# BENEFIT SYSTEMS GROUP CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2016

6TH MARCH 2017

**TABLE OF CONTENTS**

All amounts in thousands of Polish zloty (unless otherwise indicated)

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| **ASSETS** | Notes | **31/12/2016** | 31/12/2015 |
|---|---|---|---|
| ***Non-current assets*** | | | |
| Goodwill | 4 | 131,320 | 99,569 |
| Intangible assets | 5 | 17,874 | 10,191 |
| Property, plant and equipment | 6 | 135,251 | 100,714 |
| Investments in associates | 3 | 33,731 | 27,122 |
| Loans and receivables | 8 | 45,602 | 36,023 |
| Other long-term financial assets | 8 | 97 | 110 |
| Long-term prepayments | 17 | 702 | 945 |
| Deferred tax assets | 9 | 9,083 | 9,939 |
| **Non-current assets** | | **373,660** | **284,613** |
| ***Current assets*** | | | |
| Inventories | 10 | 12,850 | 5,065 |
| Trade receivables and other receivables | 11 | 93,918 | 58,921 |
| Income tax receivable | | 206 | 24 |
| Interest-bearing loans | 8 | 15,431 | 8,776 |
| Other short-term financial assets | 8 | 242 | 0 |
| Accruals | 17 | 7,463 | 7,366 |
| Cash and cash equivalents | 12 | 64,920 | 23,977 |
| Non-current assets classified as held for sale | | 750 | 0 |
| **Current assets** | | **195,780** | **104,130** |
| **Total assets** | | **569,440** | **388,743** |

All amounts in thousands of Polish zloty (unless otherwise indicated)

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT.)

| **EQUITY AND LIABILITIES** | Notes | **31/12/2016** | 31/12/2015 |
|---|---|---|---|
| ***Equity*** | | | |
| *Equity attributable to shareholders of the parent company:* | | | |
| Share capital | 13 | 2,600 | 2,555 |
| Own shares (-) | | (57,594) | 0 |
| Reserve capital | 13 | 9,906 | 30,500 |
| Share premium | 13 | 51,444 | 41,458 |
| Exchange differences on translation of foreign operations | | (131) | (38) |
| Other capital | 13 | 131,347 | 48,956 |
| Retained earnings: | | 87,374 | 62,128 |
| - accumulated earnings for the previous reporting periods | | 4,608 | 13,035 |
| - net profit attributable to shareholders of the parent company for the reporting period | | 82,766 | 49,092 |
| Equity attributable to shareholders of the parent company | | 224,946 | 185,558 |
| Non-controlling interests | 13 | 17,251 | 5,703 |
| **Equity** | | **242,197** | **191,262** |
| ***Liabilities*** | | | |
| ***Non-current liabilities*** | | | |
| Interest-bearing loans, borrowings and debt instruments | 8 | 121,445 | 57,847 |
| Finance leases | 7 | 27,355 | 16,515 |
| Other liabilities | 16 | 4,255 | 8,093 |
| Deferred income tax liabilities | 9 | 5,907 | 5,161 |
| Other long-term provisions | 15 | 0 | 438 |
| Long-term prepayments | | 899 | 0 |
| Non-current liabilities | | 159,861 | 88,054 |
| ***Current liabilities*** | | | |
| Trade payables and other liabilities | 16 | 67,513 | 35,413 |
| Income tax payable | | 14,220 | 3,214 |
| Interest-bearing loans, borrowings and debt instruments | 8 | 2,505 | 9,608 |
| Finance leases | 7 | 10,397 | 8,725 |
| Liabilities and provisions for employee benefits | 14 | 11,619 | 9,676 |
| Other short-term provisions | 15 | 2,621 | 2,874 |
| Accruals | 17 | 58,507 | 39,917 |
| Current liabilities | | 167,382 | 109,427 |
| **Total liabilities** | | **327,243** | **197,481** |
| **Total equity and liabilities** | | **569,440** | **388,743** |

| | | | |
|---|---|---|---|
| **Name of the group:** | ***Benefit Systems Group*** | | |
| **Reporting period:** | ***01/01/2016 – 31/12/2016*** | **Reporting currency:** | ***Polish zloty (PLN)*** |
| **Rounding:** | ***All amounts in thousands of Polish zloty (unless otherwise indicated)*** | | |

## CONSOLIDATED INCOME STATEMENT

| | Notes | **from 01/01 to 31/12/2016** | from 01/01 to 31/12/2015 |
|---|---|---|---|
| ***Continuing operations*** | | | |
| **Sales revenues** | **1** | **741,972** | **581,456** |
| Revenues from rendering services | | 732,587 | 574,119 |
| Revenues from sales of goods and materials | | 9,385 | 7,337 |
| **Costs of sales** | | **(536,590)** | **(431,291)** |
| Cost of products sold | | 0 | (83) |
| Cost of services rendered | | (529,266) | (424,862) |
| Cost of goods and materials sold | | (7,324) | (6,347) |
| **Gross profit on sales** | | **205,382** | **150,165** |
| Selling expenses | | (42,065) | (35,269) |
| General and administrative expenses | | (65,673) | (51,261) |
| Other operating income | 18 | 8,875 | 2,863 |
| Other operating costs | 18 | (11,172) | (11,598) |
| **Operating profit** | | **95,347** | **54,900** |
| Financial income | 19 | 3,001 | 3,726 |
| Financial expenses | 19 | (6,605) | (4,034) |
| Share of profits (loss) of the associates accounted for using the equity method (+/-) | 3 | 9,536 | 8,332 |
| **Profit before tax** | | **101,279** | **62,924** |
| Income tax charge | 20 | (23,439) | (14,265) |
| **Net profit from continuing operations** | | **77,840** | **48,659** |
| ***Discontinued operations*** | | | |
| Net profit from discontinued operations | | | |
| **Net profit** | | **77,840** | **48,659** |
| **Net profit (loss) attributable to:** | | | |
| - shareholders of the parent company | | 82,766 | 49,092 |
| - non-controlling interests | | (4,926) | (433) |

## EARNINGS PER ORDINARY SHARE (PLN)

| | Notes | **from 01/01 to 31/12/2016** | from 01/01 to 31/12/2015 |
|---|---|---|---|
| *from continuing operations* | 21 | | |
| - basic | | 32.22 | 19.22 |
| - diluted | | 31.50 | 18.67 |
| *from continuing and discontinued operations* | 21 | | |
| - basic | | 32.22 | 19.22 |
| - diluted | | 31.50 | 18.67 |

| | | | |
|---|---|---|---|
| **Name of the group:** | ***Benefit Systems Group*** | | |
| **Reporting period:** | ***01/01/2016 – 31/12/2016*** | **Reporting currency:** | ***Polish zloty (PLN)*** |
| **Rounding:** | ***All amounts in thousands of Polish zloty (unless otherwise indicated)*** | | |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Notes | **from 01/01 to 31/12/2016** | from 01/01 to 31/12/2015 |
|---|---|---|---|
| **Net profit** | | **77,840** | **48,659** |
| ***Other comprehensive income*** | | | |
| ***Components that will not be reclassified to profit and loss*** | | 0 | 0 |
| ***Components reclassified to profit and loss*** | | | |
| Financial assets available for sale: | 8 | | |
| - gains (losses) for the period in other comprehensive income | | | 79 |
| Income tax relating to components reclassified to profit and loss | 9 | | (15) |
| Other comprehensive income after tax | | 0 | 64 |
| **Total comprehensive income** | | **77,840** | **48,723** |
| **Total comprehensive income attributable to:** | | | |
| - shareholders of the parent company | | 82,766 | 49,156 |
| - non-controlling interests | | (4,926) | (433) |

| Name of the group: | Benefit Systems Group | | |
|---|---|---|---|
| Reporting period: | *01/01/2016 – 31/12/2016* | Reporting currency: | *Polish zloty (PLN)* |
| Rounding: | *All amounts in thousands of Polish zloty (unless otherwise indicated)* | | |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Notes | Equity attributable to shareholders of the parent company | | | | | | | | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Share capital | Reserve capital | Own shares | Share premium | Exchange differences on translation of foreign operations | Other capital | Retained earnings | Total | | |
| **Balance as at 01/01/2016** | | **2,555** | **30,500** | **0** | **41,458** | **(38)** | **48,956** | **62,128** | **185,558** | **5,703** | **191,262** |
| ***Changes in equity in the period from 01/01 to 31/12/2016*** | | | | | | | | | | | |
| Issue of shares | | 45 | | | | | | | 45 | | 45 |
| Share buyback | | | (57,594) | (57,594) | | | 57,594 | | (57,594) | | (57,594) |
| Issue of shares in connection with the execution of options (share-based payment programme) | | | | | | | 6,698 | | 6,698 | | 6,698 |
| Valuation of options (share-based payment programme) | | | | | 9,986 | | | | 9,986 | | 9,986 |
| Change in Group structure - transactions with non-controlling interests | 13 | | | | | | | (2,421) | (2 ,421) | 16,474 | 14,053 |
| Foreign currency translation differences | | | | | | (93) | | | (93) | | (93) |
| Transfer of net profit to capital | | | | | | | 55,099 | (55,099) | 0 | | 0 |
| Transfer of supplementary to reserve capital | | | 37,000 | | | | (37,000) | | 0 | | 0 |
| Total transactions with owners | | 45 | (20,594) | (57,594) | 9,986 | (93) | 82,391 | (57,520) | (43,379) | 16,474 | (26,905) |
| Net profit (loss) for the period from 01/01 to 31/12/2016 | | | | | | | | 82,766 | 82,766 | (4,926) | 77,840 |
| Other comprehensive income after tax for the period from 01/01 to 31/12/2016 | 13 | | | | | | | | 0 | | 0 |
| Total other comprehensive income | | 0 | 0 | 0 | 0 | 0 | 0 | 82,766 | 82,766 | (4,926) | 77,840 |
| **As at 31/12/2016** | | **2,600** | **9,906** | **(57,594)** | **51,444** | **(131)** | **131,347** | **87,374** | **224,946** | **17,251** | **242,197** |

All amounts in thousands of Polish zloty (unless otherwise indicated)

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT.)

| | Notes | Equity attributable to shareholders of the parent company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Share capital | Reserve capital | Share premium | Exchange differences on translation of foreign operations | Other capital | Retained earnings | Total | Non-controlling interests | Total equity |
| **As at 1/1/2015** | | **2,555** | **0** | **35,040** | **0** | **68,746** | **46,658** | **152,999** | **0** | **152,999** |
| ***Changes in equity in the period from 01/01 to 31/12/2015*** | | | | | | | | | | |
| Valuation of options (share-based payment programme) | | | | 6,418 | | | | 6,418 | | 6,418 |
| Change in Group structure - transactions with non-controlling interests | 13 | | | | | | 17 | 17 | 6,136 | 6,153 |
| Foreign currency translation differences | | | | | (38) | | | (38) | | (38) |
| Dividends | | | | | | | (22,994) | (22,994) | | (22,994) |
| Transfer of net profit to capital | | | | | | 10,646 | (10,646) | 0 | | 0 |
| Transfer of supplementary to reserve capital | | | 30,500 | | | (30,500) | | 0 | | 0 |
| Total transactions with owners | | 0 | 30,500 | 6,418 | (38) | (19,854) | (33,623) | (16,597) | 6,136 | (10,461) |
| Net profit (loss) for the year from 01/01 to 31/12/2015 | | | | | | | 49,092 | 49,092 | (433) | 48,659 |
| Other comprehensive income after tax for the period from 01/01 to 31/12/2015 | 13 | | | | | 64 | | 64 | | 64 |
| Total other comprehensive income | | 0 | 0 | 0 | 0 | 64 | 49,092 | 49,156 | (433) | 48,723 |
| **As at 31/12/2015** | | **2,555** | **30,500** | **41,458** | **(38)** | **48,956** | **62,128** | **185,558** | **5,703** | **191,262** |

All amounts in thousands of Polish zloty (unless otherwise indicated)

## CONSOLIDATED STATEMENT OF CASH FLOWS

| | Notes | **from 01/01 to 31/12/2016** | from 01/01 to 31/12/2015 |
|---|---|---|---|
| ***Cash flows from operating activities*** | | | |
| **Profit before tax** | | **101,279** | **62,924** |
| Adjustments | 22 | 27,677 | 13,067 |
| Changes in working capital | 22 | 258 | 4,261 |
| Interest paid | | 0 | (6) |
| Income tax paid | | (11,842) | (8,689) |
| **Net cash from operating activities** | | **117,372** | **71,557** |
| ***Cash flows from investment activities*** | | | |
| Purchase of intangible assets | | (10,091) | (6,397) |
| Proceeds from the sale of intangible assets | | 88 | 0 |
| Purchase of property, plant and equipment | | (26,961) | (27,651) |
| Proceeds from the sale of property, plant and equipment | | 8,004 | 13,595 |
| Acquisition of subsidiaries, net of cash acquired | 2 | (13,961) | (16,708) |
| Loans collected | | 2,792 | 3,258 |
| Loans granted | | (19,838) | (8,210) |
| Acquisition of other financial assets | | (8,124) | (2,202) |
| Proceeds from the sale of other financial assets | | 294 | 243 |
| Interest received | 19 | 698 | 640 |
| Dividends received | 19 | 477 | 504 |
| **Net cash from investment activities** | | **(66,622)** | **(42,927)** |
| ***Cash flows from financing activities*** | | | |
| Net proceeds from the issue of shares | | 7,615 | 1,200 |
| Purchase of own shares | | (57,594) | 0 |
| Proceeds from the issue of debt securities | | 70,000 | 50,000 |
| Proceeds from loans and borrowings | | 213 | 1,741 |
| Repayment of borrowings | | (12,239) | (31,507) |
| Lease payments | | (11,740) | (7,536) |
| Interest paid | 19 | (6,062) | (2,381) |
| Dividends paid | 21 | 0 | (22,994) |
| **Net cash from financial activities** | | **(9,807)** | **(11,477)** |
| **Net change in cash and cash equivalents** | | **40,943** | **17,152** |
| Cash and cash equivalents at beginning of period | | 23,977 | 6,825 |
| **Cash and cash equivalents at end of period** | | **64,920** | **23,977** |

## ADDITIONAL INFORMATION TO THE CONSOLIDATED FINANCIAL STATEMENTS

### General information

### a) Information about the parent company

The parent company of Benefit Systems Group [hereinafter "the Group"] is Benefit Systems S.A. [hereinafter the "parent company"].
The parent company was established as a limited liability company and subsequently it was transformed into a joint stock company based on resolution No. 2/2010 of the General Shareholders' Meeting that took place on 3rd November, 2010. The parent company is entered in the Register of Entrepreneurs of the National Court Register kept by the District Court for the Capital City of Warsaw, XII Commercial Division as KRS number 0000254017. The parent company was assigned the REGON statistical ID number 750721670. The shares of the parent company are listed on the Warsaw Stock Exchange.

The company's registered office is located at Plac Europejski 2, 00-844 Warsaw. The parent company's registered office is also the Group's primary operating office.

### b) Composition of the Management Board and the Supervisory Board of the parent company

On the date of the approval of the consolidated financial statements for publication, i.e. on 6th March, 2017, the composition of the Management Board of the parent company was as follows:

- Arkadiusz Hanszke – member of the Management Board,
- Adam Kędzierski - member of the Management Board,
- Izabela Walczewska-Schneyder - member of the Management Board.

In the period from 1st January, 2016, to 6th March, 2017, the following changes took place in the composition of the Management Board of the parent company:

- On 10th February, 2016, the Supervisory Board appointed Grzegorz Mędza as member of the Management Board of Benefit Systems S.A., responsible for strategy, communications and personnel policy at the parent company,
- On 1st April, 2016, Paweł Markowski resigned from the position of member of the Management Board for the parent company for personal reasons, with effect from 11th May, 2016,
- On 9th November, 2016, the Supervisory Board appointed Arkadiusz Hanszke as member of the Management Board for Benefit Systems S.A. responsible for IT, project management and administration of the parent company.
- On 24th November, 2016, Grzegorz Mędza resigned from the position of member of the Management Board for the parent company with effect from 1st January, 2017.

As of 6th March, 2017, the Supervisory Board of Benefit System S.A. was comprised of the following persons:

- James Van Bergh - Chairman of the Supervisory Board,
- Przemysław Gacek - Deputy Chairman of the Supervisory Board,
- Marcin Marczuk - member of the Supervisory Board,
- Artur Osuchowski - member of the Supervisory Board,
- Michael Sanderson - member of the Supervisory Board.

In the period from 1st January, 2016, to 6th March, 2017, there were no changes in the composition of the Supervisory Board.

### c) The Group's activities

Benefit Systems Group provides non-wage employee benefits with respect to: Sport and Recreation (the MultiSport card, MultiSport Kids, and the Fitness chain), as well as Culture and Entertainment (Cinema Programme, MultiTeatr). The Group has unique products in the form of "Cafeteria" products, which enable employees to freely choose a non-wage benefit from a list approved by their employer. The primary business of the parent company, according to the Polish Classification of Activities, is: Other activities not elsewhere classified (PKD 2007) 9609Z.
A more detailed description of the Group's activities is presented in Note 1 "Operating Segments".

### d) Information about the Group

Benefit Systems Group consists of the parent company and the following subsidiaries:

All amounts in thousands of Polish zloty (unless otherwise indicated)

| Name of subsidiary | Place of business and country of registration | Business activity | % held by the Group in share capital of the entity: | |
|---|---|---|---|---|
| | | | **31/12/2016** | 31/12/2015 |
| FitSport Polska Sp. z o.o.* | Plac Europejski 2, 00-844 Warsaw, Poland | Sale of sports cards | 100.00% | 100.00% |
| VanityStyle Sp. z o.o. | ul. Jasna 24, 00-054 Warsaw, Poland | Sale of sports cards | 100.00% | 100.00% |
| Benefit Partners Sp. z o.o. | Plac Europejski 2, 00-844 Warsaw, Poland | Lease of fitness equipment for partners | 100.00% | 100.00% |
| Fit Invest Sp. z o.o. | Plac Europejski 2, 00-844 Warsaw, Poland | Consolidation of the Group's Fitness segment | 100.00% | 100.00% |
| Fitness Academy Sp. z o.o. | Plac Europejski 2, 00-844 Warsaw, Poland | General Partner of Fitness Academy Sp. z o.o. SKA | 100.00% | 100.00% |
| Fitness Academy Spółka z ograniczoną odpowiedzialnością SKA | ul. Powstańców Śląskich 28/30, 53-333 Wrocław, Poland | Chain of fitness clubs | 100.00% | 100.00% |
| AM Classic Sp. z o.o. | Plac Dominikański 3, 53-209 Wrocław, Poland | Chain of fitness clubs | 100.00% | 100.00% |
| Jupiter Sport Sp. z o.o. | ul. Żegiestowska 11, 50-542 Wrocław, Poland | Chain of fitness clubs | 100.00% | 100.00% |
| Fabryka Formy S.A. | ul. B. Krzywoustego 72, 61-144 Poznań, Poland | Chain of fitness clubs | 66.06% | 66.06% |
| Fitness za Rogiem Sp. z o.o. | ul. Skrajna 1, 62-080 Sierosław, Poland | Chain of fitness clubs | 66.06% | - |
| Form Factory S.R.O. | Jablunkovská 406, Staré Město, 739 61 Třinec, the Czech Republic | Chain of fitness clubs | 66.06% | - |
| Zdrofit Sp. z o.o.** | ul. Mangalia 4 02-758 Warsaw, Poland | Chain of fitness clubs | 55.03% | 28.38% |
| MultiBenefit Sp. z o.o.*** | Plac Europejski 2, 00-844 Warsaw, Poland | Multikafeteria, Cinema Programme, MultiTeatr, Lunch Programme | 100.00% | 100.00% |
| MyBenefit Sp. z o.o. | ul. Powstańców Śląskich 95, 53-332 Wrocław, Poland | Cafeteria platform | 100.00% | 100.00% |
| Benefit IP Sp. z o.o. | Plac Europejski 2, 00-844 Warsaw, Poland | General Partner of the company Benefit IP Sp. z o.o. SK | 100.00% | 100.00% |
| Benefit IP Spółka z ograniczoną odpowiedzialnością sp.k. | Plac Europejski 2, 00-844 Warsaw, Poland | Management of the Group's marketing activities and trademarks | 100.00% | 100.00% |
| Benefit Systems International Sp. z o.o. | Plac Europejski 2, 00-844 Warsaw, Poland | Foreign operations | 100.00% | 100.00% |
| MultiSport Benefit S.R.O. | Zeleny Pruh 95/98, 14000 Praha 4, the Czech Republic | Sale of sports cards | 74.00% | 74.00% |
| Benefit Systems Bulgaria EOOD | 58 Bulgaria Blvd, Sofia 1680, Bulgaria | Sale of sports cards | 100.00% | 100.00% |
| Benefit Systems Slovakia S.R.O. | Karadzicova 8/A, 821 08 Bratislava, Slovakia | Sale of sports cards | 93.00% | 100.00% |

**The company FitSport Polska Sp. z o.o was established from the merger of FitSport Polska S.A. and Benefit Development Sp. z o.o.*
***The company Zdrofit Sp. z o.o. was established from the transformation of Zdrofit Spółka z ograniczoną odpowiedzialnością sp. k.*
****The company Multibenefit Sp. z o.o. was established from the merger of the companies MultiBenefit Sp. z o.o., Multibenefit Spółka z ograniczoną odpowiedzialnością sp.k. and Nowe Benefity Sp. z o.o.*

Detailed information on the subsidiaries listed above is presented in Note 3.

In the consolidated financial statements prepared as of 31st December, 2016, the investments in four entities have been valued using the equity method. Detailed information about these companies have been included in Note 3.

In the period covered by these consolidated financial statements, the following transactions took place that affected the Group's structure:

- On 2nd January, 2016, the Group acquired 66.06% of the shares in Fitness za Rogiem Sp. z o.o. with its registered office in Sierosław, ul. Skrajna 1, which is the owner of Fitness clubs. The purpose of the acquisition was to strengthen its position on the fitness services market.

- On 2nd January, 2016, the Group acquired 66.06% of the shares in Form Factory S.R.O. with its registered office in the Czech Republic, Stare Mesto, Trinec, Jablunkovska 406, which operates within the Fitness segment. The purpose of the acquisition was to strengthen its position on the fitness services market.
- On 18th November, 2016 the Group acquired 26,65% of the shares in Zdrofit Sp. z o.o. with its registered office in Warsaw, ul. Mangalia 4, which is the owner of Fitness clubs. The purpose of the acquisition was to strengthen its position on the fitness services market.

A more detailed description of the changes that have place within the Group and their impact on the Group's financial results and position is presented in Note 2.

All the Group's entities are established for an unlimited period of time.

### e) Approval for publication

These consolidated financial statements for the year ended 31st December, 2016 (together with comparative data) were approved for publication by the Company's Management Board on 6th March, 2017 (see Note 29).

## Basis for the preparation of the consolidated statements and accounting policies

### a) The basis for the preparation of the consolidated financial statements

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (hereinafter "IFRS") as adopted by the European Union, applicable for annual periods beginning on 1st January, 2016.

The functional currency of the parent company and the presentation currency for these consolidated financial statements is Polish zloty, and all amounts are expressed in thousands of Polish zloty (unless indicated otherwise). For the purpose of preparing the consolidated financial statements, the financial statements of foreign subsidiaries are converted into Polish zloty according to the rules described in the accounting principles.

The consolidated financial statements have been prepared on the assumption that the Group companies will continue as going concerns in the foreseeable future. As at the date of approval of these consolidated financial statements, there are no circumstances that would indicate a threat to the continuing activity of any entity of the Group.

### b) Changes to standards or interpretations

Changes to standards or interpretations in effect and applied by the Group from 2016

New or revised standards and interpretations, which are effective from 1st January, 2016, and their impact on the consolidated financial statements of the Group:

- Amendments to IAS 19 "Employee Benefits"
  The changes involve clarifying the rules in the case, where employees make contributions to cover the costs of specific benefit plans. The entry into effect in the European Union took place for annual periods beginning on 1st February, 2015, or later. The Group considered that the change will not affect its financial statements, because it does not offer its employees the specified benefit plans.

- Amendments to IFRS 2, IFRS 3, IFRS 8, IAS 16, IAS 24, IAS 38 resulting from the "Annual Improvements Project: Cycle 2010-2012", which entered into force in the EU for annual periods beginning on 1st February, 2015, or later. The amendments to the standards include:
  - IFRS 2: The Council further clarified the standard changing or introducing new definitions of the following terms: market condition, the condition of the provision of services, the condition of vesting, the performance condition. The change had no impact on the Group's financial statements.
  - IFRS 3: The Council further clarified the rules for the valuation of contingent payment after the acquisition date to be compatible with other standards (primarily IFRS 9 / IAS 39 and IAS 37). The change had no impact on the Group's financial statements.
  - IFRS 8: The Council imposed on entities combining operating segments the requirement of additional disclosures regarding these combined segments and the economic characteristics leading to the combination being made. The change had no impact on the Group's financial statements because no combination of operating segments was carried out.
  - IFRS 8: after the change the standard provides that the requirement to reconcile the total assets of segment with the assets disclosed in the balance sheet is mandatory only if the value of the assets is disclosed broken down by segment. The change had no material impact on the Group's financial statements, because it does not present results broken down by segment.

  - IAS 16 and IAS 38: The Council introduced a correction to the rule for calculating the gross amount and the accumulated amortization of a fixed asset (intangible asset) in the case of applying the revaluation model. The change had no impact on the Group's financial statements because it does not use the revaluation model.
  - IAS 24: The definition of a related party was extended to service providers of key management personnel and appropriate disclosure. The change had no impact on the Group's financial statements, because the responsibilities of the key management personnel have not been entrusted to other entities.

- Amendment to IFRS 11 "Joint Arrangements"
  Under the amendment an entity acquiring an interest in a joint operation constituting a business (enterprise) will have to include the apply the principles set out in IFRS 3 to include the assets and liabilities of the joint operation, and thus, among others, measure assets and liabilities at fair value and determine goodwill. This change is effective for annual periods beginning 1st January, 2016 or later. The change had no impact on the Group's financial statements, as there were no such transactions.

- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible assets"
  According to the amendment the method of depreciation of fixed assets based on the revenues earned from the use of the asset is not allowed. In the case of intangible assets, the use of this method has been limited. This change is effective for annual periods beginning 1st January, 2016 or later. The change had no impact on the Group's financial statements, since it applies only to the straight-line depreciation method.

- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture"
  The amendment provides that plant production (e.g. vines, fruit trees) will be excluded from the scope of IAS 41 and included in the scope of IAS 16 as being assets produced in-house. Thanks to this amendment it will not be necessary to determine the valuation of these plants at fair value at each balance sheet date, which up to now was required by IAS 41. This change is effective for annual periods beginning 1st January, 2016 or later. The change had no impact on the Group's financial statements as it does not concern the activities conducted by the Group's companies.

- Amendments to IAS 27 "Separate Financial Statements"
  According to the amendment shares in a subsidiary, joint venture or associate will be able to be valued at the equity method in the separate financial statements. To date, IAS 27 only provided for valuation at the purchase price or in accordance with IFRS 9 / IAS 39. This change is effective for annual periods beginning 1st January, 2016 or later. The change had no impact on the Group's financial statements, since it was decided not to make use of the equity method.

- Amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34 resulting from the "Annual Improvements Project: Cycle 2012-2014", which entered into force for annual periods beginning on or after 1st January, 2016 or later. The amendments to the standards include:
  - IFRS 5: the amendment to the standard stipulates that if a company has changed the purpose of assets from assets held for sale directly to intended for distribution to owners or from intended for distribution to owners to intended for sale, this means a continuation of the original plan and does not reverse the corrections made. The change had no impact on the Group's financial statements, as there were no such transactions.
  - IFRS 7: the amendment clarifies the standard by stating that the requirements applicable from 2013 regarding the disclosure of information on positions reported in net amounts do not apply to condensed interim financial statements, unless this information is required to be disclosed under the general principles of IAS 34. The change had no impact on the Group's financial statements, since it concerns only condensed interim financial statements.
  - IFRS 7: The amendment introduces a new indicator allowing an evaluation of whether the commitment in transferred assets has been maintained. If the entity has transferred the assets, but has entered into a service agreement in which remuneration is dependent on the amount and maturity of the asset transferred, this means that the entity maintains its involvement in the asset. The Group has analysed the transactions concluded and assessed that this change does not apply to it.
  - IAS 19: the standard allows the use of discounted cash interest rates appropriate for treasury securities if the market for the securities of commercial entities is shallow. The change to the standard specifies that the depth of the market should be evaluated in terms of the currency of these securities, and not the country. The Group analysed the situation on the securities market and considered that this change has no impact on its financial statements.
  - IAS 34: the standard permits certain information required by IAS 34 for condensed interim financial statements to be presented in other documents which accompany such interim statements, for example, in the statement of operations. If the information is contained in the accompanying documents, the interim financial statements must contain a clear reference to the places where it is reported. The additional documents must be available to users on the same

terms and at the same time as the interim financial statements. Otherwise, the interim financial statements will be considered incomplete. The change applies only to the interim financial statements and therefore has no effect on these financial statements. The Group does not plan to exercise the option allowed for in the revised IAS 34.

- Amendments to IAS 1 "Presentation of Financial Statements"

  The IAS council, as part of a larger project that will lead to greater transparency and avoid excessive disclosures in financial statements, has published a number of amendments to IAS 1. The amendments include the following aspects:

  - The Council draws attention to the fact that including in financial statements too much irrelevant information makes the financial statement unreadable and it is contrary to the principle of relevance,
  - the items from a profit and loss statement and other comprehensive incomes and from the statement of financial position can be disaggregated,
  - requirements were added for subtotals to be included in the profit and loss statement and other comprehensive income and the statement of financial position,
  - the sequence of notes to the financial statements depends on the decision of the company, but clarity and comparability should be ensured in this respect.

  This change is effective for annual periods beginning 1st January, 2016 or later. The Group carried out an analysis of its current financial statements and concluded that it has already applied the amended rules, and therefore its financial statements require no changes.

- Amendment to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures"

  The IAS Council added another exemption from consolidation or application of the equity method in the case of investment units:

  - if the parent company is a mid-level subsidiary of an investment entity, which recognizes its investments at fair value in accordance with IAS 39 / IFRS 9, then such a mid-level parent company cannot prepare consolidated financial statements,
  - if the investor is a subsidiary of an investment entity, which recognizes its investments at fair value in accordance with IAS 39 / IFRS 9, then such an investor may not apply the equity method in accounting for its investments in joint ventures and associates,
  - the investment entity is required to consolidate subsidiaries that provide ancillary services; however, if such a subsidiary is itself an investment entity, it is not consolidated.
  - This change is effective for annual periods beginning 1st January, 2016 or later.

  The changes do not affect the financial statements of the Group as the parent company did not have the status of an investment entity.

Standards and interpretations effective in the version published by the IASB but not endorsed by the European Union, are presented below in the section on standards and interpretations, which have not entered into force.

Application of a standard or interpretation before their date of entry into force

The voluntary early application of a standard or interpretation has not been exercised in these consolidated financial statements.

Published standards and interpretations that have not entered into force for periods beginning on 1ST January, 2016, and their impact on the Group's statements

By the date of preparing these consolidated financial statements, the following new or amended standards and interpretations were published, effective for annual periods following after 2016:

- The new IFRS 9 "Financial Instruments: Classification and Measurement"
  The new standard will replace the current IAS 39. The changes introduced by the accounting standard for financial instruments mainly include:
  - other categories of financial assets, which affect the valuation method of the designated assets; the allocation of financial assets to categories will depend on the business model relating to this asset,
  - new hedge accounting rules to reflect risk management to a greater degree,
  - a new model for impairment of financial assets based on expected losses and resulting in acceleration for cost recognition in the income statement.

  The standard is effective for annual periods beginning on 1st January, 2018, or later. The Group is currently assessing the impact of the standard on the consolidated financial statements.

- The new IFRS 14 "Regulatory Deferral Accounts"
  The new standard applies only to entities that will adopt IFRS and operate in sectors in which the state regulates the selling prices, such as natural gas, electricity or water. The standard allows for the continuation of revenue recognition policy as applied before the transition to IFRS, both in the first IFRS financial statement, and in subsequent statements. The new regulations will not affect the Group's consolidated financial statements. The standard is effective for annual periods beginning on 1st January, 2016, or later, but has not yet been endorsed by the EU.

- The new IFRS 15 "Revenue from Contracts with Customers"
  The new standard replaces the previous IAS 11 and IAS 18, providing a consistent revenue recognition model. The new 5-step model will make the recognition of revenue dependant on the customer gaining control over the good or service. In addition, the standard introduces additional disclosure requirements and guidance on several specific issues. The Group has assessed that the amendment will not affect its financial statements. The standard is effective for annual periods beginning on 1st January, 2018, or later.

- Amendment to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"
  The hitherto rules governing the settlement of loss of control over a subsidiary foresaw that the profit or loss is recognised at this moment. In turn, the rules for applying the equity method state that the result of transactions with entities valued using the equity method are recognised only to the extent of the shareholdings held in those entities.
  In a situation where the parent company sells or contributes shares in a subsidiary in the form of an in-kind contribution to an entity valued using the equity method in such a way that it loses control over it, the regulations cited conflict with each other. The amendment to IFRS 10 and IAS 28 eliminates this collision as follows:
    - if the entity, over which control was lost, is an enterprise (business), the result on the transaction is recognised in full,
    - if the entity, over which control was lost, is not a business, the result is recognised only to the extent of other investors holdings.

  The entry into force of this change has been suspended.

- New IFRS 16 "Leases"
  A new standard regulating lease agreements (including rental and lease agreements), which contains a new definition of a lease. The significant changes relate to lessees: the standard requires recognition in the balance sheet for each lease agreement of "the right to use the asset" and the corresponding financial liability. The right to use the asset is then depreciated, while the liability is measured at amortised cost. It provides for the simplification of short-term contracts (up to 12 months) and assets of low value.
  The accounting treatment of leases from a lessor perspective is similar to the principles set out in the current IAS 17.
  The Group estimates the new standard will not have a material impact on its financial statements, but it has not yet completed the impact analysis. The company has not yet decided which of the available transitional provisions will apply. The amendments are effective for annual periods beginning on or after 1st January, 2019.

- Amendments to IAS 12 "Income Taxes"
  The IAS Council has elaborated on the rules:
    - for the recognition of deferred tax assets in the event of the entity incurring unrealized losses,
    - for the calculation of future tax profits necessary to recognize deferred tax assets.

  The Group estimates that the change in the standard will not have a material impact on its financial statements. The amendments are effective for annual periods beginning on or after 1st January, 2017.

- Amendments to IAS 7 "Statement of Cash Flows"
  The revised standard requires entities to disclose information that enables users of financial statements to evaluate changes in the entity's indebtedness (i.e. changes in loans and borrowings). The Group estimates that the change in the standard will entail the need to supplement the disclosure of new data. The amendments are effective for annual periods beginning on or after 1st January, 2017.

- Amendment to IFRS 2 "Share-based Payments"
  The IAS Council regulated three issues:
    - the means of recognising conditions other than vesting conditions in the valuation of a regulated programme in cash,
    - the classification of share-based payments, if the entity is required to withhold tax from the employee,

    - the modification of a programme, which results in a change from a programme settled in cash to a programme settled in equity instruments.

  The Group estimates that the change in the standard will have no impact on the financial statements due to the fact that there were no transactions covered by the amendments. The amendments are effective for annual periods beginning on or after 1st January, 2018.

- Amendment to IFRS 4 "Insurance Contracts"
  Following the entry into effect in 2019 of the new standard on financial instruments (IFRS 9), the IAS Council introduced temporary rules (until the entry into effect of the new standard on insurance) for applying the new accounting rules to instruments in the financial statements of insurers. Otherwise, the results would be subject to considerable variation.
  Two alternative approaches were proposed:
    - correcting the volatility caused by IFRS 9 for some assets through a separate item in the statement of income and other comprehensive income,
    - exemption from the application of IFRS 9 until the entry into force of the new standard for insurance (or the year 2021).

  The change in the standard will not affect the Group's financial statements due to the fact that it does not conduct insurance activities. The amendments are effective upon adoption of IFRS 9.

- Amendments to IFRS 1, IFRS 12 and IAS 28 resulting from the "Annual Improvements Project: 2014-2016 cycle". The amendments to the standards include:
    - IFRS 1: some short-term relief was removed, which was used during the transition to IFRS due to the fact that they concerned periods that have already passed and their use is no longer possible. The change will have no impact on the Group's financial statements, since they are already prepared according to IFRS.
    - IFRS 12: further clarification was give that disclosures of interests in other entities required in this standard also apply when these shares are classified as held for sale in accordance with IFRS 5. The Group estimates that the amendment will have no impact on its financial statements.
    - IAS 28: further clarification was provided that in cases where IAS 28 allows the valuation of an investment with either the equity method or at fair value (for organizations managing venture capital, mutual funds, etc. or shares in investment entities), this choice can be made separately for each of these investments. The change will have no impact on the Group's financial statements, because it does not have the possibility to choose the method of valuation for investments in associates and joint ventures at fair value. The changes will come into effect for annual periods beginning on 1st January, 2017 (IFRS 12) or 1st January, 2018 (IFRS 1 and IAS 28).

- Amendments to IAS 40 "Investment Property"
  The change specifies the rules according to which property is reclassified into or out of the category of investment property or fixed assets or inventory.
  Above all, reclassification occurs when changes to usage takes place and this change must be proven. The standard explicitly says that a change in the intentions of the management board itself is not sufficient. The change in the standard should be applied to all changes in use that occur after the entry into force of the change in the standard and to all investment property held as at the date of entry into force of the amendment to the standard.
  The Group estimates that the change in the standard will have no impact on its financial statements because it does not have investment property. The amendments are effective for annual periods beginning on or after 1st January, 2018.

- The new IFRIC 22 "Transactions in foreign exchange and advances"
  The interpretation clarifies what course should be followed in the event of sales or purchases in a foreign currency, which are preceded by the receipt or payment of advance payments in this currency. According to the new interpretation on the date of the payment of an advance it should be included at the exchange rate on that day. Then, at the moment of recognition in the profit and loss of the revenue achieved in the foreign currency or cost or purchased asset, they must be recognised at the exchange rate from the date of recognising the advance, and not at the exchange rate from the date, when the income or expense or asset was recognised.
  The Group estimates that the new interpretation will not have a material impact on its financial statements because it does not conduct transactions, which the changes apply to. The interpretation is effective for annual periods beginning on or after 1st January, 2018.

The Group intends to implement these regulations within the time limits provided for by the standards or interpretations.

### c) Accounting principles

The consolidated financial statements have been prepared under the historical cost convention, with the exception of land included in property, plant and equipment, investment property, derivative financial instruments and financial assets available for sale, which are measured at fair value.

Presentation of Financial Statements

The consolidated financial statements are presented in accordance with IAS 1. The Group presents a separate "Consolidated income statement", which is included immediately before the "Consolidated statement of comprehensive income".

The "Consolidated income statement" is presented in the calculation variant and the "Consolidated statement of cash flows" is drawn up using the indirect method.

In the case of retrospective changes in accounting policies, or the accounting for errors, the Group presents an additional statement of financial position prepared at the beginning of the comparative period, if these changes are significant. In such a situation, the presentation of notes to the third statement of financial position is not required.

Operating segments

The Management Board for the parent company has distinguished operating segments based on product lines, which represent the main services and goods provided by the Group. Each of the segments is managed separately within each product line, due to the nature of the services provided, geographical area (Foreign), and products, requiring different technologies, resources and execution approaches.

In accordance with IFRS 8, the results of operating segments arise from internal reports verified periodically by the Management Board of the parent company (the main decision-making body in the Group). The parent company's Management Board assesses the performance of the operating segments at the level of profit (loss) from operating activity. The measurement of operating segments used in the management accounts coincides with the accounting policies applied in the preparation of the consolidated financial statements, except for the following areas:

- impairment of assets - impairment of property, plant and equipment, including goodwill, is not included when determining the result of a segment.

Sales revenues recognised in the consolidated income statement do not differ from the revenues presented in the operating segments, except for unallocated sales and the consolidation adjustments made between segments.

Consolidation

The consolidated financial statements include the financial statements of the parent company and the financial statements of companies over which the Group exercises control, i.e. subsidiaries, as at 31st December, 2016. Control is understood as an ability to influence the financial and operating policies of the subsidiary to obtain benefits from its activities.

The financial statements of the parent company and the subsidiaries included in the consolidated financial statements are drawn up on the same date i.e. on 31st December, 2016. Where necessary, the financial statements of subsidiaries are adjusted to standardize the accounting principles applied by the Group.

Subsidiaries, which are immaterial to the consolidated financial statements of the Group, can be excluded from consolidation. Investments in subsidiaries classified as held for sale are recognised in accordance with IFRS 5.

Subsidiaries are consolidated using the full method.

The full consolidation method consists of combining the financial statements of the parent company and subsidiaries by summing up, at the full value, the items of assets, liabilities, equity, income and expenses. In order to present the Group financial statements as if it was a single economic entity, the following adjustments are made:

- goodwill or profit according to IFRS 3 is recognised when control is gained,
- non-controlling interests are determined and presented separately,
- transactions (revenues, expenses, dividends) and balances between the Group's entities are eliminated,
- gains and losses on transactions within the Group, which are included in the carrying value of assets such as inventories and property, plant and equipment are eliminated. Losses resulting from intra-group transactions are analysed for impairment purposes from the Group’s perspective,
- deferred taxes are recognised on temporary differences arising from eliminated profits and losses incurred on intra-group transactions (in accordance with IAS 12).

Non-controlling interests are recognised as a separate item of equity and represent the portion of total comprehensive income and net assets of subsidiaries that are attributable to entities other than companies of the Group. The Group allocates the total comprehensive income of subsidiaries to shareholders of the parent company and non-controlling shareholders on the basis of their share in the ownership.

Up to 1st January, 2010, the excess of losses attributable to non-controlling shareholders over the value of non-controlling interests, was allocated to the parent company. In accordance with IFRS 10, the Group did not make any retrospective restatement of the allocated losses, and hence the profits of subsidiaries generated in subsequent periods, will be allocated in the first instance to the parent company until it covers the losses previously absorbed from non-controlling interests.

Transactions with non-controlling entities, which do not result in a loss of control by the parent company, are treated as equity transactions:

- the partial sale of shares to non-controlling entities - the difference between the sale price and the carrying value of the net assets of subsidiaries attributable to the disposed shares, is recognised directly in equity in retained earnings.
- acquisition of shares from non-controlling entities - the difference between the purchase price and the carrying value of net assets acquired from non-controlling entities is recognised directly in equity in retained earnings.

<u>Business combinations</u>
Business combinations within the scope of IFRS 3 are accounted for using the acquisition method.
On the date when control is obtained, the assets and liabilities of the acquired entity are measured at fair value and in accordance with IFRS 3 the assets and liabilities are identified, regardless of whether they were disclosed in the financial statements of the entity acquired.

The purchase price paid in exchange for gaining control includes assets given, liabilities incurred and equity instruments issued, measured at fair value at the date of acquisition. A part of the purchase consideration can be a conditional payment, measured at fair value at the acquisition date. The costs related to the acquisition (consulting, valuation, etc.) do not constitute the purchase consideration and are recognized as a cost on the date they are incurred.

Goodwill (profit) is calculated as the difference between two values:

- the sum of the purchase price paid in exchange for gaining control, the non-controlling interests (valued in proportion to the net assets acquired) and the fair value of the holdings (shares) held in the entity acquired prior to the acquisition date, and
- the fair value of the identifiable net assets acquired in the entity.

The excess value computed in the manner indicated above, over the fair value of the identifiable net assets acquired in the entity, is recognised in the non-current assets in the consolidated financial statement as goodwill. Goodwill represents a payment made by the acquirer in anticipation of future economic benefits from assets that cannot be individually identified or separately recognised. After initial recognition, goodwill is measured at acquisition cost less any accumulated impairment losses.

In a situation where the value computed in the manner above is less than the fair value of the identifiable net assets acquired, the difference is recognised immediately in the income statement. The Group recognises the profit from the acquisition in other operating income.

Up to 1st January, 2010, the Group applied the acquisition method to business combinations as stated in IFRS 3 (2004).

In business combinations under common control, the Group does not apply IFRS 3. Such transactions are accounted for using the pooling of interests method meaning as follows:

- the assets and liabilities of the acquired entity are recognised at the carrying value. The carrying value is considered to be the value that was originally determined by the controlling entity, rather than the values resulting from the separate financial statements of the acquired entity,
- intangible assets and contingent liabilities are recognised on the principles applied by the entity before the merger, in accordance with relevant IFRS,
- goodwill does not arise - the difference between the purchase consideration and the acquired net assets of the controlled entity is recognised directly in equity in retained earnings,
- non-controlling interests are valued in proportion to the carrying value of net assets in the controlled entity,
- the comparatives are restated in such a way as if the combination had taken place at the beginning of the comparative period. If the date of acquisition is later than the beginning of the comparative period, the comparatives are restated from the moment when control was obtained.

<u>Investments in associates</u>
Associates are entities over which the parent company does not exercise control, but over which it has significant influence, resulting in the ability to formulate their financial and operating policy.
Investments in associates are initially accounted at cost and are subsequently measured using the equity method. Upon the creation of a significant impact goodwill is determined as the difference between the acquisition price of the investments and the fair value of net assets per investor. Goodwill is included in the carrying value of such investment in associates.
The carrying amount of investments in associates is increased or decreased by:

- the share of the parent company in the profit and loss of an associate,

- the share of the parent company in other comprehensive income of the associate, arising, among others, from the revaluation of property, plant and equipment and exchange differences on translation of foreign operations. These amounts are recognised in correspondence with the relevant position of the "Consolidated statement of other comprehensive income",
- gains and losses resulting from transactions between the Group and an associate, which are subject to elimination up to the level of its shareholding,
- payments of dividends from the profit generated by an associate, which reduce the carrying value of the investment.

The financial statements of the parent company and affiliated companies, included in the consolidated financial statements using the equity method, are prepared at the same balance sheet date, i.e. on 31st December.

Transactions in foreign currencies

The consolidated financial statements are presented in Polish zloty (PLN), which is also the functional currency of the parent company.

Transactions denominated in currencies other than Polish zloty are translated into Polish zloty at the exchange rate prevailing on the transaction date (spot rate).
On the balance sheet date, monetary items denominated in currencies other than Polish zloty are converted into Polish zloty using the closing rate at the end of the reporting period, i.e. the average exchange rate established by the National Bank of Poland.
Foreign currency non-monetary items valued at historical cost are recorded at the historical exchange rate from the transaction date.
Foreign currency non-monetary items valued at fair value are measured at the exchange rate from the date of determining the fair value, i.e. the average exchange rate established by the National Bank of Poland.

Foreign exchange differences arising from the settlement of transactions, or conversion of monetary items other than derivatives, are recognised respectively as financial income or costs at the net amount, except for exchange differences capitalised in the value of assets as specified in the accounting standards (described in the note relating to borrowing costs).
Foreign exchange differences arising from the valuation of derivative instruments are recognised in the income statement if they are not designated to cash flow hedges. Derivatives designated to cash flows hedge are recognised in accordance with the principles of hedge accounting.

At the balance sheet date, the assets and liabilities of foreign subsidiaries are converted into Polish currency at the closing rate prevailing on the balance sheet date, i.e. at the average exchange rate established by the National Bank of Poland.
Goodwill recognized in the result of the acquisition of a foreign entity is treated as an asset or liability of the foreign operation and is converted at the closing rate prevailing on the balance sheet date, i.e. at the average exchange rate established by the National Bank of Poland.
The income statement and statement of other comprehensive income of a foreign entity are converted at the average exchange rate for the current year, unless there are significant fluctuations in exchange rates. In the event of significant fluctuations in exchange rates, for transactions recognized in the income statement and statement of other comprehensive income, the exchange rate from the transaction date is used.

Foreign exchange differences arising from the conversion of the financial statements of a foreign entity are recognised in other comprehensive income and accumulated in a separate position of equity until the disposal of the foreign operation. On the disposal of a foreign entity the exchange rate differences from conversion accumulated in equity are reclassified to income statement and recognised as an adjustment to profit or loss from the disposal of the foreign entity.

Borrowing costs

Borrowing costs that can be directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the acquisition cost or production cost of that asset. Borrowing costs consist of interest expenses as well as foreign exchange gains or losses to the extent achievable by an adjustment of interest expense. These principles are applied by the Group prospectively from 1st January, 2009.

Goodwill

Goodwill is initially recognised in accordance with IFRS 3 (see the above paragraph on business combinations). Goodwill is not amortized, but annually tested for impairment in accordance with IAS 36 (see the paragraph on impairment of non-current assets).

Intangible assets

Intangible assets include trademarks, patents and licenses, computer software, development costs and other intangible assets that meet the recognition criteria specified in IAS 38. This balance sheet item covers intangible assets which are not yet available for use (intangible assets under construction).

As at balance sheet date intangible assets are measured at acquisition or production costs less accumulated amortization and impairment losses. Intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives. The useful lives of specific intangible assets are subject to annual review, and, if necessary, are adjusted from the beginning of the next financial year.
The estimated useful life for individual groups of intangible assets is as follows:

| Group | Period |
|---|---|
| Trademarks | 15 - 20 years |
| Computer software | 2 - 5 years |
| Other intangible assets | 2 - 5 years |

Software maintenance costs incurred in subsequent periods are recognised as an expense when incurred.

Research and development costs are recognised in the income statement when incurred.

In the Group's companies research and development work is carried out to implement and adapt IT support systems and introduce innovative solutions to non-wage benefits for customers.
Development costs are recognised as intangible assets only when the following criteria are met:

- the completion of the intangible asset is feasible from a technical point of view, so that it is fit for use or sale,
- the Group intends to complete the component and start its use or sale,
- the Group is able to use or sell the intangible asset,
- the intangible asset will bring economic benefits and the Group is able to prove the advantage, among others, by the existence of an active market or suitable use for the Group,
- technical, financial and other necessary resources are available to the Group to complete the development work
  in order to sell or use the asset,
- costs incurred during the developmental phase can be reliably measured and attributable to the intangible asset.

Development costs are carried forward when it is assessed that they will be recovered in the future. The assessment of future benefits takes place based on the principles set out in IAS 36.
After the initial recognition development costs are valued using the historical cost model in accordance with which assets are recorded at acquisition or production costs less accumulated amortisation and impairment losses. Completed development costs are amortized on a straight-line basis over the expected useful life, which on average is 3 years.

Gains or losses on the disposal of intangible assets are determined as the difference between the sales revenue and the net value of the intangible assets and are recognised in the income statement in other operating income or costs.

Property, plant and equipment
Property, plant and equipment are initially recognised at purchase or production cost. The acquisition cost is increased by the expenditures related directly to the purchase and adaptation of such asset to its intended use.

After initial recognition, items of property, plant and equipment, except land, are stated at purchase or production cost less accumulated depreciation and impairment losses. Property, plant and equipment under construction are not depreciated until the completion of construction or installation followed by transfer to the asset base.
Depreciation is calculated on a straight-line basis over the estimated useful life of the asset, which for groups of assets is as follows:

| Group | Period |
|---|---|
| Machines and devices | 3 - 7 years |
| Vehicles | 3 - 5 years |
| Other tangible assets | 3 - 5 years |

Depreciation commences in the month following that in which the asset is available for use. The economic useful life and depreciation method are reviewed once a year, resulting in a possible adjustment of depreciation in subsequent years.

Property, plant and equipment items are divided into components which are of significant value and to which a separate economic useful life can be assigned. The costs of general maintenance and significant spare parts are an integral part of the asset if they are used for more than a year. Ongoing maintenance costs incurred after the asset is available for use, such as maintenance and repair costs, are recognised in the income statement when incurred.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its further use. Any gain or loss arising from the sale, liquidation or withdrawal from use of an asset are calculated as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement in other operating income or costs.

Leases

Finance lease agreements, under which all the risks and benefits incidental to ownership of the leased asset are transferred to the Group, are recognised in the statement of financial position at the commencement of the lease term. The value of assets and liabilities is determined at the inception of the lease at the lower of two values: the fair value of the leased assets or the present value of the minimum lease payments.
Minimum lease payments are apportioned between finance costs and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Contingent lease payments are recognised as costs in the period in which they are incurred.
Fixed assets used under finance leases are depreciated according to the same principles as applied to the Group's own assets. However, in a situation where there is reasonable assurance that the Group will obtain ownership by the end of the lease, the asset is depreciated over the shorter of two periods: the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Lease payments under operating leases are recognised as costs on a straight-line basis over the lease term.

Impairment of non-financial assets

The following assets are subject to an annual impairment test:

- goodwill, wherein the first impairment test is carried out by the end of the period, in which the business combination took place,
- intangible assets that are not yet used.

Other non-current assets are subject to annual assessment if impairment indicators exist. When circumstances indicate a difficulty in recovering the carrying amount of an asset, its impairment is carried out.

For impairment testing purposes, assets are grouped at the lowest level at which they generate cash flows independently from other assets or groups of assets (so-called cash generating units). Assets that generate cash flows independently are tested individually.
Goodwill is allocated to these cash generating units, which expect to benefit from the synergies as a result of the business combination, wherein the cash generating units are at least operating segments.

If the carrying amount exceeds the estimated recoverable amount of the assets or cash generating unit to which those assets were allocated, the carrying amount is reduced to its recoverable amount. The recoverable amount is the higher of the following two values: the fair value less costs of sale or the value in use. In determining the value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the value of money over time and the risks specific to the asset.

An impairment loss in the first place is allocated to goodwill. The remaining amount of the loss reduces pro rata the balance sheet value of the assets assigned to the cash generating unit.
Impairment losses are recognised in the income statement under other operating costs.
Impairment losses allocated to goodwill do not reverse in subsequent periods. At subsequent balance sheet dates, the Group determines whether there are any indications for reversal or reduction of an impairment charge that was recognized on a given asset in the prior periods. The reversal of an impairment loss is recognised in the income statement under other operating income.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset with one party and a financial liability or equity instrument with another party.

A financial asset or financial liability is recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Standard purchase and sale transactions of financial assets and liabilities are recognized at the transaction date.

A financial asset is derecognised from the statement of financial position if the economic benefits and the risks resulting from the contract have been realized, expired or the Group has waived them.
A financial liability is derecognised from the statement of financial position when the liability is extinguished, that is when the obligation specified in the contract has been discharged, cancelled or has expired.

At initial recognition, financial assets and liabilities are measured at fair value, which is usually the fair value of the payment in the case of an asset or the amount received in the case of a liability. The Group includes transaction costs in the initial value of all financial assets and liabilities, except for financial assets and liabilities at fair value through profit or loss.

At the balance sheet date, financial assets and liabilities are valued according to the rules set out below.

*Financial assets*
After initial recognition, financial assets other than hedge derivatives are classified by the Group into the following categories for the purpose of measurement:

- loans and receivables,
- financial assets at fair value through profit or loss,
- investments held to maturity, and
- financial assets available for sale.

These categories define the principles for valuation as of the balance sheet date and the recognition of gains or losses from the valuation in the income statement or in other comprehensive income. Gains or losses recognised in the income statement are presented as financial income or expenses, except for impairment losses of trade receivables, which are presented as other operating expenses.

All financial assets, except for those measured at fair value through profit or loss, are assessed at each balance sheet date for impairment. A financial asset is subject to impairment if there is objective evidence of a loss of its value. Impairment evidence is analysed for each category of financial assets separately, as presented below.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortized cost using the effective interest rate method. Short-term receivables are valued at the amount to be received, without discounting due to immaterial effects.
Financial assets classified as loans and receivables are recognised in the statement of financial position as:

- non-current assets under "Loans and receivables", and
- current assets under "Loans", "Trade and other receivables" and "Cash and cash equivalents".

Allowances for doubtful receivables are estimated when collection of the full amount is no longer probable. Significant outstanding overdue balances are subject to individual assessment or when objective evidence has been obtained that the debtor cannot pay the receivable (due to the difficult financial situation of the debtor, a lawsuit against the debtor, adverse changes in the economic environment affecting the debtor). For outstanding receivables, which are not subject to individual assessment, evidence of impairment is analysed within the individual asset classes with regards to credit risk (e.g. due to the industrial sector, region or structure of customers). The indicator of impairment losses for each class is thus based on observed trends in the recent past about the difficulties of payments by debtors.

Shares of non-listed companies are measured at acquisition price less accumulated impairment losses as fair value cannot be estimated reliably. Impairment losses are recognised in the income statement.

All other financial assets available for sale are measured at fair value. Revaluation gains and losses are recognised as other comprehensive income and cumulatively presented in equity from the valuation of financial assets available for sale, except for impairment write-downs and foreign exchange differences on monetary assets, which are recognised in the income statement. The income statement includes interest that would have been recognised in the valuation of these financial assets at amortized cost using the effective interest method.
Reversals of impairment losses recognized on the valuation of financial assets available for sale are presented in other comprehensive income, with the exception of impairment losses on debt instruments, for which reversal is recognised in the income statement if the increase in the value of the debt instrument can be objectively matched with circumstances that occurred after the impairment loss was recognised.
When an asset is derecognised, the accumulated gains and losses previously recognised in other comprehensive income are transferred to the income statement and are presented in other comprehensive income as a reclassification due to the transfer to profit or loss.

*Financial liabilities*
Financial liabilities other than hedge derivatives are presented under following sections of the statement of financial position:

- interest-bearing bank loans, borrowings and debt instruments,
- finance leases,
- trade payables and other liabilities, and
- derivative financial instruments.

After initial recognition, financial liabilities are measured at amortized cost using the effective interest method, except for financial liabilities held for trading or designated as at fair value through profit or loss. The Group classifies derivatives other than hedge instruments as financial liabilities measured at fair value through profit or loss. Short-term trade payables are measured at the value to be paid without discounting due to immaterial effects.

Gains and losses on the valuation of financial liabilities are recognised in the income statement in financial activities.

Inventories

Inventories are valued at the lower of two values: acquisition / production cost or net realizable value. The acquisition or production cost comprises costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.
The production cost of finished goods and work in progress includes direct costs (mainly materials and labour) increased by production overheads based on normal utilization of production capacity.
Finished goods are distributed using the weighted average cost formula. Materials and goods are distributed using the "first in - first out" (FIFO) cost method.
Net realizable value is the estimated selling price determined in the ordinary course of business, less the costs of completion and costs necessary to make the sale.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and in bank accounts, deposits available at request and short-term highly liquid investments (up to 3 months), easily convertible into cash, for which the risk of a change in value is negligible.

Non-current assets classified as held for sale

Non-current assets or groups of non-current assets are classified as held for sale when their carrying value is recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or group of assets) must be available for immediate sale in its present condition, with the customary terms and conditions of sale adopted, and its sale must be highly probable within one year from the date of such classification.

Fixed assets that have been classified as held for sale are measured at the lower of their carrying value and fair value less costs to sell. Some assets classified as held for sale, such as financial assets and deferred tax liabilities, are measured using the same accounting principles as were applied by the Group before re-classification as assets held for sale. Non-current assets classified as held for sale are not depreciated.

Equity

Share capital is disclosed at the nominal value of issued shares in accordance with the statutes of the parent company.

The shares of the parent company acquired and held by the parent company or subsidiaries are deducted from equity. Own shares are valued at acquisition cost.

The share premium constitutes the surplus of proceeds from the sale of shares above their nominal value, net of issuance costs.

Other equity elements include:

- equity element recognized due to the valuation of share-based payment programmes, and
- equity elements representing accumulated other comprehensive income, including:
  - the revaluation of property, plant and equipment to fair value (see the paragraph on property, plant and equipment),
  - the valuation of financial assets available for sale (see the paragraph on financial instruments),
  - the valuation of cash flow hedges (see the paragraph on hedge accounting),
  - the exchange differences on the conversion of foreign subsidiaries (see the paragraph on foreign currency transactions).

Retained earnings presents accumulated results from previous years (including earnings transferred to equity on the basis of shareholder resolutions) and the financial results of the current reporting period.

All transactions with owners of the parent company are presented separately in the "Consolidated statement of changes in equity".

Share-based payments

The Group implements incentive programmes, according to which key members of the management personnel are granted options convertible into shares of the parent company.

The value of remuneration for the work of managerial personnel is determined indirectly by reference to the fair value of the equity instruments granted. The fair value of the options is measured at the grant date, wherein non-market conditions (to achieve a certain level of profit) are taken into account in estimating the fair value per share.

The cost of remuneration and the corresponding equity element are recognised on the basis of the estimated number of options which will vest over a given period. In determining the number of options which will vest, non-market conditions are taken into account.
The Group adjusts these estimates, if subsequent information indicates that the number of options granted is different from previous estimates. Adjustments to the estimated number of options granted are recognised in the income statement in the current period - no adjustments are made to prior periods.

When options are exercised, the equity element relating to valuation is transferred to share premium, net of share issuance costs.

Employee benefits
Payables toward employees and provisions for employee benefits recognised in the income statement include the following:

- short-term employee benefits including remuneration (including bonuses) and related social security contributions,
- provisions for unused annual leave, and
- other long-term employee benefits, including jubilee awards and retirement benefits.

*Short-term employee benefits*
In the statement of financial position, short-term employee benefits are presented at the amount due for payment, on an undiscounted basis.

*Provisions for unused holidays*
The Group recognises a provision for accumulated compensated absences, which are incurred as a result of unused entitlement and where this entitlement is valid at the balance sheet date. The provision for unused annual leave is presented as a short-term provision and is not discounted.

*Retirement benefits and jubilee awards*
According to the remuneration systems, employees of the Group are entitled to jubilee awards and retirement benefits. Jubilee awards are paid to employees after serving a number of years. Retirement benefits are paid in a single payment on the date of retirement. The amount of retirement benefits and jubilee awards depends on the years of service and average salary of the employee.
The Group recognises a provision for future retirement benefits and jubilee awards in order to allocate costs to the periods in which the entitlement was acquired.
The present value of the obligation is estimated by an independent actuary at each balance sheet date. The total value of the provision equals the discounted payments that will be settled in the future and relate to the period up to the balance sheet date. Demographic information and information on staff turnover are based on historical data. Changes in the provision for retirement benefits and jubilee awards are recognised in the income statement.

Provisions, contingent liabilities and contingent assets
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The provision is of uncertain timing or amount.

Provisions are created, among others, for the following:

- guarantees provided for after-sales service of products and services rendered,
- pending litigation and disputes,
- restructuring, only if separate regulations apply or the Group has entered into binding agreements to carry out the process.

There are no provisions for future operating losses.

A provision is the best estimate of the expenditure required to settle the present obligation, based on the most reliable evidence available at the balance sheet date, including the risks and uncertainties that surround the underlying events. If the effect of the time value of money is material, provisions are determined by discounting the estimated future cash flows to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. If a method based on discounting was applied, the increase in the provision due to the passage of time is recognised as a finance cost.

If the Group expects the costs of the provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. However, the value of the asset cannot exceed the value of the provision.

If the settlement of the present obligation is not probable, the contingent liability is not recognised in the statement of financial position, except for contingent liabilities identified in a business combination in accordance with IFRS 3.

Information on contingent liabilities is included in Note 24. The Group additionally presented information about contingent liabilities arising from operating lease agreements (Note 7).

Future economic benefits that do not meet the criteria for asset recognition, are classified as contingent assets, which are not disclosed in the statement of financial position. Information on contingent assets is disclosed in the explanatory notes.

<u>Prepayments and accruals</u>
In the consolidated statement of financial position, under the “Prepayments” section, the Group presents expenses incurred before the balance sheet date that relate to future periods, primarily rents.

In the consolidated statement of financial position, under the “Accruals” section, the Group presents deferred income and subsidies for non-current assets accounted in accordance with IAS 20 "Government grants". Accrued expenses are disclosed under "Trade payables and other liabilities".

Subsidies are recognised only when there is reasonable assurance that the Group will comply with the conditions attached to such grants and that such grants will be received.
If a grant is related to a specific cost item, it shall be recognized as income (or as a reduction of expense) proportionally to the costs that the grant is intended to compensate.
If a grant is related to a specific asset, its fair value is systematically updated by way of equal annual write-offs, recognized in the income statement over the estimated useful life of the related asset. In the consolidated statement of financial position grants are presented on a gross basis, i.e. the Group does not deduct its value from the carrying amount of the asset and discloses them as deferred income under "Accruals".

<u>Sales revenues</u>
Sales revenues are recognised at the fair value of the payment received or to be received and represents the value of products, goods and services provided in the normal course of business, net of discounts, value-added tax and other sales-related taxes (excise tax). Sales revenues are recognised when it’s probable that any future economic benefit associated with the item of revenue will flow to the entity, and the amount of revenue can be reliably measured.

*Sales of goods and products*
Sales of goods and products are recognised if the following conditions are met:

- the Group has transferred to the buyer the significant risks and rewards of ownership. The condition is deemed to be satisfied upon undisputed delivery of the goods or products to the customer,
- the amount of revenue can be measured reliably,
- it is probable that the economic benefits associated with the transaction will flow to the Group, and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

*Sales of services*
Sales of services are recognised if the following conditions are met:

- the amount of revenue can be measured reliably,
- it is probable that the economic benefits associated with the transaction will flow to the Group,
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

*Interest and dividends*
Interest income is recognised over the time in accordance with the effective interest rate method. Dividends are recognised when the shareholder's right to receive payment is established.

<u>Operating costs</u>
Operating costs are recognised in the income statement according to the matching concept. The Group prepares its consolidated income statement in the functional manner (i.e. by cost centres).

<u>Income tax (including deferred tax)</u>
The income tax charge includes corporate income tax and deferred tax, which has not been recognised in other comprehensive income or directly in equity.

The current tax liability is calculated on the basis of the tax result (the tax base) for the fiscal year. The tax profit (loss) differs from the accounting profit (loss) before tax due to the temporary (tax deductible income and costs, which will be settled in future periods) and permanent differences (non-taxable income and costs). Tax charge is calculated based on the tax rate applicable in a given year.

Deferred tax is calculated using the liability method on all temporary differences between the tax bases of assets and liabilities and their carrying amounts.
Deferred tax liabilities are recognised for all temporary differences subject to taxation, while a deferred tax asset is recognised to the extent that it is probable that taxable profit will be available against which the deductible can be

utilised.
No deferred tax liability is recognised for the temporary difference arising from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of its occurrence affects neither the taxable profit nor the accounting profit. No deferred tax liability is recognised on goodwill, which is not subject to amortization based on tax law.
Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted at the reporting date.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or a part of the deferred income tax asset to be utilised.

Professional judgement of the Management Board and the uncertainty estimates
The preparation of consolidated financial statements requires making estimates and assumptions which have an impact on the application of accounting policies and data disclosed in the financial statements. Actual results may differ from those estimated by the Management Board. Information about those estimates and assumptions, which may affect the consolidated financial statements, are presented below.

*Economic useful life*
The parent company's Management Board performs annual reviews of the economic useful lives of assets, that are subject to amortization and depreciation. As at 31st December, 2016, the Management Board estimates that the amortization and depreciation rates applied by the Group reflect the period of expected economic benefits generated by these assets. However, the actual periods of expected benefits might differ from estimated ones, for example due to technological obsolescence. The carrying value of non-current assets that are amortized or depreciated is presented in Notes 5 and 6.

*Deferred tax assets*
The realization of deferred tax assets is based on the budgets approved by the Management Board of the parent company. If the forecasted income statement shows that the Group's companies will achieve taxable income, deferred tax asset is recognised.

*Impairment of non-financial assets*
In order to determine value in use the Management Board estimates future cash flows and determines a discount rate in order to calculate the present value of those cash flows (see the paragraph on impairment of non-financial assets). To estimate the present value of future cash flows, assumptions are made in respect of projected financial results. These assumptions relate to future events and circumstances. Actual results may differ from estimated ones, which in subsequent reporting periods may lead to significant adjustments in the value of the Group's assets.

**Adjustment of errors and changes to accounting principles**
In 2016, there were no changes in accounting policies. No errors were detected in the consolidated financial statements for previous periods.

## 1. Operating segments

Starting from 2014, Benefit Systems Group presents its results based on operating segments. A comparison of operating segments results with historical data is presented in the Management Board’s Report on the Group's Operations for the 12 months ended 31st December, 2016, on page 11.

According to the thresholds defined in IFRS 8 Benefit Systems Group has an obligation to present the results only for the Sports Cards and Fitness segments (a minimum 10% of the Group's revenues). However, the Group decided to present the results of all the segments as it is expected that the thresholds defined in IFRS 8 will be exceeded in the following reporting periods, and also to enhance and improve the transparency and quality of financial information.

The Group monitors its activities in the following operating segments:
- "Sports Cards" Operating Segment,
- "Fitness" Operating Segment,
- "Cafeteria" Operating Segment,
- "Foreign" Operating Segment,
- Other.

The operating segments include the following activities offered through the companies listed below:
- The "Sports Cards" segment includes a group of sports cards offered by the following companies: Benefit Systems S.A., FitSport Polska S.A., and Vanity Style Sp. z o.o.,
- The "Fitness" segment includes fitness clubs networks, such as Fabryka Formy S.A., Fitness za Rogiem Sp. z o.o. Form Factory S.R.O., Fitness Academy Spółka z ograniczoną odpowiedzialnością SKA, AM

Classic Sp. z o.o., Jupiter Sport Sp. o.o., Zdrofit Sp. z o.o., Zdrofit Sport Sp. z o.o., Calypso Fitness S.A., Tiger Sp. z o.o., Baltic Fitness Center Sp. z o.o., Instytut Rozwoju Fitness Sp. z o.o., Get Fit Katowice Sp. z o.o. and the investment companies Fit Invest Sp. z o.o. and Benefit Partners Sp. z o.o. (the lease of fitness equipment for partners),

- The "Cafeteria" segment includes non-wage incentive systems implemented through cafeteria platforms, offering users a wide range of products supplied by the companies MultiBenefit Sp. z o.o., and MyBenefit Sp. z o.o.,
- The "Foreign" segment includes the activities of the Benefit Systems Group outside the Polish market, i.e. the companies consolidated through Benefit Systems International Sp. z o.o. including the following entities: MultiSport Benefit S.R.O. in the Czech Republic, Benefit Systems Slovakia S.R.O. and Benefit Systems Bulgaria EOOD,
- Other activities include sales revenues other than those listed above and indirect costs that are not allocated to the above segments. Sales revenues represent the reconciliation of sales transactions carried out between segments. Costs represent general and administrative expenses, costs of strategic activities and the cost of the Incentive Programme.

Sales revenues recognised in the consolidated income statement do not differ from the revenues presented in the operating segments, except for unallocated sales and the consolidation adjustments made between segments.

All amounts in thousands of Polish zloty (unless otherwise indicated)

The table below presents information on revenues, profit or loss, significant non-cash items and the assets of operating segments.

| | Sports Cards segment | Fitness segment | Cafeteria segment | Foreign segment | Other | Total |
|---|---|---|---|---|---|---|
| ***for the period from 01/01 to 31/12/2016*** | | | | | | |
| Revenues from external customers | 620,692 | 76,510 | 39,903 | 40,788 | 0 | 777,893 |
| Revenues from sales between segments | 0 | 0 | 0 | 0 | (35,921) | (35,921) |
| Total revenue | 620,692 | 76,510 | 39,903 | 40,788 | (35,921) | 741,972 |
| Operating profit for the segment | 115,571 | (11,203) | 3,059 | (1,637) | (10,445) | 95,347 |
| *Other information:* | | | | | | |
| Amortization and depreciation | 6,275 | 15,473 | 943 | 176 | 570 | 23,437 |
| Operating segment assets | 385,176 | 267,145 | 80,110 | 20,834 | (183 ,826) | 569,440 |
| ***for the period from 01/01 to 31/12/2015*** | | | | | | |
| Revenues from external customers | 507,354 | 43,684 | 34,263 | 14,309 | 0 | 599,610 |
| Revenues from sales between segments | 0 | 0 | 0 | 0 | (18,153) | (18,153) |
| Total revenue | 507,354 | 43,684 | 34,263 | 14,309 | (18,153) | 581,456 |
| Operating profit for the segment | 83,470 | (5,234) | (10 ,889) | (290) | (12,157) | 54,900 |
| *Other information:* | | | | | | |
| Amortization and depreciation | 3,990 | 8,493 | 2,608 | 11 | 440 | 15,543 |
| Operating segment assets | 262,208 | 199,051 | 62,917 | 10,643 | (146 ,076) | 388,743 |

All amounts in thousands of Polish zloty (unless otherwise indicated)

Reconciliation of total revenues, results and assets of the operating segments with the corresponding items in the consolidated financial statements is as follows:

| | **from 01/01 to 31/12/2016** | from 01/01 to 31/12/2015 |
|---|---|---|
| ***Revenues of segments*** | | |
| The total revenues of the operating segments | 777,893 | 599,610 |
| Revenues not allocated to segments | 0 | 0 |
| Exclusions of revenues from transactions between segments | (35,921) | (18,153) |
| Sales revenues | 741,972 | 581,456 |
| ***Profit and loss for segments*** | | |
| Operating profit of segments | 95,347 | 54,900 |
| Other revenues not allocated to segments | 0 | 0 |
| Other costs not allocated to segments (-) | 0 | 0 |
| Exclusion of result from transactions between segments | 0 | 0 |
| Profit (loss) from operations | 95,347 | 54,900 |
| Financial income | 3,001 | 3,726 |
| Financial costs (-) | (6 ,605) | (4 ,034) |
| Share in the financial result of entities valued using the equity method (+/-) | 9,536 | 8,332 |
| Profit (loss) before tax | 101,279 | 62,924 |

| | **31/12/2016** | 31/12/2015 |
|---|---|---|
| ***Segment assets*** | | |
| Total assets of the operating segments | 760,041 | 540,041 |
| Assets not allocated to the segments | 0 | 0 |
| Exclusion of transactions between segments | (190,602) | (151,298) |
| Total assets | 569,440 | 388,743 |

In the periods covered by the consolidated financial statements, sales revenue not allocated to operating segments mainly encompass exclusions of transactions between segments. The costs are associated with the activities of management and administration, strategic activities in the Group, the costs of the Incentive Programme, support functions and other activities not allocated to separate operating segments.

## 2. Acquisition and loss of control over subsidiaries

Business combinations

The business combinations carried out by the Group in 2016, as a result of which the Group acquired control over entities, are described in the general information to the consolidated financial statements (paragraph d).
The amounts of goodwill and badwill recognized in 2016 were accounted for using the purchase method. Badwill is presented in "Other operating income" in the consolidated income statement. The column "Retained earnings" presents the result of business combinations carried out, which, according to the accounting policies used by the Group are accounted using the pooling of interest method (see paragraph c "Basis for preparation and accounting policies").

| | Date of acquisition | Percentage of equity instruments acquired with voting rights | Payment: | | Net assets acquired (fair value) | Goodwill (+) / income (-) | Retained earnings (business combinations under common control) |
|---|---|---|---|---|---|---|---|
| | | | Acquiring party | Non-controlling interests | | | |
| Fitness za Rogiem Sp. z o.o. | 02/01/2016 | 66.06% | Fabryka Formy S.A. | 33.94% | (341) | 336 | (431) |
| Form Factory S.R.O. | 02/01/2016 | 66.06% | Fabryka Formy S.A. | 33.94% | 115 | 0 | (264) |
| Zdrofit Sp. z o.o. | 18/11/2016 | 26.65% | Fit Invest Sp. z o.o. | 44.97% | 35,995 | 31,415 | 1,274 |

On 2nd January, 2016, the Group acquired 66.06% of shares in Fitness za Rogiem with its registered office in Sierosławiec, ul. Skrajna 1, which conducts activities in the Fitness segment. The purpose of the acquisition was to strengthen its position on the fitness services market.
The consideration paid to the former owners amounted to 5,000 PLN and included the price for the shares paid in cash.

On 2nd January, 2016, the Group acquired 66.06% of the shares in Form Factory S.R.O. with its registered office in the Czech Republic, Stare Mesto, Trinec, Jablunkovska 406, which operates within the Fitness segment. The purpose of the acquisition was a strengthening of its position on the fitness services market.
The purchase consideration resulting from the share sale agreement amounted to the total amount of 8,000 PLN in cash.

On 18th November, 2016, the Group acquired 26.65% of the equity instruments in Zdrofit Sp. z o.o. with its registered office in Warsaw at ul. Mangalia 4, which operates in the Fitness segment. The purpose of the acquisition was to strengthen its position on the fitness services market. After this transaction Zdrofit Sp. z o.o. became a subsidiary of the Group.
The consideration transferred to the former owners amounted to 9,600 thousand PLN and included the purchase price paid in cash.

*Goodwill*

Goodwill arising as a result of the acquisition of: Zdrofit Sp. z o.o. and Fitness za Rogiem Sp. z o.o. represents the synergies that are expected from the merger of their activities with the parent company and could not have been recognised as separate assets in accordance with IAS 38 (employees and their knowledge). Goodwill was allocated to cash-generating units and is assigned to the operating segments.
Goodwill arising from business combinations does not impact the income tax base.

*Sales revenues and net profit/(loss) of acquired companies*
The sales revenues and net profit (loss) of the acquired companies after the acquisition date included in the consolidated financial statements of the Group's income statement for 2016 amounted to 5,364,000 PLN and (3,245,000) PLN respectively.

Loss of control

In the period covered by the consolidated financial statements the Group has not lost control over subsidiaries.

## 3. Investments in subsidiaries and associates

Investments in subsidiaries
The following table presents the list of the Group's investments in subsidiaries:

All amounts in thousands of Polish zloty (unless otherwise indicated)

| | **31/12/2016** | | | | 31/12/2015 | | | |
|---|---|---|---|---|---|---|---|---|
| | Equity attributable to shareholders of the parent company | Non-controlling interests | Profit (loss) attributable to shareholders of the parent company | Net profit (loss) attributable to non-controlling interests | Equity attributable to shareholders of the parent company of the parent company | Non-controlling interests | Profit (loss) attributable to shareholders of the parent company | Net profit (loss) attributable to non-controlling interests |
| FitSport Polska Sp. z o.o.* | 12,059 | | 14,799 | | 16,959 | | 11,448 | |
| VanityStyle Sp. z o.o. | 4,194 | | 3,665 | | 2,913 | | 2,385 | |
| Benefit Partners Sp. z o.o. | 103 | | 195 | | (92) | | (538) | |
| Benefit IP Sp. z o.o. | (48) | | (27) | | (21) | | (10) | |
| Benefit IP Spółka z ograniczoną odpowiedzialnością sp.k. | 72,180 | | 9,085 | | 68,794 | | 5,699 | |
| MultiBenefit Sp. z o.o.** | (9,586) | | (998) | | (8 ,509) | | (10 ,214) | |
| Fit Invest Sp. z o.o. | 45,485 | | (1,572) | | 47,048 | | (37) | |
| Benefit Systems International Sp. z o.o. | 1,709 | | (1,105) | | 2,814 | | (911) | |
| Fitness Academy Sp. z o.o. | 63 | | 43 | | 20 | | 15 | |
| Fitness Academy Spółka z ograniczoną odpowiedzialnością SKA | (8 ,693) | | (6,279) | | (2,203) | | (2,994) | |
| Fabryka Formy S.A. | (4,942) | 331 | (12,448) | (4,225) | 6,642 | 4,260 | (1,497) | (769) |
| MultiSport Benefit S.R.O. | 2,646 | 2,069 | 2,373 | 617 | 239 | 1,443 | 956 | 336 |
| MyBenefit Sp. z o.o. | 8,850 | | 3,719 | | 6,470 | | 2,347 | |
| Benefit Systems Bulgaria EOOD | (2,982) | | (2,345) | | (582) | | (593) | |
| Benefit Systems Slovakia S.R.O. | (1,814) | (127) | (1,199) | (84) | (584) | | (598) | |
| AM Classic Sp. z o.o. | 321 | | (101) | | 423 | | (30) | |
| Jupiter Sport Sp. z o.o. | 128 | | (280) | | 435 | | (23) | |
| Zdrofit Sp. z o.o.*** | 3,624 | 16,000 | (400) | (180) | | | | |
| Form Factory S.R.O. | (877) | (298) | (992) | (426) | | | | |
| Fitness za Rogiem Sp. z o.o. | (2,134) | (724) | (1,853) | (629) | | | | |

**The company FitSport Polska Sp. z o.o. was formed from the merger of FitSport Poland S.A. and Benefit Development Sp. z o.o. **The company MultiBenefit Sp. z o.o. was established from the merger of the companies MultiBenefit Sp. z o.o., Multibenefit Spółka z ograniczoną odpowiedzialnością sp.k. and Nowe Benefity Sp. z o.o. *** The company Zdrofit Sp. z o.o. was established from the transformation of Zdrofit Spółka z ograniczoną odpowiedzialnością sp. k.*

Investments in associates and other entities

All the Group's investments in associates are valued using the equity method (see point c "Basis of preparation and accounting policies").

The table below presents information about the Group's significant associates:

All amounts in thousands of Polish zloty (unless otherwise indicated)

| | Principal place of business and country of registration | Percentage of share capital | Share of voting rights | **31/12/2016** | | 31/12/2015 | |
|---|---|---|---|---|---|---|---|
| | | | | Carrying amount | Market value | Carrying amount | Market value |
| Baltic Fitness Center Sp. z o.o. | ul. Puławska 427, 02-801 Warsaw, Poland | 49.95% | 49.95% | 0 | 0 | 0 | 0 |
| Instytut Rozwoju Fitness Sp. z o.o. | ul. Puławska 427, 02-801 Warsaw, Poland | 48.10% | 48.10% | 1,917 | 1,917 | 1,441 | 1,441 |
| Calypso Fitness S.A. | ul. Puławska 427, 02-801 Warsaw, Poland | 33.33% | 33.33% | 17,860 | 17,860 | 15,782 | 15,782 |
| Tiger Sp. z o.o. | Aleja Grunwaldzka 82, 80-244 Gdańsk, Poland | 30.00% | 30.00% | 6,035 | 6,035 | 0 | 0 |
| Zdrofit Sport Sp. z o.o.* | ul. Mangalia 4, 02-758 Warsaw, Poland | 26.69% | 26.69% | 8 | 8 | 3 | 3 |
| Get Fit Katowice II Sp. z o.o. | ul. Uniwersytecka 13, 40-007 Katowice, Poland | 20.00% | 20.00% | 0 | 0 | 0 | 0 |
| X-code Sp. z o.o. | ul. Klaudyny 21/ 4, 01-684 Warsaw, Poland | 46.15% | 46.15% | 3,343 | 3,343 | 2,807 | 2,807 |
| LangMedia Sp. z o.o. | ul. Skwierzyńska 25/3, 53-521 Wrocław, Poland | 37.00% | 37.00% | 4,568 | 4,568 | 2,970 | 2,970 |
| Eventlabs Sp. z o.o. | ul. Żurawia 6/12, 00-503 Warsaw, Poland | 23.07% | 23.07% | 0 | 0 | 0 | 0 |
| | | | | **33,731** | **33,731** | **36,349** | **36,349** |

**Zdrofit Sport Sp. z o.o. was established from the transformation of Zdrofit Sp. z o.o.*

In 2016, the value of investments in associates changed due to acquisitions of majority holdings in the companies Lang Media Sp. z o.o. and Zdrofit Sp. z o.o. In the case of the second company this transaction gave the Group a majority holding and, consequently, from December 2016, the company is fully consolidated.

Key financial data for significant associates are as follows:

| | Total assets | Liabilities | Equity | Net profit/(loss) for the period | Sales revenues |
|---|---|---|---|---|---|
| Baltic Fitness Center Sp. z o.o. | 1,450 | 1,833 | (423) | (101) | 2,285 |
| Instytut Rozwoju Fitness Sp. z o.o. | 15,554 | 7,866 | 4,295 | 728 | 22,123 |
| Calypso Fitness S.A. | 82,704 | 41,933 | 38,540 | 6,234 | 82,051 |
| Tiger Sp. z o.o. | 11,466 | 7,474 | 3,992 | 1,033 | 5,024 |
| Zdrofit Sport Sp. z o.o. | 31 | 9 | 22 | 20 | 98 |
| Get Fit Katowice II Sp. z o.o. | 529 | 1,288 | (759) | (349) | 2,291 |
| X-code Sp. z o.o. | 4,347 | 1,130 | 3,213 | 610 | 7,826 |
| LangMedia Sp. z o.o. | 2,496 | 817 | 1,679 | 806 | 4,069 |
| | **118,577** | **62,350** | **50,559** | **8,981** | **125,767** |

All amounts in thousands of Polish zloty (unless otherwise indicated)

The cumulative loss for Baltic Fitness Center Sp. z o.o. and Get Fit Katowice II Sp. z o.o. contributed to the negative values of the equity for these companies, therefore, the Group ceased to recognise its share of losses in these affiliated company.

The contingent liabilities of the Group for all or part of the purchase obligations for associates has been presented in Note 24.

Investments in structured units subject and not subject to consolidation
The Group has no investments in structured units.

## 4. Goodwill

In 2016, the value of goodwill presented in the consolidated statement of financial positions was affected significantly by the acquisitions of the following entities: Fitness za Rogiem Sp. z o.o. and Zdrofit Sp. z o.o. The accounting policies in respect of the calculation of goodwill has been described in Note 2 Business combinations. Changes in the carrying value of goodwill in the period covered by the consolidated financial statements are presented in the table:

| | **from 01/01 to 31/12/2016** | from 01/01 to 31/12/2015 |
|---|---|---|
| ***Gross value*** | | |
| Balance at beginning of period | 99,569 | 8,097 |
| Business combinations | 31,751 | 91,472 |
| **Gross value at end of period** | **131,320** | **99,569** |
| ***Impairment write-downs*** | | |
| Impairment write-offs at the end of the period | 0 | 0 |
| **Goodwill - carrying value at end of period** | **131,320** | **99,569** |

Goodwill presented in the assets relates to the following subsidiaries:

| | **31/12/2016** | 31/12/2015 |
|---|---|---|
| FitSport Polska Sp. z o.o. | 29,228 | 29,228 |
| VanityStyle Sp. z o.o. | 2,993 | 2,993 |
| Fit Invest Sp. z o.o. | 1,174 | 1,174 |
| Fitness Academy Spółka z ograniczoną odpowiedzialnością SKA | 12,712 | 12,712 |
| Fabryka Formy S.A. | 11,072 | 11,072 |
| MultiSport Benefit S.R.O. | 5,795 | 5,795 |
| MyBenefit Sp. z o.o. | 29,712 | 29,712 |
| AM Classic Sp. z o.o. | 3,291 | 3,291 |
| MultiBenefit Sp. z o.o. | 998 | 998 |
| Jupiter Sport Sp. z o.o. | 2,594 | 2,594 |
| Zdrofit Sp. z o.o. | 31,415 | - |
| Fitness za Rogiem Sp. z o.o. | 336 | - |
| **Total goodwill** | **131,320** | **99,569** |

To perform annual impairment testing, goodwill is allocated to cash-generating units, which are also separate operating segments (see also Note 1). Goodwill was assigned to specific segments as follows:

| | **31/12/2016** | 31/12/2015 |
|---|---|---|
| Sports cards | 32,221 | 32,221 |
| Cafeteria | 30,710 | 30,710 |
| Fitness | 62,594 | 30,843 |
| Foreign | 5,795 | 5,795 |
| Corporate and other | 0 | 0 |
| **Total goodwill** | **131,320** | **99,569** |

All amounts in thousands of Polish zloty (unless otherwise indicated)

## 5. Intangible assets

Intangible assets used by the Group include trademarks, patents and licenses, computer software, internally generated development costs and other intangible assets. Intangible assets that are not yet ready for use are presented as "Intangible assets under construction".

| | Trademarks | Computer software | Development costs | Other intangible assets | Intangible assets under construction | Total |
|---|---|---|---|---|---|---|
| ***As at 31/12/2016*** | | | | | | |
| Gross value | 2,915 | 6,368 | 3,414 | 2,940 | 10,812 | 26,449 |
| Accumulated amortization and impairment losses | (437) | (4,017) | (1,793) | (2,328) | 0 | (8,575) |
| **Net book value** | **2,478** | **2,351** | **1,621** | **612** | **10,812** | **17,874** |
| ***As at 31/12/2015*** | | | | | | |
| Gross value | 2,915 | 5,606 | 2,313 | 1,646 | 3,096 | 15,575 |
| Accumulated amortization and impairment losses | (243) | (2,794) | (1,412) | (934) | 0 | (5,384) |
| **Net book value** | **2,672** | **2,811** | **901** | **712** | **3,096** | **10,191** |

| | Trademarks | Computer software | Development costs | Other intangible assets | Intangible assets under construction | Total |
|---|---|---|---|---|---|---|
| ***for the period from 01/01 to 31/12/2016*** | | | | | | |
| Net book value as at 01/01/2016 | 2,672 | 2,811 | 901 | 712 | 3,096 | 10,191 |
| Additions (acquisitions, manufacturing, leasing) | 0 | 134 | 0 | 274 | 9,968 | 10,376 |
| Reductions (sale, liquidation) (-) | 0 | (42) | 0 | (331) | 0 | (373) |
| Other changes (reclassifications, repostings, etc.). | 0 | 710 | 1,101 | 285 | (2,251) | (155) |
| Amortization (-) | (194) | (1,262) | (381) | (328) | 0 | (2 ,165) |
| Other changes | 0 | 0 | 0 | 0 | 0 | 0 |
| **Net book value as at 31/12/2016** | **2,478** | **2,351** | **1,621** | **612** | **10,812** | **17,874** |
| ***for the period from 01/01 to 31/12/2015*** | | | | | | |
| Net book value as at 01/01/2015 | 2,866 | 2,700 | 0 | 631 | 3,202 | 9,399 |
| Additions (acquisitions, manufacturing, leasing) | 0 | 119 | 319 | 3,651 | 4,810 | 8,899 |
| Reductions (sale, liquidation) (-) | 0 | (1,094) | 0 | (3,932) | (1,800) | (6,826) |
| Other changes (reclassifications, repostings, etc.). | 0 | 1,622 | 0 | 0 | (3,116) | (1,494) |
| Amortization (-) | (194) | (686) | (53) | (1,357) | 0 | (2,290) |
| Other changes | 0 | 150 | 635 | 1,719 | 0 | 2,504 |
| **Net book value as at 31/12/2015** | **2,672** | **2,811** | **901** | **712** | **3,096** | **10,191** |

The most important intangible asset is a trade mark with a net book value as of 31st December, 2016, of 2,478,000 PLN (2015: 2,672,000 PLN). The remaining amortisation period of this component is 12 years.

The amortisation of intangible assets is presented in the consolidated income statement in the following positions:

- "Cost of sales" - 2016: 967,000 PLN (*2015*: 214,000 PLN),
- "General and administrative expenses" - 2016, 946,000 PLN (2015: 706,000 PLN),
- "Selling expenses" - 2016, 252,000 PLN (2015: 1,370,000 PLN).

In 2016, the Group did not make any impairment write-downs.

As at 31st December, 2016, no intangible assets serve as collateral for the Group's liabilities. Information about secured liabilities has been presented in Note 8.4.

All amounts in thousands of Polish zloty (unless otherwise indicated)

## 6. Property, plant and equipment

| | Buildings and structures | Machines and devices | Vehicles | Other tangible assets | Tangible fixed assets under construction | Total |
|---|---|---|---|---|---|---|
| ***As at 31/12/2016*** | | | | | | |
| Gross value | 65,845 | 24,143 | 3,149 | 89,280 | 9,875 | 192,292 |
| Accumulated amortization and impairment losses | (15,258) | (11,378) | (1,770) | (28,635) | 0 | (57,041) |
| **Net book value** | **50,587** | **12,765** | **1,379** | **60,645** | **9,875** | **135,251** |
| ***As at 31/12/2015*** | | | | | | |
| Gross value | 44,086 | 22,431 | 4,040 | 57,449 | 6,261 | 134,267 |
| Accumulated amortization and impairment losses | (4,975) | (9,011) | (1,543) | (18,023) | (0) | (33,552) |
| **Net book value** | **39,111** | **13,420** | **2,497** | **39,426** | **6,260** | **100,714** |

| | Buildings and structures | Machines and devices | Vehicles | Other tangible assets | Tangible fixed assets under construction | Total |
|---|---|---|---|---|---|---|
| ***for the period from 01/01 to 31/12/2016*** | | | | | | |
| Net book value as at 01/01/2016 | 39,111 | 13,420 | 2,497 | 39,426 | 6,260 | 100,714 |
| Additions (acquisitions, manufacturing, leasing) | 18,320 | 3,525 | 464 | 39,588 | 7,043 | 68,940 |
| Reductions (sale, liquidation) (-) | (1) | (1,336) | (552) | (7,920) | 0 | (9,809) |
| Other changes (reclassifications, repostings, etc.). | (1,558) | 1,556 | (151) | 171 | (3,428) | (3,410) |
| Amortization (-) | (5,285) | (4) | (967) | (10,620) | 0 | (21,272) |
| Other changes | 0 | 0 | 88 | 0 | 0 | 88 |
| **Net book value as at 31/12/2016** | **50,587** | **12,765** | **1,379** | **60,645** | **9,875** | **135,251** |
| ***for the period from 01/01 to 31/12/2015*** | | | | | | |
| Net book value as at 01/01/2015 | 0 | 8,885 | 1,331 | 15,698 | 282 | 26,197 |
| Additions (acquisitions, manufacturing, leasing) | 8,863 | 1,845 | 1,475 | 30,994 | 13,625 | 56,801 |
| Reductions (sale, liquidation) (-) | (41) | (326) | (99) | (14,073) | (3,538) | (18,077) |
| Other changes (reclassifications, repostings, etc.). | (1,287) | 2,926 | 0 | (311) | (8,998) | (7,670) |
| Amortization (-) | (1,734) | (3,601) | (859) | (7,058) | (0) | (13,252) |
| Other changes | 33,310 | 3,691 | 650 | 14,176 | 4,890 | 56,716 |
| **Net book value as at 31/12/2015** | **39,111** | **13,420** | **2,497** | **39,426** | **6,260** | **100,714** |

All amounts in thousands of Polish zloty (unless otherwise indicated)

Depreciation of tangible assets was recognised in the consolidated income statement and the statement of financial position as follows:

| | **from 01/01 to 31/12/2016** | from 01/01 to 31/12/2015 |
|---|---|---|
| Costs of sales | 16,278 | 8,717 |
| General and administrative expenses | 1,435 | 3,812 |
| Selling expenses | 3,559 | 723 |
| **Total depreciation of tangible fixed assets** | **21,272** | **13,252** |

As at 31st December, 2016, none of the tangible assets serve as collateral for the Group's liabilities. Information about secured liabilities has been presented in Note 8.4.

## 7. Leases

### 7.1. Finance leases

The Group leases tangible assets under financial lease agreements. Changes in net book value of leased assets are presented below:

| | Machines and devices | Vehicles | Other tangible assets | Total |
|---|---|---|---|---|
| ***As at 31/12/2016*** | | | | |
| Gross value | 1,597 | 2,695 | 59,423 | 63,715 |
| Accumulated amortization and impairment losses | (613) | (1,571) | (16,686) | (18,870) |
| **Net book value** | **984** | **1,124** | **42,737** | **44,845** |
| ***As at 31/12/2015*** | | | | |
| Gross value | 2,013 | 3,299 | 38,583 | 43,895 |
| Accumulated amortization and impairment losses | (781) | (1,136) | (12,736) | (14,652) |
| **Net book value** | **1,232** | **2,163** | **25,848** | **29,242** |

The future minimum lease payments under finance leases at the balance sheet are as follows:

| | Lease payments to be settled within: | | | |
|---|---|---|---|---|
| | up to 1 year | from 1 year to 5 years | over 5 years | total |
| ***As at 31/12/2016*** | | | | |
| Future minimum lease payments | 8,890 | 26,322 | 0 | 35,212 |
| Financial costs (-) | 1,507 | 1,033 | 0 | 2,540 |
| **The present value of future minimum lease payments** | **10,397** | **27,355** | **0** | **37, 752** |
| ***As at 31/12/2015*** | | | | |
| Future minimum lease payments | 4,978 | 9,688 | 0 | 14,666 |
| Financial costs (-) | 3,688 | 6,887 | 0 | 10,574 |
| **The present value of future minimum lease payments** | **8,665** | **16,575** | **0** | **25,240** |

The most important lease agreements include:

- the agreements concluded with mLeasing Sp. z o.o.: leases of fitness equipment with an initial value of the leased asset of 12,257,000 PLN and the lease of office equipment at Warsaw Spire with an initial value of 1,951,000 PLN concluded in January, 2016;
- agreements concluded with Millennium Leasing Sp. z o.o.: leases of fitness equipment by the Group to partners with an initial value of the leased asset of 13,263,000 PLN;
- the agreement concluded with PEKAO Leasing Sp. z o.o. in February, 2016: lease with a leaseback cause for fitness equipment with an initial value of the leased asset of 4,475,000 PLN;
- agreements concluded with Europejski Fundusz Leasingowy S.A.: from March to December, 2016, a total of 17 agreements were concluded for the lease of fitness equipment to a total initial value of 18,236,000 PLN;
- financial lease agreements for cars used by the management personnel.

All amounts in thousands of Polish zloty (unless otherwise indicated)

The lease agreements were concluded for a period of 3 - 5 years with an option to buy back leased equipment after the expiry of the contracts. Lease instalments bear interest at a variable interest rate calculated based on WIBOR. Collateral for all newly signed contracts is a blank promissory note and bill declaration to the amount of debt including lease payments, accrued interest and other costs, including the costs of recovery. A detailed list of the collateral for the liabilities drawn by the Group has been presented in Note 8.4. The lease agreements do not impose additional requirements on the Group to maintain the debt ratio.

### 7.2. Operating leases

The Group leases tangible assets under operating lease agreements. The future minimum lease payments under non-cancellable operating leases are as follows:

| | **31/12/2016** | 31/12/2015 |
|---|---|---|
| *Future minimum payments under non-cancellable operating lease agreements:* | | |
| Paid during the period up to 1 year | 41,893 | 8,710 |
| Paid during the period from 1 year to 5 years | 164,278 | 153,277 |
| Payable over 5 years | 212,057 | 212,057 |
| **Total** | **418,228** | **374,045** |

In 2016, the Group recognised operating lease payments in the amount of 418,000 PLN (2015: 374,000 PLN). This amount includes only the minimum payments. In the period covered by the consolidated financial statements there were no contingent payments, or sublease payments.

The most significant lease agreements include the rental agreement for the Parent company in building C of Warsaw Spire at ul. 2 Plac Europejski in Warsaw, with a total area of 6,520 square metres. The agreement was signed on 23rd January, 2015, for a period of 5 years and it is estimated by the Management Board of the annual value of approximately 7,500,000 PLN net.
The parent company does not have the option to buyback the leased asset after the expiry of the period for which the contract was concluded. The monthly rent includes the fee for renting the whole area of the object of lease and a proportion of the joint areas and operating costs. After the end of each calendar year, the rent will be subject to annual indexation carried out in accordance with the change of Euro CPI in the previous period of 12 calendar months. The security for the proper performance by the Lessee of all obligations under this agreement is a bank guarantee.

The lease contracts are also for cars used by the management personnel, as well as lease agreements for office space in the branches of the Parent company outside Warsaw and the lease agreements of all subsidiaries. These agreements were concluded for a period of 3 - 5 years, and the Group does not have the option of buyback of the leased asset after the expiry of this period.

## 8. Financial assets and liabilities

### 8.1. Categories of financial assets and liabilities

The value of financial assets in the consolidated statement of financial position relates to the following categories of financial instruments specified in IAS 39:

| | |
|---|---|
| 1 - loans and receivables | 2 - assets outside the scope of IAS 39 (In addition to IAS 39) |

| | Note | Categories of financial instruments according to IAS 39 | | | | Total |
|---|---|---|---|---|---|---|
| | | Loans and receivables | Financial instruments held to maturity | Available for sale | Outside IAS 39 | |
| ***As at 31/12/2016*** | | | | | | |
| *Non-current assets:* | | | | | | |
| Loans and receivables | 8.2 | 45,602 | 0 | 0 | 0 | 45,602 |
| Other long-term financial assets | | 0 | 0 | 97 | 0 | 97 |
| *Current assets:* | | | | | | |
| Trade receivables and other liabilities | 11 | 82,696 | 0 | 0 | 11,222 | 93,918 |
| Interest-bearing loans | 8.2 | 15,431 | 0 | 0 | 0 | 15,431 |
| Other short-term financial assets | | 0 | 242 | 0 | 0 | 242 |
| Cash and cash equivalents | 12 | 64,920 | 0 | 0 | 0 | 64,920 |

All amounts in thousands of Polish zloty (unless otherwise indicated)

| | Note | Categories of financial instruments according to IAS 39 | | | | Total |
|---|---|---|---|---|---|---|
| | | Loans and receivables | Financial instruments held to maturity | Available for sale | Outside IAS 39 | |
| **Categories of financial assets - total** | | **208,649** | **242** | **97** | **11,222** | **220,210** |
| ***As at 31/12/2015*** | | | | | | |
| *Non-current assets:* | | | | | | |
| Loans and receivables | 8.2 | 36,023 | 0 | 0 | 0 | 36,023 |
| *Current assets:* | | | | | | |
| Trade receivables and other liabilities | 11 | 55,161 | 0 | 0 | 3,760 | 58,921 |
| Interest-bearing loans | 8.2 | 8,776 | 0 | 0 | 0 | 8,776 |
| Cash and cash equivalents | 12 | 23,977 | 0 | 0 | 0 | 23,977 |
| **Categories of financial assets - total** | | **123,937** | **0** | **0** | **3,760** | **127,697** |

The value of financial liabilities in the consolidated statement of financial position relates to the following categories of financial instruments specified in IAS 39:

| | |
|---|---|
| 1 - Financial liabilities at fair value through profit and loss - held for trading (LFVPL-T) | 3 - liabilities outside the scope of IAS 39 (In addition to IAS 39) |
| 2 - financial liabilities measured at amortized cost (LMAC) | |

| | Note | Categories of financial instruments according to IAS 39 | | | Total |
|---|---|---|---|---|---|
| | | LFVPL-T | LMAC | Outside IAS 39 | |
| ***As at 31/12/2016*** | | | | | |
| *Non-current liabilities:* | | | | | |
| Interest-bearing loans, borrowings and debt instruments | 8.3 | 0 | 121,445 | 0 | 121,445 |
| Finance leases | 7 | 0 | 0 | 27,355 | 27,355 |
| Other liabilities | 16 | 0 | 4,255 | 0 | 4,255 |
| *Short-term liabilities:* | | | | | |
| Trade payables and other liabilities | 16 | 7,929 | 58,677 | 907 | 67,513 |
| Interest-bearing loans, borrowings and debt instruments | 8.3 | 0 | 2,505 | 0 | 2,505 |
| Finance leases | 7 | 0 | 0 | 10,397 | 10,397 |
| **Categories of financial instruments - total** | | **7,929** | **186,882** | **38,659** | **233,470** |
| ***As at 31/12/2015*** | | | | | |
| *Non-current liabilities:* | | | | | |
| Interest-bearing loans, borrowings and debt instruments | 8.3 | 0 | 57,847 | 0 | 57,847 |
| Finance leases | 7 | 0 | 0 | 16,515 | 16,515 |
| Other liabilities | | 0 | 8,093 | 0 | 8,093 |
| *Short-term liabilities:* | | | | | |
| Trade payables and other liabilities | 16 | 56 | 30,789 | 4,568 | 35,413 |
| Interest-bearing loans, borrowings and debt instruments | 8.3 | 0 | 9,608 | 0 | 9,608 |
| Finance leases | 7 | 0 | 0 | 8,725 | 8,725 |
| **Categories of financial instruments - total** | | **56** | **106,336** | **29,808** | **136,200** |

## 8.2. Loans and receivables

The Group distinguishes the class of loans and receivables (IFRS 7.6) for the purposes of presentation in the consolidated statement of financial position. Within non-current assets in the statement of financial position receivables and loans are presented in one position. Within the current assets, in accordance with IAS 1, the Group separately presents trade and other receivables. The following items of receivables and loans presented in the consolidated statement of financial position relates to the following categories of financial instruments. Disclosures relating to receivables are presented in Note 11.

All amounts in thousands of Polish zloty (unless otherwise indicated)

| | **31/12/2016** | 31/12/2015 |
|---|---|---|
| *Non-current assets:* | | |
| Receivables | 2,026 | 1,652 |
| Interest-bearing loans | 43,576 | 34,371 |
| Long-term receivables and loans | 45,602 | 36,023 |
| *Current assets:* | | |
| Trade receivables and other receivables | 93,918 | 58,921 |
| Interest-bearing loans | 15,431 | 8,776 |
| Short-term receivables and loans | 109,349 | 67,697 |
| **Loans and receivables, including:** | **154,951** | **103,720** |
| Receivables (Note 11) | 95,944 | 60,574 |
| Loans (Note 8.2) | 59,007 | 43,147 |

Loans granted are measured at amortized cost using the effective interest rate method. The carrying amount is considered a reasonable approximation of fair value (see Note 8.5 on fair value).
As at 31st December, 2016, loans granted in PLN with a carrying amount of 59,007,000 PLN (2015: 43,147,000 PLN) bore interest at a variable interest rate based on WIBOR plus a margin from 1.75 to 8.00 percentage points. The maturity dates for the loans fall between 2017 and 2026.

The change in net book value of the loans, including impairment write-offs, is as follows:

| | **from 01/01 to 31/12/2016** | from 01/01 to 31/12/2015 |
|---|---|---|
| ***Gross value*** | | |
| Balance at beginning of period | 43,147 | 117,479 |
| Loans granted in the period | 19,838 | 8,210 |
| Interest accrued at effective interest rate | 1,822 | 2,897 |
| Loan repayments (-) | (3,490) | (3,258) |
| Other changes | (2,310) | (82,182) |
| **Gross value at end of period** | **59,007** | **43,147** |
| ***Impairment write-downs*** | | |
| Impairment write-offs at the end of the period | 0 | 0 |
| **Net book value at the end of the period** | **59,007** | **43,147** |

## 8.3. Interest-bearing loans, borrowings and debt instruments

The carrying amount of interest-bearing bank loans, borrowings and other debt instruments recognised in the consolidated financial statements includes:

| | Current liabilities | | Non-current liabilities | |
|---|---|---|---|---|
| | **31/12/2016** | 31/12/2015 | **31/12/2016** | 31/12/2015 |
| ***Financial liabilities measured at amortized cost:*** | | | | |
| Interest-bearing bank loans | 506 | 687 | 1,391 | 1,899 |
| Overdraft facility | 1,865 | 8,921 | 0 | 0 |
| Interest-bearing loans | 134 | 0 | 0 | 5,854 |
| Debt securities | 0 | 0 | 120,054 | 50,094 |
| Financial liabilities measured at amortized cost | 2,505 | 9,608 | 121,445 | 57,847 |
| **Interest-bearing loans, borrowings and debt securities in total** | **2,505** | **9,608** | **121,445** | **57,847** |

<u>Financial liabilities measured at amortized cost</u>
The Group does not classify any interest-bearing loans and borrowings as designated at fair value through profit or loss. All interest-bearing bank loans, borrowings and other debt instruments are measured at amortized cost using the effective interest rate.

Information about the nature and risks to which the Group is exposed due to interest-bearing bank loans, borrowings and other debt instruments is presented in the table below (see also Note 25 concerning risks):

| Currency | Interest | Maturity | Carrying amount in PLN | Liability | |
|---|---|---|---|---|---|
| | | | | short-term | long-term |

| | | | | | | |
|---|---|---|---|---|---|---|
| ***As at 31/12/2016*** | | | | | | |
| Interest-bearing bank loans | PLN | Variable | - | 1,897 | 506 | 1,391 |
| Overdraft facility | PLN | Variable | - | 1,865 | 1,865 | 0 |
| Interest-bearing loans | PLN | Variable | 31/12/2018 | 134 | 134 | 0 |
| Series A bonds | PLN | Variable WIBOR 6M + 1.35% | 01/06/2018 | 50,048 | 0 | 50,048 |
| Series B bonds | PLN | Variable WIBOR 6M + 1.50% | 30/06/2019 | 70,006 | 0 | 70,006 |
| **Interest-bearing bank loans, borrowings and other debt instruments as at 31/12/2016** | | | | **123,950** | **2,505** | **121,445** |
| ***As at 31/12/2015*** | | | | | | |
| Interest-bearing bank loans | PLN | Variable | - | 8,921 | 8,921 | 0 |
| Overdraft facility | PLN | Variable | - | 2,586 | 687 | 1,899 |
| Loan | PLN | 10.5% | 31/12/2016 | 5,854 | 0 | 5,854 |
| Series A bonds | PLN | Variable WIBOR 6M + 1.35% | 01/06/2018 | 50,094 | 0 | 50,094 |
| **Interest-bearing bank loans, borrowings and other debt instruments as at 31/12/2015** | | | | **67,455** | **9,608** | **57,847** |

Most of the bank loans bear interest at variable interest in reference to WIBOR 3M, which as at 31st December, 2016, stood at 1.73% (2015: 1.72%).

## 8.4. Securities for repayments

Interest-bearing bank loans, borrowings, debt securities and finance leases drawn by the Group are subject to the following security for repayment (as at the balance sheet date):

- promissory notes with a promissory note declaration up to the amount of the debt plus interest (2015: up to the amount of the debt plus interest),
- declaration of submission to enforcement up to the amount of 52.5 million PLN.

Apart from these securities, the bank loan agreements impose on the Group additional requirements that must be met throughout the respective period:

- maintaining a return on asset ratio at a minimum level of 25%,
- achieving a net profit margin respectively of 0% and 3% at the end of the first and second quarters, and 6% at the end of the third and fourth quarters,
- maintaining net financial liabilities to the annual EBITDA ratio at a level of no higher than 3,
- a net financial debt to EBITDA for the last 12 months of no more than 3.5 (for the issue of Series B bonds).

## 8.5. Other information about financial instruments

### 8.5.1. Information about fair value of financial instruments

A comparison of the carrying amounts of financial assets and liabilities with their fair value is as follows:

| Class of financial instrument | Note No. | **31/12/2016** | | 31/12/2015 | |
|---|---|---|---|---|---|
| | | Fair value | Carrying amount | Fair value | Carrying amount |
| *Assets:* | | | | | |
| Interest-bearing loans | 8.2 | 59,007 | 59,007 | 43,147 | 43,147 |
| Trade and other receivables | 11 | 93,918 | 93,918 | 58,921 | 58,921 |
| Shares of listed companies | | 0 | 0 | 0 | 0 |
| Stocks and shares of non-listed companies* | | 33,828 | 33,828 | 27,232 | 27,232 |
| Other classes of other financial assets | | 242 | 242 | 0 | 0 |
| Cash and cash equivalents | 12 | 64,920 | 64,920 | 23,977 | 23,977 |
| *Liabilities:* | | | | | |
| Interest-bearing bank loans | 8.3 | 1,897 | 1,897 | 8,921 | 8,921 |
| Overdraft facility | 8.3 | 1,865 | 1,865 | 2,586 | 2,586 |
| Interest-bearing loans | 8.3 | 134 | 134 | 5,854 | 5,854 |
| Debt securities | 8.3 | 120,054 | 120,054 | 50,094 | 50,094 |
| Finance leases | 7 | 37, 752 | 37, 752 | 25,240 | 25,240 |
| Trade payables and other receivables | 16 | 67,512 | 67,512 | 35,412 | 35,412 |

** This item does not include stocks and shares valued at acquisition cost as their fair value cannot be reliably determined.*

a) Interest-bearing loans
All loans have been valued according to the adjusted purchase price.

b) Contingent payment for controlling interests

All amounts in thousands of Polish zloty (unless otherwise indicated)

The contingent payment for controlling interests of MyBenefit Sp. z o.o. was classified as a financial liability measured at fair value on the reporting date.
The fair value of contingent payment reflects the current value of future cash flows weighted with the degree of probability as estimated by the parent company. To determine the initial fair value, the company's Management Board accepted a probability at a level of 100% i.e. on the assumption that conditions will occur fully. The fair value at the balance sheet date was carried out in the same way, with unchanged assumptions. If the parent company assumed that the probability would have decreased by 10 percentage points, the contingent payment would have decreased
by 244,000 PLN.

8.5.1. Reclassification

The Group reclassified shares in the company Notatek.pl from investments in associates to financial assets available for sale. In connection with this there was a change in the value of these assets between the purchase price and fair value.

## 9. Deferred tax assets and liabilities and income tax recognised in other comprehensive income

Deferred tax assets and liabilities affect the consolidated financial statements in the following way:

| | Note No. | **31/12/2016** | 31/12/2015 |
|---|---|---|---|
| *Balance at beginning of period:* | | | |
| Deferred tax assets | | 9,939 | 8,759 |
| Deferred income tax liabilities | | 5,161 | 1,897 |
| **Net deferred tax at beginning of period** | | **4,778** | **6,863** |
| *Change in the reporting period:* | | | |
| Income statement (+/-) | 21 | (1,602) | (4,888) |
| Other comprehensive income (+/-) | 13 | 0 | (15) |
| Other (including net foreign exchange differences) | | 0 | 2,818 |
| **Net deferred tax at the end of the period, including:** | | **3,176** | **4,778** |
| Deferred tax assets | | 9,083 | 9,939 |
| Deferred income tax liabilities | | 5,907 | 5,161 |

Deferred tax assets:

| Temporary differences | Balance at beginning of period | Change of: | | | Balance at end of period |
|---|---|---|---|---|---|
| | | income statement | other comprehensive income | business combinations | |
| ***As at 31/12/2016*** | | | | | |
| *Assets:* | | | | | |
| Intangible assets | 0 | 3,085 | 0 | 0 | 3,085 |
| Property, plant and equipment | 351 | (351) | 0 | 0 | 0 |
| Trade receivables | 230 | 210 | 0 | 0 | 440 |
| *Liabilities:* | | | | | |
| Liabilities for employee benefits | 0 | 175 | 0 | 0 | 175 |
| Provisions for employee benefits | 884 | 269 | 0 | 0 | 1,153 |
| Other provisions | 518 | 1,121 | 0 | 0 | 1,639 |
| Trade payables | 4 | 140 | 0 | 0 | 144 |
| Interest-bearing loans, borrowings and debt instruments | 140 | 38 | 0 | 0 | 178 |
| Other liabilities | 6,471 | (4,852) | 0 | 0 | 1,619 |
| *Other:* | | | | | |
| Outstanding tax losses | 1,341 | (691) | 0 | 0 | 650 |
| **Total** | **9,939** | **(856)** | **0** | **0** | **9,083** |
| ***As at 31/12/2015*** | | | | | |
| *Assets:* | | | | | |
| Property, plant and equipment | 3,943 | (3,577) | (15) | 0 | 351 |
| Trade receivables | 292 | (62) | 0 | 0 | 230 |
| *Liabilities:* | | | | | |
| Provisions for employee benefits | 627 | 257 | 0 | 0 | 884 |
| Other provisions | 883 | (365) | 0 | 0 | 518 |

All amounts in thousands of Polish zloty (unless otherwise indicated)

| Temporary differences | Balance at beginning of period | Change of: | | | Balance at end of period |
|---|---|---|---|---|---|
| | | income statement | other comprehensive income | business combinations | |
| Trade payables | 0 | 4 | 0 | 0 | 4 |
| Interest-bearing loans, borrowings and debt instruments | 0 | 140 | 0 | 0 | 140 |
| Other liabilities | 3,014 | 1,647 | 0 | 1,810 | 6,471 |
| *Other:* | | | | | |
| Outstanding tax losses | 0 | 1,341 | 0 | 0 | 1,341 |
| **Total** | **8,759** | **(614)** | **(15)** | **1,810** | **9,939** |

Deferred tax liability:

| Temporary differences | Balance at beginning of period | Change of: | | | Balance at end of period |
|---|---|---|---|---|---|
| | | income statement | other comprehensive income | business combinations | |
| ***As at 31/12/2016*** | | | | | |
| *Assets:* | | | | | |
| Property, plant and equipment | 516 | 1,231 | 0 | 0 | 1,747 |
| Trade receivables | | 67 | 0 | 0 | 67 |
| Other assets | 4,645 | (552) | 0 | 0 | 4,093 |
| *Liabilities:* | | | | | |
| **Total** | **5,161** | **746** | **0** | **0** | **5,907** |
| ***As at 31/12/2015*** | | | | | |
| *Assets:* | | | | | |
| Property, plant and equipment | 0 | 516 | 0 | 0 | 516 |
| Other assets | 1,897 | 3,757 | 0 | (1,009) | 4,645 |
| *Liabilities:* | | | | | |
| **Total** | **1,897** | **4,273** | **0** | **(1,009)** | **5,161** |

Deferred tax recognized in other comprehensive income:

| | **from 01/01 to 31/12/2016** | | | from 01/01 to 31/12/2015 | | |
|---|---|---|---|---|---|---|
| | Gross | Tax | Net | Gross | Tax | Net |
| ***Other comprehensive income:*** | | | | | | |
| ***Items not transferrable to income statement*** | | | | | | |
| Financial assets available for sale: | | | | | | |
| - gains (losses) for the period in other comprehensive income | | | | 79 | (15) | 64 |
| **Total** | **0** | **0** | **0** | **79** | **(15)** | **64** |

All amounts in thousands of Polish zloty (unless otherwise indicated)

## 10. Inventories

The following items of inventory are included in the consolidated financial statements of the Group:

| | **31/12/2016** | 31/12/2015 |
|---|---|---|
| Materials | 263 | 44 |
| Goods | 12,587 | 5,020 |
| **Carrying amount of inventories in total** | **12,850** | **5,065** |

In 2016, the Group recognised in the consolidated income statement the costs of inventories sold and unallocated production overheads in the amount of 6,624,000 PLN (2015: 5,825,000 PLN).

Inventory impairment write-offs amounted in 2016 to 0 PLN (2015: 55,000 PLN) and were charged to other operating costs of the consolidated income statement.

As at 31st December, 2016, no inventories served as security for the Group's liabilities. Information about secured liabilities has been presented in Note 8.4.

## 11. Trade receivables and other receivables

Trade and other receivables, recognised by the Group in receivables and loans (see Note 8.2) include:

Non-current receivables:

| | **31/12/2016** | 31/12/2015 |
|---|---|---|
| Deposits paid | 2,026 | 1,652 |
| **Non-current receivables** | **2,026** | **1,652** |

Short-term receivables:

| | **31/12/2016** | 31/12/2015 |
|---|---|---|
| *Financial assets (IAS 39):* | | |
| Trade receivables | 61,778 | 42,426 |
| Allowance for trade receivables (-) | (3,838) | (1,800) |
| **Net trade receivables** | **57,940** | **40,626** |
| Receivables from the sale of fixed assets | 500 | 0 |
| Deposits paid | 115 | 0 |
| Other receivables | 25,096 | 14,573 |
| Allowance for other financial receivables (-) | (955) | (38) |
| Other financial receivables net | 24,756 | 14,535 |
| **Financial receivables** | **82,696** | **55,161** |
| *Non-financial assets (excluding IAS 39):* | | |
| Tax and other benefits receivables | 11,222 | 3,760 |
| Prepayments and advances | 0 | 0 |
| Other non-financial receivables | 0 | 1 |
| Non-financial receivables | 11,222 | 3,761 |
| **Total current receivables** | **93,918** | **58,921** |

The carrying amount of trade receivables is considered by the Group as a reasonable approximation of fair value (see Note 8.5).

The Group assessed recoverability of the receivables with the established accounting policy (see section C) under "Basis of preparation and accounting policies"). Impairment write-downs, which in 2016 were charged to other operating costs in the consolidated income statement amounted to:

- in relation to long-term receivables - 0 PLN (2015: 0 PLN),
- in relation to current financial receivables - 4,793,000 PLN (2015: 1,838,000 PLN).

Changes in receivables impairment write-downs in the period covered by the consolidated financial statements are presented in the table below:

Impairment write-downs of current financial receivables (i.e. trade receivables and other financial receivables):

All amounts in thousands of Polish zloty (unless otherwise indicated)

| | **from 01/01 to 31/12/2016** | from 01/01 to 31/12/2015 |
|---|---|---|
| Balance at beginning of period | 1,838 | 1,298 |
| Balance at beginning of period for newly consolidated companies | | 1,451 |
| Impairment write-downs charged in reporting period | 3,893 | 729 |
| Reversal of impairment write-downs recognised in the reporting period (-) | (2,109) | (223) |
| Utilization of impairment write-downs (-) | 422 | (901) |
| Other changes (net foreign exchange differences) | 749 | (516) |
| **Balance at end of period** | **4,793** | **1,838** |

Further analysis of the credit risk, including aging of overdue unimpaired receivables, is presented in Note 25.

As at 31st December, 2016, no receivables constituted security for the Group's liabilities. Information about secured liabilities has been presented in Note 8.4.

## 12. Cash and cash equivalents

| | **31/12/2016** | 31/12/2015 |
|---|---|---|
| Cash in PLN on bank accounts | 48,544 | 11,212 |
| Cash in foreign currency on bank accounts | 1,353 | 3,126 |
| Cash in hand | 328 | 287 |
| Short-term deposits | 0 | 9,303 |
| Other | 14,695 | 48 |
| **Cash and cash equivalents in total** | **64,920** | **23,977** |

As at 31st December, 2016, no cash was subject to restrictions on disposal. Information about secured liabilities has been presented in Note 8.4.

For the purpose of the consolidated statement of cash flows, the Group classifies cash as in the statement of financial position. The reconciliation of cash disclosed in the statement of financial position and statement of cash flows has been presented in Note 22.

## 13. Equity

### 13.1. Share capital

As at 31st December, 2016, the share capital of the parent company amounted to 2,600,000 PLN (2015: 2,555,000 PLN) and was divided into 2,599,642 shares (2015: 2,554,842) with a nominal value of 1 PLN each. All shares have been fully paid up.
All shares participate equally in the distribution of dividends and each share gives the right to one vote at the General Meeting of Shareholders.

Changes in the number of shares in the period covered by the consolidated financial statements result from the following transactions with owners:

| | **from 01/01 to 31/12/2016** | from 01/01 to 31/12/2015 |
|---|---|---|
| ***Shares issued and fully paid up:*** | | |
| Number of shares at the beginning of the period | 2,554,842 | 2,554,842 |
| Issue of shares in connection with the execution of options (share-based payment programme) | 44,800 | 0 |
| **Number of shares at the end of the period** | **2,599,642** | **2,554,842** |

At the balance sheet date, the parent company held 84,730 of its own shares. The parent company's shares were not owned by subsidiaries or associates.

### 13.2. Share premium

In 2016, the parent company conducted the issuance of shares as part of a share-based payment programme (see Note 13.4.)

### 13.3. Other capital

In 2016, the parent company transferred capital reserve (other capital) to reserve capital intended for the purchase of its own shares to the amount of 37,000,000 PLN.

All amounts in thousands of Polish zloty (unless otherwise indicated)

## 13.4. Share-based payment programmes

The Group has started an incentive programme in which employees receive options convertible into shares of the company.

Since 1st January, 2014, the employees of the Group have participated in a three-year Incentive Programme 2014-2016, where they can obtain the right to acquire 120,000 warrants convertible into shares of the Company. The strike price under the programme is 150.51 PLN. Market price values of the shares on the grant dates were as follows: for 2014: 277.40 PLN (quotation from 31/03/2015), for the year 2015: 308.55 PLN (quotation from 12/02/2015), for the year 2016: 397.95 PLN (quotation from 15/02/2016).

The condition for acquiring the rights to an option is compliance with the following three criteria:
- loyalty - remains in unterminated employment at the end of the calendar year for which the options are granted,
- quality - assessed after achieving the agreed levels of EBITDA by the Group,
- judgemental - understood as a positive evaluation of the Eligible Person under the internal rules adopted by the Company and the planned annual goals.

In the event of failing to exercise the options, their maturity expires on 1st October, 2017.

The fair value of options was established at the grant date based on the Black - Scholes analytical model. The fair value of options and the input data for the valuation model used (in addition to the above-mentioned parameters of the share-based payments programme) are presented in the table below:

| | **Incentive Programme for 2016** | Incentive Programme for 2015 |
|---|---|---|
| **Fair value of 1 option measured at the grant date** | **249.65** | **160.45** |
| ***Assumptions used in the valuation model at fair value:*** | | |
| Expected volatility of shares (%) | 26.80 | 31.48 |
| Risk-free interest rate (%) | 1.69 | 1.73 |
| Projected duration (life) of the options (in years) | 1 | 1 |

The expected volatility was based on historical quotations of the Company's shares on the Warsaw Stock Exchange for the period 02/01/2014 - 31/12/2014 (options for 2014) and for the period 02/01/2015 - 31/12/2015 (options for 2015).

## 13.5. Non-controlling interests

Non-controlling shares presented in the Group's statement of changes in equity relate to the following subsidiaries:

| | **31/12/2016** | 31/12/2015 |
|---|---|---|
| Fabryka Formy S.A. | 331 | 4,260 |
| Fitness za Rogiem Sp. z o.o. | (724) | 0 |
| Form Factory S.R.O. | (298) | 0 |
| MultiSport Benefit S.R.O. | 2,069 | 1,443 |
| Benefit Systems Slovakia S.R.O. | (127) | 0 |
| Zdrofit Sp. z o.o. | 16,000 | 0 |
| **Total non-controlling shares** | **17,251** | **5,703** |

In the period covered by the consolidated financial statements the value of non-controlling interests has changed as a result of changes in the Group’s structure and allocation of comprehensive income attributable to non-controlling entities, as shown in the following table:

All amounts in thousands of Polish zloty (unless otherwise indicated)

| | **from 01/01 to 31/12/2016** | from 01/01 to 31/12/2015 |
|---|---|---|
| Balance at beginning of period | **5,703** | **0** |
| ***Change in Group structure (transactions with non-controlling entities):*** | | |
| Acquisition of non-controlling interests by the Group (-) | 16,474 | 6,136 |
| ***Other comprehensive income:*** | | |
| Net profit (loss) for the period (+/-) | (4,926) | (433) |
| **The balance of non-controlling interests at the end of the period** | **17,251** | **5,703** |

## 14. Employee benefits

### 14.1. Costs of employee benefits

| | **from 01/01 to 31/12/2016** | from 01/01 to 31/12/2015 |
|---|---|---|
| Payroll costs | 71,228 | 57,374 |
| Social security costs | 17,285 | 13,435 |
| Cost of share-based payment programmes | 9,986 | 6,418 |
| Costs of retirement benefits (provisions for jubilee awards, retirement payments) | 0 | 65 |
| **Total employee benefits costs** | **98,499** | **77,292** |

The Group implements incentive programmes in which employees are remunerated in shares of the parent company. The amount of employee remuneration for participation in incentive programmes is determined by the fair value of the equity instruments. Detailed information about the share-based payment programmes are described in Note 13.4.

### 14.2. Liabilities and provisions for employee benefits

Liabilities and provisions for employee benefits recognised in the consolidated statement of financial position include:

| | Short-term provisions and liabilities | | Long-term provisions and liabilities | |
|---|---|---|---|---|
| | **31/12/2016** | 31/12/2015 | **31/12/2016** | 31/12/2015 |
| *Employee benefits:* | | | | |
| Payroll liabilities | 2,936 | 2,509 | 0 | 0 |
| Social security payments | 3,195 | 1,764 | 0 | 0 |
| Provisions for unused holidays | 5,488 | 5,403 | 0 | 0 |
| **Employee benefits** | **11,619** | **9,676** | **0** | **0** |

## 15. Other provisions

The value of provisions recognised in the consolidated financial statements and their changes between periods were as follows:

| | Short-term provisions | | Long-term provisions | |
|---|---|---|---|---|
| | **31/12/2016** | 31/12/2015 | **31/12/2016** | 31/12/2015 |
| Provisions for litigation | 57 | 0 | 0 | 0 |
| Other provisions | 2,564 | 2,874 | 0 | 438 |
| **Other provisions together** | **2,621** | **2,874** | **0** | **438** |

All amounts in thousands of Polish zloty (unless otherwise indicated)

| | Provisions for: | | | |
|---|---|---|---|---|
| | litigation | restructuring costs | other | total |
| ***for the period from 01/01 to 31/12/2016*** | | | | |
| Balance at beginning of period | 0 | 0 | 3,331 | 3,331 |
| Increase in provisions recognized as an expense in the period | 57 | 0 | 1,269 | 1,326 |
| Use of provisions (-) | 0 | 0 | (9) | (9) |
| Release of provisions | 0 | 0 | (2,007) | (2,007) |
| Increase due to business combinations | 0 | 0 | 0 | 0 |
| **Provisions as at 31.12.2016** | **57** | **0** | **2,564** | **2,621** |
| ***for the period from 01/01 to 31/12/2015*** | | | | |
| Balance at beginning of period | 0 | 0 | 306 | 306 |
| Increase in provisions recognized as an expense in the period | 0 | 0 | 1,768 | 1,768 |
| Release of provisions recognized as income in the period (-) | 0 | 0 | (92) | (92) |
| Increase due to business combinations | 0 | 0 | 1,329 | 1,329 |
| **Provisions as at 31.12.2015** | **0** | **0** | **3,311** | **3,311** |

## 16. Trade payables and other liabilities

Trade payables and other liabilities (see also Note 8) include:

Non-current liabilities:

| | **31/12/2016** | 31/12/2015 |
|---|---|---|
| Other financial liabilities | 4,255 | 8,093 |
| **Other long-term liabilities in total** | **4,255** | **8,093** |

Short-term liabilities:

| | **31/12/2016** | 31/12/2015 |
|---|---|---|
| *Financial liabilities (IAS 39):* | | |
| Trade payables | 46,718 | 21,705 |
| Liabilities arising from the purchase of fixed assets | 141 | 0 |
| Other financial liabilities | 19,747 | 9,140 |
| Financial liabilities | 66,606 | 30,845 |
| *Non-financial liabilities (excluding IAS 39):* | | |
| Tax and other payables | 906 | 3,593 |
| Other non-financial liabilities | 0 | 975 |
| Non-financial liabilities | 906 | 4,568 |
| **Total current liabilities** | **67,513** | **35,413** |

The carrying amount of trade receivables is considered by the Group as a reasonable approximation of fair value (see Note 8.5).

## 17. Prepayments and accruals

| | Short-term prepayments and accruals | | Long-term prepayments and accruals | |
|---|---|---|---|---|
| | **31/12/2016** | 31/12/2015 | **31/12/2016** | 31/12/2015 |
| ***Assets - prepayments:*** | | | | |
| Other prepaid expenses | 7,463 | 7,366 | 702 | 945 |
| **Assets - prepayments in total** | **7,463** | **7,366** | **702** | **945** |
| ***Liabilities - accruals:*** | | | | |
| Subsidies received | 0 | 114 | 0 | 0 |
| Deferred income | 12,881 | 8,064 | 0 | 0 |
| Other accruals | 45,626 | 31,739 | 899 | 0 |

All amounts in thousands of Polish zloty (unless otherwise indicated)

| | | | | |
|---|---|---|---|---|
| **Liabilities - accruals in total** | **58,507** | **39,917** | **899** | **0** |

The subsidiary Jupiter Sports Sp. z o.o. received an EU subsidy to finance the purchase of fixed assets. The subsidy is amortized over the depreciation period of related assets, i.e. 6 years. In 2016, the Group recognised in other operating income the amount of 52,000 PLN. At the balance sheet date, no conditions exist that could lead to the return of the subsidy.

## 18. Sales revenues and operating costs

### 18.1. Costs by type

| | Note | **from 01/01 to 31/12/2016** | from 01/01 to 31/12/2015 |
|---|---|---|---|
| Amortization and depreciation | 5.6 | 23,437 | 15,543 |
| Employee benefits | 14 | 98,499 | 77,292 |
| Materials and energy | | 11,672 | 6,351 |
| External services | | 493,742 | 395,891 |
| Taxes and charges | | 2,480 | 1,530 |
| Other costs | | 9,898 | 10,365 |
| **Costs by type in total** | | **639,728** | **506,973** |
| Costs of goods and materials sold | | 7,439 | 6,357 |
| Change in stock positions, | | (2,839) | 4,491 |
| **Cost of sales, selling expenses, general and administrative expenses** | | **644,328** | **517,821** |

### 18.2. Other operating income

| | Note | **from 01/01 to 31/12/2016** | from 01/01 to 31/12/2015 |
|---|---|---|---|
| Profit from sale of property, plant and equipment | | 93 | 0 |
| Reversal of allowance for impaired financial receivables | 11 | 2,109 | 223 |
| Reversal of allowance for impaired non-financial receivables | | 85 | 0 |
| Release of provisions | 15 | 0 | 2 |
| Penalties and damages received | | 47 | 0 |
| Subsidies received | 17 | 52 | 114 |
| Other income | | 6,489 | 2,524 |
| **Other operating income in total** | | **8,875** | **2,863** |

### 18.3. Other operating costs

| | Note | **from 01/01 to 31/12/2016** | from 01/01 to 31/12/2015 |
|---|---|---|---|
| Loss on the disposal of property, plant and equipment | | 604 | 199 |
| Allowance for impaired financial receivables | 11 | 3,893 | 689 |
| Impairment write-downs of non-financial receivables | | 320 | 40 |
| Impairment write-downs of inventories | 10 | 0 | 55 |
| Increase in provisions | 15 | 57 | 278 |
| Penalties and damages paid | | 0 | 2 |
| Other costs | | 6,298 | 10,335 |
| **Other operating expenses in total** | | **11,172** | **11,598** |

All amounts in thousands of Polish zloty (unless otherwise indicated)

## 19. Financial incomes and expenses

### 19.1. Financial income

| | Note | **from 01/01 to 31/12/2016** | from 01/01 to 31/12/2015 |
|---|---|---|---|
| ***Interest from financial instruments not valued at fair value through profit or loss:*** | | | |
| Cash and cash equivalents (deposits) | 12 | 319 | 103 |
| Loans and receivables | 9.11 | 1,822 | 2,897 |
| Interest income from financial instruments not valued at fair value through profit or loss | | 2,141 | 3,000 |
| ***Valuation and settlement of financial instruments measured at fair value through profit or loss:*** | | | |
| Valuation and settlement of financial instruments measured at fair value through profit or loss | | 0 | 0 |
| ***Foreign exchange differences:*** | | | |
| Foreign exchange differences | | | 0 |
| Dividends from financial assets available for sale | | 118 | 27 |
| Reversal of impairment losses on loans and receivables | | 197 | 0 |
| Other financial income | | 545 | 698 |
| **Total financial income** | | **3,001** | **3,726** |

The Group has no financial instruments valued on initial recognition at fair value through profit or loss. Gains and losses from financial instruments measured at fair value through profit or loss relate entirely to financial instruments held for trading.

### 19.2. Financial expenses

| | Note | **from 01/01 to 31/12/2016** | from 01/01 to 31/12/2015 |
|---|---|---|---|
| ***Interest costs from financial instruments not valued at fair value through profit or loss:*** | | | |
| Finance leases | 7 | 1,013 | 376 |
| Interest-bearing bank loans | | 83 | 0 |
| Overdraft facility | 8.3 | 426 | 1,046 |
| Interest-bearing loans | 8.3 | 201 | 857 |
| Debt securities | 8.3 | 2,733 | 905 |
| Trade payables and other liabilities | 16 | 253 | 74 |
| Interest costs from financial instruments not measured at fair value through profit or loss | | 4,709 | 3,258 |
| ***Valuation and settlement of financial instruments measured at fair value through profit or loss:*** | | | |
| Valuation and settlement of financial instruments measured at fair value through profit or loss | | 0 | 0 |
| ***Foreign exchange differences:*** | | | |
| Loans and receivables | | 12 | 0 |
| Foreign exchange differences | | 12 | 0 |
| Impairment write-downs of receivables and loans | 8.2, 11 | 259 | 524 |
| Other financial expenses | | 1,625 | 252 |
| **Total financial expenses** | | **6,605** | **4,034** |

Impairment write-downs of receivables from operating activities are recognised by the Group as other operating expenses (see Note 18).

All amounts in thousands of Polish zloty (unless otherwise indicated)

## 20. Income tax charge

| | Note | **from 01/01 to 31/12/2016** | from 01/01 to 31/12/2015 |
|---|---|---|---|
| ***Current tax:*** | | | |
| Corporate income tax for the reporting period | | 22,374 | 10,398 |
| Current income tax | | 22,374 | 10,938 |
| ***Deferred tax:*** | | | |
| Creation and reversal of temporary differences | 9 | 1,065 | 3,867 |
| Deferred tax | | 1,065 | 3,867 |
| **Income tax charge in total** | | **23,439** | **14,265** |

The reconciliation of the effective income tax charge is as follows:

| | Note | **from 01/01 to 31/12/2016** | from 01/01 to 31/12/2015 |
|---|---|---|---|
| Pre-tax profit | | 101,279 | 62,924 |
| Statutory tax rate used by the parent company | | 19% | 19% |
| Corporate income tax computed at the statutory tax rate | | 19,243 | 11,956 |
| ***Reconciliation of effective income tax rate:*** | | | |
| Non-taxable sales revenues (-) | | (2,366) | (670) |
| Permanent cost differences (+) | | 5,603 | 1,409 |
| Utilisation of previously unrecognised tax losses (-) | | 625 | (293) |
| Unrecognised deferred tax assets from temporary differences (+) | 9 | 248 | 0 |
| Unrecognised deferred tax assets from tax losses (+) | 9 | 227 | (455) |
| Adjustments to the tax charge for previous periods (+/-) | | (141) | 2,577 |
| Income tax charge | | 23,439 | 14,265 |
| Applied average tax rate | | 23% | 23% |

The tax rates used by the Group's companies were as follows:

| | **from 01/01 to 31/12/2016** | from 01/01 to 31/12/2015 |
|---|---|---|
| Poland | 19% | 19% |
| Czech Republic | 19% | 19% |
| Slovakia | 22% | 22% |
| Bulgaria | 10% | 10% |

Information about income tax recognised in other comprehensive income is presented in Note 9.

## 21. Earnings per share and dividends paid

### 21.1. Earnings per share

Earnings per share is calculated by dividing the net profit attributable to the parent company's shareholders by the weighted average number of ordinary shares available in the period.

When calculating basic and diluted earnings (loss) per share, the Group used as the amount of net profit (loss) attributable to shareholders of the parent company, i.e. there is no dilutive effect influencing the amount of profit (loss).
In the calculation of diluted earnings per share the denominator takes into account the dilutive effect of stock options convertible to shares (see Note 13 on Share-based payment programmes).

The calculation of basic and diluted earnings (loss) per share, together with a reconciliation of the weighted average diluted number of shares is presented below.

All amounts in thousands of Polish zloty (unless otherwise indicated)

| | **from 01/01 to 31/12/2016** | from 01/01 to 31/12/2015 |
|---|---|---|
| ***Number of shares*** | | |
| Weighted average number of ordinary shares | 2,568,609 | 2,554,842 |
| Dilutive effect of stock options convertible to shares | 58,797 | 74,532 |
| Diluted weighted average number of ordinary shares | 2,627,406 | 2,629,374 |
| ***Continuing operations*** | | |
| Net profit from continuing operations | 82,766 | 49,092 |
| Basic earnings per share (PLN) | 32.22 | 19.22 |
| Diluted earnings per share (PLN) | 31.50 | 18.67 |
| ***Discontinued operations*** | | |
| Net profit from discontinued operations | | |
| Basic earnings per share (PLN) | - | - |
| Diluted earnings per share (PLN) | - | - |
| ***Continuing and discontinued operations*** | | |
| Net profit | 82,766 | 49,092 |
| Basic earnings per share (PLN) | 32.22 | 19.22 |
| Diluted earnings per share (PLN) | 31.50 | 18.67 |

### 21.2. Dividends

On 10th February, 2016, the Management Board of the parent company adopted the Shareholder Profit Distribution Policy for the years 2016 to 2019, which was subsequently approved by the Supervisory Board and the General Meeting of Shareholders.
In each year of the Shareholder Profit Distribution Policy a share buyback will be carried out of at least 50% of the net profit of the parent company for the previous financial year. The financial situation and investment requirements of the parent company and Group companies will be taken into account, including requirements related to the implementation of investment agreements, as well as the demand for liquid cash by companies. The Shareholder Profit Distribution Policy is effective and applicable from the distribution of the parent company's net profit for the financial year ending 31st December, 2015, and is a continuation of the Dividend Policy from 25th September, 2012.

On 14th September, 2016, the parent company under the dividend programme acquired in total 39,730 of its own shares with a nominal value of 1.00 PLN each, which in total represent 1.537% of share capital and corresponds to a total of 39,730 votes at the General Meeting of Shareholders (as at 16th September, 2016), which represents 1.537% of votes at the General Meeting of Shareholders. The purchase price amounted to 690.00 PLN per share and 27,413,700.00 PLN in total for all the shares acquired. The purpose of the share purchase was to use them to finance the acquisition of other companies on the market.

On 23rd September, 2016, the Company, in accordance with the Management Board's offer to purchase the Company's shares, conducted a share buyback in connection with the offer to purchase 45,000 of its shares with a nominal value of 1.00 PLN each, which in total represent 1.73% of the share capital and together account for 45,000 votes at the General Meeting of Shareholders for the Company, representing 1.73% of the votes at the General Meeting of Shareholders for the Company. The purchase price amounted to 668.00 PLN per Share and the 30,060,000.00 PLN in total for all the shares acquired.

Included in the comparative periods is the payment of a dividend to shareholders for 2014 in the amount of 22,993,578 PLN, which per share amounted to 9.00 PLN. The Annual General Meeting of Shareholders approving the dividend payment from the profit for 2014 was held on 12th June, 2015.

## 22. Cash flow

In order to determine the cash flow from operating activities, the following adjustments to profit (loss) before tax were made:

All amounts in thousands of Polish zloty (unless otherwise indicated)

| | **from 01/01 to 31/12/2016** | from 01/01 to 31/12/2015 |
|---|---|---|
| ***Adjustments:*** | | |
| Depreciation and impairment write-downs of property, plant and equipment | 21,272 | 13,253 |
| Amortization and impairment write-downs of intangible assets | 2,165 | 2,291 |
| Profit on financial instruments valued at fair value through profit or loss | 179 | 593 |
| Impairment write-downs of financial assets | 1,122 | 0 |
| Profit on sale of property, plant and equipment | 396 | 82 |
| Loss on sale of financial assets (other than derivatives) | (13) | (60) |
| Gains (losses) on foreign exchange differences | 199 | 49 |
| Interest expenses | 4,405 | 2,367 |
| Interest and dividends received | (2,463) | (3,415) |
| Share based payment (incentive programmes) | 9,986 | 6,418 |
| Share in profits (losses) of associates | (9,536) | (8,332) |
| Other adjustments | (35) | (178) |
| **Total adjustments** | **27,677** | **13,067** |
| Change in inventories | (7,785) | (2,382) |
| Change in receivables | (32,606) | (21,468) |
| Change in liabilities | 23,522 | 21,849 |
| Change in provisions, prepayments and accruals | 16,719 | 6,261 |
| **Changes in working capital** | **258** | **4,261** |

For the purpose of the consolidated statement of cash flows, the Group classifies cash as in the statement of financial position (see Note 12). The difference in the value of cash presented in the statement of financial position and the statement of cash flows comprises the following:

| | **31/12/2016** | 31/12/2015 |
|---|---|---|
| Cash and cash equivalents in the statement of financial position | 62,986 | 23,977 |
| Other | 1,934 | 0 |
| **Cash and cash equivalents in the cash flow statement** | **64,920** | **23,977** |

## 23. Transactions with related parties

Related parties include key management personnel, associates, not consolidated subsidiaries and others, as well as entities controlled by the owners of the parent company. The most significant other related parties of the Group are:

All amounts in thousands of Polish zloty (unless otherwise indicated)

| Entity | Type of relationship | Comment |
|---|---|---|
| Cal Capital Sp. z o.o. (formerly e-Katalyst S.A.) | equity type, personal | James van Bergh - Chairman of the issuer's Supervisory Board, and is also the president of the company<br>Agnieszka van Bergh - the wife of the issuer's Supervisory Board Chairman, she owns 100% of the shares in the company<br>Monika Hertel – the company proxy is also a proxy of the Issuer |
| Benefit Invest LTD. (formerly Company Assistance LTD.) | equity type, personal | Shareholder of the issuer, holds 23.12% of the shares in the company<br>Agnieszka van Bergh - the wife of the issuer's Supervisory Board Chairman, she owns 99% of the shares in the company<br>James van Bergh holds the position of CEO in the company |
| Marek Kamola | equity type | Shareholder of the issuer, holds10.45% of the shares in the company |
| James van Bergh | equity type, personal | Currently, James van Bergh holds directly 24.07% of the issuer's shares<br>He holds the position of chairman in the issuer's Supervisory Board |
| Cal Company Assistance Sp. z o.o. | Personal | James van Bergh - Chairman of the issuer's Supervisory Board, and is also the president of the company<br>Cal Capital Sp. z o.o. holds 100% of the shares in the company |
| Calnet Sp. z o.o. | Personal | Monika Hertel - a proxy for the Issuer is a proxy of the company |
| Fundacja Benefit Systems | Personal | Izabela Walczewska-Schneyder – a member of the Issuer's Management Board is also President of the Foundation |

Outstanding balances and liabilities are generally settled in cash.

Contingent liabilities relating to related parties are disclosed in Note 24.

23.1. Transactions with key management personnel

The key management personnel of the Group include members of the Management Board of the parent company and its subsidiaries. Remuneration of key personnel during the period covered by the consolidated financial statements amounted to:

| ***Benefits for key management personnel*** | **from 01/01 to 31/12/2016** | from 01/01 to 31/12/2015 |
|---|---|---|
| Short-term employee benefits | 925 | 346 |
| **Total benefits** | **925** | **346** |

Detailed information on the remuneration of the parent company's Management Board is presented in Note 27.

No interest-bearing loans were received by or granted to key management personnel of the Group in the period covered by the consolidated financial statements.

In 2016, the Group did not conclude any purchase transactions with entities controlled by key management personnel. (2015: 0 PLN).

In 2016, the Group did not conclude any sale transactions with entities controlled by key management personnel. (2015: 0 PLN).

23.2. Transactions with associates and other related parties

In the period covered by the consolidated financial statements the following amounts of income from sales and receivables from affiliates and other related entities were included:

| | Sales revenue | |
|---|---|---|
| ***Sales to:*** | **from 01/01 to 31/12/2016** | from 01/01 to 31/12/2015 |
| Associates | 1,360 | 564 |
| Other related parties | 4 | 16 |
| **Total** | **1,364** | **580** |

| | Receivables |
|---|---|

| | **31/12/2016** | 31/12/2015 |
|---|---|---|
| ***Sales to:*** | | |
| Associates | 534 | 254 |
| Other related parties | 1 | 0 |
| **Total** | **535** | **254** |

Any receivables from related parties were impaired, and therefore no related costs were incurred.

In the period covered by the consolidated financial statements the following transactions with related parties were concluded:

| | Purchases (costs, assets) | |
|---|---|---|
| | **from 01/01 to 31/12/2016** | from 01/01 to 31/12/2015 |
| ***Purchases from:*** | | |
| Associates | 22,016 | 20,466 |
| Other related parties | 96 | 1,054 |
| **Total** | **22,112** | **21,519** |
| | Liabilities | |
| | **31/12/2016** | 31/12/2015 |
| ***Purchases from:*** | | |
| Associates | 69 | 64 |
| Other related parties | 10 | 1 |
| **Total** | **79** | **65** |

In the period covering by the financial statements, the Group granted loans to the following related parties:

| | **31/12/2016** | | 31/12/2015 | |
|---|---|---|---|---|
| | Granted in the reporting period | Total balance | Granted in the reporting period | Total balance |
| ***Loans granted:*** | | | | |
| Associates | 1,750 | 30,115 | 2,000 | 27,728 |
| Other related parties | 0 | 0 | 217 | 217 |
| **Total** | **1,750** | **30,115** | **2,217** | **27,945** |

The terms of these loans are presented in Notes 8.2 and 8.5.

## 24. Contingent assets and liabilities

As at the end of each reporting period, the value of contingent liabilities (including related parties) is as follows:

| | **31/12/2016** | 31/12/2015 |
|---|---|---|
| ***To associates:*** | | |
| Repayment guarantee | 15,556 | 23,063 |
| Associates in total | 15,556 | 23,063 |
| ***To other related parties:*** | | |
| Other related parties in total | 0 | 0 |
| ***To other entities:*** | | |
| Guarantees | 3,013 | 2,928 |
| Other entities in total | 3,013 | 2,928 |
| **Total contingent liabilities** | **18,568** | **25,991** |

Contingent liabilities granted to associates include: Risks related to financial instruments (see Note 25).

## 25. Risk related to financial instruments

The Group may be exposed to risks associated with financial instruments. Financial assets and liabilities of the Group by category are presented in Note 8.1. The risks which may affect the Group are:
- market risk, including currency risk and interest rate risk,
- credit risk, and
- liquidity risk.

The Group's financial risk management is coordinated by the parent company. In the risk management process the most important objectives are:
- securing short-term and medium-term cash flow,
- stabilizing the financial result of the Group,
- achieving the financial forecasts by meeting the budgeted assumptions,
- achieving a return on long-term investments together with securing optimal sources of financing for investment activities.

The Group does not enter into transactions for speculative purposes. On the economic side, the transactions are aimed at hedging against specific risks.
The following are the most significant risks, which may affect the Group.

### 25.1. Market risk

Currency risk sensitivity analysis

Most transactions concluded by the Company are carried out in PLN. The only foreign exchange transactions are loans granted to a subsidiary in CZK and the rent for the office in Warsaw expressed in EUR.

The Group's financial assets and liabilities, other than derivatives denominated in foreign currencies, converted to PLN using the closing exchange rate prevailing at the balance sheet date, are as follows:

| | Note | Value in the currency (in thousands): | Value in PLN |
|---|---|---|---|
| | | CZK | |
| ***As at 31/12/2016*** | | | |
| *Financial assets (+):* | | | |
| Interest-bearing loans | 8.2 | 0 | 0 |
| **Total exposure to currency risk** | | **0** | **0** |
| ***As at 31/12/2015*** | | | |
| *Financial assets (+):* | | | |
| Interest-bearing loans | 8.2 | 0 | 0 |
| **Total exposure to currency risk** | | **0** | **0** |

The following table demonstrates the sensitivity of the Group's financial income/expense to reasonably possible CZK exchange rates fluctuations, assuming an increase or decrease in CZK/PLN exchange rates of 10% in relation to the closing rate at each balance sheet date:

| | Currency fluctuations | Impact on income statement: | | | Impact on other comprehensive income: | | |
|---|---|---|---|---|---|---|---|
| | | CZK | EUR | Total | CZK | EUR | Total |
| ***As at 31/12/2016*** | | | | | | | |
| Increase in the exchange rate | 10% | 0 | 0 | 0 | 0 | 0 | 0 |
| Decrease in the exchange rate | -10% | 0 | 0 | 0 | 0 | 0 | 0 |
| ***As at 31/12/2015*** | | | | | | | |
| Increase in the exchange rate | 10% | 0 | 0 | 0 | 0 | 0 | 0 |
| Decrease in the exchange rate | -10% | 0 | 0 | 0 | 0 | 0 | 0 |

Currency risk exposure is subject to change during the year depending on the volume of transactions. Nevertheless, the above analysis shows the that Group is not exposed to currency risk.

Interest rate risk sensitivity analysis

All amounts in thousands of Polish zloty (unless otherwise indicated)

Interest rate risk management is focused on minimizing fluctuations in interest payments arising from financial assets and liabilities bearing interest at variable interest rates. The Group is exposed to interest rate risk in connection with the following categories of financial assets and liabilities:

- loans granted,
- interest-bearing bank loans, borrowings and debt instruments,
- finance leases.

The characteristics of these instruments, including variable and fixed interest rates, are presented in Notes 8.2 and 8.3.

### 25.2. Credit risk

The Group's maximum exposure to credit risk is determined by the carrying amount of the following off-balance sheet financial assets and liabilities:

| | Note | **31/12/2016** | 31/12/2015 |
|---|---|---|---|
| Interest-bearing loans | 8.2 | 59,007 | 43,147 |
| Trade receivables and other financial receivables | 11 | 93,918 | 58,921 |
| Cash and cash equivalents | 12 | 64,920 | 23,977 |
| Contingent liabilities arising from guarantees and warranties | 24 | 18,568 | 25,991 |
| **Total exposure to credit risk** | | **236,413** | **152,036** |

The Group continuously monitors outstanding payments from customers and creditors, analysing the individual credit risk or within classes of assets determined by the assigned credit risk (e.g. arising from the industrial sector, region or customers' structure). In addition, as part of credit risk management, the Group enters into transactions with counterparties whose creditworthiness is confirmed.

In the Management Board's opinion, these financial assets, which are not overdue nor impaired at each balance sheet date, can be assessed as assets with good credit quality. For this reason, the Group has not established collateral and other tools to improve credit conditions.

The receivables' analysis as the most important category of assets exposed to credit risk, in terms of aging and aging of overdue but not impaired receivables, is presented in the following tables:

| | **31/12/2016** | | 31/12/2015 | |
|---|---|---|---|---|
| | Current | Overdue | Current | Overdue |
| ***Short-term receivables:*** | | | | |
| Trade receivables | 34 ,657 | 27,121 | 24,223 | 18,193 |
| Allowance for trade receivables (-) | (145) | (3,693) | 0 | (1,800) |
| Net trade receivables | 34 ,512 | 23,428 | 24,223 | 16,393 |
| Other financial receivables | 25,476 | 0 | 14,535 | 38 |
| Allowance for other financial receivables (-) | 0 | 0 | 0 | 0 |
| Other financial receivables net | 25,476 | 0 | 14,535 | 38 |
| **Financial receivables** | **59,268** | **23,428** | **38,759** | **16,392** |

| | **31/12/2016** | 31/12/2015 |
|---|---|---|
| | Trade receivables* | Trade receivables* |
| *Overdue short-term receivables:* | | |
| Up to 1 month | 13,610 | 11,782 |
| From 1 to 6 months | 9,127 | 3,559 |
| From 6 to 12 months | 651 | 481 |
| Over 1 year | 40 | 571 |
| **Overdue financial receivables** | **23,428** | **16,392** |

*

With respect to trade receivables, the Group is not exposed to credit risk resulting from a single major counterparty or group of counterparties with similar characteristics. Based on historical trends, not impaired overdue receivables do not show a downward trend in their quality - most of them are in the range of up to a month and there is no doubt about their recoverability.

All amounts in thousands of Polish zloty (unless otherwise indicated)

The credit risk of cash and cash equivalents, marketable securities and derivative financial instruments is considered negligible due to the high reliability of the entities that are parties to the transactions, which are primarily banks.

Allowances for financial assets exposed to credit risk are disclosed in detail in Notes 8.2, 8.3 and 11.

### 25.3. Liquidity risk

The Group is not exposed to liquidity risk, i.e. the timely servicing of financial commitments. The Group manages liquidity risk by monitoring payment dates and required cash levels to settle short-term payments (monitored on a weekly basis) and long-term demand for cash based on cash flow forecasts updated monthly. The demand for cash is compared with the available sources of financing (including in particular an assessment of the availability of external loans) and compared with the return of investment from free cash flows.

At the balance sheet date, the Group's financial liabilities, other than derivatives, are within the following maturity ranges:

| | Note | Short-term: | | Long-term: | | | Total undiscounted |
|---|---|---|---|---|---|---|---|
| | | up to 6 months | 6 to 12 months | 1 to 3 years | 3 to 5 years | over 5 years | |
| ***As at 31/12/2016*** | | | | | | | |
| Interest-bearing bank loans | 8.3 | 253 | 253 | 1,012 | 379 | 0 | 1,897 |
| Overdraft facility | 8.3 | 0 | 1,865 | 0 | 0 | 0 | 1,865 |
| Interest-bearing loans | 8.3 | 134 | 0 | 0 | 0 | 0 | 134 |
| Debt securities | 8.3 | 0 | 0 | 120,054 | 0 | 0 | 120,054 |
| Finance leases | 7 | 443 | 9,954 | 21,559 | 0 | 5,796 | 37, 752 |
| Trade payables and other financial liabilities | 16 | 67,513 | 0 | 0 | 0 | 0 | 67,513 |
| **Total exposure to liquidity risk** | | **68,343** | **12,072** | **142 ,625** | **379** | **5,796** | **229,215** |
| ***As at 31/12/2015*** | | | | | | | |
| Interest-bearing bank loans | 8.3 | 687 | 0 | 0 | 0 | 0 | 687 |
| Overdraft facility | 8.3 | 8,921 | 0 | 0 | 0 | 0 | 8,921 |
| Interest-bearing loans | 8.3 | 0 | 0 | 5,854 | 0 | 0 | 5,854 |
| Debt securities | 8.3 | 0 | 0 | 50,094 | 0 | 0 | 50,094 |
| Finance leases | 7 | 0 | 8,725 | 16,516 | 0 | 0 | 25,240 |
| Trade payables and other financial liabilities | 16 | 35,413 | 0 | 0 | 0 | 0 | 35,413 |
| **Total exposure to liquidity risk** | | **45,021** | **8,725** | **72,463** | **0** | **0** | **126,209** |

The table shows the value of contractual obligations (undiscounted), hence the reported amounts may differ from those presented the consolidated statement of financial position.

Furthermore, at each balance sheet date the Group had unused overdraft limits to the following values:

| | **31/12/2016** | 31/12/2015 |
|---|---|---|
| Overdraft limits | 69 ,000 | 75,000 |
| Used overdraft limits | 1,865 | 7,283 |
| Unused overdraft limits | **67,135** | **67,717** |

## 26. Capital management

The primary objective of the Group’s capital management is to ensure a going concern ability of the Groups’ entities and the expected return rate in order to support shareholder and stakeholders value.

The Group monitors the level of its capital using the carrying amount of equity increased by subordinated loans received from owners and decreased by the equity element representing the cash flow hedge valuation. On the basis of such a defined equity element the Group calculates the equity to total source of financing ratio. The Group expects to maintain this ratio at a level no lower than 0.5.

All amounts in thousands of Polish zloty (unless otherwise indicated)

In addition, in order to monitor the debt servicing level, the Group calculates the debt ratio (i.e. including lease liabilities, borrowings and other debt instruments) to EBITDA (earnings before interest, tax, depreciation and amortisation) ratio. The Group expects to maintain the debt to EBITDA ratio at a level of no higher than 3.0 (in accordance with applicable bank covenants).

These objectives of the Group are in line with the requirements imposed by the loan agreements, which were presented in detail in Note 8.4.

Neither the Group nor the parent company are subject to external equity requirements.

In the period covered by the consolidated financial statements the ratios described above are as follows:

| | **31/12/2016** | 31/12/2015 |
|---|---|---|
| *Equity:* | | |
| Equity | 242,197 | 191,262 |
| Equity | 242,197 | 191,262 |
| *Total sources of financing:* | | |
| Equity | 242,197 | 191,262 |
| Interest-bearing loans, borrowings and debt instruments | 123,950 | 67,455 |
| Finance leases | 37, 752 | 25,240 |
| Total sources of financing | 403 ,899 | 283,956 |
| **Equity to total financing ratio** | **0.60** | **0.67** |
| *EBITDA* | | |
| Operating profit | 95,347 | 54,900 |
| Amortization and depreciation | 23,437 | 15,869 |
| EBITDA | 118,784 | 70,770 |
| *Debt:* | | |
| Interest-bearing loans, borrowings and debt instruments | 123,950 | 67,454 |
| Finance leases | 37, 752 | 25,240 |
| Debt | 161 ,702 | 92,694 |
| **Debt to EBITDA ratio** | **1.36** | **1.32** |

In all the periods, the levels of the ratios were as expected by the Group. The decrease of equity to total financing ratio resulted from the issue of the second series of bonds to the amount of 70,000,000 PLN in 2016.

## 27. Events after the balance sheet date

After 31st December, 2016, the following events took place, however they did not require recognition in the financial statements for 2016:

- Loan agreements within the Benefit Systems Group:
  On 11th January, 2017, a loan agreement was concluded between the Issuer and Fit Invest Sp. z o.o. to the amount of 3.6 million PLN, as a result of which the total value of loan agreements entered into between the Lender and the Borrower in the 12-month period reaching 22.6 million PLN. The interest rate on the loan is variable and is determined on market terms. The loan is intended to enable the Borrower to finance current operations, including related investment activities with regards to the fitness segment.

  On 2nd January, 2017, a loan agreement was concluded between the Issuer and Fitness Academy Spółka z ograniczoną odpowiedzialnością SKA to the amount of 3.0 million PLN, as a result of which the total value of loan agreements entered into between the Lender and the Borrower in the 12-month period reaching 10.8 million PLN. The total value of loans granted to Fitness Academy on the date of the approval of the financial statements is 58.6 PLN. The interest rate on the loan is variable and is determined on market terms. The loan is intended to enable the Borrower to finance current operations, including related investment activities with regards to the fitness segment.

- The Issuer's consent to change the Conditions of Issue for Series B bonds:
  On 9th February, 2017, at the Issuer's registered office, a Meeting was held of the Bondholders for the Series B bonds issued by the Issuer, which adopted a resolution to change the terms of the issue of series B bonds consisting of the adoption of the new wording contained in the conditions of issue for the definition of Financial Indebtedness and to the extent necessary to grant the bondholders additional compensation.

All amounts in thousands of Polish zloty (unless otherwise indicated)

The Issuer, acting in accordance with article 67, paragraph 2 of the act of 15th January, 2015, on bonds, agreed to change the Terms of Issue.

- Acquisition of shares in Fit Fabric Sp. z o.o.:
  On 12th January, 2017, the subsidiary Fit Invest Sp. z o.o. acquired a 30% holding in Fit Fabric Sp. z o.o. As part of the further implementation of the Agreement, from 2020 Fit Invest will be entitled to acquire the remaining shares in the share capital of Fit Fabric.

## 28. Other information

### 28.1. Selected financial data in EUR

In the periods covered by these consolidated financial statements, the following average exchange rates between PLN and Euro, established by the National Bank of Poland, were adopted for the conversion of selected financial data:

- the rate applicable on the last day of the reporting period:
  31/12/2016: 4.4240 PLN/EUR,
  31/12/2015: 4.2615 PLN/EUR;

- the average exchange rate in the period, calculated as the arithmetic average of the rates prevailing on the last day of each month in the period:
  01/01 - 31/12/2016: 4.3757 PLN/EUR,
  01/01 - 31/12/2015: 4.1848 PLN/EUR.

The highest rate applicable in each period was as follows:
01/01 - 31/12/2016: 4.4405 PLN/EUR,
01/01 - 31/12/2015: 4.2652 PLN/EUR.

The lowest rate applicable in each period was as follows:
01/01 - 31/12/2016: 4.2684 PLN/EUR,
01/01 - 31/12/2015: 4.0337 PLN/EUR.

The essential items of the consolidated statement of financial position, consolidated income statement and the consolidated statement of cash flows converted into EURO are presented in the table below:

| | **from 01/01 to 31/12/2016** | from 01/01 to 31/12/2015 | **from 01/01 to 31/12/2016** | from 01/01 to 31/12/2015 |
|---|---|---|---|---|
| | **thousands of PLN** | | **thousands of EUR** | |
| ***Income statement*** | | | | |
| Sales revenues | 741,972 | 581,456 | 169,566 | 138,945 |
| Operating profit | 95,347 | 54,900 | 21,790 | 13,119 |
| Profit before tax | 101,279 | 62,924 | 23,146 | 15,036 |
| Net profit | 77,840 | 48,659 | 17,789 | 11,628 |
| Net profit attributable to parent company shareholders | 82,766 | 49,092 | 18,915 | 11,731 |
| Earnings per share (PLN) | 32.22 | 19.22 | 7.36 | 4.59 |
| Diluted earnings per share (PLN) | 31.50 | 18.67 | 7.20 | 4.46 |
| Average exchange rate PLN/EUR in the period | | | 4.3757 | 4.1848 |
| ***Statement of changes in cash-flow*** | | | | |
| Net cash from operating activities | 117,372 | 71,557 | 26,824 | 17,099 |
| Net cash from investment activities | (66,622) | (42,927) | (15,255) | (10,258) |
| Net cash from financial activities | (9,807) | (11,477) | (2,241) | (2,743) |
| Net change in cash and cash equivalents | 40,943 | 17,152 | 9,257 | 4,099 |
| Average exchange rate PLN/EUR in the period | | | 3.3757 | 4.1848 |

| | **31/12/2016** | 31/12/2015 | **31/12/2016** | 31/12/2015 |
|---|---|---|---|---|
| | **thousands of PLN** | | **thousands of EUR** | |
| ***Statement of financial position*** | | | | |

| | **31/12/2016** | 31/12/2015 | **31/12/2016** | 31/12/2015 |
|---|---|---|---|---|
| | **thousands of PLN** | | **thousands of EUR** | |
| Total assets | 569,440 | 388,743 | 128,716 | 91,222 |
| Non-current liabilities | 159,861 | 88,054 | 36,135 | 20,663 |
| Current liabilities | 167,382 | 109,427 | 37,835 | 25,678 |
| Equity | 242,197 | 191,262 | 54,746 | 44,881 |
| Equity attributable to shareholders of the parent company | 224,946 | 185,558 | 50,847 | 43,543 |
| PLN/EUR exchange rate at the end of the period | | | 4.4240 | 4.2615 |

## 28.2. Share capital ownership structure

| | Number of shares | Number of votes | Nominal value of shares | Share in the capital |
|---|---|---|---|---|
| ***As at 31/12/2016*** | | | | |
| James van Bergh | 605,396 | 605,396 | 605 | 24.07% |
| Benefit Invest Ltd. | 581,504 | 581,504 | 582 | 23.12% |
| MetLife Dobrowolny Fundusz Emerytalny | 293,951 | 293,951 | 294 | 11.69% |
| Marek Kamola | 262,830 | 262,830 | 263 | 10.45% |
| Nationale-Nederlanden | 245,000 | 245,000 | 245 | 9.74% |
| Others | 610 ,961 | 610 ,961 | 611 | 20.92% |
| *including Benefit Systems S.A. (own shares)* | *84,730* | *84,730* | *85* | |
| Total | **2,599,642** | **2,599,642** | **2,600** | **100.00%** |
| ***As at 31/12/2015*** | | | | |
| James van Bergh | 618,180 | 618,180 | 618 | 24.20% |
| Benefit Invest Ltd. | 593,784 | 593,784 | 594 | 23.24% |
| Marek Kamola | 267,878 | 267,878 | 268 | 10.49% |
| MetLife Otwarty Fundusz Emerytalny and MetLife Dobrowolny Fundusz Emerytalny | 330,000 | 330,000 | 330 | 12.92% |
| ING Otwarty Fundusz Emerytalny | 240,000 | 240,000 | 240 | 9.39% |
| Others | 505,000 | 505,000 | 505 | 19.77% |
| Total | **2,554,842** | **2,554,842** | **2,555** | **100.00%** |

In 2016, there were no changes in the ownership structure representing more than 5% of shares in the share capital.

## 28.3. Remuneration for the parent company's Management Board

The total value of remuneration and other benefits for members of the Management Board of the parent company amounted to:

All amounts in thousands of Polish zloty (unless otherwise indicated)

| | In the parent company: | | In subsidiaries and associates: | | Total |
|---|---|---|---|---|---|
| | Remuneration | Other benefits | Remuneration | Other benefits | |
| ***Period from 01/01 to 31/12/2016*** | | | | | |
| Arkadiusz Hanszke (member of the Management Board) | 86 | 0 | 0 | 0 | 86 |
| Adam Kędzierski (member of the Management Board) | 480 | 0 | 0 | 0 | 480 |
| Paweł Markowski (member of the Management Board) | 456 | 0 | 0 | 0 | 456 |
| Grzegorz Mędza (member of the Management Board) | 420 | 0 | 0 | 0 | 420 |
| Izabela Walczewska-Schneyder (member of the Management Board) | 420 | 0 | 0 | 0 | 420 |
| **Total** | **1,862** | **0** | **0** | **0** | **1,862** |
| ***For the period from 01/01 to 31/12/2015*** | | | | | |
| Tomasz Józefacki (CEO) | 540 | 0 | 0 | 0 | 540 |
| Adam Kędzierski (member of the Management Board) | 531 | 8 | 0 | 0 | 539 |
| Paweł Markowski (member of the Management Board) | 479 | 7 | 0 | 0 | 486 |
| Izabela Walczewska-Schneyder (member of the Management Board) | 511 | 6 | 0 | 0 | 517 |
| **Total** | **2,061** | **21** | 0 | 0 | **2,082** |

Other information about key management personnel, including loans granted, is presented in Note 23.1.

Furthermore, the members of the Management Board received benefits in the form of due or potentially due warrants of series D, E and F, the balance of which at the end of 2016 was as follows:

| Member of the Management Board | Series D warrants granted in 2015 for 2014 | Series E warrants granted in 2016 for 2015 | Number of conditionally granted warrants for Series F for 2016 | Total | Value** |
|---|---|---|---|---|---|
| Arkadiusz Hanszke | - | - | 2,350 | 2,350 | 581,484 |
| Adam Kędzierski | 5,500 | 5,500 | 7,000 | 18,000 | 3,331,150 |
| Paweł Markowski | - | 700 | 1,250 | 1,950 | 421,615 |
| Grzegorz Mędza | - | - | 2,500 | 2,500 | 618,600 |
| Izabela Walczewska-Schneyder | 3,500 | 4,000 | 5,000 | 12,500 | 2,335,015 |
| **Total** | **9,000** | **10,200** | **18,100** | **37,300** | **7,287,864** |

*** The value of the benefit granted in the warrants is the difference between the strike price and the share price on the valuation date. The valuation of D series warrants was based on the prices and conditions for the pool of warrants from 2014 (130.29 PLN), the valuation of series E warrants was based on the prices and conditions for the pool of warrants from 2015 (160.45 PLN), and the valuation of series F warrants was based on the prices and conditions for the pool of warrants from 2016 (247.44 PLN)*

## 28.4. Remuneration of Supervisory Board members

The remuneration and other benefits for Supervisory Board members of the parent company amounted to:

| | Remuneration | Other benefits | Total |
|---|---|---|---|
| ***Period from 01/01 to 31/12/2016*** | | | |
| James van Bergh | 120 | 0 | 120 |
| Przemysław Gacek | 42 | 0 | 42 |
| Marcin Marczuk | 24 | 0 | 24 |
| Artur Osuchowski | 24 | 0 | 24 |
| Michael Sanderson | 24 | 0 | 24 |
| **Total** | **234** | **0** | **234** |
| ***For the period from 01/01 to 31/12/2015*** | | | |
| James van Bergh | 120 | 0 | 120 |

All amounts in thousands of Polish zloty (unless otherwise indicated)

| | Remuneration | Other benefits | Total |
|---|---|---|---|
| Przemysław Gacek | 42 | 0 | 42 |
| Marcin Marczuk | 24 | 0 | 24 |
| Artur Osuchowski | 24 | 0 | 24 |
| Michael Sanderson | 24 | 0 | 24 |
| **Total** | **234** | **0** | **234** |

## 28.5. Remuneration of the entity authorized to audit financial statements

The company authorized to provide audit services for the Group is Grant Thornton Polska Sp. z o.o. sp.k. The auditor's remuneration by service category amounted to:

| | **from 01/01 to 31/12/2016** | from 01/01 to 31/12/2015 |
|---|---|---|
| Audit of annual financial statements | 54 | 36 |
| Review of financial statements | 37 | 29 |
| Tax consultancy | | 137 |
| **Total** | **91** | **202** |

## 28.6. Employment

The average employment, its structure and staff turnover within the Group were as follows:

| | **from 01/01 to 31/12/2016** | from 01/01 to 31/12/2015 |
|---|---|---|
| White-collar workers | 689 | 664 |
| Manual workers | 1 | 0 |
| **Total** | **690** | **664** |

| | **from 01/01 to 31/12/2016** | from 01/01 to 31/12/2015 |
|---|---|---|
| Number of employees engaged | 229 | 240 |
| Number of dismissed employees (-) / transferred due to change of workplace | (203) | (127) |
| **Total** | **26** | **113** |

## 29. Approval for publication

The consolidated financial statements for the year ended 31st December, 2016 (including comparative data), were approved for publication by the Management Board of the parent company on 6th March, 2017.

| Signatures of all the members of the Board | | | |
|---|---|---|---|
| Date | Forename and surname | Position | Signature |
| 6th March, 2017 | Izabela Walczewska-Schneyder | Member of the Management Board | |
| 6th March, 2017 | Arkadiusz Hanszke | Member of the Management Board | |
| 6th March, 2017 | Adam Kędzierski | Member of the Management Board | |
| Person responsible for the preparation of the consolidated financial statements | | | |
| Date | Forename and surname | Position | Signature |
| 6th March, 2017 | Arkadiusz Szczygielski | Finance Director | |