WORK SERVICE

WORK SERVICE Capital Group

CONSOLIDATED FINANCIAL STATEMENT

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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CONSOLIDATED SELECTED FINANCIAL DATA

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	1 634 209	2 445 719	379 890	573 184
EBITDA (operating profit + depreciation and amortisation)	-17 956	-9 478	-4 217	-2 221
Profit on sales	3 347	26 347	786	6 175
Operating profit (EBIT)	-33 252	-25 404	-7 808	-5 954
Gross profit (loss)	-116 263	12 049	-27 301	2 824
Net profit (loss)	-111 638	8 148	-26 215	1 910
Net cash flows from operating activities	-18 262	50 923	-4 288	11 934
Net cash flows from investing activities	46 117	142 916	10 829	33 494
Net cash flows from financing activities	-46 202	-198 469	-10 849	-46 514
Total net cash flows	-18 347	-4 630	-4 308	-1 085
Number of ordinary shares of the Company for the calculation of earnings per share	65 590 638	65 094 823	65 094 823	65 094 823
Earnings per share	-1,70	0,19	-0,41	0,01
Number of diluted shares for the calculation of diluted earnings per share	66 332 644	65 836 829	65 094 823	65 094 823
Diluted profit per share	-1,75	0,12	-0,41	0,00
	31.12.2019	**31.12.2018**	**31.12.2019**	**31.12.2018**
Assets	668 214	878 329	156 913	204 262
Liabilities and provisions for liabilities	578 178	762 676	135 770	177 367
Long-term liabilities	17 768	160 398	4 172	37 302
Short-term liabilities	508 308	534 020	119 363	124 191
Equity	90 036	115 652	21 142	26 896
Share capital	6 559	6 509	1 540	1 514
Supplementary capital	353 211	236 085	831	54 903

In the financial year covered by the financial statement, the Company did not issue financial instruments convertible into shares.

The presented financial data for the period from January 1 to December 31, 2019 applies to the entire Capital Group: continued and discontinued operations.

CONSOLIDATED FINANCIAL STATEMENTS OF THE CAPITAL GROUP

Consolidated report from the financial standing of the Capital Group

as at December 31, 2019

	Note	as at 31.12.2019	as at 31.12.2018
NON-CURRENT ASSETS		**384 727 078,40**	**444 967 044,9 6**
Intangible assets	1	26 525 375,02	35 115 236,93
Goodwill	2	281 848 281,08	351 096 736,76
Property, plant and equipment	3	18 294 439,39	11 722 887,65
Investment properties	4	2 390 231,55	2 690 484,05
Financial assets		351 374,34	248 155,07
Deferred tax assets	6	54 603 298,46	44 010 880,64
Prepayments		661 004,31	0,00
CURRENT ASSETS		**283 487 142,12**	**433 361 475,88**
Inventories	7	7 462 767,36	7 871 700,12
Trade and other receivables	8	231 558 202,28	322 192 786,82
Other financial assets	9	1 084 257,76	40 789 190,37
Other short-term assets	5	0,00	0,00
Cash and cash equivalents	10	38 139 438,36	56 486 007,74
Prepayments	11	5 242 476,36	6 021 790,83
Assets classified as available for sale	30	0,00	0,00
TOTAL ASSETS		**668 214 220,52**	**878 328 520,85**
EQUITY		**90 036 359,28**	**115 652 186,10**
Share capital	12	6 559 063,80	6 509 482,30
Supplementary capital	13	353 211 033,43	236 084 819,51
The other reserve capital (funds)		-92 276 850,89	-92 106 141,79
Profit (loss) brought forward		-67 801 051,69	-52 622 554,11
Net profit (loss)		-117 279 375,35	8 147 732,57
Foreign exchange differences		-22 736 333,60	-15 119 961,09
Capital held by non-controlling shareholders	14	30 359 873,58	24 718 569,71
LIABILITIES AND PROVISIONS		**578 177 861,24**	**762 676 334,73**
Provisions for liabilities		40 642 999,62	48 454 913,39
Deferred tax liabilities		3 868 849,44	4 459 965,97
Provision for pensions and similar benefits		11 556 757,32	14 084 136,03
Other current provisions		25 217 392,86	29 910 811,40
Long-term liabilities		**17 767 549,55**	**160 398 045,53**
Long-term loans and borrowings	20	374 271,95	109 331 275,46
Issue of debt securities		0,00	43 988 109,50
Other financial liabilities		7 513 099,63	4 707 761,91
Other liabilities	17	9 880 177,97	2 370 898,66
Short-term liabilities		**508 308 207,25**	**534 019 888,81**
Issue of debt securities		45 396 882,91	0,00
Other financial liabilities		11 951 056,67	4 534 620,58
Loans and borrowings	20	135 714 592,25	47 538 834,56
Trade liabilities		27 930 312,16	53 324 309,95
Advances for supplies received	18	1 863 218,27	34 416,34
Liabilities in respect of taxes, customs duties, insurance and other benefits		179 460 879,05	198 811 688,42
Payroll liabilities		57 220 612,83	67 325 679,53
Other liabilities		48 765 048,90	162 450 342,43

3. Special funds		5 604,23	0,00
Accruals		**11 459 104,81**	**19 803 487,00**
Liabilities classified as available for sale	**31**	0,00	0,00
T O T A L E Q U I T Y A N D L I A B I L I T I E S		**668 214 220,52**	**878 328 520,85**

The presented financial data for the periods 01.01.2018-31.12.2018 and 01.01.2018-31.12.2018.

Consolidated total income statement of the Capital Group
for the year ended on December 31, 2019

The presented financial data relate to the operation continued for the year ended on 31 December 2019 (data without the Antal group) and comparative data for the year ended on 31 December 2018 (also data without the Antal group and without the Exact and Proservice groups sold before 2019).

The presented financial data relate to continued operations (data without the Antal group) for the 12-month period ended on 31 December 2019 and for the 12-month period ended on 31 December 2018.

The presented financial data in the scope of continued operations for the year ended on 31 December 2019 concern the entire group (excluding the Antal group). The comparative data for the year ended on 31 December 2018 also do not include the financial data of the Antal group or the Exact and Proservice groups sold before 2019.

The presented data in discontinued operations include:

– for the period 1 January 2019 - 31 December 2019 the Antal group and additionally the result on the sales transaction of Antal Sp z o.o. and the trademark of Antal, which was also assigned to discontinued operations.

- for the period 1 January 2018 - 31 December 2018 the Antal group as well as the Exact Group and ProService group, which were also consolidated during that period

	Note	01.01.2019-31.12.2019	01.01.2018-31.12.2018
Revenue	30	**1 595 826 408,17**	**2 049 103 054,15**
Net trade revenue		1 594 382 542,71	2 052 206 974,23
Change in receivables		1 443 865,46	-3 103 920,07
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	31	1 594 956 411,15	2 058 441 433,44
Amortisation and depreciation		14 921 402,38	10 774 051,07
Consumption of materials and energy		5 506 132,95	5 217 127,19
External services		139 882 330,32	229 573 988,98
Taxes and charges		3 884 827,33	3 771 576,79
Remuneration		1 171 245 646,67	1 453 886 054,36
Social security and other benefits		243 312 697,02	321 586 408,93
Other costs by type		16 203 374,49	33 632 226,11
Value of goods and materials sold		0,00	0,00
Sales profit (loss)		**869 997,02**	**-9 338 379,28**
Other operating revenue	32	68 541 173,15	30 936 463,08
Other operating expenses	33	85 177 995,60	88 494 615,14
Profit (loss) from operations		***-15 766 825,42***	**-66 896 531,34**
Finance income	34	6 128 128,11	118 838 968,35
Finance costs	35	89 059 598,32	49 863 347,09
Gross profit (loss)		-98 698 295,63	**2 079 089,92**
Income tax	36	-4 636 986,36	-6 585 203,96
Net profit (loss) from continuing operations		***-94 061 309,27***	**8 664 293,88**
DISCONTINUED OPERATIONS			
Net profit (loss) on discontinued operations		***-17 576 762,21***	**4 450 177,74**
Net profit (loss)		***-111 638 071,48***	**12 049 423,27**
Valuation of shares using the equity method			0,00
Minority profit (loss)		5 641 303,87	3 697 554,83
Net profit falling to:			
- Shareholders of the dominating entity		***-117 279 375,35***	**8 147 732,57**
- Non-controlling shares		***5 641 303,87***	**4 966 739,05**
Net profit		**-111 638 071,48**	**12 049 423,27**
Other comprehensive income			
Items that will not be reclassified to profit or loss in subsequent periods:			
- none			
Items that may be reclassified to profit or be reclassified to profit or loss in subsequent periods:			

- Foreign entity foreign exchange differences	-7 616 372,52	665 373,00
Total other comprehensive income	-119 254 444,00	12 714 796,27
Comprehensive income for the period	-119 254 444,00	12 714 796,27
- Including income attributable to minority capitals	6 026 175,01	5 098 633,30
- Including income attributable shareholders of the dominating entity	-125 280 619,01	7 616 162,97
Earnings per share from continuing and discontinued operations attributable to shareholders of the dominating entity during the year (in PLN)		
From continuing operations:	**-94 061 309,27**	**8 664 293,88**
- basic	-1,43	0,13
- diluted	-1,41	0,13
From discontinued operations:	**-17 576 762,21**	**4 450 177,74**
- basic	-0,27	0,07
- diluted	-0,26	0,07

Consolidated cash flow statement of the Capital Group
for the year ended on December 31, 2019

	01.01.2019-31.12.2019	01.01.2018-31.12.2018
Net profit (loss)	**-111 638 071,48**	**8 147 732,57**
Total adjustments	93 376 051,38	42 775 384,71
Amortisation and depreciation	15 295 936,37	15 925 755,89
Foreign exchange (profit) losses	0,00	13 030 873,50
Interest and shares in profits (dividends)	10 708 867,21	25 917 801,77
(Profit) loss on investment operations	16 849 049,50	-91 426 312,48
Change in provisions	-7 811 913,77	20 846 128,10
Change in inventories	408 932,76	12 614 508,37
Change in receivables without income tax receivables	90 664 174,15	169 131 270,27
Change in short-term liabilities, except for loans, borrowings and corporate income tax	-166 700 758,24	-68 485 111,39
Change in prepayments, accruals and deferred income	-18 818 489,85	-1 974 955,81
Other adjustments	152 780 253,25	-52 804 573,52
Net cash flows from operating activities	**-18 262 020,10**	**50 923 117,28**
Cash flows from investing activities		
Inflows	**71 317 001,15**	**143 408 746,04**
Disposal of intangible assets and property, plant and equipment	15 621 866,44	445 946,22
Disposal of investments in real property and intangible assets		0,00
From financial assets, including:	55 695 134,71	140 905 477,88
a) in related entities	4 577 478,34	29 999,99
Interest		0,00
b) in other entities	51 117 656,37	138 449 448,51
Interest		0,00
purchase of financial assets	51 117 656,37	85 700,62
Other investment inflows		2 027 321,95
Outflows	**25 199 563,94**	**492 482,44**
Purchase of intangible assets and property, plant and equipment	1 504 726,02	0,00
Investments in real property and intangible assets		0,00
For financial assets, including:	23 694 837,92	6 135,34
a) in related entities		0,00
purchase of financial assets		0,00
b) in other entities	23 694 837,92	6 135,34
purchase of financial assets	3 073 591,04	6 135,34
Other investment outflows	20 621 246,88	486 347,10
Cash flows from investing activities	***46 117 437,21***	**142 916 263,60**
Cash flows from financing activities		
Inflows	**289 934 029,64**	**151 959 730,43**
Loans and borrowings	279 662 674,33	107 971 620,91
Issue of debt securities		43 988 109,50
Net inflows from stock issue	49 581,50	0,00
Other financial inflows	10 221 773,81	0,00
Outflows	**336 136 016,13**	**350 428 387,92**
Dividends and other payments to shareholders		0,00
Profit distribution other than payments to shareholders		0,00
Repayment of loans and borrowings	321 435 757,51	231 829 578,82
Redemption of debt securities		44 285 509,42

Due to other financial liabilities		46 025 169,16
Payments of liabilities under finance lease agreements	3 991 391,41	0,00
Interest	10 708 867,21	28 288 130,52
Other financial outflows		0,00
Net cash flows from financing activities	***-46 201 986,49***	**-198 468 657,51**
Total net cash flows	-18 346 569,39	-4 629 276,63
Balance sheet change in cash, including:	-18 346 569,38	-4 629 276,63
change in cash due to exchange differences	0,00	0,00
Cash as at the beginning of the period	56 486 007,74	61 115 284,37
Cash at the end of the period	**38 139 438,35**	**56 486 007,74**

Other adjustments include:		
change in exchange differences	-7 616 372,51	665 373,00
change in investment real estate	5 054 065,99	0,00
managerial programme	0,00	456 401,64
changes in shares attributable to non-controlling shareholders	0,00	-53 926 348,16
minority profit	5 641 303,87	0,00
adjustment of the 2018 result in the group	8 502 459,68	0,00
resignation from option valuation	94 948 356,00	0,00
mergers	352 450,48	0,00
adjustment of Germany option	23 670 007,06	0,00
Total	**125 498 204,58**	**-52 804 573,52**

Consolidated statement of changes in equity of the Capital Group

01.01.2019-31.12.2019	Share capital	Supplementary capital	Reserve capital	Previous years' result	Exchange differences	Net result	Equity attributable shareholders of the dominating entity	Capital held by non-controlling shareholders
As at 31 December 2018	**6 509 482,30**	**236 084 819,51**	**-92 106 141,79**	**-52 622 554,11**	**-15 119 961,09**	**8 147 732,57**	**90 893 377,39**	**24 718 569,71**
Capital increase	49 581,50						49 581,50	
Net profit (loss) for the financial year						-117 279 375,35	-117 279 375,35	
Exchange differences due to the translation of financial statements of foreign entities					-7 616 372,52		-7 616 372,52	
Distribution of the 2018 result:		10 855,11					10 855,11	
Adjustment of the 2018 result		-102 025,59	23 836,95	-8 502 459,68			-8 580 648,32	
*Including WSSA adjustment of liabilities to ZUS**				*-1 5021 213,43*				
*Including WS Deutschland asset adjustment for deferred tax***				*- 6 981 246,25*				
Minority result							0,00	5 641 303,87
Profit carried forward		-1 401 044,66		9 548 777,23		-8 147 732,57	0,00	
Structural changes				352 450,48			352 450,48	
Cancellation of the valuation of the Prohuman option		94 948 356,00		-16 455 081,00			78 493 275,00	
Adjustment of option valuation		23 670 007,06					23 670 007,06	
Other		66,00	-194 546,05	-122 184,60			-316 664,65	
As at 31 December 2019	**6 559 063,80**	**353 211 033,43**	**-92 276 850,89**	**-67 801 051,69**	**-22 736 333,61**	**-117 279 375,35**	**59 676 485,70**	**30 359 873,58**

*- correction results from the balance of ZUS calculation liabilities to ZUS Agreement

**- correction results from accounting error and correction of this in 2019

Consolidated statement of changes in equity (comparatives)

01.01.2018-31.12.2018	Share capital	Other capital / supplementary capital	Capital from the valuation of options	Other capital / exchange differences from the translation of subordinated entities	Profit/loss brought forward	Net result	Equity attributable shareholders of the dominating entity	Capital held by non-controlling shareholders	Equity with capital held by minority shareholders
As at 31 December 2017	**6 509 482,30**	**232 879 346,83**	**-97 993 882,72**	**-15 785 334,10**	**44 214 392,84**	**-96 290 167,84**	**73 533 837,31**	**71 439 858,03**	**144 973 695,34**
Capital increase	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Net profit (loss) for the financial year	0,00	0,00	0,00	0,00	0,00	8 147 732,57	8 147 732,57	4 966 739,05	12 049 423,27
Exchange differences due to the translation of financial statements of foreign entities	0,00	0,00	0,00	665 373,00	0,00	0,00	665 373,00	0,00	665 373,00
FR adjustments carried forward (ITK and IFRS 9)	0,00	0,00	0,00	0,00	-12 214 512,46	0,00	--12 214 512,46	0,00	--12 214 512,46
Transfer of the previous year's result to supplementary capital	0,00	0,00	0,00	0,00	-96 290 167,84	96 290 167,84	0,00	0,00	0,00
Adjustment of previous years' capital Exact	0,00	0,00	0,00	0,00	59 212 166,13	0,00	59 212 166,13	-51 699 935,69	7 512 227,44
Repurchase of minority shares Exact	0,00	0,00	0,00	0,00	-33 053 631,56	0,00	-33 053 631,56	0,00	-33 053 631,56
Previous years' capital KCP, IPS, Czech	0,00	0,00	-36 405,16	0,00	-491 727,71	0,00	-528 132,87	0,00	528 132,87
	0,00	0,00	0,00	0,00	-13 804 442,43	0,00	-13 804 442,43	0,00	-13 804 442,43
Managerial programme	0,00	0,00	456 401,64	0,00	0,00	0,00	456 401,64	0,00	456 401,64
Sales 2% Careers	0,00	0,00	0,00	0,00	-9 908,32	0,00	0,00	9 908,32	9 908,32
Other	0,00	0,00	-275 936,87	0,00	-184 722,76	0,00	-470 563,94	2 000,00	-468 563,94
Option valuation adjustment	0,00	3 205 468,68	5 743 681,32	0,00	0,0o	0,00	8 949 150,00	0,00	8 949 150,00
As at 31 December 2018	**6 509 482,30**	**236 084 819,51**	**-92 106 141,79**	**-15 119 961,09**	**-52 622 554,11**	**8 147 732,57**	**90 893 377,39**	**24 718 569,71**	**115 652 186,10**

INTRODUCTION TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information about the Work Service Capital Group

1.1 Dominating Entity

Work Service SA is the dominating entity in the Work Service Capital Group. The registered office of the Dominating Company is in Wrocław, ul. Gwiaździsta 66. 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, the 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 SA is the successor of Work Service Spółka z o.o.

The core business of the Company according to the Polish Business Classification (PKD 7820Z) consists of the activity related to the recruitment and provision of personnel.

Work Service SA is an employment agency specialising in employment services, in modern human resource solutions, rendering services in the area of recruitment, provision of skilled workers to clients, consulting and human resource management.

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

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

Work Service SA operates under the Polish law. The legal basis for the Company’s activity: the Code of Commercial Companies and regulations of the General Meeting, Supervisory Board and Management Board.

1.2 Basic information about the Work Service Capital Group

Consolidated financial statements for 2019 was drawn up on the basis of separate financial statements of the Capital Group and compiled in a manner that the Group constitutes a single entity.

The consolidated statements are based on the report of the Dominating Company compiled in line with the International Financial Reporting Standards approved by the European Union and restated financial statements of subordinated companies. The consolidated financial statements were adjusted by amounts of mutual revenues, costs, unrealised margin and settlements resulting from transactions between Group entities.

Business profiles of companies being a part of the Capital Group:

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

The following business entities were a part of the Work Service Capital Group as at December 31, 2019:

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)	H-1146 Budapest,Hungaria korut 140-144	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

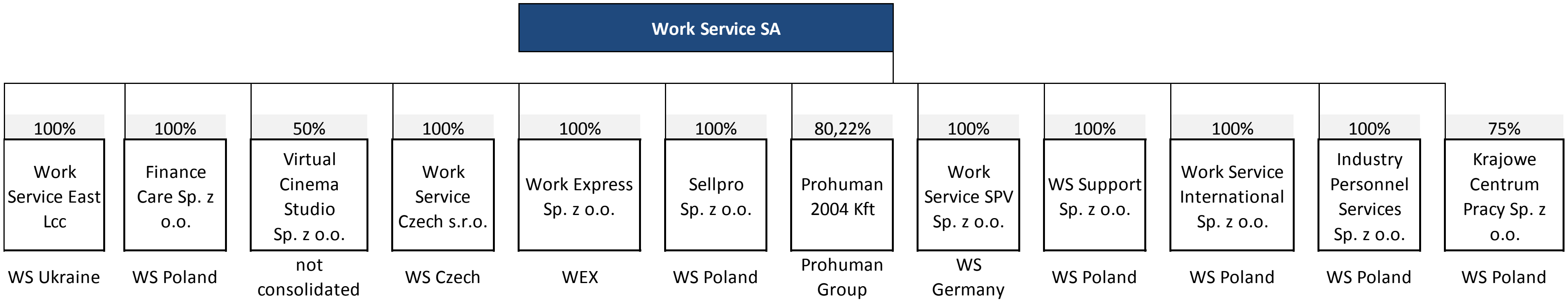
Disclosures concerning material subjective appraisals and assumptions (and changes of such appraisals and assumptions), adopted during assessment:

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.

Structure of the Work Service Capital Group as at 31.12.2019



Work Service International Sp. z o. o.

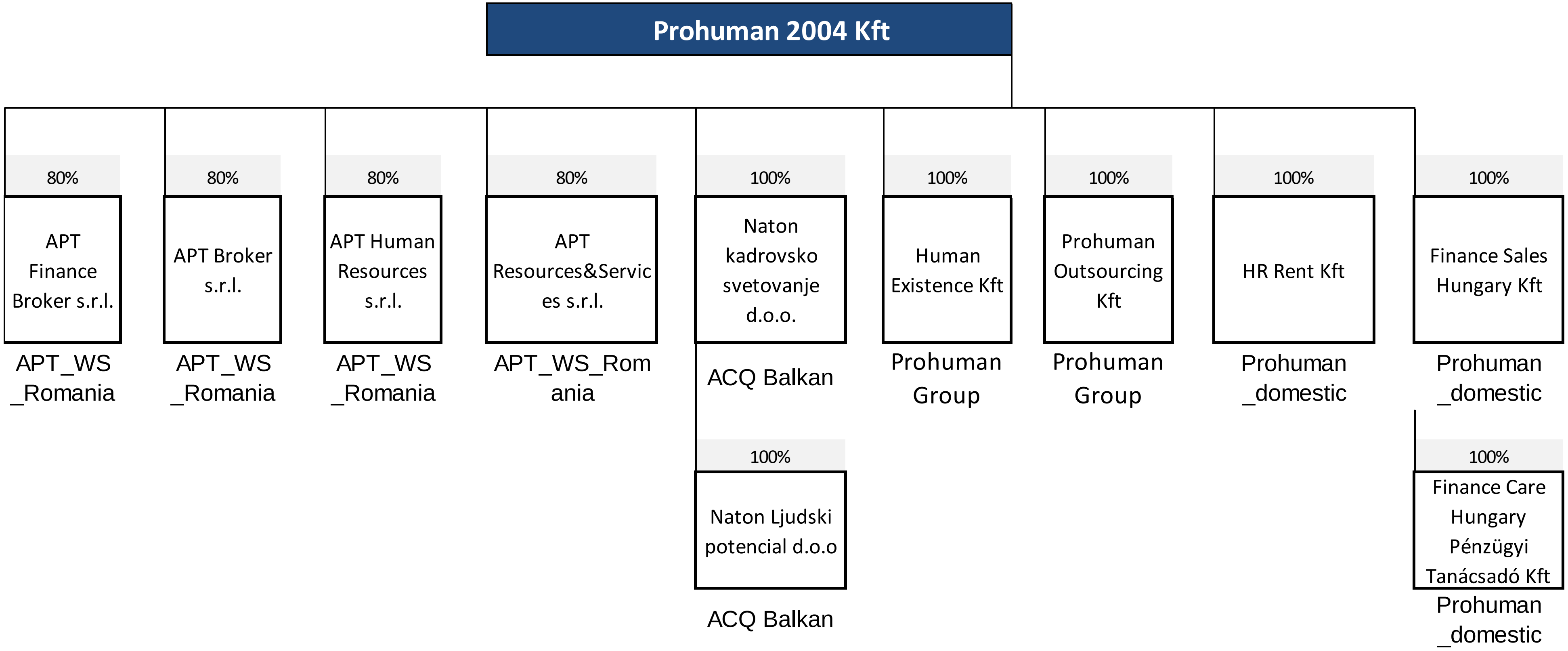
- 100% WorkPort 24 GmbH – not consolidated
- 22% Work Service Slovakia s.r.o. – WS Slovakia

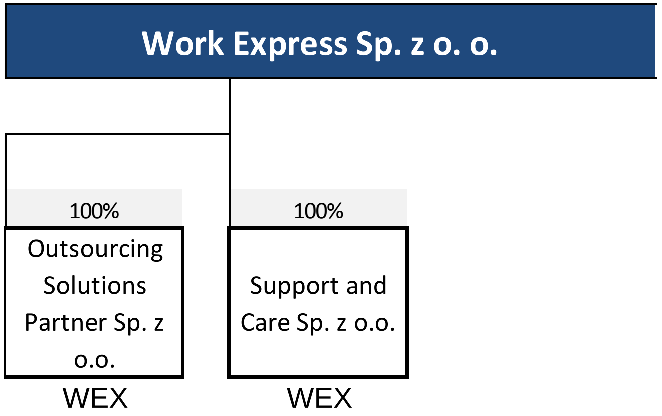
Industry Personnel Services Sp. z o.o.

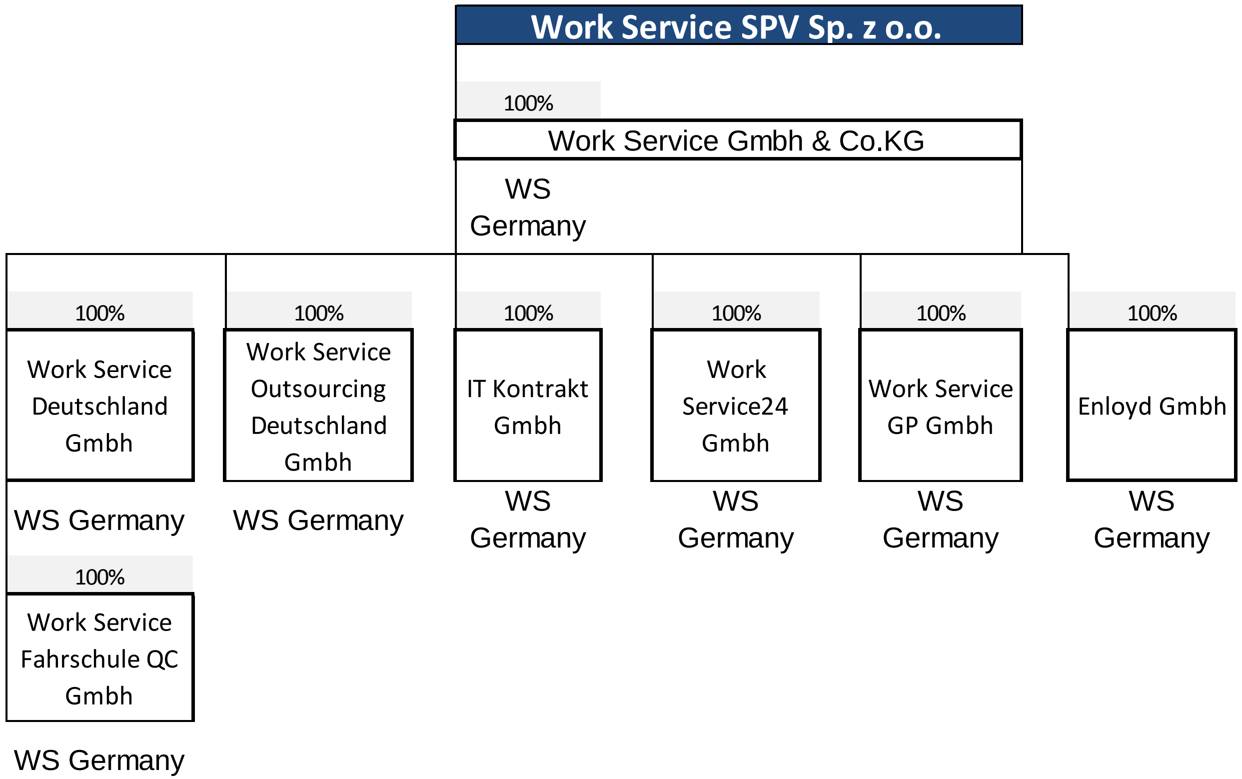
- 78% Work Service Slovakia s.r.o. – WS Slovakia
- 25% Krajowe Centrum Pracy Sp. z o.o. – WS Poland
  - 49% Kariera.pl Sp. z o.o. – WS Poland

Work Service Slovakia s.r.o.

- 100% Work Service Outsourcing Slovakia s.r.o. – WS Slovakia
- 100% Work Service SK s.r.o. – WS Slovakia
- 100% Antal International s.r.o. – WS Slovakia


Prohuman 2004 Kft
80%
APT Finance Broker s.r.l.
APT_WS _Romania
80%
APT Broker s.r.l.
APT_WS _Romania
80%
APT Human Resources s.r.l.
APT_WS _Romania
80%
APT Resources&Services s.r.l.
APT_WS_Romania
100%
Naton kadrovsko svetovanje d.o.o.
ACQ Balkan
100%
Naton Ljudski potencial d.o.o
ACQ Balkan
100%
Human Existence Kft
Prohuman Group
100%
Prohuman Outsourcing Kft
Prohuman Group
100%
HR Rent Kft
Prohuman _domestic
100%
Finance Sales Hungary Kft
Prohuman _domestic
100%
Finance Care Hungary Pénzügyi Tanácsadó Kft
Prohuman _domestic


Work Express Sp. z o. o.
100%
Outsourcing Solutions Partner Sp. z o.o.
WEX
100%
Support and Care Sp. z o.o.
WEX


Work Service SPV Sp. z o.o.
100%
Work Service Gmbh & Co.KG
WS Germany
100%
Work Service Deutschland Gmbh
WS Germany
100%
Work Service Fahrschule QC Gmbh
WS Germany
100%
Work Service Outsourcing Deutschland Gmbh
WS Germany
100%
IT Kontrakt Gmbh
WS Germany
100%
Work Service24 Gmbh
WS Germany
100%
Work Service GP Gmbh
WS Germany
100%
Enloyd Gmbh
WS Germany

1.3 Subject matter of the activity of companies being a part of the Work Service Capital Group

Work Service Capital Group renders human resource management services. It specialises in the search for and recruitment of skilled workers, personnel consulting, outsourcing of functions related to HR management and supporting processes in enterprises and offers solutions based on the use of agency work employment contracts. The Capital Group conducts business in all parts of the country via its regional offices and representatives and also abroad: in Europe and Asia. The activity of the Work Service Capital Group is based on the ability to combine the needs of enterprises relating to employment costs and structure optimisation with resources available in the labour market, i.e. the number of professionally active people, their qualifications and labour cost.

Work Service SA – is the Dominating Company in the Work Service Group. Its activity is based on the rendering of the following services: temporary work, personnel consulting, recruitment, competence evaluation, outplacement, human resource management and salary calculation.

Finance Care Sp. z o.o. — as part of cooperation with insurance companies and banks, Finance Care provides outsourcing services for these entities.

Industry Personnel Services Sp. z o.o. - carries out tasks related to the execution of projects involving the management of parts of or entire production plants.

Sellpro Sp. z o.o. - renders services related to recruitment and provision of workers, business and management consulting, activity related to databases, market research.

WS Support Sp. z o.o. - the Company conducts business covering end-to-end cleaning services for healthcare institutions, other public utility buildings and private facilities.

Work Service International Sp. z o.o. – renders services related to temporary work and recruitment of workers in international markets.

Work Service Czech s.r.o. – renders services related to temporary work, outsourcing and recruitment of workers in the Czech market.

Work Service Slovakia s.r.o. - the company is indirectly subordinated to Work Service SA through Industry Personnel Services Sp. z o.o., which is the majority partner and Work Service International Sp. z o.o. (that holds the rest of shares in Work Service Slovakia s.r.o.). The scope of service offered by the Company in Slovakia is equivalent to those offered by the Dominating Company in the domestic market.

Work Service Outsourcing Slovakia s.r.o. – the equity of the company was fully assumed by Work Service Slovakia s.r.o. The company conducts business, among other things, related to personnel consulting, compilation and sales of research and analyses of labour markets.

Work Service24 Gmbh – a company indirectly subordinated to Work Service SA, 100% owned by Work Service Gmbh & Co. KG. The headquarters of the company Hoppergarten near Berlin. The company conducts business involving job agency (including headhunting services and recruitment), hiring out of workers (temporary work), compilation and sales of research and analyses of labour markets.

IT Kontrakt Gmbh – a company indirectly subordinated to Work Service SA. The company dedicated to the service of the German market.

Krajowe Centrum Pracy Sp. z o.o. - the purpose of the company is activating people who are long-term unemployed and away from the labor market.

Work Express Sp. z o.o. – the company directly subordinated to the Dominating Company, with 100% shares held by Work Service SA. As a temporary employment agency, it offers end-to-end organisation of the employment process for temporary workers. Another line of business of the company consists of job agency and personnel consulting services. The third activity area consists of the process outsourcing services. Taking advantage of its knowledge and experience gained when rendering temporary employment services to enterprises from the TSL sector, the firm has created innovative solutions for clients in the following industries: IT, consumer electronics, clothing, food, heavy industry and online shops.

Outsourcing Solutions Partner Sp. z o.o. – a company indirectly subordinated to Work Service SA. 100% of shares of the company belong to Work Express Sp. z o.o. (100% subordinated to Work Service SA).

Support and Care Sp. z o.o. (LogistykaPL Sp. z o.o.) - a company indirectly subordinated to Work Service SA. 100% of shares of the company belong to Work Express Sp. z o.o. (100% subordinated to Work Service SA).

Prohuman 2004 Kft - a company directly subordinated to the Dominating Company, with 80.22% shares held by Work Service SA. The company is one of the largest job centres on the Hungarian market. Prohuman has been active on the

Hungarian market of personnel services since 2004. The Company is a part of the Prohume Group comprising five firms active in different areas (end-to-end HR services, merchandising, sales promotions, marketing events, telemarketing).

Prohuman Outsourcing Kft. - indirectly subordinated to Work Service SA. The company is 100% owned by Prohuman 2004 Kft (subordinated to Work Service SA in 80.22%).

Work Service SPV Sp. z o.o. - 100% subordinated to Work Service SA. Its establishment is related to the implementation of provisions contained in the agreement with Fiege Logistik Stiftung & Co. KG with the office in Greven, Germany.

Enloyd Gmbh – the company's business is equivalent to that of Antal Sp. z o.o. on the German market. The company's equity was fully assumed by Work Service Gmbh&Co.KG. The company was registered on 23.03.2015.

Antal International s.r.o. (Slovakia) – the company's business is equivalent to that of Antal Sp. z o.o. on the Slovak market. The equity of the company was assumed in full by Work Service Slovakia s.r.o, which is indirectly subordinated to Work Service SA.

Work Service Fahrschule QC Gmbh – a company indirectly subordinated to Work Service SA. The core business consists of specialist training for workers from the sector of logistics. The activity of the company focuses on the improvement of worker skills by making it possible for them to acquire additional licenses necessary to operate machinery and equipment used in the logistic sector. The company also executes driving courses for categories C+E for internal workers and for external clients.

Human Existence Kft. – a company indirectly subordinated to Work Service SA. The company is 100% owned by Prohuman 2004 Kft (subordinated to Work Service SA in 80.22%). The company offers the leasing of temporary workers and outsourcing. It operates in the north-eastern part of Hungary.

Work Service Fahrschule QC Gmbh – a company indirectly subordinated to Work Service SA. The business profile of the company consists of the job agency, the lease of workers (temporary work) and, in particular, activity in the sector of logistics. The company combines logistic know-how with knowledge of human resources and implements intelligent staff solutions for commerce and logistics. The company operates on the German market.

Work Service GmbH & Co. KG – a company indirectly subordinated to Work Service SA. Work Service SPV Sp. z o.o. holds 100% shares in the company.

Work Service Outsourcing Deutschland Gmbh – a company indirectly subordinated to Work Service SA. The company offers services related to the outsourcing of processes with a particular focus on logistics. The company operates on the German market. Its uniqueness consists of the training and guaranteed development of workers according to clients' needs. The training takes place in more than 100 locations of the firm of in the cooperation with its partners in Germany.

Work Service GP Gmbh – a company under the Austrian law. The company is the general partner of Work Service GmbH & Co. KG.

HR-Rent Kft. – the company renders temporary work services in Hungary and abroad (Austria, Germany).

Finance Sales Hungary Kft (Profield 2008 Kft.) – the company renders end-to-end agency services related to various financial products, i.e. financial service outsourcing.

Naton kadrovsko svetovanje d.o.o. (Slovenia) – the oldest HR agency in Slovenia. It occupies the second or third place depending on its size and on the number of temporary workers in Slovenia.

Naton Ljudski potencijali d.o.o. (Croatia) – the firm operates in the territory of Croatia specialising, in particular, in the pharmaceutical sector.

Work Service SK s.r.o. - a company indirectly subordinated to Work Service SA through Work Service Slovakia s.r.o. The scope of service offered by the Company in Slovakia is equivalent to those offered by the Dominating Company.

Finance Care Hungary Pénzügyi Tanácsadó Kft. - as a part of the cooperation with insurance companies and banks, the company provides outsourcing services to such entities on the Hungarian market.

APT Resources&Services s.r.l. - the firm was established in 1994. It mainly operates in the following industries: IT, banking and finance, engineering, retail trade, medicine and pharmaceutics. It renders services related to temporary work, recruitment and selection of workers and HR outsourcing.

APT Human Resources s.r.l. - the core business of the firm consists of temporary work services, mostly for the following industries: food production, energy, finance and banking, insurance.

APT Broker s.r.l. - the firm renders financial agency services for the banking sector.

APT Finance Broker s.r.l. - the firm renders financial agency services for the banking sector.

Work Service East Lcc – the firm offers agency services relating to the employment of workers abroad.

Kariera.pl Sp. z o.o. – a 50% subsidiary of Krajowe Centrum Pracy Sp. z o.o. The Company is the administrator of the "kariera.pl" service dedicated to premium segment candidates (employees and job offers for middle and senior managers and professionals).

WorkPort24 Gmbh – the company's business covers the management of an online job portal for international employers and workers as an instrument of a job agency, sales of personnel services and a place for advertising, sales and marketing of personnel services as well as the execution of training and certification of workers according to the requirements of local labour markets.

1.4 Information about changes in structure of the business entity, including as a result of a business entity mergers, acquisition or disposal of Capital Group entities, long-term investments, devision, restructuring and discontinued operations

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.

1.5 Presented reporting periods

These consolidated financial statements include the data as on 31 December 2019 and for the year ended 31 December 2019. Comparative data are presented as on 31 December 2018, for the consolidated statement of financial position and for the year ended 31 December 2018 on the consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity.

1.6 The duration of activities of the Capital Group

The duration of activities of the Capital Group is unlimited.

1.7 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.

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

- Przemysław Schmidt – Chairman of Supervisory Board
- Marcus Preston – Vice-Chairman of the Supervisory Board (delegated to fulfil the duties of the 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.

1.9 Major shareholders of the Parent Company as at the date of publication of this report

As at the date of this report, no preferred shares entailing voting rights or dividend were issued. All shares of the Dominating Entity are ordinary shares. The equity of Work Service SA amounts to PLN 6,559,063.80 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 series R shares with the nominal value of 10 grosz each,
- 225,750 series U shares with the nominal value of 10 grosz each,
- 98,315 series W shares with the nominal value of 10 grosz each.

The shareholding structure as at the compilation date of this report considering all notifications received by Work Service SA in the mode of art. 69 clause 1 sub-clause 1 of the act on public offering and the conditions of the introduction of financial instruments to an organised trade system and about public companies is presented in the table below.

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%**

ADDITIONAL INFORMATION TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Description of relevant accounting policies applied

2.1 Basis of preparation of financial statements

The annual consolidated financial statement of the Capital Group was prepared in accordance with International Financial Reporting Standards („IFRS"), approved by the European Union, applicable for annual periods commencing on 1 January 2019.

Certain Group entities maintain their accounting books in accordance with the policies (rules) specified in the Act on accounting of 29 September 1994 (the "Act") as amended and the regulations issued thereunder ("Polish Accounting Standards") or local standards. The consolidated financial statements include adjustments not included in the books of accounts of the Group were made to reconcile their financial statements to comply with IFRS.

Consolidated financial statements at 31 December 2019 have been prepared on the basis of the financial statements of the companies included the Capital Group in accordance with the historical cost principle.

2.2 Approval of the financial statements and information relating to the dividend paid

Separate financial statements of Work Service SA for the previous financial year, i.e. year 2019, was approved by Resolution No. 4/2019 at the meeting of the Ordinary General Meeting of Work Service SA on 25 June 2019. A consolidated financial statement of Work Service SA for the previous financial year, i.e. year 2019, was approved by Resolution No. 7/2019 at the Ordinary General Meeting of Work Service SA on 25 June 2019.

Pursuant to Resolution No. 5/2019 of the Ordinary General Meeting, adopted on 25 June 2019 Work Service S.A. decides to the profit generated by the Company in the year 2019 in the amount of PLN 12 472 771,84 will be allocated to cover losses from previous years.

2.3 Continuation of the activities

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

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. The repayment plan shall include periods with lower instalments, financed from current cash flows and periods with relatively higher instalments.

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:

1) **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.**
2) **Presentation changes in financial statements resulting from changes in entities included in so-called continued and discontinued operations.**

As a result of these changes, in this report all entities forming the capital group are so-called continued operations (also the conditional sale of German entities, since the agreement to sell these entities was concluded after the balance sheet date) with the exception of Antal Sp z o.o. and its subsidiaries, which were sold in Q4 of 2019.

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.

<u>Termination of the Call Option on 6 April 2020</u>

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.

The result on the sales transaction of Antal in the consolidated statement:

Revenues earned: 10 400 000,00

Costs incurred: 30 190 179,87

- trade mark 15 454 066,00

- goodwill 8 613 110,76

- the costs of exclusion of Antal - 6 123 003,11

The result on sales - 19 790 179,87

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 (continued operations) and a systematic reduction in operating costs to improve the profitability of the business;

The presented financial data relate to continued operations (data without the Antal group) for the 12-month period ended on 31 December 2019 and for the 12-month period ended on 30 September 2018.

The presented financial data in the scope of continued operations for the year ended on 31 December 2019 concern the entire group (excluding the Antal group). The comparative data for the year ended on 31 December 2018 also do not include the financial data of the Antal group or the Exact and Proservice groups sold before 2019.

The presented data in discontinued operations include:

– for the period 1 January 2019 - 31 December 2019 the Antal group and additionally the result on the sales transaction of Antal Sp z o.o. and the trademark of Antal, which was also assigned to discontinued operations.

- for the period 1 January 2018 - 31 December 2018, the Antal group, the Exact Group and ProService group were also consolidated during that period.

	01.01.2019-31.12.2019	01.01.2018-31.12.2018
Revenues	1 595 826 408,17	2 049 103 054,15
Net revenues from sales of products	1 594 382 542,71	2 052 206 974,23
Variation in stocks of products	1 443 865,46	-3 103 920,07
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	1 594 956 411,15	2 058 441 433,44
Depreciation	14 921 402,38	10 774 051,07
Consumption of materials and energy	5 506 132,95	5 217 127,19
Outside services	139 882 330,32	229 573 988,98
Taxes and charges	3 884 827,33	3 771 576,79
Remuneration	1 171 245 646,67	1 453 886 054,36
Social insurance and other benefits	243 312 697,02	321 586 408,93
Other generic expenses	16 203 374,49	33 632 226,11
Value of goods and materials sold	0,00	0,00
Profit (loss) on sales	869 997,02	-9 338 379,28
Other operating incomes	68 541 173,15	30 936 463,08
Other operating costs	85 177 995,60	88 494 615,14
Profit (loss) on operating activities	*-15 766 825,42*	-66 896 531,34
Financial incomes	6 128 128,11	118 838 968,35
Financial costs	89 059 598,32	49 863 347,09
Gross profit (loss)	-98 698 295,63	2 079 089,92
Income tax	-4 636 986,36	-6 585 203,96
Net profit (loss) from continued operations	*-94 061 309,27*	8 664 293,88

	01.01.2019-31.12.2019	01.01.2018-31.12.2018
Net revenues from sales of products	39 826 801,52	396 615 532,16
Operating costs	37 349 962,41	360 930 017,18
Other operating incomes	10 992 044,83	3 735 158,52
Other operating costs	30 954 038,90	-2 072 104,78
Financial incomes	28 991,62	-12 180 004,98
Financial costs	108 912,27	19 342 439,95
Gross profit (loss)	-17 565 075,61	9 970 333,34
including the result on sales of Antal and the trade mark of Antal	-19 790 179,87	0,00
Income tax	11 686,60	5 520 155,60
Profit for the financial year from discouted operations	-17 576 762,21	4 450 177,74
including the result on sales of Antal and the trade mark of Antal	-19 790 179,87	0,00

Comment on financial data of the continued operations.

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 as a result of operating activity (for continued operations);

The Management Board of the Company notes that as a result of operating activity continued in the year 2019 (as presented in point 4), a number of atypical events were identified, including:

I. **<u>Events and factors of an atypical nature improving operating result in a total amount of PLN 14 million, including:</u>**

1. Recognized atypical sales revenues in total amount of PLN 1 million, including, among others:
   - 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 PLN 13 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 4.3 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 with sale of cars approx. 0.13 million

II. <u>Events and factors of an atypical nature that deteriorate the operating result in a total amount of PLN 47.2 million, including, among others:</u>

1. costs of foreign services related, among others, to (i) advice (covered and not covered by restructuring reserves), (ii) settlement of cooperation with subcontractor and (iii) other in total amount of about PLN 7 million;
2. Costs of reserve for future employment reduction in one of the customers in the amount of about PLN 0.7 million
3. Recognized atypical other operating costs in the amount of PLN 39.5 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 5.8 million;
   - Other operating costs related to the adjustment of the value of assets in the balance sheet in total amount of about PLN 3 million;
   - Other operating costs related to the adjustment of the value of liabilities in the balance sheet in the total amount of about PLN 1.1 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 PLN 14.4 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 about PLN 2.5 million
   - Other operating costs due to the provision for estimated liabilities to PFRON in the amount of PLN 12.6 million

In view of the above (balance of points I and II in total), the impact of the identified atypical events taken into account in operating activity in point 6A is negative and amounts to approximately PLN 33.2 million.

The comparative data for 2018 for the continued operations presented in point 4 for 2018 also include atypical events that decrease operating profit in the total amount of PLN 74.7 million. These events were also presented in the published Capital Group report for 2018.

C. Recognition of atypical events in financial activity (for continued operations);

A loan write-off (including from Zao Work Service Russia) was made in the total amount of PLN 13.3 million. In addition, the Company's Management Board draws attention to several events of an atypical nature that deteriorate the result from financial activities.

Provision was made for interest related to estimated liabilities to PFRON of about 2.1 million.

A write-down of the company's value in Polish and German entities was carried out in total in the amount of PLN 60.8 million. This write-off is due to impairment (no expected profitability).

In particular, in the case of German companies, the aforementioned write-down was affected by material deterioration of the financial situation, and in consequence, a material change of financial forecasts in the current accounting year and in the consecutive years. Such situation resulted mainly from (i) the loss of a significant client from the logistic sector responsible for the significant part of the German business of WS group, (ii) limited demand for services in Germany on account of slowdown in the German market and iii) additionally, due to the COVID-19 pandemic since 2020. These factors alltogether drastically changed the assessment of economic and financial situation of conditionally sold in 2020 German group.

In the case of Polish companies, the aforementioned write-down concerned companies conducting cross-border transfer of employees and was related to the lack of proper demand for services in this scope, negative profitability of the activity conducted (relatively high fixed costs and a low scale of operations caused by the lack of sales growth), no prospects for a change of the situation in a short- and medium-term period. Therefore, the decision was made to slowly reduce operations in this area since 2020 so as to limit financial loss of the Capital Group on this account.

D. 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.

E. Creation of reserve for estimated liabilities to PFRON

The reserves for the amount of PLN 14.8 million were created for the expected estimated liabilities toward PFRON and charged the result of the current year (the cost of the reserve was partly included in operating activity and partly in financial activity and was included in the description under points B and C above).

Some Group companies have administrative procedures in place to determine the correct amount of state aid granted and paid from state fund for PFRON.

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.

II. 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 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 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 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.

2.4 Reporting currency

The measurement currency of the Parent Company and other companies included to the consolidated financial statements and the reporting currency of this consolidated financial statements is the Polish zloty. Functional currencies of other entities are: Euro, Czech Crown, Romanian Leu, Pound Sterling, Forint. Individual statements of foreign companies are converted to the four decimal places. Since the consolidated report is prepared with an accuracy of two decimal places, rounding and discrepancies in the totals may occur, at the level of decimal places.

2.5 Basic accounting principles

The Management Board of Work Service SA hereby declares that, to the best of our knowledge, the consolidated financial statements and comparative information have been prepared in accordance with the applicable accounting principles, and that the report give a true and fair view of the financial position of the Work Service Capital Group. Management Board jointly confirms that the report on Work Service Capital Group activity provides a true picture of the development and achievements of it position, including a description of the major threats and risks.

Rules (policies), adopted in these consolidated financial statements, have been applied consistently and in accordance with the accounting principles applied in the last audited annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) of the Work of service Capital Group.

Principles of consolidation

These consolidated financial statements include the financial statements of Work Service SA and the financial statements of its subsidiaries each time prepared for the year ended on 31 December 2019. The financial statements of subsidiaries, after adjustments made to ensure compliance with IFRS, are prepared for the same reporting period as the report of the parent company, using consistent accounting policies in accordance with uniform accounting policies for transactions and economic events of similar nature. In order to eliminate any differences in accounting methods, adjustments are made.

All significant balances and transactions between entities in the Group, including unrealised profits arising from intra-group transactions, are eliminated in full. Unrealised losses are eliminated unless they prove impairment.

Investments in subsidiaries

Subsidiaries are subject to consolidation from the date of becoming controlled by the Group and cease to be consolidated from the date that control ceases. The control exercised by the parent company occurs when it holds directly or indirectly through subsidiaries, more than half of the votes in the company, unless it can be clearly demonstrated that such ownership does not constitute control. Control is also exercised when the Company has the power to govern financial and operating policies of the entity.

Investments in subsidiaries

Investments in associated companies are accounted for using the equity method. These are entities over which the parent company directly or through its subsidiaries has significant influence and which are neither subsidiaries nor joint ventures. The financial statements of associates are the basis for valuation of the parent company using the equity method. The financial year of the associates and the parent company is the same. Associates apply accounting policies in accordance with the legal provisions relevant to their location. Before calculating the share of net assets of associates, there are the necessary adjustments made in order to bring the financial data of these entities into conformity with IFRS adopted by the Group.

Investments in associated companies are recognised in the balance sheet at purchasing cost plus the subsequent changes share of the parent company in net assets of these entities, less any impairment loss on the value. The share of the profits or losses of associated companies is reflected in the consolidated profit or loss. The adjustment of the balance value may also be necessary due to changes in the proportion of shares in associated company, arising from changes in other comprehensive income of that entity. Evaluation of investments in associated companies for impairment occurs when there are indications that an impairment loss occurred or write-down for impairment recognised in prior years is no longer required.

Joint venture shares

Shares in joint ventures in which the Group exercises joint control are recognised using the equity method. Before calculating the share in net assets of the joint venture, appropriate adjustments are made to bring their financial data of these entities into compliance with IFRS as adopted by the Group.

Evaluation of investments in jointly controlled entities for impairment occurs when there are indications that an impairment loss occurred or write-down for impairment recognised in prior years is no longer required.

Merger of business entities

Merger of entities and separated parts of business are accounted using the purchase method. The cost of merger of entities are measured at fair value (at the date of payment) of the assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the merger of entities. The acquirer's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 "Merger of business entities" are recognised at fair value at the acquisition date, except for non-current assets (or disposal groups) classified as held for sale in accordance with IFRS 5 "Non-current Assets held for Sale and Discontinued Operations", recognised and measured at fair value less costs of sale.

Conversion of items expressed in foreign currency

Transactions denominated in currencies other than the Polish zloty are converted into Polish zloty using the exchange rate prevailing on the transaction date.

At the balance sheet date, monetary assets and liabilities denominated in currencies other than the Polish zloty are converted into Polish zloty using the effective at the end of the reporting period average exchange rate for a given currency by the National Bank of Poland. Exchange differences, resulting from conversion, are recognised in financial income (expense) or, in cases of certain accounting principles (policy), capitalised in the value of assets. Non-monetary assets and liabilities, measured at historical cost in a foreign currency, are recorded at the historical exchange rate on the transaction date. Non-monetary assets and liabilities recognised at fair value in a foreign currency are converted at the exchange rate on the day of measurement to fair value.

At the reporting date the assets and liabilities of foreign subsidiaries are converted into the presentation currency of the Group at the exchange rate prevailing at the balance sheet date and their profit and loss accounts are converted at the weighted average exchange rate for the reporting period. Exchange differences arising on the conversion, are recognised directly in equity as a separate component. Individual statements of foreign companies are converted to the four decimal places. Since the consolidated report is prepared with an accuracy of two decimal places, rounding and discrepancies in the totals may occur, at the level of decimal places.

On disposal of a foreign entity, the accumulated deferred exchange differences, recognised in equity relating to that particular foreign operation, are recognised in the profit and loss account.

The following exchange rates were used for valuation purposes:

Currency	31 December 2019	31 December 2018
GBP	4,9971	4.7895
UAH	0,1602	0.1357
CZK	0,1676	0.1673
RON	0,8901	0.9229
EUR	4,2585	4.3000
HUF	0,0129	0.0134
CHF	3,9213	3.8166
USD	3,7977	3.7597

Average of average rates at the end of months for the reporting periods was as follows:

Currency	31 December 2019	31 December 2018
GBP	4,9106	4.8142
UAH	0,1502	0.1330
CZK	0,1676	0.1663
RON	0,9053	0.9165
EUR	4,3018	4.2669
HUF	0,0132	0.0133
CHF	3,8731	3.7081

USD	3,8440	3.6227

Selected financial data in the initial part of the report are presented in EUR in accordance with § 85 of the Regulation of Finance of 19 February 2009 (Journal of Laws 2014 pos. 133) The exchange rate as of the last day was used for balance sheet items and for items from the income statement and statement of cash flows, the average exchange rate during the period was used.

	Average EUR exchange rate in the period	EUR exchange rate on the last day of the period
01.01-31.12.2018	4.2669	4.3000
01.01-31.12.2019	4,3018	4,2585

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

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 asset are classified as operating leases.

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.

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.

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 Group 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.

Other capitals represents capital from fair value measurement of financial assets classified as financial assets available for sale.

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 Group'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 (orba 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.

2.6 The effect of application of new accounting standards and changes in accounting policies

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 Group 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 Group. As at the date of first application, the Group 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 Group 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 Group applied the following practical solutions approved by the standard:

- as at the date of first application of IFRS 16, the Group did not re-assess whether a contract is a lease or whether it contains a lease; The Group 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 Group 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 consolidated statement of financial position directly before the day of first use,
- contracts whose lease term ends in 2019, the Group 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 Group 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.

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
Right to use – initial value	14 193 867,29	14 193 867,29
Amortisation	-	5 067 658,76
Liabilitues	14 193 867,29	9704 481,08
Cost of interest		1 101 323,23
THE OTHER COMPANIES FROM THE GROUP		
Right to use – initial value	11 070 623,74	10 613 367,40 zł
Amortisation		1 684 861,18 zł
Liabilitues	11 070 623,74	10 817 965,12 zł
Cost of interest		360 621,26 zł

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 Group 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 consolidated 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.

2.7 Explanations regarding the seasonality of cyclicality of activities of the Capital Group in the presented period

The current activity of the Work Service Capital Group is not seasonal.

However, we draw attention to the atypical event related to the COVID-19 pandemic, described in the "Additional information to the consolidated financial statement" under the "Continuation of the activities" section, which may cause non-typical fluctuations in monthly sales revenues.

2.8 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;
- 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
- The probability of settling the element of deferred income tax assets against future tax profits is based on the budgets of the companies from the Group approved by the dominant Company's Management Board. If forecasted financial results show that the companies from the Group earn sufficient taxable income, deferred income tax assets are presented in the full value.
- *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 6, 7, 8, 15 and 21 of this consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 Intangible assets

1.1 Intangible assets	31.12.2019	31.12.2018
a) costs of completed development works	0,00	0,00
b) goodwill	281 848 281,08	351 096 736,76
c) advances for intangible assets	23 853 553,69	4 121 938,51
d) other intangible assets	2 671 821,33	30 993 298,42
Total intangible assets	308 373 656,10	**386 211 973,69**

NOTE 2 Goodwill

2.1. Goodwill	31.12.2019	31.12.2018
a) goodwill - subsidiaries	281 848 281,08	351 096 736,76
b) goodwill - jointly controlled entities	0,00	0,00
c) goodwill - associates	0,00	0,00
Total goodwill	**281 848 281,08**	**351 096 736,76**

2.2. Goodwill	31.12.2019	31.12.2018
Polish Group	19 315 989,20	19 315 989,20
Antal Sp. z o.o.	0,00	8 613 110,76
Prohuman Group	255 407 066,58	255 407 066,58
Work Express Group	0,00	35 733 470,62
Fiege	0,00	25 105 842,00
APT Group	7 125 225,30	6 921 258
Total goodwill	281 848 281,08	351 096 736,76

Change in goodwill of subsidiaries is a consequence of the events described in detail in section 1.4. Information about the Capital Group.

Assets with an indefinite useful life, such as goodwill, are not subject to depreciation but are tested annually for possible impairment. Goodwill which final settlement took place earlier than a year ago are subject to Impairment test. The remaining goodwill, because of the low risk of impairment is not subject to test. An impairment loss is recognised in the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount constitutes the higher of the two amounts: fair value of assets less costs of sale or value in use

Goodwill arose in the process of the purchase price allocation of M & A transactions carried out by the Parent Company of Work Service Capital Group; has been fully allocated to the acquired group that is considered cash-generating units. Article 81 of IAS 36 states that: "In many cases, assignment of goodwill to individual cash-generating units is not possible, there is, however, possible to assign goodwill to groups of units. As a result, the lowest level at which goodwill is monitored in the entity for internal management purposes, includes in some cases, a number of cash-generating units to which the goodwill relates, but cannot be assigned. Therefore, a reference to the cash-generating unit in paragraphs 83 - 99 should be interpreted as a reference to the group of units to which goodwill has been allocated."

The specified groups are coherent economic entity which performs alone individual elements of the process and the services implemented for the final client have a substantially homogeneous nature; in the Board's opinion there is no need to extract -within specified groups - units generating lower order cash flow, and then testing them for impairment,. Each of the following groups is also a separate unit, for which partial budget of the annual budget of the Capital Group is prepared.

Summary of the above groups with regard to goodwill assigned to it at the end of 2019, is presented in the following table.

Specification	Balance sheet value at 31 December 2019	Balance sheet value at 31 December 2018
Group Polska	19 315 989,20	19 315 989,20
Antal Sp. z o.o.	0,00	8 613 110,76
Group Prohuman	255 407 066,58	259 518 052,91
Work Express	0,00	35 733 470,62
German Group	0,00	21 277 984,81
Group APT	7 125 225,30	6 638 128,46
Total goodwill	**281 848 281,08**	**351 096 736,76**

Polish Group include: Finance Care Sp. z o.o., Industry Personnel Services Sp. z o.o., Sellpro Sp. z o.o., Krajowe Centrum Pracy Sp. z o.o. and WS Support Sp. z o.o., Work Service International Sp. z o.o., and Kariera Sp. z o.o. The object of activity of those companies is discussed in item 1.3. of introduction to the consolidated financial statements.

Prohuman Group includes Prohuman 2004 Kft with its seat in Hungary - direct subsidiary of Work Service SA and its subsidiaries: Prohuman Outsourcing Kft, Human Existance Kft., Finance Care Hungary Kft, HR GLOBAL d.o.o., HR Rent Kft, Finance Sales Hungary Kft (Profield 2008 Kft), Naton kadrovsko-svetovanje d.o.o The object of activity of those companies is discussed in item 1.3. of introduction to the consolidated financial statements.

APT Group includes APT Resources & Services, APT Human Resources, APT Broker, APT Finance Broker.

Work Express Group includes Work Express Sp. z o.o. – direct subsidiary of Work Service SA and its subsidiaries: Outsourcing Solutions Partner Sp. z o.o., Support and Care Sp. z o.o. The object of activity of those companies is discussed in item 1.3. of introduction to the consolidated financial statements.

German Group includes Work Service Outsourcing Deutschland GmbH, Work Service Deutschland GmbH, Work Service GmbH & Co. KG, Work Service Fahrschule QC GmbH., Work Service GP Gmbh, Work Service 24 Gmbh. The object of activity of those companies is discussed in item 1.3. of introduction to the consolidated financial statements.

In relation to goodwill allocated to groups, in accordance with IAS 36, the value in use of the value of the company was measured as "the current estimated value of future cash flows which are expected due to the further use of an asset or a cash generating unit" (hereinafter: "value in use of cash generating units")
Future cash flow was measured on the basis of operating profit forecast (EBIT), increased by the forecast amortisation, forecast investment costs and forecast working capital for each of the above mentioned groups of companies.
Future cash flow was discounted by the forecast WACC pre-tax, where the weight of own and borrowed capital cost were measured on the basis of the carrying value. The result of the measurement ("measurement of the current value of a cash generating unit") was compared to the value of the company of a group of companies which was the subject of measurement, plus business receivables (trade receivables, receivables due to taxes and insurance, receivables claimed at court, other receivables), minus prepaid trade liabilities, tax, customs duty and insurance liabilities and payroll liabilities (hereinafter: "value in carrying amount of cash generating units"). In addition, in the case of Prohuman Group, the measurement of the current value of the cash generating unit was adjusted by forecast expenses due to the recognised acquisition liabilities (related to the purchase of shares in HR Global d.o.o, HR Rent Kft, Profield 2008 Kft companies by Prohuman 2004).

Moreover, it has been assumed that after the forecast period, for the purpose of calculation, that the growth rate of free cash flow will amount to 0%, with the exception of Prohuman Group where the index amounts to 2.5%.

The result of impairment tests and goodwill adjustments

As a result of works related to impairment tests and as a result of events described in detail in the "Additional information to the consolidated financial statement" under the "Continuation of activities" section, the following events were recognized:

1) Due to the sale of Antal Sp. z o.o., the parent company made a write-off of goodwill in the fourth quarter of 2019.
2) At the end of 2019, the value of the German Group was adjusted in the light of a test carried out which showed low profitability and ability to generate cash flows in the future, in particular the following assumptions were made for this site:
    - Revenue dynamics for 2020: -27.7%
    - Revenue dynamics for 2024: +11.7%
    - Direct margin dynamics* as % of revenues for 2020: +14.0%
    - Direct margin dynamics* as % of revenues for 2024: +13.9%
    - Intermediate cost dynamics for 2020: -21.4%
    - Intermediate cost dynamics for 2024: +3.1%
    - Discount rate — WACCpre-tax in 2020: 9.8 %
    - Goodwill before test (in PLN): 25.106
    - Goodwill after test (in PLN): 0

3) At the end of 2019, the Work Express Group reduced its estimated value of future cash flows due to the unrealised 2019 budget and the lack of profitability of its current operations in 2020r and plans to significantly reduce its involvement in the services provided by the Work Express Group and consequently its assumptions if there is no long-term follow-up for these entities, a total goodwill write-off at this site was assumed.

4) The following assumptions were adopted for the Polish Group:
    - Revenue dynamics for 2020: -25.4%
    - Revenue dynamics for 2024: +14.8%
    - Direct margin dynamics* as % of revenues for 2020: +7.7%
    - Direct margin dynamics* as % of revenues for 2024: +8.2%
    - Intermediate cost dynamics for 2020: -42.0%
    - Intermediate cost dynamics for 2024: +3.9%
    - Discount rate — WACCpre-tax in 2020: 8.72%
    - Goodwill before test (in PLN): 19,316
    - Goodwill after test (in PLN): 19,316

5) The company value for the Prohuman Group is (000 PLN 255,407

The goodwill for the APT Group is (in thousand PLN 7,125

For Prohuman and APT Groups, clause 99 of IAS MSR 36 has been applied, i.e. tests conducted in the previous period were adopted as the amount of valuation in the current period due to the fact that in the previous year they presented high surplus of recoverable value and low probability that the recoverable value obtained in the course of current valuation would be lower than the current value of the unit.
Additionally, stress tests were conducted.

For the Prohuman Group and the APT Group, it was assumed that the tests performed year ago were up to date due to stress-testing, assuming a hypothetical assumption of significant revenue decline in 2020 (due to COVID-19), had shown adequate surpluses of the estimated value in use of the site over the carrying amount of the site. Therefore, the Issuer did not adjust the goodwill associated with the Prohuman 2004 kft group. In addition, we note that the value of the Prohuman group resulting from the assumptions included in the multilateral agreement concluded on 3 July 2019 between Work Service

S.A. and, the Hungarian companies: Human Investors Kft., Profólió Projekt Tanácsadó Kft. And Prohumán 2004 Kft, described in the "Additional information to the consolidated financial statement" under the "Continuation of the activities" section, refers to the carrying amount of the cash-generating unit.

NOTE 3 Tangible fixed assets

3.1. Tangible fixed assets	31.12.2019	31.12.2018
a) fixed assets, including:	18 270 053,18	10 966 269,32
- land (including the right of perpetual usufruct)	408 996,00	638 456,80
- buildings, premises and civil engineering facilities (including the right of use)	14 673 593,06	5 371 159,94
- technical equipment and machinery	682 254,11	974 487,91
- means of transport (including the right of use)	1 793 775,57	2 936 161,39
- other fixed assets	711 434,45	1 046 003,29
b) fixed assets under construction	15 386,21	756 618,33
c) advances on fixed assets under construction	9 000,00	0,00
Tangible fixed assets, total	**18 294 439,39**	**11 722 887,65**

3.2. Fixed assets recorded off-balance.
There was no fixed assets recorded off-balance.

NOTE 4 Investment real estates

In the consolidated balance sheet, the value of investment properties is PLN 2 390 231,55.
A property was obtained on the basis of a notarial act Rep. A no. 5148/2017 on May 31st 2017 from IT Kontrakt Sp. z o.o. The property covers a developed, 0,0806 plot of land no. 8/46, including the ownership title to the existing one-storey building. As at the balance-sheet day, the property is let by the Company.

NOTE 5 Other financial assets

5.1 Other long-term financial assets	31.12.2019	31.12.2018
a) in subsidiaries	0,00	0,00
- stocks or shares	0,00	0,00
b) in associated companies consolidated using the equity method	0,00	0,00
Write-downs of other financial assets	0,00	0,00
b) in other entities	351 374,34	248 155,07
shares	154 524,20	10 002,68
other securities	131 202,98	132 481,58
loans granted	65 647,16	65 498,24
other long-term financial assets	0,00	40 172,57
Long term financial assets-total	**351 374,34**	**248 155,07**

5.2 Change in other gross long-term financial assets	31.12.2019	31.12.2018
a) balance at the beginning of the period	10 002,68	30 000,00
- shares	10 002,68	30 000,00
b) increases	144 521,52	0,00
- shares	144 521,52	0,00
c) decreases	0,00	19 997,21
- shares –change in consolidation method	0,00	19 997,32
d) balance at the end of the period	154 524,20	10 002,68

- shares	154 524,20	10 002,68

5.3 Other assets	31.12.2019	31.12.2018
Other long-term assets	0,00	82 663,87
Other short-term assets	0,00	0,00
Total other assets	**0,00**	**82 663,87**

In 2018, other financial assets are other long-term receivables or profit on financial transactions in progress.
There are no other financial assets in 2019

NOTE 6 Change in assets due to deferred income tax

The Company recognised deferred tax assets based on management's estimates of the tax base in future reporting periods, indicating the possibility of implementation of the above assets. These estimates have been made based on the information available at the time of preparation of the financial statements. These estimates may change in the future as well as the actual tax base in future reporting periods and as a result the amount of recognised deferred tax assets may differ from these estimates.
In the periods presented, assets and liabilities of deferred tax assets were not compensated, as the temporary differences arising from the different titles and reversed in different periods are not subject to compensation.

Term of the possibility of utilisation of tax losses are presented in the following table:

12 ,0 mln	10,0mln	0,2mln	0,0mln
2020	2021	2022	2023

6. Change in assets due to deferred income tax	31.12.2019	31.12.2018
1. Balance of deferred tax assets at the beginning of the period, including:	**44 010 880,64**	**20 347 522,35**
a) charged to financial result	44 010 880,64	20 347 522,35
- provision for future costs	8 397 084,87	3 425 955,99
- write-downs of receivables	3 251 535,90	265 971,46
- provision for Social Security	10 690 335,46	7 397 186,18
-other	555 913,25	322 767,92
b) charged to financial result of the period due to tax loss	21 116 011,39	8 935 640,80
2. Increases	**47 701 216,17**	**25 959 707,46**
a) charged to financial result in respect of deductible temporary differences (due to)	38 900 812,06	25 959 707,46
- provision for future costs	6 732 899,93	5 889 668,55
- write-downs of receivables	2 213 938,95	3 444 834,27
- provision for Social Security	4 653 896,46	3 679 614,61
-other	5 300 076,72	765 219,67
b) charged to financial result of the period due to tax loss	28 800 404,11	12 180 370,36
c) charged to equity in connection with the deductible temporary differences (due to)	0,00	0,00
d) charged to equity in connection with tax loss	0,00	0,00
e) charged to goodwill or excess of the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost in relation to deductible temporary differences (due to)	0,00	0,00
3. Decreases	**37 108 798,58**	**2 296 349,17**
a) charged to financial result in respect of deductible temporary differences (due to)	17 622 191,71	2 296 349,17

- provision for future costs	11 586 815,17	918 539,67
- write-downs of receivables	0,00	459 269,83
- provision for Social Security	5 405 301,94	386 465,33
-other	630 074,60	532 074,34
b) charged to financial result of the period due to tax loss	19 486 606,87	0,00
c) charged to equity in connection with the deductible temporary differences (due to)	0,00	0,00
d) charged to equity in connection with tax loss	0,00	0,00
e) charged to goodwill in connection with the deductible temporary differences (due to)	0,00	0,00
4. Balance of deferred tax assets at end of period including:	**54 603 298,46**	**44 010 880,64**
a) charged to financial result	54 603 298,46	44 010 880,64
- provision for future costs	3 543 169,63	8 397 084,87
- write-downs of receivables	5 465 474,85	3 251 535,90
- provision for Social Security	9 938 929,98	10 690 335,46
-other	5 225 915,37	555 913,25
- In connection with tax loss	30 429 808,63	21 116 011,39

NOTE 7 Inventories

7.1 Inventories	31.12.2019	31.12.2018
a) materials	261 888,44	272 553,91
b) semi-finished products and products in progress	6 764 813,94	7 233 935,88
c) finished products	0,00	0,00
d) goods	435 121,15	365 210,33
e) advances for deliveries	943,83	0,00
Total value of inventories	7 462 767,36	7 871 700,12

7.2 Change in inventory write-downs	31.12.2019	31.12.2018
Balance at the beginning of the period	0.00	0.00
a) increases	0.00	0.00
b) utilisation	0.00	0.00
c) termination	0.00	0.00
Total inventory write-downs	**0.00**	**0.00**

The position of semi-finished products and products in progress constitutes mainly activated costs relating to the execution of contracts invoiced in the next period.

NOTE 8 Trade and services receivables and other receivables

As on 31 December 2018, trade receivables and other gross receivables amounted to PLN 262 477 120,42. Write-downs on receivables were created according to the best knowledge and experience Capital Group by way of a detailed risk analysis of debt repayment. The costs and revenues associated with the establishment and termination of write-downs are recognised in the income statement in other operating activities.

8.1. Short-term receivables	31.12.2019	31.12.2018
- from related entities	0,00	11 050 732,47
- from deliveries and services, by maturity:	0,00	3 188 052,47
- up to 12 months	0,00	3 188 052,47

-other	0,00	7 862 680,oo
b) receivables from other entities	231 558 202,28	311 142 054,34
- from deliveries and services, by maturity:	185 425 581,98	231 713 645,02
- up to 12 months	181 441 561,43	227 729 624,47
- over 12 months	3 984 020,55	3 984 020,55
- due to taxes, subsidies, customs, social security and health insurance and other benefits	12 753 218,08	11 602 275,38
-other	33 379 402,22	67 826 133,94
- judicial		0,00
Net short term receivables, total	**231 558 202,28**	**322 192 786,82**
Write-downs of receivables value	30 918 918,14	16 190 687,10
Gross short-term receivables, total	**262 477 120,42**	**338 383 473,92**

8.2. Change in write-downs on short term receivables	31.12.2019	31.12.2018
Balance at the beginning of the period	16 190 687,10	4 091 001,17
decreases due to transfer to assets held for sale	0,00	0,00
a) increases	14 728 231,04	12 099 685,93
from acquisition of new companies	0,00	0,00
formation of a write-down	14 728 231,04	12 099 685,93
b) decreases, including		0,00
utilisation	0,00	0,00
reversal of write-down	0,00	0,00
Balance of write-downs of the value of short term receivables at the end of the period	**30 918 918,14**	**16 190 687,10**

NOTE 10 Cash and cash equivalents

Cash at bank and in hand and short-term deposits held to maturity are measured at nominal value.

10.1. Cash and cash equivalents	31.12.2019	31.12.2018
a) cash in hand and at bank	38 134 382,15	56 429 037,23
b) other cash	3 054,98	2 642,45
c) other cash assets	2 001,23	54 328,07
Cash and cash equivalents, total	**38 139 438,36**	**56 486 007,74**

10.2 Cash and other cash assets (currency structure)	31.12.2019	31.12.2018
a) in domestic currency	13 431 775,74	22 081 489,39
b) in foreign currencies	24 707 662,62	34 404 518,35
Cash and other cash assets, total	**38 139 438,36**	**56 486 007,74**

10.3. Cash	31.12.2019	31.12.2018
Cash related to assets held for sale	0,00	0,00
Cash and cash equivalents	38 139 438,36	56 486 007,74
Total cash	**38 139 438,36**	**56 486 007,74**

Note 11 Prepayments and accruals

11. Prepayments and accruals	31.12.2019	31.12.2018
– property insurance	255 723,04	162 588,35
– counselling	9 455,04	138 501,19
– rental	42 842,82	268,62

– usługi finansowe		0,00	46 534,87
– IT support		8 950,26	72 261,49
– other, including:		3 634 731,15	4 698 636,31
– the cost of the acquired projects, which will be activated in the future		0,00	563 836,35
– materials		366 032,30	397,27
– EH&S costs		0,00	23 493,18
– financial prepayments and accruals		337 612,08	083,59
	- organization of foreign offices	346 380,00	0,00
	- advertising	89 453,23	0,00
	- BSC (balanced Scorecard implementation)	151 296,43	0,00
Prepayments and accruals, total		**5 242 476,36**	**6 021 790,83**

NOTE 12 Share capital of the Parent Company

12.1 Share capital of the Parent company as at 31.12.2019

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 numer of shares					**65 590 638**
Total share capital in PLN					**6 559 063.80**
The nominal value of one share in PLN					**0.1**

We present below the data on the ownership structure of share capital of the Parent Company and the number and nominal value of subscribed shares, including preferred shares.

Shareholding on 31 December 2019

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%
Hanczarek Tomasz	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%**

The summary of shares of the Company or rights to them by persons managing and supervising the Company at the date of the report for year 2019, together with changes in ownership, in the period since the previous report separately for each person.

Akcjonariusz	As at the date of publication of this statement	Changes in ownership: acquisition (disposal)	Balance at the date of this statement	Nominal value of the held shares (PLN) as of the date of this statement
Iwona Szmitkowska - President of the Board of the Directors	0	0	0	0
Jarosław Dymitruk - Vice-President of the Board of Directors	14 562	0	14 562	1 456,20

NOTE 13 Other capital

Due to the fact that some of the companies in Work Service Capital Group transmits the results for the given year to the "Retained earnings from previous years", and some companies to the "Supplementary capital", capitals are considered together (in the balance sheet presented as supplementary capital) . The following table shows the amount of retained earnings from previous years (the sum of the supplementary capital and retained earnings from previous years net of agio).

The Company has no own shares in its possession or in the possession of subsidiaries and affiliates, nor the shares reserved for issuance under options and agreements for the sale of shares.

13.1. Other capital	31.12.2019	31.12.2018
Formed as a result of the excess of the issue price over its nominal value	216 928 011,48	216 927 945,48
From the results of previous years	107 525 560,19	108 915 749,74
From the merger of companies	- 576 660,59	-474 635,00
Managers programme	5 664 115,29	5 664 115,29
Obligation to purchase additional shares in Prohuman 2004 Kft	0,00	-94 948 356,00

adjustment of Germany and Exact option	23 670 007,06	0,00
Total	353 211 033,43	**236 084 819,51**

13.2. Capital from the valuation of options	31.12.2019	31.12.2018
Valuation of option related to Fiege	0,00	8 949 150,00
Total	0,00	**8 949 150,00**

NOTE 14 Non-controlling equity

14. Non-controlling shares	31.12.2019	31.12.2018
Non-controlling shares at the beginning of the period	24 718 569,71	**71 439 858,03**
Changes in the structure of shareholders in subsidiaries	5 641 303,87	4 966 739,05
Exclusion of Exact	0,00	-51 699 935,69
Sale of 2% in Kariera	0,00	11 908,32
Non-controlling shares at the end of the period	30 359 873,58	**24 718 569,71**

NOTE 15 Provision for deferred income tax

15. Change in liabilities due to deferred income tax	31.12.2019	31.12.2018
1. Balance of the provision for deferred income tax assets at beginning of the period, including:	4 459 965,97	**2 265 636,42**
a) charged to financial result	4 459 965,97	2 220 035,61
- Unrealised interest on loans	2 728 471,93	1 094 855,43
- the difference in the value of fixed assets	432 586,68	77 321,00
-other	1 298 907,36	1 047 859,19
b) charged to equity	0,00	45 600,81
c) charged to goodwill	0,00	0,00
2. Increases	588 157,89	**2 667 548,66**
a) charged to financial result	588 157,89	2 667 548,66
- Unrealised interest on loans	34 354,33	1 761 134,43
- the difference in the value of fixed assets	713,47	369 487,68
-other	553 090,09	536 926,55
b) charged to equity	0,00	0,00
c) charged to goodwill	0,00	0,00
3. Decreases	1 179 274,42	**473 219,11**
a) charged to financial result	1 179 274,42	473 219,11
- Unrealised interest on loans	2 701,82	127 517,93
- the difference in the value of fixed assets	404 840,68	14 222,00
-other	771 731,92	285 878,37
b) charged to equity	0,00	45 600,81
c) charged to goodwill	0,00	0,00
4. Balance of the provision for deferred income tax assets at the end of the period, including:	3 868 849,44	**4 459 965,97**
a) charged to financial result	3 868 849,44	4 459 965,97
- Unrealised interest on loans	2 760 124,44	2 728 471,93
- the difference in the value of fixed assets	28 459,47	432 586,68
-other	1 080 265,53	1 207 705,75
b) charged to equity	0,00	0,00
c) charged to goodwill	0,00	0,00

NOTE 16 Liabilities for employee benefits

In 2018 a provision was created for retirement benefits in the amount of: PLN 14 084 136.03, including: short term amount is PLN 13 800 734.25 and long-term one is PLN 283 401.78.

In 2019 a provision was created for retirement benefits in the amount of: PLN 11 556 757,32, including: short term amount is PLN 11 277 149,79 and long-term one is PLN 279 607,53.

NOTE 17 Other long-term liabilities

17. Other long-term liabilities	31.12.2019	31.12.2018
a) Other financial liabilities	7 513 099,63	4 707 761,91
b) Other long-term liabilities	9 880 177,97	2 370 898,66
c) due to issuance of debt securities	0,00	43 988 109,50
d) credits and loans	374 271,95	109 331 275,46
Other long-term liabilities, total	**17 767 549,55**	160 398 045,53

Changes in the items of long-term liabilities are caused by their reclassification to short-term liabilities.

NOTE 18 Trade liabilities and other liabilities

18.1. Trade and other liabilities	31.12.2019	31.12.2018
a) liabilities to related entities	0,00	-25 238,01
b) to other entities	462 905 720,11	534 045 126,83
- other financial liabilities	11 951 056,67	4 534 620,58
- for deliveries and services with a maturity of:	27 930 312,16	53 349 544,96
up to 12 months	27 917 384,06	52 822 706,55
- advances for deliveries	1 863 218,27	34 416,34
- for taxes, duties, insurance and other benefits	179 460 879,05	198 811 688,42
- payroll liabilities	57 220 612,83	67 325 679,53
- other liabilities	48 770 653,13	162 450 342,43
- credits and loans	135 714 592,25	47 538 834,56
c) due to issuance of debt securities	45 396 882,91	0,00
Trade and other liabilities, total	**508 308 207,25**	**534 019 888,81**

Leasing liabilities
The table below shows the leasing liabilities as on 31 December 2019 and the comparative figures as on 31 December 2018.

18.2. Leasing liabilities	31.12.2019	31.12.2018
Within 1 year	11 951 056,67	4 534 620,58
Within 1 to 5 years	7 513 099,63	4 707 761,91
Over 5 years	0,00	0,00
Total	**19 464 156,30**	**9 242 382,49**

The financial liabilities consist of leasing and factoring liabilities. A large drop in the liabilities in 2019 results from repayment of obligations and limited use of factoring.

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
			balance as on 31.12.2019 (net)		**43 850 000**	**TOTAL, including:**	**43 850 000**
						short-term	43 850 000
						long-term	0,00
						adjusted purchase price	43 988 109,50

variable interest rate (*) = WIBOR 3M + interest margin at 3.87 pp

The table below presents data concerning the amount of liabilities under intra-group issuance of bonds in the amount according to the adjusted selling price and at the nominal value as of 31.12.2019.

Intra-group 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
ICO	7 750	variable (*)	1 000	2020-12-31	7 750 000**		7 750 000,00
			balance as on 31.12.2019 (net)		**7 750 000**	**TOTAL, including:**	**7 750 000,00**
						short-term	0,00
						long-term	7 750 000,00

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 20 Credits and loans

20.1 Credits and loans	31.12.2019	31.12.2018
a) Credits	120 303 528,89	151 280 091,19
b) loans	15 785 335,30	5 590 018,83
Total credits and loans	**136 088 864,19**	**156 870 110,02**
Long-term credits and loans, total	374 271,95	109 331 275,46
Short-term credits and loans, total	135 714 592,25	47 538 834,56

20.2 Credits by maturity date	31.12.2019	31.12.2018
Up to 1 year	15 623 988,06	47 538 834,56
Total credits, including:	**15 785 335,30**	**53 128 853,39**
- Long-term	161 347,24	5 590 018,83
- Short-term	15 623 988,06	47 538 834,56

Generally, financial resources management of Work Service Capital Group is subject to achievement of core business aims of the Company, which consists of:

- Implementation of the sales strategy and, as a consequence, ensuring access to the relevant factoring lines;
- Optimisation of operating costs.

The Group currently uses various sources of external financing such as:

- factoring

- lease
- loans
- bonds

However, we draw attention to the objectives and restructuring measures described in detail in the "Additional information to the consolidated financial statement" under the "Continuation of the activities" section.

20.4. Zobowiązania z tytułu kredytów i pożyczek na dzień 31.12.2019

Nazwa (firma) jednostki	Kwota kredytu/ pożyczki wg umowy		Kwota kredytu/ pożyczki pozostała do spłaty		Warunki oprocentowania	Termin spłaty	Zabezpieczenia
Kredyty:	PLN	waluta	PLN	waluta			
Bank BGŻ BNP Paribas	22 070 000	PLN	17 861 785,96	PLN	WIBOR 1M + 2.0%	30-09-2020	zastaw na rachunkach bankowych, umowa przelewu praw z polisy ubezpieczeniowej na zabezpieczenie, umowy zabezpieczeń na aktywach, umowy zabezpieczeń na udziałach i akcjach, oświadczenia o poddaniu się egzekucji
Bank Millennium S.A.	22 070 000	PLN	21 885 902,48	PLN	WIBOR 1M + 2.0%	30-09-2020	j.w.
Bank Zachodni BZ WBK	22 070 000	PLN	21 733 298,06	PLN	WIBOR 1M + 2.0%	30-09-2020	j.w.
Raiffeisen Bank Polska	22 070 000	PLN	21 449 015,65	PLN	WIBOR 1M + 2.0%	30-09-2020	j.w.
PKO Bank Polski	22 070 000	PLN	22 070 200,00	PLN	WIBOR 1M + 2.0%	30-09-2020	j.w.
Karty kredytowe	brak	PLN	31 388,79	PLN	brak	brak	brak
UniCredit leasing CZ a.s.	40 823,67	CZK	23 803,81	CZK	różne w różnych umowach	28.09.2020	b.d.
ŠkoFIN s.r.o	629 852,45	CZK	384 052,33	CZK	różne w różnych umowach	różne w różnych umowach	b.d.
ČSOB Leasing	1 456 515,51	CZK	126 673,05	CZK	różne w różnych umowach	różne w różnych umowach	b.d.
Inne środki pieniężne	brak	PLN	1 115,49	PLN	brak	brak	brak
Inne środki pieniężne	brak	PLN	798,47	PLN	brak	brak	brak
Inne środki pieniężne	brak	PLN	60,86	PLN	brak	brak	brak
Inne środki pieniężne	brak	PLN	434,34	PLN	brak	brak	brak
Inne środki pieniężne	brak	PLN	248,62	PLN	brak	brak	brak
Inne środki pieniężne	brak	PLN	1 191,08	PLN	brak	brak	brak
Inne środki pieniężne	brak	PLN	261,62	PLN	brak	brak	brak

20.4. Zobowiązania z tytułu kredytów i pożyczek na dzień 31.12.2019							
Inne środki pieniężne	brak	PLN	111,06	PLN	brak	brak	brak
Citibank	44 381 700,00	HUF	14 673 006,12	PLN	"O/N" BUBOR + Bank margin	brak	gwarancje udziałowców
Citibank	brak	HUF	1 437,54	HUF	brak	brak	brak
Citibank	brak	HUF	1 125,50	HUF	brak	brak	brak
Citibank	brak	HUF	1 566,89	HUF	brak	brak	brak
UNICREDIT BANK	895 300,00	RON	54 569,57	RON	2.5%+ ROBOR 3M	04.09.2020	Należności i weksle własne
UNICREDIT BANK	brak	RON	5 688 150,88	RON	2.5%+ROBOR 3M	04.09.2020	limit w rachunku bieżącym
Porsche Leasing Romania SRL	brak	RON	219 621,21	RON	różne w różnych umowach	03.04.2023	samochód w leasingu
Abanka	brak	EUR	774 408,23	EUR	2,10%	16.05.2021	cesja wierzytelności, weksel, oświadczenie prohuman
Addico bank	brak	EUR	4 471 424,70	EUR	różne w różnych umowach	różne w różnych umowach	cesja wierzytelności, weksel, oświadczenie prohuman
Gorenjska Banka	brak	EUR	638 775,00	EUR	3,00%	brak	weksel,cesja wierzytelności
Total credit			**120 303 528,89**				
Total loans			**15 785 335,30**				

Zobowiazania z tytułu kredytów na dzień 31.12.2018

Nazwa (firma) jednostki	Kwota kredytu/ pożyczki wg umowy		Kwota kredytu/ pożyczki pozostała do spłaty		Warunki oprocentowania	Termin spłaty	Zabezpieczenia
Kredyty:	PLN	waluta	PLN	waluta			
Bank BGŻ BNP Paribas	22 070 000	PLN	18 392 642,07	PLN	WIBOR 1M + 2.0%	2020-03-31	zastaw na rachunkach bankowych, umowa przelewu praw z polisy ubezpieczeniowej na zabezpieczenie, umowy zabezpieczeń na aktywach, umowy zabezpieczeń na udziałach i akcjach, oświadczenia o poddaniu się egzekucji
Bank Millennium S.A.	22 070 000	PLN	21 965 077,22	PLN	WIBOR 1M + 2.0%	2020-03-31	j.w.
Bank Zachodni BZ WBK	22 070 000	PLN	20 070 354,97	PLN	WIBOR 1M + 2.0%	2020-03-31	j.w.
Raiffeisen Bank Polska	22 070 000	PLN	21 722 552,48	PLN	WIBOR 1M + 2.0%	2020-03-31	j.w.
PKO Bank Polski	22 070 000	PLN	21 961 894,84	PLN	WIBOR 1M + 2.0%	2020-03-31	j.w.
Karty kredytowe	brak	PLN	42 584,59	PLN	brak	brak	brak
Inne aktywa pieniężne	brak	PLN	11 150,59	PLN	brak	brak	brak
UniCredit leasing CZ a.s.	40 823,67	CZK	116 173,79	CZK	różne w różnych umowach	2019-08-24	b.d.
ŠkoFIN s.r.o	629 852,45	CZK	511 918,43	CZK	różne w różnych umowach	różne w różnych umowach	b.d.
ČSOB Leasing	1 456 515,51	CZK	74 270,99	CZK	różne w różnych umowach	różne w różnych umowach	b.d.
Karty kredytowe	brak	PLN	292,17	PLN	brak	brak	brak
Porsche leasing	brak	EUR	23 169,60	EUR	7,65%	2021-02-25	samochód
Citibank	44 381 700,00	PLN	35 588 637,10	PLN	"O/N" BUBOR + Bank margin	brak	gwarancje udziałowców
UNICREDIT BANK	895 300,00	RON	11 732,82	RON	2.5%+ ROBOR 3M	2019-12-06	Należności i weksle własne
UNICREDIT BANK	brak	RON	4 040 417,71	RON	2.5%+ROBOR 3M	2019-12-06	limit w rachunku bieżącym
Porsche Leasing Romania SRL	brak	RON	8 982,97	RON	różne w różnych umowach	2019-06-20	samochód w leasingu
Abanka	brak	EUR	896 034,00	EUR	2,10%	2019-05-16	cesja wierzytelności, weksel, oświadczenie prohuman
Addico bank	brak	EUR	5 159 999,87	EUR	różne w różnych umowach	różne w różnych umowach	cesja wierzytelności, weksel, oświadczenie prohuman
Gorenjska Banka	brak	EUR	645 000,00	EUR	3,00%	2019-06-20	weksel,cesja wierzytelności
Karta kredytowa MP	brak	UAH	37 204,98	UAH	b.d.		b.d.
Suma kredytów w PLN			**151 280 091,19**				

Liabilities under loans as at 31.12.2018							
Name (business name) of the entity	Amount of credit/loan under the agreement		Amount of credit/loan outstanding		Interest terms	Maturity date	Securities
Loans:	**PLN**	**currency**	**PLN**	**currency**			
YEZERRO HOLDINGS	4 090 000,00	PLN	4 090 000,00	PLN	8,50%	2020-06-07	no
IT CONTRACT & CONSULTING SMELA MARCELI	1 500 000,00	PLN	1 500 000,00	PLN	8,00%	b.d.	guarantee and statement on submission to enforcement of Mr. Tomasz Misiak and Mr. Tomasz Hanczarek
		Total loans in PLN	**5 590 018,83**				

Currency breakdown on credits and loans				
Currency	**31.12.2019**		**31.12.2018**	
	Bank loans (acc. to agreement)	**Loans (acc. to agreement)**	**Bank loans (acc. to agreement)**	**Loans (acc. to agreement)**
PLN	105 040 230,53	15 785 335,30	104 166 548,93	5 590 018,83
CZK	3 189 314,98		4 198 226,00	
RON	6 698 507,64		4 400 404,70	
UAH	0,00		274 170,82	
EUR	1 381 849,93		1 563 768,25	
HUF	1 139 087 005,00		2 657 058 168,00	
LOANS AND CREDITS IN TOTAL CONVERTED TO PLN	136 088 864,19		156 870 110,02	
INCLUDING THE ADJUSTED PURCHASE PRICE	0,00		0,00	
LOANS AND CREDITS IN TOTAL	136 088 864,19		156 870 110,02	

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

- Constant increase in value of Work Service Capital Group through consistent and effective implementation of the strategy
- Optimisation of operating costs
- Ensuring optimal financing conditions, enabling the implementation of the development plans of Capital Group
- Constant access to diverse sources of funding
- Gradual improvement of the debt ratio of the Group, owing to the adopted strategy

The Group manages the available loan financing by diversifying its source, optimising its costs and choosing the source according to the purpose.

Consequently, the Group uses different sources, such as:

- overdrafts
- investment loan
- bonds
- factoring

As in the case of earlier periods, in the year of maturity of the financial debt, the Group conducts advanced negotiations with financial institutions concerning debt refinancing to subsequent multiannual periods.

The Company conducts negotiations with many partners to ensure achievement of the goal before the date of maturity of the existing credit agreements and bonds.

NOTE 21 Rezerwy na pozostałe zobowiązania i inne obciążenia

21.1 Provisions for other liabilities and charges	31.12.2018	Transfer to provisions held for sale	Increase	Use	Reverse	31.12.2019
I. Rezerwy na zobowiązania) Rezerwy długoterminowe, w tym:	**48 454 913,39**	**-**	**-**	7 184 079,24	627 834,53	**40 642 999,62**
1. Rezerwa z tytułu odroczonego podatku dochodowego- rezerwa na świadczenia emerytalne i podobne	4 459 965,97	-	-	-	591 116,53	3 868 849,44
2. Rezerwa na świadczenia emerytalne i podobne- inne (rozliczenia międzyokresowe bierne)	14 084 136,03	-	-	2 527 378,71	-	11 556 757,32
- długoterminowa) Rezerwy krótkoterminowe, w tym:	283 401,78	-	-	3 794,25	-	279 607,53
- krótkoterminowa- rezerwa na świadczenia emerytalne i podobne	13 800 734,25	-	-	2 523 584,46	-	11 277 149,79
3. Pozostałe rezerwy- inne (rozliczenia międzyokresowe bierne)	29 910 811,40	-	14 000 000,00	4 656 700,53	14 036 718,00	25 217 392,86
- długoterminowe	1 265 108,43				36 718,00	1 228 390,43
- krótkoterminowe	28 645 702,96	-	**14 000 000,00**	4 656 700,53	14 000 000,00-	23 989 002,43

21.2 Provisions for other liabilities and charges	31.12.2017	Transfer to provisions held for sale	Increase	Use	Reverse	31.12.2018
a) Long-term provisions, including:	1 786 043,76	-	1 477 846,99	164 150,64	-	3 099 740,11

- provision for retirement benefits and similar	447 552,42	-	-	164 150,64	-	283 401,78
- other (accruals)	1 338 491,34	-	1 477 846,99	-	-	2 816 338,33
b) Short-term provisions, including:	29 781 618,57	-	41 279 824,19	7 476 419,26	-	63 585 023,50
- of unused annual leave	21 277 153,51	-	-	7 476 419,26	-	13 800 734,25
- other (accruals)	8 504 465,06	-	41 279 824,19	-	-	49 784 289,25
Total provisions	**31 567 662,33**	**-**	**42 757 671,18**	**7 640 569,90**	**-**	**66 684 763,61**

NOTE 22 Determining the book value per share and earnings per share

Basic earnings per share is calculated by dividing the net profit for the period attributable to ordinary shareholders of the Parent Company by the weighted average number of issued ordinary shares outstanding during the period.
Diluted earnings per share is calculated by dividing the net profit for the period attributable to ordinary shareholders (after deducting interest on redeemable preference shares convertible into ordinary shares) by the weighted average number of ordinary shares outstanding during the period (adjusted for the effects of dilutive options and dilutive redeemable preference shares convertible into ordinary shares).

22. Earnings per share	31.12.2019	31.12.2018
The calculation of basic earnings per share		
Earnings	-111 638 071,48	12 049 423,27
(A) Earnings attributable to shareholders of the company	-117 279 375,35	8 147 732,57
No. of shares		
(B) Number of ordinary shares of the Company for the purposes of calculating earnings per share	65 590 638	65 094 823,00
Basic earnings per share in PLN = (A)/(B)	-1,79	0,19
Book value		
(C) Equity attributable to shareholders	59 676 485,70	90 893 377,39
Book value per share in PLN = (C)/(B)	0,91	1,40
EPS		
(D) Earnings for the calculation of EPS	-117 279 375,35	8 147 732,57
(E) Number of shares fully diluted	66 332 644	65 836 829,00
Diluted earnings per share in PLN = (D)/(E)	-1,77	0,12

NOTE 23 Long-term financial assets of Work Service

In the table below we present the shares that the company Work Service SA held in the subsidiaries as of 31.12.2019 and 31.12.2018. Descriptions of acquisitions made in 2019 are included in section 1.4. of introduction to these consolidated financial statements.

	31/12/2019		31/12/2018	
Company name	Value of shares held	Percentage of share capital	Value of shares held	Percentage of share capital
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%	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%	57 599 597,2	100%
WS Support 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	100%	2 799 915,20	75,0%
WS East	55 643,89	100%	4 316,60	100%
Group Work Express	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 Investments Sp. z o.o.	0,00	0%	5 000,00	100%
Fundacja Work Service S.A.	10 000,00	100%	10 000,00	100%
Total	**306 844 967,05**		**504 337 984,67**	

In 2019, the Antal group was sold.

The value of shares in the individual Work Service S.A. report concerning Prohuman 2004 kft was reduced due to the waiver of the redemption of the minority package as a consequence of the conclusion of a multilateral agreement on 3 July 2019 between Work Service S.A. and the Hungarian companies: Human Investors Kft., Profólió Projekt Tanácsadó Kft. and Prohumán 2004 Kft., described in the "Additional information to the consolidated financial statement"" under the "Continuation of the activities" section.

As on the date of the statement, the Group is not unconditionally obliged to repurchase the package from minority shareholders at the agreed amount of PLN 86 mln. The liability has ben classified as conditional liability.

Moreover, due to the expected restructuring involving a significant reduction in the scale of the Work Express group entities, the shares in Work Express were written off at 100%.

The Work Service SPV was covered by a 100% write-off due to the anticipated restructuring of the company after the sale of German assets.

More detailed information on deinvestments is presented in the "Additional information to the consolidated financial statement" under the "Continuation of the activities" section.

NOTE 24 The risk associated with financial instruments and method of the risk management

This note presents a description of the risks associated with financial instruments.

At the same time we draw attention to the material risks are described in the "Additional information to the consolidated financial statement"" under the "Continuation of the activities" section.

The company's operations are exposed to various financial risks - credit risk, liquidity risk and market risk, including fluctuations in exchange rates and interest rates. The Capital Group manages all elements of financial risks described below, that may have a significant impact on its operations in the future, putting in the process greatest emphasis 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 Group 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.

Liquidity risk

The Company manages liquidity risk by maintaining appropriate cash balances, as well as ensuring access to funds in the form of credit lines and other external sources of financing. 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.

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, in relation to the instalment agreements concluded with the Social Insurance institution (ZUS), companies from the Capital Group pay arrears in instalments in 2019. The Management Board notes that in the absence of adequate funding, both the Company and the companies from the Capital Group may additionally be exposed to the liquidity risk.

At the same time, we note that information on debt restructuring and the status of the processes connected with the acquisition of financing was presented in the "Additional information to the consolidated financial statement" under the "Continuation of the activities" section.

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 liabilities and obligations for the goods and services are not exposed to interest rate risk because the revenues and expenses of these titles are irrelevant.

Financial liabilities (interest bearing) in foreign currency are a minority of the Group's total financial liabilities, so changes in the basic interest rates in the countries in which these loans were incurred (Germany, Hungary, Czech Republic, Slovakia, Romania, Slovenia) will not significantly affect the Group's financial costs.
Since these loans are incurred in the currency in which the revenue is generated, there is no need to use other hedging tools than natural hedge.

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:
    - foreign receivables and liabilities,
    - cash denominated in foreign currencies,
    - 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, for example, 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. In order to mitigate the risks, the conclusion of a contract is preceded by appropriate information on the contractor and its financial condition and an analysis of the contractual clauses, in order to prevent arbitrary interpretation of the clauses. 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 contractor. The management of this risk in the Capital Group consists in preventing the conclusion of contracts with contractors whose financial standing does not guarantee the repayment of the capital employed in the performance of the agreement or, for example, the policy of covering 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. If:
  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.

Internal instruments, i.e. natural hedging, are used in the Capital Group to hedge foreign exchange risk, 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,

and in the case of companies belonging to the Capital Group, whose significant part of the transaction takes place in currencies other than the local currency, also forward transactions.

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.

Financial Risk Management

Financial risk factors
Activities of the Capital Group 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 Capital Group focuses on minimising potential adverse effects of these risks on its financial performance.

Interest rate risk
The Capital Group 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. Moreover, the Group uses a non-revolving long-term debt in the form of bonds issued — both the loan and bonds bear variable interest rates.

Risk of currency exchange rate change
The Group is slightly exposed to the risk of exchange rate changes due to the fact that the income and expenses of most companies in the Capital Group are generated in one currency. This situation makes it unnecessary for the Capital Group to use tools to hedge the risk of a large-scale exchange rate change.

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 of not receiving 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.
Receivables from contractors are monitored regularly by the financial services and, in the event of even a slight overpayment, a recovery procedure is triggered. 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. Furthermore, due to the nature of the services provided by the Capital Group, the recipients attach particular attention to the timely settlement of their liabilities, hence the relatively low proportion of trade receivables, which are the subject of debt collection operations of the Group's financial services.

Moreover, the work Service Capital Group also uses the full-time factoring tool for short-term financing. 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. Full factoring shall enable the influence of funds on the factorer account to a maximum of 2 days after the invoice notification, the transfer of the debtor's (recipient) default risk, the receipt of current information on the receivables, which in consequence increases liquidity, the collateral against the risk of non-payment by the payee (debtor), it also allows verification of the recipient (debtor) and of the transactions carried out.
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 Group is exposed to liquidity risk arising from the ratio of current liabilities to current assets. Liquidity risk of the Group may result from the mismatch of payment terms of short-term receivables and liabilities. The purpose of the Management Board of the Group 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 factoring lines. In order to correlate the planned inflows with the planned outflows, payment terms are always negotiated before signing the contract. Diversification of the recipient's budget is also of significant importance for protection against liquidity risk.

Financial Instruments

The table below presents the main financial instruments used by the Group in 2018-2019.

24.3.1. Categories of financial instruments:	31.12.2019	31.12.2018
Financial assets	224 649 278,10	**332 176 895,60**
Cash and cash equivalents	38 139 438,36	56 486 007,74
receivables from deliveries and services	185 425 581,98	234 901 697,49
loans granted	1 080 519,34	40 785 314,19
other financial assets	3 738,42	3 876,18
Financial liabilities	220 992 843,99	**272 374 061,96**
bank credits and advances received	135 714 592,25	156 870 110,02
bonds	45 396 882,91	43 988 109,50
other financial liabilities	11 951 056,67	9 242 382,49
liabilities from deliveries and services	27 930 312,16	53 324 309,95
liabilities from valuation of options	0,00	8 949 150,00

24.3.2.			Contracted cash flows 2019		
Financial assets	**Current value**	**Total**	**up to 1 year**	**1 to 5 years**	**>5 years**
Measured at fair value by financial result	0,00	0,00	0,00	-	-
Measured at depreciated cost method	271 133 272,74	271 133 272,74	270 781 898,40	351 374,34	-

24.3.3.			Contracted cash flows 2019		
Financial liabilities	**Current value**	**Total**	**up to 1 year**	**1 to 5 years**	**>5 years**
Measured at fair value by financial result	0,00	0,00	0,00	-	-
Measured at depreciated cost method	220 992 843,99	220 992 843,99	203 449 636,09	17 543 207,90	-

24.3.4.			Contracted cash flows 2018		
Financial assets	**Current value**	**Total**	**up to 1 year**	**1 to 5 years**	**>5 years**
Measured at fair value by financial result	56 486 007,74	56 486 007,74	56 486 007,74	-	-
Measured at depreciated cost method	275 690 886,86	275 690 886,86	275 690 886,86	-	-

24.3.5.			Contracted cash flows 2018		
Financial liabilities	**Current value**	**Total**	**up to 1 year**	**1 to 5 years**	**>5 years**
Measured at fair value by financial result	18 191 532,49	18 191 532,49	13 483 770,58	4 707 761,91	-
Measured at depreciated cost method	246 532 529,47	246 532 529,47	100 963 144,51	145 569 384,96	-

NOTE 25 Transactions between related entities and transactions with members of the Management Board

In the period from 1 January 2019 until 31 December 2019 Work Service SA was a party to the transaction with related parties which within a specified period or part thereof held or still hold such status.

In accordance with IAS 24, relating to disclosure of transactions on related entities, adopted in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards, the following entities shall be deemed to be related entities of Work Service SA in 2019:

1. Criterion - Management Board members, Supervisory Board members:

a) Iwona Szmitkowska – President of the Management Board
b) Jarosław Dymitruk – Vice President of the Management Board
c) Paul Andrew Christodoulou - Vice President of the Management Board (till 10 September 2019)
d) Tomasz Ślęzak – Vice President of the Management Board (till 24 January 2019)
e) Przemysław Schmidt – Chairman of the Supervisory Board
f) Marcus Preston – Vice-Chairman of the Supervisory Board
g) Pierre Mellinger – Member of Supervisory Board
h) Paweł Ruka – Member of Supervisory Board
i) Tomasz Bujak – Member of Supervisory Board
j) Piotr Żegleń – Member of Supervisory Board
k) Tomasz Wojtaszek – Member of Supervisory Board
l) Robert Oliwa – Member of Supervisory Board
m) Andrzej Witkowski – Member of Supervisory Board
n) Paweł Paluchowski – Member of Supervisory Board (since 8 October 2019 till 17 October 2019)
o) Maciej Krzysztof Witucki – Chairman of the Supervisory Board (till 17 October 2019)
p) Tomasz Misiak – Vice-Chairman of the Supervisory Board (till 8 October 2019)
q) Tomasz Hanczarek – Member of the Supervisory Board (till 8 October 2019)
r) Panagiotis Sofianos – Member of Supervisory Board (till 8 October 2019)
s) John Leone – Member of the Supervisory Board (till 16 May 2019)
t) Krzysztof Kaczmarczyk – Member of the Supervisory Board (till 7 May 2019)
u) Everett Kamin – Member of the Supervisory Board (till 7 May 2019)
v) Piotr Maciej Kamiński – Member of the Supervisory Board (till 7 May 2019)
w) Robert Ługowski – Member of the Supervisory Board (till 6 May 2019)

2. Criterion - shareholders:

a) WorkSource Investments S.a.r.l.
b) Central Fund of Immovables Sp. z o.o.
c) ProLogics (UK) LLP
d) Tomasz Misiak
e) Tomasz Hanczarek

3. Criterion - the share of equity in the subsidiary:

a) Finance Care Sp. z o.o.
b) Industry Personnel Services Sp. z o. o.
c) Antal Sp. z o.o. (till 23 December 2019)
d) Work Service International Sp. z o.o.
e) WS Support Sp. z o.o.
f) Sellpro Sp. z o.o.
g) Krajowe Centrum Pracy Sp. z o.o.
h) Virtual Cinema Studio Sp. z o.o.
i) Prohuman 2004 Kft
j) Work Express Sp. z o.o.
k) Work Service SPV Sp. z o.o.
l) Work Service Czech s.r.o

4. Criterion - subsidiaries of Work Service SA subsidiaries:

a) subsidiaries of Work Service International Sp. Z o.o.:
- Work Service Slovakia s.r.o.,
- Work Service SK s.r.o. (through przez Work Service Slovakia s.r.o)

- Work Service Outsourcing s.r.o. (through Work Service Slovakia s.r.o)
- Antal International s.r.o. (through Work Service Slovakia s.r.o)

b) subsidiaries of Industry Personnel Services Sp. z.o.o.
- Work Service Slovakia s.r.o.
- Krajowe Centrum Pracy Sp. z o.o.
- Kariera.pl Sp. z o.o. (through Krajowe Centrum Pracy Sp. z o.o.)

c) subsidiaries of Prohuman 2004 Kft:
- Prohuman Outsourcing Kft
- Human Existence Kft
- HR Rent Kft
- Finance Sales Hungary Kft (Profield 2008 Kft)
- HR Global d.o.o.
- APT Finance Broker s.r.l.
- APT Broker s.r.l.
- APT Human Resources s.r.l.
- APT Resources and Services s.r.l.
- Naton kadrovsko svetovanje d.o.o.
- Naton Ljudski potencial d.o.o. (through Naton kadrovsko svetovanje d.o.o.)

d) subsidiaries of Work Express Sp. z o.o.: z o.o.:
- Outsourcing Solutions Partner Sp. z o.o.
- Support and Care Sp. z o.o.

e) subsidiaries of Work Service Gmbh & Co.KG
- IT Kontrakt Gmbh
- Work Service 24 Gmbh
- Work Service Deutschland Gmbh
- Work Service Fahrschule Gmbh (through Work Service Deutschland Gmbh)
- Work Service Outsourcing Deutschland Gmbh
- Work Service GP Gmbh
- Enloyd Gmbh

f) subsidiaries of Work Service SPV Sp. z o.o.
- Work Service Gmbh & Co. KG

g) subsidiaries of Finance Sales Hungary Kft (Profield 2008 Kft)
- Finance Care Hungary Kft

h) subsidiaries of Krajowe Centrum Pracy Sp. z o.o.
- Kariera.Pl Sp. z o.o.

5. Criterium — Other related parties:
- Mizyak Corp Tomasz Misiak
- Tomasz Hanczarek Doradztwo
- THM Sp. z o.o.

All related party transactions are presented below, except for transactions with subsidiaries included in the consolidated financial statements, as these transactions are eliminated in the process of consolidation:

Transactions with related parties

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 26 Error adjustment

In these financial statements, the Group made adjustments to the presentation of data for 2018 of previously published data.
Data published :

ZOBOWIĄZANIA I REZERWY NA ZOBOWIĄZANIA	**762 676 334,73**
Rezerwy na zobowiązania	**48 454 913,39**
Rezerwa z tytułu odroczonego podatku dochodowego	4 459 965,97
Rezerwa na świadczenia emerytalne i podobne	14 084 136,03
Pozostałe rezerwy	29 910 811,39
Zobowiązania długoterminowe	**160 398 045,53**
Długoterminowe pożyczki i kredyty	109 331 275,46
Z tytułu emisji dłużnych papierów wartościowych	43 988 109,50
Inne zobowiązania finansowe	4 707 761,91
Inne zobowiązania	2 370 898,66
Zobowiązania krótkoterminowe	**534 019 888,81**
Zobowiązania handlowe oraz pozostałe zobowiązania	486 481 054,25
Krótkoterminowe pożyczki i kredyty	47 538 834,56
Rozliczenia międzyokresowe	**19 803 487,00**

After correction :

LIABILITIES AND PROVISIONS	**762 676 334,73**
Provisions for liabilities	**48 454 913,39**
Deferred tax liabilities	4 459 965,97
Provision for pensions and similar benefits	14 084 136,03
Other current provisions	29 910 811,40
Long-term liabilities	**160 398 045,53**
Long-term loans and borrowings	109 331 275,46
Issue of debt securities	43 988 109,50
Other financial liabilities	4 707 761,91
Other liabilities	2 370 898,66
Short-term liabilities	**534 019 888,81**
Issue of debt securities	0,00
Other financial liabilities	4 534 620,58
Loans and borrowings	47 538 834,56
Advances for supplies received	
Trade liabilities	53 383 961,30
Liabilities in respect of taxes, customs duties, insurance and other benefits	198 811 688,42
Payroll liabilities	67 325 679,53
Other liabilities	162 450 342,43
3. Special funds	0,00
Accruals	19 803 487,00

NOTE 27 Key assumptions and sources of estimates

Assumptions concerning the future and other key sources of uncertainty occurring as ant balance sheet date that have a significant risk of material adjustment to the balance sheet assets and liabilities within the next financial year are presented below

<u>Write-downs of receivables value</u>
Write-downs on receivables are recognised if there is objective evidence of impairment. Write-down is assessed on the basis of possible future cash flows. Both the amount and the time distribution of these flows is determined by the professional judgement of the Group Management Board. A detailed description of the estimate is presented in Note 8.2.

<u>Depreciation rates</u>

Depreciation rates are determined based on the expected useful economic lives of tangible fixed assets and intangible assets. Group entities shall review annually the useful lives based on current estimates. The principles of depreciation applied in the Company are presented in item 1.5.7 of the introduction to the financial statements.

Impairment of goodwill and other intangible assets and tangible fixed assets

The Group performs impairment tests for goodwill and other intangible with an indefinite Use · at least once a year. This requires an estimation of the value in use of the cash generating unit to which the goodwill is allocated. Estimating the value in use is based on the expected future cash flows generated by cash generating unit on the basis of financial plans and determination of a discount rate to apply for calculation of the present value of those cash flows. According to the same approach, the Group also conducts tests for impairment of intangible assets with finite lives and assets, while the tests are carried out only if there are indications of possible impairment. The reasons may include e.g. long-term adverse effects of market as well as the losses incurred by the entity. In the case of the parent company, the premise may be (occurring over a longer period) the level of capitalisation not covering the carrying value of net assets. When testing for impairment of fixed assets, the method for discounting future cash flows of the cash-generating unit can be used. When using this method, it is required to use business assumptions and variables such as the cost of capital and the residual growth rate, which size and variability in the future is determined by the subjective evaluation of the Management Board. This assessment is based both on internal sources of knowledge (units budgets, forecasts, profitability), as well as on external sources (public data of macro-and microeconomic). The basis of the estimates on the valuation of the form is contained in Note 2.

Deferred tax assets

The Group recognizes deferred tax assets on the assumption that the future taxable income will be achieved allowing for its use. Deterioration of tax results in the future could cause that this assumption could be unjustified. Basis for the creation of deferred tax assets is presented in Note 6 of the consolidated financial statements.

NOTE 28 Equity management

The Group manages its equity in order to preserve its ability to continue operations, including equity needs resulting from planned and ongoing investment, so in order to generate the expected rate of return for shareholders. In accordance with market practice, the Group manages its equity structure by adapting it to changes in market conditions and business needs. Managing equity structure of the Group is done by tools such as dividend policy, the issue of shares, bonds, changes in the use of external sources of financing. Moreover, the Group monitors capital on the basis of indicators such as:

- The debt ratio - calculated as the ratio of net debt to adjusted EBITDA,
- debt coverage ratio - calculated as the ratio of free cash flow (calculated as adjusted EBITDA minus taxes) to the interest-credit instalments,
- leverage ratio calculated as the ratio of adjusted net debt to net assets.

NOTE 29 Information on business 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 main body responsible for operating decision in the unit and using the results to decide on the allocation of resources to the segment and when assessing the segment, as well as
c) in the case of which separate financial information are available.

In accordance with the requirements of IFRS 8, operating segments should be identified on the basis of internal reports about components that are regularly reviewed by the people deciding on the allocation of resources to the segment and assessing its financial performance.

The Capital Group assumes that the basic division into segments is the breakdown by economic activities. Economic activities of the Capital Group are carried out in separate subsidiaries. The vast majority of the Group's business relates to temporary work. In this report, The Capital Group has revealed information on the revenue broken down by industry segments - because in this system, it is analysed by the Management Board of the Parent Company.

The Management Board of Parent Company monitors the operating results of segments to make appropriate business decisions. The basis of assessment is the operating result , which is measured in the same manner as operating profit in the consolidated financial statements after taking into account the elimination of intersegment transactions (as outlined in the attached tables below). Transaction prices used in transactions between operating segments are determined on a commercial basis as transactions with unrelated parties.

The accounting policies used in the preparation of the financial data for the reportable segments are consistent with the Group's accounting policies described in item 2.5 of the notes to the consolidated financial statements for the year 2019 "Summary of significant accounting policies".
Group financing (including finance costs and finance income), income taxes and share in the profit or loss of entities accounted for using the equity method are monitored at Group level and are not allocated to the segments.
Group does not use asymmetric allocation of costs and revenues for reportable segments.
Group presents the value of the profit or loss for each reportable segment, and does not represent the total assets and liabilities for each reportable segment, as these amounts are not regularly provided to main body responsible for taking operating decisions.
The Group does not disclose the allocation of revenue from external customers for specific titles of products and services as the information on this topic are not available and the cost of its obtaining would be excessive.

The following tables present data on the revenues and costs of the Group's business segments for the years ended on: 31 December 2019 and comparative data for the year ended on 31 December 2018.

Continued activity 01.01.2019-31.12.2019						
	Temporary work	**Other**	**Unallocated**	**Total**	**Exclusions**	**Operations total**
Revenues						
Sales to external customers	1 445 563 932	150 262 476		1 595 826 408		1 595 826 408
Internal sale	92 004 940	73 442 567		165 447 507	-165 447 507	-
Total segment revenue	1 537 568 872	223 705 043		1 761 273 915	-165 447 507	**1 595 826 408**
Costs						
The costs of external suppliers	1 306 146 241	117 055 377		1 423 201 618		1 423 201 618
The costs form Group suppliers	91 939 088	2 530 265		94 469 353	-94 469 353	-
Total segment costs	1 398 085 329	119 585 642		1 517 670 971	-94 469 353	**1 423 201 618**
Result						
Segment profit (loss)	139 417 691	33 207 099		172 624 790		**172 624 790**
Unallocated costs			203 160 241	203 160 241	-31 405 448	**171 754 793**
Other Operating revenue						
Sales to external customers			68 541 173	68 541 173	-	68 541 173
Internal sale			13 895 420	13 895 420	-13 895 420	-
Total segment revenue			82 436 593	82 436 593	-13 895 420	**68 541 173**
Other Operating costs						
The costs of external suppliers			85 177 996	85 177 996	-	85 177 996
The costs form Group suppliers			19 042 603	19 042 603	-19 042 603	-
Total segment costs			104 220 599	104 220 599	-19 042 603	**85 177 996**
Result						
Profit (loss) from operating activities of the segment						**-15 766 825**
Financial income						
Sales to external customers			6 128 128	6 128 128		6 128 128
Internal sale			17 216 311	17 216 311	-17 216 311	-
Total segment revenue			23 344 439	23 344 439	-17 216 311	**6 128 128**
Financial costs						
The costs of external suppliers			89 059 598	89 059 598		89 059 598
The costs form Group suppliers			169 123 315	169 123 315	-169 123 315	-
Total segment costs			258 182 913	258 182 913	-169 123 315	**89 059 598**
Result						
Profit (loss) on business activities						**-98 698 296**
Result						
Gross profit (loss)						**-98 698 296**
Tax			-4 636 986	-4 636 986		**-4 636 986**

Continued activity 01.01.2019-31.12.2019	
Result	
Net profit (loss) of the segment	**-94 061 309**

Continued activity 01.01.2018-31.12.2018	Temporary work	Other	Unallocated	Total	Exclusions	Operations total
Revenues						
Sales to external customers	1 907 926 742	141 176 312		2 049 103 054		2 049 103 054
Internal sale	119 006 228	50 158 492		169 164 720	- 169 164 720	-
Total segment revenue	2 026 932 970	191 334 804		2 218 267 774	- 169 164 720	**2 049 103 054**
Costs						
The costs of external suppliers	1 752 566 526	112 969 790		1 865 536 316		1 865 536 316
The costs form Group suppliers	117 940 612	6 656 018		124 596 630	- 124 596 630	-
Total segment costs	1 870 507 138	119 625 808		1 990 132 946	- 124 596 630	**1 865 536 316**
Result						
Segment profit (loss)	155 360 217	28 206 522		83 566 738		**183 566 738**
Unallocated costs			237 327 461	237 327 461	- 44 422 344	**192 905 118**
Other Operating revenue						
Sales to external customers			30 936 463	30 936 463	-	30 936 463
Internal sale			- 2 231 256	- 2 231 256	2 231 256	-
Total segment revenue			28 705 207	28 705 207	2 231 256	**30 936 463**
Other Operating costs						
The costs of external suppliers			88 494 615	88 494 615	-	88 494 615
The costs form Group suppliers			5 071 195	5 071 195	- 5 071 195	-
Total segment costs			93 565 810	93 565 810	- 5 071 195	**88 494 615**
Result						
Profit (loss) from operating activities of the segment						**- 66 896 531**
Financial income						
Sales to external customers			118 838 968	118 838 968		118 838 968
Internal sale			3 490 292	3 490 292	- 3 490 292	-
Total segment revenue			122 329 260	122 329 260	- 3 490 292	**118 838 968**
Financial costs						
The costs of external suppliers			49 863 347	49 863 347		49 863 347
The costs form Group suppliers			7 246 398	7 246 398	- 7 246 398	**-**
Total segment costs			57 109 746	57 109 746	- 7 246 398	**49 863 347**
Result						
Profit (loss) on business activities						**2 079 090**
Result						
Gross profit (loss)						**2 079 090**
Tax			- 6 585 204	- 6 585 204		**- 6 585 204**
Result						
Net profit (loss) of the segment						**8 664 294**

Due to the fact that the activity of the Parent Company is homogeneous in terms of the type of services and significant clients and the legal environment, the Company determines its entire activities as temporary employment segment. Accordingly, the company does not identify reportable segments.

Revenue from external customers attributed to the country in which the entity is established (Poland) and assigned to all other countries jointly in which the entity derives its revenues, are presented in the table below:

NET REVENUES	2019	[%]	2018	[%]
Poland	610 973 919	38,3%	1 008 344 253	49,2%
Abroad	984 852 489	61,7%	1 040 758 801	50,8%
Total	**1 595 826 408**	**100,0%**	**2 049 103 054**	**100,0%**

The Group does not identify the distribution of fixed assets located in the country in which the entity is established and located in all other countries jointly, in which the entity maintains its assets. From the Group's point view, such a division is not relevant to the business.

Structure of sale of services of the Work Service Capital Group together with comparative data in geographical foreign markets.

NET REVENUES	2019	[%]	2018	[%]
Poland	610 973 919	38,3%	1 008 344 253	49,2%
Hungary	580 430 504	36,4%	579 232 396	28,3%
Germany	122 347 595	7,7%	185 809 388	9,1%
Romania	119 376 798	7,5%	78 247 137	3,8%
Czech Republic	68 848 164	4,3%	77 311 570	3,8%
Slovenia	66 051 150	4,1%	77 372 856	3,8%
Slovakia	26 944 939	1,7%	41 874 387	2,0%
Croatia	823 780	0,05%	911 067	0,04%
Ukraine	29 559	0,002%	-	-
Total	**1 595 826 408**	**100,0%**	**2 049 103 054**	**100,0%**

Information concerning the main clients

Revenues from transactions with any of the external customers did not constitute 10% or more of total revenue of the Capital Group in 2019.

According to the best knowledge of Work Service SA management Board, the said threshold was not exceeded also by the transactions with a group of customers under common control.

The share of the top 10 customers in the total revenues of Work Service Capital Group.

	2019	[%] share
Automotive	75 773 878	4,7%
Call center	74 916 100	4,7%
Financial and Insurance Services	44 114 743	2,8%
Other services 1	26 204 102	1,6%
Others	21 845 844	1,4%
Automotive	18 725 815	1,2%
Electronics 1	16 803 592	1,1%
Industry others	13 398 379	0,8%
Electronics 2	12 823 278	0,8%
Other services 2	12 412 331	0,8%

NOTE 30 Other operating income

30. Other operating incomes	2019	2018
a) profit from sale of non-financial fixed assets	26 081,81	158 404,94
b) grants	42 732 341,51	12 205 897,31
c) other operating income	30 882 749,84	18 572 160,84
*reclassification to discontinued operations	-5 100 000,00*	
Other operating income, total	68 541 173,15	30 936 463,08

* negative values result from regrouping of costs and revenues connected with sales to the other revenues and operating costs and transfer of the result on sales of Antal Group to the discontinued activity

The largest position in other operating revenues is the resolution of the restructuring reserve of 4.3 million in 2018, the adjustment of taxes to the Social Security Institution in connection with the signing of the agreement of 3.7 million and the reversal of the reserve for the penalty to the minority shareholder of the Prohuman group, Profolio of 3 million.

NOTE 31 Other operating expenses

31. Other operating costs	2019	2018
a) loss from sale of non-financial fixed assets	404 510,80	422 671,18
b) update of non-financial assets	17 207 623,90	10 246 949,59
c) other	72 665 860,89	77 824 994,36
*reclassification to discontinued operations	- 5 100 000,00	
Other operating expenses, total	85 177 995,60	88 494 615,14

* negative values result from regrouping of costs and revenues connected with sales to the other revenues and operating costs and transfer of the result on sales of Antal Group to the discontinued activity

The most important item in other operating costs is impairment write-downs of receivables, which in 2019 amounted to PLN 16.5 million, costs related to subsidies related to activation of unemployed persons in the amount of 34 million and a reserve in respect of PFRON of 12.6 million.

NOTE 32 Financial incomes

32. Financial incomes	2019	2018
a) Dividends and shares in profits, including:	0,00	0,00
- from related entities	0,00	0,00
b) Interest, including:	1 620 554,97	2 070 286,74
- from related entities	-1 522,91	0,00
c) Profit on disposal of investments	14 202,00	111 798 921,87
d) Revaluation of investments	0,00	0,00
e) Other	9 793 371,01	4 969 759,75
*reclassification to discontinued operations	-5 300 000,00*	
Financial income, total	6 128 128,11	118 838 968,35

* negative values result from regrouping of costs and revenues connected with sales to the other revenues and operating costs and transfer of the result on sales of Antal Group to the discontinued activity

Other financial revenue includes mostly exchange rate differences under conversions in foreign companies and profit on sale of companies Proservice and Exact corrected by other sale transactions within the Group.

NOTE 33 Financial expenses

33. Financial costs	2019	2018
a) Interest, including:	12 294 415,71	26 251 865,33
- for related entities*	-91,50	0,00
b) Loss on disposal of investments*	-205 000,01	2 171 733,04
c) Revaluation of investments	74 102 195,10	4 719 359,89
d) Other	8 167 987,52	16 720 388,82
*reclassification to discontinued operations	-5 300 000,00*	
Financial expenses, total	89 059 598,32	49 863 347,09

* negative values result from regrouping of costs and revenues connected with sales to the other revenues and operating costs and transfer of the result on sales of Antal Group to the discontinued activity

The largest item of other finance costs comprises the factoring servicing costs of. In 2019, some companies in the group sold their shares in the transaction with different financial results.
In addition, a write-down of the value of the financial assets held amounted to almost PLN 74 million.

NOTE 34 Income tax

34. Income tax	2019	2018
A. Gross profit	-111 209 305,25	12 049 423,27
B. Current income tax	2 040 191,35	0,00
C. Deferred income tax	-6 665 491,11	-1 065 048,36
D. Other obligatory decreases	0,00	0,00
Total income tax	-4 625 299,76	-1 065 048,36
Effective income tax rate (B+C)/A	3,98%	-8 84%

The difference is due to the application by foreign entities of local tax rates and eligibility to tax or non-tax costs and revenues in accordance with local law.

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

No.	The surety on behalf of	Promissory note beneficiary	Surety subject	Date of agreement	Date of termination of the agreement	The 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
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

Changes in contingent liabilities or contingent assets that have occurred since the last annual reporting period

Contingent liabilities				
Title of contingent liability	Type of security	31/12/2019	31/12/2018	change
Loan collateral	surety	360 000 000,00	360 000 000	
	Statement of voluntary submission to the execution, art. 777	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	
Performance guarantee	surety	3 000 000,00	1 354 370,88	
Commitment to purchase additional Pro Humana shares from Portfolio	-	86 000 000,00	0,00	

NOTE 36 Information on average employment, with breakdown into professional groups in the Parent Company

36.1 Average employment rate of own employees in	2019	2018
Administrative employees	172	225
Blue-collar employees	0	0
Total	172	225

36.2. Gross benefits for persons holding functions in the Management Board (in PLN) WSSA		
Full name	2019	2018
Witucki Maciej	855 447,77	1 244 367,95
Dymitruk Jarosław	483 184,59	
Christodoulou Paul	411 738,33	4 196,00
Ślęzak Tomasz	308 899,31	517 499,75
Rozpędek Hubert	0,00	- 7 500,00
Szmitkowska Iwona	677 936,38	249 577,77
Gajek Piotr	479 349,60	386 887,02
Krzysztof Rewers	174 400,00	536 091,91
Ambrozowicz Piotr	0,00	238 709,60

36.3. Gross benefits for persons holding functions in the Supervisory Board (in PLN) WSSA		
Full name	2019	2018
Bujak Tomasz	36 774,19	0,00
Sofianos Panagiotis	0,00	4 650,40
Misiak Tomasz	44 500,00	74 707,57
Ługowski Tomasz	3 000,00	10 683,90
Oliwa Robert	9 000,00	0,00
Perston Marcus	14 000,00	0,00
Ruka Paweł	23 225,81	0,00
Schmidt Przemysław	12 000,00	0,00
Witkowski Andrzej	9 000,00	0,00
Żegleń Piotr	12 000,00	0,00
Kamiński Piotr	21 129,03	31 977,07
Hanczarek Tomasz	84 500,00	147 673,80
Kaczmarczyk Krzysztof	12 677,39	16 528,69

NOTE 37 The total value of salaries and bonuses paid or payable for persons managing and supervising the company and for performing the functions in the management bodies

In the period covered by the financial statements, the Capital Group 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 Capital Group 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 38 Information on liabilities to the State Budget and Local Government Units in respect of the right to ownership of buildings and structures

As on 31 December 2019 the Capital Group had no obligations towards the state budget or local government entities from obtaining ownership of buildings and structures.

NOTE 39 Revenues, expenses and results of discontinued operations in the reporting period or to be discontinued in the next period

In 2019, income, costs of the following companies were classified as discontinued operations:

1) Antal Group, comprising the following companies:
- Antal Sp. z o.o.
- Antal International s.r.o.
- Enloyd Kft.

NOTE 40 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 41 Significant litigation as on 31 December 2019

The table below shows the litigation in which the company of the Work Service Group is a party, and the value of the subject matter is more than PLN 50,000.

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

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
Sellpro Sp. z o.o.	Hygienika Dystrybucja S.A. w Lublińcu	114 518,26 zł	Case at the stage of insolvency proceedings. The court has dismissed the application of the debtor for the declaration of bankruptcy, the decision is not binding
Sellpro Sp. z o.o.	Fashion Marketing Investment Group sp. z o.o.	586.693,07 zł	Case at the stage of enforcement proceedings. Sellpro Sp. z o.o. won the case in court and is currently trying to enforce the debt in the enforcement procedure.
Sellpro Sp. z o.o.	Port Lotniczy Goleniów sp. Z o.o.	491 924,44 zł	Case concerning a payment of outstanding invoices for the performance of services
Sellpro Sp. z o.o.	Egips Sp. z o.o.	167.918,93 zł	Case concerning a payment of outstanding invoices. The defendant has accepted the action and a settlement has been concluded before the court. Case at the stage of enforcement proceedings
Sellpro Sp. z o.o.	Tkt Rent sp. z o.o.	73 000,00 zł	Case concerning a repayment of deposits for the rent of a dwelling
Sellpro Sp. z o.o.	Badford Continental Group sp. z o.o.	656 733,54 zł	Case concerning a payment of outstanding invoices for the performance of services
Sellpro Sp. z o.o.	Good Bites Factory Sp. z o.o.	134.211,39 zł	Case at the stage of enforcement proceedings. Sellpro Sp. z o.o. won the case in court and is currently trying to enforce the debt in the enforcement procedure.
Sellpro sp. z o.o.	Orion.pl sp. z o.o.	934 945,72 zł	Restructuring procedure
Sellpro sp. z o.o.	Phillmore sp. z o.o.	133 732,19 zł	Case concerning a payment of outstanding VAT invoices

Sellpro sp. z o.o.	Dyrektor Izby Administracji Skarbowej we Wrocławiu	61 827,20 zł **I SA/Wr/628/19**	Judgement of the Court of First Instance repealing the contested provisions and referring the case for re-examination
Stadion Wrocław sp. z o.o.	Industry Personnel Services Sp. z o.o. (pozostali pozwani Stadion Catering Sp. z o.o. oraz Pan Jozef N.)	330.359,41 zł	Case concerning a payment of invoices for outstanding rent fees; on 23.10.2019 the Court suspended the proceedings until the parties reach a final settlement in an analogous case (described below) for rent
Eva M.	Industry Personnel Services Sp. z o.o.	144.000,00 zł	Appeal from the termination of employment agreement and termination of employment agreement without notice
PFRON	Industry Personnel Services Sp. z o.o.	63.300,70 zł	Case concerning a payment of co-financing of remuneration of disabled persons for the reporting period of: December 2018
PFRON	Industry Personnel Services Sp. z o.o.	2.991.650,35 zł	Case concerning a payment of co-financing remuneration of disabled persons for the reporting periods of: April, May and July 2014; March, April, August and October 2016; January-December 2017 and January, February - December 2018.
Industry Personnel Services sp. z o.o.	Dyrektor Izby Administracji Skarbowej we Wrocławiu	121.462,30 zł **III SA/Wr/291/19**	Judgement of the Court of First Instance repealing the contested provisions and referring the case for re-examination (the decision favourable for Industry Personnel Services sp. z o.o.).
Industry Personnel Services sp. z o.o.	Dyrektor Izby Administracji Skarbowej we Wrocławiu	112.775,90 zł **II SA/Wr/290/19**	Judgement of the Court of First Instance repealing the contested provisions and referring the case for re-examination (the decision favourable for Industry Personnel Services sp. z o.o.).
Industry Personnel Services sp. z o.o.	Dyrektor Izby Administracji Skarbowej we Wrocławiu	61.827,20 zł **I SA/Wr/628/19**	Judgement of the Court of First Instance repealing the contested provisions and referring the case for re-examination (the decision favourable for Industry Personnel Services sp. z o.o.).
PFRON	Finance Care Sp. z o.o.	1.217.660,84 zł	Case concerning the payment of co-financing of remuneration of disabled persons for the reporting periods of: November and December 2012; April - July 2014; March- May, October and November 2016; February - May and July- December 2017 and January, February and April - July 2018.
PFRON	Work Express Sp. z o.o.	1.273.599,50 zł	Case at the stage of judicial and administrative procedure following the lodging of a complaint on the total amount together with a request to suspend the enforcement of the contested decision; a copy of the reply to PFRON's complaint was delivered on 7 February 2020 and a reply of the company was sent on 13 February 2020. reimbursement of co-financing of remuneration of disabled employees for the period: 03/2016, 04/2016, 08/2016, 10/2016, 01/2017, 02/2017, 03/2017, 08/2017, 09/2017 due to arrears of payment of insurance premiums to Social Insurance institution (ZUS).
PFRON	Work Express Sp. z o.o.	465.890,77 zł	On 4 December 2019, a request for a re-examination has been lodged; no decision until today reimbursement of co-financing of remuneration of disabled employees for the period: 01-02/2018 and 04-06/2018, due to arrears in the payment of

			insurance premiums to Social Insurance institution (ZUS)
Work Express Sp. z o.o.	PFRON	125.202,46 zł	PFRON extended the deadline for the examination of the case until 23 March 2020 payment of co-financing of remuneration of disabled employees for 10/2017
PFRON	Work Express Sp. z o.o.	59.314,92 zł	On 4 February 2020 a request for a re-examination of the case for reimbursement of co-financing of remuneration of disabled workers for 12/2018 was lodged due to a difficult economic situation; no decision of PFRON until today
Work Express Sp. z o.o.	PFRON	60.331,96 zł	PFRON extended the deadline for the cognisance of the case until 13 March 2020 Payment of co-financing of remuneration of disabled employees for 10/2018
Work Express Sp. z o.o.	REVOLTA BLAUDEAU ISOLATION SAS	16.947,20 Euro	Claim lodged with a French court. – no payment of an invoice issued for the services provided for the secondment of temporary staff to work in France
Work Express Sp. z o.o.	SARL PEINTURE REVOLTA BLAUDEAU – PRB	16.736,40 Euro	Claim lodged with a French court. – no payment of an invoice issued for the services provided for the secondment of temporary staff to work in France
Trybunał Administracyjny	Work Express Sp. z o.o.	12.000,00 Euro	The decision to impose an administrative penalty for not declaring the stay of employees in France within the deadline – the case at the stage of judicial administrative procedure; in the first instance the court maintained the fine in force; in February 2020, the company made an appeal – the case defended by a French lawyer
Outsourcing Solutions Partner Sp. z o.o.	SAS LEG NEWAL	97.904,83 Euro	Submission of claims in the restructuring procedure
Outsourcing Solutions Partner Sp. z o.o.	EURL GASSEND	181.699,80 Euro	Claim lodged with a French court. – no payment of an invoice issued for the services provided for the secondment of temporary staff to work in France
Work Express sp. Z o.o.	government proceedings (FR,B)	lack of respect	No claims have been received to date

NOTE 42 The financial statements adjusted by inflation rate

There was no need to adjust statements of the Group companies by inflation rate.

NOTE 43 Changes in accounting principles (policy) and the method of preparation of the financial statements, in relation to the previous year

The accounting principles adopted in these consolidated financial statements were applied on a continuous basis.

NOTE 44 In case of uncertainty as to the ability to continue operations, a description of these uncertainties and a statement that such uncertainty occurs

We draw attention to important information regarding assumptions about the Continuation of the activities is described in detail in the "Additional information to the consolidated financial statement" under the "Continuation of the activities" section.

NOTE 45 Branches

The Company does not have self-balancing branches.

NOTE 46 Information on joint ventures, which are not subject to consolidation

In 2018-2019, there were no such transactions in accordance with IAS 31 "Interests in Joint Ventures".

NOTE 47 Significant changes in financial and economic situation of Capital Group

Description of any significant change in the financial or economic situation, that have occurred since the end of the last reporting period for which audited financial information or interim financial information was published or provision of an appropriate negative statement.

Since the end of the last reporting period, there have been events which have an impact on the assessment of the financial and economic situation of the Capital Group. All these events are described in detail in the "Additional information to the consolidated financial statement" under the "Continuation of the activities" section.

NOTE 48 Remuneration of the entity authorised to conduct the audit

Remuneration of the entity authorised to audit financial statements for the years 2018 and 2019 is presented in the following table. Audits for those years were conducted by the company Grant Thornton Polska sp. z o.o. sp. k.

50. Remuneration of the entity authorised to conduct the audit	Year ended as on 31.12.2019	Year ended as on 31.12.2018
Mandatory audit and review of the financial statements	195 050,00	195 036,50
Mid-year review	85 000,00	85 000,00
Other	0,00	0,00
Total	**195 050,00**	**195 036,50**

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.

PREPARED BY:

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Anna Kropielnicka
Main Accountant

SIGNATURES:

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