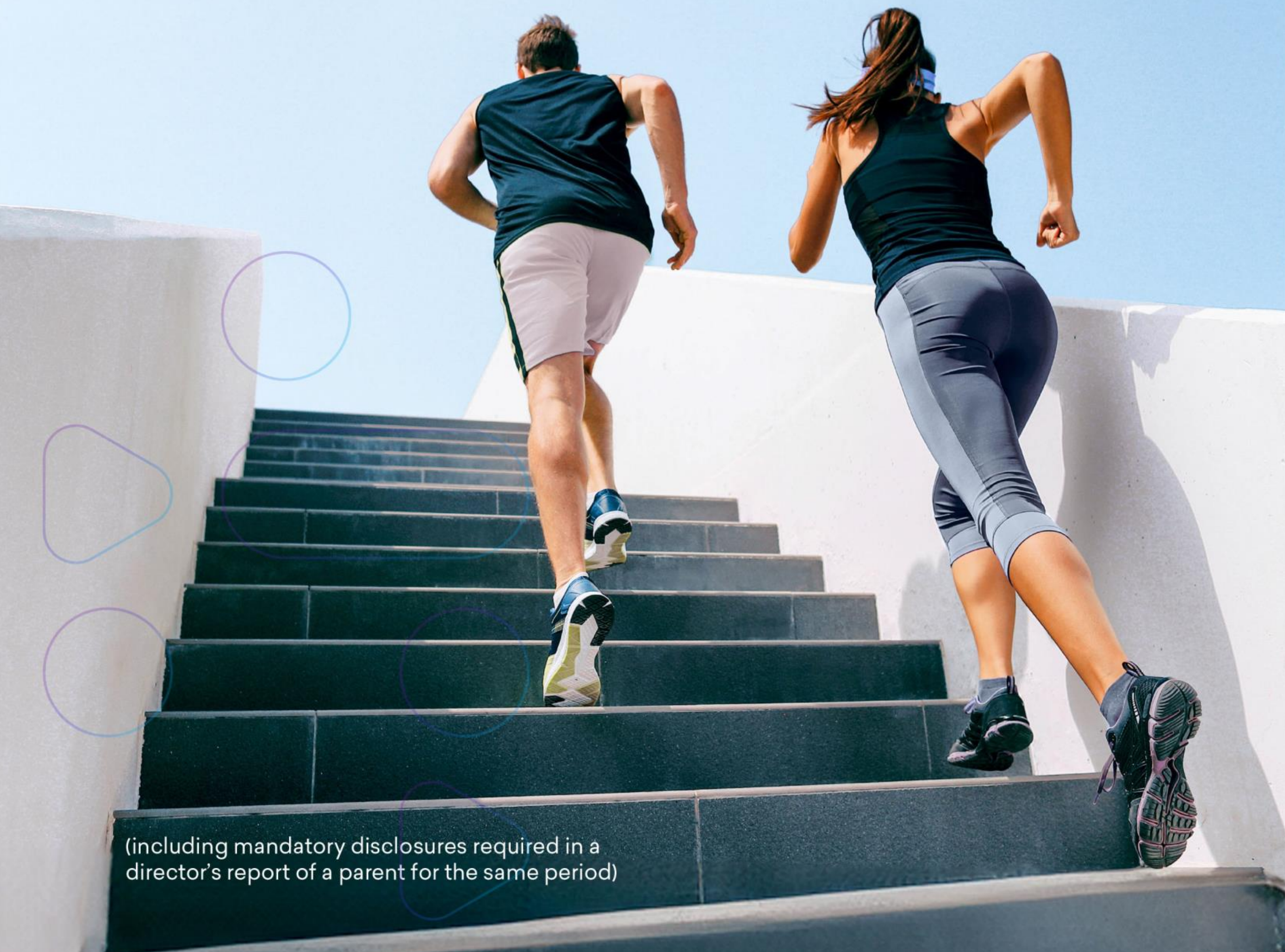
DIRECTORS' REPORT ON THE OPERATIONS OF THE BENEFIT SYSTEMS GROUP

FOR THE PERIOD JANUARY 1ST – DECEMBER 31ST 2023

Benefit Systems



(including mandatory disclosures required in a director's report of a parent for the same period)

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LETTER FROM THE MANAGEMENT BOARD

DEAR SHAREHOLDERS,

We are delighted to present the Directors' Report on the operations of the Benefit Systems Group, marking a historical event for our company. Our financial performance in 2023 reached record-breaking levels, confirming that consistent action based on our values and a well-chosen growth strategy yields the desired results even in a complex economic environment.

In 2023, the Group delivered a net profit of almost PLN 445m, representing a remarkable increase of 220% compared to 2022. EBITDA also experienced substantial growth, rising by 86% from PLN 445m to PLN 828m. Moreover, operating profit (EBIT) surged from PLN 213m to PLN 540m, by an impressive 154%. With capital expenditure having increased from PLN 155m to PLN 262m, this put the company into an excellent cash position. As at the end of the fourth quarter of 2023, we had almost twice as much cash as a year earlier (PLN 434m compared to PLN 218m), which allows us to further increase our competitive advantage, develop our offering and implement investment plans.

In 2023, the number of sport cards in Poland increased by 237 thousand, and by 64 thousand in foreign markets. As a result, as at the end of 2023 we had more than 1.9 million users of sport cards, including more than 1.4 million in Poland and almost 495 thousand abroad. The number of membership holders in our fitness clubs also grew rapidly. As at the end of 2023, it was 241 thousand in Poland, up 59 thousand on the end of 2022. In foreign markets, the number of membership holders rose by 1.7 thousand to 17.6 thousand at the end of 2023. These results stem from both an increase in the organic number of users and a larger number of own fitness clubs. In accordance with the adopted strategy, we are continuing to bolster our network. In Poland, it expanded to 218 locations in 2023, marking an increase of 48 facilities, including seven newly built clubs. Abroad, we opened eight new facilities, thus expanding the network of our own clubs to 31. A particularly noteworthy achievement is that the network of our own clubs which are part of the Poland segment recorded an operating profit exceeding PLN 55m for the first time in history, and the newly acquired clubs also made positive contributions to this result.

In 2023, we completed the transformation of the MyBenefit platform, enabling us to eliminate technological debt and integrate various tools from the HR Tech market into its offering. We also continued the development of the MultiLife programme, addressing the need to support employee well-being. We are pleased to observe the growing interest in this product and will soon offer additional functionalities that will enable employers to study, monitor, and enhance well-being levels in the organisation. All our products create a coherent ecosystem that supports employers in creating friendly and attractive workplaces. We are also glad to enable employees and customers to pursue personal and professional development and to achieve and maintain a balance between private and professional life.

2023 was also a remarkable period for us in the context of sustainable development. Our business model, partnership-based approach to stakeholders, and social initiatives were recognised by re-awarding Benefit Systems S.A. with the B Corp certificate. The international B Corp movement brings together 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. In 2018, we were the first public company in Central and Eastern Europe to receive this prestigious award, and in 2023 the certificate was renewed. At the same time, we have been working on the ESG Strategy of the Benefit Systems Group for 2024-2026, which has been approved and will soon be unveiled to the public. It sets priorities and specific measurable objectives that we intend to achieve in the next three years. For further insights into our approach to sustainable development, we encourage you to explore our ESG Report.

Based on the financial results achieved in 2023 and our performance in the first months of this year, we are optimistic about the future and aim to sustain a healthy and dynamic growth trajectory. Simultaneously, we will seek to maintain our existing operating profitability. Our robust cash position will enable us to continue expanding our investments. In 2024, we plan to open 15 new fitness clubs in Poland and 20 or more facilities in foreign markets. Moreover, we will increase expenditure on the development of products as well as IT tools and systems. We will also continuously scan the markets for potential acquisition opportunities.

Meanwhile, we are aware that the current environment is extremely demanding for many people, companies and sectors of the economy. Therefore, aligned with our mission, we will persist in fostering dialogue and collaboration with our stakeholders to effectively address their needs and, whenever feasible, enhance our endeavours to promote active lifestyles, psychophysical well-being, and societal development.

Management Board of Benefit Systems S.A.

KEY FIGURES OF THE BENEFIT SYSTEMS GROUP

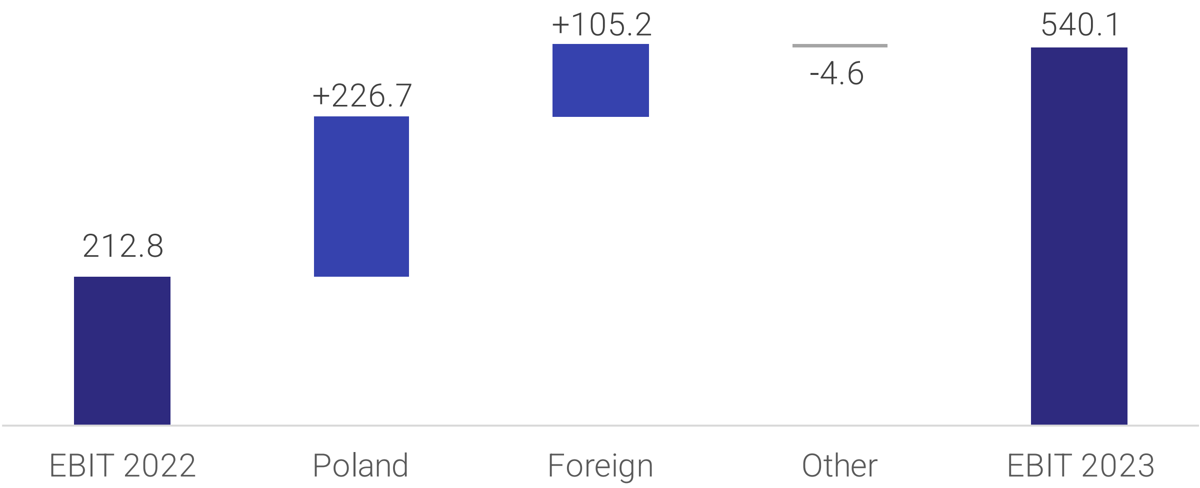
1.9m sport cards
+19% vs. 2022

PLN 540m EBIT*
(EBIT margin 19.5%)
+154% (+8.3 pp) vs. 2022

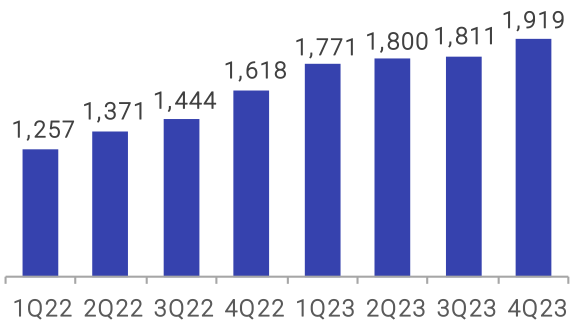
PLN 373m net cash
vs. PLN 134m as of 31.12.2022

* - EBIT – Operating profi

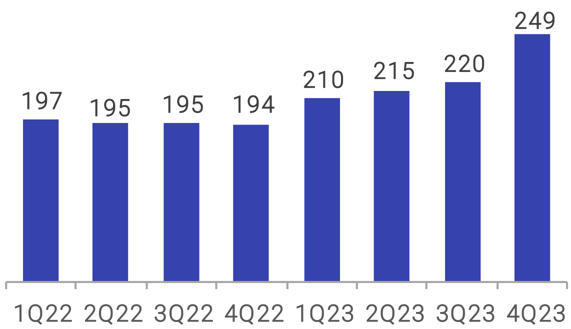
Year-on-year EBIT change at the Benefit Systems Group (PLNm)



No. of sport cards at the Group ('000)



No. of own clubs at the Group



1. SELECTED FINANCIAL DATA OF THE BENEFIT SYSTEMS GROUP AND THE PARENT

Selected financial data of the Benefit Systems Group

	1 Jan 2023–31 Dec 2023 PLN '000	1 Jan 2022–31 Dec 2022 PLN '000	1 Jan 2023–31 Dec 2023 EUR '000	1 Jan 2022–31 Dec 2022 EUR '000
Revenue	2,774,145	1,909,120	612,610	407,209
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	827,573	444,827	182,752	94,880
Operating profit	540,099	212,751	119,269	45,379
Profit before tax	553,409	176,572	122,209	37,662
Net profit	444,873	139,077	98,241	29,665
Net profit attributable to owners of the parent	439,645	138,124	97,086	29,461
Net cash from operating activities	830,457	439,669	183,389	93,780
Net cash from investing activities	(262,216)	(155,074)	(57,905)	(33,077)
Net cash from financing activities	(352,564)	(319,283)	(77,856)	(68,102)
Net change in cash and cash equivalents	215,677	(34,688)	47,628	(7,399)
Weighted average number of ordinary shares	2,933,542	2,933,542	2,933,542	2,933,542
Diluted weighted average number of ordinary shares	2,943,957	2,933,542	2,943,957	2,933,542
Earnings per ordinary share attributable to owners of the parent (PLN/EUR)	149.87	47.08	33.10	10.04
Diluted earnings per ordinary share attributable to owners of the parent (PLN/EUR)	149.34	47.08	32.98	10.04

	31 Dec 2023 PLN '000	31 Dec 2022 PLN '000	31 Dec 2023 EUR '000	31 Dec 2022 EUR '000
Non-current assets	2,098,639	1,767,710	482,668	376,918
Current assets	701,784	466,311	161,404	99,429
Total assets	2,800,423	2,234,021	644,072	476,347
Non-current liabilities	989,847	896,959	227,656	191,253
Current liabilities	812,246	611,646	186,809	130,418
Equity	998,330	725,416	229,607	154,676
Equity attributable to owners of the parent	996,758	727,033	229,245	155,021
Share capital	2,934	2,934	675	626
Number of ordinary 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)	339.78	247.83	78.15	52.84

All amounts are expressed in thousands of Polish złoty unless indicated otherwise. [TRANSLATION ONLY]

Selected financial data of Benefit Systems S.A. (the Parent)

	1 Jan 2023–31 Dec 2023 PLN '000	1 Jan 2022–31 Dec 2022 PLN '000	1 Jan 2023–31 Dec 2023 EUR '000	1 Jan 2022–31 Dec 2022 EUR '000
Revenue	1,853,364	1,268,370	409,276	270,539
Operating profit/loss	393,778	179,038	86,957	38,188
Profit before tax	435,995	167,864	96,280	35,805
Net profit	348,612	141,535	76,983	30,189
Net cash flows from operating activities	649,543	345,087	143,438	73,606
Net cash flows from investing activities	(196,090)	(114,215)	(43,302)	(24,362)
Net cash flows from financing activities	(313,335)	(283,756)	(69,193)	(60,524)
Net change in cash and cash equivalents	140,877	(52,303)	31,110	(11,156)
Weighted average number of ordinary shares	2,933,542	2,933,542	2,933,542	2,933,542
Diluted weighted average number of ordinary shares	2,943,957	2,933,542	2,943,957	2,933,542
Earnings/(loss) per ordinary share (PLN/EUR)	118.84	48.25	26.24	10.29
Diluted earnings per ordinary share (PLN/EUR)	118.42	48.25	26.15	10.29

	31 Dec 2023 (PLN '000)	31 Dec 2022 (PLN '000)	31 Dec 2023 (EUR '000)	31 Dec 2022 (EUR '000)
Total assets	2,320,182	2,087,709	533,620	445,150
Non-current liabilities	631,231	726,281	145,177	154,861
Current liabilities	621,986	511,562	143,051	109,077
Equity	1,066,966	849,866	245,392	181,212
Share capital	2,934	2,934	675	626
Number of ordinary 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)	363.71	289.71	83.65	61.77

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:

31 Dec 2023: 4.3480 PLN/EUR

31 Dec 2022: 4.6899 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:

1 Jan–31 Dec 2023: 4.5284 PLN/EUR

1 Jan–31 Dec 2022: 4.6883 PLN/EUR

highest exchange rates in the periods:

1 Jan–31 Dec 2023: 4.7895 PLN/EUR

1 Jan–31 Dec 2022: 4.9647 PLN/EUR

lowest exchange rates in the periods:

1 Jan–31 Dec 2023: 4.3053 PLN/EUR

1 Jan–31 Dec 2022: 4.4879 PLN/EUR

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2. FINANCIAL DATA OF THE BENEFIT SYSTEMS GROUP

2.1. Consolidated statement of financial position

Assets

	31 Dec 2023	31 Dec 2022
Goodwill	573,267	460,624
Intangible assets	138,691	128,983
Property, plant and equipment	333,266	294,412
Right-of-use assets	1,010,323	834,176
Investments in associates	3,097	2,435
Trade and other receivables	11,303	9,510
Loans and other non-current financial assets	6,848	9,653
Deferred tax assets	21,844	27,917
Non-current assets	**2,098,639**	**1,767,710**
Inventories	8,226	6,472
Trade and other receivables	256,403	236,756
Current tax assets	10	482
Loans and other current financial assets	3,141	4,274
Cash and cash equivalents	434,004	218,327
Current assets	**701,784**	**466,311**
Assets	**2,800,423**	**2,234,021**

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Equity and liabilities

	31 Dec 2023	31 Dec 2022
Share capital	2,934	2,934
Treasury shares	-	-
Share premium	291,378	291,378
Exchange differences on translation of foreign operations	(6,199)	(10,361)
Retained earnings	708,645	443,082
Equity attributable to owners of the parent	996,758	727,033
Non-controlling interests	1,572	(1,617)
Equity	**998,330**	**725,416**
Employee benefit provisions	384	259
Other provisions	-	10,767
Total long-term provisions	**384**	**11,026**
Trade and other payables	4	111
Deferred tax liability	1,815	3,212
Other financial liabilities	83,788	32,328
Borrowings, other debt instruments	41,866	60,566
Lease liabilities	861,990	789,716
Contract liabilities	-	-
Non-current liabilities	**989,847**	**896,959**
Employee benefit provisions	3,302	3,081
Other provisions	10,767	24
Total short-term provisions	**14,069**	**3,105**
Trade and other payables	443,741	369,888
Current income tax liabilities	90,900	9,515
Other financial liabilities	16,483	16,788
Borrowings, other debt instruments	18,663	24,140
Lease liabilities	200,487	164,879
Contract liabilities	27,903	23,331
Current liabilities	**812,246**	**611,646**
Total liabilities	**1,802,093**	**1,508,605**
Equity and liabilities	**2,800,423**	**2,234,021**

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2.2. Consolidated statement of profit or loss

	1 Jan 2023– 31 Dec 2023	1 Jan 2022– 31 Dec 2022
Revenue	**2,774,145**	**1,909,120**
Revenue from sales of services	2,736,733	1,882,240
Revenue from sales of merchandise and materials	37,412	26,880
Cost of sales	**(1,843,366)**	**(1,392,035)**
Cost of services sold	(1,821,736)	(1,375,376)
Cost of merchandise and materials sold	(21,630)	(16,659)
Gross profit	**930,779**	**517,085**
Selling expenses	(168,177)	(134,398)
Administrative expenses	(210,870)	(156,468)
Other income	9,208	7,787
Other expenses	(20,841)	(21,255)
Operating profit	**540,099**	**212,751**
Finance income	47,448	2,860
Finance costs	(38,626)	(35,391)
Loss allowances for financial assets	3,826	(1,356)
Share of profit/(loss) of equity-accounted entities	662	(2,292)
Profit before tax	**553,409**	**176,572**
Income tax	(108,536)	(37,495)
Net profit from continuing operations	**444,873**	**139,077**
Net profit	**444,873**	**139,077**
Net profit attributable to:		
- owners of the parent	439,645	138,124
- non-controlling interests	5,228	953

EARNINGS PER ORDINARY SHARE (PLN)

	1 Jan 2023– 31 Dec 2023	1 Jan 2022– 31 Dec 2022
Basic earnings per share from continuing operations	149.87	47.08
Basic earnings per share from discontinued operations	-	-
Earnings per share	**149.87**	**47.08**
Diluted earnings per share from continuing operations	149.34	47.08
Diluted earnings per share from discontinued operations	-	-
Diluted earnings per share	**149.34**	**47.08**

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2.3. Consolidated statement of profit or loss and other comprehensive income

	1 Jan 2023– 31 Dec 2023	**1 Jan 2022– 31 Dec 2022**
Net profit	**444,873**	**139,077**
Other comprehensive income	**4,585**	(3,041)
Items not reclassified to profit or loss	-	**-**
Items reclassified to profit or loss	***4,585***	*(3,041)*
- Exchange differences on translation of foreign operations	*4,585*	*(3,041)*
Comprehensive income	**449,458**	**136,036**
Comprehensive income attributable to:		
- owners of the parent	443,807	135,179
- non-controlling interests	5,651	857

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2.4. Consolidated statement of changes in equity

	Share capital	Treasury shares	Share premium	Exchange differences on translation of foreign operations	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at 1 Jan 2023	**2,934**	**-**	**291,378**	**(10,361)**	**443,082**	**727,033**	**(1,617)**	**725,416**
Changes in equity in the period 1 Jan 2023–31 Dec 2023								
Cost of equity-settled share-based payment plan	-	-	-	-	6,279	6,279	-	6,279
Increase in shares in subsidiary due to acquisition of non-controlling interest without change of control	-	-	-	-	(5,777)	(5,777)	(490)	(6,267)
Valuation of put options attributable to minority shareholders	-	-	-	-	(53,814)	(53,814)	(1,467)	(55,281)
Dividends	-	-	-	-	(120,770)	(120,770)	(505)	(121,275)
Total transactions with owners	**-**	**-**	**-**	**-**	**(174,082)**	**(174,082)**	**(2,462)**	**(176,544)**
Net profit for the period 1 Jan 2023−31 Dec 2023	-	-	-	-	439,645	439,645	5,228	444,873
Exchange differences on translation of foreign operations	-	-	-	4,162	-	4,162	423	4,585
Total comprehensive income	**-**	**-**	**-**	**4,162**	**439,645**	**443,807**	**5,651**	**449,458**
Total changes	-	-	-	4,162	265,563	269,725	3,189	272,914
Balance as at 31 Dec 2023	**2,934**	**-**	**291,378**	**(6,199)**	**708,645**	**996,758**	**1,572**	**998,330**

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Consolidated statement of changes in equity (cont.)

	Share capital	Treasury shares	Share premium	Exchange differences on translation of foreign operations	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at 1 Jan 2022	**2,934**	**-**	**291,378**	**(7,416)**	**316,851**	**603,747**	**(2,070)**	**601,677**
Changes in equity in the period 1 Jan 2022–31 Dec 2022								
Cost of equity-settled share-based payment plan	-	-	-	-	-	-	-	-
Increase in shares in subsidiary due to acquisition of non-controlling interest without change of control	-	-	-	-	(5,898)	(5,898)	227	(5,671)
Valuation of put options attributable to minority shareholders	-	-	-	-	(5,995)	(5,995)	(286)	(6,281)
Dividends	-	-	-	-	-	-	(345)	(345)
Total transactions with owners	**-**	**-**	**-**	**-**	**(11,893)**	**(11,893)**	**(404)**	**(12,297)**
Net profit for the period 1 Jan 2022−31 Dec 2022	-	-	-	-	138,124	138,124	953	139,077
Exchange differences on translation of foreign operations	-	-	-	(2,945)	-	(2,945)	(96)	(3,041)
Total comprehensive income	**-**	**-**	**-**	**(2,945)**	**138,124**	**135,179**	**857**	**136,036**
Total changes	-	-	-	(2,945)	126,231	123,286	(453)	123,739
Balance as at 31 Dec 2022	**2,934**	**-**	**291,378**	**(10,361)**	**443,082**	**727,033**	**(1,617)**	**725,416**

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2.5. Consolidated statement of cash flows

	1 Jan 2023– 31 Dec 2023	1 Jan 2022– 31 Dec 2022
Cash flows from operating activities		
Profit before tax	**553,409**	**176,572**
Total adjustments	293,540	268,725
Changes in working capital	4,511	14,007
Income tax paid	(21,003)	(19,635)
Net cash from operating activities	**830,457**	**439,669**
Cash flows from investing activities		
Purchase of intangible assets	(43,115)	(46,998)
Purchase of property, plant and equipment	(115,308)	(75,725)
Proceeds from sale of property, plant and equipment	12,960	2,565
Acquisition of subsidiaries, net of cash acquired	(124,978)	(36,168)
Proceeds from sale of associates	50	
Repayments of loans	2,146	952
Loans	(6,873)	(1,465)
Interest received	12,902	1,125
Dividends received	-	640
Net cash from investing activities	**(262,216)**	**(155,074)**
Cash flows from financing activities		
Net proceeds from issue of shares	18,612	-
Expenditure on transactions with non-controlling interests	(6,267)	(4,842)
Redemption of debt securities	-	(100,000)
Proceeds from borrowings	-	50,504
Repayment of borrowings	(28,167)	(87,749)
Payment of lease liabilities	(207,663)	(165,341)
Payments of interest	(7,804)	(11,510)
Dividends paid	(121,275)	(345)
Net cash from financing activities	**(352,564)**	**(319,283)**
Net change in cash and cash equivalents	**215,677**	**(34,688)**
Cash and cash equivalents at beginning of period	218,327	253,015
Cash and cash equivalents at end of period	**434,004**	**218,327**

All amounts are expressed in thousands of Polish złoty unless indicated otherwise. [TRANSLATION ONLY]

3. FINANCIAL DATA OF BENEFIT SYSTEMS S.A. (THE PARENT)

3.1. Separate statement of financial position

Assets

	31 Dec 2023	31 Dec 2022
Goodwill	281,225	277,555
Intangible assets	113,961	109,559
Property, plant and equipment	219,651	182,345
Right-of-use assets	670,960	697,158
Investments in subsidiaries	272,819	136,163
Investments in associates	2,415	2,415
Trade and other receivables	3,367	3,960
Loans and other non-current financial assets	239,939	306,491
Deferred tax assets	15,021	24,736
Non-current assets	**1,819,358**	**1,740,382**
Inventories	5,102	3,912
Trade and other receivables	208,320	195,859
Current tax assets	-	-
Loans and other current financial assets	3,130	4,160
Cash and cash equivalents	284,273	143,396
Current assets	**500,825**	**347,327**
Assets	**2,320,183**	**2,087,709**

All amounts are expressed in thousands of Polish złoty unless indicated otherwise. [TRANSLATION ONLY]

Equity and liabilities

	31 Dec 2023	31 Dec 2022
Share capital	2,934	2,934
Treasury shares	-	-
Share premium	230,792	230,792
Retained earnings	833,240	616,140
Equity	**1,066,966**	**849,866**
Employee benefit provisions	351	238
Other provisions	-	10,767
Trade and other payables	-	-
Other financial liabilities	5,421	3,109
Borrowings, other debt instruments	41,866	60,566
Lease liabilities	583,593	651,601
Non-current liabilities	**631,231**	**726,281**
Employee benefit provisions	2,098	1,598
Other provisions	10,767	-
Trade and other payables	349,286	287,726
Current income tax liabilities	78,831	6,348
Other financial liabilities	8,122	16,801
Borrowings, other debt instruments	18,591	23,982
Lease liabilities	135,654	159,645
Contract liabilities	18,637	15,462
Current liabilities	**621,986**	**511,562**
Total liabilities	**1,253,217**	**1,237,843**
Equity and liabilities	**2,320,183**	**2,087,709**

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3.2. Separate statement of profit or loss

	1 Jan 2023–31 Dec 2023	1 Jan 2022–31 Dec 2022
Revenue	**1,853,364**	**1,268,370**
Revenue from sales of services	1,825,314	1,249,852
Revenue from sales of merchandise and materials	28,050	18,518
Cost of sales	**(1,214,134)**	**(913,913)**
Cost of services sold	(1,197,279)	(903,259)
Cost of merchandise and materials sold	(16,855)	(10,654)
Gross profit	**639,230**	**354,457**
Selling expenses	(104,994)	(79,195)
Administrative expenses	(128,381)	(90,064)
Other income	4,591	4,625
Other expenses	(16,668)	(10,785)
Operating profit	**393,778**	**179,038**
Finance income	68,947	21,863
Finance costs	(30,204)	(32,562)
Loss allowances for financial assets	3,474	(475)
Profit before tax	**435,995**	**167,864**
Income tax	(87,383)	(26,329)
Net profit from continuing operations	348,612	**141,535**
Net profit	**348,612**	**141,535**
Gross margin (%)	34.49%	27.9%

EARNINGS PER ORDINARY SHARE (PLN)

	1 Jan 2023–31 Dec 2023	1 Jan 2022–31 Dec 2022
Basic earnings per share from continuing operations	118.84	48.25
Basic earnings per share from discontinued operations	-	-
Earnings per share	118.84	**48.25**
Diluted earnings per share from continuing operations	118.42	48.25
Diluted earnings per share from discontinued operations	-	-
Diluted earnings per share	118.42	**48.25**

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3.3. Separate statement of comprehensive income

	1 Jan 2023–31 Dec 2023	1 Jan 2022–31 Dec 2022
Net profit	**348,612**	**141,535**
Other comprehensive income	-	-
Items not reclassified to profit or loss	-	-
Items reclassified to profit or loss	-	-
Comprehensive income	**348,612**	**141,535**

3.4. Separate statement of changes in equity

	Share capital	Treasury shares	Share premium	Retained earnings	Total
Balance as at 1 Jan 2023	**2,934**	**-**	**230,792**	**616,140**	**849,866**
Changes in equity in the period 1 Jan 2023–31 Dec 2023					
Cost of equity-settled share-based payment plan	-	-	-	6,279	**6,279**
Merger reserve	-	-	-	(17,516)	**(17,516)**
Dividends	-	-	-	(120,275)	**(120,275)**
Total transactions with owners	**-**	**-**	**-**	**(131,512)**	**(131,512)**
Net profit for the period	-	-	-	348,612	**348,612**
Total comprehensive income	**-**	**-**	**-**	**348,612**	**348,612**
Total changes	**-**	**-**	**-**	**217,100**	**217,100**
Balance as at 31 Dec 2023	**2,934**	**-**	**230,792**	**833,240**	**1,066,966**

	Share capital	Treasury shares	Share premium	Retained earnings	Total
Balance as at 1 Jan 2022	**2,934**	**-**	**230,792**	**488,417**	**722,143**
Changes in equity in the period 1 Jan 2022–31 Dec 2022					
Cost of equity-settled share-based payment plan	-	-	-	-	-
Merger reserve	-	-	-	(13,812)	(13,812)
Dividends	-	-	-	-	-
Total transactions with owners	**-**	**-**	**-**	**(13,812)**	**(13,812)**
Net profit for the period	-	-	-	141,535	141,535
Total comprehensive income	**-**	**-**	**-**	**141,535**	**141,535**
Total changes	-	-	-	127,723	127,723
Balance as at 31 Dec 2022	**2,934**	**-**	**230,792**	**616,140**	**849,866**

All amounts are expressed in thousands of Polish złoty unless indicated otherwise. [TRANSLATION ONLY]

3.5. Separate statement of cash flows

	1 Jan 2023–31 Dec 2023	1 Jan 2022–31 Dec 2022
Cash flows from operating activities		
Profit before tax	**435,995**	**167,864**
Total adjustments	184,744	177,336
Changes in working capital	33,225	9,093
Income tax paid	(4,421)	(9,206)
Net cash from operating activities	**649,543**	**345,087**
Cash flows from investing activities		
Purchase of intangible assets	(36,732)	(40,313)
Purchase of property, plant and equipment	(60,994)	(46,558)
Proceeds from sale of property, plant and equipment	15,213	2,082
Acquisition of subsidiaries, net of cash acquired	(116,270)	(39,315)
Proceeds from sale of associates	50	-
Repayments of loans	42,935	38,184
Loans	(62,203)	(31,730)
Interest received	16,971	1,302
Dividends received	4,940	2,133
Net cash from investing activities	**(196,090)**	**(114,215)**
Cash flows from financing activities		
Net proceeds from issue of shares	18,612	-
Redemption of debt securities	-	(100,000)
Proceeds from borrowings	-	50,504
Repayment of borrowings	(24,091)	(74,559)
Payment of lease liabilities	(179,843)	(146,505)
Payments of interest	(7,738)	(13,196)
Dividends paid	(120,275)	-
Net cash from financing activities	**(313,335)**	**(283,756)**
Cash from business combinations	759	581
Net change in cash and cash equivalents	**140,877**	**(52,303)**
Cash and cash equivalents at beginning of period	143,396	195,699
Cash and cash equivalents at end of period	**284,273**	**143,396**

All amounts are expressed in thousands of Polish złoty unless indicated otherwise. [TRANSLATION ONLY]

4. THE GROUP AND ITS FINANCIAL RESULTS

4.1. General information and structure of the Benefit Systems Group

The Benefit Systems Group specialises in providing non-pay benefit solutions in the realm of sports, recreation, and employee well-being. The main product offered by the Parent is the MultiSport card, which grants access to a network of sports facilities, including those owned by the Group companies. The fitness club networks owned by the Group provide support and a competitive edge in the area of sport cards. The Group's business relies on synergies between the sale of sport cards and investments in fitness infrastructure both domestically and internationally. Apart from Poland, the Group is present in the Czech Republic, Slovakia, Bulgaria, Croatia and Turkey.

The Group also provides a MyBenefit online cafeteria platform enabling employees of business customers to choose from a variety of non-pay benefits from a list approved by the employer. Moreover, the Group offers solutions in the realm of culture and entertainment, such as the Cinema Programme and MultiTeatr, primarily accessible through the cafeteria platform.

Furthermore, within the MyBenefit cafeteria platform, tools are being developed to engage employees in activities conducted through gamification, an innovative and engaging incentive method based on elements of game mechanics.

The Benefit Systems Group is also developing MultiLife, an online accessible product focused on promoting employee well-being, particularly in the areas of mental health, personal development, healthy eating, and physical activity. MultiLife currently combines more than a dozen services such as psychologist's support, mindfulness course, consultations with dieticians and coaches, diet creator, yoga course, access to the Yes2Move online exercise platform, preventive medical examination package, e-books on Legimi, and Leanovatica, a streaming learning service.

The Group's products and services are mainly used by company employees (users), who receive them from their employers (Benefit Systems' B2B customers) as non-pay benefits. Customers are also individuals buying a membership or paying for one-off visits to fitness clubs belonging to the Group (B2C customers).

The Benefit Systems Group comprises the parent Benefit Systems S.A., which handles operations relating to sport cards, MyBenefit cafeteria and the MultiLife product and manages networks of its own fitness clubs in Poland, as well as subsidiaries and associates. Since 2022, the Group has been operating within two operating segments: Poland and Foreign Markets.

SUBSIDIARIES AND AFFILIATES

COMPANIES OF THE POLAND SEGMENT

Benefit Systems S.A. (the Parent) Benefit Systems S.A. is responsible for sales of MultiSport sport cards, MultiLife programme, and MyBenefit Cafeteria offering, as well as for operating owned fitness clubs and the 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.

Yes to Move Sp. z o.o. is the owner an online store that sells dietary and other supplements.

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 physioprophylactic medical services, including kinesitherapy (fitness improvement with exercise), aimed at maintaining or improving health.

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.

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.

FIT1 Sp. z o.o. is a subsidiary of Benefit Systems S.A. acquired in November 2022. The acquisition added five clubs, located in Gdańsk, Szczecin, Częstochowa, Katowice and Warsaw, to the Group's own club portfolio in 2023. The acquisition was made to expand the portfolio of the Group's own sports and recreation facilities, thus making the Group's main product – sport cards – more attractive to current and future customers.

FIT2 Sp. z o.o. is a subsidiary of Benefit Systems S.A. The acquisition was completed in March 2023 and added two clubs, located in Gdańsk and Szczecin, to the Group's own club portfolio. The acquisition was made to expand the portfolio of the Group's own sports and recreation facilities, thus making the Group's main product – sport cards – more attractive to current and future customers.

Sport Operator Sp. z o.o. is a subsidiary of Benefit Systems S.A. The acquisition was completed in March 2023 and added seven clubs, located in Gdańsk, Szczecin, Warsaw and Wrocław, to the Group's own club portfolio. The acquisition was made to expand the portfolio of the Group's own sports and recreation facilities, thus making the Group's main product – sport cards – more attractive to current and future customers.

Saturn Fitness Group Sp. z o.o. is a subsidiary of Benefit Systems S.A. The acquisition was completed in April 2023 and added six clubs, located in Chorzów, Gdynia, Gorzów, Łódź, Kraków and Warsaw, to the Group's own club portfolio. The acquisition was made to expand the portfolio of the Group's own sports and recreation facilities, thus making the Group's main product – sport cards – more attractive to current and future customers.

FIT3 Sp. z o.o. is a subsidiary of Benefit Systems S.A. The acquisition was completed in July 2023 and added one club, located in Warsaw, to the Group's own club portfolio. The acquisition was made to expand the portfolio of the Group's own sports and recreation facilities, thus making the Group's main product – sport cards – more attractive to current and future customers.

Concept Self Investment Sp. z o.o. is a subsidiary of Benefit Systems S.A. The acquisition was completed in July 2023 and added one club, located in Kraków, to the Group's own club portfolio. The acquisition was made to expand the portfolio of the Group's own sports and recreation facilities, thus making the Group's main product – sport cards – more attractive to current and future customers.

FIT4 Sp. z o.o. is a subsidiary of Benefit Systems S.A. The acquisition was completed in November 2023 and added one club, located in Bytom, to the Group's own club portfolio. The acquisition was made to expand the portfolio of the Group's own sports and recreation facilities, thus making the Group's main product – sport cards – more attractive to current and future customers.

Fit and More Sp. z o.o. is a subsidiary of Benefit Systems S.A. The acquisition was completed in November 2023 and added two clubs, located in Warsaw and Katowice, to the Group's own club portfolio. The acquisition was made to expand the portfolio of the Group's own sports and recreation facilities, thus making the Group's main product – sport cards – more attractive to current and future customers.

Manufaktura Zdrowia Sp. z o.o. is a subsidiary of Benefit Systems S.A. The acquisition was completed in September 2023 and added two clubs, located in Kraków and Zabierzów, to the Group's own club portfolio. The acquisition was made to expand the portfolio of the Group's own sports and recreation facilities, thus making the Group's main product – sport cards – more attractive to current and future customers.

Gravitan Warszawa Sp. z o.o. is a subsidiary of Benefit Systems S.A. The acquisition was completed in October 2023 and added two clubs, located in the Warsaw metropolitan area (Targówek and Janki), to the Group's own club portfolio. The acquisition was made to expand the portfolio of the Group's own sports and recreation facilities, thus making the Group's main product – sport cards – more attractive to current and future customers.

Active Sport i Rekreacja Sp. z o.o. is a subsidiary of Benefit Systems S.A. The acquisition was completed in November 2023 and added five clubs, located in Dąbrowa Górnicza, Zawiercie, Sosnowiec and Mysłowice, to the Group's own club portfolio. The acquisition was made to expand the portfolio of the Group's own sports and recreation facilities, thus making the Group's main product – sport cards – more attractive to current and future customers.

Interfit companies were acquired in December 2023. The acquisition added five clubs, located in Chorzów, Chrzanów, Gliwice, Rydułtowy and Zawiercie, to the Group's own club portfolio. The acquisitions were made to expand the portfolio of the Group's own sports and recreation facilities, thus making the Group's main product – sport cards – more attractive to current and future customers.

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. 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 subsidiaries, including Form Factory S.R.O. (Czech Republic, on 1 November 2023 it merged with Beck Box Club Praha S.R.O., another Czech company), Next Level Fitness EOD (Bulgaria), Form Factory Slovakia s.r.o. (Slovakia) and Fit Invest D.O.O. (Croatia). The company is also a shareholder of FII Investments Sp. z o.o., which is developing, through its subsidiary Fit Invest Spor Hizmetleri Ltd, fitness operations in Turkey.

The subsidiaries are responsible for investments in existing and new fitness facilities. At year-end, the Czech-based company managed a total of 17 clubs situated in Prague (14 facilities), Brno (two facilities) and Ostrava (one facility). The Bulgarian company managed 12 clubs located in Sofia, the Slovak company – one club in Bratislava, and the Croatian company – one club in Zagreb.

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**	**31 Dec 2023**	**31 Dec 2022**
POLAND SEGMENT			
Focusly Sp. z o.o.[1)]	ul. Skierniewicka 16/20, 01-230 Warsaw, Poland	-	100.00%
VanityStyle Sp. z o.o.	ul. Skierniewicka 16/20, 01-230 Warsaw, Poland	100.00%	100.00%
YesIndeed Sp. z o.o.[2)]	ul. Przeskok 2, 00-032 Warsaw, Poland	-	100.00%
Lunching.pl Sp. z o.o.[3)]	ul. Fabryczna 20A, 31-553 Kraków, Poland	87.63%	77.68%
Benefit Partners Sp. z o.o.[4)]	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%
Total Fitness Sp. z o.o.[5)]	Aleja Bohaterów Września 9, 02-389 Warsaw, Poland	100.00%	88.23%

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FIT 1 Sp. z o.o.[6)]	Plac Europejski 2, 00-844 Warsaw, Poland	100.00%	100.00%
FIT 2 Sp. z o.o.[6)]	Plac Europejski 2, 00-844 Warsaw, Poland	100.00%	-
Sport Operator Sp. z o.o.[6)]	Plac Europejski 2, 00-844 Warsaw, Poland	100.00%	-
FIT 3 Sp. z o.o.[7)]	Plac Europejski 2, 00-844 Warsaw, Poland	100.00%	-
Concept Self Investment Sp. z o.o.[7)]	Plac Europejski 2, 00-844 Warsaw, Poland	100.00%	-
Fit 4 Sp. z o.o.[8)]	Plac Europejski 2, 00-844 Warsaw, Poland	100.00%	-
Fit and More Sp. z o.o.[8)]	Plac Europejski 2, 00-844 Warsaw, Poland	100.00%	-
Saturn Fitness Group Sp. z o.o.[9)]	ul. Arkuszowa 18, 01-934 Warsaw, Poland	100.00%	-
Manufaktura Zdrowia Sp. z o.o.[10)]	ul. Krakowska 280, 32-080 Zabierzów, Poland	100.00%	-
Gravitan Warszawa Sp. z o.o.[11)]	ul. Malborska 39/A4/5, 03-286 Warsaw, Poland	100.00%	-
Zdrowe Miejsce Sp. z o.o.	ul. Odyńca 71, 02-644 Warsaw, Poland	80.00%	80.00%
Investment Gear 9 Sp. z o.o.[12)]	Plac Europejski 2, 00-844 Warsaw, Poland	100.00%	-
Investment Gear 10 Sp. z o.o.[12)]	Plac Europejski 2, 00-844 Warsaw, Poland	100.00%	-
Active Sport i Rekreacja Sp. z o.o.[13)]	ul. Górnośląska 8, 42-400 Zawiercie, Poland	100.00%	-
Interfit Club 1.0 Sp. z o.o.[14)]	ul. Ignacego Daszyńskiego 68, 44-100 Gliwice, Poland	75.00%	-
Interfit Club 4.0 Sp. z o.o.[14)]	ul. Ignacego Daszyńskiego 68, 44-100 Gliwice, Poland	75.00%	-
Interfit Club 5.0 Sp. z o.o.[14)]	ul. Ignacego Daszyńskiego 68, 44-100 Gliwice, Poland	75.00%	-
Interfit Consulting Sp. z o.o. sp. k[14)]	ul. Ignacego Daszyńskiego 68, 44-100 Gliwice, Poland	75.00%	-
FOREIGN MARKETS SEGMENT			
Benefit Systems International S.A.[15)]	ul. Młynarska 8/12, 01-194 Warsaw, Poland	97.60%	97.20%
Fit Invest International Sp. z o.o.	ul. Młynarska 8/12, 01-194 Warsaw, Poland	97.60%	97.20%
BSI Investments Sp. z o.o.[16)]	ul. Młynarska 8/12, 01-194 Warsaw, Poland	92.13%	90.40%
FII Investments Sp. z o.o.[17)]	ul. Młynarska 8/12, 01-194 Warsaw, Poland	97.60%	-
Form Factory Slovakia S.R.O.	Prievozská 14, Bratislava - mestská časť Ružinov 821 09, Slovakia	97.60%	97.20%
Form Factory S.R.O.[18)]	Vinohradská 2405/190 Vinohrady, 130 00 Praha 3, Czech Republic	98.75%	97.20%
Beck Box Club Praha S.R.O.[18)]	Vinohradská 2405/190 Vinohrady, 130 00 Praha 3, Czech Republic	-	97.20%
Next Level Fitness EOOD	Bul. Simeonovsko Shosse 35, 1700 Sofia, Bulgaria	97.60%	97.20%
MultiSport Benefit S.R.O.	Lomnickeho 1705/9, 140 00 Praha 4, Czech Republic	97.60%	97.20%
Benefit Systems Spor Hizmetleri Ltd	Eski Büyükdere Caddesi No: 7, GİZ 2000 Plaza, Kat 4. 13. VE 14. Bağımsız Bölümler, Maslak, Sarıyer/ 34398 İstanbul, Turkey	92.13%	90.40%
Fit Invest Spor Hizmetleri Ltd[19)]	Ayazaga District, Mimar Sinan Street, Seba Office D Block No: 21 D/45 Sarıyer/ 34396 İstanbul, Turky	97.60%	-
Benefit Systems Slovakia S.R.O.	Prievozská 14, Bratislava - mestská časť Ružinov 821 09, Slovakia	95.65%	95.26%
Benefit Systems D.O.O.	Zagreb (Grad Zagreb) Heinzelova 44, Croatia	94.67%	94.28%
Fit Invest d.o.o.[20)]	Osijek (Grad Osijek) Lorenza Jagera 14 street, 31000, Osijek, Croatia	97.60%	-

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Benefit Systems Bulgaria EOOD	11-13, Yunak Str., floor 1, 1612 Sofia, Bulgaria	93.70%	93.31%
Benefit Systems, storitve, D.O.O.	Komenskega street 36, 1000 Lublana, Slovenia	92.72%	92.34%
OTHER			
MW Legal Sp. z o.o.21)	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) The merger of Benefit Systems S.A. (the acquirer) and Focusly Sp. z o.o. (the acquiree) was registered on 30 November 2023.

2) The merger of Benefit Systems S.A. (the acquirer) and YesIndeed Sp. z o.o. (the acquiree) was registered on 29 September 2023.

3) An increase in the share capital of Lunching.pl Sp. z o.o. was registered on 27 February 2023, raising the Parent's interest in the company to 79.89%. Subsequently, on 23 June 2023, the Parent exercised the option provided in the share purchase agreement for a price of PLN 2.1m, further increasing its interest to 87.63% as at 30 September 2023. Since the date of acquisition of 73.97% of Lunching.pl shares (13 April 2022), the company has been consolidated based on the assumption that the Group exercises full (100%) control in view of the options included in the share purchase agreement. On 29 November 2023, the Extraordinary General Meeting passed a resolution to increase the share capital of Lunching.pl Sp. z o.o. As at 31 December 2023, the change was not entered in the National Court Register.

4) The merger of Benefit Systems S.A. (the acquirer) and Benefit Partners Sp. z o.o. (the acquiree) was registered on 30 November 2023.

5) On 4 April 2023, Benefit Systems S.A. acquired the residual 11.77% of shares in Total Fitness Sp. z o.o. for a price of PLN 14m, raising its equity interest in the company to 100%. Since the date of acquisition of 88.23% of Total Fitness Sp. z o.o. shares (4 November 2021), the company has been consolidated based on the assumption that the Group exercises full (100%) control in view of the options included in the share purchase agreement.

6) On 31 March 2023, the Parent acquired 100% of the shares in FIT 2 Sp. z o.o. and Sport Operator Sp. z o.o., which had taken over assets spun off from Calypso Fitness S.A., comprising nine out of the 12 organised parts of business (fitness clubs) owned by the company. The remaining three out of the 12 fitness clubs were spun off to FIT 1 Sp. z o.o., which is wholly owned by Benefit Systems (see Note 6.2).

7) On 31 July 2023, the Parent acquired 100% of the shares in FIT 3 Sp. z o.o. and Concept Self Investment Sp. z o.o., which had taken over assets spun off from Calypso Fitness S.A., comprising two out of the three organised parts of business (fitness clubs) owned by the company. The remaining fitness club was spun off to FIT 1 Sp. z o.o., which is wholly owned by Benefit Systems (see Note 6.2).

8) On 30 November 2023, the Parent acquired 100% of the shares in FIT 4 Sp. z o.o. and Fit and More Sp. z o.o., which had taken over assets spun off from Calypso Fitness S.A., comprising three out of the five organised parts of business (fitness clubs) owned by the company. The remaining fitness clubs were spun off to FIT 1 Sp. z o.o., which is wholly owned by Benefit Systems (see Note 6.2).

9) On 13 April 2023, the Parent purchased 100% of the shares in Saturn Fitness Group Sp. z o.o. (see Note 6.2).

10) On 1 September 2023, the Parent acquired 100% of the shares in Agata Culley Manufaktura Zdrowia Sp. z o.o., and a change of the company's name to Manufaktura Zdrowia Sp. z o.o. was registered on 22 September 2023 (see Note 6.2).

11) On 18 October 2023, the Parent purchased 100% of the shares in Gravitan Warszawa Sp. z o.o. (see Note 6.2).

12) The Parent acquired shares in Investment Gear 9 Sp. z o.o. on 6 June and 3 July 2023, and in Investment Gear 10 Sp. z o.o. on 23 May and 3 July 2023. As a result, as at 30 September 2023, the Company held 100% of the shares in both companies. The transactions were not accounted for using the acquisition method under IFRS 3 as the acquired assets did not constitute a business as defined in IFRS 3.

13) On 28 November 2023, the Parent purchased 100% of the shares in Active Sport i Rekreacja Sp. z o.o. (see Note 6.2).

14) On 15 December 2023, an agreement was signed whereby the Parent acquired 75% of shares in Interfit Club 1.0 Sp. z o.o., Interfit Club 4.0 Sp. z o.o, Interfit Club 5.0 Sp. z o.o., and Interfit Consulting Sp. z o.o. Sp.K. (see Note 6.2).

15) On 24 November 2023, the Parent Benefit Systems S.A. acquired 0.4% of shares in subsidiary Benefit Systems International S.A. from a minority shareholder for PLN 6,200 thousand.

16) On 3 August 2023, the subsidiary Benefit Systems International S.A. acquired 1.4% of shares in the subsidiary BSI Investments Sp. z o.o. from its minority shareholders for PLN 67 thousand.

17) FII Investments sp. z o.o., a company owned by Fit Invest International Sp. z o.o. (90%) and Benefit Systems International S.A. (10%), was registered on 7 September 2023.

18) On 23 May 2023, agreements were signed whereby loans advanced to the Czech companies Form Factory S.R.O. and Beck Box Club Praha S.R.O. by Benefit Systems S.A. and Benefit Systems International S.A. were converted into equity. As a result, as at 30 September 2023, the Group's equity interest in the Czech companies rose – to 98.54% in Form Factory S.R.O. and 98.49% in Beck Box Club Praha S.R.O. Conversion of the loans into equity is one of the stages of a project leading to the merger of the Czech companies. The merger of Form Factory S.R.O. (the acquirer) with Beck Box Club S.R.O. (the acquiree) was registered on 1 November 2023. As a result of the merger, Beck Box Club Praha S.R.O. ceased to exist and Form Factory S.R.O. assumed the rights and obligations of the merged companies.

19) Fit Invest Spor Hizmetleri Ltd, in which FII Investments Sp. z o.o. holds 100% of shares, was registered on 9 November 2023.

20) Fit Invest D.O.O. of Croatia, wholly owned by Fit Invest International Sp. z o.o., was registered on 24 October 2023.

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

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Associates

Associate	Registered address	Group's ownership interest	
		31 Dec 2023	31 Dec 2022
POLAND SEGMENT			
Instytut Rozwoju Fitness 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%

On 27 April 2023, Benefit Systems S.A. sold its equity interest (49.95%) in Baltic Fitness Center Sp. z o.o., with a carrying amount of nil, to Calypso Fitness S.A. for PLN 50 thousand.

4.2. Significant achievements or failures in the period

B Corp recertification

Benefit Systems S.A. is the first listed company in Poland that was recertified, after it had joined the B Corp movement in 2018. B Corp is a certificate issued by B Lab, an international NGO originating from the United States. It is granted to companies whose business model is aligned with the principles of sustainable development and whose activities make a key contribution to solving today's social, labour and environmental problems.

Distribution of Parent's profit for 2022

In June 2023, the General Meeting of Benefit Systems S.A. passed a resolution to distribute a dividend of PLN 120.3m, equivalent to 87% of the Group's consolidated net profit for 2022, resulting in a payment of PLN 41 per share. The dividend record date was set at 15 September 2023, with the dividend paid on 29 September 2023.

Over 300 thousand new cards in Poland and abroad

As at the end of the fourth quarter of 2023, the Benefit Systems Group had 1,919.3 thousand holders of sport cards, with 1,424.5 thousand in Poland and 494.8 thousand in foreign markets. This means an increase in the number of sport cards by 301 thousand relative to the end of 2022. The Company sees a constantly high interest from both employers and employees in the sports offerings across all markets in which it operates.

New fitness clubs

In January 2023, two new large-format clubs were opened in the My Fitness Place network in Kraków. The facilities, with their spa zones, salt walls, and saunas, offer solutions promoting physical health and post-workout recovery, and help people boost their immunity, relax, and regain mental balance. Each new club has about 2,000 square metres of floor space with a selection of workout zones, including gyms with high-end equipment, tartan treadmills – an excellent choice for running routines or long jump practice – fitness rooms for group classes and fitness bars offering products supporting a healthy diet for physically active people.

In February 2023, Benefit Systems S.A. entered into an agreement with Calypso Fitness whereby the Parent acquired 16 Calypso clubs in the form of organised parts of business (12 clubs in the first and three clubs in the second stage of the transaction) and by way of assignment of a lease contract (one club in the first stage), in cities with a high potential for further business development. In the first stage, by 31 March 2023, the Company acquired 13 facilities, including seven clubs in the Gdańsk-Sopot-Gdynia agglomeration and four in Szczecin, where the Company is seeing a continually growing interest in the MultiSport programme, and as well as one club in Warsaw and Wrocław each. In the second stage, on 31 July 2023, Benefit Systems S.A. acquired three Calypso clubs located in Warsaw, Kraków, and Częstochowa.

All amounts are expressed in thousands of Polish złoty unless indicated otherwise. [TRANSLATION ONLY]

In April 2023, the Company finalised the purchase agreement for six Saturn Fitness clubs. The newly acquired entities will strengthen the Group's offering in cities considered strategic for the MultiSport Programme, such as Kraków and Gdynia, as well as the Upper Silesia region. In July 2023, S4 clubs in Warsaw and Fabryka Formy clubs in Toruń became part of Zdrofit, Poland's largest fitness network.

In the autumn of 2023, the Group continued the expansion of its own fitness club portfolio. In September, its portfolio expanded following the acquisition of two clubs under the Manufaktura Zdrowia brand in Kraków and Zabierzów. Two new Fabryka Formy clubs opened in October – one in Poznań and the other in Zabrze, the chain's first facility in that town. In the same month, a new My Fitness Place club opened in Krakow. October was also the month when acquisitions of 12 clubs in central and southern Poland were finalised. Benefit Systems bought two Gravitan clubs (in Warsaw and Janki near Warsaw), five Calypso Fitness clubs (two in Warsaw, two in Bytom and one in Katowice), three Max-Gym clubs (in Sosnowiec, Mysłowice and Dąbrowa Górnicza), and two Acive Fitness Club clubs (in Dąbrowa Górnicza and Zawiercie).

In November, two new Fit Fabric chain facilities were opened in Łódź. In December, Benefit Systems' portfolio expanded with the addition of five Interfit Club clubs (in Chorzów, Chrzanów, Gliwice, Rydułtowy near Rybnik, and Zawiercie).

As a result of these actions, the Group increased its own fitness club count in Poland to 218 as at 31 December 2023 and to 224 as at the issue date of this Report.

In the first quarter of 2023, conversion work in leased space was completed and two new clubs were opened: in February – Luzanky in Brno, and in March – Zaimov in Sofia, Bulgaria. A new club in Knyazhevo, also in Sofia, was opened in November. A month later, two new clubs opened in Prague, Czech Republic (Letňany and So-Ho). As at 31 December 2023, the Group had 31 own clubs abroad, and as at the issue date of this Report it was opening another club in Bulgaria.

The Design Your Fitness (*Zaprojektuj formę*) programme

The Design Your Fitness programme was launched in February 2023, targeting the users of MultiSport membership cards in Poland. As part of the programme, sport card holders were given access to pre-designed plans aimed at enhancing health and overall quality of life. These plans encompass, among others, guidance from personal trainers, dieticians, and wellness specialists. A wealth of comprehensive knowledge is offered through 113 lessons spread across 19 specialised online courses.

The Good Day for MultiLife (*Dzień dobry na MultiLife*) campaign

In March 2023, the Good Day for MultiLife campaign was initiated. The first edition of the campaign aimed to build awareness of the MultiLife brand among employers and employees. The new product helps employers promote both mental and physical well-being and personal development of employees. MultiLife is aligned with existing trends and employee expectations: based on Deloitte's 'From Great Resignation to Great Reimagination' report, as many as 91% of workers are ready to look for a new job if the employer does not show concern for their well-being. The first stage of the campaign concluded in April, and the second stage, 'Say YES to MultiLife', ran from the end of May to the end of July 2023. Its primary goal was to introduce the MultiLife product to target groups, including employers and end-users (employees), emphasising the needs it addresses and the benefits it offers.

Survey of psychophysical well-being of Poles

At the end of May 2023, the MultiSport Index 2023 survey report was released. The project, conducted by the research agency Minds&Roses (formerly Kantar) for Benefit Systems, aims to consistently assess the physical and sports activity of the Polish population.

The findings from the most recent survey indicate a significant increase in the popularity of gyms and fitness classes. In the three months leading up to the survey date, these facilities were used by one in every three surveyed physically active individuals (31%, an 11pp increase compared to the previous year). Experts suggest that physical exercise in such facilities is a means for Poles to manage mental stress. Currently, 42% of active Poles exercise for improved mental well-being, while one in four does so to attain health benefits.

Summer Game

On 6 June 2023, another edition of the MultiSport Summer Game was launched with the primary aim of motivating sport cardholders to engage in physical activity during the summer. The summer gamification project allowed participants to earn points for physical activities, such as visiting new sports facilities and maintaining regular workout routines. These points could be redeemed for attractive prizes, and participants also had the option to donate their points to selected charities.

The 2023 edition of the project achieved a new record, with nearly 90,000 individuals participating, representing a 69% increase compared to 2022. Every fifth participant admitted that their involvement in the Summer Game served as additional motivation for them to engage in physical activity. Throughout the summer, the project successfully encouraged Poles to visit Benefit Systems' owned and partner sports facilities. Over the nine weeks of the Summer Game, participants completed more than 807,000 training sessions.

"Well-being Summit. Learn the Algorithm of Well-being" Conference

In October 2023, Benefit Systems organised a conference entitled "Well-being Summit. Learn the Algorithm of Well-being." This was the first event of that kind, during which representatives from the worlds of science, business, and sports presented the concept of comprehensive support for employee well-being. The discussions covered well-being on both individual and organisational levels, exploring its impact on business operations and performance, and ways to foster the well-being in the workplace. The conference drew more than 3,200 participants, including business managers and owners, HR staff, and training providers.

Benefit Systems rebranding

At the "Well-being Summit. Learn the Algorithm of Well-being" conference, Benefit Systems revealed its new logo and brand philosophy. The change reflects the Company's growth and the expansion of its services.

The new logo encapsulates the entirety of Benefit Systems' business and presents the ecosystem of all its products. The main element of the logo is the MultiSport brand signet ring – a circle with a vertical bar in the centre, reminiscent of the "power on" button on a media player. A triangle has been incorporated into the circle, representing the "play" button and referring to the MultiLife multiservice platform. The benefit of the future, embodied by MultiLife, aims to enhance well-being in four areas: psychology, health, nutrition, and development. The design is completed with a dot on the circle, symbolising the MyBenefit service and the "record" function, signifying the recording and meeting of employers' and employees' needs.

Benefit Systems' new product strategy emphasises the complementarity of services offered and comprehensive support for employee well-being. Alongside developing practical solutions in this field, an important aspect of the Company's work is sharing knowledge and fostering public awareness of human well-being.

Benefit Systems with the title of Trustworthy Brand

Benefit Systems has won the title of Trustworthy Brand, thus joining the group of 25 brands enjoying the greatest trust among entrepreneurs. The first Polish B Corp was awarded by My Company Polska in the category "Employee Carer – the company that offers the most interesting or most extensive array of employee benefits". Winners were selected on the basis of a nationwide survey conducted by Kantar Polska.

Poland's Best Employers 2023

Benefit Systems was ranked 8th in Forbes and Statista's ranking of "Poland's Best Employers 2023" in the "Gastronomy, Tourism, Sports and Recreational Services" category. The ranking comprises a list of 300 companies operating in Poland, recognised for their exceptional achievements in the field of HR and honoured with the title of best employer. The survey was based on a list of about 1,900 employers with at least 250 employees in Poland.

ESG Innovator

MultiSport Active Schools, the flagship programme of the MultiSport Foundation established by Benefit Systems in 2021, was awarded in the "S-Innovation in the CSR Area" category of the ESG Innovator competition organised by the Polish ESG Association. MultiSport Active Schools addresses the problem of poor physical fitness among the youngest, targeting elementary and high school students between the ages of 12 and 19. As part of physical education lessons, qualified coaches and instructors run sport classes for children and young people in modern fitness clubs, including the Zdrofit network.

4.3. Significant events in 2023

Acquisition of organised parts of business comprising fitness clubs from Calypso Fitness S.A.

As part of the review of the available courses of action towards the Company's investment in the associate Calypso Fitness S.A. ("CF") and as a result of the performance of the agreements of 28 February 2023, in the first stage of the Transaction, the demerger of CF, agreed under the CF demerger plan prepared on 7 October 2022, was registered on 31 March 2023. The demerger was made by spinning off 12 organised parts of CF's business (fitness clubs) into three companies: FIT 1 Sp. z o.o. (three clubs situated in Szczecin, Gdańsk and Gdynia), FIT 2 Sp. z o.o. (two clubs situated in Szczecin and Gdańsk) and Sport Operator Sp. z o.o. (seven clubs situated in Gdańsk (three clubs), Warsaw, Szczecin (two clubs) and Wrocław). As at the demerger date, the sole shareholders in the respective companies were CF shareholders: Benefit Systems S.A., Cal Capital Sp. z o.o. ("CC") and Camaro Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych ("Camaro"). Subsequently, on the same day, the Parent acquired all shares in FIT 2 Sp. z o.o. and Sport Operator Sp. z o.o. from CC and Camaro.

As a result of the operations described above, 12 fitness clubs were added to the Group's own club portfolio: in Gdańsk (5 clubs), Szczecin (4 clubs), Gdynia, Warsaw, and Wrocław.

The total purchase price of 12 organised parts of business from CF was PLN 29m. The price was settled by transferring Benefit Systems S.A.'s claims against CF Group companies of PLN 18m to CC and Camaro and making a cash payment of PLN 11m to Camaro.

As part of accounting for the acquisition, as at 31 March 2023 the Group allocated the excess of the purchase price over net assets to goodwill in the amount of PLN 37.4m.

In phase 2 of the Transaction, on 31 July 2023, CF was demerged by spinning off three organised parts of business in the form of fitness clubs into the following companies: FIT 1 Sp. z o.o. (one club in Częstochowa), FIT 3 Sp. z o.o. (one club in Warsaw) and Concept Self Investment Sp. z o.o. (one club in Kraków), controlled, respectively, by: Benefit Systems S.A., CC and Camaro (CF shareholders).

On the same date, the Parent acquired shares in FIT 3 Sp. z o.o. and Concept Self Investment Sp. z o.o., to which CF's assets comprising two out of the three organised parts of CF's business (fitness clubs) located in Warsaw and Kraków were spun off. The title to the shares was transferred on 31 July 2023, i.e., the date of registration of the CF demerger agreed in the Calypso Fitness demerger plan of 8 May 2023. The remaining one out of the three organised parts of CF's business, situated in Częstochowa, was contributed to FIT 1 Sp. z o.o., which is wholly owned by Benefit Systems S.A. The total purchase price of the three organised parts of business was PLN 4m and was paid by paying cash of PLN 3m to Camaro (placed in a notarial deposit on 28 February 2023) and by settling the liability of PLN 1m to CC through payment on 22 November 2023 of PLN 0.2m to CC's account, and PLN 0.8m was transferred on behalf of CC as CC's donation to the MultiSport Foundation.

As part of accounting for the acquisition, as at 31 July 2023 the Group allocated the excess of the purchase price over net assets to goodwill in the amount of PLN 3.5m.

In phase 3 of the Transaction, on 30 November 2023, CF was demerged by spinning off five organised parts of business in the form of clubs into the following companies: FIT 1 Sp. z o.o. (two clubs in Katowice and Warsaw), Fit and More Sp. z o.o. (two clubs in Katowice and Warsaw) and FIT 4 Sp. z o.o. (one club in Bytom) controlled, respectively, by Benefit Systems S.A., Camaro and CC (CF shareholders).

On the same date, the Parent acquired shares in Fit and More Sp. z o.o. and FIT 4 Sp. z o.o., to which CF's assets comprising three out of the five organised parts of CF's business (fitness clubs) located in Katowice, Warsaw and Bytom were spun off. The title to the shares was transferred on 30 November 2023, i.e., the date of registration of the CF demerger agreed in the Calypso Fitness demerger plan of 8 September 2023. The remaining two out of the five organised parts of CF's business, situated in Katowice and Warsaw, were contributed to FIT 1 Sp. z o.o., which is wholly owned by Benefit Systems S.A. The total purchase price of the five organised parts of business was PLN

10.8m. The price was paid through the payment of cash in the amount of PLN 6.8m to Camaro (placed in a notarial deposit on 27 November 2023), and the remaining liability of PLN 0.8m was paid on 30 January 2024. The liability to CC in the amount of PLN 3.2m was settled through payment, on 19 January 2024, of PLN 0.5m to CC's account, and PLN 2.7m was transferred on CC's behalf as CC's donation to the MultiSport Foundation.

As part of the provisional accounting for the acquisition, as at 30 November 2023 the Group allocated the excess of the purchase price over net assets to goodwill in the amount of PLN 12.9m.

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

On 4 April 2023, an annex was signed to the long-term financing agreement of 1 April 2022 with the European Bank for Reconstruction and Development and Santander Bank Polska S.A. The annex extends the availability period for the unutilised part of the financing of PLN 115m until 31 December 2023. Subsequently, on 30 November 2023, the availability period of the remaining funding was extended by another year, i.e., until 31 December 2024.

Acquisition of Saturn Fitness Group Sp. z o.o.

On 13 April 2023, the Parent acquired 100% of shares in Saturn Fitness Group Sp. z o.o., as a result of which six fitness clubs located in Gdynia, Warsaw, Kraków, Łódź, Gorzów Wielkopolski and Chorzów were added to the Group's own clubs portfolio.

Distribution of Parent's net profit for 2022

On 29 June 2023, the Annual General Meeting of the Parent passed a resolution on distribution of the PLN 141.5m net profit earned for 2022 and decided to allocate PLN 120.3m to dividend payment and PLN 21.2m to statutory reserve funds.

Changes on the Parent's Supervisory Board

On 29 June 2023, following the expiry of the term of office of the Supervisory Board, the Annual General Meeting of the Parent appointed a new Supervisory Board for a joint five-year term of office, which will expire on the date of the Parent's Annual General Meeting which will approve the Parent's financial statements for 2027. The following persons were appointed to the Supervisory Board: James van Bergh, Aniela Anna Hejnowska, Krzysztof Kaczmarczyk, Artur Osuchowski, and Michael Sanderson.

On 10 August 2023, the Extraordinary General Meeting of the Company passed a resolution to appoint Katarzyna Kazior as Member of the Company's Supervisory Board for a joint term of office which commenced on 29 June 2023, with effect from the date on which the registry court enters the amendment to the Company's Articles of Association made under Resolution No. 4 of the Extraordinary General Meeting of the Company of 10 August 2023 in the Business Register of the National Court Register. The amendment was officially registered on 1 September 2023.

Changes on the Parent's Management Board

On 23 August 2023, Bartosz Józefiak resigned as a Member of the Management Board, effective immediately. On the same day, the Company's Supervisory Board passed a resolution to appoint Marcin Fojudzki as a Member of the Company's Management Board, effective from 6 September 2023.

Acquisition of Manufaktura Zdrowia Sp. z o.o.

On 1 September 2023, the Parent acquired 100% of the shares in Agata Culley Manufaktura Zdrowia Sp. z o.o., and on 22 September 2023 a change of the company's name to Manufaktura Zdrowia Sp. z o.o. was registered. As a result, two fitness clubs, in Zabierzów and Kraków, were added to the Group's own fitness club portfolio.

Merger of YesIndeed Sp. z o.o. and Benefit Systems S.A.

The merger of Benefit Systems S.A. (the acquirer) and YesIndeed Sp. z o.o. (the acquiree), effected by transferring all assets of YesIndeed Sp. z o.o. to Benefit Systems S.A., was registered on 29 September 2023.

Acquisition of organised part of business of Studio Energia in Rybnik

On 2 October 2023, the Company signed an agreement to acquire an organised part of business in the form of the Studio Energia fitness club in Rybnik for PLN 4.6m. The club was integrated into the Fabryka Formy network.

Acquisition of shares in Gravitan Warszawa Sp. z o.o.

On 17 October 2023, the Parent signed an agreement to acquire 100% of the shares in Gravitan Warszawa Sp. z o.o. ("Gravitan"). The title to the shares transferred on 18 October 2023.

Gravitan owns two clubs in the Warsaw metropolitan area, specifically in Targówek and Janki. These target clubs boast extensive relaxation areas, salt caves, mini gyms for children, and various other amenities. The facilities range from 2,200 sqm to 2,600 sqm in size, while the average area of Zdrofit clubs typically hovers around 1,500 sqm. Conveniently located in Warsaw's Targówek district and in Janki near Warsaw, these clubs offer easy access for customers to enjoy a wide range of sports activities. The acquisition of attractive facilities marks another strategic step for the Group, aimed at expanding its network in large urban agglomerations in Poland. This initiative focuses on maintaining a high-quality product and reinforcing the Group's strong position in the Polish fitness market.

Registration of Fit Invest d.o.o in Croatia

Fit Invest d.o.o. of Croatia, wholly owned by Fit Invest International Sp. z o.o., was registered on 24 October 2023. Fit Invest d.o.o. will be responsible for developing a network of fitness clubs in Croatia.

Merger of Form Factory S.R.O. with Beck Box Club Praha S.R.O. in the Czech Republic

The merger of Form Factory S.R.O. (the acquirer) with Beck Box Club S.R.O. (the acquiree) was registered on 1 November 2023. As a result of the merger, Beck Box Club Praha S.R.O. ceased to exist and Form Factory S.R.O. assumed the rights and obligations of the merged companies.

Registration of Fit Invest Spor Hizmetleri Ltd in Turkey

Fit Invest Spor Hizmetleri Ltd of Turkey, wholly-owned by FII Investments Sp. z o.o., responsible for developing a network of fitness clubs in Croatia, was registered on 9 November 2023.

Acquisition of Active Sport i Rekreacja Sp. z o.o.

On 28 November 2023, the Parent purchased 100% of the shares in Active Sport i Rekreacja Sp. z o.o. Following the acquisition, five fitness clubs, located in Dąbrowa Górnicza (two clubs), Zawiercie, Sosnowiec and Mysłowice, were added to the Group's own club portfolio.

Merger of Benefit Partners Sp. z o.o. and Benefit Systems S.A.

The merger of Benefit Systems S.A. (the acquirer) and Benefit Partners Sp. z o.o. (the acquiree), effected by transferring all assets of Benefit Partners Sp. z o.o. to Benefit Systems S.A., was registered on 30 November 2023.

Merger of Focusly Sp. z o.o. and Benefit Systems S.A.

The merger of Benefit Systems S.A. (the acquirer) and Focusly Sp. z o.o. (the acquiree), effected by transferring all assets of Focusly Sp. z o.o. to Benefit Systems S.A., was registered on 30 November 2023.

Acquisition of shares in Interfit companies

On 15 December 2023, the Parent acquired 75% of shares in Interfit Club 1.0 Sp. z o.o., Interfit Club 4.0 Sp. z o.o, Interfit Club 5.0 Sp. z o.o., and Interfit Consulting Sp. z o.o. Sp.K. As a result, five fitness clubs, situated in Chorzów, Chrzanów, Gliwice, Rydułtowy near Rybnik and Zawiercie, were added to the Group's own fitness club portfolio.

For more information on acquisition of shares in subsidiaries, see Note 6.2 to the consolidated financial statements of the Benefit Systems Group for 2023.

4.4. Significant events after the reporting date

Merger of Benefit Systems S.A. with Gravitan Warszawa Sp. z o.o.

A plan of merger of Benefit Systems S.A. (the acquirer) with Gravitan Warszawa Sp. z o.o. (the acquiree) was agreed on 15 January 2024. The acquirer holds 100% of the shares in the acquiree. The merger plan provides that the acquisition will be effected by transferring all assets of the acquiree to the acquirer. On 29 February 2024, the merger was entered in the National Court Register.

Increase of the Parent's share capital in connection with the implementation of the Incentive Scheme

On 23 January 2024, the Parent issued 24,750 series G shares in connection with the exercise by eligible persons of their rights under series L subscription warrants granted as part of the 2021-2025 Incentive Scheme (Note 5.17).

As a result, following the issuance of the shares, the Parent's share capital amounts to PLN 2,958,292 and is divided into 2,958,292 ordinary bearer shares with a nominal value of PLN 1 of the following series: 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; 184,000 series F shares; 24,750 series G shares.

The total number of voting rights carried by all outstanding Parent shares is 2,958,292.

After the issuance of the shares, the amount of the conditional share capital increase stipulated in the Parent's Articles of Association for the purposes of the Incentive Scheme fell from PLN 125,000 (equivalent to 125,000 shares with a nominal value of PLN 1 per share) to PLN 100,250.

Acquisition of a business in the form of Active Point Fit & Gym fitness club

On 1 February 2024, the Parent purchased a business in the form of the Active Point Fit & Gym fitness club, located in Tychy, Poland, for PLN 3.1m. The club was integrated into the Fabryka Formy network.

Plan to merge Benefit Systems S.A. with its subsidiaries

A plan of merger of Benefit Systems S.A. (the acquirer) with the following subsidiaries: FIT 1 Sp. z o.o., FIT 2 Sp. z o.o., FIT 3 Sp. z o.o., FIT 4 Sp. z o.o., FIT AND MORE Sp. z o.o., Concept Self Investment Sp. z o.o., Sport Operator Sp. z o.o., Manufaktura Zdrowia Sp. z o.o. (the acquirees) was agreed on 22 February 2024. The acquirer holds 100% of the shares in the acquirees. The merger plan provides that the acquisition will be effected by transferring all assets of the acquirees to the acquirer.

Acquisition of remaining shares in Lunching.pl

On 4 March 2023, the Parent acquired for PLN 4.1m the remaining shares in Lunching.pl Sp. z o.o., thus becoming the company's sole shareholder.

4.5. Operating segment information

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 31 December 2023

	Poland	Foreign Markets	Corporate	Total
Revenue	**1,983,942**	**790,350**	**(147)**	**2,774,145**
Cost of sales	(1,297,677)	(545,705)	16	(1,843,366)
Gross profit	**686,265**	**244,645**	**(131)**	**930,779**
Selling expenses	(119,508)	(48,695)	26	(168,177)
Administrative expenses	(138,046)	(66,916)	(5,908)	(210,870)
Other income and expenses	(12,648)	1,589	(574)	(11,633)
Operating profit/(loss)	**416,063**	**130,623**	**(6,587)**	**540,099**
Share of profit of equity-accounted entities	662	-	-	662
Interest expense on lease liabilities	(24,252)	(3,132)	-	(27,384)
Depreciation and amortisation	247,807	39,642	25	287,474
EBITDA*	**663,870**	**170,265**	**(6,562)**	**827,573**
Segment's assets	2,592,185	391,793	(183,555)	2,800,423
Segment's liabilities	1,504,906	481,992	(184,805)	1,802,093
Investments in associates	3,097	-	-	3,097

** The Group calculates EBITDA as operating profit plus depreciation and amortisation.*

All amounts are expressed in thousands of Polish złoty unless indicated otherwise. [TRANSLATION ONLY]

Selected financial data of the operating segments for the fourth quarter of 2023

	Poland	Foreign Markets	Corporate	Total
Revenue	**554,548**	**202,990**	**(73)**	**757,465**
Cost of sales	(332,528)	(133,953)	(24)	(466,505)
Gross profit	222,020	69,037	(97)	290,960
Selling expenses	(34,827)	(14,532)	26	(49,333)
Administrative expenses	(46,469)	(27,739)	182	(74,026)
Other income and expenses	(7,491)	(67)	8	(7,550)
Operating profit/(loss)	133,233	26,699	119	160,051
Share of profit of equity-accounted entities	81	-	-	81
Interest expense on lease liabilities	(6,887)	(778)	-	(7,665)
Depreciation and amortisation	69,338	10,221	25	79,584
EBITDA*	**63,895**	**16,478**	**94**	**80,467**

** The Group calculates EBITDA as operating profit plus depreciation and amortisation.*

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:

	1 Jan 2023– 31 Dec 2023	1 Jan 2022– 31 Dec 2022
Segments' revenue		
Total revenue of operating segments	2,774,292	1,909,193
Unallocated revenue	-	-
Elimination of revenue from inter-segment transactions	(147)	(73)
Revenue	**2,774,145**	**1,909,120**
Segments' profit/(loss)		
Segments' operating profit/(loss)	546,686	214,754
Elimination of profit/(loss) from inter-segment transactions (IFRS 16)	-	-
Unallocated profit/(loss)	(6,587)	214,754
Operating profit	**540,099**	**212,751**
Finance income	47,448	2,860
Finance costs	(38,626)	(35,391)
Loss allowances for financial assets	3,826	(1,356)
Share of profit/(loss) of equity-accounted entities	662	(2,292)
Profit before tax	**553,409**	**176,572**

	31 Dec 2023	31 Dec 2022
Total assets of operating segments	2,983,978	2,478,142
Unallocated assets	1,536	294
Elimination of intragroup balances and transactions	(185,091)	(244,415)
Total assets	**2,800,423**	**2,234,021**
Total liabilities of operating segments	1,986,898	1,752,919

All amounts are expressed in thousands of Polish złoty unless indicated otherwise. [TRANSLATION ONLY]

Unallocated liabilities	37	19
Elimination of intragroup balances and transactions	(184,842)	(244,333)
Total liabilities	**1,802,093**	**1,508,605**

4.6. Poland segment

The Poland segment's scope of operations includes non-pay benefits, such as sport cards and the MyBenefit cafeteria platform, management of fitness clubs, and investment in new clubs on the Polish market. The Group also creates online products in areas related to employee well-being as part of its MultiLife platform.

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. According to the MultiSport Index 2023 survey, 72% of employees now state that post-pandemic sport cards have become more important for mental and physical health. Additionally, 68% believe that a MultiSport membership card should be an integral part of a basic workplace benefits package. At the end of 2023, the number of active cards in Poland was 1,424.5 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 approximately 1,900 entities 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.

At the same time, new features are being developed within the MyBenefit platform, making it a comprehensive tool for managing employer-employee processes. From the level of MyBenefit, companies can implement gamification and reward systems. They can also handle intranet, employee applications as well as surveys and quizzes.

The Parent is consistently expanding the MultiLife product, which provides access to online services such as language platform, e-books and audiobooks, diet creator, yoga course, mindfulness course, and consultations with experts. MultiLife is an online platform that provides holistic support in caring for employee well-being in four areas: growth, nutrition, health, and psychology.

The Benefit Systems Group also invests in fitness clubs to secure access to an adequate base of sports and recreation facilities. As at the end of December 2023, the Group had 218 own clubs in Poland operated by the Fitness Branch within Benefit Systems S.A. and by Total Fitness Sp. z o.o., Sport Operator Sp. z o.o., FIT 1 Sp. z o.o., FIT 2 Sp. z o.o., FIT 3 Sp. z o.o., Saturn Fitness Group Sp. z o.o., FIT 4 Sp. z o.o., Fit and More Sp. z o.o. Concept Self Investment Sp. z o.o. , Manufaktura Zdrowia Sp. z o.o., Gravitan Warszawa Sp. z o.o., Active Sport i Rekreacja Sp. z o.o, Interfit Club 1.0 Sp. z o.o., Interfit Club 4.0 Sp. z o.o., Interfit Club 5.0 Sp. z o.o. and Interfit Consulting Spółka z ograniczoną odpowiedzialnością Sp.k. The Group's facilities operate under the brands: Zdrofit, Fabryka Formy, Fitness Academy, My Fitness Place, FitFabric, Step One, Total Fitness, Saturn Fitness, Gravitan, Max-Gym, Active Fitness Club, Interfit Club and Aquapark Wesolandia. The Group also held interests in companies managing an additional 15 facilities as at 31 December 2023.

All amounts are expressed in thousands of Polish złoty unless indicated otherwise. [TRANSLATION ONLY]

The Group is also 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 healthy lifestyles.

Selected financial data of the Poland segment

	1 Jan 2023–31 Dec 2023	**1 Jan 2022–31 Dec 2022**	**Change**
Revenue	1,983,942	1,369,784	44.8%
Cost of sales	(1,297,677)	(975,220)	33.1%
Gross profit	**686,265**	**394,564**	**73.9%**
Selling expenses	(119,508)	(92,213)	29.6%
Administrative expenses	(138,046)	(104,600)	32.0%
Other income and expenses	(12,648)	(8,378)	51.0%
Operating profit	**416,063**	**189,373**	**119.7%**
Share of profit/(loss) of equity-accounted entities	662	(2,292)	-
EBITDA*	**663,870**	**384,070**	**72.9%**
Gross margin	34.6%	28.8%	20.1%
Number of sport cards ('000)	*1,424.5*	*1,187.3*	20.0%
*Number of B2C memberships ('000)**	*240.8*	*181.7*	32.5%
Number of clubs	*218*	*170*	28.2%
*Cafeterias sales (PLNm)***	*483*	*420*	15.0%
Number of Cafeterias users ('000)	*717*	*621*	20.9%

** The Group calculates EBITDA as operating profit plus depreciation and amortisation.*
*** Excluding sales of sport cards*

Revenue of the Poland segment rose by 44.8% year on year, mainly on the back of an increase in the number of sport cards to 1,424.5 thousand as at the reporting date (vs 1,187.3 thousand in the comparative period) and higher fitness club sales.

On 31 March 2023, in the first stage of the deal with Calypso Fitness S.A., the Group acquired 13 fitness clubs (12 clubs as an organised part of business and one club by way of assignment of the lease contract), of which seven are located in the Gdańsk-Sopot-Gdynia agglomeration, four in Szczecin and one in both Warsaw and Wrocław. The acquired facilities operate under the brands of Zdrofit and Fitness Academy (one club in Wrocław). Following the second stage of the transaction with Calypso Fitness S.A., on 31 July 2023, the Group acquired three fitness clubs located in Warsaw, Kraków and Czestochowa. In the third stage, on 30 November 2023, the Group expanded its own club portfolio with the addition of five Calypso Fitness facilities, operating in Warsaw (two clubs), Katowice (two clubs) and Bytom.

In the second quarter of 2023, following the acquisition of a 100% equity interest in Saturn Fitness Group Sp. z o.o., six fitness clubs were added to the Group's own club network. In the same quarter, one club operating under the FitFabric brand in Łódź and Atmosfera MultiSport, a facility run by the Parent, were closed.

In the third quarter of 2023, the Group acquired a 100% interest in Manufaktura Zdrowia Sp. z o.o., adding two fitness clubs, one in Kraków and the other in Zabierzów, to its own club network.

In the fourth quarter of 2023, the Group acquired Studio Energia club in Rybnik, two Gravitan fitness clubs in the Warsaw metropolitan area, three facilities of the Max-Gym chain (in Sosnowiec, Mysłowice and Dąbrowa Górnicza), two Active Fitness Club facilities (in Dąbrowa Górnicza and Zawiercie) and five Interfit Club facilities (in Chorzów, Chrzanów, Gliwice, Rydułtowy near Rybnik, and Zawiercie).

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In October 2023, the Group opened the Fabryka Formy Korty Arena fitness club in Poznań, a new fitness club of the My Fitness Place chain in Kraków, and a Fabryka Formy facility in Zabrze. November 2023 saw the opening of two new clubs of the FitFabric chain in Łódź.

As a result of these actions, the Group increased its own fitness club count in Poland to 218 as at 31 December 2023. The number of the Group's own fitness clubs as at the issue date of this Report was 224.

In addition to the Group's own sports facilities, customers of the MultiSport programme have access to a network of partner facilities, the number of which at the end of 2023 was approximately 5 thousand.

In 2023, the Poland segment recognised depreciation of right-of-use assets of PLN 144.4m and interest expense on lease liabilities of PLN 24.3m.

4.7. Foreign Markets segment

The segment consists of companies engaged in the development of the MultiSport Programme, companies managing fitness clubs in foreign markets 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., BSI Investments Sp. z o.o., and FII Investments Sp. z o.o.

Benefit Systems International S.A. is the parent of the other companies in the segment.

In 2023, the following segment companies were engaged in the rollout of the MultiSport programme: MultiSport Benefit S.R.O. in the Czech Republic; Benefit Systems Bulgaria EOOD in Bulgaria; Benefit Systems Slovakia S.R.O. in Slovakia; Benefit Systems D.O.O. in Croatia; and Benefit Systems Spor Hizmetleri Ltd Sirketi in Turkey. Fitness clubs were operated by Beck Box Club Praha S.R.O. and Form Factory S.R.O. in the Czech Republic (the companies were merged as of 1 November 2023, with Form Factory s.r.o. as the surviving entity), Form Factory Slovakia S.R.O. in Slovakia, Next Level Fitness EOOD in Bulgaria, and Fit Invest d.o.o. (registered on 24 October 2023) in Croatia. FII Investments Sp. z o.o., registered on 7 September 2023, will be responsible for the rollout, through its subsidiary Fit Invest Spor Hizmetleri Limited Sirketi registered on 9 November 2023, of a fitness club network in Turkey. The segment also includes Benefit Systems, storitve, D.O.O. (Slovenia), which is not operational.

Selected financial data of the Foreign Markets segment

	1 Jan 2023– 31 Dec 2023	1 Jan 2022– 31 Dec 2022	Change
Revenue	790,350	539,409	46.5%
Cost of sales	(545,705)	(416,854)	30.9%
Gross profit	**244,645**	**122,555**	**99.6%**
Selling expenses	(48,695)	(42,185)	15.4%
Administrative expenses	(66,916)	(50,408)	32.7%
Other income and expenses	1,589	(4,581)	-
Operating profit	**130,623**	**25,381**	**414.6%**
EBITDA*	**170,265**	**62,680**	**171.6%**
Gross margin	30.95%	22.72%	8.2pp
Number of sport cards ('000)	*494.8*	*430.8*	*14.9%*
Number of clubs	*31*	*24*	*29.2%*

** The Group calculates EBITDA as operating profit plus depreciation and amortisation.*

As at the end of 2023, the number of cards stood at 494.8 thousand, up almost 15% year on year. The Czech market experienced the most substantial growth in the number of cards, with an increase of 35.2 thousand, accounting for more than 50% of the overall increase in the segment. More than double-digit growth was seen in the Slovak market, where the number of cards rose by 12.4 thousand, while in Croatia the increase reached almost 10.0 thousand cards. In Turkey, the youngest of the markets, the number of active cards rose by 4.3 thousand compared with 2022, while Bulgaria, the segment's second largest market, recorded an increase in the number of cards by 2.3 thousand.

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The fourth quarter of 2023 was characterised by good sales momentum, with the active card base having grown by more than 5% compared with the level recorded at the end of the third quarter of 2023.

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

Country	As at 31 Dec 2023	As at 31 Dec 2022	Change
Czech Republic	252.4	217.2	16%
Bulgaria	136.9	134.6	2%
Slovakia	57.8	45.4	27%
Croatia	42.5	32.7	30%
Turkey	5.2	0.9	479%
Total	**494.8**	**430.8**	**15%**

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

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 2023, the MultiSport partner network comprised a total of 4,615 facilities, up by 420 year on year. The largest increase, both in nominal and percentage terms over 2022, was seen in the youngest of the markets, Turkey.

Numbers of partner facilities in Foreign Markets countries:

Country	As at 31 Dec 2023	As at 31 Dec 2022	Change
Czech Republic	1,940	1,805	7%
Bulgaria	889	876	1%
Slovakia	853	797	7%
Croatia	426	413	3%
Turkey	507	304	67%
Total	**4,615**	**4,195**	**10%**

In 2023, the Group's own club network was expanded with the addition of four clubs Bulgaria and three in the Czech Republic. One club in Slovakia was closed during the first quarter of 2023. At the end of 2023, Fit Invest d.o.o., operating in the Croatian market, acquired one club operating in the local market. In total, the number of clubs in the segment increased by seven during 2023.

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Numbers of own fitness clubs in Foreign Markets countries:

Country	As at 31 Dec 2023	As at 31 Dec 2022	Change
Czech Republic	17	14	3
Bulgaria	12	8	4
Slovakia	1	2	-1
Croatia	1	-	1
Total	**31**	**24**	**7**

The stable macroeconomic conditions in the markets of the Foreign Markets segment (except Turkey), combined with highly effective sales efforts, justify the expectation of sustained strong sales growth. The Foreign Markets segment saw a decline in the ratio of selling expenses and administrative expenses to revenue (14.6% in 2023 versus 17.2% in 2022). The fitness companies maintained a stable cost base while experiencing a rise in the number of active B2C subscribers (fitness club memberships), resulting in a net profit reported by these companies for 2023.

In 2023, the Foreign Markets segment recognised depreciation of right-of-use assets of PLN 24.7m and interest expense on lease liabilities of PLN 3.1m.

4.8. Other Activities and Corporate

The revenue presented in Corporate reflects intersegment eliminations.

Corporate

	1 Jan 2023–31 Dec 2023	1 Jan 2022–31 Dec 2022	Change
Revenue	(147)	(73)	101.4%
Cost of sales	16	39	(59.0%)
Gross profit	**(131)**	**(34)**	**285.3%**
Selling expenses	26	-	**-**
Administrative expenses	(5,908)	(1,460)	**304.7%**
Other income and expenses	(574)	(509)	**12.8%**
Operating profit/(loss)	**(6,587)**	**(2,003)**	**228.9%**
EBITDA*	**(6,562)**	**(1,923)**	**241.2%**

** The Group calculates EBITDA as operating profit plus depreciation and amortisation.*

Administrative expenses presented in Corporate mainly consist of the costs of the incentive scheme of PLN 6.3m, which is described in more detail in Note 5.17 to this Report.

The most significant item of other income and expenses is income and expenses of the MultiSport Foundation.

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4.9. Financial result of Benefit Systems S.A. – additional information

Statement of profit or loss

	1 Jan 2023–31 Dec 2023	1 Jan 2022–31 Dec 2022	Change
Revenue	**1,853,364**	**1,268,370**	**46.1%**
Revenue from sales of services	1,825,314	1,249,852	46.0%
Revenue from sales of merchandise and materials	28,050	18,518	51.5%
Cost of sales	**(1,214,134)**	**(913,913)**	**32.9%**
Cost of services sold	(1,197,279)	(903,259)	32.6%
Cost of merchandise and materials sold	(16,855)	(10,654)	58.2%
Gross profit	**639,230**	**354,457**	80.3%
Selling expenses	(104,994)	(79,195)	32.6%
Administrative expenses	(128,381)	(90,064)	42.5%
Other income	4,591	4,625	(0.7%)
Other expenses	(16,668)	(10,785)	54.5%
Operating profit	**393,778**	**179,038**	**119.9%**
Finance income	68,947	21,863	215.4%
Finance costs	(30,204)	(32,562)	(7.2%)
Loss allowances for financial assets	3,474	(475)	-
Profit before tax	**435,995**	**167,864**	**159.7%**
Income tax	(87,383)	(26,329)	231.9%
Net profit from continuing operations	348,612	**141,535**	146.3%
Net profit	**348,612**	**141,535**	146.3%
Gross margin (%)	34.5%	27.9%	23.4%

Benefit Systems S.A. derives its revenue mainly from the sale of sport cards, as well as from the operation of its own network of fitness clubs. In the Company's view, these activities are complementary and it is appropriate to present and analyse them together. Revenue from these business areas accounted for more than 97% of the Company's revenues in 2023.

The number of MultiSport cards at the end of the fourth quarter of 2023 at the Company was 1,331.5 thousand.

The costs of the Company's core activities comprise primarily the costs of sport card users' visits to partner facilities, additional costs associated with the development of the main product, the costs of support departments, and the costs of fitness clubs' day-to-day operations.

In 2023, other expenses included an impairment loss of PLN 6.1m on property, plant and equipment and intangible assets, net value of retired items of property, plant and equipment of PLN 2.7m, and an impairment loss on financial receivables of PLN 2.7m.

The most significant items of finance income and costs in 2023 were foreign exchange gains of PLN 32.3m, interest income of PLN 31.7m, interest on lease liabilities of PLN 20.3m, and interest on overdraft and investment credit facilities of PLN 7.7m.

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4.10. Selected financial ratios

Financial ratios of the Benefit Systems Group

Profitability ratios	1 Jan 2023–31 Dec 2023	1 Jan 2022–31 Dec 2022	Change
Gross margin	33.6%	27.1%	6.5pp
EBITDA margin	29.8%	23.3%	6.5pp
EBIT margin	19.5%	11.1%	8.3pp
Pre-tax margin	19.5%	9.2%	10.3pp
Net margin	15.7%	7.2%	8.5pp
Return on equity (ROE)	44.6%	19.2%	25.4pp
Return on assets (ROA)	15.9%	6.2%	9.7pp

Liquidity ratios	1 Jan 2023–31 Dec 2023	1 Jan 2022–31 Dec 2022	Change
Current ratio	0.86	0.76	13.7%
Quick ratio	0.84	0.74	13.5%

Financial ratios of Benefit Systems S.A.

Profitability ratios	1 Jan 2023–31 Dec 2023	1 Jan 2022–31 Dec 2022	Change
Gross margin	34.5%	27.9%	6.6pp
EBITDA margin	32.8%	27.6%	5.2pp
EBIT margin	21.2%	14.1%	7.1pp
Pre-tax margin	22.6%	13.0%	9.6pp
Net margin	18.1%	10.9%	7.2pp
Return on equity (ROE)	32.7%	16.7%	16.0pp
Return on assets (ROA)	15.0%	6.8%	8.2pp

Liquidity ratios	1 Jan 2023–31 Dec 2023	1 Jan 2022–31 Dec 2022	Change
Current ratio	0.81	0.68	19.1%
Quick ratio	0.79	0.64	23.3%

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

- gross margin: gross profit / revenue,
- EBITDA margin: EBITDA (operating profit before depreciation and amortisation)/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),

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- current ratio: current assets / current liabilities,

- quick ratio: (current assets - inventories - current prepayments) / current liabilities.

For information on liquidity management, see section 5.3. 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 5.39.

4.11. Outlook

The Group invariably sees high long-term growth potential for the MultiSport programme in Poland and foreign markets. Public awareness of health protection and immune system strengthening has increased as a result of the COVID-19 pandemic. This has led to a rise in user activity and the popularity of sport cards. Both in Poland and in foreign markets, the Group has observed other trends that support further development of the sport card market. These trends include low unemployment rates coupled with a strong labour market, and an increased tendency to use sports products among the younger generations at the beginning of their professional careers.

According to the Group's estimates, the long-term potential of the sport card market ranges from 2.5 to 2.8 million cards in Poland and from 1.7 to 1.9 million cards abroad (Czech Republic, Bulgaria, Slovakia, and Croatia).

The outlook for the coming periods is significantly affected by the economic situation in the countries where the Group operates, including continuing high prices of energy, raw materials and fuels, inflation pressure, regulatory changes, slowing business activity in certain industries leading to increased unemployment, or depreciation of local currencies, which, in turn, may increase operating costs and hamper the demand for the services and products offered by the Group. On the other hand, according to the European Commission's forecasts, in 2024 and 2025, the Group's main markets are expected to experience a decline in inflation, a gradual acceleration in GDP growth, and a decrease or no significant increase in the unemployment rate. This may drive demand for the Group's services and products and reduce upward pressure on operating costs.

5. ADDITIONAL INFORMATION

5.1. Employment

As at 31 December 2023, the Benefit Systems Group reported a 9% year-on-year increase in average workforce, from 1,487 to 1,615 employees. The Parent saw an increase from 895 to 957 employees. Given the nature of its business, the Benefit Systems Group attaches great importance to the continuous improvement of its employees' qualifications, and approximately 72% of them are university graduates.

5.2. Information about the strategy

Since its inception, the Benefit Systems Group has set the goal of promoting a healthy and active lifestyle among Poles. Over time, this ambition has expanded to other countries in which the Group operates. The Benefit Systems Group's business is guided by the win-win principle, prioritising mutual benefit and long-term partnership with partners, customers, users, employees and other stakeholders. The Benefit Systems Group's strategic directions are as follows:

Development of sport cards and fitness clubs in Poland

The strategic goal in this area is to increase the number of active Poles using the sport cards offered by the Group. The strategy for Poland assumes:

- Increasing the number of sport cards by creating sustainable competitive advantages, leveraging synergies with our other products, including the cafeteria platform;

- Developing a profitable fitness club business, that is the main component of building competitive advantage, through selective investment in sports facilities in the best locations in Poland.

Supporting the core business through the development of the cafeteria platform and new products

The cafeteria platform, through which relationships are cultivated with the HR departments of the Group's customers, is a crucial component of the sales strategy. Moreover, the strategy includes developing new products to best address the needs of the Group's customers and users. In these areas, the strategy focuses on:

- Development of the cafeteria platform through continuous expansion of the non-pay benefit offering, development of proprietary products (such as BenefitLunch, MultiBilet) and investments in modern technological solutions;

- Building and developing the MultiLife product based on online services in the areas of a healthy lifestyle, physical activity, personal development and mental well-being. It will be crucial to invest in optimal IT solutions to support both building and scaling MultiLife.

Growth in foreign markets

Since 2010, the Benefit Systems Group has continued its expansion in foreign markets. The MultiSport programme is currently available in the Czech Republic, Slovakia, Bulgaria, Croatia and Turkey. The strategy for the foreign markets assumes:

- Dynamic development of the MultiSport programme in existing markets based on a proven business model in which sport card offerings are supported by investment in fitness infrastructure;

- Exploring avenues for new growth and venturing into new markets characterised by substantial fragmentation in the fitness industry, a high urbanisation rate, and trends associated with healthy and active lifestyles.

Being a good corporate citizen

The key objectives in the CSR/ESG area are as follows:

- Following the values of B Corp 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;

- Engaging in initiatives to ensure the well-being of employees, contributing to local communities, and attentively considering the needs and opinions of stakeholders.

5.3. Financial resources management at the Benefit Systems Group

In 2023, the Benefit Systems Group and the Parent effectively managed their financial resources, ensuring the ability to meet obligations. As at the reporting date, there were no significant commitments related to the purchase of property, plant and equipment. 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 31 December 2023, the Group held PLN 126.8m of available cash at bank, PLN 303.7m in short-term deposits, PLN 45.0m in undrawn funds available under overdraft facilities, and PLN 115m in undrawn funds under an investment credit facility. As at 31 December 2023, the Parent held cash at bank of approximately PLN 25.6m, PLN 255.9m in short-term deposits, PLN 45.0m in undrawn funds available under overdraft facilities, and PLN 115.0m in undrawn funds under an investment credit facility.

5.4. 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.

5.5. Factors and events, especially of non-recurring nature, with a bearing on financial results

In the reporting period, no non-recurring or extraordinary business events or circumstances which would have a material bearing on the financial results of the Benefit Systems Group and the Parent occurred. 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 under Corporate).

5.6. 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 fitness club memberships tends to be lower than in the first, second and fourth quarters of the year, which affects revenue, costs and profitability of the sport card business and the operation of fitness clubs. On the other hand, seasonality of sales in the Cafeterias segment is reflected in an increase in revenues in the last month of the year, partly attributable to the Christmas period.

5.7. Sales and supply markets and dependence on customers and suppliers

In 2023, 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, Slovakia and Turkey) 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.

5.8. Recognition and reversal of impairment losses on financial assets, property, plant and equipment, intangible assets or other assets

In 2023, the Group recognised impairment losses on property, plant and equipment of PLN 1.6m following the closure of the Atmosfera MultiSport facility, PLN 1.6m due to the planned closure of two clubs, and a PLN 2.8m impairment loss on intangible assets. The entire amount of impairment losses on property, plant and equipment and intangible assets related to the Parent.

As at 31 December 2023, impairment losses on the Group's financial receivables amounted to PLN 16.9m, including an additional impairment loss of PLN 9.8m recognised and a PLN 13.2m impairment loss reversed in 2023, of which PLN 8.1m was related to accounting for the acquisition of fitness clubs from Calypso Fitness S.A. and had no effect on profit or loss.

As at 31 December 2023, impairment losses on the Parent's financial receivables amounted to PLN 11.5m, including an additional impairment loss of PLN 5.3m recognised and a PLN 10.6m impairment loss reversed in 2023, of which PLN 8.1m was related to accounting for the acquisition of fitness clubs from Calypso Fitness S.A. and had no effect on profit or loss.

In 2023, the Group reversed impairment losses of PLN 20.5m on loans, of which PLN 18.8m was related to accounting for the acquisition of fitness clubs from Calypso Fitness S.A. The Parent reversed impairment losses of PLN 20.2m on loans, including PLN 18.8m under the transaction with Calypso Fitness S.A., with no effect on profit or loss.

5.9. 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 which would have a material bearing on the fair value of the Benefit Systems Group's and the Parent's financial assets occurred in 2023.

5.10. 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 2023, there were no breaches of credit covenants at the Group, and all borrowings were repaid on time.

5.11. Purchase and sale of material items of property, plant and equipment

In 2023, the Group purchased property, plant and equipment for a total amount of PLN 113.1m, compared with PLN 65.7m in 2022. The expenditure mainly involved purchases of fitness equipment, fit-out of fitness clubs and investments in club premises. The Parent's expenditure on property, plant and equipment amounted to PLN 54.2m in 2023, compared with PLN 43.2m in 2022.

5.12. Research and development activities

The rapidly evolving landscape of non-pay benefit services, spurred by technological advancements, is leading to transformations in the services provided, sales channels, service delivery and internal collaboration models, and the imperative to enhance IT systems through the automation on internal processes.

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

The R&D Activities are directly related to:

- Developing new tools, platforms and applications,
- Developing new technological concepts,
- Improving integrability with other software,
- Making significant improvements to existing Programmes,
- Working on new auxiliary software.

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

The Parent's net revenue from sale of research and development services classified as scientific research and development work services was PLN 1,539m for the financial year ended 31 December 2023 (revenue from sale of services under the MuliSport and MultiLife programmes, and other non-pay benefits), compared with PLN 1,074m for 2022.

5.13. Material commitments or obligations related to purchase of property, plant and equipment

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

5.14. Inventory write-downs to net realisable value and reversals

In 2023, the Benefit Systems Group recognised inventory write-downs of PLN 32 thousand. The Parent did not recognise any inventory write-downs during the year.

5.15. Changes in the classification of financial assets as a result of change in the purpose or use of the assets

In 2023, the Benefit Systems Group did not reclassify any of its financial assets.

5.16. Change in the method of measurement of financial instruments at fair value

In 2023, the Benefit Systems Group did not change the method of measuring financial instruments.

5.17. 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.

On 3 February 2021, the Supervisory Board resolved to establish an Incentive Scheme for 2021–2025 at the Parent. The purpose of the Incentive 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.

Following the achievement of 100% of the threshold for the condition relating to adjusted consolidated operating profit of the Group for 2022, 25,000 subscription warrants were granted to senior management (including the Management Board of the Parent) on 1 March 2023. The fair value of the subscription warrants granted to the employees was estimated as at the grant date using the Black-Scholes model.

Valuation of Incentive Scheme options – Black-Scholes model	
Data	Tranche for 2022
X (t) – share price at the valuation date (PLN)	836
P – option exercise price (PLN)	793.01
r – risk-free rate for PLN	6.54%
T – expiry date	31 Dec 2025
t – current day (for pricing purposes)	1 Mar 2023
Sigma – daily variability	30.00%

The total cost of the 2022 tranche granted on 1 March 2023 was estimated at PLN 6.3m and was recognised in full in the Group’s profit or loss for the reporting period. In 2022, the Group did not recognise the costs of the Scheme as the conditions for granting the 2021 tranche were not satisfied.

By 31 December 2023, the Company had received responses to offers to subscribe for 24,750 series G shares in exchange for 24,750 series L warrants. At the same time, by 31 December 2023, the Company had received payments for taking up the shares in the amount of PLN 752.01 per share. On 23 January 2024, the shares were issued as part of a conditional share capital increase. As at the issue date of this Report for 2023, 250 series L warrants remained outstanding.

In the first half of 2023, a capital reserve of PLN 20.0m was created to finance loans to senior management, including members of the Parent’s Management Board and its subsidiaries, to finance the purchase of shares in the Parent through the exercise of subscription warrants taken up under the share-based payment scheme. As at 31 December 2023, the Company had granted loans to 11 Group employees in the amount of PLN 3.5m. The loans were repaid in full before the issue date of this Directors’ Report on the Group’s operations for 2023.

All amounts are expressed in thousands of Polish złoty unless indicated otherwise. [TRANSLATION ONLY]

By decision of the General Meeting, the warrants not granted 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 granted 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 granted 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.

5.18. Dividend

On 15 December 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 31 December 2022. The policy was positively assessed by the Supervisory Board of the Parent on 15 December 2022. The Management Board of the Parent also resolved to disapply the Dividend Policy for 2020–2023.

On 25 May 2023, the Parent's Management Board passed a resolution to propose that the Annual General Meeting distribute the Parent's net profit for 2022 in such a way that PLN 120,275,222 (PLN 41 per share) be allocated to dividend payment to the shareholders and the balance of PLN 21,260,203 to the statutory reserve funds. The Management Board's proposal was approved by the Parent's Supervisory Board at its meeting held on 25 May 2023.

On 29 June 2023, the Parent's Annual General Meeting passed a resolution to pay dividend of PLN 120,275,222, i.e., PLN 41 per share. The Parent's Annual General Meeting resolved to set 15 September 2023 as the dividend record date, with the dividend paid on 29 September 2023.

5.19. 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.

5.20. 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 31 December 2023.

5.21. 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 2023 and 2022 and to issue opinions and reports on the audits and reviews. For information on the auditor's fees for 2023 and 2022, see Note 34.4 to the consolidated financial statements of the Benefit Systems Group for the 12 months ended 31 December 2023.

5.22. 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 ending 31 December 2023, 31 December 2024, and 31 December 2025. The contract also provides for a review of the separate financial statements of Benefit Systems S.A. and the consolidated financial statements of the Benefit Systems Group for 2023, 2024 and 2025.

The auditor was appointed by the Parent's Supervisory Board and the contract was concluded on 10 August 2023 with effect from 31 May 2023.

In addition, the Parent entered into a contract with KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. for assurance services regarding the report on management and supervisory board remuneration.

The Parent did not enter into any contracts with the auditor other than those described above.

5.23. Borrowings, guarantees and sureties obtained by the Group

Execution of annexes with the European Bank for Reconstruction and Development and Santander Bank Polska S.A.

On 4 April 2023, an annex was signed to the long-term financing agreement of 1 April 2022 with the European Bank for Reconstruction and Development and Santander Bank Polska S.A. The annex extends the availability period for the unutilised part of the financing of PLN 115m until 31 December 2023.

On 30 November 2023, an annex was signed to the long-term financing agreement of 1 April 2022 with the European Bank for Reconstruction and Development and Santander Bank Polska S.A. The annex provided for, *inter alia*, an extension of the availability period for the unutilised part of the financing of PLN 115m until 31 December 2024.

Execution of annexes with Santander Bank Polska S.A.

On 30 May 2023, annexes were signed to the Multi-Facility agreements between Santander Bank Polska S.A. and Benefit Systems S.A. dated 27 May 2020 and 2 April 2012. Under the annexes, the availability period of the financing and the guarantee facility was extended until 31 May 2026. The limit available under the guarantee facility was also raised to PLN 85m.

5.24. 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 2023.

Contingent liabilities of Benefit Systems Group

Contingent liabilities PLN '000	as at 31 December 2023	as at 31 December 2022	Change
Sureties and guarantees	2,421	8,001	(5,580)

Contingent liabilities of Benefit Systems S.A.

Contingent liabilities PLN '000	as at 31 December 2023	as at 31 December 2022	Change
Sureties and guarantees	15,027	13,848	1,179

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.

The disclosed contingent liabilities are related to the capital support provided to the subsidiaries and associates and consist mainly of sureties granted for liabilities in respect of lease payments and payments for the use of fitness equipment.

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5.25. Use of issue proceeds

In 2023, the Parent received PLN 18.6m in share issue proceeds. The proceeds are related to the Share-Based Payment Scheme, described in more detail in Section 5.17 of this Report. The funds received were used to finance ongoing operations.

5.26. Correction of prior period errors

No corrections of prior period errors were made in the Group's consolidated financial statements or the separate financial statements of Benefit Systems S.A.

5.27. Management Board's position regarding delivery against profit forecasts

The Benefit Systems Group and the Parent did not publish any profit forecasts for 2023.

5.28. 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.

5.29. 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, 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, and Series G shares – by holders of Series L subscription warrants granted by the Parent in accordance with the terms of the 2021−2025 Incentive Scheme.

Shareholding structure

	As at the issue date of the report for 2023			As at the issue date of the report for nine months ended 30 Sep 2023			
Shareholder	Number of shares	Ownership interest	Voting interest	Number of shares	Ownership interest	Voting interest	Change
Benefit Invest 1 Company*	453,691	15.34%	15.34%	453,691	15.47%	15.47%	-
Fundacja Drzewo i Jutro*	208,497	7.05%	7.05%	208,497	7.11%	7.11%	-
Benefit Invest Ltd.*	50,421	1.70%	1.70%	70,421	2.40%	2.40%	(20,000)
Nationale-Nederlanden PTE	320,182	10.82%	10.82%	307,053	10.47%	10.47%	13,129
Allianz OFE	276,290	9.34%	9.34%	276,290	9.42%	9.42%	-
Marek Kamola	233,500	7.89%	7.89%	233,500	7.96%	7.96%	-
Generali OFE	230,255	7.78%	7.78%	274,479	9.36%	9.36%	(44,224)
Other	1,185,456	40.07%	40.07%	1,109,611	37.82%	37.82%	75,845
TOTAL	**2,958,292**	**100.00%**	**100.00%**	**2,933,542**	**100.00%**	**100.00%**	**24,750**

** Related individuals and/or entities as described in Note 28 Related-party transactions in the Group's full-year consolidated financial statements for 2023.*

As at the issue date of the Report for 2023, the Company's share capital amounted to PLN 2,958,292. Number of shares comprising the share capital: 2,958,292 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, 184,000 Series F shares, and 24,750 Series G shares. The shares of all series have a par value of PLN 1 per share. The total number of voting rights carried by all outstanding shares is 2,958,292. The equity interests held by individual shareholders in Benefit Systems S.A. are equal to their respective voting interests in the Company.

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5.30. 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 were as follows:

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

	As at the issue date of the report for 2023		As at the issue date of the report for nine months ended 30 Sep 2023		
Management Board	Number of shares	Equity interest	Number of shares	Equity interest	Change
Marcin Fojudzki*	-	-	-	-	-
Emilia Rogalewicz	5,200	0.18%	1,500	0.05%	3,700
Wojciech Szwarc	4,300	0.15%	2,620	0.09%	1,680
Total	**9,500**	**0.32%**	**4,120**	**0.14%**	**5,380**

** Member of the Management Board since 6 September 2023*

Warrants held by the Management Board Members as at the issue date of the report for 2023

Member of the Management Board	Series K1 Warrants granted for 2021	Series Ł Warrants granted for 2023	Outstanding Series K1 and Ł warrants
Marcin Fojudzki	-	250	250
Emilia Rogalewicz	1,850	3,500	5,350
Wojciech Szwarc	1,350	2,500	3,850
Total	**3,200**	**6,250**	**9,450**

The exercise price for options granted as at the issue date of this report for 2023 was PLN 793.01 and will be reduced by any dividend (per share) paid on or before the exercise date. As at the issue date of this Report, the exercise price was PLN 752.01.

Following the achievement of 100% of the threshold for the condition relating to adjusted consolidated operating profit of the Group for 2022, members of the Parent's Management Board were granted Series L warrants: 4,000 for each of Bartosz Józefiak and Emilia Rogalewicz, and 3,000 for Wojciech Szwarc. On 31 December 2023, Series L warrants were converted into Parent shares at the ratio of 1:1. As a result, the Management Board members became entitled to Series G shares, which were issued to them on 23 January 2024.

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Shares held by Members of Benefit Systems S.A. Supervisory Board

	As at the issue date of the report for 2023		As at the issue date of the report for nine months ended 30 Sep 2023		
Supervisory Board	Number of shares	Equity interest	Number of shares	Equity interest	Change
James van Bergh*	0	0.00%	0	0.00%	-
Aniela Anna Hejnowska**	0	0.00%	0	0.00%	-
Krzysztof Kaczmarczyk**	0	0.00%	0	0.00%	-
Katarzyna Kazior***	0	0.00%	0	0.00%	-
Artur Osuchowski	0	0.00%	0	0.00%	-
Michael Sanderson	0	0.00%	0	0.00%	-
Total	**0**	**0.00%**	**0**	**0.00%**	**-**

** Direct holding. Moreover, the company controlled by the Chair of the Supervisory Board holds 453,691 shares in Benefit Systems S.A., representing 15.34% of its share capital. Furthermore, a person closely related to the Chair 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 50,421 shares in Benefit Systems S.A., representing 1.70% of its share capital and the same percentage of total voting rights (as at the issue date of the report for 2023). In addition, a person closely related to the Chair of the Supervisory Board is the Chair of the Supervisory Board of the Drzewo i Jutro Foundation, holding 7.05% of Benefit Systems S.A. share capital (see Note 5.29).*
*** Members of the Supervisory Board in office since 29 June 2023.*
**** Member of the Supervisory Board in office since 1 September 2023.*

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

5.31. 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 2023, the Benefit Systems Group had no obligations arising from retirement or similar benefits to former members of the Parent's management or supervisory staff.

5.32. 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 Benefit Systems S.A. Management Board paid in the period from 1 January 2023 to 31 December 2023

All amounts are expressed in thousands of Polish złoty unless indicated otherwise. [TRANSLATION ONLY]

Management Board Member (PLN '000)	Remuneration at the Parent	Remuneration at subsidiaries	Value of Series L Warrants granted for 2022	Other benefits	Total
Marcin Fojudzki*	231	4	-	6	241
Emilia Rogalewicz	1,372	-	1,004	19	2,395
Wojciech Szwarc	1,080	-	753	22	1,855
Bartosz Józefiak**	1,266	8	1,004	13	2,291
Total	**3,948**	**12**	**2,762**	**60**	**6,782**

** Member of the Management Board since 6 September 2023.*
*** Member of the Management Board until 23 August 2023.*

Following the achievement of 100% of the threshold for the condition relating to adjusted consolidated operating profit of the Group for 2022, members of the Parent's Management Board were granted Series L warrants: 4,000 for each of Bartosz Józefiak and Emilia Rogalewicz, and 3,000 for Wojciech Szwarc. On 31 December 2023, Series L warrants were converted into Parent shares at the ratio of 1:1. As a result, the Management Board members became entitled to Series G shares, which were issued to them on 23 January 2024.

Given the satisfaction of the conditions of the Incentive Scheme for 2023 and cumulatively for 2021−2023, the conditions for granting Series K1 and Series Ł warrants were met. For information on Series K1 and Series Ł warrants granted on 18 March 2024, see Note 5.30 to this Report.

As at 31 December 2023, Bartosz Józefiak, former Member of the Management Board, was entitled to a severance pay of PLN 488 thousand.

Remuneration of members of Benefit Systems S.A. Supervisory Board paid in the period from 1 January 2023 to 31 December 2023 (no remuneration from subsidiaries)

Supervisory Board (PLN '000)	Remuneration	Other benefits	Total
James van Bergh	135	-	135
Michael Sanderson	72	0	-
Marcin Marczuk***	60	0	60
Aniela Hejnowska*	44	-	-
Michael Rohde Pedersen***	40	-	-
Krzysztof Kaczmarczyk*	44	-	-
Katarzyna Kazior**	24	-	24
Artur Osuchowski	104	0	104
Total	**524**	**1**	**525**

** Member of the Supervisory Board since 29 June 2023.*
*** Member of the Supervisory Board since 1 September 2023.*
**** Member of the Supervisory Board until 29 June 2023.*

All amounts are expressed in thousands of Polish złoty unless indicated otherwise. [TRANSLATION ONLY]

5.33. Control system for employee stock option plans

Pursuant to resolutions of the General Meeting, Benefit Systems S.A. has established an Incentive Scheme for 2021–2025 based on Parent shares, intended for senior and middle management of the Parent and for the Benefit Systems Group subsidiaries. The detailed rules of the Scheme were approved by the Supervisory Board.

The implementation of incentive schemes is directly overseen by the Management Board, and with regard to the members of the Management Board – by the Supervisory Board.

See subsection 5.17. of this Report for a detailed description of the Incentive Scheme.

5.34. 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 22 June 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 4 January 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 Art. 6.1.3 of the Act on Competition and Consumer Protection and Art. 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.

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

On 21 August 2023, the Polish Court of Competition and Consumer Protection (the "Court") dismissed the Company's appeal against the Decision. The Court's judgment is not final. The Company disagrees with the judgment and has filed an appeal within the prescribed time frame. Guided by the opinion of lawyers, as at 31 December 2023 the Company maintained the provision in an unchanged amount.

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 7 December 2021, of a decision by the President of UOKiK ("Decision 2") under Art. 12.1 of the Act on Competition and Consumer Protection of 16 February 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, which were fully implemented by the Company by the prescribed deadline.

5.35. Sureties, credit guarantees or other guarantees provided by Benefit Systems Group

In 2023, the Benefit Systems Group and the Parent 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 equity.

5.36. Changes in key business management principles policies at the Benefit Systems Group

In 2023, there were no changes in the Benefit Systems Group's or the Parent's management policies.

5.37. 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, memberships) 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 2023, 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 memberships 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, costs 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 memberships, 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 27 April 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.

5.38. Statement on the non-financial report of the Benefit Systems Group

The Benefit Systems Group has chosen to prepare its non-financial report for 2023 in the form of a separate report (jointly for the Company and the Group), in accordance with Art. 55.2c and Art. 49b.9 of the Accounting Act.

5.39. 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.

	31 Dec 2023	31 Dec 2022
Equity	998,330	725,416
Equity	**998,330**	**725,416**
Equity	998,330	725,416
Borrowings, other debt instruments	60,529	84,706
Lease liabilities	1,062,477	954,595
Total sources of funding	**2,121,336**	**1,764,717**
Equity to total sources of funding	**0.47**	**0.41**
Net profit	444,873	139,077
Share of profit/(loss) of equity-accounted entities	662	(2,292)
Net finance income/(costs)	12,648	(33,887)
Income tax	108,536	37,495
Depreciation and amortisation	287,474	232,076

All amounts are expressed in thousands of Polish złoty unless indicated otherwise. [TRANSLATION ONLY]

EBITDA**	**827,573**	**444,827**

Theoretical operating lease costs under IAS 17*	173,982	146,376
Gain/(loss) on closing and changing the contract scope	1,204	563
Effect of IFRS 16	**175,186**	**146,939**

EBITDA, net of IFRS 16	**652,387**	**297,888**

Borrowings, other debt instruments	60,529	84,706
Cash at end of period	434,004	218,327
Debt (Net financial liabilities)	**(373,475)**	**(133,621)**

Debt to EBITDA	**(0.45)**	**(0.30)**
Debt to EBITDA, net of IFRS 16	**(0.57)**	**(0.45)**

** The sum of annual lease payments, assuming equal spread over the lease term.*
*** The Group calculates EBITDA as operating profit before depreciation and amortisation.*

6. STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES BY BENEFIT SYSTEMS S.A. (THE "COMPANY") IN 2023

6.1. 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 2023 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 1 July 2021, the Company has been under the obligation to apply the current corporate governance principles for companies listed on the WSE Main Market, that is "Best Practice for WSE Listed Companies 2021", annexed to WSE Supervisory Board Resolution No. 13/1834/2021 of 29 March 2021.

Best Practice for WSE Listed Companies 2021 is available at https://www.gpw.pl/pub/GPW/files/PDF/dobre_praktyki/en/DPSN2021_EN.pdf.

Information on compliance with corporate governance principles is available publicly at https://www.benefitsystems.pl/en/for-investors/corporate-governance/rules-of-best-practice/.

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

In 2023, the Company followed the recommendations and specific principles of Best Practice for WSE Listed Companies 2021 ("Best Practice 2021"), effective from 1 July 2021, with the exception of the following 11 principles: 1.3.1., 1.4.,1.4.1.,1.4.2., 3.7., 3.10., 4.1., 4.9.1., 4.11., 6.2., 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;

The principle is not applied.

All amounts are expressed in thousands of Polish złoty unless indicated otherwise. [TRANSLATION ONLY]

Company's commentary: The principle is not applied in full. Benefit Systems has in place an ESG (Environmental, Social, Governance) strategy, which is part of its business strategy. The ESG strategy sets targets and metrics in the social, governance and environmental areas. The Company is also gearing up to implement a climate policy. Benefit Systems reaffirmed its commitment to conducting business in accordance with the highest social, governance, and environmental standards through the recertification process for the B Corp certificate in 2023. This certification, obtained by Benefit Systems in 2018, marked the Company as the first public company in Poland and Central and Eastern Europe to achieve this recognition. The certificate is valid until 2026. The Benefit Systems Group publishes non-financial reports annually on the dates set for the issue of full-year financial statements. The non-financial report of the Benefit Systems Group for 2023 outlines the organisation's business model, detailing the operations of its individual operating segments, and provides insights into its performance across various ESG areas. The Benefit Systems Group currently adheres to the international Global Reporting Initiative (GRI) guidelines, at the CORE application level, for its reporting standards.

In accordance with the principle of materiality set out in the GRI Standards, the Report covers aspects that reflect the organisation's significant 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 perspective of the Company's employees and managers.

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.

The principle is not applied.

Company's commentary: The Company has in place an overall business strategy and communicates its general objectives to its stakeholders (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.

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;

The principle is not applied.

Company's commentary: The principle is not applied in full. The Company has in place a business strategy, including an ESG strategy, which it pursues in a consistent and effective manner. The ESG strategy sets out climate-related targets approved by the Management Board of the Benefit Systems Group. The Company is working on a climate policy to be implemented by the end of 2024.

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.

Company's commentary: The principle is not applied in full. The target concerning equal pay for women and men is included in the ESG strategy. While the gender pay gap ratio has been reported for the largest companies within the Benefit Systems Group, there are plans to extend this reporting to encompass the entire Group.

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.

Company's commentary: The Group aims to standardise its risk and compliance management system across all companies crucial to its operations. The formalisation of the Group's policies in this area began in 2023 and will continue into 2024. Where a compliance function is set up at a subsidiary, the person responsible for this function reports directly to the Management Board of the subsidiary, in line with Best Practice 2021. The internal audit function of the Company encompasses the operations of Group companies based on risk assessment and the significance of a company for the Group's operations.

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.

Company's commentary: 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 provide two-way communication with shareholders using electronic means of communication. The Company's Management Board enables shareholders to exercise their voting rights during a General Meeting either in person or through a proxy, but without the possibility of using electronic means of communication for that purpose. Shareholders regularly exercise the right to vote by proxy at a General Meeting. In the opinion of the Company's Management Board, the current rules of holding and participating in the General Meeting enable the shareholders to exercise the rights attached to their shares and protect their interests. The Company's Management Board publishes resolutions passed by the General Meeting in the form of current reports available on the Company's website and provides access to minutes of the General Meetings at the Company's head office. The Management Board believes that this manner of documenting the proceedings of the General Meeting guarantees transparency.

Principle 4.9.1.

Candidates for members of the supervisory board should be nominated with a notice necessary for shareholders present at the general meeting to make an informed decision and in any case no later than three days before the general meeting; the names of candidates and all related documents should be immediately published on the company's website;

The principle is not applied.

Company's commentary: The principle has been applied by the Company to date and it is the Company's intention to apply it in the future. Nevertheless, in this one case, this principle has not been fully applied. Mr Artur Osuchowski (member of the Company's Supervisory Board of the current term of office) was nominated during the Annual General Meeting held on 29 June 2023. The other candidates for members of the Supervisory Board of the new term of office were nominated in accordance with the above principle.

Principle 4.11.

Members of the management board and members of the supervisory board participate in a general meeting, at the location of the meeting or via means of bilateral real-time electronic communication, as necessary to speak on matters discussed by the general meeting and answer questions asked at the general meeting. The management board presents to participants of an annual general meeting the financial results of the company and other relevant information, including non-financial information, contained in the financial statements to be approved by the general meeting. The management board presents key events of the last financial year, compares presented data with previous years, and presents the degree of implementation of the plans for the last year.

The principle is not applied.

Company's commentary: As a principle, members of the Company's Management Board participate in the Company's General Meeting. This principle was also applied with respect to members of the Company's Supervisory Board until 29 June 2023 and the Company's intention is to apply it in the future. However, this principle was not fully applied in 2023. On 29 June 2023, following the expiry of the term of office of the Supervisory Board, the Annual General Meeting of the Company appointed a new Supervisory Board for a joint five-year term of office, which will expire on the date of the Company's Annual General Meeting which will approve the Company's financial statements for 2027. Members of the Supervisory Board of the new term of office did not participate in the General Meetings held in the second half of 2023. The Company confirms that the principle will be fully applied again since 2024.

Principle 6.2.

Incentive schemes should be constructed in a way necessary among others to tie the level of remuneration of members of the company's management board and key managers to the actual long-term standing of the company measured by its financial and non-financial results as well as long-term shareholder value creation, sustainable development and the company's stability.

The principle is not applied.

Company's commentary: The incentive scheme for 2021-2025 makes the remuneration of members of the Company's Management Board and key managers dependent on the long-term amount of adjusted consolidated operating profit defined as consolidated operating profit disclosed in audited consolidated financial statements, adjusted for the effect of one-off events in 2021-2025. Subscription warrants will be taken up by the eligible persons upon fulfilment of the loyalty and effectiveness criteria set out in the incentive scheme rules and Resolution No. 4/03.02.2021 of the Extraordinary General Meeting of 3 February 2021. The principle is not fully applied by the Company because the incentive scheme for 2021-2025 in its current design does not tie the remuneration of the eligible persons to the Company's long-term non-financial performance or sustainability criteria.

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.

Company's commentary: The principle is not applied in full. The Company operates an incentive scheme for 2021-2025, based on subscription warrants. The scheme was adopted pursuant to a resolution of the General Meeting of 3 February 2021. 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 and the grant of a tranche of subscription warrants to employees will be subject to the mandatory condition that a predefined level of consolidated operating profit adjusted for the accounting cost of the incentive scheme is achieved for a given financial year. The implementation of the scheme does not depend on predefined non-financial or sustainability objectives.

Incidental breaches of Best Practice for WSE Listed Companies.

In 2023, there occurred two incidental breaches of Best Practice for WSE Listed Companies at the Company.

The first breach occurred with regard to Principle 4.9.1. of Best Practice 2021

4.9.1. Candidates for members of the supervisory board should be nominated with a notice necessary for shareholders present at the general meeting to make an informed decision and in any case no later than three days before the general meeting; the names of candidates and all related documents should be immediately published on the company's website;

Company's commentary: The principle has been and will continue to be applied by the Company. However, incidentally, the principle was breached in such a way that Mr Artur Osuchowski (member of the Company's Supervisory Board of the current term of office) was nominated as a candidate to the Supervisory Board during a supplementary vote. The nomination was made during the Annual General Meeting held on 29 June 2023, at which the shareholders called only a break in connection with such nomination. The other candidates for members of the Supervisory Board of the new term of office were nominated in accordance with the above principle.

The second breach occurred with regard to Principle 4.11 of Best Practice 2021

4.11. Members of the management board and members of the supervisory board participate in a general meeting, at the location of the meeting or via means of bilateral real-time electronic communication, as necessary to speak on matters discussed by the general meeting and answer questions asked at the general meeting. (...).

Company's commentary: Members of the Company's Supervisory Board did not participate in three Extraordinary General Meetings held in the second half of 2023. The principle was applied until 29 June 2023 (the Annual General Meeting appointing members of the Company's Supervisory Board for the current term of office). The Company confirms that the principle is applied again as of 2024.

The Company points out that the breach of the above principles was incidental and occurred inadvertently. The Company's Management Board will use its best endeavours to prevent any similar situations from happening in the future.

6.3. 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 functions responsible for the internal control, risk management and compliance activities, as well as an internal audit function. The functions, overseen by the Management Board, are appropriate for the Company's size as well as for the type and scale of its operations. The persons responsible for these functions report organisationally and functionally to the Management Board Member for Finance. The head of the internal audit function reports organisationally to the Management Board Member for Finance, and functionally – to the Chair of the Company's Audit Committee.

In particular, the Company takes the following steps to achieve effective internal control in financial reporting:

1. ensuring that uniform accounting policies are followed the Benefit Systems Group companies with respect to consolidated data as regards recognition, measurement and disclosures in accordance with International Financial Reporting Standards as endorsed by the European Union (IFRS EU);
2. keeping current records of economic events in the financial and accounting system by competent teams, their analysis and regular comparison with budgets and previous years' data;
3. verifying the correctness and completeness of the data and the way transactions and events are recognised by way of formalised operational and acceptance procedures;
4. recording economic events at the key companies of the Benefit Systems Group subject to consolidation in a financial and accounting system that ensures the security of data and information it contains;
5. appropriate alignment of the financial and accounting system with the changing tax and accounting regulations;
6. regular reviews of the risks associated with the processing of information in the system and reviews of business continuity plans for the system;
7. monthly comparison of consolidated financial data with management data;
8. providing the Benefit Systems Group companies with uniform templates of consolidation packages ensuring consistent data presentation;
9. procedures for authorisation of and issue of opinions on financial statements before their publication.

The Management Board of Benefit Systems S.A. regularly approves accounting policy updates resulting from changes in financial reporting standards or accounting regulations. The accounting policy provides the basis for reporting data for consolidation purposes by the Benefit Systems Group companies, ensuring consistency and appropriateness of the accounting policies applied.

The financial statements of the Company and the consolidated financial statements of the Group are prepared by a dedicated Financial Reporting Team with appropriate competencies and knowledge of International Financial Reporting Standards. The Team is subject to professional and operational oversight by the Chief Financial Officer and the Management Board Member for Finance.

The full-year and half-year financial statements of the Company and the full-year and half-year consolidated financial statements of the Group are audited and reviewed by an independent lead auditor acting on behalf of the audit firm appointed to audit the Company's financial statements by the Supervisory Board.

The Company regularly assesses risks related to the financial reporting process and non-compliance with financial reporting regulations as part of its risk management system. The Company monitors amendments to the laws and regulations governing financial reporting (International Financial Reporting Standards) and periodic reporting by issuers of securities on an ongoing basis and updates its accounting policies and disclosure requirements accordingly. With respect to the Group's consolidated financial statements, the Company provides guidance on the Group's accounting policies for the preparation of consolidation packages of the subsidiaries and exercises control functions with respect to the financial data of the subsidiaries by, *inter alia*, reviewing the packages and preparing the consolidation sheet, for the purposes of preparing the Group's consolidated financial statements. Material consolidation packages of the subsidiaries are subject to selected audit and review procedures by the independent auditor of the Group or an auditor from the network of the audit firm selected to audit the Group's consolidated financial statements.

6.4. 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 2023			As at the issue date of the report for nine months ended 30 Sep 2023			
Shareholder	Number of shares	Ownership interest	Voting interest	Number of shares	Ownership interest	Voting interest	Change
Benefit Invest 1 Company*	453,691	15.34%	15.34%	453,691	15.47%	15.47%	-
Nationale-Nederlanden PTE	320,182	10.82%	10.82%	307,053	10.47%	10.47%	13,129
Allianz OFE**	276,290	9.34%	9.34%	276,290	9.42%	9.42%	0
Marek Kamola	233,500	7.89%	7.89%	233,500	7.96%	7.96%	0
Generali OFE	230,255	7.78%	7.78%	274,479	9.36%	9.36%	-44,224
Fundacja Drzewo i Jutro*	208,497	7.05%	7.05%	208,497	7.11%	7.11%	-
Benefit Invest Ltd.*	50,421	1.70%	1.70%	70,421	2.40%	2.40%	-20,000
Other	1,185,456	40.07%	40.07%	1,109,611	37.82%	37.82%	75,845
TOTAL	**2,958,292**	**100.00%**	**100.00%**	**2,933,542**	**100.00%**	**100.00%**	**24,750**

Information based, among other things, on notifications sent to the Company, the annual asset structure of open-end (OFE) and voluntary (DFE) pension funds, and information submitted for the General Meetings.
** Related individuals and/or entities as described in the note 'Related-party transactions'*

As at the issue date of the Report for 2023, the Company's share capital amounted to PLN 2,958,292. Number of shares comprising the share capital: 2,958,292 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, 184,000 Series F shares, and 24,750 Series G shares. The shares of all series have a par value of PLN 1 per share. The total number of voting rights carried by all outstanding shares is 2,958,292. The equity interests held by individual shareholders in Benefit Systems S.A. are equal to their respective voting interests in the Company.

All amounts are expressed in thousands of Polish złoty unless indicated otherwise. [TRANSLATION ONLY]

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

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

6.6. 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.

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

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

6.8. 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 Chair 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.

6.9. 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.

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

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

Convening of the General Meeting.

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

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

Key powers of the General Meeting.

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

1. consideration and receipt of the Directors' Report on the Company's operations and the financial statements for the previous financial year, and granting discharge from liability to members of the governing bodies of the Company in respect of their performance of duties;
2. sale or lease of, or creation of limited property rights in, the Company's business or an organised part thereof;
3. acquisition and disposal of real estate, perpetual usufruct right to or interest in real estate, unless the Articles of Association provide otherwise;
4. issue of convertible bonds or bonds with pre-emptive rights and issue of subscription warrants referred to in Article 453.2 of the Commercial Companies Code;

5. acquisition of the Company's own shares in cases specified in Art. 362.1.2 of the Commercial Companies Code, and granting authorisations to acquire the Company's own shares in cases specified in Art. 362.1.8 of the Commercial Companies Code;
6. determination of the dividend record date and the dividend payment date;
7. amendments to the Company's Articles of Association, share capital increase or reduction;
8. appointment of Supervisory Board members;
9. determination of the remuneration of Supervisory Board members;
10. merger, transformation, dissolution or liquidation of the Company;
11. considering matters put forward by the Supervisory Board, the Management Board or shareholders.

Rules governing participation in the General Meeting.

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

1. the right to participate in the Company's General Meeting is vested only in persons that are the Company's shareholders sixteen days before the date of the General Meeting;
2. a shareholder who is a natural person may attend and vote at a General Meeting in person or by proxy;
3. a Shareholder other than a natural person may attend and vote at a General Meeting either through a person authorised to represent that Shareholder or through a proxy;
4. the power of proxy is null and void unless made in writing or should be issued in electronic form;
5. a shareholder may vote each of their shares in a different manner;
6. a General Meeting should be attended by those members of the Management Board and Supervisory Board who are in the position to give relevant answers to questions asked during the General Meeting. It may also be attended by experts and other persons invited by the convening body.

Voting at the General Meeting.

1. as a general rule, the General Meeting makes decisions in an open ballot;
2. a secret ballot is only called to elect or remove from office members of the Company's governing bodies or liquidators, when voting on bringing them to account and when voting on personnel matters;
3. resolutions on any material changes to the Company's business profile are adopted in an open ballot and should be published;
4. resolutions of the General Meeting are passed by an absolute majority, unless the Articles of Association or the Commercial Companies Code provide otherwise. An absolute majority of three-fourths of votes cast in the presence of shareholders representing at least 50% of the Company's share capital is required for resolutions concerning: (i) removal of items from the agenda of the General Meeting; (ii) a shareholder's liability to the Company, howsoever arising;
5. General Meeting resolutions are recorded in the minutes of the meeting, which must be drawn up by a notary public to be valid;
6. the Company publishes voting results on its website within a week after a General Meeting. The voting results should remain available until the day of expiry of the time limit to appeal against a resolution of the General Meeting;
7. one share carries the right to one vote at the General Meeting. The Company has not issued any shares with voting preference. In accordance with the Commercial Companies Code, the Company does not exercise the voting rights attached to its treasury shares.

6.11. 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.

Management Board of the Company

The Management Board operates in accordance with the Rules of Procedure for the Management Board, the Company's Articles of Association and generally applicable laws. The Rules of Procedure for the Management Board are available on the Company's website: https://www.benefitsystems.pl/en/for-investors/corporate-governance/corporate-documents/.

As at 31 December 2023, the Company's Management Board was composed of:

1. Marcin Fojudzki – Member of the Management Board,
2. Emilia Rogalewicz – Member of the Management Board,
3. Wojciech Szwarc – Member of the Management Board.

Changes in the Company's governing bodies in 2023.

In 2023, the following changes were made in the composition of the Management Board:

1. On 23 August 2023, Bartosz Józefiak resigned as Member of the Management Board, without stating the reason, with effect from the same date.
2. On 23 August 2023, the Supervisory Board passed a resolution to appoint Marcin Fojudzki as a Member of the Management Board, with effect from 6 September 2023.

Supervisory Board

The Supervisory Board operates in accordance with the Rules of Procedure for the Supervisory Board, the Company's Articles of Association and generally applicable laws. The Rules of Procedure for the Supervisory Board are available on the Company's website: https://www.benefitsystems.pl/en/for-investors/corporate-governance/corporate-documents/.

As at 31 December 2023, the Supervisory Board was composed of:

1. James van Bergh – Chair of the Supervisory Board,
2. Artur Osuchowski – Deputy Chair of the Supervisory Board,
3. Aniela Anna Hejnowska – Member of the Supervisory Board,
4. Katarzyna Kazior – Member of the Supervisory Board,
5. Krzysztof Kaczmarczyk – Member of the Supervisory Board,
6. Michael Sanderson – Member of the Supervisory Board.

In 2023, the following changes were made in the composition of the Supervisory Board:

On 29 June 2023, given the expiry of the term of office of members of the Supervisory Board, the Annual General Meeting (the "AGM") appointed the following persons to the Supervisory Board:

1. James van Bergh – Chair of the Supervisory Board,
2. Aniela Anna Hejnowska – Member of the Supervisory Board,
3. Krzysztof Kaczmarczyk – Member of the Supervisory Board,
4. Artur Osuchowski – Member of the Supervisory Board,
5. Michael Sanderson – Member of the Supervisory Board,

for a joint five-year term of office expiring on the date of the Annual General Meeting which will be held to approve the Company's financial statements for 2027.

On 10 August 2023, by resolution of the Extraordinary General Meeting, Art. 20.1 of the Company's Articles of Association, reading: "1. "The Supervisory Board shall consist of 5 (five) members appointed and removed by the General Meeting." was amended to read as follows: "1. "The Supervisory Board shall consist of 6 (six) members appointed and removed by the General Meeting."

By a resolution of 10 August 2023, the Extraordinary General Meeting appointed Katarzyna Kazior as member of the Company's Supervisory Board for the term of office that started on 29 June 2023. Katarzyna Kazior joined the Company's Supervisory Board on 1 September 2023, when the registry court entered the above amendment to the Company's Articles of Association in the Business Register of the National Court Register.

In 2023, the function of the Remuneration Committee was performed by the Supervisory Board.

Audit Committee

The scope of operation and procedures of the Audit Committee are detailed in the Rules of Procedure for the Audit Committee of Benefit Systems S.A. Supervisory Board. The Rules of Procedure for the Audit Committee of the Supervisory Board are available on the Company's website: https://www.benefitsystems.pl/en/for-investors/corporate-governance/corporate-documents/.

As at 31 December 2023, the Audit Committee was composed of:

1. Artur Osuchowski – Chair of the Audit Committee,
2. Aniela Anna Hejnowska – Member of the Audit Committee,
3. Krzysztof Kaczmarczyk – Member of the Audit Committee.

In 2023, the following changes were made in the composition of the Audit Committee:

On 3 April 2023, the Supervisory Board received a statement from Marcin Marczuk pursuant to Art. 20.4 of the Company's Articles of Association, submitted in conjunction with Art. 129.3.8 of the Act on Statutory Auditors. Consequently, the Supervisory Board conducted a review of its members in accordance with the independence criteria outlined in Art. 129.3 of the Act on Statutory Auditors and changed to the composition of the Audit Committee by passing relevant resolutions.

On 3 April 2023, the Supervisory Board passed a resolution to accept the resignation of James van Bergh from the Audit Committee, subsequently removing him from the Committee.

On 3 April 2023, the Supervisory Board passed a resolution to appoint Mr Michael Rohde Pedersen from among its members to the Audit Committee.

On 3 April 2023, the Supervisory Board passed a resolution to appoint Artur Osuchowski, the then member of the Audit Committee, as the new Chair of the Audit Committee, in place of Marcin Marczuk.

On 3 April 2023, the Supervisory Board passed a resolution to confirm the following composition of the Audit Committee for the term of office of the Supervisory Board:

1. Artur Osuchowski – Chair of the Audit Committee, independent member
2. Michael Rohde Pedersen – member of the Audit Committee, independent member
3. Marcin Marczuk – member of the Audit Committee

The Audit Committee of the above composition operated from 3 April 2023 to 29 June 2023.

On 13 July 2023, the Supervisory Board passed a resolution to appoint Artur Osuchowski, Aniela Anna Hejnowska, and Krzysztof Kaczmarczyk to the Audit Committee.

On 13 July 2023, the Supervisory Board passed a resolution to appoint Artur Osuchowski as Chair of the Audit Committee.

As of 13 July 2023, the Audit Committee is composed of:

1. Artur Osuchowski – Chair of the Audit Committee,
2. Aniela Anna Hejnowska – Member of the Audit Committee,
3. Krzysztof Kaczmarczyk – Member of the Audit Committee.

6.12. Information on the Company's Audit Committee.

Persons who meet statutory independence criteria and possess knowledge and skills in accounting or financial statements auditing, as well as knowledge and skills specific to the industry in which the issuer operates, including the means through which they acquired such knowledge and skills.

The following members of the Audit Committee meet the independence criteria:

Artur Osuchowski, Aniela Anna Hejnowska, Krzysztof Kaczmarczyk.

The following members of the Audit Committee possess knowledge and skills in accounting or financial statements auditing:

1. Artur Osuchowski, who acquired the knowledge and skills when working for KPMG Advisory, Ernst&Young Corporate Finance, Capgemini and more;
2. Krzysztof Kaczmarczyk, who is a graduate of the Warsaw School of Economics with major in finance and accounting.

Artur Osuchowski is the Audit Committee member possessing the knowledge and skills specific to the industry in which the Company operates given his supervisory experience as an independent member of the Company's Supervisory Board.

Number of meetings held by the audit committee.

In 2023, the Audit Committee held four meetings.

Description of permitted non-audit services provided to the Company by the audit firm auditing its financial statements, assessment of the independence of the audit firm and consent to the provision of such services.

KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. ("KPMG"), the audit firm engaged, under the Supervisory Board Resolution of 15 December 2022, to audit the financial statements of the Company and the consolidated financial statements of the Group for 2023–2025, provided permitted non-audit services to the Company and the Group in 2023, which involved a review of the half-year interim condensed separate financial statements of the Company and the half-year interim condensed consolidated financial statements of the Group for the six months ended 30 June 2023, 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 for 2023 prepared in accordance with Art. 90g of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies.

On 15 December 2022, the Audit Committee submitted a recommendation to the Company's Supervisory Board regarding the selection of an audit firm and the scope of services to be provided by it also with respect to permitted additional non-audit services in the process of selecting an audit firm to audit the Company's financial statements and the consolidated financial statements of the Group for 2023-2025.

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.

Key principles of the policy for the selection of an audit firm to audit financial statements and the policy for the provision of permitted non-audit services by the audit firm, its affiliates and members of its network.

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 16 April 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 provisions of the policy for the selection of the audit firm for Benefit Systems S.A.

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 within a timeframe specified by the Company;
   g) professional qualifications and experience of persons directly involved in the audit;
   h) operating in most of the countries in which Benefit Systems Group companies are based.
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 Article 5 of Regulation 537/2014 and Art. 136 of the Act on Statutory Auditors;

3. The services referred to in Art. 136.2 of the Act on Statutory Auditors are not considered as prohibited services;
4. The 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 consent.

Information on whether the recommendation on selection of the audit firm to audit financial statements met the applicable conditions, and, where the selection of the audit firm was not related to extending the agreement for audit of financial statements – whether the recommendation was prepared following a selection procedure organised by the Company in accordance with the applicable criteria.

Recommendation of the Audit Committee of the Benefit Systems S.A. Supervisory Board regarding the selection of the KPMG audit firm and extension of cooperation for 2023-2025 along with the rationale.

In connection with the expiry of the agreement for audit of financial statements and review of interim financial statements concluded on 3 August 2021 between Benefit Systems S.A. (the "Company") and KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k. ("KPMG"), concerning the audit and review of financial statements for 2021 and 2022, the Audit Committee, having consulted the Management Board and the Company's accounting services, and having read the report on audit firm selection submitted by the Company, recommends that the Supervisory Board extend the audit engagement with KPMG for 2023-2025 in accordance with Article 17(1) and (2) of Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909.

Acting pursuant to Art. 27.f. of the Company's Articles of Association and in accordance with the Procedure for the Selection of the Audit Firm for Benefit Systems S.A. set out in Appendix 1 to Resolution No. 2022/12/15/1 passed by the Audit Committee of the Benefit Systems S.A. Supervisory Board on 15 December 2022, and having read the recommendation together with the rationale submitted by the Audit Committee, the Company's Supervisory Board approved the rationale contained in the recommendation and on 15 December 2022 passed a resolution to select the audit firm KPMG through extension of cooperation for 2023-2025.

6.13. 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 2023, the Company applied a Policy for Diversity, Equal Treatment and Inclusion Culture (DEI) at Benefit Systems S.A. – a new version of the document, adopted by the Management Board on 9 September 2023. For a description of its features and application, see the Non-Financial Report for 2023.

The document is available on the Company's website: https://www.benefitsystems.pl/en/for-investors/corporate-governance/corporate-documents/.

In 2023, the Company applied the Diversity Policy adopted by the Company's Supervisory Board by Resolution of 11 August 2022 with respect to members of the Benefit Systems S.A. Management Board and the Diversity Policy with respect to members of the Benefit Systems S.A. Supervisory Board.

The Diversity Policy for members of the Company's Management Board is available on the Company's website: https://www.benefitsystems.pl/en/for-investors/corporate-governance/corporate-documents/.

The Diversity Policy with respect to members of the Supervisory Board is available on the Company's website: https://www.benefitsystems.pl/en/for-investors/corporate-governance/corporate-documents/.

AUTHORISATION FOR ISSUE

This consolidated Directors' Report on the operations of the Benefit Systems Group, including mandatory disclosures required in a director's report of a parent, for the 12 months ended 31 December 2023 (including the comparative data) was authorised for issue by the Management Board of the Parent on 19 March 2024.

Date	Full name	Position	Signature
19 March 2024	Marcin Fojudzki	Member of the Management Board	
19 March 2024	Emilia Rogalewicz	Member of the Management Board	
19 March 2024	Wojciech Szwarc	Member of the Management Board	

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