WORK SERVICE

WORK SERVICE Capital Group

FINANCIAL STATEMENT OF WORK SERVICE SA

for the year ended as on 31 December 2019

compiled in line with the International Accounting Standards
as endorsed by the European Union

Wrocław, June 29, 2020

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ADDITIONAL INFORMATION ON ACCOUNTING POLICIES ADOPTED

1. Company identification data

Company name, address of the registered office and telecommunication numbers:

Company name	Work Service S.A.
Legal form	Joint stock company (Spółka Akcyjna)
Address	53-413 Wrocław ul. Gwiaździsta 66
Phone	+48 (071) 37 10 900
Fax	+48 (071) 37 10 938
E-mail	work@workservice.pl
Website	www.workservice.pl

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 is registered in the National Court Register, in Register of Entrepreneurs kept by the District Court for Wroclaw–Fabryczna in Wroclaw, 6th Commercial Division of the National Court Register, under the number KRS 0000083941. The Company was entered into the register of Entrepreneurs of the National Court Register on 28 January 2002. Work Service Spółka Akcyjna is the successor of Work Service Spółka z ograniczoną odpowiedzialnością. Work Service SA 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 an employment agency specialising in employment services, in modern human resource solutions, providing services in the area of recruitment, the provision of skilled workers to clients, consulting and human resource management.

The core business of Work Service SA includes:

- temporary work — offering work for temporary employees
- recruitment of employees, personnel counselling
- personnel and payroll services
- outsourcing.

2. Directors of Work Service SA as at December 31, 2019

- Iwona Szmitkowska – President
- Jarosław Dymitruk – Vice-President

On 10 September 2019, the Supervisory Board of the Company adopted a resolution to dismiss Mr. Paul Christodoulou from the position of the Vice President of the Management Board of the Company with effect on 10 September 2019. The reason for the appeal was not indicated.

On 22 February 2019, the Company's Supervisory Board, acting on the basis of, dismissed Mrs. Iwona Szmitkowska from her previously served function of Vice President of the Management Board and appointed Mrs. Iwona Szmitkowska to serve in the Company's Management Board as President of the Company's Management Board. In addition, the Company's Supervisory Board appointed Mr. Jarosław Dymitruk as a member of the Company's Management Board serving as Vice President of the Company's Management Board.

On 24 January 2019 the Company received a letter containing the notice about resignation of Mr. Maciej Witucki from the function of the President of the Management Board of Work Service S.A. with the effect as of 28 February 2019. Mr. Maciej Witucki did not indicate the cause for the resignation.

On 24 January 2019 the Company received a letter containing the notice about resignation of Mr. Tomasz Ślęzak from the position of Vice President of the Management Board of Work Service S.A. with the effect as of 24 January 2019. Mr. Tomasz Ślęzak did not indicate the cause for the resignation.

3. Composition of the Supervisory Board of Work Service SA as at December 31, 2019

- Paweł Przemysław Schmidt – Chairman of Supervisory Board
- Marcus Preston – Vice-Chairman of the Supervisory Board (seconded to serve as a member of the Management Board)
- Pierre Mellinger – Member of the Supervisory Board
- Paweł Ruka – Member of the Supervisory Board
- Tomasz Bujak – Member of the Supervisory Board
- Piotr Żegleń – Member of the Supervisory Board
- Tomasz Wojtaszek – Member of the Supervisory Board
- Robert Oliwa – Member of the Supervisory Board
- Andrzej Witkowski – Member of the Supervisory Board

On 18 October 2019, the Extraordinary General Meeting appointed to the Supervisory Board: Mr. Robert Oliwa as member of the Supervisory Board and Mr. Przemysław Schmidt as the Chairman of the Supervisory Board.

On 16 October 2019, the Management Board of Work Service S. A. received document containing the resignation of Mr. Maciej Witucki from the Supervisory Board including being chairman of the Supervisory Board of Work Service S.A. with effect on 17 October 2019. Mr. Maciej Witucki didn't indicate the reason for the resignation.

On 9 October 2019, the Management Board of Work Service S. A. received document containing the resignation of Mr. Paweł Paluchowski from the position of the Member of the Supervisory Board of Work Service S.A. with effect on 17 October 2019. Mr. Paweł Paluchowski as the reason for resignation indicated personal reasons.

On 8 October 2019, the Extraordinary General Meeting appointed to the Supervisory Board: Mr. Paweł Paluchowski, Mr. Andrzej Witkowski as members of the Supervisory Board and Mr. Marcus Preston as the Vice-Chairman of the Supervisory Board.

On 8 October 2019, the Extraordinary General Meeting dismissed Panagiotis Sofianos, Tomasz Misiak and Tomasz Hanczarek from the Supervisory Board. The reason for the appeal was not given.

On 16 May 2019, the Management Board of Work Service SA received document dated on 15 May 2019 containing information from the shareholder – WorkSource Investments S.a.r.l. – acting according to § 12 sec. 4 of the Articles of Association of Work Service SA about the dismissal Mr. John Leone from the position of member of the Supervisory Board of Work Service SA.

On 16 May 2019, the Management Board of Work Service SA received document dated on 15 May 2019 containing information from the shareholder – WorkSource Investments S.a.r.l. – acting according to § 12 sec. 4 of the Articles of Association of Work Service SA about the appointment Mr Tomasz Jakub Wojtaszek for a member of Supervisory Board of Work Service SA.

On 7 May 2019, the Management Board of Work Service SA received document containing the resignation of Mr Piotr Kamiński from the position of the Member of the Supervisory Board of Work Service SA with effect on 7 May 2019. Mr Piotr Kamiński didn't indicate the reason for the resignation.

On 7 May 2019, the Extraordinary General Meeting of Work Service SA, acting on the basis of § 10 para. 1 point e) of the Articles of Association of the Company, dismissed from the Supervisory Board - Mr Pangiotis Sofianos.

On 7 May 2019, the Extraordinary General Meeting of Work Service SA, acting on the basis of § 10 para. 1 point e) Company's Articles of Association, appointed Mr Maciej Witucki to perform the duties of Chairman of the Supervisory Board of Work Service SA.

On 7 May 2019, the Extraordinary General Meeting of Work Service SA, acting on the basis of § 10 para. 1 point e) Company's Articles of Associations, appointed Mr Panagiotis Sofianos to the composition of the Supervisory Board of Work Service SA for the function of member of the Supervisory Board of the Company.

On 7 May 2019, the Extraordinary General Meeting of Work Service SA, acting on the basis of § 10 para. 1 point e) Company's Articles of Associations, appointed Mr Paweł Ruka to the composition of the Supervisory Board of Work Service SA for the function of member of the Supervisory Board of the Company.

On 7 May 2019, the Extraordinary General Meeting of Work Service SA, acting on the basis of § 10 para. 1 point e) of the Articles of Association of the Company, dismissed from the Supervisory Board - Mr Everett Kamin.

On 7 May 2019, the Extraordinary General Meeting of Work Service SA, acting on the basis of § 10 para. 1 point e) Company's Articles of Associations, appointed Mr Tomasz Bujak to the composition of the Supervisory Board of Work Service SA for the function of member of the Supervisory Board of the Company.

On 7 May 2019, the Extraordinary General Meeting of Work Service SA, acting on the basis of § 10 para. 1 point e) of the Articles of Association of the Company, dismissed from the Supervisory Board - Mr Krzysztof Kaczmarczyk.

On 7 May 2019, the Extraordinary General Meeting of Work Service SA, acting on the basis of § 10 para. 1 point e) Company's Articles of Associations, appointed Mr Piotr Żegleń to the composition of the Supervisory Board of Work Service SA for the function of member of the Supervisory Board of the Company.

On 6 May 2019, the Management Board of Work Service SA received document containing the resignation of Mr. Robert Ługowski from the position of the Member of the Supervisory Board of Work Service SA with effect on 6 May 2019. Mr. Robert Ługowski as the reason for resignation indicated personal reasons.

4. Work Service Capital Group as on 31 December 2019

Work Service SA is the parent company and prepares consolidated financial statements for the following Companies:

Companies in which Work Service SA holds direct capital share

Company name	Registered office	Date of obtaining control	Percentage of the share capital held in subsidiary	% share in the total number of votes at the General Meeting of subsidiary	Consolidation method
Finance Care Sp. z o.o.	53-413 Wrocław, ul. Gwiaździsta 66	29.12.2005	100.00%	100.00%	Full
Industry Personnel Services sp. z o.o.	53-413 Wrocław, ul. Gwiaździsta 66	30.11.2003	100.00%	100.00%	Full
Work Service International Sp. z o.o.	53-413 Wrocław, ul. Gwiaździsta 66	06.07.2006	100.00%	100.00%	Full
WS Support Sp. z o.o.	53-413 Wrocław, ul. Gwiaździsta 66	19.02.2010	100.00%	100.00%	Full
Sellpro Sp. z o.o.	53-413 Wrocław, ul. Gwiaździsta 66	20.03.2009	100.00%	100.00%	Full
Virtual Cinema Studio Sp. z o.o.	53-413 Wrocław, ul. Gwiaździsta 66	20.12.2002	50.00%	50.00%	Non-consolidated
Krajowe Centrum Pracy Sp. z o.o.	53-413 Wrocław, ul. Gwiaździsta 66	16.05.2011	75.00%	75.00%	Full
Prohuman 2004 Kft.	H-1146 Budapest, Hungaria korut 140-144.	21.12.2013	80.22.%	80.22%	Full
Work Express Sp. z o.o.	40-265 Katowice, ul. Murckowska 14	02.01.2014	100.00%	100.00%	Full
Work Service SPV Sp. z o.o.	53-413 Wrocław, ul. Gwiaździsta 66	29.01.2014	100.00%	100.00%	Full
Work Service Czech s.r.o.	Anglická 140/20, Vinohrady, 120 00 Praha 2	30.01.2004	100.00%	100.00%	Full
Work Service East Lcc	Kharkov, ul. Malomyasnitska 6, Kharkov area, Kharkov voivodship, Ukraine	03.02.2017	100.00%	100.00%	Full

Companies related through Work Service International Sp. z o. o.

Company name	Registered office	Date of obtaining control	Percentage of the share capital held in subsidiary	% share in the total number of votes at the General Meeting of subsidiary	Consolidation method
Work Service Slovakia s.r.o.	831 03 Bratislava, Škultétyho 1	04.09.2007	53.50%	53.50%	Full
WorkPort24 Gmbh	An den Treptowers 1 D-12435 Berlin	19.08.2011	100.00%	100.00%	Non-consolidated

Companies related through Industry Personnel Services Sp. z o.o.

Company name	Registered office	Date of obtaining control	Percentage of the share capital held in subsidiary	% share in the total number of votes at the General Meeting of subsidiary	Consolidation method
Work Service Slovakia s.r.o.	831 03 Bratislava, Škultétyho 1	05.05.2011	46.50%	46.50%	Full
Krajowe Centrum Pracy Sp. z o.o.	53-413 Wrocław, Gwiaździsta 66	28.03.2013	25.00%	25.00%	Full

Companies related through Work Service Slovakia s.r.o.

Company name	Registered office	Date of obtaining control	Percentage of the share capital held in subsidiary	% share in the total number of votes at the General Meeting of subsidiary	Consolidation method
Work Service Outsourcing Slovakia s.r.o.	831 03 Bratislava, Škultétyho 1	05.09.2011	100.00%	100.00%	Full

Work Service SK s.r.o.	831 03 Bratislava, Škultétyho 1	01.06.2016	100.00%	100.00%	Full
Antal International s.r.o.	831 03 Bratislava, Škultétyho 1	01.04.2016	100.00%	100.00%	Full

Companies related through Prohuman 2004 Kft

Company name	Registered office	Date of obtaining control	Percentage of the share capital held in subsidiary	% share in the total number of votes at the General Meeting of subsidiary	Consolidation method
Prohuman Outsourcing Kft.	H-1146 Budapest, Hungaria korut 140-144	21.12.2013	100.00%	100.00%	Full
Human Existence Kft.	3525 Miskole, Arany Janos ter.1. mfsz 18.	08.07.2014	100.00%	100.00%	Full
Naton kadrovsko svetovanje d.o.o.	Ljubljana, Cesta 24. Junija 25, 1231 Ljubljana-Crnuce	03.12.2015	100.00%	100.00%	Full
HR Rent Kft	H-7624 Pecs, Ferencesek utcoja 52	10.12.2015	100.00%	100.00%	Full
Finance Sales Hungary Kft (Profield 2008 Kft)	2724 Újlengyel, Ady Endre utca 41	17.12.2015	100.00%	100.00%	Full
APT Resources&Services s.r.l.	82B2 Clucerului Street, 1st District, Bucharest, Romania	28.02.2017	80.00%	80.00%	Full
APT Human Resources s.r.l.	82B2 Clucerului Street, 1st District, Bucharest, Romania	28.02.2017	80.00%	80.00%	Full
APT Broker s.r.l.	82B2 Clucerului Street, 1st District, Bucharest, Romania	28.02.2017	80.00%	80.00%	Full
APT Finance Broker s.r.l.	82B2 Clucerului Street, 1st District, Bucharest, Romania	28.02.2017	80.00%	80.00%	Full

Companies related through Naton kadrovsko svetovanje d.o.o.

Company name	Registered office	Date of obtaining control	Percentage of the share capital held in subsidiary	% share in the total number of votes at the General Meeting of subsidiary	Consolidation method
Naton Ljudski potencial d.o.o.	Zvonimirova 2/III, 100000 Zagreb, Croatia	03.12.2015	100.00%	100.00%	Full

Companies related through Work Express Sp. z o.o.

Company name	Registered office	Date of obtaining control	Percentage of the share capital held in subsidiary	% share in the total number of votes at the General Meeting of subsidiary	Consolidation method
Outsourcing Solutions Partner Sp. z o.o.	ul. Murckowska 14, 40-265 Katowice	02.01.2014	100.00%	100.00%	Full
Support and Care Sp. z o.o.	ul. Warszawska 1, 42-350 Koziegłowy	02.01.2014	100.00%	100.00%	Full

Companies related through Work Service Gmbh & Co.KG

Company name	Registered office	Date of obtaining control	Percentage of the share capital held in subsidiary	% share in the total number of votes at the General Meeting of subsidiary	Consolidation method
IT Kontrakt Gmbh	An den Treptowers 1 D-12435 Berlin	05.04.2012	100.00%	100.00%	Full
Work Service 24 Gmbh	An den Treptowers 1 D-12435 Berlin	23.08.2011	100.00%	100.00%	Full
Work Service Deutschland Gmbh	Mainzer Strasse 178, 67547 Worms	26.06.2014	100.00%	100.00%	Full
Work Service Outsourcing Deutschland Gmbh	Domhof 8, 48268 Greven	26.06.2014	100.00%	100.00%	Full
Work Service GP Gmbh	Gauermanngasse 2 1010 Vienna	24.03.2014	100.00%	100.00%	Full
Enloyd GmbH	Berlin, An den Treptowers 1, 12435	21.11.2014	100.00%	100.00%	Full

Companies related through Work Service SPV Sp. z o.o.

Company name	Registered office	Date of obtaining control	Percentage of the share capital held in subsidiary	% share in the total number of votes at the General Meeting of subsidiary	Consolidation method
Work Service Gmbh & Co.KG	c/o CMS Hasche Sigle, Breite Str. 3, 40213 Düsseldorf	26.06.2014	100.00%	100.00%	Full

Companies related through Work Service Deutschland GmbH

Company name	Registered office	Date of obtaining control	Percentage of the share capital held in subsidiary	% share in the total number of votes at the General Meeting of subsidiary	Consolidation method
Work Service Fahrschule Gmbh	Domhof 8, 48268 Greven	29.07.2015	100,00%	100,00%	Full

Companies related through Krajowe Centrum Pracy Sp. z o.o.

Company name	Registered office	Date of obtaining control	Percentage of the share capital held in subsidiary	% share in the total number of votes at the General Meeting of subsidiary	Consolidation method
Kariera.pl Sp. z o.o.	53-413 Wrocław, ul. Gwiaździsta 66	03.11.2016	49.00%	49.00%	Full

Companies related through Profield 2008 Kft

Company name	Registered office	Date of obtaining control	Percentage of the share capital held in subsidiary	% share in the total number of votes at the General Meeting of subsidiary	Consolidation method
Finance Care Hungary Pénzügyi Tanácsadó Kft	H-1146 Budapest, Hungária krt. 140-144, HU25790722	08.11.2016	100.00%	100.00%	Full

Related entities of the Parent Company are the entities included in the consolidated financial statements, i.e. all Capital Group companies except for Virtual Cinema Studio sp. z o.o and WorkPort24 Gmbh.

Due to the fact that Work Service SA does not have control over Virtual Cinema Studio sp. z o.o., (since it holds only 50% of the voting rights according to art. 5 and 6 IFRS 10), does not consolidate it.

As for WorkPort24 Gmbh, the application of the materiality principle referred to § 31 of IAS 1 excludes this company from consolidation under the equity method as a related entity.

5. Information about the reporting currency and level of rounding used

The financial statements were prepared in Polish zloty.

Average exchange rates of PLN vs EUR set by the National Bank of Poland (NBP) in the periods covered by the financial statements and the comparative data, in particular:

1. Exchange rate as at the last day of each period.
2. Average exchange rate for each period, calculated as an arithmetic average of rates prevailing on the last day of each month in a period, and where justified, calculated as an arithmetic average of rates prevailing on the last day of the preceding period.
3. The highest and lowest exchange rate in each period.
   a) exchange rate as at the last day of each period:
      - 31 December 2019 — exchange rate announced by the NBP — PLN 4.2585
      - 31 December 2018 — exchange rate announced by the NBP — PLN 4.3000
   b) average exchange rate in the period calculated as an arithmetic average of rates prevailing on the last day of each month in a period:
      - 2019 — PLN 4.3018
      - 2018 — PLN 4.2669

4. The following exchange rates were used for balance sheet valuation purposes:

Currency	31 December 2018	31 December 2019
GBP	4.7895	4,9971
CZK	0.1673	0,1676
RON	0.9229	0,8901
EUR	4.3000	4,2585
USD	3.7597	3,7977

6. Duration of the Company

The Company's duration is unlimited.

7. Indication of the period covered by the financial statements and principles of their presentation

The financial year of Work Service SA is the calendar year.

The financial statements cover the period from 1 January to 31 December 2019.

The financial statements containing comparative data were prepared for the period from 1 January to 31 December 2019.

8. Indication that the financial statements contain combined data, if the entity includes internal organisational units compiling their own financial statements

The Company has no internal organisational units compiling their own financial statements.

9. Information about the Company's going concern

The consolidated financial statements of the Capital Group and of the Company were prepared on a going concern basis by the dominant Company and the companies from the Capital Group in the unchanged form and scope, for a period of at least 12 months since the date on which the financial statement was prepared.

Below prerequisites have been presented, based on which the Management Board makes this assumption. It has been described both in the context of the Company and its Capital Group on account of complementarity of such actions.

I. ASSESSMENT OF FINANCIAL AND STRATEGIC SITUATION BY THE MANAGEMENT BOARD OF WORK SERVICE S.A.

In the opinion of the Management Board, in 2019 and in several months of 2020, the Compan and the Capital Group made significant restructuring progress in relation to the situation described by the Management Board in the report for the previous year.

At the same time, in the opinion of the Management Board, the the Company and the Capital Group is still in a difficult situation until the actual reception of financing from the investor in the context of the capital increase or other strategic options and the full repayment of all existing public-law liabilities related to the agreements concluded with the Social Security Institution, existing credit and bond liabilities and other public-law and other liabilities.

At the date of publication of these financial statements, we shall address the risks which are still present:

1) A risk of a potential investor's withdrawal from a planned transaction (at the date of publication of this report, the Management Board of Work Service S.A. does not have such information that the investor would discontinue to be

interested in the transaction in the execution of the investment contract but cannot be assumed to have been executed until its full closure);

2) A risk associated with high liabilities - if the investor waives the investment agreement, there is a risk that the Company and the Work Service Group will not be able to find possible new sources of financing in the short term to cover liabilities (public-law, debt, others);

3) A risk associated with the protracted COVID-19 pandemic — the final effects of the situation

cannot be precisely assessed on the market in which the Issuer Group is present at the date of publication of this report;

These circumstances show that there is significant uncertainty that may arouse significant doubts as to the possible continuation of the activity by the Company and by the Capital Group.

Other risks specific to the business are described in the Capital Group report for 2019 in the Financial Statement of Work Service S.A. for 2019, in the Report of the Management Board of Work Service S.A. on the activity of the Capital Group for 2019 and in the Report of the Management Board of Work Service S.A on the activity for 2019.

In conclusion, the Management Board shall make every effort to ensure that the above activities can be fully implemented and the restructuring of the Company's and the Capital Group's debt started in 2018 can be completed effectively. Additionally, the Directors are aware that not all factors influencing the success of the debt restructuring process executed by the Company and the Capital Group, including the processes of obtaining financing and sale of group's assets enabling to reduce the debt, depend on the efforts and decisions of the Directors.

II. DESCRIPTION OF MATERIAL EVENTS AND FACTORS INFLUENCING THE CURRENT FINANCIAL AND CAPITAL SITUATION OF THE COMPANY AND THE CAPITAL GROUP

The Company and the Work Service Capital Group has faced huge restructuring challenges in recent quarters and years. In the opinion of the Issuer"s Management Board, many repair processes were completed or advanced. As a result, our assessment of ability to continue the activity is subject to a further gradual improvement. Apart from the positive events, at the turn of the 1st and 2nd quarters of 2020, new risks, as described in this chapter, have also emerged, related to the current global pandemic of COVID-19, which was outside our control. This situation, apart from a significant risk factor associated with the significant reduction in sales in 2020, also offers some opportunities and possibilities discussed further in this chapter.

According to the Management Board, among important factors influencing the current strategic, financial and capital condition of the Group, there were, among others:

- **The current status of the investment agreement concluded with an international professional investor and the relevant provisions of this agreement making the financing available for Work Service in a total amount of up to PLN 210 million in the event of the implementation of certain suspensive conditions;**
- **Information on the new 4-year instalment schemes concluded with the Social Insurance Institution;**
- **Information on the potential reduction of a part of the debt to the bondholders and the Polish banks;**
- **Information on bridge financing received and deinvestments realized in 2019 and 2020;**
- **Information on performance results for 2019, including information on material atypical events, and in particular information on goodwill adjustments or write-offs; concerning write-downs of goodwill and receivables**
- **Information related to the impact of the COVID-19 pandemic on the Group's situation in 2020;**
- **A summary of significant business and financial risks recognized by the Management Board of Work Service until the date of publication of this report;**

When assessing the situation of Work Service S.A. these factors and events should be considered as a whole. At the same time, the Management Board of Work Service S.A. takes the view that the continuation of the started and advanced activities in the area of acquisition of financing and debt reduction will allow the situation of Work Service to further stabilize and, in consequence, continue its development and activities on the HR market.

1) Signing the investment agreement on 3 February 2020 with Gi INTERNATIONAL S.R.L. (“Investor”), fully owned by Gi Group SpA.

In the opinion of the Management Board of Work Service, signing this agreement was very important to stabilize the strategic situation of Work Service and gives hope for the the reduction of debt burden of our Group.

The Investor’s group is an international industry entity providing temporary and permanent employment, recruitment services. At the same time, Gi Group SpA is one of the world's leading companies providing services for the development of the labour market. In addition, in our opinion, the offer of services of the Work Service Capital Group in Central and Eastern Europe complements the offer of Gi Group SpA in this part of the world.

The potential Investment will be realized when certain suspensive conditions are met within a specified time limit, as described later in this paragraph, some of which were already fulfilled at the date of publication of this report.

The investment agreement concluded with Gi INTERNATIONAL S.R.L. is related to the decision taken by the Management Board of Work Service on 21 March 2019 to initiate a review of the strategic options with a view to selecting the most favourable way of implementing the long-term strategy of the Work Service Capital Group. The intention of the Company's Management Board was to obtain additional funding in 2020. The capital raised from investors would enable the improvement of working capital and finance the significant liabilities of the Capital Group.

The investment assumes co-financing of the Company by the Investor for a total amount up to PLN 210,200,000.00 (“Financing”) and assumes:

(a) granting by the Investor or entities designated by him ("Funding Entities") of separate bridge loans to the Company or related entities with a total amount of PLN 20,000,000.00 to finance the current activities of companies in the Company's capital group (“Bridge Loan”). The Parties will establish terms and conditions for securing a repayment of the bridge loan under a separate agreement, but these terms and conditions will not deviate from the standards applicable in such agreements. In point 4 of this chapter, current information is presented on amounts already paid under Bridge Loans;

(b) granting by the Investor or the Funding Entities of financing to the Company in the amount of PLN 108,700,000.00 to repay the Company's liabilities and transaction costs and to finance the Company's current operations;

(c) paying the remaining amount of Financing, i.e. PLN 81,500,000.00 as defined in the agreements on the reduction of bank and bond debt.

The part of Investment, referred to in points (b) and (c) above, shall be made subject to the following conditions (“Suspensive Conditions”):

(i) the Investor will obtain consents of the relevant anti-trust bodies to the acquisition of control over the Company and its related entities;

(ii) the Company will agree with the banks on the restructuring of the Company’s existing debt toward banks on terms acceptable for the Investor, providing for a reduction in the bank’s debt to the Issuer in an average amount of 44.1% of the current debt, while the reduction value shall not be different for individual banks;

(iii) the deadline for the execution of the closure within the meaning of the Call Option Agreement and the Cooperation Agreement between the Company and Profólió Projekt Tanácsadó KFT and Human Investors KFT on 3 July 2019 and the duration of the call option included in the aforementioned Agreement, will not be extended;

(iv) the Company will enter into agreement with the bondholders on the restructuring of the Company’s existing debt toward the bondholders for the issue of W, X and Z-series bonds, on terms acceptable to the Investor, providing for a reduction in the Company’s debt to the bondholders of 70% of the current debt, while the debt will be repaid once by the Company, with the exception of the debt arising from the issue of SHB-series bonds];

(v) the Investor or the entity designated by him has been granted the right to acquire from the shareholders at least 55.89% of the Company's shares at a maximum purchase price of PLN 0.30 (thirty groszy) for each share; Subsequently, on 25 February 2020, the Management Board of Work Service S.A. received information on the conclusion by Gi INTERNATIONAL S.R.L., the total owner of which is Gi Group SpA ("Investor") with key shareholders of the Company ("Shareholders") holding together 36,658,780 shares of the Company representing 55,89% of the total number of votes ("Shares"), of agreements granting the Investor the right to acquire from shareholders at least 55,89% of shares of the Company for the purchase price of PLN 0,21 (twenty-one groszy) for each Share.

(vi) the Investor will conduct a due diligence on the Company‟s capital group with a result that is satisfactory to the Investor;

(vii) the Company’s Supervisory Board agrees to make the investment; and

(viii) the Parties to the Agreement shall negotiate and conclude a Financing agreement.

In the event of a failure to meet all conditions by 30 June 2020, each party to the Agreement shall be entitled to withdraw from the Agreement in accordance with the terms set out therein.

The suspensive conditions referred to in points i, iii, iv, v, vii were fulfilled at the date of publication of this report. The suspensive condition set out in point ii, which in the opinion of the Management Board is very important for the change of strategic situation of Work Service, is close to be met at the date of publication of this report, as the Investor and the banks funding Work Service are in advanced negotiations on the legal documentation regulating, e.g., the debt relief rules of the Issuer vis-à-vis Polish banks.

In addition, under the investment agreement, the parties undertook to take steps to increase the share capital of the Company within 12 months of the date of signing the Agreement, through the issue of new shares of the Company, which will be offered to the Investor for an issue price of PLN 0,39 per share.

2) Conclusion of new longer-term instalment settlements with a Social Security Institution;

In the opinion of the Management Board of Work Service, the new settlements, in addition to the signed investment agreement, were an important factor in determining the Work Service situation in the area of debt servicing capacity toward the Social Insurance Institution (ZUS).

Following a decrease in the level of credit debt in 2018 (in connection with the sale transaction of the Exact Group described in the Report of the Capital Group for 2018), in 2019 the Capital Group continued restructuring operations, concluding instalment settlements with ZUS, which in 2019 charged the Group's current liquidity. The Work Service Group was unable to maintain its obligations under these settlements and, in consequence, these settlements were terminated. As a consequence, the Management Board of Work Service began its efforts and negotiations with ZUS aimed at concluding longer instalment settlements in order to reduce the monthly settlement instalment. Grupa Work Service prepared new assumptions related to the instalment arrangements on the basis of the schedule of gaining financing as part of the ongoing process of strategic options review and the Management Board of Work Service initiated efforst and negotiations with the national Insurance Institution (ZUS) oriented towards the conclusion of such new longer instalment arrangements so as to reduce the monthly instalment and terminate previous arrangements.

As a result on 23 April 2020, the Issuer concluded an instalment settlement with ZUS concerning the outstanding social security contributions (including relevant interest) of PLN 60,793,747.64 In addition, the Issuer‟s subsidiary – industry Personnel Services Sp. z o.o. with its registered office in Wrocław (hereinafter: "IPS") also entered into an instalment settlement with ZUS concerning the outstanding social security contributions (including related interest) of PLN 10,065,383.60. In accordance with the instalment settlements, the premium commitments will be repaid in 48 instalments from June 2020 to May 2024 in the case of the Issuer and in 48 instalments from March 2020 to February 2024 in the case of IPS.

3) Change in the maturity date of the Work Service S.A. loans and advancing discussions with the banks consortium on the redemption of part of liabilities of Work Service S.A. and conclusion a conditional agreement with the bondholders of Work Service S.A. to sell series W, X and Z bonds assuming 70% of discount.

A. Status of arrangements with the bondholders

On 24 January 2020, the Management Board of Work Service S.A. received information about the positive conclusion of negotiations on key business conditions of a possible transaction with the Issuer's bondholders ("Bondholders") entitled from issued series W bonds, series X and series Z with a total nominal value of PLN 35,250,000.00 ("Bonds"). Under the negotiated terms and conditions referred to above, all the Bondholders have obtained internal consent regarding the possible sale of their Bonds in a transaction between the Company and the Investor, assuming a 70 % discount (or redemption) on the amount of the debt, provided that, among others, they receive a one-off payment of 30 % of the value of the Bond debt, I.e. PLN 10,575,000.00 after the execution of transaction with the Investor.

On 22 June 2020, a conditional agreement for the sale of W, X and Z series bonds between the Company and mBank Spółka Akcyjna, Millennium Otwarty Fundusz Inwestycyjny, Millennium Specjalistyczny Fundusz Inwestycyjny Otwarty, Investor Parasol Fundusz Inwestycyjny Otwarty and Noble Funds Fundusz Inwestycyjny Otwarty ("Bondholders"), under which the Company shall purchase all W, X and Z series bonds issued by the Issuer with a nominal value of PLN 35,250,000.00 for 30% of their value, i.e. for a total price amounting to PLN 10,575,000.00 (in words: ten million five

hundred and seventy-five thousand PLN) plus interest on all Bonds determined under the terms of the Bond issue ('the Agreement').

The Agreement was concluded subject to the suspensive condition that the Investor purchased least 50 % (in words: fifty per cent) and 1 (in words: one) share in the Issuer's share capital ("Control Acquisition") and the expiry of 15 (in words: fifteen) business days from the date of Control Acquisition ("Condition Precedent"). Under the Agreement, each of the Bondholders will be able to withdraw from the Agreement until 30 September 2020 if the events set out in the Agreement have been fulfilled, among others, if the Condition Precedent has not been met by 31 August 2020.

B. Status of agreements with Polish banks

On 13 February 2020, the Management Board of Work Service S.A received information about the conclusion of non-binding negotiations on changes to the terms of financing of the Issuer. The assumed change will result in a reduction of the Company's liabilities relative to Polish banks in an average amount of 44.1% of the existing debt (i.e. total of PLN 48,664,350.00), while according to the findings, the scope of change (including the value of reduction) and the arrangements for repayment of the remaining parts of the debt may be different for individual banks.

On 31 March 2020, the Company concluded with Bank BNP Paribas Bank Polska S.A., Bank Millennium S.A., Santander Bank Polska S.A. and Powszechna Kasa Oszczędności Bank Polski S.A. ("Lenders") annex 5 ("Annex") to the loan agreement of 18 November 2015 ("Loan Agreement"). Pursuant to the Annex, the final repayment date was extended to until 6 April 2020. Signing of the Annex was intended to enable the Company and the Lenders to conclude on-going advanced negotiations on the long-term restructuring of the Company's debt.

On 6 April 2020, the Company concluded with Bank BNP Paribas Bank Polska S.A., Bank Millennium S.A., Santander Bank Polska S.A. and Powszechna Kasa Oszczędności Bank Polski S.A. annex 6 ("Annex") to the loan agreement dated 18 November 2015 ("Loan Agreement"). Under this Annex, the date of final repayment of loans was extended until 31 July 2020. Signing of the Annex was intended to further enable the Company and the Lenders to conclude the ongoing advanced negotiations on the long-term restructuring of the Company's debt.

Together with the conclusion of the Annex, the Company concluded working negotiations with Lenders on the commercial and legal conditions for the long-term restructuring of the Loan Agreement ("Term Sheet'). Further restructuring of the Loan Agreement currently requires final credit and corporate approvals, subsequent signing of Term Sheet and agreement of a full legal documentation implementing the restructuring of the Loan Agreement.

On 24 April 2020, a preliminary restructuring agreement ("Agreement") was signed between the company and the Polish banks ("Parties"). The Agreement contains arrangements regarding the terms of the Restructuring, including in particular the partial repayment and the partial reduction of the Company's debt to Banks due to the loan agreement of 18 November 2015 connecting of the Company with Banks (subsequently amended by annexes) ("Loan Agreement"), in the amount of PLN 110,350,000.00 ("Existing Bank Debt") by 50% in respect of principal receivable, i.e. up to the principal receivable amount PLN 55,175,000.00 ("Repayment Amount"), on terms agreed with each Bank ("Reduction").

The Reduction will be made on the basis of agreement between the Company and the Banks, which will govern the detailed terms and conditions of the Restructuring, for preparation and negotiation of which the Company and the Banks, in connection with the signed agreement, will proceed in the upcoming days ("Agreement") and after fulfiling the following suspensive conditions for the entry into force of the Agreement:

a) the purchase by the Investor of at least 50% of the Company's shares plus one Company share,

b) repayment by the Company and its Polish subsidiaries of liabilities due to the Tax Office and ZUS as a result of payments by the Investor of agreed financing (but excluding liabilities included in the settlement with ZUS),

c) total repayment or acquisition by the Company or the Investor or an entity related to the Company or the Investor of the Company's SHB, W, X and Z series bonds, or redemption of the Company's liabilities toward the Bondholders of those bonds (with the repayment or purchase price not higher than 30% subject to SHB series bonds, in which case full repayment is permitted),

d) granting by Gi Group S.p.A., a company formed in accordance with Italian law, with its registered office in Milan, ("Guarantor") to each of the Banks of a conditional guarantee under Polish law enforceable in the Republic of Italy ("Guarantee"), providing security for repayment to the Banks of the Repayment Amount , including interest, commissions and other side claims (under the terms and conditions set out in a separate document agreed between the Guarantor and the Banks).

In accordance with the agreement, the deadline for the date of suspensive conditions and the entry into force of the Agreement shall be 31 July 2020

The amount of the repayment will be payable to the Banks in equal quarterly instalments and its repayment has been spread over three years, the first payment being due by 30 September 2020, and last until 30 June 2023. Any interest on the repayment amount will be calculated at WIBOR3M + 200 bps annually.

In accordance with the Agreement, the Agreement will also contain a number of provisions making the Company's liabilities to banks under the loan Agreement more flexible, including a modified catalogue of breaches that may result in early repayment of obligations and the Company's obligations to Banks.

In addition, under the Agreement, once the Guarantor has granted the Guarantee, Banks will be required to release most of the securities established for Banks under the Loan Agreement, except for pledges on the shares of ProHuman 2004 Kft, which will be maintained until the loans have been repaid.

At the date of publication of this report, the Agreement in question is in an advanced phase of agreements and negotiations between the Parties with the assistance of the Guarantor.

4) Provision of bridge financing from the Investor's group to Polish entities

In the implementation of the investment agreement described in paragraph 1 of this chapter, the bridge financing was partly made available to the Work Service Group in the following amounts and dates:

1) PLN 7,093,913.00 on 27 February 2020 to Sellpro Sp z o.o.
2) PLN 3,500,000.00 on 18 May 2020 to Work Service S.A.

In addition, after the balance sheet date, the Investor's group made available the financing (loans) sold on a conditional basis to the German group in the following amounts:

- EUR 95,000 on 19 February 2020
- EUR 120,000 on 20 March 2020
- EUR 170,000 on 09 April 2020
- EUR 180,000 on 17 June 2020

The funding paid made it possible to improve the liquidity of the Work Service Group during the transaction period and was allocated in a substantial part to the partial repayment of public-legal liabilities.

5) Gradual reorganization of the capital group and the reduction of the number of entities.

The activities of the Management Board of Work Service S.A. described in this section are mainly related to the restructuring of the group comprising activities aimed at deinvesting non-profitable or non-core entities (temporary work). As a consequence, significant changes have taken place in the course of 2019 and in the period of several months of 2020 (until the date of publication of this financial statement):

- **repayment of acquisition liabilities to FIEGE Logistik Stiftung & Co. KG in several instalments in 2019 and thereafter concluding a conditional contract for sales of German companies on 5 June 2020;**
- **by the end of 2019, completing deinvestments from Antal Sp z o.o. group.**
- **measures have been taken to reduce the involvement of Polish entities in cross-border services (transfer of Polish employees to France and Belgium and partly Germany) due to the reduced efficiency and profitability of this activity and the already particularly low profitability of business during the COVID-19 pandemic**
- **withdrawal from the sale of Czech and Slovak entities in connection with the restructuring of bonds, described in paragraph 3 of this chapter.**

In addition, the purchase option for Prohuman 2004 kft was cancelled on 6 April 2020, resulting from arrangements under the investment agreement described in this chapter (one of suspensive conditions of this agreement). ;

The changes described above, apart from the impact on the Group's strategic situations, also have an impact on the adjustment of goodwill in the consolidated balance sheet and, in the Issuer's separate balance sheet, an adjustment of the value of shares in certain entities described in point 6 of this chapter.

A. Termination of the purchase option for Prohuman 2004 kft.

Signing of call option and co-operation agreement

This paragraph sets out the key terms of the agreement concluded on 3 July 2019 between the Company and the following Hungarian companies: Human Investors Kft. ("HI"", Profólió Projekt Tanácsadó Kft. ("Profólió") and Prohumán 2004 Kft. ("Prohumán")

This agreement sets out in detail the terms of the transaction for the future sale of 100% of shares in Prohumán ("Prohumán Sales Process"). The Prohumán Sales Process refers to the sale to HI company (a company formed by managers related to Profólió and Prohumán) or another entity designated by HI ("Buyer"): (i) all Prohumán shares held by the Company, which represent 80.22% of Prohumán's share capital ("Principal Shares") and (ii) all or part of the remaining Prohumán shares held by Profólió, which constitute 19.78% of Prohumán's share capital ("Profólió Shares").

Pursuant to the Agreement, a right of call option was established for the Buyer in respect of the Principal Shares ("Call Option") under which the Buyer may unilaterally acquire the Principal Shares. The Call Option has been set for a fixed period of two (2) years from the date of signing the Agreement ("Date of Signing"), with the possibility of early termination in the cases set out in the Agreement.

The sale price of the Principal Shares ("Purchase Price of the Call Option") consists of a cash payment and repayment of all loans granted by Prohumán to the Company ("Prohumán Loans") under loan agreements ("Prohumán Loan Agreement") plus interest (settlement amount of intra-group liabilities).

At the same time, the Company signed an Annex to the Prohumán Loan Agreement extending the maturity of Prohumán Loans until 31 December 2021 and allowing the repayment of Prohumán Loans in accordance with the Agreement. The entry into force of this Annex to the Prohumán Loan Agreement was subject to the entry into force of the Agreement and to the delivery of the originals of the notarial submission to the enforcement of the Company with regard to the claims arising from the Prohumán Loan Agreement.

The exercise of the Call Option and the completion of the sale shall be subject to the prior fulfilment of the conditions set out in the Agreement.

Pursuant to the Agreement, the termination of the Prohumán Sales Process by HI will be completed by 31 March 2020, with the possibility of extending this deadline, subject to the terms of the Agreement ("Extension of Deadline").

Profólió will cooperate with HI in the Prohumán Sales Process, including the sale of Profólió Shares or parts thereof (to the extent that Buyer will not buy the entire Profólió Shares) and will be a party to the sales contract ("Prohumán Sales Agreement").

If the conditions for the Extension of the Deadline are not met, the Company may terminate the Call Option by written notice to HI by 30 April 2020 at the latest. If the Company does not complete the Call Option by 30 April 2020 at the latest, then, under the terms of the Agreement, the deadline for the completion of the Prohumán Sales Process will be automatically extended. If this period is extended but the sale of Prohumán will not take place within this extended period, the Company may terminate the Call Option at any time after that extended period. HI may at any time terminate the Call Option.

If the above transaction fails in accordance with the schedule described above, the parties agreed on the terms and conditions for the mutual settlement and subsequent sale of Prohumán. On the date of the termination of the Call Option by either of the above parties ("Closing Cancellation Date"), the Issuer will be entitled to exclusively manage the sale of the Principal Shares and the shares of Profólió to an external buyer ("Second Sale of Prohumán") in accordance with the Agreement of 23 October 2017 and its amendments ("QSPA"). The second sale of Prohumán will start within 9 months of the date of the Closing Cancellation Date. As a result of the Second Sale of Prohumán: (i) the Company, (ii) a subsidiary of the Company, in which the Company is the sole shareholder (to which the Company may unilaterally transfer rights and obligations under the QSPA subject to payment of the purchase price) or (iii) an external buyer selected by the Company (to which certain rights and obligations under the QSPA may be unilaterally transferred by the Company subject to payment of the purchase price), will acquire Profólió shares for the purchase price which will be reduced by PLN 4 million compared to the purchase price specified in the QSPA without interest on this price during the second sale of Prohumán and will be payable in full in cash in accordance with the QSPA (as amended) ("Profólió Share Purchase Price").

The payment to Profólió of the Profólió Share Purchase Price by the Company or an external buyer chosen by the Company will be made at the same time as the payment and transfer of the principal shares and will not occur earlier than: (i) within 12 months of the start of the Second Sale of Prohumán and (ii) within 21 months of the Closing Cancellation Date ("Prohumán Second Sale

Date”). Under certain conditions, Prohumán Second Sale Date will be automatically extended by 3 (three) months. If the payment of the Profólió Share Purchase Price is not made before or on the date of the Second Sale of Prohumán, the Second Sale of Prohumán will be considered as unsuccessful.

In this case, the purchase price of Profólió Shares will be payable by the Company in 4 (four) equal quarterly instalments.

Therefore, Profólió and the Company signed an Annex to the QSPA (“Annex to QSPA”) in the event of a failure of the Second Sale of Prohumán. The Annex to the QSPA defines the way in which the shares are sold (“Third Sale of Prohumán”), in four instalments of the “First Instalment Implementation” will take place on the last working day of the three-month period from the date of entry into force of the Annex to the QSPA; “Second Instalment Implementation” will take place on the last working day of the six-month period from the date of entry into force of the Annex to the QSPA; "Third Instalment Implementation" will take place on the last working day of the 9-month period from the date of entry into force of the Annex to the QSPA, and "Fourth Instalment Implementation” will take place on the last working day of the 12-month period from the date of entry into force of the Annex to the QSPA). Each of these instalments corresponds to 1/4 (one quarter) of the Profólió Shares Purchase Price and represents 4.945% of Prohumán's registered capital. Each instalment shall be paid in accordance with the conditions set out in the amendment to the QSPA.

The parties provided in the Agreement for contractual penalties for a breach of the Agreement in the amount from PLN 100,000 to PLN 40,000,000 depending on the nature and significance of the breach.

The parties have fixed interest in the Agreement at 10 % in the event of non-compliance with payments calculated from the due date until the actual date of payment.

The Agreement shall be governed by Hungarian law. The other terms of the Agreement shall not depart from the terms and conditions applicable to such agreements.

Funds acquired from the sale of the Principal Shares will be spent, as follows: (i) for a complete repayment of the loan granted to the Company pursuant to the loan agreement of 18 November 2015 (subsequently annexed) concluded with BNP Paribas S.A., Bank Millennium S.A., Santander Bank Polska S.A. and Powszechna Kasa Oszczędności Bank Polski S.A., which the Company reported in current reports, e.g. No. 43/2015, 34/2017, 7/2018, 82/2018 and 86/2018, amounting to about PLN 110 mln (ii) for further debt adjustment and the reduction of liabilities of the Issuer's Capital Group.

Termination of the Call Option on 6 April 2020

On April 6, 2020, Work Service S.A. terminated the Call Option in respect of all Prohumán 2004 Kft shares. (”Prohumán”), held by Work Service S.A., representing 80.22 % of Prohumán's share capital (“Call Option”).

According to the agreement described in the previous section, the sale of Prohumán by HI, under the Call Option was completed, was to be completed by 31 March 2020, with the possibility of extending this deadline, subject to the terms of the agreement.

As the terms of the extension of this period have not been fulfilled, Work Service S.A. was entitled to terminate the Call Option until 30 April 2020, which was executed by Work Service S.A. In the presented agreement, the parties agreed on the terms of further sale of Prohumán in the case of a failure of the Call Option transaction. Therefore, from April 6, 2020, Work Service S.A. is entitled to exclusively manage the sale of 100% of the Prohumán shares held by the Company and Profólió under the so-called second sale of Prohumán.

The absence of an extension of the Call Option period was one of the suspensive conditions of the investment agreement concluded on 13 February 2020 between Work Service S.A. and Gi International S.r.l.

B. Antal Sp z o.o. disinvestment

In 2019, Work Service conducted a sales process of Antal Sp z o.o. and the subsidiaries of Antal Sp. z o.o. and the Antal trademark owned by the Company. This process was finally completed on 23 December 2019.

As part of the ongoing process of review of strategic options, the processes of obtaining financing and sales of Antal Sp z o.o. on 12 August, Work Service S.A. concluded a loan agreement with an entity from outside the Capital Group for the amount of PLN 8 million (secured on the shares of Antal Sp z o.o.). The funds were used to improve the current liquidity and to repay a part of the public-law liabilities. Finally, Work Service repaid the above-mentioned loan from the sale of Antal Sp z o.o. and the trademark of Antal to another entity on 23 December.

On 23 December 2019, Work Service S.A., as a seller ("Seller"), concluded with Książek Holding spółka z ograniczoną odpowiedzialnością, with its registered office in Warsaw at ul Prosta 32, entered in the National Court Register kept by the District Court for the capital city of Warsaw, 12th Commercial Division of the National Court Register under number KRS 0000510073, NIP 5272715282; with share capital of PLN 1,500,000.00 as a buyer ("Buyer"), the promised agreement to sell shares in Antal Sp. z o.o. with its registered office in Wrocław ("Company"), being a subsidiary of Work Service S.A. ("Agreement").

Under the Agreement, Work Service S.A. sold to the Buyer and the Buyer acquired all shares owned by Work Service S.A. As many as 27,917 shares of the Company with a nominal value of PLN 500.00, which as at the date of conclusion of the agreement constituted 100% of the share capital of the Company, entitling to 100% of votes at the general meeting of shareholders of the Company ("Shares"). The sale price of the Shares was fixed at PLN 5,300,000.00. The sale price partially entered the account of Work Service S.A. and was partly transferred directly to repay other (non-bank) liabilities described above. Other terms of the Agreement do not deviate from terms applied in agreements of this type.

In addition, as part of the closure of the sale of Shares, the price for the trademark of Antal the value of specialized talents in the amount of PLN 5,100,000.00 + VAT and the repayment of Work Service S.A. intra-group liabilities in the amount of PLN 1,240,000.00

The sale transaction of Antal Sp z o.o. was one of the elements of the restructuring operations conducted by Work Service S.A. in 2019 within the work Service Capital Group and is a consequence of the review of strategic options by the Management Board, under which the disinvestment strategy for some companies in the transaction group was adopted. The transaction is carried out with the consent of the banks financing the Issuer and all the funds from the transaction were used to repay other (non-bank) liabilities and improve working capital.

C. Repayment of acquisition liabilities to FIEGE Logistik Stiftung & Co. KG followed by sales of Work Service GmbH & Co. KG

In 2019, Work Service S.A., through the intragroup loan, repaid by the end of the year the remaining acquisition liabilities for a 100% controlled by Work Service S.A. subsidiary Work Service GmbH & Co.KG.

On 5 June 2020, the subsidiaries of Work Service S.A., i.e. work Service SPV Sp. z o.o. with its registered office in Wrocław (KRS: 0000499130) as seller 1, Work Service International Sp. z o. o. with its registered office in Wrocław (KRS: 0000261009) as seller 2 (together as "Sellers") and Work Service S.A. as guarantor, concluded with Gi Group Deutschland GmbH based in Düsseldorf (HRB 70863 in the German Commercial Register), being a subsidiary of Gi INTERNATIONAL S.R.L., which is wholly owned by Gi Group SpA, as a buyer ("Buyer"), a conditional agreement for the sale of equity rights in Work Service GmbH & Co. KG with its registered office in Düsseldorf (number 23071 in the German Commercial Register) ("Company") ("Agreement" or "Transaction").

Under the Agreement, the Seller has undertaken to sell respectively 74% and 26% of its Company's equity rights, with a total nominal value of EUR 100,000.00, representing a total of 100% of the Company's equity rights ("Equity Rights"). The sale price of the Equity Rights was set at PLN 4,500,000.00 ("Price").

The agreement was concluded subject to certain suspensive conditions, in particular the consent of the Issuer‟s capital group banks to release the pledge on the Company's equity rights and subsequent effective release of the above pledge. In addition, under the Agreement, the Issuer will provide a general guarantee in respect of all obligations of the Sellers under the Agreement. The remaining provisions of the Agreement shall not depart from the terms and conditions of agreements of such type, in particular as regards the provisions concerning the prohibition of competitive activities, the statements and assurances made by the Sellers and the principles of liability of the parties.

In addition, upon closing the Transaction, the Buyer will promptly repay to the Issuer amounts resulting from the inter-group liabilities of the Company and its subsidiaries in the amount of approximately PLN 3,000,000.00.

The total value of the transaction will be PLN 7,500,000.00 and will consist of the price and the amount of the intra-group liabilities.

The planned sale of German entities was one of the elements of Work Service's restructuring activities within the Issuer‟s capital group and also the effect of the planned investment of Gi Group S.p.A. in the Capital Group.

D. Withdrawal from the sale of Czech and Slovak entities in connection with the restructuring of bonds described in paragraph 3 of this chapter.

On 10 December 2018, the Company fully implemented the conditional agreement concluded on 6 December 2018 and completed the restructuring and refinancing of the bonds. Under the terms of the bond issue conditions, the Company committed to restructuring activities including, among others, the start of the sales process of Work Service Czech Republic s.r.o., Work Service Slovakia, s.r.o., Work Service SK, s.r.o., Work Service Outsourcing Slovakia s.r.o. within the specified schedule.

In view of the ongoing bond restructuring described in point 3 of this chapter, the sale process of Czech and Slovak entities at the date of this report is not active.

6) Adjustments of financial data for 2019: scale of activity, business operating costs, goodwill and recognition of a number of atypical events as a result of financial performance.

A. Adjustment of the scale of activity) and a systematic reduction in operating costs to improve the profitability of the business;

	01.01.2019-31.12.2019	01.01.2018-31.12.2018
Revenues	**324 289 028,95**	**580 944 657,18**
Net revenues from sales of products	323 625 074,10	581 340 217,58
Variation in stocks of products	663 954,85	-395 560,40
Manufacturing cost of products for entity's own purposes	0,00	0,00
Net income on sale of goods and materials	0,00	0,00
Operating costs	**353 182 660,80**	**612 415 442,17**
Depreciation	9 763 421,06	6 443 137,47
Consumption of materials and energy	2 190 121,31	1 612 058,02
Outside services	56 939 605,83	115 216 072,73
Taxes and charges	686 808,39	1 041 318,89
Remuneration	234 205 508,34	403 802 353,40
Social insurance and other benefits	47 140 404,66	80 305 631,95
Other generic expenses	2 256 791,21	3 994 869,71
Value of goods and materials sold	0,00	0,00
Profit (loss) on sales	***(28 893 631,85)***	**(31 470 784,99)**
Other operating incomes	**30 026 477,18**	10 385 368,19
Other operating costs	**44 718 486,65**	57 565 567,90
Profit (loss) on operating activities	***(43 585 641,32)***	**(78 650 984,70)**
Financial incomes	**6 119 430,19**	118 607 448,13
Financial costs	**159 092 910,33**	46 399 434,67
Gross profit (loss)	***(196 559 121,46)***	**(6 442 971,24)**
Income tax	(16 535 180,62)	(18 915 743,08)
Net profit (loss) from continued operations	***(180 023 940,84)***	**12 472 771,84**

<u>Comment on financial data of WORK SERVICE S.A.</u>

Management Board of Work Service S.A. notes that the operating profit and additionally in financial activities (financial revenues and expenses) include the result on the sale of Antal and the Antal trademark. The amounts related to these transactions are presented in point B of this sub-chapter.

As a consequence of the conclusion of annex 4 to the loan agreement in December 2018 after the sale of the Exact group and the partial repayment of the debt to Polish banks and the stabilization of the debt situation in the area of bonds, the Management Board of the Company planned to focus its attention on the core operating activity.

However, as a result of the problems related to the still large debt in the Group, a deep crisis of confidence of the entire market, customers, offices, banks and various institutions toward Work Service has begun, which has exacerbated the difficulties of managing business.

Therefore, we are observing two important trends:

1) **Adjustment of the scale of activity (decrease in revenue);**
2) **In parallel with the adjustment of the scale of activity, a gradual reduction of operating costs.**

In addition, the Management Board of Work Service notes that a number of atypical events, described in point B of this section, were reported in the results for 2019.

The problem of the lack of profitability, especially of Polish companies, was addressed in 2019 by a faster than planned correction of the business operating costs. The intention of the Management Board of Work Service in the previous financial year was to achieve a balance by the end of the first quarter of 2020 so that sales revenues less direct costs of obtaining them (mainly salaries and other costs related to the hiring of temporary staff), could cover the general costs of the management and administration in the hitherto unprofitable entities.

This objective has not yet been fully achieved and is a further challenge for the Management Board in the upcoming months of 2020, which is now somewhat more difficult to achieve due to the COVID-19 pandemic described in point 7 of this chapter. At the same time, in the opinion of the Management Board, the tool for achieving this objective is changing – the Company and its entities to a greater extent plan to focus on the recovery of sales revenue (with a restructured cost base) rather than on further significant adjustments of the busiess operating costs. These costs will continue to be adjusted, due to the COVID-19 pandemic, but after a possible transaction with the investor, further reduction will not be the main business objective.

The Management Board of the Company notes that despite the COVID-19 pandemic described in paragraph 7 of this chapter, the Company continues to operate on the prospective market for HR services and after completion of operations in the area of operational and financial restructuring and the entry into the Group of an international professional investor, it will focus only on rebuilding trust and on the return to higher levels of sales revenue, which, because of the leverage effect, can help the group to achieve better financial results in the future.

After the support received from an international industry investor, Work Service should remain, particularly in Poland, a leading and medium-term viable player in the HR market.

<u>Comments on financial data of discontinued operations.</u>

In 2019, the financial data of discontinued operations shall include data of the sold Antal group and additionally the result on the sales transactions of the Antal group and the trademark of Antal group calculated as follows:

- Revenue PLN 5,100,000.00 (trademark) + PLN 5,300,000.00 (shares) = PLN 10,400,000.00
- Costs: 15. PLN 454,066.00 (net value of trade mark)+ PLN 8.613,110,76 = PLN 24.067,176.76
- Loss on sales = PLN 13,667,176.76

B. Recognition of atypical events;

The Management Board of the Company notes that a number of atypical events were identified, including:

The Management Board of the Company notes that as a result of the operating result of Work Service SA for 2019, a number of events of an atypical nature were recognized, including:

A. **Events and factors of an atypical nature improving operating result in a total amount of PLN 25.7 million, including:**

1. Recognized sales revenue due to adjustment of awarded grant in total amount of PLN 1 million;
2. Recognized other atypical operating income in the total amount of approximately PLN 24.7 million, including:
    - Recognized other operating income due to the termination of lease agreements in total amount of approximately PLN 1,5 million;
    - Recognized other operating income due to adjustment of value of public-law liabilities in total amount of PLN 3.7 million;
    - Recognized other operating income due to the reversal of the restructuring reserves in total amount of approximately PLN 4.4 million;
    - Recognized other operating income due to the cancellation of the fine due to the non-timely redemption of shares in Prohuman company in the total amount of PLN 3 million.
    - Recognized other operating income related to the adjustment of the value of liabilities in the balance sheet in the total amount of PLN 0.3 million;
    - Recognized other operating income related to the adjustment of the value of assets from related companies in the total amount of PLN 6.7 million
    - Recognized other operating income due to the sale of the trademark of Antal in the amount of approximately PLN 5.1 million

B. **Events and factors of an atypical nature deteriorating the result from operating activity in a total amount of approximately PLN 62.4 million, including, among others:**

1. Costs of foreign services related, among others, to i) advice (covered and not covered by restructuring reserves), ii) other in total amount of approximately PLN 5.9 million;
2. Costs of reserve for future employment reduction in one of the customers in the amount of about PLN 0.6 million
3. Recognized atypical other operating costs in the amount of approximately PLN 55.9 million, including, among others:
    - Other operating costs related to adjustment or delay of payment of public-legal liabilities and other legal costs in the total amount of approximately PLN 4.1 million;
    - Other operating costs related to the adjustment of the value of assets in the balance sheet in total amount of approximately PLN 2.8 million;
    - Other operating costs related to the adjustment of the value of liabilities in the balance sheet in the total amount of about PLN 0.6 million;
    - Other operating costs due to the termination of lease agreements in total amount of about PLN 0.1 million.
    - Other operating costs due to write off of receivables (including from PROLOGICS (UK) LLP) in the total amount of approximately PLN 14.1 million
    - Other operating costs as a result of the dissolution and setting-up of new reserves, among others, i) restructuring, ii) advisory and iii) other in total amount approximately PLN 1.4 million
    - Other operating costs due to the provision for estimated liabilities to PFRON in the amount of PLN 7 million
    - Other operating costs related to estimated loss on sale of assets held for sale as a result of loss of its market value of approximately PLN 10.4 million
    - Other operating costs due to the sale of the trademark of Antal in the amount of approximately PLN 15.4 million

In view of the above (balance of points A and B in total), the impact of the identified atypical events, on the presented in point 4 loss from operating activity, is negative and amounts to approximately PLN 36.7 million.

The comparative data for 2018 for the Company also include atypical events that decrease the operating profit in the total amount of approximately PLN 73.3 million. These events were also presented in the published Capital Group report for 2018.

In addition, the Company's Management Board draws attention to several events of an atypical nature that deteriorate the result from financial activities. A loan write-off (including from Zao Work Service Russia) was made in the total amount of PLN 14 million.

Additionally, a provision for interest was made related to estimated liabilities to PFRON of approximately 1.7 million. A write-off was also made for shares in subsidiaries: Work Express Sp. z o.o. and SPV Sp. z o.o. in the total amount of approximately PLN 107.8 million. Due to the sale of the Antal Group's shares, the Work Service SA recognized the revenue of PLN 5.3 million as well as costs of approximately PLN 21.5 million. In view of the above, the impact of the identified atypical events in the financial activity, is negative and amounts to approximately PLN 139.7 million.

C. No payment for the sale of shares in ProService worldwide (Cyprus) Limited

In connection with the sale by Work Service S.A. for PROLOGICS (UK) LLP based in London ("Buyer") of 100 % of shares in ProService Worldwide (Cyprus) Limited and the non-payment to Work Service S.A. of the price for the shares in ProService in 2019 were run with an employed law firm in to enforce the debt. In the event of a failure, these receivables were included in the write-down (this write-off was partly included in the operating activity and partly in the financial activity and was included in the description under points B and C above). About the sale transaction of Proservice Worldwide, the Management Board of Work Service S.A. informed, among others, in the report of the Capital Group for 2017.

7) Information on the impact of COVID-19 on Work Service

The work Service Group's activities depend heavily on the financial condition of a diversified portfolio of clients representing different sectors of the economy, some of which may be affected by the recession caused by the effects of the COVID-19 pandemic.

The Issuer expects that the effects may have a negative impact on the situation of the Issuer and its subsidiaries, among others, in relation to:

(i) possible late payments from certain customers, which may result in an increase in receivables and a temporary reduction in the proceeds from the sale of invoices to the invoices; and

(ii) a temporary reduction in the level of sales revenue due to a decrease in orders.

The Work Service Group noted a decline in orders mainly in May and June 2020, but expects an increase in the number of orders in the coming months. At the same time, at the date of publication of this report, the Work Service is unable to assess more accurately the impact of the pandemic on sales revenues of 2020 (decrease in relation to the planned pre-pandemic sales budget).

Currently, Work Service S.A. is undertaking the following actions:

(i) Seeks contracts from sectors where demand may be reported despite potential recession, in particular logistics, food and medical industries,

(ii) Continues to reduce the operating costs by adjusting them to the scale of the business,

(iii) Negotiates new more favorable payment terms resulting from the obligations of the Issuer toward certain contractors,

(iv) carries out active monitoring and, where necessary, more resolute than hitherto recovery of its debts.

In relation to uncertainty about the length of the period of potential recession, it is not possible to estimate precisely its impact on the results and financial condition of the Work Service Group at the date of this report.

The Company's Management Board considers that the changes observed are a challenge for the Work Service Group primarily in the short and medium term. In the long term, the Work Service business model is tailored to support customers in flexible employee solutions, including during periods of possible economic downturn.

10. Description of adopted accounting principles (policy) including methods of measurement of assets, equity and liabilities, calculation of financial profit or loss and manner of preparation of the financial statements — to the extent in which the act gives the entity the right to choose.

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted by the European Union ("EU"), and in the scope not regulated by the above standards — in accordance with requirements of the Accounting act of 29 September 1994 and secondary regulations issued based thereon.

The financial statements for 2018 comprise:

1) additional information on accounting policies adopted;
2) statement of financial position;
3) statement of comprehensive income;
4) statement of changes in equity;
5) statement of cash flows;
6) additional notes and explanations.

Preparation of the financial statements is a responsibility of the Management Board.

Accounting principles

The financial statements are prepared under the historical cost convention. The most significant accounting principles applied by the Company are presented below.

Tangible fixed assets

Tangible fixed assets are stated at cost of acquisition / manufacturing cost less accumulated depreciation and any write-downs for impairment. The initial value of fixed assets comprises its purchase price and any costs directly associated with the purchase and bringing the asset to usable condition. The cost also includes the cost of replacing parts of machinery and equipment when incurred, if the recognition criteria are met. Costs incurred after transferring the asset to use, such as maintenance and repair costs, are charged to the profit and loss account, when incurred.

Fixed assets are depreciated by a linear method during the period corresponding to the period of its economic utility. The Company's depreciation rates are as follows:

- Buildings and structures: depreciation rates 2.5% - 10%
- Machinery and equipment: 10% - 50%
- Means of transport: 20% - 33%
- Other fixed assets 20% - 30%

If, during the preparation of the financial statements, the circumstances indicating that the carrying value of tangible fixed assets may not be recoverable will occur, the review of these assets for possible impairment shall be carried out. If there are indications that impairment could occur and the carrying value exceeds the estimated recoverable amount, the value of the asset or cash-generating unit, to which the assets belong, is reduced to its recoverable amount. The recoverable amount is the higher of the following two values: fair value less costs of sale or value in use In determining value in use, the estimated future cash flows are discounted to their present value using a gross discount rate reflecting current market assessments of the value of money at the time and the risk related to the item of the asset. In case of an asset that does not generate cash inflows that are largely independent, the recoverable amount is determined for the cash-generating unit to which the asset belongs. At each balance sheet date, the Group assesses whether there is any indication that the write-down due to loss of value that was recognised in prior periods for an asset is irrelevant or whether it should be reduced.

Given item of tangible fixed assets may be derecognised from the balance sheet upon disposal or when the company does not expect any economic benefits arising from the continuing use of the asset. Any profits or losses arising on derecognition of an asset (calculated as the difference between net sales revenues and the carrying amount of the asset) is recognised in profit and loss account in the period in which such derecognition was carried out.

Investments in progress relate to assets under construction or assembly and are recognised at purchase price or production cost. Fixed assets under construction are not depreciated until completion of construction and transfer of the asset to use.

The residual value, useful life and depreciation method of assets are verified and, if necessary - adjusted at the end of each financial year.

Costs of external financing

Costs of external financing directly attributable to the acquisition, construction or production of assets that require a substantial period in order to bring them into use are capitalised as part of the cost of acquisition or production until the assets are ready for use or sale. External financing costs consist of interest and profits or losses from exchange rate differences to the amount of the interest cost.

Other external financing costs are recognised as expenses when incurred.

Investment real estates

Investment real estates are treated by the Company as a source of rental income or keeps it in possession due to the increase in the value. Such real estate is not used in the ordinary course of business of the entity. Initially, investment real estate is measured at cost of acquisition or production cost, including the cost of the transaction. At balance sheet date investment real estate is measured using the model of purchasing price, according to which all investment real estates are measured at purchase price or production cost less accumulated depreciation and write-downs for impairment.

Leasing [from 01.01.2019]

The Group as the lessee (since 2019)

For each agreement concluded on 1 January 2019 or afterwards, the Group decides whether there is the agreement or concludes a lease agreement. Lease has been defined as an agreement or a part of the agreement based on which the right to control the use of the identified asset is transferred (basic element of the assets) for a given period against remuneration. To this purpose, three fundamental aspects are analysed:

- does the agreement concern the identified asset which is expressly defined in the agreement or implicitly defined at the moment of making the asset available to the Group,
- does the Group have the right to obtain basically all economic benefits resulting from the use of the asset throughout the entire period of use in the scope specified in the agreement,
- does the Group have the right to manage the use of the identified asset throughout the entire period of use.

On the date of commencement the Group presents the asset on account of the right to use and the lease liability. The right to use is originally evaluated at the purchase price consisting of the initial value of the leas liability, intitial direct costs, the estimate of anticipated costs on account of disassembly of the basic elemtn of the assets and lease payments made on or prior to the date of commencement, reduced by lease incentives.

The Group amortises the right to use with the straight line method since the date of commencement until the end of the period of use of the right to use or until the end of the lease period, depending on which of these dates falls earlier. If legitimate premises occur, the right to use shall be subject to the impairment testing in accordance with IAS 36.

As on the date of commencement, the Group evaluates the lease liability in the amount of current value of lease payments to be paid using the interest rate of the lease, if it can be easily established. Otherwise, the final interest rate of the lessee shall be applied.

Lease payments included in the value of the lease liability consist of fixed lease payments, variable lease payments dependent on the index or the rate, the amounts of anticipated to be paid as the guaranteed residual value and payments related to the exercise of call options, if their exercise is rationally reliable.

In the successive periods, the lease liability is reduced by the payments made and increased by interest accrued. The evaluation of the lease liability is adjusted in order to reflect changes in the agreement and revaluation of the lease period, exercise of the call option, guaranteed residual value or lease payments dependent on the index or on the rate. In principle, the adjustment of the value of liability is presented as the adjustment of the element of the assets on account of the righ to use.

The Group applies practical solutions referred to in the standard concerning short-term lease agreements and leases in which the element of the assets is of the low value. As far as such agreements are concerned, instead of presentation of the assets on account of the right to use and the lease liability, leae payments are presented in the result using the straight line method during the lease period.

The Group presents the rights to use in the same items of the statement of financial situation as basic elements of the assets, i.e. in tangible fixed assets.

The Group as the lessee (until 31.12.2018)

Finance leasing contracts which transfer to the Company substantially whole risk and all rewards of ownership of the leased item, are capitalised at the inception of the lease at the lower of the following two values: the fair value of the leased asset or the present value of minimum lease payments. Lease payments are divided into financial expenses and payment of capital instalments (at a constant rate of interest on the liability). Finance charges are charged directly to the profit and loss account. The financial fixed assets, used under finance leases contracts, are depreciated according to the rules used to own assets. Lease contracts under which the lessor retains whole risk and all rewards of ownership of the

Goodwill

Goodwill consists in the element of the assets representing future economic benefits arising out of the assets purchased as part of the merger of entities which cannot be identified individually or presented separately. As on the date of the merger, the merging entity presents, separately from the goodwill, identifiable:

- assets purchased,
- liabilities taken over,
- all non-controlling shares in the merged entity.

Pursuant to IFRS 3, the merging entity, as on the date of the merger, settles merger exclusively using the merger method. It involves in particular:

- presentation and valuation of identifiable assets purchased, liabilities taken over as per their fair value as of the date of the merger;
- presentation and valuation of goodwill (positive acc. to UoR) or profit on occasional purchase (negative acc. to UoR).

Occasional purchase takes place when the net amount of the value of identifiable assets purchased and liabilities taken over, established as on the date of merger, evaluated in accordance with such IFRS is higher than the sum of:

- payment given, evaluaed in accordance with IFRS 3,
- the amount of all non-controlling shares in the merged entity evaluated in accordance with IFRS 3,
- in the case of merger of entities carried out in stages of the fair value as on the dae of merger of the share in the capital of the merged entity, belonging previously to the merging entity.

Such surplus is referred to as profit on occasional purchase. Before presentation of such profit, the merging entity is obliged to reassess whether it had properly identified all assets purchased and liabilities.

According to § 32 of IFRS 3, as on the date of merger the merging entity presents goodwill and evaluates it in the manner presented below.

Goodwill

=

Payment given evaluated basically at the fair value

+

The amount of all non-controlling shares in the merged entity

+

Fair value as on the date of merger in the capital of the merged entity,
belonging previously to the merging entity (in the case of merger carried outn in stages)

-

The net amount, established as on the date of merger, of identifiable values of assets purchased and liabilities taken over

At the acquisition date, the acquired goodwill is allocated to each cash-generating units that can benefit from merger synergies. Impairment is determined by assessing the recoverable amount of the cash generating unit which the goodwill relates. Where the recoverable amount of the cash generating unit is less than its carrying value, write-down for impairment is recognised. If the goodwill forms part of the cash generating unit and there is a sale of part of the business within that unit, when determining the profit or loss from the sale of such business, goodwill associated with the business sold is included in the carrying amount. In such circumstances, sold goodwill is determined on the basis of relative values of the sold business and the remaining part of the cash generating unit.

Intangible assets

Intangible assets purchased in separate transactions are initially measured at acquisition or production cost. Purchase cost of intangible assets, acquired in a merger of business entities, is equal to their fair value at the date of the merger. Following initial recognition, intangible assets are recognised at acquisition or production cost less accumulated amortisation and/or write-downs for impairment. Capital expenditure on intangible assets generated internally, excluding capitalised development costs, are not capitalised and are recognised in expenses in the period in which they are incurred.

The Group determines whether the useful life of an intangible asset is finite or indefinite. Intangible assets with finite lives are depreciated over useful economic life and submitted to tests for impairment whenever there are indications of impairment. The amortisation period and the amortisation method for intangible assets with finite lives are reviewed at least at the end of each financial year. Changes in the expected useful life or the expected manner of consumption of future economic benefits embodied in the asset are recognised by changing the depreciation period or method, and treated as changes in accounting estimates. Depreciation charge on intangible assets with finite lives is recognised in the profit and loss statement in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives and those that are not used are annually tested for possible impairment in respect of individual assets or at the level of the cash generating unit. In case of other intangible assets, there is an assessment made every year, whether there are any circumstances that may indicate impairment in their value.

Research costs are expensed in the profit and loss account as incurred. Expenditures for research and development performed in the framework of the project are transferred to the next period, if it can be assumed that that they will be recovered in the future. After the initial recognition of the development expenditure, the historical cost model is applied requiring the asset to be recognised at purchase price less any accumulated depreciation and accumulated writ-down for impairment. Any expenditure carried forward to another period are depreciated over the expected period of obtaining revenue from the sale of a given project.

Development costs are subject to evaluation for impairment on a yearly basis - if the asset is not yet in use, or more often -when during the reporting period appears evidence of impairment indicating that the carrying amount may not be recoverable.

Fixed assets intended for sale

Fixed assets and groups for sale are classified as intended for sale, if their carrying value will rather be recovered as a result of the sale transaction than as a result of their further use. This precondition is deemed to be fulfilled only when the sale transaction is very likely and the asset (or group for sale) is available for immediate sale in its present condition.

Asset classification as intended for sale assumes the company's management's intention to perform the sale transaction within a year from the moment of changing the classification and when the Company is actively seeking a buyer, there is a high probability that these assets will be sold within one year from the date of their qualification, and these assets are immediately available for sale.

Fixed assets (and groups for sale) classified as intended for sale are measured at the lower from among the two values: initial carrying value or fair value, less any sale-related costs.

In the report on the financial situation, assets intended for sale (or group for sale) are presented in a separate item under current assets. If liabilities are related to a group for sale that will be transferred in the sale transaction together with the group for sale, these liabilities are presented as a separate item under short-term liabilities.

Recoverable value of long term assets

At each balance sheet date, the Group assesses assets for the existence of indications of impairment. In case of any such indication exists, the Group makes a formal estimate of recoverable value. Where the carrying amount of an asset or the cash generating unit exceeds its recoverable amount it is deemed to be impaired Where the carrying amount of an asset or the cash generating unit exceeds its recoverable amount it is deemed to be impaired and the impairment of its value is recognised to the recoverable amount. The recoverable amount is one of two values depending on which of them is higher: fair value less the costs of sale or value in use of an asset or the cash generating unit.

Financial Instruments

A financial instrument is any contract that results in creation of a financial asset of one party and a financial liability or equity instrument of another party.

The Group classifies its financial instruments hierarchically according to the three main levels of fair value measurement, reflecting the basis adopted for valuation of each of the instruments. The fair value hierarchy is as follows:

Level 1 - quoted market prices in active markets for identical assets and liabilities (such as quoted shares and bonds);

Level 2 - prices in active markets, but other than quoted market prices - determined directly (by comparison with actual transactions) or indirectly (through assessment techniques based on actual transactions) - for example, majority of derivatives;

Level 3- price not quoted on active markets.

Position of the financial instrument in fair value hierarchy is determined by the lowest measurement basis affecting the determination of the fair value.

The Company's financial assets are classified into the following categories:

- Financial assets held in order to generate contractual cash flows, balance sheet measurement at amortised cost
- Equity instruments not held for trading, balance sheet measurement at fair value through other comprehensive income
- Other financial assets, balance sheet measurement at fair value through the profit/loss for the period

Financial liabilities are divided into:

- financial liabilities measured at fair value by the financial result,
- financial liabilities measured at depreciated cost.

Financial assets

As of the date of purchase the Company reports financial assets at fair value, namely usually according to the fair value of the payment made. The Company includes transaction costs into the initial value of all financial assets apart from the category of assets measured at fair value in the result. An exception from this principle are trade receivables which the Group reports at the transaction price as defined by IFRS 15, but this is not applicable to those trade receivables items the payment term of which is longer than a year and which contain a significant financing component , according to the definition from IFRS 15.

For the purposes of measurement after the initial recognition, the Company classifies any financial assets other than security derivatives with breakdown into:

- financial assets measured in depreciated cost,
- financial assets measured at fair value in other comprehensive income,
- financial assets measured at fair value in the financial result, and
- capital instruments measured at fair value in other comprehensive income.

These categories are determined by the principles of valuation as at the balance sheet date and the recognition of profits or losses under revaluation in the financial result or in other comprehensive income. The Company performs classification of financial assets on the basis of the business model operating in the Company in the scope of financial assets management and cash flows resulting from the agreement, typical of the financial asset concerned.

Financial assets are measured at depreciated cost, if both of the following requirements are met (and have not been determined at the moment of the initial recognition for valuation at fair value in the result):

- the financial asset concerned is maintained according to the business model the aim of which is to maintain financial assets to obtain cash flows resulting from the agreement,
- the terms of the agreement regarding the financial asset concerned cause cash flows being formed on specific dates which are only repayment of the principal and interest on the outstanding nominal value.

The Group includes the following into the category of financial assets measured at depreciated cost:

- loans,
- trade receivables and other receivables (except for those which IFRS 9 principles are not applied for),
- debt securities,

Valuation of short-term receivables is made at the amount due for payment, due to insignificant discounting effects.

Profits and losses on financial assets reported in the result, including exchange rate differences, are presented as financial revenue or costs.

Financial assets are measured at fair value in other comprehensive income, if both of the following requirements are met:

- the financial asset concerned is maintained according to the business model the aim of which is both to receive cash flows resulting from the agreement and sell financial assets components,
- the terms of the agreement regarding the financial asset concerned cause cash flows being formed on specific dates which are only repayment of the principal and interest on the outstanding nominal value.

Interest revenue, profits and losses under impairment and exchange rate differences related to these assets are calculated and reported in the financial result in the same manner as in the case of the financial assets measured at depreciated cost. The other changes in fair value of these assets are reported in other comprehensive income. At the moment of ceasing to recognize a component of financial assets measured at fair value in other comprehensive income, any accumulated profits or losses earlier recognized in other comprehensive income are subject to re-classification from equity to result.

In the reporting period, the Company did not have any financial assets eligible to be included in this valuation category.

A financial asset is measured at fair value in the result, if it does not meet the criteria for measurement at depreciated cost or at fair value in other comprehensive income and is not a capital instrument determined at the moment of the initial recognition for valuation at fair value in other comprehensive income. In addition, in this category the Company includes financial assets designated at the initial recognition for valuation at fair value in the result due to fulfillment of the criteria specified in IFRS 9.

This category includes:

- all derivatives reported the report on the financial situation in a separate item "Derivative financial instruments", except for derivative security instruments reported according to hedge accounting,
- stocks and shares in other companies than subsidiaries and affiliates.

Instruments included in this category are reported at fair value, and the effects of valuation are reported in the result, respectively in item "Financial revenue" or "Financial costs". Profits and losses under revaluation of financial assets are specified by change of fair value determined on the basis of the active market prices binding as at the balance sheet date or on the basis of valuation techniques, if no active market exists.

Capital instruments measured at fair value in other comprehensive income include investments in capital instruments not being financial assets intended for sale or contingent payment under a combination of businesses, in relation to which, at the moment of the initial recognition, the Company made an irrevocable selection concerning presentation in other comprehensive income of subsequent changes in these instruments' fair value. The Company makes this selection individually and separately with reference to particular capital instruments.

Any accumulated profits or losses under valuation at fair value, earlier recognized in other comprehensive income, are not subject to re-classification to the result under any circumstances, including the fact of ceasing to recognize these assets. Dividends from capital instruments included in this category are reported in the result in item "Financial revenue" after fulfillment of the terms for recognition of revenue under dividends as specified in IFRS 9, unless these dividends naturally account for recovery of some investment costs.

Financial assets included in the category measured at depreciated cost and measured at fair value in other comprehensive income, due to the business model and the nature of the related revenue, are subject to evaluation as of each balance sheet day in order to recognize the expected credit losses , regardless of whether the premises for impairment occurred or not. The method of performing this evaluation and estimating write-offs under the expected credit losses differs for particular classes of financial assets:

- For trade receivables, the Company applies a simplified approach, assuming a calculation of write-offs under the expected credit losses for the instrument's whole life. Write-off estimates are made on the collective principle and the receivables have been grouped according to past due status. A write-off estimate is first of all based on the historically formed past due status and a linkage between the past due status and the actual repayment.
- For the other asset classes, in the case of instruments for which credit risk growth after the first recognition was not significant or the risk is low, the Company, in the first place, assumes recognition of credit losses from failure to meet obligations for the period of subsequent 12 months. When the credit risk growth after the moment of the initial recognition has been significant, losses are reported as appropriate for the whole life of the instrument. The Company

has assumed that a significant risk growth happens when overdue payments exceed 90 days, and failure to fulfill the obligations is when the past due status is 180 days.

Financial liabilities

Financial liabilities other than security derivatives are reported in the following items of the statement of the financial situation:

- Credits and loans,
- Liabilities under issuance of debt securities,
- Other financial liabilities
- commercial obligations
- other liabilities.

As of the date of purchase, the Company reports any financial liabilities at fair value, namely usually according at fair value of the amount received. The Company includes transaction costs in the initial value of all financial liabilities, apart from the category of liabilities measured at fair value in the result.

After the initial recognition, financial liabilities are reported at depreciated cost with the application of the effective interest rate method, except for financial liabilities intended for sale, or designated as measured at fair value in the financial result. In the category of financial liabilities measured at fair value in the financial result, the Company includes derivatives other than security instruments. Short-term trade liabilities are reported at the amount due for payment, due to insignificant discounting effects.

Profits and losses under revaluation of financial liabilities are reported in the financial result, under financial operations.

Inventories

Tangible assets are valued by the company not less frequent than at the balance sheet date, at purchase price or production cost. The materials are valued at purchasing cost and issued pursuant to the requirements. At the balance sheet date, the Company recognises in the position work in progress actually incurred costs directly related to the revenue which the accompanying revenues are recognised in the profit and loss account in the following month.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand and short-term deposits with maturities not exceeding three months. Cash and cash equivalents are valued at the end of the period in Polish zloty. Records of inflows and outflows of cash in foreign currency is converted at the average exchange rate of the Polish National Bank on the last working day preceding the date of the transaction.

Prepayments and accruals

The Company makes prepayments of costs if they relate to future reporting periods. Prepayments of costs occur if the costs relate to more than one reporting period (bearing in mind the principles of materiality and precautions). The most important criterion in allocating the cost in time is the fulfilment of requirement of including them into unit's assets i.e. resources with reliably determined value, resulting from past events, which will cause future income of economic benefits to the entity.

Equity capital

Equity capital is recognised in the accounting records by type and according to the rules laid down by the law and the Articles of Association of the Company.

Share capital is recognised in the amount recognised in the Articles of Association and the National Court Register. Declared but not paid capital contributions are recognised as outstanding share capital contributions. Own shares and outstanding share capital contributions decrease the value of the Company's equity.

Capital from the issuance of shares above their nominal value - this capital represent surpluses achieved pat issuance, less the costs incurred in connection with issuance of shares.

Retained earnings are: capital reserve and supplementary capital created from the profit for the following years, retained earnings or accumulated loss from previous years (accumulated profits/losses from previous years), the result of the current financial year.

Interest-bearing bank credits and loans

Upon initial recognition, all bank credits and debt securities are recognised at acquisition cost being the fair value. After initial recognition, interest bearing credits and debt securities are subsequently valued at depreciated cost. When calculating the depreciated cost the costs associated with obtaining the credit or the issuance of debt securities, and any discount or bonuses on settlement are taken into account.

Liabilities due to deliveries and services and other liabilities

Liabilities are present obligation, resulting from the past events, the settlement of which is expected to result in outflow of resources with economic benefits.

Liabilities not classified as financial liabilities are measured at the amount payable.

Provisions for liabilities

Provisions are recognised when the Company has a legal or constructive obligation resulting from past events and it is certain or highly probable that the fulfilment of this obligation will cause an outflow of resources embodying economic benefits, and if it is possible to make a reliable estimate of this obligation. The provisions for liabilities include, among others: the provision for deferred income tax provision for unused annual leave of employees, provision for retirement.

Deferred income tax

The provision and assets due to deferred income tax is determined taking into account the existing temporary differences between the amounts for accounting value of assets and liabilities and their tax value and the tax loss to be deducted in future from the tax base. Assets due to deferred income taxes are determined in the amount of expected future income tax deduction in respect of deductible temporary differences and tax loss possible to deduct with the prudence principle. The provision for deferred tax forms regarding the positive temporary differences in the amount of income tax payable in the future. The balance value of the asset of deferred tax is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable to generate taxable income, sufficient for a partial or full realization of the assets due to deferred tax. Assets due to deferred tax and deferred tax provision are measured using the tax rates that will apply in the period when the asset is realized or provision dissolved (taking tax legislation in force at balance sheet date as the basis).

Accruals of expenses

Accruals of expenses are made in the amount of probable liabilities in the current reporting period.

Revenues

Sales revenue includes only revenue from agreements with clients covered by the scope of IFRS 15. The method of recognizing sales revenue in the Company's financial statement, including both the value and the moment of revenue recognition, is described by the five-level model including the following steps:

- identification of the agreement with the client,
- identification of the obligations to provide a consideration,
- determination of the transaction price,
- assignment of the transaction price to the obligations to provide a consideration,
- recognition of revenue when fulfilling the obligations to provide a consideration or after they have been fulfilled.

Identification of the agreement with the client

The company reports the agreement with the client only when all of the following criteria are met:

- the parties to the agreement have concluded an agreement (in writing, orally or according to other customary trade practices) and are obliged to perform their obligations;
- The company is able to identify the rights of each of the parties concerning the goods or services that are to be provided;
- The company is able to identify the terms of payment for the goods or services that are to be provided;
- the agreement has economic content (i.e. it can be expected that, as a result of the agreement, the risk, distribution in time, or the amount of the Company's future cash flows is changed); and

- it is likely that the Company is paid remuneration that it is entitled to in exchange for the goods or services that are to be transferred to the client.

Identification of the obligations to provide a consideration

At the moment when the agreement is concluded, the Company makes an evaluation of the goods or services promised in the agreement with the client and identifies, as a commitment to provide a consideration, each promise to transfer to the client any goods or services (or a package of goods or services) that can be identified, or a group of separate goods or services, which are generally the same and transferred to the client in the same way.

A good or service are separate, if they meet both of the following criteria:

- the client can refer the benefits from the good or service either directly or by a linkage to other resources that are easily accessible for them and
- the Company's requirement to transfer the good or service to the client can be separated from among the other obligations specified in the agreement.

The dominating revenue stream is delivery of temporary employees. The company meets its obligation when providing the service to the client - the client simultaneously receives and derives benefits resulting from the Company's services as they are being performed.

Determination of the transaction price

In order to determine the transaction price, the Company takes account of the terms of the agreement and the customary trade practices it applies. The transaction price is the amount of remuneration which, according to the Company's expectation, it will be entitled to in exchange for transfer of the promised goods or services to the client, except for any amounts collected on behalf of third parties. The remuneration as specified in the agreement with the client mostly includes fixed amounts.

Agreements with clients do not contain significant financial components and the obligations to return remuneration. The typically applied payment terms are from 30 days to 90 days, the Company does not offer guarantee for the services sold.

Assignment of the transaction price to the obligations to perform a consideration

The Company assigns the transaction price to each commitment to provide a consideration in the amount which reflects the amount of remuneration that – according to the Company's expectation – it is entitled to in exchange for transfer of the promised goods or services to the client.

Recognition of revenue when fulfilling the obligations to provide a consideration or after they have been fulfilled

The company reports revenue when fulfilling the commitment to provide a consideration as in the service of delivering temporary employees the customer simultaneously receives and derives benefits resulting from the Company's services as they are being performed.

The Company has not identified significant costs of ensuring that the agreement is concluded.

Taxes

Current tax liability is calculated based on the tax result for the year. Profit (loss) for tax purposes differs from the net profit (loss) in connection with the exclusion of taxable income and expenses treated as revenue costs in future years and the costs and revenues that will never be taxable. Tax charges are calculated on the basis of tax rates applicable in the financial year.

The financial statements have been prepared on the basis of the accounts held in the financial year in accordance with the documentation accepted accounting principles and the accounting policies set out and introduced for application on the basis of existing legislation.

11.The effect of application of new accounting standards and changes in accounting policies

The accounting principles adopted in these individual financial statements were applied on a continuous basis and are compliant with the accounting principles applied in the last audited annual individual financial statements prepared in accordance with International Financial Reporting Standards (IFRS) approved by the European Union for the year ended 31 December 2019, apart from changes described below.

New IFRS 16 "Leasing"

The new standard replaces IAS 17 and several interpretations. In addition to changing the definition of leasing, it introduces significant changes in the accounting of lessees: the standard requires that the value of the 'right of use' and the corresponding financial liability be included in the balance sheet for each leasing contract. The right to use is then amortized, while the liability is measured at amortized cost. In certain situations indicated in the standard, the lease liability is subject to revaluation, the effects of which are generally recognized as an adjustment to the value of the right to use.
Simplifications are foreseen for short-term contracts (up to 12 months) and contracts for the use of low-value assets, which the Company has adopted in its accounting policies. This simplification consists in not including the lease liability in respect of these contracts.
The new standard has a significant impact on the financial statements of the Company. As at the date of first application, the Company was a lessee in an additional 7 rental and lease contracts concluded for periods of 2 to 6 years, under which it was entitled to use the property. The Company implemented IFRS 16 using a modified retrospective method, i.e. without transforming comparative data, including the combined effect of the first application of the standard as an adjustment to the opening balance of retained earnings on the date of first application. In addition, the Company applied the following practical solutions approved by the standard:

- as at the date of first application of IFRS 16, the Company did not re-assess whether a contract is a lease or whether it contains a lease; The Company applied the standard only to contracts that were identified as leases before that date in accordance with IAS 17 and IFRIC 4,
- the value of the right to use under all contracts previously classified by the Company as operating leases, in accordance with IAS 17 as at the date of first application of IFRS 16, was determined in the amount of the lease liability adjusted for fees and prepayments recognized in the individual statement of financial position directly before the day of first use,
- contracts whose lease term ends in 2019, the Company recognizes as expenses using the straight-line method during the lease period, instead of recognizing liabilities in this respect,
- the knowledge acquired post factum was used to determine the leasing period.

Due to the use of simplifications, the Company used IAS 36 as at the date of first application of IFRS 16 to assess the need to recognize impairment losses on assets under the right of use. The analysis did not indicate such necessity.
For contracts classified as December 31, 2018 as finance leases in accordance with IAS 17, the value of the right to use was determined in the amount equal to the value of assets subject to leasing in accordance with IAS 17. The value of the lease liability as at the date of first application is equal to the amount of the finance lease liability in accordance with IAS 17. Used assets recognized as tangible assets.

The reconciliation between operating lease payment liabilities disclosed in accordance with IAS 17 in the financial statements as at December 31, 2019 and the lease liability as at the date of the first application of IFRS 16 is presented below:

	WSSA 01-01-2019	WSSA 31-12-2019
Fixed assets – buildings	14 193 867,29	14 193 867,29
Depreciation	-	5 067 658,76
Liabilities	14 193 867,29	9704 481,08
Interest costs		1 101 323,23

New IFRIC 23 "Uncertainty concerning the treatment of income tax"

The interpretation to IAS 12 "Income Taxes" decides the approach to the situation when the interpretation of the provisions on income tax is not clear and it is impossible to definitively accept what solution will be accepted by tax authorities, including courts. Management should first assess whether its interpretation is likely to be accepted by tax authorities. If so, such an interpretation should be adopted for the preparation of the financial statements. If not, take into account the uncertainty of income tax amounts by the most probable or expected value method. An entity should assess any changes to the facts and circumstances affecting the determined value. If the value is adjusted, it is treated as a change in estimate in accordance with IAS 8.
The Company estimates that the impact of this standard is immaterial.

Amendment to IFRS 9 "Financial Instruments"

The amendment involves allowing the classification to the categories of assets measured at amortized cost of such instruments which, in case of early repayment, result in the entity receiving the amount being lower than the amount of the capital and the accrued interest (so-called negative remuneration).
The amendment to the standard did not affect the financial statements because there were no transactions covered by the changes.

Amendment to IAS 28 "Investments in Associates and Joint Ventures"

The amendment to the standard specifies that to the financial instruments other than measured by equity method in associates and joint ventures, IFRS 9 shall be used even if those instruments are part of a net investment in such an associate.
The amendment to the standard did not affect the financial statement because the Group does not have such financial instruments;

Amendment to IAS 12 "Income Taxes," IAS 23 "Borrowing Costs," IFRS 3 "Business Combinations" and IFRS 11 "Joint Arrangements"

Minor amendments to the standards introduced as part of the annual revision of the standards (2015-2017 cycle):

IAS 12: The IAS Board clarified the recognition of income tax being a consequence of dividends. The tax is recognized at the time of recognition of the dividend payment obligation as a charge on the result or other comprehensive income or equity, depending on where past transactions that generated the result have been recognized.

IAS 23: It was clarified that the debt originally intended for the financing of an asset that has already been completed is classified as general debt, the cost of which can later be capitalized in the value of other assets.

IFRS 3: The IAS Board clarified that the rules on the measurement of a business combination achieved in stages, including the need to value shares, also apply to previously owned shares in joint arrangements.

IFRS 11: The Board clarified that a venturer of a joint arrangement, who does not exercise joint control should not revalue shares in that joint arrangement when it obtains joint control over the joint arrangement constituting a venture.

The amendments did not materially affect the financial statements because:
- the Group is not a party to transactions that are the subject of the amendment of IAS 12,
- the Group has already applied the principles described in the amendment of IAS 23,
- the Group does not conduct joint arrangement within the meaning of IFRS 11.
- the Group does not maintain combinations achieved in stages.

Amendment to IAS 19 "Employee Benefits"

In accordance with the amendment, if the net asset or liability under the defined benefit plan is remeasured as a result of amendments, limitations or settlements, the entity shall:
– establish current employment costs and net interest for the period after remeasurement using the assumptions used in the remeasurement and
- determine net interest for the remaining period on the basis of net assets or liabilities transferred.

The amendment to the standard did not affect the financial statements because the Group does not offer to its employees defined benefit plans after the period of employment.

Standards and interpretations in the version published by the IASB but not approved by the European Union.

Application of a standard or interpretation prior to the date of its entry into force

This individual financial statement does not use voluntary earlier application of the standard or interpretation.

Published standards and interpretations that have not entered into force for periods beginning on 1 January 2019 and their impact on the Group's report

Until the date of preparation of this consolidated financial statement, new or revised standards and interpretations were published for the annual periods following 2019. The list also includes amendments, standards and interpretations published but not yet approved by the European Union.

New IFRS 17 "Insurance Contracts"

A new standard governing the recognition, valuation, presentation and disclosure of insurance and reinsurance contracts. The standard replaces the existing IFRS 4.
The Group estimates that the new standard will not affect its financial statements because it does not carry out insurance business.
The standard applies to annual periods beginning on or after 1 January 2021.

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

The amendment introduces a new definition of the concept of "materiality" (with regard to omissions or obscuring in financial statements). The previous definition in IAS 1 and IAS 8 was different from that in the Financial Reporting Framework, which could cause difficulties in judgement by the entities that prepare financial statements. This amendment will harmonize the definitions in all current IAS and IFRS.
The Group estimates that the new standard will not affect its financial statements because so far the materiality considerations were in line with those that would be made under the new definition.
The amendments apply predominantly to annual periods beginning on or after 1 January 2020.

Amendment to IFRS 3 "Business Combinations"

The amendment concerns the definition of a business and covers in particular the following issues:
- clarifies that the acquired set of assets and activities must also include contributions and significant processes to be considered as a business, which will jointly play a significant part in generating the return,
– narrows the definition of return and thus also of business, focusing on goods and services provided to recipients, by removing the reference to return in the form of cost reductions from the definition,
- adds guidelines and illustrative examples to facilitate the assessment of whether an important process has been taken over in the merger,
- omits the assessment whether there is a possibility of replacing the missing contribution or process and continuing to operate the business in order to obtain return and
– adds an optional possibility to carry out a simplified assessment to exclude that the acquired set of activities and assets is a business.
The amendment shall apply to mergers of businesses for which the acquisition date falls within the first annual reporting period beginning on or after 1 January 2020 and for acquisitions of assets that occurred during or after that reporting period. Therefore, the change will not affect the data reported in the Group's existing financial statements. At this moment, the Group is also not able to predict future acquisitions of businesses.

Amendments to references to Conceptual Framework in IFRS

The Board has prepared a new version of the conceptual framework for financial reporting. For consistency reasons, the references to the conceptual framework in the various standards have therefore been adapted accordingly.
The amendments are effective for annual periods beginning on or after 1 January 2020 and will not affect the Group's financial statements.

Amendments to IFRS 9, IAS 39 and IFRS 7

The IAS Board introduced amendments to hedge accounting in view of the planned reform of reference interest rates (WIBOR, LIBOR, etc.). These rates are often a hedged item, for example, in the case of an IRS hedging instrument. The planned replacement of the existing rates with new reference rates raised doubts as to whether the planned transaction is still highly probable, whether future hedged flows are still expected or whether there is an economic link between the hedged and the hedging item. The amendment to the standards indicated that it should be assumed in estimates that changes in the reference rates will not occur.
The amendments apply predominantly to annual periods beginning on or after 1 January 2020. Since the Group does not use hedge accounting, the uncertainty related to interest rate derivatives will not affect its financial statements.

Amendment to IAS 1 "Presentation of Financial Statements"

The IAS Board clarified the classification of long-term or short-term liabilities in two main aspects:
- it was clarified that classification is dependant on the rights held by the entity as at the balance sheet date,
- the intentions of the management in relation to the acceleration or delay of payment of liability shall not be taken into account.
The amendments apply predominantly to annual periods beginning on or after 1 January 2022. Since the Group already applies principles consistent with the amended standard, the amendments will not affect its financial statements.

Estimation of the fair value and the important estimates and assumptions

The preparation of financial statements in accordance with IFRS required the use of certain critical accounting estimates and the application by the Management Board own judgements. Areas where estimates and judgements are important for the presented financial statements refer to:

- provisions for unused annual leave - are determined based on the number of unused leave days on a given day and the average salary of an employee falling for one day, increased by social contributions of the employer;
- estimates of write-downs on receivables - the level of value write-downs of receivables is established taking into account the expected risk associated with receivables and collateral made that affect the effectiveness of the recovery, despite the fact that the assumptions are based on best knowledge, actual results may differ from expected;
- estimates of write-downs on receivables - the level of value write-downs of receivables is established taking into account the expected risk associated with receivables and collateral made that affect the effectiveness of the recovery, despite the fact that the assumptions are based on best knowledge, actual results may differ from expected;
- fair value of derivatives and other financial instruments - the company presents the models and assumptions used to determine fair value;
- write-downs of goodwill – are estimated based on assumptions of the management board regarding the determination of the recoverable amount. The Company shall disclose the major indications of impairment, the applied models, discount rates and growth rates;
- evaluation of the potential costs associated with pending against the company fiscal and court proceedings –during the preparation of financial statements, the opportunities and risks associated with such proceedings are always analysed and according to the results and outcomes of such analysis the reserves for potential losses are created – however, one cannot exclude the risk that a court or a tax authority will issue a judgement or a decision different from the expectations of entity and established reserves may not be sufficient
    - *Lease period*
      Esablishing the lease liability, the Group estimates the lease period which covers:
        - Irrevocable lease period,
        - Periods during which there is an option of prolonging the lease agreement if it can be assumed using sufficient certainty that the lessee will use such option,
        - Periods during hich there is an option to terminate the lease agreement, if it can be assumed using sufficient certainty that the lessee will not use such option.

      Assessing if the Group will use the option to prolong or will not use the option to terminate the lease agreement, the Grup takes into account all material facts and circumstances that constitute an economic incentive for it to use or not to use the option. The following are takeninto account:
        - Contractual conditions concerning lease payments in option periods,
        - Material investments concerning the leased object,
        - Costs connected with termination of the agreement,
        - Meaning of the basic element of the assets for the activity of the Group,
        - Conditions of exercising the option.
    - The lease liabilty presented in the statement of the financial situation reflects the best estimates as to the lease period, however, change of circumstances in the future mayresult in the increase or decrease of the lease liability and presentation of a corresponding adjustment in the assets on account of the right to use.

Estimates and judgements are subject to the Company's periodic verification.

Information on the estimated values relating to reserves, liabilities, assets and deferred income tax assets and write-downs on assets the of Capital Group is presented in notes 7.1, 20, 20.1 and 20.2 of this financial statements.

FINANCIAL STATEMENT

Statement of financial position of Work Service SA

as at December 31, 2019

	Note	as at 31.12.2019	as at 31.12.2018
NON-CURRENT ASSETS		**386 694 355,07**	**579 730 413,80**
Intangible assets	8	15 547 471,09	34 057 152,60
Property, plant and equipment	9,10	13 957 264,56	6 195 939,03
Investment properties	11	2 390 231,55	504 337 984,67
Other long-term assets	25	306 844 967,05	0,00
Deferred tax assets	7.1	47 954 420,82	32 643 399,50
CURRENT ASSETS		**116 284 064,60**	**188 839 274,60**
Inventories	12	825 894,40	704 789,85
Trade and other receivables	13	57 669 660,85	87 197 199,96
Other financial assets	14	55 433 975,77	99 949 542,18
Cash and cash equivalents	14.2	1 337 855,65	301 214,19
Prepayments	15	1 016 677,93	686 528,42
Assets classified as available for sale	26	**0,00**	**0,00**
TOTAL ASSETS		***502 978 419,67***	***768 569 688,40***
EQUITY		**47 178 328,45**	**228 673 835,22**
Share capital	16,17	6 559 063,80	6 509 482,30
Supplementary capital	18	283 163 833,96	283 163 767,96
Net profit (loss)		5 664 115,29	5 664 115,29
Foreign exchange differences		(180 023 940,84)	(79 136 302,17)
Capital held by non-controlling shareholders	19	(68 184 743,76)	12 472 771,84
LIABILITIES AND PROVISIONS		**455 800 091,22**	**539 895 853,18**
Provisions for liabilities	20	**15 654 106,14**	**24 803 586,63**
Deferred tax liabilities	20.2	**2 568 813,63**	3 792 972,93
Provision for pensions and similar benefits		**651 462,99**	617 796,51
Other current provisions		**12 433 829,52**	20 392 817,19
Long-term liabilities	21	**59 354 471,74**	**164 248 042,85**
1. To related entities		51 995 835,67	**7 750 000,00**
2. To other entities		7 358 636,07	**156 498 042,85**
Long-term loans and borrowings		0,00	108 256 275,59
Issue of debt securities		0,00	43 988 109,50
Other financial liabilities		7 358 636,07	4 253 657,76
Short-term liabilities	22	380 514 050,84	**340 636 771,91**
1. To related entities		104 960 647,07	**122 379 119,05**
2. To other entities		275 553 403,77	**218 257 652,86**
Issue of debt securities		**45 396 882,91**	0,00
Other financial liabilities		8 229 882,26	1 776 418,88
Loans and borrowings	23	109 021 609,77	1 500 000,00
Trade liabilities		10 823 708,46	15 533 216,04
Liabilities in respect of taxes, customs duties, insurance and other benefits		87 079 950,82	105 504 494,49
Payroll liabilities		11 892 046,99	15 705 183,74
Other liabilities		1 846 301,18	80 026 974,25
Accruals		**277 462,50**	**10 207 451,79**
Liabilities classified as available for sale	16,17	**0,00**	**0,00**
TOTAL EQUITY AND LIABILITIES	18	***502 978 419,67***	**768 569 688,40**

Statement of comprehensive income of Work Service SA
for the year ended on December 31, 2019

	Note	01.01.2019-31.12.2019	01.01.2018-31.12.2018
Revenue		**324 289 028,95**	**580 944 657,18**
Net trade revenue	1	323 625 074,10	581 340 217,58
Change in receivables		663 954,85	-395 560,40
Manufacturing cost of products for entity's own needs		0,00	0,00
Net revenues from sales of goods and materials		0,00	0,00
Costs of operations	**2**	**353 182 660,80**	**612 415 442,17**
Amortisation and depreciation		9 763 421,06	6 443 137,47
Consumption of materials and energy		2 190 121,31	1 612 058,02
External services		56 939 605,83	115 216 072,73
Taxes and charges		686 808,39	1 041 318,89
Remuneration		234 205 508,34	403 802 353,40
Social security and other benefits		47 140 404,66	80 305 631,95
Other costs by type		2 256 791,21	3 994 869,71
Value of goods and materials sold		0,00	0,00
Sales profit (loss)		***(28 893 631,85)***	**(31 470 784,99)**
Other operating revenue	**3**	**30 026 477,18**	10 385 368,19
Other operating expenses	**4**	**44 718 486,65**	57 565 567,90
Profit (loss) from operations		***(43 585 641,32)***	**(78 650 984,70)**
Finance income	**5**	**6 119 430,19**	118 607 448,13
Finance costs	**6**	**159 092 910,33**	46 399 434,67
Gross profit (loss)		***(196 559 121,46)***	**(6 442 971,24)**
Income tax	7	(16 535 180,62)	(18 915 743,08)
Net profit (loss)		***(180 023 940,84)***	**12 472 771,84**

Cash flow statement of the Work Service SA
for the year ended on December 31, 2019

	01.01.2019-31.12.2019	01.01.2018-31.12.2018
Net profit (loss)	**(180 023 940,84)**	**12 47 2771,84**
Total adjustments	117 960 809,39	**23 4544 80,3**
Amortisation and depreciation	9 763 421,06	6 443 137,47
Foreign exchange (profit) losses	1 891 041,29	0,00
Interest and shares in profits (dividends)	(2 305 030,74)	20 464 746,00
(Profit) loss on investment operations	159 076 508,03	-91 816 765,72
Change in provisions	(9 149 480,49)	21 192 415,26
Change in inventories	(121 104,55)	6 890 780,26
Change in receivables without income tax receivables	34 311 019,09	27 184 609,82
Change in short-term liabilities, except for loans, borrowings and corporate income tax	6 878 366,83	43 443 324,80
Change in prepayments, accruals and deferred income	(25 571 160,12)	-10 347 767,51
Other adjustments	-56 812 771,01	0,00
Net cash flows from operating activities	-62 063 131,45	***35 927 252,23***
Cash flows from investing activities		
Inflows	168 222 197,46	**169 716 672,85**
Disposal of intangible assets and property, plant and equipment	4 994 293,55	0,00
Disposal of investments in real property and intangible assets	0,00	0,00
From financial assets, including:	163 227 903,91	169 716 672,85
a) in related entities	112 110 247,54	73 373 830,25
b) in other entities	51 117 656,37	96 342 842,60
purchase of financial assets	51 117 656,37	96 342 842,60
Other investment inflows	0,00	0,00
Outflows	127 321 355,20	**24 109 435,14**
Purchase of intangible assets and property, plant and equipment	710 207,02	2 164 711,49
Investments in real property and intangible assets	0,00	0,00
For financial assets, including:	126 611 148,18	20 301 791,67
a) in related entities	123 537 557,14	7 000 000,00
b) in other entities	3 073 591,04	13 301 791,67
purchase of financial assets	3 073 591,04	3 091 423,05
long-term borrowings granted	0,00	10 210 368,62
Other investment outflows	0,00	1 642 931,98
Cash flows from investing activities	40 900 842,26	***145 607 237,71***
Cash flows from financing activities		
Inflows	162 804 625,24	**20 826 430,33**
Net inflows from stock issue	49 647,50	0,00
Loans and borrowings	160 448 530,60	0,00
Issue of debt securities	0,00	13 373 830,25
Other financial inflows	2 306 447,14	7 452 600,08
Outflows	140 605 694,59	**202 596 490,58**
Dividends and other payments to shareholders	0,00	0,00
Profit distribution other than payments to shareholders	0,00	0,00
Repayment of loans and borrowings	134 211 464,30	4 388 629,93
Redemption of debt securities	0,00	174 585 916,12
Due to other financial liabilities	0,00	
Payments of liabilities under finance lease agreements	3 798 324,92	3 157 198,53

Interest	2 595 905,37	20 464 746,00
Other financial outflows	0,00	0,00
Net cash flows from financing activities	22 198 930,65	**-181 770 060,25**
Total net cash flows	1 036 641,46	**-235 570,31**
Balance sheet change in cash, including:	1 036 641,46	235 570,31
change in cash due to exchange differences	0,00	0,00
Cash as at the beginning of the period	301 214,19	536 784,50
Cash at the end of the period	***1 337 855,65***	**301 214,19**

Other adjustments include:		
Odpis aktualizujący wartość środków trwałych w budowie	578 616,84	0,00
Zwiększenie kapitału WS East	-51 327,29	0,00
SOD należny	-2 306 447,14	0,00
Pozyczki udzielone/otrzymane	-53 000,816,32	0,00
Odpis na SOD	-975 560,91	0,00
Korekty środków trwałych	-1 057 236,19	0,00
Total	**-56 812 771,01**	**0,00**

Statement of changes in equity of Work Service SA

01.01.2019-31.12.2019	Share capital	Other capital	Retained earnings	Equity
As at 31 December 2018	**6 509 482,30**	**288 827 883,25**	**-66 663 530,33**	**228 673 835,22**
Previous years' profit/loss adjustment			(1 521 213,43)	(1 521 213,43)
As at 31 December 2018 after adjustement			**-68 184 743,76**	
Net profit (loss) for the financial year			(180 023 940,84)	(180 023 940,84)
Capital increase	49 581,50	66,00		49 647,50
Managerial programme				0,00
As at 31 December 2019	**6 559 063,80**	**288 827 949,25**	**(248 208 684,60)**	**47 178 328,45**

Statement of changes in equity (comparatives)

01.01.2018-31.12.2018	Share capital	Other capital	Retained earnings	Equity
As at 31 December 2017	**6 509 482,30**	**285 678 830,86**	**-64 229 138,96**	**227 959 174,20**
Net profit (loss) for the financial year	0,00	0,00	12 472 771,84	12 472 771,84
Capital increase	0,00	0,00	0,00	0,00
Managerial programme	0,00	456 401,64	0,00	456 401,64
Previous years' profit/loss adjustment	0,00	0,00	-12 214 512,46	-12 214 512,46
Distribution of result for 2017	0,00	2 692 650,75	-2 692 650,75	0,00
As at 31 December 2018	**6 509 482,30**	**288 827 883,25**	**-66 663 530,33**	**228 673 835,22**

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. In accordance with market practice, the Company manages its equity structure by adapting it to changes in market conditions. 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, ratio of loans, borrowings and other external financing sources to EBITDA, as well as the DSCR ratio. The equity ratio is calculated as the ratio of total net assets to equity.

Key economic data of Work Service SA

SPECIFICATION	01.01.-31.12.2019	01.01.-31.12.2018	01.01.-31.12.2019	01.01.-31.12.2018
Work Service Capital Group	000 PLN	000 PLN	000 EUR	000 EUR
Sales revenue	325 625	581 340	75 695	136 244
EBITDA (operating profit + depreciation and amortisation)	-33 822	-71 072	-7 862	-16 657
Profit on sales	-28 894	-31 471	-6 717	-7 376
Operating profit (EBIT)	-43 586	-78 651	-10 132	-18 167
Gross profit (loss)	-196 559	-6 443	-45 692	-1 510
Net profit (loss)	-180 024	12 473	-41 849	2 923
Net cash flows from operating activities	-62 063	35 927	-14 574	8 420
Net cash flows from investing activities	40 901	145 607	9 605	34 125
Net cash flows from financing activities	22 199	-181 770	5 160	-42 600
Total net cash flows	1 037	-236	241	-55
	31.12.2019	**31.12.2018**	**31.12.2019**	**31.12.2018**
Assets	502 978	768 570	116 923	178 737
Liabilities and provisions for liabilities	455 800	539 896	105 956	125 557
Long-term liabilities	59 354	164 248	13 797	38 197
Short-term liabilities	380 514	340 637	88 455	79 218
Equity	47 178	228 674	10 967	53 180
Share capital	6 559	6 509	1 524	1 514
Supplementary capital	283 164	283 164	65 825	42 596

Selected financial data were presented in EUR according to the Regulation of the Minister of Finance of 29 March 2018 on current and periodical information provided by issuers of securities and the terms of recognizing as equivalent the information required by the regulations of the law of a state not being a member state (Journal of Laws from 2018 item 757) for conversion of balance sheet items the rate from the last day was applied, and for items from the profit and loss account and the cash flow statement, the average rate in the period was applied.

	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
01.01-31.12.2019	4,3018	4,2585

ADDITIONAL NOTES AND EXPLANATIONS

Operating segments

An operating segment is a component of an entity:

a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
c) for which discrete financial information is available.

IFRS 8 stipulates that operating segments should be identified based on internal reports on those elements which are regularly reviewed by persons allocating funds to the individual segments and evaluating their financial results.

Due to the fact that the Company's business is homogeneous in terms of types of services provided, key customers and legal environment, the Company has defined all of its operations as the temporary work segment (accounting for 94% of all services provided). Therefore, the Company does not identify reporting segments that would meet the above requirements stipulated by IFRS 8.

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Net revenue from sales of services (by type)

	31.12.2019	31.12.2018
Sales of services	323 625 074,10	581 340 217,58
- including: from related parties	21 914 199,93	53 594 438,50
Total revenue from sales of services	**323 625 074,10**	**580 944 657,18**
Net revenue from sales of services (by territory)		
a) domestic	323 620 774,10	580 970 637,38
b) export	4 300,00	369 580,20
Net revenue from sales of services	**323 625 074,10**	**581 340 217,58**

In 2019, there was a decrease in revenues from sales of about 45% compared to 2018. The biggest decrease was recorded in export sales (9905%). The decline in export was caused by the transfer of this part of business to other Group companies, while the decrease in domestic business revenues was due to customers withdrawing from agreements concluded with the Issuer. Currently, the Company's Management Board is looking for new customers in new industries, and seeking to regain customer trust.

Note 2. Costs by type

	31.12.2019	31.12.2018
a) amortisation and depreciation	9 763 421,06	6 443 137,47
b) consumption of materials and energy	2 190 121,31	1 612 058,02
c) external services	56 939 605,83	115 216 072,73
d) taxes and charges	686 808,39	1 041 318,89
e) payroll	234 205 508,34	403 802 353,40
f) social security and other benefits	47 140 404,66	80 305 631,95
g) other costs by type	2 256 791,21	3 994 869,71
Total costs by type	**353 182 660,80**	**612 415 442,17**
Balance of inventories, products, prepayments and accruals	1 842 572,33	395 560,40
Cost of products sold	317 472 865,74	564 529 183,99
Selling expenses (negative value)	4 482 815,42	6 683 542,40
General and administrative costs (negative value)	30 563 024,79	41 598 276,18

In 2019, we recorded a significant decrease in total costs incurred (by 43%), mainly on account of salaries (42%), which was caused mainly by internal restructuring in connection with a sales decrease and minimising service costs (a 27% decrease in overheads) of the minimum wage, primarily for contractors.

Note 3. Other operating income

	31.12.2019	31.12.2018
a) gain on disposal of non-financial non-current assets, of which:	0,00	0,00
- fixed assets and fixed assets under construction	0,00	0,00
b) subsidies	0,00	0,00
c) other, including:	30 026 477,18	10 385 368,19
- penalties, compensations	0,00	89 977,28
- reimbursement of costs of court proceedings	37 910,50	17 518,00
- reinvoices	3 809 406,97	4 915 828,81

Note 3. Other operating income

- other	4 325 250,21	5 592 489,37
- rozwiązanie rezerw	8 450 546,72	0,00
- rozwiązanie opisów aktualizujących należności	8 940 973,30	0,00
- spisane przedawnione zobowiązania	4 462 389,48	0,00
Total other operating income	**30 026 477,18**	**10 385 368,19**

Other operating revenues in 2019 increased compared to 2018 by nearly 300%, mainly as a result of the release of unused provisions and a decrease in write-downs on receivables, which is related to intensified debt collection activities.

Note 4. Other operating expenses

	31.12.2019	31.12.2018
a) loss on disposal of non-financial non-current assets	299 718,44	332 353,26
- fixed assets and fixed assets under construction	0,00	147 028,26
- intangible assets	299 718,44	185 325,00
b) revaluation of non-financial assets	25 063 815,01	12 936 258,94
c) other, including:	19 354 953,20	44 296 955,70
- penalties, criminal fines and compensations	32 079,78	158 886,77
- costs of court proceedings	3 480 187,25	9 971 441,42
- reinvoices	3 355 607,04	4 272 275,40
- overdue receivables written off	5 091 846,71	0,00
- other : including PFRON	7 427 312,20	29 894 352,11
Total other operating expenses	**44 718 486,65**	**57 565 567,90**

In 2019, we recorded a 23% decrease in other operating expenses, and despite a variety of restructuring measures, the highest amount of other expenses costs concerns write-downs on non-current assets (PLN 10,877,682.84 and receivables PLN 14,186,132.17). Unfortunately, there was a significant increase in the enforcement costs incurred by the Company in connection with unpunctual payment of its obligations (mainly on account of taxes).

Note 5. Finance income

	31.12.2019	31.12.2018
a) interest, including:	3 580 894,33	6 867 342,34
- from related entities	2 003 907,35	4 843 264,63
- from other entities	1 576 986,98	2 020 552,92
- bank interest	8 842,43	3 524,79
b) income on disposal of investments	0,00	111 733 605,59
c) dividends and shares in profits	0,00	0,00
d) other income	2 538 535,86	6 500,20
- net currency exchange gains	2 285 004,00	0,00
- released provisions	0,00	0,00
- other	253 531,86	6 500,20
Total finance income	**6 119 430,19**	**118 607 448,13**

In 2018 and 2019 the Company did not receive any dividend.

Note 6. Finance costs

	31.12.2019	31.12.2018
a) Interest, including:	15 000 163,65	27 332 088,34
- interest for related companies	5 733 759,16	6 534 406,32
- interest for other counterparties	9 266 404,49	20 797 682,02
- budgetary interest	2 492 787,17	7 761 071,61
- bank interest	0,00	0,00
- interest on bonds	2 398 073,89	2 649 403,93
- other interest	1 424 129,55	866 682,29
- loan interest	638 173,78	706 344,71
- credit interest	2 313 240,10	8 814 179,48
b) value of disposed investments	121 820 362,65	4 597 124,93
c) other finance costs	20 961 353,74	14 470 221,40
- net currency exchange losses	0,00	5 566 909,44
- commissions on bonds, factoring	1 512 206,02	7 998 008,46
- other	19 449 147,72	8 903 311,96
Total finance costs	**159 092 910,33**	**46 399 434,67**

The significant increase in financial expenses was mainly due to write-downs on financial assets. Szczegóły zostały podane w nocie 11.

Nota 6.1. Profits/Losses from financial instruments

	31.12.2019	31.12.2018
a) Accrued interests, incl:	15 000 163,65	27 332 088,34
- from payables measured at amortised cost	15 000 163,65	27 332 088,34
b) Interests received, incl	3 580 894,33	7 971 752,42
-from loans and receivebles	3 580 894,33	7 971 752,42
c) Foreign exchange gains	21 452 194,97	12 171 103,05
- from loans and receivebles	21 452 194,97	4 469 826,48
- from payables measured at amortised cost	0,00	7 701 276,57
d) Foreign exchange losses	18 500 472,06	(17 738 012,49)
- from loans and receivebles	0,00	(8 041 602,51)
- from payables measured at amortised cost	18 500 472,06	(9 696 409,98)
Total loss from financial instruments:		**29 736 931,32**

Note 7. Income tax

	2019	2018
Gross profit	(196 559 121,46)	(6 442 971,24)
current income tax	0,00	0,00
deferred income tax	(16 535 180,62)	18 915 743,08
Income tax cfc	0,00	0,00
Total income tax	(16 535 180,62)	18 915 743,08
Net profit	**(180 023 940,84)**	**12 472 771,84**

7.1. CHANGE IN DEFERRED TAX ASSETS	31.12.2019	31.12.2018
1. Balance of deferred tax assets as at the beginning of the period, of which:	**32 643 399,50**	**11 122 033,02**
a) recognised in profit or loss	22 283 388,55	4 373 379,82
- provisions for future costs	5 158 402,21	0,00
- revaluation write-downs on receivables	5 151 465,45	0,00
- provision for social security contributions and remuneration	8 979 873,28	4 153 356,83
- other	2 993 647,62	220 022,99
b) recognised in profit or loss for the period in relation to tax loss	10 360 010,95	6 748 653,20
2. Increases	39 728 876,13	**32 048 529,47**
a) recognised in profit or loss in relation to deductible temporary differences	8 330 270,51	22 283 388,55
- provisions for future costs	0,00	5 158 402,21
- revaluation write-downs on receivables and shares	7 469 093,79	5 151 465,45
- provision for social security contributions and remuneration	0,00	8 979 873,28
- other	861 176,72	2 993 647,62
b) recognised in profit or loss for the period in relation to tax loss	11 398 605,62	9 765 140,91
c) recognised in equity in relation to deductible temporary differences	0,00	0,00
d) recognised in equity in relation to tax loss	0,00	0,00
e) recognised in goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost in relation to deductible temporary differences	0,00	0,00
3. Decreases	5 864 164,80	**10 527 162,99**
a) recognised in profit or loss in relation to deductible temporary differences	4 417 854,81	4 373 379,82
- provisions for future costs	2 672 196,63	0,00
- revaluation write-downs on receivables and shares		0,00
- provision for social security contributions and remuneration	1 745 658,18	4 153 356,83
- other		220 022,99
b) recognised in profit or loss for the period in relation to tax loss	1 446 309,99	6 153 783,17
c) recognised in equity in relation to deductible temporary differences		0,00
d) recognised in equity in relation to tax loss		0,00
e) recognised in goodwill in relation to deductible temporary differences		0,00
4. Balance of total deferred tax assets as at the end of the period, of which:	**47 954 420,82**	**32 643 399,50**
a) recognised in profit or loss	26 195 804,26 zł	22 283 388,55
- provisions for future costs	2 486 205,58 zł	5 158 402,21
- revaluation write-downs on receivables and shares	12 620 559,24 zł	5 151 465,45
- provision for social security contributions and remuneration	7 234 215,10 zł	8 979 873,28
- other	3 854 824,34 zł	2 993 647,62
b) recognised in profit or loss for the period in relation to tax loss	21 758 616,57 zł	10 360 010,95

Deadlines for possible utilisation of assets resulting from tax losses are presented in the following table:

2020	2021	2022	2023	2024	TOTAL
8,6	9,7	0,2	0,0	2,4	20,9

Tax settlements and other regulated areas of activity are subject to inspection by competent administration authorities, which are authorised to impose high penalties and sanctions. As the legal regulations regarding these issues in Poland are relatively new, they are often ambiguous and inconsistent. Differences in the interpretation of tax legislation are frequent, both within governmental authorities and between those authorities and businesses, leading to uncertainty and conflicts. Consequently, the tax risk in Poland is significantly higher than in other countries where tax systems are more developed.

Tax settlements may be subject to tax inspection for a period of five years from the end of the year in which the tax payment was made. As a result of such inspections, additional tax liabilities may be assessed with respect to the tax settlements made by the

Company. In the Company's opinion, appropriate provisions for the identified and quantifiable tax risk were recognised as at 31 December 2019.

Note 8. Changes in intangible assets

8.1. Changes in intangible assets in 2019	Development costs	Goodwill	Concessions, patents and licences	Computer software	Other	Total
Gross value as at the beginning of the period	**0,00**	**0,00**	**0,00**	15 759 247,76	31 435 510,83	47 194 758,59
Increases, including:	0,00	0,00	0,00		1 989 897,02	1 989 897,02
- acquisition	0,00	0,00	0,00		703 367,72	703 367,72
- internal transfer	0,00	0,00	0,00		1 286 529,30	1 286 529,30
- other	0,00	0,00	0,00			
Decreases	0,00	0,00	0,00	1 326 529,30	18 970 252,37	20 296 781,67
- liquidation	0,00	0,00	0,00	40 000,00	50 000,00	90 000,00
- revaluation	0,00	0,00	0,00		10 877 682,84	10 877 682,84
- sale	0,00	0,00	0,00		7 727 837,16	7 727 837,16
- internal transfer	0,00	0,00	0,00	1 286 529,30		1 286 529,30
- other	0,00	0,00	0,00			
Gross value as at the end of the period	0,00	0,00	0,00	**14 432 718,46**	**14 455 155,48**	**28 887 873,94**
Accumulated amortisation as at the beginning of period	0,00	0,00	0,00	5 013 244,95	8 124 361,04	13 137 605,99
Current amortisation — increases	0,00	0,00	0,00	2 130 301,44	1 263 949,42	3 394 250,86
Accumulated amortisation — decreases	0,00	0,00	0,00	40 000,00	3 151 454,00	3 191 454,00
- liquidation	0,00	0,00	0,00	40 000,00		40 000,00
- sale	0,00	0,00	0,00		3 151 454,00	3 151 454,00
- internal transfer	0,00	0,00	0,00			
- other	0,00	0,00	0,00			
Total amortisation as at the end of the period	0,00	0,00	0,00	7 103 546,39	6 236 856,46	13 340 402,85
Net book value as at the end of period	**0,00**	**0,00**	**0,00**			

The year 2019 saw significant changes in intangible assets due to the sale of intangible assets related to the ANTAL Group (sale of the trademark and other values assigned to the Group). The net value of the intangible assets sold is PLN 15,4544.00, the sale price is PLN 5,100,000. As at the balance sheet date, December 31, 2019 intangible assets under construction amount to PLN 5,416,161.80 and in April 2020 they were accepted as intangible assets. . The intangible assets revaluation write-off for in 2019 is PLN 314 732.37.

8.2. Changes in intangible assets in 2018	Development costs	Goodwill	Concessions, patents and licences	Computer software	Other	Total
Gross value as at the beginning of the period	**0,00**	**0,00**	**0,00**	**15 271 498,43**	**33 811 539,11**	**49 083 037,54**
Increases, including:	0,00	0,00	0,00	487 749,33	2 131 281,80	2 619 031,13
- acquisition	0,00	0,00	0,00	0,00	2 131 281,80	2 131 281,80
- internal transfer	0,00	0,00	0,00	487 749,33	0,00	487 749,33
- other	0,00	0,00	0,00	0,00	0,00	0,00
Decreases	0,00	0,00	0,00	0,00	4 507 310,08	4 507 310,08
- liquidation	0,00	0,00	0,00	0,00	4 019 560,75	4 019 560,75
- revaluation	0,00	0,00	0,00	0,00	0,00	0,00
- sale	0,00	0,00	0,00	0,00	0,00	0,00
- internal transfer	0,00	0,00	0,00	0,00	487 749,33	487 749,33
- other	0,00	0,00	0,00	0,00	0,00	0,00
Gross value as at the end of the period	**0,00**	**0,00**	**0,00**	15 759 247,76	31 435 510,83	47 194 758,59
Accumulated amortisation as at the beginning of period	**0,00**	**0,00**	**0,00**	1 788 607,34	7 157 445,40	9 632 404,89
Current amortisation — increases	0,00	0,00	0,00	2 092 133,40	1 413 067,70	3 505 201,10
Accumulated amortisation — decreases	0,00	0,00	0,00	0,00	0,00	0,00

8.2. Changes in intangible assets in 2018	**Development costs**	**Goodwill**	**Concessions, patents and licences**	**Computer software**	**Other**	**Total**
- liquidation	0,00	0,00	0,00	0,00	0,00	0,00
- sale	0,00	0,00	0,00	0,00	0,00	0,00
- internal transfer	0,00	0,00	0,00	0,00	0,00	0,00
- other	0,00	0,00	0,00	0,00	0,00	0,00
Total amortisation as at the end of the period	0,00	0,00	0,00	4 567 092,89	8 570 513,10	13 137 605,99
Net book value as at the end of period	**0,00**	**0,00**	**0,00**	**11 192 154,87**	**22 864 997,73**	**34 057 152,60**

Note 9. Changes in fixed assets

9.1. Changes in fixed assets in 2019	**Own land**	**Right of perpetual usufruct of land**	**Buildings and structures**	**Plant and machinery**	**Vehicles**	**Other fixed assets**	**Total**
Gross value as at the beginning of the period	**0,00**	**0,00**	8 172 618,81	10 110 950,79	2 253 512,15	2 262 178,62	208 884,47
- other MSSF 16	0,00	0,00	14 193 867,29	0,00	0,00	0,00	0,00
Gross value as at the beginning of the period (with MSSF 16)	**0,00**	**0,00**	**22 366 486,10**	**0,00**	**0,00**	**0,00**	**0,00**
Increases, including:	0,00	0,00	277,92	631 551,14	131 424,09	54 859,10	
- acquisition	0,00	0,00					
- internal transfer	0,00	0,00	277,92	631 551,14	131 424,09	54 859,10	
- other	0,00	0,00					
Decreases, including:	0,00	0,00	47 500,00	681 199,73	226 857,62	162 608,03	208 884,47
- liquidation	0,00	0,00	47 500,00	49 648,59	95 433,53	107 748,93	
- revaluation	0,00	0,00					208 884,47
- sale	0,00	0,00					
- internal transfer	0,00	0,00		631 551,14	131 424,09	54 859,10	
- other	0,00	0,00					
Gross value as at the end of the period	**0,00**	**0,00**	22 319 264,02	10 061 302,20	2 158 078,62	2 154 429,69	0,00
Accumulated depreciation as at the beginning of period	0,00	0,00	3 140 995,43	9 740 789,91	1 800 422,25	2 068 032,37	
Current depreciation — increases	0,00	0,00	5 953 940,28	838 372,63	292 098,12	200 505,02	
Decreases, including:	0,00	0,00	167 653,53	789 301,31	216 643,68	125 747,52	
- liquidation	0,00	0,00	25 671,78	317 614,49	216 643,68		
- sale	0,00	0,00					
- internal transfer	0,00	0,00	141 981,75	471 686,82		125 747,52	
- other	0,00	0,00					
Accumulated depreciation as at the end of the period	0,00	0,00	8 927 282,18	9 789 861,23	1 875 876,69	2 142 789,87	
Net book value	**0,00**	**0,00**	**13 391 981,84**	**271 440,97**	**282 201,93**	**11 639,82**	**0,00**

The table above shows changes in fixed assets by aggregation group including initial and final stocks, redemption and net worth at the end of 2019. A significant change in the value of property, plant, and equipment disclosed is the application of IFRS 16 in Buildings and structures (significant and long-term premises lease agreements). In 2019, in connection with IFRS 16, the right to use buildings worth PLN 14 193 867.29 was adopted.

In 2019, no new lease contracts were signed, the fixed assets used based on leases are depreciated by the Company in accounting terms. The subject of the lease are mainly IT devices and cars. The value of external fixed assets used by the Company is PLN 9 461 876.88.

9.2. Changes in fixed assets in 2018	Own land	Right of perpetual usufruct of land	Buildings and structures	Plant and machinery	Vehicles	Other fixed assets	Total
Gross value as at the beginning of the period	**0,00**	**0,00**	**8 331 737,48**	**10 092 566,18**	**6 079 407,11**	**2 408 509,76**	**681 588,72**
Increases, including:	1 546 316,00	0,00	0,00	18 384,61	0,00	0,00	18 384,61
- acquisition	0,00	0,00	0,00	0,00	0,00	0,00	0,00
- internal transfer	1 546 316,00	0,00	0,00	18 384,61	0,00	0,00	0,00
- other	0,00	0,00	0,00	0,00	0,00	0,00	18 384,61
Decreases, including:	1 546 316,00	0,00	159 118,67	0,00	3 825 894,96	146 331,14	491 088,86
- liquidation	0,00	0,00	159 118,67	0,00	3 825 894,96	146 331,14	472 704,25
- revaluation	0,00	0,00	0,00	0,00	0,00	0,00	0,00
- sale	0,00	0,00	0,00	0,00	0,00	0,00	0,00
- internal transfer	0,00	0,00	0,00	0,00	0,00	0,00	18 384,61
- other	1 546 316,00	0,00	0,00	0,00	0,00	0,00	0,00
Gross value as at the end of the period	**0,00**	**0,00**	8 172 618,81	10 110 950,79	2 253 512,15	2 262 178,62	208 884,47
Accumulated depreciation as at the beginning of period	0,00	0,00	2 434 065,24	8 862 105,74	3 390 833,71	1 853 564,64	0,00
Current depreciation — increases	0,00	0,00	808 675,74	878 684,17	908 416,76	342 159,70	0,00
Decreases, including:	0,00	0,00	39 779,70	0,00	2 498 828,22	127 691,97	0,00
- liquidation	0,00	0,00	39 779,70	0,00	2 498 828,22	127 691,97	0,00
- sale	0,00	0,00	0,00	0,00	0,00	0,00	0,00
- internal transfer	0,00	0,00	0,00	0,00	0,00	0,00	0,00
- other	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Accumulated depreciation as at the end of the period	0,00	0,00	3 202 961,28	9 740 789,91	1 800 422,25	2 068 032,37	0,00
Net book value	**0,00**	**0,00**	**4 969 657,53**	**370 160,88**	**453 089,90**	**194 146,25**	**208 884,47**

Note 10. Property, plant and equipment

	31.12.2019	31.12.2018
a) fixed assets, including:	13 957 264,56	5 987 054,56
- land (including right to perpetual usufruct of land)	0,00	0,00
- Buildings, premises and civil engineering structures (including right to perpetual usufruct of land)	13 391 981,84	4 969 657,53
- plant and machinery	271 440,97	370 160,88
- vehicles	282 201,93	453 089,90
- other fixed assets	11 639,82	194 146,25
b) fixed assets under construction	0,00	208 884,47
c) prepayments for fixed assets under construction	0,00	0,00
Total property, plant and equipment	**13 957 264,56**	**6 195 939,03**

The revaluation write-off for fixed assets under construction applies to unsettled works at the local offices of Work Service S.A.

Note 11. Changes in long-term investments

11.1. Changes in long-term investments in 2019	Real property, intangible assets	Long-term financial assets	a) in related entities, of which:			b) in other entities, of which:		
			Total	Shares or equities	Other long-term financial assets	Shares or equities	Other long-term financial assets	Total long-term investments
Opening balance	**2 495 938,00**	**504 337 984,67**	**504 327 984,67**	**504 327 984,67**	**0,00**	**10 000,00**	**0,00**	**506 833 922,67**

Note 11. Changes in long-term investments

at purchase price	2 495 938,00	504 337 984,67	504 327 984,67	504 327 984,67	0,00	10 000,00	0,00	506 833 922,67
Increases of which:		10 270 496,27	10 270 496,27	10 270 496,27				
- acquisition		10 260 496,27	10 260 496,27	10 260 496,27				
- revaluation adjustments		10 000,00	10 000,00	10 000,00				
- internal transfer								
- increase in capital								
-other								
Decreases	105 706,45	207 758 513,89	207 758 513,89	207 758 513,89				
- sale		21 461 964,29	21 461 964,29	21 461 964,29				
- revaluation adjustments		107 802 874,60	107 802 874,60	107 802 874,60				
- internal transfer								
- resignation from option pricingi		78 493 275,00	78 493 275,00	78 493 275,00				
- other	105 706,45			5 000,00				
Closing balance	**2 390 231,55**	504 337 984,67	**504 337 984,67**	**306 834 967,05**	**0,00**	**10 000,00**	**0.00**	**309 235 198,60**
at purchase price	2 495 938,00	504 337 984,67	504 337 984,67	306 834 967,05	0,00	**10 000,00**	0,00	309 235 198,60

11.2. Changes in long-term investments in 2018	**Real property, intangible assets**	**Long-term financial assets**	**a) in related entities, of which:**			**b) in other entities, of which:**		**Total long-term investments**
			Total	**Shares or equities**	**Other long-term financial assets**	**Shares or equities**	**Other long-term financial assets**	
Opening balance	**2 495 938,00**	**561 246 561,62**	**561 236 561,62**	**501 236 561,62**	**60 000 000,00**	**10 000,00**	**0,00**	**563 742 499,62**
at purchase price	2 495 938,00	0,00	0,00	0,00	0,00	10 000,00	0,00	2 505 938,00
Increases of which:	0,00	32 911 680,00	32 911 680,00	32 911 680,00	0,00	0,00	0,00	32 911 680,00
- acquisition	0,00	32 911 680,00	32 911 680,00	32 911 680,00	0,00	0,00	0,00	32 911 680,00
- revaluation adjustments	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
- internal transfer	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
- increase in capital	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
-other	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Decreases	0,00	89 820 256,95	89 820 256,95	29 820 256,95	60 000 000,00	0,00	0,00	89 820 256,95
- sale	0,00	29 820 256,95	29 820 256,95	29 820 256,95	0,00	0,00	0,00	29 820 256,95
- revaluation adjustments	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
- internal transfer	0,00	60 000 000,00	60 000 000,00	0,00	60 000 000,00	0,00	0,00	60 000 000,00
- other	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Closing balance	**2 495 938,00**	**504 337 984,67**	**504 327 984,67**	**504 327 984,67**	**0,00**	**10 000,00**	**0,00**	**506 833 922,67**
at purchase price	2 495 938,00	504 337 984,67	504 327 984,67	504 327 984,67	0,00	10 000,00	0,00	506 833 922,67

In 2019 the following events took place, resulting in changes in the structure of the Group of Companies.

The merger of Work Service Investment with WS Support

The merger of Work Service Investment Sp. z o.o. and WS Support Sp. z o.o. took place on 31 March 2019. Work Service Investment Sp. z o.o. held only shares in other companies and did not carry out any business activity. Due to the Group's restructuring, it was decided to combine it with WS Support Sp. z o.o. in order to minimize the overall costs of the Group's operation. As a result of the merger of the two companies, the share of Work Service Investment was liquidated and the share capital of WS Support increased by PLN 10,000.00.

Conclusion of the agreement on the sale of shares of ANTAL Sp. z o.o.

On 23 December 2019, the Issuer performed a sale transaction of the ANTAL Group's shares for a total amount of PLN 5,500,000.00 to Książek Holding sp. z o.o. The transaction was fully settled by 31 December 2019. The value of the sold shares amounted to PLN 21,461,964.29.

Write-off of the value of shares possessed

In addition, a write-off has been made in 2019 for the shares possessed by two companies: Work Express Sp. z o.o. in view of the planned announcement of liquidation of this company and for the shares of Work Service SPV Sp. z o.o. in view of the planned sale of the German Group in 2020, 100% of which was owned by this company. A total write-off amounted to PLN 107,802,874.60 and fully charged the Issuer's financial costs in 2019.

Increase in capital in Work Service Czech s.r.o.

On 28 May 2019, there was an increase in the share capital of Work Service Czech s.r.o. The transaction was carried out by way of repayment to the Issuer of PLN 10,209,168.98 and subsequently by payment of the same amount to increase the share capital in the company, via the notary's escrow account.

Increase in capital in Work Service EAST Sp. z o.o.

In October 2019, the share capital of Work Service East Sp. z o.o. was increased in the form of a cash contribution (bank transfer) of PLN 51,327.29. A confirmation of the increase in share capital from the Ukrainian Court was received until the closing date of the financial statement.

Abandonment of the valuation of Prohuman option

In 2019, the agreement was made, according to which the Issuer was released from the option to redeem the remaining 20% in Prohuman KFT. As a result, the amount of PLN 78,493,275.00 was removed from the accounting books as a future value of redemption of options and the liability on this account was reduced by this amount.

Note 12. Inventories

	31.12.2019	31.12.2018
a) materials	91 079,07	103 168,85
b) semi-finished goods and work in progress	734 815,33	601 621,00
c) goods	0,00	0,00
Total inventories	**825 894,40**	**704 789,85**

The of semi-finished products and work-in-progress item is mainly costs related to the implementation of contracts invoiced in the next period.

The materials item consists mainly of the stocks of advertising materials stotred in the Issuer's warehouse.

Note 13. Trade and other receivables

	31.12.2019	31.12.2018
a) from related entities	14 088 678,68	3 269 728,16
- trade receivables, due within 12 months	1 988 924,50	2 211 001,48
- other	12 099 754,18	1 058 726,68
b) receivables from other entities	43 580 982,17	83 927 471,80
- trade receivables, due within 12 months	38 088 156,46	68 481 200,91
- in respect of taxes, subsidies, customs duties, social security, health insurance and other benefits	0,00	0,00
- other	5 492 825,71	15 446 270,89

Note 13. Trade and other receivables

- claimed at court	0,00	0,00
Total net current receivables	**57 669 660,85**	**87 197 199,96**

As of the balance sheet date of 31 December 2019, the balance of trade receivables from related and other entities amounts to PLN 57,669,660.85. The receivables revaluation write-offs were created in accordance with the best knowledge and experience of the Company and in accordance with IFRS 9, and as at the balance sheet date amounted to PLN 5 013 371.66 from related entities, and to PLN 9 315 966.96 from unrelated entities. The costs and revenues associated with the creation and resolution of the write-offs are recognized in the profit and loss account as the remaining operating activities.

Note 14. Other financial assets

14.1. Other financial assets	**31.12.2019**	**31.12.2018**
in subsidiaries	55 281 192,57	59 787 734,90
in other entities	152 783,20	40 161 807,28
Total other financial assets	55 433 975,77	**99 949 542,18**

Under the Other financial assets item , the Company presents loans to related and unrelated entities. The amount of loans granted decreased in 2019 due to:

- repayments received in the amount of PLN 26 327 916.58

- revaluation write-offs: for related entities in the amount of PLN 847 030.56 (Work Express) and for unrelated entities in the amount of PLN 24,790,000.35 (ZAO and LTI)

- balance-sheet exchange rate differences of PLN 4 082 696.74

14.2. Cash Other short-term assets	**31.12.2019**	**31.12.2018**
Cash and other monetary assets	1 337 855,65	301 214,19
- cash in hand and at bank	1 337 975,65	246 886,12
- other cash		0,00
- other monetary assets	-120,00	54 328,07
Total cash and other monetary assets	**1 337 855,65**	**301 214,19**

Note 15. Prepayments

	31.12.2019	**31.12.2018**
- property insurance	103 736,99	135 993,51
- IT services	6 799,72	84 178,03
- trainings	269,80	134,87
- advisory	9 455,04	129 500,65
- advertising	12 666,53	20 666,57
- other	180 105,47	78 274,96
- capital acquisition	273 431,45	172 837,42
- acquisitions	92 600,85	16 640,00
- materials	0,00	4 705,04
- prepaid finance costs	337 612,08	43 597,37
Total prepayments	**1 016 677,93**	**686 528,42**

Note 16. Share capital structure

16.1. Share capital (structure) as at 31 December 2019

Series / emission	type of share	Type of preference of shares	Restrictions on shares	No. of shares	Value of series issued at nominal value	Coverage of capital	Date of registration	Right to dividend (since)
A	bearer shares	ordinary	-	750 000	75 000	cash	14.12.2000	14.12.2000
B	bearer shares	ordinary	-	5 115 000	511 500	cash	14.11.2002	01.01.2003
C	bearer shares	ordinary	-	16 655 000	1 665 500	cash	20.11.2006	20.11.2006
D	bearer shares	ordinary	-	100 000	10 000	cash	06.09.2007	06.09.2007
E	bearer shares	ordinary	-	100 000	10 000	cash	21.11.2007	21.11.2007
F	bearer shares	ordinary	-	7 406 860	740 686	compensation	20.05.2008	20.05.2008
G	bearer shares	ordinary	-	2 258 990	225 899	cash	26.06.2009	26.06.2009
H	bearer shares	ordinary	-	9 316 000	931 600	cash	13.01.2010	13.01.2010
K	bearer shares	ordinary	-	1 128 265	112 827,5	cash	26.01.2011	31.12.2011
L	bearer shares	ordinary	-	5 117 881	511 788,1	cash	26.04.2012	26.04.2012
N	bearer shares	ordinary	-	12 000 000	1 200 000	cash	30.04.2013	30.04.2013
P	bearer shares	ordinary	-	91 511	9 151,1	cash	14.10.2014	14.10.2014
S	bearer shares	ordinary	-	5 000 000	500 000	cash	28.11.2014	28.11.2014
T	bearer shares	ordinary	-	55 316	5 532	cash	06.08.2015	Starting from dividend for 2015
R	bearer shares	ordinary	-	171 750	17 175			
U	bearer shares	ordinary	-	225 750	22 575			
W	bearer shares	ordinary	-	98 315	9 832			
Total number of shares					**65 590 638**			
Total share capital in PLN					**6 559 063.80**			
The nominal value of one share in PLN					**0.1**			

16.2. Share capital (structure) as at 31 December 2018

Series / emission	type of share	Type of preference of shares	Restrictions on shares	No. of shares	Value of series issued at nominal value	Coverage of capital	Date of registration	Right to dividend (since)
	bearer shares	ordinary	-	750 000	75 000	cash	14.12.2000	14.12.2000
	bearer shares	ordinary	-	5 115 000	511 500	cash	14.11.2002	01.01.2003
	bearer shares	ordinary	-	16 655 000	1 665 500	cash	20.11.2006	20.11.2006
	bearer shares	ordinary	-	100 000	10 000	cash	06.09.2007	06.09.2007
	bearer shares	ordinary	-	100 000	10 000	cash	21.11.2007	21.11.2007
	bearer shares	ordinary	-	7 406 860	740 686	compensation	20.05.2008	20.05.2008
	bearer shares	ordinary	-	2 258 990	225 899	cash	26.06.2009	26.06.2009
	bearer shares	ordinary	-	9 316 000	931 600	cash	13.01.2010	13.01.2010
	bearer shares	ordinary	-	1 128 265	112 827,5	cash	26.01.2011	31.12.2011
	bearer shares	ordinary	-	5 117 881	511 788,1	cash	26.04.2012	26.04.2012
	bearer shares	ordinary	-	12 000 000	1 200 000	cash	30.04.2013	30.04.2013
	bearer shares	ordinary	-	91 511	9 151,1	cash	14.10.2014	14.10.2014
	bearer shares	ordinary	-	5 000 000	500 000	cash	28.11.2014	28.11.2014
	bearer shares	ordinary	-	55 316	5 532	cash	06.08.2015	Starting from dividend for 2015
					65 094 823			
					6.509.482,30			
					0.1			

Share capital in 2019

In 2019, the Issuer's share capital was increased by PLN 49,647.50 as a result of the issue of new series R, U, W shares.

Share capital in 2018

In 2018, there were no changes in the share capital of Work Service S.A.

Note 17. Major shareholders

As at the date of drawing up these statements, Work Service SA has not issued any preference shares, neither as to voting rights, nor as to the dividend. All shares in the Company are ordinary bearer shares. The share capital of Work Service SA amounts to PLN 6,559,063.80 and is divided into:

- 750,000 series A shares with the nominal value of 10 grosz each,
- 5,115,000 series B shares with the nominal value of 10 grosz each,
- 16,655,000 series C shares with the nominal value of 10 grosz each,
- 100,000 series D shares with the nominal value of 10 grosz each,
- 100,000 series E shares with the nominal value of 10 grosz each,
- 7,406,860 series F shares with the nominal value of 10 grosz each,
- 2,258,990 series G shares with the nominal value of 10 grosz each,
- 9,316,000 series H shares with the nominal value of 10 grosz each,
- 1,128,265 series K shares with the nominal value of 10 grosz each,
- 5,117,881 series L shares with the nominal value of 10 grosz each,
- 12,000,000 series N shares with the nominal value of 10 grosz each,
- 91,511 series P shares with the nominal value of 10 grosz each,
- 5,000,000 series S shares with the nominal value of 10 grosz each,
- 55,316 series T shares with the nominal value of 10 grosz each,
- 171.750 akcji serii R o wartości nominalnej po 10 groszy każda,
- 225.750 akcji serii U o wartości nominalnej po 10 groszy każda,
- 98.315 akcji serii W o wartości nominalnej po 10 groszy każda.

The following table presents the shareholding structure as at the date of drawing up these statements, 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	20,91%	13 714 286	20,91%
Central Fund of Immovables Sp. z o.o.	11 009 200	16,78%	11 009 200	16,78%
ProLogics (UK) LLP London	10 466 200	15,96%	10 466 200	15,96%
Tomasz Misiak	9 553 961	14,57%	9 553 961	14,57%
Tomasz Hanczarek	3 336 420	5,09%	3 336 420	5,09%
MetLife PTE S.A.	3 254 743	5,00%	3 254 743	5,00%
Others	14 255 828	21,73%	14 255 828	21,73%
Total	**65 590 638**	**100,00%**	**65 590 638**	**100,00%**

Note 18. Other capital

	31.12.2019	31.12.2018
a) supplementary capital	283 163 767,96	283 163 767,96
b) other reserves	5 664 115,29	5 664 115,29
Total other capital	**288 827 883,25**	**288 827 883,25**

18.1. Supplementary capital	**31.12.2019**	**31.12.2018**
Supplementary capital as at the beginning of the period	**283 163 767,96**	288 371 481,61
a) share premium	234 578 370,34	234 578 304,34
- share premium	234 578 370,34	234 578 304,34
- costs of issue		0,00
b) statutory capital from acquisition of companies		0,00
c) established according to statute/articles of association, above the statutory (minimum) value		0,00
d) from additional contribution of shareholders/partners		0,00
e) from profit	53 793 177,27	53 793 177,27
f) from redemption of shares		0,00
g) managers programme		0,00
h) other	(5 207 713,65)	(5 207 713,65)
Total supplementary capital	**283 163 833,96**	**283 163 767,96**

Note 19. Retained earnings

	31.12.2019	31.12.2018
Retained earnings (IFRS adjustment)	(79 136 302,17)	(10 206 367,32)
Correction of previous years' financial result	(1 521 213,43)	(2 008 145,14)
Przeniesienie wyniku z 2018	12 472 771,84	
Retained earnings	**(68 184 743,76)**	**(79 136 302,17)**

As at 31 December 2019 and 31 December 2018, shares in Work Service SA were not held by subordinated entities.

In 2019, the 2018 result was adjustes for incorrect settlement of the agreement signed with ZUS Social Security Institution in 2018. After signing the new agreement with ZUS in mid-2019, an additional liability that was not included in the account balance Settlements with ZUS Social Security. The amount of liability was adjusted in 2019 by correcting the 2018 error in the amount of (1 521 213.43 PLN).

Nota 20. Provisions for other liabilities and other charges

	31.12.2019	31.12.2018
a) short-term portion, of which:	**13 085 292,51**	21 010 613,70
- provision for not-mature liabilities towards the State Treasury	0.00	0.00
- provision for remuneration costs	0.00	0.000
- provision for unused leaves	651 462,99	617 796,51
- other	**12 433 829,52**	20 392 817,19
b) long-term portion, of which:	**0.00**	**0.00**
- other	**0.00**	**0.00**
Total provisions for other liabilities and other charges	**13 085 292,51**	**21 010 613,70**
Deferred tax liabilities	**2 568 813,63**	**3 792 972,93**
Total provisions for liabilities	**15 654 106,14**	**24 803 586,63**

20.1. Change in provisions	**31.12.2018**	**Increase**	**Utilisation**	**Reversal**	**31.12.2019**

Nota 20. Provisions for other liabilities and other charges

1. Deferred tax liabilities	3 792 972,93			1 224 159,30	2 568 813,63
2. Provision for unused leaves	617 796,51	33 666,48			651 462,99
3. Other provisions	20 392 817,19	8 630 000,00	1 409 000,00	15 179 987,67	12 433 829,52
Total	24 803 587,63	8 663 666,48	1 409 000,00	16 404 146,97	15 654 106,14

20.2. Change in deferred income tax liabilities	**31.12.2019**	**31.12.2018**
1. Deferred tax liabilities as at the beginning of the period, of which:	**3 792 972,93**	**1 187 349,53**
a) recognised in profit or loss	3 792 972,93	1 187 349,53
- unrealised interest on borrowings	2 355 989,86	1 042 868,00
- difference in the value of fixed assets	1 436 983,07	0,00
- other	0,00	144 481,53
b) recognised in equity	0,00	0,00
c) recognised in goodwill	0,00	0,00
2. Increases	**1 130 880,56**	**2 750 104,93**
a) recognised in profit or loss	1 130 880,56	2 750 104,93
- unrealised interest on borrowings	0,00	1 313 121,86
- difference in the value of fixed assets	1 130 880,56	0,00
- other	0,00	1 436 983,07
b) recognised in equity	0,00	2 750 104,93
c) recognised in goodwill	0,00	2 750 104,93
3. Decreases	**0,00**	**0,00**
a) recognised in profit or loss	2 355 989,86	0,00
- unrealised interest on borrowings	2 355 989,86	0,00
- difference in the value of fixed assets	0,00	0,00
- other	0,00	144 481,53
b) recognised in equity	0,00	0,00
c) recognised in goodwill	0,00	0,00
4. Deferred tax liabilities as at the end of the period, of which:	**2 567 863,63**	**3 792 972,93**
a) recognised in profit or loss	2 567 863,63	3 792 972,93
- unrealised interest on borrowings	0,00	2 355 989,86
- difference in the value of fixed assets	2 567 863,63	0,00
- other	0,00	1 436 983,07
b) recognised in equity	0,00	0,00
c) recognised in goodwill	0,00	0,00

Note 21. Other long-term liabilities

	31.12.2019	**31.12.2018**
a) to subsidiaries	51 995 835,67	7 750 000,00
- including loans	51 995 835,67	0,00
b) to other entities	7 358 636,07	156 498 042,85
- loans and borrowings	0,00	104 166 256,76
- due to issue of debt securities	0,00	43 988 109,50
- other financial liabilities	7 358 636,07	4 253 657,76
- other long-term liabilities	0,00	0,00
Total long-term liabilities	**59 354 471,74**	**164 248 042,85**

Other financial liabilities are those under IFRS 16 - leasing, long-term part.

In 2019, an agreement was signed with the subsidiary Prohuman, in which it was agreed to extend the repayment of the loan received to 2021.

Note 22. Short-term liabilities

	31.12.2019	31.12.2018
a) to subsidiaries	104 960 647,07	122 379 119,05
- trade payables	33 491 126,17	41 472 367,43
- loan	51 699 681,27	75 677 049,46
- other	19 769 839,63	3 729 702,16
b) to other entities	275 553 403,77	218 257 652,86
- loans and borrowings	109 021 609,77	1 500 000,00
- due to issue of debt securities	45 396 882,91	0,00
- other financial liabilities	8 229 882,26	1 776 418,88
- trade liabilities, due within 12 months	10 823 708,46	15 533 216,04
- advances received for deliveries	1 263 021,38	0,00
- in respect of taxes, customs duties, insurance and other benefits	87 079 950,82	105 215 859,95
- payroll liabilities	11 892 046,99	15 705 183,74
- other	1 846 301,18	80 026 974,25
c) special funds (by title)	0,00	0,00
Total trade and other liabilities	**219 792 759,80**	**263 459 722,45**
Loans and borrowings	**160 721 291,04**	**77 177 049,46**
Total short-term liabilities	**380 514 050,84**	**340 636 771,91**

In 2020, after restructuring the 2018 debt, all liabilities for loans and bonds were transferred to the short-term part. At present, talks are underway regarding possible debt reduction described in point 9 hereof.

In April 2019, the Company concluded a new installment arrangement with ZUS regarding debt repayment in the amount of PLN 66 861 307.64 within 4 years.

22.1. Nominal lease liabilities	**31.12.2019**	**31.12.2018**
Up to 1 year	4 358 166,44	504 901,56
1–5 years	7 358 636,07	4 253 657,76
More than 5 years	0,00	0,00
Total	**11 716 802,51**	**4 758 559,32**

No new lease agreements have been signed in 2019. The increase in the lease liabilities under relates to the disclosure of fixed assets in the balance sheet in accordance with the requirements of IFRS 16.

Liabilities due to bonds

The table below presents data on the amount of liabilities arising from the issue of bonds in the value of the adjusted purchase price and the nominal value as on 31.12.2019.

External investors:

Series	Number	Interest rate	Nominal price	Date of purchase	The nominal value of the bonds in PLN	Earlier purchase / purchase	The value of liabilities resulting from the adjusted purchase price
X	12 850	variable(*)	1 000	2020-09-30	12 850 000	call option of the Issuer	12 891 327,71
W	20 000	variable(*)	1 000	2020-09-30	20 000 000	call option of the Issuer	20 064 323,29
Z	2 400	variable(*)	1 000	2020-09-30	2 400 000	call option of the Issuer	2 407 718,79
SHB	8 600	5%	1 000	2020-09-30	8 600 000	call option of the Issuer	8 624 739,73
ICO **	7 750	zmienna (*)	1 000	2020-12-31	7 750 000,00	call option of the Issuer	8 208 180,00
			balance as on 31.12.2019 (net)		**51 600 000,00**	**TOTAL, including:**	**51 600 000,00**
						short-term	51 600 000,00
						long-term	0,00
						adjusted purchase price	53 605 062,91

variable interest rate (*) = WIBOR 3M + interest margin at 3.87 pp
bonds purchased by an affiliated company (**) – reported as a long-term liability from affiliated entities

Note 23. Loans and borrowings

	31.12.2019	31.12.2018
a) loans	105 031 590,94	104 256 275,76
including: short-term loans	105 031 590,94	90 019,00
b) borrowings from other and related parties	107 685 535,77	81 267 068,29
including: short-term borrowings	55 689 700,10	75 677 049,46
Total loans and borrowings	**160 721 291,04**	**185 433 325,05**
Total long-term loans and borrowings	**51 995 835,67**	**109 756 275,59**
Total short-term loans and borrowings	**212 717 126,71**	**75 677 049,46**

Note 23.1. Loans by maturity

	31.12.2019	31.12.2018
Up to 1 year	105 031 590,94	0,00
Total loans, of which:	**105 031 590,94**	**104 256 275,76**
- long-term	0,00	104 166 256,76
- short-term	105 031 590,94	90 019,00

In 2019, after restructuring the 2018 debt, all liabilities from loans were transferred to the short-term part. Talks are currently underway on a possible debt reduction.

Note 24. Earnings per share

	31.12.2019	31.12.2018
Calculation of basic earnings per share		
Earnings		
(A) Profit attributable to the shareholders of the Company	(180 023 940,84)	12 472 771,84
Number of shares		
(B) Number of ordinary shares of the Company for the purposes of calculating earnings per share	65 590 638	65 061 785
Basic earnings per share in PLN = (A)/(B)	**-2,74**	**0,19**
Book value		
(C) Shareholders' equity	47 178 328,45	228 673 835,22
Book value per share in PLN = (C)/(B)	**0,72**	**3,51**
(D) Number of diluted shares	66 332 644	65 836 829,00
Diluted earnings per share in PLN =(A)/(D)	**-2,71**	**0,19**

The book value per share is calculated by dividing the shareholders' equity by the number of shares as at the balance sheet date.

Diluted profit per one share is calculated by dividing net profit for the period per ordinary shareholders (after deducting interest on redeemable preferred shares, convertible to ordinary shares) by the mean weighed number of the issued ordinary shares present within the period (adjusted by the effect of diluting options and diluting redeemable preferred shares convertible to ordinary shares).

Note 25. Long-term financial assets of Work Service SA

The table below presents shares held by Work Service SA in subsidiaries as at 31 December 2019 and 31 December 2018. Acquisitions made in 2019 are described in Note 11 of these financial statements.

	31.12.2019		31.12.2018	
Company name	**Value of shares held**	**Percentage of share capital held**	**Value of shares held**	**Percentage of share capital held**
Finance Care Sp. z o.o.	5 107 331,00	100%	5 107 331,00	100%
Industry Personnel Services Sp. z o.o.	40 001 490,00	100%	40 001 490,00	100%
Antal Sp. z o.o.	0,00	0%	21 461 964,29	100%
Virtual Cinema Studio Sp. z o.o.	25 000,00	50,0%	25 000,00	50,0%
Work Service International Sp. z o.o.	22 660 328,80	100%	22 660 328,80	100%
Sellpro Sp. z o.o.	57 599 597,20	100%	57 599 597,20	100%
WS Support Sp. z o.o. (Clean Staff Sp. z o.o.) ****	17 487 500,00	100%	17 477 500,00	100%
Krajowe Centrum Pracy Sp. z o.o.	2 799 915,20	75,0%	2 799 915,20	75,0%
WS East ***	55 643,89	100%	4 316,60	100%
Work Express Group *	0,00	100%	67 604 819,00	100%
Prohuman 2004 Kft	144 338 978,29	80,22%	222 832 253,29	80,22%
Work Service SPV Sp. z o.o. *	0,00	100%	40 198 455,60	100%
Work Service Czech Republic s.r.o. ***	16 759 182,67	100%	6 550 013,69	100%
Work Service Investment Sp.z o.o. ****	0,00	0%	5 000,00	100%
Fundacja Work Service	10 000,00	100%	10 000,00	100%
TOTAL	**306 844 967,05**		**504 337 984,67**	

* - after 100% revaluation write-off
**- after resignation of option pricing
*** - after the increase in share capital
****- after merger

Note 26. Assets intended for sale

Only assets available for immediate sale in their current condition, which are highly likely to be sold, are classified as held for sale, i.e. it was decided to sell the asset, an active program to find a buyer and complete the sale plan was initiated. In addition, such an asset is offered for sale at a price that is reasonable in relation to its current fair value and the sale is expected to be included as a completed sale within one year of the date of the asset's classification in that category.

At present, in 2019, the Issuer has not recognized any assets held for sale.

Note 27. Risk associated with financial instruments and method for managing the risk

In addition to the risks described in this note, specific of Work Service S. A. operations we point out to to the strategic situation description, including the information on key risks presented in point 9 hereof.

The Company's business is exposed to various financial risks — credit risk, liquidity risk and market risk, including to exchange rates and interest rates fluctuations. The Company manages all elements of financial risks described below that may have a significant impact on its business in the future, with the greatest focus on the management of market risks, including particularly the exchange rate risk.

Credit risk

Assets that are mostly exposed to credit risk are, primarily, receivables for services rendered. These receivables are characterised by a relatively high concentration, which results from the nature of the portfolio of customers. The Management Board of the Company reduces the credit risk by entering into collaboration with partners of a renowned position and good financial standing.

This risk is further limited by the use of credit risk management instruments such as factoring or insurance of receivables. The Management Board believes that credit risk faced by the company have been properly assessed. It was reflected in the books by making appropriate write-downs.

	Trade receivables					
	Current	0 – 30 days	31 – 90 days	91 – 180 days	181 – 360 days	above 360 days
Write-down index						
related	6%	29%	37%	43%	58%	100%
unrelated	1%	31%	45%	55%	67%	100%

Liquidity risk

The Company manages liquidity risk by maintaining appropriate cash balances, as well as ensuring access to relevant factoring facilities. Planning the level of necessary cash is carried out by the development, by the Finance Department in cooperation with the Operational Controlling Department, of current and periodic statements of expected cash flows (inflows and outflows), which are then reported to the Company's Management Board. The Company's objective is to ensure optimal adjustment of the level of inflows to the level of outflows, as well as providing the level of funding that is adequate to the scale of operations.

In addition, we point out to the restructuring activities with regard to the current debt of Work Service S.A. described in detail in point 9 hereof.

	Short-term:		Long-term			Total flows before discount
	up to 6 months	6 to 12 months	1 to 3 years	3 to 5 years	over 5 years	
Balance as at 31.12.2019 in thousand PLN						
Lines in credit account						
Lines in current account	105 031 590,94					105 031 590,94
Loans		55 689 700,10	51 995 835,67			107 685 535,77
Debt securities	45 396 882,91	8 208 180,00				53 605 062,91
DiU liabilities and other	53 717 400,97	17 089 700,83				70 807 101,80
Financial liabilities	6 368 485,49	1 861 396,77				8 229 882,26
Exposure to liquidity risk total	105 588 360,31	82 848 977,70**	51 995 835,67			240 433 173,68

The table does not include tax liabilities (mainly ZUS), which under the April 2020 agreement are not immediately due anymore. The whole debt has been spread over 4 years.

* - including subsidiaries - PLN 18,271,338.08

** - including subsidiaries - PLN 14,219.788.09

Other market risks

In the context of other market risks, the Management Board of the Company identifies and monitors the following:

- risk of increased costs of employment,
- risk of entering into agreements with dishonest/unreliable client,

- economic risk resulting from the application of provisions of the Law on Temporary Employment Agencies.

Foreign exchange/currency risk

Foreign exchange risk is defined as the possibility of an increase or decrease in the market value of equity due to changes in foreign exchange rates. These risks include:

- The risk of conversion (currency conversion risk), which occurs at the time of conversion and consolidation of financial statements of foreign subsidiaries. Foreign exchange conversion risk is defined as the difference between the total value of foreign currency denominated assets and the total value of foreign currency denominated liabilities. The following items are particularly exposed to this risk:
  - o foreign receivables and liabilities,
  - o cash denominated in foreign currencies,
  - o securities denominated in foreign currencies.

  The risk of conversion is of a "paper" nature, which means that it does not affect the cash flows unless the items exposed to the risk are realized.
- Economic risks relating to changes in exchange rates, which may permanently affect the competitiveness and market value of the company through an increase in the cost or decrease in the planned income from foreign commercial operations. Economic risk is equated with the long-term risk, very difficult to quantify and forecast.
- The transaction risk, also called contractual risk, is a result of breach of contractual obligations by the transaction participants as well as a result of circumstances beyond their control, having the nature of force majeure events. Basic transaction risks, which do not belong to the circumstances of force majeure, are expressed primarily in choosing dishonest partner (counterparty), or one who, for reasons largely beyond its control, fails to comply with the agreement. Consequence of the choice of such a partner may include the lack of or incomplete payment for a service, or delay in settling payments. Contractual risk may also arise from differences of interpretation in relation to individual contract data. To reduce the risk, conclusion of the contract is preceded by obtaining relevant information about a counterparty and its financial condition, as well as an analysis of contractual clauses to prevent the possibility of their different interpretation. The contract risk level specifies the size of the capital employed, both direct and indirect, associated with the possibility of incurring losses due to non-performance or improper performance of obligations of the counterparty. The risk management in the Company comes down to not admitting to enter into contracts with counterparties whose financial condition does not guarantee the repayment of capital employed in the execution of the contract, or, e.g. implemented policy on insuring trade receivables.
- Foreign currency risk occurs when there is an imbalance between the amount of assets and liabilities denominated in the same foreign currency and with the same maturity (open currency position). Depending on which side prevails (assets or liabilities) we are talking about a long or short position in the currency. Where:
  a) assets denominated in foreign currency = liabilities denominated in foreign currency —> closed currency position,
  b) assets denominated in foreign currency > liabilities denominated in foreign currency —>open long foreign currency position,
  c) assets denominated in foreign currency < liabilities denominated in foreign currency —> open short currency position.

In order to hedge against the currency risk, the Company uses internal instruments, i.e. natural hedging, such as:

- settlement of foreign payments in national currency,
- accelerating or delaying payments,
- deposit and lending operations,
- combining several smaller transactions into a larger one,
- adjustment clauses.

Interest rate risk

The Company has financial assets in bank accounts, receivables from borrowings granted, as well as liabilities under factoring, leasing, bank credit and bonds issued. Interest rate risk is related to interest payments resulting from financial instruments for which interest rate is based on a variable interest rate. Short-term trade receivables and liabilities are not exposed to interest rate risk because the revenues and expenses of these titles are irrelevant.

Interest rate risk as at 31 December 2019

Financial instruments by maturities as at 31 December 2019

27.1. Specification	< 1 year	1-5 years	>5 years	Total
Variable interest rate				
- cash and cash equivalents	1 337 855,65		0,00	1 337 855,65
- borrowings granted	55 433 975,77		0,00	55 433 975,77
- borrowings received	55 689 700,10	51 995 835,67	0,00	107 685 535,77
- loans taken	105 031 590,94		0,00	105 031 590,94
- bonds	53 605 062,91		0,00	53 605 062,91

Financial risk management

Financial risk factors

Activities of the Company are associated with certain financial risks, which include market risk (including the risk of changes in cash flows due to changes in interest rates), credit risk and liquidity risk. As regards risk management, Work Service focuses on minimising potential adverse effects of these risks on its financial performance.

Market risk

The Company is exposed to risk of changes in cash flows as a result of changes in interest rates, which applies mainly to financial liabilities. In its ongoing operations, the Company uses external sources of financing, primarily in the form of working capital loans which bear interest at variable interest rate based on WIBOR 1M and 3M plus a bank margin, therefore a change in the above interest rates results in cash flow fluctuations.

Credit risk

Credit risk can be defined as the possibility of default by the other party of the contract, which means that the party exposed to the risk will not receive the payment in the expected term, specified by the provisions of the contract. In other words, it is the ability to decrease or increase the market value of equity of the company as a result of changes in the creditworthiness, in particular the transition to the insolvency or bankruptcy of debtors. A reflection of the maximum exposure of the Company to credit risk is the value of trade receivables, loans and deposits held. In terms of credit risk associated with trade receivables — in order to minimise this risk, and in order to maintain the lowest level of working capital, the Company implemented procedures for granting trade credit limit and specific forms of collateral for these limits. Receivables from counterparties are monitored regularly by the financial services, and in case of even minor delinquency the recovery procedure is started. Credit risk is further limited by the use of such instruments of credit risk management as insurance of a substantial part of claims of the Company. In addition, due to the nature of the services provided by the Company, the recipients pay particular attention to timely meeting of their obligations, hence the relatively low proportion of trade receivables which are subject to collection activities of the Company's financial services.

Moreover, as regards short-term financing, the Company also uses the tool which is non-recourse factoring. Non-recourse factoring (factoring with the acquisition of risk, factoring without recourse) consists in financing short-term receivables prior to maturity and the acquisition by the factor of risk of insolvency of the debtor (the recipient). Following the signing of the non-recourse factoring contract, the factor is able to assert claims against the debtor only, so if the debtor fails to comply with the payment obligation, the factor has no right to require payment from the factorer. The exception to this general rule is when the debtor does not pay, because it questions the existence of debt — because the factorer is responsible for the existence of debt. Non-recourse factoring enables the inflow of funds to the account of factorer up to 2 days after the transfer of information about an invoice, transfer of debtor’s insolvency risk (the recipient’s insolvency risk), obtaining current information about the status of receivables, which in turn helps to increase liquidity, hedge against the risk of non-payment by the recipient (the debtor), and also allows for verification of the customer (debtor) and executed transactions.

The Management Board believes that the risk of non-performing receivables is reflected by write-downs — information regarding the amount of write-downs, recognised in the income statement, is provided in notes describing these assets.

Liquidity risk

The Company is exposed to liquidity risk arising from the ratio of current liabilities to current assets. Liquidity risk of the Company may result from the mismatch of payment terms of short-term receivables and liabilities. The purpose of the Management Board of the Company in terms of liquidity risk management is to maintain a balance between continuity and flexibility of financing through the management of short-term receivables and liabilities and the use of diversified sources of financing (non-recourse factoring, revolving loan). In order to correlate the planned inflows with planned outflows, payment terms are always negotiated before signing the contract. Diversification of the supplier and customer portfolios is also of significant importance for protection against liquidity risk.

In addition, The Company has the instalment agreement with ZUS (Social Security) described in point 9 hereof. The Management Board draws attention that, with absence of the ensured necessary working capital level, the Company can be additionally exposed to the liquidity loss risk.

The following table presents main financial instruments used by the Company in the years 2019-2018.

27.1.1. Categories of financial instruments:	31.12.2019	31.12.2018
Financial assets	**114 441 612,30**	**186 730 737,56**
cash and cash equivalents	1 337 975,65	301 214,19
trade and other receivables	57 669 660,85	86 479 981,19
borrowings granted.	55 433 975,77	99 949 542,18
Financial liabilities	**424 258 092,68**	**394 083 481,95**
bank loans	105 031 590,94	104 166 256,76
loan liabilities	107 685 535,77	81 267 068,29
bonds	53 605 062,91	51 738 109,50
factoring	3 872 042,81	1 271 517,32
leasing liabilities	4 357 839,45	4 758 559,32
trade and other liabilities	142 347 384,71	150 884 970,76

27.1.2.	Contracted cash flows 2019				
Financial assets	**Present value**	**Total**	**up to 1 year**	**1–5 years**	**>5 years**
Measured at fair value through profit or loss	0,00	0,00	0,00	0.00	0,00
Measured at amortised cost	114 441 612,30	114 441 612,30	114 441 612,30	0.00	0,00

27.1.3.	Contracted cash flows 2019				
Financial liabilities	**Present value**	**Total**	**up to 1 year**	**1–5 years**	**>5 years**
Measured at fair value through profit or loss	0,00	0,00	0,00	0,00	0,00
Measured at amortised cost	503 979 407,36	503 979 407,36	503 979 407,36	51 995 835,67	53 605 062,91

27.1.4.	Contracted cash flows 2018				
Financial assets	**Present value**	**Total**	**up to 1 year**	**1–5 years**	**>5 years**
Measured at fair value through profit or loss	301 214,19	301 214,19	301 214,19	0,00	0,00
Measured at amortised cost	186 429 523,37	186 429 523,37	186 429 523,37	0,00	0,00

27.1.5.	Contracted cash flows 2018				
Financial liabilities	**Present value**	**Total**	**up to 1 year**	**1–5 years**	**>5 years**
Measured at fair value through profit or loss	0,00	0,00	0,00	0,00	0,00
Measured at amortised cost	499 402 341,88	499 402 341,88	379 142 408,53	120 259 933,35	0,00

27.1. Liabilities due to loans as at 31 December 2019							
Entity business name	**Amount of loan/borrowing according to the agreement**		**Outstanding amount of loan/borrowing**		**Interest rate conditions**	**Maturity date**	**Collaterals**
Loans:	PLN	**currency**	**PLN**	**currency**			
Santander Bank Polska S.A.	32 000 000	PLN	21 733 298,06	PLN	WIBOR 1M + bank margin	30-09-2020	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.	32 000 000	PLN	21 885 902,48	PLN	WIBOR 1M + bank margin	30-09-2020	as above
Bank BGŹ BNP Paribas S.A.	32 000 000	PLN	0,00	PLN	WIBOR 1M + bank margin	30-09-2020	as above
Raiffeisen Bank Polska S.A	32 000 000	PLN	21 449 015,65	PLN	WIBOR 1M + bank margin	30-09-2020	as above
Powszechna Kasa Oszczędności Bank Polski S.A.	55 000 000	PLN	22 070 200,00	PLN	WIBOR 1M + bank margin	30-09-2020	as above
Credit cards liabilities		PLN	3 501,22	PLN		immediate	
TOTAL LOANS			**105 000 277,18**	**PLN**			
TOTAL LOANS			-	**PLN**			
ADJUSTMENT TO ADJUSTED ACQUISITION PRICE			**105 031 590,94**	**PLN**			

27.1. 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
Loans:	PLN	**currency**	**PLN**	**currency**			
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 BGŹ 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 LOANS			104 166 256,73	PLN			
TOTAL LOANS			-	PLN			
ADJUSTMENT TO ADJUSTED ACQUISITION PRICE			104 166 256,73	PLN			

Note 28 Transactions with related entities

	IPS	KAR	FC	WSI	SEL	CLEAN	KCP	fiegSPV	skWS	skoutWS
Revenue	924 012,90	197 197,10	510 992,90	8 059 891,60	10 085 316,70	65 184,00	648 395,30	918 811,50	9 253,10	0,00
Costs	18 905 354,40	0,00	55 175,20	266 096,10	6 508 045,20	6 968 803,10	4 171,20	0,00	0,00	0,00
Receivables	0,00	300 589,30	0,00	3 413 028,00	0,00	4 875,90	0,00	11 529 086,60	134 173,70	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	26 553 866,00	0,00	1 035 000,70	0,00	56 079 641,60	4 464 131,70	0,00	0,00	8 563,90	0,00
Borrowings granted	0,00	4 053 018,90	1 000,00	828 500,00	0,00	322 443,40	6 147 233,50	38 934 375,20	15 522,10	0,00

	skWSK	czWS	ger24WS	fiegGP	fiegWS	fiegOUT	fiegKG	fiegWSF	gerKON	antGER
Revenue	0,00	77 126,40	13 106,70	0,00	37 251,80	22,70	233 398,70	0,00	0,00	0,00
Costs	0,00	150 244,40	0,00	0,00	0,00	0,00	60 515,30	0,00	0,00	0,00
Receivables	2 719 042,80	27 108,50	506 369,40	0,00	246 332,70	16 827,90	152 663,90	0,00	0,00	112 468,40
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	20 539,40	1 188 331,90	41 679,40	0,00	11 956,90	8 400,00	5 996 893,40	0,00	0,00	8 400,00
Borrowings granted	0,00	26 144,30	22 899,30	0,00	0,00	0,00	4 930 055,80	0,00	0,00	0,00

	antSK	presWS	presLOG	presOSP	humPRO	humOUT	humEXI	natSLV	natCR	humHR
Revenue	0,00	936 218,70	447 774,60	636 084,60	500,00	0,00	0,00	0,00	0,00	0,00
Costs	0,00	231 483,10	306 014,70	0,00	3 142 944,60	0,00	0,00	181 053,40	0,00	0,00
Receivables	78 905,00	1 045 568,70	126 244,70	266 271,60	33 113,20	0,00	0,00	0,00	0,00	0,00
Long-term liabilities	0,00	0,00	0,00	0,00	50 358 703,80	0,00	0,00	0,00	0,00	0,00
Short-term liabilities	388 924,40	9 794,60	4 831,00	0,00	0,00	0,00	0,00	9 974 340,40	0,00	0,00
Borrowings granted	0,00	847 030,60	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00

	humFIE	humFC	rsAPT	hrAPT	bAPT	fbAPT	ukr2WS
Revenue	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Costs	0,00	0,00	0,00	0,00	0,00	0,00	56 160,00
Receivables	0,00	0,00	0,00	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
Short-term liabilities	0,00	0,00	0,00	0,00	0,00	0,00	2 483,50
Borrowings granted	0,00	0,00	0,00	0,00	0,00	0,00	0,00

Glossary — Work Service Capital Group Companies

ABBREVIATION	NAME
WSSA	Work Service S.A.
IPS	Industry Personnel Services 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	WS Support Sp. z o.o.
KCP	Krajowe Centrum Pracy Sp. z o.o.
KAR	Kariera.pl Sp. z o.o.
fiegSPV	Work Service SPV Sp. z o.o.
presWS	WorkExpress Sp. z o.o.
presLOG	Support and Care Sp. z o.o.
presOSP	Outsourcing Solutions Partner Sp. z o.o.
skWSK	Work Service SK s.r.o.
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
gerKON	IT Kontrakt GmbH
humPRO	Prohuman 2004 Kft
humFC	Finance Care Hungar Kft
humHR	HR-Rent Kft
humFIE	Profield 2008 Értékesítés Támogató Kft.
humEXI	Human Existence Kft
humOUT	Prohuman Outsourcing Kft
fiegWSF	Work Service Fahrschuhe QC GmbH
fiegGP	Work Service GP GmbH
fiegWS	Work Service Deutschland GmbH
fiegOUT	Work Service Outsourcing Deutschland GmbH
fiegKG	Workservice GmbH & Co.KG
antGER	Enloyd GmbH
antSK	Antal International s.r.o. (Slovakia)
bAPT	APT Broker s.r.l.

fbAPT	APT Finance Broker s.r.l.
hrAPT	APT Human Resources s.r.l.
rsAPT	APT Resources&Services s.r.l.
ukr2WS	Work Service East Lcc
natCR	Naton Ljudski potencial d.o.o.
natSLV	Naton kadrovsko-svetanoje d.o.o.

Note 28.1. Transactions with personally related entities

2019	Maciej Witucki	Paul Christodoulou	Prologics Uk	Tomasz Ślęzak	Iwona Szmitkowska	Mizyak Corp Tomasz Misiak	Tomasz Wojciech Misiak	Tomasz Hanczarek
REVENUES	0,00	47,18	341 573,60	0,00	0,00	182 768,52	0,00	0,00
COSTS	0,00	53 015,41	0,00	4 738,01	63 501,64	428 971,92	175 580,07	17 730,33
RECEIVABLES	2 500,99	460 679,62	8 547 221,51	0,00	725,67	242 514,48	0,00	11 124,47
PAYABLES	0,00	0,00	0,00	0,00	749,20	74 665,00	0,00	0,00

2019	Tomasz Hanczarek Doradztwo	Thm Sp. Z O.O.	Everett Kamin	Jarosław Dymitruk	SUMA
REVENUES	32 385,74	7 090,83	0,00	0,00	**563 865,87**
COSTS	356 477,65	0,00	0,00	0,00	**1 100 015,03**
RECEIVABLES	38 178,96	8 721,72	33 569,18	0,00	**9 345 236,60**
PAYABLES	0,00	0,00	0,00	16 500,00	**91 914,20**

2018	Prologics UK	Everett Kamin	Panos N. Sofianos	Tomasz Hanczarek	Ewa Misiak	Tomasz Misiak	Tomasz Ślęzak	Maciej Witucki
REVENUES	27 671 607,51	0,00	63 001,88	0,01	0,00	296 651,75	0,01	0,01
COSTS	96 900,00	0,00	0,00	32 560,23	32 768,62	195 095,80	8 364,34	2 057 565,49
RECEIVABLES	28 627 085,97	33 569,18	0,00	299 856,20	0,00	240 000,00	0,00	2 500,99
PAYABLES	318 862,02	0,00	0,00	45,41	0,00	25 424,61	2 532,61	8 947,09

2018	Paul Christodolou	Tomasz Hanczarek Doradztwo	LTI	Piotr Ambrozowicz	Iwona Szmitkowska	Piotr Kamiński	Tomasz Wojciech Misiak	SUMA
REVENUES	0,00	3 976,70	54 528,89	0,00	0,00	0,00	0,00	**28 089 766,76**
COSTS	0,00	109 072,96	105 000,00	253,62	16 380,03	0,00	215 465,11	**2 869 426,20**
RECEIVABLES	655 994,05	32 248,09	2 335 244,69	0,00	0,00	161,99	33 519,35	**32 260 180,51**
PAYABLES	24 086,27	0,00	33 422,79	0,00	1 309,90	0,00	0,00	**414 630,70**

Note 29. Explanation of differences between data disclosed in financial statements and previously prepared and published data

No differences.

Note 30. List of off-balance sheet liabilities

30.1. Contingent liabilities			
Title of contingent liability	**Type of collateral**	**31.12.2019**	**31.12.2018**
Loan collateral	surety	360 000 000,00	360 000 000,00
	bank enforcement title	66 210.000,00	66.210.000,00
	registered pledge on assets	277 500.000,00	277.500.000,00
Lease collateral	blank promissory note with a blank promissory note agreement	4 621 782,30	4 621 782,30
Bond collateral	blank promissory note with a blank promissory note agreement		120% niewykupionych obligacji
Performance guarantee	guarantee	3 000 000,00	1 354 370,88
Factoring collateral	mortgage		39 105 000,00
Profolio	Zobowiązanie do wykupu opcji	86 000 000,00	0,00

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.

Data on off-balance sheet positions, especially on contingent liabilities, including on guarantees and sureties granted by the Capital Group

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 Faktoring 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 Faktoring 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 Faktoring 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 Express Sp. z o.o.	BNP Paribas Faktoring Sp. z o. o.	Amount receivable under a factoring agreement	Annex increasing the limit of 19.10.2015	Indefinite period	14 300 000,00
5.	Outsourcing Solutions Partner Sp. z o.o.	BNP Paribas Faktoring Sp. z o. o.	Amount receivable under a factoring agreement	Annex extending the term of the limit of 7.11.2016	Indefinite period	14 300 000,00
6.	Industry Personnel Services Sp. z o.o.	Bibby Financial Services Sp. z o.o.	Amount receivable under a factoring agreement	The factoring agreement of 4.12.2018	Indefinite period	14 000 000,00
7.	Sellpro Sp. z o.o.	Bibby Financial Services Sp. z o.o.	Amount receivable under a factoring agreement	The factoring agreement of 4.12.2018	Indefinite period	14 000 000,00
8.	Finance Care Sp. z o.o.	Bibby Financial Services Sp. z o.o.	Amount receivable under a factoring agreement	The factoring agreement of 4.12.2018	Indefinite period	14 000 000,00
9.	Work Express Sp. z o.o.	Bibby Financial Services Sp. z o.o.	Amount receivable under a factoring agreement	The factoring agreement of 14.05.2019	Indefinite period	14 000 000,00
10	Outsourcing Solutions Partner Sp. z o.o.	Bibby Financial Services Sp. z o.o.	Amount receivable under a factoring agreement	The factoring agreement of 29.05.2019	Indefinite period	14 000 000,00
11	Work Express Sp. z o.o.	BNP Paribas Faktoring Sp. z o. o.	Amount receivable under a factoring agreement	The factoring agreement of 02.09.2014	Indefinite period	5 200 000,00
12	Work Express Sp. z o.o.	Coface Poland Factoring Sp. z o.o.	Amount receivable under a factoring agreement	The factoring agreement of 10.06.2019	Indefinite period	20 000 000,00
13	Outsourcing Solutions Partner Sp. z o.o.	Coface Poland Factoring Sp. z o.o.	Amount receivable under a factoring agreement	The factoring agreement of 10.06.2019	Indefinite period	20 000 000,00

No.	Surety on behalf of	Promissory note beneficiary	Surety subject	Agreement date	Agreement expiry date	Amount covered by the surety (gross)
14	Work Express Sp. z o.o.	Coface Poland Factoring Sp. z o.o.	Amount receivable under a factoring agreement	The factoring agreement of 07.08.2018	Indefinite period	20 000 000,00

Note 31. Information on average employment by occupational group

Average employment in each year	2019	2018
White collar employees	172	225
Blue-collar workers	0	0
Total	172	225

Note 32. Total value of remuneration and awards (in cash and in kind) paid or payable separately to managerial and supervisory staff of the Company and for performing functions in the entity's bodies (separately for each group)

Remuneration	2019	2018
- Management Board	3 216 585,98	2 916 056,23
- Supervisory Board	287 806,42	286 211,43
Total	3 504 392,40	**3 202 277,66**

In the period covered by the financial statements, the Company did not pay any benefits for the key management personnel in the form of:

- other long-term benefits,
- payments in the form of own shares.

In the period covered by the financial statements, the Company paid benefits for the key management personnel in the form of:

- termination benefits (non-competition compensations, disclosed in the table above),
- short-term employee benefits (remuneration with contributions, disclosed in the above table),
- post-employment benefits (discretionary bonus, disclosed in the above table).

NOTE 33. Significant litigation as on 31 December 2019

Claimant	Defendant	Value of the subject of the dispute	Subject of the disput
Work Service S.A	Halibut sp. z o.o.	62 081,60 zł	Case concerning a payment of outstanding VAT invoices
Work Service S.A.	Dominik U. Lechosław O. Maciej C.	366.029,98 zł	Case concerning a payment, pursuant to Article 299(1) CCC, following a previous ineffective execution against the company in which the defendants were members of management board. Case at the stage of enforcement proceedings.
Work Service S.A.	Pielle sp. z o.o.	122.465,49 zł	Case concerning a payment, at the stage of enforcement proceedings
Elżbieta N.	Work Service S.A.	50.000,00 zł	Case concerning a compensation for harassment (currently at the stage of a complaint of the decision on the award of costs to Work Service S.A.)
BCT – Bałtycki Terminal Kontenerowy Sp. z o.o.	Work Service S.A.	122.000,00 zł	Case concerning a compensation for damage caused to the customer by the contractor directed by Work Service S.A. to the customer for the purpose of performing temporary work on the basis of a civil law agreement. Case at the stage of cassation complaint.
Haitong Bank	Work Service S.A.	796 136,00 zł	Case concerning a payment of remuneration in respect of bond issue
Work Service S.A.	Matras S.A.	114. 940,58 zł	Case at the stage of insolvency proceedings
Monika P.	Work Service S.A., Samsung Electronics Poland Manufacturing Sp. z o.o.	65.335,33 zł	Case concerning a compensation and damages for an accident suffered by the contractor during the performance of the contract
Work Service S.A.	PAYPRO S.A. Intercash Polska sp. z o.o.	97 821,73 zł	Case concerning a payment of outstanding invoices issued for the remuneration of the provided service of temporary work (interim order).
Work Service S.A.	Agencja Ochrony Osób i Mienia Inter – Pol Security sp. z o.o.	130.099,87 zł	Case concerning a payment for unpaid invoices issued in respect of the provision of service directed to the customer of temporary employees by Industry Personnel Services sp. z o.o. Although the service was performed, the customer did not pay the invoices – a company affiliated with Vision Group
Work Service S.A.	Alma Market S.A.	74 100,68 zł	Insolvency proceedings
Work Service S.A.	Conbelts S.A.	153 822,37 zł	Sanative procedure is under way
Work Service S.A.	Wioletta K., Karolina K.	81.079,32 zł	Case concerning a payment, pursuant to Article 299(1) CCC, following a previous ineffective execution against the company in which the defendants were members of management board.
Work Service S.A.	Vision Group sp. z o.o.	99 455,00 zł	Case concerning a payment of receivables for the performed service of temporary work
Work Service S.A.	Fashion Marketing Investments Group sp. z o.o.	1.027.357,10 zł	Case at the stage of enforcement proceedings. Work Service S.A. won the case in court and is currently trying to enforce the debt in the enforcement procedure.
Work Service S.A.	Dynaminds sp. z o.o.	895 220,90 zł	The case concerning a payment of outstanding invoices; a court settlement has been concluded in the case, which is at the stage of implementation
Work Service S.A.	Skyline Investment S.A. .	61 811,66 zł	Case concerning a payment of invoices for outstanding rent fees
Work Service S.A.	Neo Group sp. z o.o.	220 065,00 zł	Case concerning a payment of outstanding invoices for the performance of services
Work Service S.A.	Automotive Assembly Systems sp. z o.o.	1 276 979,62 zł	Case concerning a payment of outstanding invoices for the performance of services
Paweł G., Lesław W.	Work Service S.A.	1 285 320,00 zł	Case concerns a claim for payment of contractual penalties

Claimant	Defendant	Value of the subject of the dispute	Subject of the disput
Work Service S.A.	Jakub P.	58.291,66 zł	A criminal case in which the victim Work Service S.A. seeks compensation for its material loss
PFRON	Work Service S.A.	6.934.445,62 zł	Case concerning a reimbursement of co-financing of remuneration of disabled persons for the reporting periods of: June and July 2014; March, April, June – September and November 2016; February, March, August – December 2017 and January and February 2018
Work Service S.A.	PFRON	345.264,49 zł	Case concerning a payment of co-financing of remuneration of disabled persons for the reporting period of: November 2018
Work Service S.A.	PFRON	193.765,72 zł	Case concerning a payment of co-financing of remuneration of disabled persons for the reporting period of: November 2019
Work Service S.A.	Dyrektor Izby Administracji Skarbowej we Wrocławiu	538.078,00 zł III SA/196/19	Judgement of the Court of First Instance repealing the contested provisions and referring the case for re-examination
Work Service S.A.	Dyrektor Izby Administracji Skarbowej we Wrocławiu	488.645,70 zł I SA/Wr/676/19	No hearing date
Work Service S.A.	Dyrektor Izby Administracji Skarbowej we Wrocławiu	495.246,90 zł I SA/Wr/673/19	No hearing date

Note 34. Significant events after the balance sheet date

Conclusion of a conditional agreement for the sale of W, X and Z series bonds between the Company and the bondholders

On 22 June 2020 between the Company and mBank Spółka Akcyjna, Millennium Otwarty Fundusz Inwestycyjny, Millennium Specjalistyczny Fundusz Inwestycyjny Otwarty, Investor Parasol Fundusz Inwestycyjny Otwarty and Noble Funds Fundusz Inwestycyjny Otwarty ("Bondholders"), a conditional agreement on the sale of W, X and Z series bonds was concluded under which the Company shall purchase all W, X and Z series bonds issued by the Issuer ("Bonds") with a nominal value of PLN 35,250,000.00, for 30% of their value, i.e. for a total price amounting to PLN 10,575,000.00 (in words: ten million five hundred and seventy-five thousand zloty) augmented by interest on all Bonds agreed upon in the terms and conditions of the Bonds issue ("Agreement"). The agreement was concluded on the condition precedent that the Investor acquires at least 50% (fifty percent) and 1 (one) share in the Issuer's share capital ("Control Acquisition") and the expiry of 15 (fifteen) business days from the date of Control Acquisition ("Condition Precedent"). On the basis of the Agreement, in certain events each of the Bondholders will be able to withdraw from the Agreement until 30 September 2020, among others in case of failure to fulfil the Condition Precedent until 31 August 2020. The Issuer shall inform in subsequent current reports about the fulfilment or non-fulfilment of the Condition Precedent. At the same time, the Issuer informs that in connection with the conclusion of the Agreement has been met one of the conditions precedent to transactions with the Investor, specified in the Investment Agreement concluded between the Company and the Investor on February 13, 2020, about which conditions precedent the Issuer informed in currents report number 12/2020,12/2020K.

Delegating the Vice-Chairman of the Supervisory Board to temporarily perform the duties of a Member of the Management Board

On 22 June 2020 the Management Board of Work Service S.A. (hereinafter referred to as: Issuer or Company) hereby informs that the Issuer's Supervisory Board adopted a resolution pursuant to § 16 section 2 letter c) the Company's Articles of Association, regarding the delegation of the Vice-President of the Supervisory Board - Mr. Marcus Preston to perform the duties of a Member of the Company's Management Board from 22nd June 2020 for a period of two months.

Conclusion of the conditional agreement for the sale of share rights in Work Service GmbH & Co. KG

On 5 June 2020 Work Service SPV Sp. z o.o. with its registered office in Wrocław as seller 1, Work Service International Sp. z o. o. with its registered office in Wrocław as Seller 2 (jointly as "Seller") and Work Service S.A. as guarantor, concluded with Gi Group Deutschland GmbH with its registered office in Düsseldorf - being a subsidiary of GI INTERNATIONAL S.R.L., which is fully owned by Gi Group SpA., as the buyer ("Buyer"), a conditional agreement on the sale of the share rights in Work Service GmbH & Co. KG with its registered office in Düsseldorf.

Under the Agreement, the Sellers undertook to sell 74% and 26% of their share rights in the Company, respectively, with a total nominal value of EUR 100,000.00, representing in total 100% of the rights to shares in the Company ("Share Rights"). The selling price of the Share Rights was set at PLN 4,500,000,000.00 ("Price").The agreement was concluded subject to the fulfilment of specific conditions precedent, in particular the consent of the banks of the Issuer's capital group to release the pledge on the share rights in the Company and the further actual release of the above-mentioned pledge. Furthermore, under the Agreement, the Issuer shall provide a general guarantee in respect of all obligations and liabilities of the Sellers arising from the Agreement. The remaining provisions of the Agreement do not deviate from the conditions applied in agreements of this type, in particular with regard to the provisions concerning the prohibition of competitive activity, statements and assurances of the Sellers and the liability rules of the parties. Additionally, after closing the Transaction, the Buyer will immediately repay to the Issuer the amounts resulting from intergroup liabilities of the Company and its subsidiaries in the amount of about PLN 3,000,000.00. The total value of the Transaction will amount to PLN 7,500,000.00 and consists of the Price and the amount of the repayment of intragroup liabilities.

Conclusion by the Issuer of an annex to the installment arrangement with the Social Insurance Institution (ZUS)

On 2 June 2020 the Management Board of Work Service S.A. (the 'Issuer' or the 'Company') – with relation to current report no 23/2020 of 23/04/2020 regarding conclusion of the installment arrangements with ZUS by the Issuer and its subsidiary – informs that today it has received an information of signing by the ZUS of an annex no 1 to the installment arrangement, according to which, as a result of submitting corrections to declarations that are submitted to ZUS, amount of total outstanding social security contributions was reduced by PLN 99,825.39, i.e. to the amount of PLN 60,693,922.25.

Change of the terms and conditions of issue of series W, X, Z and SHB bonds

On 29 May 2020 the Work Service S.A. and its bondholders concluded agreements under which the changes were made Redemption Date of W, X, Z and SHB series bonds as at September 30, 2020.

Expressing consent by the antitrust authority in Romania to take over control the Company by the Investor

On 19 May 2020 the Management Board of Work Service S.A. ("Issuer" or "Company"), with reference to the Current Report No. 12/2020, 12/2020/K, 14/2020, 20/2020, 21/2020 and 24/2020 hereby informs that the Company received information that the antitrust authority in Romania has given its consent to take over control the Company by Gi INTERNATIONAL S.R.L., wholly owned by Gi Group SpA ("Investor").

Obtaining the consent of the relevant antimonopoly authorities for the Investor to take control over the Company and its affiliates is one of the conditions precedent to the transaction with the Investor, set out in the investment agreement concluded between the Company and the Investor on 13 February 2020.

Lenders' consent to extend the deadline for disbursement of bridge financing

On 14 May 2020 Work Service S.A. Management Board ("Issuer" or "Company") with reference to current report no. 29/2020 informs that Bank BNP Paribas Bank Polska S.A., Bank Millennium S.A., Santander Bank Polska S.A. and Powszechna Kasa Oszczędności Bank Polski S.A. ("Lenders") agreed to pay out the bridge financing, about which the Company informed in the current report no. 28/2020 ("Bridge financing"), after 30 April 2020, but not later than 30 June 2020, i.e. in the period longer than the period agreed in the annex no. 7 to the credit agreement of 18 November 2015.

The disbursement of the Bridge Financing will be made in parts and the payment of the entire Bridge Financing will be completed within the next few weeks. The Issuer will inform in subsequent current reports about receipt of the last tranche of Bridge Financing.

Filing by the Company a request to the Lenders for consent to extend the deadline for payment of bridge financing

On 30 April 2020 the Management Board of Work Service S.A. ("Issuer" or "Company" or "Borrower"), with reference to the Current Report No. 27/2020, informs that in connection with the ongoing arrangements regarding the detailed conditions of bridging financing, of which the Company informed in Current Report No. 28/2020 ("Bridging Financing"), the Company is still in talks with the investor in order to agree on the terms and the new deadline for Bridging Financing. Therefore, the Company applied to Bank BNP Paribas Bank Polska S.A., Bank Millennium S.A., Santander Bank Polski S.A. and Powszechna Kasa Oszczędności Bank Polski S.A. ("Lenders") with a request to extend the deadline for disbursement of Bridge Financing after April 30, 2020, i.e. longer than the deadline agreed by Annex No. 7 to the loan agreement of November 18, 2015, about which the Company informed in current report no. 28/2020.

In ongoing talks, the Company is requesting the payment of the Bridging Financing as soon as possible, however, it expects that it may be paid out in parts and that the completion of the whole of the Bridging Financing will be completed within the next few weeks. The Issuer will inform in subsequent current reports about the receipt of the last tranche of Bridge Financing.

Conclusion by the Issuer of Annex 7 to the Credit Agreement

On 24 April 2020 The Company concluded with Bank BNP Paribas Bank Polska SA, Bank Millennium SA, Santander Bank Polska SA and Powszechna Kasa Oszczędności Bank Polski SA. ("Lenders") annex no. 7 ("Annex") to the credit agreement of 18 November 2015, of which the Company informed in current report no. 43/2015 ("Credit Agreement"). The conclusion of previous annexes to the Credit Agreement concerned, among others, current reports no. 34/2017, no. 7/2018, no. 82/2018, no. 86/2018, no. 15/2020 and no. 17/2020.

This Annex (similarly to the previous annex no. 6 of 6 April 2020) serves to amend the terms and conditions of the Credit Agreement in such a way as to enable the Company and the Lenders to complete the currently ongoing advanced negotiations on the long-term restructuring of the Company's debt (information about which was provided by the Company in current reports no. 1/2020 and no. 10/2020), in the context of implementation of the provisions of the investment agreement of 13 February 2020. between the Borrower and a limited liability company under Italian law under the name of Gi INTERNATIONAL S.R.L. with its registered office in Milan ("Investor"), on the basis of which the Borrower and the Investor undertook, among other things, to take all actions in order to carry out the Transaction as a result of which, among other things, restructuring of the Lenders' receivables from the Credit Agreement and their partial repayment, taking into account the changes accepted by the Lenders, is envisaged; the Company informed about the conclusion of this agreement in current report no. 12/2020.

Pursuant to the Annex, among other things, there was an extension of the current deadline (24 April 2020) until 30 April 2020, for the payment of bridge financing in the amount of PLN 12,500,000 by the Investor to the Borrower or its on terms satisfactory to the Lenders; failure to meet this deadline constitutes an event classified a Breach of the Credit Agreement. The Annex also modifies the terms and conditions of interest payment, on the amounts of the used Credit, subject to the payment of the bridge financing indicated above.

Conclusion by the Issuer of a preliminary agreement with crediting banks covering arrangements related to the terms and conditions of debt restructuring of the Issuer

On 24 April 2020 the preliminary agreement concerning Restructuring (the "Settlement") was concluded between the Company and the Banks (the „Parties").

The Settlement contains arrangements as to the terms and conditions of the Restructuring, covering primarily partial repayment and partial reduction of the Company's receivables from the Banks under the credit agreement of 18 November 2015 between the Company and the Banks. (subsequently amended by annexes) ("Credit Agreement"), in the amount of PLN 110,350,000.00 (the "Existing Debt Towards Banks") by 50% in the scope of the main claim, i.e. up to the amount of PLN 55,175,000.00 ("Repayment Amount") on terms and conditions agreed with each of the Banks (the "Reduction").

The Reduction will be carried out on the basis of an agreement between the Company and Banks, regulating the detailed conditions and mode of Restructuring, which the Company and Banks will prepare and negotiate in connection with the signed Settlement in the coming days (the "Agreement") and after meeting in particular the following conditions precedent in force of the Agreement:

a) acquisition by the Investor of at least 50% of the Company's shares plus one Company share,

b) repayment by the Company and its Polish subsidiaries their due liabilities to the Tax Office and the Social Insurance Institution (ZUS) as a result of payments by the Investor of agreed financing (excluding, however, liabilities covered by the agreement with ZUS),

c) total repayment or purchase by the Company or the Investor or an entity related to the Company or the Investor of the Company's bonds of the SHB, W, X and Z series or redemption of the Company's obligations towards the bondholders of these bonds (where the repayment level or purchase price will not be higher than 30%, subject to the SHB series bonds, in which case total repayment is allowed),

d) granting by Gi Group S.p.A. a company formed in accordance with Italian law, based in Milan, ("Guarantor") for each of the Banks, a conditional surety under Polish law, enforceable in the Italian Republic ("Guarantee") as collateral for repayment to Banks Amount of Repayment with interest, commissions and other incidental claims (on the terms and conditions set out in a separate document agreed between the Guarantor and the Banks).

Pursuant to the Settlement, the deadline for the fulfilment of conditions precedent and entry into force of the Agreement will be July 31, 2020.

The Repayment Amount will be payable to the Banks in equal quarterly instalments, and its repayment has been spread over three years, with the first payment to be made by 30 September 2020, and the last by 30 June 2023.

Interest on the Repayment Amount will be charged at WIBOR 3M + 200 bps per year.

Pursuant to the Settlement, the Agreement will also contain a number of provisions making the Company's obligations towards the Banks under the Credit Agreement more flexible, including a modified catalog of violations that may result in the obligation to repay the Repayment Amount early and the Company's obligations towards the Banks.

In addition, according to the Settlement, after the Guarantor has granted the Guarantee, Banks will be obliged to release most of the collaterals established for the benefit of the Banks under the Credit Agreement, with the exception of pledges on the shares of ProHuman 2004 Kft, which will be maintained until the loans are repaid.

Expressing consent by the Company's Supervisory Board to a transaction within the meaning of the Investment Agreement

On 24 April 2020 the Company's Supervisory Board adopted a resolution approving the transaction specified in the investment agreement concluded between the Company Gi INTERNATIONAL S.R.L., wholly owned by Gi Group SpA ("Investor") on February 13, 2020 ("Investment Agreement").

Obtaining the consent of the Company's Supervisory Board for the transaction is one of the conditions precedent to the transaction with the Investor, set out in the Investment Agreement.

Expressing consent by the antitrust authority in Czech Republic to take over control the Company by the Investor

On 24 April 2020 the Management Board of Work Service S.A. ("Issuer" or "Company"), with reference to the Current Report No. 12/2020, 12/2020/K, 14/2020 and 20/2020 hereby informs that the Company received information that the antitrust authority in Czech Republic has given its consent to take over control the Company by Gi INTERNATIONAL S.R.L., wholly owned by Gi Group SpA ("Investor").

Obtaining the consent of the relevant antimonopoly authorities for the Investor to take control over the Company and its affiliates is one of the conditions precedent to the transaction with the Investor, set out in the investment agreement concluded between the Company and the Investor on 13 February 2020.

Conclusion of the installment arrangement with the Social Insurance Institution (ZUS) by the Issuer and its subsidiary

On 23 April 2020, the Work Service S.A. entered into installment agreement with ZUS concerning outstanding social security contributions (including relevant interest) of PLN 60,793,747.64. Also, Issuer’s subsidiary – Industry Personnel Services Sp. z o.o. with registered office in Wroclaw (“IPS”) entered into installment arrangement with ZUS concerning outstanding social security contributions (including relevant interest) of PLN 10,065,383.60 as well.

According to installment arrangements, social security contributions shall be paid in 48 installments starting from June 2020 to May 2024 in the case of the Issuer and in 48 installments starting from March 2020, to February 2024 in the case of IPS. The repayment plan includes periods with lower installments to be financed from the current cash flows and periods with relatively higher installments, which in accordance with the assumptions of the Issuer and IPS, will be financed from funds obtained under projects resulting from the results of the review of strategic options.

One of the conditions for the installment arrangements to be binding is to regulate current payments to ZUS without delay.

Expressing consent by the antitrust authority in German to take over control the Company by the Investor

On 17 April 2020 the Management Board of Work Service S.A. ("Issuer" or "Company"), with reference to the Current Report No. 12/2020, 12/2020/K, 14/2020 and 20/2020 hereby informs that the Company received information that the antitrust authority in German has given its consent to take over control the Company by Gi INTERNATIONAL S.R.L., wholly owned by Gi Group SpA ("Investor").

Obtaining the consent of the relevant antimonopoly authorities for the Investor to take control over the Company and its affiliates is one of the conditions precedent to the transaction with the Investor, set out in the investment agreement concluded between the Company and the Investor on 13 February 2020.

Expressing consent by the antitrust authority in Poland to take over control the Company by the Investor

On 9 April 2020 the Management Board of Work Service S.A. ("Issuer" or "Company"), with reference to the Current Report No. 12/2020, 12/2020/K and 14/2020 hereby informs that the Company received information that the President of the Office of Competition and Consumer Protection has given its consent to take over control the Company by Gi INTERNATIONAL S.R.L., wholly owned by Gi Group SpA ("Investor"). The decision of the Polish antitrust authority to consent to the Investor taking over control of the Company was issued on April 9, 2020.

Obtaining the consent of the relevant antimonopoly authorities for the Investor to take control over the Company and its affiliates is one of the conditions precedent to the transaction with the Investor, set out in the investment agreement concluded between the Company and the Investor on 13 February 2020.

Termination of the call option and fulfillment of the condition precedent under the Investment Agreement

On 6 April 2020, the Issuer has terminated the call option with respect to all shares of Prohumán 2004 Kft. ("Prohumán"), owned by the Issuer, representing 80.22% of the share capital of Prohumán ("Call Option"). The Call Option was granted by the Issuer to Human Investors Kft. ("HI") or another entity designated by Human Investors Kft. pursuant to a call option and co-operation agreement ("Agreement") concluded between the Company, HI, Profólió Projekt Tanácsadó Kft. ("Profólió") and Prohumán on 3 July 2019. The Issuer informed about the conclusion of the Agreement and the establishment of the Call Option in current report No. 56/2019. According to the Agreement, the process of sale of Prohumán by HI under the Call Option was to be completed by 31 March 2020, with a possibility of extension of this deadline, under the terms of the Agreement. Since the conditions for such extension have not materialised, the Issuer had the right to terminate the Call Option until 30 April 2020 which right was therefore exercised by the Issuer. For the event of termination of the Call Option the Parties have also agreed in the Agreement the terms and conditions for a sale process of Prohumán to be managed by the Issuer. Therefore, as of today, the Issuer is entitled to exclusively manage the sale of 100% of the quotas of Prohumán held by the Company and Profólió with the purchase price of the Profólió quota set in the Agreement. The lack of extension of the Call Option period was one of the conditions precedent of the investment agreement concluded on 13 February 2020 between the Issuer and Gi International S.r.l., fully owned by Gi Group S.p.A. In connection with the above, the 3rd (third) Condition Precedent indicated in current report no. 12/2020 was fulfilled.

Conclusion by the Issuer of the Annex No. 6 to the Loan Agreement of 18 November 2015

On 6 April 2020 the Work Service S.A. concluded with Bank BNP Paribas Bank Polska S.A., Bank Millennium S.A., Santander Bank Polska S.A. and Powszechna Kasa Oszczędności Bank Polski S.A. ("Lenders") an Annex No. 6 ("Annex") to the loan agreement of 18 November 2015 ("Loan Agreement").

Pursuant to this Annex, among other things, the Final Payment Date of the loans was extended to 31 July 2020. The purpose of signing the Annex is to enable the Company and Lenders to complete ongoing advanced negotiations on the long-term restructuring of the Company's debt and to conclude another annex to the Loan Agreement regarding changes to the material terms of the Loan Agreement.

Together with conclusion of the Annex, the Company has finalised working negotiations with the Lenders on commercial and legal conditions of the long-term restructuring of the Loan Agreement ("Term Sheet"). Commercial terms of the Term Sheet are fully consistent with result of negotiations. Further restructuring of the Loan Agreement requires currently obtaining final credit and corporate approvals, then signing the Term Sheet and agreeing on full legal documentation implementing the restructuring of the Loan Agreement.

Conclusion by the Issuer of the Annex No. 5 to the Credit Agreement of 18 November 2015

On 31 March 2020 the Company concluded with Bank BNP Paribas Bank Polska S.A., Bank Millennium S.A., Santander Bank Polska S.A. and Powszechna Kasa Oszczędności Bank Polski S.A. ("Lenders") an Annex No. 5 ("Annex") to the loan agreement of 18 November 2015, the conclusion of which was announced by the Company in current report no. 43/2015 ("Credit Agreement"). Information on conclusion of the previous annexes to the Credit Agreement was published in, among others, current reports no. 34/2017, no. 7/2018, no. 82/2018 and no. 86/2018.

Pursuant to this Annex, among other things, the Final Payment Date of the loans was extended to 6 April 2020. The purpose of signing the Annex is to enable the Company and Lenders to complete ongoing advanced negotiations on the long-term restructuring of the Company's debt (about which the Company provided information in current reports no. 1/2020, 10/2020) and to conclude another annex to the Credit Agreement regarding changes to the material terms of the Credit Agreement. The Issuer will inform about the effects of conducted talks and arrangements in separate current reports.

Fulfillment of the condition precedent under the Investment Agreement

On 25 February 2020 the Management Board of Work Service S.A. ("Issuer" or "Company"), with reference to current report No. 12/2020 and current report No. 4/2020, informs that it received information about the conclusion by Gi INTERNATIONAL SRL, which is wholly owned by Gi Group SpA ("Investor") with the Company's key shareholders ("Shareholders") of agreements granting the Investor the right to purchase from Shareholders at least 55.89% of the Company's shares, holding a total of 36.658.780 shares of the Company ("Shares") for the purchase price of PLN 0.21 (twenty-one groszy) for each Share. In connection with the above, the 5 (fifth) Condition Precedent indicated in current report No. 12/2020 has been fulfilled.

Making public delayed confidential information connected with commencement of the negotiation process in the scope of the planned transaction on account of being provided with a non-binding offer related to refinancing and acquisition of shares of Work Service S.A.

On 13 February 2020 the Management Board of Work Service S.A. (the „Issuer" or the „Company") provides this confidential information, the disclosure of which was delayed by the Company on 8.11.2019 pursuant to art. 17 par. 4 of the Regulation of the European Parliament and of the Council _EU_ NO. 596/2014 of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC („MAR").

Delayed confidential information concern initiation of the Company's participation in in the process of negotiations in the scope of arrangements as regards possibility of concluding a transaction on account of providing the Issuer with a non-binding offer ("Offer") from an international business investor (the „Investor") related to refinancing and acquisition of shares of the Issuer („Transaction").

As part of the Offer the Investor has proposed to establish terms and conditions of the Transaction, taking into account arrangements covering in particular the following elements:
1) Participation in the Issuer's restructuring, including change of the repayment schedule or redemption of some receivables of the Issuer;
2) Providing the Issuer with an offer of new financing;
3) Acquisition of the Company's shares;
4) Participation in meetings with key shareholders of the Company concerning terms and conditions of possible sale of the Company's shares by them.

The Transaction would be subject to the conclusion of the investment agreement with the Company, specifying financing of the Investor, subject to the following conditions precedent:
a) New Statute of the Company ensuring effective control of the Investor;
b) Agreement with banks providing credits to the Issuer and institutional bondholders on reduction of the amount of current debt;
c) Approval of the shareholders;
d) Conducting due diligence by the Investor;
e) Obtaining approval of competent antimonopoly authorities to take control over the Company and its subsidiaries.

Completion of negotiations with banks financing the Issuer regarding the change of the financing conditions of the Issuer

On 13 February 2020 the Management Board of Work Service S.A. (hereinafter referred to as the "Issuer" or the "Company") – with reference to current report no 1/2020 on the commencement of advanced negotiations, including with the banks financing the Issuer ("Banks"), regarding change of the financing conditions in particular the delays, repayment or redemption of part of their claims ("Change") – informs that it has received information about completing the non-binding negotiations regarding change of the financing conditions of the Issuer.

The Change will reduce the Company's liabilities towards Banks on average 44,1 % of current debt (i.e. a total of PLN 48.664.350,00), however the scope of the Change (including the reduction value) and the terms of repayment of the remaining parts of the claim may be different for individual Banks. The Issuer's Management Board will conduct further negotiations with the Banks regarding obtaining binding consents from credit committees and the documentation arrangements regarding the reduction and the terms of repayment of the remaining parts of the claim.

Change in business conditions for the sale of the Company's shares by key shareholders of the Company to an international industry investor

On 13 February 2020 the Management Board of Work Service S.A. (hereinafter: the "Issuer" or the "Company") – with reference to current report no 4/2020 on reaching a preliminary business agreement regarding potential sale of Company's shares by the Company's shareholders to an international industry investor ("Investor") – informs that it has received an information about changing a preliminary business agreement between Company's key shareholders ("Shareholders"), holding a total of 36,658,780 Company's shares, representing 55,89% of the total number of votes ("Shares") and the Investor, which change concerns reduction of the price of potential sale of Shares by Shareholders to the Investor, to the amount of PLN 0.21 (twenty one groszy) for one share.
The Shareholders and the Investor will conduct further negotiations of the final transaction documents regarding the sale of the Shares on new terms (Further Negotiations").

Conclusion of the investment agreement between the Company and Gi INTERNATIONAL S.R.L., a wholly-owned subsidiary of Gi Group SpA

On 13th February 2020 the Work Service S.A. and the company operating under the business name of Gi INTERNATIONAL S.R.L., a wholly-owned subsidiary of Gi Group SpA (the „Investor") made an investment agreement specifying terms and conditions and the principles of providing the Company with financing by the Investor for the purpose of restructuring the Company's debt and financing current activity of the capital group of the Company (the „Agreement" or the „Investment").

The Investment assumes provision of financial contribution by the Investor to the Company for a total amount of up to PLN 210,200,000.00 ("Financing") and will consist in:

(a) granting by Investor, or entities pointed out by the Investor ("Financing Entities"), a separate bridge loan to the Company or its related entities in the total amount of PLN 20,000,000.00 for the purpose of financing current activity of companies from the Company's capital group („Bridge Loan"). The parties will determine the terms of securing the repayment of the Bridge Loan under a separate agreement, however these terms will not differ from the standards used in this type of agreements.

(b) financing the Company by the Investor or Financing Entities in the amount of PLN 108,700,000.00 for the purpose of repayment of the Company's obligations and transaction costs and financing of the Company's current activity;

(c) payment of the remaining amount of Financing, i.e. PLN 81.500.000,00 in the manner specified in the agreements on reduction of bank and bond debt.

The part of the Investment referred to in points (b) and (c) above, shall be completed after fulfilling the following conditions precedent („Conditions Precedent"):

(i) The Investor shall obtain approval of competent antimonopoly authorities to take control over the Company and its subsidiaries;

(ii) The Company shall stipulate with banks the agreement on restructuring the Company's existing debt towards banks on the terms and conditions acceptable for the Investor, providing for a reduction of bank's claims towards the Issuer in an average amount of 44,1% of the current debt, with the reduction value that may be different for individual banks;

(iii) The final date to effect closing within the meaning of the Call Option and Cooperation Agreement made between the Company, Profólió Projekt Tanácsadó KFT and Human Investors KFT on 3 July 2019 and the term of the Call Option Agreement shall not be extended;

(iv) The Company shall conclude an agreement with bondholders on restructuring the Company's existing debt towards bondholders on account of issue of W, X and Z-series bonds on the terms and conditions acceptable for the Investor, providing for reduction of the Company's credit debt towards bondholders up to 70% of the existing debt, while such debt shall be repaid on a one-off basis by the Company, with the exception of debt resulting from issue of series SHB bonds;

(v) The Investor or entity pointed out by the Investor was granted the right to purchase from shareholders at least 55,98% of the Company's shares for the maximum price of PLN 0,30 for each share;

(vi) The Investor shall conduct due diligence of the Company's capital group with a result satisfying for the Investor;

(vii) The Company's Supervisory Board shall give consent to effect the Investment; and

(viii) The parties to the Agreement shall negotiate and conclude the Financing Agreement.

If all Conditions Precedent have not been met until 30th June 2020, each party to the Agreement shall be authorised to withdraw from the Agreement on the terms and conditions specified therein.

Moreover, the parties to the Agreement shall take measures in order to increase the Company's share capital by issue new shares of the Company within 12 months from the signing of the Agreement which new shares shall be offered to the Investor at the issue price of PLN 0.39 per share.

Termination of the installment agreement by Social Insurance Institution and submission of applications for new installment arrangements

On 30 January 2020 the Management Board of Work Service S.A. (hereinafter referred to as "the Issuer" or "the Company") - in reference to current report No. 28/2019 of 28/02/2019 regarding the conclusion by the Issuer and the Issuer's subsidiary - Industry Personnel Service Sp. z o.o. ("Industry Personnel Service") of the installment agreement with the Social Insurance Institution, ("Installment Agreement") and current report No. 57/2019 of 15/07/2019 regarding the amendment of the Installment Agreement - informs that he learned the content of the letter of the Social Insurance Institution ("SII") dated 22/01/2020 regarding the termination of the Installment Agreement. In connection with the termination of the Installment Agreement, the obligations of the Issuer and Industry Personnel Service towards the SII became due. At the same time, the Management Board of the Issuer informs that the Company and Industry Personnel Service have applied to the SII for the payment of arrears in social security contributions and the conclusion of new installment arrangements covering all due liabilities to SII in the total amount of PLN 57,149,831.00 respectively in the case of the Issuer and, 9,463,993.00 PLN in the case of Industry Personnel Service. New applications for installment arrangements have been developed on the basis of current assumptions regarding the planned schedule of obtaining financing by the Issuer as part of the ongoing review process of strategic options, about which the Issuer informed in current reports No. 66/2019 and No. 31/2019, including based on the state of talks with an international sector investor, which participates in negotiations with the Issuer's financial creditors, the Issuer's shareholders and shareholders of the Issuer's subsidiaries, about which the Issuer informed in current report No. 1/2020.

Completion of negotiations with the Company's key shareholders regarding business conditions of sale of shares of the Company to the international strategic inwestor

On 27 January 2020 the Management Board of Work Service S.A. (hereinafter referred to as the "Issuer" or "Company") - with reference to current report No. 1/2020 on the beginning of advanced negotiations with i.a. the Issuer's shareholders regarding the terms of the potential sale of their shares of the Company - informs that it has received information about reaching a preliminary business agreement between the Company's key shareholders ("Shareholders") holding a total of 36.658.780 shares of the Company representing 55.89% of the total number of votes ("Shares") and an international strategic investor ("Investor") regarding the possible sale of Shares to the Investor at a price of PLN 0.30 (thirty groszy) per share. The Shareholders and Investor will conduct further negotiations regarding the settlement of the final transaction documentation regarding the sale of the Shares on the agreed terms ("Further Negotiations").

The Management Board also informs that a potential transaction with the Company's shareholders under the conditions described above may occur in connection with the investment considered by the Investor, and the completion of Further Negotiations is one of several conditions for the transaction with the Investor. The Company will provide information on meeting further conditions in separate current reports.

Completion of negotiations with the Company's bondholders regarding the business conditions for the reduction of the bondholders' claims against the Company

On 24 January 2020 the Management Board of Work Service S.A. (hereinafter: 'the Issuer' or 'the Company') - with reference to the current report No. 1/2020, on the subject of the beginning of the advanced negotiations with i.a. the Issuer's bondholders, regarding in particular conditions for delays, repayment or redemption of part of their claims, informs that it received information about the positive conclusion of negotiations of key business conditions of a possible transaction with Issuer's bondholders ('Bondholders') entitled from issued by the Company W series bonds, X series and Z series with maturity date 29/05/2020 and total nominal value PLN 35,250,000.00 ('Bonds').

Under the negotiated conditions referred to above, all Bondholders, obtained internal consent regarding the possible sale of their Bonds as part of the transaction between the Company and an international investor ('Investor'), assuming 70% discount (or redemption) of the amount of the debt, provided i.a., receiving a one-off payment in the amount of 30% of the value of the debt under Bonds, i.e. PLN 10,575,000.00 after the transaction with the Investor. The Issuer's Management Board will conduct further negotiations with the Bondholders on the arrangement of the final transaction documentation regarding the sale of the Bonds on established terms ('Further Negotiations').

The Management Board of the Issuer also informs that a potential transaction with Bondholders on the terms described above may occur in connection with the investment being considered by the Investor and completion of Further Negotiations is one of the few conditions for the transaction with the Investor. The Company will inform about separate fulfillment of subsequent conditions in separate current reports.

Delegating the Vice-Chairman of the Supervisory Board to temporarily perform the duties of a Member of the Management Board

On 16 January 2020 the Company's Supervisory Board, acting pursuant to § 16 section 2 letter c) the Company's Articles of Association, adopted a resolution on delegating the Vice-Chairman of the Supervisory Board - Mr. Marcus Preston to perform the duties of a Member of the Company's Management Board for a period of three months.

The beginning of the negotiations with the creditors and shareholders of the Company and its subsidiaries related to the strategical options review

On 14 January 2020 the Management Board of Work Service S.A. (hereinafter referred to as: Issuer or Company) hereby informs that today it has commenced advanced negotiations with the banks providing loans for the Issuer, with the bondholders and the minority shareholders from the Hungarian subsidiaries, connected with the restructuration of the Issuer, including the rescheduling, the repayment or the haircut of some of its debts. The negotiations are taking place in connection with the current strategical options review (about which the Issuer informed in the current reports no 66/2019 and no 31/2019) and with the consultation and the presence of the international strategicinvestor which is at the stage of advanced analysis of the investment under the current strategical options review process ("Investor"); The Investor is one of the few entities, with which the Company is currently in advanced discussions in connection with the examination of the interest of the opportunity to subscribe for the Company's shares or purchase the Company's shares or the shares in the Company's subsidiaries.

In addition, 14 January 2020 the Issuer has also started taking part in the meetings organised at the Investor's request with the company's key shareholders related to the conditions of the potential sale of their shares and the possibility of the support of the potential proposal of the Management Board of the Company regarding the issuing of Company's new shares.

Note 35. Financial statements adjusted for inflation rate

There was no need to adjust the financial statements of Work Service SA for inflation rate.

Note 36. Significant changes in financial and economic position of the Company — a description of any significant change in the financial or economic position of the company which has occurred since the end of the last reporting period for which either audited financial information or interim financial information have been published, or provision of an appropriate negative statement

All significant changes in the financial and economic situation (including restructuring progress, assessment of the current financial situation and all events of unusual nature are described in detail in item 9 hereof.

Note 37. Changes in accounting principles (policy) applied and in the method of preparation of financial statements, made as compared with the previous financial year

The accounting principles (policies) applied in the preparation of these separate financial statements for the financial year ended 31 December 2019 are consistent with those applied in preparing the separate financial statements for the financial year ended 31 December 2018. The same principles were applied for the current and comparative period, unless the applicable standard or interpretation required exclusively prospective application.

Note 38. Remuneration of the statutory auditor or entity entitled to audit financial statements, paid or due for the audit of financial statements for the financial year 2019

Specification	Net value in 2019
Statutory audit of the separate annual financial statements and interim review of the separate financial statements	195 050,00
Half-yearly review	85 000,00
Other assurance services	0,00
Tax advisory services	0,00
Other services	0,00
Total	**280 050,00**

PREPARED BY:

Anna Kropielnicka
Main Accountant

SIGNATURES:

Iwona Szmitkowska President of the Board of Directors	**Jarosław Dymitruk** Vice-President	**Marcus Preston** Vice-President