DIRECTORS' REPORT ON THE OPERATIONS OF THE BENEFIT SYSTEMS GROUP

FOR THE PERIOD JANUARY 1ST–DECEMBER 31ST 2021

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LETTER FROM THE MANAGEMENT BOARD

DEAR SHAREHOLDERS,

The second year of the pandemic is now behind us. It was a time full of challenges and volatility but also positive developments as MultiSport and B2C Users were quickly resuming physical activity in the second half of the year. It was also a year of intensive work as we embarked on numerous growth initiatives despite the pandemic, focusing on medium- and long-term opportunities.

In the first half of last year, we faced lockdowns in most of our markets. Sports facilities in Poland operated to a very limited extent until early June, with the MultiSport programme suspended in the Czech Republic and Slovakia due to the closure of sports facilities. We had to deal with full lockdowns in Bulgaria and Croatia throughout the first quarter of the year.

Sports facilities in all our markets resumed operations in June (subject to public health orders), and we started work to rebuild the base of MultiSport cards and B2C passes. The number of active sport cards at the Group reached 795 thousand in June, and we closed 2021 with over 1.1 million active users. Despite a new wave of the coronavirus pandemic our markets were dealing with in the fourth quarter of the year, we saw strong interest in gym memberships at our clubs. We consider these results solid and are delighted to see MultiSport members and B2C customers work out again. We would like to thank our Customers and Users in Poland and abroad for their trust and loyalty.

In 2021, we recorded revenue of just under one billion złotys, slightly below the level reported in the previous year. The Group's EBITDA reached PLN 205m, having remained broadly flat on 2020. Over the last two years, the Benefit Systems Group has delivered performance below historical levels and our expectations as a result of the pandemic and related restrictions. Looking ahead, we hope no further restrictions are put in place and our results can fully reflect the Group's potential.

The Group did well with managing its liquidity position and stabilising the balance sheet. Operating cash flow was 240m in 2021 (vs PLN 222.1m in 2020), and we closed the year with positive net cash (compared with net debt of PLN 37.7m at the end of 2020). In 2021, as in 2020, we took a cautious approach to organic growth CAPEX (PLN 74.1m), with PLN 62.5m spent on M&A.

Despite the challenges created by the pandemic, this past year we focused on growth and promising new projects. Mid-year we launched a pilot MultiSport project in Turkey. We hired key personnel on that market and started building a partnership network. In the coming months, we plan to launch communications targeting potential customers and commence distribution of test cards.

In the second half of the year, we acquired a controlling interest in the gym network Total Fitness, which operates 14 clubs in Warsaw, Gdańsk, Gdynia and Sopot. Total Fitness' facilities are very popular with MultiSport users and demonstrate very strong B2C sales efficiency. As regards fitness operations, in May we launched the Zdrofit Healthy Place (Zdrofit Zdrowe Miejsce) project, providing customers and users with physioprophylaxis and kinesiotherapy services in selected clubs. We also developed our online exercise platform Yes2Move. In 2021, we opened five new fitness clubs (two in Poland, and three in foreign markets) and closed down ten facilities. The gyms we closed down recorded unsatisfactory profitability even before the pandemic and showed little prospect for improvement.

We also worked on the development of our new MultiLife project offering employers and employees a range of services related to healthy and active lifestyles, mental and physical well-being, healthy eating and personal development. Most of the services are available online. Work on the project is organic in nature and supported by acquisitions of smaller technology and content operators. We closed two transactions in 2021, acquiring YesIndeed, a company specialising in gamification solutions, and Focusly, a meditation and mindfulness app.

In 2021, we ran numerous ESG and CSR initiatives, although their scale was smaller than before pandemic. During a stakeholder panel we hosted in October, representatives of various stakeholder groups identified key ESG reporting issues. In June, we were one of the first to join 30% Club Poland, the Polish arm of the global social campaign aiming to increase gender diversity at board and senior management levels. As far as environmental matters are concerned, we launched a project to investigate the Group's climate risks, and we continued to measure our carbon footprint. We ran numerous donation drives and charitable campaigns, and we supported non-governmental organisations under the MultiSport Summer Game.

Another year marred by numerous challenges posed by the pandemic is behind us. We would like to thank our Stakeholders, Shareholders, Bondholders, Employees, Customers, Users and Partners for their trust, commitment and shared effort to build an ecosystem of solutions supporting physical activity, health, and non-pay employee benefits.

We are off to a good start into 2022, with the number of active sport cards at the end of the first quarter having reached 940.5 thousand in Poland and 316.3 thousand in foreign markets. Our fitness chains have recorded strong sales performance. Analysing our business environment, at the beginning of the year we noted favourable expert predictions about the macro environment and positive signs from the labour market. Combined with the growing popularity of physical activity and health prevention, these factors were expected to create conditions conducive to growing our business. However, in view of Russia's invasion on Ukraine and its dire consequences business prospects must be assessed with more caution. We are deeply saddened by the tragic events behind our eastern border and we have joined the efforts to help Ukraine by such means as charitable drives. Our business has not been directly affected by the war. However, it is difficult to predict the medium- and long-term impact of Russian invasion on the macroeconomic situation of our region and, consequently, the business environment of the Group. We are bracing up to deal with growing inflation, which has been affecting the economies of Poland and other countries in which we operate for some time.

Nonetheless, we will continue to work on rebuilding our business after the pandemic, delivering attractive products and services to our Customers and Users, and creating value for Shareholders.

Management Board of Benefit Systems S.A.

1. FINANCIAL DATA OF THE BENEFIT SYSTEMS GROUP

1.1. SELECTED FINANCIAL DATA OF THE BENEFIT SYSTEMS GROUP

Selected financial data

	12 months ended December 31st 2021 (PLN '000)	12 months ended December 31st 2020 (PLN '000)	12 months ended December 31st 2021 (EUR '000)	12 months ended December 31st 2020 (EUR '000)
Revenue	954,938	1,033,736	208,616	231,044
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	205,088	207,836	44,803	46,452
Operating profit/loss	(4,010)	(3,387)	(876)	(757)
Profit/(loss) before tax	(17,140)	(90,632)	(3,744)	(20,257)
Net profit/(loss)	(23,855)	(98,692)	(5,211)	(22,058)
Net profit/(loss) attributable to owners of the parent	(25,140)	(100,034)	(5,492)	(22,358)
Net cash from operating activities	240,571	222,119	52,555	49,644
Net cash from investing activities	(125,735)	(34,184)	(27,468)	(7,640)
Net cash from financing activities	(85,601)	(36,205)	(18,700)	(8,092)
Net change in cash and cash equivalents	29,235	151,730	6,387	33,912
Weighted average number of ordinary shares	2,836,812	2,746,296	2,836,812	2,746,296
Diluted weighted average number of ordinary shares	2,850,531	2,773,118	2,850,531	2,773,118
Earnings/(loss) per ordinary share attributable to owners of the parent (PLN/EUR)	(8.86)	(36.43)	(1.94)	(8.14)
Diluted earnings/(loss) per ordinary share attributable to owners of the parent (PLN/EUR)	(8.82)	(36.07)	(1.93)	(8.06)

	December 31st 2021 (PLN '000)	December 31st 2020 (PLN '000)	December 31st 2021 (EUR '000)	December 31st 2020 (EUR '000)
Non-current assets	1,727,957	1,620,773	375,692	351,212
Current assets	452,841	423,530	98,457	91,776
Total assets	2,180,798	2,044,303	474,148	442,988
Non-current liabilities	894,823	969,436	194,552	210,071
Current liabilities	684,298	551,867	148,780	119,586
Equity	601,677	523,000	130,816	113,331
Equity attributable to owners of the parent	603,747	524,527	131,266	113,662
Share capital	2,934	2,894	638	627
Number of shares	2,933,542	2,894,287	2,933,542	2,894,287
Book value per share attributable to owners of the parent (PLN/EUR)	205.81	181.23	44.75	39.27

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

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

December 31st 2021: 4.5994 PLN/EUR

December 31st 2020: 4.6148 PLN/EUR,

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

January 1st – December 31st 2021: 4.5775 PLN/EUR

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

highest exchange rates in the periods:

January 1st – December 31st 2021: 4.6834 PLN/EUR

January 1st – December 31st 2020: 4.6330 PLN/EUR

lowest exchange rates in the periods:

January 1st – December 31st 2021: 4.4805 PLN/EUR

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

1.2. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets

PLN '000	December 31st 2021	December 31st 2020
Goodwill	446,395	363,330
Intangible assets	101,324	72,998
Property, plant and equipment	327,277	333,727
Right-of-use assets	786,453	782,871
Investments in associates	5,367	4,411
Trade and other receivables	10,212	8,848
Loans and other non-current financial assets	20,617	26,939
Deferred tax assets	30,312	27,649
Non-current assets	**1,727,957**	**1,620,773**
Inventories	4,377	4,140
Trade and other receivables	193,423	183,818
Current tax assets	491	3,298
Loans and other current financial assets	1,535	8,494
Cash and cash equivalents	253,015	223,780
Current assets	**452,841**	**423,530**
Assets	**2,180,798**	**2,044,303**

Equity and liabilities

PLN '000	December 31st 2021	December 31st 2020
Share capital	2,934	2,894
Treasury shares	0	(118,157)
Share premium	291,378	272,107
Translation reserve	(7,416)	(4,562)
Retained earnings	316,851	372,245
Equity attributable to owners of the parent	603,747	524,527
Non-controlling interests	(2,070)	(1,527)
Equity	**601,677**	**523,000**
Employee benefit provisions	270	379
Other provisions	10,767	10,767
Long-term provisions	**11,037**	**11,146**
Trade and other payables	2,279	24
Deferred tax liability	3,063	2,151
Other financial liabilities	38,394	15,178
Borrowings, other debt instruments	91,443	188,084
Lease liabilities	748,500	752,853
Contract liabilities	107	0
Non-current liabilities	**894,823**	**969,436**
Employee benefit provisions	2,701	3,221
Other provisions	5	77
Short-term provisions	**2,706**	**3,298**
Trade and other payables	321,537	234,719
Current income tax liabilities	2,858	10,570
Other financial liabilities	25,502	29,884
Borrowings, other debt instruments	130,492	73,417
Lease liabilities	188,335	178,845
Contract liabilities	12,868	21,134
Current liabilities	**684,298**	**551,867**
Liabilities	**1,579,121**	**1,521,303**
Equity and liabilities	**2,180,798**	**2,044,303**

1.3. CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Consolidated statement of profit or loss

PLN '000	12 months ended December 31st 2021	12 months ended December 31st 2020
Revenue	**954,938**	**1,033,736**
Revenue from sales of services	943,620	1,021,415
Revenue from sales of merchandise and materials	11,318	12,321
Cost of sales	**(774,038)**	**(815,215)**
Cost of services sold	(767,455)	(809,097)
Cost of merchandise and materials sold	(6,583)	(6,118)
Gross profit	**180,900**	**218,521**
Selling expenses	(81,889)	(80,055)
Administrative expenses	(121,772)	(112,383)
Other income	32,506	18,281
Other expenses	(13,755)	(47,751)
Operating profit/(loss)	**(4,010)**	**(3,387)**
Finance income	14,782	9,928
Finance costs	(21,955)	(63,815)
Impairment losses on financial assets	(6,913)	(35,126)
Share of profit of equity-accounted entities	956	1,768
Profit/(loss) before tax	**(17,140)**	**(90,632)**
Income tax	(6,715)	(8,060)
Net profit/(loss) from continuing operations	**(23,855)**	**(98,692)**
Net profit/(loss)	**(23,855)**	**(98,692)**
Net profit/(loss) attributable to:		
- owners of the parent	(25,140)	(100,034)
- non-controlling interests	1,285	1,342

Earnings/(loss) per ordinary share (PLN)

	12 months ended December 31st 2021	12 months ended December 31st 2020
From continuing operations		
- basic	(8.86)	(36.43)
- diluted	(8.82)	(36.07)
From continuing and discontinued operations		
- basic	(8.86)	(36.43)

- diluted	(8.82)	(36.07)

1.4. CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

Consolidated statement of other comprehensive income

PLN '000	12 months ended December 31st 2021	12 months ended December 31st 2020
Net profit/(loss)	**(23,855)**	**(98,692)**
Other comprehensive income	**(2,962)**	**(3,932)**
Items not reclassified to profit or loss	0	0
Items reclassified to profit or loss	**(2,962)**	**(3,932)**
- Exchange differences on translation of foreign operations	(2,962)	(3,932)
Comprehensive income	**(26,817)**	**(102,624)**
Comprehensive income attributable to:		
- owners of the parent	(27,994)	(103,871)
- non-controlling interests	1,177	1,247

1.5. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Consolidated statement of changes in equity

PLN '000	Share capital	Treasury shares	Share premium	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at January 1st 2021	**2,894**	**(118,157)**	**272,107**	**(4,562)**	**372,245**	**524,527**	**(1,527)**	**523,000**
Changes in equity in the period January 1st – December 31st 2021								
Share issue in connection with exercise of options (share-based payment scheme)	40	0	19,271	0	0	19,311	0	19,311
Sale of treasury shares	0	118,157	0	0	(25,697)	92,460	0	92,460
Increase in shares in subsidiary due to acquisition of non-controlling interest without change of control	0	0	0	0	5,629	5,629	9	5,638
Valuation of put options attributable to minority shareholders	0	0	0	0	(10,186)	(10,186)	0	(10,186)
Dividends	0	0	0	0	0	0	(1,729)	(1,729)
Total transactions with owners	**40**	**118,157**	**19,271**	**0**	**(30,254)**	**107,214**	**(1,720)**	**105,494**
Net profit/(loss) for the period January 1st – December 31st 2021	0	0	0	0	(25,140)	(25,140)	1,285	(23,855)
Exchange differences on translation of foreign operations	0	0	0	(2,854)	0	(2,854)	(108)	(2,962)
Total comprehensive income	**40**	**118,157**	**19,271**	**(2,854)**	**(55,394)**	**79,220**	**(543)**	**78,677**
Balance as at December 31st 2021	**2,934**	**0**	**291,378**	**(7,416)**	**316,851**	**603,747**	**(2,070)**	**601,677**

Consolidated statement of changes in equity (cont.)

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

1.6. CONSOLIDATED STATEMENT OF CASH FLOWS

Consolidated statement of cash flows

PLN '000	12 months ended December 31st 2021	12 months ended December 31st 2020
Cash flows from operating activities		
Profit before tax	(17,140)	(90,632)
Total adjustments	208,493	292,767
Changes in working capital	58,351	34,993
Income tax paid	(9,133)	(15,009)
Net cash from operating activities	**240,571**	**222,119**
Cash flows from investing activities		
Purchase of intangible assets	(37,363)	(21,232)
Proceeds from sale of intangible assets	0	0
Purchase of property, plant and equipment	(36,785)	(32,565)
Proceeds from sale of property, plant and equipment	5,205	3,239
Acquisition of subsidiaries, net of cash acquired	(58,867)	0
Repayments of loans	1,689	15,138
Loans	(137)	(9,037)
Proceeds from sale of other financial assets	0	9,181
Interest received	523	1,019
Dividends received	0	73
Net cash from investing activities	**(125,735)**	**(34,184)**
Cash flows from financing activities		
Net proceeds from issue of shares	19,311	17,436
Disposal of own shares	92,460	0
Transactions with non-controlling interests	(20,313)	(42,601)
Proceeds from issue of debt securities	0	98,624
Redemption of debt securities	0	(30,250)
Proceeds from borrowings	0	50,000
Repayment of borrowings	(55,170)	(34,406)
Payment of lease liabilities	(112,180)	(89,931)
Interest paid	(7,980)	(4,307)
Dividends paid	(1,729)	(770)
Net cash from financing activities	**(85,601)**	**(36,205)**
Net change in cash and cash equivalents	**29,235**	**151,730**
Cash and cash equivalents at beginning of period	223,780	72,050
Cash and cash equivalents at end of period	**253,015**	**223,780**

2. THE GROUP AND ITS FINANCIAL RESULTS

2.1. GENERAL INFORMATION AND STRUCTURE OF THE BENEFIT SYSTEMS GROUP

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

Benefit Systems S.A. has been listed on the main market of the Warsaw Stock Exchange (WSE) since April 2011. The Benefit Systems Group's flagship product is the MultiSport programme, whereby MultiSport cardholders are provided access to over 4,500 sports facilities in more than 650 locations across Poland. The Group's offering includes other sport cards, such as FitProfit. The MultiSport Programme is among Poland's most popular non-pay benefits, allowing members to live an active lifestyle and keep fit and healthy. In addition, the Group also provides access to online offering, including through the Yes2Move training platform and additional services for users of active sport cards.

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

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

The MultiSport programme concept, supported with investment in fitness facilities, has been replicated to expand the Group's operations in foreign markets. The Benefit Systems Group has been present on the Czech market since 2011, in Slovakia and Bulgaria since 2015, in Croatia since 2018, and in Turkey since 2021. These countries' combined potential for business growth (mainly in their respective capital cities) may exceed the potential of the Polish market.

SUBSIDIARIES AND AFFILIATES

COMPANIES OF THE POLAND SEGMENT

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

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

FitFabric Sp. z o.o. operates 16 fitness clubs, most of which are located in the Łódź Province.

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

Yes to Move Sp. z o.o. is the owner of the **Yes2Move online exercise platform.**

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

Zdrowe Miejsce Sp. z o.o (formerly Rehabilitacja i Ortopedia Sp. z o.o.) is a company operating as a healthcare establishment under the Zdrofit Healthy Place brand. The main services provided by Zdrofit Healthy Place are physioprophylasix medical services, including kinesitherapy (fitness improvement with exercise), aimed at maintaining or improving health.

Focusly sp. z o.o. is a subsidiary of Benefit Systems S.A. It was acquired on November 3rd 2021 from Daftcode, a technology group. The purpose of the acquisition was to gain know-how in the rapidly developing mental health segment and to strengthen the MultiLife programme with a mobile application supporting the mental condition of employees.

Total Fitness sp. z o.o. is a subsidiary of Benefit Systems S.A. It was acquired in the fourth quarter of 2021 as part of the strategy to expand the Group's own portfolio of sports and recreational facilities, adding 14 clubs to the portfolio. The clubs are located in the main districts of Warsaw and in the towns of Piaseczno, Pruszków, Gdańsk and Radom, in commercial buildings with large exposure to residential areas, which makes sport cards, the Group's main product, more attractive to current and prospective customers.

COMPANIES IN THE FOREIGN MARKETS SEGMENT

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

Fit Invest International Sp. z o.o. manages the Benefit Systems Group's foreign investments in sports clubs. Form Factory S.R.O. (Czech Republic) and Next Level Fitness EOOD (Bulgaria) are companies investing in the existing fitness clubs and responsible for opening new ones. They each have nine fitness clubs. Beck Box Club Praha S.R.O. operates four fitness clubs in Prague, and Form Factory Slovakia S.R.O owns two clubs in Slovakia.

COMPANIES IN THE CAFETERIAS SEGMENT

MyBenefit Sp. z o.o. develops and sells (through MyBenefit and MultiKafeteria, online cafeteria platforms) products that businesses may use as incentives and bonuses for employees. The company's portfolio currently includes cafeteria systems offering, among others, redeemable codes and gift cards redeemable in a range of retail chains, a cultural programme, travel vouchers and a leisure subsidy system, as well as private label products such as MultiBilet, MultiTeatr, MultiMuzeum, BenefitLunch, and MyBenefit Active, which is a new product of the Group, added as another module to the MyBenefit cefeteria platform, offering a range of advanced solutions and functionalities, such as gamification, challenge creation, awarding kudos points (public praise displayed on the platform), company social wall, e-learning module, and creation and handling of surveys, tests and quizes.

On December 31st 2021, MyBenefit merged with Benefit Systems S.A.

YesIndeed Sp. z o.o. offers staff activation services in the B2B model. The services are divided into two categories: for sales departments under the YesIndeed brand and for entire organisations under the WannaBuy brand. The main element of the projects is gamification with tangible and intangible rewards, based on results imported from sales, HR and payroll, and sports systems. The Company has its own IT systems based on extensive experience in sales force activation.

The Group's share in total voting rights in its subsidiaries equals the Group's equity interests held in those companies.

List of subsidiaries

		Group's ownership interest*	
Subsidiary	**Registered address**	**December 31st 2021**	**December 31st 2020**
POLAND			
VanityStyle Sp. z o.o.	ul. Skierniewicka 16/20, 01-230 Warsaw, Poland	100.00%	100.00%
Benefit IP Sp. z o.o.	Plac Europejski 2, 00-844 Warsaw, Poland	100.00%	100.00%
Benefit IP Spółka z ograniczoną odpowiedzialnością sp. k.	Plac Europejski 2, 00-844 Warsaw, Poland	100.00%	100.00%
Yes To Move Sp. z o.o.	Plac Europejski 2, 00-844 Warsaw, Poland	100.00%	100.00%
Benefit Partners Sp. z o.o.	Plac Europejski 2, 00-844 Warsaw, Poland	100.00%	100.00%
Fit Fabric Sp. z o.o. 1)	ul. 1go Maja 119/121, 90-766 Łódź, Poland	100.00%	52.50%
Total Fitness Sp. z o.o. 2)	aleja Bohaterów Września 9, 02-389 Warsaw, Poland	88.23%	0.00%
Zdrowe Miejsce Sp. z o. o. 3)	ul. Biały Kamień 2, 02-593 Warsaw, Poland	80.00%	0.00%
Focusly Sp. z o.o. 4)	ul. Skierniewicka 16/20, 01-230 Warsaw, Poland	100.00%	0.00%
FOREIGN MARKETS			
Benefit Systems International Sp. z o.o.	ul. Młynarska 8/12, 01-194 Warsaw, Poland	97.20%	97.20%
Benefit Systems D.O.O. 5)	Zagreb (Grad Zagreb) Heinzelova ulica 44, Croatia	94.28%	95.74%
Benefit Systems Bulgaria EOOD	11-13, Yunak Str., floor 1, 1612 Sofia, Bulgaria	93.31%	93.31%
MultiSport Benefit S.R.O. 6)	Lomnickeho 1705/9, 140 00 Praha 4, Czech Republic	95.26%	93.31%
Benefit Systems Slovakia S.R.O.	Ružová dolina 6 Bratislava - mestská časť Ružinov 821 08, Slovakia	95.26%	95.26%
Fit Invest International Sp. z o.o.	ul. Młynarska 8/12, 01-194 Warsaw, Poland	97.20%	97.20%
Form Factory Slovakia S. R. O. 7)	Ružová dolina 480/6 Bratislava - mestská časť Ružinov 821 08, Slovakia	97.20%	97.20%
Form Factory S.R.O.	Vinohradská 2405/190 Vinohrady, 130 00 Praha 3, Czech Republic	97.20%	97.20%
Next Level Fitness EOOD	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.	Trg republike 3, 1000 Ljubljana, Slovenia	92.34%	92.34%
BSI Investments Sp. z o.o.	ul. Młynarska 8/12, 01-194 Warsaw, Poland	97.20%	97.20%
Benefit Systems Spor Hizmetleri Ltd 8)	Eski Büyükdere Caddesi No: 7, GÑZ 2000 Plaza, Kat 4. 13. VE 14. Bağımsız Bölümler, Maslak, Sarıyer/ 34398 İstanbul, Turkey	90.40%	0.00%
CAFETERIAS SEGMENT			
MyBenefit Sp. z o.o. 9)	ul. Powstańców Śląskich 28/30, 53-333 Wrocław, Poland	0.00%	100.00%
YesIndeed Sp. z o. o. 10)	ul. Przeskok 2, 00-032 Warsaw, Poland	100.00%	0.00%

OTHER			
MW Legal Sp. z o.o. 11)	ul. Młynarska 8/12, 01-194 Warsaw, Poland	100.00%	100.00%
Multisport Foundation 12)	ul. Racjonalizacji 5, 02-673 Warsaw, Poland	100.00%	0.00%

** The table presents the Group's indirect ownership interest in its subsidiaries.*

1) 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. On May 18th 2021, the Parent signed an agreement with the minority shareholders of Fit Fabric Sp. z o.o., whereby it acquired 47.5% of the company's share capital, increasing its equity interest to 100%.
2) On November 4th 2021, an agreement was signed whereby the Parent purchased 88.23% of shares in Total Fitness Sp. z o.o.
3) On April 26th 2021, the acquisition of 80% of shares in Rehabilitacja i Ortopedia Sp. z o.o. was completed, and on December 17th the company's name was changed from Rehabilitacja i Ortopedia Sp. z o.o. to Zdrowe Miejsce Sp. z o.o.
4) On November 3rd 2021, Benefit Systems S.A. acquired 100% of shares in Focusly Sp. z o.o., a subsidiary of the Daftcode technology group.
5) On July 13th 2021, Benefit Systems International Sp. z o.o. sold 3.5% of shares in Benefit Systems D.O.O. On October 25th 2021, Benefit Systems International Sp. z o.o. purchased 2% of shares in Benefit Systems D.O.O. Following the transactions, Benefit System International Sp. z o.o.'s equity interest in the company fell to 97%.
6) On September 21st 2020, agreements were signed obliging minority shareholders to dispose of the remaining shares, and therefore, as of that date, the company is consolidated on the assumption that the Group holds a 97.2% equity interest. On April 1st 2021, the sale of 2% of shares in Multisport Benefit S.R.O. was effected, as a result of which Benefit Systems International Sp. z o.o. holds 98% of shares in the company.
7) Form Factory Slovakia s.r.o. was established through a transformation of Fit Invest Slovakia s.r.o. on November 16th 2021.
8) On August 16th 2021, Benefit Systems Spor Hizmetleri Ltd of Turkey was registered; 93% of its shares are held by BSI Investments Sp. z o.o.
9) On December 31st 2021, Benefit Systems S.A. merged with MyBenefit Sp. z o.o.
10) On June 17th 2021, Benefit Systems S.A. purchased 100% of shares in YesIndeed Sp. z o.o.
11) The company is not consolidated as it does not conduct any business activity.
12) On August 26th 2021, the Multisport Foundation was registered, with Benefit Systems S.A. as the sole founder.

Associates

		Group's ownership interest	
Associate	**Registered address**	**December 31st 2021**	**December 31st 2020**
POLAND			
Baltic Fitness Center Sp. z o.o.	ul. Puławska 427, 02-801 Warsaw, Poland	49.95%	49.95%
Institute of Fitness Development Sp. z o.o.	ul. Puławska 427, 02-801 Warsaw, Poland	48.10%	48.10%
Calypso Fitness S.A.	ul. Puławska 427, 02-801 Warsaw, Poland	33.33%	33.33%
Get Fit Katowice II Sp. z o.o.	ul. Uniwersytecka 13, 40-007 Katowice	20.00%	20.00%

2.2. SIGNIFICANT ACHIEVEMENTS OR FAILURES IN THE PERIOD

In 2021, the Group continued its efforts to restore the sport card base. A major accomplishment in 2021 was an increase in the number of sport card users from 544.3 thousand in Poland and 250.2 thousand abroad in June 2021 to, respectively, 842.1 thousand and 284.7 thousand in December 2021. The priorities last year also included development of the Group's innovative portfolio (adapted to the post-pandemic landscape), technological development, digitalisation of the non-pay benefits offering, and response to the growing health problems of Poles, including particular focus on improving the mental health of people living in Poland through the Group's products. According to Deloitte's Global Millennial Survey Report 2021, 31% of the representatives of generation Z and 35% of Millennials admitted they had taken sick leave because of the stress and anxiety they felt during the pandemic.

New health booster products

Relying on data on the mental condition of Poles during the pandemic and on its own experience, as well as looking into the needs of its customers and employees, at the beginning of the pandemic the Group started to work on a new MultiLife product focusing on employee wellbeing, especially in the areas of mental health, personal development, healthy eating and physical activity. MultiLife currently combines more than a dozen services such as psychologist's support, mindfulness course, consultations with dieticians and coaches, diet creator, yoga course, access to the Yes2Move.com online exercise platform, LuxMed preventive medical examination package, e-books on Legimi, and Leanovatica, a streaming learning service.

In the first half of 2021, Zdrofit Healthy Place medical facilities commenced their activities in selected fitness clubs, helping clients return to good health and physical fitness under the care of physiotherapists. The project seeks to address various back pain conditions increasingly affecting Poles, the need to safely return to physical activity after a break or after having suffered an injury, as well as to support people who want to be fitter and more resilient after falling ill with COVID-19. Since 2021, Zdrofit Healthy Place facilities have been part of the post-Covid-19 rehabilitation programme for convalescents from the Warsaw Province. The programme is financed by the local Marshal Office. The Group plans to keep optimising the business model for the Zdrofit Healthy Place facilities.

New investments – YesIndeed and Focusly

In June 2021, the Group acquired 100% of shares in YesIndeed Sp. z o.o., which develops comprehensive gamification and incentive systems and offers the WannaBuy cafeteria platform. The companies collaborated in the organisation of two editions of the MultiSport Summer Game. The purpose behind the acquisition of YesIndeed Sp. z o.o. is to expand the Benefit Systems Group's offering with digital solutions and relevant know-how fitting with the Group's long-term product development strategy. In November 2021, Benefit Systems expanded its portfolio to include the Focusly mobile application, which teaches relaxation, stress reduction and emotion management skills. The purpose of the acquisition of 100% of shares in the Focusly startup owned by the Daftcode technological group is to gain know-how in the strongly developing mental health segment and to strengthen the MultiLife programme with a mobile application enhancing the mental health of employees.

Development of an owned fitness club network

In November 2021, Benefit Systems signed an agreement for the acquisition of 88% of shares in Total Fitness Sp. z o.o. The network currently has 14 fitness clubs (ten in Warsaw and its vicinity, three in Gdańsk and one in Radom) with a total area of approximately 20,000 square metres, located mainly in commercial buildings with a large exposure to residential units with high sales efficiency (23,000 B2C customers). One key advantage offered by Total Fitness clubs include various group activities and functional and personal training with experienced workout coaches. For many years, Total Fitness has worked with Benefit Systems to support the users of MultiSport cards. The cooperation was based on trust and provided important arguments supporting the investment decision.

At the end of the year, the Company announced plans to open six new fitness clubs (five Zdrofit network clubs in Warsaw and its vicinity, one Fit Fabric network club in Łódź) at the beginning of 2022. All the new facilities are located in modern office centres, shopping centres and close to large residential areas.

***On Your Marks* and *Get Ready!* campaigns promoting physical activity**

After nearly 11 months of a full lockdown or restricted operations, sports and recreational facilities in Poland were reopened at the end of May 2021. With the reopening of the industry, MultiSport's *On Your Marks (Gotuj się do sportu)* campaign was launched to promote various physical activity in the reopened sports and recreational facilities, with the celebrity chef Robert Makłowicz as its ambassador. The campaign also supported another edition of the MultiSport Summer Game, a nine-week gamification-based event encouraging participants to discover new sports disciplines at fitness facilities and engage in online exercise. The campaign was recognised by the jury of the prestigious PR competition *Gold Paperclips*. It was awarded a Silver Paperclip in the Sport, Tourism and Recreation category.

September 2021 saw the launch of the *Get Ready! (Przygotuj się!)* campaign, which encourages Poles to exercise regularly to support their body and mind in addressing everyday challenges. The purpose of the campaign is to educate Poles on the positive impact of exercise and sports on the quality of their lives, health and well-being. *Get Ready!* is a joint initiative of the Zdrofit, Fabryka Formy, Fitness Academy, S4, Fit Fabric, My Fitness Place and Step One network of the Benefit Systems Group's fitness clubs. The promotional efforts cover new services that focus on improving mental well-being through physical activity. A new addition to the Group's fitness offering is the *Stress Reliever (Antystres)* programme dedicated to people with intensive lifestyles and long-term stress exposure.

Supporting diversity within the organisation

In June 2021, the Parent, as one of Poland's first public companies, joined the 30% Club Poland initiative to increase the percentage of women in the governing bodies of listed enterprises. One of the key objectives of 30% Club Poland is to achieve at least a 30% share of women on the management and supervisory boards (calculated jointly) of the 140 largest Polish listed companies by 2030. Indirect objectives include achieving a 20% presence of women on the governing bodies of the companies included in the WIG20, mWIG40 and sWIG80 indices by 2025 and no companies with no women on their governing bodies.

Benefit Systems ranked among best employers

In 2021, Benefit Systems S.A. received a distinction in the Forbes and Statisty Poland's Best Employers 2021 ranking, joining the select group of Poland's top employers. The ranking was based on opinions polled from 160 thousand professionally active people, surveyed between September and October 2020. In addition, the Company won a distinction from Aviva Investors for model implementation of the Employee Capital Plans project and for achieving a high employee participation rate.

2021 saw the 11th edition of the *Trustworthy Employer* competition. The judging panel decided to give a special award to Benefit Systems, which "proved not only to be a trustworthy employer, but also a reliable and supporting partner for the entire industry and its employees and a responsible social partner". The judging panel was composed of representatives of non-governmental institutions – business organisations, think-tanks and universities.

2.3. SIGNIFICANT EVENTS AT THE BENEFIT SYSTEMS GROUP IN 2021

COVID-19 pandemic

In the six months ended June 30th 2021, the Group's business remained affected by the COVID-19 pandemic, and in particular by the temporary restrictions on the operation of sports facilities in most our markets. Sports facilities in Poland operated to a limited extent until early June, and the Multisport programme was suspended in the Czech Republic and Slovakia due to the closure of sports facilities. We had to deal with full closure of clubs in Bulgaria and Croatia throughout the first quarter of 2021. In addition, in view of a growing number of new COVID-19 cases, the Slovak Government announced the reclosure of clubs for the period November 25th to December 10th, which translated into an increased level of card deactivations on that market in December.

The management of the Group and its subsidiaries took various measures to secure and support revenue streams and reduce operating costs. Managing the Group's liquidity and stability of the balance sheet was of the highest priority, and the steps taken by the Group included securing access to various sources of financing, monitoring of debt repayments on an ongoing basis, reducing capital expenditure, using public aid instruments, and, where justified, extending payment deadlines and maintaining safe levels of the net debt and liquidity ratios. We ended the year with positive net cash of PLN 31.1m (end of 2020: net debt of PLN 37.7m), having allocated PLN 62.5m to capital expenditure on M&A in 2021.

As at the end of 2021, the number of active sport cards was 842.1 thousand (up 18.7% on the end of September 2021) in the Poland segment, while in the foreign markets the number of sport cards which were active at the end of 2021 was 284.8 thousand (up 3.2% on the end of September 2021).

As at December 31st 2021, the Group held PLN 253m of available funds in bank accounts and had access to PLN 124.8m of available and undrawn overdraft facilities.

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.

The Group is expanding its offering of online products, such as sports, recreational and health exercises online, the workout platform and Yes2Move online shop, the new MultiLife card 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 were taken 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.

Execution of an annex to an agreement with BNP Paribas

On February 19th 2021, the Parent signed an annex to the multi-purpose credit facility agreement with BNP Paribas Bank Polska S.A., extending the facility availability period until February 19th 2023. The available facility limit was set at PLN 30m.

Execution of an agreement with the minority shareholders of Fit Fabric Sp. z o.o.

On May 18th 2021, the Parent signed an agreement with the minority shareholders of Fit Fabric Sp. z o.o., as a result of which it acquired 47.5% of the company's share capital, increasing its equity interest to 100%.

Decisions on amendments to the Articles of Association of the Parent

On May 19th 2021, the Management Board of the Parent was notified that on May 7th 2021 the District Court for the Capital City of Warsaw issued a decision to register amendments to the Parent's Articles of Association adopted by its Extraordinary General Meeting on February 3rd 2021, concerning (i) change of the amount of the Parent's conditional share capital for the purpose of granting the right to acquire Series G shares to the holders of subscription warrants which may be granted under the 2021–2025 Incentive Scheme, and (ii) update of the amount of the Parent's conditional share capital in connection with the right to subscribe for Series E shares by September 30th 2021 in the performance of the 2017-2020 Incentive Scheme.

On September 3rd 2021, the Management Board of the Parent was notified that on August 31st 2021 the District Court for the Capital City of Warsaw in Warsaw issued a decision to register amendments to the Articles of Association introduced to:

1. bring the Articles of Association into compliance with applicable laws;
2. delete provisions which do not apply to a public company,
3. change the amount of the share capital as a result of the issue of Series E shares in exchange for subscription warrants and their transfer from the conditional share capital to the share capital,
4. make editorial changes.

On January 4th 2022, the Parent's Management Board was notified that on December 31st 2021 the District Court for the capital city of Warsaw in Warsaw issued a decision to register an amendment to the Company's Articles of Association, adopted by the Company's Extraordinary General Meeting by Resolution No. 5/30.11.2021 of November 30th 2021, providing for the right to adopt resolutions by secret ballot by the Parent's Supervisory Board if so requested by a member of the Parent's Supervisory Board.

Changes on the Management Board of the Parent

In the period from January 1st to December 31st 2021 the following changes occurred in the composition of the Parent's Management Board:

On May 19th 2021, the Supervisory Board of the Parent removed, with effect from the end of May 19th 2021, all existing members of the Management Board and appointed, with effect from May 20th 2021, the following persons to serve as members of the Parent's Management Board for another four-year joint term of office:

1. Emilia Rogalewicz,

2. Bartosz Józefiak,

3. Adam Radzki,

4. Wojciech Szwarc.

On June 22nd 2021, Adam Radzki resigned as Member of the Parent's Management Board with effect from June 23rd 2021.

Execution of agreements with Santander Bank Polska

On May 27th 2021, the PLN 45m multi-purpose and multi-currency credit facility agreement of July 18th 2012 between the Parent and Santander Bank Polska was terminated. On May 28th 2021, the Parent and Santander Bank Polska executed a PLN 22.5m working capital facility agreement. Proceeds of the facility may be used to finance day-to-day operations. The facility repayment date is May 31st 2023.

On May 28th 2021, an annex to a bank guarantee facility agreement was executed, whereby the facility limit was increased from PLN 60m to PLN 65m.

Also on May 28th 2021, an annex to the guarantee facility agreement was executed. Pursuant to the annex, the Parent was granted an overdraft facility of up to PLN 45m, and the guarantee limit was raised from PLN 5m to PLN 10m, with the proviso that the aggregate amount of drawdowns under the overdraft facility and the guarantee facility based on the agreement may not exceed PLN 50m. The facility repayment date is May 31st 2023.

Acquisition of shares in YesIndeed Sp. z o.o.

On June 17th 2021, a share purchase agreement was signed under which the Parent purchased 100% of shares in YesIndeed Sp. z o.o., a company providing staff activation services in the B2B model, for a price of PLN 10.7m. The purchase price consists of PLN 8m, payable upon execution of the agreement, and two deferred payments totalling PLN 2.7m, which will be made subject to the achievement of assumed business objectives by the purchased company.

Coverage of the Parent's net loss for 2020

On June 29th 2021, the Parent's Annual General Meeting passed a resolution to cover the net loss of PLN 81.7m for the financial year 2020 from future profits.

Sale (resale) of the Parent's treasury shares

On July 8th 2021, as part of block transactions executed on the regulated market operated by the Warsaw Stock Exchange, the Parent sold 118,053 treasury shares, representing approximately 4.08% of the Parent's share capital and conferring the right to approximately 4.08% of total voting rights at its General Meeting ("Treasury Shares"), with a total value – being the product of the number of Treasury Shares sold and the sale price of PLN 800 per Treasury Share – of PLN 94,442,400 ("Sale of Treasury Shares").

Following the sale of Treasury Shares, the Parent does not hold any of treasury shares.

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

On July 13th 2021, the Parent received a notification from Aviva Powszechne Towarzystwo Emerytalne Aviva Santander S.A. of Warsaw, to the effect that Aviva Otwarty Fundusz Emerytalny Aviva Santander had exceeded the threshold of 5% of total voting rights at the Parent following acquisition of the Parent's shares on July 8th 2021.

Execution of annexes to agreements with PKO BP S.A.

On August 11th 2021, the Parent signed an annex to the multi-purpose credit facility agreement with PKO Bank Polski S.A., extending the facility availability period until August 21st 2022. The overdraft facility limit is PLN 50m.

On August 11th 2021, the Parent signed an annex to the investment credit facility agreement, introducing uniform definitions of ratios in the bank agreements.

Exercise by eligible persons of rights attached to subscription warrants granted under the incentive scheme and increase of the share capital of the Parent

As at September 30th 2021, the Parent received declarations from 31 persons eligible under the 2017–2020 incentive scheme (the "Incentive Scheme") on the acquisition of a total of 39,255 Series E ordinary bearer shares (in exchange for 39,255 Subscription Warrants) in the exercise of rights attached to Series G, Series H and Series I subscription warrants (the "Subscription Warrants") and the eligible persons paid the issue price for the Series E shares (of PLN 491.93 per share) to the Parent's account. On November 10th 2021, the shares were registered in the securities accounts of eligible participants and thus delivered. As a result, the Parent's share capital was increased to PLN 2,933,542. Series E shares were admitted and introduced to trading on the Warsaw Stock Exchange pursuant to a resolution of the Management Board of the Warsaw Stock Exchange of November 12th 2021.

Acquisition of Focusly Sp. z o.o.

On November 3rd 2021, Benefit Systems S.A. acquired 100% of shares in Focusly Sp. z o.o., a subsidiary of the Daftcode technology group. The purpose of the acquisition was to gain know-how in the strongly developing mental health segment and to strengthen the MultiLife programme with a mobile application, supporting the mental condition of employees. The total purchase price at fair value is PLN 6.5m.

Acquisition of Total Fitness Sp. z o.o.

On November 4th 2021, an agreement was signed whereby the Parent purchased 88.23% of shares in Total Fitness Sp. z o.o. and agreed to acquire the remaining 11.77% of the company's share capital. The company has been consolidated since the acquisition date based on the assumption that the Group exercises full (100%) control since under the agreement the minority shareholders are obliged to sell their residual interests.

The total purchase price of 100% of the shares in the company's share capital will be calculated in accordance with the terms of the agreement and depends on the 2022 or 2023 EBITDA and net debt of Total Fitness Sp. z o.o. calculated in accordance with the terms of the agreement (no less than PLN 75m and no more than PLN 85m), adjusted for the set-offs specified in the agreement. The final price, net of the set-offs, is no less than PLN 70.9m and no more than PLN 79.9m.

Assimilation of ordinary bearer shares in the Parent

On November 19th 2021, 39,255 ordinary bearer shares in the Company, assigned code PLBNFTS00091, were assimilated in the depository system with the Company shares traded on the stock exchange, assigned code PLBNFTS00018.

Decision of the President of the Office of Competition and Consumer Protection in connection with antitrust proceedings

On December 8th 2021, the Management Board of the Parent received a decision of the President of the Office of Competition and Consumer Protection (the "President of UOKiK") concerning two alleged breaches (i.e., alleged concerted practices with respect to exclusive cooperation arrangements with fitness clubs, and alleged concerted practices to restrict competition in the market for sports and recreation package services), with respect to which the Proceedings were instigated. No financial penalty was imposed on the Company by the President of UOKiK in connection with the Decision. The Decision is binding and its issuance terminates the Proceedings with respect to two of the three alleged breaches.

Pursuant to the Decision, the Parent is obliged to:

1. offer and, if the parties reach an agreement in this respect, to provide, to at least one undertaking outside the Group which offered sports and recreational packages in the B2B channel in 2018

(the "Counterparty"), sports and recreational services to holders of packages issued by the Counterparty on non-discriminatory terms at 11 fitness clubs located in cities with more than 200,000 inhabitants and having a surface area of at least 700 m^2. The obligation is to be performed by the Parent within 36 months from the decision date, for a period of 12 to 15 months; with the duration depending, among others, on whether the Parent decides to perform the obligation at the clubs held prior to the decision date or at the clubs acquired as part of share/asset purchase transactions.

2. Publish on its website, for a period of 24 months of the decision date, a complete list of requirements to be satisfied by fitness clubs wishing to join the MultiSport programme and other similar programmes operated by Benefit Systems, in the same manner as before the Decision Date.
3. Cooperate under the MultiSport Programme and other similar programmes operated by the Parent with fitness clubs satisfying the requirements for joining the MultiSport Programme and other similar Benefit Systems' programmes, for a period of 24 months. The above does not apply to fitness clubs owned by the Group's competitors offering sports and recreational packages via the B2B channel.

For detailed information on the proceedings, see Note 3.32 to this Report.

Merger of Benefit Systems S.A. with MyBenefit Sp. z o.o.

On December 31st 2021, Benefit Systems S.A. (the acquirer) was merged with MyBenefit Sp. z o.o. (the acquiree) through the transfer of all assets of the acquiree to the acquirer pursuant to a resolution of the Extraordinary General Meeting of Benefit Systems S.A. passed on November 30th 2021.

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

Information on the impact of the armed conflict in Ukraine on the Group's operations

On February 24th 2022, Russia began a military invasion of Ukraine. The Group does not hold any assets in Ukraine or Russia, nor does it operate in any of these countries or provide services to entities located there. As at the date of these consolidated financial statements, there was no noticeable effect of the war on the Group's operations. The Group's Management Board does not rule out the risk of a material adverse effect of the ongoing conflict on the Group's trading partners. However, since there is no concentration of sales to or receivables from a single trading partner, other entities' potential liquidity problems should not have any significant effect on the Group's financial condition.

Although the armed conflict in Ukraine has not had any material effect on the Group's day-to-day operations, in a longer run it may harm the economies of the countries where the Group operates through, *inter alia*, higher prices of fuels, raw materials and energy, further inflation increase or the weakening of the local currencies, which may hamper the demand for the services and products offered by the Group and lead to higher operating expenses.

Execution of a financing agreement with the European Bank for Reconstruction and Development and Santander Bank Polska S.A.

On April 1st 2022, the Parent and some of its subsidiaries signed a long-term financing agreement (the "Agreement") with the European Bank for Reconstruction and Development ("EBRD") and Santander Bank Polska S.A. ("Santander") (jointly: the "Banks") for PLN 205m (the "Financing"). The Financing amount may be additionally increased by no more than PLN 35m.

Under the Agreement, the Banks grant the Company Financing which may be used to cover capital expenditure on the organic growth of the Company's Group, development of the MultiLife platform, acquisitions, environmental projects, refinancing of the Company's existing debt under bank borrowings in Poland, and general corporate objectives.

Bond redemption

On March 24th 2022, a meeting of holders of Series B ordinary bearer bonds issued by Benefit Systems S.A. (the "Bonds") (the "Bondholders Meeting") was held. Resolution No. 3/03/2022 of the Bondholders Meeting amended the terms and conditions of the Bonds (the "Terms and Conditions") to allow the Company to redeem the Bonds early, not only in the cases provided for in the Terms and Conditions, but also at the end of the third interest period, i.e., on April 7th 2022. The Company could also redeem all the Bonds early on April 14th 2022 by submitting, on or before April 5th 2022, an appropriate notice to the bondholders in the manner provided for in the Terms and Conditions. In both cases, the Company was obliged to pay, in addition to the payments under the Bonds (i.e., their nominal value plus interest), a bonus of 2.6%.

On April 14th 2022, 50,000 Series B bonds with a total nominal value of PLN 50m were redeemed early. In addition, on April 7th 2022 50,000 Series A bonds with a total nominal value of PLN 50m were redeemed in a timely manner.

Acquisition of shares in Lunching.pl Sp. z o.o.

On April 13th 2022, Benefit Systems S.A. signed an agreement to purchase 75% of shares in Lunching.pl Sp. z o.o. for PLN 12.6m, payable upon execution of the agreement. The Group will commence the process of cost allocation and identification and measurement of the acquired assets and liabilities as soon as possible. The acquired company owns the platform and application for ordering food with delivery to the workplace. The new project will expand the Group's offering in the growing segment of the non-pay benefit market, i.e., co-financing of meals and supporting healthy eating habits of employees. Moreover, the acquisition of shares in Lunching.pl will significantly increase the Group's competence in healthy nutrition and co-financing of meals for employees. Knowledge and experience in this area will be used, among others, to develop and enhance the offering of the MultiLife programme.

Number of active sport cards

In April 2022, the estimated number of active sport cards in the Poland segment was 969.9 thousand and 333.2 thousand in the Foreign Markets segment.

2.5. 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 Group presents the following segments:

- Poland
- Foreign Markets
- Cafeterias

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

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

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

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

Selected financial data of the operating segments for the 12 months ended December 31st 2021

PLN '000	Poland	Foreign Markets	Cafeterias	Corporate	Total
Revenue	**646,171**	**255,912**	**59,130**	**(6,275)**	**954,938**
Cost of sales	(547,167)	(210,100)	(25,318)	8,547	(774,038)
Gross profit	**99,004**	**45,812**	**33,812**	**2,272**	**180,900**
Selling expenses	(55,240)	(24,811)	(2,935)	1,097	(81,889)
Administrative expenses	(73,625)	(35,342)	(11,544)	(1,261)	(121,772)
Other income and expenses	(524)	19,612	(280)	(57)	18,751
Operating profit/(loss)	**(30,385)**	**5,271**	**19,053**	**2,051**	**(4,010)**
Share of profit of equity-accounted entities	956	0	0	0	956
Interest expense on lease liabilities	(10,015)	(1,348)	(99)	53	(11,409)
Depreciation and amortisation	169,650	33,572	7,191	(1,315)	209,098
EBITDA	**139,265**	**38,843**	**26,244**	**736**	**205,088**
Segment's assets	1,944,330	271,845	213,287	(248,664)	2,180,798
Segment's liabilities	1,256,208	429,251	144,917	(251,255)	1,579,121
Investments in associates	5,367	0	0	0	5,367

Selected financial data of the operating segments for the fourth quarter of 2021

PLN '000	Poland	Foreign Markets	Cafeterias	Corporate	Total
Revenue	**258,200**	**97,556**	**24,921**	**(2,066)**	**378,611**
Cost of sales	(191,883)	(72,001)	(8,931)	2,770	(270,045)
Gross profit	**66,317**	**25,555**	**15,990**	**704**	**108,566**
Selling expenses	(18,278)	(7,891)	(783)	(13)	(26,966)
Administrative expenses	(26,277)	(10,282)	(3,354)	(2,248)	(42,161)
Other income and expenses	(5,461)	4,469	(483)	(104)	(1,579)
Operating profit/(loss)	**16,301**	**11,851**	**11,370**	**(1,661)**	**37,860**
Share of profit of equity-accounted entities	34	0	0	0	34
Interest expense on lease liabilities	(2,176)	(389)	(17)	11	(2,571)
Depreciation and amortisation	44,863	9,123	2,373	(343)	56,016

EBITDA	**61,164**	**20,974**	**13,743**	**(2,004)**	**93,876**

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

PLN '000	12 months ended December 31st 2021	12 months ended December 31st 2020
Segments' revenue		
Total revenue of operating segments	961,213	1,039,334
Unallocated revenue	3,228	1,641
Elimination of revenue from inter-segment transactions	(9,503)	(7,239)
Revenue	**954,938**	**1,033,736**
Segments' profit/(loss)		
Segments' operating profit/(loss)	(6,061)	(10,016)
Elimination of profit/(loss) from inter-segment transactions (IFRS 16)	901	836
Unallocated profit/(loss)	1,150	5,793
Operating profit	**(4,010)**	**(3,387)**
Finance income	14,782	9,928
Finance costs	(28,868)	(98,941)
Share of profit/(loss) of equity-accounted entities (+/-)	956	1,768
Profit before tax	**(17,140)**	**(90,632)**
PLN '000	**As at December 31st 2021**	**As at December 31st 2020**
Total assets of operating segments	2,429,462	2,292,772
Unallocated assets	0	0
Elimination of inter-segment transactions	(248,664)	(248,469)
Total assets	**2,180,798**	**2,044,303**
Total liabilities of operating segments	1,830,376	1,769,231
Unallocated liabilities	0	0
Elimination of inter-segment transactions	(251,255)	(247,928)
Total liabilities	**1,579,121**	**1,521,303**

2.5.1. Poland

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

Sport cards are one of the most popular non-wage benefits in Poland. They are also among the benefits preferred by employees, with as many as half of candidates expecting future employers to provide a sport card in the remuneration package. Sport cards are unique because they combine, in a single product, benefits for various market participants; they benefit: employers as an effective tool for incentivising employees, cardholders by providing access to numerous facilities and activities, and sports facility operators by generating additional revenue streams. The market potential remains strong, as many Poles do not practise any sports and employers increasingly appreciate the benefits of their employees staying fit and healthy. At the end of the reporting period, the number of active cards in Poland was 842.1 thousand.

The Benefit Systems Group also invests in fitness clubs to secure access to an adequate base of sports and recreation facilities. As at the end of 2021, the Group had 167 own clubs in Poland operated by the Fitness Branch within Benefit Systems S.A. and by Fit Fabric Sp. z o.o. and Total Fitness Sp. z o.o. The Group's facilities operate under the following brands: Zdrofit, Fabryka Formy, Fitness Academy, My Fitness Place, FitFabric, Step One, Total Fitness, S4 and Aquapark Wesolandia. The Group also held equity interests in companies managing another 41 facilities. In addition, the Parent operates the Atmosfera Multisport club, which organises activities for children and young people.

Selected financial data of the Poland segment

PLN '000	12 months ended December 31st 2021	12 months ended December 31st 2020	Change
Revenue	**646,171**	**702,962**	**(8.1%)**
Cost of sales	(547,167)	(568,386)	(3.7%)
Gross profit	**99,004**	**134,576**	**(26.4%)**
Selling expenses	(55,240)	(46,849)	17.9%
Administrative expenses	(73,625)	(72,213)	2.0%
Other income and expenses	(524)	(30,751)	-
Operating profit/(loss)	**(30,385)**	**(15,236)**	**-**
Share of profit of equity-accounted entities	956	68	-
EBITDA	**139,265**	**161,800**	**(13.9%)**
Gross margin	15.3%	19.1%	(3.8pp)
Number of sport cards ('000)	842.1	475.4	77.1%
Number of B2C passes ('000 pcs)*	136.7	-	-
Number of clubs	167	158	5.7%

*Data as at the end of 2020 is not presented due to the shutdown of sports facilities caused by the COVID-19 pandemic.

As a result of the continuing restrictions due to the ongoing COVID-19 pandemic, in particular the shutdown of sports facilities until May 28th 2021, the Poland segment's revenue fell 8.1% year on year.

In order to enhance sales, the Group redirected its efforts to intensive development of its online products, such as the exercise platform which provides access to a constantly expanding base of online and live workouts conducted by qualified trainers, and the Yes2Move online store which offers, among other things, food supplements and dietetic food, fitness accessories and many other articles to support physical exercise and promote a healthy lifestyle. At the beginning of the year, the Parent launched MultiLife – a product providing access to online services such as the Diet Creator (Kreator Diety), a language platform, a mindfulness course and online consultations with experts.

As the sports facilities were closed, a significantly lower cost of user visits was recognised in cost of sales. In response to the pandemic, steps were also taken to reduce direct costs of sports facilities as well as selling expenses (including marketing costs) and administrative expenses, including costs of services and materials used. The public aid of PLN 9.2m received by the Group helped reduce, among others, the costs of salaries and wages and social security contributions.

On May 28th 2021, the Group reopened 121 own clubs. 149 own clubs were opened by the end of 2021, in accordance with the planned reopening schedule. Moreover, the own club base was increased following the acquisition of Total Fitness with its 14 clubs in November 2021. Steps were taken primarily to restore the customer base as soon as possible and to enhance the fitness clubs' offering.

In 2021, the construction of two new fitness clubs was completed. One is a My Fitness Place club, opened in the High5ive complex of modern office buildings in Kraków in July 2021. The other is a two-floor Zdrofit fitness club opened in the VARSO building at ul. Chmielna in Warsaw in October.

In June 2021, measures were launched to promote the MultiSport brand and encourage customers to return to sports facilities with a view to restoring the sport card base. At the same time, activities were initiated as part of the next edition of the MultiSport Summer Game, which encourages sport card holders to collect points through physical activity. September 2021 saw the launch of the *Get Ready! (Przygotuj się!)* campaign, which encourages Poles to exercise regularly to support their body and mind in addressing everyday challenges. The purpose of the campaign is to educate Poles on the positive impact of exercise and sports on the quality of life, health and well-being. The promotional efforts cover new services that focus on improving mental well-being through physical activity. A new addition to the Group's fitness offering is the *Stress Reliever (Antystres)* programme dedicated to people with intensive lifestyles and long-term stress exposure.

In 2021, the Group initiated the Zdrofit Zdrowe Miejsce (ZZM – Zdrofit Healthy Place) project, with 10 clubs providing physical therapy and kinesitherapy services opening (in Warsaw and its vicinity) at the beginning of May, followed by another six (in Kraków, Poznań, Wrocław, and Łódź) in the third quarter of the year. As part of the therapy by movement and exercise (kinesitherapy), Zdrofit Healthy Place patients receive, among other things, individualised Fitness Improvement Programmes prepared for them by physiotherapists.

In the third quarter of 2021, cooperation was initiated with the Marshal Office of the Warsaw Province (Mazovia) in Warsaw, under which medical facilities (Zdrofit Healthy Place clubs) will implement a health policy programme involving physiotherapy treatment for patients with post-COVID-19 symptoms.

In 2021, seven fitness clubs owned by Benefit Systems S.A. were closed down: one in the S4 network and two in each of the My Fitness Place, Fabryka Formy and Fit Fabric networks. The closures had a negative effect of PLN 0.24m on the results for 2021, comprising flat-rate consideration for early termination of tenancy contracts (+PLN 0.66m), positive effect of termination of lease contracts (+PLN 1.53m), and costs of retirement of property, plant and equipment of -PLN 2.43m. In addition, a negative effect of -PLN 0.96m was recognised in 2021, following early termination of a lease contract for a club that was not opened. A provision was also recognised for the expected early termination of the lease contract for a Zdrofit fitness club (-PLN 0.8m).

The financial result for 2021 includes the effect of renegotiation and reduction of lease rents of PLN 19.4m. The Group is still in talks with several Lessors on rent concessions for the pandemic period, which will enable it to recognise savings also in 2022.

In 2021, the Poland segment recognised depreciation of right-of-use assets of PLN 108.6m and interest expense on lease liabilities of PLN 10.0m.

2.5.2. Foreign Markets segment

The segment consists of companies engaged in the development of the MultiSport programme, companies managing fitness clubs abroad as part of the strategy to support the MultiSport card as the Group's main product, as well as holding companies: Benefit Systems International Sp. z o.o., Fit Invest International Sp. z o.o., and BSI Investments Sp. z o.o.

BSI Investments Sp. z o.o. conducts investment activity in foreign markets on behalf of Benefit Systems International Sp. z o.o., while Fit Invest International Sp. z o.o., through its subsidiaries, manages fitness clubs.

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

In 2021, operating activities were carried out through subsidiaries on the following markets:

- The Czech Republic – the MultiSport programme (MultiSport Benefit S.R.O.) and fitness clubs (Beck Box Club Praha S.R.O., Form Factory S.R.O.);
- Bulgaria – the MultiSport programme (Benefit Systems Bulgaria EOOD) and fitness clubs (Next Level Fitness EOOD);
- Slovakia – the MultiSport programme (Benefit Systems Slovakia S.R.O.) and fitness clubs (Form Factory Slovakia S.R.O.);
- Croatia – the MultiSport programme (Benefit Systems D.O.O.);
- Turkey – the MultiSport programme (Benefit Systems Spor Hizmetleri LTD – in operation since the third quarter of 2021).

Selected financial data of the Foreign Markets segment

PLN '000	12 months ended December 31st 2021	12 months ended December 31st 2020	Change
Revenue	255,912	295,969	(13.5%)
Cost of sales	(210,100)	(234,163)	(10.3%)
Gross profit	45,812	61,806	(25.9%)
Selling expenses	(24,811)	(27,769)	(10.7%)
Administrative expenses	(35,342)	(33,371)	5.9%
Other income and expenses	19,612	4,430	342.7%
Operating profit/(loss)	**5,271**	**5,095**	**3.5%**
EBITDA	**38,843**	**40,531**	**(4.2%)**
Gross margin	17.9%	20.9%	(3.0pp)
Number of sport cards ('000)	284.8	253.8	12.2%
Number of clubs	24	24	0.0%

At the end of 2020, restrictions were in place across all markets of the segment, preventing customers from using the MultiSport programme, and the fitness companies in the Czech, Slovak and Bulgarian markets from operating the clubs.

At the end of January 2021, some of the restrictions were lifted on the Bulgarian market, which enabled continuation of the MultiSport programme and reopening of fitness clubs from February 1st 2021. The Group's own clubs and partner locations were reopened under the applicable sanitary protocol (one person per 15 square metres), but this did not lead to any significant reduction in the activity of MultiSport cardholders or club members.

When the lockdown was introduced in November 2020, the number of active cards in Bulgaria was 86.9 thousand. After the restrictions were lifted in February 2021, the number dropped to 69.7 thousand. March saw an increase in the number of active cards to 78.8 thousand, but as the number of new COVID-19 cases grew again, in the second part of March the Bulgarian government decided to reintroduce restrictions on selected business sectors, including the fitness industry. The lockdown in the Bulgarian market lasted from March 22nd to March 31st 2021, and both the MultiSport programme and the activities of fitness clubs were suspended during that time. On April 1st, the restrictions were lifted in Bulgaria, which translated into an upward trend in the number of active cards, totalling 85.3 thousand at the end of the first half of 2021.

In the following months, the incidence of COVID-19 in Bulgaria continued to escalate, prompting the authorities to impose new restrictions, including a cap on the number of fitness club users at 30% of a club's maximum capacity, and a cap on the number of users attending fitness classes of ten people per group. As at the end of the third quarter, there were 89.5 thousand active cards, up by almost 20% year on year. As the number of new COVID cases began to rise at the beginning of the third quarter of 2021, the Bulgarian government imposed new restrictions, such as permitting access to fitness clubs only to 'green pass' holders, i.e., persons satisfying one of the following criteria:

- They have been fully vaccinated;
- They are COVID-19 convalescents;
- They have a negative PCR test result.

The access restrictions led to a drop in users' overall activity and in the number of active membership cards, with a growing number of card deactivations in the period. As at the end of December 2021, the number of active MultiSport cards in Bulgaria was 82.8 thousand.

In the first half of February 2021, the government of Croatia decided to lift some restrictions, enabling the re-launch of the MultiSport programme from February 15th. Before the lockdown was introduced in November 2020, 13.7 thousand cards had been active in the Croatian market. In February 2021, after the re-opening of the MultiSport programme, the number of active cards stood at 8.6 thousand, but already in March 2021 it returned to the level recorded before the November lockdown. In the following months, the Croatian government did not impose any new restrictions and the Group saw a steady increase in the number of cards of approximately several hundred per month, closing 2021 with a total of 19.1 thousand cards.

In the Czech and Slovak markets, the fitness industry remained under lockdown throughout the first quarter of 2021 due to the COVID-19 pandemic, and both the MultiSport programme and the activities of fitness clubs were suspended. Prior to the introduction of the lockdown in December 2020, the number of cards on the Czech and Slovak markets had been 134.8 thousand and 18.4 thousand, respectively.

As the pandemic situation in the country improved, the Slovak government decided to lift the restrictions, enabling the reopening of fitness clubs and re-launch of the MultiSport programme on May 1st 2021. In the following months, in response to the growing number of new COVID-19 infections, the Slovak government introduced further restrictions, including a cap on the number of fitness club users that can be present on a club's premises at any given time. At the end of the third quarter of 2021, the number of cards was 30.8 thousand, down 23% year on year.

Due to the growing number of new COVID-19 cases in the fourth quarter, the Slovak Government imposed a full lockdown starting from November 25th. The restrictions were lifted on December 10th. During a two-week shutdown of fitness facilities, both the MultiSport programme and the operation of fitness clubs were suspended, which translated into an increase in the number of card deactivations in December. As at the end of 2021, the number of active cards totalled 26.5 thousand.

In the Czech Republic the restrictions were lifted on May 17th 2021, enabling fitness clubs to reopen and the MultiSport programme to be re-launched. No new restrictions were introduced in the third quarter of 2021. However, as the pandemic situation worsened in subsequent months, the Czech government decided to introduce restrictions which prevented unvaccinated persons from using, inter alia, the services of fitness clubs. Despite adverse market conditions consequent upon the pandemic, the Czech company saw a steady increase in the number of cards and ended the year with a total of 156.2 thousand active cards.

In Turkey, where restrictions were lifted in the third quarter of 2021, the main focus was on recruitment of staff necessary to develop the partnership network and win new customers.

As at the end of 2021, cumulative revenue was PLN 40.1m less year on year. The revenue erosion was caused by the restrictions, which led to suspension or limitation of the MultiSport programme and fitness club operations during the lockdown periods. In addition, the 2020 results included a one-off adjustment due to VAT refund in the Czech Republic for 2019, which increased revenue and operating profit in 2020 by PLN 32.2m and PLN 16.9m, respectively.

As at the end of 2021, 4.2 thousand partner locations were active in the entire segment, down by approximately 0.2 thousand on the end of 2020.

As at the end of 2021, the company was engaged in investment projects in the Czech Republic (13 clubs), Bulgaria (9 clubs) and Slovakia (2 clubs). At the end of the third quarter of 2021, one new club was launched in Slovakia (Stanica Nivy). In the Czech Republic, an unprofitable Prague club (Na Strazi) was closed, but a new one (Pankrac) was launched at the end of the year.

Companies of the Foreign Markets segment actively benefited from support schemes offered by the local governments as well as the European Union to mitigate the adverse economic effects of the COVID-19 pandemic. These schemes included:

- rent subsidies,
- wage subsidies,
- waivers of social security contributions,
- compensation for revenue decrease.

The total amount of grants recognised in 2021 in the Foreign Markets segment was approximately PLN 20.5m.

2.5.3. Cafeterias segment

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

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

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

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

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

Starting from 2021, the Cafeterias segment includes the results of YesIndeed Sp. z o.o., a company providing staff activation services in the B2B model.

The services are divided into two categories:

- services for sales departments offered under the YesIndeed brand, and
- services for entire organisations offered under the WannaBuy brand.

The main element of the projects is gamification with tangible and intangible rewards, based on results imported from sales, HR and payroll, and sports systems.

Selected financial data of the Cafeterias segment

PLN '000	12 months ended December 31st 2021	12 months ended December 31st 2020	Change
Revenue	**59,130**	**40,404**	**46.3%**
Cost of sales	(25,318)	(25,911)	(2.3%)
Gross profit	**33,812**	**14,493**	**133.3%**
Selling expenses	(2,935)	(5,434)	(46.0%)
Administrative expenses	(11,544)	(6,070)	90.2%
Other income and expenses	(280)	(2,865)	(90.2%)
Operating profit/(loss)	**19,053**	**124**	**-**
EBITDA	**26,244**	**6,285**	**317.6%**
Gross margin	57.2%	35.9%	21.3pp
Turnover (m)*	450	377	19.4%
Number of users ('000)**	514	508	1.2%

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

As at the end of 2021, the MyBenefit and MultiKafeteria e-platforms combined had almost 514 thousand users, up 6 thousand year on year. MyBenefit's customer base grew by 122 year on year.

The increase in turnover on MyBenefit and Multikafeteria platforms in the period under review was mainly attributable to more points earned per user (up 15.3% year on year) and an increase in the number of users.

As the product offering had been adjusted in the face of the pandemic, the loss of turnover in the categories adversely affected by COVID-19 (sport cards, cinema) was offset by higher sales in the store category (PLN 284m in 2021 vs PLN 232m in 2020).

The increase in administrative expenses in 2021 was driven by higher personnel costs and a change in the cost allocation method within the organisation. The year-on-year growth in personnel costs was attributable, among other things, to the establishment of a new department, tasked mainly with planning, implementing new development directions and enhancing the product mix. The change in the cost allocation method related to the recognition of costs of back-office departments, such as administration, HR and IT, which until 2020 had been allocated to the costs of the departments to which the relevant internal service was provided and, as a result, presented in accordance with the nature of a given department under cost of sales, selling expenses or administrative expenses. Starting from 2021, these costs have been fully charged to administrative expenses.

The year-on-year decrease in cost of sales recorded in 2021 was largely attributable to lower costs of maintaining the cafeteria system and the change in the cost allocation method.

The lower selling expenses reflected mainly the decrease in personnel costs and change in the cost allocation method.

CAPEX increased by PLN 2.2m year on year, to PLN 12.5m, This expenditure is related to the implementation of strategic projects to further develop the cafeteria platform.

In 2021, the Cafeteria segment reported a PLN 1.0m year-on-year increase in depreciation and amortisation. The change was attributable to technology depreciation and amortisation recognised on the acquisition of YesIndeed sp. z o.o. (PLN 0.8m) and to capitalisation of expenditure at MyBenefit Sp. z o.o related to the investment programme focusing on the development and modernisation of the cafeteria system and aimed at offering more attractive IT solutions to users (PLN 0.2m).

As at the end of 2021, the Cafeteria segment recognised approximately PLN 1.9m in depreciation of right-of-use assets and PLN 0.1m in interest expense on lease liabilities.

2.5.4. Other Activities and Corporate

Revenue recognised in the segment primarily includes eliminations of inter-segment transactions, with the most significant item being settlements for the provision of cafeteria platforms as sales channels for sport cards. It also includes income other than from sales of non-pay incentive products, and in 2020 also the costs of the Incentive Scheme and elimination of the costs of amortisation of the trademark created within the Group (transferred in 2021 to the Poland segment, where the eliminated cost is recognised).

Corporate

PLN '000	12 months ended December 31st 2021	12 months ended December 31st 2020	Change
Revenue	**(6,275)**	**(5,599)**	**12.1%**
Cost of sales	8,547	13,245	(35.5%)
Gross profit	**2,272**	**7,646**	**(70.3%)**
Selling expenses	1,097	(3)	-

Administrative expenses	(1,261)	(729)	73.0%
including cost of the Incentive Scheme	0	(923)	(100.0%)
Other income and expenses	(57)	(284)	(79.9%)
Operating profit/(loss)	**2,051**	**6,630**	**(69.1%)**
Share of profit or loss of equity-accounted entities	0	1,700	(100.0%)
EBITDA	**735**	**(781)**	-

2.6. SELECTED FINANCIAL RATIOS

Financial ratios

Profitability ratios	12 months ended December 31st 2021	12 months ended December 31st 2020	Change
Gross margin	18.9%	21.1%	(2.2pp)
EBITDA margin	21.5%	20.1%	1.4pp
EBIT margin	(0.4%)	(0.3%)	(0.1pp)
Pre-tax margin	(1.5%)	(8.5%)	6.8pp
Net margin	(2.4%)	(9.3%)	6.9pp
Return on equity (ROE)	(4.0%)	(18.9%)	14.9pp
Return on assets (ROA)	(1.1%)	(4.8%)	3.7pp
Liquidity ratios	**12 months ended December 31st 2021**	**12 months ended December 31st 2020**	**Change**
Current ratio	0.66	0.77	(14.1%)

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

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

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

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

2.7. OUTLOOK

The outlook in 2021 is significantly impacted by the continuing COVID-19 pandemic, due mainly to the uncertainty surrounding new restrictions that may be imposed.

The COVID-19 pandemic is affecting the global economy and the economies of the countries where Group companies operate, which also contributes to falling demand for sport cards among customers. At the same time, it is important to note that demand for sporting activities among holders of sport cards, as measured by club attendance, is on a par with pre-pandemic levels.

The Group is expanding its offering to include services outside the non-pay benefits and fitness club management markets, where it has already established a stable position. In response to the challenges of the prevailing uncertainty, new online services are being developed for retail customers, including the Yes2Move exercise platform, an online store with sports food and accessories, and the MultiLife product comprising a range of various online services (such as personalised nutrition plans, consultations with dieticians and personal coaches, a language learning platform, multiple expert materials supporting healthy habits and a mindfulness course). The operations of the Poland segment were also expanded to include rehabilitation services.

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

3. SUPPLEMENTARY INFORMATION

3.1. EMPLOYMENT

As at December 31st 2021, the Benefit Systems Group reported a 5.0% year-on-year decrease in average workforce, from 1,447 to 1,374 employees. Given the nature of its business, the Benefit Systems Group attaches great importance to the continuous improvement of its employees' qualifications, and approximately 72% of them are university graduates.

3.2. FINANCIAL RESOURCES MANAGEMENT

Despite the impact of the COVID-19 pandemic on the Benefit Systems Group in 2021, there were no threats to the management of financial resources, in particular with regard to the Group's ability to meet its obligations, and no material commitments arose on account of purchase of fixed assets. In 2021, the Parent sold all treasury shares for a total amount of PLN 94.4m, as described in Note 16 to the 2021 consolidated financial statements of the Benefit Systems Group. As at December 31st 2021, the Group held approximately PLN 253m of available funds in bank accounts and PLN 124.8m of undrawn funds available under overdraft facilities.

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

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

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

In 2021, the Group's financial results were significantly impacted by the COVID-19 pandemic and deteriorated primarily as a consequence of the curtailment of operations and temporary closure of sports facilities.

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

The industry in which the Group operates is subject to seasonal 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. On the other hand, seasonality in the Cafeterias segment is reflected in an increase in turnover in the last month of the year due to, among other things, the Christmas period.

In 2020 and 2021, the seasonality patterns observed to date are likely to have changed as a result of the COVID-19 pandemic and the temporary closure of fitness clubs and other sports facilities.

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

In 2021, the Benefit Systems Group conducted its business and generated revenues predominantly in the domestic market, but the foreign markets in which the Group operates (the Czech Republic, Bulgaria, Croatia or Slovakia) have been growing in importance. The customers of the Benefit Systems Group include companies and institutions from all sectors of the economy as well as individuals using the services of fitness clubs. None of the customers accounted for more than 2% of the Benefit Systems Group's revenue in the reporting period. Therefore, in the opinion of the Benefit Systems Group, the Group is not dependent on any of the customers.

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

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

In 2021, following impairment testing the Group recognised a PLN 4.9m impairment loss on loans granted and impairment losses on property, plant and equipment totalling PLN 0.4m. As at December 31st 2021, impairment losses on trade receivables amounted to PLN 23.7m, including an additional PLN 0.3m impairment loss recognised and a PLN 1.7m impairment loss reversed in 2021.

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

No material changes in the business environment and conditions occurred in 2021 which would have a material bearing on the fair value of the Benefit Systems Group's financial assets.

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

Under some of its credit facility agreements, the parent agreed to maintain the debt service coverage ratio (DSCR) of not less than 1.2. The Parent received a letter from the Bank which is party to these agreements, informing the Parent that it waived its rights to verify the debt service coverage ratio (DSCR) as at December 31st 2021.

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

In 2021, the Group purchased property, plant and equipment for a total amount of PLN 47.1m. The expenditure mainly involved purchases of fitness equipment, fit-out of fitness clubs and investments in clubs' premises.

3.11. RESEARCH AND DEVELOPMENT ACTIVITIES

The rapid pace of change in the market for non-pay benefit services, driven by the development of modern technologies, prompt the transformation of the service offering, sales channels, service provision models, as well as internal cooperation and the need to improve the operation of IT systems through automation of internal processes.

The Parent conducts R&D activities on a systematic basis ("R&D Activities") to offer better, more technologically advanced and competitive product solutions on the market.

The purpose of R&D Activities is to:

- Develop new tools, platforms and applications,
- Develop new technological concepts,
- Improve integrability with other software,
- Make significant improvements to existing Programmes,
- Work on new auxiliary software.

The Parent conducts, in conceptual form or in the form of targeted projects carried out as development work, a wide range of conceptual and programming projects aimed at building applications, developing software and creating algorithms in order to expand the knowledge base and use knowledge resources to come up with new applications, products, services and processes.

Net revenue from sale of research and development services generated by the Parent, classified as scientific research and development work services, was PLN 564.7m for the financial year ended December 31st 2021 (mainly revenue from sale of MuliSport sport cards, MultiLife product, and other non-pay benefits).

The Parent has applied for the R&D relief for 2017-2020.

The Parent identified a group of expenses which meet the definition of eligible expenses, i.e., salaries and wages of employees, in the form of:

- the portion of the amortisation charge on Development Work corresponding to capitalised salaries and wages of employees, and
- salaries and wages of employees performing tasks for the purposes of R&D Activities – these salaries and wages have not been recognised by the Company as part of Development Work or amortised.

The Parent plans to apply to the Minister of Development in 2022 for granting it the status of a Research and Development Centre ("RDC"). Obtaining the RDC status by the Parent will be a source of measurable benefits as each year the Parent incurs significant R&D expenses to pay for various services purchased from third parties (including IT, advisory and equivalent services), which could not be deducted as part of the R&D relief in previous years.

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

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

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

In 2021, the Benefit Systems Group recognised inventory write-downs of PLN 15 thousand.

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

In 2021, the Benefit Systems Group did not reclassify any of its financial assets.

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

In 2021, the Benefit Systems Group did not change the method of measuring financial instruments.

3.16. INCENTIVE SCHEME

Pursuant to resolutions of the General Meeting, Benefit Systems S.A. has in place an Incentive Scheme (the "Incentive Scheme") for senior and middle management of the Parent and for the Benefit Systems Group subsidiaries with which the Parent has entered into relevant agreements. Under the Scheme, eligible employees receive subscription warrants convertible into shares in the Parent. The Scheme is open to selected employees, both from among senior management and middle management.

On February 3rd 2021, the Supervisory Board resolved to establish an Incentive Scheme for 2021–2025 at the Company. The purpose of the Scheme is to provide an incentive system that would promote employee productivity and loyalty, aimed at achieving strong financial performance and a long-term increase in the Parent's value. In the 2021–2025 edition of the Incentive Scheme, its participants (up to 149 persons) will be able to acquire up to a total of 125,000 subscription warrants (which, upon conversion into shares, will represent 4.1% of the Parent's (post-issue) share capital), entitling them to subscribe for a specific number of shares in the Parent in five equal tranches.

The vesting of the warrants will depend on the satisfaction of certain loyalty and effectiveness criteria set out in the Incentive Scheme Rules, and the operation of the Scheme in a given year will be subject to the mandatory condition that a specified level of consolidated operating profit adjusted for the accounting cost of the Scheme is achieved for a given financial year.

The Group did not recognise the Scheme costs for 2021 as the 50% threshold for the Group's consolidated adjusted operating profit condition required to launch the Scheme was not met.

By decision of the Supervisory Board, the warrants not allocated for 2021 may increase the number of warrants for 2023 (up to 12,500 Series K1 warrants) and 2025 (up to 12,500 Series K2 warrants). Series K1 Warrants will be allotted in a number representing 50%, 75% and 100% of the maximum number of Series K1 Warrants only if the cumulative consolidated adjusted operating profit (net of the costs of the Incentive Scheme) exceeds the sum of the thresholds for 2021-2023, i.e., PLN 400m, PLN 460m and PLN 515m, respectively. In the case of Series K2, the warrants will be alloted if cumulative consolidated adjusted operating profit (net of the costs of the Incentive Scheme) for 2021-2025 exceeds the sum of the thresholds for that period (PLN 825m, PLN 920m and PLN 1,010m), in a number representing, respectively, 50%, 75% and 100% of the maximum number of Series K2 warrants.

3.17. 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 June 29th 2021, the Parent's Annual General Meeting passed a resolution to cover the net loss of PLN 81.7m for the financial year 2020 from future profits.

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

In the reporting period, the Benefit Systems Group did not enter into any related-party transactions that individually or jointly would be significant and would be concluded on non-arm's length terms. The related parties are described in detail in the consolidated financial statements of the Benefit Systems Group for the 12 months ended December 31st 2021 (Note 28).

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

For information on the assessment of the management of financial resources and its justification, see Note 32 to the consolidated financial statements of the Benefit Systems Group for the 12 months ended December 31st 2021.

3.20. AUDITOR

KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. is the entity authorised to audit separate and consolidated full-year financial statements and review separate and consolidated interim financial statements of Benefit Systems Group for the financial years 2021 and 2020 and to issue opinions and reports on the audits and reviews. For information on the auditor's fees for 2021 and 2020, see Note 34.4 to the consolidated financial statements of the Benefit Systems Group for the 12 months ended December 31st 2021.

3.21. CONTRACTS WITH THE AUDITOR OF FINANCIAL STATEMENTS

The Parent and KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. executed a contract to audit the Parent's and Benefit Systems Group's separate and consolidated full-year financial statements for the financial years 2021 and 2022.

The Parent and KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. also executed a contract to review the half-year separate financial statements of Benefit Systems S.A. and the half-year consolidated financial statements of the Benefit Systems Group for 2021 and 2022.

The auditor was appointed by the Parent's Supervisory Board and the contract was concluded with effect from July 8th 2021.

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

3.22. BORROWINGS, GUARANTEES AND SURETIES OBTAINED BY THE GROUP

On May 27th 2021, the PLN 45m multi-purpose and multi-currency credit facility agreement of July 18th 2012 between the Parent and Santander Bank Polska was terminated. On May 28th 2021, the Parent and Santander Bank Polska executed a PLN 22.5m working capital facility agreement. Proceeds of the facility may be used to finance day-to-day operations. The facility repayment date is May 31st 2023.

On May 28th 2021, an annex to a bank guarantee facility agreement was executed, whereby the facility limit was increased from PLN 60m to PLN 65m.

Also on May 28th 2021, an annex to the guarantee facility agreement was executed. Pursuant to the annex, the Parent was granted an overdraft facility of up to PLN 45m, and the guarantee limit was raised from PLN 5m to PLN 10m, with the proviso that the aggregate amount of drawdowns under the overdraft facility and the guarantee facility based on the agreement may not exceed PLN 50m. The facility repayment date is May 31st 2023.

3.23. LOANS ADVANCED, SURETIES AND GUARANTEES ISSUED

For information on the amounts of loans and interest rates, see Note 12 to the Benefit Systems Group's consolidated financial statements for the 12 months of 2021.

Contingent liabilities

Contingent liabilities PLN '000	As at the issue date of the report for 2021	As at the issue date of the report for nine months ended September 30th 2021	Change
Sureties and guarantees	7,752	9,481	(1,729)

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

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

3.24. USE OF ISSUE PROCEEDS

On July 8th 2021, as part of block transactions executed on the regulated market operated by the Warsaw Stock Exchange, the Parent sold 118,053 treasury shares, representing approximately 4.08% of the Parent's share capital and conferring the right to approximately 4.08% of total voting rights at its General Meeting ("Treasury Shares"). The total proceeds from the sale of Treasury Shares were PLN 92.5m. Following the sale of Treasury Shares, the Parent does not hold any of treasury shares.

In the fourth quarter, the Parent issued 39,255 Series E ordinary bearer shares with a par value of PLN 1.00 per share as a result of exercise of rights attached to Series G, H and I subscription warrants granted under the 2017–2020 Incentive Scheme. In accordance with the terms of the Incentive Scheme, the share price was PLN 491.93 per share. The issue proceeds amounted to PLN 94.4m.

The proceeds from the issue and sale of treasury shares will be used to finance the Group's development.

3.25. CORRECTION OF PRIOR PERIOD ERRORS

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

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

The Benefit Systems Group did not publish any profit forecasts for 2021.

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

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

3.28. MAJOR SHAREHOLDERS

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

Shareholding structure

	As at the issue date of the report for 2021*			As at the issue date of the report for nine months ended September 30th 2021			
Shareholder	**Number of shares**	**Ownership interest**	**Voting interest**	**Number of shares**	**Ownership interest**	**Voting interest**	**Change**
James van Bergh*	478,191	16.30%	16.30%	494,695	17.09%	17.09%	(16,504)
Benefit Invest Ltd.*	295,421	10.07%	10.24%	300,421	10.38%	10.38%	(5,000)
Invesco Ltd.	288,577	9.84%	9.84%	288,577	9.97%	9.97%	0
Fundacja Drzewo i Jutro*	239,628	8.17%	8.17%	239,628	8.28%	8.28%	0
Marek Kamola	237,440	8.09%	8.09%	237,440	8.20%	8.20%	0
MetLife OFE	222,318	7.58%	7.58%	210,000	7.26%	7.26%	12,318
Nationale-Nederlanden OFE	201,527	6.87%	6.87%	159,000	5.49%	5.49%	42,527
Aviva OFE AVIVA Santander	186,085	6.34%	6.34%	156,789	5.42%	5.42%	29,296
Other	784,355	26.74%	26.57%	807,737	27.91%	27.91%	(23,382)
TOTAL	**2,933,542**	**100.00%**	**100.00%**	**2,894,287**	**100.00%**	**100.00%**	**39,255**

** Related individuals and/or entities as described in 'Related-party transactions' in the Group's full-year consolidated financial statements for 2021.*

The amount of the Parent's share capital is PLN 2,933,542. Number of shares comprising the share capital: 2,933,542 shares, including 2,204,842 Series A shares, 200,000 Series B shares, 150,000 Series C shares, 120,000 Series D shares, 74,700 Series E shares and 184,000 Series F shares. All Series F shares have a par value of PLN 1.00 per share. The total number of voting rights carried by all outstanding shares is 2,933,542. The equity interests held by individual shareholders in Benefit Systems S.A. are equal to their respective voting interests in the Company.

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

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

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

	As at the issue date of the report for 2021		As at the issue date of the report for nine months ended September 30th 2020		
Management Board	**Number of shares**	**Equity interest**	**Number of shares**	**Equity interest**	**Change**
Bartosz Józefiak	0	0.00%	0	0.00%	0
Emilia Rogalewicz	2,500	0.09%	4,000	0.14%	(1,500)
Wojciech Szwarc	2,370	0.08%	2,370	0.08%	0
Total	**4,870**	**0.17%**	**6,370**	**0.22%**	**(1,500)**

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

	As at the issue date of the report for 2021		As at the issue date of the report for nine months ended September 30th 2020		
Supervisory Board	**Number of shares**	**Equity interest**	**Number of shares**	**Equity interest**	**Change**
James van Bergh*	478,191	16.30%	494,695	17.09%	(16,504)
Marcin Marczuk	0	0.00%	0	0.00%	-
Artur Osuchowski	0	0.00%	0	0.00%	-
Michael Sanderson	0	0.00%	0	0.00%	-
Michael Rohde Pedersen	0	0.00%	0	0.00%	-
Total	**478,191**	**16.30%**	**494,695**	**17.09%**	**(16,504)**

** Direct interest; additionally, a person closely related to the Chairman of the Supervisory Board (within the meaning of Art. 160(2)(1) of the Act on Trading in Financial Instruments) controls Benefit Invest Ltd. and that company holds 295,421 shares in Benefit Systems S.A., representing 10.07% of its share capital and the same percentage of total voting rights (as at the issue date of the report for the four quarters of 2021). In addition, a person closely related to the Chairman of the Supervisory Board is the Chairperson of the Supervisory Board of the Drzewo i Jutro Foundation, holding 8.17% of Benefit Systems S.A. share capital.*

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

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

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

In 2021, the Benefit Systems Group had no obligations arising from retirement or similar benefits to former members of the Parent's management or supervisory staff.

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

Remuneration of members of the Management Board of Benefit Systems S.A. from January 1st to December 31st 2021

Member of the Management Board (PLN thousand)	Remuneration	Other benefits	Total
Bartosz Józefiak	904	16	920
Adam Radzki*	421	7	428
Emilia Rogalewicz	985	14	999
Wojciech Szwarc	672	17	689
Total	**2,982**	**54**	**3,036**

** On June 22nd 2021, Adam Radzki resigned as Member of the Parent's Management Board with effect from June 23rd 2021.*

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

Benefits for members of the Management Board in the form of due or potentially due Series G. H and I warrants as at the end of 2021

Member of the Management Board	Series G, H and I Warrants granted and exercised for 2017-2019	Unexercised Series G, H and I warrants
Bartosz Józefiak	500	0
Emilia Rogalewicz	8,000	0
Wojciech Szwarc	6,400	0
Total	**14,900**	**0**

The exercise price of the options granted is PLN 491.93. Members of the Management Board did not receive any benefits in the form of warrants for 2021.

Remuneration of members of the Supervisory Board of Benefit Systems S.A. from January 1st 2020 to December 31st 2021 (no remuneration from subsidiaries)

Supervisory Board (PLN thousand)	Remuneration	Other benefits	Total
James van Bergh	132	-	132
Marcin Marczuk	91	-	91
Artur Osuchowski	66	-	66
Michael Sanderson	54	-	54
Michael Rohde Pedersen	54	-	54
Total	**397**	**-**	**397**

3.32. CONTROL SYSTEMS FOR EMPLOYEE STOCK OPTION PLANS

See section 3.15. of this report.

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

Antitrust proceedings against Benefit Systems S.A.

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

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

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

The President of UOKiK imposed fines on the parties to the Proceedings, including: on the Company in the amount of PLN 26,915,218.36 (taking into account the succession resulting from the merger of the Company with those of its subsidiaries which are also named in the Proceedings) and on its subsidiary (Yes to Move sp. z o.o., formerly: Fitness Academy sp. z o.o.) in the amount of PLN 1,748.74. Guided by, among other things, an analysis of well-known cases involving competition-restricting practices, where courts have often decided to significantly reduce fines imposed on businesses (in some cases by as much as 60-90%), and by the opinion of lawyers, the Company recognised a provision for the fine of PLN 10.8m in 2020. In the absence of any new circumstances affecting the case, the provision remained unchanged as at June 30th 2021.

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

With respect to the two other alleged breaches (alleged concerted practices with respect to exclusive cooperation arrangements with fitness clubs, and alleged concerted practices to restrict competition in the market for sports and recreation package services), on December 8th 2021 the Company received a decision of the President of UOKiK ("Decision II") issued on December 7th 2021 (the "Decision Date") pursuant to Art. 12.1 of the Act on Competition and Consumer Protection of February 16th 2007.

No financial penalty was imposed on the Company by the President of UOKiK in connection with Decision II. Decision II is binding and its issuance terminates the Proceedings with respect to two of the three alleged breaches.

Pursuant to Decision II, the Company is obliged to:

1. offer and, if the parties reach an agreement in this respect, to provide, to at least one undertaking outside the Company's Group which offered sports and recreational packages in the B2B channel in 2018 (the "Counterparty"), sports and recreational services to holders of packages issued by the Counterparty on non-discriminatory terms at 11 fitness clubs located in cities with more than 200,000 inhabitants and having a surface area of at least 700 m^2. The obligation is to be performed by the Company within 36 months from the Decision Date, for a period of 12 to 15 months; with the duration depending, among others, on whether the Company decides to perform the obligation in the clubs owned prior to the Decision Date or in clubs purchased as part of transaction(s) to acquire shares/property.
2. publish on its website, for 24 months of the Decision Date, all the criteria required to include a fitness club in the MultiSport programme and other similar programmes operated by Benefit Systems S.A., in the same manner as before the Decision Date.
3. for 24 months of the Decision Date, as part of the MultiSport programme and other similar programmes operated by the Company, enter into cooperation with fitness clubs meeting the criteria for inclusion in the MultiSport programme and other similar programmes operated by Benefit Systems S.A. The above obligation does not apply to fitness clubs owned by the Company's competitors offering sports and recreational packages in the B2B channel.

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

In 2021, the Benefit Systems Group did not provide any sureties or guarantees with respect to any credit facility or loan where the amount of such sureties or guarantees would exceed 10% of the Group's equity.

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

In 2021, there were no changes in the Benefit Systems Group's management policies.

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

The most significant risks identified by the Parent and the Group include:

Risk of operating in a high inflation economic environment

The risk related to operating in a high inflation economic environment may materialise for the Group in the form of inability to effectively increase the prices of services provided to customers (MS cards, passes) in the medium term in a situation of significant cost pressures due to high inflation (salaries and wages, energy costs, etc.), thus eroding margins and profitability. The possibility of increasing the prices of services in a high inflation environment may be further undermined by the price pressure from competitors, which are increasingly seeking to carve out larger shares in the market for non-pay employee benefits.

Risk of deteriorating macroeconomic conditions, including due to Russia's invasion on Ukraine

The risk of a macroeconomic downturn in view of Russia's invasion on Ukraine, manifest in a lower GDP growth rate (or even a GDP drop), economic downturn and deterioration in labour market conditions, may materialise in the form of revenue decline if the Group's customers and users choose to save money by spending less on sports and recreation, which may adversely affect the number of Group's customers and the number of MultiSport cards and passes. In addition, despite the deterioration of macroeconomic conditions, the continuing inflationary pressure may increase operating expenses and finance costs due to, e.g., higher energy prices and reference rates, which will further add to the adverse impact of weaker macroeconomic conditions on the net result.

Risk of fiercer competition from direct competitors and introduction of new non-pay employee benefits or new products in the area of sports benefits offered to employers

The Group's business model is based on offering customers non-pay employee benefits. The Group is the leader in sport cards on the Polish market, constantly expanding the range of sports and recreational activities offered under the MultiSport programme at the Group's own sports facilities and a network of partner facilities, in the cafeteria area (MyBenefit platform), and developing new products, such as the Multilife card.

Over the last year, competition on the sport card market increased significantly. Major players entered the game, including Medicover Sport and PZU Sport. Medicover Sport launched a card that combines medical care with fitness services (a health and fitness bundle) provided through a constantly expanding network of own and partner sports facilities. PZU Sport offers a fitness and recreational membership plan available through a mobile app in partner sports facilities. These players have easier access to large companies' HR departments deciding on purchases of non-pay benefits as they already provide the companies with medical services. There is a risk that they may use this channel to offer sport cards and plans.

There is a risk that competitors will continue to expand their networks of own and partner facilities, increasing their share in the card market and introducing new innovative sport products offered to employers and/or directly to their employees. Moreover, upon entry into a new market, competitors may offer sport cards at discount prices different from those offered by the Group (price pressure). As a result of further acquisitions of sports facilities by Medicover Sport, the competition in card prices may also extend to the prices of passes and the flexibility of their validity periods.

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

Business model risk (MultiSport card price)

In determining the prices of its card products, the Group is guided by its own estimates of the frequency of visits by cardholders (users) to sport facilities. These estimates are based on an analysis of available data on the activity of users (customer's employees) for different types of organisations and for different product financing models.

The Group's main costs are those associated with: (i) payments to partner fitness chains, (ii) day-to-day operations of the Company and its own clubs. Sudden changes in the activity of users (MultiSport cardholders), may result in underestimation of prices of the Group's main product and inability to quickly adjust them to the level of costs incurred by the Group. Furthermore, no assurance can be given that unit cost of cardholders' visits to partner venues would not increase, or that costs incurred by the Group to operate its own clubs would not increase. In addition, there is a risk that due to the economic situation of the Group's partner companies and customers, their flexibility to adapt to new business conditions may be limited. This may result in a longer period of adjustment of product prices to the costs incurred and may create the risk of lower profits margins achieved on the Group's core product. An additional factor is the price pressure from competitors, which are increasingly seeking to carve out larger shares in the sport card section of the market for non-pay employee benefits.

Risk of changing employee preferences with respect to employee benefits

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

There is a risk that the preferences of existing and potential cardholders may change, including as a result of unforeseen events (e.g., a pandemic), and they will decide to exercise away from sports facilities (at home or outdoors) or change their selection of non-pay benefits. The occurrence of the above risk, despite the adaptation of the Group's offer to changing expectations (e.g., new sport activities, online exercise platform, cafeteria programmes, development of new Multilife services), may in the long term result in an increase in the number of membership cancellations by users, which in turn may have a material adverse effect on the Group's business, financial position or growth prospects.

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

Most MultiSport cards are co-financed by employers – the Group's clients – for their employees (cardholders). There is a risk that, in particular as a result of deterioration in the financial situation of the Group's customers, the funding model for MultiSport cards by employers will change, which could adversely affect the amount of fees paid by users, reduce user numbers and drive a lasting uptrend in the share of heavy users as a percentage of all MultiSport users, which, in turn, would adversely affect the Group's revenue and profitability.

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

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

A potential new wave of the COVID-19 pandemic as a consequence of a new SARS-CoV-2 variant which would prove more infectious and more resistant to vaccination and would lead to significantly higher hospitalisation levels, prompting the governments to take tighter measures leading to restrictions on business activity, with some customers deciding to suspend or cancel their sport and opt out of the MultiSport programme due to financial and/or health reasons, may have a material effect on the Group's business and results.

The risk pertains to restrictions on the operation of fitness clubs and other sports facilities introduced as a result of the pandemic. The restrictions may lead to a decrease in the Group's revenue both as a result of some customers signing out of sport and as a result of the Group's intensified efforts to retain the existing customers (e.g., discounts, temporary fee suspension). Furthermore, health and sanitary requirements may lead to an increase in the Group's costs.

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

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

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

Risk of bankruptcy of business partners and a significant reduction of the MultiSport merchant base

More than 90% of the sports facilities with which the Group cooperates under the MultiSport programme are partner facilities. A potential discontinuation of cooperation by partners who own fitness clubs or sports facilities (also due to acquisitions by competitors, including Medicover), especially in premium locations, could deprive the Group of the required geographical reach to users, subsequently leading to an increased number of MultiSport card cancellations.

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

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

Liquidity risk

Liquidity risk is the risk that the Group will not be able to repay its financial obligations as they fall due. Such risk may arise from, among others, a significant decline in the Group's financial performance and cash generation capacity (including a decline in the results/cash generation capacity following from the risk of a prolonged pandemic leading to a significant reduction in the Group's revenue due to club closures, key customers' failure to pay a significant portion of receivables, partners' failure to repay loans, etc.). The inability to service debt also includes the inability of the Group companies to pay their financial liabilities.

This risk also includes the limitation by external institutions of the Group's ability to further increase funding due to a downgrade of the Group's rating following deterioration of its financial performance and prospects.

Currency risks

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

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

An excessive depreciation of the Polish currency in relation to, especially, the euro may increase the Group's operating expenses and finance costs. Fluctuations in the exchange rates of the currencies in which the foreign companies earn revenue and incur expenses may be reflected in the Group's consolidated results.

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

As at December 31st 2021, the Group comprised 25 subsidiaries and four associates, both Polish and foreign. The Group's size, planned development and a future increase in the number of clubs add to the complexity of the Group's operations and affect its management.

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

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

Risk related to foreign expansion

The Group's strategy is based, among others, on its ability to grow in foreign markets. The Group operates in the Czech Republic, Bulgaria, Croatia, Slovakia, and Turkey. The Group also explores other markets for potential expansion opportunities. In 2021, the Foreign Markets segment's operating profit was positive.

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

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

Risks related to changes resulting from technological progress

In its operations, the Group makes significant use of a range of technological solutions.

Despite regular monitoring by the Group of technological developments in the market, it cannot be ruled out that the technologies on which the Group relies will become unattractive in terms of cost or quality to the Group, its customers or their end users, and a switch to new technologies will require significant financial expenditure and their effective implementation will be time-consuming. In addition, no assurance can be given that competitors offering customers and users more attractive technological solutions will not enter the Group's markets.

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

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

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

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

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

Human resources risk

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

Risks related to human resources include changes in the labour market leading to higher salary expectations and pressures, particularly in an inflationary environment, which may affect the pay component of the Group's operating expenses.

Risk related to antitrust regulations and proceedings

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

Risk related to personal data protection regulations

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

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

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

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

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

The Benefit Systems Group has chosen to prepare its non-financial report for 2021 in the form of a separate report (jointly for the Company and the Group), in accordance with Art. 55.2.c of the Accounting Act.

3.38. CALCULATION OF ADDITIONAL FINANCIAL RATIOS

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

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

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

The ratios in the reporting period are presented below.

	December 31st 2021	December 31st 2020
Equity	601,677	523,000
Equity	**601,677**	**523,000**
Equity	601,677	523,000
Borrowings, other debt instruments	221,935	261,501
Lease liabilities	936,835	931,698
Total sources of funding	**1,760,447**	**1,716,199**
Equity to total sources of funding	**0.34**	**0.30**
Net profit	(23,855)	(98,692)
Share of profit/(loss) of equity-accounted entities	956	1,768
Net finance income/(costs)	(14,086)	(89,013)
Income tax	6,715	8,060
Depreciation and amortisation	209,098	211,223
EBITDA	**205,088**	**207,836**
Theoretical operating lease costs under IAS 17 *	132,295	136,916
Gain/(loss) on closing and changing the contract scope	1,563	3,848
Effect of IFRS 16	**133,857**	**140,764**
EBITDA, net of IFRS 16	**71,231**	**67,072**
Borrowings, other debt instruments	221,935	261,501
Cash and cash equivalents at end of period	253,015	223,780
Debt (Net financial liabilities)	**(31,080)**	**37,721**
Debt to EBITDA	**(0.15)**	**0.18**
Debt to EBITDA, net of IFRS 16	**(0.44)**	**0.56**

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

AUTHORISATION FOR ISSUE

The full-year consolidated report of the Benefit Systems Group for the 12 months ended December 31st 2021 (including the comparative data) was authorised for issue by the Management Board of the Parent on April 15th 2022.

Date	Full name	Position	Signature
April 15th 2022	Bartosz Józefiak	Member of the Management Board	
April 15th 2022	Emilia Rogalewicz	Member of the Management Board	
April 15th 2022	Wojciech Szwarc	Member of the Management Board	

ANNEX TO THE DIRECTORS' REPORT

STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES BY BENEFIT SYSTEMS S.A. (THE "COMPANY") IN 2021 – ANNEX TO THE DIRECTORS' REPORT ON THE OPERATIONS OF THE BENEFIT SYSTEMS GROUP FOR 2021

1. *The corporate governance code applicable to the Company and the place where the text of the code is publicly available.*

The Management Board of Benefit Systems S.A. represents that in 2021 the Company made every effort to comply with the corporate governance principles set out in the Code of Best Practice for WSE Listed Companies.

From January 1st 2016 to June 30th 2021, the Company complied with the Code of Best Practice for WSE Listed Companies 2016 annexed to WSE Supervisory Board Resolution No. 26/1413/2015 of October 13th 2015.

Since July 1st 2021, the Company has been under the obligation to apply new corporate governance principles for companies listed on the WSE Main Market, i.e., "Best Practice for WSE Listed Companies 2021" annexed to WSE Supervisory Board Resolution No. 13/1834/2021 of March 29th 2021.

The Codes of Best Practice for WSE Listed Companies which the Company was required to apply in 2021 are available at:

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

and

https://www.gpw.pl/pub/GPW/files/PDF/dobre_praktyki/en/DPSN2021_EN.pdf

2. *Statement of compliance with the recommendations and principles set out in Best Practice for WSE Listed Companies 2016 and 2021*

2.1. In 2021, the Company followed the recommendations and specific principles set out in Best Practice for WSE Listed Companies 2016, effective until June 30th 2021, with the following exceptions:

IV.R.2. If justified by the structure of shareholders or expectations of shareholders notified to the company, and if the company is in a position to provide the technical infrastructure necessary for a general meeting to proceed efficiently using electronic communication means, the company should enable its shareholders to participate in a general meeting using such means, in particular through: 1) real-time broadcast of the general meeting, 2) real-time two-way communication enabling Shareholders to address the general meeting from a remote location; 3) exercise of the right to vote during a general meeting either in person or through a proxy.

and

IV.Z.2. If justified by the structure of shareholders, companies should ensure publicly available real-life broadcasts of general meetings.

Given the Company's relatively concentrated shareholding structure, a significant share of Polish entities in the shareholding structure, and the fact that none of the shareholders has expressed an expectation that General Meetings be held using electronic means of communication, the Company does not broadcast the General Meeting in real time and does not provide two-way communication with shareholders.

The Company's Management Board enables shareholders to exercise their voting rights during a General Meeting either in person or through a proxy, but without the possibility of using electronic means of communication for that purpose. Shareholders regularly exercise the right to vote by proxy at a General Meeting.

In the opinion of the Company's Management Board, the current rules of holding and participating in the General Meeting enable the shareholders to exercise the rights attached to their shares and protect their interests.

The Company's Management Board publishes resolutions passed by the General Meeting in the form of current reports available on the Company's website and provides access to minutes of the General Meetings at the Company's head office. The Management Board believes that this manner of documenting the proceedings of the General Meeting guarantees transparency.

*As the Company does not broadcast its General Meetings, principle **I. Z.1.16.** (A company should operate a corporate website and publish on it, (...) information about the planned transmission of a general meeting, not later than 7 days before the date of the general meeting) does not apply.*

VI.Z.2. To tie the remuneration of members of the management board and key managers to the Company's long-term business and financial goals, the period between the allocation of options or other instruments linked to the Company's shares under the Incentive Scheme and their exercisability should be no less than two years.

The principle is not applied.

The Company's Incentive Scheme 2017–2020, adopted by the General Meeting on June 15th 2016 (the "Scheme"), envisaged a minimum period of eight months between the granting of subscription warrants to eligible persons covered by the Incentive Scheme and the acquisition and disposal of Company shares by such eligible persons. In the case of the part of the Scheme relating to profits for 2017 and 2018, the period between granting the warrants and becoming able to dispose of the underlying shares was 20 months and 14 months, respectively.

Eligible persons were allowed to reply to offers to subscribe for shares only between September 1st and September 30th of each year of the Scheme, and no later than on September 30th 2021.

2.2. In 2021, the Company followed the recommendations and specific principles of the Code of Best Practice for WSE Listed Companies 2021, effective from July 1st 2021, with the following exceptions:

Principle 1.3. Companies integrate ESG factors in their business strategy, including in particular:

1.3.1 environmental factors, including measures and risks relating to climate change and sustainable development;

1.3.2. social and employee factors, including among others actions taken and planned to ensure equal treatment of women and men, decent working conditions, respect for employees' rights, dialogue with local communities, customer relations.

The principle is not applied.

The principle is not applied in full. In 2018, Benefit Systems S.A. was the first public company in Poland and Central and Eastern Europe to have been awarded the Benefit Corporation ("B Corp") certification. The B Corp community includes organisations whose business models are consistent with the principles of corporate social responsibility, which are committed to solving critical social issues and which cooperate with all stakeholders in accordance with the principles of partnership and ethics.

The Benefit Systems Group reports on non-financial aspects and the related CSR objectives and practices on an annual basis, following the timeline set for full-year financial statements. The Benefit Systems Group's

Non-Financial Report for 2020 includes a description of the business model and a description of activities of the individual operating segments of the Benefit Systems Group (the "Group"), and presents the Group's ESG (Environmental, Social and Corporate Governance) performance. Its structure is underpinned by five main B Corp certification impact areas (governance, workers, community, customers and environment) and Global Reporting Initiative Guidelines based on the most recent version of CORE GRI Standards. In accordance with the principle of materiality set out in the GRI Standards, the Report covers aspects that reflect the organisation's significant economic, environmental and social impacts or substantively influence the assessments and decisions of stakeholders. The Report also addresses the needs and expectations of Stakeholders and the prospects of the Company's employees and managers.

Consequently, the Company integrates ESG factors in its business strategy, but to a lesser extent than what is stated in Principle 1.3.

Principle 1.4. To ensure quality communications with stakeholders, as a part of the business strategy, companies publish on their website information concerning the framework of the strategy, measurable goals, including in particular long-term goals, planned activities and their status, defined by measures, both financial and non-financial.

ESG information concerning the strategy should among others:

1.4.1. explain how the decision-making processes of the company and its group members integrate climate change, including the resulting risks;

1.4.2. present the equal pay index for employees, defined as the percentage difference between the average monthly pay (including bonuses, awards and other benefits) of women and men in the last year, and present information about actions taken to eliminate any pay gaps, including a presentation of related risks and the time horizon of the equality target.

The principle is not applied.

The Company has in place a business strategy which integrates ESG factors and which is consistently and effectively implemented by the Company. Currently, in view of the material business impact of the COVID-19 pandemic in 2020 and 2021 and the continuing related uncertainties, the Company is in the process of a thorough update of its business strategy.

The Company communicates the general objectives of its business strategy to its stakeholders (as well as on its website, in financial and non-financial reports, investor presentations, etc.) to an extent sufficient to understand the Company's key strategic objectives and future lines of action, taking due account of the competitive environment.

Principle 2.1. Companies should have in place a diversity policy applicable to the management board and the supervisory board, approved by the supervisory board and the general meeting, respectively. The diversity policy defines diversity goals and criteria, among others including gender, education, expertise, age, professional experience, and specifies the target dates and the monitoring systems for such goals. With regard to gender diversity of corporate bodies, the participation of the minority group in each body should be at least 30%.

The principle is not applied.

The Company is currently developing its Diversity Policy with respect to its Management Board and Supervisory Board, which will define diversity goals and criteria in such areas as gender, education, expertise, age and professional experience, and which will specify the time limit for achiveing the goals and the manner of monitoring of their delivery. The Supervisory Board and the General Meeting are expected to adopt the Diversity Policy by June 30th 2022 at the latest.

As at July 31st 2021, with respect to the criterion of gender diversity in the Management Board, the goal was met. The gender minority (women) has a 33% share in the Management Board, while the expected minimum *share is 30%. With respect to the Supervisory Board, the goal has not been met. The Company's diversity policy will specify a time limit for achieving the gender diversity goal.*

Principle 3.7. Principles 3.4 to 3.6 apply also to members of the company's group which are material to its activity if they appoint persons to perform such tasks.

The principle is not applied.

Elements of the internal control system have been integrated into individual operating processes of material Group companies. Where a compliance function is set up at a Group company, the person responsible for this function reports directly to the Management Board, in line with the Code of Best Practice. Elements of a more formal risk management process are to be implemented at material Group companies. The Company's internal audit function covers the operations of Group companies.

Principle 3.10.Companies participating in the WIG20, mWIG40 or sWIG80 index have the internal audit function reviewed at least once every five years by an independent auditor appointed with the participation of the audit committee.

The principle is not applied.

In accordance with the Code of Best Practice 2021, the Company intends to have its internal audit function reviewed by an independent entity within the required period of five years from the effective date of principle 3.10., i.e., by the end of 2026.

Principle 4.1.Companies should enable their shareholders to participate in a general meeting by means of electronic communication (e-meeting) if justified by the expectations of shareholders notified to the company, provided that the company is in a position to provide the technical infrastructure necessary for such general meeting to proceed.

The principle is not applied.

Given the Company's relatively concentrated shareholding structure, a significant share of Polish entities in the shareholding structure, and the fact that none of the shareholders has expressed an expectation that General Meetings be held using electronic means of communication, the Company does not broadcast the General Meeting in real time and does not provide two-way communication with shareholders.

The Company's Management Board enables shareholders to exercise their voting rights during a General Meeting either in person or through a proxy, but without the possibility of using electronic means of communication for that purpose. Shareholders regularly exercise the right to vote by proxy at a General Meeting.

In the opinion of the Company's Management Board, the current rules of holding and participating in the General Meeting enable the shareholders to exercise the rights attached to their shares and protect their interests.

The Company's Management Board publishes resolutions passed by the General Meeting in the form of current reports available on the Company's website and provides access to minutes of the General Meetings at the Company's head office. The Management Board believes that this manner of documenting the proceedings of the General Meeting guarantees transparency.

Principle 4.3. Companies provide a public real-life broadcast of the general meeting.

The principle is not applied.

Given the shareholding structure and the lack of expectations of shareholders notified to the Company, the Company does not broadcast the General Meeting in real time. To the best of the Company's knowledge, the current format of the General Meeting meets the shareholders' expectations. The Company publishes information on resolutions in the form of current reports and on its website.

Principle 6.3. If companies' incentive schemes include a stock option programme for managers, the implementation of the stock option programme should depend on the beneficiaries' achievement, over a period of at least three years, of pre-defined, realistic financial and non-financial targets and sustainable development goals adequate to the company, and the share price or option exercise price for the beneficiaries cannot differ from the value of the shares at the time when such programme was approved.

The principle is not applied.

The principle has not been applied in full with respect to the achievement of the programme objectives over a period of at least three years.

With respect to the remuneration of the Management Board and Supervisory Board, the Company has in place the Remuneration Policy for Members of the Management Board and Supervisory Board, adopted by resolution of the General Meeting of June 10th 2021 (the "Remuneration Policy"). The purpose of the Remuneration Policy is to ensure that the interests of members of the Company's Management and Supervisory Board are aligned with the interest of the Company and its shareholders, as well as other stakeholders. In addition, the rules set out in the Remuneration Policy support the implementation of the Company's business strategy and its long-term interests, and contribute to maintaining stability, sustainability and consistent value increase. The total remuneration paid to members of the Company's governing bodies helps attract, motivate and retain staff with best-in-class qualifications and relevant experience. On June 29th 2021, the Company's Supervisory Board presented to the General Meeting, for the first time, a report on the remuneration of the members of the Management Board and Supervisory Board for 2020 and 2019 with respect to the compliance of remuneration paid to members of the Company's governing bodies with the remuneration policy, together with an independent auditor's report.

Furthermore, the Company operates the Incentive Scheme 2021–2025 adopted by resolution of the General Meeting of February 3rd 2021, addressed to senior and middle management of the Parent and to Group companies with which the Parent has entered into relevant agreements. Under the Incentive Scheme, eligible employees receive subscription warrants convertible into shares in the Parent. The Incentive Scheme is open to selected employees, from both senior and middle management levels. The purpose of the Incentive Scheme is to create an incentive system and optimum conditions fostering employee productivity and loyalty, aimed at achieving strong financial performance and driving a long-term increase in the Parent's value. In the 2021–2025 edition of the Incentive Scheme, its participants (up to 149 persons) will be able to acquire up to a total of 125,000 subscription warrants (which, upon conversion into shares, will represent 4.1% of the Parent's (post-issue) share capital), entitling them to subscribe for a specific number of shares in the Parent in five equal tranches.

The vesting of the warrants will depend on the satisfaction of certain loyalty and effectiveness criteria set out in the Incentive Scheme Rules, and the operation of the Incentive Scheme in a given year will be subject to the mandatory condition that a specified level of consolidated operating profit adjusted for the accounting cost of the Incentive Scheme is achieved for a given financial year.

3. *Key features of the Company's internal control and risk management systems used in the preparation of separate and consolidated financial statements.*

The Company has structurally separate units that support the performance of internal control, risk management and compliance activities, as well as an internal audit function. The Management Board is responsible for the implementation and maintenance of an effective internal control system and the functions referred to above.

The internal control team is part of the finance and accounting department and is under the administrative authority of the Management Board Member who supervises, *inter alia*, the finance and accounting department.

The main responsibilities in the area of internal control include:

1) identifying and assessing risks to individual processes at the Company, including the financial reporting process,
2) cooperating in designing effective control mechanisms for the Company processes,
3) monitoring the risk management process,
4) preparing recommendations for improvement of controls,
5) preparing management information,
6) cooperating with internal and external auditors.

The advisory responsibilities of the internal control team and compliance team include the coordination of drafting of resolutions, procedures and instructions relating to the Company's operations with a view to designing an effective internal control system.

Data from the financial and accounting system Microsoft Dynamics AX 2012 is used as inputs for the preparation of financial statements. Preparation of data in source systems is governed by formal operating and approval procedures.

Financial statements are prepared by the finance and accounting department. The member of the Management Board responsible for finance has the substantive and organisational oversight over the preparation of financial statements. The Company's full-year and half-year financial statements are audited and reviewed by an independent auditor.

The Company monitors changes in financial reporting laws and regulations on an ongoing basis and updates its accounting policies accordingly. The Company performs control functions over its subsidiaries consolidated for the purposes of the Group's financial statements.

4. *Shareholders holding directly or indirectly major holdings of shares, along with an indication of the numbers of shares and percentages of the Company's share capital held by such shareholders, and the numbers of voting rights and percentages of total voting rights conferred by those shares*

	As at the issue date of the report for 2021			**As at the issue date of the report for nine months ended September 30th 2021**			
Shareholder	Number of shares	Ownership interest	Number of voting rights at GM	Number of shares	Ownership interest	Number of voting rights at GM	Change
James van Bergh*	478,191	16.30%	478,191	494,695	17.09%	494,695	-20,000
Benefit Invest Ltd.*	295,421	10.07%	295,421	300,421	10.38%	300,421	-5,000
Invesco Ltd.	288,577	9.84%	288,577	288,577	9.97%	288,577	0
Marek Kamola	237,440	8.09%	237,440	237,440	8.20%	237,440	0

MetLife OFE**	222,318	7.58%	222,318	210,000	7.26%	210,000	+12,318
Fundacja Drzewo i Jutro*	239,628	8.17%	239,628	239,628	8.28%	239,628	0
Nationale-Nederlanden OFE**	201,527	6.87%	201,527	159,000	5.49%	159,000	+42,527
Aviva OFE AVIVA Santander**	186,085	6.34%	186,085	156,789	5.42%	156,789	+29,296
Other	784,355	26.74%	784,355	807,737	27.91%	807,737	-23,382
TOTAL	**2,933,542**	**100%**	**2,933,542**	**2,894,287**	**100%**	**2,894,287**	**+ 35,759**

** Related individuals and/or entities as described in Note 23 'Related-party transactions' in the Group's full-year consolidated financial statements for 2021.*

***Information based on, inter alia, registrations at the General Meeting of November 30th 2021 and the annual asset structure of the open-end pension funds.*

As at the issue date of this Report, the Company's share capital amounted to PLN 2,933,542. Number of shares comprising the share capital: 2,933,542 shares, including 2,204,842 Series A shares, 200,000 Series B shares, 150,000 Series C shares, 120,000 Series D shares, 74,700 Series E shares and 184,000 Series F shares. All Series F shares have a par value of PLN 1 per share. The total number of voting rights carried by all outstanding shares is 2,933,542. The equity interests held by individual shareholders in Benefit Systems S.A. are equal to their respective voting interests in the Company.

5. *Holders of securities conferring special control powers, together with description of such powers.*

The Company is unaware of any holders of securities conferring special powers. The Company's Articles of Association do not confer any special powers on holders of the Company's shares or other securities.

6. *Restrictions on voting rights, such as limitation of the voting rights of holders of a given percentage or number of votes, time limits on the exercise of voting rights, or provisions under which, with the company's cooperation, equity rights attaching to securities are separated from the holding of the securities.*

The Company's Articles of Association do not provide for any restrictions on the exercise of voting rights. Voting rights attached to treasury shares held by the Company are not exercised.

7. *Restrictions on transferability of title to the Company's securities.*

There are no restrictions on transferability of the Company's securities.

8. *Rules governing appointment and removal of the Company's management personnel; powers of the management personnel, including in particular the authority to resolve to issue or buy back shares.*

Members of the Company's Management Board are appointed for a joint four-year term of office and removed by way of a resolution of the Company's Supervisory Board. The Supervisory Board adopts resolutions by 3/5 majority vote in the presence of at least half of its members. In the event of a tie vote, the Chairperson has the casting vote. Resolutions of the Supervisory Board are valid if all members of the Supervisory Board have been invited to the meeting.

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

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

The Management Board has the authority to manage the Company's affairs to the extent set out in the Articles of Association and not reserved for other governing bodies of the Company under the Articles of Association and applicable laws.

Representations on behalf of the Company may be made by one member of the Management Board if the Management Board is composed of only one member, and if the Company's Management Board has more than one member, representations may be made by two members of the Management Board acting jointly or by a Management Board member acting jointly with a commercial proxy.

Management Board resolutions are passed by an absolute majority of votes.

In line with the Company's previous 2016–2019 Profit Distribution Policy, pursuant to and in accordance with Art. 362.1.8 and Art. 396.5 of the Commercial Companies Code, as appropriate, Resolution No. 21/12.06.2015 of the Company's Annual General Meeting of June 12th 2015, Resolution No. 22/15.06.2016 and Resolution No. 24/15.06.2016 of the Company's Annual General Meeting of June 15th 2016, Resolution No. 23/20.06.2017 of the Company's Annual General Meeting of June 20th 2017, Resolution No. 30/12.06.2018 of the Company's Annual General Meeting of June 12th 2018, Resolution No. 23/25.06.2019 of the Company's Annual General Meeting of June 25th 2019 and Resolution No. 22/29.06.2021 of the Company's Annual General Meeting of June 29th 2021, the Management Board was authorised by the General Meeting to buy the Company's own shares for and on behalf of the Company.

Apart from those mentioned above, the Company's Articles of Association do not provide for any additional powers for the management personnel, such as the power to decide on issue or repurchase of shares.

9. Rules governing amendments to the Articles of Association.

Amendments to the Company's Articles of Association fall within the remit of the General Meeting and require a resolution to be passed by the General Meeting by a three-fourths majority vote, subject to specific requirements of applicable laws.

In accordance with the provisions of the Commercial Companies Code, if the Articles of Association are intended to be amended, the notice of the General Meeting, to be published on the Company's website and otherwise as required by the rules of publication of current and periodic information, includes the existing provisions and the proposed amendments.

After the General Meeting passes a resolution amending the Company's Articles of Association, the Company's Management Board notifies the registry court of the amendments. The amendments come into force upon registration by the court.

Then the Supervisory Board draws up the consolidated text of the Articles of Association incorporating the amendments, provided that the General Meeting grants the Supervisory Board a relevant authorisation.

10. *Manner of operation of the General Meeting, its basic powers and description of the shareholder rights, along with the procedure for their exercise, including in particular rules provided for in the Rules of Procedure for the General Meeting, if any, unless such information follows directly from applicable laws*

The General Meeting proceeds in accordance with the rules set out in the Commercial Companies Code, the Articles of Association and the Rules of Procedure for the General Meeting of Benefit Systems S.A. The Articles of Association and the Rules of Procedure for the General Meeting are made public and are available on the Company's website.

Convening of the General Meeting.

The key rules for convening the General Meeting are as follows:

1) The General Meeting may be convened as an ordinary (annual) or extraordinary meeting of shareholders. The Annual General Meeting is held within 6 (six) months after the end of each financial year.
2) General Meetings are held at the Company's registered office.
3) The General Meeting is convened by the Company's Management Board or, in certain cases, by the Supervisory Board or by the Management Board at the request of the Supervisory Board or every Management Board member. An Extraordinary General Meeting may be convened by a shareholder or shareholders representing at least half of the share capital or at least half of total voting rights in the Company. Shareholders designate the Chair of the Extraordinary General Meeting so convened. A shareholder or shareholders representing at least one-twentieth of the share capital may request that an Extraordinary General Meeting be called and that particular matters be placed on its agenda.
4) A convocation notice (stating the venue, date and time) is published as a current report and on the Company's website.
5) Draft resolutions recommended for adoption by the General Meeting and other important materials should be presented to the shareholders together with a statement of reasons and the Supervisory Board's opinion thereon, if the Supervisory Board considers it advisable, sufficiently in advance to enable the shareholders to review and assess them in light of the provisions of the Commercial Companies Code.

Key powers of the General Meeting.

The powers of the Company's General Meeting are conferred by the Commercial Companies Code, the Rules of Procedure of the General Meeting and the Articles of Association, and include in particular:

1) consideration and receipt of the Directors' Report on the Company's operations and the financial statements for the previous financial year, and granting discharge from liability to members of the governing bodies of the Company in respect of their performance of duties;

2) sale or lease of, or creation of limited property rights in, the Company's business or an organised part thereof;

3) acquisition and disposal of real estate, perpetual usufruct right to or interest in real estate, unless the Articles of Association provide otherwise;

4) issue of convertible bonds or bonds with pre-emptive rights and issue of subscription warrants referred to in Article 453.2 of the Commercial Companies Code;

5) acquisition of the Company's own shares in cases specified in Art. 362.1.2 of the Commercial Companies Code, and granting authorisations to acquire the Company's own shares in cases specified in Art. 362.1.8 of the Commercial Companies Code;
6) determination of the dividend record date and the dividend payment date;

7) amendments to the Company's Articles of Association, share capital increase or reduction;

8) appointment of Supervisory Board members;

9) determination of the remuneration of Supervisory Board members;

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

11) considering matters put forward by the Supervisory Board, the Management Board or shareholders.

Rules governing participation in the General Meeting.

The principal rules for participation in the General Meeting include the following:

1) the right to participate in the Company's General Meeting is vested only in persons that are the Company's shareholders sixteen days before the date of the General Meeting;

2) a shareholder who is a natural person may attend and vote at a General Meeting in person or by proxy;

3) a Shareholder other than a natural person may attend and vote at a General Meeting either through a person authorised to represent that Shareholder or through a proxy;

4) the power of proxy is null and void unless made in writing or should be issued in electronic form;

5) a shareholder may vote each of their shares in a different manner;

6) a General Meeting should be attended by those members of the Management Board and Supervisory Board who are in the position to give relevant answers to questions asked during the General Meeting. It may also be attended by experts and other persons invited by the convening body.

Voting at the General Meeting.

1) as a general rule, the General Meeting makes decisions in an open ballot;

2) a secret ballot is only called to elect or remove from office members of the Company's governing bodies or liquidators, when voting on bringing them to account and when voting on personnel matters;

3) resolutions on any material changes to the Company's business profile are adopted in an open ballot and should be published;

4) resolutions of the General Meeting are passed by an absolute majority, unless the Articles of Association or the Commercial Companies Code provide otherwise. An absolute majority of three-fourths of votes cast in the presence of shareholders representing at least 50% of the Company's share capital is required for resolutions concerning: (i) removal of items from the agenda of the General Meeting; (ii) a shareholder's liability to the Company, howsoever arising;

5) General Meeting resolutions are recorded in the minutes of the meeting, which must be drawn up by a notary public to be valid;

6) the Company publishes voting results on its website within a week after a General Meeting. The voting results should remain available until the day of expiry of the time limit to appeal against a resolution of the General Meeting;

7) one share carries the right to one vote at the General Meeting. The Company has not issued any shares with voting preference. In accordance with the Commercial Companies Code, the Company does not exercise the voting rights attached to its treasury shares.

11. *Composition and activities of the Company's management, supervisory and administrative bodies and of their committees; changes in their composition in the last financial year.*

As at December 31st 2021, the Company's Management Board was composed of:

1) Bartosz Józefiak – Member of the Management Board,
2) Emilia Rogalewicz – Member of the Management Board,
3) Wojciech Szwarc – Member of the Management Board.

The Management Board operates in accordance with the Rules of Procedure of the Management Board, the Articles of Association and generally applicable laws.

As at December 31st 2021, the Company's Supervisory Board was composed of:

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

The Supervisory Board operates in accordance with the Rules of Procedure of the Supervisory Board, the Articles of Association and generally applicable laws.

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

As at December 31st 2021, the Audit Committee was composed of:

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

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

Among the members of the Audit Committee, Artur Osuchowski has knowledge and skills in accounting or financial auditing, acquired when working for KPMG Advisory, Ernst&Young Corporate Finance, Capgemini and more.

Among the members of the Audit Committee, James Van Bergh, the originator and founder of Benefit Systems S.A., has knowledge and skills relevant for the industry in which the Company operates.

A detailed description of the scope of operation and procedures of the Audit Committee are set out in the *Rules of Procedure of the Audit Committee of Benefit Systems S.A. Supervisory Board*.

In 2021, the Audit Committee held three meetings.

<u>Key assumptions of the Policy for the selection of the audit firm and Policy for the provision of permitted non-audit services by the audit firm, its affiliates and members of its network.</u>

The Company has the following regulations in place:

1) Policy for the selection of the audit firm
2) Procedure for the selection of the audit firm
3) Policy for the provision of additional services by an audit firm, its affiliates or a member of its network for Benefit Systems S.A.

The documents referred to above set out the guidelines and principles to be followed by the Management Board when selecting an audit firm, by the Audit Committee when preparing a recommendation and by the Supervisory Board when selecting an entity qualified to audit the financial statements of Benefit Systems S.A., and contain provisions on how the Company and the Audit Committee should proceed in the event that it is necessary to approve the provision of permitted non-audit services. They take account of the requirements of the Act on Statutory Auditors, Audit Firms, and Public Oversight.

Key features of the Policy for the selection of the audit firm

1) The auditor is selected by the Supervisory Board by way of a resolution, acting upon a recommendation of the Audit Committee.
2) The Supervisory Board – while selecting the audit firm, and the Audit Committee – while preparing its recommendation, take into account certain considerations, such as:
    a. confirmation of impartiality and independence of the audit firm
    b. the price
    c. past experience in auditing public-interest entities
    d. professional qualifications and experience of persons directly involved in the audit
3) Contracts with an audit firm are executed and performed in accordance with the applicable laws (including the mandatory audit firm rotation and conclusion of the first contract with an audit firm for no less than two years, with the option to renew for subsequent periods of no less than two years)
4) The Supervisory Board observes the principle of audit firm and lead auditor rotation in accordance with the applicable laws.

Key features of the Policy for the provision of permitted non-audit services by the audit firm, its affiliates, or members of the firm's network:

1) Neither the auditor nor the audit firm carrying out the statutory audit of the Company, nor the auditor's or audit firm's affiliates or members of their networks provide, directly or indirectly, to the Company or its affiliates, any prohibited services other than audit of financial statements or financial auditing activities arising from the provisions of law.
2) The prohibited services referred to in item 1 above are understood as services within the meaning of Article 5 of Regulation (EU) No 537/2014 of 16 April 2014 and Article 136 of the Act on Statutory Auditors and Their Self-Government, Entities Qualified to Audit Financial Statements and Public Oversight of May 11th 2017.
3) The services referred to in Article 136.2 of the above Act are not considered as prohibited services.
4) An auditor may provide the Company and its affiliates with services permitted under applicable laws insofar as they are not related to the company's tax policy and after the Audit Committee has conducted an assessment of threats to the auditor's independence as well as the safeguards applied to mitigate those threats and has given its approval.

KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. (KPMG), the audit firm engaged to audit the financial statements of Benefit Systems S.A. and the consolidated financial statements of the Benefit Systems Group in 2021, provided permitted non-audit services to the Company and the Benefit Systems Group, which involved a review of half-year separate financial statements of Benefit Systems S.A. and consolidated financial statements of the Benefit Systems Group, as well as an additional assurance service: assessment of the full-year report on remuneration of the Management Board and Supervisory Board prepared in accordance with Art. 90g of the Act on Public Offering.

The Audit Committee presented recommendations to the Supervisory Board, approving the additional service package referred to above, in the process of auditor selection for 2021.

Following an assessment of threats to the auditor's independence as well as the safeguards applied to mitigate those threats based on an analysis of applicable laws and a statement from KMPG on the fulfilment of a permitted non-audit service, the Audit Committee gave its consent.

Changes in the Company's governing bodies in 2021

In 2021, the composition of the Management Board changed as follows:

a) on June 22nd 2021, Adam Radzki resigned as Member of the Company's Management Board with effect from June 23rd 2021.

The composition of the Supervisory Board did not change in 2021.

In 2021, the function of the Remuneration Committee was performed by the Supervisory Board.

The composition of the Audit Committee did not change in 2021.

12. *Description of the diversity policy applied in relation to the undertaking's administrative, management and supervisory bodies with regard to aspects such as age, gender, or educational and professional backgrounds, the objectives of that diversity policy, how it has been implemented and the results in the reporting period; if no such policy is applied, the statement shall contain an explanation as to why this is the case.*

In 2021, the Company followed the Benefit Systems Diversity Policy, adopted by the Management Board in 2017. For a description of its features and application, see the Non-Financial Report for 2021.