive income</i>	0	0	0
<i>Items not transferred to financial income</i>	0	0	0
<i>Items transferred to financial income</i>	0	0	0
<b>Total comprehensive income</b>	<b>134 950</b>	<b>113 942</b>	<b>145 995</b>

### 7.3. BALANCE SHEET

Table 40: Balance sheet of Benefit Systems S.A. – Assets

in ths. PLN	30.09.2019	31.12.2018	30.09.2018
<i>Non-current assets</i>			
Intangible assets	22 376	20 025	18 451
Property, plant and equipment	22 338	44 160	45 660
Right-of-use assets	44 193	-	-
Investments in subsidiaries	360 922	175 125	170 724
Investments in associates	8 193	5 815	5 815
Receivables and others	266	188	433 123
Loans	542 926	590 286	0
Long-term prepayments	172	34	158
Deferred tax asset	3 610	52	10 448
<b>Non-current assets</b>	<b>1 004 996</b>	<b>835 685</b>	<b>684 379</b>
<i>Current assets</i>			
Inventory	0	0	63
Trade receivables and other receivables	60 821	61 753	62 112
Loans	54 349	72 079	72 928
Accruals	6 371	6 362	6 177
Cash and cash equivalents	2 381	18 945	150 590
<b>Current assets</b>	<b>123 922</b>	<b>159 139</b>	<b>291 870</b>
<b>Total assets</b>	<b>1 128 918</b>	<b>994 824</b>	<b>976 249</b>

Table 41: Balance sheet of Benefit Systems S.A. - Liabilities

in ths. PLN	As at 30.09.2019	As at 31.12.2018	As at 30.09.2018
<i>Equity</i>			
Share capital	2 859	2 859	2 859
Treasury shares	(118 157)	(61 157)	(61 157)
Share premium	211 521	211 521	211 521
Supplementary capital	9 906	9 906	9 906
Other capital	500 154	386 049	378 859
Retained earnings:	130 713	141 758	110 194
- net profit of the previous years	(4 237)	(4 237)	(3 748)
- net profit	134 950	145 995	113 942
<b>Equity</b>	<b>736 996</b>	<b>690 936</b>	<b>652 182</b>
<i>Liabilities</i>			
<i>Non-current liabilities</i>			
Interest-bearing bank loans, borrowings and debt securities	107 822	39 263	44 671
Finance lease liability	0	8 623	10 320
Right-of-use liabilities	30 301	-	-
Other liabilities	247	-	-
Non-current liabilities	<b>138 370</b>	<b>47 886</b>	<b>54 991</b>
<i>Current liabilities</i>			
Trade payables and other liabilities	24 384	16 359	23 783
Current income tax liabilities	14 933	19 970	16 675
Interest-bearing bank loans, borrowings and debt securities	116 312	129 430	133 490
Financial lease	0	6 581	6 489
Right-of-use liability	14 917	-	-
Liabilities and provisions for employee benefits	6 895	11 012	6 018
Accruals	76 111	72 650	82 621
<b>Current liabilities</b>	<b>253 552</b>	<b>256 002</b>	<b>269 076</b>
<b>Total liabilities</b>	<b>391 922</b>	<b>303 888</b>	<b>324 067</b>
<b>Total Equity and Liabilities</b>	<b>1 128 918</b>	<b>994 824</b>	<b>976 249</b>

#### 7.4. STATEMENT OF CHANGES IN EQUITY

Table 42: Consolidated statement of changes in Equity

In ths. PLN	Share capital	Treasury shares	Share premium	Supplementary capital	Other capital	Retained profits	Total
Balance as at 01.01.2019	2 859	(61 157)	211 521	9 906	386 049	141 758	690 936
<i>Equity movements in the period from 01.01 to 30.09.2019</i>							
Option valuation (share-based payments)	0	0	0	0	689	0	689
Merger with subsidiary Fit Invest sp. z o.o.	0	0	0	0	(32 579)	0	(32 579)
Share buyback	0	(57 000)	0	(57 000)	57 000	0	(57 000)
Transfer of capital	0	0	0	0	145 995	(145 995)	0
Transfer of profits to reserve capital	0	0	0	57 000	(57 000)	0	0
Total transactions with equity holders	0	(57 000)	0	0	114 105	(145 995)	(88 890)
Net profit for the period from 01.01 to 30.09.2019	0	0	0	0	0	134 950	134 950
Total comprehensive income	0	0	0	0	0	134 950	134 950
Balance as at 30.09.2019	2 859	(118 157)	211 521	9 906	500 154	130 713	736 996

In ths. PLN	Share capital	Treasury shares	Share premium	Supplementary capital	Other capital	Retained profits	Total
Balance as at 01.01.2018	2 675	(100 094)	0	9 906	269 457	96 411	278 355
Correction due to the application of IFRS 9 (including tax)	2 675	(100 094)	0	9 906	269 457	95 922	277 866
<i>Equity movements in the period from 01.01 to 31.12.2018</i>							
Share issue	184	0	185 983	0	0	0	186 167
Option valuation (share-based payments)	0	0	0	0	16 433	0	16 433
Share buyback	0	(51 000)	0	(51 000)	51 000	0	(51 000)
Sale of treasury shares	0	89 937	25 538	0	0	0	115 475
Transfer of capital	0	0	0	51 000	(51 000)	0	0

Transfer of profits to reserve capital	0	0	0	0	100 159	(100 159)	0
Total transactions with equity holders	184	38 937	211 521	0	116 592	(100 159)	267 075
Net profit for the period from 01.01 to 31.12.2018	0	0	0	0	0	145 995	145 995
Total comprehensive income	0	0	0	0	0	145 995	145 995
Balance as at 31.12.2018	2 859	(61 157)	211 521	9 906	386 049	141 758	690 936

In ths. PLN	Share capital	Treasury shares	Share premium	Supplementary capital	Other capital	Retained profits	Total
Balance as at 01.01.2018	2 675	(100 094)	0	9 906	269 457	96 411	278 355
<i>Equity movements in the period from 01.01. to 30.09.2018</i>							
Share issue	184	0	185 983	0	0	0	186 167
Option valuation (share-based payments)	0	0	0	0	9 243	0	9 243
Share buyback	0	(51 000)	0	(51 000)	51 000	0	(51 000)
Sale of treasury shares	0	89 937	0	0	0	0	89 937
Treasury share premium	0	0	25 538	0	0	0	25 538
Transfer of capital	0	0	0	51 000	(51 000)	0	0
Transfer of profits to reserve capital	0	0	0	0	100 159	(100 159)	0
Total transactions with equity holders	184	38 937	211 521	0	109 402	(100 159)	259 885
Net profit for the period from 01.01 to 30.09.2018	0	0	0	0	0	113 942	113 942
Total comprehensive income	0	0	0	0	0	113 942	113 942
Balance as at 30.09.2018	2 859	(61 157)	211 521	9 906	378 859	110 194	652 182

## 7.5. CASH FLOW STATEMENT

Table 43: Cash flow statement of Benefit Systems S.A.

In ths. PLN	3 quarters 2019	3 quarters 2018	4 quarters 2018
<i>Cash flow from operating activities</i>			
Pre-tax profit	164 371	134 107	184 682
Total adjustments	(24 560)	(8 245)	(8 220)
Change in working capital	11 133	32 467	7 244
Income tax paid	(38 049)	(33 382)	(38 098)
<b>Net cash from operating activities</b>	<b>112 895</b>	<b>124 947</b>	<b>145 608</b>
<i>Cash flow from investing activities</i>			
Expenses on acquisition of intangible assets	(5 268)	(5 213)	(6 856)
Expenses on acquisition of property, plant and equipment	(3 635)	(2 575)	(5 369)
Proceeds from sale of property, plant and equipment	226	289	353
Net expenses on acquisition of subsidiaries	(4 190)	(63 133)	(63 133)
Proceeds from sale of subsidiaries	0	0	200
Received repayments of the loans granted	13 469	122 416	123 985
Loans granted	(94 142)	(232 635)	(385 099)
Interest received	2 471	8 748	9 969
Dividends received	24 228	10 840	24 920
<b>Net cash from investing activities</b>	<b>(66 841)</b>	<b>(161 263)</b>	<b>(301 030)</b>
<i>Cash flow from financial activities</i>			
Net proceeds from issuance of shares	0	301 642	301 642
Acquisition of own shares	(57 000)	(51 000)	(51 000)
Repayment of debt securities	(70 000)	(50 000)	(50 000)
Proceeds from loans and borrowings	108 947	9 500	12 500
Repayment of loans and borrowings	(35 342)	(17 889)	(29 898)
Repayment of lease liabilities	(4 445)	(4 853)	(6 459)
Interest paid	(4 778)	(5 189)	(7 113)
<b>Net cash from financial activity</b>	<b>(62 618)</b>	<b>182 211</b>	<b>169 672</b>
Net change in cash and cash equivalents	(16 564)	145 895	14 250
<b>Cash and cash equivalents: opening balance</b>	<b>18 945</b>	<b>4 695</b>	<b>4 695</b>
<b>Cash and cash equivalents: closing balance</b>	<b>2 381</b>	<b>150 590</b>	<b>18 945</b>

## 7. APPROVAL FOR PUBLICATION

Date	Name	Position	Signature
10 November 2019	Bartosz Józefiak	Member of the Management Board	
10 November 2019	Adam Radzki	Member of the Management Board	
10 November 2019	Emilia Rogalewicz	Member of the Management Board	
10 November 2019	Wojciech Szwarz	Member of the Management Board	