CONDENSED INTERIM FINANCIAL STATEMENTS OF BENEFIT SYSTEMS GROUP

FOR THE PERIOD OF SIX MONTHS ENDED ON 30 JUNE 2020

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ALL AMOUNTS ARE EXPRESSED IN THOUSANDS OF POLISH ZLOTY (UNLESS INDICATED OTHERWISE)

1. INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Notes	June 30th 2020	December 31st 2019
Non-current assets			
Goodwill	6.9	363,330	363,330
Intangible assets	6.10	67,102	65,270
Property, plant and equipment	6.10	350,936	378,609
Right-of-use assets	6.11.1	832,213	896,838
Investments in associates		13,807	13,568
Long-term receivables		7,710	5,343
Loans	6.12	56,425	64,344
Other non-current financial assets		97	97
Non-current prepayments and accrued income		317	2,238
Deferred tax assets		27,337	15,116
Non-current assets		**1,719,274**	**1,804,753**
Current assets			
Inventories		3,835	5,559
Trade and other receivables		140,210	167,048
Current tax assets		411	766
Loans	6.12	12,194	14,597
Other current financial assets		101	123
Current prepayments and accrued income		5,107	14,733
Cash and cash equivalents		131,150	72,050
Current assets		**293,008**	**274,876**
Total assets		**2,012,282**	**2,079,629**

ALL AMOUNTS ARE EXPRESSED IN THOUSANDS OF POLISH ZLOTY (UNLESS INDICATED OTHERWISE)

EQUITY AND LIABILITIES	**Notes**	**June 30th 2020**	**December 31st 2019**
Equity			
Equity attributable to owners of the parent:			
Share capital	6.14	2,859	2,859
Treasury shares (-)		(118,157)	(118,157)
Share premium		272,107	272,107
Exchange differences on consolidation		(1,686)	(725)
Capital reserve		(13,930)	(37,418)
Other components of equity		658,418	491,005
Retained earnings:		(225,417)	8,886
- accumulated profit/(loss) from prior years		(186,656)	(96,448)
- profit/ (loss) attributable to owners of the parent		(38,761)	105,334
Equity attributable to owners of the parent		574,194	618,557
Non-controlling interests		1,367	1,703
Equity		**575,561**	**620,260**
Liabilities			
Non-current liabilities			
Borrowings and other debt instruments	6.15	136,042	104,365
Lease liabilities	6.11.2	795,012	810,766
Other liabilities		12,276	25,015
Deferred tax liabilities		5,886	2,335
Employee benefit obligations and provisions	6.22	333	223
Non-current accrued expenses and deferred income		16	0
Non-current liabilities		949,565	942,704
Current liabilities			
Trade and other payables		154,127	179,018
Current tax liabilities		16,715	12,782
Borrowings and other debt instruments	6.15	49,259	73,294
Lease liabilities	6.11.2	162,865	145,362
Employee benefit obligations and provisions	6.22	37,073	29,095
Other short-term provisions		77	684
Current accrued expenses and deferred income	6.16	67,040	76,430
Current liabilities		487,156	516,665
Total liabilities		1,436,721	1,459,369
Total equity and liabilities		**2,012,282**	**2,079,629**

ALL AMOUNTS ARE EXPRESSED IN THOUSANDS OF POLISH ZLOTY (UNLESS INDICATED OTHERWISE)

2. CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	January 1st to June 30th 2020	April 1st to June 30th 2020	January 1st to June 30th 2019*	April 1st to June 30th 2019*
Continuing operations					
Revenue	**6.6**	**547,472**	**161,392**	**727,583**	**373,516**
Revenue from sale of services		541,171	159,801	719,025	369,065
Revenue from sale of merchandise and materials		6,301	1,591	8,558	4,451
Cost of sales		**(432,118)**	**(140,963)**	**(543,976)**	**(274,050)**
Cost of services sold		(427,771)	(139,615)	(538,223)	(271,348)
Cost of merchandise and materials sold		(4,347)	(1,348)	(5,753)	(2,702)
Gross profit /(loss)		**115,354**	**20,429**	**183,607**	**99,466**
Selling expenses		(39,815)	(15,910)	(49,345)	(25,639)
Administrative expenses		(58,377)	(28,005)	(59,417)	(29,451)
Other income		8,766	5,382	3,754	(958)
Other expenses		(16,862)	(15,769)	(9,760)	(4,428)
Gain/(loss) on fair value measurement of previously held interest		0	0	940	(1,100)
Operating profit/(loss)		**9,066**	**(33,873)**	**69,779**	**37,890**
Finance income	6.7	4,038	(5,571)	17,581	16,722
Finance costs	6.7	(43,036)	8,642	(16,316)	(3,539)
Impairment losses on financial assets		(1,242)	(1,022)	(1,158)	(1,158)
Share of profit/(loss) of equity-accounted entities (+/-)		804	(80)	1,032	168
Profit/(loss) before tax		**(30,370)**	**(31,904)**	**70,918**	**50,083**
Income tax	6.18	(7,320)	(7,203)	(14,449)	(9,691)
Net profit/(loss) from continuing operations		**(37,690)**	**(39,107)**	**56,469**	**40,392**
Discontinued operations					
Net profit/(loss)		**(37,690)**	**(39,107)**	**56,469**	**40,392**
Net profit (loss) attributable to:					
- owners of the parent		(38,761)	(40,810)	56,161	39,915
- non-controlling interests		1,071	1,703	308	477

**Data restated due to the netting of revenue and cost of sales at MultiBenefit Sp. z o.o. in connection with the review of contracts following the application of IFRS 15 in amount of PLN 7.9m. The disclosure on a net basis is consistent with the approach applied in the preparation of the Group's full-year consolidated financial statements for 2019. Restatement decribed in note 6.2.8.*

EARNINGS/(LOSS) PER ORDINARY SHARE (PLN)

	Notes	January 1st to June 30th 2020	January 1st to June 30th 2019
from continuing operations			
- basic	6.5	(14.14)	20.03
- diluted		(13.98)	19.82
from continuing and discontinued operations			
- basic	6.5	(14.14)	20.03
- diluted		(13.98)	19.82

ALL AMOUNTS ARE EXPRESSED IN THOUSANDS OF POLISH ZLOTY (UNLESS INDICATED OTHERWISE)

3. CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	January 1st to June 30th 2020	April 1st to June 30th 2020	**January 1st to June 30th 2019**	April 1st to June 30th 2019
Net profit/(loss)	**(37,690)**	**(39,107)**	**56,469**	**40,392**
Other comprehensive income	**0**	**0**	**0**	**0**
Items not reclassified to profit or loss	**0**	**0**	**0**	**0**
Items reclassified to profit or loss	**0**	**0**	**0**	**0**
- Exchange differences on translation of foreign operations	(996)	(847)	205	171
Comprehensive income	**(38,686)**	**(39,954)**	**56,674**	**40,563**
Comprehensive income attributable to:				
- owners of the parent	(39,722)	(41,735)	56,320	40,054
- non-controlling interests	1,036	1,781	354	509

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4. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the parent:								Non-controlling interests	Total equity
	Share capital	Treasury shares	Share premium	Exchange differences on consolidation	Capital reserve	Other components of equity	Retained earnings	Total		
Balance as at January 1st 2020	**2,859**	**(118,157)**	**272,107**	**(725)**	**(37,418)**	**491,005**	**8,886**	**618,557**	**1,703**	**620,260**
Changes in equity in the period January 1st to June 30th 2020										
Share issue in connection with exercise of options (share-based payment scheme)	0	0	0	0	0	147	0	147	0	**147**
Valuation of options (share-based payment plan)	0	0	0	0	0	924	0	924	0	**924**
Changes in Group structure (transactions with non-controlling interests)	0	0	0	0	0	0	353	353	(1,372)	**(1,019)**
Exercise of options	0	0	0	0	29,553	0	(29,553)	0	0	**0**
Provision for acquisition of shares	0	0	0	0	(6,065)	0	0	(6,065)	0	**(6,065)**
Transfer of profit or loss to equity	0	0	0	0	0	166,342	(166,342)	0	0	**0**
Total transactions with owners	0	0	0	0	23,488	167,413	(195,542)	(4,641)	(1,372)	**(6,013)**
Net profit/(loss) for the period	0	0	0	0	0	0	(38,761)	(38,761)	1,071.00	**(37,690)**
Exchange differences on translation of foreign operations	0	0	0	(961)	0	0	0	(961)	(35)	**(996)**
Total comprehensive income	0	0	0	(961)	0	0	(38,761)	(39,722)	1,036	**(38,686)**
Balance as at June 30th 2020	**2,859**	**(118,157)**	**272,107**	**(1,686)**	**(13,930)**	**658,418**	**(225,417)**	**574,194**	**1,367**	**575,561**

ALL AMOUNTS ARE EXPRESSED IN THOUSANDS OF POLISH ZLOTY (UNLESS INDICATED OTHERWISE)

CONTD.

	Equity attributable to owners of the parent:								Non-controlling interests	Total equity
	Share capital	Treasury shares	Share premium	Exchange differences on consolidation	Capital reserve	Other components of equity	Retained earnings	Total		
Balance as at January 1st 2019	**2,859**	**(61,157)**	**272,107**	**(617)**	**(31,194)**	**332,655**	**50,074**	**564,727**	**2,242**	**566,969**
Changes in equity in the period January 1st to June 30th 2019										
Valuation of options (share-based payment plan)	0	0	0	0	0	410	0	**410**	0	**410**
Changes in Group structure (transactions with non-controlling interests)	0	0	0	0	0	0	0	**0**	126	**126**
Transfer of profit or loss to equity	0	0	0	0	0	145,995	(145,995)	**0**	0	**0**
Transfer of statutory reserve funds to capital reserves	0	0	0	0	57,000	(57,000)	0	**0**	0	**0**
Total transactions with owners	0	0	0	0	57,000	89,405	(145,995)	**410**	126	**536**
Net profit/(loss) for the period	0	0	0	0	0	0	56,161	**56,161**	308	**56,469**
Exchange differences on translation of foreign operations	0	0	0	159	0	0	0	**159**	46	**205**
Total comprehensive income	0	0	0	159	0	0	56,161	**56,320**	354	**56,674**
Balance as at June 30th 2019	**2,859**	**(61,157)**	**272,107**	**(458)**	**25,806**	**422,060**	**(39,760)**	**621,457**	**2,722**	**624,179**

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5. CONSOLIDATED STATEMENT OF CASH FLOWS

	January 1st to June 30th 2020	January 1st to June 30th 2019
Cash flows from operating activities		
Profit/(loss) before tax	**(30,370)**	**70,918**
Adjustments:		
Depreciation and impairment losses on property, plant and equipment	35,039	27,313
Amortisation and impairment losses on intangible assets	5,297	4,172
Depreciation of right-of-use asset	66,178	60,321
Impairment losses on financial assets	1,868	1,240
Gain/(loss) on disposal of non-financial non-current assets	(1,235)	39
Foreign exchange gains/(losses)	27,203	(4,007)
Interest expense	9,386	13,196
Interest and dividend income	(1,448)	(1,519)
Cost of share-based payments (Incentive Schemes)	924	410
Share of profit/(loss) of associates	(804)	(1,032)
Write-downs of PPE and intangibles	11,757	0
Other adjustments	(32)	965
Total adjustments	**154,133**	**101,098**
Change in inventories	1,724	(163)
Change in receivables	21,471	20,439
Change in liabilities	(8,740)	857
Change in provisions, accruals and deferrals	9,654	(12,240)
Changes in working capital	**24,109**	**8,893**
Income tax paid	(6,788)	(32,885)
Net cash from operating activities	**141,084**	**148,024**

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CONTD.

	January 1st to June 30th 2020	January 1st to June 30th 2019
Cash flows from investing activities		
Purchase of intangible assets	(8,478)	(9,715)
Proceeds from sale of intangible assets	(28)	(176)
Purchase of property, plant and equipment	(17,359)	(55,817)
Proceeds from sale of property, plant and equipment	1,129	610
Net expenditure on acquisition of subsidiaries	0	(10,324)
Repayments of loans	8,695	5,289
Loans	(260)	(6,027)
Interest received	766	1,341
Dividends received	565	592
Net cash from investing activities	**(14,970)**	**(74,227)**
Cash flows from financing activities		
Transactions with non-controlling entities without loss of control	(36,059)	0
Redemption of debt securities	(30,250)	(74,500)
Proceeds from borrowings	50,000	78,503
Repayment of borrowings	(11,865)	(10,079)
Payment of lease liabilities	(35,967)	(64,058)
Interest paid	(2,873)	(12,751)
Net cash from financing activities	**(67,014)**	**(82,885)**
Net change in cash and cash equivalents	**59,100**	**(9,088)**
Cash and cash equivalents at beginning of period	72,050	75,819
Cash and cash equivalents at end of period	**131,150**	**66,731**

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6. NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6.1. General information

The parent of the Benefit Systems Group (the "Group") is Benefit Systems S.A. (the "parent"). The Group does not form part of another group.

The parent was established through transformation of a limited liability company into a joint- stock company. The transformation was effected pursuant to Resolution No. 2/2010 of the General Meeting of November 3rd 2010. The parent is entered in the Business Register of the National Court Register maintained by the District Court for the Capital City of Warsaw, 12th Commercial Division, under entry No. KRS 0000370919. The parent's Industry Identification Number (REGON) is 750721670. The shares of the parent are listed on the Warsaw Stock Exchange.

The parent's registered office is located at Plac Europejski 2, 00-844 Warsaw, Poland. It is also the principal place of business of the Group.

The Benefit Systems Group is a provider of non-payroll employee benefit solutions in the area of sports and recreation offered in the form of the MultiSport sport card, the Group's leading product, and related products with access to sports networks, including facilities owned by the Group companies. The network of fitness clubs provides infrastructure support for the sport cards business. Activities based on synergies between the sale of sport cards and infrastructure investments are carried out in Poland and in foreign markets. The Group is present in the Czech Republic, Slovakia, Bulgaria and Croatia.

The Group offers unique products, such as Cafeterias e-platforms, which allow employees to choose any non-pay benefit from a set of benefits pre-approved by the employer. The Group is also a provider of cultural and entertainment solutions (including the Kinowy Programme, MultiTeatr), which are offered mainly through the Cafeterias channel.

The principal business of the parent according to the Polish Classification of Activities (PKD) is: *Other activities not classified elsewhere (PKD 2007) 9609Z.*

These interim condensed consolidated financial statements include the parent and the following subsidiaries:

Subsidiary	**Principal place of business and country of registration**	**Group's ownership interest:**	
		June 30th 2020	**December 31st 2019**
FitSport Polska Sp. z o.o.	Plac Europejski 2, 00-844 Warsaw, Poland	100.00%	100.00%
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%
Fit Fabric Sp. z o.o.[2)]	al. 1 Maja 119/121, 90-766 Łódź, Poland	52.50%	52.50%
Benefit Partners Sp. z o.o.[3)]	Plac Europejski 2, 00-844 Warsaw, Poland	100.00%	95.00%
Benefit Systems International Sp. z o.o.[4)]	ul. Młynarska 8/12, 01-194 Warsaw, Poland	97.20%	97.20%
Benefit Systems Greece MIKE[5)]	12 Agias Fotinis Str.Nea Smyrni, 17121, Greece	0.00%	93.31%

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Benefit Systems D.O.O.[6)]	Zagreb (Grad Zagreb) Heinzelova ulica 44, Croatia	95.74%	95.74%
Benefit Systems Bulgaria EOOD[7)]	11-13, Yunak Str., floor 1 Sofia 1612, Bulgaria	93.31%	91.85%
MultiSport Benefit S.R.O.[8)]	Lomnickeho 1705/9, 140 00 Praha 4, Czech Republic	93.31%	81.45%
Benefit Systems Slovakia S.R.O.[9)]	Ružová dolina 6 Bratislava - mestská časť Ružinov 821 08, Slovakia	93.31%	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%
Fit Invest Bulgaria EOOD	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.[10)]	Trg republike 3, 1000 Ljubljana, Slovenia	92.34%	92.34%
MyBenefit Sp. z o.o.[11)]	ul. Powstańców Śląskich 28/30, 53-333 Wrocław, Poland	100.00%	100.00%
MW Legal Sp. z o.o.[12)]	Plac Europejski 2, 00-844 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) 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.
3) 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.
4) On September 30th 2019, the sale of 2.80% of shares in Benefit Systems International Sp. z o.o. was effected, as a result of which Benefit Systems S.A. holds 97.2% of shares in the company.
5) 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.
6) On October 30th 2019, the sale of 1.50% of shares in Benefit Systems International Sp. z o.o. was effected, as a result of which Benefit Systems International Sp. z o.o. holds 98.5% of shares in the company.
7) 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.
8) 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.
9) On January 20th 2020, the sale of 13.00% of shares in Benefit Systems Slovakia 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.
10) Benefit Systems, storitve D.O.O., was registered on November 25th 2019. Benefit Systems International Sp. z o.o. holds 95% of shares in the company.
11) The company is not consolidated as it does not conduct any business activity.

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The key financial data of the subsidiaries with non-controlling interests as at June 30th 2020 and for the six months then ended is presented below.

	Assets	Liabilities	Equity attributable to owners	Non-controlling interests	Net profit/(loss) attributable to owners of the parent	Net profit/(loss) attributable to non-controlling interests	Revenue
MultiSport Benefit S.R.O.	66,410	25,725	40,685	4,036	23,937	1,602	105,599
Benefit Systems Slovakia S.R.O.	6,173	12,465	(6,292)	(421)	(1,536)	0	12,404
Benefit Partners Sp. z o.o.	92,937	91,788	1,150	0	90	0	10,339
Benefit Systems International Sp. z o.o.	118,431	139,593	(21,162)	(593)	(3,448)	(97)	2,416
Fit Invest International Sp. z o.o.	18,435	22,623	(4,188)	(117)	(900)	(25)	45
Benefit Systems Bulgaria EOOD	14,550	8,754	5,796	387	2,040	136	32,921
Form Factory S.R.O.	89,209	103,465	(14,256)	(399)	(6,756)	(189)	11,480
Fit Invest Bulgaria EOOD	56,003	71,628	(15,625)	(437)	(3,719)	(104)	4,926
Beck Box Club Praha S.R.O.	20,828	33,367	(12,539)	(351)	(3,301)	(92)	6,619
Benefit Systems D.O.O.	6,161	21,811	(15,650)	(667)	(2,976)	(127)	6,986
Fit Invest Slovakia S.R.O.	9,065	11,710	(2,645)	(74)	(1,179)	(33)	362
Benefit Systems, storitve, D.O.O.	33	0	33	3	0	0	0
Total	**498,235**	**542,929**	**(44,693)**	**1,367**	**2,252**	**1,071**	**194,097**

In the interim condensed consolidated financial statements prepared as at June 30th 2020, the interests in six associates were accounted for using the equity method.

	Principal place of business and country of registration	Ownership interest/ share in profit/(loss)	**June 30th 2020**
			Carrying amount
Baltic Fitness Center Sp. z o.o.	ul. Puławska 427, 02-801 Warsaw, Poland	49.95%	0
Instytut Rozwoju Fitness Sp. z o.o.	ul. Puławska 427, 02-801 Warsaw, Poland	48.10%	4,341
LangMedia Sp. z o.o.	ul. Skwierzyńska 25/3, 53-521 Wrocław	37.00%	6,140
Calypso Fitness S.A.	ul. Puławska 427, 02-801 Warsaw, Poland	33.33%	0
X-code Sp. z o.o.	ul. Klaudyny 21/4, 01-684 Warsaw	31.15%	3,326
Get Fit Katowice II Sp. z o.o.	ul. Uniwersytecka 13, 40-007 Katowice, Poland	20.00%	0
Total carrying amount			**13,807**

6.2. Basis of preparation and accounting policies

6.2.1. Basis of preparation

These interim condensed consolidated financial statements were authorised for issue by the Parent's Management Board on August 19th 2020.

These interim condensed consolidated financial statements of the Group cover the six months ended June 30th 2020, and have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* as endorsed by the European Union and with the Regulation of the Minister of Finance on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated March 29th 2018 (Dz.U. of 2018, item 757).

These interim condensed consolidated financial statements have been prepared in the condensed form do not contain all the information which is typically disclosed in the Group's full-year consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union. These interim condensed consolidated financial statements should be read in conjunction with the Group's full-year consolidated financial statements for 2019.

The functional currency of the parent and the presentation currency of these interim condensed consolidated financial statements is the Polish złoty, and all amounts are expressed in thousands of Polish złoty (unless indicated otherwise).

The interim condensed consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern in the foreseeable future. As at the date of authorisation of these interim condensed consolidated financial statements, no circumstances have been identified which would indicate any threat to the Group's ability to continue as a going concern.

6.2.2. Impact of COVID-19 pandemic on the Group's business

In the six months ended June 30th 2020, the Group's business was affected by the coronavirus epidemic, with temporary government restrictions imposed in the Group's home markets particularly on the operation of sports facilities. The Group's customers and cardholders used the option to suspend sport cards, and the Group did not charge any fees for suspended cards, both in B2B and B2C relations. As reported in Current Report No. 9/2020 of March 31st 2020, the Group companies, both in Poland and abroad, did not record any significant increase in contract terminations, and the proportion of suspended sport cards in Poland in April 2020 was estimated at 70%.

As a result, the management of the Group and its subsidiaries took a number of measures to secure and support revenue streams and reduce operating costs. Managing the Group's liquidity is of the highest priority, and the steps taken by the Group include securing access to various sources of financing, continuous monitoring of debt repayments, reducing capital expenditure, extending payment deadlines in justified cases, and maintaining safe levels of the net debt and liquidity ratios.

The Group is expanding its offering of online products and additional services (advice, diets, urban bicycles, special holiday offers) and is continuing to develop the partnership network, which is of strategic importance to the Group. In addition, optimisation measures have been under way with a focus on: (i) new customer retention processes and sales of services, implementation of subscription contracts better suited to consumer preferences, (ii) implementation of a new management structure and centralisation of functions across all networks (procurement, administration, back office), and (iii) implementation of restructuring plans at sports clubs with the least potential.

In the opinion of the Group, the COVID-19 pandemic has not significantly affected the long- term prospects of the market's potential and the factors supporting the sale of sport cards.

Operating data

Changes in key operating data of the Group's segments, most affected by COVID-19 pandemic, are presented below.

Poland: 498.9 thousand sport cards as at June 30th 2020 (-58% on the pre-pandemic level)

Foreign Markets: 288.2 thousand sport cards as at June 30th 2020 (-23% on the pre-pandemic level)

Change in B2C contracts at fitness clubs vs. pre-pandemic: Poland -9% (+12% y/y); Foreign Markets -21% (+3% y/y).

As at the date of issue of this report, the number of active sport cards was: 745 thousand cards in Poland and 287 thousand cards in Foreign Markets.

Liquidity and debt

As at June 30th 2020, the current and quick liquidity ratios were 0.6x, having slightly improved relative to December 31st 2019, when they stood at 0.5x. The financial debt to EBITDA ratio was 0.4x. Net financial debt is defined as the sum of debt under borrowings, bonds, and guarantees granted less cash. EBITDA is defined as operating profit/loss for the 12 months ended June 30th 2020 before depreciation and amortisation for the same period. The Group complied with the covenants under its credit facility agreements.

Despite financial losses, in the first half of 2020 the Group generated positive cash flows from operating activities of PLN 141.1m, close to the amount of operating cash flows in the comparative period of the previous year (PLN 148m), which, with limited investing and financing activities, led to an increase in the Group's cash by PLN 59.1m over year-end 2019.

As at June 30th 2020, the Group had approximately PLN 256m of funds available in bank accounts (including PLN 125m of available and undrawn overdraft facilities) and an unutilised PLN 70m investment facility.

Moreover, on June 10th 2020, the General Meeting decided not to pay dividend from the parent's net profit earned in 2019 and to allocate the entire amount, of PLN 166m, to statutory reserve funds.

Costs

In the second quarter of 2020, the Poland segment reported an approximately PLN 134m year-on-year decrease in cost of sales. Selling expenses and administrative expenses also decreased year on year, by PLN 7.4m (-22%), and quarter on quarter, by PLN 5.5m (-17%), due to savings on marketing costs, optimisation of office space, and savings on advisory costs, business travel and training expenses. Further savings of PLN 3m were delivered in the area of payroll thanks to the so-called Shield 1.0 government support. Rental concessions for a total amount of ca. PLN 20m were negotiated with landlords (total financial effect spread over the term of the lease contracts).

In the second quarter of 2020, the Foreign Markets segment reported a PLN 2.3m quarter-on-quarter decrease in clubs' direct costs, while selling expenses and general and administrative expenses fell year on year by PLN 3.2m (-19%) and quarter on quarter by PLN 2.9m (-16%), mainly due to lower employment and salary reductions.

Goodwill impairment test

The COVID-19 pandemic led to significant changes in business environment and economic conditions, which the Group considered to be an indication of impairment of goodwill of the Poland and Cafeterias segments as they reported year-on-year deterioration of the operating results. The impairment tests did not reveal any need for recognition of goodwill impairment losses.

For detailed information on the Group's financial results, see these interim condensed consolidated financial statements and section 2 of the Interim Consolidated Directors' Report on the Group's operations in the six months ended June 30th 2020.

6.2.3. Accounting policies

These interim condensed consolidated financial statements have been prepared in accordance with the accounting policies presented in the Group's most recent consolidated financial statements for the year ended December 31st 2019, and in accordance with the policies applied in the same interim period of the previous year, except for the application of the new and amended standards described in Note 6.2.4.

These interim condensed consolidated financial statements have been prepared on a historical cost basis, except with respect to items measured at fair value, such as a liability arising from contingent payment for acquired shares.

6.2.4. New and amended standards applied by the Group as of January 1st 2020

Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

The amendments introduce a new definition of 'material' (with regard to omission or misstatement in financial statements). The previous definition in IAS 1 and IAS 8 differed from that in the Conceptual Framework for Financial Reporting, which may have caused difficulties in making judgements by entities preparing financial statements. The amendments will align the definition used in the Conceptual Framework and all effective IASs and IFRSs.

The new standard has not affected the Group's financial statements as the materiality judgements applied so far were consistent with those that would have been made using the new definition.

Amendments to IFRS 3 Business Combinations

The amendments narrowed and clarified the definition of a business and addresses mainly the following issues:

- they clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- they narrow down the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce cost;
- they add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- they remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- they add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The amendments are effective for business combinations for which the acquisition date falls on or after the beginning of the first annual reporting period beginning on or after January 1st 2020 and to asset acquisitions that occurred on or after the beginning of that period. In the six months ended June 30th 2020 there were no transactions which would be affected by the amendment. At present, the Group is unable to predict future acquisitions.

Amendments to references to the Conceptual Framework in IFRS Standards

The IASB prepared a new version of the Conceptual Framework for financial reporting. For consistency reasons, references have therefore been adapted accordingly to the conceptual assumptions set out in the various standards.

The amendments did not affect the financial statements of the Group.

Amendments to IFRS 9, IAS 39 and IFRS 7

The IASB amended hedge accounting in connection with the planned reform of reference interest rates (WIBOR, LIBOR, etc.). These rates are often a hedged item, for example in the case of IRS hedges. The planned replacement of the existing rates with new reference rates raised doubts as to whether the planned transaction is still highly probable, whether future hedged cash flows are still expected or whether there is an economic link between the hedged item and the hedging item. The amendments specified that it should be assumed in the estimates that there will be no change in reference rates.

As the Group does not apply interest rate derivatives, the amendment does not affect its financial statements.

6.2.5. Published standards and interpretations which were not yet effective for periods beginning on January 1st 2020 and their impact on the Group's financial statements

Until the date of preparation of these interim condensed financial statements, the following new or amended standards and interpretations have been published, effective for annual periods following 2020:

New IFRS 17 Insurance Contracts

The new standard governs recognition, measurement, presentation and disclosure of insurance and reinsurance contracts. The standard replaces IFRS 4.

The Group estimates that the new standard will not affect its financial statements as the Group does not conduct any insurance business.

The standard is effective for annual periods beginning on or after January 1st 2023.

Amendment to IAS 1 Presentation of Financial Statements

The IASB clarified the rules for classifying liabilities as non-current or current primarily in two aspects:

- it has been clarified that classification depends on the rights of the entity as at the reporting date,
- the management's intention to accelerate or delay payment of the obligation is not to be taken into account.

The amendments are effective for annual periods beginning on or after January 1st 2022.

As the Group already applies principles consistent with the amended standard, the changes will not affect its financial statements.

The Group intends to implement the above regulations to the extent they apply to the Group at the time required by the standards or interpretations.

6.2.6. New standards and amendments to existing standards issued by the IASB, but not yet endorsed by the EU

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures

Under previous guidance applicable to accounting for loss of control of a subsidiary, a gain or loss had to be recognised on the loss of control. In turn, in accordance with the rules of application of the equity method, any gain or loss from a transaction with an entity accounted for using the equity method could be recognised only to the extent of unrelated investors' interests.

In the event that a parent would sell or contribute interests in a subsidiary to an entity accounted for using the equity method in such a manner that it would lose control of the subsidiary, the aforementioned regulations would be inconsistent. The amendments to IFRS 10 and IAS 28 resolve the conflict in the following manner:

- if the entity over which control was lost constitutes a business, the gain or loss from the transaction is recognised in full,

- if the entity over which control was lost does not constitute a business, the gain or loss is recognised only to the extent of the interests of other investors.

The Group holds interests in equity-accounted associates, but has not yet sold or contributed any shares in a subsidiary to an equity-accounted entity in such a way that it has lost control of the subsidiary. Therefore, the amendment will not affect the Group's financial statements.

The effective date of these amendments has been deferred by the European Union.

Amendment to IFRS 16 Leases: Covid-19-Related Rent Concessions

On May 28th 2020, the IASB published an amendment to IFRS 16 which permits lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications. A lessee that makes this election accounts for any change in lease payments resulting from the rent concession the same way it would account for the change applying the standard if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before June 30th 2021, and
- there is no substantive change to other terms and conditions of the lease.

The amendment does not affect lessors.

The Group is in the process of estimating the impact of using the practical expedient on its financial statements.

The amendment applies to annual periods beginning on or after June 1st 2020, with an early application option. The amendment has not yet been endorsed by the European Union.

6.2.7. Uncertainty of estimates

When preparing these interim condensed consolidated financial statements, the Management Board of the parent is guided by its judgement in making numerous estimates and assumptions that affect the accounting policies applied and the disclosed amounts of assets, liabilities, income and expenses. Actual amounts may differ from the estimates prepared by the Management Board of the parent.

For information on estimates and assumptions which are material to the interim condensed consolidated financial statements, see the Group's full-year consolidated financial statements for 2019, as well as the following notes to these interim condensed consolidated financial statements: 6.9 *Goodwill*, 6.11 *Leases*, 6.13 *Financial instruments*, 6.17 *Share-based payment schemes*, and 6.26 *Credit risk*.

6.2.8. Correction of errors and changes in accounting policies

MultiBenefit Sp. z o.o. in the period preceding its acquisition by MyBenefit Sp. z o.o. (December 30th 2019) re-examined its role in the sale of cafeteria services in the context of the degree of risk incurred by the parties. The analysis showed that in a significant number of the transactions the company acts as an agent (e.g. sale of BenefitLunch) and therefore the presentation of the company's income and expenses for the six months ended June 30th 2019 was adjusted. The effect of the adjustment on the Group's income and expenses in the period is PLN 7.9m.

ALL AMOUNTS ARE EXPRESSED IN THOUSANDS OF POLISH ZLOTY (UNLESS INDICATED OTHERWISE)

The effect of the change on the Group's income and expenses for the six months ended June 30th 2019 is presented below.

	January 1st to June 30th 2019		
	Before	**Adjustments:**	**After**
Continuing operations			
Revenue	18,534	(7,923)	10,611
Cost of sales	(13,861)	7,923	(5,938)

The corresponding effect for the three months ended June 30th 2019 is PLN 4.3m.

6.3. Significant events and transactions

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 from the date of the agreement and may be used for investment purposes consistent with the Group's strategy. The facility term is 48 months from the date of the agreement. The multi-purpose credit facility may be used to finance current operations and is available for 12 months from the date of the agreement.

COVID-19 epidemic

On March 11th 2020, the World Health Organisation recognised the COVID-19 epidemic as a pandemic, and on March 13th 2020 the Polish government declared the state of epidemic emergency and subsequently – the state of epidemic in the entire country. To mitigate the potentially significant threat to public health posed by COVID-19, the Polish authorities took steps to prevent the spread of the epidemic, including restrictions on cross-border movement of persons, temporary prohibition of foreign nationals entering Poland, and prohibition of activities in certain industries pending further developments, followed by restrictions on freedom of movement. Since April 20th 2020, some of the restrictions have been gradually eased and lifted. The operation of swimming pools, gyms and fitness clubs remained suspended from March 14th to June 5th 2020 in Poland, from March 13th to April 26th 2020 in the Czech Republic, from March 14th to May 17th 2020 in Bulgaria, and from March 13th to June 2nd 2020 in Slovakia. For information on the effect of the pandemic on the Group's financial condition and results, see Note 6.2.2.

Reduction of Benefit Systems S.A.'s share capital

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 to PLN 2,795,900 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 retired 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. As at the date of issue of these interim condensed consolidated financial statements, no such entry was made in the Business 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 shares.

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 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 one-off deviation from Benefit Systems S.A.'s dividend policy for 2020−2023 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 Company did not have any material assets and the scale of its business was limited. In the period until the date of sale, the company generated revenue of PLN 0.1m and recognised a loss on sales of PLN 0.1m. As at the date of sale, the company held 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 parent executed an amendment to the multi-purpose and multi- currency credit facility agreement of July 18th 2012 with Santander Bank Polska S.A. with its registered seat in 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.

Notification of exceeding the threshold of 5% of total voting rights at the parent

On May 15th 2020, the parent received a notification from Invesco Canada Ltd. of Toronto that Invesco Canada Ltd. exceeded the 5% threshold of total voting rights at the parent.

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, and total costs increased by PLN 15.3m (including cost of sales by PLN 13.8m), and net profit increased by PLN 13.7m.

Closure of four own clubs

In June 2020, four fitness clubs owned by Benefit Systems S.A., i.e. two Fitness Academy clubs and two My Fitness Place clubs, were closed. The closures had a PLN 10.4m adverse effect on the results for the six months ended June 30th 2020; the amount included an impairment loss on property, plant and equipment (PLN -8.8m) and the cost of early termination fee (PLN -4.8m) and was partly offset by the termination of relevant lease contracts (PLN +3.2m).

6.4. Seasonality of operations

The industry in which the Group operates is subject to seasonal variation. 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. However, due to the ongoing pandemic and temporary closure of fitness clubs and other sports facilities, this seasonality pattern may change.

ALL AMOUNTS ARE EXPRESSED IN THOUSANDS OF POLISH ZLOTY (UNLESS INDICATED OTHERWISE)

6.5. Earnings per share

Basic earnings per share are calculated as the quotient of the net profit attributable to owners of the parent divided by the weighted average number of ordinary shares (excluding treasury shares) outstanding during the period.

When calculating diluted earnings per share, the effect of convertible options on the parent shares issued under the Group's incentive schemes is taken into account. The calculation of earnings per share is presented below.

	January 1st to June 30th 2020	January 1st to June 30th 2019
Number of shares used as denominator		
Weighted average number of ordinary shares	2,740,939	2,804,031
Dilutive effect of options convertible into shares	30,766	29,113
Diluted weighted average number of ordinary shares	2,771,705	2,833,144
Continuing operations		
Net profit/(loss) from continuing operations	(38,761)	56,161
Basic earnings/(loss) per share (PLN)	(14.14)	20.03
Diluted earnings/(loss) per share (PLN)	(13.98)	19.82

6.6. Operating segments

The Group presents segment information 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 following segments are presented:

1. Poland
2. Foreign Markets
3. 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, including the Foreign Markets segment. The Group accounts for intersegment transactions on an arm's-length basis.

EBITDA and operating profit/(loss) are key metrics used to evaluate the segments' performance. EBITDA is EBIT before depreciation and amortisation. The Groups defines EBIT as profit/(loss) from continuing operations before tax, finance income and finance costs, i.e. operating profit/(loss).

Reconciliation of the segments' results to the Group's total results in the six months ended June 30th 2020 and in the comparative period is presented below.

ALL AMOUNTS ARE EXPRESSED IN THOUSANDS OF POLISH ZLOTY (UNLESS INDICATED OTHERWISE)

	Poland	Foreign Markets	Cafeterias	Other	Total
for the period January 1st to June 30th 2020					
Revenue	364,342	171,378	15,556	(3,804)	547,472
including from external customers	*363,086*	*171,378*	*12,354*	*654*	*547,472*
including intersegment sales	*1,256*	*0*	*3,202*	*(4,458)*	*0*
Cost of sales	(297,339)	(130,454)	(11,497)	7,172	(432,118)
Gross profit	**67,003**	**40,924**	**4,059**	**3,368**	**115,354**
Selling expenses	(22,561)	(14,602)	(2,652)	0	(39,815)
Administrative expenses	(36,756)	(17,946)	(2,949)	(726)	**(58,377)**
including the Incentive Scheme	*0*	*0*	*0*	*(924)*	*(924)*
Other income and expenses	(4,948)	(647)	(2,582)	81	(8,096)
including impairment loss on intangible assets	*0*	*0*	*(2,931)*	*0*	*(2,931)*
including cost of closing four fitness clubs	*(10,419)*	*0*	*0*	*0*	*(10,419)*
Operating profit/(loss)	**2,738**	**7,729**	**(4,124)**	**2,723**	**9,066**
EBITDA	92,585	25,317	(1,263)	(1,059)	115,580
Share of profit/(loss) of equity-accounted entities (+/-)	0	0	0	804	804
Interest expense on lease liabilities	(6,713)	(833)	(82)	132	(7,496)
Finance income and costs (other than interest expense on lease liabilities)	0	0	0	(32,744)	(32,744)
including foreign exchange losses on remeasurement of lease liabilities	*0*	*0*	*0*	*(31,715)*	*(31,715)*
Profit/(loss) before tax	***0***	***0***	***0***	***0***	**(30,370)**
Segment assets	1,793,508	297,080	121,776	(200,082)	2,012,282
including right-of-use assets	*724,164*	*112,052*	*6,150*	*(10,153)*	*832,213*
Amortisation and depreciation	89,847	17,588	2,861	(3,782)	106,514
including depreciation of right-of-use assets	*55,316*	*11,470*	*976*	*(1,584)*	*66,178*
for the period January 1st to June 30th 2019					
Revenue	580,132	151,033	10,611	(14,193)	727,583
including from external customers	*571,178*	*151,033*	*3,987*	*1,385*	*727,583*
including intersegment sales	*8,954*	*0*	*6,624*	*(15,578)*	*0*
Cost of sales	(427,545)	(128,469)	(5,938)	17,976	(543,976)
Gross profit	**152,587**	**22,564**	**4,673**	**3,783**	**183,607**
Selling expenses	(29,538)	(16,949)	(2,893)	35	(49,345)
Administrative expenses	**(36,361)**	**(16,494)**	**(2,273)**	**(4,289)**	**(59,417)**
including the Incentive Scheme	0			(410)	(410)
Other income and expenses	(5,872)	(467)	(71)	1,344	(5,066)
Operating profit/(loss)	**80,816**	**(11,346)**	**(564)**	**873**	**69,779**
EBITDA	158,577	2,279	1,420	(691)	161,585
Share of profit/(loss) of equity-accounted entities (+/-)	576	0	0	456	1,032
Interest expense on lease liabilities	**(8,893)**	**(1,152)**	**(121)**	**226**	(9,940)
Finance income and costs (other than interest expense on lease liabilities)	**0**	**0**	**0**	**0**	11,079
including remeasurement of contingent liabilities	*0*	*0*	*0*	*9,798*	*9,798*
Profit/(loss) before tax	***0***	***0***	***0***	***0***	**70,918**
Segment assets	1,815,213	228,899	115,427	(164,332)	1,995,207
including right-of-use assets	*1,057,964*	*134,940*	*105,053*	*(165,310)*	*1,132,647*
Amortisation and depreciation	77,761	13,625	1,984	(1,564)	91,806
including depreciation of right-of-use assets	*51,579*	*9,678*	*725*	*(1,661)*	*60,321*

ALL AMOUNTS ARE EXPRESSED IN THOUSANDS OF POLISH ZLOTY (UNLESS INDICATED OTHERWISE)

In the reporting period of the six months ended June 30th 2020, the Group did not identify any individual customer which would account for more than 10% of the Group's total revenue.

Revenue disclosed in the interim consolidated statement of profit or loss does not differ from revenue presented by the operating segments, except for revenue not allocated to any of the segments and consolidation eliminations on intersegment transactions. As of 2020, the segment data are presented down to the level of operating profit as financing decisions are made from the perspective of the Group as a whole.

There is no significant concentration of sales to one or more external customers.

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

	January 1st to June 30th 2020	January 1st to June 30th 2019
Segments' revenue		
Total revenue of operating segments	551,276	741,776
Unallocated revenue	654	1,385
Elimination of revenue from intersegment transactions	(4,458)	(15,578)
Revenue	**547,472**	**727,583**
Segments' profit/(loss)		
Segments' operating profit/(loss)	6,343	68,906
Elimination of profit/(loss) from intersegment transactions (IFRS 16)	62	591
Unallocated profit/(loss)	2,661	282
Operating profit	**9,066**	**69,779**
Finance income	4,038	17,581
Finance costs (-)	(44,278)	(17,474)
Share of profit/(loss) of equity-accounted entities	804	1,032
Profit/(loss) before tax	**(30,370)**	**70,918**

	June 30th 2020	December 31st 2019
Segment's assets		
Total assets of operating segments	2,212,364	2,222,139
Unallocated assets	54,007	47,530
Elimination of intersegment transactions	(254,089)	(190,040)
Total assets	**2,012,282**	**2,079,629**

In the reporting period, revenue not allocated to operating segments included primarily revenue from the Group's marketing activities. The relevant expenses are costs of the Group's strategic activities, the Incentive Scheme, support functions and other activities not allocated to the defined operating segments. Eliminations of assets mainly include loans and trade receivables.

Finance costs for the six months ended June 30th 2020 include foreign exchange losses on measurement of lease liabilities arising from rental contracts (fitness clubs and office space) denominated in foreign currencies.

ALL AMOUNTS ARE EXPRESSED IN THOUSANDS OF POLISH ZLOTY (UNLESS INDICATED OTHERWISE)

	Poland	Foreign Markets	Cafeterias	Other	Total
for the period January 1st to June 30th 2020					
Revenue from external customers	**363,086**	**171,378**	**12,354**	**654**	**547,472**
Poland	363,086	89	12,354	654	376,183
Czech Republic	0	116,857	0	0	116,857
Bulgaria	0	34,705	0	0	34,705
Other	0	19,727	0	0	19,727
Non-current assets	**1,388,188**	**194,317**	**56,480**	**(3,569)**	**1,635,416**
Poland	1,388,188	4,477	56,480	(3,569)	1,445,576
Czech Republic	0	121,045	0	0	121,045
Bulgaria	0	56,397	0	0	56,397
Other	0	12,398	0	0	12,398
for the period January 1st to June 30th 2019					
Revenue from external customers	**571,178**	**151,033**	**3,987**	**1,385**	**727,583**
Poland	571,178	74	3,987	1,385	576,624
Czech Republic	0	89,370	0	0	89,370
Bulgaria	0	43,473	0	0	43,473
Other	0	18,116	0	0	18,116
Non-current assets	**1,425,953**	**172,281**	**55,431**	**(855)**	**1,652,810**
Poland	1,425,953	3,700	55,431	(855)	1,484,229
Czech Republic	0	124,430	0	0	124,430
Bulgaria	0	39,412	0	0	39,412
Other	0	4,739	0	0	4,739

**Excluding financial instruments and deferred tax assets*

Revenue by category:		**January 1st to June 30th 2020**	**January 1st to June 30th 2019**
Sale of sport cards in Poland	B2B	301,280	478,230
Sale of sport cards on foreign markets	B2B	158,115	132,776
Sale of campsite benefits	B2B	12,354	3,987
Sale of fitness clubs in Poland	B2B/B2C	60,032	88,810
Sale of fitness clubs on foreign markets	B2C	13,263	18,256
Other settlements	B2B	2,428	5,524
including rental/lease income		*1,820*	*4,192*
Revenue		**547,472**	**727,583**

Rental/lease of fitness equipment:		**January 1st to June 30th 2020**	**January 1st to June 30th 2019**
intra-Group		9,576	11,044
outside the Group		1,774	4,139

Rental of space:		**January 1st to June 30th 2020**	**January 1st to June 30th 2019**
intra-Group		390	578
outside the Group		46	53

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The Group recognises a contract liability if invoicing occurs earlier than the actual date of performance of the service.

6.7. Finance income and costs

The key items of the Group's finance income and costs are presented below.

	January 1st to June 30th 2020	January 1st to June 30th 2019
Finance income, including:	**4,038**	**17,581**
Interest on loans	*1,231*	*1,615*
Remeasurement of liabilities arising from acquisition of shares	*2,190*	*9,798*
Foreign exchange gains on measurement of lease liabilities	*0*	*4,940*
Finance costs, including:	**(43,036)**	**(16,316)**
Foreign exchange losses	*(31,715)*	*0*
Borrowing costs	*(3,000)*	*(3,517)*
Interest expense on lease liabilities	*(7,496)*	*(9,940)*
Total finance income and costs	**(38,998)**	**1,165**

6.8. Acquisitions and loss of control of subsidiaries

6.8.1. Acquisition in the six months ended June 30th 2020

In 2020, the Group has not taken control of any new subsidiaries.

6.8.2. Change in non-controlling interests

On March 2nd 2020, the parent executed an agreement for the purchase of 5% of shares in Benefit Partners Sp. z o.o. for PLN 0.3m. As a result of the transaction, the parent became the owner of 100% of shares in Benefit Partners Sp. z o.o.

In the second quarter of 2020, options were exercised to purchase shares in MulisportBenefit S.R.O., Benefit Systems Slovakia S.R.O. and Benefit Systems Bulgaria EOOD, in which Benefit Systems International Sp. z o.o. increased its equity interests by 12.2%, 13% and 1.5%, respectively. The effect of the change in the number of shares held on the equity attributable to owners of the parent is summarised below.

Company	Benefit Partners Sp. z o.o.	Mulisport Benefit S.R.O.	Benefit Systems Slovakia S.R.O.	Benefit Systems Bulgaria EOOD
Carrying amount of acquired minority interests	53	1,984	(766)	45
Use of provision to purchase shares	0	(25,528)	(4,025)	(5,577)
Consideration paid for shares	336	26,000	4,036	5,577
Changes in equity attributable to owners of the parent, including:	**(283)**	**1,512**	**(776)**	**45**

6.8.3. Accounting for the fair value of assets and liabilities acquired

As at the date of preparation of these consolidated financial statements, the Group completed the process of allocating the purchase price to assets and liabilities acquired as part of acquisition of fitness clubs:

- Platinium Wellness (Kraków),

- The Mall (Sofia),

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for which the 12 months from the acquisition date elapsed in the first half of 2020. There were no differences in the amounts of identified assets and liabilities relative to the provisional accounting disclosed in the Group's full-year consolidated financial statements for 2019.

6.9. Goodwill

The changes in goodwill in the reporting periods are presented below.

	June 30th 2020	December 31st 2019
Gross carrying amount		
Balance at beginning of period	363,330	348,547
Acquisitions and business combinations	0	16,993
End of provisional accounting	0	(2,210)
Gross carrying amount at end of period	**363,330**	**363,330**
Impairment losses		
Accumulated impairment losses at end of period	0	0
Goodwill – net carrying amount at end of period	**363,330**	**363,330**

Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the business combination, provided that the cash-generating units are not larger than the operating segments. The Group identifies cash-generating units for sales of sport cards and operation of fitness clubs at country level, given the complementary nature of these two business lines. The cafeterias business has been defined as a separate cash-generating unit.

Allocation of goodwill to individual segments is presented below.

	June 30th 2020	December 31st 2019
Poland	303,891	303,891
Foreign Markets	28,729	28,729
Cafeterias	30,710	30,710
Total goodwill	**363,330**	**363,330**

As at the reporting date, indications of impairment were identified in the Poland and Cafeterias segments, including year-on-year deterioration in operating results, as well as significant changes in the Group's market environment (economic slowdown) and legal regime (restrictions imposed on business activities). Therefore, based on the most recent financial projections, the recoverable amounts of the identified cash-generating units were estimated and compared with their carrying amounts.
On the other hand, there were no indications of impairment of goodwill allocated to the Czech market due to good financial results delivered in the market in the first half of 2020, despite restrictions on business activities temporarily imposed by the local authorities.

The tests did not identify any impairment of the cash-generating units.

As this valuation is largely based on forecast operating and financial results, the Management Board of the parent points to an inherent uncertainty associated with the achievement of those forecasts, particularly due to the continued spreading of the COVID-19 pandemic.

The recoverable amounts of cash-generating units to which goodwill is allocated were determined on the basis of their value in use, using the discounted cash flow method.

The adopted estimates and assumptions are continuously reviewed and are based on historical data and best knowledge as at the date of the assessment. The Group makes estimates and assumptions about the future. Generally, these estimates differ from actual results.

The Poland segment, the most important cash-generating unit to which the highest goodwill has been allocated, has a very low sensitivity to movements in the weighted average cost of capital. WACC would have to increase more than 2.5x for the valuation to equal the carrying amount of the assets allocated to this cash-generating unit. It is also insensitive to small fluctuations in revenue levels, which would have to fall by more than 10% over the entire forecast period for the valuation to equal the carrying amount of the assets allocated to this cash-generating unit. The Cafeterias cash-generating unit also demonstrates significant insensitivity to fluctuations in the weighted average cost of capital. WACC would have to increase by over 6 pp for the unit's carrying amount to exceed its recoverable amount, which could result in the need to recognise a partial impairment of goodwill allocated to the unit. The valuation is more sensitive to revenue fluctuations, as ca. 4% decrease in revenue would result in impairment of goodwill allocated to the Cafeterias segment. The Group monitors the recoverable amount of its assets on an ongoing basis through regular analyses of any indication of impairment of assets and impairment testing.

The Group points out that the amount of revenue assumed for the purpose of cash flow projections depends, among other things, on the overall economic situation in Poland and in Europe. Revenue tends to grow in periods of economic recovery, and falls during economic slowdown. Changes in such factors as GDP growth, unemployment rate, wages and consumption levels affect the purchasing power of the Group's customers and consumers of the Group's products and services. The economic situation in Poland is also sensitive to the political situation in the country and the related risk of legislative changes.

Estimates of the recoverable amount of an asset are also materially affected by the assumed discount rate and residual growth rate.

The key assumptions made for the purpose of the calculations were as follows:

- Detailed forecast were prepared for the period of 5 years,
- For the remaining useful lives of the cash-generating units, cash flows were extrapolated using the growth rates presented below. These rates do not exceed the average long-term growth rate for individual products, industries and countries, and are based on the Group's analysis of the potential of the markets on which the Group is present or plans to grow further.
- The discount rates used in the calculations are presented below.

The following inputs were used in the valuation:

i. WACC discount rate of 6.92%
ii. Growth rate after the forecast period: 1.7%.

The presented assumptions reflect past experience and are consistent with data derived from external sources.

6.10. Property, plant and equipment and intangible assets

As at June 30th 2020, the carrying amount of property, plant and equipment was PLN 350.9m. The PLN 27.7m decrease in property, plant and equipment relative to year-end 2019 was mainly caused by the closure of four fitness clubs in Poland in June (PLN 8.8m) and the amount of incurred expenditure being lower than the depreciation expense in the period, due to a small number of new club openings and the temporary suspension of investments in the existing clubs.

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As at June 30th 2020, the carrying amount of intangible assets was PLN 67.1m, i.e. PLN 1.8m more than as at December 31st 2019. In the reporting period, an impairment loss of approximately PLN 2.9m was recognised on the expenditure incurred to develop intangible assets at MyBenefit Sp. z o.o.

6.11. Leases

6.11.1. Right-of-use assets

Changes in the carrying amount of the right-of-use assets are presented below.

January 1st to June 30th 2020	Property	Fitness equipment	Other	Total
Net carrying amount as at January 1st 2020	**860,118**	**24,968**	**11,752**	**896,838**
New lease contracts	17,400	0	2,860	20,260
Modifications, termination of contracts	(15,945)	(1,383)	(2,587)	(19,915)
Amortisation and depreciation	(61,298)	(2,869)	(2,011)	(66,178)
Exchange differences on translation of foreign operations	1,171	0	37	1,208
Net carrying amount as at June 30th 2020	**801,446**	**20,716**	**10,051**	**832,213**

The modifications of lease contracts in the six months ended June 30th 2020 were mainly attributable to renegotiation in the second quarter of the year of the terms and conditions of the rental contracts for retail and office space in connection with the COVID-19 pandemic. Lease terminations relate to early termination of lease contracts following the closure of four fitness clubs in June 2020.

Lease liabilities

Changes in lease liabilities for the six months ended June 30th 2020 are presented below.

	January 1st to June 30th 2020
Balance as at January 1st 2020	**956,128**
New lease contracts	20,260
Modifications, termination of contracts	(22,988)
Accrued interest	7,496
Exchange differences	31,715
Payments	(35,967)
Exchange differences on translation of foreign operations	1,233
Balance as at June 30th 2020	**957,877**
Non-current	795,012
Current	162,865

The modifications of lease contracts in the six months ended June 30th 2020 were mainly attributable to renegotiation in the second quarter of the year of the terms and conditions of the rental contracts for retail and office space in connection with the COVID-19 pandemic.

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Lease terminations relate to early termination of lease contracts following the closure of four fitness clubs in June 2020.

Maturities of the lease liabilities as at June 30th 2020 and December 31st 2019 are presented below:

As at June 30th 2020	Lease payments due in:			
	up to 1 year	1 to 5 years	over 5 years	total
Lease payments	165,893	521,101	323,301	1,010,295
Finance costs (-)	(3,028)	(22,068)	(27,322)	(52,418)
Present value	162,865	499,033	295,979	957,877

As at December 31st 2019	Lease payments due in:			
	up to 1 year	1 to 5 years	over 5 years	total
Lease payments	146,406	512,820	356,898	1,016,124
Finance costs (-)	(1,044)	(22,851)	(36,101)	(59,996)
Present value	145,362	489,969	320,797	956,128

The Group is a party to lease contracts for fitness clubs whose leases have not yet commenced; the contracts were not recognised in the measurement of the lease liabilities. The potential future cash outflows under these contracts were estimated at PLN 109,881 thousand as at June 30th 2020 (December 31st 2019: PLN 125,420 thousand).

6.11.2. Lease amounts disclosed in the reporting period

Amounts disclosed in the six months ended June 30th 2020 and 2019 relating to the lease contracts recognised in the statement of financial position are presented below.

	January 1st to June 30th 2020	**January 1st to June 30th 2019***
Amounts disclosed in the consolidated statement of profit or loss		
Depreciation of right-of-use assets (recognised in cost of sales, selling expenses and administrative expenses)	(66,178)	(60,321)
Gain/(loss) on change in lease contracts (recognised in other income/expenses)	3,073	0
Interest expense on lease liabilities (recognised in finance costs)	(7,496)	(9,940)
Exchange differences on lease liabilities denominated in foreign currencies (recognised in finance income/costs)	(31,715)	4,940
Total	**(102,316)**	**(65,321)**
Amounts disclosed in the consolidated statement of cash flows		
Lease payments (recognised in cash flow from financing activities)	(35,967)	(64,058)

Cost of short-term lease contracts and leases of low-value assets not recognised in the measurement of the lease liabilities disclosed in the interim consolidated statements of profit or loss for the six months ended June 30th 2020 and June 30th 2019 was 969 thousand and PLN 1,200 thousand, respectively. The cost included mainly lease of advertising space (PLN 363 thousand and PLN 767 thousand, respectively) and lease of assorted equipment for clubs and offices (PLN 606 thousand and PLN 433 thousand, respectively). In the six months ended June 30th 2020 and June 30th 2019, there were no variable lease payments.

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6.11.3. Subleases

The Group is an intermediate lessor with respect to fitness equipment leased to facilities which are the Group's partners, and with respect to office space. The sublease contracts were recognised as operating leases. In the interim consolidated statement of profit or loss for the six months ended June 30th 2020, the Group recognised income from leases of fitness equipment under an operating sublease of PLN 1,774 thousand and income from sublease of office space of PLN 45 thousand. In the six months ended June 30th 2019, the amounts were PLN 4,139 thousand and PLN 53 thousand, respectively. These amounts include minimum fixed sublease payments only. In the reporting period, there were no contingent or other payments.

6.12. Loans

The PLN 10.3m decrease in loans compared with year-end 2019 was mainly attributable to a decrease in the amount of new loans disbursed in the period. The Group advanced loans to the MultiSport programme partners for a total amount of PLN 0.3m. The amount of loans repaid by borrowers in the reporting period was PLN 9.5m.

Changes in the carrying amount of the loans, including impairment losses, are presented below.

	June 30th 2020	December 31st 2019
Gross carrying amount		
Balance at beginning of period	81,608	116,340
Business combination	0	(40,900)
Loans advanced in period	260	17,861
Interest accrued at the effective interest rate	1,231	2,723
Payment of principal and interest (-)	(9,461)	(13,757)
Other changes (net exchange differences)	(1,145)	(659)
Gross carrying amount at end of period	**72,493**	**81,608**
Impairment losses		
Balance at beginning of period	2,667	2,384
Impairment losses expensed in period	1,207	283
Accumulated impairment losses at end of period	3,874	2,667
Carrying amount at end of period	**68,619**	**78,941**

6.13. Financial instruments

The amounts of financial assets presented in the interim condensed consolidated statement of financial position relate to the following categories of financial instruments specified in IFRS 9:

- financial assets measured at amortised cost (AMAC)
- financial assets at fair value through profit or loss (AFVPoL)
- assets outside the scope of IFRS 9.

The Group does not hold:

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- equity instruments designated upon initial recognition as measured at fair value through other comprehensive income,
- financial assets at fair value through other comprehensive income,
- financial instruments designated as hedging instruments.

The table below does not include those categories of financial assets which the Group did not recognise as at June 30th 2020:

	Categories of financial instruments in accordance with IFRS 9		Total
	AMAC	AFVPoL	
As at June 30th 2020			
Non-current assets:			
Receivables and loans	64,135	0	64,135
Other non-current financial assets	0	97	97
Current assets:			
Trade and other receivables	93,741	0	93,741
Loans	12,194	0	12,194
Other current financial assets	0	101	101
Cash and cash equivalents	131,150	0	131,150
Total carrying amount	**301,220**	**198**	**301,418**
As at December 31st 2019			
Non-current assets:			
Receivables and loans	69,687	0	69,687
Other non-current financial assets	0	97	97
Current assets:			
Trade and other receivables	141,272	0	141,272
Loans	14,597	0	14,597
Other current financial assets	0	123	123
Cash and cash equivalents	72,050	0	72,050
Total carrying amount	**297,606**	**220**	**297,826**

The amounts of financial liabilities presented in the interim condensed consolidated statement of financial position relate to the following categories of financial instruments specified in IFRS 9:

- financial liabilities measured at amortised cost (LMAC)
- financial liabilities at fair value through profit or loss – designated as such on initial recognition or subsequently (LFVPoL)
- liabilities outside the scope of IFRS 9 (non-IFRS 9).

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	Categories of financial instruments			Total
	LMAC	LFVPoL	Non-IFRS 9	
As at June 30th 2020				
Non-current liabilities:				
Borrowings, other debt instruments	136,042	0	0	136,042
Lease liabilities	0	0	795,012	795,012
Other liabilities	18	12,258	0	12,276
Current liabilities:				
Trade and other payables	115,125	37,283	0	152,408
Borrowings, other debt instruments	49,259	0	0	49,259
Lease liabilities	0	0	162,865	162,865
Total carrying amount	**300,444**	**49,541**	**957,877**	**1,307,**
As at December 31st 2019				
Non-current liabilities:				
Borrowings, other debt instruments	104,365	0	0	104,365
Lease liabilities	0	0	810,766	810,766
Other liabilities	0	25,015	0	25,015
Current liabilities:				
Trade and other payables	122,982	55,420	0	178,402
Borrowings, other debt instruments	73,294	0	0	73,294
Lease liabilities	0	0	145,362	145,362
Total carrying amount	**300,641**	**80,435**	**956,128**	**1,337,204**

In the reporting period, there were no material transfers between Level 1 and Level 2 of the fair value hierarchy.

The Group classified the put options on non-controlling interests in Benefit Systems International Sp. z o.o. as Level 3 instruments. The acquisition-date fair value of the liability arising from the put option, of PLN 2.8m net, reflects the Group's estimate of the probability-weighted present value of cash flows. To determine the fair value, the Management Board of the parent assumed a 100% probability that the conditions for exercise of the option would be met.

The Group classified the put options on non-controlling interests in Benefit Systems Bulgaria EOOD as Level 3 instruments. The acquisition-date fair value of the liability arising from the put option, of PLN 5.1m net, reflects the Group's estimate of the probability-weighted present value of cash flows. To determine the fair value, the Management Board of the parent assumed a 100% probability that the conditions for exercise of the option would be met.

The Group also has similar obligations under put option arrangements in respect of agreements to purchase non-controlling interests in Benefit Systems Slovakia S.R.O. (PLN 0.3m) and Benefit Systems D.O.O. (PLN 0.2m).

Of the PLN 2.2m change in the valuation of the options, PLN 1.6m was recognised in costs of the reporting period and PLN 0.6m in equity of the parent.

The Group classified the put options on non-controlling interests in MultiSport Benefit S.R.O. as Level 3 instruments. The fair value of the liability arising from the put option as at June 30th 2020, of PLN 14.4m net, reflects the Group's estimate of the probability-weighted present value of cash flows, and is PLN 21.2m lower than the fair value as at December 31st 2019. To determine the fair value, the Management Board of the parent assumed a 100% probability that the conditions for exercise of the option would be met. In the reporting period, the option on 12.2% of the shares was exercised. The amount of consideration for the acquired shares was PLN 26m. The effect of the transaction on equity attributable to owners of the parent was PLN 1.5m.

The Group classified the put options on non-controlling interests in Benefit Systems Slovakia S.R.O. as Level 3 instruments. The fair value of the liability arising from the put option as at June 30th 2020, of PLN 1.1m net, reflects the Group's estimate of the probability-weighted present value of cash flows, and is PLN 3.9m lower than the fair value as at December 31st 2019. To determine the fair value, the Management Board of the parent assumed a 100% probability that the conditions for exercise of the option would be met. In the reporting period, the option on 13% of the shares was exercised. The amount of consideration for the acquired shares was PLN 4m. The effect of the transaction on equity attributable to owners of the parent was PLN (0.8)m.

The Group changed its measurement of the obligation to purchase the 47.5% minority interest in Fit Fabric Sp. z o.o. relative to the valuation as at December 31st 2019. The recognised liability was PLN 20.7m, compared with PLN 20.5m as at December 31st 2019.

Liabilities under contingent payments for acquired shares – measurement as at the reporting date.

Calypso Fitness S.A.

The acquisition of shares in Masovian Sports Center Sp. z o.o. and NewCo3 Sp. z o.o. resulted in recognition of a contingent payment liability in the Group's consolidated financial statements for 2018. For details of the transactions, see the consolidated financial statements of the Benefit Systems Group for 2018 – pages 42-43: *Step acquisition of assets spun off from Calypso Fitness S.A. – details and disclosure in the financial statements*

As at December 31st 2019, the fair value was measured at PLN 4,625 thousand. As at June 30th 2020, the fair value was measured at PLN 3,118 thousand. The difference, of PLN 1,507 thousand, was recognised as finance income in the reporting period.

Fabryka Formy S.A.

The contingent payment for the acquisition of shares in Fabryka Formy S.A. was classified as a financial liability, which as at December 31st 2019 was disclosed in the consolidated financial statements of the Group at the fair value of PLN 2,366 thousand. As at June 30th 2020, the liability was remeasured to PLN 1,683 thousand, which had an effect on the profit or loss for the reporting period of PLN 683 thousand.

As at June 30th 2020, the carrying amount of financial assets and liabilities did not differ materially from their fair value measurement, except for concentrated loans to Calypso Fitness S.A. (and its related parties). For information on the measurement of the loans, see Note 6.26.

6.14. Share capital

In the six months of 2020, the parent issued 300 Series E ordinary bearer shares with a par value of PLN 1.00 per share as a result of exercise by an Eligible Person of rights attached to Series H subscription warrants granted to the persons under the 2017−2020 Incentive Scheme.

As at June 30th 2020, the parent's share capital was PLN 2,859 thousand (December 31st 2019: PLN 2,859 thousand) and was divided into 2,859,142 shares with a par value of PLN 1 per share. All shares were paid up in full. All shares participate equally in the distribution of profits and each share confers the right to one vote at the General Meeting, with the proviso that the Company does not exercise voting rights attached to 118,053 treasury shares.

Share capital as at the reporting date is presented below.

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	June 30th 2020	December 31st 2019
Shares issued and fully paid up:		
Number of shares at beginning of period	2,859,142	2,858,842
Par value	1	1
Share capital (PLN)	**2,859,142**	**2,858,842**

6.15. Financial liabilities

The Group's financial liabilities other than derivative instruments as at the reporting date are presented below.

	Short-term:		Long-term:			Total cash flows before discounting
	up to 6 months	6 to 12 months	1 to 3 years	3 to 5 years	over 5 years	
As at June 30th 2020						
Credit facilities	22,142	26,881	136,042	0	0	185,065
Overdraft facilities	130	0	0	0	0	130
Loans	106	0	0	0	0	106
Lease liabilities	89,721	73,144	274,537	224,496	295,979	957,877
Trade payables and other financial liabilities	140,497	11,911	12,276	0	0	164,684
Total exposure to liquidity risk	**252,596**	**111,936**	**422,855**	**224,496**	**295,979**	**1,307,862**
As at December 31st 2019						
Credit facilities	20,646	20,415	92,925	11,440	0	145,426
Overdraft facilities	567	1,306	0	0	0	1,873
Loans	0	14	0	0	0	14
Debt securities	30,346	0	0	0	0	30,346
Lease liabilities	73,190	72,172	266,627	223,342	320,797	956,128
Trade payables and other financial liabilities	200,735	2,682	25,015	0	0	228,432
Total exposure to liquidity risk	**325,484**	**96,589**	**384,567**	**234,782**	**320,797**	**1,362,219**

** The table shows contractual amounts of the liabilities, without accounting for the effect of the discount on measurement of the liabilities at amortised cost. The amounts do not include future interest payments and any payments under sureties issued.*

The nature and extent of the risks to which the Group is exposed under borrowings and other debt instruments is presented below.

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	Currency	Interest rate	Maturity	Carrying amount, PLN thousand	Liability	
					current	non-current
As at June 30th 2020						
Investment credit facility	PLN	Variable, 1M WIBOR + margin	2022-05-31	32,500	11,250	21,250
Investment credit facility	PLN	Variable, 1M WIBOR + margin	2021-08-31	29,896	6,563	23,333
Investment credit facility	PLN	Variable, 1M WIBOR + margin	2022-06-30	50,000	9,783	40,217
Investment credit facility	PLN	Variable, 1M WIBOR + margin	2023-03-18	72,592	21,351	51,241
Investment credit facility	PLN	Variable, 1M WIBOR + margin	2020-09-01	130	130	0
Investment credit facility	PLN	Variable, 1M WIBOR + margin	2020-10-20	94	92	0
Investment credit facility	PLN	Variable, 12M WIBOR + margin	2020-10-20	41	41	0
Loan	PLN	Variable, 3M WIBOR + margin	2020-12-31	106	106	0
Total exposure to liquidity risk				**185,300**	**49,259**	**136,041**
As at December 31st 2019						
Investment credit facility	PLN	Variable, 1M WIBOR + margin	2023-03-18	76,862	17,080	59,782
Investment credit facility	PLN	Variable, 1M WIBOR + margin	2020-09-01	380	380	0
Investment credit facility	PLN	Variable, 1M WIBOR + margin	2022-05-31	36,250	15,000	21,250
Investment credit facility	PLN	Variable, 1M WIBOR + margin	2021-08-31	32,083	8,750	23,333
Current account facility	PLN	Variable, 1M WIBOR + margin	2020-05-31	296	296	0
Current account facility	PLN	Variable, 1M WIBOR + margin	2020-08-21	928	928	0
Non-bank borrowing	PLN	Variable	2020-12-31	14	14	0
Total borrowings, other debt instruments at December 31st 2019				**146,813**	**42,448**	**104,365**

6.16. Current accrued expenses and deferred income

Current accrued expenses and deferred income of PLN 67m include mainly the estimated amount of liabilities to sports facilities (partners) used by sport card holders, of PLN 14.3m, and settlements under invoiced future revenue for sport cards and visits to fitness clubs (PLN 27.3m) (deferred income representing a liability under contracts with customers), as well as a provision for lump-sum break fee for early termination of the lease contracts for club closures, of PLN 4.8m. The balance consists primarily of provisions for uninvoiced costs of day-to-day operations (e.g. energy bills and service charges for leased premises).

6.17. Share-based payment schemes

The Group did not recognise any cost of the Scheme for 2020 as, in the opinion of the Management Board of the parent, currently it is not probable that the 50% consolidated profit before tax threshold would be reached.

In the reporting period, the total cost of the Scheme disclosed in Benefit Systems S.A.'s results was PLN 924 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).

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6.18. Effective tax rate

In the first half of 2020, the annual tax expense increased year on year, driven, among other things, by the occurrence of costs classified as permanently non-deductible (effect of more than PLN 6m), adjustments to tax expense for prior periods (effect of PLN 3.6m) and other factors, including absence of deferred tax assets at subsidiaries that generate tax losses.

6.19. 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 one-off deviation from Benefit Systems S.A.'s dividend policy for 2020−2023 related to the economic uncertainty caused by the COVID-19 epidemic.

On June 10th 2020, the parent's Annual General Meeting resolved to allocate the entire net profit to statutory reserve funds.

6.20. Issue and redemption of debt securities

In the six months ended June 30th 2020, the parent and its subsidiaries did not issue any debt securities.

In March 2020, Benefit Partners Sp. z o.o. redeemed PLN 30.2m worth of outstanding bonds.

6.21. Non-compliance with debt covenants

In the six months ended June 30th 2020, the Group did not breach any of its debt covenants.

6.22. Employee benefit obligations and provisions

The amounts of employee benefit obligations and provisions are presented below.

	Current liabilities and provisions		Non-current liabilities and provisions	
Employee benefits:	**June 30th 2020**	**December 31st 2019**	**June 30th 2020**	**December 31st 2019**
Salaries and wages payable	6,052	6,378	0	0
Social security contributions payable	16,228	8,341	0	0
Provision for accrued holiday entitlements	14,787	14,321	0	0
Provisions for retirement gratuity benefits	7	55	333	223
Total employee benefit obligations and provisions	**37,073**	**29,095**	**333**	**223**

The significant increase in social security liabilities relative to year-end 2019 was a result of the consent of the social security authority to postpone payment of the liabilities by the end of

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September 2020, as requested by the Group as part of its measures to secure liquidity in response to COVID-19.

6.23. Contingent liabilities

Contingent liabilities under sureties as at the end of each reporting period are presented below.

	June 30th 2020	December 31st 2019
Associates		
Guarantees provided / Surety for repayment of liabilities	9,043	8,618

Pending proceedings before administrative authorities

Antitrust proceedings against Benefit Systems S.A.

On June 22nd 2018, an investigation carried out by the President of the Polish Office of Competition and Consumer Protection (the "President of UOKiK") from November 2015 was converted into antitrust proceedings against the Company.

On June 29th 2018, the parent received the President of UOKiK's decision notifying it of antitrust proceedings having been initiated against Benefit Systems S.A. and 15 other undertakings in connection with a suspected arrangement that could lead to restricting competition in the local or national market for fitness services or in other relevant markets. The proceedings also involved six managers, one of whom is employed at the Benefit Systems Group.

In accordance with the applicable Polish regulations, a fine that can potentially be imposed on an undertaking involved may equal up to 10% of its revenue for the year preceding the issuance of the relevant decision. Fines may also be imposed on individual former members of the Management Board of the parent.

Disagreeing with the objections raised by the President of UOKiK, on July 27th 2018 the parent submitted its response where, in addition to a detailed position on the respective objections, it described the positive role it has played in the Polish fitness market.

The issuance of a final decision by the President of UOKiK has been postponed five times, with the closing of the antitrust proceedings currently scheduled for December 29th 2020. As announced in Current Report No. 22/2020 of August 7th 2020, the parent received a statement of objections from the President of UOKiK ("SO") with respect to the antitrust proceedings. The SO refers to the suspected establishment by the parent and its subsidiaries of a market sharing cartel for fitness clubs. By issuing an SO, the President of the UOKiK does not dispose of the case on the merits but instead provides parties, including the parent, with an opportunity to defend the objections raised against them prior to issuing a final decision closing the proceedings. The parent disagrees with the objections of the President of UOKIK and will submit its position on the case within the deadlines prescribed by the President of UOKIK. It cannot be ruled out that the proceedings will result in imposition of a fine, the amount of which cannot be reliably estimated at the current stage. The Management Board of the parent analysed the situation and concluded that the parent would appeal against the fine, should any such fine be imposed, to the Court of Competition and Consumer Protection (SOKiK).

The parent responds to all questions and doubts raised by the President of UOKiK on an ongoing basis. In accordance with the applicable provisions of law and good practice, the Management Board of the parent will keep the market informed of any subsequent developments in the proceedings.

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Customs and tax inspection at Benefit Systems S.A.

Additionally, a customs and tax inspection is conducted at the parent by the Kraków Province Tax and Customs Office; its purpose is to check the parent's compliance with the Corporate Income Tax Act of February 15th 1992 with respect to taxation of income generated in 2012– 2016. By the date of issue of this report, the Head of the Kraków Province Customs and Tax Office presented the findings of the customs and tax inspection in this respect for 2012−2015, indicating that no irregularities were identified.

In response to inquiries received by the parent from the Head of the Kraków Province Tax and Customs Office, at the current stage the parent is presenting its tax ledgers for 2016 along with underlying evidence to the inspectors. As at the date of issue of this half-year report, the inspection continued.

Tax inspection at Benefit Systems Bulgaria EOOD

The tax inspection carried out by the local Revenue Office questioned the right to deduct VAT by Benefit Systems Bulgaria EOOD for the costs of visits generated by holders of trial cards. Trial cards are offered free of charge and may be used user during a trial period of up to one month. The company is of the opinion that a trial period is in fact a rebate offered to customers for a period when they are on fee-based plans and it is therefore reasonable to recognise VAT on trial visits as deductible. An independent tax firm assessed the probability of the tax office recognising the company's arguments at 55%. Therefore, the company decided not to recognise a provision for the disputed amount. The estimated amount of the liability is approximately PLN 1m.

Another area of interest for the Tax Audit was the failure to include in the supplier registers the invoices which were recognised by Benefit Systems Bulgaria EOOD as costs, reducing the CIT and VAT base. The Company has obtained from suppliers assurance that the explanation and any missing documents will be delivered to the tax office within the prescribed time limit. An independent tax firm assessed the probability of success in this case at 70%. Therefore, the company decided not to recognise a provision for the disputed amount. The estimated amount of the liability is approximately PLN 0.1m.

6.24. Currency risks

Most transactions executed by the Groupentities are denominated in respective local currencies of the Group companies. Foreign exchange transactions are CZK- and EUR- denominated loans to consolidated entities of the Benefit Systems Group, which are eliminated on consolidation, and EUR-denominated costs of leasing/renting office space and sports facilities disclosed in lease liabilities; the amount of the transactions was EUR 152,737 thousand (PLN 682,121 thousand) as at June 30th 2020 and EUR 159,894 thousand (PLN 680,910 thousand) as at December 31st 2019.

Sensitivity of net profit/(loss) as at June 30th 2020 to potential +/-10% movements in the EUR/PLN exchange rate is presented below.

	Exchange rate movements	Effect on profit/(loss):
As at June 30th 2020		
Exchange rate increase	10%	(68,212)
Exchange rate decrease	-10%	68,212
As at December 31st 2019		
Exchange rate increase	10%	(68,091)
Exchange rate decrease	-10%	68,091

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The Group's exposure to other currencies in connection with its operations outside of Poland is not material. No effect on other comprehensive income.

6.25. Interest rate risk

The management of interest rate risk focuses on minimising the fluctuations in interest cash flows from financial assets and liabilities bearing variable rates of interest. The Group is exposed to interest rate risk in connection with the following categories of variable-rate financial assets and liabilities:

- loans
- borrowings

The analysis does not take into account cash in bank accounts as the asset's exposure to the currency risk is estimated as low – currently, interest rates on bank deposits are very low.

Sensitivity of net profit/(loss) as at June 30th 2020 to potential +/-1pp movements in the interest rates is presented below.

	Interest rate movements	Effect on profit/(loss):		Effect on other comprehensive income:	
		January 1st to June 30th 2020	**January 1st to December 31st 2019**	**January 1st to June 30th 2020**	**January 1st to December 31st 2019**
Interest rate increase	1pp	(563)	(652)	0	0
Interest decrease	1pp	563	652	0	0

No effect on other comprehensive income.

6.26. Credit risk

The Group's maximum exposure to credit risk is determined by the carrying amounts of financial assets and off-balance-sheet liabilities presented in the table below.

	June 30th 2020	**December 31st 2019**
Loans	68,619	78,941
Trade receivables and other financial receivables	101,451	146,615
Cash and cash equivalents	131,150	72,050
Contingent liabilities under guarantees and sureties issued	9,043	8,618
Total credit risk exposure	**310,263**	**306,224**

The Group continuously monitors clients' and creditors' outstanding payments by analysing the credit risk for individual items or for entire asset classes (arising from e.g. industry, region or structure of the customer base). In addition, as part of its credit risk management, the Group enters into transactions with trading partners with proven credibility.

Due to the concentration of loans advanced by Benefit Systems S.A. to its associate Calypso Fitness S.A., its main shareholder, and Calypso Fitness S.A.'s related companies (PLN 34.4m in aggregate), the Parent recognised allowances for expected credit losses in accordance with IFRS 9. Taking into account the cooperation to date and future business plans of both parties, the parent assesses this risk as moderate. The fair value (level 2) of loans concentrated in the Calypso Group was estimated at PLN 22.8m. The fair value was estimated using a market discount rate (14%) which reflects the higher risk associated with these loans.

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Financial receivables and loans, by stage of impairment, are presented below.

The Group applies a 3-stage classification of financial assets for impairment purposes, described in *Impairment losses on financial assets* (item d) in the accounting policies.

	Measurement at amortised cost (stage of impairment)			
Balance as at June 30th 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount	**285,269**	**4,119**	**14,285**	**303,673**
Trade receivables	87,569	0	12,161	99,730
Loans	66,250	4,119	2,124	72,493
Cash	131,450	0	0	131,450
Impairment losses (IFRS 9)	**(4,800)**	**(1,030)**	**(10,213)**	**(16,043)**
Trade receivables	(3,780)	0	(8,089)	(11,869)
Loans	(720)	(1,030)	(2,124)	(3,874)
Cash	(300)	0	0	(300)
Net carrying amount (IFRS 9)	**280,469**	**3,089**	**4,072**	**287,630**

In the opinion of the Management Board of the parent, the above financial assets, which are not past due, can be considered as assets of good credit quality. Therefore, the Group did not demand any security or other credit enhancements.

The aging structure and past due information for the Group's receivables as the most significant category of assets exposed to credit risk are presented below.

	June 30th 2020		**December 31st 2019**	
	Not past due	Past due	Not past due	Past due
Short-term receivables:				
Trade receivables	55,208	44,522	111,563	35,749
Impairment losses on trade receivables (-)	(33)	(11,836)	(4,953)	(7,315)
Net trade receivables	55,175	32,686	106,610	28,434
Other financial receivables	6,002	0	6,228	121
Impairment loss on other receivables (-)	(121)	0	0	(121)
Other net financial receivables	5,881	0	6,228	0
Financial receivables	**61,056**	**32,686**	**112,838**	**28,434**

	June 30th 2020	**December 31st 2019**
	Trade receivables	Trade receivables
Short-term receivables past due:		
less than 1 month	9,340	16,847
1 to 6 months	17,145	8,810
6 to 12 months	3,689	2,238
more than one year	2,513	539
Net past due financial receivables	**32,687**	**28,434**

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With respect to trade receivables, the Group is not exposed to credit risk of a single major trading partner or a group of partners with similar characteristics. In the case of one entity, the concentration of credit risk is higher than for other entities, however taking into account the cooperation to date and future business plans of both parties, the parent assesses this risk as moderate. The total amount of receivables as at June 30th 2020 was PLN 7.8m.

The credit risk of cash and cash equivalents, market securities and derivative financial instruments is considered immaterial due to the high credibility of the counterparties (primarily banks).

The rates applied by the Group to individual accounts to calculate write-down on cash are presented below.

	Write-down rate (maximum)
mBank	0.77%
Bank Millenium S.A.	0.67%
Bank Polska Kasa Opieki Spółka Akcyjna	0.48%
Santander Bank Polska	0.66%
Powszechna Kasa Oszczędności Bank Polski	0.57%

The amount of write-down on cash was calculated on the assumption that all cash in bank accounts qualifies as Stage 1 assets (IFRS 9) and was PLN 300 thousand.

6.27. Discontinued operations

On June 30th 2020, the Group sold the company operating on the Greek market. The scale of the company's business was insignificant for the Group at large. For information on the entity's turnover and assets, see Note 6.3 *Significant events and transactions*.

6.28. Related-party transactions

Related-party transactions between the Group companies which were eliminated in consolidation are presented in the separate financial statements of the companies.

Related-party transactions which have been recognised in the Group's interim condensed consolidated financial statements (i.e. which were not eliminated in consolidation) are presented below.

	Revenue	
	January 1st to June 30th 2020	**January 1st to June 30th 2019**
Sales to:		
Associate	1,658	4,105
Other related parties	(0)	0
Total	**1,658**	**4,105**

	Receivables	
	June 30th 2020	**December 31st 2019**
Sales to:		
Associate	8,329	5,909
Other related parties	(0)	(0)
Total	**8,329**	**5,909**

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	Purchase (costs, assets)	
	January 1st to June 30th 2020	**January 1st to June 30th 2019**
Purchases from:		
Associate	6,249	8,711
Other related parties	0	0
Total	**6,249**	**8,711**

	Liabilities	
	June 30th 2020	**December 31st 2019**
Purchases from:		
Associate	359	1
Other related parties	(0)	0
Total	**359**	**1**

	January 1st to June 30th 2020			**January 1st to December 31st 2019**		
	Granted in the period	Cumulative balance	Finance income	Granted in the period	Cumulative balance	Finance income
Loans to:						
Associate	0	28,406	428	3,000	31,056	841
Total	**0**	**28,406**	**428**	**3,000**	**31,056**	**841**

Sales to associates include mainly income from lease of fitness equipment by Benefit Partners Sp. z o.o., while expenses are related to settlements of visits by holders of sport cards to the associates' clubs.

Transactions with key management personnel

The Group's key management personnel includes members of the Management Board of the parent.
Total amount of the remuneration and other benefits paid to members of the Management Board of the parent:

	At Benefit Systems S.A.		At subsidiaries and associates:		Total
	Remuneration	Other benefits	Remuneration	Other benefits	
January 1st to June 30th 2020					
Members of the Management Board of Benefit Systems S.A.	858	27	0	0	885
January 1st to June 30th 2019					
Members of the Management Board of Benefit Systems S.A.	1,550	44	0	0	1,594

The Group advanced loans to key managers in the Foreign Markets segment:

- a long-term loan of EUR 1,000 thousand – the loan was advanced in 2019 and had been repaid by June 30th 2020;
- a long-term loan of CZK 3,751 thousand – the loan was advanced in 2019 and was outstanding as at June 30th 2020.

6.29. Events after the reporting date

Extension of deadline for closing of antitrust proceedings

On July 30th 2020, the Management Board of the parent received a decision of the President of the Office of Competition and Consumer Protection ("UOKiK"), whereby the antitrust proceedings are expected to be closed on December 29th 2020.

As reported on August 7th 2020, the parent received a statement of objections ("SO") with respect to the antitrust proceedings initiated on June 22nd 2018. By issuing an SO, the President of the UOKiK does not dispose of the case on the merits but instead, as part of an internal procedure at the UOKiK, provides parties, including the parent, with an opportunity to defend the objections raised against them prior to issuing a final decision closing the proceedings. For detailed information on the proceedings, see Note 6.22 to this report.

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 50,000,000 overdraft facility granted to the parent by the bank was extended until August 21st 2021.

Establishment of bond programme and execution of agency agreement

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 (the "Programme"), and executed an agency agreement for the Programme with Haitong Bank, S.A. Poland Branch ("Haitong Bank"). All bonds issued under the Programme will be secured on shares in selected subsidiaries of the Group, on fitness equipment and on the Benefit Systems trademark. The Programme has been approved by the Supervisory Board of the parent.

The parent intends to issue bonds under the Programme in the third quarter of 2020, subject to appropriate market conditions and upon creation of the security interests provided for in the Programme.

In accordance with the terms and conditions of the Programme, subject to the execution by the parent and Haitong Bank of an underwriting agreement (which will not be an underwriting agreement within the meaning of Art. 14a of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies) and fulfilment of its terms and conditions, Haitong Bank has agreed to subscribe for bonds with a par value of up to PLN 100,000,000. The bonds will be issued in accordance with Art. 33.1 of the Act on Bonds of January 15th 2015, with the proviso that the offering will be addressed only to qualified investors, without the obligation to publish a prospectus or information memorandum pursuant to Article 1(4)(a) of the Prospectus Regulation. The parent will seek the admission of all issued bonds to trading on the multilateral trading facility operated by the Warsaw Stock Exchange.

Under the terms of the Programme, the parent will be allowed to issue two series of bonds (A and B) with respective maturities of eighteen months and four years, with interest rates of 6M WIBOR +225.00 bps (on average over the entire period for 18-month bonds) and 6M

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WIBOR +368.75 bps (on average over the entire period for 4-year bonds). Interest will be payable on a semi-annual basis.

The Programme provides for amortisation of Series B bonds for a total amount of PLN 20,000,000 in the third year. Both series will be issued with an early redemption option for the parent.

The terms and conditions of the 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 in the wake of the COVID-19 pandemic. The issue proceeds may be used to finance the Group's development, including on foreign markets.

6.30. Authorisation for issue

These interim condensed consolidated financial statements for the six months ended June 30th 2020 (including the comparative information) were authorised for issue by the Management Board of the parent on August 19th 2020.

Signatures of all Members of the Management Board

Date	Full name	Position	Signature
August 19th 2020	Bartosz Józefiak	Management Board Member	
August 19th 2020	Adam Radzki	Management Board Member	
August 19th 2020	Emilia Rogalewicz	Management Board Member	
August 19th 2020	Wojciech Szwarc	Management Board Member	

Signature of the person responsible for preparing the interim condensed consolidated financial statements

Date	Full name	Position	Signature
August 19th 2020	Katarzyna Beuch	Finance Director, Analyses	