

MANAGEMENT BOARD REPORT ON THE ACTIVITIES OF BENEFIT SYSTEMS GROUP

FOR THE 3 MONTHS
ENDED 31ST MARCH 2019



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APPROVAL FOR PUBLICATION	60

SELECTED FINANCIAL DATA FOR BENEFIT SYSTEMS GROUP

Table 1: Selected financial data for Benefit Systems Group for the 1st quarter of 2019

In thousands of PLN	1Q 2019	1Q 2018 Restated*
Revenues	357 703	281 607
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	74 123	38 600
of which the impact of IFRS 16	26 606	-
Operating profit increased by depreciation and amortisation (EBITDA) excluding the Incentive Programme's costs	75 439	41 618
Earnings before interest, tax (EBIT)	31 889	28 533
of which the impact of IFRS 16	6 674	-
Profit before tax	20 835	27 821
of which the impact of IFRS 16	(2 423)	-
Net profit attributable to shareholders of the parent company	16 246	21 704
Net profit attributable to non-controlling entities	(169)	(62)
Net profit	16 077	21 642
Net cash flows from operating activities	76 070	41 218
Net cash flows from investment activities	(45 704)	(83 795)
Net cash flows from financing activities	(711)	21 124
Net change in cash and cash equivalents	29 655	(21 453)
EPS (PLN)	5.62	8.09

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

In thousands of PLN	As of 31st March, 2019	As of 31st December, 2018
Non-current assets	1 532 715	791 668
of which the impact of IFRS 16	637 500	-
Current assets	293 385	296 997
Total assets	1 826 100	1 088 665
of which the impact of IFRS 16	637 500	-
Non-current liabilities	752 447	148 454
Current liabilities	490 153	373 242
of which the impact of IFRS 16	574 500	-
Equity	583 500	566 969
Equity attributable to shareholders of the parent company	581 135	564 727

Share capital	2 859	2 859
Number of shares	2 858 842	2 858 842
Book value per share (PLN)	203.28	197.54

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

DEVELOPMENT OF THE BENEFIT SYSTEMS CAPITAL GROUP AND ITS MARKET ENVIRONMENT

The Benefit Systems Group specializes in providing employers with effective solutions in the area of non-payroll benefits dedicated to employees. The unique business model of the Benefit Systems Group is based on building and maintaining sustainable relations with Customers (business entities), Partners (sports and recreation facilities, fitness clubs, restaurants, catering facilities etc.) and Cardholders (holders of the MultiSport card). The MultiSport Programme, which has been successfully developed both in Poland and on foreign markets, is the flagship product of the Group.

Last year, responsible actions in favour of all stakeholders of the Group was affirmed by US non-governmental organisation B Lab who awarded its B Corp. certificate to Benefit Systems S.A. The Parent Company is the Central and Eastern Europe's first and, at the current time, Poland's only business entity with Polish background in the international community of the B-Corp enterprises which, in addition to generating profits, also contribute to solving social problems and act for the benefit of all stakeholders.

The key elements of development of the Benefit Systems Group primarily include maintaining an attractive product in Poland and developing it abroad, in particular, through a further development of the sports-recreation infrastructure for the benefit of Cardholders, in particular, by investing into fitness clubs.

The Benefit Systems Group operates in three (3) segments:

- **Polish** (Sports Cards supported by Fitness) – the offered sports cards allow access to a broad offer of over 4 000 sports and recreation facilities, a part of which (150 fitness clubs) belong to the subsidiaries of the Group.

As of the end of Q1 2019, the number of sports cards offered by the Benefit Systems Group in Poland reached the level of 1 032.1, which represents growth in the number of cards by 12.7% as compared to Q1 2018.

Development of the sports cards business is supported by investments into the Group's own infrastructure. As at the end of the 1st calendar quarter of 2019, companies in which the Group was a major shareholder operated 150 facilities across Poland. Attractiveness of their offer and their locations constitute the most important argument for Users and Customers, who decide to choose MultiSport cards (Kantar TNS Report, 2018).

- **Foreign** - which is responsible for sale of sports cards on foreign markets, where foreign investments into fitness companies also represent a substantial support of the products locally developed by the Group.

As of the end of Q1 2019, the number of sports cards offered by the Benefit Systems Group abroad reached the level of 265.3, which represents growth in the number of cards by 63.9% as compared to Q1 2018.

Year on year, the Group has been expanding its business to cover subsequent countries and thus MultiSport cards are already present in the Czech Republic, Slovakia, Bulgaria, Croatia, and shortly also in Greece. Analogously to the Polish market, the foreign investments into fitness infrastructure also support the development of the Group's flagship product. The Group holds shares in the local companies which own 21 fitness clubs in aggregate.

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

In the last calendar quarter, more than 388,8 thousand Users have been already registered in the Cafeterias segment, with the Sports category being most popular among them.

Market environment

The market for non-payroll benefits on which the Benefit Systems Group operates, has been systematically growing. The most recent survey on the 2018 budgets for non-payroll benefits, carried out by ARC Rynek i Opinia to the order of Benefit Systems S.A. shows that in 2018, funds for incentive activities grew in every third company and the value of the market exceeded PLN 12 billion. On average, employers earmarked on non-payroll benefits PLN 1,995.00 per employee, i.e. by PLN 80.00 more than in 2017. The raising of the personal income tax (PIT) deductible amount threshold from PLN 380 to PLN 1000 on account of benefits financed from corporate employee benefits fund programmes (ZFŚS) could also contribute to increase in the value of funds appropriated for the benefits even though the fact that the sports cards are financed by our Customers using the ZFŚS funds had, over the most recent ten years, gradually less and less influence on the decisions to join the MultiSport Programme.

Among the Polish population, sixty-two percent are physically active, including forty-eight percent who practice sports at least once a week. Running is the most popular of sports activities, and the residents of the Lublin voivodship and the city of Warsaw are those who engage most in the physical activity. The sports-activity related figures are still lower than in many Western European countries, which only means that the potential for exploiting a growth of interest in healthy lifestyle and physical activity is still high (in accordance with the 1st edition of annual survey on physical activity: "MultiSport Index" carried out by Benefit Systems S.A. in collaboration with Kantar TNS).

The Benefit Systems Group launches sports-engaging activities dedicated to individual groups of society with their diverse needs and preferences. In 2018, the following projects were being intensely developed: The MultiSport Senior Card and the Active School MultiSport Programme, which grouped as much as 10 thousand of children of primary school grades 4 - 7.

Furthermore, for the last few years, Benefit Systems S.A. has been running a number of sports-engaging activities specially dedicated to the holders of the MultiSport card. In the 2018/2019 winter season, MultiSport Lab's campaign: "Zimowy Narodowy," taking place in the National Stadium in Warsaw, was a big success.

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

1. IMPORTANT INFORMATION ON THE BENEFIT SYSTEMS CAPITAL GROUP

1.1. GENERAL INFORMATION ON THE GROUP AND THE MEMBER COMPANIES OF THE GROUP

The Benefit Systems Group is comprised of Benefit Systems S.A. The Parent Company, which is responsible for the sale of sports cards in Poland, and entities operating on the market for non-payroll employee benefits and on the sports market. Currently, the customers of the Benefit Systems Group in the sports cards segment include over 15 thousand business entities and institutions with over 3.3 million employees.

Since April 2011, Benefit Systems S.A. has been quoted in the main list of the Warsaw Stock Exchange (WSE). The flagship product of the Benefit Systems Group: the MultiSport Programme, provides access to ca. 4 000 sports facilities in approx. 650 locations across Poland. The offer of the Group also includes other sports cards, like e.g. FitProfit, which are described in more detail further herein. The total number of users of merely the sports products offered by the Benefit Systems Group represents over 1 032.1 thousand people in Poland and 265.3 thousand users abroad. The MultiSport Programme is one of Poland's most popular non-payroll benefits that allows leading active, and, therefore, a more beneficial in the health terms lifestyle.

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

With a view to support the dynamic development of the flagship product in the years to come, the Benefit Systems Group has been investing into the fitness market thus providing an appropriate infrastructure for the holders of the MultiSport cards. In accordance with a survey carried out by the Benefit Systems Group, one half (50%) of the cards issued by the Group goes to rookie users. This means that fitness clubs and other sports facilities get several thousand new customers annually. Thanks to investing into companies operating fitness clubs, the Benefit Systems Group can guarantee the sports cards users well outfitted with state-of-the-art equipment sports clubs offering a wide range of professional services. A high level of integration between sports cards and the fitness operations in the Group has also translated into its structure; December, 2018, saw a formal incorporation of a self-balancing branch of Benefit Systems S.A. as a target to ultimately hold all the fitness clubs and concentrate all of the fitness operations.

The concept of the MultiSport Programme supported by investments into the fitness sector is also exploited in the foreign business development. The Benefit Systems Group is already present on the Czech (since 2011), and also on the Slovakian and Bulgarian (since 2015) markets, as well as in Croatia and Greece (since 2018). The aggregate business development potential in the said countries (mainly in the capital cities) may even surmount the capacity of the Polish market.

SUBSIDIARIES AND AFFILIATES

COMPANIES OF THE POLISH SEGMENT

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

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

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

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

Fitness Academy BIS Sp. z o.o. runs twenty (20) fitness clubs in Wrocław, Katowice, Kraków and Legnica. Fitness Academy Sp. z o.o. holds 100% of shares in AM Classic Sp. z o.o. and Jupiter Sport Sp. z o.o.

Fabryka Formy S.A. operates twenty-eight (28) fitness clubs in Poznań and in the neighbouring areas.

Fitness Place Sp. z o.o. operates fifteen (15) fitness clubs under the brand name of My Fitness Place, which are predominantly located in the Małopolskie voivodship.

Fit Fabric Sp. z o.o. operates thirteen (13) fitness clubs, which are predominantly located in the Łódź voivodship. The Company has been consolidated using the full method since 31 October, 2018.

Zdrofit Sp. z o.o. runs forty-five (45) fitness clubs, twenty-seven (27) of which are situated in the Warsaw agglomeration, and the other ones are mainly located in the Pomorskie and Zachodniopomorskie voivodships.

In Q1 2019, the following companies of the Group merged by acquisition into Zdrofit Sp. z o.o.:

Wesolandia Sp. z o.o., which is the owner of recreation complex situated in the Wesola borough of Warsaw: Aquapark Wesolandia, comprising a set of pools, a fitness club and a tennis court.

M Group Sp. z o.o., which is 100% controlled by Zdrofit Sp. z o.o. The company leases premises at the Alchemia office building in Gdańsk to Zdrofit Sp. z o.o.

Fitness Management Sp. z o.o. manages fourteen (14) fitness clubs, acquired from S4 Fitness Club, located in Warsaw, Toruń, Gdynia and Białystok.

Companies: **NewCo2 Sp. z o.o.**, **NewCo3 Sp. z o.o.**, and **Masovian Sports Center Sp. z o.o.** jointly represent fourteen (14) clubs of the Calypso brand, which, since November, 2018, have been spun off from Calypso S.A.'s affiliate and merged into the Benefit Systems Group as its subsidiaries.

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

COMPANIES OF THE FOREIGN SEGEMENT

Benefit Systems International Sp. z o.o. is a vehicle through which the Benefit Systems Group conducts the foreign activity. Benefit Systems International Sp. z o. o. is a majority shareholder in the following international companies: MultiSport Benefit S.R.O. (Czech Republic), Benefit Systems Slovakia S.R.O. (Slovakia), Benefit Systems Bulgaria EOOD (Bulgaria), Benefit Systems D.O.O. (Croatia) and Benefit Systems Greece MIKE (Greece), which, in turn, are responsible for sale of sports cards in the countries of their domicile.

Form Factory S.R.O. (formerly Fitness Place S.R.O) and **Fit Invest Bulgaria EOOD** are responsible for investments into fitness clubs abroad, in particular, for acquisition of the existing ones and the opening of new clubs, in the Czech Republic and in Bulgaria, respectively. Form Factory S.R.O. operates fifteen (15) fitness clubs and Fit Invest Bulgaria EOOD runs six (6) clubs.

Beck Box Club Praha S.R.O. operates six (6) fitness clubs in Prague, the Czech Republic.

Fit Invest International Sp. z o.o. manages Benefit Systems Group's investments into the Foreign segment.

COMPANIES OF THE CAFETERIAS SEGMENT

MyBenefit Sp. z o.o. deals with development and sales (through a special cafeteria platform) of products that business entities may use as incentives and bonuses for their employees. Currently, the company's portfolio includes a bespoke cafeteria system that offers in particular: chain store gift cards, a cinema programme, touristic vouchers and a leisure activities subsidizing system.

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

OTHER COMPANIES

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

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

Table 2: Subsidiaries

Operating segment	Name of the subsidiary	Registered office of the subsidiary	Group's share in equity	
			31.03.2019	31.03.2018
SEGMENT POLAND	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%
	Fit Invest Sp. z o.o. ¹⁾	Plac Europejski 3 00-844 Warsaw	100.00%	100.00%
	Fitness Academy Sp. z o.o.	Plac Europejski 2 00-844 Warsaw	100.00%	100.00%
	Fitness Academy BIS Sp. z o.o. ²⁾	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%
	Fabryka Formy S.A. ³⁾	ul. Rolna 16 62-070 Dopiewo	100.00%	66.06%
	Fitness za Rogiem Sp. z o.o. ³⁾	ul. Rolna 16 62-070 Dopiewo	-	100.00%
	Fitness Place Sp. z o.o.	Plac Europejski 3 00-844 Warsaw	100.00%	100.00%
	Zdrofit Sp. z o.o. ⁴⁾	ul. Mangalia 4 02-758 Warsaw	100.00%	100.00%
	Wesolandia Sp. z o.o. ⁴⁾	ul. Wspólna 4 05-075 Warsaw-Wesoła	0.00%	100.00%
	Fitness Management Sp. z o.o. ⁴⁾	Plac Europejski 3 00-844 Warsaw	0.00%	99.99%
	M Group Sp. z o.o. ⁵⁾	ul. Reymonta 16 80-290 Gdańsk	0.00%	100.00%
	Tiger Sp. z o.o. ⁶⁾	Aleja Grunwaldzka 82 80-244 Gdańsk	0.00%	100.00%
	Fit Fabric Sp. z o.o. ⁷⁾	ul. 1go Maja 119/121 90-766 Łódź	52.50%	30.00%
Benefit Partnes Sp. z o.o.	Plac Europejski 2 00-844 Warsaw	95.00%	47.51%	
FOREIGN SEGMENT	Benefit Systems International Sp. z o.o.	Plac Europejski 2 00-844 Warsaw	100.00%	100.00%
	Benefit Systems Bulgaria EOOD	11-13, Yunak Str., floor 1 Sofia 1612, Bulgaria	100.00%	100.00%
	Benefit Systems D.O.O.	Zagreb (Grad Zagreb) Ožujska 2, Croatia	100.00%	100.00%
	Benefit Systems Greece MIKE	L. Vouliagmenis 47 16675 Hellenic – Argroupoli, Greece	100.00%	0.00%

Operating segment	Name of the subsidiary	Registered office of the subsidiary	Group's share in equity	
			31.03.2019	31.03.2018
	Benefit Systems Slovakia S.R.O.	Ružová dolina 6 Bratislava - mestská časť Ružinov 821 08, Slovakia	83.00%	83.00%
	MultiSport Benefit S.R.O.	Lomnického 1705/9 140 00 Praha4 Czech Republic	78.80%	74.00%
	Form Factory S.R.O. ⁸⁾	Vinohradská 2405/190 Vinohrady, 130 00 Praha 3 Czech Republic	100.00%	100.00%
	Fit Invest Bulgaria EOOD	Atanas Dukov 32 M-Plaza building 1407 Sofia, Bulgaria	100.00%	100.00%
	Beck Box Club Praha S.R.O.	Vinohradská 2405/190 Vinohrady, 130 00 Praha 3 Czech Republic	100.00%	100.00%
	Fit Invest International Sp. z o.o.	Plac Europejski 2 00-844 Warsaw	100.00%	0.00%
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%

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

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

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

4) On 1 March, 2019, Wesolandia Sp. z o.o., Fitness Management Sp. z o.o., Masovian Sports Center Sp. z o.o., NewCo2 Sp. z o.o., and NewCo3 Sp. z o.o. merged by way of their acquisition by Zdrofit Sp. z o.o.

5) On 10 January, 2019, M Group sp. z o.o. merged with Zdrofit Sp. z o.o. by way of its acquisition by Zdrofit Sp. z o.o.

6) On 31 July, 2018, Tiger Sp. z o.o. was merged with Zdrofit Sp. z o.o. by way of takeover by the latter company.

7) Fit Fabric Sp. z o.o. has been consolidated since 2018 based on assumption of full (100%) control net of minority shares, given the fact that the minority shareholders executed contracts obliging them to dispose of the remaining shares.

8) Form Factory S.R.O. was established on the basis of transformation of Fitness Place S.R.O. on 20 December, 2018.

Table 3: Associates and others

Operating segment	Name of associate	Registered office of the associate	Group's share in equity	
			31.03.2019	31.03.2018
SEGMENT POLAND	Baltic Fitness Center Sp. z o.o.	ul. Puławska 427 02-801 Warsaw	49.95%	49.95%
	Instytut Rozwoju Fitness Sp. z o.o.	ul. Puławska 427 02-801 Warsaw	48.10%	48.10%
	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%
OTHER COMPANIES	LangMedia Sp. z o.o.	ul. Skwierzyńska 25/3 53-521 Wrocław	37.00%	37.00%
	X-code Sp. z o.o.	ul. Kludyny 21/4 01-684 Warsaw	31.15%	31.15%

1.2. INCOME STATEMENT

Table 4: Income Statement of Benefit Systems Group for 1Q 2019

In thousands of PLN	1Q 2019	1Q 2018	Change
Sales revenues	357 703	281 607	27.0%
Revenues from services	353 596	278 063	27.2%
Revenues from sales of goods and materials	4 107	3 544	15.9%
Costs of sales	(273 562)	(211 045)	29.6%
Cost of services rendered	(270 511)	(208 598)	29.7%
Cost of goods and materials sold	(3 051)	(2 447)	24.7%
Gross profit on sales	84 141	70 562	19.2%
Selling expenses	(23 706)	(17 048)	39.1%
General and administrative expenses	(29 966)	(24 114)	24.3%
Other operating income	4 712	1 876	151.2%
Other operating costs	(5 332)	(2 743)	94.4%
Re-measurement to fair value of existing holdings	2 040	-	-
Operating profit	31 889	28 533	11.8%
Financial income, of which	859	973	(11.7%)
<i>Interest income</i>	673	-	-
Financial expenses, of which	(12 777)	(2 259)	465.6%
<i>Interest expense on liabilities of leasing</i>	(8 553)	-	-
<i>Write down of financial assets</i>	(4)	-	-
Share of profits (loss) for entities accounted for using the equity method	864	574	50.5%
Profit before tax	20 835	27 821	(25.1%)
Income tax	(4 758)	(6 179)	(23.0%)
Net profit from continuing operations	16 077	21 642	(25.7%)
Gross margin on sales %	23.5%	25.1%	(1.6 p.p.)

1.3. PROSPECTS

The Group generally does not publish its annual budget or short-term financial projections, but rather communicates with the market (concerning its financial prospects among other things) on a current basis.

In accordance with current report of 29 April, 2019, and a further communication specifying in detail the expectations of the Management Board regarding the future results of individual segments, the projected results for year 2019 that are based on the forecasts as of the date of the report are lower than the results for year 2018. The underlying reasons include both business aspects (the observed revenues from the Fitness operations are lower than expected) and the manner of data presentation, i.e. an adverse effect of new IFRS 16 standard applicable to presentation of the results of the Group for 2019. According to the estimates current as of the balance sheet date, the expected results for the entire year 2019 will be lower by a dozen or so percent compared to 2018 (after excluding one-off events).

Fitness clubs are complementary to the business responsible for sale of sports cards. Thanks to the acquisition programme, The Parent Company is the owner of clubs placed in the key locations from the

Multisport Cardholders point of view, what allows to maintain the ability to sustainably increase card sales.

The current results and forecasts for subsequent calendar quarters of the year, allow implementation of the contemplated investments on the basis of own funds and available third-party financing.

2. FINANCIAL RESULTS FOR 1Q 2019 BY OPERATING SEGMENTS OF BENEFIT SYSTEMS GROUP

2.1. INTRODUCTION

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

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

According to the Group, since the origins of the segments, it has been purposive to analyse the results of the Fitness segment jointly with the results of the Sports Cards segment due to numerous synergies occurring between these types of activity (the supporting function of the Fitness segment with respect to the market for and the sales of sports cards). Q4 2018 saw the start of the Group's reorganisation process with a view to the streamlining of its structure, in particular by way of integration of companies of different segments (Sports Cards and Fitness). As a consequence of increasingly closer links between the segments, the Group decided to present their operations jointly in the form of new segment: Polish, comprising both the results of the sports cards and fitness operations generated in Poland and the effects of all synergies between them, with the settlement of accounts between the said business profiles being excluded therefrom already at the level of the said Polish segment.

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

Starting from 2019, the results of the Sports Cards and Fitness segments will be presented jointly as the "Polish" segment on a continuous basis in an analogy to the operations reported in the Foreign segment representing a similar activity on foreign markets.

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

The Other activities and arrangements Segment represents management and administration-related activity and strategic activity within the Group. The segment includes items that are not allocated to the operating segments and exclusions of the intragroup transactions. The revenues of the Other activities

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

Table 5: Selected financial data for operating segments for 1Q 2019

In thousands of PLN	Poland	Foreign	Cafeterias	Other activities and arrangements	Total
Sales revenues	284 793	72 030	9 204	(8 324)	357 703
Costs of sales	(213 864)	(63 275)	(7 509)	11 086	(273 562)
Gross profit on sales	70 929	8 755	1 695	2 762	84 141
Selling expenses	(14 170)	(8 080)	(1 455)	(1)	(23 706)
General and administrative expenses	(17 348)	(7 287)	(1 045)	(2 970)	(28 650)
<i>Incentive Programme</i>	0	0	0	(1 316)	(1 316)
Other operating income and expenses	(90)	(319)	(53)	1 882	1 420
<i>including Re-measurement to fair value of existing holdings</i>	2 040	0	0	0	2 040
Operating profit (loss)	39 321	(6 931)	(858)	357	31 889
Operating profit (loss) excluding IFRS 16 impact	33 137	(7 475)	(766)	317	25 213
Financial income and expenses	(12 963)	(2 356)	(72)	3 473	(11 918)
Share in the profits of associates accounted for using the equity method	424	0	0	440	864
Gross profit (loss)	26 782	(9 287)	(930)	4 270	20 835
Gross profit (loss) excluding IFRS 16 impact	28 406	(8 561)	(704)	4 119	23 260
EBITDA	75 309	(1 666)	23	457	74 123
EBITDA excluding IFRS 16 impact	53 250	(6 198)	(262)	725	47 515
Segment assets	2 135 295	225 270	106 755	(641 220)	1 826 100
Segment assets excluding IFRS 16 impact	1 568 840	162 917	99 021	(642 190)	1 188 588

Table 6: Reconciliation of the total value of revenues, income and assets of operating segments with similar items of the consolidated financial statements of Benefit Systems Group for 1Q 2019

In thousands of PLN	1Q 2019	1Q 2018
Segments revenue		
Total revenue of operating segments	366 027	282 773
Total revenue not allocated to segments	0	0
Excluding revenue from intersegment transactions	(8 324)	(1 166)
Sales revenues	357 703	281 607
Result of segments		
Operating result of segments	31 532	30 800
Other operating income not allocated to segments	0	0
Others operating expenses not allocated to segments (-)	0	0
Exclusion of result from intersegment transactions	357	(2 267)
Operating profit	31 889	28 533
Financial income and expenses	(11 918)	(1 286)
Share in profit or loss of entities accounted for using the equity method (+/-)	864	574
Profit before tax	20 835	27 821
In thousands of PLN	As of 31 March, 2019	As of 31 December, 2018
Total assets of operating segments	2 467 320	1 735 734
Total assets not allocated to segments	0	48 547
Exclusion of intersegment transactions	(641 220)	(695 616)
Total assets	1 826 100	1 088 665

In the period covered by the consolidated financial statements, revenues from sales attributed to the Other activities and arrangements segment primarily include exclusions of intersegment transactions. The costs are associated with management and administration activities, strategic activities in Benefit Systems Group and the cost of the Incentive Programme, support functions and other activities not allocated to separate operating segments.

2.2. INFORMATION ABOUT OPERATING SEGMENTS

2.2.1. SEGMENT POLAND

The **Polish** Segment consists of two mutually cooperating activity pillars: sales of sports cards and fitness clubs operations, constituting an investment into the sports facilities base dedicated to the sports Cardholders.

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

MultiSport Plus - this card allows for the unlimited use of nearly 4 000 sports and recreational facilities throughout Poland, providing access to over 25 different sports;

MultiSport Classic - this card can be used once a day at nearly 2 200 sports facilities providing access to almost 25 different sports;

MultiActive - this card provides access to over 2 000 sports facilities and over 20 different sports up to the prepaid limit stored on the card;

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

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

MultiSport Senior – the card dedicated to users above 60 years of age, which allows for a single daily use of services offered by sports facilities before 4pm. The card provides access to more than 1 500 facilities and 25 different sport activities;

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

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

Sports cards are one of the most popular benefits in Poland. They are one of the most preferred benefits by the employees – they are expected by 50% of job applicants.

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

Considering continued growth in the number of sports Cardholders, the Benefit Systems Group has been investing into the **fitness operations**, including in particular the Group's own fitness clubs, with a view to securing an adequate base of sports-recreation facilities.

Since Q4 2018, the present subsidiaries and affiliates [of the Group] operating on the fitness market, which included companies running fitness clubs and sports-recreation facilities, and entities managing investments into fitness clubs, have been undergoing a gradual reorganisation consisting in their mergers and inclusion into Benefit Systems S.A., taking the form of a self-balancing branch grouping the entire fitness operations.

As of the end of 1Q 2019, the Benefit Systems Group managed Polish companies running in aggregate one hundred and fifty (150) sports clubs on their own. Additionally, the Group held interests in companies managing additional 46 facilities. As compared to 1Q 2018, the scope of the results consolidated fully to the results of the Group grew by 65 facilities. The facilities represent the following well-known brands

(fitness club chains): Zdrofit, Fabryka Formy, Fitness Academy, My Fitness Place, Fit Fabric, S4, AquaPark Wesolandia.

Table 7: Selected financial data of the Segment Poland

In thousands of PLN	1Q 2019	1Q 2018 Restated*	Change
Sales revenues	284 793	232 092	22.7%
Costs of sales	(213 864)	(171 349)	24.8%
Gross profit on sales	70 929	60 743	16.8%
Selling expenses	(14 170)	(10 619)	33.4%
General and administrative expenses	(17 348)	(13 103)	32.4%
Other operating income and expenses	(90)	(843)	(89.3%)
<i>including re-measurement to fair value of existing holdings</i>	2 040	-	-
Operating profit	39 321	36 178	8.7%
Financial income and expenses	(12 963)	(2 895)	347.8%
Share in the profits of associates accounted for using the equity method	424	249	70.3%
Pre-tax profit (loss)	26 782	33 532	(20.1%)
EBITDA	75 309	44 016	71.1%
<i>Gross margin on sales</i>	24.9%	26.2%	(1.3 p.p.)
<i>Number of sports cards (in thousand)</i>	1 032.1	916.1	116.0
<i>Number of clubs</i>	150	85	65

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

The overall impact on the profit (loss) before tax of the Polish segment in its part concerning the fitness operations amounted to PLN 1.6 million in the period under review, which was attributable to reduction in fixed costs by PLN 6.2 million (including reduction in the costs of third-party services by PLN 22.1 million and increase in the amortisation costs by PLN 15.9 million), as well as growth in the financial expenses by PLN 7.8 million. The most important lease items included long-term leases for fitness clubs' premises and sports equipment leases (eliminated at the level of the consolidated result of the Group), as well as lease of office premises for the sports cards operations.

POLISH SEGMENT – SALES OF SPORTS CARDS

As at the end of Q1 2019, the Benefit Systems Group reported growth in the number of sports cards in Poland which reached the level of 1 032.1 thousand cards, and represented accretion of sports cards by 116.1 thousand, i.e. by 12.7%, over the period of 12 months.

The revenues of the Polish segment in its part representing sales of sports cards grew by 15% y-o-y, which was primarily attributable to growth in the sales of sports cards and their slightly higher on average price. In the period under review, gross sales margin grew by PLN 2.2 million whereby the profitability of the core product dropped by 2 p.p. The profitability of the flagship product of the Group still remains at the attractive level of 22% in 1Q 2019 (compared to 24% in 1Q 2018) after inclusion of the settlement of gains with the fitness clubs in the results, what allows for maintaining comparability with data from the period

before the change in segments and merger of companies. The main reason behind the lower result is the observed higher, on average, User's activity as compared to Q1 2018. Analysis of the statistics of sports Cardholders' visits shows that the frequency of the visits of most active ones (so-called heavy users) has still increased in spite of an already much-above-average activity. Furthermore, Q1 2019 also saw further increase of direct production-attributable fixed costs due to growth in the number of people employed (posts) to support sports cards and to higher costs of product-supporting technology, including replacement of terminals, installation of QR scanners (amortisation of completed projects), as well as the projects qualified into the current operating costs, e.g. additional services offered to the sports cards such as the access to bikes offered by Nextibike (1.3 million higher costs compared to 1Q 2018)

Sales and administrative costs have kept a stable relation with the increase in revenues. Their nominal growth compared to the previous year resulted from a wider scale of marketing, communication and public relations actions, as well as growth in employment and implementation of new systems in the supporting departments (Accounting, IT and other).

Thanks to seasonal offers, sports cards are even more attractive. In the beginning of 2019, Benefit Systems yet another time supported Warsaw-based winter campaign "Zimowy Narodowy" at the PGE Narodowy sports stadium as a continuation of the 2018/2019 winter season, among other things, by setting up special MultiSport Lab zone dedicated to children and youth, which, over 98 days, attracted more than 8.5 thousand visitors. The overall costs of the project, the financial gain of which consists in a better retention in terms of the number of sports cards, amounted to ca. 0.8mn. Application of new accounting standard IFRS 16 to the Polish segment, in its part related to sales of sports cards in 1Q 2019, resulted in reduction of third-party service expenses by PLN 2.4 million, growth in amortisation by PLN 2.1 million and of financial expenses by PLN 0.4 million, whereby the most important leasing item consisted of the right to use the office premises of the dominant company's headquarters. The aggregate impact on the gross result of the sports cards operations amounted to PLN 0.1 million in the period under review.

POLISH SEGMENT – SPORTS CLUBS

Only in 1Q 2019, six (6) new fitness clubs were opened: one (1) by Fitness Academy, one (1) by Fabryka Formy, one (1) by Zdrofit, one (1) by MyFitness Place and two (2) by FitFabric. Furthermore, both new ones and the existing facilities are undergoing the continued reorganisation process; in particular, they are being rebranded, which changes the proportion between the numbers of clubs in specific club chains. The comparable period contains consolidated results of eighty-five (85) clubs.

Revenues from the fitness operations grew by PLN 41.9 million vs. the comparable period, due to acquisitions of majority shareholdings in: Fit Fabric, Masovian Sports Center, NewCo2, NewCo3 and Benefit Partners (22 million in aggregate), and owing to organic growth of the controlled companies in the both periods under review.

The Group still holds a high stake of new clubs in its ownership structure which translates into a low, on aggregate, profitability of that part of the operations. In the period from their opening until maturity, which usually takes a few to several months, the relation of fixed costs to revenues from sports facilities is relatively high. In the first stage of their development, new clubs build (or rebuild, if a mature entity was acquired) their customer bases and invest into marketing, whether B2C or B2B (sports cards Users).

In 1Q 2019 the operating profit of the fitness clubs reached PLN 5.9 million, that is PLN 4.8 million more than in comparative period, while change by PLN 5.9 million reflects the positive impact of the

implementation of IFRS 16 on costs. The comparison of the periods includes also the settlement of gains between the Sports cards and Fitness segments which represented the synergies arising between both businesses (based on the relevant agreements among entities). The settlements equaled PLN 9.4 million in 1Q 2019 and PLN 5.5 million in 1Q 2018.

The operating profit of fitness clubs in 1Q 2019 also includes PLN 2.0 million of profit related to the re-measurement, at the moment of gaining control of the entity, to fair value of existing holdings in Benefit Partners Sp. z o.o., which should be treated as one-off event.

Application of new accounting standard IFRS 16 to the Polish segment, in its part related to the fitness clubs operations in 1Q 2019, resulted in reduction of the costs of third-party services by PLN 19.7 million, growth in amortisation by PLN 13.8 million and growth in the financial expenses by PLN 7.4 million, with the most important leasing items representing long-term lease agreements for the premises of the fitness clubs and sports equipment leases (the latter were eliminated at the level of the consolidated result of the Group).

Table 8: The effect of change in the segment classification on the comparable data of the Polish segment.

In thousands of PLN	Poland 1Q 2018 after change in classification (A)	Sports Cards 1Q 2018 before change in classification (B)	Fitness 1Q 2018 before change in classification (C)	Change (A-B-C)
Sales revenues	232 092	203 718	55 529	(27 155)
Costs of sales	(171 349)	(154 816)	(43 595)	(27 062)
Gross profit on sales	60 743	48 902	11 934	(93)
Selling expenses	(10 619)	(7 118)	(3 581)	(80)
General and administrative expenses	(13 103)	(6 585)	(6 540)	(22)
Other operating income and expenses	(843)	(335)	(499)	(9)
Operating profit (loss)	36 178	34 864	1 314	0
Financial income and expenses	(2 895)	0	(2 895)	0
Share in the profits of associates accounted for using the equity method	249	0	249	0
Pre-tax profit (loss)	33 532	34 864	(1 332)	0
EBITDA	44 016	37 146	6 870	0

2.2.2. FOREIGN SEGMENT

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

Benefit Systems International Sp. z o.o. is the dominant entity in relation to other segment companies. The results of all listed companies are consolidated using the full method.

Table 9: Selected financial data from the Foreign segment

In thousands of PLN	1Q 2019	1Q 2018	Change
Sales revenues	72 030	42 393	69.9%
Costs of sales	(63 275)	(37 747)	67.6%
Gross profit on sales	8 755	4 646	88.4%
Selling expenses	(8 080)	(5 426)	48.9%
General and administrative expenses	(7 287)	(5 599)	30.1%
Other operating income and expenses	(319)	208	-
Loss from operations	(6 931)	(6 171)	12.3%
Financial income and expenses	(2 356)	(375)	528.3%
Loss before tax	(9 287)	(6 546)	41.9%
EBITDA	(1 666)	(4 703)	(64.6%)
<i>Gross margin on sales</i>	<i>12.2%</i>	<i>11.0%</i>	<i>1.2 p.p.</i>
<i>Number of sports cards (in thousands)</i>	<i>265.3</i>	<i>161.8</i>	<i>103.5</i>
<i>Number of clubs</i>	<i>21</i>	<i>12</i>	<i>9</i>

First quarter of 2019 has ended with 265.3 thousand active sports card abroad, which constitutes an increase by 103.5 thousand in comparison to the first quarter of 2018.

Table 10. Number of sports cards (thousands) in the countries of the Foreign segment

Country	1Q 2019	1Q 2018	Change
Czech Republic	141.5	90.1	51.4
Bulgaria	90.0	58.9	31.1
Slovakia	26.7	12.7	14.0
Croatia	7.1	-	7.1
Total	265.3	161.7	103.6

* weighted average number of cards for the last month of the period indicated

In the period under review, all the markets opened before 2018 were characterised by dynamic growth in the number of sports cards (over 64% in total), which was as much as 102% in Slovakia.

Dynamic growth was also experienced by newly established companies in: Croatia (Q1 2018), and in Greece (as of the end of Q2 2018), which develop the MultiSport programme on the local markets. The activities of new entities primarily focused on product development, i.e. acquisition of partner facilities.

In Croatia, the product development process was carried out sufficiently fast and effectively enough so that, by the end of March 2019, the company sold as much as 7.1 thousand cards to its customers. The Group expects that the Greek company with its partnership network comprising 123 facilities as at the end of Q1 2019 will open sales still in 2019. In the other countries of the Foreign segment, the respective figures were as follows: 1 636 in the Czech Republic, 772 in Bulgaria, 643 in Slovakia, and 285 in Croatia. The partnership network is being developed both in the capital cities and in smaller locations, in individual countries. This allows the Group to effectively reach out to customers from outside of capital cities with the Multisport product.

FOREIGN SEGMENT – SPORTS CARDS

Revenues from sales of sports cards grew by 74% thanks to a higher, by 103.8 thousand (i.e. by 64%), number of active cards vs. the comparable period.

The Czech market, on which the Benefit Systems Group has been operating since 2011, continues to generate the highest revenues. As of the end of Q1 2019, the Czech market was responsible for over 55% of revenues of that portion of the Foreign segment. The total margin on sales of sports cards in the Foreign segment remained at 12% which was a stable level as compared y-o-y. Even though the trends to engage in sports activities continues to be growing among Europeans, mature operations (in the Czech Republic) still reported significant growths of gross profitability, which, however, at the level of the entire segment, was offset by the operations in the new countries.

Costs of sales and overheads in Croatia and Greece recognized in the aforesaid result grew by PLN 2.5 million in the period under review, which, however, was accompanied by growth in the costs of the holding company managing the business structure with its increasingly large scale and geographic extent (PLN 1.2 million of additional overheads).

Operational profit of the analyzed business was lower by 1.8 million compared to the 1Q 2018 (the effect of IFRS 16 was almost neutral).

Even though the sales and administrative structures in the new countries entered the phase of robust development and in spite of continued reinforcement of the centralised functions in the holding company, the dynamics of the costs of sales and overheads was maintained at a level approximating the dynamics of revenues from sales in the said part of the Foreign segment.

FOREIGN SEGMENT – FITNESS CLUBS OPERATIONS

Table 11: Number of fitness clubs operated by the Group in foreign markets

Company	Number of fitness clubs		
	31.03.2019	31.03.2018	Change
Form Factory S.R.O.*	9	4	5
Beck Box Club Praha S.R.O.	6	6	0
Fit Invest Bulgaria EOOD	6	2	4
Total	21	12	9

* formerly: Fitness Place S.R.O.

The profit or loss of the Foreign segment for 1Q 2019, in its part pertinent to the activity of the fitness clubs, represented operating expenses of the clubs on the following markets:

- Bulgaria – six (6) operating clubs (Mladost, Lyulin, SportBox, NDK, Mplaza, ParkCenter)
- Czech Republic – fifteen (15) operating clubs (Beck Box Club S.R.O. and Form Factory S.R.O.)

as well as the operating result of Fit Invest International Sp. z o.o., the entity managing the clubs, which has been incorporated in the segment structure from September 2018.

A movement in revenues from sales from foreign fitness operations by PLN 6.5 million (i.e. by 78%) follows from a change in the number of clubs consolidated to the results of that part of the Foreign

segment. The growth in the number of clubs is mainly attributable to the effect of acquisitions (in May 2018) of the entities previously operating in the Czech Republic under the Jatomi brand, and to the establishing of four (4) new clubs in Bulgaria.

In spite of significant growth of revenues, gross margin on sales remained at a similar, in the nominal terms, level. Such drop in the profitability is attributable to a small base of customers attending new facilities in the chain whereby the fixed costs remain at a relatively high level, not to mention the initial costs of launching and administering the new locations.

Operational profit of the analyzed business was lower by 1.0 million compared to 1Q 2018 (1.6 million lower after eliminating the positive effect of IFRS 16 on EBIT).

Application of new accounting standard IFRS 16 to the Foreign segment in Q1 2019 resulted in the sinking of the costs of third-party services by PLN 4.5 million, amortisation growing by PLN 4.0 million and increase of financial expenses by PLN 1.3 million. The most important items of newly recognized leases represented long-term lease agreements for the premises of the fitness clubs and leases of sports equipment (which were partially eliminated at the level of the consolidated result of the Group), as well as rentals of office premises for the sports cards operations on the local markets.

2.2.3. CAFETERIA SEGMENT

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

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

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

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

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

MultiTeatr vouchers for theatrical performances in the most popular theaters.

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

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

Table 12: Selected financial data from the Cafeteria segment

In thousands of PLN	1Q 2019	1Q 2018	Change
Sales revenues	9 204	8 288	(11.1)%
Costs of sales	(7 509)	(5 030)	49.3%
Gross profit on sales	1 695	3 258	(48.0%)
Selling expenses	(1 455)	(1 013)	43.6%
General and administrative expenses	(1 045)	(1 491)	(29.9%)
Other operating income and expenses	(53)	39	-
Operating profit	(858)	793	-
Financial income and expenses	(72)	63	-
Profit before tax	(930)	856	-
EBITDA	23	1 198	(98.1%)
<i>Gross margin on sales</i>	18.4%	39.3%	(20.9 p.p.)
<i>Turnover (in millions of PLN) **</i>	74.3	60.9	13.4
<i>Number of users (in thousands)</i>	389	305	84

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

As of the end of Q1 2019, cafeteria-style e-platforms: MyBenefit and MultiKafeteria, were grouping nearly 389 thousand Users, whose number grew by 84.2 thousand y-o-y. Such high growth in the number of Users by nearly one third part has translated into growth in the turnovers generated by the cafeteria platforms by 20%, even though it was not reflected in a growth in the revenues of the segment (consisting primarily of commission fees from suppliers on account of turnover in the marks qualifying for use of vouchers and goods on the e-platforms). The foregoing follows from lower top-ups of employees' accounts by employers and an increase of low-margin categories in share of the total turnover, accompanied by a growth in the realisation of vouchers and cinema tickets noted in the analyzed quarter.

The revenues of the Cafeterias segment grew by 11.1%, whereby gross margin on sales dropped by nearly 48% (with the profitability lower by 20.9 p.p.). The main reason behind a lower profitability in the period under review is an increase in the own costs of sales in the portion of fixed costs allocated to this item. The foregoing was attributable to a higher level of employment in MyBenefit Sp. z o.o. and higher investments into technologies supporting sales and customer service. Furthermore, as a result of development of the organisational structures of MyBenefit Sp. z o.o., in particular, in terms of new projects and technologies (growth in the level of employment by 26% y-o-y), in Q4 2018, review of increasingly specialised functions within the existing departments and of the classification of costs has been undertaken, what has affected the comparative data and explains the negative change of costs of sales in the part of PLN -0.4 million, while the total change equaled PLN 2.5 million between periods.

The structure of sales of the benefits offered via the distribution channel discussed at this point shows that the Sports category invariably enjoys the greatest success. In the 2019 period under review, Sports have already accounted for 52% of turnover of the e-platforms, which only confirms the growth tendency that has been continued for a few years.

Higher level of employment in the sales and marketing departments of MyBenefit Sp. z o.o. and in the key account support team, as well as increased outlays on promotion and communication with customers and users of the Cafeteria platform have contributed to growth of the costs of sales by ca. PLN 0.5 million.

Total indirect expenses of the Cafeterias segment grew by PLN 1.6 million, which was primarily attributable to personnel costs resulting from increased level of employment and costs of development of new projects and services that will be continued over subsequent calendar quarters of 2019.

Application of new accounting standard IFRS 16 to the Cafeterias segment in Q1 2019 resulted in reduction of the costs of third-party services by PLN 0.3 million, growth of amortisation by PLN 0.4 million and of the financial expenses by PLN 0.1 million, which was mainly attributable to recognition of office premises leases.

Table 13: Effect of change in revenues classification to the comparable data in the Cafeteria segment (related to the implementation of IFRS 15)

In thousands of PLN	1Q 2018 after change in classification	1Q 2018 before change in classification	Change
Sales revenues	8 288	11 376	(3 088)
Costs of sales	(5 030)	(8 118)	(3 088)
Gross profit on sales	3 258	3 258	0
Selling expenses	(1 013)	(1 013)	0
General and administrative expenses	(1 491)	(1 491)	0
Other operating income and expenses	39	39	0
Operating profit	793	793	0
Financial income and expenses	63	63	0
Profit before tax	856	856	0
EBITDA	1 198	1 198	0
<i>Gross margin on sales</i>	<i>39.3%</i>	<i>28.6%</i>	<i>10.7 p.p.</i>

2.2.4. OTHER ACTIVITIES AND ARRANGEMENTS

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

Table 14: Other activities and arrangements

In thousands of PLN	1Q 2019	1Q 2018 Restated	Change
Sales revenue	(8 324)	(1 166)	613.9%
Costs of sales	11 086	3 081	259.8%
Gross profit on sales	2 762	1 915	44.2%
Selling expenses	(1)	10	-
General and administrative expenses	(2 970)	(903)	228.9%
<i>Cost of the Incentive Programme</i>	<i>(1 316)</i>	<i>(3 018)</i>	<i>(56.4%)</i>
Other operating income and expenses	1 882	(271)	
Loss from operations	357	(2 267)	-
Financial income and expenses	3 473	1 921	80.8%
Share in the profits of associates accounted for using the equity method	440	325	35.4%
Loss before tax	4 270	(21)	-
EBITDA	457	(1 911)	-

An increase in the value of intrasegmental exclusions is mainly attributable to a growing number of transactions between companies of a large capital group, growth in the number of users of sports cards, and a growing participation of the Cafeterias segment as the sports cards distribution channel.

Gross profit on sales reflects revenues from the marketing activity and from operations not attributed to any segment. It is also an effect of consolidation-related exclusions of amortisation of the trademarks owned by Benefit IP Spółka z ograniczoną odpowiedzialnością sp.k.

The main reason behind the drop in the costs of the Incentive Programme is the fact that it is based on the measurement of 50% of the maximum annual pool of vested warrants with their higher valuation, while the results of 1Q 2018 have included the threshold of 75% and lower valuation.

A significant growth in the financial revenues is attributable to an increasingly larger scale of intragroup loans with their current costs being mainly recognized in the Fitness and Foreign segments and proceeds in Other operations presented in the financial statements.

Table 15: Effect of change in segment classification to the comparable data of the Other activities and arrangements segment.

In thousands of PLN	1Q 2018 after change in classification	1Q 2018 before change in classification	Change
Costs of sales	(1 166)	(28 322)	27 156
Gross profit on sales	3 081	30 144	27 062
Selling expenses	1 915	1 822	93
General and administrative expenses	10	90	80
Costs of sales	(903)	(881)	22
<i>Cost of the Incentive Programme</i>	(3 018)	(3 018)	0
Other operating income and expenses	(271)	(280)	9
Loss from operations	(2 267)	(2 267)	0
Financial income and expenses	1 921	1 921	0
Share in the profits of associates accounted for using the equity method	325	325	0
Loss before tax	(21)	(21)	0
EBITDA	(1 912)	(1 912)	0

2.3. OTHER FINANCIAL DATA

Table 16: Financial income and expenses

In thousands of PLN	1Q 2019	1Q 2018	Change
Financial income, of which	859	973	(11.7%)
<i>Interest income</i>	673	-	-
Financial expenses, of which	(12 777)	(2 259)	465.6%
<i>Interest expense on liabilities of leasing</i>	(8 553)	-	-
<i>Write-downs of financial assets</i>	(4)	-	-
Share of profits (loss) for entities accounted for using the equity method	864	574	50.5%

The profit (or loss) on the financial activity of the Group in Q1 2019 resulted (apart from change of presentation of lease contracts in accordance with IFRS 16) was mainly impacted by a growth in costs that was attributable to the issuance of series of notes (including by the newly consolidated Benefit Partners Sp. z o.o.), increase in overdraft limit and liabilities under financial lease (leaseback for the fitness equipment).

The Dominant Entity Benefit Systems S.A., extended loans at the total carrying amount of PLN 549.2 million (as of 31 March, 2018: PLN 444.8 million), of which lendings to subsidiaries totaled PLN 482.8 million. The above-described capital support is mainly intended for investments into entities operating in the fitness sector (86.3%), in particular as part of a loan programme for independent companies (4.7%), and, to a lesser extent (8.1%) to ensure current liquidity in the foreign companies. Long-term loans account for 90.3% of the carrying amount of the extended loans.

All the loan agreements were concluded on terms not departing from the market terms, and bear variable interest rate based on WIBOR 3M or WIBOR 12M (loans in PLN), or PRIBOR 3M or 12M (loans in CZK), LIBOR EURO 3M or 12M (loans in EUR) and ZIBOR 12M (loans in HRK). The latter is aimed at the limiting of the lender's risk in the event of an adverse movement in the interest rates.

As of the date of the report, the Dominant Entity had debt on account of issuance of three-year notes - in the amount of PLN 70.5 million plus interest, borrowings from affiliates - in the amount of PLN 60.5 million, bank loans - at PLN 140.0 million and financial lease - at PLN 13.7 million. Furthermore, Benefit Partners Sp. z o.o. issued notes with the value of PLN 34.1 as at the balance sheet date.

The profit or loss from the affiliates accounted for using the equity method grew by PLN 0.3 million vs. the comparable calendar quarter. The above item comprises, in the part corresponding to the percentage shareholdings, the results of the following companies: Instytut Rozwoju Fitness Sp. z o.o. (PLN 424 thousand); LangMedia Sp. z o.o. (PLN 272 thousand); and X-Code Sp. z o.o. (PLN 168 thousand). The above item does no longer include Fit Fabric Sp. z o.o. or Benefit Partners Sp. z o.o., which, in Q1 2019, have been included in the full consolidation. Shares in Calypso S.A. lost their value due to transformation of the company (see a detailed description in the 2018 annual financial statements of the Group).

Table 17: Statement of financial position

In thousands of PLN	As of 31.03.2019	As of 31.12.2018	Change	As of 31.03.2018
Non-current assets	1 532 715	791 668	93.6%	533 421
<i>share in balance sheet total</i>	<i>83.9%</i>	<i>72.7%</i>	<i>11.2 p.p.</i>	<i>71.3%</i>
Current assets	293 385	296 997	(1.2%)	215 178
<i>share in balance sheet total</i>	<i>16.1%</i>	<i>27.3%</i>	<i>(11.2 p.p.)</i>	<i>28.7%</i>
Total assets	1 826 100	1 088 665	67.7%	748 599
Capital equity of the shareholders in the parent company	581 135	564 727	2,9%	238 149
<i>share in balance sheet total</i>	<i>31.8%</i>	<i>51.9%</i>	<i>(20.1 p.p.)</i>	<i>31.8%</i>
non-controlling interests	2 365	2 242	5.5%	1 198
<i>share in balance sheet total</i>	<i>0.1%</i>	<i>0.2%</i>	<i>(0.1 p.p.)</i>	<i>0.2%</i>
Long-term provisions and liabilities	752 447	148 454	406.9%	183 664
<i>share in balance sheet total</i>	<i>41.2%</i>	<i>13.6%</i>	<i>27.6 p.p.</i>	<i>24.5%</i>
Short-term provisions and liabilities	490 153	373 242	31.3%	325 588
<i>share in balance sheet total</i>	<i>26.8%</i>	<i>34.3%</i>	<i>(7.5 p.p.)</i>	<i>43.5%</i>
Total equity and liabilities	1 826 100	1 088 665	67,7%	748 599

Non-current assets

The value of non-current assets of the Benefit Systems Group grew by over PLN 741 million as compared to December 2018, of which PLN 637.5 million accounts for recognition of a new right-of-use asset in compliance with IFRS 16.

The level of long-term loans significantly dropped (by PLN 28.7 million) in connection with inclusion of Benefit Partners, a borrower to Benefit Systems S.A. (creditor) in the full consolidation. At the balance sheet date the amount of loans (capital) granted by Benefit Systems S.A. to Benefit Partners Sp. z o.o. equaled PLN 41.0 million (long-term loans) and PLN 3.8 million (short-term loans).

In the calendar quarter under review, the value of tangible fixed assets and intangible fixed assets grew by PLN 113.4 million, i.e. by 35%. Such a significant growth is mainly attributable to a change in the scope of consolidation extended to include Benefit Partners Sp. z o.o. with its leases of equipment to fitness companies at over PLN 80 million. The growth in the value of assets was also attributable to a greater number of sports clubs and to business development activities pursued until the end of 2018 (mainly a plan of ERP system to support the business of Benefit Systems S.A.).

In Q1 2019, deferred tax asset grew by PLN 11 million, which was mainly attributable to growth in the value of the allowance for Users' visits to the facilities of the Fitness segment.

Investments into affiliates dropped by PLN 0.8 million, mainly on account of a movement in the capital commitment to Benefit Partners Sp. z o.o.

Current assets

Total current assets saw a slight drop by PLN 3.6 million (i.e. by 1.2%) as compared to end of year 2018, which was attributable to a significant movement in receivables and loans (total drop by PLN 39.2 million, i.e. by 20%) and significant growth in cash in hand of the Group (by PLN 29.7 million, i.e. 39%).

The main reason behind a lower balance of receivables and loans as compared to December 2018 was inclusion of Benefit Partners Sp. z o.o. into the full consolidation, as a result of which the related mutual settlements of accounts were eliminated at the Group's level.

The operating activity was the main source of increase in the balance of cash of the Group.

Additionally, short-term prepayments grew by PLN 5.2 million (i.e. by 31.4%) on account of movement in the balance of the settlement of accounts related to [Users'] visits to the sports facilities at Benefit Systems S.A.

Long-term and short-term liabilities and provisions

Total long-term liabilities of the Group grew by nearly PLN 604 million as compared to end of year 2018, of which PLN 574.5 million resulted from application of new IFRS 16 for the first time.

Total short-term liabilities of the Group grew by PLN 116.9 million as compared to end of year 2018, of which PLN 115.0 million resulted from application of new IFRS 16 for the first time.

Long-term accrued expenses recognized in Fitness Academy, Fabryka Formy and Zdrofit saw significant drop as a consequence of recognizing of a new right-of-use asset in the balance sheet. The accruals balance was offset against the initial value of the asset. The accruals pertained to, among other things,

rent vacation, so-called fit-out works (of fitness clubs) and other leasing incentives accounted for over time.

Indebtedness on account of loans incurred from entities and institutions and other long-term and short-term debt instruments totaled PLN 246.9 million, which was more by PLN 72.7 million than at the beginning of year 2019. The main reason behind such a significant growth of indebtedness was inclusion, into the full consolidation, of Benefit Partners with its indebtedness of PLN 80.7 million (including PLN 46.6 million to Benefit Systems S.A., and the remaining PLN 34.1 million on account of issuance of notes).

Table 18: Statement of cash flows

In thousands of PLN	1Q 2019	1Q 2018	Change
Net cash flows from operating activities	76 070	41 218	84.6%
Net cash flows from investment activities	(45 704)	(83 795)	(45.5%)
Net cash flows from financing activities	(711)	21 124	-
Net change in cash and cash equivalents	29 655	(21 453)	-
Cash and cash equivalents at end of period	105 474	31 005	240.2%

As of 31 March, 2019, the Group had cash of PLN 105,5 million, which was accumulated predominantly on the bank accounts of the Dominant Entity: Benefit Systems S.A. (PLN 48.3 million), and subsidiaries: MyBenefit Sp. z o.o. (PLN 6.9 million), MultiSport Benefit S.R.O. (PLN 11.5 million), Zdrofit Sp. z o.o. (PLN 12.3 million), Benefit Systems Bulgaria EOOD (PLN 5.1 million), MultiBenefit Sp. z o.o (PLN 3.4 million) and Fabryka Formy S.A. (PLN 5.6 million). In Q1 2019, the Benefit Systems Group was not and is not engaged in any currency options or any other hedge or speculative derivatives.

As of the date of this report, considering the Group's own funds and the available overdrafts, the Group cannot see any problems with its financial liquidity in connection with implementation of its investment undertakings (including in particular capital investments).

Operating activity

Cash flows from operating activities amounted to PLN 76.1 million as at 31 March, 2019 and were higher by PLN 34.9 million as compared to Q1 2018, which was attributable, among other things, to: profit or loss before tax lower by PLN 7.0 million, paid income tax higher by PLN 18.9 million, and positive adjustments higher by PLN 43.4 million (including amortisation of PLN 32.2 million) and movements in working capital higher by PLN 17.3 million vs. the comparable period.

Investment activity

Net cash flows from investment activities amounted to PLN -45.7 million, and mainly accounted for expenses on purchase of tangible fixed assets, i.e. PLN 30.8 million, including fitness equipment of PLN 27.6 million, expenses on acquisition of intangible assets of PLN 12.4 million, loans extended to MS Partners of PLN 3.8 million, and expenses on acquisition of subsidiaries of PLN 3.7 million (including PLN 2.7 million for purchase of Benefit Partners sp. z o.o.). Received repayments of loans and interest of PLN 3.5 million and 1.2 million, respectively, had a positive effect on cash flows from investment activity.

Financial activity

Cash flows from financial activities amounted to PLN -0.7 million as at 31 March, 2019, which was by PLN 21.8 million less than in the analogous period of year 2018, mainly on account of higher repayments of lease liabilities, i.e. (PLN 25.2 million), and paid interest of PLN 11.3 million. The Group reported positive balance of PLN 13.0 million on loans due to higher receipts and lower repayments.

2.4. SELECTED FINANCIAL INDICATORS

Table 19: Selected financial indicators*

Profitability ratios	1Q 2019	1Q 2018	Change
Gross margin	23.5%	25.1%	(1.6 p.p.)
EBITDA margin	20.7%	13.7%	7.0 p.p.
EBIT margin	8.9%	10.1%	(1.2 p.p.)
Pre-tax margin	5.7%	9.8%	(4.1 p.p.)
Net margin	4.4%	7.6%	(3.2 p.p.)
Return on equity (ROE)	2.8%	9.0%	(6.2 p.p.)
Return on assets (ROA)	0.9%	2.9%	(2.0 .p.p)
Liquidity ratios	1Q 2019	1Q 2018	Change
Current liquidity	0.60	0.66	(9.1%)
Quick ratio	0.54	0.56	(3.6%)

*including the impact of IFRS 16

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

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

3. ADDITIONAL INFORMATION

3.1. MATERIAL EVENTS IN THE GROUP DURING THE REPORTING PERIOD

Information regarding subsidiaries in the Benefit Systems Group

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

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

Execution of an annex to the preliminary agreement with Platinum Wellness sp. z o.o.

On 16 January, 2019, Benefit Systems S.A. and Fitness Place sp. z o.o. executed annex to preliminary conditional agreement for sale of organized parts of enterprise taking the form of fitness clubs with Platinum Wellness sp. z o.o. with its registered seat in Kraków as the Seller. .

On 25 January, 2019, preliminary conditional agreement for sale of an organized part of enterprise taking the form of a fitness club was executed between Benefit Systems S.A., the Purchaser and Mr Bartosz Gibała running business activity under the name of Bartosz Gibała Platinum with its registered seat in Kraków.

In accordance with the amended agreement, the sale now pertains to two organized parts of the enterprise of the Seller that are located in the Małopolskie voivodship, at the total price not exceeding PLN 11.3 million. Change in the sale price with respect to the one agreed in accordance with the original wording of the agreement follows both from change of the subject-matter of the final agreement and from the fact that the Seller incurred expenditures on the fit-out works in the additional area of the premises in which the activity of one of the organized parts of the enterprise is conducted.

Under a separate agreement, the present owner of the shares and the Purchaser undertook to enter into final agreement for sale of the organized part of the enterprise situated in the Małopolskie voivodship at the price not exceeding PLN 4 671 million until 31 January 2019. The agreement provides for a number of conditions precedent to the execution of the final agreement for sale of the organized parts of enterprise PBG that are in favour of the Purchaser.

The final agreement in performance of the preliminary conditional agreement for sale of an organised part of enterprise was executed on 1 February 2019.

Implementation of subsequent phases of reorganisation of the Capital Group of Benefit Systems

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

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

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

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

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

Loan agreements extended within the capital group of Benefit Systems

In the period of the first three months of 2019 under review, the following loan agreements were executed between Benefit Systems S.A. (the Lender) and affiliates (the Borrowers):

- Zdrofit Sp. z o.o. at PLN 10.0 million; the loan is aimed at enabling the Borrower to finance their current activity, including the investments into the fitness sector; and
- Benefit Partners Sp. z o.o. at PLN 9.0 million; the loan is aimed at the financing of the Borrower's activity attributable to lease of the sports equipment.

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

Other Information

Execution of an annex to agreement for bank guarantee limit with Santander Bank Polska S.A. with its registered seat in Warsaw On 18 February, 2019, Benefit Systems S.A. and Santander Bank Polska S.A. executed annex to agreement of 2 April, 2012, envisaging, among other things, a change in the amount of the bank's commitment to provide, upon instruction from the customer, a guarantee of up to PLN 60 million over the availability period elapsing on 30 April, 2019. The guarantee limit covers payment of all liabilities arising from lease contracts.

Selection of entity authorised to audit financial statements

On 28 February, 2019, the Supervisory Board of the dominant entity chose KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. to audit the financial statements of the Company and of the Benefit Systems Capital Group for years 2019 and 2020.

3.2. MATERIAL EVENTS IN THE GROUP AFTER THE BALANCE SHEET DATE

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

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

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

3.3. COMPOSITION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

As of the date of this Report, the Management Board of Benefit Systems S.A. consisted of four (4) members, who were the following persons:

- Adam Radzki, Management Board Member,
- Emilia Rogalewicz, Management Board Member,
- Izabela Waleczewska - Schneyder, Management Board Member, and
- Wojciech Szwarc, Management Board Member.

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

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

3.4. SHARES OR OTHER RIGHTS TO THEM IN THE POSSESSION OF THE MANAGEMENT BOARD OR SUPERVISORY BOARD MEMBERS

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

Table 20: Shares held by members of the Management Board of Benefit Systems S.A.

Management Board	As at the date of submitting the report for 1Q 2019		As at the end of 2018		Change
	Number of shares	Percentage of share capital	Number of shares	Percentage of share capital	
Adam Radzki	3 020	0.11%	3 020	0.11%	-
Emilia Rogalewicz	1 081	0.04%	1 081	0.04%	-
Izabela Walczewska-Schneyder	5 090	0.18%	6 099	0.21%	(1 009)
Wojciech Szwarc	0	0.00%	0	0.00%	-
Total	9 191	0.32%	10 200	0.36%	(1 009)

Table 21: Benefits for Members of the Management Board in the form of due and potentially due G, H and I series warrants at the end of 1Q 2019

Management Board	Series G warrants granted for 2017	Series H warrants granted for 2018	Series I warrants granted for 2019	Total	Value* (in ths. PLN)
Adam Radzki	1 750	2 250	600	4 600	2 603
Emilia Rogalewicz	2 500	2 250	600	5 350	2 871
Wojciech Szwarc	1 900	2 250	600	4 750	2 657
Izabela Walczewska-Schneyder	2 500	2 250	600	5 350	2 871
Total	8 650	9 000	2 400	20 050	11 002

*The value of payment under vested subscription warrants is equal to the difference between the option strike price and the share price as of the valuation date (13 February, 2018). The valuation of the series G warrants was based on the prices and terms applicable to the 2017 pool of warrants (PLN 357.17); the valuation of the series H warrants was based on the prices and terms applicable to the 2018 pool of warrants (PLN 638.07), and the valuation of the series I warrants was based on the prices and terms applicable to the 2019 pool of warrants (PLN 904.00).

Table 22: Shares held by members of the Supervisory Board of Benefit Systems S.A.

Supervisory Board	As at the date of submitting the report for 1Q 2019		As at the end-2018		Change
	Number of shares	Percentage of share capital	Number of shares	Percentage of share capital	
James van Bergh*	565 432	19.78%	565 432	19.78%	-
Marcin Marczuk	0	0.00%	0	0.00%	-
Artur Osuchowski	0	0.00%	0	0.00%	-
Michael Sanderson	0	0.00%	0	0.00%	-
Michael Rohde Pedersen	0	0.00%	0	0.00%	-
Total	565 432	19,78%	565 432	19,78%	-

* Direct holding; additionally, a person closely related to the Chairman of the Supervisory Board (within the meaning of article 160, paragraph 2, point 1 of the act on trading) controls Benefit Invest Ltd. as a shareholder with a holding of 93.3%, where this company holds shares in Benefit Systems S.A. in the number of 316 634 representing 11.08% of the share capital and of the total number of votes (as at the date of submitting the report for 2018); in addition, a person closely related to the Chairman of the Supervisory Board is the Chairwoman of the Council of Fundacja Benefit Systems,

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

3.5. SHAREHOLDERS

The percentage of the Parent company's share capital and voting rights takes into account the parent company's 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, E and F granted by the parent company in accordance with the provisions of the Incentive Programme for the years 2014-2016.

Table 23: Shareholder structure

Shareholder	As at the date of submitting the report for 1Q 2019			As at the date of submitting the report for 2018			Change
	Number of shares*	Share in equity	Share in the total no. of votes at GM	Number of shares	Share in equity	Share in the total no. of votes at GM	
James van Bergh	565 432	19.78%	19.78%	565 432	19.78%	19.78%	-
Benefit Invest Ltd.**	316 634	11.08%	11.08%	316 634	11.08%	11.08%	-
Marek Kamola	254 000	8.88%	8.88%	254 000	8.88%	8.88%	-
Fundacja Benefit Systems**	245 372	8.58%	8.58%	245 372	8.58%	8.58%	-
MetLife OFE	226 468	7.92%	7.92%	226 468	7.92%	7.92%	-
Nationale-Nederlanden OFE	150 000	5.25%	5.25%	150 000	5.25%	5.25%	-
Invesco Ltd.	147 496	5.16%	5.16%	147 496	5.16%	5.16%	-
Others	953 440	33.35%	33.35%	953 440	33.35%	33.35%	-
<i>including Benefit Systems S.A. (own shares)</i>	<i>54 811</i>	<i>1.92%</i>	<i>1.92%</i>	<i>54 811</i>	<i>1.92%</i>	<i>1.92%</i>	-
Total	2 858 842	100.00%	100.00%	2 858 842	100.00%	100.00%	-

* in accordance with the received statements and registrations for the General Shareholders Meeting in 2018.

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

The share capital of the Dominant Entity amounts to PLN 2 858 842. Number of shares in the share capital: 2 858 842 shares: including 2 204 842 series A shares; 200 000 series B shares; 150 000 series C shares; 120 000 series D shares; and 184 000 series I shares. Shares of all the issues have the par value of PLN 1.00. The total number of votes from all the issued shares amounts to 2 848 842. Participations of individual shareholders in the share capital of Benefit Systems S.A. are equal to their participations in the total number of votes at the General Shareholders Meeting; as of the date of the report, the Dominant Entity held treasury shares in the amount of 54 811 shares and exercised no voting rights therefrom.

3.6. DIVIDEND

On 10th February, 2016, the Management Board for the parent company adopted its Shareholder Profit Distribution Policy for the years 2016 to 2019, which was subsequently approved by the Supervisory Board and Annual General Meeting of the Parent company. In each year of the Profit Distribution Policy the buyback of shares will be carried out for at least 50% of the net profit of the Parent company for the previous financial year. The policy takes into account the financial situation and investment requirements of the parent company and Group's companies, including those related to the implementation of investment agreements, as well as the demand for liquid cash with companies. The Profit Distribution Policy is in force and applied commencing with the distribution of net profit of the parent company for the year ended 31st December, 2015, and constitutes a continuation of the Dividend Policy of 25th September, 2012.

In 1Q 2019, the dominant company neither disbursed dividends nor bought-back treasury shares.

3.7. INCENTIVE PROGRAMME

On the basis of resolutions of the General Meeting of Shareholders, an Incentive Programme (hereinafter the Programme or IP) exists at Benefit Systems Group. On 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. Specified employees, both among senior executives and employees from middle management can participate in the Incentive Programme. The aim of the programme is to create an incentive system that will promote efficient and loyal work aimed at achieving high financial results and a long-term increase in the value of the Parent company. Under this Programme, eligible employees receive subscription warrants, which are convertible into shares of the parent company. During the Incentive Programme for the period 2017-2020 its participants (at most 149 people) will be able to receive a maximum of 100,000 subscription warrants (which after conversion into shares will represent 3.38% of the share capital of the parent company, increased by the maximum number of warrants), which will give an entitlement to subscribe to the specific number of shares in the parent company at their nominal value in four equal tranches.

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

- Loyalty criterium – that is to remain in the employment contract, which is not terminated, at the end of the calendar year, for which the options are being granted,

- Quality criterium – evaluated after the Group reaches the agreed level of pre-tax profit adjusted for the book cost of the programme attributable to the financial year,
- Evaluation criterium – understood as a positive evaluation of a member of the Programme’s work based on the adopted in the Parent Company internal regulations and the annual goals.

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

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

Table 24: Performance thresholds for the Incentive Programme

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

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

Table 25: Valuation of options - Incentive Programme

Valuation of the Incentive Programme options - Black and Scholes model	
Dane	2019
X (t) - quotation of shares at the valuation date (PLN)	904.00
P - option exercise price (PLN)	491.93
r - risk-free rate for PLN	1.82%
T - date of expiration	2019-12-31
t - current day (for pricing)	2019-02-12
Sigma - daily volatility	31.62%

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

The cost of the Programme recognized in the reporting period amounted to PLN 1 316 thousand and corresponded to realisation of the 50% threshold for the condition of consolidated profit before tax of the Capital Group. Since the origin of the Incentive Programme (2011), the Company has been applying the same measurement methods to the costs of the provision established for the Programme in the profit and loss account.

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

The Benefit Systems Group has not published any projections concerning Q1 2019.

The current report of 29 April, 2019 was published, and further communication regarding the expected results for 2019 occurred due to divergences between the stakeholders' expectations regarding the continued dynamic growth of the results of the Group and the Company's internal estimations predicting a drop in the revenues. The latter trend reversal is attributable both to the operating activity (lower results from the fitness operations) and a new method of presentation of leasing contracts, both of which adversely influence the level of the financial expenses reported by the Group.

3.9. SEASONALITY OF THE BUSINESS

The industry in which the Capital Group operates is characterised by seasonability. Traditionally, in the third calendar quarter (coinciding with the 3rd quarter of the financial year of the Group), the activity of the holders of sports cards and carnets is lower than in Q1, Q2, and Q4, which, on general, has an effect on the revenues and profitability of the activities related to sales of sports cards and to the operating of fitness clubs.

3.10. INFORMATION ON BANK LOANS AND BORROWINGS INCURRED BY AND GUARANTEES AND SURETY EXTENDED TO BENEFIT SYSTEMS GROUP

In Q1 2019 and in the period until publication of this Report, Benefit Systems S.A. and Santander Bank Polska S.A. executed annexes to agreement of 2 April, 2012, envisaging, among other things, a change in the amount of the bank's commitment to provide, upon instruction from the customer, a guarantee of up to PLN 65 million over the availability period elapsing on 30 May, 2020.

On the same day, also annex to multi-purpose multi-currency credit line facility agreement was executed to amend, in particular, the availability period of overdraft by extending it until 30 May, 2020.

In Q1 2019, the Group procured loans from entities or institutions for a total amount of PLN 98.9 million, of which PLN 58.2 million represented loans from non-affiliated entities.

3.11. INFORMATION ON LOANS, SURETY AND GUARANTEES GRANTED

In Q1 2019, the Group extended loans totaling PLN 62.0 million, including loans of PLN 58.2 million to subsidiaries. Information on the principal amounts, interest and maturity of loans extended:

Table 26: Loans extended

in thousands PLN	Maturity	Interest	Principal amount
Loans to non-affiliated MultiSport partners	From 10/02/2020 to 10/03/2029	WIBOR 3M + margin	3 790

In the period under review, the Group also stood sureties and extended guarantees to subsidiaries and affiliates

Table 27: Contingent liabilities

in thousands PLN	Status as of the date of submission of report for Q1 2019	Status as of the end of 2018	Change
Guarantees and sureties	49 236	46 087	3 149

In the period under review, Benefit Systems S.A. and the companies of its Capital Grup neither stood suretyship for a loan incurred from an entity or institution nor extended a guarantee to an entity or such entity's subsidiary, whereby the total value of such suretyships and/or guarantees would be significant with respect to the level of Benefit Systems S.A.'s equity. The significant level of equity value was adopted in accordance with the Individual Reporting Standards which have been in place since July 2016, on the basis of which a significant level of equity is recognized at the threshold of 10% of the equity of the Dominant Entity as established on the basis of the most recently published annual consolidated financial statements.

The above-described contingent liabilities were incurred by the companies of the Polish segment. The main reasons behind them are payments on account of leases for fitness equipment and rent payment guarantees. The growth in the value of guarantees in the period under review follows from an increased number of guarantees extended in pace with the growing number of new fitness clubs within the structures of the Group, and, consequently, new liabilities requiring a guarantee.

3.12. INFORMATION ON THE BENEFIT SYSTEMS GROUP'S EXECUTION OF TRANSACTIONS WITH RELATED PARTIES ON NON-MARKET TERMS

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

3.13. INFORMATION ABOUT PROCEEDINGS INSTITUTED BEFORE A COURT OR ADMINISTRATIVE AUTHORITY AND INFORMATION ON SIGNIFICANT SETTLEMENTS FROM COURT CASES

On 29 June, 2018, the dominant Company was notified that the Chairman of the OCCP initiated antimonopoly proceedings against Benefit Systems S.A. and against fifteen other undertakings in connection with a suspicion of a scheme that could result in a limitation of the competition on the local or the national market for fitness services or on other relevant markets. The proceedings also involved six (6) managers, three (3) of whom worked for the Capital Group of Benefit Systems. The proceedings pertain to issues dating back to 2012-2015.

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

The anticipated deadline to complete the antimonopoly proceedings was set on 30 April, 2019 and then on 30 September, 2019. The Chairman of OCCP noted that due to the complex character of the proceedings and due to the fact that the matter needed to be further examined, the proceedings could not be completed at the present stage.

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

In accordance with law and in line with good practice, the Management Board of the dominant Company will keep the market informed about any subsequent steps taken as part of the proceedings initiated by the OCCP.

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

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

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

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

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

4. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF BENEFIT SYSTEMS GROUP FOR THE 3 MONTHS ENDED 31ST MARCH, 2019

4.1. SELECTED FINANCIAL DATA FOR BENEFIT SYSTEMS GROUP

Table 28: Selected financial data

	1Q 2019 ('000s PLN)	1Q 2018 ('000s PLN)	1Q 2019 ('000s EUR)	1Q 2018 ('000s EUR)
Sales revenues	357 703	281 607	83 229	67 396
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	74 123	38 600	17 247	9 238
Operating profit	31 889	28 533	7 420	6 829
Profit before tax	20 835	27 821	4 848	6 658
Net profit	16 077	21 642	3 741	5 179
Net profit attributable to shareholders of the parent company	16 246	21 704	3 780	5 194
Net cash from operating activities	76 070	41 218	17 700	9 865
Net cash from investment activities	(45 704)	(83 795)	(10 634)	(20 054)
Net cash from financial activities	(711)	21 124	(165)	5 056
Net change in cash and cash equivalents	29 655	(21 453)	6 900	(5 134)
Weighted average number of ordinary shares	2 858 842	2 674 842	2 858 842	2 674 842
Diluted weighted average number of ordinary shares	2 871 777	2 691 789	2 871 777	2 691 789
EPS(in PLN/EUR)	5.62	8.09	1.31	1.94
Diluted EPS (w PLN/EUR)	5.60	8.04	1.30	1.92

	31.03.2019 ('000s PLN)	31.12.2018 ('000s PLN)	31.03.2019 ('000s EUR)	31.12.2018 ('000s EUR)
Non-current assets	1 532 715	791 668	356 288	184 109
Current assets	293 385	296 997	68 208	69 069
Total assets	1 826 100	1 088 665	424 546	253 178
Non-current liabilities	752 447	148 454	174 935	34 524
Current liabilities	490 153	373 242	113 955	86 800
Equity	583 500	566 969	135 657	131 853
Equity attributable to shareholders of the parent company	581 135	564 727	135 107	131 332
Share capital	2 859	2 859	665	665
Number of ordinary shares	2 858 842	2 858 842	2 858 842	2 858 842
Book value (in PLN/EUR)	203.28	197.54	47.26	45.94

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:

- 31.03.2019: 4.3013 PLN/EUR,
- 31.12.2018: 4.3000 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 - 31.03.2019: 4.2978 PLN/EUR,
- 01.01 - 31.03.2018: 4.1784 PLN/EUR.

The highest rate applicable in each period was as follows:

- 01.01 - 31.03.2019: 4.3120 PLN/EUR,
- 01.01 - 31.03.2018: 4.2085 PLN/EUR.

The lowest rate applicable in each period was as follows:

- 01.01 - 31.03.2019: 4.2802 PLN/EUR,
- 01.01 - 31.03.2018: 4.1488 PLN/EUR.

4.2. CONSOLIDATED INCOME STATEMENT

Table 29: Consolidated income statement

In thousands of PLN	1Q 2019	1Q 2018
Sales revenues	357 703	281 607
Revenues from rendering services	353 596	278 063
Revenues from sales of goods and materials	4 107	3 544
Costs of sales	(273 562)	(211 045)
Cost of services rendered	(270 511)	(208 598)
Cost of goods and materials sold	(3 051)	(2 447)
Gross profit on sales	84 141	70 562
Selling expenses	(23 706)	(17 048)
General and administrative expenses	(29 966)	(24 114)
Other operating income	4 712	1 876
Other operating costs	(5 332)	(2 743)
Re-measurement to fair value of existing holdings	2 040	-
Operating profit	31 889	28 533
Financial income, of which	859	973
<i>Interest income</i>	673	-
Financial expenses, including:	(12 777)	(2 259)
<i>Interest costs on lease liabilities</i>	(8 553)	-
<i>Write-downs of financial assets</i>	(4)	-
Share of profits (loss) of associates accounted for using the equity method (+/-)	864	574
Profit before tax	20 835	27 821
Income tax	(4 758)	(6 179)
Net profit from continuing operations	16 077	21 642
Net profit	16 077	21 642
<i>Net profit attributable to:</i>		
- shareholders of the parent company	16 246	21 704
- non-controlling interests	(169)	(62)

Table 30: Earnings per ordinary share (PLN)

	31.03.2019	31.03.2018
from continuing operations		
- basic	5.62	8.09
- diluted	5.60	8.04
from continuing and discontinued operations		
- basic	5.62	8.09
- diluted	5.60	8.04

Table 31: Statement of other comprehensive income

In thousands of PLN	1Q 2019	1Q 2018
Net profit	16 077	21 642
Financial assets available for sale:	0	0
- gains (losses) for the period in other comprehensive income	0	0
Income tax relating to components reclassified to profit and loss	0	0
Other comprehensive income after tax	0	0
FX differences transferred to profit	34	(419)
Total comprehensive income	16 111	21 223
Total comprehensive income attributable to:		
- shareholders of the parent company	16 280	21 285
- non-controlling interests	(169)	(62)

4.3. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Table 32: Consolidated statement of financial position - Assets

In thousands of PLN	As at 31/03/2019	As at 31/12/2018	As at 31/03/2018 Restated
Non-current assets			
Goodwill	355 539	348 547	191 584
Intangible assets	75 562	52 189	28 801
Property, plant and equipment	360 824	270 755	196 309
Right-to-use	637 512	-	-
Investments in associates	13 394	14 149	37 198
Receivables	6 196	5 335	4 372
Loans	60 269	88 932	57 575
Other long-term financial assets	97	97	98
Long-term prepayments	1 583	947	259
Deferred tax assets	21 739	10 717	17 225
Non-current assets	1 532 715	791 668	533 421
Current assets			
Inventories	5 119	5 798	7 402
Trade receivables and other receivables	145 179	172 179	123 997
Income tax receivable	2 851	1 428	1 247
Loans	12 797	25 024	24 540
Other short-term financial assets	116	116	110
Accruals	21 849	16 633	26 877
Cash and cash equivalents	105 474	75 819	31 005
Current assets	293 385	296 997	215 178
Total assets	1 826 100	1 088 665	748 599

Table 33: Consolidated statement of financial position - Liabilities

In thousands of PLN	As at 31/03/2019	As at 31/12/2018	As at 31/03/2018 Restated
Equity			
Equity attributable to shareholders of the parent company			
Share capital	2 859	2 859	2 675
Own shares	(61 157)	(61 157)	(92 051)
Share premium	272 107	272 107	67 537
Exchange differences from consolidation	(597)	(617)	(63)
Reserve capital	(31 194)	(31 194)	(15 194)
Other capital	333 971	332 655	216 018
Retained earnings:	65 146	50 074	59 227
- accumulated earnings for the previous reporting periods	48 900	(64 571)	37 523
- net profit attributable to shareholders of the parent company	16 246	114 645	21 704
Equity attributable to shareholders of the parent company	581 135	564 727	238 149
Non-controlling interests	2 365	2 242	1 198
Equity	583 500	566 969	239 347
Non-current liabilities			
Interest-bearing loans, borrowings and debt instruments	136 461	79 393	152 627
Finance leases	7 859	9 327	14 153
Lease liabilities	574 542	-	-
Other liabilities	31 282	31 850	10 504
Deferred income tax liabilities	2 202	1 109	1 747
Long-term prepayments	101	26 775	4 633
Total non-current liabilities	752 447	148 454	183 664
Current liabilities			
Trade payables and other liabilities	137 867	145 148	102 556
Income tax payable	12 725	24 586	32 910
Interest-bearing loans, borrowings and debt instruments	110 402	94 704	65 256
Finance leases	8 926	7 398	8 275
Lease liabilities	114 980	-	-
Liabilities and provisions for employee benefits	22 699	25 942	12 235
Other short-term provisions:	137	800	1 032
Accruals	82 417	74 664	103 324
Total current liabilities	490 153	373 242	325 588
Total liabilities	1 242 600	521 696	509 252
Total equity and liabilities	1 826 100	1 088 665	748 599

4.4. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Table 34: Consolidated statement of changes in equity

In thousands of PLN	Share capital	Own shares	Share premium	FX differences from consolidation	Reserve capital	Other capital	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at 01 January 2019	2 859	(61 157)	272 107	(617)	(31 194)	332 655	50 074	564 727	2 242	566 969
<i>Changes in equity in the period from 01/01 to 31/03/2019</i>										
Issue of shares related to stock options (Share-based payment programme)	0	0	0	0	0	1 316	0	1 316	0	1 316
Change in the structure of the Group (transactions with non-controlling interests)	0	0	0	0	0	0	(1 714)	(1 714)	278	(896)
Total transactions with owners	0	0	0	0	0	1 316	(1 714)	142	278	420
Net profit (loss) for the period from 01/01 to 31/03/2019	0	0	0	0	0	0	16 246	16 246	(169)	16 077
Currency translation on foreign operations	0	0	0	20	0	0	0	20	14	34
Total comprehensive income	0	0	0	20	0	0	16 246	16 266	(155)	16 111
As at 31/03/2019	2 859	(61 157)	272 107	(597)	(31 194)	333 971	65 146	581 135	2 365	583 500

Table 35: Consolidated statement of changes in equity – cont..

In thousands of PLN	Share capital	Own shares	Share premium	FX differences from consolidation	Reserve capital	Other capital	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at 01 January 2018	2 675	(100 094)	60 586	339	(50 951)	216 018	73 460	202 033	17 844	219 877
Correction due to the application of IFRS 9 (including tax)	2 675	(100 094)	60 586	339	(50 951)	216 018	76 753	205 326	17 844	223 170
<i>Changes in equity in the period from 01/01 to 31/03/ 2018</i>										
Issue of shares	184	0	185 983	0	0	0	0	186 167	0	186 167
Issue of shares related to stock options (Share-based payment programme)	0	0	0	0	0	16 433	0	16 433	0	16 433
Change in the structure of the Group (transactions with non-controlling interests)	0	0	0	0	35 757	0	(35 936)	(179)	(16 568)	(16 747)
Payment with shares	0	8 042	3 933	0	0	0	0	11 975	0	11 975
Realised options	0	0	0	0	4 630	0	(5 184)	(554)	(305)	(859)
Valuation of PUT option for non-controlling shares	0	0	0	0	(20 630)	0	0	(20 630)	0	(20 630)
Share buyback	0	(51 000)	0	0	(51 000)	51 000	0	(51 000)	0	(51 000)
Sale of treasury shares	0	81 895	21 605	0	0	0	0	103 500	0	103 500
Dividends	0	0	0	0	0	0	0	0	(222)	(222)
Transfer of supplementary capital to reserve capital	0	0	0	0	51 000	(51 000)	0	0	0	0
Transfer of net profit to capital	0	0	0	0	0	100 204	(100 204)	0	0	0
Total transactions with owners	184	38 937	211 521	0	19 757	116 637	(141 324)	245 712	(17 095)	228 617

In thousands of PLN	Share capital	Own shares	Share premium	FX differences from consolidation	Reserve capital	Other capital	Retained earnings	Total	Non-controlling interests	Total equity
Net profit (loss) for the period from 01/01 to 31/03/2018	0	0	0	0	0	0	114 645	114 645	1 545	116 190
Currency translation on foreign operations	0	0	0	(956)	0	0	0	(956)	(52)	(1 008)
Total comprehensive income	0	0	0	(956)	0	0	114 645	113 689	1 493	115 182
As at 31/03/2018	2 859	(61 157)	272 107	(617)	(31 194)	332 655	50 074	564 727	2 242	566 969

Table 36: Consolidated statement of changes in equity – cont..

In thousands of PLN	Share capital	Own shares	Share premium	FX differences from consolidation	Reserve capital	Other capital	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at 01 January 2018	2 675	(100 094)	60 586	339	(50 951)	216 018	73 460	202 033	17 844	219 877
<i>Changes in equity in the period from 01/01 to 31/03 2018 (restated)</i>										
Issue of shares related to stock options (Share-based payment programme)	0	0	3 018	0	0	0	0	3 018	0	3 018
Change in the structure of the Group (transactions with non-controlling interests)	0	0	0	0	0	0	(36 837)	(36 837)	(16 567)	(53 404)
Valuation of PUT option for non-controlling shares	0	0	0	0	35 757	0	900	36 657	0	36 657
Sale of treasury shares	0	8 043	3 933	0	0	0	0	11 976	0	11 976
Total transactions with owners	0	8 043	6 951	0	35 757	0	(35 937)	14 814	(16 567)	(1 753)
Net profit (loss) for the period from 01/01 to 31/03.2018	0	0	0	0	0	0	21 704	21 704	(62)	21 642
Currency translation on foreign operations	0	0	0	(402)	0	0	0	(402)	(17)	(419)

In thousands of PLN	Share capital	Own shares	Share premium	FX differences from consolidation	Reserve capital	Other capital	Retained earnings	Total	Non-controlling interests	Total equity
Total comprehensive income	0	0	0	(402)	0	0	21 704	21 302	(79)	21 223
As at 31/03/2018	2 675	(92 051)	67 537	(63)	(15 194)	216 018	59 227	238 149	1 198	239 347

4.5. CONSOLIDATED STATEMENT OF CASH FLOWS

Table 37: Consolidated statement of cash flows

In thousands of PLN	1Q 2019	1Q 2018
<i>Cash flows from operating activities</i>		
Profit before tax	20 835	27 821
Total adjustments	60 687	17 300
Changes in working capital	19 692	2 352
Income tax paid	(25 144)	(6 255)
Net cash from operating activities	76 070	41 218
<i>Cash flows from investment activities</i>		
Expenditures on the acquisition of intangible assets	(12 408)	(4 366)
Proceeds from the sale of intangible assets	(79)	-
Expenditures on the acquisition of property, plant and equipment	(30 799)	(9 697)
Proceeds from the sale of property, plant, equipment	395	383
Net expenses on the acquisition of subsidiaries	(3 740)	(62 808)
Loans collected	3 497	2 326
Loans granted	(3 790)	(9 840)
Interest received	1 220	207
Net cash from investment activities	(45 704)	(83 795)
<i>Cash flows from financing activities</i>		
Repayments of debt securities	(2 250)	-
Proceeds from loans and borrowings	40 678	33 307
Repayment of borrowings	(2 626)	(8 220)
Lease payments	(25 214)	(1 961)
Interest paid	(11 299)	(2 002)
Net cash from financial activities	(711)	21 124
Net change in cash and cash equivalents	29 655	(21 453)
Cash and cash equivalents at beginning of period	75 819	52 458
Cash and cash equivalents at end of period	105 474	31 005

5. CONDENSED FINANCIAL STATEMENTS OF BENEFIT SYSTEMS S.A. PREPARED FOR THE 3 MONTHS ENDED 31ST MARCH, 2019

5.1. SELECTED FINANCIAL DATA FOR BENEFIT SYSTEMS S.A.

Table 38: Selected financial data of Benefit Systems S.A.

	1Q 2019 in thousands of PLN	1Q 2018 in thousands of PLN	1Q 2019 in thousands of EUR	1Q 2018 in thousands of EUR
Sales revenues	216 785	189 613	50 441	45 379
Operating profit	22 160	26 794	5 156	6 413
Profit before tax	34 638	31 427	8 059	7 521
Net profit from continuing operations	32 467	26 121	7 554	6 251
Net cash from operating activities	27 565	41 917	6 414	10 032
Net cash from investment activities	(46 649)	(50 131)	(10 854)	(11 998)
Net cash from financial activities	48 484	8 115	11 281	1 942
Net change in cash and cash equivalents	29 400	(99)	6 841	(24)
Weighted average number of ordinary shares	2 858 842	2 674 842	2 858 842	2 674 842
Diluted weighted average number of ordinary Shares	2 871 777	2 691 789	2 871 777	2 691 789
Earnings per ordinary share (in PLN/EUR)	11.36	9.77	2.64	2.34
Diluted earnings per ordinary share (in PLN/EUR)	11.31	9.70	2.63	2.32

	As at 31/03/2019 in thousands of PLN	As at 31/12/2018 in thousands of PLN	As at 31/03/2019 in thousands of EUR	As at 31/12/2018 in thousands of EUR
Non-current assets	972 552	835 685	226 107	194 345
Current assets	167 470	159 139	38 935	37 009
Total assets	1 140 022	994 824	265 041	231 354
Non-current liabilities	145 213	47 886	33 760	11 136
Current liabilities	295 604	256 002	68 724	59 535
Equity	699 205	690 936	162 557	160 683
Share capital	2 859	2 859	665	665
Number of ordinary shares	2 858 842	2 858 842	2 858 842	2 858 842
Book value per share (in PLN/EUR per share)	244.58	241.68	56.86	56.21

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:

- 31.03.2019: 4.3013 PLN/EUR,

- 31.12.2018: 4.3000 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 - 31.03.2019: 4.2978 PLN/EUR,

- 01.01 - 31.03.2018: 4.1784 PLN/EUR.

The highest rate applicable in each period was as follows:

- 01.01 - 31.03.2019: 4.3120 PLN/EUR,

- 01.01 - 31.03.2018: 4.2085 PLN/EUR.

The lowest rate applicable in each period was as follows:

- 01.01 - 31.03.2019: 4.2802 PLN/EUR,

- 01.01 - 31.03.2018: 4.1488 PLN/EUR.

5.2. INCOME STATEMENT

Table 39: Income statement of Benefit Systems S.A.

In thousands of PLN	1Q 2019	1Q 2018
Continuing operations		
Sales revenues	216 785	189 613
Revenues from rendering services	216 785	189 613
Costs of sales	(176 816)	(147 898)
Cost of services rendered	(176 816)	(147 898)
Gross profit on sales	39 969	41 715
Selling expenses	(6 439)	(5 260)
General and administrative expenses	(11 573)	(9 388)
Other operating income	465	1 921
Other operating costs	(262)	(2 194)
Operating profit	22 160	26 794
Financial income, including:	14 815	7 174
<i>Interest income</i>	4 842	-
<i>Dividend income</i>	3 880	-
<i>Write-downs of financial assets</i>	5 996	-
Financial expenses, including:	(2 337)	(2 541)
<i>Interest costs</i>	(530)	-
<i>Interest costs on lease liability</i>	(554)	-
Profit before tax	34 638	31 427
Income tax charge	(2 171)	(5 306)
Net profit from continuing operations	32 467	26 121
Discontinued operations		
Net profit from discontinued operations	0	0
Net profit	32 467	26 121

Table 40: Net income per ordinary share (PLN)

	31.03.2019	31.03.2018
From continuing operations		
- Basic	11.36	9.77
- Diluted	11.31	9.70
From continuing and discontinued operations		
- Basic	11.36	9.77
- Diluted	11.31	9.70

Table 41: Statement of other comprehensive income

In thousands of PLN	1Q 2019	1Q 2018
Net profit	32 467	26 121
Financial assets available for sale:	0	0
- Gains (losses) for the period in other comprehensive income	0	0
Income tax relating to components reclassified to profit and loss	0	0
Other comprehensive income after tax	0	0
Comprehensive income	32 467	26 121

5.3. STATEMENT OF FINANCIAL POSITION

Table 42: Statement of financial position of Benefit Systems S.A. - Assets

In thousands of PLN	As at 31/03/2019	As at 31/12/2018	As at 31/03/2018
Non-current assets			
Intangible assets	21 093	20 025	17 565
Property, plant and equipment	42 915	44 160	49 380
Right-of-use assets	30 328	-	-
Investments in subsidiaries	367 512	175 125	109 524
Investments in associates	9 448	5 815	5 815
Long-term receivables	267	188	353
Loans	489 443	590 286	345 560
Long-term prepayments	184	34	220
Deferred tax assets	11 362	52	9 502
Total non-current assets	972 552	835 685	537 919
Current assets			
Inventories	0	0	63
Trade receivables and other receivables	51 097	61 753	64 622
Loans	59 796	72 079	99 191
Accruals	8 232	6 362	7 404
Cash and cash equivalents	48 345	18 945	4 596
Total current assets	167 470	159 139	175 876
Total assets	1 140 022	994 824	713 795

Table 43: Statement of financial position of Benefit Systems S.A. - Liabilities

In thousands of PLN	As at 31/03/2019	As at 31/12/2018	As at 31/03/2018
Equity			
Share capital	2 859	2 859	2 675
Own shares	(61 157)	(61 157)	(92 051)
Share premium	211 521	211 521	3 933
Reserve capital	9 906	9 906	9 906
Other capital	361 851	386 049	272 475
Retained earnings:	174 225	141 758	122 532
- Accumulated earnings (losses) for the previous reporting periods	141 758	(4 237)	96 411
- Net profit	32 467	145 995	26 121
Total equity	699 205	690 936	319 470
Liabilities			
Non-current liabilities			
Interest-bearing loans, borrowings and debt instruments	128 171	39 263	121 967
Finance leases	6 998	8 623	13 645
Other liabilities	10 044	0	0
Total non-current liabilities	145 213	47 886	135 612
Current liabilities			
Trade payables and other liabilities	18 133	16 359	12 035
Income tax payable	8 981	19 970	30 540
Interest-bearing loans, borrowings and debt instruments	142 827	129 430	113 715
Finance leases	6 740	6 581	6 407
Right-of-use liabilities	33 691	-	-
Liabilities and provisions for employee benefits	9 827	11 012	5 997
Accruals	75 405	72 650	90 019
Total current liabilities	295 604	256 002	258 713
Total liabilities	440 817	303 888	394 325
Total equity and liabilities	1 140 022	994 824	713 795

5.4. STATEMENT OF CHANGES IN EQUITY

Table 44: Statement of changes in equity of Benefit Systems S.A.

In thousands of PLN	Share capital	Own shares	Share premium	Reserve capital	Other capital	Retained earnings	Total equity
As at 01/01/2019	2 859	(61 157)	211 521	9 906	386 049	141 758	690 936
<i>Equity in the period from 01/01 to 31/03/2019</i>							
Valuation of options	0	0	0	0	1 316	0	1 316
Equity due to acquisition	0	0	0	0	(25 514)	0	(25 514)
Total transactions with owners	0	0	0	0	(24 198)	0	(24 198)
Net profit for the period from 01/01 to 31/03/2019	0	0	0	0	0	32 467	32 467
Total comprehensive income	0	0	0	0	0	32 467	32 467
As at 31/03/2019	2 859	(61 157)	211 521	9 906	361 851	174 225	699 205

Table 45: Statement of changes in equity of Benefit Systems S.A. - cont.

In thousands of PLN	Share capital	Own shares	Share premium	Reserve capital	Other capital	Retained earnings	Total equity
Balance as at 01/01/2018	2 675	(100 094)	0	9 906	269 457	96 411	278 355
Balance as at 01/01/2018*	2 675	(100 094)	0	9 906	269 457	95 922	277 866
Changes in equity in the period from 01/01 to 31/12/2018							
Issue of shares	184	0	185 983	0	0	0	186 167
Issue of shares related to stock options (Share-based payment programme)	0	0	0	0	16 433	0	16 433
Share buyback	0	(51 000)	0	(51 000)	51 000	0	(51 000)
Sale of own shares	0	89 937	25 538	0	0	0	115 475
Transfer of supplementary capital to reserve capital	0	0	0	51 000	(51 000)	0	0
Transfer of net profit to capital	0	0	0	0	100 159	(100 159)	0
Total transactions with owners	184	38 937	211 521	0	116 592	(100 159)	267 075
Net profit (loss) for the financial year of 2018	0	0	0	0	0	145 995	145 995
Total comprehensive income	0	0	0	0	0	145 995	145 995
As at 31/12/2018	2 859	(61 157)	211 521	9 906	386 049	141 758	690 936

* Correction due to the implementation of IFRS 9 (including tax)

Table 46: Statement of changes in equity of Benefit Systems S.A. – cont.

In thousands of PLN	Share capital	Own shares	Share premium	Reserve capital	Other capital	Retained earnings	Total equity
Balance as at 01/01/2018	2 675	(100 094)	0	9 906	269 457	96 411	278 355
<i>Changes in equity in the period from 01/01 to 31/03/2018</i>							
Issue of shares related to stock options (Share-based payment programme)	0	0	0	0	3 018	0	3 018
Sale of own shares	0	8 043	3 933	0	0	0	11 976
Total transactions with owners	0	8 043	3 933	0	3 018	0	14 994
Net profit for the period from 01/01 to 31/03/2018	0	0	0	0	0	26 121	26 121
Total comprehensive income	0	0	0	0	0	26 121	26 121
As at 31/03/2018	2 675	(92 051)	3 933	9 906	272 475	122 532	319 470

5.5. STATEMENT OF CASH FLOWS

Table 47: Cash flows for Benefit Systems S.A.

In thousands of PLN	1Q 2019	1Q 2018
<i>Cash flows from operating activities</i>		
Profit before tax	34 638	31 427
Total adjustments	(4 421)	2 429
Changes in working capital	19 579	11 774
Income tax paid	(22 231)	(3 713)
Net cash from operating activities	27 565	41 917
<i>Cash flows from investment activities</i>		
Expenditures on the acquisition of intangible assets	(1 827)	(1 673)
Expenditures on the acquisition of property, plant and equipment	(2 318)	(727)
Proceeds from the sale of property, plant, equipment	15	91
Net expenses on the acquisition of subsidiaries	(3 740)	(1 933)
Loans collected	5 192	38 543
Loans granted	(47 457)	(87 350)
Interest received	986	218
Dividends received	2 500	2 700
Net cash from investment activities	(46 649)	(50 131)
<i>Cash flows from financing activities</i>		
Proceeds from the sale of own shares	0	11 975
Proceeds from loans and borrowings	56 178	7 500
Repayment of borrowings	(5 500)	(7 798)
Lease payments	(1 467)	(1 610)
Interest paid	(727)	(1 952)
Net cash from financial activities	48 484	8 115
Net change in cash and cash equivalents	29 400	(99)
Cash and cash equivalents at beginning of period	18 945	4 695
Cash and cash equivalents at end of period	48 345	4 596

APPROVAL FOR PUBLICATION

The consolidated quarterly report of Benefit Systems Group prepared for the 3 month period ending 31st March, 2019 (with comparative data) was approved for publication by the Parent company's Management Board on 15th May, 2019.

Date	Forename and surname	Signature
15th May, 2019	Adam Radzki	Member of the Management Board
15th May, 2019	Emilia Rogalewicz	Member of the Management Board
15th May, 2019	Izabela Walczewska-Schneyder	Member of the Management Board
15th May, 2019	Wojciech Szwarc	Member of the Management Board