



Directors' Report on Operations of WORK SERVICE SA

for the period from 1 January to 31 December 2018

Wrocław, 30 April 2019

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1. Work Service SA — Company information

Work Service SA with its registered office in Wrocław at ul. Gwiaździsta 66 is entered in the National Court Register kept by the District Court in Wrocław under KRS number 0000083941. The company was established by notarial deed dated 12 December 2000 prepared in a Notary Office in Oleśnica (Repertory A No 7712/2000). The Company was registered on 28 January 2002. Work Service Spółka Akcyjna operates under Polish law. The Company operates primarily on the basis of the Commercial Companies Code and regulations of the General Meeting, Supervisory Board and Management Board. Work Service SA is a company specialising in employment services, in modern human resource solutions, providing services in the area of recruitment, the provision of employees to clients, consultancy and human resources management.

As at the balance sheet date of 31 December 2018, the Management Board of Work Service SA was composed of the following persons:

- | | |
|-----------------------------|------------------|
| • Maciej Witucki | - President |
| • Paul Andrew Christodoulou | - Vice President |
| • Tomasz Ślęzak | - Vice President |
| • Iwona Szmirkowska | - Vice President |

On 23 May 2018, the Issuer received document containing the resignation of Mr. Krzysztof Rewers from the position of the Vice President of the Management Board of Work Service S.A. with effect on 23 May 2018. Mr. Krzysztof Rewers indicated that the resignation was caused by personal reasons.

On 23 May 2018 the Supervisory Board of the Issuer, acting pursuant to § 16(2) of the Company's Articles of Association and § 14(2)(b) of the Bye-laws of the Supervisory Board, appointed Mr. Piotr Ambrozowicz to perform the duties of Vice-President of the Management Board of Work Service S.A.

On 15 October 2018, the Issuer received document containing the resignation of Mr. Piotr Ambrozowicz from the position of the Vice President of the Management Board of Work Service S.A. with effect on 16 October 2018. Mr. Piotr Ambrozowicz did not indicate reasons of the resignation.

On 24 January 2019, the Issuer received document containing the resignation of Mr. Maciej Witucki from the position of the President of the Management Board of Work Service S.A. with effect on 28 February 2019. Mr. Maciej Witucki did not indicate reasons of the resignation.

On 24 January 2019, the Issuer received document containing the resignation of Mr. Tomasz Ślęzak from the position of the Vice President of the Management Board of Work Service S.A. with effect on 24 January 2019. Mr. Tomasz Ślęzak did not indicate reasons of the resignation.

On 22 February 2019 the Supervisory Board of the Issuer, acting pursuant to § 16(2) of the Company's Articles of Association and § 14(2)(b) of the Bye-laws of the Supervisory Board, dismissed Mrs. Iwona Szmirkowska from her position of the Vice President of the Management Board and appointed Mrs. Iwona Szmirkowska to perform the duties of President of the Management Board of Work Service S.A.

On 22 February 2019 the Supervisory Board of the Issuer, acting pursuant to § 16(2) of the Company's Articles of Association and § 14(2)(b) of the Bye-laws of the Supervisory Board, appointed Mr. Jarosław Dymitruk to perform the duties of Vice-President of the Management Board of Work Service S.A.

As at 31 December 2018, the Supervisory Board of Work Service SA was composed of the following persons:

- | | |
|-------------------------|--|
| • Panagiotis Sofianos | — Chairman of Supervisory Board |
| • Tomasz Misiak | — Vice-Chairman of the Supervisory Board |
| • Krzysztof Kaczmarczyk | — Member of the Supervisory Board |
| • Everett Kamin | — Member of the Supervisory Board |
| • Pierre Mellinger | — Member of the Supervisory Board |
| • Piotr Maciej Kamiński | — Member of the Supervisory Board |
| • Robert Ługowski | — Member of the Supervisory Board |
| • Tomasz Hanczarek | — Member of the Supervisory Board |
| • John Leone | — Member of the Supervisory Board |

In 2018, there were no changes in the composition of the Supervisory Board of Work Service SA.

Key economic data of Work Service SA

| SPECIFICATION | 01.01.2018- 31.12.2018 | 01.01.2017- 31.12.2017 | 01.01.2018- 31.12.2018 | 01.01.2017- 31.12.2017 |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| Work Service SA | in PLN '000 | in PLN '000 | in EUR '000 | in EUR '000 |
| Sales revenue | 581 340 | 594 204 | 136 244 | 139 987 |
| EBITDA (operating profit + depreciation and amortization) | -72 208 | -16 843 | -16 657 | -3 968 |
| Profit on sales | -31 471 | -18 720 | -7 376 | -4 410 |
| Operating profit (EBIT) | -78 651 | -22 602 | -18 167 | -5 325 |
| Gross profit (loss) | -6 443 | -63 986 | -1 510 | -15 074 |
| Net profit (loss) | 12 473 | -64 229 | 2 923 | -15 132 |
| Net cash flows from operating activities | 35 927 | -26 208 | 8 420 | -6 174 |
| Net cash flows from investing activities | 145 607 | 473 733 | 34 125 | -113 487 |
| Net cash flows from financing activities | -181 770 | -481 720 | -42 600 | -115 495 |
| Total net cash flows | -236 | 376 | -55 | 89 |
| | 31.12.2018 | 31.12.2017 | 31.12.2018 | 31.12.2017 |
| Assets | 768 570 | 859 668 | 178 737 | 206 111 |
| Liabilities and provisions for liabilities | 539 896 | 631 709 | 125 557 | 151 456 |
| Long-term liabilities | 164 248 | 3 960 | 38 197 | 949 |
| Short-term liabilities | 340 637 | 624 118 | 79 218 | 149 536 |
| Equity | 228 674 | 227 959 | 53 180 | 54 655 |
| Share capital | 6 509 | 6 509 | 1 514 | 1 561 |
| Supplementary capital | 283 164 | 285 679 | 42 596 | 68 493 |

Selected financial data was presented in EUR in accordance with § 85 sec. 7 of the Regulation of the Minister of Finances of 19 February 2009 (Journal of Laws 2014, item 133). Balance sheet items were translated using the exchange rate applicable as at the last day, and items of the income statement and cash flow statement were translated using the average exchange rate in the period.

| | Average EUR exchange rate in the period | EUR exchange rate as at the last day of the period |
|------------------|---|--|
| 01.01-31.12.2018 | 4,2669 | 4,3000 |
| 01.01-31.12.2017 | 4,2447 | 4,1709 |

STRATEGIC DESCRIPTION

I. Important factors having effect on the Company's operations in 2018.

In 2018, a number of factors had effect on the operations and evaluation of the Company's financial and capital situation, which include the following:

In terms of financial and investment operations:

1) *Finishing the transaction of selling Exact group and repayment of 49% of the bank debt;*

On 31 October 2018, the company sold all the shares owned in the Company Exact Systems S.A. and all the shares in the Company Exact Systems GmbH. The Company's total remuneration under this transaction amounted to PLN 155,260,000. The Company purchased a majority package in Exact Systems in 2007 for the amount of approx. PLN 9 000 000.

In addition, on 6 December 2018 the Company concluded with the buyer of Exact group an annex, based on which the parties agreed that the postponed part of the price for the shares in Exact Systems S.A. which was to be paid after 9 months from the date of closing the transaction, will be paid in two tranches, the first one in the amount of PLN 10 000 000 no later than until 7 December 2018, and the other one, in the amount of PLN 700 000 until 14 January 2019, subject to the Company's maintained provision of specific services for Exact Systems S.A. before 14 January 2019. Simultaneously, the parties agreed that the amount of the postponed part of the price for the shares in the Company would be reduced from the amount of PLN 13 000 000 to the amount of PLN 10 700 000.

The proceeds from the transaction in the amount of PLN 104 000 000 were spent by the Company to repay a significant part of the debt (49%) towards the consortium of banks financing the Company. The sale of Exact Systems was a

continuation of the strategy adopted by the Company's Management Board to adjust the Group's financing structure and gradually reduce its debt by selling assets.

2) Agreement being concluded with the Bondholders and annex no. 4 being signed with the banks;

On 6 December 2018 the Company and its selected subsidiaries concluded a contingent agreement with all the institutional bondholders of T series, W series, and Y series bonds issued by the Company. On 10 December 2018 the Company fully performed the contingent agreement concluded on 6 December 2018 and ended the process of bond restructuring and refinancing.

Within the provisions regarding the terms of bond issuance, the Company committed to take restructuring actions, including among others:

- maintenance, for the Company and the Company's Polish subsidiaries, of active factoring limits with the total amount of at least PLN 55 000 000;
- conversion of the obligations of Work Service Czech s.r.o., Work Service Slovakia, s.r.o., Work Service SK, s.r.o., Work Service Outsourcing Slovakia s.r.o. towards other companies from the Group to capital;
- beginning of the process of selling Work Service Czech s.r.o., Work Service Slovakia, s.r.o., Work Service SK, s.r.o., Work Service Outsourcing Slovakia s.r.o. within a specified schedule.

The proceeds from sale of the aforementioned companies are to protect buyout of all bonds issued by the Company.

On 10 December 2018 all the requirements of annex no. 4 concluded on 5 December 2018 were fulfilled, to the credit agreement of 18 November 2015, with bank BGŻ BNP Paribas S.A., Bank Millennium S.A., Santander Bank Polska S.A. and Powszechna Kasa Oszczędności Bank Polski S.A.

Conclusion of an annex on 5 December 2018 put an end to the complex negotiations of changes of the most essential terms of the credit agreement.

The effective date of the annex was subject to fulfillment of a number of conditions, including, first of all:

- the Company's transfer to creditors of confirmations from factors, confirming or making it probable that the total amount of factoring limits provided to the Polish entities from the Group of Companies immediately after the effective date of the Annex would not be lower than PLN 55 000 000; and
- ending the process of restructuring or refinancing the bonds issued by the Company as described above.

As a result of annex no. 4 to the credit agreement entering into force, a series of significant changes in the Credit Agreement, favorable for the Company, took effect, including among others:

- the date of repayment was prolonged from 10 December 2018 until 3 March 2020;
- in the period until the date of loan repayment, the Company is not obliged to conduct any scheduled depreciation of the loans;
- in the whole period of financing, the Company can use the operating credit limits under the Credit Agreement up to the amount of PLN 110 350 000 (namely all the credit limits left after the completed repayment of PLN 104 000 000 in loans from the funds from selling Exact Systems S.A.);
- interest on the loan was reduced to WIBOR 1M increased by profit margin in the amount of 100 bps annually, payable on the current basis, and additional 100 bps profit margin, payable not earlier than on the date of final repayment;
- all obligations were removed, applying to maintenance of the financial indicators on specific levels and the previous financial indicators will be reported exclusively for information purposes;
- the lenders agreed that, until a possible statement about termination of the credit agreement is submitted towards the Borrower, any cases of violation will not allow the creditors to reduce, block or cancel the operating loans made available;
- the lenders unconditionally and irrevocably repealed the previous cases of violation of the credit agreement as specified in the annex, renounced their rights on the grounds of the Credit Agreement resulting from the occurrence of any such previous cases of violation, including concerning the financial indicators as defined in the Credit Agreement;

Simultaneously, the Company committed in annex no. 4 to the credit agreement to take a number of restructuring actions, including e.g. sale of Group Prohuman 2004 Kft within a specified schedule.

In the opinion of the Company's Management Board, the proceeds from selling this entity should fully protect repayment of the existing bank debt.

3) Beginning of negotiations with Social Security (ZUS) in 2018;

After annex no. 4 to the credit agreement as described above entered into force, the Company started negotiations related to repayment of overdue public-legal liabilities to ZUS (Social Security).

The negotiations ended successfully and on 28 February 2019 The Company concluded the installment agreement with ZUS (Social Security) concerning overdue social insurance premium liabilities for the amount of PLN 59 170 317.43. According to the agreement, the premium liabilities will be fully repaid in 10 installments between March and December 2019.

4) *Change of entities delivering factoring services in the fourth quarter of 2018;*

On 30 November, agreements were signed with Santander Factoring Sp. z o.o. about termination of Factoring Agreements and settlement of the Company's and the Company's subsidiaries' whole debt towards Santander Factoring Sp. z o.o. under Factoring agreements of 23 November 2015.

On 4 December 2018 the Company and the Company's subsidiaries signed factoring agreements with Bibby Financial Services Sp. with for indefinite time in the total limit amount of PLN 14 000 000.

As a consequence of this agreement, in December 2018 the Company was granted factoring limits exceeding the amount of PLN 55 000 000 required in annex no. 4 to the credit agreement.

In terms of revenues and results on the Company's operations:

1) *Drop in sales revenue;*

In 2018 the Company recorded 1.4% turnover drop as compared to the previous year, which resulted significantly from restructuring the debt and a higher concentration of actions of the Company and its key employees on financial and investment operations in the 4th quarter 2018 than on developing operations.

2) *Reporting a number of untypical events in the annual result on the Company's operations.*

Simultaneously, the Company's Management Board draws attention that the Company's results on operations are charged with a number of single events and write-downs. In consequence, the results on operations after correction with these events can present a different financial image of the Company.

Information about unusual events identified in profit/loss, related to the Company's operations, is presented in item 14 of this report.

II. Assessment of the Company's financial and equity situation

The factors and events as described in this chapter have allowed to significantly reduce the Company's debt and continue its operations on the promising personnel services market.

In spite of the restructuring actions completed in the 4th quarter, in the opinion of the Management Board, the Company is still in a difficult situation, until full repayment of all existing public-legal liabilities related to the agreement concluded with Social Security (ZUS), the existing credit and bond liabilities.

In connection with the above, in the nearest quarters the Company continues implementation of the adopted restructuring strategy currently based on four basic elements:

1) *Completion of the transaction of selling Group Prohuman 2004 kft and Czech and Slovak companies and, as a consequence, total elimination of the existing credit and bond debt;*

Simultaneously, the company prepares, together with minority shareholder Prohuman 2004 kft, the process of organized sale of Hungarian assets with the intended purpose of the funds earned as a result of the transaction to reduce the bank debt and liabilities towards Prohuman 2004 kft minority shareholder.

The Company also started preparations to sell Czech and Slovak companies the proceeds from which are to satisfy liabilities under the issued bonds. By way of a competition of bids, Blackwood became the advisor in the process of selling Czech and Slovak assets.

2) *Review of strategic options and acquisition of financing to improve the Company's working capital;*

On 2 March 2019 the Company made the decision to commence a review of the strategic options in order to select the most advantageous method of pursuing the long-term strategy of Work Service Group of Companies.

Within the strategy update, the Company plans analysis in the following areas:

- investment operations, in particular further disinvestments and potential new investments consolidating the strategy implementation,
- the Company's debt, including repayment or refinancing of bank loans and the Company's bond debt,
- alternative financing sources for Work Service Group of Companies, in particular issues of stocks, warrants, bonds, share convertible bonds, or other capital instruments.

In order to professionally handle the debt restructuring process and review the strategic options, and then acquire financing, the Company's Management Board continues cooperation, on the basis of the contract concluded in 2018,

with the financial advisor, who supports the Management Board e.g. in conversations, negotiations with creditors as well as institutions and entities interested in granting different forms of financing to the Company. The Company also plans to establish cooperation with a brokerage house.

Acquisition of additional financing in 2019 would improve the working capital and, as a consequence, offer a further opportunity to increase sales revenue.

3) Use of the promising personnel services market, given the increasingly lower level of reduced fixed costs;

Due a stabilized situation in the area of credit and bond debt, the Company's Management Board and its key employees can concentrate their attention much more on the basic operations.

The intent of the Company's Management Board is to use the operational leverage effect in 2019 (turnover growth not causing any increase in fixed costs), also thanks to a reduced fixed costs base after the completed disinvestment and restructuring processes, effectively conducted in the fourth quarter of 2018 and operating process automation in the Company's basic operations profile.

In addition, the Company's Management Board pays attention to the following positive market factors, possibly significantly affecting the Company's operations in the future quarters:

- Continuously high demand for personnel services, in particular customers' demand for employees,
- Surplus of demand over supply in each operational segment of Work Service, being reflected in possible profitability improvement,
- Growing wages and in consequence full personnel costs, directly affecting the Company's revenue being a derivative of these costs,
- Growing demand for high-margin services of cross-border employee exchange in Central and Eastern Europe.

4) Factoring limits being supplemented with growing turnover;

Along with growing sales, the Company's Management Board will be forced to start negotiations with new financial institutions in order to acquire additional factoring limits. Due to the high level of cash involved in the working capital in the industry where the Company is operating, factoring is one of the most important financial instruments that make it possible for entities operating on the personnel services market to increase turnover.

In the opinion of the Management Board, the described factors and the implemented strategy create a real opportunity to: i) fully eliminate the Company's debt over the next several quarters, ii) acquire new financing in 2019 with the intended purpose of improvement in the working capital, and iii) gradually improve the Company's financial results.

The Management Board makes any effort to ensure that the presented strategy could be fully implemented, and the Company's debt restructuring started in 2018 could be completed effectively. Simultaneously, the Management Board is aware that not all factors having effect on the success of the Company's debt restructuring process depend on the efforts and decisions of the Management Board.

2. Information basic products and the structure of sales and revenue of the Company about

The core business of the Company includes:

- temporary work — offering work for temporary employees;
- outsourcing, personnel consultancy;
- personnel consultancy.

Temporary work — these services are provided to entities who seek flexible employment solutions due to high volatility of demand for products and services provided. These services enable the customers to optimise the personnel structure of an enterprise, by adjusting the number to such factors as: seasonal growth in production, winning a large order, scheduled vacations, excessive absenteeism and staff rotation, as well as fluctuating manufacturing cycles. By using temporary work services, they are able to adjust, on a daily basis, the number of employees to the current needs, reducing operating costs and focusing on core operations of the company. These services include: searching for and selecting employees, recruitment and induction, supervision and reporting of results, calculation of salary components and maintaining payroll records, as well as payment of remuneration.

Personnel consultancy — this service is offered to companies who search for appropriate specialists for key positions. Work Service carries out a tailored recruitment process using modern tools for assessment of competences and selection of candidates. As part of personnel consultancy services, Work Service SA also verifies currently employed staff in terms of the desired skills needed to achieve goals set for an employee. Based on the independent analysis, the customer may make appropriate changes and plan further development of its personnel, streamline its remuneration system or improve incentive systems.

As part of personnel consultancy, the Company also offers specialist assessment and development centre services, mass recruitment (recruitment of large numbers of employees within a single project, e.g. commercial representatives) and

outplacement (preparing employees to change their jobs and active help in finding it). In the process of providing the service, WSSA applies advanced selection tools and access to own, extensive database of candidates.

Outsourcing — this service aims at relieving the entrepreneur from the need to carry out certain auxiliary functions which are necessary for the company's operations, but are outside its core business. By offering this service, the Company assumes responsibility for the entire process and for the final result. Owing to outsourcing services, WSSA's customers may focus their own resources and funds on strategic tasks, achieving transparency of costs and complete control of outsourcing services.

| Structure of revenue by sectors (sales markets) | | | | |
|---|----------------|-------------|----------------|-------------|
| Sectors | 2018 | | 2017 | |
| | (PLN '000) | % | (PLN '000) | % |
| Automotive industry | 211 747 | 36,42% | 174 941 | 29,44% |
| Other services | 121 544 | 20,91% | 147 216 | 24,78% |
| Call centre | 119 669 | 20,58% | 112 816 | 18,99% |
| Industry — other | 60 953 | 10,48% | 78 692 | 13,24% |
| Electronics | 44 242 | 7,61% | 48 689 | 8,19% |
| FMCG | 11 040 | 1,90% | 16 856 | 2,84% |
| Sales and distribution | 6 101 | 1,05% | 8 741 | 1,47% |
| Administration — other | 5 324 | 0,92% | 5 719 | 0,96% |
| Engineering | 584 | 0,10% | 346 | 0,06% |
| Financial and insurance services | 120 | 0,02% | 188 | 0,03% |
| Healthcare services | 18 | 0,00% | 0 | 0,00% |
| Total | 581 340 | 100% | 594 204 | 100% |

Due to the specific nature of operations of Work Service Group of Companies, which provides services in the area of human resources management, specializing in searching and recruiting employees, HR consultancy and strategic HR consultancy, and outsourcing of functions related to auxiliary processes in enterprises, the primary suppliers for the Group are suppliers of the so-called shared services and suppliers of office maintenance and operation-related materials, etc. Both the portfolio of suppliers and buyers is diversified – the share of an individual entity does not exceed 10% in the revenue of the Group of Companies.

| Sales structure | | | | |
|-----------------------|----------------|---------------|----------------|---------------|
| Specification | 2018 | | 2017 | |
| | (PLN '000) | (%) | (PLN '000) | (%) |
| Temporary work | 564 501 | 97,1% | 553 143 | 93,1% |
| Outsourcing | 15 697 | 2,7% | 38 251 | 6,4% |
| Personnel consultancy | 1 142 | 0,2% | 2 810 | 0,5% |
| Total | 581 340 | 100,0% | 594 204 | 100,0% |

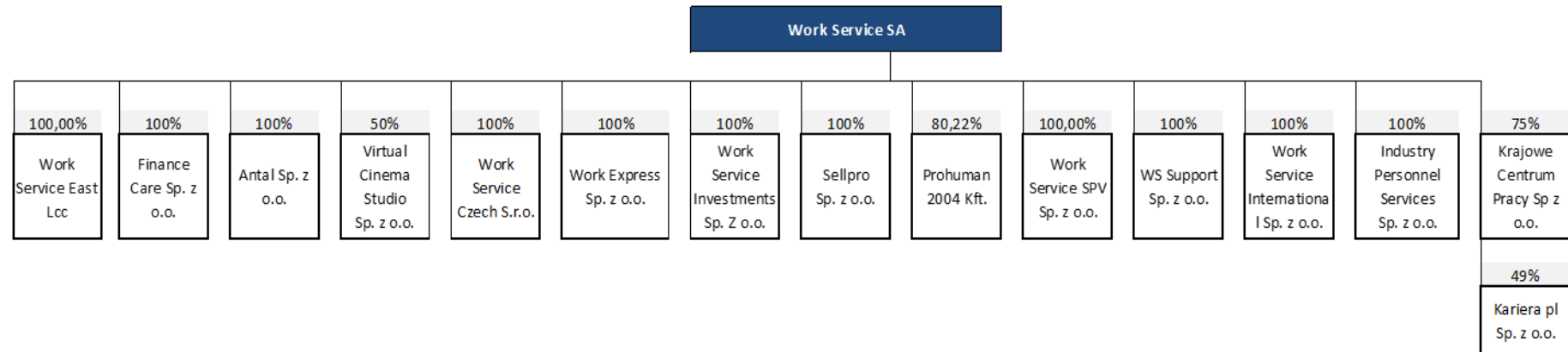
3. Information about concluded agreements significant for the Company's business, including agreements concluded between shareholders, insurance agreements, partnership and cooperation agreements known to the Company

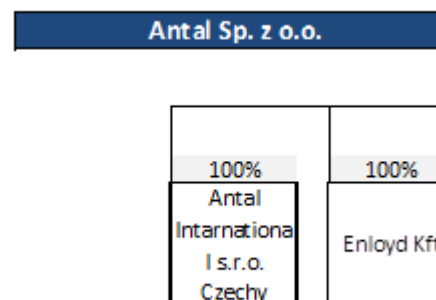
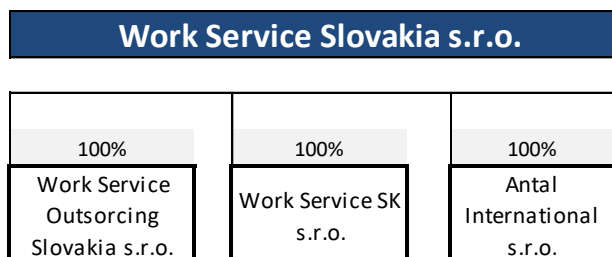
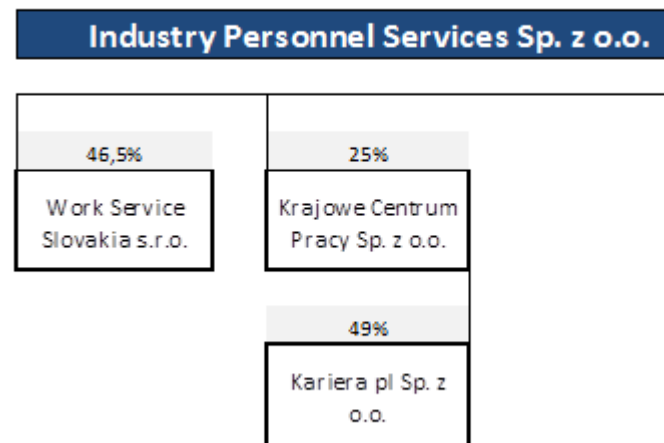
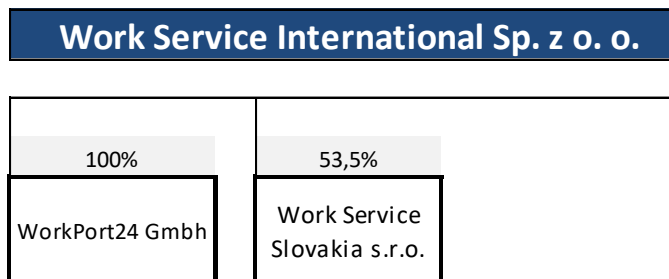
| Sector | Sales revenue in 2018 |
|---------------------|-----------------------|
| Automotive industry | 181 435 718 |
| Call center | 108 747 888 |
| Electronics | 27 290 293 |
| Electronics | 18 484 710 |
| Other industry | 18 445 421 |
| Electronics | 10 545 923 |
| Call center | 9 927 647 |
| Electronics | 8 723 556 |
| Other industry | 7 722 961 |
| Other services | 7 514 599 |

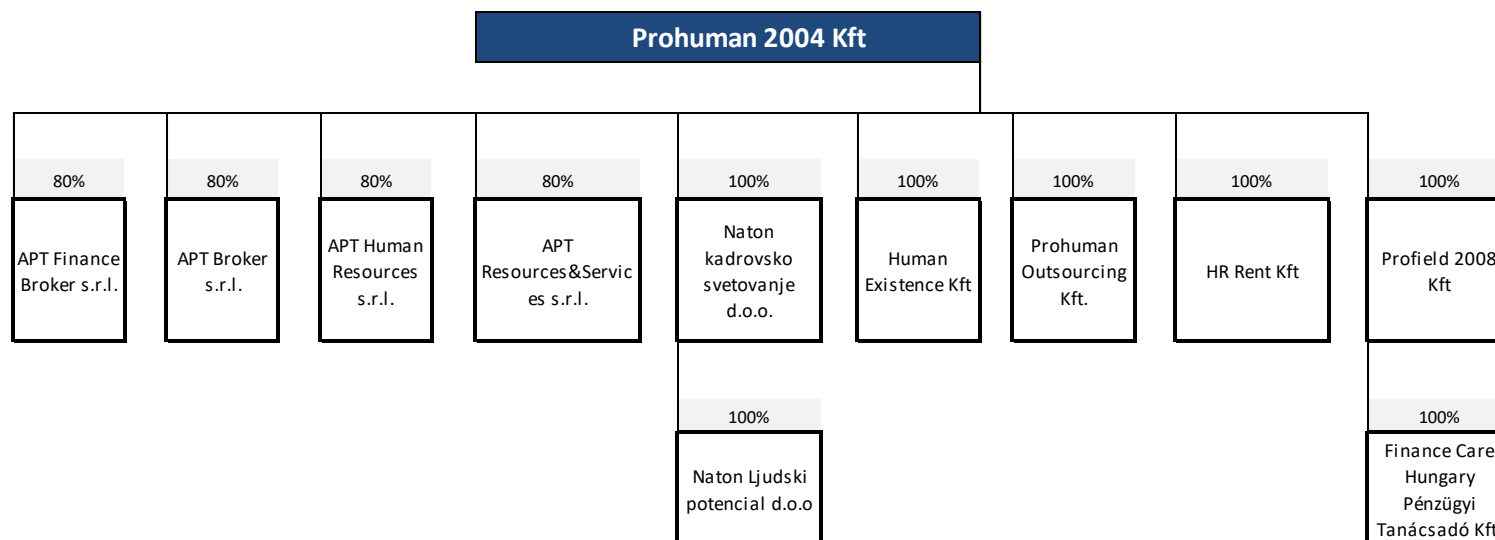
Due to trade secrecy, we provide sectors in which our customers operate instead of the customers' names.

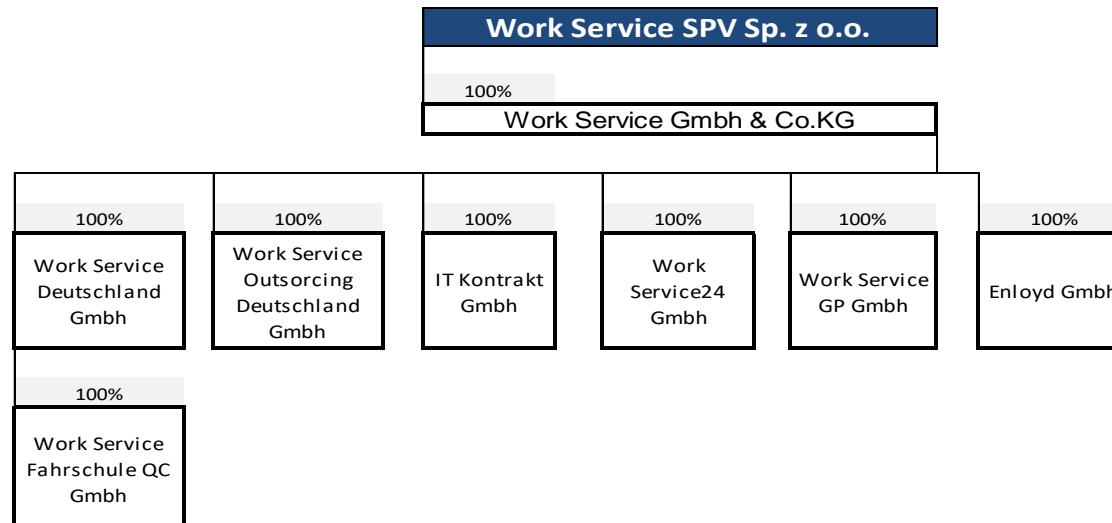
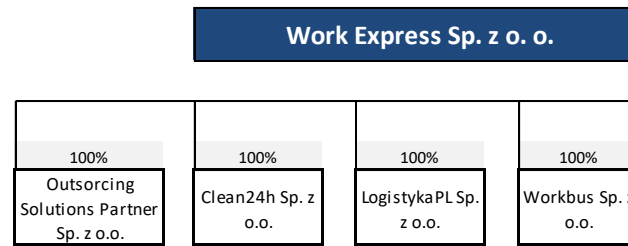
4. Information about organisational links.

Structure of the Work Service Capital Group as at 31 December 2018









5. Related party transactions

| | FC | IPS | ANT | WSI | czWS | skWS | EXT | rumEXT | AAS | cyPRO |
|------------------------|--------------|---------------|--------------|--------------|--------------|--------------|---------------|--------|--------------|------------|
| Revenue | 1 474 391,14 | 3 469 053,76 | 4 031 859,10 | 1 176 125,76 | 1 855 408,30 | 311 327,55 | 1 810 666,00 | 0,00 | 8 562 761,82 | 183 569,44 |
| Costs | 70 742,48 | 43 513 493,76 | 213 846,66 | 2 789 761,41 | 3 655 902,04 | 705 299,45 | 17 285 750,73 | 786,34 | 0,00 | 192 888,34 |
| Receivables | 1 746 026,24 | 0,00 | 0,00 | 0,00 | 2 368 011,59 | 542 945,13 | 0,00 | 0,00 | 0,00 | 0,00 |
| Long-term liabilities | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 |
| Short-term liabilities | 35 737,53 | 31 207 706,76 | 2 198 829,83 | 4 982 162,16 | 669 336,62 | 8 647,34 | 0,00 | 0,00 | 0,00 | 0,00 |
| Borrowings granted | 2 618 647,00 | 0,00 | 0,00 | 0,00 | 5 446 179,91 | 1 621 012,92 | 0,00 | 0,00 | 0,00 | 0,00 |

| | zaoPRO | czEXT | SEL | gerEXT | CLEAN | KCP | ger24WS | presWS | presBUS | presLOG |
|------------------------|------------|-----------|---------------|---------------|--------------|--------------|------------|--------------|----------|--------------|
| Revenue | 951 294,06 | 0,00 | 40 738 659,86 | 1 509,31 | 317 279,20 | 1 369 091,47 | 399,99 | 1 660 178,27 | 2 377,94 | 270 356,54 |
| Costs | 954 538,56 | 59 145,60 | 4 446 048,11 | 15 596 411,72 | 7 204 687,93 | 4 864 760,74 | 113 749,94 | 591 320,23 | 0,00 | 1 000 393,77 |
| Receivables | 0,00 | 0,00 | 0,00 | 0,00 | 268 665,75 | 24 498,41 | 288 840,92 | 13 980,83 | 2 140,20 | 55 948,18 |
| Long-term liabilities | 0,00 | 0,00 | 7 750 000,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 |
| Short-term liabilities | 0,00 | 0,00 | 17 029 464,51 | 0,00 | 8 702 673,16 | 0,00 | 41 942,58 | 7 936 670,80 | 0,00 | 357 506,48 |
| Borrowings granted | 0,00 | 0,00 | 0,00 | 0,00 | 1 262 025,41 | 9 243 375,66 | 22 436,02 | 2 183 500,00 | 0,00 | 0,00 |

| | presOSP | humPRO | fiegSPV | fiegWS | fiegOUT | fiegKG | antCZ | antGER | antSK | antHU |
|------------------------|------------|---------------|---------------|------------|-----------|--------------|----------|-----------|----------|--------|
| Revenue | 620 623,94 | 500,00 | 927 645,59 | 86 303,00 | 0,00 | 200 303,79 | 500,00 | 0,00 | 0,00 | 500,00 |
| Costs | 256,20 | 2 850 882,54 | 74 856,70 | 127 892,55 | 12 600,00 | 154 609,87 | 1 000,00 | 22 073,56 | 6 975,22 | 0,00 |
| Receivables | 328 643,64 | 4 700,00 | 9 157 280,68 | 90 503,00 | 4 200,00 | 10 563,90 | 500,00 | 4 949,98 | 500,00 | 500,00 |
| Long-term liabilities | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 |
| Short-term liabilities | 29 761,08 | 48 292 827,99 | 0,00 | 11 991,53 | 8 400,00 | 8 090 484,85 | 0,00 | 8 400,00 | 0,00 | 0,00 |
| Borrowings granted | 0,00 | 0,00 | 29 977 677,97 | 0,00 | 0,00 | 3 076 792,91 | 0,00 | 0,00 | 0,00 | 0,00 |

| | crsPEXT | natSLV | humHR | skWSK | KAR | ukr2WS | WSInv | gerP24WS | suma |
|------------------------|--------------|----------|----------|--------------|--------------|-----------|------------|------------|------------------|
| Revenue | 89 344,32 | 0,00 | 0,00 | 723 349,57 | 208 000,87 | 148,52 | 25 679,12 | 0,00 | 70 993 163,88 |
| Costs | 3 091 788,66 | 8 342,40 | 8 400,00 | 1 459 146,35 | 62 739,46 | 45 900,00 | 0,00 | 0,00 | 111 283 208,93 |
| Receivables | 0,00 | 0,00 | 0,00 | 1 286 394,15 | 209 718,58 | 148,52 | 20 067,36 | 127 626,39 | 16 554 551,01 |
| Long-term liabilities | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 7 750 000,00 |
| Short-term liabilities | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 8 670,00 | 0,00 | 0,00 | 129 621 213,22 |
| Borrowings granted | 0,00 | 0,00 | 0,00 | 0,00 | 3 817 081,08 | 0,00 | 335 850,46 | 122 464,61 | 59 727 043,95 |

Glossary — Work Service Capital Group Companies

| ABBREVIATION | NAME |
|--------------|--|
| WSSA | Work Service S.A. |
| IPS | I Industry Personnel Services Sp. z o.o. |
| ANT | ANTAL Sp.z o.o. |
| FC | Finance Care Sp. z o.o. |
| WSI | Work Service International Sp. z o.o. |
| SEL | Sellpro Sp. z o.o. |
| CLEAN | Clean Sp.z o.o. |
| KCP | Krajowe Centrum Pracy Sp.z o.o. |
| EXT | Exact Systems S.A. |
| AAS | Automotive Assembly Systems Sp. z o.o. |
| skEXT | Exact Systems S owacja s.r.o. |
| czEXT | Exact Systems Czech Republic s.r.o. |
| gerEXT | Exact Systems GmbH |
| ruEXT | Zao Exact Systems |
| rumEXT | Exact Systems s.r.l. |
| turEXT | Exact Systems Kalite Kontrol Ltd. Sti. |
| skWS | Work Service Slovakia s.r.o. |
| skoutWS | Work Service Slovakia Outsourcing s.r.o. |
| czWS | Work Service Czech s.r.o. |
| ger24WS | Work Service 24 GmbH |
| cyPRO | Proservice Worldwide Limited |
| bviPRO | Proservice Worldwide Limited (BVI) |
| zaoPRO | ZAO Work Service Russia |
| itKON | IT Kontrakt |
| gerKON | IT Kontrakt GmbH |
| sterKON | Stermedia sp. z o.o. |
| cyLEXT | Exact Systems Ltd |
| presWS | WorkExpress Sp.zo.o. |
| ukEXT | Exact Systems Ltd (UK) |
| presBUS | Workbus Sp.z o.o. |
| presLOG | LogistykaPL Sp.z o.o. |
| presCL | Clean24h Sp.z o.o. |
| presOSP | Outsourcing Solutions Partner Sp.o.o. |
| humPRO | Prohuman 2004 Kft |
| humOUT | Prohuman Outsourcing Kft |

| ABBREVIATION | NAME |
|--------------|---|
| fiegSPV | Work Service SPV Sp.zo.o. |
| fiegGP | Work Service GP GmbH |
| fiegWS | Work Service Deutschland GmbH |
| fiegOUT | Work Service Outsourcing Deutschland GmbH |
| fiegKG | Workservice GmbH & Co.KG |
| humEXI | Human Existence Kft |
| swissKON | IT Kontrakt AG |
| antGER | Enloyd GmbH |
| antCZ | Antal International s.r.o.(Czechy) |
| antSK | Antal International s.r.o. (S owacja) |
| antHU | Enloyd Kft |
| mgtPRO | OOO EMG-Management |
| leasPRO | OOO EMG-Leasing |
| hunEXT | Exact Systems Hungary Kft |
| trKON | IT Service Sp. z o.o. |
| janePRO | Janeever |
| fiegWSF | Work Service Fahrschuhe QC GmbH |
| crsPEXT | Control+Rework Service Sp. z o. o. |
| crsBEXT | Control+Rework Service NV |
| natHR | HR Global d.o.o. |
| natSLV | Naton kadrovsko-svetanoje d.o.o. |
| humHR | HR-Rent Kft |
| humFIE | Profield 2008 rt kes t s T mogat Kft. |
| itkPRO | IT Kontrakt OOO |
| chnEXT | Exact Systems China Limited |
| skWSK | Work Service SK s.r.o. |
| malKON | It Kontrakt Services Sendirian Berhad |
| KAR | Kariera.pl Sp.zo.o. |
| humFC | Finance Care Hungar Kft |

5.2. Transactions with personally related entities

| 2018 | Maciej Witucki | Paul Christodoulou | PROLOGICS UK | Tomasz Ślęzak | Iwona Szmitkowska | LTI |
|-------------|----------------|--------------------|---------------|---------------|-------------------|--------------|
| Revenue | 0,01 | | 27 671 607,51 | 0,01 | | 54 528,89 |
| Costs | 2 057 565,49 | | 96 900,00 | 8 364,34 | 16 380,03 | 105 000,00 |
| Receivables | 2 500,99 | 655 994,05 | 28 627 085,97 | | | 2 335 244,69 |
| Liabilities | 8 947,09 | 24 086,27 | 318 862,02 | 2 532,61 | 1 309,90 | 33 422,79 |

| 2018 | Piotr Ambrozowicz | Panos N. Sofianos | Tomasz Misiak K002480 | Tomasz Wojciech Misiak P0012675 | Ewa Maria Misiak | Tomasz Hanczarek |
|-------------|-------------------|-------------------|-----------------------|---------------------------------|------------------|------------------|
| Revenue | | 63 001,88 | 296 651,75 | | | 0,01 |
| Costs | 253,62 | | 195 095,80 | 215 465,11 | 32 768,62 | 32 560,23 |
| Receivables | | | 240 000,00 | 33 519,35 | | 299 856,20 |
| Liabilities | | | 25 424,61 | | | 45,41 |

| 2018 | Tomasz Hanczarek Doradztwo | Piotr Maciej Kamiński | Everett Kamin | | Suma |
|-------------|----------------------------|-----------------------|---------------|--|---------------|
| Revenue | 3 976,70 | | | | 28 089 766,76 |
| Costs | 109 072,96 | | | | 2 869 426,20 |
| Receivables | 32 248,09 | 161,99 | 33 569,18 | | 32 260 180,51 |
| Liabilities | | | | | 414 630,70 |

| 2017 | PROLOGICS UK | Everett Kamin | Christodoulos G. Vassiliades And Co LLC | Panos N. Sofianos | Hanna Witucka | Tomasz Hanczarek |
|-------------|--------------|---------------|---|-------------------|---------------|------------------|
| Revenue | 145 156,89 | 1 310,23 | 4 495,18 | | 214,08 | |
| Costs | 660 000,00 | 9 641,40 | 14 474,00 | | 38 347,00 | 230 825,22 |
| Receivables | 727 908,73 | 20 477,61 | 145 575,33 | | | 340 019,38 |
| Liabilities | | | | 63 001,88 | | 459,03 |

| 2017 | Ewa Maria Misiak | Tomasz Wojciech Misiak P0012675 | Tomasz Misiak K002480 | Tomasz Ślęzak | Robert Knights | Maciej Witucki |
|-------------|------------------|---------------------------------|-----------------------|---------------|----------------|----------------|
| Revenue | | | 150 502,76 | | | |
| Costs | 191 155,24 | 1 128 484,95 | 698 839,07 | 75 301,04 | 54 765,32 | 92 018,31 |
| Receivables | 31 159,48 | 11 542,33 | 301 177,16 | | | - |
| Liabilities | | | | 423,33 | | |

| 2017 | Paul Christodoulou | Tomasz Hanczarek Doradztwo | LTI | Krzysztof Rewers | Iwona Szmitkowska | Piotr Maciej Kamiński | Total |
|-------------|--------------------|----------------------------|--------------|------------------|-------------------|-----------------------|--------------|
| Revenue | | 40,80 | 109 297,05 | | | | 411 016,99 |
| Costs | 105 996,55 | 522 095,41 | 270 000,00 | 372 399,97 | | | 4 464 343,48 |
| Receivables | 534 057,80 | - | 3 823 324,77 | | | 161,99 | 5 935 404,58 |
| Liabilities | | 30 000,00 | 33 422,79 | 331,73 | 4 490,77 | | 132 129,53 |

6. Information on material transactions with related parties concluded by the Company on terms other than at arm's length.

Transactions with related parties are concluded on an arm's length basis.

7. Information about guarantees and sureties

| 7.1. Contingent liabilities | | | |
|-------------------------------|--|-----------------------|-----------------------|
| Title of contingent liability | Type of collateral | 31.12.2018 | 31.12.2017 |
| | surety | 360 000 000,00 | 82 880 000,00 |
| | bank enforcement title | 66.210.000,00 | 216 000 000,00 |
| | registered pledge on assets | 277.500.000,00 | - |
| Lease collateral | blank promissory note with a blank promissory note agreement | 4 621 782,30 | 6 917 928,40 |
| Bond collateral | blank promissory note with a blank promissory note agreement | 120% nonretired bonds | 120% nonretired bonds |
| Performance guarantee | guarantee | 1 354 370,88 | 9 294 100,46 |
| Factoring collateral | mortgage | 39 105 000,00 | - |

* up to the actual amount of loans taken, together with additional costs, i.e. up to the amount of bank performance titles issued.

On 30 March 2018 the Company concluded with Bank BGŻ BNP Paribas S.A., Raiffeisen Bank S.A., Bank Zachodni WBK S.A., Bank Millennium S.A. and Bank PKO BP Bank of Poland (the banks hereinafter jointly: Lenders or Parties) annex (hereinafter: Annex no. 2) to the credit agreement of 18 November 2015.

Under the annex concluded, PKO BP SA committed to complete utilization of Operating Credit 5 at once in the amount of PLN 55 000 000, within 2 working days from the date of concluding Annex no. 2. Operating Credit 5 will be used by PKO BP SA making a bank transfer from Operating Credit Account 5 directly to the account where the debt under the PKO BP Credit Agreement is recorded (internal reclassification).

The Borrower and PKO BP SA jointly decided that, as a consequence offer total repayment of the financial debt under the PKO BP Credit Agreement, the PKO BP Credit Agreement is terminated upon total repayment of the financial debt under the PKO BP Credit Agreement. The Borrower shall not be entitled to use the funds again on the basis of the PKO BP Credit Agreement.

A consequence of the above was full repayment of the financial debt under the PKO BP Credit Agreement together with the interest under the PKO BP Credit Agreement due to Borrower 5.

The Parties to the Agreement confirmed that all the Collateral established based on the Financial Documents, including in particular Collateral Documents, concluded in connection with Annex no. 1, are fully valid and binding, regardless of changes in the Credit Agreement made with the Annex. Additionally, new collateral was established, as listed in current report number 7/2018 of 30 March 2018.

In 2019 a contractual mortgage was entered to the land and mortgage register to secure claims of the factor and the crediting banks up to the amount of PLN 39 105 000.00 to finance the working capital and acquisition liabilities.

Main liabilities under the refinancing loan and working capital loan, in accordance with the loan agreement, are presented in the following table:

| Creditor | Liabilities under the working capital loan |
|---|--|
| Bank BGŻ BNP Paribas S.A | 18 396 068,78 PLN |
| Bank Millennium S.A. | 21 965 325,99 PLN |
| Santander Bank S.A. | 20 070 354,48 PLN |
| Raiffeisen Bank Polska S.A. | 21 722 552,48 PLN |
| Powszechna Kasa Oszczędności Bank Polski S.A. | 21 961 894,84 PLN |
| TOTAL: | 104 116 196,57 PLN |

| No. | Surety on behalf of | Promissory note beneficiary | Surety subject | Agreement date | Agreement expiry date | Amount covered by the surety (gross) |
|-----|--|-------------------------------------|---|---|-----------------------|--------------------------------------|
| 1. | Sellpro Sp. z o.o. | BNP PARIBAS Factor Sp. z o.o. | Amount receivable under a factoring agreement | Annex extending the term of the limit of 19.10.2015 | Indefinite period | 14 300 000.00 |
| 2. | Finance Care Sp.z o.o. | BNP PARIBAS Factor Sp. z o.o. | Amount receivable under a factoring agreement | Annex extending the term of the limit of 19.10.2015 | Indefinite period | 14 300 000.00 |
| 3. | Industry Personnel Services Sp. z o.o. | BNP PARIBAS Factor Sp. z o.o. | Amount receivable under a factoring agreement | Annex extending the term of the limit of 19.10.2015 | Indefinite period | 14 300 000.00 |
| 4. | Work Service International | BNP PARIBAS Factor Sp. z o.o. | Amount receivable under a factoring agreement | Annex extending the term of the limit of 19.10.2015 | Indefinite period | 14 300 000.00 |
| 5. | Work Express | BNP PARIBAS Factor Sp. z o.o. | Amount receivable under a factoring agreement | Annex increasing the limit of 19.10.2015 | Indefinite period | 14 300 000.00 |
| 6. | Outsourcing Solutions Partner Sp. z o.o. | BNP PARIBAS Factor Sp. z o.o. | Amount receivable under a factoring agreement | Annex to the agreement of 7.11.2016 | Indefinite period | 14 300 000.00 |
| 7. | Industry Personnel Services Sp. z o.o. | Bibby Financial Services Sp. z o.o. | Amount receivable under a factoring agreement | The factoring agreement of 04.12.2018 | Indefinite period | 14 000 000.00 |
| 8. | Sellpro Sp. z o.o. | Bibby Financial Services Sp. z o.o. | Amount receivable under a factoring agreement | The factoring agreement of 04.12.2018 | Indefinite period | 14 000 000.00 |
| 9. | Finance Care Sp.z o.o. | Bibby Financial Services Sp. z o.o. | Amount receivable under a factoring agreement | The factoring agreement of 04.12.2018 | Indefinite period | 14 000 000.00 |
| 10 | Industry Personnel Services Sp. z o.o. | Bank Millennium S.A. | Amount receivable under a factoring agreement | Annex extending the term of the limit of 22.06.2018 | Indefinite period | 5 000 000.00 |
| 11 | Sellpro Sp. z o.o. | Bank Millennium S.A. | Amount receivable under a factoring agreement | Annex extending the term of the limit of 22.06.2018 | Indefinite period | 5 000 000.00 |
| 12 | Finance Care | Bank Millennium S.A. | Amount receivable under a factoring agreement | Annex extending the term of the limit of 22.06.2018 | Indefinite period | 5 000 000.00 |
| 13 | Support and Care | Bank Millennium S.A. | Amount receivable under a factoring agreement | Annex extending the term of the limit of 22.06.2018 | Indefinite period | 5 000 000.00 |
| 14 | Outsourcing Solutions Partner Sp. z o.o. | Bank Millennium S.A. | Amount receivable under a factoring agreement | Annex extending the term of the limit of 22.06.2018 | Indefinite period | 5 000 000.00 |
| 15 | Work Express | Bank Millennium S.A. | Amount receivable under a factoring agreement | Annex extending the term of the limit of 22.06.2018 | Indefinite period | 5 000 000.00 |
| 16 | Work Express | Raiffeisen Bank Polska SA | Amount receivable under a factoring agreement | Annex extending the term of the limit of 27.06.2018 | Indefinite period | 5 200 000.00 |

8. Information about agreements acknowledged by the Company with a possible future effect on the current ownership structure of the current shareholders and bondholders. Evaluation of the ability to complete the investment plans, including equity investments, in relation to owned assets, including the possible changes in the financing structure of these activities

There are no agreements in the Parent Company with a possible future effect on the current ownership structure of the current shareholders and bondholders.

9. Explanation of differences between financial results presented in the annual report and the previously published forecasts of results.

Work Service SA does not prepare a separate forecast of results. Forecasts are made for the Work Service Capital Group.

10. Assessment, with justification, of financial resources management, in particular the ability to meet obligations incurred, and specification of potential threats and actions taken or planned by the Company to prevent these threats

Financial Resources Management of Work Service is subject to achievement of core business aims of the Company, which consists of:

- Constant increase in value of Work Service through consistent and effective implementation of the strategy,
- Optimisation of operating costs,
- Ensuring optimal financing conditions, enabling the implementation of the development plans of the Company,
- Constant access to diverse sources of funding.

The increase in value of the Company, in addition to organic growth, takes place on the basis of external growth, the tool of which are the acquisitions of entities, providing complementary services to the services offered by Work Service. The Company constantly optimises financial management strategy, taking into account conditions prevailing in the financial market and the availability of capital. The adopted strategy is largely the result of the operating model applied. The most important element is to manage the current liquidity, in particular taking into account the fact that a substantial part of production costs are the costs of salaries and associated social security costs. The above-mentioned items of expenses are, by nature, payable in a relatively short period, and moreover, the terms of payment are rigid and cannot be exceeded. In addition, the Company actively uses various forms of external financing measures to secure cash in the period in which they are required. The use of banking products in the form of overdraft or factoring facilities, makes the Company largely independent of possible delays in payment by the customers. Management of this area allows for effective acceleration of the flow of funds, as well as reduction of administrative and financial costs through:

- ongoing control of the flow of receivables,
- ongoing control of liabilities,
- effective management of information and liquidity.

As part of strategy, the Company conducts activities aimed at monitoring the flow of receivables and their collection. This strategy also takes into account negotiating the adequate terms of payment of trade payables.

The Company manages its equity in order to preserve its ability to continue operations, accounting for capital needs resulting from planned and ongoing investment projects, so as to generate the expected rate of return for shareholders. Managing equity structure of the Company is done by tools such as dividend policy, issue of shares, bonds, changes in the use of external sources of financing. Moreover, the Company monitors equity on the basis of the equity ratio, debt ratio, debt service ratio and the leverage ratio.

In its current operations, Work Service SA uses overdraft facilities. The following table presents loan liabilities as at 31 December 2018.

Liabilities due to loans as at 31 December 2018

| Entity business name | Amount of loan/borrowing according to the agreement | | Outstanding amount of loan/borrowing | | Interest rate conditions | Maturity date | Collaterals |
|--|---|--------|--------------------------------------|--------|--------------------------|---------------|---|
| | PLN | waluta | PLN | waluta | | | |
| Loans: | | | | | | | |
| Santander Bank Polska S.A. | 22 070 000,00 | PLN | 20 070 354,97 | PLN | WIBOR 1M + bank margin | | Guarantee, pledge on bank accounts, assignment of rights under insurance policy, contractual pledges on assets, contractual pledges on shares, mortgage, declaration on submission to enforcement |
| Bank Millennium S.A. | 22 070 000,00 | PLN | 21 965 077,22 | PLN | WIBOR 1M + bank margin | | as above |
| Bank BGŻ BNP Paribas S.A. | 22 070 000,00 | PLN | 18 392 642,07 | PLN | WIBOR 1M + bank margin | | as above |
| Raiffeisen Bank Polska S.A. | 22 070 000,00 | PLN | 21 722 552,48 | PLN | WIBOR 1M + bank margin | | as above |
| Powszechna Kasa Oszczędności Bank Polski S.A. | 22 070 000,00 | PLN | 21 961 894,84 | PLN | WIBOR 1M + bank margin | | as above |
| Other banks | - | PLN | 11 150,59 | PLN | | | |
| Credit cards liabilities | - | PLN | 42 584,59 | PLN | | | |
| TOTAL | | | | | | | |
| TOTAL LOANS | | | 104 166 256,73 | PLN | | | |
| ADJUSTMENT TO ADJUSTED ACQUISITION PRICE | | | - | PLN | | | |
| TOTAL LOANS | | | 104 166 256,73 | PLN | | | |

11. External and internal factors material for the development of the Company.

a) Risk associated with personal data protection

Due to the nature of the business, the Company has an extensive database of employees' personal data, the size of which exceeds hundreds of thousands of records. According to the Act on personal data protection of 29 August 1997 (Dz. U. 2016 r. poz. 922), information relating to these data are secret and shall not be disclosed to unauthorised persons. Nevertheless, there is a risk of access to databases by unauthorised persons as a result of theft, hacking or forced entry, or other unwanted actions. In such a case, the information stored by Work Service SA could be used to the detriment of the Company and its customers, which would adversely affect the image of the Company, and thus worsened its position in the market. To reduce this risk of providing unauthorised persons with access to the database, Work Service created technical infrastructure based on a properly secured server facility, electronic security systems and high-end servers. These measures contributed to the reduction of the above risk.

b) Liquidity risk

By offering so-called flexible employment services, the Company conducts comprehensive trainings to prepare employees for a particular job. Then, those employees are delegated to enterprises that have reported their demand for this kind of service. Until receipt of payment for the service, Work Service SA bears all costs relating to employment (salaries, insurance, etc.) of people taking up the employment. Companies renting the workers pay for the service on specific, contractual payment dates. This business model requires the effective working capital management, while causing vulnerability to the risk of periodical and relevant decrease in liquidity. To minimise the risk, the Company has signed agreements authorising the use of credit lines and is able to immediately conclude such agreements with financial institutions, especially with banks. Moreover, the Company enters into agreements with counterparties in such a way as to optimise the cost of foreign capital.

c) Risks associated with social and economic situation in Poland and Europe

The activities of companies related to the offering of services on the labour market depends on the socioeconomic situation in Poland and abroad. The financial results of companies are particularly affected by macroeconomic factors such as the level of business investment resulting in an increase in employment, GDP growth rate, the growth rate of wages, interest rates and inflation, and, with the increasing globalisation of economies, foreign direct investments. The factor that had a significant impact on the development of the industry, in which the Company operates is the degree of absorption of funds from the European Union budget. In the event of breakdown or deterioration of market conditions there is a risk of a reduction in demand for the product offered by the Company. The Management Board of the Company conducts on-going analysis of the market situation and makes suitable strategic decisions.

d) Risk associated with the competitor's operation

Recognized global brands, such as Adecco, Manpower or Randstad treat the market of Central and Eastern European countries as a strategic market and have strongly competed with Work Service Group for years. Work Service S.A., which has relevant experience and a recognized brand, is able to react early enough to competitors' activities and flexibly respond to the needs of the labor market: both that of the candidate/employee and the employer/client. In the opinion of the Management Board there are no premises for a new global personnel service operator entering the Polish market. In addition, Work Service Group provides services on the basis of long-term contracts, to a stable group of customers. As the largest labor market agent, Work Service also has the greatest recruitment infrastructure.

e) Risk associated with fluctuations in the market

In recent years we have seen dynamic development of temporary work as well as the changing needs of this market. Entrepreneurs expect Temporary Employment Agencies to provide prepared employees who are trained and do not require additional investment in the form of various types of training and courses. The Company has adequate technical facilities, knowledge and years of experience, monitors, can anticipate and knows the needs of this market. With the knowledge of the characteristics of local and regional markets, Work Service increases its competitiveness. Through the presence in Poland and Europe, it is able to respond to changes in trends in the market. However, in the case of activities on the markets of European countries one should pay attention to the possible presence of periodic changes caused by e.g. a short presence in the markets or cultural differences.

f) Risk associated with changes in legal regulations

The macroeconomic situation of the country may force a change in tax law, labour law, changes in the area of social insurance or in the area of trade activities. Any such change can result in increased operating costs of the Company, which in turn translate into financial results and may cause difficulty in assessing the impact of future events or decisions. The Management Board of the Company monitors, on an ongoing basis, changes in legislation in the markets on which it operates and reacts in advance to ensure that its operations comply with local laws.

12. Changes in the basic principles of managing the enterprise.

In the analysed period, there were no changes in the basic principles of managing the Company's enterprise.

Conclusion of the contract of sale of shares in Exact Systems S.A.

On 16 August 2018 the Issuer received confirmation about submission, by the special purpose vehicle – Remango Investments Sp. z o.o., whose shares are held by Mr. Paweł Gos, Mr. Lesław Walaszczyk and the fund co-managed by CVI Dom Maklerski Sp. z o.o. with the seat in Warsaw, to the Office for Protection of Competition and Consumers, of the notification of the intended concentration by the SPV purchasing all the Issuer's shares in Exact Systems S.A. with the seat in Częstochowa.

On 20 September 2018, the Issuer received decision no. DKK-167/2018 of President of the Office for Protection of Competition and Consumers of 17 September 2018. about consent to the concentration.

The sale of shares in Exact Systems S.A. was effected on 31st October. The transaction has been described in item 6 of this statement.

The selling price for all the Issuer's shares in the Company amounted to PLN 137 260 000, of which a part of the price in the amount of PLN 13 000 000 will be paid within 9 months after the date of closing the Transaction. After selling 100% of the shares in Exact Systems GmbH, the Issuer's cumulative remuneration will be PLN 151 251 139.60, including the shares in Work Service SPV Sp. z o.o. with the seat in Wrocław, previously held by the Company. Additionally, the Company paid to the Issuer undischarged amounts resulting from inter-group liabilities.

The proceeds from the Transaction, in the amount of PLN 104 000 000, were spent by the Issuer to repay part of the debt towards the consortium of banks financing the Issuer.

Sprzedaż akcji Exact Systems S.A. by the Issuer is a consequence of the strategic option selected by the Management Board with regard to the future of the subsidiary Exact Systems S.A. as well as implementation of the adopted Group's Development and Restructuring Strategy for the years 2018-2020. In line with the adopted Strategy, the Issuer reduces acquisition liabilities towards subsidiaries' minority shareholders and plans to allocate the funds acquired from selling the shares in Exact Systems S.A. mostly to further adjust the Group's financing structure by a gradual reduction of its debt.

Purchase of the company Antal International s.r.o.

On 15 May 2018, the company Antal Sp. z o.o. (100% subsidiary of Work Service S.A.) purchased, from the company Work Service Czech. s.r.o. (100% subsidiary of Work Service S.A.) 100% of the shares in the share capital of the company Antal International s.r.o.

Conclusion of an annex to the purchase agreement of shares in Prohuman 2004 Kft

On 29 June 2018, the Issuer, as the buyer, concluded, with Profólió Projekt Tanácsadó Kft. ("the Seller"), with the seat in Budapest, Hungary, an annex to the Purchase agreement of the remaining shares in the share capital of Prohuman 2004 Kft. ("Prohuman"), with the seat in Budapest, Hungary, of 23 October 2017 ("Shares") ("Agreement"). The Issuer informed about concluding the Agreement in current report 80/2017 of 23 October 2017.

The Annex is concerned with postponement of the payment deadline of the Second and Third Tranche under purchase of the remaining 19.78% of the shares in the share capital of Prohuman.

The Issuer, due to postponement of the payment deadline of the Second and Third Tranche, committed to pay to the Seller a compensation in the amount of PLN 5 000 000 in two installments: first installment will be payable on 29 June 2018, in the amount of PLN 2 000 000 and the second one on 16 August 2018 in the remaining amount.

In connection with the conclusion of the Annex, until 30 September 2018, the provisions of the Agreement concerning delay interest were not effective.

Sale of 2% the shares in the company Kariera.pl

On 23 April 2018 an agreement was signed, under which Krajowe Centrum Pracy Sp. z o.o. (100% subsidiary of Work Service S.A.) sold 40 shares in the share capital of the company Kariera.pl, accounting for 2% of all the shares in this Company's share capital for the price of PLN 57 120.00

Purchase of the shares in the company Work Service SPV Sp. z o.o.

On 21 June 2018 Work Service S.A. purchased from the company Work Service International Sp. z o.o. (100% subsidiary of Work Service S.A.) 15.29% of the shares in the company Work Service SPV Sp. z o.o. for the price of PLN 5 360 00.00.

Sale of Proservice Group

On 31st July 2018, the Issuer concluded, with PROLOGICS (UK) LLP, with the seat in London, registered under number OC314997 ("Buyer"), the Annex to the Sale Agreement of Shares in the company ProService Worldwide (Cyprus) Limited - established under the laws of the Republic of Cyprus, registered under number HE 209802, with the seat in Nicosia.

Under the Annex, the following changes were introduced:

- sale of the Second Tranche of the shares, namely 3 750 shares representing 51% in the share capital of ProService, will be effected on 1 August 2018,
- payment deadline of the selling price for the shares was postponed to 30 July 2019.
- the security lien for the Agreement will be established after expiration of the lien on the Shares, established for the consortium of banks BANK BGŻ BNP PARIBAS S.A., BANK MILLENNIUM S.A., BANK ZACHODNI WBK S.A., RAIFFEISEN BANK POLSKA S.A., POWSZECHNA KASA OSZCZĘDNOŚCI BANK POLSKI S.A. under the lien agreement of 18 November 2015, annexed on 13 April 2017, being security for the loan the beneficiary of which is the Issuer.

The other provisions of the Agreement were not changed.

On 1st August 2018, implementing the provisions of the Sale Agreement of Shares in the company ProService Worldwide (Cyprus) Limited ("ProService") of 30 July 2017 and the Annex to the Agreement of 31st July 2018, the Issuer transferred ownership of 51% of the shares in ProService to PROLOGICS (UK) LLP, with the seat in London, registered under number OC314997.

The purchase of shares Work Service Co.&KG

On the basis of the partnership interest purchase and transfer agreement dated 29 October 2018 Work Service SPV sp. z o.o. purchased from Fiege Logistik Stiftung & Co.KG a partnership interest of 26% in Work Service GmbH & Co.KG, whereby the partnership interest is held in trust by Work Service International sp. z o.o. The partnership interest was transferred to Work Service International sp. z o.o. on 1 November 2018. The price for the acquired partnership interest is equal to EUR 4,513,600 and is payable in the following four instalments: (i) EUR 2,100,000 until 9 November 2018 (paid), (ii) EUR 500,000 (together with accrued interest) until 31 March 2019 (paid), (iii) EUR 500,000 (together with accrued interest) until 30 June 2019 and (iv) EUR 1,413,600 (together with accrued interest) until 30 September 2019.

As a result of that transaction companies from the Work Service group hold 100% of interest in Work Service GmbH & Co.KG.

13. Assessment of factors and unusual events affecting the result on operations for the financial year, with determination of the degree of influence of these factors or unusual events on the earned result.

In the result on operations, the Company identifies a number of unusual events in the total amount equal to PLN 73 338 767, including:

- Established provisions (related e.g. to the running restructuring, agreements with subcontractors) in the amount of 14 494 686 PLN
- Penalty owed to the minority shareholder in connection with delay for the failure to purchase on time the minority shares in Prohuman 2004 kft: PLN 5 000 000
- Revaluations of assets in the balance sheet (related e.g. to change of the accounting policy concerning activated future revenue and liquidation of fixed assets and intangible assets unused by the Company): 13 687 091 PLN
- Costs of financial and transaction consulting, legal consulting associated with disinvestment activities and restructuring, costs of members of the Management Board who did not work in the Company in 2018, other restructuring consulting costs: 12 170 423 PLN

- Revaluation of the receivables portfolio 17 755 683 PLN
- Revaluation of revenue in 2018 9 711 803 PLN
- Other 519 080 PLN

14. Changes in fundamental principles of business management.

Changes in fundamental principles of the Company's business management did not occur in the period analyzed.

15. Agreements concluded between the Company and the managerial staff, providing for compensation in the event of their resignation or dismissal from the occupied post.

Mrs. Iwona Szmirkowska concluded with the Company Industry Personnel Services Sp. z o.o. non-competition agreement after termination of the cooperation agreement, on 01.03.2007, stating that she has guaranteed payment of compensation for refraining from competitive operations in the amount of PLN 3 520 + VAT per each month of refraining from competitive operations, in the period of 6 months after termination of the cooperation agreement concluded on 01.09.2005.

Mrs. Iwona Szmirkowska concluded with the Company Work Service SA a non-competition agreement after termination of the employment contract, on 10.10.2014, stating that she has guaranteed payout of the compensation for refraining from competitive operations in the amount of PLN 15 000 gross per each month of refraining from competitive operations, in the period of 8 months after termination of the agreement.

Mr. Tomasz Ślęzak concluded with the Company Work Service International a non-competition agreement after termination of the cooperation agreement, on 17.04.2013 stating that he has guaranteed payout of the compensation for refraining from competitive operations in the amount of PLN 50% of the average monthly remuneration, in the period of 8 months counting from the day of termination/expiration of the cooperation agreement. Under the Agreement of the Parties concluded on 31.01.2019, the ban ceased to be in force.

Mr. Tomasz Ślęzak concluded with the Company Work Service SA a non-competition agreement during the term of the employment contract and after termination of the employment contract, on 31.12.2016, stating that he has guaranteed payout of the compensation for refraining from competitive operations in the amount of PLN 50% of the employee's average gross monthly remuneration calculated for 3 months before the month of termination of the contract of employment, in the period of 8 months counting from termination/expiration of the employment contract. Under the Agreement of the Parties concluded on 31.01.2019, the ban ceased to be in force.

On 4 January 2016, Mr. Maciej Witucki, serving as the President of the Management Board of Work Service SA, concluded a non-competition agreement, stating that he has guaranteed payout of the compensation for refraining from competitive operations in the amount of PLN 50 000 monthly during 12 months after termination of the employment contract. The contract with Mr. Maciej Witucki will be terminated as of 31.05.2019, but under the agreement, the amount of the compensation is payable not from June 2019, but from October 2019. Throughout the period of termination from March to May 2019 Mr. Maciej is entitled to increased remuneration in the amount of PLN 100 000.

On 15.09.2016, Mr. Piotr Gajek concluded with the Company Work Service SA, with the effective force as from 26.04.2016, a non-competition agreement, stating that he has guaranteed payout of the compensation for refraining from competitive operations in the amount of PLN 60 000 monthly for a period of 8 months after the date of the termination (expiration) of the employment contract. The contract with Mr. Piotr Gajek ended on 31.12.2018. From January to August 2019, the compensation under the non-competition clause will be paid in the amount of PLN 420 000 (in 8 installments PLN 60 000 monthly each.).

On 01.05.2017, Mr. Krzysztof Rewers concluded with the Company Work Service SA, with the effective force as from 01.05.2017, a non-competition agreement, stating that he has guaranteed payout of the compensation for refraining from competitive operations in the amount of PLN 252 000 (PLN 42 000 per month for 6 months). The agreement was terminated as of 31.08.2018. The non-competition compensation was paid in the months from September 2018 to February 2019, in the amount of PLN 42 000 monthly (together: PLN 252 000).

16. Values of remuneration, awards or benefits, including those resulting from the incentive or bonus programs based on the Company's equity, including programs based on bonds with pre-emptive rights, convertibles, subscription warrants (in cash, kind or other potentially payable separately for each of the managing or supervising persons of the company, regardless of whether they were included in costs or resulted from profit distribution).

Information on the remuneration paid to Members of the Management Board and Supervisory Board in 2018 and 2017 is provided in the following tables.

| Total value of remuneration and awards (in cash and kind) paid or due, separately for the managing and supervising persons in the company and for serving functions in the entity's authorities (for each group separately). | | |
|---|---------------------|---------------------|
| Remuneration | 2018 | 2017 |
| - Management Board | 2 916 056,23 | 5 220 429,68 |
| - Supervisory Board | 286 211,43 | 846 132,75 |
| Total | 3 202 277,66 | 6 066 562,43 |

No liabilities resulting from pensions and benefits of similar nature for former managing, supervising persons or former administrative body members were created in 2018 and no liabilities were contracted in connection with these pensions.

17. Number of shares held by managing persons.

| | As at the date of publication of the report for the third quarter of 2018 | Changes in ownership: acquisition (disposal) | Balance at the date of this report | Nominal value of the held shares (PLN) as of the date of this state-ment |
|---|---|--|------------------------------------|--|
| Tomasz Hanczarek – Member of the Supervisory Board | 3 255 000 | 0 | 3 255 000 | 325 500,00 |
| Tomasz Misiak- Vice-Chairman of the Supervisory Board | 9 547 361 | 0 | 9 547 361 | 954 736,1 |

18. Information on agreements known to the Parent Company, which could result in future in changes in the proportion of shares held by existing shareholders and bondholders. Assessment of feasibility of investment, including capital investments, compared to the volume of funds, including possible changes in the financing structure of this activities.

There are no agreements in the Parent Company with a possible future effect on the current ownership structure of the current shareholders and bondholders.

19. Information about the entity authorised to audit financial statements.

Under an agreement dated 18 June 2018, the entity authorised to audit the Financial Statements of Work Service SA for 2018 is Grant Thornton

| Specification | Net value for 2018 |
|---|--------------------|
| Statutory audit of the separate annual financial statements and interim review of the separate financial statements | 195 036,50 |
| Other assurance services | 0,00 |
| Tax advisory services | 0,00 |
| Other services | 0,00 |
| Total | 195 036,50 |

20. Indication of proceedings pending before a public court, arbitration body or public administration authority.

| Claimant/ Creditor | Defendant/ Debtor | Subject matter of the dispute/ Value of the subject of the dispute | Anticipated costs of court proceedings | Current status of proceedings |
|--|--|---|---|--|
| Work Service SA | Dominik U. Maciej C. Lechosław O. | PLN 366,029.98 | Court fee and prepayment for the execution, there may be more prepayments for the execution. | Executive proceedings are conducted by Marek Przywecki, Bailiff with the District Court for Poznań-Grunwald and Jeżyce, against Maciej C., Dominik U. and Lechosław O., so far ineffective. |
| Work Service SA | Pielle Sp. z o. o. | PLN 122,465.49 | Court fee. | Executive stage, two foreclosures. It is difficult to calculate the odds of satisfaction. |
| Elżbieta N. | Work Service SA | PLN 50,000.00 | As of now, the proceedings have not generated any costs. | Case in progress, currently at the stage of preparation of the opinion by court experts. |
| Haitong Bank SA | Work Service SA | PLN 796,136.00 | As of now, the proceedings have not generated any costs. | Suit brought in court on 28.06.2017 On 24.11.2017 Work Service SA filed a response to the suit. Next hearing date set at 23.05.2019. |
| Work Service SA | Neo Group Sp. z o.o. | PLN 342,727.81 | As of now, the proceedings have not generated any costs. | The claim for payment is fully justified. The defendant has not paid the remuneration due to the claimant, in spite of not questioning the quality and the quantity of the services performed. The case was won, by a final and binding sentence, by Work Service SA and forwarded to the debt collector. |
| BCT – Bałtycki Terminal Kontenerowy Sp. z o.o. | Work Service SA | PLN 122,000.00 | A cassation complaint was submitted in the case- the amount payable to the plaintiff was paid in connection with the case being lost in both instances. | The case was defeated. On 31 January 2018 the Court of Appeal rejected the appeal of Work Service SA. The amount payable was paid to BCT – Bałtycki Terminal Kontenerowy Sp. z o.o. On 25 July 2018 the company Work Service SA submitted a cassation complaint to the Supreme Court. |
| Work Service SA | PAYPRO SA Intercash Polska Sp. z o.o. | PLN 97,821.73 | As of now, the proceedings have not generated any costs. | The case at the stage of court procedure. The claim for payment is fully justified. The defendant has not paid the remuneration due to the claimant, in spite of not questioning the quality and the quantity of the services performed. |
| Work Service SA | Vision Group Sp. z o.o. | PLN 99,455.00 | As of now, the proceedings have not generated any costs. | The case at the stage of court procedure. Subsequent date of the hearing 26.06.2019 The defendant Vision Group Sp. z o.o. in the course of the cooperation, did not report overtime hours, which resulted in the need to pay the related fees to the employees. The amounts due to the employees have been confirmed by legal sentences of labor courts, which the plaintiff- Work Service SA has paid in full. |
| Work Service SA | Matras SA | PLN 114,940.58 | As of now, the proceedings have not generated any costs. | The case at the stage of the bankruptcy procedure |
| Work Service SA | Agencja Ochrony Mienia Inter-Pol Security Sp. z o.o. | PLN 130,099.87 | As of now, the proceedings have not generated any costs. | The case at the stage of court procedure. The claim for payment is fully justified. The defendant has not paid the remuneration due to the claimant, in spite of not questioning the quality and the quantity of the services performed. |
| Work Service SA | Conbelts Bytom SA | PLN 153,822.37 | As of now, the proceedings have not generated any costs. | The case at the stage of the self-cleaning procedure. The claim for payment is fully justified. The defendant has not paid the remuneration due to the claimant, in spite of not questioning the quality and the quantity of the services performed. |
| Work Service SA | Wioletta K. Karolina K. | PLN 81,079.32 | As of now, the proceedings have not generated any costs. | The case at the stage of court procedure. The claim for payment is fully justified. |

| Claimant/ Creditor | Defendant/ Debtor | Subject matter of the dispute/ Value of the subject of the dispute | Anticipated costs of court proceedings | Current status of proceedings |
|-----------------------|----------------------|---|--|--|
| Konrad M. | Work Service SA | PLN 85,950.00 | As of now, the proceedings have not generated any costs. | The case at the stage of the court procedure – the application for summoning the parties to attempt settlement of 08.11.2018 The Company questions the grounds for the claims of Mr. Konrad M. |

21. Information about shareholders holding at least 5% of the total number of votes at the general meeting of shareholders.

The following table presents the shareholding structure, together with information about shareholders holding at least 5% of votes at the General Meeting of Shareholders, as at the date of drawing up this report, taking into account all notifications received by Work Service SA pursuant to Article 69 section 1 item 1 of the Act on Public Offering and the Terms and Conditions of Introducing Financial Instruments to an Organised System of Trading and on Public Companies

| Shareholder | Number of shares | Share in the share capital | Number of votes | Share in the total number of votes |
|---------------------------------------|------------------|-------------------------------|-----------------|---------------------------------------|
| WorkSource Investments S.a.r.l. | 13 714 286 | 21,07% | 13 714 286 | 21,07% |
| ProLogics (UK) LLP London | 10 466 200 | 16,08% | 10 466 200 | 16,08% |
| Central Fund of Immovables Sp. z o.o. | 9 641 500 | 14,81% | 9 641 500 | 14,81% |
| Tomasz Misiak | 9 553 961 | 14,68% | 9 553 961 | 14,68% |
| Tomasz Hanczarek | 3 336 420 | 5,12% | 3 336 420 | 5,12% |
| MetLife PTE S.A. | 3 254 743 | 5,00% | 3 254 743 | 5,00% |
| Others | 12 743 205 | 23,24% | 12 743 205 | 23,24% |
| Total | 65 094 823 | 100% | 65 094 823 | 100% |

22. Information about concluded significant agreements, including agreements concluded between shareholders (partners), insurance agreements, partnership and cooperation agreements known to the Company.

All significant agreements have been described in respective parts of the financial statement for the year 2018.

23. Information about material borrowings granted during the accounting year, including in particular loans granted to related parties of the Company, with indication of, at least, their amounts, types, interest rates and maturity dates

| Customer's name | Borrowing amount (in PLN) | Interest rate | Maturity date of the borrowing |
|------------------------------------|---------------------------|---|---|
| EXACT SYSTEMS S.A. | 60 000 000,00 | WIBOR 1M+2,6% | Settled/paid off 24.07.2018 |
| EXACT SYSTEMS S.A. | 3 794 000 | WIBOR 1M+2,6% | Settled/paid off 24.07.2018 |
| PROSERVICE WORLDWIDE CYPUS LIMITED | 8 120 386,76 | 9% | Settled/paid off 31.12.2018 |
| ZAO WORK SERVICE RUSSIA | 21 640 384,27 | variable | 2019-07-31 |
| WORK SERVICE SPV Sp. z o.o. | 189 600 and 27 307 553,86 | WIBOR 1 M+3% (PLN), EURIBOR 3M+3,4% (EUR) | 2019-07-26 |
| PERSONNEL SERVICE Sp. z o.o. | 20 317 465,36 | WIBOR 1M+2,6% | 31.12.2018 and the negotiations are still in progress |

24. Information about material borrowings received during the financial year, including in particular loans received from related parties of the Company, with indication of, at least, their amounts, types, interest rates and maturity dates

| Customer's name | Amount of the borrowing received (PLN) | Interest rate | Maturity date of the borrowing |
|--|--|-------------------------|--|
| FINANCE CARE Sp. z o.o. | 0 | WIBOR 1M+3% | 2018-12-31 |
| INDUSTRY PERSONNEL SERVICES Sp. z o.o. | 0 | WIBOR 1M+3% | 2018-12-31 |
| PROHUMAN 2004 | 44 430 730,00 | variable | 2018-03-31, at the stage of negotiations |
| WORK EXPRESS Sp. z o.o. | 7 929 171,03 | EURIBOR 3M + 3,4% (EUR) | 2019-04-01 |
| SELLPRO Sp. z o.o. | 17 029 526,01 | WIBOR 1M+3% | 2018-12-31 |
| EXACT SYSTEMS S.A. | 0 | WIBOR 1M+2,6% (EUR) | Settled/paid off 24.07.2018 |

25. Restrictions on transferring ownership rights to securities

In accordance with the provisions of the Articles of Association of the Company there are no restrictions on the free transferability of shares, apart from the restrictions regarding disposal of shares resulting from obligations of lock-up type, in terms of temporary exclusion from disposal of shares deposited by the shareholders of the Issuer, referred to in Section IV, item 19.1.1 and items 19.6.3–19.6.7 of the Prospectus — “Registration Document”.

As part of realisation of collateral provided for in the credit agreement dated 18 November 2015, Work Service SA concluded registered pledge agreements in favour of Bank BGŻ BNP Paribas S.A. and financial pledge agreements in favour of Bank BGŻ BNP Paribas S.A., Bank Millenium S.A., “Bank Zachodni WBK S.A.”, Raiffeisen Bank Polska S.A. on shares in IT Kontrakt sp. z o. o., Work Service International sp. z o. o., Industry Personnel Service sp. z o. o., Work Express sp. z o. o. and in Exact Systems S.A.

In addition, shareholders of Worksource Investment s.a.r.l. Prologics (UK), Tomasz Hanczarek and Tomasz Misiak concluded agreements for registered pledges and financial pledges on shares in Work Service SA with Bank BGŻ BNP Paribas S.A.

To provide additional collateral, on 30 January 2017 Work Service S.A. concluded registered pledge agreements in favour of Bank BGŻ BNP Paribas S.A. and financial pledge agreements in favour of Bank BGŻ BNP Paribas S.A., Bank Millenium S.A., “Bank Zachodni WBK S.A.”, Raiffeisen Bank Polska S.A. on shares in Antal Sp. z o.o., as well as registered pledge agreements in favour of Bank BGŻ BNP Paribas S.A. and financial pledge agreements in favour of Bank BGŻ BNP Paribas S.A., Bank Millenium S.A., “Bank Zachodni WBK S.A.”, Raiffeisen Bank Polska S.A. on shares in Finance Care Sp. z o.o.

In addition, on 30 January 2017 shareholders of Worksource Investment s.a.r.l. Prologics (UK), Tomasz Hanczarek and Tomasz Misiak concluded agreements for registered pledges and financial pledges on shares in Work Service SA with Bank BGŻ BNP Paribas S.A.

Additionally: The credit agreement with PKO BP Bank Polski SA is secured by a pledge on shares in Prohuman, covering 75% of WSSA's share in the share capital of Prohuman. The pledge agreement on shares in Prohuman represents a pledge agreement on shares in Prohuman governed by Hungarian law, securing the Bank's claims under the credit agreement concluded on 30 December 2016 between WSSA as the pledgor and the Bank as the pledgee.

26. Statement on the application of Corporate Governance

In consideration with entry into force as on 1 January 2016 of the amended Best Practices of WSE Listed Companies 2016, in accordance with obligation effecting from § 29(3) of the Rules of Conduct of the Stock Exchange, Management Board of Work Service S.A. published a report on non-application by the Company of some rules of corporate governance effecting from amended set of “Best Practices of WSE Listed Companies 2016”

1) Corporate governance policies at the Company and public availability of the underlying document

Work Service, declaring operation in accordance with the highest standards of communications of capital market and corporate governance principles applies the “Best Practices of WSE Listed Companies 2016”, developed by the Warsaw Stock Exchange.

The Company, as the issuer of the shares listed on the main market of the Warsaw Stock Exchange, is governed by principles of corporate governance contained in the “Best Practice for WSE Listed Companies 2016”, adopted by Resolution No 26/1413/2015 of the WSE Board dated 13 October 2015 in the version annexed to that resolution “Best Practices of WSE Listed Companies 2016” which is available on the website of the Warsaw Stock Exchange at: https://static.gpw.pl/pub/files/PDF/RG/DPSN2016__GPW.pdf

2) The extent to which the Parent Company has departed from the provisions of corporate governance principles, an indication of such provisions and explanation of the reasons

Starting from stock exchange debut in April 2012, the Company's intention is to follow best practices of corporate governance, as evidenced by the statement of the Company's Management Board, filed in the IPO Prospectus 2008 and Prospectus 2011.

At present, the Company complies with the corporate governance rules set out in the Code of Best Practice for WSE Listed Companies 2016, except for the following rules:

- I.Z.1.3.** A company should operate a corporate website and publish on it, in a legible form and in a separate section, in addition to information required under the legislation, a chart showing the division of duties and responsibilities among members of the management board.

The Company does not apply a rule thoroughly. As a rule, diagram of division of tasks and responsibilities among member of Management Board is included in Regulations of the Management Board made available on website, and considering pending development of the whole Work Service Capital Group, the Company is planning to elaborate detailed and updated division of competences and responsibilities among members of the management board of the company.

- I.Z.1.5.** A company should operate a corporate website and publish on it, in a legible form and in a separate section, in addition to information required under the legislation, current and periodic reports, prospectuses and information memoranda with annexes, published by the company at least in the last 5 years.

The Company satisfies the above rule since April 2012, namely from its debut on Warsaw Stock Exchange. Considering this fact, time requirement of 5 years is not observed.

- I.Z.1.6.** A company should operate a corporate website and publish on it, in a legible form and in a separate section, in addition to information required under the legislation, information on the dates of corporate events leading to the acquisition or limitation of rights of a shareholder, information on the dates of publication of financial reports and other events relevant to investors, within a timeframe enabling investors to make investment decisions.

The Company does not apply the above mentioned rule only in scope of publication of the calendar of corporate events resulting in purchase or limitation of right on side of a shareholder. However, the Company intends to implement its application in the future, elaborating for this purpose necessary procedures specifying the rules for creation of calendar and description of events included therein.

- I.Z.1.15.** A company should operate a corporate website and publish on it, in a legible form and in a separate section, in addition to information required under the legislation, information about the company's diversity policy applicable to the company's governing bodies and key managers; the description should cover the following elements of the diversity policy: gender, education, age, professional experience, and specify the goals of the diversity policy and its implementation in the reporting period; where the company has not drafted and implemented a diversity policy, it should publish the explanation of its decision on its website.

The Company does not observe the above rule considering the fact that it did not formally implemented diversity policy until this day, however, it shows that in current activity the Company observes elements of this policy, including in particular sex criterion, profile of education, age and professional experience. It shows also that as at 01.06.2013 the Company was accepted to the circle of Polish Diversity Chart. In 2017, the Company is planning to elaborate relevant document that will be published on www site of the Company.

- I.Z.1.16.** A company should operate a corporate website and publish on it, in a legible form and in a separate section, in addition to information required under the legislation, information about the planned transmission of a general meeting, not later than 7 days before the date of the general meeting.

This rule is not applied, because the Company does not broadcast debates held on general assembly. Nevertheless, if this situation occurs, the Company will publish information in this scope on website.

- II.Z.1.** The internal division of responsibilities for individual areas of the company's activity among management board members should be clear and transparent, and a chart describing that division should be available on the company's website.

With reference to the rule I.Z.1.3., the Company shows that does not apply this rule thoroughly. As a rule, diagram of division of tasks and responsibilities among member of Management Board is included in Regulations of the Management Board made available on website, and considering pending development of the whole Work Service Capital Group, the Company is planning to elaborate detailed and updated division of competences and responsibilities among members of the management board of the company.

- II.Z.2.** A company's management board members may sit on the management board or supervisory board of companies other than members of its group subject to the approval of the supervisory board.

The Company does not apply the above rule. At the same time, it is assumed that membership of members of management board in management boards or supervisory boards of other companies has no negative impact upon activity of Work Service.

II.Z.5. Each supervisory board member should provide the other members of the supervisory board as well as the company's management board with a statement of meeting the independence criteria referred to in principle II.Z.4.

The Company does not apply the above rule, because it did not consider submission of abovementioned statements as necessary for correct functioning of member of the Supervisory Board. Nevertheless, the Company plans to implement this rule in 2017.

II.Z.6 The supervisory board should identify any relationships or circumstances which may affect a supervisory board member's fulfilment of the independence criteria. An assessment of supervisory board members' fulfilment of the independence criteria should be presented by the supervisory board according to principle II.Z.10.2.

The above rule is not applied in full, however the Company is planning to implement it in 2017, as a consequence of implementation of rule II.Z.5.

II.Z.10.4 In addition to its responsibilities laid down in the legislation, the supervisory board should prepare and present to the ordinary general meeting once per year an assessment of the rationality of the company's policy referred to in recommendation I.R.2 or information about the absence of such policy.

The rule is not applied considering the fact that according to the Company, scale of its activity specified in recommendation I.R.2 does not justify preparation of detailed assessment of rationality by the supervisory board.

IV.R.2. If justified by the structure of shareholders or expectations of shareholders notified to the company, and if the company is in a position to provide the technical infrastructure necessary for a general meeting to proceed efficiently using electronic communication means, the company should enable its shareholders to participate in a general meeting using such means, in particular through:

- 1) real-time broadcast of the general meeting;
- 2) real-time bilateral communication where shareholders may take the floor during a general meeting from a location other than the general meeting;
- 3) exercise of the right to vote during a general meeting either in person or through a plenipotentiary.

The Company informs that shareholders did not report to the company expectations in terms of performance of abovementioned recommendation. Moreover, the company does not currently have relevant technical (IT) infrastructure which would facilitate implementation of recommendation. However, it cannot be excluded that the recommendation could be applied in the future, after creation of relevant technical capacities and making of relevant assets.

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

With regards to recommendation IV.R.2., the company does not have currently relevant technical (IT) infrastructure which could facilitate implementation of this rule, and there was a lack of any signals reported by the shareholders as that form was expected. However, it cannot be excluded that this rule could be applied in the future.

V.Z.6. In its internal regulations, the company should define the criteria and circumstances under which a conflict of interest may arise in the company, as well as the rules of conduct where a conflict of interest has arisen or may arise. The company's internal regulations should among others provide for ways to prevent, identify and resolve conflicts of interest, as well as rules of excluding members of the management board or the supervisory board from participation in reviewing matters subject to a conflict of interest which has arisen or may arise.

The rule does not apply, because in the Company there is no detailed procedure specifying criteria and circumstances under which there can be conflict of interests in the company, neither the rule of conduct in face of the conflict of interest or possibility of occurrence. The company is planning elaboration and implementation of relevant procedure.

VI.R.1. The remuneration of members of the company's governing bodies and key managers should follow the approved remuneration policy.

In terms of policy of remuneration for member of Management Board and Supervisory Board of the Company as well as rules for its establishment in the Company, the rules of remuneration and levels of pays specified by General Assembly are valid – with regards to members of Supervisory Board, by Supervisory Board – with regards to members of Management Board and by Management Board with reference to the key managers; amount of remuneration depends on scope of individual obligations and areas of responsibilities entrusted to individual persons being in composition of these bodies and key managers.

VI.R.3. If the supervisory board has a remuneration committee, principle II.Z.7 applies to its operations.

Recommendation is applied partially. The Remuneration Committee is composed of three members of Supervisory Board, including one independent member having relevant qualifications.

VI.Z.4. In this activity report, the company should report on the remuneration policy including at least the following:

- 1) general information about the company's remuneration system;
- 2) information about the conditions and amounts of remuneration of each management board member broken down by fixed and variable remuneration components, including the key parameters of setting the variable remuneration

- components and the terms of payment of severance allowances and other amounts due on termination of employment, contract or other similar legal relationship, separately for the company and each member of its group;
- 3) information about non-financial remuneration components due to each management board member and key manager;
 - 4) significant amendments of the remuneration policy in the last financial year or information about their absence;
 - 5) assessment of the implementation of the remuneration policy in terms of achievement of its goals, in particular long-term shareholder value creation and the company's stability.

This rule is not applied by the Company in full. Numerous information is included in annual report of management board on activity of the company, including among the others, information on conditions and amount of remuneration of each member of management board or information on non-financial components of remuneration allocated to individual members of management board and the key managers. However, the rule requires detailed implementation, what the Company is planning to do.

1. Description of the main features of the Issuer's internal audit and risk management systems in relation to the process of compiling financial statements and consolidated financial statements

In accordance with the recommendations of the European Commission of 15 February 2005 on the role of non executive directors or members of supervisory board of listed companies and the committees of the (supervisory) board and pursuant to § 13 section 9 Articles of Association of the Company, an Audit Committee was established. The composition of the Committee results from the resolution of the Supervisory Board No 1 dated 16 January 2014. Appointment of the above Committee constituted adjustment of corporate structures of Work Service Capital Group to the requirements of the public market. Composition of the Committee and its tasks are described in paragraph "Composition, changes and a description of the management and supervisory bodies" Statements on corporate governance.

Guidelines for risk management in the Company are discussed in item 12 "Assessment, with justification, of financial resources management, in particular the ability to meet obligations incurred, and specification of potential threats and actions taken or planned by the Company to prevent these threats" of the Directors' Report on operations of Work Service.

Control over the implementation of market risk management process is exercised by the Department of Finance and Controlling Department, while supervision of the risk management process is performed by a Member of the Board supervising the area of finance.

Starting from stock exchange debut in April 2012, the Company applies internal procedures governing the preparation, approval, publication and purpose of individual and consolidated financial statements of the Company and the Group. The Company also applies uniform information policy for the entire Capital Group.

Internal Control and risk management systems, applied in the Parent Company, are to ensure the provision of reliable and defect-free financial information to be included in current and periodic reports. The internal control system involves, among others:

- appointment of persons responsible for the preparation of financial reports,
- carrying out regular reviews of financial results by the Management Board,
- respecting the principle of authorisation of current and periodic reports prior to their publication,
- multistage control of consolidated and individual statements in particular with regard to the accuracy of the accounting reconciliations, analysis of the merits and reliability of information,
- regular (at least once a year) defining the risks that in Management Board's opinion could affect the financial results of Company.

The Management Work Service SA reviews and verifies the strategy at least once a year. On the basis of the review and the conclusions resulting therefrom, the budgeting process is performed, covering all areas of functioning. The budgeting process involves middle and senior management. The annual budget is approved by the Supervisory Board.

2. Shareholding

The following table presents the shareholding structure, together with information about shareholders holding at least 5% of votes at the General Meeting of Shareholders taking into account all notifications received by Work Service SA pursuant to Article 69 section 1 item 1 of the Act on Public Offering and the Terms and Conditions of Introducing Financial Instruments to an Organised System of Trading and on Public Companies (Journal of Laws of 2005, No. 184, item 1539).

| Shareholder | Number of shares | Share in the share capital | Number of votes | Share in the total number of votes |
|---------------------------------------|------------------|----------------------------|-----------------|------------------------------------|
| WorkSource Investments S.a.r.l. | 13 714 286 | 21,07% | 13 714 286 | 21,07% |
| ProLogics (UK) LLP London | 10 466 200 | 16,08% | 10 466 200 | 16,08% |
| Central Fund of Immovables Sp. z o.o. | 9 641 500 | 14,81% | 9 641 500 | 14,81% |

| | | | | |
|------------------|------------|--------|------------|--------|
| Tomasz Misiak | 9 553 961 | 14,68% | 9 553 961 | 14,68% |
| Tomasz Hanczarek | 3 336 420 | 5,12% | 3 336 420 | 5,12% |
| MetLife PTE S.A. | 3 254 743 | 5,00% | 3 254 743 | 5,00% |
| Others | 12 743 205 | 23,24% | 12 743 205 | 23,24% |
| Total | 65 094 823 | 100% | 65 094 823 | 100% |

3. Identification of holders of any securities with special control rights and a description of those rights

There are no holders of securities which confer special control rights.

4. Indication of restrictions on exercising voting rights

The Company's Articles of Association do not provide for any restrictions on exercising voting rights.

5. Indication of restrictions on transferring ownership rights to securities

In accordance with the provisions of the Articles of Association of the Company there are no restrictions on the free transferability of shares, apart from the restrictions regarding disposal of shares resulting from obligations of lock-up type, in terms of temporary exclusion from disposal of shares deposited by the shareholders of the Issuer, referred to in Section IV, item 19.1.1 and items 19.6.3–19.6.7 of the Prospectus — “Registration Document”.

As part of realisation of collateral provided for in the credit agreement dated 18 November 2015, Work Service SA concluded registered pledge agreements in favour of Bank BGŻ BNP Paribas S.A. and financial pledge agreements in favour of Bank BGŻ BNP Paribas S.A., Bank Millenium S.A., “Bank Zachodni WBK S.A.”, Raiffeisen Bank Polska S.A. on shares in IT Kontrakt sp. z o. o., Work Service International sp. z o. o., Industry Personnel Service sp. z o. o., Work Express sp. z o. o. and in Exact Systems S.A.

In addition, shareholders of Worksource Investment s.a.r.l.. Prologics (UK), Tomasz Hanczarek and Tomasz Misiak concluded agreements for registered pledges and financial pledges on shares in Work Service SA with Bank BGŻ BNP Paribas S.A.

To provide additional collateral, on 30 January 2017 Work Service S.A. concluded registered pledge agreements in favour of Bank BGŻ BNP Paribas S.A. and financial pledge agreements in favour of Bank BGŻ BNP Paribas S.A., Bank Millenium S.A., “Bank Zachodni WBK S.A.”, Raiffeisen Bank Polska S.A. on shares in Antal Sp. z o.o., as well as registered pledge agreements in favour of Bank BGŻ BNP Paribas S.A. and financial pledge agreements in favour of Bank BGŻ BNP Paribas S.A., Bank Millenium S.A., “Bank Zachodni WBK S.A.”, Raiffeisen Bank Polska S.A. on shares in Finance Care Sp. z o.o.

In addition, on 30 January 2017 shareholders of Worksource Investment s.a.r.l.. Prologics (UK), Tomasz Hanczarek and Tomasz Misiak concluded agreements for registered pledges and financial pledges on shares in Work Service SA with Bank BGŻ BNP Paribas S.A.

Additionally: The credit agreement with PKO BP Bank Polski SA is secured by a pledge on shares in Prohuman, covering 75% of WSSA's share in the share capital of Prohuman. The pledge agreement on shares in Prohuman represents a pledge agreement on shares in Prohuman governed by Hungarian law, securing the Bank's claims under the credit agreement concluded on 30 December 2016 between WSSA as the pledgor and the Bank as the pledgee.

6. Regulations concerning appointment or removal of Management or Supervisory Board Members, the rights of those persons, in particular, the right to take decision on share issue or redemption

Principles of appointing and dismissing managerial staff

Management Board of the Company

The Management Board manages the operations of the Company and represents it. The Management Board is composed of one to seven members appointed and dismissed by the Supervisory Board, subject to the occurrence of Important, Serious Failure. The Supervisory Board determines the number of members of the Management Board, subject to the following: In the case of Important, Serious Failure to Perform, the Investor is entitled to change the majority but not all (i.e. one member if the Management Board is composed of one or two members, two members if the Management Board is composed of three members, three members if the Management Board is composed of four or five members and four members if the Management Board is composed of six members) members of the Management Board under the following procedure:

- The Investor is entitled to dismiss members of the Management Board indicated at his/her exclusive discretion,
- The Investor is entitled to propose to the Supervisory Board three qualified, independent candidates to any vacant position in the Management Board, of which the Supervisory Board shall be obliged to appoint a new member of the Management Board to any vacant position.

During the whole duration of the Important, Serious Failure to Perform the Supervisory Board is not entitled to change the number of members of the Management Board or the composition of the Management Board in any manner different than in compliance with the following procedure: if the Important, Serious Failure to Perform lasts, as described above, for the period of 18 months, after such designation, the Supervisory Board is entitled to dismiss the majority, but not all (i.e. one member of the Management Board if the Management Board is composed of one or two members, two members if the Management Board is composed of three members, three members if the Management Board is composed of four or five members and four members if the Management Board is composed of six members) members of the Management Board by the ordinary majority of votes.

The Management Board is appointed for the term in office lasting five years. Members of the Management Board may be appointed for subsequent terms in office. A member of the Management Board may not, without consent of the Supervisory Board, take up competitive activities or have interest in a competitive company as a partner or a member of the governing bodies. In the case of conflict of interest of a member of the Management Board and the Company, the member of the Management Board should inform the Management Board about the fact and refrain from taking part in the discussion and voting over resolutions in that matter.

The following persons are authorized to submit declarations on behalf of the Company: if the Management Board is a single-member management board – President of the Management Board independently; if the Management Board is composed of more than one member – two members of the Management Board jointly or a member of the Management Board jointly with a holder of a commercial proxy.

The Company may appoint proxies to perform the activities of specific type or special tasks acting independently within the authorization granted to them by the Management Board in powers of proxy. Consent of all members of the Management Board is required to issue a power of proxy.

Subject to as provided for below, the Management Board takes decisions in a form of resolutions at meetings convened by the President of the Management Board at his/her initiative or on request of a member of the Management Board or request of the Supervisory Board. Resolutions of the Management Board may be adopted outside the meeting of the Management Board in writing or with the use of direct communications means provided all members of the Management Board were duly notified on the content of the resolution draft. Voting under the procedure specified in the preceding sentence may be ordered by the President of the Management Board at his/her own initiative or on request of other members of the Management Board. Resolutions of the Management Board are adopted by an absolute majority of votes, however, if adopted at the meeting of the Management Board they will be valid if all members are present and in management boards composed of more than three members – presence of at least three members of the Management Board. In the case of equal number of votes the President of the Management Board shall have a casting vote.

The Management Board shall prepare and provide the Supervisory Board with the draft of the financial plan (budget) with the Supervisory Board by 30 November of the year preceding the year which the plan concerns for the next financial year. The budget should contain the plan of expenses and revenues for the next financial year. The budget for the subsequent financial year is approved by the Supervisory Board by 31 December of the year preceding the year it concerns. If the Management Board fails to present the budget or if the budget is not approved by the Supervisory Board, the Supervisory Board may set a time limit for presentation of the new budget plan by the Management Board, including comments of the Supervisory Board. By the time the budget for a given year is adopted, the budget adopted for the previous calendar year shall be effective, however, every item shall be increased by the inflation rate in a given year calculated in accordance with the Consumer Price Index. Detailed rules of organization and operations of the Management Board are specified in the Management Board regulations, adopted by the Management Board and approved by the Supervisory Board.

Supervisory Board

As long as the Investor is the shareholder of the Company, the Supervisory Board shall be composed of 9 members, including the Chairperson and Deputy Chairperson. As long as the shares of the Company are traded in the regulated market in the Republic of Poland, at least two members of the Supervisory Board should meet the criterion of independence from the Company and entities which are in significant relation with the Company, due to the corporate governance rules applicable in the regulated market in the Republic of Poland which the Company's shares are listed in.

In the case of resignation prior to lapse of the term in office or in the case of death of a member of the Supervisory Board or in the case an Investor fails to designate a member or members of the Supervisory Board under the procedure provided for in § 12 section 4 of the Company's Articles of Association, the remaining members of the Supervisory Board, regardless of their number, shall be entitled to co-opt a new member in the place of a resigning or a deceased member of the Supervisory Board. The number of the co-opted members of the Supervisory Board and non-approved by the General Meeting of Shareholders may not exceed the one-fourth of the members of the Supervisory Board in a given term in office. The co-opted members of the Supervisory Board shall be approved at the nearest General Meeting of Shareholders and their term in office shall expire with the expiry of the Supervisory Board's term in office. In the event the co-opted members of the Supervisory Board are not approved by the General Meeting of Shareholders, their term in office shall expire on closing the General Meeting of Shareholders mentioned above.

In the event the Investor ceases to be the shareholder of the Company, the Supervisory Board shall be composed of 5-10 members. The number of members of the Supervisory Board in a given term in office shall be determined by the General Meeting. As long as the Investor is a shareholder of the Company, the Investor shall have an individual right to appoint and dismiss two members of the Supervisory Board in a form of a written notice on appointment or dismissal of a members of the Supervisory Board served to the Company. The remaining members of the Supervisory Board are appointed by the General Meeting. In the case the Investor fails to appoint a member or members of the Supervisory Board within 21 days of expiry of a term in office of a member or members of the Supervisory Board appointed by the Investor, such members of the Supervisory Board shall be appointed and dismissed by the General Meeting by the time the Investor exercises the right available to it under § 12 section 5 above and in such case the term in office of the members of the Supervisory Board appointed by the General Meeting in accordance with the above provision shall expire automatically provided it does not affect the term in office of the whole Supervisory Board.

Together with granting consent for appointment of a member of the Supervisory Board, a candidate for an Independent Member of the Supervisory Board submits a written statement that he/she complies with the independence criterion, mentioned in section 1 above. An independent Member of the Supervisory Board shall comply with the independence criterion mentioned on point 1 above for the whole term in office. If during the term in office the Independent Member of the Supervisory Board stops to meet any of the criteria mentioned in the preceding sentence, he/she shall notify the Management Board of the Company in writing immediately, however, no later than within 3 days of occurrence of an event which caused that he/she stopped to comply with the criteria or of becoming aware of the fact. Failure to comply with the independence criteria by any member of the Supervisory Board or loss of the status of an Independent Member of the Supervisory Board during a term in office, shall not cause expiry of the mandate and shall not affect the capability of the Supervisory Board to perform its competences provided for in the Code of Commercial Companies and Partnerships and these Articles of Association.

The Supervisory Board is appointed for a joint, three-year term in office. It is acceptable to appoint the same persons members of the Supervisory Board for subsequent terms in office. A member of the Supervisory Board may not, without consent of the General Meeting, participate in a competitive company as a shareholder of a partnership, capital company or as a member of a governing body of a capital company or participate in another competitive legal entity as a member of the governing body. The above prohibition does not concern taking up functions or shares in companies belonging to the capital group of the Company. In the case of a conflict of interests of a member of the Supervisory Board and the Company, a member of the Supervisory Board should inform the Supervisory Board about the fact and refrain from taking part in the discussion and voting over resolutions in that matter. A member of the Supervisory Board should provide the Management Board with information concerning his/her connections with the shareholder holding no less than 5% of the general number of votes at the General Meeting.

The Supervisory Board may appoint commissions and committees, both permanent and to clarify specific issues – by determining organization, manner of operations and specific competences of the commissions and committees – unless the object of the commission or committee work falls within the competences of the Supervisory Board, however as part of the Supervisory Board only permanent committees should be established:

- **The Audit Committee** whose operations are regulated by provisions of a relevant act, competent in particular in matters related to supervision over financial reporting of the Company and the process of reviewing the financial statements of the Company,
- **The Remuneration Committee** competent in particular in matters related to supervision and manner and form of remuneration of members of the Management Board and issues of implementing incentive programs in the Company.

The Supervisory Board takes decisions in a form of resolutions at meetings convened by the Chairperson of the Supervisory Board or, if impossible to convene by the Chairperson, by the Deputy Chairperson of the Supervisory Board. The eligible person mentioned in the preceding sentence convenes the meeting of the Supervisory Board at his/her own initiative or within two weeks of receipt of a motion of the Management Board or member of the Supervisory Board. The motion should be submitted in writing together with the proposed agenda.

Members of the Supervisory Board exercise their rights and obligations in person and are obliged to maintain confidentiality of the business secret of the undertaking. Meetings of the Supervisory Board are held without participation of the Management Board. If necessary, members of the Management Board may be invited to the meeting of the Supervisory Board. The meetings of the Supervisory Board are held on an as needed basis, however, at least once a quarter.

Subject to provisions of section 6 of § 13 of Articles of Association of Work Service SA, resolutions of the Supervisory Board may be adopted if at least half of Supervisory Board members is present at the meeting and all its members were invited at least 7 business days prior to the planned meeting. Resolutions of the Supervisory Board are valid and binding also when a given member was informed of the meeting within a shorter time limit, mentioned in the preceding sentence but submits a written statement in which he/she accepts the content of the resolution of the Supervisory Board or appears at the Supervisory Board. In the case and at the time when the Investor is a shareholder of the Company, at least one member of the Supervisory Board appointed in accordance with provisions of § 12 section 4 of the Articles of Association must participate in all meetings of the Supervisory Board. In the event that a given member of the Supervisory Board appointed in line with § 12 section 4 does not participate in the meeting of the Supervisory Board, another meeting of the Supervisory Board is convened which is held no later

than within 14 (fourteen) days of the date of the meeting which the member of the Supervisory Board appointed in accordance with provisions of § 12 section 4 of the Articles of Association did not participate in and such meeting is capable of adopting resolutions regardless of presence of such members of the Supervisory Board.

Members of the Supervisory Board may take part in adopting resolutions of the Supervisory Board, by casting a vote in writing via another member of the Supervisory Board. Casting a vote in writing may not concern matters included in the agenda at the meeting of the Supervisory Board.

The Supervisory Board may adopt resolutions outside the meeting in writing or with the use of direct communications means provided all members were duly notified on the content of the resolution draft. Voting under the procedure specified in the preceding sentence may be ordered by the Chairperson of the Supervisory Board at his/her own initiative or on request of a member of the Supervisory Board or Management Board.

As long as the Investor is a shareholder of the Company, resolutions of the Supervisory Board adopted in § 16 section 2 point a), e), f), h), i), j), k), o), p), q), r) s), t), v), w), x), y), z), aa), bb), cc), dd) and ee) of the Company's Articles of Association are adopted by a qualified majority of 8/9 of cast votes and the remaining resolutions are adopted by the ordinary majority of cast votes. In the event the Investor ceases to be the shareholder of the Company, resolutions of the Supervisory Board shall be adopted by an ordinary majority of cast votes. In the case of equal number of votes, when an ordinary majority of votes is required, the person chairing the meeting shall have the casting vote. In the case a specific resolution in a form and content which was provided in the invitation to the meeting of the Supervisory Board is not adopted, then such resolution may be voted on again at the nearest meeting of the Supervisory Board which should be held no earlier than after forty two (42) and no later than after forty five (45) days of the meeting of Supervisory Board which did not adopt a given resolution. Such meeting is entitled to adopt such a resolution by an ordinary majority of votes, provided at least two, additional meetings of the Supervisory Board are held by the time and provided that such resolution requiring the majority of 8/9 votes to be adopted is not adopted.

In an agreement between the Company and a member of the Management Board and in a dispute with a member, the Company is represented by the Supervisory Board or a proxy appointed by virtue of a resolution of the General Meeting. Detailed rules of organization and operations of the Supervisory Board are specified in the Regulations of the Supervisory Board adopted by the General Meeting.

The Supervisory Board exercises constant supervision over the operations of the Company. Specific rights of the Supervisory Board comprise:

- review of the financial statements of the Company and report of the Management Board and motions of the Management Board concerning distribution of profit or coverage of loss and submission of the annual written statement on the review results, its own work and a concise evaluation of the standing of the Company, including the assessment of the internal control and the system of managing the risk crucial for the Company with the General Meeting;
- appointment and dismissal of members of the Management Board, subject to § 17 section 3-6 of the Company's Articles of Association;
- suspension in performance of duties, for important reasons, of particular members of the Management Board and delegation of members of the Supervisory Board to temporary performance of the activities of the members of the Management Board who may not perform their activities;
- approval of the Management Board regulations; granting consent to any benefits to be paid by the Company under any title and any entities related with the Company to members of the Management Board;
- granting consent to effecting a transaction by the Company and: (i) its shareholders eligible to cast more than 5% votes at the General Meeting of the Company, (ii) any persons related with the shareholders, including persons controlling such shareholders, (iii) members of governing bodies of the Company, their relatives and entities which are subsidiaries of the members of the governing bodies of the Company; granting consent to payment of advances to the anticipated dividend;
- selection and change of the entity authorized to audit the financial statements, including a consolidated financial statement of the Company and its capital group;
- selection of an independent, external certified auditor of the Company;
- approval of annual and periodical financial plans and significant changes in the plans provided by the Management Board;
- employment and determination of employment conditions (including remuneration, awards and bonuses) of the members of the Management Board of the Company;
- granting consent to issue of ordinary bonds, m) granting consent to merger, transformation or winding up of the Company or its subsidiaries;
- granting consent to acquisition or disposal of real property, perpetual usufruct or an interest in a real property;
- granting consent to lease, establishing a perpetual usufruct, rent, pledge, encumbering with mortgage, establishing other burdens, pre-emption rights or awarding other rights on any part of the undertaking or assets of the Company, except for awarding the above mentioned to direct or indirect subsidiaries of the Company except for burdens related to credit facilities or loans which require consent of the Supervisory Board in accordance with § 16 section 2 (r) of the Articles of Association;

- granting consent to conclude agreements concerning strategic cooperation, for instance in a form of partnerships or joint venture unless they are approved in the Business Plan or the annual budget;
- granting consent to make capital expenditure of the total amount in excess of EUR 1,000,000 (one million euro) unless such expenditure was planned and approved in the Business Plan or the annual budget;
- granting consent to taking loans or credit facilities if a value of an individual credit or individual loan exceeds EUR 2,500,000 (two million five hundred thousand euro), unless such loans and credit facilities were planned and approved in the Business Plan or annual budget;
- granting consent to issue of one or more guarantees to perform an obligation by a single third party or more in the total value in excess of EUR 100,000 (one hundred euro) which is not related to the normal business activity and everyday operating activities, however, excluding direct or indirect guarantee of subsidiaries of the Company,
- granting consent to acquisition, covering or disposal of shares, stocks, participation units or other securities in other capital companies, partnerships or entities by the Company and to enter into partnerships by the Company with the exclusion of acquisition and disposal of government or bank securities for the period no longer than 360 days as a means of managing the cash position of the Company;
- granting consent to founding and winding up of new companies or branches;
- granting consent to introduction of incentive programs in the Company, in particular to awarding by the Company the right to cover or acquire shares as part of the managerial options and to changes in such programs;
- approval of unusual issues which are not related to the Company's undertaking or in any other manner are outside the normal objects of the Company of the value in excess of EUR 1,000,000 (one million euro) or transactions which limit the operations of the Company (geographically or in any other manner, in particular containing non-competition clauses) unless they are approved in the Business Plan and the annual budget;
- instituting or amicable settlement of litigations or arbitration proceedings concerning a claim of value no greater than EUR 200 000 (two hundred thousand Euro) or several similar proceedings of the total value of the claim in excess of EUR 500,000 (five hundred thousand euro);
- granting consent to concluding a single agreement or a larger number of agreements with the same entity or a natural person for performance of work or services if the fee or expenses related to such work or services exceed EUR 500,000 (five hundred thousand euro) in any period of three months;
- granting consent to donations, including charity purposes, of the value in excess in total of EUR 15,000 (fifteen thousand euro) in any year or to donations to political organizations;
- issue of controlling interests in the Company or any subsidiary of the Company other than the issue of the capital issued by a subsidiary of the Company or under managerial incentive programs;
- purchase of assets by the Company of the total value exceeding EUR 500,000 (five hundred thousand euro) unless it was approved in the Business Plan or annual budget;
- granting consent to amending the Business Plan;
- granting consent to conclusion of any important agreement which may entail obligations of the Company in the amount in excess of EUR 2,000,000 (two million euro) unless such agreements were approved in the Business Plan or annual budget;
- granting consent to granting loans to third parties of the value in excess of EUR 500,000 (five hundred thousand euro), excluding loans granted to direct or indirect subsidiaries of the Company.

For a resolution of the Supervisory Board granting consent in matters specified in § 16 section 2 point e, f and h of the Articles of Association to be valid it is required that the resolution is voted over by at least one Independent Member of the Supervisory Board if a person of such status is among members of the Supervisory Board.

Right to make decisions on the issue or redemption of shares

Pursuant to §10.1 of the Company's Articles of Association, the competences of the General Meeting include:

- increase or decrease of the Company's share capital;
- issuing convertible bonds or bonds with pre-emptive rights, or subscription warrants.

7. Description of principles of amending the Company's Articles of Association

Pursuant to §10.1g and §10.11 of the Company's Articles of Association, each amendment to the Articles of Association and change in the business object of the Company lies within the exclusive competences of the General Meeting.

8. General Meeting — manner of operations

The competences of the General Meeting are specified in the Code of Commercial Companies and Partnerships, provisions of other acts and the Articles of Association. In particular, the competences of the General Meeting comprise:

- a) review and approval of the Management Board's report on the Company's operations and the financial statement for the previous financial year;

- b) adoption of resolutions on distribution of profit equal to 20% of net profit in a given financial year;
- c) adoption of resolutions on distribution of profit above 20% of net profit in a given financial year;
- d) acknowledgement of fulfilment of duties by members of the governing bodies of the Company;
- e) appointment and dismissal of members of the Supervisory Board, subject to § 12 section 4 if the Articles of Association;
- f) increase or decrease of the share capital;
- g) amending the Company's Articles of Association;
- h) adoption of resolutions concerning disposal or lease of the Company's undertaking or its organized part and establishing usufruct or another limited property right on its undertaking;
- i) dissolution of the Company;
- j) adoption of regulations of the Supervisory Board and General Meeting and their amendments;
- k) issue of bonds, convertibles or bonds with the pre-emption right and issue of subscription warrants mentioned in Art. 453 § 2 of the Code of Commercial Companies and Partnerships and other financial instruments, except for currency transactions and derivatives.
- l) merging the Company with other companies, division of the Company, separation of a part of the Company's undertaking or transformation of the Company;
- m) issuing a decision in all matters concerning claims for reparation of a damage caused while founding the Company or managing or supervising it;
- n) determination of a manner and amount of the remuneration of the members of the Supervisory Board;
- o) specifying a day, on which a list of shareholders eligible for dividend for a given financial year is determined – the dividend day and determination of the dividend payment term;
- p) creation of reserve capitals which are not required under the applicable law;
- q) granting consent to extend the objects of the Company by including all sorts of the elderly care services.

The Ordinary Meeting of Shareholders is held annually within six months of the end of each financial year. The Extraordinary Meeting of Shareholders is convened if the governing bodies or persons authorized to convene the General Meeting consider it necessary. The General Meeting is convened by the Management Board. The Supervisory Board is entitled to convene the ordinary General Meeting if the Management Board fails to convene the General Meeting within the prescribed time limit. The Supervisory Board and shareholders or a shareholder holding at least one-twelfth of the share capital may require to convene the Extraordinary Meeting of Shareholders.

Shareholders or a shareholder holding at least one-twentieth of the share capital may require to include specific items in the agenda of the nearest General Meeting. The demands mentioned above together with justification allowing for adoption of an informed resolution, shall be submitted by eligible shareholders in writing or in a digital form with the Management Board. If the demand does not contain a justification, the Management Board will ask the shareholders for justification of the motion. The General Meeting is valid regardless of the number of shares represented at it unless provisions of the Code of Commercial Companies and Partnerships and of the Statutes provide otherwise. Resolutions of the General Meeting are adopted by an absolute majority of votes, unless the Code of Commercial Companies and Partnerships and of other acts and the Statutes provide for other conditions of their adoption.

An item included in the agenda of the General Meeting at the initiative of the eligible shareholder or shareholders who submitted such demand, may be – if justified and supported by material reasons – deleted from the agenda by a resolution adopted by the majority of 80% cast votes and on consent of all present shareholders who submitted the above demand. In the case when the Management Board in a justified manner moves for deletion of the item from the agenda which was previously included in it on its own request requires an absolute majority of cast votes. Shareholders participate in the General Meeting in person or by a proxy appointed in writing.

A change of the objects of the Company may be executed without shares buyout. A respective resolution to be effective requires two-thirds of cast votes with presence of the persons representing at least half of the share capital of the Company. Acquisition or disposal of real property, perpetual usufruct or interest in a real property does not require consent of the General Meeting.

9. Composition, changes and a description of the management and supervisory bodies

Composition of the Management Board and Supervisory Board was presented in item 1 of information about Work Service SA in this report.

In accordance with the recommendations of the European Commission of 15 February 2005 on the role of non executive directors or members of supervisory board of listed companies and the committees of the (supervisory) board and pursuant to § 12 section 9 Articles of Association of the Company, two permanent committees have been established: the Audit Committee and the Remuneration Committee. The composition of these committees was specified in resolutions of the Supervisory Board No 1 and 2 dated 12 January 2011. Appointment of the above Committees constituted adjustment of corporate structures of the Company to the requirements of the public market.

The current composition of the Audit Committee established by resolution No 1 of the Supervisory Board of 20 October 2017 is as follows:

1. Piotr Kamiński — Chairman of the Audit Committee,
2. John Leone — member of the Audit Committee,
3. Krzysztof Kaczmarczyk — member of the Audit Committee.

The Audit Committee is competent in particular in matters related to supervision over financial reporting of the Company and the process of reviewing the financial statements of the Company. The tasks of the Committee include:

- monitoring of the process of financial reporting;
- monitoring of the effectiveness of internal control systems, internal audit and risk management;
- monitoring performance of financial audit;
- monitoring the independence of the authorized entity (the audit firm) to audit financial statements and operating within the expert auditor of the entity;
- advising the Supervisory Board on proper supervision of the Company's financial reporting and audit process of the financial statements of the Company, the implementation of financial reporting and internal controls in the Company and cooperation with entities authorised (audit firms) to audit the Company's financial statements and expert auditors acting within these entities.

In particular, the Committee is required to:

- recommend to Supervisory Board the company authorised (an audit firm) to audit the Company's financial statements, including the consolidated financial statements, as well as the terms of the contract with such an entity and the amount of its remuneration;
- assess the scope of the independence of the selected audit firm and expert auditor,
- prepare draft resolutions of the Supervisory Board on financial matters of the Company,
- examine the quarterly, semi-annual and annual financial statements,
- discuss any problems or objections that may arise from the audit of the financial statements of the Company,
- ensure the most efficient communication between the auditor and the Supervisory Board,
- cooperate with the internal auditor of the Company,
- analyse the comments addressed to the Management Board by the Company's expert auditors and Management Board responses,
- analyse the reports of internal auditors of the Company and Management Board responses on observations and postulates contained in these reports,
- analyse and evaluate relations and dependencies within the Company and in the same Supervisory Board and the Management Board of the Company in terms of the existence or possibility of conflicts of interest, and take measures to eliminate this kind of events,
- consider any other issues related to the audit of the Company, which drew the attention of the Committee or the Supervisory Board.

The Remuneration Committee

Present composition of Remuneration Committee is as follows.

1. Panagiotis Sofianos — Chairman of the Remuneration Committee
2. Pierre Mellinger — Member of the Remuneration Committee.

The duties of the Remuneration Committee include, in particular:

- planning the remuneration policy for the Members of the Management Board,
- supervision over the way and form of remuneration of the members of the Management Board, providing recommendations to Supervisory Board in this regard,
- adjusting the salaries of Members of the Management Board to the long-term interests of the Company and the Company's financial results,
- issues associated with the implementation of incentive programs and those already introduced in the Company, addressed to the Management Board and employees of the Company.

In view of the fact that the Company Work Service SA became a publicly traded company in 2012, the Audit and Remuneration Committees started its operations in 2012.

SIGNATURES:

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| 1. Iwona Szmitkowska | President of the Management Board | |
| 2. Paul Christodoulou | Vice-President of the Management Board | |
| 3. Jarosław Dymitruk | Vice-President of the Management Board | |

Wrocław, 30 April 2018