MANAGEMENT BOARD REPORT ON THE ACTIVITIES OF BENEFIT SYSTEMS GROUP

FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2020

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LETTER FROM THE MANAGEMENT BOARD

DEAR SHAREHOLDERS,

An extremely challenging, volatile and uncertain year is behind us. We had an optimistic start into 2020, underpinned by a strong growth in sales of MultiSport cards and fitness network subscriptions. But the coronavirus pandemic and the related closure of sports facilities upended the entire industry and the business of the Benefit Systems Group, creating new business, organisational and financial challenges.

We had to shift our focus from sales growth, international expansion and further fitness club efficiency improvements to providing clients and users with an alternative to the gym, ensuring employee safety, changing work organisation, reducing costs and managing liquidity.

We faced shutdowns of sports facilities in all our markets from mid-March, with the restrictions lifted first in the Czech Republic (late April) and last in Poland (early June). During lockdown the MultiSport programme was suspended in international markets, with users in Poland provided with an option to use online services. The summer holiday months were spent rebuilding the MultiSport user base and traffic at sports facilities. We were pleased to see employers and workers quickly return to the MultiSport Programme and user activity recover to pre-pandemic levels, which took four to eight weeks from the reopening of sports facilities across all markets.

A strong business recovery momentum continued even after the summer holiday season despite a growing number of coronavirus infections, with active MultiSport cards in excess of 800 thousand in Poland and 300 thousand in foreign markets in October. We saw strong interest in our club subscriptions at the time. Sales of subscriptions were supported by our #ĆwiczOdporność (#ExerciseYourImmuneSystem) campaign encouraging people in Poland to exercise as an important element of disease prevention.

A second wave of the pandemic hit in the fourth quarter of 2020, with related gym restrictions again preventing us from running business as usual. In Poland, the operations of fitness clubs and swimming pools were significantly limited from mid-October and almost completely closed from the end of December. In foreign markets, sports facilities were closed as well.

Despite the challenging market environment in 2020, we took a number of measures that had a positive impact on the Benefit Systems Group's business and our stakeholders. Our key accomplishments last year included the extension of the online offering both in the B2B channel and for clients of our fitness network. In spring, we added live workout sessions, one-to-one consultations with trainers and dieticians, fun activities for children and mindfulness courses to our online MultiSport offering. They attracted strong interest from our clients and users, with over 300 thousand MultiSport cards remaining active during the spring lockdown despite restricted access to sports facilities.

Only a few weeks after gyms were closed, we launched our own online workout platform Yes2Move, offering live workout sessions and access to over 800 pre-recorded workout videos. In autumn, we launched a Yes2Move-branded online store with dietary and nutritional supplements, dietetic foods, sports accessories and a host of other workout and healthy living products. In 2020, we commenced work on an online offering for the foreign markets.

The pandemic accelerated the digital transformation of many aspects of life. Having seen activity in sports facilities quickly return to pre-pandemic levels after the first lockdown, we believe fitness clubs will be a mainstay of physical activity and related efforts to keep fit and healthy. However, we recognise that many solutions supporting this area will grow online. Therefore, we will continue to work on expanding our online offering and providing our clients and users with new solutions in fitness and health promotion.

An important aspect of 2020 were cost reductions. We took a number of measures to cut direct operating expenses of fitness clubs as well as selling and administrative expenses. Some of these efforts focused on minimising costs during lockdown periods, but some optimisation initiatives should support this year's performance. When lockdown restrictions on sports facilities were in force, we used assistance with rent payments and wage subsidies available under the government's Anti-Crisis Shields 1.0 and 6.0. We used similar support measures provided by governments in the foreign markets where we operate.

After restrictions on the operations of sports facilities were introduced, liquidity management became a priority for the Group. It included renegotiation of payment due dates, working capital efficiency improvements, and capital expenditure reductions. 2020 cash flows from investing activities were PLN 34.2m, far below prior-year levels, and included mainly the necessary replacement expenditure in clubs and investments in IT systems.

In October, we finalised a PLN 100m bond issue, which provided an additional boost to the Group's liquidity. As at the end of 2020, we had cash of PLN 223.8m and PLN 125m of available and undrawn borrowings, with net debt of PLN 37.7m, which represents a decrease of PLN 67.9m year on year. This is undoubtedly a success given the fitness industry was closed for almost six months last year and consolidated 2020 EBIT loss of PLN 3.4m and net loss of PLN 98.7m lag far behind the results delivered in previous years.

Last year, we opened four new fitness clubs (three in Poland, one in foreign markets) and closed down six facilities in Poland and one in Bulgaria. The gyms we closed down recorded unsatisfactory profitability even before the pandemic, weighed on the Group's performance and showed slim improvement prospects. The costs of the closures in Poland were PLN 12.4m.

In 2020, we decided to discontinue our Greek operations, which delivered growth that was below our expectations even before the pandemic. Due to the nature of our operations, exit from the Greek market did not entail significant costs.

During the difficult year of 2020, we took steps to support our partner network. We ran the #WspierajKluby (#SupportClubs) campaign providing MultiSport users with an option to visit our partner clubs online. In June, we provided MultiSport partners with over PLN 3m of financial support enabling adaptation of their facilities to sanitary requirements, and we introduced higher rates for visits made under the MultiSport programme in the third and fourth quarter. During lockdown, we suspended repayment of loans advanced to partner facilities.

We continued to implement various ESG initiatives despite the pandemic, albeit on a smaller scale than in previous years. We measured the Group's carbon footprint for the first time in 2020. During the year, we ran numerous donation drives and charitable campaigns, and we supported non-governmental and aid organisations sunder the MultiSport Summer Game.

We have what was clearly the toughest year in the Benefit Systems Group's history behind us. We would like to thank our shareholders and bondholders for the trust they place in us, our employees for their hard work and dedication, our clients and users for their interest in online workout and patience in waiting for the reopening of sports facilities, our partners for their contribution to adapting the industry to sanitary requirements and making industry reopening happen.

We entered 2021 with lockdowns in all of our markets, and during the first three months of the year we faced frequent changes in the extent of restrictions imposed on sports facility operations. We will focus on rebuilding the business in the coming months. We are aware the pandemic will continue into 2021, with our business environment still subject to increased volatility. Cost discipline and liquidity management will therefore remain vital. We believe that in the long term keeping fit and healthy as a form of disease prevention will prove an important post-pandemic megatrend that can be used to the advantage of the Benefit Systems Group, its shareholders, clients, users and partners.

Management Board of Benefit Systems S.A.

1. FINANCIAL DATA OF THE BENEFIT SYSTEMS GROUP

1.1. SELECTED FINANCIAL DATA OF THE BENEFIT SYSTEMS GROUP

Selected financial data

	12 months ended December 31st 2020, PLN thousand	12 months ended December 31st 2019, PLN thousand	12 months ended December 31st 2020, EUR thousand	12 months ended December 31st 2019, EUR thousand
Revenue	1,033,736	1,527,391	231,044	355,059
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	207,836	357,942	46,452	83,207
Operating profit/loss	(3,387)	155,461	(757)	36,139
Profit/(loss) before tax	(90,632)	142,972	(20,257)	33,235
Net profit/(loss)	(98,692)	107,022	(22,058)	24,878
Net profit/(loss) attributable to owners of the parent	(100,034)	105,334	(22,358)	24,486
Net cash from operating activities	222,119	379,856	49,644	88,302
Net cash from investing activities	(34,184)	(152,155)	(7,640)	(35,370)
Net cash from financing activities	(36,205)	(231,470)	(8,092)	(53,808)
Net change in cash and cash equivalents	151,730	(3,769)	33,912	(876)
Weighted average number of ordinary shares	2,746,296	2,787,571	2,746,296	2,787,571
Diluted weighted average number of ordinary shares	2,773,118	2,813,879	2,773,118	2,813,879
Earnings/(loss) per ordinary share attributable to owners of the parent (PLN/EUR)	(36.43)	37.79	(8.14)	8.78
Diluted earnings/(loss) per ordinary share attributable to owners of the parent (PLN/EUR)	(36.07)	37.43	(8.06)	8.70

	December 31st 2020, PLN thousand	December 31st 2019, PLN thousand	December 31st 2020, EUR thousand	December 31st 2019, EUR thousand
Non-current assets	1,620,773	1,804,753	351,212	423,800
Current assets	423,530	274,876	91,776	64,548
Total assets	2,044,303	2,079,629	442,988	488,348
Non-current liabilities	969,436	942,704	210,071	221,370
Current liabilities	551,867	516,665	119,586	121,326
Equity	523,000	620,260	113,331	145,652
Equity attributable to owners of the parent	524,527	618,557	113,662	145,252
Share capital	2,894	2,859	627	671
Number of shares	2,894,287	2,858,842	2,894,287	2,858,842
Book value per share attributable to owners of the parent (PLN/EUR)	181.23	216.37	39.27	50.81

In the periods covered by the financial statements, the following average PLN/EUR exchange rates quoted by the National Bank of Poland were used to convert the key financial data:

- the exchange rate effective for the last day of the reporting period:

  December 31st 2020: PLN 4.6148/EUR

  December 31st 2019: 4.2585 PLN/EUR,

- average exchange rate in the given period, calculated as the arithmetic mean of the exchange rates effective for the last day of each month in the period:

  January 1st – December 31st 2020: 4.4742 PLN/EUR

  January 1st – December 31st 2019: 4.3018 PLN/EUR.

highest exchange rates in the periods:

January 1st – December 31st 2020: PLN 4,6330/EUR

January 1st – December 31st 2019: 4,3891 PLN/EUR.

lowest exchange rates in the periods:

January 1st – December 31st 2020: 4.2279 PLN/EUR

January 1st – December 31st 2019: 4.2406 PLN/EUR.

1.2. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets

PLN thousand	December 31st 2020	December 31st 2019
Goodwill	363,330	363,330
Intangible assets	72,998	65,270
Property, plant and equipment	333,727	378,609
Right-of-use assets	782,871	896,838
Investments in associates	4,411	13,568
Trade and other receivables	8,848	7,581
Loans and other non-current financial assets	26,939	64,441
Deferred tax assets	27,649	15,116
Non-current assets	**1,620,773**	**1,804,753**
Inventories	4,140	5,559
Trade and other receivables	183,818	181,781
Current income tax receivables	3,298	766
Loans and other current financial assets	8,494	14,720
Cash and cash equivalents	223,780	72,050
Current assets	**423,530**	**274,876**
Assets	**2,044,303**	**2,079,629**

Equity and liabilities

PLN thousand	December 31st 2020	December 31st 2019
Share capital	2,894	2,859
Treasury shares	(118,157)	(118,157)
Share premium	272,107	272,107
Translation reserve	(4,562)	(725)
Retained earnings	372,245	462,473
Equity attributable to owners of the parent	*524,527*	*618,557*
Non-controlling interests	*(1,527)*	*1,703*
Equity	**523,000**	**620,260**
Employee benefit provisions	379	223
Other provisions	10,767	0
Long-term provisions	**11,146**	**223**
Trade and other payables	24	0
Deferred tax liability	2,151	2,335
Other financial liabilities	15,178	25,015
Borrowings, other debt instruments	188,084	104,365
Lease liabilities	752,853	810,766
Non-current liabilities	**969,436**	**942,704**
Employee benefit provisions	3,221	2,980
Other provisions	77	684
Short-term provisions	**3,298**	**3,664**
Trade and other payables	234,719	205,038
Current income tax liabilities	10,570	12,782
Other financial liabilities	29,884	55,316
Borrowings, other debt instruments	73,417	73,294
Lease liabilities	178,845	145,362
Contract liabilities	21,134	21,209
Current liabilities	**551,867**	**516,665**
Liabilities:	**1,521,303**	**1,459,369**
Equity and liabilities	**2,044,303**	**2,079,629**

1.3. CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Consolidated statement of profit or loss

PLN thousand	12 months ended December 31st 2020	12 months ended December 31st 2019
Revenue	**1,033,736**	**1,527,391**
Revenue from sales of services	1,021,415	1,506,445
Revenue from sales of merchandise and materials	12,321	20,946
Cost of sales	**(815,215)**	**(1,119,223)**
Cost of services sold	(809,097)	(1,106,154)
Cost of merchandise and materials sold	(6,118)	(13,069)
Gross profit	**218,521**	**408,168**
Selling expenses	(80,055)	(104,457)
Administrative expenses	(112,383)	(141,613)
Other income	18,281	2,145
Other expenses	(47,751)	(9,722)
Gain/(loss) on fair value measurement of previously held interest	0	940
Operating profit/(loss)	**(3,387)**	**155,461**
Finance income	9,928	17,113
Finance costs	(63,815)	(30,192)
Impairment losses on financial assets	(35,126)	(1,226)
Share of profit of equity-accounted entities	1,768	1,816
Profit/(loss) before tax	**(90,632)**	**142,972**
Income tax	(8,060)	(35,950)
Net profit/(loss) from continuing operations	**(98,692)**	**107,022**
Net profit/(loss)	**(98,692)**	**107,022**
Net profit/(loss) attributable to:		
- owners of the parent	(100,034)	105,334
- non-controlling interests	1,342	1,688

Earnings/(loss) per ordinary share (PLN)

	12 months ended December 31st 2020	12 months ended December 31st 2019
From continuing operations		
- basic	(36.43)	37.79
- diluted	(36.07)	37.43
From continuing and discontinued operations		
- basic	(36.43)	37.79
- diluted	(36.07)	37.43

1.4. CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

Consolidated statement of other comprehensive income

PLN thousand	**12 months ended December 31st 2020**	**12 months ended December 31st 2019**
Net profit/(loss)	**(98,692)**	**107,022**
Other comprehensive income	(3,932)	(113)
Items not reclassified to profit or loss	*0*	*0*
Items reclassified to profit or loss	*(3,932)*	*(113)*
- Exchange differences on translation of foreign operations	(3,932)	(113)
Comprehensive income	**(102,624)**	**106,909**
Comprehensive income attributable to:		
- owners of the parent	(103,871)	105,226
- non-controlling interests	1,247	1,683

1.5. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Consolidated statement of changes in equity

PLN thousand	Share capital	Treasury shares	Share premium	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at January 1st 2020	**2,859**	**(118,157)**	**272,107**	**(725)**	**462,473**	**618,557**	**1,703**	**620,260**
Changes in equity in the period January 1st – December 31st 2020								
Share issue in connection with exercise of options (incentive scheme)	35	0	0	0	17,401	**17,436**	0	**17,436**
Cost of equity-settled share-based payment plan	0	0	0	0	923	**923**	0	**923**
Increase in shares in subsidiary due to acquisition of non-controlling interest without change of control	0	0	0	0	2,835	**2,835**	(3,707)	**(872)**
Provision for share buy-back	0	0	0	0	(11,353)	**(11,353)**	0	**(11,353)**
Dividends	0	0	0	0	0	**0**	(770)	**(770)**
Total transactions with owners	**35**	**0**	**0**	**0**	**9,806**	**9,841**	**(4,477)**	**5,364**
Net profit/(loss) for the period January 1st – December 31st 2020	0	0	0	0	(100,034)	(100,034)	1,342	(98,692)
Exchange differences on translation of foreign operations	0	0	0	(3,837)	0	**(3,837)**	(95)	**(3,932)**
Total comprehensive income	**0**	**0**	**0**	**(3,837)**	**(100,034)**	**(103,871)**	**1,247**	**(102,624)**
Balance as at December 31st 2020	**2,894**	**(118,157)**	**272,107**	**(4,562)**	**372,245**	**524,527**	**(1,527)**	**523,000**

Consolidated statement of changes in equity (cont.)

PLN thousand	Share capital	Treasury shares	Share premium	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at December 31st 2018	**2,859**	**(61,157)**	**272,107**	**(617)**	**351,535**	**564,727**	**2,242**	**566,969**
IFRS 16 adjustment	0	0	0	0	0	0	0	0
Balance as at January 1st 2019	**2,859**	**(61,157)**	**272,107**	**(617)**	351,535	**564,727**	**2,242**	**566,969**
Changes in equity in the period January 1st – December 31st 2019								
Valuation of options (share-based payment scheme)	0	0	0	0	10,586	**10,586**	0	**10,586**
Changes in Group structure (transactions with non-controlling shareholders)	0	0	0	0	9,582	**9,582**	(1,653)	**7,929**
Provision for share buy-back	0	0	0	0	(14,564)	**(14,564)**	0	**(14,564)**
Share buyback	0	(57,000)	0	0	0	**(57,000)**	0	**(57,000)**
Dividends	0	0	0	0	0	**0**	(569)	**(569)**
Total transactions with owners	**0**	**(57,000)**	**0**	**0**	**5,604**	**(51,396)**	**(2,222)**	**(53,618)**
Net profit/(loss) for the period January 1st – December 31st 2019	0	0	0	0	105,334	**105,334**	1,688	**107,022**
Exchange differences on translation of foreign operations	0	0	0	(108)	0	**(108)**	(5)	**(113)**
Total comprehensive income	**0**	**0**	**0**	**(108)**	**105,334**	**105,226**	**1,683**	**106,909**
Balance as at December 31st 2019	**2,859**	**(118,157)**	**272,107**	**(725)**	**462,473**	**618,557**	**1,703**	**620,260**

1.6. CONSOLIDATED STATEMENT OF CASH FLOWS

Consolidated statement of cash flows

PLN thousand	12 months ended December 31st 2020	12 months ended December 31st 2019
Cash flows from operating activities		
Profit before tax	(90,632)	142,972
Total adjustments	292,767	248,296
Changes in working capital	34,993	37,807
Income tax paid	(15,009)	(49,219)
Net cash from operating activities	**222,119**	**379,856**
Cash flows from investing activities		
Purchase of intangible assets	(21,232)	(21,619)
Proceeds from sale of intangible assets	0	(138)
Purchase of property, plant and equipment	(32,565)	(107,268)
Proceeds from sale of property, plant and equipment	3,239	1,779
Acquisition of subsidiaries, net of cash acquired	0	(21,582)
Repayments of loans	15,138	11,312
Loans	(9,037)	(17,861)
Proceeds from sale of other financial assets	9,181	0
Interest received	1,019	2,445
Dividends received	73	777
Net cash from investing activities	**(34,184)**	**(152,155)**
Cash flows from financing activities		
Net proceeds from issue of shares	17,436	0
Share buyback	0	(57,000)
Transactions with non-controlling interests	(42,601)	(1,024)
Proceeds from issue of debt securities	98,624	0
Redemption of debt securities	(30,250)	(76,000)
Proceeds from borrowings	50,000	76,899
Repayment of borrowings	(34,406)	(33,639)
Payment of lease liabilities	(89,931)	(132,354)
Interest paid	(4,307)	(7,783)
Dividends paid	(770)	(569)
Net cash from financing activities	**(36,205)**	**(231,470)**
Net change in cash and cash equivalents	**151,730**	**(3,769)**
Cash and cash equivalents at beginning of period	72,050	75,819
Cash and cash equivalents at end of period	**223,780**	**72,050**

2. THE GROUP AND ITS FINANCIAL RESULTS

2.1. GENERAL INFORMATION AND STRUCTURE OF THE BENEFIT SYSTEMS GROUP

The Benefit Systems Group comprises Benefit Systems S.A., which is responsible for sales of sport cards and management of its own fitness clubs in Poland, as well as other entities operating in the market for non-payment employee benefits and in the market for sports.

Benefit Systems S.A. has been listed on the main market of the Warsaw Stock Exchange (WSE) since April 2011. The Benefit Systems Group's flagship product is the MultiSport programme, whereby MultiSport cardholders are provided access to over 4,600 sports facilities in more than 650 locations across Poland. The Group's offering includes other sport cards, such as FitProfit. The MultiSport Programme is among Poland's most popular non-pay benefits, allowing members to live an active lifestyle and keep fit and healthy. In addition, the Group also provides access to online offering, including through the Yes2Move training platform and additional services for users of active sport cards.

The development of the flagship product is consistently supported by investments in the fitness market, thus ensuring adequate infrastructure for MultiSport cardholders. Investments in fitness clubs enable the Benefit Systems Group to provide membership card holders with guaranteed access to modern, well-equipped clubs offering a complete suite of professional services.

The Group also offers access to the cafeteria platforms MyBenefit and MultiKafeteria, enabling employees to choose a non-pay benefit from an employer-approved list. For the Group, the two platforms primarily serve as distribution channels of sport cards, Benefit Systems' main product. The cafeteria systems offer the Group's own products: the MultiBilet culture and entertainment programme for members to see a film of their choice in any of the several hundred cinemas across Poland; the MultiTeatr programme offering tickets to most popular theatre shows; and the BenefitLunch offering staff lunches.

The MultiSport programme concept, supported with investment in fitness facilities, has been replicated to expand the Group's operations in foreign markets. The Benefit Systems Group has been present on the Czech market since 2011, in Slovakia and Bulgaria since 2015 and in Croatia since 2018. These countries' combined potential for business growth (mainly in their respective capital cities) may exceed the potential of the Polish market.

SUBSIDIARIES AND AFFILIATES

COMPANIES OF THE POLAND SEGMENT

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

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

FitFabric Sp. z o.o. operates 17 fitness clubs, most of which are located in the Łódź Province.

Benefit Partners Sp. z o.o. is a subsidiary of Benefit Systems S.A. It rents own fitness equipment for sports clubs to the Group companies under lease contracts.

Yes to Move Sp. z o.o. is the former Fitness Academy Sp. z o.o. company that owns the Yes2Move online exercise platform.

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

COMPANIES IN THE FOREIGN MARKETS SEGMENT

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

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

COMPANIES IN THE CAFETERIAS SEGMENT

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

The Group's share in total voting rights in its subsidiaries equals the Group's equity interests held in those companies, except for Fit Fabric Sp. z o.o. in which the Group's voting interest is 75%.

List of subsidiaries

			Group's ownership interest*	
Operating segments	**Subsidiary**	**Registered office**	**December 31st 2020**	**December 31st 2019**
SEGMENT POLAND	VanityStyle Sp. z o.o.	ul. Skierniewicka 16/20, 01-230 Warsaw, Poland	100.00%	100.00%
	Benefit IP Sp. z o.o.	Plac Europejski 2, 00-844 Warsaw, Poland	100.00%	100.00%
	Benefit IP Spółka z ograniczoną odpowiedzialnością sp. k.	Plac Europejski 2, 00-844 Warsaw, Poland	100.00%	100.00%
	Yes to Move Sp. z o.o.1)	Plac Europejski 2, 00-844 Warsaw, Poland	100.00%	100.00%
	Benefit Partners Sp. z o.o.2)	Plac Europejski 2, 00-844 Warsaw, Poland	100.00%	95.00%
	Fit Fabric Sp. z o.o.3)	ul. 1go Maja 119/121, 90-766 Łódź, Poland	52.50%	52.50%

	FitSport Polska Sp. z o.o.[4)]	Plac Europejski 2, 00-844 Warsaw, Poland	0.00%	100.00%
SEGMENT FOREIGN MARKETS	Benefit Systems International Sp. z o.o.	ul. Młynarska 8/12, 01-194 Warsaw, Poland	97.20%	97.20%
	Benefit Systems D.O.O.	Zagreb (Grad Zagreb) Heinzelova ulica 44, Croatia	95.74%	95.74%
	Benefit Systems Bulgaria EOOD [5)]	11-13, Yunak Str., floor 1 Sofia 1612, Bulgaria	93.31%	91.85%
	MultiSport Benefit S.R.O. [6)]	Lomnickeho 1705/9, 140 00 Praha 4, Czech Republic	93.31%	81.45%
	Benefit Systems Slovakia S.R.O. [7)]	Ružová dolina 6 Bratislava - mestská časť Ružinov 821 08, Slovakia	95.26%	80.68%
	Fit Invest International Sp. z o.o.	ul. Młynarska 8/12, 01-194 Warsaw, Poland	97.20%	97.20%
	Fit Invest Slovakia S.R.O.	Ružová dolina 480/6 Bratislava - mestská časť Ružinov 821 08, Slovakia	97.20%	97.20%
	Form Factory S.R.O.	Vinohradská 2405/190 Vinohrady, 130 00 Praha 3, Czech Republic	97.20%	97.20%
	Next Level Fitness EOOD [8)]	Atanas Dukov 32, M-Plaza building, 1407 Sofia, Bulgaria	97.20%	97.20%
	Beck Box Club Praha S.R.O.	Vinohradská 2405/190 Vinohrady, 130 00 Praha 3, Czech Republic	97.20%	97.20%
	Benefit Systems, storitve D.O.O. [9)]	Trg republike 3, 1000 Ljubljana, Slovenia	92.34%	92.34%
	BSI Investments Sp. z o.o. [10)]	ul. Młynarska 8/12, 01-194 Warsaw, Poland	97.20%	0.00%
	Benefit Systems Greece MIKE [11)]	12 Agias Fotinis Str.Nea Smyrni, 17121, Greece	0.00%	93.31%
CAFETERIAS SEGMENT	MyBenefit Sp. z o.o.	ul. Powstańców Śląskich 28/30, 53-333 Wrocław, Poland	100.00%	100.00%
OTHER	MW Legal Sp. z o.o. [12)]	ul. Młynarska 8/12, 01-194 Warsaw, Poland	100.00%	100.00%

** Change in the presentation of the Group's ownership interest relative to previous years. As of 2020, the Group discloses indirect ownership interest in its subsidiaries.*

1) Yes to move Sp. z o.o. was established as a result of the transformation of Fitness Academy Sp. z o.o. on June 22nd 2020.

2) On March 2nd 2020, the purchase of 5.00% of shares in Benefit Partners Sp. z o.o. was effected, as a result of which Benefit Systems S.A. holds 100% of shares in the company.

3) FitFabric Sp. z o.o. has been consolidated since 2018 based on the assumption that the Group exercises full (100%) control, as agreements have been executed with the minority shareholders committing them to sell their residual interests.

4) On November 30th 2020, Benefit Systems S.A. (the acquirer) merged with FitSport Polska Sp. z o.o. (the acquiree).

5) On April 27th 2020, the sale of 1.50% of shares in Benefit Systems Bulgaria EOOD was effected, as a result of which Benefit Systems International holds 96.00% of shares in the company.

6) On January 20th 2020, the sale of 12.20% of shares in MultiSport S.R.O. was effected, as a result of which Benefit Systems International Sp. z o.o. holds 96.00% of shares in the company. Moreover, on September 21st 2020, agreements were signed obliging minority shareholders to dispose of the remaining shares, and therefore, as of that date, the company is consolidated on the assumption the Group holds a 97.2% equity interest.

7) On January 20th 2020 and September 21st 2020, Benefit Systems International Sp. z o.o. purchased respectively 13.00% and 2% of shares in Benefit Systems Slovakia S.R.O., as a result of which Benefit Systems International Sp. z o.o. holds 98.00% of the company shares.

8) Next Level Fitness EOOD was established by the transformation of Fit Invest Bulgaria EOOD on September 21st 2020.

9) Benefit Systems, storitve D. O. O., was registered on November 25th 2019.

10) BSI Investments Sp. z o.o. was established on December 3rd 2020.

11) On June 30th 2020, the sale of 96.00% of shares in Benefit Systems Greece MIKE was effected, as a result of which Benefit Systems International Sp. z o.o. sold all its shares in the company.

12) The company is not consolidated as it does not conduct any business activity.

Associates

Operating segments	Associate	Registered address	Group's ownership interest December 31st 2020	Group's ownership interest December 31st 2019
POLAND	Baltic Fitness Center Sp. z o.o.	ul. Puławska 427, 02-801 Warsaw, Poland	49.95%	49.95%
	Institute of Fitness Development Sp. z o.o.	ul. Puławska 427, 02-801 Warsaw, Poland	48.10%	48.10%
	Calypso Fitness S.A.	ul. Puławska 427, 02-801 Warsaw, Poland	33.33%	33.33%
	Get Fit Katowice II Sp. z o.o.	Uniwersytecka St. 13, 40-007 Katowice	20.00%	20.00%
OTHER	LangMedia Sp. z o.o.	ul. Rapackiego 5, 53-021 Wrocław	0.00%	37.00%
	X-Code Sp. z o.o.	ul. Klaudyny 21/8, 01-684 Warsaw	0.00%	31.15%

On November 27th 2020, the parent sold the entire holding 31.15% of shares in X-Code Sp. z o.o., and on December 11th 2020 it sold the entire holding of 37.00% of shares in LangMedia Sp. z o.o. The loss on these transactions disclosed in the Group's statement of profit or loss was PLN 777 thousand and PLN 403 thousand, respectively.

2.2. SIGNIFICANT ACHIEVEMENTS OR FAILURES IN THE PERIOD

Physical activity is becoming an important element in the fight against lifestyle diseases and building psychophysical immunity, which has been emphasized by the World Health Organization, the Ministry of Health and the National Health Fund, as well as by experts all over the world. Regular activity and a healthy lifestyle reduce the risk of, among other things, hypertension, overweight and obesity, as well as type II diabetes, which are the civilisation diseases considered to be risk factors also in COVID-19. In addition, the prolonged stress of the pandemic may affect the well-being of Poles and their productivity at work. An increasing number of employers recognise this problem and understand that caring for mental and physical well-being is a matter of responsibility. Research confirms this - as many as 67% of international companies plan to increase the scope of their well-being programmes, i.e. activities which include stress management, promotion of physical activity and healthy nutrition, which are already part of the MultiSport programme.

Regular exercise is an integral part of good health considered by 55% of Poles to be the most important value in life. However, the pandemic circumstances, including the closure of sports and leisure facilities in March 2020, have caused 43 per cent of the Polish population to reduce their physical activity.

As a result of the COVID-19 pandemic, in March 2020 sports facilities and fitness clubs were temporarily closed in the markets in which the Group operates. Clubs in Poland remained closed until 6 June 2020 and MultiSport customers were offered the option to temporarily suspend their membership in the programme from April 2020. In the fourth quarter of 2020, both in Poland and in foreign countries where the Group is present, new lockdown was imposed on the fitness club industry due to the growing number of infections.

At the end of the first half of the year, the Group decided to discontinue operations in the Greek market. This was primarily due to the Group's inability to rapidly scale sales in the market due to the observable economic slowdown caused by the spreading COVID-19 pandemic.

In 2020, the MultiSport programme in Poland was expanded to include online trainings available at the www.kartamultisport.pl platform and numerous additional features supporting a healthy lifestyle, such as personalized nutrition plans, consultations with nutritionists and personal trainers, challenges building healthy habits or a variety of expert materials supporting e.g. ergonomics of remote work or a mindfulness course. As a result, the MultiSport card became a valuable benefit supporting both physical and mental health of employees during the time of remote work, which many companies decided to adopt in the era of the pandemic.

In response to the growing interest in online exercise during the pandemic, the Fitness Branch of Benefit Systems S.A. has launched the Yes2Move training platform, which provides access not only to a constantly growing database of online and live trainings conducted by qualified trainers, but also, as of the third quarter of 2020, to an online store with dietary supplements, fitness accessories and many other articles supporting exercise and healthy lifestyle.

In the first half of the year, Benefit Systems S.A., as an entity co-responsible for sports partners and the entire market, implemented additional solutions to support the fitness industry: financial support of PLN 3.2m was provided to sports and recreation facilities to re-open, including the necessary disinfectants. during the period, repayment of loans provided to Partners for the development of sports infrastructure was suspended, acceptance of Partners' outdoor activities began, and online virtual training visits were billed.

The parent also undertook activities to educate the public on the impact of physical exercise on immunity and to build awareness of the safety and sanitary rules in place at reopened sports and leisure facilities. To this end, in June 2020 the *Dobrze, że jesteś!* campaign was launched. The competition encouraged cardholders to be active at the fitness venues during the holiday season, and the supporting campaign message reached an estimated audience of nearly 8 million. The wide range of sports activities available to holders of the MultiSport card was also communicated by the *MultiMożliwości* campaign, which was conducted both nationwide (online advertising) and locally (outdoor advertising in urban space). Health-oriented activities were complemented by the *Ćwicz odporność* educational campaign launched in September and conducted by six Benefit Systems fitness brands, which promoted, among other things, the strengthening of immunity through regular exercise, also at home.

Following the opening of the sports facilities in the second quarter of 2020, the number of returning users was on the rise. However, further growth was halted by the renewed curtailment and closure of the facilities from October 2020 due to the rising infection rates. The restrictions remained in place until the end of 2020.

2.3. SIGNIFICANT EVENTS AT THE BENEFIT SYSTEMS GROUP IN 2020

Execution of credit facility agreement and multi-purpose credit facility agreement with BNP Paribas Bank Polska

On January 24th 2020, the parent and BNP Paribas Bank Polska S.A. of Warsaw executed a PLN 70m non-revolving credit facility agreement and a PLN 30m multi-purpose credit facility agreement. The non-revolving facility will be available for 12 months and may be used for investment purposes consistent with the Group's strategy. The facility term is 48 months. The multi-purpose credit facility may be used to finance day-to-day operations and is available for 12 months from the date of the agreement.

COVID-19 epidemic

On March 11th 2020, the World Health Organisation declared the COVID-19 outbreak epidemic as a pandemic. In order to mitigate the potentially significant threat to public health posed by COVID-19, Polish and foreign authorities took measures to contain the epidemic, including most notably the introduction of restrictions on business activity in certain industries. For more information on the impact of the pandemic on the Group's results, see Note 2 to the Group's consolidated financial statements for 2020.

Delivery of shares following conditional share capital increase

On April 1st 2020, 300 Series E ordinary bearer shares with a par value of PLN 1.00 per share were registered in a securities account of an eligible person. The Company issued the shares in the exercise of rights attached to Series H subscription warrants granted to the person under the 2017-2020 Incentive Scheme.

Notification of exceeding the threshold of 10% of total voting rights at the parent

On April 3rd 2020, the parent was notified by Invesco Ltd. of Atlanta that Invesco Ltd. exceeded the 10% threshold of total voting rights at the parent.

Distribution of parent's net profit for 2019

On April 16th 2020, the Management Board passed a resolution to propose to the Annual General Meeting that the entire profit of PLN 166,342,521.78 for 2019 be allocated to the parent's statutory reserve funds. The proposal, positively assessed by the Supervisory Board of the parent, is a departure from the dividend policy and is related to the economic uncertainty caused by the COVID-19 epidemic.
On June 10th 2020, the Annual General Meeting passed a resolution to allocate the entire amount of the net profit to statutory reserve funds.

Benefit Systems Group's decision to withdraw from the Greek market

At its April meeting, the Supervisory Board of Benefit Systems International Sp. z o.o. made a decision to withdraw the Group from the Greek market. On June 30th 2020, Benefit Systems Greece MIKE, established to operate on the Greek market, was sold. The scale of operations of the company was insignificant from the perspective of the Group (as at the date of sale, the company had assets of PLN 0.4m).

Amendments to the credit facility agreement and to the bank guarantee limit agreement with Santander Bank Polska S.A.

On May 27th 2020, the Management Board of Benefit Systems S.A. executed an amendment to the multi-purpose and multi-currency credit facility agreement of July 18th 2012 with Santander Bank Polska S.A. of Wrocław and an amendment to the bank guarantee limit agreement of April 2nd 2012 with the same bank. The amendments extend the term of the agreements until May 31st 2021. The bank guarantee limit is PLN 60m. On May 27th 2020, the parent and the Bank executed a PLN 5m guarantee limit agreement, with the limit provided to the Company until May 31st 2021.

Reduction of share capital of Benefit Systems S.A.

On June 10th 2020, the Annual General Meeting of Benefit Systems S.A. passed a resolution to reduce the parent's share capital from PLN 2,859,142.00 to PLN 2,795,900.00 through retirement of 63,242 treasury bearer shares re-acquired by the parent. This resolution became effective upon its adoption, however the shares will be cancelled in accordance with Art. 360.4 of the Commercial Companies Code upon reduction of the parent's share capital, which will take place upon registration of the reduction in the Business Register of the National Court Register. By the date of issue of this report, no such entry was made in the Register.
The purpose of the capital reduction is to adjust the amount of the parent's share capital to the total par value of the shares remaining after the retirement of the treasury shares.

VAT adjustment at MultiSportBenefit S.R.O.

Following the adoption by the Czech tax authorities of the so-called voucher directive (amendments to Directive 2006/112/WR), under which the Czech Multisport membership card meets the criteria for its recognition as voucher and thus is exempt from value added tax, the financial result of MultisportBenefit S.R.O. for the six months ended June 30th 2020 includes an adjustment to input and output VAT for 2019. As a result of the adjustment, revenue increased by PLN 32.1m, total costs increased by PLN 15.3m (including cost of sales by PLN 13.8m), and net profit increased by PLN 13.7m.

Extension of the term of the agreement with PKO BP

On August 17th 2020, the parent and Powszechna Kasa Oszczędnościowa Bank Polski S.A. of Warsaw executed an amendment to the multi-purpose credit facility agreement, whereby the term of the PLN 50m overdraft facility granted to the parent by the bank was extended until August 21st 2021.

Closure of six own clubs

In June 2020, four fitness clubs owned by Benefit Systems S.A. (two Fitness Academy venues and two My Fitness Place clubs) were closed, followed in September by a further two clubs operated by Fitness Academy and Zdrofit. The impact of the closures on the Company's financial results was negative at PLN -12.4m; the amount included an impairment loss on property, plant and equipment (PLN -9.5m) and the cost of early termination fees (PLN -4.2m), partly offset by the effect of termination of lease contracts (PLN +1.6m).

Issue of bonds

On August 17th 2020, the Management Board of the parent passed a resolution to establish a bond programme for the parent with a total nominal value of up to PLN 100,000,000 and executed an agency agreement for the Programme with Haitong Bank, S.A. Poland Branch. On September 21st 2020, the Management Board of the parent passed resolutions on the issue of Series A and Series B bonds by the Company. The Series A and Series B bonds issued by the Company were registered in the depository for securities maintained by Krajowy Depozyt Papierów Wartościowych S.A. on October 7th 2020.

Capital reserve for loans to employees

On September 14th 2020, the Extraordinary General Meeting passed a resolution to create a capital reserve of PLN 13m to finance loans to employees of the parent and its subsidiaries to finance the purchase of shares in the parent through the exercise of subscription warrants taken up by eligible employees under the share-based payment scheme operated in previous years.

Registration of shares as part of conditional share capital increase

On October 20th 2020 Krajowy Depozyt Papierów Wartościowych S.A. issued Statement No. 1055/2020 on conditional registration of 35,145 Series E ordinary bearer shares of the Company, with a par value of PLN 1.00 per share, (code PLBNFTS00018) on condition of their introduction to trading on the regulated market on which other shares of the Issuer with the same ISIN code are traded. The registration of the E shares relates to the shares issued by the Company as a result of the conditional increase of the share capital for the purpose of the 2017-2020 Incentive Scheme.

On November 6th 2020, 35,145 Series E ordinary bearer shares with a par value of PLN 1.00 per share were registered in securities accounts of 35 eligible persons. The shares were issued by the Company in connection with the exercise by the Eligible Persons of their rights under the Series G, H and I subscription warrants granted, inter alia, to those persons under the 2017-2020 Incentive Scheme.

Merger of the parent with FitSport Polska Sp. z o.o.

On November 30th 2020, the parent (the acquirer) merged with FitSport Polska Sp. z o.o. (the acquiree).

2.4. SIGNIFICANT EVENTS AT THE BENEFIT SYSTEMS GROUP AFTER THE REPORTING DATE

Establishment of the 2021-2025 Incentive Scheme

On February 3rd 2021, the Extraordinary General Meeting of Benefit Systems S.A. passed a resolution to establish the 2021-2025 Incentive Scheme. As in previous editions, the objective of the Scheme will be to ensure optimum conditions for the growth of the Company's financial results and long-term increase in its value.

Antitrust proceedings against Benefit Systems S.A.

The antitrust proceedings against Benefit Systems S.A. (and other entities) were initiated by the President of the Office of Competition and Consumer Protection (the "President of UOKiK") on June 22nd 2018 in connection with the suspicion of certain activities potentially restricting competition on the domestic market of sports and recreational services packages or on the domestic market of fitness clubs or local fitness clubs (the "Proceedings").

On January 4th 2021, the Company received a decision of the President of UOKiK (the "Decision") concerning one of the three alleged breaches in respect of which the Procedure was initiated.

The President of UOKiK recognised the Company's participation in a market-sharing agreement between 2012 and 2017 as a practice restricting competition in the domestic market for the provision of fitness services in clubs, which constitutes an infringement of Article 6(1)(3) of the Act on Competition and Consumer Protection and Article 101(1)(c) of the Treaty on the Functioning of the European Union.

The President of UOKiK imposed fines on the parties to the Proceedings, including: on the Company in the amount of PLN 26,915,218.36 (taking into account the succession resulting from the merger of the Company with those of its subsidiaries which are also named in the Proceedings) and on its subsidiary (Yes to Move sp. z o.o., formerly: Fitness Academy sp. z o.o.) in the amount of PLN 1,748.74. Guided by, among other things, an analysis of well-known cases involving competition-restricting practices, where courts have often decided to significantly reduce fines imposed on businesses (in some cases by as much as 60-90%), or by the opinion of lawyers, the Company recognised a provision for the fine of PLN 10.8m.

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

Pursuant to the decision of the President of UOKiK, as announced by the Company in Current Reort No. 51/2020 of December 28th 2020, with respect to the two remaining allegations (allegation of entering in exclusivity arrangements with fitness clubs and allegation of concerted practices to restrict competition in the market for sports and recreation package services), the proceedings should be concluded on May 29th 2021 (the deadline has been postponed several times). So far, the President of UOKiK has not presented detailed grounds for the allegations.

Extension of overdraft facility agreement

In February 2021, the term of the PLN 30m overdraft facility agreement with BNP PARIBAS was extended until February 19th 2023.

2.5. OPERATING SEGMENTS

The Group presents information on operating segments in accordance with IFRS 8 *Operating Segments* for the current reporting period and the comparative period.

The Group presents results by segments reflecting its long-term investment strategy and the business management model, taking into account the nature of its business. The Group presents the following segments:

- Poland
- Foreign Markets
- Cafeterias

The Group generates income and expenses from the above business lines which are reviewed regularly by the operating decision makers and used to make decisions on resources allocated to each segment and to assess the segments' results.

The Group has separate financial information available for each of the segments.

The Group applies the same accounting policies for all operating segments. The Group accounts for inter-segment transactions on an arm's-length basis. In addition, the Group allocates interest on lease liabilities to operating segments and its share in the results of equity-accounted companies whose business is similar to that of a given segment.

The segment's performance is assessed based on operating profit or loss and EBITDA (which is not a standard measure) defined by the Group as operating profit before depreciation and amortisation.

Selected financial data of the operating segments for the 12 months ended December 31st 2020

PLN thousand	Poland	Foreign Markets	Cafeterias	Corporate	Total
Revenue	702,962	295,969	40,404	(5,599)	1,033,736
Cost of sales	(568,386)	(234,163)	(25,911)	13,245	(815,215)
Gross profit	**134,576**	**61,806**	**14,493**	**7,646**	**218,521**
Selling expenses	(46,849)	(27,769)	(5,434)	(3)	(80,055)
Administrative expenses	(72,213)	(33,371)	(6,070)	(729)	(112,383)
including the Incentive Scheme	*0*	*0*	*0*	*(923)*	*(923)*
Other income and expenses	(30,751)	4,430	(2,865)	(284)	(29,470)
Operating profit/(loss)	**(15,236)**	**5,095**	**124**	**6,630**	**(3,387)**
Share of profit of equity-accounted entities	68	0	0	1,700	1,768
Gain/(loss) on sale of shares in associates	0	0	0	(1,180)	(1,180)
Interest expense on lease liabilities	(13,095)	(1,596)	(154)	231	(14,614)
Depreciation and amortisation	177,037	35,436	6,161	(7,411)	211,223

EBITDA	161,801	40,531	6,285	(781)	207,836
Segment' assets	1,855,516	246,984	190,272	(248,469)	2,044,303
Segment's liabilities	1,234,597	386,811	147,823	(247,928)	1,521,303
Investments in associates	4,411	0	0	0	4,411

Selected financial data of the operating segments for the three months ended December 31st 2020

PLN thousand	Poland	Foreign Markets	Cafeterias	Corporate	Total
Revenue	123,997	33,956	15,416	(612)	172,757
Cost of sales	(105,099)	(36,910)	(8,225)	2,742	(147,491)
Gross profit	**18,898**	**(2,954)**	**7,191**	**2,131**	**25,266**
Selling expenses	(12,065)	(6,918)	(1,607)	(6)	(20,596)
Administrative expenses	(17,327)	(8,166)	(1,939)	11	(27,421)
including the Incentive Scheme	*0*	*0*	*0*	*0*	*0*
Other income and expenses	(25,470)	3,131	(467)	(317)	(23,123)
Operating profit/(loss)	**(35,963)**	**(14,908)**	**3,177**	**1,819**	**(45,874)**
Share of profit of equity-accounted entities	68	0	0	701	769
Interest expense on lease liabilities	(3,165)	(403)	(33)	32	(3,569)
Depreciation and amortisation	43,605	9,764	1,635	(1,645)	53,359
EBITDA	7,641	(5,144)	4,813	174	7,484

Reconciliation of total revenue, profit or loss and assets and liabilities of the operating segments to the corresponding items of the Group's consolidated financial statements:

PLN thousand	12 months ended December 31st 2020	12 months ended December 31st 2019
Segments' revenue		
Total revenue of operating segments	1,039,334	1,536,827
Unallocated revenue	1,641	1,872
Elimination of revenue from inter-segment transactions	(7,239)	(11,307)
Revenue	**1,033,736**	**1,527,392**
Segments' profit or loss		
Segments' operating profit/(loss)	(10,016)	164,168
Elimination of profit/(loss) from inter-segment transactions (IFRS 16)	836	(125)
Unallocated profit/(loss)	5,793	(8,582)
Operating profit	**(3,387)**	**155,461**
Finance income	9,928	20,229
Finance costs	(98,941)	(34,534)
Share of profit/(loss) of equity-accounted entities (+/-)	1,768	1,816

Profit before tax	(90,632)	142,972
PLN thousand	**As at December 31st 2020**	**As at December 31st 2019**
Total assets of operating segments	2,292,772	2,263,891
Unallocated assets*	0	9,227
Elimination of inter-segment transactions	(248,469)	(193,489)
Total assets	**2,044,303**	**2,079,629**
Total liabilities of operating segments	1,769,231	1,652,804
Unallocated liabilities	0	0
Elimination of inter-segment transactions	(247,928)	(193,436)
Total liabilities	**1,521,303**	**1,459,368**

** Carrying amounts of shares in associates LangMedia Sp. z o.o. and X-Code Sp. z o.o.*

Profit/(loss) not attributable to the segments includes primarily exclusion of amortization of the trademark eliminated within the Group (PLN 4.4m) and costs of the Incentive Scheme (PLN 0.9m in 2020, PLN 10.6m in 2019).

2.5.1. Poland

The Poland segment is involved in the sale of sport cards, management of fitness clubs and investments in new clubs on the Polish market. Sport cards are distributed by: Benefit Systems S.A. and VanityStyle Sp. z o.o. Currently the following cards are available: **MultiSport Plus, MultiSport Classic, MultiSport Light, MultiSport Kids/MultiSport Kids Aqua, MultiSport Student, MultiSport Senior, as well as FitSport and FitProfit.**

Sport cards are one of the most popular non-wage benefits in Poland. They are also among the benefits preferred by employees, with as many as half of candidates expecting future employers to provide a sport card in the remuneration package. Sport cards are unique because they combine, in a single product, benefits for various market participants; they benefit: employers as an effective tool for incentivising employees, cardholders by providing access to numerous facilities and activities, and sports facility operators by generating additional revenue streams. The market potential remains strong, as many Poles do not practise any sports and employers increasingly appreciate the benefits of their employees staying fit and healthy. At the end of the reporting period, the number of active cards in Poland was 475.4 thousand.

Benefit Systems Group also invests in fitness clubs to secure access to an adequate base of sports and recreation facilities. At the end of 2020, the Group had 158 own clubs in Poland operated by the Fitness Branch, a part of Benefit Systems S.A., and Fit Fabric Sp. z o.o. The Group's facilities operate under the following brands: **Zdrofit, Fabryka Formy, Fitness Academy, My Fitness Place, FitFabric, Step One, S4** and **Aquapark Wesolandia**. The Group also held interests in companies managing another 45 facilities. In addition, the parent operates the Atmosfera Multisport club, which organises activities for children and young people.

Selected financial data of the Poland segment

PLN thousand	12 months ended December 31st 2020	12 months ended December 31st 2019	Change

Revenue	**702,962**	**1,179,740**	**(40.4%)**
Cost of sales	(568,386)	(854,459)	(33.5%)
Gross profit	**134,576**	**325,281**	**(58.6%)**
Selling expenses	(46,849)	(62,376)	(24.9%)
Administrative expenses	(72,213)	(80,616)	(10.4%)
Other income and expenses	(30,751)	(5,878)	423.2%
Operating profit/(loss)	**(15,236)**	**176,411**	**-**
Share of profit of equity-accounted entities	68	727	(90.6%)
EBITDA	**161,800**	**349,080**	**(53.6%)**
Gross margin	19.1%	27.6%	(8.4%)
Number of sport cards	475.4	1,118.8	(643.4)
Number of clubs	158	161	(3)

The significant decrease in revenue of the Poland segment relative to 2019 is a result of the continuing COVID-19 pandemic, most notably the closure of sports facilities in the second and fourth quarters of 2020. Although the third quarter saw the rebuilding of the customer base and development of new products, further restrictions halted the growth.

In response to the new situation, intensive efforts were made in 2020 in the Poland segment to provide contract and pass holders with online services; these efforts included launch of the Yes2Move platform and provision of attractive products to holders of active sport cards. In the second quarter of 2020, MultiSport cardholders were provided with access to personalised coaching and dietary consultations, an English language learning platform, and activities for children. Holders of active cards could also participate in online activities offered by selected partners (available on a fee basis to non-MultiSport customers). In the third quarter of 2020, the Yes2Move online store was launched with the offering including dietary supplements and foodstuffs, fitness accessories and many other items to support training and healthy lifestyle.

During the year, steps were taken to reduce direct costs of sports facilities, selling expenses (including marketing costs) and administrative expenses. Further savings were also generated in service expenses as well as wages and employee benefits (as part of the anti-crisis shield solutions). As a result of the temporary closure of clubs during the epidemic, a decision was made to reorganise the portfolio of fitness clubs.

In the first three quarters of 2020, six own fitness clubs were closed: three in the Fitness Academy chain, two in the My Fitness Place chain, and one in the Zdrofit chain. In consequence, other expenses of PLN 12.4m were recognised, reflecting the adverse effect of the closures; the amount included an impairment loss on property, plant and equipment (PLN -9.8m) and the cost of early termination fees (PLN -4.2m), partly offset by the effect of termination of lease contracts (PLN +1.6m).

Other operating activities also include income from grants received from the government as part of the anti-crisis measures (PLN 4.2m), provision related to the decision of the President of the Office of Competition and Consumer Protection (PLN -10.8m) and impairment losses on lease receivables (PLN -12.1m).

In the three months ended June 30th 2020, additional costs of PLN 3.2m were recognised on account of payments to clubs which met their commitment to reopen in accordance with the applicable sanitary guidelines by June 15th 2020.

In 2020, the Poland segment recognised PLN 109.1m in depreciation of right-of-use assets and a PLN 13.1m interest expense on lease liabilities. As a result of application the COIVD-19-related practical expedient allowed under IFRS 16 with respect to lease contracts, the Poland segment recognised a PLN 13.3m positive effect on EBITDA in the fourth quarter.

2.5.2. Foreign Markets segment

The segment comprises companies engaged in the development of the MultiSport programme and companies managing fitness clubs abroad as part of the strategy to support development of the MultiSport card, the Group's main product. In 2020, the companies engaged in the development of the MultiSport programme operated in five European countries: The Czech Republic (MultiSport S.R.O.), Bulgaria (Benefit Systems Bulgaria EOOD), Slovakia (Benefit Systems Slovakia S.R.O.), Croatia (Benefit Systems D.O.O.), and Greece (Benefit Systems Greece MIKE). The fitness clubs business was conducted in three markets: in the Czech Republic (Beck Box Club Praha S. R. O., Form Factory S. R. O.), Slovakia (Fit Invest Slovakia S. R. O.) and Bulgaria (Next Level Fitness EOOD).

At the end of the first half of the year, the Group decided to discontinue operations in the Greek market. This was primarily due to the Group's inability to rapidly scale sales in the market due to the observable economic slowdown caused by the spreading COVID-19 pandemic.

The segment also includes Benefit Systems, storitve, D. O. O. (Slovenia), and BSI Investments Sp. z o.o. (a holding company), which did not conduct operations in 2020. BSI Investments Sp. z o.o. was established in 2020 to conduct investment activities on foreign markets on behalf of Benefit Systems International Sp. z o.o. Fitness clubs are managed, through subsidiaries, by Fit Invest International Sp. z o.o..

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

Selected financial data of the Foreign Markets segment

PLN thousand	12 months ended December 31st 2020*	12 months ended December 31st 2019	Change
Revenue	**295,969**	**322,829**	**(8.3%)**
Cost of sales	(234,163)	(261,297)	(10.4%)
Gross profit	**61,806**	**61,532**	**0.4%**
Selling expenses	(27,769)	(35,769)	(22.4%)
Administrative expenses	(33,371)	(41,831)	(20.2%)
Other income and expenses	4,430	(937)	-
Operating profit/(loss)	**5,095**	**(17,005)**	**-**
EBITDA	**40,531**	**14,539**	**178.8%**
Gross margin	20.9%	19.1%	1.8%
Number of sport cards**	253.8	334.6	(80.8)
Number of clubs	24	24	0

**Including the effect of VAT adjustment for 2019 on operating profit of PLN 16.8m (see the table below).*

***In 2020 before the second lockdown.*

As at the end of 2020, restrictions were in place on all markets of the segment, which prevented customers from using the MultiSport programme and fitness companies in the Czech, Slovak and Bulgarian markets – from operating the clubs. The number of active cards before the November and December lockdowns was 254 thousand (i.e. 81 thousand cards fewer compared with December 2019), including 134.8 thousand cards in the Czech market, 86.9 thousand cards in the Bulgarian market, 18.4 thousand cards in the Slovak market, and 13.7 thousand cards in the Croatian market.

Last year, due to the COVID-19 pandemic, periodic closures of selected industries were introduced in the foreign markets. These restrictions also affected the fitness industry, which did not operate during the following periods:

- Czech Republic:
  March 13th 2020 – April 26th 2020,
  October 15th 2020 – November 30th 2020,
  December 19th – until further notice,
- Bulgaria:
  March 14th 2020 – May 17th 2020,
  November 28th – February 1st 2021,
- Slovakia:
  March 14th 2020 – June 2nd 2020,
  November 15th 2020 – November 30th 2020,
  December 19th 2020 – until further notice,
- Croatia:
  March 17th 2020 – May 12th 2020,
  November 28th 2020 – February 14th 2021.

The Czech Republic remains the largest market in the Foreign Markets segment, despite a decline of almost 37 thousand cards compared with December 2019. The second largest decline in the number of cards was seen in the Slovakian market, where here were almost 22 thousand cards fewer compared with December 2019. In the Bulgarian market, the number of cards fell by 15.6 thousand and in the Croatian market – by nearly 5.8 thousand. In percentage terms, the largest decline of 54% was reported in the Slovak market, followed by 30% in Croatia, 21% in the Czech Republic, and 15% in Bulgaria.

FY 2020 closed with nearly PLN 27m less revenue than FY 2019. This is a result of restrictions introduced in the foreign markets during the spring and in the autumn/winter season. The operation of services offered under the Multisport programme was suspended for the duration of the lockdowns, which in turn resulted in the suspension of customer invoicing and, due to the uncertain economic situation, the withdrawal of some customers from the programme.

The change in VAT rates in the Bulgarian and Czech markets had a positive impact on revenues. As a result of a binding interpretation by the Czech tax authority that the MultiSport service meets the criteria to be considered a voucher (the so-called Voucher Directive - Council of Europe Directive 2016/1065), the Czech company ceased to be a VAT payer in respect of the MultiSport programme. Effectively, the average selling price of the card increased by 21%, which added approximately PLN 23.1m to the year's revenue and increased gross profit by approximately PLN 10.4m. In addition, a VAT adjustment for 2019 was recognised in 2020 (impact on revenue: PLN 32.1m, impact on gross profit: PLN 16.9m).

In Bulgaria, the government decided to reduce the VAT rate on fitness services from 20% to 9%, effective from August 2020, which in turn increased the average selling price of the card on the Bulgarian market by 9%. The changes in VAT rates on Bulgarian and Czech markets were also reflected in the cost of sales which increased relative to the previous year. At the end of the year, the Czech market for sport cards reported revenue about 7% higher than for 2019, while the Bulgarian market delivered approximately 23% less revenue. In Slovakia, revenue declined by approximately 20% year on year, while in Croatia the revenue by increased 13.3% on 2019.

At the end of 2020, the MultiSport programme in Foreign Markets offered access to 4,319 partner venues, which is indicative of the segment's continued expansion of the range of activities available to its existing and potential customers, despite the difficult economic headwinds caused by the COVID-19 pandemic. The largest partnership network is available to users of MultiSport in the Czech Republic (1,909 outlets), then in Bulgaria (1080 outlets), Slovakia (891 outlets) and Croatia (439 outlets).

As at the end of 2020, the companies operated a total of 24 investment clubs abroad, including 15 clubs in the Czech Republic, eight clubs in Bulgaria and one club in Slovakia. During 2020, one investment club was opened in Bulgaria, with one club closed due to its profitability being significantly below that of the other clubs operated within the segment, with no real prospects for rapid improvement.

As a result of the COVID-19 pandemic and the restrictions introduced in individual countries, fitness clubs could not normally operate. This resulted in an outflow of regular members and users generating MultiSport card visits, which in turn translated into a more than 26% year-on-year decrease in revenue.

In the three months ended June 30th 2020, the management of the Foreign Markets segment took a range of measures to mitigate the adverse impact of the COVID pandemic and the ensuing lockdown on the segment's financial results. One of the principal objectives of the strategy for the second quarter of 2020 and subsequent quarters was to reduce the organic cost base at all segment companies, including Benefit Systems International Sp. z o.o. and Fit Invest International Sp. z o.o. The measures included:

- reducing marketing expenditure at both fitness clubs and companies involved in the development of the MultiSport programme,
- postponing the opening of new clubs,
- reducing the number of business trips with video-conferencing used as the alternative,
- renegotiating rent rates at fitness clubs.

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

- rent subsidies,
- wage subsidies,
- waivers of social security contributions.

In 2020, the Foreign Markets segment recognised PLN 22.5m in depreciation of right-of-use assets and a PLN 1.6m interest expense on lease liabilities. As a result of application the COIVD-19-related practical expedient allowed under IFRS 16 with respect to lease contracts, the Foreign Markets segment recognised a PLN 2.6m positive effect on EBITDA in the fourth quarter.

2.5.3. Cafeterias segment

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

The MyBenefit and MultiKafeteria cafeteria platforms allow users to choose freely from among a range of available benefits, within the limits and budgets set by their employers. Users can select benefits directly from Cafeteria – an online platform featuring individual user accounts. The solution, which gives employers full control of the benefits selected and simple settlement methods, has been taken up by companies from the manufacturing, services and trade industries, as well as public institutions. The Cafeteria benefits cover sports, health, travel and culture, and include shopping vouchers that can be used at Polish renowned chain retailers and brand stores. The Cafeteria platforms are also an important channel for distributing sport cards offered by the Group.

The MultiBilet Cinema Programme is an independent pillar of the Group's culture and entertainment offering, with tickets available to over 200 partner cinemas across Poland (including Cinema City, Helios and Multikino, in addition to a number of local cinemas).

The QlturaProfit vouchers offered by VanityStyle Sp. z o.o. allow their holders to enjoy selected plays, films and exhibitions as part of a cultural offering created by about 55 theatres, 170 cinemas, 50 museums and 25 thematic parks across Poland.

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

Selected financial data of the Cafeterias segment

PLN thousand	12 months ended December 31st 2020	12 months ended December 31st 2019	Change
Revenue	**40,404**	**34,258**	**17.9%**
Cost of sales	(25,911)	(17,943)	44.4%
Gross profit	**14,493**	**16,315**	**(11.2%)**
Selling expenses	(5,434)	(6,264)	(13.3%)
Administrative expenses	(6,070)	(5,409)	12.2%
Other income and expenses	(2,865)	120	-
Operating profit/(loss)	**124**	**4,762**	**(97.4%)**
EBITDA	**6,285**	**9,197**	**(31.7%)**
Gross margin	35.9%	47.6%	(11.8%)
Turnover (m)*	377	375	2
Number of users (in thousands)	508	463	45

**Based on the value of services provided and settlement of intermediation in payments in the MultiKafeteria and MyBenefit cafeteria e-platforms.*

As at the end of 2020, the MyBenefit and MultiKafeteria e-platforms had registered a total of almost 508 thousand users, an increase of 45.3 thousand year on year. However, the strong increase in the number of users did not drive an increase in revenue from the Cafeteria platforms, as access to cinemas and sports facilities was limited, and as concerts, performances and other events were cancelled. In 2020, the MyBenefit customer base grew by 79, an increase of 8% year on year.

The main areas affected by the pandemic are Sports Cards, Cinema, Tourism, Culture and Recreation. The loss of revenue from those categories was partially offset by a large volume of point redemptions in the Stores category, which was the most popular sales channel in 2020 (revenue of PLN 232.4m vs PLN 159.3m in the corresponding period of 2019).

Higher cost of sales was attributable to increased expenditure on maintaining the cafeteria system. Completion of certain development projects led to a PLN 1.7m increase in depreciation/amortisation expense; the projects involved developing and upgrading the IT components of the cafeteria system to enhance the user experience. A 13% year-on-year drop in selling expenses was mainly attributable to lower wages, costs of employee training and business travel. The increase in general and administrative expenses was primarily caused by increased staffing in this area of business compared to 2019.

In 2020, key contributors to net other income included proceeds under government grants received as part of the anti-crisis shield of approximately PLN 1m and the write-off of intangible assets of PLN 3.4m.

In 2020, the Cafeterias segment recognised close to PLN 2.0m in depreciation of right-of-use assets and a PLN 0.2m interest expense on lease liabilities.

2.5.4. Other Activities and Corporate

Revenue recognised in the segment primarily includes eliminations of inter-segment transactions, with the most significant item being settlements for the provision of cafeteria platforms as sales channels for sport cards. It also includes income other than from sales of non-pay incentive products, costs of the Incentive Scheme, and elimination of the costs of amortisation of the trademark created within the Group.

Corporate

PLN thousand	12 months ended December 31st 2020	12 months ended December 31st 2019	Change
Revenue	**(5,599)**	**(9,436)**	**(40.7%)**
Cost of sales	13,245	14,476	(8.5%)
Gross profit	**7,646**	**5,040**	**51.7%**
Selling expenses	(3)	(48)	(93.8%)
Administrative expenses	(729)	(13,757)	(94.7%)
including the cost of the Incentive Scheme	*(923)*	*(10,586)*	-
Other income and expenses	(284)	58	-
Operating profit/(loss)	**6,630**	**(8,707)**	**-**
Share of profit or loss of equity-accounted entities	1,700	1,089	56.1%
EBITDA	**(781)**	**(14,874)**	**(94.7%)**

2.6. SELECTED FINANCIAL RATIOS

Financial ratios

Profitability ratios	12 months ended December 31st 2020	12 months ended December 31st 2019	Change
Gross margin	21.1%	26.7%	(5.6pp)
EBITDA margin	20.1%	23.4%	(3.3pp)
EBIT margin	(0.3%)	10.2%	(10.5pp)
Pre-tax margin	(8.5%)	9.2%	(17.7pp)
Net margin	(9.3%)	6.9%	(16.2pp)
Return on equity (ROE)	(18.9%)	17.3%	(36.2pp)
Return on assets (ROA)	(4.8%)	5.1%	(9.9pp)
Liquidity ratios	**12 months ended December 31st 2020**	**12 months ended December 31st 2019**	**Change**
Current ratio	0.77	0.53	45.0%
Quick fluid	0.74	0.49	51.7%

The Group's profitability was assessed based on the following ratios defined below:

- *gross margin: gross profit / revenue,*
- *EBITDA margin: EBITDA / revenue,*
- *EBIT margin: operating profit / revenue,*
- *pre-tax margin: profit before tax / (revenue + finance income),*
- *net margin: net profit / (revenue + finance income),*
- *return on equity (ROE): net profit / equity (end of period),*
- *return on assets (ROA): net profit / total assets (end of period),*
- *current ratio: current assets / current liabilities,*
- *quick ratio: (current assets - inventory - current prepayments) / current liabilities.*

The Group has no liquidity problems; see section 3.2 of this report. Benefit Systems S.A. and its subsidiaries rationally manage their sources of financing, using the financial leverage mechanism thanks to external capital raised at a cost lower than the rate of return on the Company's assets.

For the calculation of additional financial ratios, see Note 3.37.

2.7. OUTLOOK

The outlook in 2021 is significantly impacted by the continuing COVID-19 pandemic, mainly due to the temporary curtailment and closure of sports facility operations, as well as the uncertainty surrounding the imposed restrictions.

The COVID-19 pandemic negatively affects the global economy and the economies of the countries where Group companies operate, which also contributes, among other things, to the falling demand for sport cards among customers. At the same time, it is important to note that the demand for sporting activities among holders of sport cards, as measured by the intensity of visits to clubs, even under the stricter sanitary conditions in which the sports clubs operated in the third quarter of 2020, was close to the previous year's levels.

In recent months, the Group has begun to expand the scope of its offerings to include services outside the non-pay benefits and fitness club management market, where it has already established a stable position. In response to the challenges of the prevailing uncertainty, new online services are being developed including the retail-focused Yes2Move exercise platform and online store for sports food and accessories.

The Group invariably estimates the long-term potential of the sport card market in Poland at between 1.8 million and 2.2 million units, and sees high growth potential for the MultiSport Programme in foreign markets (currently at a relatively early stage of development). Moreover, the COVID-19 epidemic may, in the long term, increase public awareness of matters related to health protection and immunity improvement, which in turn may generate demand for physical activity services, which are the Group's main business area.

3. SUPPLEMENTARY INFORMATION

3.1. EMPLOYMENT

As at December 31st 2020, the Benefit Systems Group reported an increase in average headcount from 1,400 to 1,447 employees, an increase of 3.4% year over year. Given the nature of its business, the Benefit Systems Group attaches great importance to the continuous improvement of its employees' qualifications, and approximately 72% of them are university graduates.

3.2. FINANCIAL RESOURCES MANAGEMENT

Despite the impact of the COVID-19 pandemic on the Benefit Systems Group in 2020, there were no threats to the management of financial resources, in particular with regard to the Group's ability to meet its obligations, and no material commitments arose on account of purchase of fixed assets. In 2020, the parent issued bonds for a total amount of PLN 100m. As at December 31st 2020, the Group held approximately PLN 223.8m of available funds in bank accounts and PLN 125m of available and undrawn overdraft facilities.

3.3. ASSESSMENT OF THE FEASIBILITY OF INVESTMENT PLANS COMPARED TO THE AMOUNT OF FUNDS AVAILABLE

The Benefit Systems Group believes that it is possible to implement its investment plans based on its financial resources and available external financing. Due to the outbreak of the COVID-19 pandemic, the Group postponed some investments to future periods.

3.4. FACTORS AND EVENTS, ESPECIALLY OF NON-RECURRING NATURE, WITH A BEARING ON RESULTS

In 2020, the Group's financial results were significantly impacted by the COVID-19 pandemic and deteriorated primarily as a consequence of the curtailment of operations and temporary closure of sports facilities.

3.5. SEASONAL AND CYCLICAL CHANGES IN THE GROUP'S BUSINESS IN THE REPORTING PERIOD

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

In 2020, the seasonality patterns observed to date could change as a result of the coronavirus pandemic and the temporary closure of fitness clubs and other sports facilities.

3.6. SALES AND SUPPLY MARKETS AND DEPENDENCE ON CUSTOMERS AND SUPPLIERS

In 2020, the Benefit Systems Group conducted its business and generated revenues predominantly in the domestic market, however the importance of foreign markets, i.e. markets in the Czech Republic, Bulgaria, Croatia or Slovakia, is growing. The customers of the Benefit Systems Group include companies and institutions from all sectors of the economy. None of the customers accounted for more than 3% of the Benefit Systems Group's revenue in the reporting period. Therefore, in the opinion of the Benefit Systems Group, the Group is not dependent on any of the customers.

The main suppliers of the Benefit Systems Group include companies offering access to sports facilities and sports activities, which the Benefit Systems Group offers to its customers as part of the MultiSport programmes. In terms of the value of contracts concluded, also important are selected real estate companies that offer space in premises leased by the Group's companies for use as offices or for the operation of fitness clubs. As at the date of these financial statements, the Benefit Systems Group was not dependent on the services provided by any partner or other supplier.

3.7. RECOGNITION AND REVERSAL OF IMPAIRMENT LOSSES ON FINANCIAL ASSETS, PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS OR OTHER ASSETS

In 2020, based on performed impairment tests, the Group recognised a PLN 35.1m impairment loss (and write-off) for loans, PLN 3.4m impairment losses for intangible assets at MyBenefit Sp. z o.o., and write-downs and liquidation of property, plant and equipment for a total amount of PLN 11.5 million. Net impairment losses and write-downs on trade receivables amounted to PLN 13.5m.

The balances of impairment charges relating to the Calypso Group (PLN 33.3m on loans, PLN 12.1m on lease receivables) are associated with the expected negative impact of the COVID-19 pandemic and the related restrictions on the operation of sports facilities on the current financial position of the Calypso Fitness Group, as well the as amount of time it will take the business to recover to pre-pandemic levels.

3.8. CHANGES IN THE ECONOMIC ENVIRONMENT AND TRADING CONDITIONS WHICH HAVE A MATERIAL BEARING ON THE FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

As described in section 3.7 above, as at the end of 2020 impairment losses on receivables and loans were recognised due to the impact of the COVID-19 pandemic.

3.9. CREDIT DEFAULT OR BREACH OF MATERIAL CREDIT COVENANTS WITH RESPECT TO WHICH NO REMEDIAL ACTION WAS TAKEN BEFORE THE END OF THE REPORTING PERIOD

As at December 31st 2020 and as at the date of issue of this report, none of the Benefit Systems Group companies breached any material provisions of their respective credit facility or loan agreements.

3.10. PURCHASE AND SALE OF MATERIAL ITEMS OF PROPERTY, PLANT AND EQUIPMENT

In 2020, the Group purchased property, plant and equipment for a total amount of PLN 32.6m. The expenditure mainly involved purchases of fitness equipment, fit-out of fitness clubs and investments in clubs' premises.

3.11. MATERIAL COMMITMENTS OR OBLIGATIONS RELATED TO PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

As at the reporting date, the Group had no material commitments or obligations related to purchase of property, plant and equipment.

3.12. INVENTORY WRITE-DOWNS TO NET REALISABLE VALUE AND REVERSALS

In 2020, the Benefit Systems Group recognised inventory write-downs of PLN 1 thousand.

3.13. CHANGES IN THE CLASSIFICATION OF FINANCIAL ASSETS AS A RESULT OF CHANGE IN THE PURPOSE OR USE OF THE ASSETS

In 2020, the Benefit Systems Group did not reclassify any of its financial assets.

3.14. CHANGE IN THE METHOD OF MEASUREMENT OF FINANCIAL INSTRUMENTS AT FAIR VALUE

In 2020, the Benefit Systems Group did not change the method of measuring financial instruments.

3.15. INCENTIVE SCHEME

Pursuant to resolutions of the General Meeting, the Benefit Systems Group operates an Incentive Scheme (the Scheme). On February 10th 2016, the Supervisory Board of the parent approved a draft of the Incentive Scheme for 2017–2020. Eligible to participate in the Scheme were designated employees from among the senior executive and middle management staff. The purpose of the Scheme was to provide an incentive system that would promote employee productivity and loyalty, aimed at achieving strong financial performance and a long-term increase in the parent's value. Under the Incentive Scheme for 2017–2020, eligible employees (up to 149 persons) could receive up to 100 thousand subscription warrants, which would entitle them to subscribe for a specific number of shares in the parent at par value in four equal tranches.

There were three vesting criteria:

Loyalty – employment had to be continuing under an employment contract at the end of the calendar year for which the options are granted,

and the employee could not have been on notice period,

Quality – evaluated after the Group reached the agreed level of adjusted profit before tax adjusted (net of Scheme costs),

Performance – performance of the Scheme participant had to be positively assessed, in accordance with internal regulations of the parent and in the context of the set annual targets.

The necessary pre-condition for the Incentive Scheme to operate in a given year is the achievement of a specific level of profit before tax (for the years 2017–2020) adjusted for the accounting cost of the Scheme attributable to the financial year. The options are exercisable until September 30th 2021.

The key terms and conditions of the Incentive Scheme for 2017–2020 were approved by resolution of the Annual General Meeting held on 15th June 2016.

Valuation of Incentive Scheme options

	IS Valuation assumptions for 2020
X(t) - share price at the valuation date (PLN)	1,070.00

P – option exercise price (PLN)	491.93
r – risk-free rate for PLN	1.58%
T – expiry date	2021-09-30
t – current day (for pricing purposes)	2020-02-20
Sigma – daily variability (%)	44.87%

Performance thresholds for the Incentive Scheme

	Share in the maximum number of warrants for the year		**Adjusted profit before tax of the Group (PLNm)**			
			2017	**2018**	**2019**	**2020**
Vesting thresholds (PLNm) – adjusted profit before tax (net of Scheme costs)	100%	25,000	90	105	120	140
	75%	18,750	85	97.5	110	130
	50%	12,500	80	91	106	121

The expected volatility of the shares was estimated based on historical trading prices of the shares of the parent on the Warsaw Stock Exchange for the period February 21st 2019–February 20th 2020 (options for 2020).

The Group did not recognise Scheme costs for 2020 as the 50% threshold for the Group's consolidated profit before tax condition required to trigger the Scheme was not met.

In the reporting period, the total cost of the Scheme disclosed in Benefit Systems S.A.'s profit or loss was PLN 923 thousand from remeasurement of the second tranche of warrants granted for 2019 as at January 9th 2020 (the difference between the cost recognised in 2019 and the final accounting in 2020). In 2019, the Company recognised the Scheme's costs at PLN 10,586 thousand.

On February 3rd 2021, the Extraordinary General Meeting of Benefit Systems S.A. passed a resolution to establish the 2021-2025 Incentive Scheme. As in previous editions, the objective of the Scheme will be to ensure optimum conditions for the growth of the Company's financial results and long-term increase in its value.

3.16. DIVIDEND

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

On April 16th 2020, the Management Board passed a resolution to propose to the Annual General Meeting that the entire profit of PLN 166,342,521.78 disclosed in the parent's financial statements for 2019 be allocated to the parent's statutory reserve funds.

The proposal, positively assessed by the Supervisory Board of the parent, is a departure from the dividend policy and is related to the economic uncertainty caused by the COVID-19 epidemic.

On June 10th 2020, the Annual General Meeting passed a resolution to allocate the entire net profit to statutory reserve funds.

3.17. RELATED-PARTY TRANSACTION, IF THEY WERE INDIVIDUALLY OR JOINTLY SIGNIFICANT AND WERE CONCLUDED ON NON-ARM'S LENGTH TERMS

In the reporting period, the Benefit Systems Group did not enter into any related-party transactions that individually or jointly would be significant and would be concluded on non-arm's length terms. The related parties are described in detail in the consolidated financial statements of the Benefit Systems Group for the 12 months ended December 31st 2020 (Note 29).

3.18. ASSESSMENT OF THE MANAGEMENT OF FINANCIAL RESOURCES AND ITS JUSTIFICATION

For information on the assessment of the management of financial resources and its justification, see Note 33 to the consolidated financial statements of the Benefit Systems Group for the 12 months ended December 31st 2020.

3.19. AUDITOR

KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. is the entity authorised to audit separate and consolidated full-year financial statements and review separate and consolidated interim financial statements of Benefit Systems Group for the financial years 2019 and 2020 and to issue opinions and reports on the audits and reviews. For information on the auditor's fees for 2019 and 2020, see Note 35 to the consolidated financial statements of the Benefit Systems Group for the 12 months ended December 31st 2020.

3.20. CONTRACTS WITH THE AUDITOR OF FINANCIAL STATEMENTS

The parent and KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. executed a contract to audit the parent's and Benefit Systems Group's separate and consolidated full-year financial statements for the financial years 2019 and 2020.

The parent and KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. also executed a contract to review the half-year separate financial statements of Benefit Systems S.A. and the half-year consolidated financial statements of the Benefit Systems Group for 2019 and 2020.

The auditor was appointed by the Parent's Supervisory Board and the contract was concluded on May 23rd 2019.

The parent did not enter into any agreements with the auditor other than those described above.

3.21. BORROWINGS, GUARANTEES AND SURETIES OBTAINED BY THE GROUP

On January 24th 2020, the parent and BNP Paribas Bank Polska S.A. of Warsaw executed a PLN 70m non-revolving credit facility agreement and a PLN 30m multi-purpose credit facility agreement. The non-revolving facility was available for 12 months and could be used for investment purposes consistent with the Group's strategy. The facility expired in January 2021.

On May 27th 2020, the Management Board of Benefit Systems S.A. executed an amendment to the multi-purpose and multi-currency credit facility agreement of July 18th 2012 with Santander Bank Polska S.A. of Wrocław and an amendment to the bank guarantee limit agreement of April 2nd 2012 with the same bank. The amendments extend the term of the agreements until May 31st 2021. The bank guarantee limit is PLN 60,000,000.00. On May 27th 2020, the parent and the Bank executed a PLN 5,000,000.00 guarantee limit agreement, with the limit provided to the Company until May 31st 2021.

On August 17th 2020, the parent and Powszechna Kasa Oszczędnościowa Bank Polski S.A. of Warsaw executed an amendment to the multi-purpose credit facility agreement, whereby the term of the PLN 50,000,000 overdraft facility granted to the parent by the bank was extended until August 21st 2021.

3.22. LOANS ADVANCED, SURETIES AND GUARANTEES ISSUED

For information on the amounts of loans and interest rates, see Note 11 to the Benefit Systems Group's consolidated financial statements for the 12 months of 2020.

Contingent liabilities

Contingent liabilities PLN thousand	**As at the issue date of the report for 2020**	**As at the issue date of the report for nine months ended September 30th 2020**	**Change**
Sureties and guarantees	9,038	8,857	181

In the reporting period, neither Benefit Systems S.A. nor the Group companies provided any sureties for any credit facility or loan or guarantees to a single entity or its subsidiary where the aggregate amount of such instruments would be significant in relation to Benefit Systems S.A.'s equity. The significant amount of equity has been determined in accordance with the Individual Reporting Standards effective since July 2016, and the threshold for recognition of an amount as significant is 10% of the parent's equity based on the most recent published full-year consolidated financial statements.

These contingent liabilities are related to the capital support provided to the associated companies - they mainly consist of guarantees in respect of lease payments for fitness equipment and rent guarantees.

3.23. USE OF ISSUE PROCEEDS

In the fourth quarter of 2020, the Company issued Series A and Series B bonds for a total amount of PLN 100m.

The terms and conditions of the bond programme do not specify the issue objectives for the individual series of the bonds, but the objectives may be specified in the terms and conditions of individual series of the bonds. By establishing the programme, the parent intends to diversify the Group's financing sources amid the heightened market uncertainty caused by the COVID-19 pandemic. The issue proceeds may be used to finance the Group's development, including on foreign markets.

In the second and fourth quarters, the parent issued, respectively, 300 and 35,145 Series E ordinary bearer shares with a par value of PLN 1.00 per share as a result of exercise of rights attached to Series H subscription warrants granted under the 2017–2020 Incentive Scheme. In accordance with the terms of the Incentive Scheme, the share price was PLN 491.93 per share. The total amount of proceeds from the share issue was PLN 17.4m.

The issue proceeds will be used to finance the Group's development.

3.24. CORRECTION OF PRIOR PERIOD ERRORS

No corrections of prior period errors were made in the Group's consolidated financial statements.

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

The Benefit Systems Group did not publish any profit forecasts for 2020.

3.26. AGREEMENTS KNOWN TO THE BENEFIT SYSTEMS GROUP WHICH MAY RESULT IN CHANGES IN THE PROPORTIONS OF SHARES HELD BY THE EXISTING SHAREHOLDERS

The Benefit Systems Group is not aware of any such agreements.

3.27. MAJOR SHAREHOLDERS

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

Shareholding structure

	As at the issue date of the report for 2020			**As at the issue date of the report for nine months ended Sep 30 2020**			
Shareholder	Number of shares	Equity interest	Voting interest	Number of shares	Equity interest	Voting interest	Change
James van Bergh	517,195	17.87%	17.87%	537,195	18.79%	18.79%	(20,000)
Benefit Invest Ltd.**	300,421	10.38%	10.38%	309,221	10.82%	10.82%	(8,800)
Invesco Ltd.	288,577	9.97%	9.97%	297,798	10.42%	10.42%	(9,221)
Marek Kamola	237,440	8.20%	8.20%	245,000	8.57%	8.57%	(7,560)
MetLife OFE	210,000	7.26%	7.26%	240,000	8.39%	8.39%	(30,000)
Fundacja Drzewo i Jutro	239,628	8.28%	8.28%	239,628	8.38%	8.38%	0
Nationale-Nederlanden OFE	159,000	5.49%	5.49%	159,000	5.56%	5.56%	0
Other	942,026	32.55%	32.55%	831,300	29.08%	29.08%	110,726
including Benefit Systems S.A. (treasury shares)	*118,053*	*4.08%*	*not applicable****	*118,053*	*4.13%*	*not applicable****	0
TOTAL	**2,894,287**	**100.0%**	**100.0%**	**2,859,142**	**100.0%**	**100.0%**	**35,145**

**** Based on registrations at the General Meeting on February 3rd 2021.*
*** Related individuals and/or entities as described in 'Related-party transactions' in the Group's full-year consolidated financial statements for 2020.*
**** The Company does not exercise voting rights in respect of its treasury shares.*

The amount of the parent's share capital is PLN 2,894,287. Number of shares comprising the share capital: 2,894,287 shares, including 2,204,842 Series A shares, 200,000 Series B shares, 150,000 Series C shares, 120,000 Series D shares, 35,445 Series E shares and 184,000 Series F shares. All Series F shares have a par value of PLN 1.00 per share. The total number of voting rights carried by all outstanding shares is 2,894,287. The equity interests held by individual shareholders in Benefit Systems S.A. are equal to their respective voting interests in the Company. As at the issue date of this report, the parent held 118,053 non-voting treasury shares.

3.28. CHANGES IN THE NUMBER OF SHARES OR RIGHTS TO SUCH SHARES HELD BY MANAGEMENT AND SUPERVISORY STAFF

The holdings of shares or other rights to shares (subscription warrants) in Benefit Systems S.A. by members of the Management Board and the Supervisory Board of the parent as at the issue date of this report are as follows:

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

Management Board	As at the issue date of the report for 2020		As at the issue date of the report for nine months ended Sep 30 2020		
	Number of shares	Equity interest	Number of shares	Equity interest	Change
Bartosz Józefiak	0	0.00%	500	0.02%	(500)
Adam Radzki	3,020	0.10%	5,020	0.18%	(2,000)
Emilia Rogalewicz	0	0.00%	5,081	0.18%	(5,081)
Wojciech Szwarc	290	0.01%	4,300	0.15%	(4,010)
Total	**3,310**	**0.11%**	**14,901**	**0.52%**	**(11,591)**

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

Supervisory Board	As at the issue date of the report for 2020		As at the issue date of the report for nine months ended Sep 30 2020		
	Number of shares	Equity interest	Number of shares	Equity interest	Change
James van Bergh*	517,195	17.87%	537,195	18.79%	(20,000)
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	**517,195**	**17.87%**	**537,195**	**18.79%**	**(20,000)**

**Direct interest; additionally, a person closely related to the Chairman of the Supervisory Board (within the meaning of Art. 160.2.1 of the Act on Trading in Financial Instruments) controls Benefit Invest Ltd. as a shareholder with a 93.3% equity interest, and that company holds 300,421 shares in Benefit Systems S.A., representing 10.38% of its share capital and the same percentage of total voting rights (as at the issue date of the report for the 12 months ended December 31st 2020). In addition, a person closely related to the Chairperson of the Supervisory Board is the Chairman of the Supervisory Board of the Drzewo I Jutro Foundation (former name: Benefit Systems Foundation) and holds 8.28% of Benefit Systems S.A. share capital*

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

3.29. AGREEMENTS CONCLUDED BETWEEN THE BENEFIT SYSTEMS GROUP AND ITS MANAGEMENT STAFF, PROVIDING FOR COMPENSATION IN THE EVENT OF RESIGNATION OR REMOVAL FROM OFFICE WITHOUT A GOOD REASON

If the employment contract with a Member of the Management Board of Benefit Systems S.A. is terminated by the Employer (after the lapse of 12 months of the employment contract). The Employer guarantees the payment of the severance pay equal to three times the average gross monthly remuneration of the Employee in the last 12 months in two equal instalments: – the first one payable on the date of termination, the second payable after 90 days from the date of termination. In addition, a non-compete agreement is in force for 12 months. In return for the Employee refraining from competitive activities, the Employer pays 25% of the gross base monthly pay as of the last day of the term of the employment contract for each month of the term of the non-compete agreement.

In 2020, the Benefit Systems Group had no obligations arising from retirement or similar benefits to former members of the parent's management or supervisory staff.

3.30. REMUNERATION, AWARDS OR BENEFITS, INCLUDING UNDER INCENTIVE OR BONUS SCHEMES BASED ON EQUITY OF BENEFIT SYSTEMS S.A. FOR MANAGEMENT AND SUPERVISORY STAFF

Remuneration of members of the Management Board of Benefit Systems S.A. from January 1st to December 31st 2020

Member of the Management Board (PLN thousand)	Remuneration	Other benefits	Total
Bartosz Józefiak	558	15	573
Adam Radzki	592	12	604
Emilia Rogalewicz	710	13	723
Wojciech Szwarc	608	15	623
Total	**2,467**	**55**	**2,523**

Members of the Management Board did not receive remuneration from the Group's subsidiaries.

Benefits for members of the Management Board in the form of due or potentially due Series G. H and I warrants as at the end of 2020

Member of the Management Board	Series G, H and I Warrants granted for 2017-2019	Unexercised Series G, H and I warrants
Bartosz Józefiak	500	0
Adam Radzki	6,750	4,750
Emilia Rogalewicz	8,000	4,000
Wojciech Szwarc	6,400	2,100
Total	**21,650**	**10,850**

The exercise price of the options granted is PLN 491.93. Members of the Management Board did not receive any benefits in the form of warrants for 2020.

Remuneration of members of the Supervisory Board of Benefit Systems S.A. from January 1st 2020 to December 31st 2020 (no remuneration from subsidiaries)

Supervisory Board (PLN thousand)	Remuneration	Other benefits	Total
James van Bergh	119	0	119
Marcin Marczuk	81	0	81
Artur Osuchowski	59	0	59
Michael Sanderson	49	0	49
Michael Rohde Pedersen	49	0	49
Total	**356**	**0**	**356**

3.31. CONTROL SYSTEMS FOR EMPLOYEE STOCK OPTION PLANS

See section 3.15. of this report.

3.32. PROCEEDINGS INSTIGATED BEFORE A COURT OR ADMINISTRATIVE AUTHORITY, AND MATERIAL SETTLEMENTS ARISING IN CONNECTION WITH COURT PROCEEDINGS

Antitrust proceedings against Benefit Systems S.A.

The antitrust proceedings against Benefit Systems S.A. (and other entities) were initiated by the President of the Office of Competition and Consumer Protection (the "President of UOKiK") on June 22nd 2018 in connection with the suspicion of certain activities potentially restricting competition on the domestic market of sports and recreational services packages or on the domestic market of fitness clubs or local fitness clubs (the "Proceedings").

On January 4th 2021, the Company received a decision of the President of UOKiK (the "Decision") concerning one of the three alleged breaches in respect of which the Procedure was initiated.

The President of UOKiK recognised the Company's participation in a market-sharing agreement between 2012 and 2017 as a practice restricting competition in the domestic market for the provision of fitness services in clubs, which constitutes an infringement of Article 6(1)(3) of the Act on Competition and Consumer Protection and Article 101(1)(c) of the Treaty on the Functioning of the European Union.

The President of UOKiK imposed fines on the parties to the Proceedings, including: on the Company in the amount of PLN 26,915,218.36 (taking into account the succession resulting from the merger of the Company with those of its subsidiaries which are also named in the Proceedings) and on its subsidiary (Yes to Move sp. z o.o., formerly: Fitness Academy sp. z o.o.) in the amount of PLN 1,748.74. Guided by, among other things, an analysis of well-known cases involving competition-restricting practices, where courts have often decided to significantly reduce fines imposed on businesses (in some cases by as much as 60-90%), or by the opinion of lawyers, the Company recognised a provision for the fine of PLN 10.8m.

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

Pursuant to the decision of the President of UOKiK, as announced by the Company in Current Reort No. 51/2020 of December 28th 2020, with respect to the two remaining allegations (allegation of entering in exclusivity arrangements with fitness clubs and allegation of concerted practices to restrict competition in the market for sports and recreation package services), the proceedings should be concluded on May 29th 2021 (the deadline has been postponed several times). So far, the President of UOKiK has not presented detailed grounds for the allegations.

3.33. SURETIES, CREDIT GUARANTEES OR OTHER GUARANTEES PROVIDED BY BENEFIT SYSTEMS GROUP

In 2020, the Benefit Systems Group did not provide any sureties or guarantees with respect to any credit facility or loan where the amount of such sureties or guarantees would exceed 10% of the Group’s equity.

3.34. CHANGES IN KEY BUSINESS MANAGEMENT PRINCIPLES POLICIES AT THE BENEFIT SYSTEMS GROUP

In 2020, there were no changes in the Benefit Systems Group's management policies.

3.35. SIGNIFICANT RISK FACTORS AND THREATS, AND THE GROUP'S EXPOSURE TO SUCH RISKS OR THREATS

The most significant risks identified by the parent include:

Risk of the Company's and Group's business model and concentration on one business area and sales of the flagship product only to companies rather than to individuals

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

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

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

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

Risk of changing employee preferences with respect to employee benefits

The Group's flagship product is MultiSport cards, which provide users with access to fitness clubs and other recreational activities. Access to fitness clubs and sports facilities remains the main reason why the Group's customers choose to establish a relationship with the Group.

There is a risk that the preferences of existing and potential cardholders may change, including as a result of unforeseen events such as a preference to exercise away from sports facilities (at home or outdoors). The occurrence of the above risk, despite the adaptation of the Group's offer to the new model (e.g. online exercises), may in the long term result in an increase in the number of membership cancellations by users, which in turn may have a material adverse effect on the Group's business, financial position or development prospects.

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

Risk of change in the model of financing MultiSport cards by employers and change in regulations on company social benefits fund

Most MultiSport cards are co-financed by employers - the Group's clients - for their employees (cardholders). There is a risk that, in particular as a result of deterioration in the financial situation of the Group's customers, the funding model for MultiSport cards by employers will change, which could adversely affect the fees and the number of cardholders, and consequently the Group's revenue and profitability.

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

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

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

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

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

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

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

The outbreak of COVID-19 in Poland and globally caused by the SARS-CoV-2 virus has a material impact on the Group's business and results.

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

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

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

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

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

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

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

Risk of bankruptcy of business partners and significant reduction of MultiSport merchant bas

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

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

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

Liquidity risk

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

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

Currency risks

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

In addition, a significant portion of the Group's lease contracts are executed in EUR and accounted for based on the EUR/PLN exchange rate.

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

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

As at December 31st 2020, the Group comprised 20 subsidiaries and four associates, both Polish and foreign. The Group's size, planned development and increase in future acquisitions will be adding to the complexity of the Group's operations, affecting its management.

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

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

Risk related to foreign expansion

The Group's strategy is based, among other things, on its ability to grow on foreign markets. At present, the Group operates in the Czech Republic, Bulgaria, Croatia and Slovakia. The Group also explores other markets for potential expansion opportunities. In 2020, the Foreign Markets segment's operating profit was positive.

It is not certain whether the Company's business model will deliver the expected profitability in foreign markets and whether it will be adopted in potential new markets due to, among other things, differences in laws governing non-pay benefits, cultural differences, differences in levels of sporting activity or traditional methods of non-pay motivation. Unsuccessful expansion into new markets may mean that the expenditure incurred cannot be recouped.

The occurrence of the risk in the future may in particular slow down the Group's development and thereby have a material adverse effect on the Group's business, financial position or development prospects.

Risks related to changes resulting from technological progress

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

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

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

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

In particular, the Company has established procedures and mechanisms for developing and maintaining systems, managing changes, and ensuring data security. The Company relies on redundant hardware and system solutions to minimise the risk of disruption to its key IT systems.

Its cybersecurity management efforts include continual updating of network security systems. The Group uses solutions well tried and tested on the market.

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

Human resources risk

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

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

Risk related to antitrust regulations and proceedings

Regulatory risks are properly managed and monitored and the Benefit Systems Group attaches great importance to the way it treats all trading partners, in particular customers, holders of sports and recreational cards and providers of sports services. However, the risk that an adverse decision will be issued by competent antitrust authorities cannot be ruled out, especially in relation to past events. In the Company's opinion, any decisions issued by the President of the Office of Competition and Consumer Protection (“UOKIK”) may have a limited impact on the risk of further operations of Benefit Systems S.A. and, consequently, of the entire Group.

Risk related to personal data protection regulations

There is a risk resulting from the process of adapting the Company's operations, including fitness activities, to the guidelines provided for in the GDPR (Regulation (EU) 2016/679 of the European Parliament and of the Council of April 27th 2016).

The Company has taken a number of steps to comply with the requirements of the GDPR regulations, such as process updates, IT systems adjustments and amendments to agreements with the Group customers to the extent they relate to the processing of personal data. However, even the best legal data protection system does not provide full protection against incidents. The changes and adjustments needed to comply with the regulatory requirements continue to be made at various levels of the Group’s activities, and include legal, organisational and systemic solutions, with a focus on the security of network resources and IT systems.

Risk related to changes in legal environment and interpretation of tax regulations

Changing laws or different interpretations of laws may be an adverse factor for the Group's business. The Polish legal system is characterized by frequent changes in tax regulations, therefore the most significant consequences for the Group may arise from changes in this particular area of law. Quite often, such regulations are not precise enough and are ambiguously interpreted. Interpretations of legal provisions as delivered by tax authorities and courts tend to vary and lack consistency. Due to divergent interpretations of tax laws, a company operating in Poland faces a greater risk than a company operating in more stable tax systems. Should the tax authorities adopt a different interpretation of tax regulations than the one used as a basis for calculation of the tax liability and applied by the Group, this fact may have a significant impact on the Group's business, both in terms of finances and development prospects.

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

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

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

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

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

3.36. STATEMENT ON THE NON-FINANCIAL REPORT OF THE BENEFIT SYSTEMS GROUP

The Benefit Systems Group has chosen to prepare its non-financial report for 2020 in the form of a separate report (jointly for the Company and the Group), in accordance with Art. 55.2.c of the Accounting Act.

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

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

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

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

The ratios in the reporting period are presented below.

	December 31st 2020	December 31st 2019
Equity	523,000	620,260
Equity	**523,000**	**620,260**

Equity	523,000	620,260
Borrowings, other debt instruments	261,501	177,659
Lease liabilities	931,698	956,128
Total sources of funding	**1,716,199**	**1,754,047**

Equity to total sources of funding	**0.30**	**0.35**

Net profit	(98,692)	107,022
Share of profit/(loss) of equity-accounted entities	1,768	1,816
Net finance income/(costs)	(89,013)	(12,489)
Income tax	8,060	35,950
Depreciation and amortisation	211,223	202,481
EBITDA	**207,836**	**357,942**

Theoretical operating lease costs under IAS 17 *	136,916	128,219
Gain/(loss) on closing and changing the contract scope	3,848	(41)
Effect of IFRS 16	**140,764**	**128,178**

EBITDA, net of IFRS 16	**67,072**	**229,764**

Borrowings, other debt instruments	261,501	177,659
Cash and cash equivalents at end of period	223,780	72,050
Debt (Net financial liabilities)	**37,721**	**105,609**

Debt to EBITDA	**0.18**	**0.30**
Debt to EBITDA, net of IFRS 16	**0.56**	**0.46**

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

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

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

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

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

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

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

The calculation of both ratios is presented in the tables below. The references are to notes in the Consolidated Group Financial Statements for 2020.

Calculation of the Leverage Ratio in accordance with the Terms and Conditions:	**January 1st – December 31st 2020**
Net financial debt, including:	**50,950**
Investment credit facilities	162,977
Debt securities	97,892
Lease liabilities*	4,823
Guarantees for liabilities under sureties for the Calypso Fitness Group	9,038
Cash	223,780
EBITDA, net of IFRS 16	**67,072**
EBITDA	207,836
Effect of IFRS 16	140,764
Material non-financial items:	**46,850**
Write-down of intangible assets in the Cafeterias segment	3,424
Provision for lease receivables from Calypso Fitness Group companies	12,101
Cost of closing fitness clubs	8,635
Share-based payment scheme	923
Other long-term provisions	10,767
Provision for settlement of billed revenue	11,000
Adjusted EBITDA, net of IFRS 16	**113,922**
Leverage Ratio (Net financial debt / Adjusted EBITDA, net of IFRS 16)	**0.45**

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

Calculation of the DSCR ratio:	**January 1st – December 31st 2020**
Financial debt under IFRS 16 (payment of liabilities and accrued interest in the period)	**140,287**
Repayment of bank borrowings in the period	34,266
Interest on bank-borrowings accrued in the period	4,740

Interest on bonds accrued in the period	584
Payment of lease liabilities in the period	89,931
Accrued interest on leases	14,614
Non-cash effect of termination or remeasurement of rights of use	(3,848)
EBITDA	**207,836**
Material non-financial items:	**43,002**
Non-cash effect of termination or remeasurement of rights of use	(3,848)
Write-down of intangible assets in the Cafeterias segment	3,424
Provision for lease receivables from Calypso Fitness Group companies	12,101
Cost of closing fitness clubs	8,635
Share-based payment scheme	923
Other long-term provisions	10,767
Provision for settlement of billed revenue	11,000
IFRS 16 EBITDA under the Terms and Conditions	**250,838**
DSCR under the Terms and Conditions (IFRS 16 EBITDA/IFRS 16 financial debt)	**1.79**

AUTHORISATION FOR ISSUE

The full-year consolidated report of the Benefit Systems Group for the 12 months ended December 31st 2020 (including the comparative data) was authorised for issue by the Management Board of the parent on March 24th 2021.

Date	Full name	Position	Signature
March 24th 2021	Bartosz Józefiak	Member of the Management Board	
March 24th 2021	Adam Radzki	Member of the Management Board	
March 24th 2021	Emilia Rogalewicz	Member of the Management Board	
March 24th 2021	Wojciech Szwarc	Member of the Management Board	

APPENDIX TO DIRECTORS' REPORT

STATEMENT ON THE APPLICATION OF CORPORATE GOVERNANCE AT BENEFIT SYSTEMS S.A. ("COMPANY") IN 2020 - AN APPENDIX TO THE DIRECTORS' REPORT ON THE ACTIVITIES OF BENEFIT SYSTEMS GROUP FOR 2020

1. *Specification of the collection of the corporate governance principles that are applicable to the company and information about the place where the text of the collection of principles is publicly available.*

The Management Board of Benefit Systems S.A. hereby represents that in 2020, the Company used every endeavor to comply with the corporate governance principles, which are provided in the Code of Best Practice for WSE Listed Companies 2016 (Exhibit to Resolution No. 26/1413/2015 of the Supervisory Board of the Warsaw Stock Exchange (WSE) of 13 October, 2015.

The text of the Code of Best Practice for WSE Listed Companies 2016 that was applicable to the Company in 2020 is available at website:

https://www.gpw.pl/pub/GPW/o-nas/DPSN2016_EN.pdf

2. *Information on the status of the company's compliance with the recommendations and principles complied in the "Code of Best Practice for WSE Listed Companies 2016".*

In 2020, the Company was applying the recommendations and specific principles comprised in the Code of Best Practice for WSE Listed Companies 2016, with the following exceptions:

IV.R.2. If justified by the structure of shareholders or expectations of shareholders notified to the company, and if the company is in a position to provide the technical infrastructure necessary for a general meeting to proceed efficiently using electronic communication means, the company should enable its shareholders to participate in a general meeting using such means, in particular through: 1) real-life broadcast of the general meeting; 2) real-time bilateral communication where shareholders may take the floor during a general meeting from a location other than the general meeting; 3) exercise of the right to vote during a general meeting either in person or through a plenipotentiary.

and

IV.Z.2. If it is justified in light of the ownership structure of the Company, the Company provides a generally available broadcast of the general meeting sessions in the real time.

Given the relative concentration of the ownership structure of the Company, a significant share of Polish entities therein, and given the fact that no Shareholder has notified the Company of any expectations that the general meeting sessions should be held using means of remote communications, the Company neither broadcasts the general meeting sessions in the real time nor provides for a two-way communication with the shareholders.

The Management Board of the Company enables Shareholders to exercise the right to vote in the course of the general meeting in person or through a proxy, however, without an option to use means of electronic communication to this end. Shareholders regularly avail themselves of the option of exercising the voting right through a proxy in a general meeting.

In the opinion of the Management Board of the Company, the existing principles of holding and participating in the general meetings guarantee that the Shareholders may exercise the rights from shares and protect their interests.

The Management Board of the Company publishes resolutions adopted by the General Meeting in the form of current reports which are available at the Company's website and provides access to the minutes of the general meetings at the registered seat of the Company. In the opinion of the Management Board, that form of documenting the course of the general meeting sessions ensures their transparency.

Since the company does not broadcast the sessions of the General Meeting, principle I.Z.1.16. (The Company runs its corporate website, where (...) information about planned broadcast(s) of the sessions of the general meeting shall be placed no later than within seven (7) days before the date of the general meeting), is not applicable).

VI.Z.2. With a view to aligning the remuneration of the members of the Management Board and the key managers with the long-term business and financial objectives of the Company, the time interval between the granting of an option as part of the Incentive Programme or other instrument(s) linked with the Company's shares and the possibility of exercising such option or instrument should be not shorter than two (2) years.

The principle has not been applied.

The Incentive Programme for years 2017 - 2020 (the "Incentive Programme") as adopted by the General Shareholders Meeting on 15 June, 2016, which is applicable to the Company, provided that the time interval between the granting of the subscription warrant(s) to the eligible individuals as part of the Incentive Programme and the moment when such individuals may take up and/or transfer the stocks in the Company should not be shorter than eight (8) months. As far as the part of the incentive programme applicable to profits for years 2017 and 2018 is concerned, the time interval between the moment warrants are granted and the moment when related stocks may be transferred should be 20 months, and 14 months, respectively.

The response to the shares take up offers could have been filed by eligible person, only during the specified period from 1 September to 30 September each year of Incentive Programme was valid, not longer than 30 September 2021.

3. *Description of the main features of internal control and risk management systems applied in the company in relation to the process of preparing financial statements and consolidated financial statements.*

Within its structures the Company distinguishes units supporting the implementation of tasks related to internal control, risk management and supervision of compliance with the law, as well as the internal audit function. The Management Board is responsible for implementing and maintaining an effective internal control system and the aforementioned functions.

The internal audit team is a part of the Finance and Accounting Department and administratively reports to the member of the Management Board responsible for among others financial and accounting affairs.

The main assignments of the Finance and Accounting Department in the area of internal control include:

1) Identification and assessment of risks for particular processes in the Company, including the financial reporting process,
2) Cooperation in designing effective control mechanisms for the Company's processes,
3) Monitoring the risk management process,
4) Preparation of recommendations for improvement of control mechanisms,
5) Preparation of information for management purposes,
6) Cooperation with the internal and external auditor.

As part of their advisory role, the internal audit function and the compliance department coordinate the preparation of resolutions, procedures and instructions regarding the Company's operating activities in order to design an effective internal control system.

In the process of preparing financial statements, data from the financial and accounting system of Microsoft Dynamics AX 2012 are used. Preparation of data in source systems is subject to formalized operational and acceptance procedures.

The financial statements are prepared by the Finance and Accounting Department. The preparation of the financial statements is subject to substantive and organizational supervision by the Chief Financial Officer. The annual and semi-annual financial statements of the Company are subject to an independent audit and to review by a certified auditor, respectively.

The Company monitors the changes in the rules and regulations concerning the financial reporting and updates the accounting principles on an ongoing basis. The Company performs control functions in relation to subsidiaries which are consolidated for the purposes of preparing the Group's financial statements.

4. *Shareholders holding, directly or indirectly, significant blocks of shares with an indication of the number of shares held by such entities, their percentage share in equity, the number of votes and their percentage share in the total number of votes at General Meeting of Shareholders.*

	As at the date of submitting the report for 2020*			As at the date of submitting the report for the three quarters of 2020			
Shareholder	**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**	**Change**
James Van Bergh	517,195	17.87%	17.87%	537,195	18.79%	18.79%	(20,000)
Benefit Invest Ltd.**	300,421	10.38%	10.38%	309,221	10.82%	10.82%	(8,800)
Invesco Ltd.	288,577	9.97%	9.97%	297,798	10.42%	10.42%	(9,221)
Marek Kamola	237,440	8.20%	8.20%	245,000	8.57%	8.57%	(7,560)
MetLife OFE	210,000	7.26%	7.26%	240,000	8.39%	8.39%	(30,000)
Fundacja Drzewo i Jutro	239,628	8.28%	8.28%	239,628	8.38%	8.38%	0
Nationale-Nederlanden OFE	159,000	5.49%	5.49%	159,000	5.56%	5.56%	0
Others	942,026	32.55%	32.55%	831,300	29.08%	29.08%	110,726
Incl. Benefit Systems S.A. (own shares)	*118,053*	*4.13%*	*N/A****	*118,053*	*4.13%*	*N/A****	-
Total	2,894,287	100.00%	2,858,842	2,859,142	100.00%	2,859,142	**35,145**

** In accordance with among others List of shareholders at the General Meeting held on 3 February 2021*
***Related individuals and/or entities as described in 'Related-party transactions' in the Group's full-year consolidated financial statements for 2020.*
**** The Company does not exercise voting rights from own shares*

As of the date of submitting the report the Company's share capital amounts to 2,894,287 PLN. Number of shares in the share capital: 2,894,287 shares, including 2,204,842 shares of series A, 200,000 shares of series B, 150,000 shares of series C, 120,000 shares of series D, 35,445 shares of series E and 184,000 shares of series F. The shares of all series have a nominal value of 1 PLN each. T

he total number of votes resulting from all the shares issued amounts to 2,894,287. The share in the share capital of Benefit Systems S.A. of individual shareholders is equal to their participation in the total number of votes at the General Meeting of Shareholders, wherein as at the date of publishing this report the Company held 118,053 of its own shares, for which it does not exercise voting rights.

5. *The holders of any securities with special control rights, including a description of such rights.*

The Company is not aware of any holders of securities with special rights. The Company's Articles of Associations do not grant any holders of the Company's shares or other securities any special rights.

6. *Limitations on voting rights, such as limitations on voting rights by holders of a specific part or number of votes, time limitations on voting rights or provisions according to which, with the cooperation of the company, capital rights related to securities are separated from holding securities.*

The Company's Articles of Association do not provide for any restrictions with respect to the exercise of voting rights. Voting rights are not exercised from the Company's own shares.

7. *An indication of any limitations concerning transfer of ownership rights to the Company's securities.*

The right to subscribe for the series E shares vested in the holders of subscription warrants of the G, H, I, and J series (2017-2020) issued by the Company on the basis of resolution No. 21/15.06.2016 of the Ordinary General Meeting of 15 June 2016, may be exercised until 30 September 2021.

With respect to the E series shares:

(i) subscribed in return for the series G warrants (for year 2017), a 12-month lock up period applied; The sale of the shares is only possible starting from September 2019.;

(ii) subscribed in return for the series H warrants (for year 2018), a 6-month lock up period applied, i.e. until March 2020;

(iii) subscribed in return for the series I (for year 2019) and the series J (for year 2020) warrants, no lock - up was established; they may be sold starting from September 2020, and 2021, respectively;

8. *Description of the principles concerning the appointment or dismissal of management personnel and their rights, in particular the right to make decisions on the issue or redemption of shares.*

Members of the Company's Management Board are appointed for a joint four-year term of office and dismissed on the basis of a resolution of the Company's Supervisory Board. The Supervisory Board adopts resolutions by a 3/5 majority of votes in the presence of at least half of the members of the Supervisory Board. In the event of a tied votes, the Chairman of the Supervisory Board shall have the casting vote. Resolutions of the Supervisory Board shall be valid only if all members of the Supervisory Board have been invited to the meeting.

Members of the Management Board may be appointed for further terms of office.

The Company's Management Board manages the Company's operations and assets, and represents the Company externally before courts, state authorities and third parties.

The Management Board is authorized to conduct the Company's affairs within the scope set forth in the Company's Articles of Association and not reserved to the competence of other Company bodies on the basis of the Company's Articles of Association and the provisions of generally applicable law.

The right to make statements on behalf of the Company, in the case of one-man Management Board, is held by the member of the Management Board acting independently, or in the case of a Management Board comprised of more than one member, by two members of the Management Board acting jointly or a member of the Management Board acting jointly with a proxy. Resolutions of the Management Board are adopted by an absolute majority of votes.

Pursuant to the previously binding Company's Shareholder Profit Distribution Policy for the Years 2016-2019, under Resolution No. 21/12.06.2015 of the Company's Annual General Meeting of Shareholders dated 12th June, 2015, Resolution No 22/15.06.2016 and 24/15.06.2016 of the Annual General Meeting of the Company of 15th June 2016, Resolution No 23/20.06.2017 of the Annual General Meeting of the Company of 20th June, 2017, Resolution No nr 30/12.06.2018 of the Annual General Meeting of the Company of 12th June 2018, Resolution No nr 23/25.06.2019 of the Annual General Meeting of the Company of 25th June 2019, adopted pursuant to and in accordance with Article 362, § 1, point 8 and Article 396 § 5 of the Code for Commercial Companies, the Company's Management Board was authorized to acquire the Company's own shares.

Except for the cases indicated above, the Company's Articles of Association does not contain any provisions granting additional rights to the management personnel, including the right to make decisions on the issue or redemption of shares.

9. *A description of the rules for amending the Company's Articles of Association.*

Any amendment to the Company's Articles of Association falls within the competence of the General Meeting of Shareholders and requires the adoption of a resolution by the General Meeting of the Company by absolute majority of three fourths (3/4) of votes cast, while observing the specific requirements set forth in the provisions of generally applicable law.

Pursuant to the provisions of the Code for Commercial Companies, in the event of an intended amendment to the Articles of Association, the announcement of convening the General Meeting, which is published on the Company's website, and in accordance with the rules of providing current and periodic information, includes the hitherto binding provisions and the content of the proposed amendments.

After the General Meeting adopts a resolution on amendments to the Company's Articles of Association, the Management Board of the Company shall report this fact to the court of registration. An amendment to the Articles of Association shall be effective upon its registration by the court.

Then, the Supervisory Board shall determine the consolidated text of the Articles of Association taking into account the amendments introduced, provided that the General Meeting grants the Supervisory Board the appropriate authorization in this respect.

10. *The mode of procedure of the general meeting and its core powers, and description of the rights vested in shareholders and the method of their exercise, including in particular the principles arising from the By-laws of the General Meeting, if such By-laws have been adopted, unless such information follows generally applicable law.*

General Meeting holds its sessions in line with the principles as set forth in the Code of Commercial Companies, the Articles of Association of the Company and the By-laws of the General Meeting of Benefit Systems S.A. The Articles of Association of the Company and the By-laws of the General Meeting are publicly available and accessible from the website of the Company.

<u>Convening General Meeting of the Company.</u>

The key principles applicable to the convening of the General Meeting include the following

1. A General Meeting may be convened as ordinary or extraordinary. Ordinary General Meeting is held within six (6) months after the lapse of each financial year.

2. General Meetings are held at the registered seat of the Company.

3. General Shareholders Meeting is convened by the Management Board of the Company, or, under specific circumstances, by the Supervisory Board of the Company, or by the Management Board acting upon request of the Supervisory Board, or upon request from any member of the Management Board. Shareholder(s) representing at least one twentieth (1/20) part of the share capital may request that extraordinary general meeting is convened and that specific matters are included in the agenda of such meeting.

4. Information on the convening of the General Meeting (specifying the venue, date and time of the meeting) is announced in the form of a current report and placed on the Company's website.

5. Draft resolutions proposed to be adopted by the General Meeting and other important materials should be presented to shareholders along with statement of grounds and an opinion of the Supervisory Board, provided that the Supervisory Board considers it reasonable to issue the opinion, within a time limit sufficient for the shareholders to read and evaluate the above documents, bearing in mind the provisions of the Code of Commercial Companies.

Core powers of the General Meeting.

The powers of the General Meeting of the Company follow from the Code of Commercial Companies, the By-laws of the General Meeting and the Articles of Association of the Company include in particular:

1) Approval of the annual reports of the Management Board and the financial statements for previous fiscal year and granting a vote of acceptance to the Members of the Company's Management Board for the performance of their duties;

2) Disposal and lease of the Company's enterprise or an organized part thereof and establishing a limited tangible right thereon;

3) Acquisition or transfer of real property, right of perpetual usufruct or a stake in a property, if the Company's Articles of Association does not contain any provisions, that state otherwise;

4) Issuance of convertible bonds or bonds with priority rights and issuance of subscription warrants pursuant to Article 453 § 2 of the Code for Commercial Companies;

5) Acquisition of treasury shares in the instances as provided in the Article 362 § 1 point 2 of the Code of Commercial Companies and approval to acquisition in the instances as provided in the Article 362 § 1 point 8 of the Code of Commercial Companies;

6) Setting the date as at which the list of shareholders entitled to dividend for specific financial year is established and the date as at which the dividend is distributed;

7) Amendments to the Articles of Association of the Company, share capital increase or decrease;

8) Appointment of members to the Supervisory Board;

9) Establishing the remuneration of the Members of the Supervisory Board;

10) Merger, transformation, dissolution or liquidation of the Company;

11) Considering matters submitted by the Supervisory or the Management Board or by shareholder(s);

Principles for participation in General Meeting.

Substantive principles for participation in General Meeting include:

1) The right to attend the General Meeting is applied only to the persons which are Company Shareholders sixteen days before the date of the General Meeting

2) A shareholder who is a natural person may participate in the General Meeting and exercise the voting right in person or by a proxy.

3) A shareholder who is not a natural person may participate in the General Meeting and exercise the voting right by a person authorized to represent the shareholder or by a proxy.

4) The power of attorney should be prepared in writing on pain of invalidity or granted via e-mail.

5) A shareholder may vote differently for each share held.

6) Members of the Management and the Supervisory Boards should participate in the General Meeting in a panel allowing them to provide a substantive answer to question(s) asked during the General Meeting. Experts and other individuals invited by the body convening the General Meeting may participate in the General Meeting.

Principles for the voting at General Meeting.

1) In principle, the General Meeting adopts their decisions in open ballots.

2) As an exception to the above, secret ballot is ordered for elections and voting on motions to recall members of the Company's governing bodies or liquidators, for holding them to account as well as on issues concerning the personal matters.

3) Resolutions concerning a material change to the Company's business profile are adopted in an open ballot by roll-call and should be announced.

4) Resolutions of the General Meeting are adopted with an absolute majority of votes, unless the Articles of Association or the Code of Commercial Companies provide otherwise. Resolutions concerning: (i) removal of an item that has already been included in the agenda from the debates; (ii) liability of a Shareholder vis-á-vis the Company for whatever reason; require an absolute majority of three fourths (3/4) of votes cast, with the shareholders representing at least 50% of the share capital of the Company being present.

5) Resolutions of the General Meeting are included in minutes that are drawn up by a notary on pain of invalidity.

6) Within one (1) week of the closing of a General Meeting, the Company places the results of voting on its website. The results of voting should be made available starting from the date of elapse of the deadline to appeal against a resolution of the General Meeting.

7) One (1) share entitles to one (1) vote at the General Meeting of the Company. The Company has not issued any shares preferred as to the voting rights. In accordance with the Code of Commercial Companies, the Company does not exercise any voting right from the treasury shares.

11. *Composition and changes in composition during the last financial year and a description of the activities of the management, supervisory or administrative bodies of the company and their committees.*

As at 31st December, 2020, the Company's Management Board was comprised of the following members:

1) Bartosz Józefiak – Member of the Management Board,
2) Emila Rogalewicz – Member of the Management Board,
3) Adam Radzki – Member of the Management Board,
4) Wojciech Szwarc – Member of the Management Board,

The Company's Management Board operates on the basis of By-Laws of the Management Board, the Company's Articles of Association and generally applicable legal regulations.

As at 31st December, 2020, the Company's Supervisory Board was comprised of the following members:

1) James Van Bergh – Chairman of the Supervisory Board,
2) Marcin Marczuk – Deputy Chairman of the Supervisory Board,
3) Michael Rohde Pedersen – Member of the Supervisory Board,
4) Artur Osuchowski – Member of the Supervisory Board,
5) Michael Sanderson – Member of the Supervisory Board.

The Company's Supervisory Board operates on the basis of By-Laws of the Supervisory Board, the Company's Articles of Association and generally applicable legal regulations.

The following Members of the Supervisory Board meet the independence criteria: Marcin Marczuk, Michael Rohde Pedersen and Artur Osuchowski.

As of 31th December, 2020, the Audit Committee consisted of:

1) Marcin Marczuk - Chairman of the Audit Committee,
2) James Van Bergh - Member of the Audit Committee,
3) Artur Osuchowski - Member of the Audit Committee.

The independence criteria is met by the following members of the Audit Committee: Marcin Marczuk and Artur Osuchowski.

Artur Osuchowski is a person with knowledge and skills in accounting or auditing among the members of the Audit Committee, thanks to professional experience gained in inter alia KPMG Advisory, Ernst&Young Corporate Finance and Capgemini.

James Van Bergh, an originator and founder of the Benefit Systems S.A., is a person with knowledge and skills in the sector in which the Company operates among the members of the Audit Committee.

The detailed scope of activity and mode of work of the Audit Committee are specified in the By-Laws of the Audit Committee of the Supervisory Board of Benefit Systems S.A.

In 2020 Audit Committee organized 3 meetings.

The main assumptions underlying the Policy of selection to choose the auditor firm and the Policy of providing the permitted services not constituting an audit by the auditor firm conducting the audit and/or by its related entities or by a member of the auditor firm's network

The following regulations are in place with Benefit Systems S.A.:

1) Policy for selection to choose the auditor firm
2) Procedure for selection to choose the auditor firm
3) Policy for providing additional services by the auditor firm conducting the audit, by its related entity or by a member of the auditor firm's network at Benefit Systems S.A.

The aforementioned documents set forth the guidelines and principles for the Management Board in the following of the selection procedure to choose an audit firm, and for the Audit Committee in the preparation of the recommendation, and for the Supervisory Board in selecting an entity authorized to audit the financial statements of Benefit Systems S.A. The documents also contain regulations specifying the modes of operation of the Company and of the Audit Committee in the event where it is necessary to grant consent for provision of the permitted services that do not constitute an audit of financial statements. The documents incorporate the requirements set forth in the Act on Certified Auditors, their Self-Government, Entities Authorized to Audit Financial Statements and on Public Supervision.

The main assumptions of the Policy for the selection to choose an audit firm:

1) The entity authorized to audit the financial statements shall be selected by the Supervisory Board in its Resolution, acting on the basis of a recommendation from the Audit Committee;

2) While selecting the auditor company, the Supervisory Board, at the selection stage, and the Audit Committee at the stage of preparation of the recommendation, shall be driven by the following guidelines:

   a. affirmation that the auditor company is impartial and independent;

   b. price;

   c. existing experience in the auditing of financial statements of the entities of public interest;

    d. professional qualifications and experience of those directly involved in the audit;

3) The execution and implementation of contracts with the auditor company shall comply with the applicable regulations (including in particular the principle of rotation of auditors, and execution of the first contract with the auditor company for a term not shorter than two (2) years, with an option of extending it for subsequent, at least two-year periods.

4) The Supervisory Board shall be driven by the rule of rotation of the auditor company and the key certified auditor in accordance with the applicable regulations.

The main assumptions of the Policy for providing additional services not constituting an audit by the statutory auditor firm auditing the financial statements, by its related entities and/or by a member of the auditor firm's network:

1) Neither the certified auditor nor the auditor firm conducting the statutory audit of the Company or an entity related to the auditor firm, or any member of the certified auditor's or the auditor firm's network provide, whether directly or indirectly, any prohibited services not constituting an audit of financial statements or any activities of financial audit following from provisions of law either in favor of the Company or of its affiliates.

2) The prohibited services, as referred to in Point 1 above, include the services within the meaning of Article 5 of Regulation of the European Parliament and of the Council (EU) No. 537/2014 of 16 April 2014 and of Article 136 of Act on Certified Auditors, their Self-Government, Entities Authorized to Audit Financial Statements and on Public Supervision of 11 May 2017.

3) The services specified in Article 136.2 of the said Act are not the prohibited services.

4) A certified auditor may provide services permitted by law in favor of the Company and/or its affiliates solely within the scope unrelated to the tax policy of the Company, following an assessment of the risks and security for the claims by the Audit Committee and upon the Audit Committee's approval of the providing of such services.

In 2020, auditor company: KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k., who were entrusted with the audit of the financial statements of Benefit Systems S. A. and of the consolidated financial statements of the Group of Benefit Systems S.A. provided permitted services not constituting an audit in favour of the Issuer and in favour of the Benefit Systems Group within the following scope: semi-annual overview of the non-consolidated financial statements of Benefit Systems S.A. and of the consolidated financial statements of the Benefit Systems Group.

While accepting the package of the aforementioned additional services, the Audit Committee presented their recommendations for the Supervisory Board to observe in the following of the procedure to select the statutory auditor for year 2020.

In 2020, the following changes were affected to the panels of the governing bodies of the Company:

In 2020, no change to the panel of the Management Board occurred.

In 2020, no change to the panel of the Supervisory Board occurred.

In 2020, the function of the Remuneration Committee was performed by the Supervisory Board.

In 2020, no change to the panel of the Audit Committee occurred.

12. *A description of the diversity policy applied to the issuer's administrative, management and supervisory bodies with respect to aspects such as, for example, age, gender or education and professional experience, the objectives of the diversity policy, how it has been implemented and its effect during the reporting period; if the issuer does not apply such a policy, is contained in a statement explaining such a decision.*

In 2020 the Company applied its "Diversity Policy of Benefit Systems" which was adopted by the Management Board in 2017. A description of its elements and the manner of its application is provided in the Group's Non-Financial Report for 2020.