MANAGEMENT BOARD REPORT ON THE ACTIVITIES OF BENEFIT SYSTEMS GROUP

FOR THE YEAR ENDED 31ST DECEMBER 2016

WARSAW,
6TH MARCH 2017

TABLE OF CONTENTS

LETTER OF THE MANAGEMENT BOARD

Dear Shareholders,

We are pleased to present the financial results of Benefit Systems Group for 2016. We are very pleased with the results achieved, in particular with regards to the continued growth in sales of sports cards in Poland and abroad. Last year a total of over 804,800 employees in Poland, the Czech Republic, Slovakia and Bulgaria benefited from MultiSport cards. We are pleased with both the satisfaction expressed by Users of the MultiSport Programme and the growing and deepening trust of our almost 3,000 partners and over 11,000 customers. This success would not be possible without the commitment of our team. We take care to ensure a high level of satisfaction among our employees, which in our opinion is also reflected in the quality of our relationships with partners and customers.

In 2016, the number of sports cards increased by more than 130,000 on the Polish market and by nearly 40,000 on foreign markets. Our flagship product continues to enjoy a high level of popularity in Poland. Its reputation is also in the Czech Republic, Slovakia and Bulgaria. The increasingly popular trend of an active and healthy lifestyle also strengthens its position on the market. Almost 4 thousand sports and recreation facilities in Poland and an expanding group of partners on foreign markets ensures the growing group of sports card users access to attractive sports and recreation infrastructure. In order to ensure users have access to appropriate infrastructure, we are investing in fitness clubs, managed by our investment partners, i.e. Calypso Fitness, Fabryka Formy, Fitness Academy, Zdrofit, S4, and Tiger. We also recorded good results in the Cafeteria segment, which were used by over 235,000 users in 2016.

We would like to thank our employees, collaborators and partners for their commitment and good relations. We would also like to warmly thank our investors for your interest and trust placed in us every day.

The Management Board for Benefit Systems S.A.

SELECTED FINANCIAL DATA FOR the BENEFIT SYSTEMS GROUP

Table 1: Selected financial data for 2016

In thousands of PLN	12 months of 2016	12 months of 2015
Sales revenue	741,972	581,456
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	118,784	70,770
Earnings before interest, taxes, depreciation and amortisation (EBITDA) excluding the Incentive Programme costs	128,770	77,188
Earnings before interest, tax (EBIT)	95,347	54,900
Profit before tax	101,279	62,924
Net profit attributable to shareholders of the parent company	82,766	49,092
Net profit attributable to non-controlling entities	(4,926)	(433)
Net profit	77,840	48,659
Net cash flows from operating activities	117,372	71,557
Net cash flows from investment activities	(66,622)	(42,927)
Net cash flows from financing activities	(9,807)	(11,477)
Total net cash flow	40,943	17,152
Net income per share attributable to shareholders of the parent company (in PLN per share)	32.22	19.22

In thousands of PLN	31st December, 2016	31st December, 2015
Non-current assets	373,660	284,613
Current assets	195,780	104,130
Total assets	569,440	388,743
Non-current liabilities	159,861	88,054
Short-term (current) liabilities	167,382	109,427
Equity	242,197	191,262
Equity attributable to shareholders of the parent company	224,946	185,558
Share capital	2,600	2,555
Number of shares	2,599,642	2,554,842
Book value per share attributable to shareholders of the parent company (in PLN per share)	86.53	72.63

All data in the report (unless otherwise stated) covers the period January - December, 2016, and the comparative data presents the same period of 2015. All figures are presented in thousands of zloty, unless stated otherwise.

FACTORS CONTRIBUTING TO THE GROWTH OF BENEFIT SYSTEMS GROUP AND THE MARKET ENVIRONMENT

The growth potential of Benefit Systems Group results from a number of internal and external factors, which clearly indicate the potential of the Group to continue the growth of its activities in subsequent years. The Group focuses on selling sports cards, investing in sports facilities, ensuring an appropriate infrastructure for the growing group of MultiSport Programme users, as we as developing cafeteria platforms and expanding into foreign markets. The growing popularity of physical activity and increasing public awareness of healthy living, the development of the sports sector, changes in the labour market and the improving economic situation of Poles will have a positive impact on the Group and its results.

For several years, there has been growing public awareness of a healthy and active lifestyle. It is no longer simply a passing fashion, but a strong change in the quality of life - and this change is supported by more and more concrete actions. Health, according to the CBOS study entitled "Health and health-related behaviour of Poles", is one of the basic goods valued in Poland - maintaining good health as one of the most important values of daily life is indicated by nearly three-fifths of the respondents (57%). In addition, almost two-thirds of adult Poles (64%) believe that a healthy lifestyle is popular in Poland. These social changes are also recognized by employers, who motivate their employees to exercise. Also, the decline in the unemployment rate in Poland is also encouraging employers to take more effective action towards not only acquiring good employees, but also keeping hold of them.

The increasingly demanding generation Y and the multitude of jobs posted on web portals confirms that 2016 was a job-seekers market. An appropriately selected offer of non-wage benefits is becoming an essential element in creating an effective strategy for an employer's image on the market. Building commitment through sport is currently the most important area for employers. This is confirmed by the report from Sedlak & Sedlak entitled ''Additional benefits in the eyes of employees in 2016'', in which gym and fitness passes hold first place in terms of popularity, received by 46.1% of employees (among employees receiving benefits). Employers are aware of the fact that in order to ensure the good psychological and physical condition of their employees, it is necessary to encourage them to be physically active. This is possible through the MultiSport Programme, offering access to almost 4 thousand sports and recreation facilities in 650 towns and cities throughout the country. In realising its long-term development strategy, the company treats provide the growing group of sports card users with appropriate infrastructure as one of the essential elements of its activities and constantly strives to increases the number of sports and recreation facilities cooperating with the Group, with the quality of service and facilities improving from year to year.

The attractiveness of the Group's flagship product, i.e. Sports cards, favourable trends on the labour markets and the growing popularity in Europe of an active and healthy lifestyle, as well as the dynamic growth of the sports industry, clearly indicate that the Group has the potential to continue growing in the coming years.

1. BASIC INFORMATION ABOUT BENEFIT SYSTEMS GROUP

1.1. GENERAL INFORMATION AND COMPOSITION OF BENEFIT SYSTEMS GROUP

Benefit Systems Group includes Benefit Systems S.A. (the parent company), which is responsible for the sale of MultiSport cards, as well as entities operating in the non-monetary employee benefits market and in the sports market. Currently the Group's clients include more than 11 thousand companies and institutions employing more than 2.5 million employees.

Benefit Systems S.A. has been listed on the Warsaw Stock Exchange since April, 2011. The Group's flagship product is the MultiSport programme, which provides almost unlimited access to the best and most popular sports facilities throughout Poland. The Group also offers other Sports Cards - for example, the FitProfit or FitSport cards. In total, there are over 744,100 users in Poland of the Group's sports products and 60,700 abroad. The MultiSport programme is one of the most popular non-monetary employee benefits in Poland, which enables the holder to lead an active, and thus a healthy lifestyle, by providing access to nearly 4,000 sports and recreation facilities in approximately 650 Polish towns and cities throughout Poland.

One of the Group's strategic goals is to invest in the fitness market, aimed at strengthening and increasing the attractiveness of the flagship product - the MultiSport programme. Thanks to its capital investments in fitness clubs the Group provides a growing group of sports card holders with reliable and attractive sports and recreation facilities.

The Benefit Systems Group also offers the MyBenefit and MultiKafeteria products, which allow employees to choose any non-monetary benefit from a list approved by the employer. Cafeteria systems include the Group's own products, such as the MultiBilet cultural and entertainment programme, allowing users to watch their favourite films in hundreds of cinemas throughout the country, the MultiTeatr programme offering tickets to the most popular theatrical performances, as well as the BenefitLunch programme with its dining offer for employees.

The potential of the MultiSport Programme is also used to support foreign expansion. Since 2011, the Group has operated on the Czech market, and since early 2015, in Slovakia and Bulgaria, where it is successfully expanding its range of services.

A LIST OF SUBSIDIARIES AND ASSOCIATES

Companies in the Sports Card segment

Benefit Systems S.A. is responsible for the sale of MultiSport cards, and since 2011 has been listed on the main floor of the Warsaw Stock Exchange.

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

VanityStyle Sp. z o.o. specializes in providing sport and recreation solutions. The company provides large and medium-sized businesses with FitProfit and FitSport cards that have similar characteristics to the products of Benefit Systems S.A., but with a narrower range of services offered, fewer partners and, in principle, a product positioned as less expensive. To supplement the basic products and services offered by Vanity Style Sp. z o.o., the Prestige card, providing access to the most prestigious locations and sports facilities of the highest standard, was added in 2012. Furthermore, the company has enhanced the sports cards offered with a programme for access to cinema chains, called Bilet CinemaProfit.

Companies in the Fitness segment

Fit Invest Sp. z o.o. is the entity responsible for managing the investments of the Benefit Systems Group in companies in the Fitness segment. The company holds shares in Fabryka Formy S.A. and Calypso Fitness S.A., as well as shares in Fitness Academy Sp. z o.o. SK, Benefit Partners Sp. z o.o., Zdrofit Sp. z o.o., Zdrofit Sport Sp. z o.o., Baltic Fitness Center Sp. z o.o., Instytut Rozwoju Fitness Sp. z o.o., Get Fit Katowice II Sp. z o.o. and Tiger Sp. z o.o.

Fitness Academy Sp. z ograniczoną odpowiedzialnością SKA operates a network of twelve fitness clubs in Wrocław, Katowice and Kraków. The general partner in the company is Fitness Academy Sp. z o.o. The company is the sole shareholder in the companies **AM Classic Sp. z o.o.** and **Jupiter Sport Sp. z o.o.**

Fabryka Formy S.A. operates a network of twenty-one fitness clubs, including five in Poznań and its surroundings. The company is the sole shareholder in the company **Fitness za Rogiem Sp. z o.o.** and the Czech company **Form Factory S.R.O.**

Zdrofit Sp. z o.o. operates a network of thirteen fitness clubs in Warsaw.

Benefit Partners Sp. z o.o. implements a programme to support the Group's partners through capital investments and the development of infrastructure in the facilities of partners - in particular a programme for the lease of equipment.

Companies in the Cafeteria segment

MyBenefit Sp. z o.o. develops and sells products that can be used by companies to motivate and reward employees or business partners. Currently, the company has in its portfolio, among others, a cafeteria system, tourism vouchers and a recreation funding system.

MultiBenefit Sp. z o.o. conducts activities related to non-monetary employee benefits, including, among others: MultiKafeteria, MultiBilet, MultiTeatr and BenefitLunch.

Companies from the Foreign segment

Benefit Systems International Sp. z o.o. is the entity through which the Benefit Systems Group conducts operations abroad. Benefit Systems International Sp. z o.o. is the owner of the Group's shares in the following foreign companies: **MultiSport Benefit S.R.O.** (the Czech Republic), **Benefit Systems Slovakia S.R.O.** (Slovakia), **Benefit Systems Bulgaria EOOD** (Bulgaria).

Other companies

Benefit IP Sp. z o.o. SK manages the marketing activities of Benefit Systems Group and all trademarks and industrial property rights owned by the companies of the Benefit Systems Group (granting licenses for the use of trademarks) in order to implement the centralized management of marketing activities and industrial property in the Group. The general partner and minority shareholder of the company is Benefit IP Sp. z o.o.

The share in the total number of votes held by the Group in subsidiaries is equal to the Group's holding in the capital of these entities.

Table 2: Table of subsidiaries

Operating segment	Name of the subsidiary	Registered office	The Group's share in the equity	
			31/12/2016	31/12/2015
SPORTS CARD SEGMENT	VanityStyle Sp. z o.o.	ul. Jasna 24 00-054 Warsaw	100.00%	100.00%
	FitSport Polska Sp. z o.o.*	Plac Europejski 2 00-844 Warsaw	100.00%	100.00%
	Benefit IP Sp. z o.o.	Plac Europejski 2 00-844 Warsaw	100.00%	100.00%
	Benefit IP Spółka z ograniczoną odpowiedzialnością sp. k.	Plac Europejski 2 00-844 Warsaw	100.00%	100.00%
FITNESS SEGMENT	Fit Invest Sp. z o.o.	Plac Europejski 2 00-844 Warsaw	100.00%	100.00%
	Benefit Partners Sp. z o.o.	Plac Europejski 2 00-844 Warsaw	100.00%	100.00%
	Fabryka Formy S.A.	ul. B. Krzywoustego 72, 61-144 Poznań	66.06%	66.06%
	Fitness Academy Sp. z o.o.	Plac Europejski 2 00-844 Warsaw	100.00%	100.00%
	Fitness Academy Spółka z ograniczoną odpowiedzialnością SKA	ul. Powstańców Śląskich 95 53-332 Wrocław	100.00%	100.00%
	AM Classic Sp. z o.o.	Plac Dominikański 3 53-209 Wrocław	100.00%	100.00%
	Jupiter Sport Sp. z o.o.	ul. Żegiestowska 11 50-542 Wrocław	100.00%	100.00%
	Fitness za Rogiem Sp. z o.o.	ul. Skrajna 1 62-080 Sierosław	66.06%	66.06%
	Form Factory S.R.O.	Jablunkovská 406 Staré Město, 739 61 Třinec	66.06%	66.06%
	Zdrofit Sp. z o.o.**	ul. Mangalia 4 02-758 Warsaw	55.03%	28.38%
CAFETERIA SEGMENT	MyBenefit Sp. z o.o.	ul. Powstańców Śląskich 28/30, 53-333 Wrocław	100.00%	100.00%
	MultiBenefit Sp. z o.o.***	Plac Europejski 2 00-844 Warsaw	100.00%	100.00%
FOREIGN SEGMENT	Benefit Systems International Sp. z o.o.	Plac Europejski 2 00-844 Warsaw	100.00%	100.00%
	MultiSport Benefit S.R.O.	Zeleny Pruh 95/97 14000 Praha 4	74.00%	74.00%
	Benefit Systems Slovakia S.R.O.	Karadzicova 8/A, 821 08 Bratislava	93.00%	100.00%
	Benefit Systems Bulgaria EOOD	58 Bulgaria Blvd, Sofia 1680	100.00%	100.00%

**FitSport Polska Sp. z o.o was established from the merger of FitSport Polska S.A. and Benefit Development Sp. z o.o.*
***Zdrofit Sp. z o.o. was established from the transformation of Zdrofit Spółka z ograniczoną odpowiedzialnością sp. k.*

****MultiBenefit Sp. z o.o. was established from the merger of MultiBenefit Sp. z o.o., MultiBenefit Spółka z ograniczoną odpowiedzialnością sp.k. and Nowe Benefity Sp. z o.o.*

Table 3: Table of associates and others

Operating segment	Name of associate	REGISTERED OFFICE OF THE ASSOCIATE	The Group's share in the equity	
			31/12/2016	31/12/2015
FITNESS SEGMENT	Baltic Fitness Center Sp. z o.o.	ul. Puławska 427 02-801 Warsaw	49.95%	49.95%
	Calypso Fitness S.A.	ul. Puławska 427 02-801 Warsaw	33.33%	33.33%
	Get Fit Katowice II Sp. z o.o.	ul. Uniwersytecka 13 40-007 Katowice	20.00%	20.00%
	Instytut Rozwoju Fitness Sp. z o.o.	ul. Puławska 427 02-801 Warsaw	48.10%	48.10%
	Tiger Sp. z o.o.	Aleja Grunwaldzka 82 80-244 Gdańsk	30.00%	-
	Zdrofit Sport Sp. z o.o.*	ul. Mangalia 4 02-758 Warsaw	26.69%	26.69%
OTHER COMPANIES	X-code Sp. z o.o.	ul. Klaudyny 21/4 01-684 Warsaw	46.15%	46.15%
	LangMedia Sp. z o.o.	ul. Skwierzyńska 25/3 53-521 Wrocław	37.00%	24.50%
	Notatek.pl Sp. z o.o.	ul. Kielecka 28/2 31-532 Kraków	27.00%	12.00%
	Eventlabs Sp. z o.o.	ul. Żurawia 6/12 00-503 Warsaw	23.07%	-

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

1.2. FINANCIAL RESULTS

Table 4: Financial results of Benefit Systems Group for 2016

In thousands of PLN	12 months of 2016	12 months of 2015	Change
Sales revenue	**741,972**	**581,456**	**27.6%**
Revenues from sales of services	732,587	574,119	27.6%
Revenues from sales of goods and materials	9,385	7,337	27.9%
Costs of sales	**(536,590)**	**(431,291)**	**24.4%**
Cost of products sold	0	(83)	-
Cost of services rendered	(529,266)	(424,862)	24.6%
Cost of goods and materials sold	(7,324)	(6,347)	15.4%
Gross profit on sales	**205,382**	**150,165**	**36.8%**
Selling expenses	(42,065)	(35,269)	19.3%
General and administrative expenses	(65,673)	(51,261)	28.1%
Other operating income	8,875	2,863	210.0%
Other operating costs	(11,172)	(11,598)	(3,7%)
Operating profit	**95,347**	**54,900**	**73.7%**
Financial income	3,001	3,726	(19,5%)
Financial expenses	(6,605)	(4,034)	63.7%
Share in the profits of associates accounted for using the equity method	9,536	8,332	14.5%

In thousands of PLN	12 months of 2016	12 months of 2015	Change
Profit before tax	**101,279**	**62,924**	**61.0%**
Income tax charge	(23,439)	(14,265)	64.3%
Net profit from continuing operations	**77,840**	**48,659**	**60.0%**
Gross margin on sales %	27.7%	25.8%	1.9 p.p.

1.3. PROSPECTS

The Benefit Systems Group does not publish its annual budget or short-term financial forecasts. According to the Group's assessment, the current financial position supports implementation of investment projects using its own resources and externally available funding.

2. FINANCIAL RESULTS FOR THE YEAR 2016 BY OPERATING SEGMENTS OF THE BENEFIT SYSTEMS GROUP

2.1. INTRODUCTION

Commencing from 2014, Benefit Systems Group presents its results based on operating segments. The results presented in the report are compared to historical data. Based on the thresholds defined in IFRS 8, Benefit Systems Group has an obligation to separately disclose only the results of the "Sports Card" and "Fitness" segments (a minimum of 10% of the Group's revenues). However, the Group has chosen to present all the defined segments due to the fact that the results of these segments are approaching the thresholds defined in IFRS 8 and the possibility of exceeding them in the coming reporting periods. The presentation of operating segments also aims to increase the transparency of data and improve the quality of information.

Since the first quarter of 2015, the operations of Benefit Systems Group have been divided into the following operating segments:

- Sports cards
- Fitness
- Cafeteria
- Foreign
- Corporate and other.

"Corporate and other" include activities related to management and administration, and the strategic activities in the Group. It includes items that are not allocated to other operating segments and exclude intercompany transactions.

Segment revenue includes both sales to external customers and intersegment sales or transfers which can be directly allocated to an identified segment.

Segment costs are the costs related to sales to external customers and costs of intersegment transactions. They are directly related to the operations of the segment. They include the relevant part of the Group's costs, which, based on reasonable assumptions, can be attributed to the segment.

The costs of an operating segment do not include the costs of income tax. The segment result is determined at the level of gross profit.

Table 5: Selected financial data for operating segments for 2016

In thousands of PLN	Sports cards	Fitness	Cafeteria	Foreign	Arrangements	Total
Sales revenue	**620,692**	**76,510**	**39,903**	**40,788**	**(35,921)**	**741,972**
Costs of sales	(453,800)	(64,433)	(26,883)	(29,360)	37,886	(536,590)
Gross profit on sales	**166,892**	**12,077**	**13,020**	**11,428**	**1,965**	**205,382**
Selling expenses	(24,848)	(10,918)	(3,656)	(2,625)	(20)	(42,065)
General and administrative expenses	(25,965)	(10,283)	(5,972)	(10,457)	(3,010)	(55,687)
including the Incentive Programme					(9,986)	(9,986)
Other income and operating expenses	(508)	(2,079)	(333)	16	607	(2,297)
Profit (loss) from operations	**115,571**	**(11,203)**	**3,059**	**(1,638)**	**(10,442)**	**95,347**
Financial incomes and expenses	0	(4,374)	(128)	(145)	1,043	(3,604)
Share of profits of associates accounted for using the equity method	0	8,956	145	0	435	9,536
Gross profit (loss)	**115,571**	**(6,621)**	**3,076**	**(1,783)**	**(8,964)**	**101,279**
EBITDA	**121,847**	**4,270**	**4,002**	**(1,462)**	**(9,873)**	**118,784**

2.2. INFORMATION ABOUT OPERATING SEGMENTS

2.2.1. SPORTS CARDS

The "Sports card" segment includes sports cards that are offered on the Polish market, distributed by: Benefit Systems S.A., FitSport Polska Sp. z o.o. and VanityStyle Sp. z o.o. Currently the following cards are available:

MultiSport Plus - This card allows the unlimited use of nearly 4000 sports and recreational facilities throughout Poland, providing access to over 25 different sports;

MultiSport Classic - This card can be used once a day at nearly 2000 sports facilities providing access to almost 25 different sports;

MultiActive - This card provides access to over 1700 sports facilities and over 20 different sports up to the prepaid limit stored on the card;

MultiSport Kids - This card gives children access to activities such as martial arts, dance classes, and entrance to swimming pools, salt caves or ice rinks;

MultiSport Dziecko - Allows entry to selected swimming pools honouring this type of MultiSport card;

FitSport - The card gives access to many sports services, such as fitness, gym, sauna, and swimming pool within the specified limit of permitted entrances - 8, 10, 12 entrances per month;

FitProfit - This card allows the use of services from facilities cooperating with VanityStyle, i.e. with more than 3300 facilities in 530 towns and cities in Poland.

Sports cards are one of the most popular benefits in Poland, which help employees and their families take care of their physical condition and health. Card users can take advantage of almost 4000 sports and recreation centres throughout Poland. A sports card with the holder's name is a great way to improve physical activity among employees, improve health and thereby lower absenteeism resulting from health problems, and thus increasing productivity.

The year 2016 saw an increase in the number of sports cards to a level of 744,100 cards, i.e. an increase of 130,600 cards year on year (21.3%). This result was affected by activities related to the effective use of the Group's market potential and optimisation process finalized in the first quarter of 2016 regarding the work of the teams within the Department of Customer Relations. In the middle of 2016 the Sports Card segment successfully completed the implementation of activities related to obtaining consents for the processing of personal data of sports card users. This project was conducted in connection with the decision of the Inspector General for the Protection of Personal Data, which imposed an obligation on the Group to gather consents from MultiSport cardholders for the processing of their personal data within the meaning of the act of 29th August, 1997, on the protection of personal data (11/09/2015, DIS/DEC-749/15/83430).

In the second and third quarter of 2016 a campaign was carried out entitled "Endorphins for the summer", under which MultiSport cardholders were able to benefit throughout the entire holiday from an offer of rope parks, outdoor swimming pools, outdoor activities, audiobooks, and from June, 2016, bicycles in urban areas. These actions were aimed at encouraging users to engage in physical activity during the summer and helped reduce the coefficient of holiday leave by 3 percentage points.

Table 6: Selected financial data from the Sports Card segment

In thousands of PLN	12 months of 2016	12 months of 2015	Change
Sales revenue	**620,692**	**507,354**	**22.3%**
Costs of sales	(453,800)	(373,065)	21.6%
Gross profit on sales	**166,892**	**134,289**	**24.3%**
Selling expenses	(24,848)	(22,612)	9.9%
General and administrative expenses	(25,965)	(27,064)	(4,1%)
Other income and operating expenses	(508)	(1,143)	(55,6%)
Operating profit	**115,571**	**83,470**	**38.5%**
EBITDA	**121,847**	**87,460**	**39.3%**
Gross margin on sales	26.9%	26.5%	0.4 p.p.
Number of sports cards	*744,112*	*613,508*	*21.3%*

Sales revenue from the sports cards segment increased by 22.3% y/y, which is primarily driven by the increased sales of sports cards resulting from the reorganization of sales teams at the end of 2015. The gross margin compared to 2015 increased in proportion to revenue by 32.6 million PLN. The increase of 0.4 percentage points is mainly due to a higher proportion of cards with pre-set limits.

The reorganization of sales teams, increased employment and the introduction of an incentive scheme for sales representatives is reflected in the increase in cost of sales of 2.2 million PLN.

The absolute decrease in general and administrative costs of the Sports Card segment was due to the completion of the project to collect permissions for the processing of user personal data in the first half of 2016 and significantly lower absolute costs of the project in 2016 compared to 2015.

The results of the Sports Cards segment are affected by the seasonal activity of the holders of such cards as MultiSport Plus and FitSport. In the third quarter of the calendar year (the third quarter of the Group's financial year) user activity is lowest in comparison to other periods of the financial year, which is reflected in the results of the Group. This phenomenon may additionally be dependent on the weather conditions (especially in summer) or the number of free days in a given year.

2.2.2. FITNESS SEGMENT

The Fitness segment is made up of subsidiaries - Fit Invest Sp. z o.o. (Investment management), Benefit Partners Sp. z o.o. (leasing of fitness equipment), Fitness Academy (Fitness Academy Spółka z ograniczoną odpowiedzialnością SKA, AM Classic Sp. z o.o., Jupiter Sport Sp. z o.o.), Fabryka Formy (Fabryka Formy S.A., Fitness za Rogiem Sp. z o.o., Form Factory S.R.O.), Zdrofit Sp. z o.o. and the affiliates – Calypso Fitness (Calypso Fitness S.A. IRF Sp. z o.o., Fitness MCG Sp. z o.o., Baltic Fitness Center Sp. z o.o.), Tiger Sp. z o.o., Get Fit Katowice II Sp. z o.o.

The Fitness segment is fully complementary to the Sports Card segment and through the newly opened clubs it guarantees an increased surface area and thus an increase the attractiveness and variety of services offered to current and future users of sports cards. Growth through acquisition guarantees card users access to clubs in prime locations and their corresponding appropriate standard.

Table 7: Number of fitness clubs

Company / Group	The Group's share in the equity	The number of fitness clubs		
		31/12/2016	31/12/2015	Change
Calypso Fitness	33.33%	39	32	7
Fitness Academy	100.00%	12	10	2
Fabryka Formy	66.06%	21	13	8
Zdrofit	55.03%	13	11	2
Get Fit II Katowice	20.00%	1	1	0
Tiger	30.00%	7	-	7
Fitness Club S4*	0.00%	17	-	17
Fit Fabric*	0.00%	7	-	7
Total	**-**	**117**	**67**	**50**

** contingent agreements, which on 31/12/2016 had not entered into force*

At the end of 2016 the fitness investment network operated a total of 117 clubs with an area of over 151,700 m^2. In comparison with 2015 the investment in fitness clubs increased by 50 facilities, including

17 newly opened clubs and 33 existing clubs, acquired as a result of implementing investment agreements.

In 2016, the Group entered into a number of agreements to purchase shares in companies in the fitness sector. For example, the management company Fit Invest Sp. z o.o. entered into an agreement to acquire a 30% stake in Tiger Sp. z o.o. and a contingent agreement to acquire 30% of the shares in Fitness Club S4 Sp. z o.o., as well as an agreement to increase the holding in Zdrofit Sp. z o.o. from 28.38% to 55.03%. In addition, an agreement was concluded for the purchase through Fabryka Formy S.A. of 30% of the shares in the Fit Fabric network of clubs, which was later transferred to Fit Invest Sp. z o.o. and entered into force in January, 2017. In addition, on 5th October, 2016, Benefit Systems S.A. and Fit Invest Sp. z o.o. entered into a conditional agreement to increase the holding in Calypso Fitness S.A. from 33.3% to 83.4% subject to the approval of the President of the Office for Competition and Consumer Protection.

The investments implemented in the fitness segment are intended to supplement the Multisport programme offer with regards to fitness and gym facilities - due to the increasing number of MultiSport Programme users it is necessary to have suitable sports and recreation infrastructure. An attractive and stable range of sports clubs has a significant impact on building and maintaining customer loyalty among MultiSport Programme users. In 2016, for the first time 5.5 million PLN in revenue has been allocated from the Sports Card segment to the Fitness segment on the basis of the synergies between these segments.

Table 8: Selected financial data for the Fitness Segment

In thousands of PLN	12 months of 2016	12 months of 2015	Change
Sales revenue	**76,510**	**43,684**	**75.1%**
Costs of sales	(64,633)	(33,552)	92.0%
Gross profit on sales	**12,077**	**10,132**	**19.2%**
Selling expenses	(10,918)	(8,213)	32.9%
General and administrative expenses	(10,283)	(4,870)	111.1%
Other operating income and expenses	(2,079)	(2,283)	(8,9%)
Loss from operations	**(11,203)**	**(5,234)**	**114.0%**
Financial incomes and expenses	(4,374)	(2,413)	81.3%
Share of profits of associates accounted for using the equity method	8,956	7,290	22.9%
Loss before tax	**(6,621)**	**(357)**	**1,754.5%**
EBITDA	**4,270**	**3,259**	**31.0%**
Gross margin on sales	15.8%	23.2%	(7.4 p.p.)
Number of clubs	*117*	*67*	*50*

During this period, sales revenues for the Fitness segment significantly increased compared to the same period of 2015. This primarily results from the addition of 12 new clubs in subsidiaries (Fitness Academy Spółka z ograniczoną odpowiedzialnością SKA - 2 facilities, Fabryka Formy S.A. together with Fitness za Rogiem Sp. z o.o. – 8 new facilities and Zdrofit Sp. z o.o. – 2 new facilities). The faster growth rate of cost over revenues, and consequently the deepening of the loss from operating activities is due to the fact that from the start of operations the new clubs generate fixed costs, while revenues in the first stage are low and grow together with the development and increased popularity of a club. In addition, in the share of entities measured using the equity method a one-off gain has been included for the acquisition of control over Zdrofit Sp. z o.o. amounting to 6.9 million PLN. Despite the high proportion of newly opened clubs (higher costs) the Fitness segment companies together present positive results, both in terms of EBITDA and gross margin. Their impact on the consolidated result for 2016 is directly dependent on the current holding in the share capital of the company. The process of increasing the involvement of the Group and the simultaneous restructuring of these companies is on-going and the Group believes this will bring positive results in the Sports Card segment.

2.2.3. CAFETERIA SEGMENT

The Cafeteria segment is responsible for the development of the MyBenefit and MultiKafeteria platforms, which offer a wide range of products and services, including the Group's own products in the area of culture and entertainment.

The MyBenefit and MultiKafeteria cafeteria platforms give employees the choice of any non-monetary benefits within a budget specified by the employer, as well as the scope of these benefits. The benefits can be selected using the internet platform, accessible only by authorised personnel. The programme offers cafeteria products and services in the area of sport, health, tourism, culture and shopping vouchers, which can be used at the retail chains of famous brands in Poland. Currently over 1200 hotels and accommodation facilities throughout Poland are available in the MyBenefit tourist services, along with offers for foreign travel from many tour operators.

The Cinema Programme is the main pillar of the cultural and entertainment programme offered by the Group, in which tickets are available to over 200 partner cinemas throughout Poland (including Cinema City, Helios and Multikino).

MultiTeatr is a selected offer of vouchers for hundreds of theatrical performances. The programme includes popular theatres in major Polish towns and cities.

BenefitLunch offers a subscription or pass access for lunch in nearly 600 premises in dozens of Polish towns and cities.

Table 9: Selected financial data of the Cafeteria segment

In thousands of PLN	12 months of 2016	12 months of 2015	Change
Sales revenue	**39,903**	**34,263**	**16.5%**
Costs of sales	(26,883)	(33,305)	(19,3%)
Gross profit on sales	**13,020**	**958**	**1,259.1%**
Selling expenses	(3,656)	(3,255)	12.3%
General and administrative expenses	(5,972)	(5,660)	5.5%
Other operating income and expenses	(333)	(2,932)	(88,6%)
Profit (loss) from operations	**3,059**	**(10,889)**	**-**
Financial incomes and expenses	(128)	(29)	343.0%
Share of profits of associates accounted for using the equity method	145	283	(48,9%)

In thousands of PLN	12 months of 2016	12 months of 2015	Change
Profit (loss) before tax	**3,076**	**(10,635)**	**-**
EBITDA	**4,002**	**(8,280)**	**-**
Gross margin on sales	32.6%	2.8%	29.8 p.p.
*Turnover**	*195.6*	*148.5*	*31.7%*
Number of users	*235.3*	*178.6*	*56.7*

** On the basis of notes, invoices and bills from the MultiKafeteria and MyBenefit cafeteria platform. Turnover of the MyBenefit platform for 2015 includes the period 1-12/2015 (consolidation 4-9/2015).*

In 2016 a total of 235,300 users benefited from the MyBenefit and MultiKafeteria cafeteria platforms, which is an increase of 56,700 users compared to the same period in 2015. Turnover in the cafeteria platforms in 2016 amounted to 195.6 million PLN. The segment's revenues increased by 16.5% compared to the same period in 2015 and amounted to 39.9 million PLN. The increase in revenues is closely linked with the development of the cafeteria platforms, as well as being the result of recognising the revenues of MyBenefit Sp. z o.o. and Nowe Benefity Sp. z o.o., which commenced full consolidation respectively in April and December of 2015. The stable growth of the cafeteria platform contributed to the gross profit of 3.1 million PLN. The increase in pre-tax profit compared to the previous year is also the result of the liquidation of the MultiBenefit platform at the end of 2015.

2.2.4. FOREIGN SEGMENT

The Foreign segment includes all activities of the Benefit Systems Group undertaken outside the Polish market. Benefit Systems International Sp. z o.o. is responsible for the Group's foreign expansion and supervises the development of the MultiSport Programme on the Czech, Slovak and Bulgarian markets. In 2016, there were a total of 60,700 MultiSport cards in use on foreign markets, which is an increase of 35,900 cards, i.e. an increase of 144.8% compared to the end of 2015. This good result in sales in the Foreign segment was primarily due to the sales activities undertaken throughout the entire year, including the enlargement of the sales team, increasing recognition of the MultiSport brand and the continuously expanded range of partner facilities.

A high growth in sales was achieved in this period on the Czech and Bulgarian markets. In the Czech Republic 40,400 sports cards were active at the end of 2016. This result, in addition to efficient sales activities, was also affected by the promotional activities designed to engage customers and sporting events, which promote a healthy and active lifestyle among employees.

Benefit Systems Slovakia SRO and Benefit Systems Bulgaria EOOD in the second year of their operations continued to develop a network of partners outside Bratislava, and Sofia to enable users to use the MultiSport programme in each country. At the same time these companies conducted the intensive sale of cards to clients - at the end of the year there were over 20,000 card users on the Slovak and Bulgarian markets (2,100 and 18,300 respectively).

Table 10: Selected financial data from the Foreign segment

In thousands of PLN	12 months of 2016	12 months of 2015	Change
Sales revenue	**40,788**	**14,309**	**185.1%**
Costs of sales	(29,360)	(9,594)	206.0%

In thousands of PLN	12 months of 2016	12 months of 2015	Change
Gross profit on sales	**11,428**	**4,715**	**142.4%**
Selling expenses	(2,625)	(1,190)	120.6%
General and administrative expenses	(10,457)	(3,633)	187.8%
Other operating income and expenses	16	(182)	-
Loss from operations	**(1,638)**	**(290)**	**464.8%**
Financial incomes and expenses	(145)	(57)	154.4%
Share of profits of associates accounted for using the equity method	0	755	-
Profit (loss) before tax	**(1,783)**	**408**	**-**
EBITDA	**(1,462)**	**(279)**	**424.0%**
Gross margin on sales	28.0%	33.0%	(5.0 p.p.)
Number of sports cards	60.7	24.8	35.9

The Foreign segment's results were undoubtedly affected by the doubling in the number of cards year on year on all markets combined. During this period the share of revenue from the Bulgarian and Slovak markets accounted for 15% of the revenue generated by the entire segment. The change in cost of sales is the result of more than a twofold increase in the number of active cards in the Foreign segment compared to 2015. Between the comparable periods the new countries (Bulgaria and Slovakia) dynamically grew their structures (in 2015 this was mainly the Czech Republic), which had a significant impact on an increase in cost of sales and general and administrative expenses. The increase in costs also reflects the commissions on sales paid in connection with the higher number of cards sold.

2.2.5. CORPORATE AND OTHER

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

Table 11: Reconciling items

In thousands of PLN	12 months of 2016	12 months of 2015	Change
Sales revenue	**(35,921)**	**(18,153)**	**97.9%**
Costs of sales	37,886	18,224	107.9%
Gross profit on sales	**1,965**	**71**	**-**
Selling expenses	(20)	0	-
General and administrative expenses	(3,010)	(3,615)	(16,7%)
Cost of the Incentive Programme	(9,986)	(6,418)	55.6%
Other operating income and expenses	607	(2,193)	-
Loss from operations	**(10,442)**	**(12,155)**	**(14,1%)**
Financial incomes and expenses	1,043	2,192	(52,4%)

In thousands of PLN	12 months of 2016	12 months of 2015	Change
Share of profits of associates accounted for using the equity method	435	41	962.1%
Loss before tax	**(8,964)**	**(9,922)**	**(9,6%)**
EBITDA	**(9,875)**	**(11,715)**	**(15,7%)**

The change in revenues from sales and cost of sales is due to the increase in intragroup transactions between operating segments. Gross profit from sales reflects income from the Group's marketing activities, and other income not allocated to operating segments. The increase in costs related mainly to higher costs of the Incentive Program. The remaining part of general and administrative costs for the segment decreased by 16.7%.

The decrease in the value of other operating expenses compared to 2015 is the result of their full assignment to operating segments from the second half of 2015. Other operating income is the parent company's margin on the administrative fees for the management of subsidiaries.

The profit on financial activities for the segment, which is lower by 1 million PLN, is the result of including the new companies in full consolidation in 2015 and the resulting intercompany eliminations.

The increase share in the profit of entities valued using the equity method is due to the improved results from X-Code sp. z o.o. and Langmedia Sp. z o.o.

2.3. OTHER FINANCIAL DATA

Table 12: Financial income and expenses

In thousands of PLN	12 months of 2016	12 months of 2015	Change
Financial income	3,001	3,726	(19,5%)
Financial expenses	(6,605)	(4,034)	63.7%
Share of profits for entities accounted for using the equity method	9,536	8,332	14.5%

The result of the Group's financial activities in 2016 was significantly affected by the costs associated with the two series of bonds issued (including interest costs), the increased credit line and the obligations arising from finance leases (lease back on fitness equipment). Important, although nearly 20% lower than in the comparable period, was the income from loans granted to affiliates and strategic partners of the Group.

At the reporting date the parent company of Benefit Systems S.A. granted loans totalling 206.7 million PLN in the balance sheet (31st December, 2015: 146.1 million PLN), of which a total of 126.8 million PLN was given to subsidiaries. Capital support in the form described is directed primarily to investments in entities operating in the fitness industry (92%), including in the framework of a new lending programme for Partners (4.4%), and to a lesser extent (6.6%) to provide current liquidity in subsidiaries from outside the fitness segment. Almost 79% of this pool were long-term loans.

All loan agreements were concluded on conditions that do not deviate from market conditions with a variable interest rate depending on WIBOR 3M or WIBOR 1M. This reduces the lender's risk in the event of an unfavourable change in interest rates.

The decrease in financial income compared with 2015, despite the interest income related to the loans program for Partners, is connected with the exclusion of interest income from loans granted to Fitness networks (0.52 million PLN) and other companies (0.41 million PLN), which were not consolidated throughout the comparable period and fully consolidated in 2016.

At the reporting date the parent company had debt from 3 year bonds issued to the amount of 120.54 million PLN, together with interest, loans from related parties of 23.7 million PLN and 26.2 million PLN from finance leases. The increase in financial expenses is mainly interest on the bonds to the amount of 1.9 million PLN, the cost of finance leases for fitness equipment to the amount of 0.5 million PLN and the valuation of loans at amortized purchase price to the amount of 0.9 million PLN, and a drop in the cost of bank interest of 0.5 million PLN.

After the exclusion of one-off events, i.e. the effect of the acquisition of full control over: MultiSport Benefit S.R.O. (0.8 million PLN), Fabryka Formy S.A. (2.8 million PLN), Fitness Academy Spółka z ograniczoną odpowiedzialnością SKA (0.5 million PLN), for a total amount of 4.1 million PLN in 2015 and the acquisition of Zdrofit Sp. z o.o. in 2016 (6.9 million PLN), the result of associates valued using the equity method declined from 4.2 million PLN to 2.7 million PLN. The biggest effect on the decrease was had by the lower result of Calypso Fitness S.A. (-1.1 million PLN), the change in consolidation method for Zdrofit Sp. z o.o. (-0.3 million PLN) and the full consolidation of MyBenefit Sp. z o.o. (Share in profit for 2015 to the amount of 0.1 million PLN).

Table 13: Statement of financial position

In thousands of PLN	**31/12/2016**	**31/12/2015**	**Change**
Non-current assets	373,660	284,613	31.3%
share in balance sheet total	*65.6%*	*73.2%*	(7.6 p.p.)
Current assets	195,780	104,130	88.0%
share in balance sheet total	*34.4%*	*26.8%*	7.6 p.p.
Total assets	**569,440**	**388,743**	**46.5%**
Capital equity of the shareholders in the parent company	224,946	185,558	21.2%
share in balance sheet total	*39.5%*	*47.7%*	(8.2 p.p.)
non-controlling interests	17,251	5,703	202.5%
share in balance sheet total	*3.0%*	*1.5%*	1.5 p.p.
Long-term provisions and liabilities	159,861	88,054	81.5%
share in balance sheet total	*28.1%*	*22.7%*	5.4 p.p.
Short-term provisions and liabilities	167,382	109,427	53.0%
share in balance sheet total	*29.4%*	*28.1%*	1.3 p.p.
Total equity and liabilities	**569,440**	**388,743**	**46.5%**

Non-current assets

The fixed assets of Benefit Systems Group increased compared to the comparative periods. This is due, among other reasons, to the full consolidation of the new subsidiaries from the Fitness segment, i.e. Zdrofit Sp. z o.o. and Fitness za Rogiem Sp. z o.o. Following the acquisition of full control over the above companies goodwill was recognised to the amount of 31.8 million PLN. The increase in intangible assets is mainly related to the expansion of computer systems at Benefit Systems S.A. and MyBenefit Sp. z o.o. The increase in the value of tangible fixed assets compared to the balance as of 31st December, 2015, of 34.5 million PLN is mainly due to the effect of purchasing fitness equipment (leasing and own purchases) by Benefit Systems S.A. to the amount of 21.2 million PLN. The increase in this item is also due to investment in third party fixed assets carried out by Fabryka Formy S.A. to the amount of 4.1 million PLN. The tangible fixed assets from Zdrofit Sp. z o.o. and Fitness za Rogiem Sp. z o.o. constitute 6.4 million PLN. The increase also relates to investments in associates (Tiger Sp. z o.o.). Long-term receivables from loans granted increased by 9.2 million PLN.

Current assets

Total current assets increased by 91.7 million PLN, mainly due to the increase in the Group's cash of 40.9 million PLN, which was related to positive cash flows from operating activities and the issuance of bonds. Trade receivables also increased by 35.0 million PLN. The carrying value of loans granted increased by 6.7 million PLN, mainly as a result of the lending programme for partners of the Multisport programme.

Long-term provisions and liabilities

Liabilities increased in the comparative periods, mainly due to the issuance of bonds to the amount of 70 million PLN and conclusion of a lease-back agreement for sports equipment by the parent company. The increase in liabilities arising from finance leases amounted to 10.8 million PLN.

Short-term provisions and liabilities

The increase in short-term liabilities for 2016 of 58.0 million PLN is mainly connected with the increase in trade liabilities of 32.0 million PLN, deferred revenues and accruals of 18.6 million PLN and liabilities for current tax of 11.0 million PLN. Short-term debt of the Group for interest bearing and non-interest bearing loans decreased by 7.1 million PLN to 2.5 million PLN.

Table 14: Statement of cash flows

In thousands of PLN	12 months of 2016	12 months of 2015	Change
Net cash flows from operating activities	117,372	71,557	64.0%
Net cash flows from investment activities	(66,622)	(42,927)	55.2%
Net cash flows from financing activities	(9,807)	(11,477)	(14,5%)
Net cash flow, total	40,943	17,152	138.7%
Cash and cash equivalents at end of period	**64,920**	**23,977**	**170.8%**

On 31st December, 2016, the Group had cash and cash equivalents totalling 64.9 million PLN. These funds were accumulated mainly in the account of the parent company Benefit Systems S.A. (32.5 million PLN) and the subsidiaries MyBenefit Sp. z o.o. (14.7 million PLN), VanityStyle Sp. z o.o. Group Benefit Systems is not and was not in 2016 engaged in any currency options or other derivative instruments for hedging or speculation (2.8 million PLN) and the Czech company MultiSport Benefit S.R.O (1.6 million PLN). Benefit Systems Group is not and was not engaged in any currency options or other derivative instruments for hedging or speculation in 2016.

On the date of this report, taking into account the cash position and available credit lines, the Group does not anticipate any liquidity problems in connection with the implementation of its investment plans (including capital investments).

Operating activities

Cash flow from operating activities in 2016 amounted to 117.4 million PLN and was 45.8 million PLN higher compared to 2015, which was driven, among others, by a higher net result and positive adjustments of 27.7 million PLN, of which 23.4 million PLN was depreciation).

Investment activities

Net cash flow from operating activities amounted to -66.6 million PLN. They included, among others: expenditure on the purchase of fixed assets, mainly the purchase of fitness equipment (-27.0 million PLN), expenditure on the acquisition of shares in the associates Tiger Sp. z o.o. (-6,1 million PLN) and LangMedia Sp. z o.o. (-1.3 million PLN), payment of the next instalment for the shares in MyBenefit Sp. z o.o. acquired in 2016 (-2.4 million PLN) and the acquisition of shares in the subsidiary Fabryka Formy S.A. (-2,9 million PLN). In 2016, the Group granted loans to the amount of 19.8 million PLN compared to 8.2 million PLN in 2015.

Proceeds from investment activities mainly related to the sale of fitness equipment within leaseback (8.0 million PLN).

Financing activities

Net cash flow from financing activities was mainly influenced by the issue of bonds to the amount of 70 million PLN, and the net revenues from the issuance of shares to the amount of 7.6 million PLN on the side of inflows, and the acquisition of own shares under the dividend programme to the amount of 27.5 million PLN along with the buyback of its own shares for the amount of 30.1 million PLN, repayment of loans and borrowings to the amount of 12.2 million PLN, repayment of finance lease liabilities to the amount of 11.7 million PLN and interest paid to the amount of 6.0 million PLN on the side of expenditures.

2.4. SELECTED FINANCIAL INDICATORS

Table 15: Financial indicators

Profitability ratios	12 months of 2016	12 months of 2015	Change
Gross return on sales	27.7%	25.8%	1.9 p.p.
EBITDA	16.0%	10.3%	5.7 p.p.
Return on operations (EBIT)	12.9%	9.4%	3.4 p.p.
Gross profitability	13.4%	11.5%	1.9 p.p.
Net profitability	10.3%	8.3%	2.0 p.p.
Return on equity (ROE)	32.1%	25.4%	6.7 p.p.
Return on assets (ROA)	13.7%	12.5%	1.2 p.p.

Liquidity ratios	12 months of 2016	12 months of 2015	Change
Current liquidity	1.17	0.95	21.8 p.p.
Quick ratio	1.05	0.92	12.8 p.p.

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

- *gross profitability on sales: gross profit from sales / revenues from sales,*

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

3. ADDITIONAL INFORMATION

3.1. EMPLOYMENT

As at 31st December, 2016, the Group recorded an increase in employment from 664 to 690 employees, which translates into a change of 3.9% year on year. The increase in employment is mainly due to the growing scale of the Group's activities, including operations in new markets, as well as the need for the specialization of functions supporting these activities. Due to the specific nature of Benefit Systems Group activities, great importance is placed on the education of employees, which is why more than 80% of the Group's employees are employees with higher education.

3.2. AN ASSESSMENT OF THE FEASIBILITY OF INVESTMENT PLANS COMPARED TO THE AVAILABLE RESOURCES

In the Group's assessment, the implementation of investment plans is possible based on the available financial resources and external financing.

3.3. SIGNIFICANT EVENTS IN THE GROUP IN 2016

A new policy for the distribution of profits of Benefit Systems S.A.

On 10th February, 2016, the Management Board of the parent company adopted a Profit Distribution Policy for the years 2016 to 2019, which was subsequently approved by the Supervisory Board of the parent company and the General Meeting of Shareholders. In each year of the Profit Distribution Policy the buy-back of shares will be carried out for at least 50% of the net profit of the parent company for the previous financial year. The policy takes into account the financial situation and investment requirements of the parent company and Group companies, including those related to the implementation of investment agreements, as well as the demand for liquid cash with companies.

The Profit Distribution Policy is in force and applied commencing with the distribution of net profit of the parent company for the year ended 31st December, 2015, and constitutes a continuation of the Dividend Policy of 25th September, 2012.

Acquisition of own shares by Benefit Systems S.A. - distribution of profit

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 represented 1.537% of the company's share capital and corresponded to a total of 39,730 votes at the General Meeting of Shareholders for the parent company (as at 16th September, 2016), which represents 1.537% of the votes at the General Meeting of the company. The purchase price amounted to 690.00 PLN per share and 27,413,700.00 PLN in total for all the shares acquired.

The aim of purchasing the shares acquired was to use them to finance transactions to acquire other companies on the market. The purchase of shares took place outside the regulated market, through the intermediary of Dom Maklerski BZ WBK S.A., as a consequence of the settlement of the offer to purchase no more than 39,730 shares of Benefit Systems S.A. announced by the company on 1st September, 2016. The company informed about the announcement of the Offer in current report No. 29/2016 dated 1st September, 2016.

A total of 1,921,174 shares were submitted by shareholders for sale in the Offer. Due to the fact that the total number of shares submitted by shareholders to sell in the Offer exceeded the total number of shares that the company wishes to acquire under the Offer (i.e. 39,730 shares), the number of shares acquired from individual shareholders has been calculated using the reduction rules - the average reduction rate was 97.93%. Prior to the settlement of the Offer, the company did not hold any of its own shares. After settlement of the Offer the parent company has 39,730 of its own shares, with a nominal value of 1.00 PLN each.

Announcement of the share purchase offer and the acquisition of own shares by Benefit Systems S.A.

According to the offer to purchase shares of the company announced by the Management Board on 23rd September, 2016, Benefit Systems S.A. conducted the share buyback in connection with the offer to purchase 45,000 shares with a nominal value of 1.00 PLN each, which together represent 1.73 % of share capital and in total corresponded to 45,000 votes at the General Meeting of the company, representing 1.73% of the votes at the General Meeting of the company. The purchase price amounted to 668.00 PLN per share and the total paid for all shares was 30,060,000.00 PLN.

The aim of purchasing the shares acquired was to use them to finance transactions to acquire other companies on the market. The purchase of the shares took place outside the regulated market, through the intermediary of Millennium Dom Maklerski S.A. All transactions were settled on 30th September, 2016.

Implementation of the incentive program

In connection with the implementation of the provisions of Resolution No. 19/31.05.2012 of the Annual General Meeting for the parent company on 31st May, 2012, on the establishment at the parent company of an Incentive Program for the years 2014-2016 and Resolution No. 20/31.05.2012 of the Annual General Meeting of Shareholders of the parent company of 31st May, 2012, amending the Articles of Association of the parent company and the issuance of subscription warrants of series D, E and F with the pre-emptive right to acquire shares in series D, the Management Board of Benefit Systems, on the basis of the resolution of the Supervisory Board of the parent company, on 20th July, 2016, conducted the allocation of 40,000 series E warrants to eligible persons, entitling their holders to subscribe to ordinary bearer shares from series D in the parent company.

The warrants were issued free of charge and gave the entitlement to subscribe for the period from 1st September, 2016, until 30th September, 2016, and respectively from 1st September, 2017, until 30th September, 2017, the series D shares of the parent company at the issue price set out in Resolution No. 20/31.05.2012 of the Annual General Meeting of the parent company of 31st May, 2012, amended by Resolution No. 23/25.06.2014 of the Annual General Meeting of 25th June, 2014.

Acquisition of series D shares in the parent company *in exchange for the subscription warrants of series D*

On 1st September, 2016, the parties entitled to convert the subscription warrants of series D (in total the parent company issued 40,000 warrants of series D) for the shares of the parent company's series D, under the conditional share capital increase of the parent company related to the Incentive Programme for the years 2014-2016 (the "Programme"), made a subscription for 30,100 series D shares of the parent company. In connection with the aforementioned subscription the Eligible Parties made the payment for the issue price of Series D shares to the parent company's account. In connection with this, the parent company's share capital has been increased from the amount of 2,554,842.00 PLN to 2,584,942.00 PLN:

a. 2,204,842 shares from series A with a nominal value of 1.00 PLN each,
b. 200,000 shares from series B with a nominal value of 1.00 PLN each,
c. 150,000 shares from series C with a nominal value of 1.00 PLN each,
d. 30,100 shares from series D with a nominal value of 1.00 PLN each,

representing a total (after writing the series D shares in the securities accounts of the Entitled Persons) of 2,584,942 votes at the General Meeting of the parent company.

Following the acquisition of series D shares, the above subscription warrants for series D, held by the persons covering the series D shares, expired. The rights from series D shares were created at the moment of recording the shares in the securities accounts of the Entitled Persons.

Acquisition of series D shares in the parent company *in exchange for the subscription warrants of series E*

On 1st September, 2016, in accordance with the applicable rules of the Incentive Programme for the years 2014-2016, 30,100 series D subscription warrants were converted into shares of series D, while on 27th September, 2016, 14,700 series E warrants were converted into shares of series D.

Registration by the Court of Registration of changes to the company's Statute

On 19th September, 2016, Benefit Systems S.A. received the decision of the District Court for the capital city of Warsaw, in Warsaw, XII Commercial Division of the National Court Register regarding the registration by the court of the changes to the following provisions of the parent company's Statute:

the provisions of § 6, paragraphs 3 to 5 of the parent company's Statute after the change:

"3. The conditional share capital of the parent company is not more than 385,000.00 (three hundred and eighty-five thousand) PLN and is divided into:

1) no more than 165,000 (one hundred and sixty-five thousand) ordinary bearer shares of series C with a nominal value of 1.00 PLN (one PLN) each,

2) no more than 120,000 (one hundred and twenty thousand) ordinary bearer shares of series D with a nominal value of 1.00 PLN (one PLN) each,

3) no more than 100,000 (one hundred thousand) ordinary bearer shares of series E with a nominal value of 1.00 PLN (one PLN) each.

4. The purpose of the conditional share capital increase is:

1) granting the right to acquire series C shares to holders of the subscription warrants issued by the parent company pursuant to Resolution No. 6/2010 of the Extraordinary General Meeting of 24th November, 2010. The parties entitled to subscribe to the series C shares will be the holders of subscription warrants of series A, B and C issued by the parent company,

2) granting the right to acquire series D shares Warrants to holders of subscription warrants issued by the parent company pursuant to Resolution No. 19/31.05.2012 of the Annual General Meeting of 31st May, 2012. The parties entitled to subscribe to the series D shares will be the holders of subscription warrants of series D, E and F issued by the parent company,

3) granting the right to acquire to series E shares to holders of subscription warrants issued by the parent company pursuant to Resolution No. 21/15.06.2016 of the Annual General Meeting of 15th June, 2016. The parties entitled to subscribe to the series E shares will be the holders of subscription warrants of series G, H, I and J issued by the parent company,

5. The right to acquire shares:

1) from series C can be made until 30th September, 2014,
2) from series D can be made until 30th September, 2017,
3) from series E can be made until 30th September, 2021."

Admission and introduction into trading of 30,100 series D shares on the Warsaw Stock Exchange

On 27th September, 2016, the parent company received resolution No. 969/2016 of the Management Board for the Warsaw Stock Exchange dated 22nd September, 2016, in accordance with which the Management Board for the Warsaw Stock Exchange decided, as of 27th September, 2016, in accordance with the ordinary procedure, to admit and introduce into trading on the parallel market 30,100 ordinary bearer shares from series D of the parent company, with a nominal value of 1.00 PLN each, coded by the National Depository for Securities with the code "PLBNFTS00018", subject to their registration by the National Depository for Securities on 27th September, 2016.

Adoption of the assumptions for the incentive programme for the period 2017-2020

On 10th February, 2016, the Supervisory Board of the parent company approved the draft the next edition of the Incentive Programme, which the parent company has implemented for several years for key employees. During the Incentive Programme for the period 2017-2020 its participants will be able to receive a maximum of 100,000 subscription warrants (which after conversion into shares will represent 3.91% of the share capital of the parent company), which will give an entitlement to subscribe to the specific number of shares of the parent company in four equal tranches. The assumptions for the Incentive Programme were adopted in the form of a resolution at the Annual General Meeting for the year 2015 on 15th June, 2016.

Increasing the value of the bond issue programme and the issue of series B bonds

On 10th June, 2016, the parent company gave information about the increase in the value of the bond issue within the Bond Issue Programme for Benefit Systems S.A., to a maximum of 70.0 million PLN. On 28th June, 2016, a resolution was adopted by the parent company's Management Board on the issue of series B bonds with a nominal value of 1,000 PLN each and a total maximum nominal value of 70.0 million PLN, within the framework of the Bond Issue Programme established by the parent company. The bonds will be issued as unsecured bearer securities without any physical document, subject to the introduction in the alternative trading system of Catalyst.

The introduction of series B bonds to trading in Catalyst

On 29th September, 2016, the Management Board of the Warsaw Stock Exchange adopted Resolution No. 1007/2016 concerning the introduction into alternative trading in the Catalyst system of 70,000 series B bonds of the parent company, with a nominal value of PLN 1,000 each.

Registration in the National Depository for Securities and setting the first day of trading in the alternative trading system of Catalyst of series B bonds

On 3rd October, 2016, the Management Board for BondSpot S.A. adopted resolution No. 214/16 designating 5th October, 2016, as the first day of trading in the alternative trading system of Catalyst of 70,000 series B bearer bonds of the parent company, with a total nominal value of 70,000,000 PLN and a unit nominal value of 1,000 PLN, marked by the National Depository for Securities ("NDS") with the code PLBNFTS00042 ("the Bonds"). At the same time the following were specified for the Bonds: the last date of trading - 18th June, 2019, trading unit - 1, and the obligatory unit - 100, Symbol - BFT061.

Annex to an important loan agreement with Bank Zachodni WBK S.A.

On 23rd February, 2016, the parent company received an annex to the multipurpose and multicurrency credit line agreement signed with Bank Zachodni WBK S.A. The annex extends the repayment date until 30th April, 2016, with the reservation that the effectiveness of the guarantees given shall not exceed 30th October, 2017.

An annex to the loan agreement with Bank Zachodni WBK S.A.

On 27th April, 2016, Benefit Systems S.A. received an annex to the multipurpose and multicurrency credit line agreement. The annex changes the date for the repayment of the loan and extends it until 30th April, 2017, and the Bank's obligation to provide a guarantee on the basis of the order/instruction from the parent company to the amount of 6.0 million PLN (within the credit line granted to the amount of 32.0 million PLN) in the availability period until 30th April, 2017, of the following types: rent payments, trade payments, the proper execution of trade agreements; expiring no later than 18 months from the date on which the bank's undertaking arose. In connection with this annex the parent company is required to make a declaration of submission to enforcement under article 777, § 1, point 5) of the Code of Civil Procedure to the amount of 82.5 million PLN (including the debts arising from the agreement of 2nd April, 2012, for the bank guarantee limit), and the bank will be able to request that the notary act is enforceable up to 30th October 30, 2023.

Conclusion of an annex to a significant loan agreement with mBank S.A.

On 20th July, 2016, Benefit Systems S.A. received an annex to the overdraft agreement with mBank S.A. with its registered office in Warsaw (an overdraft line to the amount of 35.0 million PLN). The annex amended the date for the repayment of the outstanding balance in the current account and extend it until 28th July, 2017. The remainder of the annex contains provisions typical for agreements of this kind.

Annex to the agreement for a bank guarantee limit with Bank Zachodni WBK S.A.

On 27th April, 2016, Benefit Systems S.A. received an annex to the agreement for a bank guarantees limit. The subject of the annex is a change to the amount of the bank's obligation to provide a bank guarantee, on the basis of an order/instruction from the parent company, from the amount of 10.0 million PLN to 20.0 million PLN in the availability period up to 1st April, 2017, for the following types: payment guarantees of all obligations resulting from lease agreements and performance guarantees for lease contracts. In connection with the aforementioned annex the parent company is obliged to make a declaration of submission to enforcement under article 777, § 1, point 5) of the Code for Civil Procedure to the amount of 82.5 million PLN (including the debts arising from the agreement of 18th July, 2012, for a multipurpose and multicurrency credit line), wherein the bank will be able to request that the notary deed is made enforceable up to 30th October, 2023.

Conclusion of a significant agreement with Poczta Polska S.A.

Benefit Systems S.A. has entered into an agreement with Poczta Polska S.A., the purpose of which is to provide unlimited access to sports and recreational services for employees of Poczta Polska S.A. and their families as part of the MultiSport programme. The agreement was signed as a result of a public procurement tender and is valid until 31st March, 2017.

Conclusion of a significant agreement with TAURON Polska Energia S.A.

Benefit Systems S.A. has entered into an agreement with TAURON Polska Energia S.A., under which employees of the Tauron Group, as well as their families, are provided with unlimited access to sports and recreational facilities under the MultiSport programme. The agreement was signed as a result of a public procurement tender and is valid until 14th March, 2018.

Change in the composition of the Management Board for Benefit Systems S.A.

On 10th February, 2016, the Supervisory Board of the parent company appointed Mr Grzegorz Mędza to the Management Board, entrusting him with the position of member of the Management Board. Mr Grzegorz Mędza will be responsible for strategy, communications and employee affairs (he resigned from this position on 24th November, 2016, with effect from 31st December, 2016).

On 1st April, 2016, Mr Paweł Markowski resigned from his position as Member of the Management Board of the parent company Benefit Systems S.A. with effect from 11th May, 2016.

On 9th November, 2016, the Supervisory Board of the parent appointed Mr Arkadiusz Hanszke to the company's Management Board, entrusting him with the position of Member of the Management Board responsible for IT, project management and administration.

Changes in the organisational structure of the Group

On 1st April, 2016, the merger took place of two companies belonging to the Group: Benefit Development Sp. z o.o. and FitSport Polska S.A. On the basis of article 494 1 of the Code for Commercial Companies, Benefit Development Sp. z o.o. took over all the rights and obligations of FitSport Polska S.A., simultaneously changing its name to FitSport Polska Sp. z o.o. Furthermore, on 11th April, 2016, the following companies were merged: New Benefits Sp. z o.o., MultiBenefit Sp. z o.o. and MultiBenefit Spółka z ograniczoną odpowiedzialnością sp. k. The company Nowe Benefity Sp. z o.o. took over all rights and obligations of the companies MultiBenefit Sp. z o.o. and MultiBenefit Spółka z ograniczoną odpowiedzialnością sp. k., simultaneously changing the name to MultiBenefit Sp. z o.o. The changes in the organisational structure result from the need to organise and simplify, as well as the plans for the further development of the Benefit Systems Group.

A change in the investment agreement with Fabryka Formy S.A.

On 11th May, 2016, an annex was signed between Benefit Systems S.A. and Mr Ireneusz Sęk, a shareholder of Fabryka Formy S.A. with its registered office in Poznań, relating to the investment agreement of 16th March, 2012. According to the annex, the scope of investment support connected with the further development of the Fabryka Formy network has been extended to include loans with a total value of no more than 41.5 million PLN (the earlier limit was 16.5 million PLN), sureties with a value not higher than 15.0 million PLN (previously 12.0 million PLN), the lease of fitness equipment (a value not higher than 21.5 million PLN, previously the limit was 11.5 million PLN).

Benefit Systems S.A. investments in the Fitness segment

Benefit Systems S.A. has entered into 3 agreements to acquire shares in the fitness club networks of Zdrofit, Fitness Club S4 and Tiger. These networks have a total of 35 sports and recreational facilities across the country. The agreements concluded on 22nd June, 2016, relate to the acquisition in the first stage of the transaction of 30% of the shares in the companies Fitness Club S4 and Tiger and an increase in the shareholding of the company Zdrofit from 28% to 55%. The total value of these investments will amount to 22.4 million PLN. In addition, according to the agreements concluded, Benefit Systems S.A. obtained the right to increase its stake in all of these entities to the level of 100% over the next four years.

In addition, the parent company signed a letter of intent with the Calypso Fitness S.A. network for negotiations to be conducted on increasing the number of shares in Calypso Fitness S.A. by 50.1% to 83.4%. This investment will amount to 81.3 million PLN, of which 27.5 million PLN will be paid in cash and the remainder in shares in Benefit Systems S.A.

Delayed disclosure of confidential information and conclusion of an investment agreement

On 30th June, 2016, an investment agreement was concluded by Fabryka Formy S.A. with Fit Fabric S.C., in which in the first stage it will be transformed into a limited liability company and then Fabryka Formy S.A. will acquire 30% of the shares in Fit Fabric S.C. for 3.6 million PLN. During the second phase, to be implemented from 2020, Fabryka Formy S.A. will be entitled to acquire the remaining shares in the share capital of Fit Fabric S.C. for the price, which according to the Issuer's estimates will amount to approximately 18.0 million PLN, wherein the price will be determined based on the financial results of Fit Fabric S.C. The Fit Fabric S.C. chain of fitness clubs has operated since 2013 and currently runs 6 fitness clubs with a total area of approximately 12,000 m².

The conclusion of a conditional agreement imposing an obligation to purchase the shares of Calypso Fitness S.A.

On 5th October, 2016, Benefit Systems S.A. and Fit Invest Sp. z o.o. entered into a conditional agreement to acquire a 50.1% stake in Calypso Fitness S.A. In order to conclude the agreement, it is necessary to obtain consent for the concentration issued by the President of the Office for Competition and Consumer Protection.

Conclusion of agreements for the sale of shares in Zdrofit Sp. z o.o.

On 17th November, 2016, Fit Invest Sp. o.o. entered into an agreement to acquire shares in the capital of Zdrofit Sp. z o.o., under which Fit Invest Sp. z o.o. will acquire a total of 800 shares representing 26.67% of the share capital in Zdrofit Sp. z o.o. for the total price of 8,533,333.34 PLN. After this transaction, Fit Invest Sp. o.o. holds 55.03% of the shares in the capital of Zdrofit Sp. z o.o.

The conclusion of a letter of intent to acquire shares in Fabryka Formy S.A.

On 8th December, 2016, Fit Invest Sp. z o.o. concluded a letter of intent with Mr Ireneusz Sęk, on the basis of which Fit Invest Sp. z o.o. will enter into a conditional agreement to sell shares constituting 33.94% of the share capital of Fabryka Formy S.A. and giving the right to 33.94% of the votes at the General Meeting for Fabryka Formy S.A., for a price of 25 million PLN, payable in cash and the shares of the Issuer.

Change in the total number of votes

On 17th August, 2016, Benefit Systems S.A. received from ALTUS Towarzystwo Funduszy Inwestycyjnych S.A. (ALTUS TFI S.A.) a notification regarding a change in the total share of votes of the investment funds managed by ALTUS TFI S.A. in the total number of votes in the parent company. The investment funds managed by ALTUS TFI S.A. have in total 128,067 shares in the parent company, representing 5.01% of the share capital in the parent company, entitling them to 128,067 votes in the parent company, representing 5.01% of the total number of votes in the parent company. On 13th September, 2016, the parent company received from ALTUS TFI S.A. notification of a change in the total number of votes. Currently the investment funds managed by ALTUS TFI S.A. have in total 101,894 shares in the parent company, representing 3.94% of the share capital of the parent company.

Change of auditor

The Supervisory Board of the parent company has appointed the company Grant Thornton Polska Spółka z ograniczoną odpowiedzialnością sp. k. to perform an audit of the separate and consolidated annual financial statements of the parent company and Benefit Systems Group for the fiscal year 2016 and reviewing the individual and consolidated interim financial statements of the parent company and Benefit Systems Group and the issuance of opinions and reports on the audits and reviews. The company will replace Grant Thornton Frąckowiak Spółka z ograniczoną odpowiedzialnością sp. k. The change is dictated by the reorganisation of companies within the Grant Thornton network.

Choice of auditor

On 9th November, 2016, the Supervisory Board of the parent company selected PricewaterhouseCoopers Sp. z o.o. to audit the separate and consolidated annual financial statements and to review the individual and consolidated interim financial statements of the parent company and Benefit Systems Group for the fiscal years 2017 and 2018 and to issue opinions and reports on the audits and reviews.

3.4. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Loan agreements within the Benefit Systems Group

On 11th January, 2017, loan agreements were concluded between the Issuer and Fit Invest Sp. z o.o. for the amount of 3.6 million PLN, as a result of which the total value of the loan agreements entered into between the Lender and the Borrower in the 12 months reached 22.6 million PLN. The interest rate on the loan is variable and was set according to market terms. The loan is intended to enable the Borrower to finance current operations, including operations connected with its investment activities in the fitness sector.

On 2nd January, 2017, a loan agreement was concluded between the Issuer and Fitness Academy Spółka z ograniczoną odpowiedzialnością SKA for the amount of 3.0 million PLN, as a result of which the total value of the loan agreements entered into between the Lender and the Borrower in the 12 months reached 10.8 million PLN (in total 58.6 million PLN). The interest rate on the loan is variable and was set according to market terms. The loan is intended to enable the Borrower to finance current operations, including operations connected with its investment activities in the fitness sector.

Conclusion of an annex to an investment agreement and the acquisition of shares in Fit Fabric Sp. z o.o.

On 12th January, 2017, the Issuer's subsidiaries: Fabryka Formy S.A. and Fit Invest Sp. z o.o. concluded with Marcin Wawrzycki, Katarzyna Zgierska, Tomasz Nowiński and Grzegorz Zgierski an annex to the investment agreement dated 30th June, 2016, years relating to the investment in Fit Fabric Sp. z o.o. On the basis of the Annex Fabryka Formy S.A. transferred all the rights and obligations due to it under the Agreement to Fit Invest Sp. z o.o., as a consequence of which on 12th January, 2017, between Fit Invest Sp. z o.o. and Marcin Wawrzycki, Katarzyna Zgierska and Tomasz Nowiński sale agreements were concluded for the shares in Fit Fabric Sp. z o.o. under the conditions indicated in current report No. 23/2016. In addition, from 2020 Fit Invest Sp. z o.o. will be entitled to acquire the remaining shares in the share capital of Fit Fabric Sp. z o.o., under the conditions referred to in the Issuer's current report No. 23/2016.

Consent of the Issuer to change the Conditions of Issue for series B bonds

On 9th February, 2017, a Meeting of Bondholders was held at the Issuer's registered office 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 new wording for the definition of Financial Debt contained in the issue terms and conditions and to the extent necessary to grant the bondholders additional remuneration. The Issuer, acting in accordance with article 67, paragraph 2 of the act dated 15th January, 2015, on bonds (Journal of Law from 2015, item 238), expressed consent for a change in the Terms and Conditions of the Issue.

3.5. A DESCRIPTION OF THE FACTORS AND EVENTS, ESPECIALLY OF AN UNUSUAL NATURE, AFFECTING THE FINANCIAL RESULTS ATTAINED

In the reporting period, there were no extraordinary events having a significant impact on the parent company's financial results.

3.6. EXPLANATION OF SEASONAL OR CYCLICAL ACTIVITIES IN THE REPORTING PERIOD

A characteristic feature of the industry in which the Group operates is the seasonal activity of sports cardholders. Traditionally, in the third quarter of the calendar year (the third quarter of the financial year for the Group) the activity of cardholders is lower than in the first, second and fourth quarters of the financial year.

3.7. SALES AND SUPPLIERS MARKETS, AND DEPENDENCE ON CUSTOMERS AND SUPPLIERS

In 2016, the Group generated its revenues primarily on the domestic market. The parent company's customers are companies and institutions from all sectors. No customer of the Benefit Systems Group has a share exceeding 3% in this period. Therefore, in the Group's opinion, it is not dependent on any of the customers of its services. The main suppliers of the Group include companies that provide access to facilities and sports activities, which the Benefit Systems Group offers to its customers in the framework of its sports programmes, such as MultiSport. On the reporting date, the Group is not dependent on the services provided by any of its partners.

3.8. INFORMATION ON IMPAIRMENT WRITE-DOWNS OF FINANCIAL ASSETS, TANGIBLE ASSETS, INTANGIBLE ASSETS, OR OTHER ASSETS, AND THE REVERSAL OF SUCH IMPAIRMENT WRITE-DOWNS

In 2016, the Group made an impairment write-down for the investment in shares in the company Notatek.pl in connection with the change in their fair value measurement (see 3.14).

3.9. INFORMATION ON CHANGES IN THE ECONOMIC AND BUSINESS ENVIRONMENT

In 2016 there were no significant changes in the economic and business environment, which would have a significant impact on the fair value of the Group's financial assets.

3.10. INFORMATION ABOUT THE NON-PAYMENT OF BANK LOANS OR LOANS OR A BREACH OF THE MATERIAL PROVISIONS OF A BANK LOAN OR LOAN AGREEMENT

According to the state as at 31st December, 2016, and the date of preparing the financial statements, none of the companies in the Benefit Systems Group had infringed the provisions of credit or loan agreements.

3.11. INFORMATION ON SIGNIFICANT TRANSACTIONS TO ACQUIRE OR SELL PROPERTY, PLANT AND EQUIPMENT ASSETS

In 2016, the parent company signed lease agreements with Europejski Fundusz Leasingowy S.A. to the total amount of 18,236,000 PLN and related to the lease of fitness equipment. The full term of the lease is 60 months. The equipment sold was transferred for use by the companies on the basis of the leasing agreements concluded with EFL S.A. Seventeen separate agreements were concluded with the Lessor in the period under review.

In addition, in 2016 the parent company entered into a leaseback agreement with Pekao Leasing Sp. z o.o. for the lease of sports equipment. The contract value amounted to 4,475,000 PLN. In addition, on 28th January, 2016, the parent company entered into an agreement with mLeasing Sp. z o.o. for fitting out the parent company's registered office. The agreement amounted to 1,951,000 PLN and its duration is 35 months.

In order to continuously improve the quality of services offered, the parent company incurs expenditure on upgrading and purchasing new IT infrastructure. At the end of November, 2016, the parent company completed the purchase of new IT infrastructure and software for a total amount of 1,786,000 PLN.

3.12. INFORMATION ABOUT A SIGNIFICANT COMMITMENT IN RESPECT OF THE PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

In 2016 the Group purchase property, plant and equipment to the amount of 141,000 PLN.

3.13. INFORMATION ABOUT INVENTORIES IMPAIRMENT WRITE-DOWNS TO THE NET RECOVERABLE VALUE AND REVERSAL OF WRITE-DOWNS FOR THIS

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

3.14. INFORMATION ON CHANGES IN THE CLASSIFICATION OF FINANCIAL ASSETS AS A RESULT OF CHANGES TO, OR USE OF, THOSE ASSETS

At the end of 2016, the Group reclassified shares in Notatek.pl Sp. z o.o. from investments in associates to financial assets held for sale. There was therefore a change in the valuation of those assets from acquisition price to fair value.

3.15. INFORMATION ABOUT A CHANGE IN THE VALUATION METHOD FOR FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

In 2016, the Group did not change the valuation of financial instruments.

3.16. INFORMATION ON THE ISSUE, REDEMPTION AND REPAYMENT OF DEBT AND EQUITY SECURITIES

On the basis of resolutions of the General Meeting of Shareholders, an Incentive Programme functions at Benefit Systems S.A., which is aimed at the senior and middle management of the company and the subsidiaries of Benefit Systems Group, with which the parent company has entered into appropriate agreements. Under this programme, eligible employees receive options, which are convertible into shares of the parent company.

The specified employees, both among senior executives (with the proviso that Mr James van Bergh will not participate in the incentive programme) and employees from middle management, can participate in the incentive programme. An obligatory condition for starting the incentive programme in a given year is the attainment of a specific level of EBITDA adjusted for the book cost of the programme attributable to the financial year.

On 31st May, 2012, the incentive programme was adopted for the years 2014-2016, in which a total of 99 employees participate and in which it was planned to issue up to 120,000 shares of a new issue of Series D. On the basis of the resolution of the Supervisory Board dated 12th July, 2015, the parent company allotted 40,000 subscription warrants from series D for the year 2014, which entitle their holders to subscribe to ordinary bearer shares from series D shares. On the basis of a resolution of the Supervisory Board dated 20th July, 2016, the Management Board for the parent company allotted 40,000 subscription warrants from series E to authorised parties, which entitle their holders to subscribe to ordinary bearer shares from series D shares.

On 1st September, 2016, in accordance with the applicable rules of the Incentive Programme for the years 2014-2016, 30,100 series D subscription warrants were converted into shares of series D, while on 27th September, 2016, 14,700 series E warrants were converted into shares of series D.

On 10th February, 2016, the Supervisory Board of the parent company adopted a proposal for the next edition of the Incentive Programme for the period 2017-2020. The aim of the programme is to create an incentive system that will promote efficient and loyal work aimed at achieving high financial results and a long-term increase in the value of the parent company. During the Incentive Programme for the period 2017-2020 the participants (149 people) will be able to receive a maximum of 100,000 subscription warrants (which, after conversion, into shares will represent 3.91% of the company's capital), which will entitle them to subscribe to a specific number of shares with a nominal value in four equal tranches.

The assumptions of the Incentive Programme for the period 2017-2020 were adopted in the form of a resolution at the Annual General Meeting on 15th June, 2016. The thresholds are presented in the table below:

	Share in the maximum number of warrants for the year		**Level of adjusted gross profit (in millions of PLN)**			
			2017	**2018**	**2019**	**2020**
Thresholds in millions of PLN	100%	25,000	90	105.0	120	140
adjusted gross profit	75%	18,750	85	97.5	110	130
(excluding Incentive Programme expenditures)	50%	12,500	80	91.0	106	121

3.17. INFORMATION ON THE DIVIDEND PAID OUT OR DECLARED, IN TOTAL AND PER SHARE, DIVIDED INTO ORDINARY AND PREFERENCE SHARES

On 10th February, 2016, the Management Board adopted its Shareholder Profit Distribution Policy for the years 2016 to 2019, which was subsequently approved by the Supervisory Board and Annual General Meeting of the parent company. In each year of the Shareholder Profit Distribution Policy a share buyback will be carried out at a level of at least 50% of the company's net profit for the previous financial year, taking into account the financial situation and investment needs of the company and the Group, including those related to the implementation of investment agreements, as well as the demand at the companies for liquid cash. The Profit Distribution Policy is in force and applied commencing with the distribution of net profit of the parent company for the year ended 31st December, 2015, and constitutes a continuation of the Dividend Policy of 25th September, 2012. On 15th June, 2016, the Annual General Meeting of the parent company adopted a resolution regarding the allocation of net profit for 2015. Given the plans of the parent company's Management Board regarding the share buyback, in accordance with the Profit Distribution Policy for the years 2016-2019, it was decided to allocate the net profit of 54.08 million PLN entirely to supplementary capital.

As part of the share buyback conducted in September, 2016, in accordance with the dividend policy, Benefit Systems S.A. spent 27.5 million PLN on the purchase of a total of 39,730 of its own shares. In addition, on 28th September, 2016, the company acquired a total of 45,000 of its own shares for a total amount 30.1 million PLN.

3.18. A DESCRIPTION OF TRANSACTIONS WITH RELATED ENTITIES, IF INDIVIDUALLY OR JOINTLY THEY ARE SIGNIFICANT AND WERE CONCLUDED ON OTHER THAN MARKET TERMS

The Benefit Systems Group did not conclude such transactions in the reporting period. Transactions with related parties are presented in detail in the Consolidated Financial Statements for the period from 1st January, 2016, to 31st December, 2016 (note 23).

3.19. AGREEMENTS WITH THE ENTITY AUTHORIZED TO AUDIT FINANCIAL STATEMENTS

The agreement for the audit of the financial statements was concluded on 12th July, 2016, with the company Grant Thornton Polska Spółka z ograniczoną odpowiedzialnością sp.k. The agreement is for the audit of the separate and consolidated annual financial statements of the company and Benefit Systems Group for 2016.

On 9th November, 2016, the Supervisory Board chose PricewaterhouseCoopers Sp. z o.o. to audit the separate and consolidated annual financial statements of the company and Benefit Systems Group for the fiscal years 2017 and 2018.

3.20. INFORMATION ON LOANS TAKEN, AGREEMENTS ON LOANS AND GUARANTEES GRANTED, AND SURETIES

On 27th April, 2016, the company signed an annex to the agreement for a multi-purpose and multi-currency bank loan line dated 18th July, 2012, with subsequent amendments, which changed the period of its availability until 30th April, 2017, and stipulated the date for the repayment obligation under this agreement up to 18 months from the date the bank's obligation arose. The line is for the amount of 32 million PLN, increased in the annex dated 20th May, 2014, from 25 million PLN. The loan is secured with an obligation by the parent Company to submit a declaration of voluntary submission to enforcement in accordance with article 777, §1, point 5) of the Code for Civil Procedure of up to 82.5 million PLN until 30th October, 2023.

On 27th April, 2016, Benefit Systems S.A. received an annex to the agreement for a bank guarantees limit. The subject of the annex is a change to the amount of the bank's obligation to provide a bank guarantee, on the basis of an order/instruction from the parent company, from the amount of 10.0 million PLN in the availability period up to 1st April, 2017, for the following types: payment guarantees of all obligations resulting from lease agreements and performance guarantees for lease contracts. In connection with the aforementioned annex the parent company is obliged to make a declaration of submission to enforcement under article 777, § 1, point 5) of the Code for Civil Procedure to the amount of 82.5 million PLN (including the debts arising from the agreement of 18th July, 2012, for a multipurpose and multicurrency credit line), wherein the bank will be able to request that the notary deed is made enforceable up to 30th October, 2023.

On 20th July, 2016, Benefit Systems S.A. concluded a bank overdraft agreement for 35 million PLN intended to finance current operations. The maturity date of the overdraft facility is 28th July, 2017.

3.21. INFORMATION ON LOANS GRANTED, AS WELL AS SURETIES AND GUARANTEES

Table 16: Contingent liabilities

Contingent liabilities in thousands of PLN	Status on the date of submitting the report for 2016	Status on the date of submitting the report for 2015	Change in status
Sureties and guarantees	18,568	25,991	(7,423)

These specified contingent liabilities relate to the capital support of strategic partners of the company and constitute the implementation of the provisions of investment agreements - they primarily deal with lease payments for fitness equipment and rental guarantees. A detailed list of the loans granted is presented in a note in the Consolidated Financial Statements for Benefit Systems Group for 2016.

3.22. USE OF PROCEEDS FROM THE SHARE ISSUANCE

In 2016, the parent company conducted the issuance of shares as part of the share-based payments programme (see point 3.3). On 1st September, 2016, in accordance with the rules in effect for the Incentive Programme for the years 2014-2016, 30,100 series D subscription warrants were converted into shares of series D, while on 27th September, 2016, 14,700 series E subscription warrants were converted into shares of series D, wherein the registration process for the 14,700 shares of series D is not yet complete). The shares of all series have a nominal value of 1 PLN each.

3.23. CORRECTIONS OF ERRORS IN PRIOR PERIODS

Benefit Systems Group did not make any corrections to errors from prior period errors in the reported period.

3.24. THE MANAGEMENT BOARD'S POSITION REGARDING THE IMPLEMENTATION OF THE FORECAST RESULTS

The Benefit Systems Group has not presented a forecast of results for 2016.

3.25. INFORMATION ABOUT AGREEMENTS KNOWN TO BENEFIT SYSTEMS GROUP, WHICH MAY RESULT IN FUTURE CHANGES IN THE PROPORTIONS OF SHARES HELD BY EXISTING SHAREHOLDERS

Benefit Systems Group is not aware of the existence of such agreements.

3.26. INFORMATION ABOUT SHAREHOLDERS HOLDING AT LEAST 5% OF THE VOTES AT THE GENERAL SHAREHOLDERS' MEETING OF BENEFIT SYSTEMS S.A.

The percentage of the share capital and voting rights takes into account the share capital increase made under the conditional capital issuance. Series D shares were acquired as part of the conditional share capital issuance by the holders of subscription warrants for series D and E, granted by the company in accordance with the provisions of the Incentive Programme for 2014-2016.

Table 17: Shareholder structure

	Status on the date of submitting the report for 2016		Status on the date of submitting the report for the 3rd quarter of 2016		
Shareholder	**Number of shares***	**Share in the total number of votes at a General Meeting of Shareholders**	**Number of shares**	**Share in the total number of votes at a General Meeting of Shareholders**	**Change**
James Van Bergh	605,396	24.07%	605,396	24.07%	-
Benefit Invest Ltd.	581,504	23.12%	581,504	23.12%	-
MetLife DFE	293,951	11.69%	293,951	11.69%	-
Marek Kamola	262,830	10.45%	262,830	10.45%	-
Nationale-Nederlanden	245,000	9.74%	245,000	9.74%	-
Others	610,961	20.92%	610,961	20.92%	-
including Benefit Systems S.A. (own shares)	84,730	-	84,730	-	-
TOTAL	**2,599,642**	**100.00%**	**2,599,642**	**100.00%**	**-**

** together with the issue of series D shares (14,700 shares) in exchange for the warrants of E series under the terms of the Incentive Programme, for which the registration process (NDS, WSE, KRS) has not been completed at the reporting date.*

The parent company's share capital amounts to 2,599,642 PLN. The number of shares in the share capital amounts to: 2,599,642 shares, including 2,204,842 shares of series A, 200,000 shares of series B and 150,000 shares of series C, and 44,800 shares of series D (including 14,700 shares, for which the registration process has not yet been completed) - all the shares have a nominal value of 1 PLN each. The total number of votes resulting from all issued shares is 2,599,642. The shares give participation in the share capital of Benefit Systems S.A. equal to the share in the total number of votes at the General Shareholders' Meeting.

3.27. TABLE OF CHANGES IN THE OWNERSHIP OF SHARES OR RIGHTS BY MANAGEMENT OR SUPERVISORY PERSONNEL

The number of shares of Benefit Systems S.A. or other rights to them (options) held by the members of the Management Board and the Supervisory Board at the date of this report is as follows:

Table 18: Shares held by members of the Management Board of Benefit Systems S.A.

	Status on the date of submitting the report for 2016		Status on the date of submitting the report for the 3rd quarter of 2016		
Management Board	**Number of shares**	**Percentage of share capital**	**Number of shares**	**Percentage of share capital**	**Change in status**
Arkadiusz Hanszke	-	-	-	-	-
Adam Kędzierski	2,069	0.08%	2,069	0.08%	-
Grzegorz Mędza	-	-	-	-	-
Izabela Walczewska-Schneyder	1,105	0.05%	1,105	0.05%	-
Total	**3,174**	**0.13%**	**3,174**	**0.13%**	**-**

Table 19: Shares held by members of the Supervisory Board of Benefit Systems S.A.

	Status on the date of submitting the report for 2016		Status on the date of submitting the report for the 3rd quarter of 2016		
Supervisory Board	**Number of shares**	**Percentage of share capital**	**Number of shares**	**Percentage of share capital**	**Change in status**
James van Bergh*	605,396	24.07%	605,396	24.07%	-
Przemysław Gacek	0	0.00%	0	0.00%	-
Marcin Marczuk	0	0.00%	0	0.00%	-
Artur Osuchowski	0	0.00%	0	0.00%	-
Michael Sanderson	0	0.00%	0	0.00%	-
Total	**605,396**	**24.07%**	**605,396**	**24.07%**	**-**

** Direct share; additionally, a person close to the Chairman of the Supervisory Board (within the meaning of article 160, paragraph 2, point 1 of the act on trading) controls Benefit Invest Ltd. as a shareholder with a holding of 93.3%, where this company holds shares in Benefit Systems S.A. in the amount of 581,504 representing 23.12% of its share capital and in the total number of votes (on the date of submitting the report for 2016).*

The members of the Management Board and Supervisory Board of the parent company do not hold interests in subsidiaries.

3.28. ANY AGREEMENTS BETWEEN THE GROUP AND MANAGEMENT PROVIDING FOR COMPENSATION IN THE EVENT OF THEIR RESIGNATION OR DISMISSAL FROM THEIR POSITION WITHOUT A VALID REASON

In the event of the termination of an employment contract with a member of the Management Board by the Employer (after 12 months of the contract of employment), the Employer guarantees the Employee a severance payment of three times the average monthly salary of the Employee gross for the last 12 months in two equal instalments payable: the first payable on the date of the termination of the contract, the second 90 days later.

3.29. THE VALUE OF REMUNERATION, REWARDS OR PERKS, INCLUDING THOSE RESULTING FROM INCENTIVE OR BONUS PROGRAMMES BASED ON THE EQUITY INSTRUMENT OF BENEFIT SYSTEMS S.A.

The value of benefits, including those resulting from incentive or bonus programmes based on the equity instrument of Benefit Systems SA, including programmes based on convertible bonds with a pre-emptive right, convertible bonds, subscription warrants, paid, due or potentially due separately for each supervising and managing person in the parent company.

Table 20: Remuneration of the Management Board for the period from 1st January to 31st December, 2016, in Benefit Systems S.A. (no remuneration from subsidiaries)

Member of the Management Board	Remuneration	Other payments	Total
Arkadiusz Hanszke	86	-	86
Adam Kędzierski	480	-	480
Paweł Markowski	456	-	456
Grzegorz Mędza	420	-	420
Izabela Walczewska-Schneyder	420	-	420
Total	**1,862**	**-**	**1,862**

Table 21: Benefits for members of the Management Board in the form of outstanding and potentially outstanding warrants of series D, E and F, as at the end of 2016

Member of the Management Board	Warrants of Series D covered in 2015 for 2014	Warrants of Series E covered in 2016 for 2015	The number of conditionally granted warrants of series F for 2016	Total	Value*
Arkadiusz Hanszke			2,350	2,350	581
Adam Kędzierski	5,500	5,500	7,000	18,000	3,331
Paweł Markowski (Member of the Management Board until 11/05/2016)		700	1,250	1,950	422
Grzegorz Mędza (Member of the Management Board until 31/12/2016)			2,500	2,500	619
Izabela Walczewska-Schneyder	3,500	4,000	5,000	12,500	2,335
Total	**9,000**	**10,200**	**18,100**	**37,300**	**7,288**

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

Table 22: Remuneration of Supervisory Board Members of the parent company Benefit Systems S.A. for the period from 1st January, 2016, to 31st December, 2016 (no remuneration from subsidiaries)

Supervisory Board	Remuneration	Other payments	Total
James Van Bergh	120	-	120
Przemysław Gacek	42	-	42
Marcin Marczuk	24	-	24
Artur Osuchowski	24	-	24
Michael Sanderson	24	-	24
Total	**234**	**-**	**234**

3.30. THE CONTROL SYSTEM FOR EMPLOYEE SHARE SCHEMES

Described in section *3.16. Information on the issuance, redemption and repayment of debt and equity securities of the Management Board's report on the activities of Benefit Systems Group in 2016.*

3.31. INFORMATION ABOUT PROCEEDINGS INSTITUTED BEFORE A COURT OR ADMINISTRATIVE AUTHORITY AND INFORMATION ABOUT SIGNIFICANT SETTLEMENTS OF LITIGATION

Proceedings and settlements in 2016

On 5th October, 2016, Benefit Systems S.A. and Fit Invest Sp. z o. o. concluded a conditional agreement with Glastonbury Ventures Limited (Ltd) and Mr Mikołaj Nawacki for the sale of shares in Calypso Fitness S.A. The agreement relates to the acquisition of 79,471 shares, representing 50.1% of the share capital of Calypso Fitness S.A. The agreement was concluded with a suspending condition on obtaining the unconditional decision of the President of the Office for Competition and Consumer Protection for the approval of the concentration.

Last year, there were no significant settlements from litigation.

Proceedings and settlements after the balance sheet date

In January, 2017, Benefit Systems S.A. was the subject of an inspection by the Office for Competition and Consumer Protection as part of this office's clarification procedures encompassing the fitness industry, including companies offering cards for sports and recreation facilities. As part of these activities, representatives of the office searched the company's premises and gathered explanations from its representatives. These activities by the office were standard in nature. The Management Board declares its full cooperation in the course of the office's clarifying activities.

3.32. INFORMATION ON THE CONCLUSION BY BENEFIT SYSTEMS S.A. OR ITS SUBSIDIARY OF ONE OR MORE TRANSACTIONS WITH RELATED PARTIES

In 2016, there were no significant transactions with related parties on other than those concluded on market terms.

3.33. INFORMATION ABOUT SURETIES, LOANS, BORROWINGS OR GUARANTEES GRANTED BY THE PARENT COMPANY OR ITS SUBSIDIARIES - JOINTLY TO ONE ENTITY - IF THE VALUE OF THE GUARANTEE OR SURETIES IS EQUIVALENT TO AT LEAST 10% OF EQUITY

In 2016, the Group did not grant any sureties for bank loans, borrowings or guarantees with a value exceeding 10% of equity.

3.34. FACTORS WHICH, IN THE ASSESSMENT OF BENEFIT SYSTEMS GROUP, WILL AFFECT ITS RESULTS OVER AT LEAST THE NEXT QUARTER

Benefit Systems Group does not expect significant changes in the functioning of the Group in the next quarter.

The risk of changes to the macroeconomic situation and demographics of Poland and other countries where the Benefit Systems Group operates

The overall macroeconomic situation of Poland, including factors such as GDP growth, inflation and interest rates, the level of investment in the economy and unemployment, have a direct influence on the decisions of companies with respect to costs, including those on employee benefits. These factors affect the demand for products offered by the company and may affect its financial position. One cannot preclude that in the future the impact of the economic downturn may significantly affect the financial results achieved by the company. In the long term, the Group's operations may also be affected by a change in the demographic structure of Poland, in particular an aging population. One cannot preclude that with this phenomenon and the consequent decrease in the target group (professionally active people) the products currently offered by the Group may fail to enjoy the same interest, which could adversely affect the long-term perspective of its financial results. In the opinion of Benefit Systems Group, the effect of this risk will, however, be limited by the fact that, like the developed countries of Western Europe, Poland has also observed an increase in physical activity among older age groups, which may provide the potential for entry into a new market segment.

The risk associated with changes in the legal environment and the interpretation of tax regulations

An unfavourable factor for the activities of the Benefit Systems Group may be changes in the law or differences in its interpretation. The Polish legal system is characterized by frequent changes in tax laws, therefore, the most important consequences for the Group may result from changes in this very matter of law. Much of the existing legislation has also not been formulated clearly enough, and often lacks an unambiguous interpretation. The interpretations of tax laws change frequently. Neither the practice of tax authorities nor judicial decisions concerning taxation are uniform. As a result of such divergent interpretations of tax regulations in the case of a company operating in Poland there is a greater risk than a company operating in more stable tax systems. In the event of the acceptance by the tax authorities of a different interpretation of tax regulations from that being the basis for calculating the tax liability and applied by the Group, this may have a material impact on the Group's operations, both in terms of its financial situation and its development prospects.

The risk of changes in the law regarding company social benefits funds

The Benefit Systems Group estimates that about 45% of the revenue generated by it from the sales of MultiSport Plus cards and the majority of its revenues from the sale of cafeteria programmes and similar products of the Group are financed by customers from a company social benefits fund, the establishment of which is regulated in the act of 4th March, 1994, on company social benefits funds. The abolishment or amendment of the requirement to establish such a fund by employers could potentially have a negative impact on the financial position of the Group. The Group is observing a moderate decrease in the tendency to finance the purchase of MultiSport Plus cards from funds from company social benefits funds, which results, among others, from the ever-increasing co-financing of MultiSport card purchases by the same end users, as well as from offering the programme to companies that are not obliged by law to create a social benefits fund.

The risk of the emergence of major new competitors

The Benefit Systems Group acknowledges the risk of the emergence of new competitors in the area of operations of the parent company and its subsidiaries. This may occur from organised fitness networks, through the creation of an entity operating on the same basis as the model used by the Benefit Systems Group's parent company, or by the entry onto the market of large domestic or foreign entities hitherto absent from the market with an offer of fitness services for corporate customers. The Group sees a similar risk in relation to other products from the portfolio, which as innovative solutions on the market, may be replicated by competitors in the future. In responding to this threat, the company takes appropriate action to ensure its competitive advantages - distribution platforms and investments in clubs.

The risk associated with the consolidation of fitness networks

The Group acknowledges the risk of potential consolidation in the fitness market. A large network of fitness clubs, which would have the ability to compete with the products of the company by offering corporate customers their own passes, ensuring a relatively high availability of fitness facilities, could create downward pressure on prices for the company's services or result in the take-over of some of its revenue.

The risk of underestimating the price of the main product - MultiSport cards and related products

In determining the price of the MultiSport card, the Benefit Systems Group follows its own estimates of the frequency of visits by cardholders to sports clubs. The Group's main cost are payments to partners for visits by MultiSport cardholders. The Group is exposed to the risk of underestimating the number of visits, which may lower the expected profitability of individual contracts. The impact of this risk is limited by the Group signing contracts with a one month's period of notice (about 98% of all signed agreements) and a process for renegotiating unprofitable contracts, and ultimately a decision to terminate a contract.

The risk of increased activity by MultiSport, FitProfit and FitSport cardholders

The Benefit Systems Group can see the gradually increasing physical activity of Poles, confirmed by independent research by the Central Statistical Office, which directly affects the observed increased activity of cardholders of MultiSport type cards. It may present a risk of a temporary reduction in profit margins on this product. The Group has the ability to change or terminate unprofitable contracts.

The risk associated with conducting operations outside Poland

In 2010, as part of its strategy to expand the scale of operations, not only in terms of products, but also geographically, the Group started operations in the Czech Republic (MultiSport Benefit S.R.O.), and as of 2015 it also operates on the Slovak and Bulgarian markets. On the Czech market the Company achieved profitability and is growing rapidly, and on the other markets it continues to build up its business. It is uncertain whether the business model of Benefit Systems S.A., which has proven itself in Poland, will be well received on the new markets where there are differences in the law on non-wage employee benefits, cultural differences, differences in the level of sporting activity or the traditional ways of non-wage based incentives, which may significantly affect the development of business. Failure to implement the plans on any of the new markets may have a negative impact on the financial results of the Benefit Systems Group. It should be noted, however, that the Group, before deciding to enter a given market, examines its potential together with an analysis of potential threats. Additionally, the Group has adopted a strategy of gradually incurring capital expenditure to take into account the current market situation and the observed increase in business in a given country, which reduces the size of potential losses in the event of the failure of the investment.

The risk related to human resources

The standard of work and key skills of the Group's highly skilled workers, including its managerial staff, are key factors affecting the operations of the Benefit Systems Group. The Management Board for Benefit Systems S.A. believes that the rate of growth of the Benefit Systems Group in the future will depend on the ability to recruit and retain highly qualified management staff and key employees, and the loss of a substantial number of these people would have a negative impact on the Group's operations. The Group successfully acquires appropriate staff, which is supported by its position as a valued employer and work atmosphere prevailing in the organisation. The Group has adopted a strategy of additional motivation for the most valuable human resources through an incentive programme for management and key employees. The risk factors associated with the human resources of Benefit Systems Group also includes changes in the labour market leading to increased expectations and pressure on employee wages, which may have an impact on an increase in operating expenses incurred by the Group on wages.

Operational risk

The Group believes that its financial results may also be affected by potential losses related to processes, technology, infrastructure, human resources (described in detail in the section on risks associated with human resources) and external factors resulting from the Group's activities. The Group strives to maintain operational efficiency at an appropriate level while minimizing potential financial losses in this area. Issues related to operational risk are overseen by the Group's managers and directors responsible for the various areas of the Group's activities. The Group supports these activities through the ongoing development of general standards of operational risk management, including compliance with legal requirements and other regulations, implementation and optimisation of relevant processes, training, as well as through education and maintaining appropriate ethical and business standards.

4. CONSOLIDATED FINANCIAL STATEMENTS OF BENEFIT SYSTEMS GROUP AS AT 31ST DECEMBER, 2016, AND FOR THE 12 MONTHS ENDED 31ST DECEMBER, 2016

4.1. SELECTED FINANCIAL DATA FOR THE BENEFIT SYSTEMS GROUP

Table 23: Selected financial data

	12 months of 2016 In thousands of PLN	12 months of 2015 In thousands of PLN	12 months of 2016 In thousands of EUR	12 months of 2015 In thousands of EUR
Sales revenue	741,972	581,456	169,566	138,945
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	118,784	70,770	27,146	16,911
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 shareholders of the parent company	82,766	49,092	18,915	11,731
Net cash from operating Activities	117,372	71,557	26,824	17,099
Net cash from investment Activities	(66,622)	(42,927)	(15,225)	(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	9,357	4,099
Weighted average number of ordinary shares	2,568,609	2,554,842	2,568,609	2,554,842
Diluted weighted average number of ordinary shares	2,627,406	2,629,374	2,627,406	2,629,374
Earnings per ordinary share attributable to shareholders of the parent company (in PLN/EUR)	32.22	19.22	7.36	4.59
Diluted earnings per ordinary share attributable to shareholders of the parent company (in PLN/EUR)	31.50	18.67	7.20	4.46

	31/12/2016 In thousands of PLN	31/12/2015 In thousands of PLN	31/12/2016 In thousands of EUR	31/12/2015 In thousands of EUR
Non-current assets	373,660	284,613	84,462	66,787
Current assets	195,780	104,130	44,254	24,435
Total assets	569,440	388,743	128,716	91,222
Non-current liabilities	159,861	88,054	36,135	20,663
Short-term (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
Share capital	2,600	2,555	588	600
Number of ordinary shares	2,599,642	2,554,842	2,599,642	2,554,842
Book value per share attributable to share-holders of the parent company (in PLN per share)	86.53	72.63	19.56	17.04

In the periods covered by the financial statements, the following average exchange rates for the zloty against the 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.

4.2. CONSOLIDATED INCOME STATEMENT

Table 24: Consolidated income statement

In thousands of PLN	12 months of 2016	12 months of 2015
Sales revenue	**741,972**	**581,456**
Revenues from sales of 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	8,875	2,863
Other operating costs	(11,172)	(11,598)
Operating profit	**95,347**	**54,900**
Financial income	3,001	3,726
Financial expenses	(6,605)	(4,034)
Share of profits of associates accounted for using the equity method	9,536	8,332
Profit before tax	**101,279**	**62,924**
Income tax charge	(23,439)	(14,265)
Net profit from continuing operations	**77,840**	**48,659**
Net profit	**77,840**	**48,659**
Net profit attributable to:		
- shareholders of the parent company	82,766	49,092
- non-controlling interests	(4,926)	(433)

Table 25: Net income per ordinary share (PLN)

	31/12/2016	31/12/2015
from continuing operations		
- basic	32.22	19.22
- diluted	31.50	18.67
from continuing and discontinued operations		
- basic	32.22	19.22
- diluted	31.50	18.67

Table 26: Statement of other comprehensive income

In thousands of PLN	12 months of 2016	12 months of 2015
Net profit	**77,840**	**48,659**
Financial assets available for sale:		
- gains (losses) recognized in the period in other comprehensive income	0	79
Income tax relating to items transferred to the financial result	0	-15
Other comprehensive income after tax	0	64
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)

4.3. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Table 27: Assets

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

Table 28: Liabilities

In thousands of PLN	31/12/2016	31/12/2015
Equity		
Equity attributable to shareholders of the parent company:		
Share capital	2,600	2,555
Own shares	(57,594)	0
Exchange differences on translation of foreign operations	(131)	(38)
Share premium	51,444	41,458
Reserve capital	9,906	30,500
Other capital	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 share attributable to shareholders of the parent company	82,766	49,092
Equity attributable to shareholders of the parent company:	224,946	185,558
Non-controlling interests	17,251	5,703
Equity	**242,197**	**191,262**
Non-current liabilities		
Interest-bearing bank loans, borrowings and debt securities	121,445	57,847
Finance lease liabilities	27,355	16,515
Other liabilities	4,255	8,093
Provision for deferred income tax	5,907	5,161
Other long-term provisions	0	438
Long-term prepayments	899	0
Total non-current liabilities	**159,861**	**88,054**
Short-term (current) liabilities		
Trade payables and other liabilities	67,513	35,413
Income tax payable	14,220	3,214
Interest-bearing bank loans, borrowings and debt securities	2,505	9,608
Finance lease liabilities	10,397	8,725
Liabilities and provisions for employee benefits	11,619	9,676
Other short-term provisions	2,621	2,874
Accruals	58,507	39,917
Total current liabilities	**167,382**	**109,427**
Total liabilities	**327,243**	**197,481**
Total equity and liabilities	**569,440**	**388,743**

4.4. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Table 29: Consolidated statement of changes in equity

In thousands of PLN	Share capital	Own shares	Exchange differences on translation of foreign operations	Share premium	Reserve capital	Other capital	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at 01/01/2016	**2,555**	**0**	**(38)**	**41,458**	**30,500**	**48,956**	**62,128**	**185,558**	**5,703**	**191,262**
Changes in equity in the period from 01/01 to 31/12/2016										
Shares' issuance	45	0	0	0	0	0	0	**45**	0	45
Shares' issuance in connection with the execution of options (share–based payment programme)	0	0	0	0	0	6,698	0	**6,698**	0	6,698
Share buyback	0	(57,594)	0	0	(57,594)	57,594	0	**(57,594)**	0	(57,594)
Valuation of options (share-based payment programme)	0	0	0	9,986	0	0	0	**9,986**	0	9,986
Change in the structure of the group (transactions with non-controlling interests)	0	0	0	0	0	0	(2,421)	**(2,421)**	16,474	14,053
Exchange differences from consolidation	0	0	(93)	0	0	0	0	**(93)**	0	(93)
Transfer of supplementary capital to reserve capital	0	0	0	0	37,000	(37,000)	0	**0**	0	0
Transfer of net profit to capital	0	0	0	0	0	55,099	(55,099)	**0**	0	0
Total transactions with owners	**45**	**(57,594)**	**(93)**	**9,986**	**(20,594)**	**82,391**	**(57,520)**	**(43,379)**	**16,474**	**(26,905)**
Net profit (loss) for the period 01/01-31/12/2016	0	0	0	0	0	0	82,766	**82,766**	(4,926)	**77,840**
Total comprehensive income	**0**	**0**	**0**	**0**	**0**	**0**	**82,766**	**82,766**	**(4,926)**	**77,840**

In thousands of PLN	Share capital	Own shares	Exchange differences on translation of foreign operations	Share premium	Reserve capital	Other capital	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at 31/12/2016	**2,600**	**(57,594)**	**(131)**	**51,444**	**9,906**	**131,347**	**87,374**	**224,946**	**17,251**	**242,197**

Table 30: Consolidated statement of changes in equity

thousands of PLN	Share capital	Own shares	Exchange differences on translation of foreign operations	Share premium	Reserve capital	Other capital	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at 01/01/2015	**2,555**	**0**	**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)	0	0	0	6,418	0	0	0	**6,418**	0	**6,418**
Change in group structure (transactions with non-controlling interests)	0	0	0	0	0	0	17	**17**	6,136	**6,153**
Reposting from supplementary capital to reserve capital	0	0	0	0	30,500	(30,500)	0	**0**	0	**0**
Dividends	0	0	0	0	0	0	(22,994)	**(22,994)**	0	**(22,994)**
Exchange differences from consolidation	0	0	(38)	0	0	0	0	**(38)**	0	**(38)**
Transfer of net profit to capital	0	0	0	0	0	10,646	(10,646)	**0**	0	**0**
Total transactions with owners	**0**	**0**	**(38)**	**6,418**	**30,500**	**(19,854)**	**(33,623)**	**(16,597)**	**6,136**	**(10,461)**
Net profit (loss) for the period 01/01-31/12/2015	0	0	0	0	0	0	49,092	**49,092**	(433)	**48,659**

thousands of PLN	Share capital	Own shares	Exchange differences on translation of foreign operations	Share premium	Reserve capital	Other capital	Retained earnings	Total	Non-controlling interests	Total equity
Other comprehensive income after tax for the period 01/01-31/12/2015	0	0	0	0	0	64	0	**64**	0	**64**
Total comprehensive income	**0**	**0**	**0**	**0**	**0**	**64**	**49,092**	**49,156**	**(433)**	**48,723**
Balance as at 31/12/2015	**2,555**	**0**	**(38)**	**41,458**	**30,500**	**48,956**	**62,128**	**185,558**	**5,703**	**191,262**

4.5. CONSOLIDATED STATEMENT OF CASH FLOWS

Table 31: Consolidated statement of cash flows

In thousands of PLN	12 months of 2016	12 months of 2015
Cash flows from operating activities		
Profit before tax	**101,279**	**62,924**
Total adjustments	27,677	13,067
Changes in working capital	258	4,261
Interest paid on operating activities	0	(6)
Income tax paid	(11,842)	(8,689)
Net cash from operating activities	**117,372**	**71,557**
Cash flows from investment activities		
Expenditures on the acquisition of intangible assets	(10,091)	(6,397)
Proceeds from the sale of intangible assets	88	0
Expenditure on the acquisition of property, plant and equipment	(26,961)	(27,651)
Proceeds from the sale of property, plant, equipment	8,004	13,595
Net expenses on acquisition of subsidiaries	(13,961)	(16,708)
Loans collected	2,792	3,258
Loans granted	(19,838)	(8,210)
Expenditure on the acquisition of other financial assets	(8,124)	(2,202)
Proceeds from the sale of other financial assets	294	243
Interest received	698	640
Dividends received	477	504
Net cash from investment activities	**(66,622)**	**(42,927)**
Cash flows from financing activities		
Net proceeds from issue of shares	7,615	1,200
Acquisition of own shares	(57,594)	0
Proceeds from issue of debt securities	70,000	50,000
Proceeds from loans and borrowings	213	1,741
Repayment of borrowings	(12,239)	(31,507)
Repayment of finance leases	(11,740)	(7,536)
Interest paid	(6,062)	(2,381)
Dividends paid	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

In thousands of PLN	12 months of 2016	12 months of 2015
Cash and cash equivalents at end of period	**64,920**	**23,977**

APPROVAL FOR PUBLICATION

The consolidated financial statements of the Benefit Systems Group for the period of 12 months ended 31/12/2016 (together with comparative data) was approved for publication by the company's Management Board on 6th March, 2017.

Date	Forename and surname	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*	

ANNEX NO. 1
CORPORATE GOVERNANCE STATEMENT OF BENEFIT SYSTEMS S.A. FOR 2016, CONSTITUTING AN ANNEX TO THE REPORT ON THE OPERATIONS OF BENEFIT SYSTEMS GROUP IN 2016

1. An indication of corporate governance principles applicable to the company and the location where these principles are publicly available.

Since the first quotation of the company's shares on the parallel market of the Warsaw Stock Exchange, i.e. from 21st April, 2011, the company has been subject to the rules of corporate governance resulting from the "Best Practices of WSE Listed Companies" as defined in the Annex to Resolution No. 12/1170/2007 of the WSE Supervisory Board of 4th July, 2007, as amended. The text of the Best Practices of WSE Listed Companies, which the company was subject to in 2016, is publicly available on the website of the Warsaw Stock Exchange: https://www.gpw.pl/lad_korporacyjny_na_gpw.

Starting from 1st January, 2016, the company is subject to corporate governance rules as set out in the document "Best Practices of WSE Listed Companies 2016" introduced by Resolution No. 26/413/2015 of WSE Supervisory Board, dated 13th October, 2015. The text of this document is available on the company's website at: https://www.benefitsystems.pl/dla-inwestora/lad-korporacyjny/.

Within the scope of this document, the company on 12th January, 2016, issued report 01/2016 (EIB).

2. An indication of the extent to which the company has departed from the provisions of the Code of Best Practice for WSE Listed Companies together with an indication of the provisions and explanation of the reasons for the departures.

In terms of the specific rules contained in Chapter I - Information policy and communication with investors - the company does not apply the following rules:

I.Z.1.10. - The company has not decided to publish financial forecasts.

I.Z.1.15. - The company has not adopted a diversity policy document, however, in its current business it uses criteria such as gender diversity, education, age, professional experience. The company plans to adopt a diversity policy in 2017.

I.Z.1.16. - The company does not transmit sessions of the General Meeting.

I.Z.1.20. - The Company does not publish a record of proceedings of the General Meeting. Information on resolutions adopted are passed by the company in the form of current reports and published on the website.

I.Z.2. - Due to the shareholder structure, the nature and scope of operations and the fact that the company's shares are not qualified to WIG20 or mWIG40, the company maintains a website in English, to a limited extent.

In terms of the specific rules contained in Chapter II - Management Board and Supervisory Board - the company does not apply the following rules:

II.Z.8. - The principle does not apply to the company as of the Supervisory Board was not singled out by the Audit Committee. Its functions are entirely performed by the Supervisory Board.

In terms of the specific rules contained in Chapter III - Systems and internal functions - the company does not apply the following rules:

III.Z.3. - Due to the size and type of business, the company has not established an independent internal auditor and, therefore, does not apply this rule.

III.Z.4. - Due to the size and type of business, the company has not established an independent internal auditor and, therefore, does not apply this rule.

In terms of the specific recommendations and principles contained in Chapter IV - the General Assembly and relations with shareholders - the company does not apply the following recommendations and principles:

IV.R.2. - The company understands that the current formula for the organisation of a General Meeting meets the expectations of Shareholders. Information on resolutions adopted are passed by the company in the form of current reports and published on the website.

IV.R.3. - The company's shares are not traded on foreign markets.

IV.Z.2. - The company understands that the current formula for the organisation of a General Meeting meets the expectations of Shareholders. Information on resolutions adopted are passed by the company in the form of current reports and published on the website.

In terms of the specific recommendations and principles contained in Chapter V - Conflicts of interest and related party transactions - the company applies all the recommendations and detailed rules.

In terms of the recommendation and specific principles contained in Chapter VI - Remuneration - the company does not apply the following recommendations and principles:

VI.R.3. - The company's Supervisory Board has not established a separate remuneration committee. Its functions are entirely performed by the Supervisory Board.

VI.Z.2. - The incentive programme in effect at the company for the years 2014 - 2016 stipulates that the period between the granting of subscription warrants to eligible persons covered by the incentive programme and the possibility of these persons taking up the company's shares is at least 8 months. The incentive programme for the years 2017 - 2020 also provides for a period of at least 8 months.

VI.Z.4. - In the report on activities the company publishes the legally required information concerning the remuneration of Management Board members. Currently, however, the company does not submit a report on the remuneration policy to the extent specified in the rule. The company does not rule out that in the future this rule will be fully applied.

In terms of the recommendations contained in Section I - Recommendations for Best Practice for Listed Companies - the company will never apply the recommendations resulting from point I. 5.

Reason: The solutions adopted by the company for the remuneration of executive directors include a substantial part of the recommendations of the European Commission of 30th April, 2009, on the rules for the remuneration of directors of companies listed on a regulated market (2009/913/EC).

With respect to the remaining extent the company's Management Board decided not to apply the rules due to the need to ensure secrecy with respect to remuneration and the bonus system for executive directors in effect at the company.

In terms of the recommendations contained in Chapter I - Recommendations for Best Practice for Listed Companies - the company will never apply the recommendations resulting from point 12.

Reason: The company's Management Board allows the shareholders or proxy holders to exercise the right to vote during a general meeting in person or by proxy, but without the possibility of using electronic communication for this purpose.

Due to the relatively low number of shareholders in the company - introduction of arrangements for exercising the right to vote in person or by proxy by means of electronic communication would be too expensive and complicated for the company in relation to the actual use of such solutions by the company's shareholders.

In terms of the recommendations contained in section II - Best Practice for the management boards of listed companies - the company will not use the recommendations resulting from section II.1 sub-point 9a.

Reason: The company's Management Board will not publish the proceedings of its General Meetings on the website. However, it will publish the resolutions adopted by the General Assembly in the form of current reports available on the company's website and will provide access at the company's registered office to the minutes of General Meetings.

In terms of the recommendations contained in section II - Best practice for management boards of listed companies - the company will not apply the recommendations resulting from section II.1 in connection with section II 2.

Reason: Given the small share of "free float" in the company's share capital and the fact that the company's offer was addressed to domestic investors and the high cost of translations of corporate documents, the company has decided not to publish corporate documents in English.

In terms of the recommendations contained in section III - Best practices applied by members of supervisory boards - the company will not apply the recommendations resulting from section III.8.

III.8 - *Reason*: The Supervisory Board does not currently operate any committees. If the Supervisory Board appoints committees, the company will endeavour to ensure they operate in accordance with Annex I to the Commission Recommendation of 15th February, 2005, on the role of non-executive directors (...).

In terms of the recommendations contained in section IV - Best practices applied by shareholders - the company will not apply the recommendations contained in section IV.1.

IV.1 - *Reason*: According to information held by the company, the shareholders do not wish the presence of the media during General Meetings.

In terms of the recommendations contained in section IV - Best practices applied by shareholders - the company will not apply the recommendations contained in section IV.10.

Reason: The company's Management Board does not transmit the proceedings of a General Meeting on its website. However, it publishes the resolutions adopted by the General Assembly in the form of current reports available on the company's website and provides access to the minutes of General Meetings at the company's registered office.

Due to the relatively small number of shareholders in the company, the introduction of electronic communication solutions enabling two-way communication in real time during General Meetings would be too expensive and complicated for the company in relation to the actual use of these solutions by the company's shareholders.

3. A description of the main features of internal control and risk management in relation to the process of preparing financial statements and consolidated financial statements.

Control and risk management in relation to the financial reporting process is exercised by the Management Board, Chief Financial Officer and Chief Accountant.

The process of preparing financial information for reporting purposes is automated and based on the Symfonia IT system. The preparation of data in source systems is subject to formalized operational and acceptance procedures. Manual adjustments are subject to special control.

The financial statements are prepared by the Department of Finance and Accounting, which is a separate organisational unit reporting directly to the appropriate member of the Management Board. Substantive and organisational supervision over the process of preparing the financial statements is exercised by the Chief Financial Officer together with the Chief Accountant. The financial statements are then submitted for verification and approval by the Management Board.

Those involved in the preparation of the financial statements are qualified and participate in periodic training to enable the preparation of financial statements in accordance with the applicable accounting standards by the company.

Changes in laws and regulations relating to external reporting requirements are continuously monitored. As a result, the company is able to prepare for possible regulatory changes well in advance. This is also reflected in the accounting principles on which the financial statements are prepared.

In relation to the subsidiaries that are consolidated for the purpose of preparing the Group's financial statements, the company exercises control functions through representatives on the Supervisory Boards of these companies.

4. Information about shareholders holding at least 5% of the votes at the general shareholders' meeting of Benefit Systems S.A., together with changes in the ownership structure of significant share packages in the parent company in the period from the previous quarterly report

The percentage of the share capital and voting rights takes into account the share capital increase made under the conditional capital.

The shareholder structure of Benefit Systems S.A. as at the date of this report for 2016 is as follows:

	Status on the date of submitting the report for 2016		Status on the date of submitting the report for the 3rd quarter of 2015		
Shareholder	Number of shares	Share in the total number of votes at a General Meeting of Shareholders	Number of shares	Share in the total number of votes at a General Meeting of Shareholders	Change

James Van Bergh	605,396	24.07%	605,396	24.07%	-
Benefit Invest Ltd.	581,504	23.12%	581,504	23.12%	-
MetLife DFE	293,951	11.69%	293,951	11.69%	-
Marek Kamola	262,830	10.45%	262,830	10.45%	-
Nationale-Nederlanden	245,000	9.74%	245,000	9.74%	-
Others	610,961	20.92%	610,961	20.92%	-
including Benefit Systems S.A. (own shares)	84,730		84,730		-
TOTAL	**2,599,642**	**100.00%**	**2,599,642**	**100.00%**	**-**

** together with the issue of series D shares (14,700 shares) in exchange for the warrants of E series under the terms of the Incentive Programme, for which the registration process (NDS, WSE) has not been completed at the reporting date.*

The company's share capital amounts to 2,599,642 PLN. The number of shares in the share capital amounts to: 2,599,642 shares, including 2,204,842 shares of series A, 200,000 shares of series B, 150,000 shares of series C, and 44,800 shares of series D (including 14,700 shares, for which the registration process has not yet been completed) - all the shares have a nominal value of 1 PLN each. The total number of votes resulting from issued shares is 2,599,642 (together with 84,730 shares of Benefit Systems S.A., without voting rights for the company) - the shares give participation in the share capital of Benefit Systems S.A. equal to the share in the total number of votes at the General Shareholders' Meeting.

5. The holders of any securities that give special control rights and a description of such rights.

The Group is not aware of any holders of securities with special powers. The company's statute does not confer special powers to any shareholders or holders of other securities.

6. Restrictions on voting rights, such as a limitation in the voting rights of holders of a given percentage or number of votes, deadlines for exercising voting rights or provisions according to which, with the cooperation of the company, the equity rights related to securities are separated from holding securities.

As a consequence of the buyback of shares carried out by the company, in 2016 it acquired 84,730 of its own shares, which, in accordance with the Code for Commercial Companies, do not confer voting rights.

7. Restrictions on the transfer of ownership to the company's securities

From information held by the company it can be seen that in 2016 the persons entitled to convert the warrants of series E covered 14,700 series D shares, with respect to which there is a six-month ban on transferring ownership of the company's shares.

8. The rules governing the appointment and dismissal of managers of managing bodies and their rights, including the right to decide on the issue or redemption of shares

The Management Board and each member of the Management Board is appointed for a joint four-year term and dismissed on the basis of a resolution of the Supervisory Board. The Supervisory Board adopts resolutions with a majority of 3/5 of votes in the presence of at least half of the members of the Supervisory Board. In the case of a tied vote, the Chairman of the Supervisory Board holds the casting vote. All members of the Supervisory Board must be invited to a session for the validity of the Supervisory Board's resolutions.

Management Board members may be reappointed for successive terms. The company's current Management Board was appointed on 11th June, 2013, for a four-year term.

The Management Board is entitled to manage the company's affairs to the extent specified in the company's statute and unrestricted to other authorities of the company pursuant to the company's statute and the provisions of current law.

9. Amendments to the company's statute or articles of association

A change in the company's statute is within the competence of the General Assembly and requires a resolution by the General Shareholders' Meeting of the company passed with an absolute majority of votes, while maintaining the specific requirements of the provisions of current law.

In accordance with the provisions of the Code for Commercial Companies, in the case of an intended amendment to the statute contained in the notice convening the General Meeting, which is published on the website of the company, and in accordance with the principles of providing current and periodic information, all the existing provisions and the proposed changes are included in the notice.

Following the adoption by the General Assembly of a resolution to amend the company's statute, the Management Board shall notify the court of registration of this fact. A change made in the statute is in force from the time of its registration by the court.

Subsequently, the Supervisory Board specifies the uniform text of the statute taking into account the changes, if the General Assembly authorizes the Supervisory Board in this regard.

10. The modus operandi for a general shareholder's meeting, its key powers, and a description of shareholders' rights and their execution, in particular the principles arising from the regulations for the general shareholders' meeting.

The General Meeting of the company operates on the basis of:

1) the company's statute,

2) the regulations of the Company's General Meeting – the resolution of the Extraordinary General Shareholder's Meeting from 24th November, 2010, which sets the rules for participation in General Meetings and the exercise of voting rights and the procedure for convening and cancelling the General Assembly, its opening and proceedings, as well as the procedure for election of Supervisory Board members.

The General Assembly, held at the registered office of the Company, is convened by the company's Management Board in the cases provided for in the statute or the Code of Commercial Companies. However, a General Meeting should be held no later than six months after the end of the financial year.

The right to convene the Annual General Meeting is also held by the Supervisory Board, if the Management Board does not convene it within the aforementioned time, and in the case of an Extraordinary General Meeting, if the Supervisory Board deems it necessary to convene an extraordinary meeting.

The Extraordinary General Meeting is convened by the company's Management Board on its own initiative, at the request of the Supervisory Board or at the request of any member of the Supervisory Board and in the cases specified in the statute and mandatory provisions of law.

The request to convene a general meeting and include certain issues on its agenda, as well as a request to remove an issue from the agenda submitted by authorised parties, should be submitted to the Management Board in writing or in electronic form and justified in a manner enabling the adoption of resolutions with due discernment. Draft resolutions to be adopted by the General Assembly and other relevant documents should be presented to the shareholders together with a justification and the opinion of the Supervisory Board, if the Supervisory Board considers an opinion to be justified before the General Assembly, in sufficient time to read them and evaluate them with regard to the provisions of the Code for Commercial Companies.

The General Assembly is convened by an announcement on the company's website and in accordance with the principles of providing current and periodic information.

Holders of registered shares, temporary certificates, pledgees and users who are entitled to vote, are allowed to participate in the General Meeting if they are entered in the share register on the date of registering the participation in the General Meeting.

Holders of bearer shares in the form of a document are entitled to participate in General Meetings, if the share documents are submitted to the company no later than on the date of registration of participation in the General Meeting and are not collected before the end of the day. Certificates issued as proof of depositing shares with a notary, a bank or an investment company with its registered office or a branch established in the territory of the European Union or a state, which is party to the Agreement on the European Economic Area, may be submitted instead. The certificate should list the number of share documents and state that the shares will not be released before the end of the General Meeting.

In order to participate in a General Meeting, holders of dematerialized bearer shares have the right to demand from the entity managing their securities account the issue of a personal certificate of entitlement to participate in a General Meeting. This request must be submitted no earlier than after the notice convening the General Meeting and no later than the first business day after the registration for participation in the General Meeting.

The General Meeting should be attended by members of the Management Board and the Supervisory Board with a representation enabling them to provide substantive answers to questions asked during the General Meeting and in a General Meeting, where the agenda includes the company's financial matters, the auditor performing the audit of the financial statements of the company and the chief accountant of the company should also participate.

The General Meeting may be attended by experts and other persons invited by the body convening the General Meeting. The members of the Supervisory Board and the Management Board and invited experts should, within the limits of their powers and to the extent necessary to settle issues discussed by the Assembly, provide the participants of the meeting with explanations and information concerning the company.

In addition to the matters specified in the Code for Commercial Companies and the Statute, resolutions of the General Meeting shall be required:

1) to determine the date and dividend payment date,

2) to consider points lodged by the Supervisory Board, the Management Board or by shareholders,

3) to appoint members of the Supervisory Board on the terms described in the Statute,

4) to determine the remuneration of the members of the Supervisory Board.

A shareholder who is a non-corporate shareholder may participate in a General Meeting and exercise their right to vote in person or by proxy.

A shareholder who is not a non-corporate shareholder may participate in a General Meeting and exercise their right to vote through a person authorised to represent it or by proxy.

The power of attorney shall be prepared in writing under pain of invalidity or granted in electronic form and attached to the minutes of the General Meeting.

A power of attorney in electronic form should be notified to the company at the address indicated in the notice convening the General Meeting in the form of an email, whilst making all efforts to ensure the effective verification of the validity of the power of attorney. Along with information on the power of attorney, the principal sends a scan of the power of attorney and a scan of the ID card, passport or driving license of the shareholder as the principal and the appointed proxy. If the power of attorney is granted by a legal person or entity referred to in article 33[1] of the Civil Code, the principal sends a scanned copy of the register in which the principal is registered. Documents sent electronically should be translated into Polish by a sworn translator. A shareholder sending notice of a power of attorney being granted simultaneously sends it to the company's email address and the telephone number of the shareholder and proxy, which the company will be able to use to communicate with the shareholder and their proxy. Electronic submission of the above documents does not provide the proxy with exemption from presenting the identification documents when drawing up the list of persons entitled to participate in the General Meeting.

The company shall take appropriate action to identify the shareholder and the proxy in order to verify the validity of the power of attorney granted in electronic form. This verification may consist of, among other things, a return question sent by mail or telephone to the shareholder and the proxy in order to confirm the granting of the power of attorney.

The rules concerning the identification of the shareholder and the proxy shall apply accordingly in the event of the cancellation of the power of attorney. The notification of the granting or revoking of a power of attorney without observing the procedure described above, shall have no legal effect for the company.

Members of the Management Board or employees of the company cannot be proxies of a shareholder at a General Meeting, with the reservation that this restriction does not apply to a public company.

The company provides a form on its website allowing the exercise of a vote by a proxy.

A shareholder may vote differently for each share owned.

Voting on resolutions is open, with the exception of the following issues:

The Chairman of the General Shareholders' Meeting shall order a secret ballot for appointments or dismissals of members of the company's bodies or liquidators, for calling them to account, as well as in personal matters. In addition, the Chairman of the General Meeting shall order a secret ballot at the request of at least one of the shareholders present or represented at the General Shareholders' Meeting.

The General Assembly may adopt a resolution to waive the secrecy of voting on issues relating to the election of the Returning Committee. For this purpose, before adopting a resolution on the election of the Returning Committee, the General Assembly must each time adopt a resolution to waive the secrecy of the vote on the resolution to elect the Returning Committee.

Resolutions relating to a significant change in the company's activities are passed in an open vote by roll call and should be made public.

Voting can take place using electronic means, but this does not mean there is the possibility of participating in the General Meeting by means of electronic communication provided for in article 406^5 of the Code for Commercial Companies.

A shareholder may not, either personally or by proxy or as a proxy of another person, vote on resolutions concerning his liability towards the company for any reason, including discharge, release from obligations to the company and a dispute between him/her and the company. In the event the company obtains the status of a public company, a shareholder may vote as a proxy when making resolutions concerning his/her person.

Resolutions on the election of bodies or committees are held by voting for each candidate separately in alphabetical order. If the number of candidates is not greater than the number of seats, the Chairman of the General Meeting may order a joint vote on the list of candidates, if none of the shareholders object to this.

If the candidates receive an equal number of votes, the Chairman of the General Shareholders' Meeting shall order a re-vote with the participation of these candidates, if it is necessary to determine the persons to be selected.

With the reservation of § 8, paragraph 2 of the Rules, the Chairman of the General Shareholders' Meeting shall announce the result of voting and state that a resolution was adopted or that a resolution was not adopted due to failing to obtain the required majority of votes. The Chairman reads out the contents of the adopted resolution.

Objectors to a resolution must have the opportunity to concisely present the reasons for their objections.

Resolutions of the General Meeting shall be passed with an absolute majority of votes unless the Statute or the Code for Commercial Companies Code provide otherwise.

The resolutions of the General Meeting are placed in the minutes drawn up by a notary, on pain of nullity.

The minutes state the correctness of convening the General Meeting, its ability to adopt resolutions and the resolutions adopted, and for each resolution the number of shares for which valid votes were cast, the percentage of share capital, the total number of valid votes, the number of votes "for" "against" and "abstained" and the objections raised. The attendance list signed by the participants of the General Assembly is attached to the minutes. The evidence of convening the General Meeting shall be placed in the ledger of minutes.

An extract from the minutes, together with the evidence of convening the General Meeting and the powers of attorney granted by shareholders, is attached by the Management Board to the ledger of minutes.

Shareholders may view the ledger of minutes and request the issue of copies of resolutions certified by the Management Board.

Within a week of the end of the General Meeting, the company shall disclose on its website the results of voting to the extent specified in paragraph 2. The results of voting should be available until the deadline to appeal against the resolution of the General Meeting.

At the request of a participant the General Meeting shall include in the minutes a declaration of the participant submitted in writing.

11. Supervisory Board and Management Board composition and changes that have taken place in the bodies of the company.

As at 31/12/2016, the company's Management Board consisted of the following persons:

1) Arkadiusz Hanszke - member of the Management Board,
2) Adam Kędzierski - member of the Management Board,
3) Grzegorz Mędza – member of the Management Board *(resignation submitted on 24th November, 2016, with effect from 31st December, 2015).*
4) Izabela Walczewska-Schneyder – member of the Management Board.

The following persons were members of the Supervisory Board for the company in 2016:

1) James Van Bergh - Chairman of the Supervisory Board,
2) Przemysław Gacek - Deputy Chairman of the Supervisory Board,
3) Marcin Marczuk - member of the Supervisory Board,
4) Artur Osuchowski - member of the Supervisory Board,
5) Michael Sanderson - member of the Supervisory Board.

The company's Management Board operates on the basis of the Regulations of the Management Board. The company's Supervisory Board acts on the basis of the Regulations of the Supervisory Board.

No committee operated in the Supervisory Board in 2016.

The functions of the Audit Committee and the Remuneration Committee were performed by the Supervisory Board.

Date	Forename and surname	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*	