DIRECTORS' REPORT ON THE OPERATIONS OF THE BENEFIT SYSTEMS GROUP

FOR THE PERIOD JANUARY 1ST – DECEMBER 31ST 2022

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LETTER FROM THE MANAGEMENT BOARD

DEAR SHAREHOLDERS,

It is my pleasure to present to you the Benefit Systems Group's Annual Report for 2022, which was another year of challenges and volatility, as we navigated through macroeconomic downturns, high inflation, and the energy crisis. Despite these headwinds, for the Benefit Systems Group it was also a period of well-deserved post-pandemic business recovery, marked by record sales of MultiSport membership cards and passes for the Group's own fitness clubs. We are proud to report the best consolidated EBIT and EBITDA in the Group's history to date, at PLN 212.8 million PLN and 444.8 million, respectively, i.e. up 37% and 24% on the pre-pandemic results for 2019.

In the Polish market, the number of MultiSport membership cards in 2022 rose by 345 thousand, to 1.2 million (an increase of 41% year on year). At the same time, the number of passes for the Group's own fitness clubs exceeded 180 thousand, having increased by 33% on the prior year. We opened seven clubs in Poland in 2022 and a further two this year. As at the reporting date, our cafeteria platform had 621 thousand users, with its sales up 9%, to PLN 420 million. Throughout the reporting period, we continued to work hard to develop MultiLife, which was integrated into our portfolio in January 2023. In April 2022, we also closed the transaction to acquire Lunching.pl, a provider of healthy nutrition products and solutions which are appreciated by employers and employees alike.

We are equally proud to report strong growth and performance in our foreign markets in 2022. The number of MultiSport members rose by 146 thousand, to 431 thousand as at reporting date, markedly exceeding the pre-pandemic levels. We saw solid growth rates across all geographies, and in the second half of 2022 the ranks of MultiSport members were joined by our first customers in Turkey. Revenue from foreign markets reached PLN 539.4 million, up 111% and 82% on 2021 and 2019, respectively. Moreover, the segment's EBIT came in at PLN 25.4 million, representing 12% of the Group's consolidated EBIT.

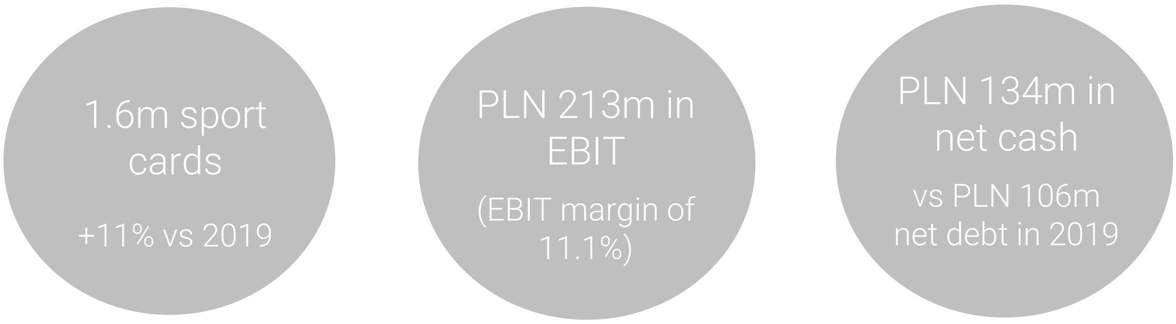
Throughout the reporting period, as in the prior year, we placed a strong focus on effectively managing our liquidity. With operating cash flows at PLN 439.7 million and capital expenditure of PLN 155.1 million, we ended 2022 with a record strong balance sheet and net cash of PLN 133.6 million, i.e. PLN 102.5 million more than a year earlier. In the first half of 2022, we entered into a refinancing agreement with EBRD and Santander, which extended the Group's crediting period to 5 years, among other things.

In line with our strong commitment to ESG principles, in 2022 we included social and environmental goals in Benefit Systems' Articles of Association as an integral part of the Company's business. In its first full year of operation, the MultiSport Foundation, whose main objective is to promote physical activity among children and teenagers, successfully implemented three projects, in which a total of 9.1 thousand children participated. Furthermore, we started 2023 with a B Corp recertification, which marks the successful culmination of our efforts in previous years as well as confirming Benefit Systems' dedication to sustainability. We are proud that our work in this area has been recognised by an independent international organisation.

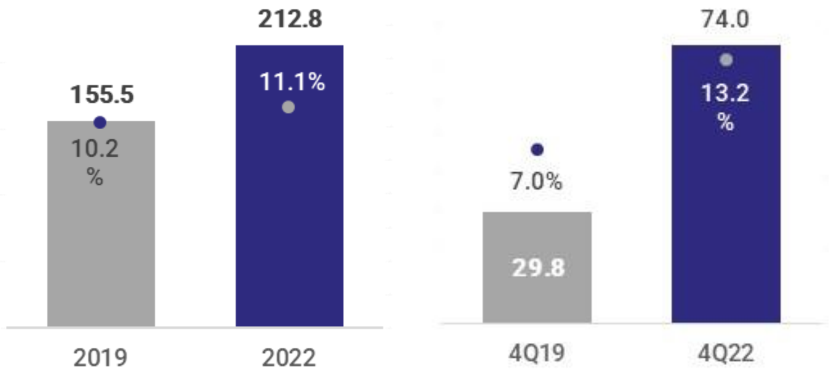
Looking ahead, we anticipate another challenging year but remain optimistic and confident in the strength and potential of our products, in particular in view of the Q1 2023 results so far. We estimate the number of sport cards across the Group in March at 1,769.1 thousand, up 151 thousand quarter on quarter. While 2023 is likely to be another year of high inflation, we are well braced to address rising costs in a prudent, considerate and cooperative manner with our partners, as well as to update our B2C pricing policy. We will continue to work with great determination to enhance the MultiSport programme and our fitness club offerings as well as to create new products that will allow us to respond even better to the evolving user and customer needs. Therefore, we remain hopeful that in a year's time we will again report to you record performance. We would also like to take this opportunity to sincerely thank all our stakeholders for their continued support and cooperation throughout 2022.

Management Board of Benefit Systems S.A.

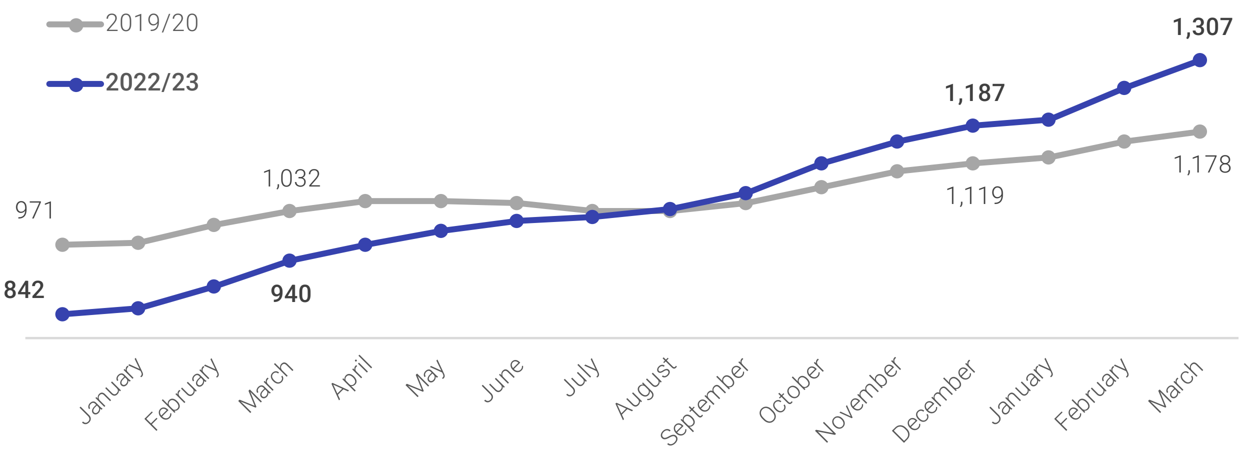
KEY FACTS AND FIGURES OF THE BENEFIT SYSTEMS GROUP



EBIT and EBIT margin (PLNm)



Number of sport cards in Poland: 2022/23 vs 2019/20



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 31 2022 (PLN '000)	12 months ended December 31 2021 (PLN '000)	12 months ended December 31 2022 (EUR '000)	12 months ended December 31 2021 (EUR '000)
Revenue	1,909,120	954,938	407,209	208,616
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	444,827	205,088	94,880	44,803
Operating profit/loss	212,751	(4,010)	45,379	(876)
Profit/(loss) before tax	176,572	(17,140)	37,662	(3,744)
Net profit/(loss)	139,077	(23,855)	29,665	(5,211)
Net profit/(loss) attributable to owners of the Parent	138,124	(25,140)	29,461	(5,492)
Net cash from operating activities	439,669	240,571	93,780	52,555
Net cash from investing activities	(155,074)	(125,735)	(33,077)	(27,468)
Net cash from financing activities	(319,283)	(85,601)	(68,102)	(18,700)
Net change in cash and cash equivalents	(34,688)	29,235	(7,399)	6,387
Weighted average number of ordinary shares	2,933,542	2,836,812	2,933,542	2,836,812
Diluted weighted average number of ordinary shares	2,933,542	2,850,531	2,933,542	2,850,531
Earnings/(loss) per ordinary share attributable to owners of the Parent (PLN/EUR)	47.08	(8.86)	10.04	(1.94)
Diluted earnings/(loss) per ordinary share attributable to owners of the Parent (PLN/EUR)	47.08	(8.82)	10.04	(1.93)

	December 31 2022 (PLN '000)	December 31 2021 (PLN '000)	December 31 2022 (EUR '000)	December 31 2021 (EUR '000)
Non-current assets	1,767,710	1,727,957	376,918	375,692
Current assets	466,311	452,841	99,429	98,457
Total assets	2,234,021	2,180,798	476,347	474,148
Non-current liabilities	896,959	894,823	191,253	194,552
Current liabilities	611,646	684,298	130,418	148,780
Equity	725,416	601,677	154,676	130,816
Equity attributable to owners of the Parent	727,033	603,747	155,021	131,266

Share capital	2,934	2,934	626	638
Number of shares	2,933,542	2,933,542	2,933,542	2,933,542
Book value per share attributable to owners of the Parent (PLN/EUR)	247.83	205.81	52.84	44.75

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 2022: 4.6899 PLN/EUR,

December 31st 2021: 4.5994 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 2022: 4.6883 PLN/EUR,

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

highest exchange rates in the periods:

January 1st–December 31st 2022: 4.9647 PLN/EUR,

January 1st–December 31st 2021: 4.7171 PLN/EUR

lowest exchange rates in the periods:

January 1st–December 31st 2022: 4.4879 PLN/EUR,

January 1st–December 31st 2021: 4.4541 PLN/EUR

1.2. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets

PLN '000	December 31 2022	December 31 2021
Goodwill	460,624	446,395
Intangible assets	128,983	101,324
Property, plant and equipment	294,412	327,277
Right-of-use assets	834,176	786,453
Investments in associates	2,435	5,367
Trade and other receivables	9,510	10,212
Loans and other non-current financial assets	9,653	20,617
Deferred tax assets	27,917	30,312
Non-current assets	**1,767,710**	**1,727,957**
Inventories	6,472	4,377
Trade and other receivables	236,756	193,423
Current tax assets	482	491
Loans and other current financial assets	4,274	1,535
Cash and cash equivalents	218,327	253,015
Current assets	**466,311**	**452,841**
Assets	**2,234,021**	**2,180,798**

Equity and liabilities

PLN '000	December 31 2022	December 31 2021
Share capital	2,934	2,934
Treasury shares	0	0
Share premium	291,378	291,378
Translation reserve	(10,361)	(7,416)
Retained earnings	443,082	316,851
Equity attributable to owners of the Parent	727,033	603,747
Non-controlling interests	(1,617)	(2,070)
Equity	**725,416**	**601,677**
Employee benefit provisions	259	270
Other provisions	10,767	10,767
Long-term provisions	**11,026**	**11,037**
Trade and other payables	111	2,279
Deferred tax liability	3,212	3,063
Other financial liabilities	32,328	38,394
Borrowings, other debt instruments	60,566	91,443
Lease liabilities	789,716	748,500
Contract liabilities	0	107
Non-current liabilities	**896,959**	**894,823**
Employee benefit provisions	3,081	2,701
Other provisions	24	5
Short-term provisions	**3,105**	**2,706**
Trade and other payables	369,888	321,537
Current income tax liabilities	9,515	2,858
Other financial liabilities	16,788	25,502
Borrowings, other debt instruments	24,140	130,492
Lease liabilities	164,879	188,335
Contract liabilities	23,331	12,868
Current liabilities	**611,646**	**684,298**
Liabilities	**1,508,605**	**1,579,121**
Equity and liabilities	**2,234,021**	**2,180,798**

1.3. CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Consolidated statement of profit or loss

PLN '000	12 months ended December 31 2022	12 months ended December 31 2021
Revenue	1,909,120	**954,938**
Revenue from sales of services	1,882,240	943,620
Revenue from sales of merchandise and materials	26,880	11,318
Cost of sales	**(1,392,035)**	**(774,038)**
Cost of services sold	(1,375,376)	(767,455)
Cost of merchandise and materials sold	(16,659)	(6,583)
Gross profit	**517,085**	**180,900**
Selling expenses	(134,398)	(81,889)
Administrative expenses	(156,468)	(121,772)
Other income	7,787	32,506
Other expenses	(21,255)	(13,755)
Operating profit/(loss)	**212,751**	**(4,010)**
Finance income	2,860	14,782
Finance costs	(35,391)	(21,955)
Impairment losses on financial assets	(1,356)	(6,913)
Share of profit of equity-accounted entities	(2,292)	956
Profit/(loss) before tax	**176,572**	**(17,140)**
Income tax	(37,495)	(6,715)
Net profit/(loss) from continuing operations	**139,077**	**(23,855)**
Net profit/(loss)	**139,077**	**(23,855)**
Net profit/(loss) attributable to:		
- owners of the Parent	138,124	(25,140)
- non-controlling interests	953	1,285

Earnings/(loss) per ordinary share (PLN)

	12 months ended December 31 2022	12 months ended December 31 2021
From continuing operations		
- basic	47.08	(8.86)
- diluted	47.08	(8.82)
From continuing and discontinued operations		
- basic	47.08	(8.86)
- diluted	47.08	(8.82)

1.4. CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

Consolidated statement of other comprehensive income

PLN '000	12 months ended December 31 2022	12 months ended December 31 2021
Net profit/(loss)	**139,077**	**(23,855)**
Other comprehensive income	**(3,041)**	**(2,962)**
Items not reclassified to profit or loss	0	0
Items reclassified to profit or loss	**(3,041)**	**(2,962)**
- Exchange differences on translation of foreign operations	(3,041)	(2,962)
Comprehensive income	**136,036**	**(26,817)**
Comprehensive income attributable to:		
- owners of the Parent	135,179	(27,994)
- non-controlling interests	857	1,177

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 1 2022	2,934	0	291,378	(7,416)	316,851	603,747	(2,070)	601,677
Changes in equity in the period January 1 – December 31 2022								
Share issue in connection with exercise of options (incentive scheme)	0	0	0	0	0	0	0	0
Sale of treasury shares	0	0	0	0	0	0	0	0
Increase in shares in subsidiary due to acquisition of non-controlling interest without change of control	0	0	0	0	(5,898)	(5,898)	227	(5,671)
Valuation of put options attributable to minority shareholders	0	0	0	0	(5,995)	(5,995)	(286)	(6,281)
Dividends	0	0	0	0	0	0	(345)	(345)
Total transactions with owners	**0**	**0**	**0**	**0**	**(11,893)**	**(11,893)**	**(404)**	**(12,297)**
Net profit/(loss) for the period January 1 – December 31 2022	0	0	0	0	138,124	138,124	953	139,077
Exchange differences on translation of foreign operations	0	0	0	(2,945)	0	(2,945)	(96)	(3,041)
Total comprehensive income	0	0	0	(2,945)	138,124	135,179	857	136,036
Total changes	0	0	0	(2,945)	126,231	123,286	453	123,739
Balance as at December 31 2022	2,934	0	291,378	(10,361)	443,082	727,033	(1,617)	725,416

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 1 2021	**2,894**	**(118,157)**	**272,107**	**(4,562)**	**372,245**	**524,527**	**(1,527)**	**523,000**
Changes in equity in the period January 1 – December 31 2021								
Share issue in connection with exercise of options (incentive 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 1 – December 31 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	**0**	**0**	**0**	**(2,854)**	**(25,140)**	**(27,994)**	**1,177**	**(26,817)**
Total changes	40	118,157	19,271	(2,854)	(55,394)	79,220	(543)	78,677
Balance as at December 31 2021	**2,934**	**0**	**291,378**	**(7,416)**	**316,851**	**603,747**	**(2,070)**	**601,677**

1.6. CONSOLIDATED STATEMENT OF CASH FLOWS

Consolidated statement of cash flows

PLN '000	12 months ended December 31 2022	12 months ended December 31 2021
Cash flows from operating activities		
Profit before tax	176,572	(17,140)
Total adjustments	268,725	208,493
Changes in working capital	14,007	58,351
Income tax paid	(19,635)	(9,133)
Net cash from operating activities	**439,669**	**240,571**
Cash flows from investing activities		
Purchase of intangible assets	(46,998)	(37,363)
Proceeds from sale of intangible assets	0	0
Purchase of property, plant and equipment	(75,725)	(36,785)
Proceeds from sale of property, plant and equipment	2,565	5,205
Acquisition of subsidiaries, net of cash acquired	(36,168)	(58,867)
Repayments of loans	952	1,689
Loans	(1,465)	(137)
Proceeds from sale of other financial assets	0	0
Interest received	1,125	523
Dividends received	640	0
Net cash from investing activities	**(155,074)**	**(125,735)**
Cash flows from financing activities		
Net proceeds from issue of shares	0	19,311
Disposal of own shares	0	92,460
Transactions with non-controlling interests	(4,842)	(20,313)
Proceeds from issue of debt securities	0	0
Redemption of debt securities	(100,000)	0
Proceeds from borrowings	50,504	0
Repayment of borrowings	(87,749)	(55,170)
Payment of lease liabilities	(165,341)	(112,180)
Interest paid	(11,510)	(7,980)
Dividends paid	(345)	(1,729)
Net cash from financing activities	**(319,283)**	**(85,601)**
Net change in cash and cash equivalents	**(34,688)**	**29,235**
Cash and cash equivalents at beginning of period	253,015	223,780

Cash and cash equivalents at end of period	**218,327**	**253,015**

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 4,700 sports facilities in more than 720 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 platform MyBenefit, enabling employees to choose a non-pay benefit from an employer-approved list. For the Group, the platform primarily serves as a distribution channel of sport cards, Benefit Systems' main product. The cafeteria system offers 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 Benefit Systems Group is also developing the MultiLife product, whose services are available in an online formula and focus on employee well-being, especially in the areas of psychology, personal development, healthy eating and physical activity. The MultiLife program currently combines more than a dozen services such as psychologist support, a mindfulness course, consultations with nutritionists and trainers, a diet creator, a yoga course, access to the Yes2Move.com online training platform, a package of basic preventive examinations, access to e-books on the Legimi website or the Leanovatica streaming development service, among others.

The Group continues to expand its offering on a regular basis. In 2021–2022, it lunched gamification-based employee engagement services, a mobile application dedicated to enhancing the mental health of employees, and an online platform for ordering food with delivery to the workplace.

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 sport cards, MultiLife programme solutions, and MyBenefit Cafeteria offering, as well as operating own fitness clubs with Yes2Move online exercise platform, through the **Fitness Branch**. 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. Since the merger on October 28th 2022, the company's business has been carried on by Benefit Systems S.A.

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 online store selling diet supplements and nutrients.

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.** Since the merger on August 31st 2022, the companies' business has been carried on by Benefit Systems S.A.

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.

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 own prize cafeterias used in the offered programmes. 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.

Lunching.pl Sp. z o.o. is a subsidiary of Benefit Systems S.A. It was acquired in the second quarter of 2022. Lunching is a solution designed to facilitate the organisation of meals for employee teams by employers in a financing model of their choice. The acquisition of Lunching.pl allowed the Group to expand its offering in the growing segment of the non-pay benefit market, i.e. co-financing of meals and supporting healthy eating habits of employees.

COMPANIES IN THE FOREIGN MARKETS SEGMENT

Benefit Systems International S.A. is a vehicle used by the Benefit Systems Group to sell sport cards on foreign markets. On September 29th 2022, the transformation of the legal form of Benefit Systems International from spółka z ograniczoną odpowiedzialnością (limited liability company) into spółka akcyjna (joint-stock company) was registered. The company is a majority shareholder in the following foreign 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 a shareholder in BSI Investments (Poland), which has been developing the MultiSport programme in Turkey through its subsidiary Benefit Systems Spor Hizmetleri Ltd. Şti (Turkey). Benefit Systems International S.A.'s portfolio also includes Benefit Systems Storitve d.o.o. (Slovenia), which has remained dormant.

Fit Invest International Sp. z o.o. manages the Benefit Systems Group's foreign investments in sports clubs through various subsidiaries, including: Beck Box Club Praha S.R.O. (Czech Republic), Form Factory S.R.O. (Czech Republic), Next Level Fitness EOD (Bulgaria), and Form Factory Slovakia s.r.o. (Slovakia), which are responsible for investments in existing and new fitness facilities. At year-end, the Czech-based subsidiaries operated a total of 14 clubs in Prague (13 facilities) and Ostrava (1 facility), the Bulgarian subsidiary managed eight clubs in Sofia, and the Slovakian subsidiary ran two clubs in Bratislava.

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 31 2022**	**December 31 2021**
POLAND			
VanityStyle Sp. z o.o.	ul. Skierniewicka 16/20, 01-230 Warsaw, Poland	100.00%	100.00%
Benefit IP Sp. z o.o. [2)]	Plac Europejski 2, 00-844 Warsaw, Poland	-	100.00%
Benefit IP Spółka z ograniczoną odpowiedzialnością sp. k. [2)]	Plac Europejski 2, 00-844 Warsaw, Poland	-	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. [3)]	Plac Europejski 2, 00-844 Warsaw, Poland	-	100.00%

Total Fitness Sp. z o.o. [4)]	aleja Bohaterów Września 9, 02-389 Warsaw, Poland	88.23%	88.23%
Zdrowe Miejsce Sp. z o.o.	ul. Antoniego Edwarda Odyńca 71, 02-644 Warsaw, Poland	80.00%	80.00%
Focusly Sp. z o.o.	ul. Skierniewicka 16/20, 01-230 Warsaw, Poland	100.00%	100.00%
YesIndeed Sp. z o.o.	ul. Przeskok 2, 00-032 Warsaw, Poland	100.00%	100.00%
Lunching.pl Sp. z o.o. [1)]	ul. Fabryczna 20A, 31-553 Kraków, Poland	77.68%	-
FIT 1 Sp. z o.o. [8)]	Plac Europejski 2, 00-844 Warsaw, Poland	100.00%	-
FOREIGN MARKETS			
Benefit Systems International S.A. [5)]	ul. Młynarska 8/12, 01-194 Warsaw, Poland	97.20%	97.20%
Benefit Systems D.O.O.	Zagreb (Grad Zagreb) Heinzelova ulica 44, Croatia	94.28%	94.28%
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	97.20%	95.26%
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.	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. [7)]	Eski Büyükdere Caddesi No: 7, GİZ 2000 Plaza, Kat 4. 13. VE 14. Bağımsız Bölümler, Maslak, Sarıyer/ 34398 İstanbul, Turkey	97.20%	90.40%
OTHER			
MW Legal Sp. z o.o. [9)]	ul. Młynarska 8/12, 01-194 Warsaw, Poland	100.00%	100.00%
Multisport Foundation	ul. Racjonalizacji 5, 02-673 Warsaw, Poland	100.00%	100.00%

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

1) On April 13th 2022, the Parent acquired a 75% stake in Lunching.pl Sp. z o.o. On May 23rd 2022, an increase in the share capital of Lunching.pl Sp. z o.o. was registered, following which the Parent's interest in the company was 73.97% as at June 30th 2022. Following another share capital increase on August 4th 2022, the Parent's ownership interest rose to 77.68% as at December 31st 2022. The company has been consolidated since the acquisition date based on the assumption that the Group exercises full (100%) control in view of the options included in the share purchase agreement.
2) On August 31st 2022, the merger of Benefit Systems S.A. with Benefit IP Sp. z o.o. and Benefit IP Spółka z ograniczoną odpowiedzialnością sp.k. was registered.
3) On October 28th 2022, Benefit Systems S.A. merged with Fit Fabric sp. z o.o.
4) Total Fitness Sp. z o.o. has been consolidated since the acquisition date based on the assumption that the Group exercises full (100%) control in view of the options included in the share purchase agreement.
5) On September 29th 2022, the transformation of the legal form of Benefit Systems International from spółka z ograniczoną odpowiedzialnością (limited liability company) into spółka akcyjna (joint-stock company) was registered.
6) On January 11th 2022, the sale of 2% of shares in Multisport Benefit S.R.O. was effected, as a result of which Benefit Systems International S.A. holds all shares in the company.
7) On September 28th 2022, the sale of 7% of shares in Benefit Systems Spor Hizmetleri Limited Sirketi (Turkey) was effected, as a result of which it became wholly-owned by BSI Investments Sp. z o.o.
8) On November 16th 2022, the Parent acquired all shares in FIT 1 Spółka z ograniczoną odpowiedzialnością.
9) The company is not consolidated as it does not conduct any business activity.

Associates

Associate	Registered address	Group's ownership interest	
		December 31 2022	December 31 2021
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, Poland	20.00%	20.00%

2.2. SIGNIFICANT ACHIEVEMENTS OR FAILURES IN THE PERIOD

2022 saw a significant rise in the number of people interested in working out and otherwise engaging in physical exercise at gyms and other sports and recreation facilities. As at the reporting date, the Group had close to 1.2 million active users, up by 345 thousand compared to the previous year, and the number of sport cards issued by the Group in the Polish market exceeded pre-pandemic levels. Across the other geographies where the MultiSport Programme is available, the total number of memberships rose to 431 thousand. The MultiSport Programme remains one of the most popular non-pay employee benefits in Poland, providing tangible support in leading an active and healthy lifestyle. According to surveys conducted by the Group, as many as 73% of MultiSport card holders attribute their increased exercise frequency to holding a MultiSport sport card. The demand for this particular perquisite has also remained high, with 91% of MultiSport users admitting that they treat a sport card as an important element of their employment terms.

With an increasing interest in regular physical exercise, working out at fitness clubs has become the preferred option for as many as one-fifth of physically active Poles. This trend is in line with the Group's sales of passes for its own fitness clubs in Poland, whose number reached 182,000 in December 2022, representing a quarter on quarter increase of over 10%.

Throughout 2022, various sources, including studies, surveys, reports and other information from employers, have consistently highlighted a rising demand for solutions that foster employee well-being. The Company has always closely monitored emerging employee and employer needs and expectations. Accordingly, as early as during the pandemic, it began developing the MultiLife programme, which is dedicated to offering a variety of services in the areas of mental and physical health, physical activity, and personal development. Another indication of the evolving market environment is the growing interest in cafeteria platforms, including MyBenefit. In 2022, the dedicated gamification module MyBenefit Active was added to the platform, giving employers yet another handy tool to increase employee motivation and engagement. The Company continues its efforts to enhance the attractiveness of its offering of sports and recreation, employee meal, well-being, and comprehensive HR products and solutions.

Another edition of the MultiSport Summer Game

In June 2022, another edition of the MultiSport Summer Game was launched to help MultiSport membership card holders to keep up the habit of regular physical activity throughout the summer. During the project, which ended on August 10th 2022, MultiSport members scored points for various activities, including regular workouts, visiting new sports and recreational facilities, taking part in educational activities such knowledge quizzes, and reading expert articles on active lifestyles.

One million active MultiSport membership cards in Poland

As at June 30th 2022, there were more than a million active MultiSport members in Poland. Membership in the MultiSport programme is an effective tool helping prevent development of lifestyle diseases through promoting and supporting active and healthy lifestyles among employees. The increasing awareness of the positive impact of exercise on mental and physical wellbeing is reflected in the growing number of Benefit Systems sport card holders.

As at December 31st 2022, the number of active sport cards across the Group was 1,618.1 thousand, including 1,187.3 thousand in Poland and 430.8 thousand on foreign markets.

In March 2023, the estimated number of active sport cards in the Poland segment was 1,306.9 thousand and 462.2 thousand in the Foreign Markets segment.

'We Have More in Common Than You Think' campaign

The "We Have More in Common Than You Think" campaign launched in January 2022 is based on comical antagonisms known from social media. The brand incorporated them in contrasting videos and graphics, each promoting a specific sports discipline available with the MultiSport membership card. The "We Have More in Common Than You Think" campaign was supported with marketing materials for Benefit Systems customers, social media competitions, influencer collaborations (campaign ambassadors included Karolina Tuchalska-Siermińska (a psychologist) and Janina Bąk), as well as PR activities such as online media publications.

Development of own fitness club network

In view of the growing demand for physical activity practised at sports facilities, the Group is continuously working to enhance its MultiSport Programme offering by both expanding its partner network, which currently consists of more than 4,700 facilities in Poland and 4,200 in other markets, and developing its own chain of fitness clubs. In 2022, the Group launched seven new fitness clubs in Poland, i.e. four in Warsaw (Zdrofit PZO, Lazurowa, HUB, and Mennica), one in Stara Iwiczna (Zdrofit NPark), one is Wodzisław Śląski (Fabryka Formy), and Łódź (FitFabric Strażacka) and three new clubs on foreign markets: in Sofia (Druhzba), in Brno (Vlnena) and Ostrava (Avion).

Three major projects of the MultiSport Foundation

In 2022, the MultiSport Foundation, whose mission is to educate and support children and adults in leading an active lifestyle, successfully implemented three major projects, namely the 'Brimming with Sports' campaign, the MultiSport Active Schools programme, and corrective and compensatory exercise classes. The 'Brimming with Sports' campaign attracted several thousand participants, who attended dedicated in-school meetings and a number of 'Days Full of Sports' events. Launched in the second half of 2022, the MultiSport Active Schools Programme has enjoyed immense popularity among students and teachers. Under the Programme, close to 2,200 children have attended sports classes at fitness clubs, with the total number of their visits exceeding 10,000. Another major initiative of the MultiSport Foundation is the organisation of corrective and compensatory exercise classes, which incorporate elements of acrobatics, dance, tennis, team sports, and martial arts. Nearly a thousand students from 55 school clubs have taken part in the project.

2.3. SIGNIFICANT EVENTS AT THE BENEFIT SYSTEMS GROUP IN 2022

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

Redemption of Series A and Series B bonds

On April 7th 2022, 50,000 Series A bonds issued by the Parent, with a total nominal value of PLN 50m, were redeemed when due. 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 to allow the Company to redeem the Bonds early, on April 7th or 14th 2022. On April 14th 2022, 50,000 Series B bonds with a total nominal value of PLN 50m were redeemed early.

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. Subsequently, the Company paid PLN 0.75m and PLN 3m to increase the latter's share capital and, as a result, acquired 77.68% of shares in the acquiree. The company has been consolidated since the acquisition date based on the assumption that the Group exercises full (100%) control in view of the options included in the share purchase agreement. The acquired company owns the platform and application for ordering food with delivery to the workplace. Lunching is a solution designed to facilitate the organisation of meals for employee teams by employers in a financing model of their choice. 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.

Agreements signed with PKO BP S.A.

On May 5th 2022, agreements were signed between PKO BP S.A. and Benefit Systems S.A. Pursuant to the agreements, the PLN 50m multi-purpose credit facility agreement of August 22nd 2017 and the PLN 100m investment facility agreement of March 19th 2018 were terminated. The multi-purpose credit facility agreement was terminated with effect from May 5th 2022. The investment facility agreement was terminated with effect from May 13th 2022. The outstanding balance of PLN 37m was repaid in full on the same day.

Coverage of the Parent's net loss for 2021

On June 29th 2022, the Parent's Annual General Meeting passed a resolution to cover the net loss of PLN 15.6m for the financial year 2021 from future profits.

ESG objectives incorporated in Benefit Systems S.A.'s Articles of Association

On August 12th 2022, the Management Board of the Parent was notified that on July 22nd 2022 the District Court for the Capital City of Warsaw in Warsaw issued a decision to register amendments to the Articles of Association as adopted by the Parent's General Meeting on June 29th 2022.

Aa a result, social and environmental objectives were incorporated into the Articles of Association as an integral part of the Company's business activities. This means that corporate social responsibility and sustainability are no longer only an important element of the Benefit Systems Group's mission, but also its objectives enshrined in its constitution. In accordance with the amended Articles of Association, Benefit Systems S.A. is committed to operating in such a manner as to have a positive impact on society, in particular local communities, the natural environment, and all other stakeholders.

Merger of Benefit Systems S.A. with Benefit IP sp. z o.o. and Benefit IP spółka z ograniczoną odpowiedzialnością sp.k.

On August 31st 2022, the merger of the Parent as the acquirer with its subsidiaries Benefit IP Sp. z o.o. and Benefit IP Spółka z ograniczoną odpowiedzialnością sp.k. as the acquirees was registered.

Adoption of diversity policy for members of the Supervisory Board of Benefit Systems S.A.

On September 30th 2022, the Extraordinary General Meeting of the Parent authorised the "Diversity Policy for Members of the Supervisory Board of Benefit Systems S.A.", and on August 11th 2022 Supervisory Board approved "Diversity Policy for Members of the Management Board of Benefit Systems S.A.". The Policies were implemented in pursuance of the Parent's sustainable corporate governance objectives, which include adequate management of environmental, social, and governance (ESG) factors and to ensure compliance with the 'Best Practice for GPW-Listed Companies 2021' as adopted by the Supervisory Board of the Warsaw Stock Exchange by resolution No. 13/1834/2021 of March 29th 2021.

Review of available courses of action towards the Company's investment in the associate Calypso Fitness S.A.

On October 7th 2022, Benefit Systems S.A.'s Management Board resolved to launch a detailed review of available courses of action towards the Company's investment in the associate Calypso Fitness S.A. in view of the significant level of debt owed by Calypso Fitness to Benefit Systems S.A. As part of the ongoing review, certain agreements were executed on February 28th 2023, as detailed in Note 2.4.

Merger of Benefit Systems S.A. with Fit Fabric sp. z o.o.

On October 28th 2022, the merger of the Parent as the acquirer with its subsidiary Fit Fabric sp. z o.o. as the acquiree was registered.

Reducing stake in total voting rights at the Company

On November 17th 2022, the Company was notified by James Van Bergh, acting as a party to the Shareholders' Agreement (as defined below), between him, Benefit Invest Limited with its seat in Dublin ("Benefit Invest") and Fundacja Drzewo i Jutro with its seat in Warsaw (the "Foundation") (jointly as the "Shareholders' Agreement") about reducing stake of the Shareholders Agreement in the total number of votes in the Company as a result of a transaction involving the disposal of 250,000 shares of the Company on the regulated market of the WSE held by Benefit Invest and the Foundation on 17 November 2022 (the "Transaction").

Prior to the Transaction, the Shareholders' Agreement held 982,609 shares in the Company, representing 33.50% of the Company's share capital, entitling it to 982,609 votes at the Company's general meeting, representing 33.50% of the total number of votes in the Company.

Following the Transaction, the Shareholders' Agreement holds 732,609 shares in the Company, representing 24.97% of the Company's share capital, entitling it to 732,609 votes at the Company's general meeting, representing 24.97% of the total number of votes in the Company.

Notification of reducing shareholding in the Parent below the threshold of 5% of total voting rights at the General Meeting

On December 13th 2022, the Company received a notification from Invesco Ltd. that Invesco Ltd. had reduced its shareholding in the Company below the 5% threshold of total voting rights at its General Meeting. According to the notification, Invesco does not currently hold any Company shares, and the reduction was effected on December 8th 2022.

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

On December 14th 2022, the Company received a notification from Nationale-Nederlanden Powszechne Towarzystwo Emerytalne S.A. of Warsaw that funds managed by Nationale-Nederlanden Powszechne Towarzystwo Emerytalne S.A. had increased their shareholdings in the Company above the 10% threshold of total voting rights at its General Meeting.

According to the notification, the threshold of 10% of total voting rights at the Company was exceeded following a transaction to acquire Company shares executed on December 8th 2022.

Decisions on amendments to the Articles of Association of Benefit Systems S.A.

The Management Board of Benefit Systems S.A. was notified that on October 28th 2022 the District Court for the Capital City of Warsaw in Warsaw issued a decision to register amendments to the Articles of Association as adopted by the Company's General Meeting on September 30th 2022.

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

Share capital increase at Lunching Sp. z o.o.

On February 27th 2023, an increase in the share capital of Lunching.pl Sp. z o.o. was registered, following which the Parent's interest in the company rose from 77.68% as at December 31st 2022 to 79.89%.

Update of review of available courses of action towards the Company's investment in the associate Calypso Fitness S.A. – execution of main transaction agreement and implementing agreements

As part of the ongoing review of the available courses of action towards the Company's investment in the associate Calypso Fitness S.A., on February 28th 2023 the shareholders in Calypso Fitness S.A. ("Calypso Fitness" or "CF"), i.e. the Company, Camaro Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych ("Camaro"), and Cal Capital sp. z o.o. ("CC"), executed: (i) an agreement to settle Calypso Fitness's liabilities towards the Company, whereby they confirmed the key terms of the transaction, and (ii) implementing agreements (jointly the "Transaction").

As at December 31st 2022, Benefit Systems S.A. held a 33.33% ownership interest in Calypso Fitness S.A., which the former had acquired in 2011–2014. The carrying amount of the Parent's investment in Calypso Fitness S.A. as at the reporting date and February 28th 2023 was PLN nil. In addition, as at December 31st 2022, the amount of various loans and fitness equipment leases provided by the Parent and its subsidiaries to Calypso Fitness S.A. and its subsidiaries, which had largely been written off, was PLN 69.8m.

The transaction will be carried out in stages:

I. As part of the first stage:

1) The Parent will enter into conditional agreements to acquire shares in companies which will take over CF's assets in the form of twelve organised parts of CF's business, i.e. fitness clubs located in the Gdańsk-Sopot-Gdynia agglomeration (6), Szczecin (4), Warsaw (1) and Wrocław (1).

The condition precedent to the said acquisition is registration, pursuant to Art. 530.2 of the Commercial Companies Code, of the demerger of CF as agreed in the Calypso Fitness Demerger Plan of October 7th 2022. Accordingly, on February 28th 2023 the shareholders in CF resolved to demerge it in accordance with Art. 529.1.4 of the Commercial Companies Code.

The total consideration payable for the acquisition of shares in the spun-off companies from Camaro and CC will be PLN 28.8m, which will be paid as follows: (i) by transferring the Company's claims of PLN 17.8m against CF to the other shareholders therein ("Claims 1") and (ii) effecting a payment of PLN 11.0m in cash to Camaro. The cash payment is a conditional obligation, which is a standard practice applied in similar transactions.

2) The share capital of CF will be increased (the "SC Increase") through conversion of the Company's claims of PLN 14.5m against CF ("Claims 2") and Claims 1 transferred to Camaro and CC into shares in the increased share capital of CF.

3) On the date of registration of the SC Increase by the competent registry court, the Company will waive PLN 10.3m worth of interest payments due to the Company from CF under loans.

4) Outside the demerger process described above, CF will assign its rights and obligations under a lease contract for another fitness club located in the Gdańsk-Sopot-Gdynia agglomeration to the Company.

II. As part of the second stage:

The Parent will enter into conditional agreements to acquire shares in companies which will take over CF's assets in the form of three organised parts of CF's business, i.e. fitness clubs located in Warsaw (1), Kraków (1) and Częstochowa (1).

The condition precedent to the said acquisition is registration, pursuant to Art. 530.2 of the Commercial Companies Code, of the demerger of CF to be specified in another Calypso Fitness Demerger Plan, which is to be agreed by April 30th 2023.

The total consideration payable for the acquisition from Camaro and CC of shares in the spun-off companies which will take over two of the three aforementioned fitness clubs will be PLN 4m, which will be paid in cash.

Following the closing of the Transaction in the stages described above, the Company will continue to hold debt claims against CF totalling PLN 17.8m, which the Company will be able to settle in potential subsequent transactions as agreed as part of the ongoing review process.

Number of active sport cards

In April 2023, the estimated number of active sport cards in the Poland segment was 1,306.9 thousand and 462.2 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

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 2022

PLN '000	Poland	Foreign Markets	Corporate	Total
Revenue	1,369,784	539,409	(73)	1,909,120
Cost of sales	(975,220)	(416,854)	39	(1,392,035)
Gross profit	**394,564**	**122,555**	**(34)**	**517,085**
Selling expenses	(92,213)	(42,185)	0	(134,398)
Administrative expenses	(104,600)	(50,408)	(1,460)	(156,468)
Other income and expenses	(8,378)	(4,581)	(509)	(13,468)
Operating profit/(loss)	**189,373**	**25,381**	**(2,003)**	**212,751**
Share of profit of equity-accounted entities	(2,292)	0	0	**(2,292)**
Interest expense on lease liabilities	(12,023)	(2,212)	0	**(14,235)**
Depreciation and amortisation	194,697	37,299	80	**232,076**
EBITDA	**384,070**	**62,680**	**(1,923)**	**444,827**
Segment's assets	2,160,516	317,626	(244,121)	**2,234,021**
Segment's liabilities	1,267,079	485,841	(244,314)	**1,508,606**
Investments in associates	2,435	0	0	**2,435**

Selected financial data of the operating segments for the fourth quarter of 2022

PLN '000	Poland	Foreign Markets	Corporate	Total
Revenue	**403,285**	**158,980**	**(8)**	**562,257**
Cost of sales	(265,477)	(119,435)	39	(384,873)
Gross profit	**137,808**	**39,545**	**31**	**177,384**
Selling expenses	(27,840)	(13,236)	0	(41,076)
Administrative expenses	(32,578)	(18,433)	45	(50,966)
Other income and expenses	(5,309)	(5,791)	(247)	(11,347)
Operating profit/(loss)	**72,081**	**2,085**	**(171)**	**73,995**
Share of profit of equity-accounted entities	(2,016)	0	0	(2,016)
Interest expense on lease liabilities	(3,767)	(659)	0	(4,426)

Depreciation and amortisation	51,823	9,971	80	61,874
EBITDA	**123,904**	**12,056**	**(91)**	**135,869**

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 31 2022**	**12 months ended December 31 2021 (restated)***
Segments' revenue		
Total revenue of operating segments	1,909,193	954,968
Unallocated revenue	0	0
Elimination of revenue from inter-segment transactions	(73)	(30)
Revenue	**1,909,120**	**954,938**
Segments' profit/(loss)		
Segments' operating profit/(loss)	214,754	(1,344)
Elimination of profit/(loss) from inter-segment transactions (IFRS 16)	0	0
Unallocated profit/(loss)	(2,003)	(2,666)
Operating profit	**212,751**	**(4,010)**
Finance income	2,860	14,782
Finance costs	(36,747)	(28,868)
Share of profit/(loss) of equity-accounted entities (+/-)	(2,292)	956
Profit before tax	**176,572**	**(17,140)**
PLN '000	**As at December 31 2022**	**As at December 31 2021 (restated)***
Total assets of operating segments	2,478,142	2,428,320
Unallocated assets	294	281
Elimination of inter-segment transactions	(244,415)	(247,804)
Total assets	**2,234,021**	**2,180,798**
Total liabilities of operating segments	1,752,919	1,829,818
Unallocated liabilities	19	0
Elimination of inter-segment transactions	(244,333)	(250,697)
Total liabilities	**1,508,605**	**1,579,121**

** The restatement reflects the combination of the Poland and Cafeterias segments.*

2.5.1. Poland

The Poland segment's scope of operations includes non-pay benefits, such as sport cards and cafeteria platforms, management of fitness clubs, and investment 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-pay benefits in Poland and, at the same time, they are also among the benefits most preferred by employees. 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 1,187.3 thousand.

The Group is investing in the development of MyBenefit, its proprietary cafeteria platform offering a wide range of products and services, including the Benefit Systems Group's own products. The platform offers benefits spanning sport and health, 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 close to 3.4 thousand facilities and is constantly adapted to market and customer needs.

The MyBenefit cafeteria platform allows employees 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 MyBenefit platform is 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 45 theatres, 180 cinemas, 60 museums and 25 thematic parks across Poland.

The Group also offers MultiTeatr, MultiMuzeum, MultiZoo and BenefitLunch, providing access to numerous theatres, museums, zoos and restaurants.

Since 2021, the Group has been offering B2B employee engagement services based on gamification. The gamification services offered by YesIndeed Sp. z o.o. are divided into two categories: incentive schemes for sales and marketing departments offered under the YesIndeed brand, and own prize cafeterias used in the offered programmes.

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 Benefit Systems Group also invests in fitness clubs to secure access to an adequate base of sports and recreation facilities. As at December 31st 2022, the Group had 170 own clubs in Poland operated by the Fitness Branch within Benefit Systems S.A. and by Total Fitness Sp. z o.o. The Group's facilities operate under the following brands: **Zdrofit, Fabryka Formy, Fitness Academy, My Fitness Place, Fit Fabric, Step One, S4, Total Fitness and AquaPark Wesolandia.** The Group also held equity interests in companies managing a further 36 facilities. In addition, the Parent operates the Atmosfera Multisport club, which organises activities for children and young people.

Five new fitness clubs were opened in the first quarter of 2022, three of them in Warsaw (Zdrofit Wola Mennica Legacy Tower, Zdrofit Wola The Warsaw HUB, Zdrofit Bemowo Lazurowa), one in Stara Iwiczna near Warsaw (Zdrofit N-Park), and one in Łódź (Fit Fabric Strażacka). One fitness club in Warsaw, namely Zdrofit Wola dla Kobiet, ceased operations in the second quarter of 2022. In the third quarter of 2022, Zdrofit PZO, a new fitness club, was opened in Warsaw, while the S4 Wola-Grzybowska fitness club was closed down. In the fourth quarter of 2022, the Fabryka Formy fitness club was opened in Wodzisław Śląski, while two clubs were closed down, namely My Fitness Place in Skawina and Zdrofit in the Wejher Park business complex in Wejherowo.

In February 2022, the Zdrofit Zdrowe Miejsce (Zdrofit Healthy Place) project was reorganised to adapt the offering to market needs and optimise the costs. As a result of the changes, nine fitness clubs providing physical therapy and kinesitherapy services have been left. Moreover, as part of treatment with exercise, Zdrofit Healthy Place patients receive, among others, individual fitness improvement programmes prepared by physiotherapists.

Selected financial data of the Poland segment

PLN '000	12 months ended December 31 2022	12 months ended December 31 2021 (restated)*	Change
Revenue	**1,369,784**	**699,056**	**95.9%**
Cost of sales	(975,220)	(563,938)	**72.9%**
Gross profit	**394,564**	**135,118**	**192.0%**
Selling expenses	(92,213)	(57,078)	**61.6%**
Administrative expenses	(104,600)	(83,813)	**24.8%**
Other income and expenses	(8,378)	(842)	**895.0%**
Operating profit/(loss)	**189,373**	**(6,615)**	**-**
Share of profit of equity-accounted entities	(2,292)	956	**-**
EBITDA	**384,070**	**168,911**	**127.4%**
Gross margin	28.8%	19.3%	**49.2%**
Number of sport cards ('000)	1,187.3	842.1	**41.0%**
*Number of B2C passes ('000)**	181.7	136.7	**32.9%**
Number of clubs	170	167	**1.8%**
*Cafeterias sales (PLNm) ***	420	384	**9.4%**

Number of Cafeterias users ('000)	621	514	**20.8%**

** The restatement reflects the combination of the Poland and Cafeterias segments. ** Excluding sales of sport cards*

Revenue of the Poland segment rose 95.9% year on year, mainly as a result of the lifting of the COVID-19-related restrictions, in particular the lockdown of sports facilities until May 28th 2021. Cost of sales increased 72.9%, and gross profit came in at PLN 394.6m.

The Group is intensively developing 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 items to support physical exercise and promote a healthy lifestyle. The Parent is continuing the development of MultiLife – a product providing access to online services such as a diet creator, language platform, mindfulness course, e-books, yoga course, and online consultations with experts.

In the first half of 2022, the Parent acquired a 73.97% stake in Lunching.pl Sp. z o.o. and subsequently increased its ownership interest therein to 77.68% as at the reporting date. The acquiree owns a platform and application for ordering food with delivery to the workplace. Lunching is a solution designed to facilitate the organisation of meals for employee teams by employers in a financing model of their choice. 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.

As at December 31st 2022, the MyBenefit cafeteria platform had close to 621 thousand users, up 107.3 thousand year on year. The user growth, coupled with the re-opening of industries which had previously been locked down due to the COVID-19 pandemic, translated into a PLN 36m (9.4%) year-on-year increase in Cafeterias sales in 2022.

The most popular benefit categories are retail (342.4m sales vs PLN 307.0m in 2021), as well as travel, culture, recreation, and food.

The segment's financial result for 2022 includes the effect of renegotiation and reduction of lease rents of PLN 5.8m.

In 2022, the Poland segment recognised depreciation of right-of-use assets of PLN 116.4m and interest expense on lease liabilities of PLN 12.0m.

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 S.A., Fit Invest International Sp. z o.o., and BSI Investments Sp. z o.o.

In 2022, operating activities were conducted in the following markets by the local companies named below:

- 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).

The segment also includes Benefit Systems, storitve, D.O.O. (Slovenia), which was not operational in 2022. Benefit Systems International S.A. is the Parent of the other companies in the segment. All these companies are fully consolidated.

Selected financial data of the Foreign Markets segment

PLN ‘000	12 months ended December 31 2022	12 months ended December 31 2021	Change
Revenue	**539,409**	**255,912**	**110.8%**
Cost of sales	(416,854)	(210,100)	98.4%
Gross profit	**122,555**	**45,812**	**167.5%**
Selling expenses	(42,185)	(24,811)	70.0%
Administrative expenses	(50,408)	(35,342)	42.6%
Other income and expenses	(4,581)	19,612	-
Operating profit/(loss)	**25,381**	**5,271**	**381.5%**
EBITDA	**62,680**	**38,843**	**61.4%**
Gross margin	22.7%	17.9%	4.8pp
Number of sport cards (‘000)	430.8	284.6	51.4%
Number of clubs	24	24	-

As at the end of 2021, there were 284.6 thousand active cards in the Foreign Markets segment and, as a result of consistent growth in the subsequent months, the first quarter of 2022 was closed with 316.3 thousand cards. The fastest growth, of more than 15%, was recorded on the Bulgarian and Croatian markets. The second quarter saw a higher sales growth, translating into a more than 13% quarter-on-quarter increase in the number of active cards, to 357.7 thousand as at June 30th 2022. In absolute terms, the active card base grew the fastest on the Czech market, by as much as 18 thousand on March 2022. In percentage terms, Slovakia was the fastest growing market, with the number of active cards up by 7.1 thousand. The third quarter saw continuation of the uptrends already observed in the first half of the year. Despite the summer vacation, each geography recorded a quarter-on-quarter increase in the number of active cards, resulting in aggregate growth by 21 thousand cards for the entire segment. The largest number of active cards was added in the Czech Republic, the segment’s biggest market. Apart from Turkey, sales grew the fastest in Slovakia, where the number of active cards is approaching the pre-pandemic levels. In the fourth quarter of 2022, intensified sales activities by the segment companies resulted in an increase in the number of active cards to nearly 431 thousand as at the reporting date.

Number of active sport cards* in Foreign Markets countries (‘000):

Country	12/2022	09/2022	06/2022	03/2022	12/2021	% change 12/2022 vs 09/2022	% change 09/2022 vs 06/2022	% change 06/2022 vs 03/2022	% change 03/2022 vs 12/2021
Czech Republic	217.2	197.3	184.9	167.0	156.2	10%	7%	11%	7%
Bulgaria	134.6	115.2	112.1	97.6	82.8	17%	3%	15%	18%
Slovakia	45.4	39.7	35.9	28.8	26.5	14%	11%	25%	9%
Croatia	32.7	25.0	24.7	22.9	19.1	31%	1%	8%	20%
Turkey	0.9	1.9	0.1	-	-	-52%	1,431%	-	-
Total	**430.8**	**379.1**	**357.7**	**316.3**	**284.6**	**14%**	**6%**	**13%**	**11%**

** Weighted average number of cards in the last month of the period.*

The increases shown above were supported by the improving pandemic situation on the markets. In early February, all restrictions were lifted in the Czech Republic, while in the other markets, despite some restrictions, customers and users were getting back on track. In the reporting period, in none of the Group's markets were there any indications of the risk that a lockdown or other pandemic-related restrictions could be reimposed.

In parallel to the sales activities, the Foreign Markets segment companies improved the experience for MultiSport customers by developing the partnership network and monitoring the quality of cooperation with partners within the existing network. As at the end of the first quarter of 2022, the MultiSport partnership network operated a total of 4,202 Partner locations, of which nearly 80 were in Turkey. The number of partner locations on the Czech, Slovak, Bulgarian and Croatian markets remained largely flat in the second quarter of 2022 and declined slightly in the third quarter of 2022. In the fourth quarter, the total number of partner facilities rose to 4,195 as a result of the expansion of the partner network in Turkey.

Number of partner locations:

Country	12/2022	09/2022	06/2022	03/2022	12/2021	% change 12/2022 vs 09/2022	% change 09/2022 vs 06/2022	% change 06/2022 vs 03/2022	% change 03/2022 vs 12/2021
Czech Republic	1,805	1,882	1,948	1,960	1,964	-4%	-3%	-1%	-
Bulgaria	876	887	885	890	918	-1%	0%	-1%	-3%
Slovakia	797	817	849	848	866	-2%	-4%	-	-2%
Croatia	413	425	429	427	426	-3%	-1%	-	-
Turkey	304	143	113	77	-	113%	27%	47%	-
Total	**4,195**	**4,154**	**4,224**	**4,202**	**4,174**	**1%**	**-2%**	**1%**	**1%**

As at the end of 2021, the company operated fitness clubs in the Czech Republic (13 clubs), Bulgaria (9 clubs) and Slovakia (2 clubs). In early 2022, the Czech company launched one new club in Ostrava (Avion). In the second quarter of 2022, one club in Prague (Form Factory Chodov) was closed. In the third quarter of 2022, the number of fitness clubs remained unchanged, while the segment companies carried out work to fit out locations for new clubs, including in Brno and Sofia. In the fourth quarter, following completion of fit-out work, two new clubs were opened, namely Druhzba in Sofia and Vlnena in Brno. At the same time, in the fourth quarter a decision was made to cease operations and close down the Residential fitness club and Power Club (ETC) fitness club in Sofia as well Lamac club in Slovakia (the club was operational until end of 2022).

Numbers of own fitness clubs in Foreign Markets countries

Country	12/2022	09/2022	06/2022	03/2022	12/2021	% change 12/2022 vs 09/2022	% change 09/2022 vs 06/2022	% change 06/2022 vs 03/2022	% change 03/2022 vs 12/2021
Czech Republic	14	13	13	14	13	8%	0%	-7%	8%
Bulgaria	8	9	9	9	9	-11%	0%	0%	0%
Slovakia	2	2	2	2	2	0%	0%	0%	0%
Total	**24**	**24**	**24**	**25**	**24**	**0%**	**0%**	**-4%**	**4%**

As no new lockdowns or other restrictions were imposed following the stabilisation of the pandemic situation, the active card base continued to grow rapidly across all foreign markets where the MultiSport programme is offered. At the same time, the companies operating fitness clubs carried out effective marketing activities to increase the number of active B2C subscribers (fitness club passes).

2.5.3. Other Activities and Corporate

The revenue presented in Corporate reflects intersegment eliminations.

Corporate

PLN '000	12 months ended December 31 2022	12 months ended December 31 2021 (restated)*	Change
Revenue	**(73)**	**(30)**	**141.0%**
Cost of sales	39	0	n/a
Gross profit	**(34)**	**(30)**	**12.2%**
Selling expenses	0	0	n/a
Administrative expenses	(1,460)	(2,617)	(44.2%)
Other income and expenses	(509)	(19)	2,578.9%
Operating profit/(loss)	**(2,003)**	**(2,666)**	**(24.9%)**
EBITDA	**(1,923)**	**(2,666)**	**(27.9%)**

** The restatement reflects the combination of the Poland and Cafeterias segments.*

SELECTED FINANCIAL RATIOS

Financial ratios

Profitability ratios	**12 months ended December 31 2022**	**12 months ended December 31 2021**	**Change**
Gross margin	27.1%	18.9%	8.2pp
EBITDA margin	23.3%	21.5%	1.8pp
EBIT margin	11.1%	(0.4%)	11.6pp
Pre-tax margin	9.2%	(1.5%)	10.9pp
Net margin	7.2%	(2.4%)	9.6pp
Return on equity (ROE)	19.2%	(4.0%)	23.1pp
Return on assets (ROA)	6.2%	(1.1%)	7.3pp
Liquidity ratios	**12 months ended December 31 2022**	**12 months ended December 31 2021**	**Change**
Current ratio	0.76	0.66	15.0%

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 equity.

For the calculation of additional financial ratios, see Note 3.38.

2.6. OUTLOOK

The outlook for the coming periods is significantly affected by the armed conflict in Ukraine, which may harm the economies of the countries where the Group operates in a number of ways, such as higher prices of energy, raw materials and fuels, accelerating inflation, slowing business activity in certain industries leading to increased unemployment, or depreciation of local currencies, and this, in turn, may hamper the demand for the services and products offered by the Group and lead to higher operating expenses.

The Group invariably sees high long-term growth potential for the MultiSport programme, which is currently at a relatively early stage of development, in Poland and foreign markets. Moreover, the COVID-19 pandemic may, in the long term, increase public awareness of matters related to health protection and immunity improvement. This 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 2022, the Benefit Systems Group reported an 8% year-on-year increase in average workforce, from 1,374 to 1,487 employees. Given the nature of its business, the Benefit Systems Group attaches great importance to the continuous improvement of its employees' qualifications, and approximately 73% of them are university graduates.

3.2. FINANCIAL RESOURCES MANAGEMENT

In 2022, the effective management by the Benefit Systems Group of its financial resources was not threatened, 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 2022, the Parent redeemed PLN 100m worth of bonds, as described in Note 22 to the consolidated financial statements of the Benefit Systems Group for 2022. As at December 31st 2022, the Group held approximately PLN 218m of available funds in bank accounts, PLN 43.9m of undrawn funds available under overdraft facilities, and PLN 115m of undrawn funds under an investment credit facility.

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.

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

In the reporting period, no non-recurring or extraordinary business events or circumstances occurred, which would have a material bearing on the financial results of the Benefit Systems Group. Any material non-recurring business events that could inform the analysis of the Group's performance relative to comparative periods or their recognition for accounting purposes are detailed in the comments on the affected operating segment (or on the Other Activities and Corporate segment).

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. In the third quarter of the calendar year, the activity of holders of sport cards and vouchers tends to be lower than in the first, second and fourth quarters of the year, which affects revenue and profitability of the sport card business and the operation of fitness clubs. On the other hand, seasonality of cafeterias sales is reflected in an increase in revenue in the last month of the year, partly attributable to the Christmas period.

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

In 2022, 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 1% 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 2022, following impairment testing the Group recognised a PLN 6.1m impairment loss on loans granted and impairment losses on property, plant and equipment totalling PLN 0.8m. No impairment losses were recognised on intangible assets. As at December 31st 2022, impairment losses on trade receivables amounted to PLN 22.1m, including an additional PLN 0.3m impairment loss recognised and a PLN 3.0m 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 2022 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

In 2022 no breach of substantial provision of credit and loan facility agreements occurred, while all credit and loan liabilities were timely paid.

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

In 2022, the Group purchased property, plant and equipment for a total amount of PLN 65.7m. The expenditure mainly involved purchases of fitness equipment, fit-out of fitness clubs and investments in clubs' premises.

3.11. RESEARCH AND DEVELOPMENT ACTIVITIES

In 2022, the Group did not carry out any material research or development activities.

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 2022, the Benefit Systems Group recognised inventory write-downs of PLN 48 thousand.

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

In 2022, 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 2022, 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 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.

Despite fully achieving the target adjusted consolidated operating profit under the Scheme and the high likelihood of satisfying the other applicable criteria, the Group has not recognised the Scheme costs for 2022 as the process to launch the Scheme, including granting warrants to the eligible participants, was completed by the reporting date, which in accordance with IFRS 2 precludes recognition of such costs for 2022.

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 allotted 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 15th 2022, the Management Board of the Parent adopted a dividend policy for 2023-2025, under which the Management Board will recommend to the General Meeting payment of dividend of at least 60% of the Group's consolidated net profit for the previous financial year, less any unrealised foreign exchange gains or losses for the same period. 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 effective and applies as of the distribution of profit for the financial year ended December 31st 2022. The policy was positively assessed by the Supervisory Board of the Parent on December 15th 2022. The Management Board of the Parent also resolved to disapply the Dividend Policy for 2020–2023.

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 2022 (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 2022.

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 2022 and 2021 and to issue opinions and reports on the audits and reviews. For information on the auditor’s fees for 2022 and 2021, see Note 34.4 to the consolidated financial statements of the Benefit Systems Group for the 12 months ended December 31st 2022.

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

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 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.

Agreements signed with PKO BP S.A.

On May 5th 2022, agreements were signed between PKO BP S.A. and Benefit Systems S.A. Pursuant to the agreements, the PLN 50m multi-purpose credit facility agreement of August 22nd 2017 and the PLN 100m investment facility agreement of March 19th 2018 were terminated. The multi-purpose credit facility agreement was terminated with effect from May 5th 2022. The investment facility agreement was terminated with effect from May 13th 2022. The outstanding balance of PLN 37m was repaid in full on the same day.

Execution of an agreement concerning a multi-purpose credit facility contracted from BNP Paribas Bank Polska S.A.

On June 30th 2022, an agreement was signed between BNP Paribas Bank Polska S.A. and Benefit Systems S.A., whereby the parties amended and restated the multi-purpose credit facility agreement bis of January 24th 2020. Under the amendment and restatement agreement, the facility limit was reduced from PLN 30m to PLN 1m. The purpose of the facility is the provision of bank guarantees.

Execution of amendment agreements with Santander Bank Polska S.A.

On June 30th 2022, Santander Bank Polska S.A. and Benefit Systems S.A. signed an amendment agreement to the Multi-Facility Agreement, whereby the available bank guarantee limit was increased from PLN 65m to PLN 70m.

On October 10th 2022, Santander Bank Polska S.A. and Benefit Systems S.A. signed an amendment agreement to the Multi-Facility Agreement, whereby the maximum term and expiration date of one of the bank guarantees under the agreement were changed.

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 2022.

Contingent liabilities

Contingent liabilities PLN '000	As at the issue date of the report for 2022	As at the issue date of the report for nine months ended September 30 2022	Change
Sureties and guarantees	8,001	8,224	(223)

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

In 2022, the Parent did not issue any shares or sell any treasury shares.

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 2022.

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 2022			As at the issue date of the report for nine months ended September 30 2022			
Shareholder	**Number of shares**	**Ownership interest**	**Voting interest**	**Number of shares**	**Ownership interest**	**Voting interest**	**Change**
James van Bergh*	453,691	15.47%	15.47%	453,691	15.47%	15.47%	-
Nationale-Nederlanden PTE	307,053	10.47%	10.47%	199,000	6.78%	6.78%	108,053
General PTE**	276,572	9.43%	9.43%	219,655	7.49%	7.49%	56,917
Drugi Allianz OFE***	276,290	9.42%	9.42%	199,000	6.78%	6.78%	77,290
Marek Kamola	237,440	8.09%	8.09%	237,440	8.09%	8.09%	-
Fundacja Drzewo i Jutro*	208,497	7.11%	7.11%	233,497	7.96%	7.96%	(25,000)
Benefit Invest Ltd.*	70,421	2.40%	2.40%	295,421	10.07%	10.07%	(225,000)
Invesco Ltd.	0	0.00%	0.00%	288,577	9.84%	9.84%	(288,577)
Other	1,103,578	37.62%	37.62%	807,261	27.52%	27.52%	296,317
TOTAL	**2,933,542**	**100.00%**	**100.00%**	**2,933,542**	**100.00%**	**100.00%**	**-**

** Related individuals and/or entities as described in 'Related-party transactions' in the Group's full-year consolidated financial statements for 2022.*
*** On February 1st 2023, General PTE took over the management of NNLife OFE's portfolio (formerly: MetLife OFE).*
**** Formerly: Aviva OFE AVIVA Santander.*

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 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 2022		As at the issue date of the report for nine months ended September 30 2022		
Management Board	**Number of shares**	**Equity interest**	**Number of shares**	**Equity interest**	**Change**
Bartosz Józefiak	864	0.03%	664	0.02%	200
Emilia Rogalewicz	2,500	0.09%	2,500	0.09%	-
Wojciech Szwarc	2,620	0.09%	2,620	0.09%	-
Total	**5,984**	**0.20%**	**5,784**	**0.20%**	**200**

Warrants held by members of the Management Board as at the issue date of the report for 2022

Management Board	Series L Warrants granted for 2022	Unexercised Warrants Series L
Bartosz Józefiak	4 000	4 000
Emilia Rogalewicz	4 000	4 000
Wojciech Szwarc	3 000	3 000
Total	**11 000**	**11 000**

The exercise price of the options granted as at the issue date of the report for 2022 is PLN 491.93.

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

	As at the issue date of the report for 2022		As at the issue date of the report for nine months ended September 30 2022		
Supervisory Board	**Number of shares**	**Equity interest**	**Number of shares**	**Equity interest**	**Change**
James van Bergh*	453,691	15.47%	453,691	15.47%	-
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	**453,691**	**15.47%**	**453,691**	**15.47%**	**-**

** 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 70,421 shares in Benefit Systems S.A., representing 2.40% of its share capital and the same percentage of total voting rights (as at the issue date of the report for 2022). 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 7.11% 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

Where the employment contract with a member of the Management Board of Benefit Systems S.A. is terminated by the Employer (after the contract has been in force for 12 months), the Employer guarantees the payment of a severance pay equal to three times the gross monthly base salary under the employment contract and the consideration due to the Employee for appointment to the Management Board, plus three times the gross consideration due to the Employee for serving as an appointed member of the Management Board member, payable in two equal instalments: the first one on the date of termination and the second one after 90 days from the date of termination. 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 2022, 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 2022

Member of the Management Board (PLN thousand)	Remuneration	Other benefits	Total
Bartosz Józefiak	1,345	20	1,365
Emilia Rogalewicz	1,345	17	1,362
Wojciech Szwarc	1,016	20	1,036
Total	**3,706**	**57**	**3,763**

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

No members of the Management Board held any Series K1, K2 or L warrants that were due or potentially due as at the end of 2022.

Remuneration of members of the Supervisory Board of Benefit Systems S.A. from January 1st 2022 to December 31st 2022 (no remuneration from subsidiaries)

Supervisory Board (PLN thousand)	Remuneration	Other benefits	Total
James van Bergh	141	0	141
Marcin Marczuk	105	0	105
Artur Osuchowski	78	0	78

Michael Sanderson	63	0	63
Michael Rohde Pedersen	63	0	63
Total	**450**	**1**	**451**

3.32. CONTROL SYSTEMS FOR EMPLOYEE STOCK OPTION PLANS

See section 3.16. 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 December 31st 2022.

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), the proceedings were closed following the issue, on December 7th 2021, of a decision by the President of UOKiK ("Decision 2") under Art. 12.1 of the Act on Competition and Consumer Protection of February 16th 2007. By Decision 2, the President of UOKiK did not impose any fine on the Company and obliged the Company to take certain measures described in Note 34.1 to the consolidated financial statements of the Group for 2022.

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

In 2022, 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 2022, 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) and/or commissions receivable from cafeteria partners in the medium term in a situation of significant cost pressures due to high inflation (salaries and wages, energy costs, inflation-adjusted rents, outsourcing 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. In 2022, the Group was able to increase the prices of its products without causing customer attrition.

Risk of deteriorating macroeconomic conditions, including due to Russia's invasion of Ukraine and global economic factors

The risk of a macroeconomic downturn due to Russia's invasion of Ukraine and its global repercussions, manifest in a lower GDP growth rate, slowing business activity and deterioration in labour market conditions, may materialise in the form of revenue decline if customers and users choose to save money by spending less on sports and recreation and other non-pay benefits, which may lead to an increased customer churn rate. In addition, despite the deterioration of macroeconomic conditions, the continuing inflationary pressure and rising commodity prices result in increased operating expenses and finance costs due to, e.g., higher energy prices and a further increase in reference rates, which may further add to the adverse effect 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 of the sport card market in Poland and continues to expand the range of sports and recreational activities offered under the MultiSport programme at the Group's own sports facilities and through a network of partner facilities. The Group is also active on the market of other non-pay employee benefits, such as cafeteria solutions (MyBenefit platform), developing and adapting its offering in line with evolving employer expectations as well as creating new products/services, e.g. the MultiLife Card.

The Group's main competitors on the sport card market in Poland are Medicover Sport and PZU Sport. Medicover Sport launched a card that bundles medical care with fitness services (a healthcare and fitness plan) provided through a continuously 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 decision makers at large companies' HR departments responsible for purchasing non-pay benefits for employees as they already provide medical and insurance services to such customers. 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). There is a risk that chains of partners sports facilities owned by competitors will terminate agreements to accept the Group's sport cards, reducing their attractiveness to the Group's existing and potential future customers. As a result of further acquisitions of sports facilities by other companies, the competition in card prices may also extend to the prices of passes and the flexibility of their validity periods.

Strong competition also exists in the market of cafeteria solutions, necessitating swift adaptation in response to ever changing employer expectations and market conditions, including by continuously developing cafeteria platform technologies and expanding the product and service offering. With regard to cafeteria solutions, there is a risk that competitors will deploy more advanced and attractive technologies (e.g. in terms of the number of functionalities, improved user experience, and enhanced speed and security), providing better integration with employers' systems, as well as being able to offer new innovative non-pay employee benefit services more quickly.

Competition 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 and (ii) day-to-day operations of the Group and its own fitness clubs. Sudden changes in the activity of users (MultiSport cardholders) may result in inadequate prices of the 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 changing 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.

A portion of the Group's revenue from sales of MultiSport cards and cafeteria programmes is financed or co-financed by customers using their companies' social benefits funds, the creation of which is regulated applicable legislation. Lifting of or changes to the requirement for employers to establish such funds could have an adverse effect on the Group's business.

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), especially in premium locations, may deprive the Group of the required geographical reach to users, subsequently leading to an increased number of MultiSport card cancellations. The risk may have a material adverse effect on the Group's business, financial condition or growth prospects.

The Group also 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 become temporarily or permanently unable to pay its liabilities towards the Group. Accordingly, the Group on an ongoing basis monitors the operating and financial condition of partners which are also its borrowers.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to pay its liabilities 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 as a result of customers' failure to pay their liabilities towards the Group or partners' failure to repay loans). 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, TRY, and, until year-end 2022, HRK). In addition, a significant portion of the Group's lease contracts are executed in EUR and accounted for based on the EUR/PLN exchange rate.

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

The size of the Group (comprising subsidiaries and associates) and its further growth plans, including development of new business lines and expansion of its own fitness club chain, are key factors translating into increasing complexity and the Group's operations and their management. The complexity of the Group raises the materiality of operational risk, including related to processes, technologies, infrastructure, human resources, and external factors that arise from the Group's activities. A loss, damage, or other adverse occurrence in any of those areas may have a bearing on the Group's financial performance.

Reducing this risk requires significant commitment of resources and additional expenses related to the integration of new companies and business lines, introduction of unified corporate governance policies, further centralisation of key processes, design and implementation of effective internal controls, as well as effective management.

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.

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

The Group relies extensively on technology in its operations.

Despite regular monitoring by the Group of technological developments in the market, it cannot be ruled out that the technologies used by the Group will become unattractive in terms of cost or quality to the Group, its customers or their end users, and a switch to new technologies or upgrading the existing ones will require significant financial expenditure and their effective implementation will be time-consuming and involve a major commitment of resources. In addition, no assurance can be given that competitors offering customers and users more advanced and attractive technological solutions (e.g. in terms of the number of functionalities, improved user experience, and enhanced speed and security) will not enter the Group's markets.

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

The Group's IT risks are managed by putting in place appropriate procedures and controls, which enable their effective prevention or mitigation. In particular, the Company has in place procedures and mechanisms for developing and maintaining systems, managing changes, and ensuring data security. The Company relies on redundant hardware and system solutions to minimise the risk of disruption to its key IT systems. Its cybersecurity management efforts include continual updating of network security systems. The Group uses solutions well tried and tested on the market.

Its activities supporting the principal card product (MultiSport membership card) 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 2022 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 31 2022	December 31 2021
Equity	725,416	601,677
Equity	**725,416**	**601,677**

Equity	725,416	601,677
Borrowings, other debt instruments	84,706	221,935
Lease liabilities	954,595	936,835
Total sources of funding	**1,764,717**	**1,760,447**
Equity to total sources of funding	**0.41**	**0.34**
Net profit	139,077	(23,855)
Share of profit/(loss) of equity-accounted entities	(2,292)	956
Net finance income/(costs)	(33,887)	(14,086)
Income tax	37,495	6,715
Depreciation and amortisation	232,076	209,098
EBITDA	**444,827**	**205,088**
Theoretical operating lease costs under IAS 17 *	146,376	132,295
Gain/(loss) on closing and changing the contract scope	563	1,563
Effect of IFRS 16	**146,939**	**133,857**
EBITDA, net of IFRS 16	**297,888**	**71,231**
Borrowings, other debt instruments	84,706	221,935
Cash and cash equivalents at end of period	218,327	253,015
Debt (Net financial liabilities)	**(133,621)**	**(31,080)**
Debt to EBITDA	**(0.30)**	**(0.15)**
Debt to EBITDA, net of IFRS 16	**(0.45)**	**(0.44)**

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

4. STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES BY BENEFIT SYSTEMS S.A. (THE "COMPANY") IN 2022 – ANNEX TO THE DIRECTORS' REPORT ON THE OPERATIONS OF THE BENEFIT SYSTEMS GROUP FOR 2022

4.1 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 2022 the Company made every effort to comply with the corporate governance principles set out in the Code of Best Practice for WSE Listed Companies.

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

The Best Practice 2021 is available at

www.gpw.pl/pub/GPW/pdf/DPSN_2021.pdf

4.2 Statement of compliance with the recommendations and principles set out in the Best Practice for WSE Listed Companies 2021

a. In 2022, the Company followed the recommendations and specific principles of the Best Practice for WSE Listed Companies 2021 ("Best Practice 2021"), effective from July 1st 2021, with the exception of 11 principles, i.e.: 1.3., 1.3.1., 1.3.2., 1.4.,1.4.1., 1.4.2., 2.1., 2.2., 3.7., 3.10., 4.1., 6.3:

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. In February 2023 B Corp certification has been approved for the following 3 years in the recertification process. 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 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.

The Company is currently finalising work on a new comprehensive ESG strategy to be implemented in the first half of 2023.

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. The Company is currently working on a new comprehensive ESG strategy to be implemented in the first half of 2023.

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.

In the third quarter of 2022, the Supervisory Board and General Meeting of the Company (the “Supervisory Board” and “General Meeting”, respectively) adopted a ‘Diversity Policy for Members of the Management Board of Benefit Systems S.A.’ and a ‘Diversity Policy for Members of the Supervisory Board of Benefit Systems S.A.’, which define diversity goals and criteria in such areas as gender, education, expertise, age and professional experience, and which specify the time limit for achieving the goals and the manner of monitoring of their delivery.

As at December 31st 2022, with respect to the criterion of gender diversity in the Management Board of Benefit Systems S.A. (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 Diversity Policy for Members of the Supervisory Board imposes a requirement that women represent no less than 30% of the Supervisory Board by 2030 at the latest.

Principle 2.2. Decisions to elect members of the management board or the supervisory board of companies should ensure that the composition of those bodies is diverse by appointing persons ensuring diversity, among others in order to achieve the target minimum participation of the minority group of at least 30% according to the goals of the established diversity policy referred to in principle 2.1.

The principle is not applied.

In the third quarter of 2022, the Supervisory Board and General Meeting adopted a ‘Diversity Policy for Members of the Management Board of Benefit Systems S.A.’ and a ‘Diversity Policy for Members of the Supervisory Board of Benefit Systems S.A.’, which define diversity goals and criteria in such areas as gender, education, expertise, age and professional experience, and which specify the time limit for achieving the goals and the manner of monitoring of their delivery.

As at December 31st 2022, 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 Diversity Policy for Members of the Supervisory Board imposes a requirement that women represent no less than 30% of the Supervisory Board by 2030 at the latest.

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 Best Practice 2021. 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 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 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. Since 2021, the Supervisory Board has been legally required to submit to the General Meeting a report on the remuneration of the members of the Management Board and Supervisory Board 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 and associates 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.

4.3 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 a lead independent auditor acting on behalf of the audit firm appointed to audit the Company's financial statements.

The Company monitors amendments to financial reporting laws and regulations (International Financial Reporting Standards) on an ongoing basis and updates its accounting policies accordingly. The Company performs control functions over the financial reporting of its subsidiaries consolidated for the purposes of the Group's financial statements.

4.4 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 2022			**As at the issue date of the report for nine months ended September 30 2022**			
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*	453,691	15.47%	15.47%	453,691	15.47%	15.47%	-
Nationale-Nederlanden PTE	307,053	10.47%	10.47%	199,000	6.78%	6.78%	108,053

General PTE**	276,572	9.43%	9.43%	219,655	7.49%	7.49%	56,917
Drugi Allianz OFE***	276,290	9.42%	9.42%	199,000	6.78%	6.78%	77,290
Marek Kamola	237,440	8.09%	8.09%	237,440	8.09%	8.09%	-
Fundacja Drzewo i Jutro*	208,497	7.11%	7.11%	233,497	7.96%	7.96%	(25,000)
Benefit Invest Ltd.*	70,421	2.40%	2.40%	295,421	10.07%	10.07%	(225,000)
Invesco Ltd.	0	0.00%	0.00%	288,577	9.84%	9.84%	(288,577)
Other	1,103,578	37.62%	37.62%	807,261	27.52%	27.52%	296,317
TOTAL	**2,933,542**	**100.00%**	**100.00%**	**2,933,542**	**100.00%**	**100.00%**	**-**

** Related individuals and/or entities as described in Note 28 'Related-party transactions' in the Group's full-year consolidated financial statements for 2022.*

*** On February 1st 2023, General PTE took over the management of NNLife OFE's portfolio (formerly: MetLife OFE).*

**** Formerly: Aviva OFE AVIVA Santander*

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.

4.5 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.

4.6 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.

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

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

4.8 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.

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.

4.9 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.

4.10 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.

<u>Rules governing participation in the General Meeting.</u>

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.

<u>Voting at the General Meeting.</u>

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.

4.11 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 2022, 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 2022, 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 2022, 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 2022, the Audit Committee held four meetings.

The Company has the following regulations in place:

1) Policy for the selection of the audit firm for Benefit Systems S.A.
2) Procedure for the selection of the audit firm for Benefit Systems S.A.
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 audit firm to audit the financial statements of Benefit Systems S.A., and contain provisions on how the Management Board and the Audit Committee should proceed in the event that it is necessary to approve the contracting of permitted non-audit services. They take into account the requirements laid down in the Act on Statutory Auditors, Audit Firms and Public Oversight (the "Statutory Auditors Act"), Regulation (EU) No. 537/2014 of the European Parliament and of the Council of April 16th 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC ("Regulation 537/2014"), and the Company's Articles of Association.

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. confirmation that the audit firm has not lost its qualification to audit the Company's financial statements and that no other circumstances have arisen which would prevent the audit firm from conducting the audit;
c. the price;
d. the past experience in auditing public-interest entities, in particular those listed on the Warsaw Stock Exchange, and in auditing entities with a business profile similar to that of the Company;
e. the capacity to provide the full range of services specified by the Company (audit and review of separate and consolidated financial statements reviews, etc.);
f. the capacity to conduct audits withing a timeframe specified by the Company;
g. 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 lead 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 services whose provision is prohibited by law, other than audit of financial statements or legally required financial auditing activities.

2) The prohibited services referred to in item 1 above mean the services defined in Art. 5 of Regulation 537/2014 and Art. 136 of the Statutory Auditors Act.

3) The services referred to in Art. 136.2 of the Statutory Auditors Act are not considered as prohibited services.

4) A lead 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 the Company and the consolidated financial statements of the Group in 2022, provided permitted non-audit services to the Company and the Group, which involved a review of half-year separate financial statements of the Company and half-year consolidated financial statements of the Group, as well as an additional assurance service, i.e. an 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 2022.

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 compliance with the legal and regulatory requirements to provide a permitted non-audit service, the Audit Committee gave its consent.

Changes in the Company's governing bodies in 2022

The composition of the Management Board did not change in 2022.

The composition of the Supervisory Board did not change in 2022.

In 2022, the function of the Remuneration Committee was performed by the Supervisory Board.

The composition of the Audit Committee did not change in 2022.

4.12 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 2022, 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 2022.

On August 11th 2022, the Supervisory Board of the Company resolved to adopt a 'Diversity Policy for Members of the Management Board of Benefit Systems S.A.'

On September 30th 2022, the Extraordinary General Meeting of the Company resolved to adopt a 'Diversity Policy for Members of the Supervisory Board of Benefit Systems S.A.'

AUTHORISATION FOR ISSUE

The full-year consolidated report of the Benefit Systems Group for the 12 months ended December 31st 2022 (including the comparative data) was authorised for issue by the Management Board of the Parent on March 21st 2023.

Date	Full name	Position	Signature
March 21st 2023	Bartosz Józefiak	Member of the Management Board	
March 21st 2023	Emilia Rogalewicz	Member of the Management Board	
March 21st 2023	Wojciech Szwarc	Member of the Management Board	