

WORK SERVICE Capital Group



The Report of Management Board of Work Service S.A. on the activities of Capital Group for the period from 1 January 2016 to 30 June 2016.

Wrocław, 31 August 2016.

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A. REVIEW OF INTERIM FINANCIAL STATEMENTS

I. KEY FINANCIAL DATA OF THE CAPITAL GROUP

➤ SELECTED ITEMS OF THE PROFIT AND LOSS ACCOUNT

The following table presents selected items of the profit and loss account of the Work Service Capital Group.

Selected items of the profit and loss account (in PLN)	2016 - 1H	2015 - 1H	Dynamics of 2016/2015
Net income on sale of products, goods and materials	1 203 168 761.80	977 115 088.92	23.13%
Cost of products, goods and materials sold	1 074 127 370.19	878 344 316.54	22.29%
Gross profit (loss) on sales	129 041 391.61	98 770 772.38	30.65%
Profit (loss) on sales	31 993 490.67	28 552 474.54	12.05%
Profit (loss) on operating activities	32 172 814.30	32 890 290.51	-2.18%
EBITDA	40 080 559.89	38 505 457.33	4.09%
Gross profit (loss)	17 602 019.41	20 466 142.81	-13.99%
Net profit (loss)	8 012 132.33	13 209 961.67	-39.35%

Source: Work Service Capital Group

In the first half of 2016 Work Service Capital Group achieved financial results at the higher level than those that were generated in the same period of 2015. This was a result of expanding of scale of operations due to acquisitions performed as well as dynamic organic growth of the Capital Group.

In the first half of 2016 Work Service Capital Group reached:

- Revenues from sales of PLN 1,203,168 thousand, compared to PLN 977,115 thousand in 2015, which means a dynamic increase of over 23%. This development is primarily based on solid organic growth, which amounted to 14%, which confirms that the Group not only effectively increases through new acquisitions but also to successfully develop the Group's existing business and area lines.
- The increase in the scale of operations is also reflected in the results achieved by the Capital Group which dynamically increased on the level of gross profit on sales and EBITDA, respectively 30.7% and 4.1%. After excluding one-off transactions the increase of EBITDA is even more impressive and amounted to almost 23%.
- Another quarter in a row the Capital Group generates growing positive cash flows from operating activities, respectively PLN 16,723 thousand in the first and PLN 21,468 thousand in the second quarter of 2016. The situation is the result of an ongoing process of raising margin on sales, improvement of cash conversion cycle, as well as the purchase of companies that generate positive cash flows, also from operating activities.

SELECTED BALANCE SHEET ITEMS

The following table presents selected balance sheet items of Work Service Capital Group.

	as at 30.06.2016	as at 31.12.2015	Dynamics of 30.06.2016/31.12.2015
FIXED ASSETS	587 563 898.77	588 600 196.16	-0.18%
Intangible assets, including	531 892 212.41	531 494 210.45	0.07%
Goodwill	471 138 827.37	466 898 696.63	0.91%
Tangible fixed assets	33 635 442.19	32 989 464.85	1.96%
Investment real estates	1 641 949.01	1 606 674.99	2.20%
Other financial assets	25 000.00	25 000.00	0.00%
Other long-term assets	4 349 222.51	4 604 944.37	-5.55%
Other long-term financial assets	2 803 058.44	3 329 889.83	-15.82%
Deferred income tax assets	12 055 538.65	11 793 859.41	2.22%
Accruals	1 161 475.56	2 756 152.26	-57.86%
CURRENT ASSETS	536 527 479.95	531 910 253.19	0.87%
Inventories	20 538 664.54	17 243 487.17	19.11%
Trade and other receivables	392 045 014.10	407 958 635.67	-3.90%
Other financial assets	29 253 688.01	16 046 061.93	82.31%
Other short-term assets	11 652 652.27	8 932 013.95	30.46%
Cash and cash equivalents	51 253 229.77	57 904 049.27	-11.49%
Accruals	31 784 231.26	23 826 005.20	33.40%
TOTAL ASSETS	1 124 091 378.72	1 120 510 449.35	0.32%

EQUITY	344 052 226.21	329 157 999.52	4.52%
Share capital	6 509 482.30	6 509 482.30	0.00%
Supplementary capital (Fund)	341 944 374.58	312 423 026.32	9.45%
Capital from option valuation	-35 131 379.85	-35 131 379.85	0.00%
Net profit (loss)	3 052 588.02	27 616 454.29	-88.95%
Foreign exchange differences	-15 567 077.49	-25 785 799.10	-39.63%
Equity attributable to non-controlling shareholders	43 244 238.65	43 526 215.56	-0.65%
LIABILITIES	780 039 152.51	791 352 449.83	-1.43%
Long-term liabilities	257 712 880.12	291 503 758.62	-11.59%
Long-term loans and credits	136 555 962.36	147 725 148.61	-7.56%
Deferred income tax liabilities	2 372 097.97	3 296 062.62	-28.03%
Liabilities for pension benefits	0.00	0.00	0.00%
Provisions for other liabilities and charges	2 513 909.70	1 475 360.17	70.39%
other liabilities	116 270 910.09	139 007 187.22	-16.36%
Short-term liabilities	522 326 272.39	499 848 691.21	4.50%
Trade and other liabilities	419 916 357.85	387 300 396.36	8.42%
Short-term loans and credits	72 534 903.42	84 030 550.96	-13.68%
Provisions for other liabilities and charges	29 875 011.12	28 517 743.89	4.76%
TOTAL LIABILITIES	1 124 091 378.72	1 120 510 449.35	0.32%

Source: Work Service Capital Group

The comparison of the balance-sheet figures as at the end of June 2016 and as at the end of December 2015 shows a stable level of both, non-current and current assets.

As at 30 June 2016 non-current assets stood at 52.3% of total assets. Their level did not change significantly compared to 2015 (52.5%). While expressed in absolute values, non-current assets stood at PLN 587,564 thousand and current assets at PLN 536,527 thousand. As at the end of 2015, these figures stood at PLN 588,600 thousand and 531,910 thousand, respectively. No significant changes in the value of non-current assets results from the lack of new acquisitions in the first half of 2016 (no significant changes in goodwill) with the value of the Group's other non-current assets remaining at the same level.

Current assets did not significantly change, either (increase by 0.9% compared to 2015). Decrease of trade and other receivables and cash was compensated by the increase of other financial assets.

As at 30 June 2016 equity stood at PLN 344,052 thousand and increased by more than 4.5% compared to the previous year. At the same time, liabilities and provisions for liabilities decreased by almost 1.5% and stood at PLN 780,039 thousand. An increase of equity results mainly from positive foreign exchange differences from translation which in the first half of 2016 stood at PLN 10,219 thousand and the positive net result for that period amounting to PLN 3,053 thousand.

A decrease of long-term liabilities due to loans and credits (decrease by PLN 11,169 thousand) results mainly from the payment of a loan instalment of PLN 8,550 thousand effected in May 2016.

Other long-term liabilities stood at PLN 116,271 thousand and when compared to the previous year, decreased by PLN 22,736 thousand in connection with the transfer of liabilities due to the issue of series S bonds of PLN 20,000 thousand to short-term liabilities of the consolidated balance sheet.

Short-term trade liabilities and other liabilities stood at PLN 419,916 thousand and when compared to their level as at 31 December 2015, increased by PLN 32,616 thousand mainly in connection with the change in the presentation of liabilities due to the issue of series S bonds of PLN 20,000 thousand maturing within 12 months and consequently they were recognised as short-term liabilities in the consolidated balance sheet of the Group.

Net debt calculated as a difference between the interest-bearing debt and cash amounts to PLN 297,870 thousand and decreased by 8,519 thousand compared to previous year. The relation of net debt to EBIDTA for the period of 12 months back is 2.77 and improved by 0.12. Debt coverage ratio is 2.94 while leverage ratio is 0.85. These indicators are analysed by the Management Board, in accordance with the liquidity management policy applicable within the Capital Group - in order to maintain both, liquidity and creditworthiness of the Capital Group, Management Board aims to ensure that:

- the debt ratio calculated as the ratio of net debt to EBITDA was maintained at a level no higher than 3.0;
- debt coverage ratio, calculated as the ratio of free cash flow to interests-loan instalments was maintained at a level no lower than 1.6;
- leverage ratio calculated as the ratio of adjusted net debt to net assets was maintained at a level not higher than 1.5.

➤ **SELECTED FINANCIAL RATIOS**

Selected financial ratios of the Capital Group are presented in the following table.

Selected financial Ratios	Formula	2016	2015
Profitability ratios			
Profitability of sales	Gross profit on sales / revenues from sales	10.73%	10.11%
Profitability of EBIT	Operation activities result / revenues from sales	2.67%	3.37%
Profitability of EBITDA	(Operation activities result + amortisation)/ revenues from sales	3.33%	3.94%
Net profitability	Net financial result/revenues from sales	0.67%	1.35%
ROA	Net financial result/total assets	0.71%	1.43%
ROE	Net financial result/share capital at the end of period	2.33%	3.88%
Liquidity ratios			
The cash conversion cycle (in days)	Inventories cycle + receivables cycle - liabilities cycle	45	43
Current assets management ratios			
Receivables turnover in (days)	Average balance of receivables from supplies and services / sales revenue) *180	49	46
Liabilities turnover in (days)	(Average balance of liabilities from supplies and services / costs of services sold) *181	7	6

Source: Work Service Capital Group

II. INFORMATION ABOUT SIGNIFICANT EVENTS IN THE FIRST HALF OF 2016

All achievements and financial results of Work Service Capital Group in the first half of 2016 reflect the effects of the consistently implemented strategy of development of the Group, which aims to achieve market leadership in countries of the triangle Berlin - Moscow - Istanbul.

In the first half of 2016 Work Service Capital Group reached:

- Revenues from sales of PLN 1,203,168 thousand, compared to PLN 977,115 thousand in 2015, which means a dynamic increase of over 23%. This development is primarily based on solid organic growth, which amounted to 14%, which confirms that the Group not only effectively increases through new acquisitions but also to successfully develop the Group's existing business and area lines.
- The increase in the scale of operations is also reflected in the results achieved by the Capital Group which dynamically increased on the level of gross profit on sales and EBITDA, respectively 30.7% and 4.1%. After excluding one-off transactions the increase of EBITDA is even more impressive and amounted to almost 23%.
- Another quarter in a row the Capital Group generates growing positive cash flows from operating activities, respectively PLN 16,723 thousand in the first and PLN 31,417 thousand in the second quarter of 2016. The situation is the result of an ongoing process of raising margin on sales, improvement of cash conversion cycle, as well as the purchase of companies that generate positive cash flows, also from operating activities.

The achieved volumes confirm the Capital Group dynamic growth - this strategy (including expansion into new markets and new market segments) will also be implemented in subsequent periods, so as to achieve the level of development comparable to the largest companies operating in the HR industry in the world.

The first half of 2016 also saw the completion of the process of admitting the shares of Work Service SA to trading on the London Stock Exchange's Main Market. The completion of the dual listing process is the next step for the Group in building the position of Work Service in international markets. Thanks to this operation the Group increases its recognition and gets access to a large group of investors on a global scale. Thanks to the technical dual listing operation, Work Service boosts its attractiveness in the eyes of investors and lowers their investment risk. After a period of intense activity in terms of acquisition, in recent years the Group has begun a process of optimising both, the structure of the Capital Group and the use of the synergy effects resulting from conducting business activity in such a large Group diverse geographically and business-wise. Thanks to this, in the next quarters and years, the Group is planning to use even better the resources available to increase the operational and financial efficiency of the activity carried out in all locations and business lines.

III. SIGNIFICANT AGREEMENTS CONCLUDED IN THE FIRST HALF OF 2015

In the first half of 2016 the following significant agreements were concluded:

- On 3 February 2016, an entry was made into the register of the registered pledge on 8,418 shares with a nominal value of PLN 50.00 each in the subsidiary IT Kontrakt Sp. z o.o., as per the Issuer's CR no. 2/2016.
- On 3 February 2016 an entry was made into the register of the registered pledge on 352 shares with a nominal value of PLN 1.000 each in the subsidiary Work Express Sp. z o.o. , as per the Issuer's CR no. 5/2016.
- On 24 February 2016 Factoring Agreement (with customer policy) and Factoring Agreement (without policy) were signed between Raiffeisen Bank Polska SA and the Issuer, as per the Issuer's CR no. 6/2016.
- On 18 May 2016, 30 May 2016, 2 June 2016, 3 June 2016, 16 June 2016, 23 June 2016, annexes to the Factoring Agreement were signed as per the Issuer's CR no. 30/2016, 32/2016, 34/2016, 35/2016, 37/2016, 40/2016

The Subject of the Annexes is the extension of the validity period of the factoring limit of the Issuer's Subsidiaries for definite period.

- On 21 March 2016 The Issuer took over 96,000 new shares with the nominal value of 500.00 PLN each and the total value of 48.000.000,00 PLN in the affiliated company - Sellpro Sp. z o. o. with its registered office in Wrocław. Shares, which the Issuer has, represent 100% of the share capital and 100 % of the total number of votes at the General Meeting of Shareholders. Shares have been taken over by The Issuer in the exercise of the right of priority granted to the Issuer, in accordance with the resolution of the Extraordinary Shareholders' Meeting, under which the share capital of the Company was increased from the amount of 429 500.00 PLN to the amount of 48,429,500.00 PLN i.e. by the amount of 48.000.000,00 PLN by creating 96,000 new shares with the nominal value of 500.00 PLN each and the total value of 48.000.000,00 PLN as per the Issuer's CR no 7/2016.
- On 15 June 2016 the Work Service SA signed Annex no 3 to the Framework Agreement within the scope of concluding treasury transactions in Bank Millennium S.A. together with the agreement on transfer of ownership of monetary amounts no. 4686/13/410/04 of 12.06.2013.

The Subject of the Annex are: increasing the Treasury Limits granted to the Issuer, establishing collateral for the Framework Agreement in the form of a Notarial Deed, introducing changes to the wording of the "Rules for Spot, Futures and Derivative Transactions in Bank Millennium S.A." within the scope of the definitions of Interest Basis, DREF/BREF and the formulas for calculating the interest periods.

O fakcie podpisania aneksu, Emitent informował w RB nr 38/2016.

IV. IMPLEMENTATION OF ISSUANCE TARGETS

Information concerning the implementation of issuance targets is presented in item 7.2 of this report - Issuance, redemption and repayment of debt and equity securities, issuance of equity securities.

V. SEASONALITY

The activity of Work Service Capital Group is characterised by certain seasonality. The historical analysis of the evolution of the revenues from the core business shows that revenues generated in the first half of previous years accounted for about 40-45% of their annual volume. The historical increase of income even to a greater extent translate into increases generated margin and other types of financial results.

VI. TYPE AND AMOUNT OF UNUSUAL ITEMS AFFECTING ASSETS, LIABILITIES, EQUITY, NET INCOME OR CASH FLOWS

In the first half of 2016 revaluation write-offs on receivables in Germany were made for PLN 3,130 thousand, which consequently lowered the result on operating activity in that period.

After the exclusion of the above one-off event, EBITDA in the first half of the year was higher by 12% compared to previous year, which proves that a steady dynamics of growth of the results of the Capital Group has been maintained.

VII. THE ISSUANCE, REDEMPTION AND REPAYMENT OF DEBT AND EQUITY SECURITIES

1. Issuances, repurchase and repayments of debt securities

In the first half of 2016, Work Service SA did not issue any non-equity securities. Neither did the Companies of the Work Service Capital Group.

2. Issuance of equity securities

On 27 June 2016, the Ordinary General Meeting adopted resolution no. 25/2016 on the issue of up to 123,042 series E registered subscription warrants ("E Subscription Warrants").

E Subscription Warrants shall be issued in the form of a document, and may be issued in collective sections. E Subscription Warrants shall be issued free of charge.

One E Subscription Warrant shall entitle to subscribe for 1 (one) W Series Share (as defined below).

Rights to acquire shares of Series W under E Subscription Warrants can be exercised no earlier than 30 June 2018 and no later than 31 July 2018, with the exception of E Subscription Warrants granted to Entitled Key Managers (as defined below), who have been employed in the company for no less than 18 months during the Management Options Programme (i.e. the period from 1 January 2013 to 31 December 2017). These Warrants shall be transferred to Reserve under the Management Option Programme, for the use at the discretion of Supervisory Board in accordance with § 1, clause III, subclause 2 of Resolution No. 24/2013 of Ordinary General Meeting of Work Service S.A. held on 27 June 2013.

Management Board shall be authorised to issue Series E Subscription Warrants entitling to subscribe for Series W Shares in the period from 30 June 2016 to 31 July 2016. 7. Series E Subscription Warrants, from which the right to acquire shares of Series W has not been exercised within the period specified in § 1 section 5, shall expire.

Series E Subscription Warrants shall be offered for subscription by way of private placement addressed to the Entitled Key Managers of the Company:

Series E Subscription Warrants are non-transferable.

Pursuant to art. 432, 433 § 2, 448 § 1 and 2, item 3 and art. 449 of CCC, the increase in the share capital of Work Service in the amount not higher than PLN 12,304,20 (twelve thousand three hundred and four PLN 20/100) through the issuance of not more than 123,042 (say: one hundred twenty- three thousand and forty two) of ordinary bearer shares of series W, with the nominal value of PLN 0.10 (ten grosz) each ("Series W Shares") is hereby resolved.

The purpose of the conditional increase of share capital is to grant the right to subscribe for Series W Shares to holders of series E Subscription Warrant issued by Work Service pursuant to this Resolution. Acquisition of Series W Shares shall take place within the period specified in § 1 section 5 above.

Series W Shares shall be issued exclusively in exchange for cash contributions to the holders of Series E Subscription Warrants who submit a written statement of acquisition of Series W Shares in accordance with Article 451 § 1 CCC and pay the issue price for Series W Shares.

The issue price of the Series W Shares, issued to the holder of Series E Subscription Warrants, shall be PLN 0.10 (ten grosz) per Series W Share.

Series W Shares shall participate in the dividend starting from distributions of income which is intended for distribution for the financial year 2018, ended 31 December 2018.

Series W Shares shall be issued as securities not having form of a document and shall be subject to dematerialisation within the meaning of appropriate provisions on Trading in Financial Instruments. For this purpose the Management Board shall be authorised to conclude an appropriate agreement with the National Depository for Securities S.A. ("NDS") on registration (dematerialisation) of Series W Shares in securities depository kept by NDS.

Series W Shares shall be subject of application for admission and introduction to trading on the regulated market operated by the Warsaw Stock Exchange S.A. ("WSE"), which in the first place shall be the primary market of the WSE, if the relevant criteria and the conditions are met -under the relevant laws and regulations of the WSE- allowing the admission of Shares to trading on the primary market.

In the interest of Work Service the existing shareholders of Work Service shall be entirely deprived of the pre-emptive rights to Series E Subscription Warrants and Series W Shares.

VIII. THE USE OF FUNDS RECEIVED FROM ISSUANCE OF DEBT AND EQUITY SECURITIES

On 27 June 2016, the Ordinary General Meeting adopted resolution no. 25/2016 on the issue of up to 123,042 series E registered subscription warrants ("E Subscription Warrants").

The company did not specify the purpose of issuing the Bonds.

IX. DIVIDEND

Pursuant to Resolution No. 5/2016 of the Annual General Meeting, adopted on 27 June 2016 the profit generated by the Company in 2015 in the total amount of PLN 14,869,499.64 shall be fully allocated to the reserve capital.

X. INFORMATION ABOUT THE CONCLUSION BY THE COMPANY OR ITS SUBSIDIARY OF ONE OR MORE TRANSACTIONS BETWEEN RELATED PARTIES, IF INDIVIDUALLY OR COLLECTIVELY THEY ARE SIGNIFICANT AND WERE CONCLUDED ON NON-MARKET TERMS.

Work Service SA as the parent company of the Work Service Capital Group in the first half of 2016 concluded no transactions with related parties, which individually or collectively would be significant and at the same time were concluded on terms other than market

B. OTHER INFORMATION

1. DESCRIPTION OF THE CAPITAL GROUP ORGANISATION

1.1. The Parent Company

The Parent Company of the Work Service Capital Group is a company Work Service S.A. Parent Company's registered office is located in Wrocław, at ul. Gwiaździsta 66 The company was established by notarial deed dated 12 December 2000 prepared in a Notary Office in Oleśnica (Files no. A No. 7712/2000). The company is registered in the National Court Register, in Register of Entrepreneurs kept by the District Court for Wrocław - Fabryczna in Wrocław, 6th Commercial Division of the National Court Register under the number KRS 0000083941. The Company was entered into the register of Entrepreneurs of National Court Register on 28 January 2002. Work Service S.A is the successor of Work Service Sp. z o.o.

The core business of the Company according to the Polish Classification of Activities (PKD 7820Z) are activities related to recruitment and provision of personnel.

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

Company name, address and communication numbers:

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

Work Service SA operates under Polish law. The basis of the Company's operations are primarily Commercial Companies Code and the regulations of the General Meeting, the Supervisory Board and Management Board.

1.2. Basic information on the Work Service Capital Group

Introduction to the consolidated financial statements for the first half of 2016 have been prepared on the basis of separate financial statements of the Capital Group and compiled in a way that the Group constituted a single entity.

The basis for preparation of the consolidated report is the report of parent company, prepared in accordance with International Financial Accounting Standards that have been approved by the European Union and restated financial statements of subsidiaries. The consolidated financial statements has been adjusted by the amounts of mutual revenues, expenses, unrealised margins and balances arising from transactions between Group companies. Individual financial statements, constituting the basis for preparation of the consolidated financial statements, have been prepared on assumption of continuation of activities of entities within the Capital Group in the foreseeable future, and the belief that there are no circumstances indicating a threat to the continuation of activities.

The core business of the companies comprising the Capital Group is:

- Temporary work – offering work for temporary employees,
- merchandising and promotions - professional service of the sales process,
- recruitment of employees, personal counselling,
- personnel and payroll services,
- outsourcing.

As on 30 June 2016 the Work Service Capital Group comprised of the following economic entities:

Companies with share capital of Work Service SA - direct					
Name of the Company	Registered office	Date of acquisition of control	Percentage of the subsidiary's share capital	% Share of the subsidiary in the total number of votes at the General Meeting	Method of consolidation
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
Exact Systems SA	42-200 Częstochowa, ul.Focha 53	24.09.2007	76.00%	76.00%	Full
People Care Sp. z o.o.	53-413 Wrocław, ul. Gwiaździsta 66	30.04.2007	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
Proservice Worldwide (Cypr) Ltd.	Nicosia, Agiou Pavlou 15, Ledra House, Agios Andreas P.C.1105	04.04.2008	100.00%	100.00%	Full
Clean Staff Sp. z o.o. (previous name: Medi Staff 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%	Not subject to consolidation
Krajowe Centrum Pracy Sp. z o.o.	53-413 Wrocław, ul. Gwiaździsta 66	16.05.2011	75.00%	75.00%	Full
IT Kontrakt Sp. z o.o.	53-413 Wrocław, ul. Gwiaździsta 66	05.04.2012	84.18%	84.18%	Full
Antal International Sp. z o.o.	02-566 Warszawa, ul. Puławska 2	30.09.2013	100.00%	100.00%	Full
Prohuman 2004 Kft.	194 Budapest, Kiss János altábornagy utca 32.	21.12.2013	75.00%	75.00%	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	76.90%	76.90%	Full
Work Service Finance Sp. z o.o.	53-413 Wrocław, ul. Gwiaździsta 66	08.01.2015	100.00%	100.00%	Full
Work Service Czech s.r.o.	Londýnská 730/59, Vinohrady, 120 00 Praha 2	30.01.2004	100.00%	100.00%	Full

Name of the Company	Registered office	Date of acquisition of control	Percentage of the subsidiary's share capital	% Share of the subsidiary in the total number of votes at the General Meeting	Method of consolidation
Companies related by Proservice Worldwide (Cypr) Ltd.					
ZAO Work Service Russia	Moskwa, Biuro 45 Olkhovskaya ST, bld.1 105066	04.04.2008	99.00%	99.00%	Full
ProService Worldwide Limited, British Virgin Islands	British Virgin Islands, Office of Aleman, Cordero, Galindo & Lee Trust (BVI) Limited, skr.poczt.3175, Road Town Tortola	04.04.2008	100.00%	100.00%	Full
Janveer Limited (BVI)	Quijano Chambers, P.O. Box 3159, Road Town, Tortola, BVI	01.04.2015	100.00%	100.00%	Full

Companies related by ZAO Work Service Russia					
EMG Management	191015, Petersburg, Kałużski pereulok, bud 3A	10.02.2015	100.00%	100.00%	Full
EMG Leasing	191015, Petersburg, Kałużski pereulok, bud 3	10.02.2015	100.00%	100.00%	Full
IT Kontrakt o.o.o.	4th floor, bld. 23, 38 A, 2nd Khutorskaya str., Moscow	12.02.2015	100.00%	100.00%	Full

Companies related by Work Service International Sp. z o. o.					
Work Service Slovakia s.r.o.	831 03 Bratislava, Škultétyho 1	04.09.2007	53,5%	53,5%	Full
Work Service SPV Sp. z o.o.	53-413 Wrocław, ul. Gwiaździsta 66	29.01.2014	15.29%	15.29%	Full
ZAO Work Service Russia	Moskwa, Biuro 45 Olkhovskaya ST, bld.1 105066	20.02.2013	1.00%	1.00%	Full

Companies related by Work Service Czech s.r.o.					
Antal International s.r.o.	Anglicka 140/20, Vinohrady, 120 00 Praha 2	19.09.2014	100.00%	100.00%	Full

Name of the Company	Registered office	Date of acquisition of control	Percentage of the subsidiary's share capital	% Share of the subsidiary in the total number of votes at the General Meeting	Method of consolidation
Companies related by Exact Systems SA					
Automotive Assembly Systems Sp. z o. o.	53-413 Wrocław, ul. Gwiaździsta 66	01.03.2007	100.00%	100.00%	Full
Exact Systems Czech Republik s.r.o.	Štramberská 2976/25, Ostrava - Vitkovice, PSC 703 00	29.01.2007	100.00%	100.00%	Full
Exact Systems Slovakia s.r.o.	010 01 Zilina, Jána Kalinčiaka 22	17.10.2006	100.00%	100.00%	Full
AO Exact Systems Russia	24 Surikova Street, 125080 Moscow	21.03.2011	100.00%	100.00%	Full
Exact Systems Kalite Kontrol Ltd. Sti.	Akdeniz Mah. Vali Kazim Dirik Cad. No: 32/32 Konak Izmir	03.04.2012	99.00%	99.00%	Full
Exact Systems s.r.l. Rumunia	27 Unirii Bulevard, Building 15, sc.1, floor 7, apt.19 District 5, Bucharest Zip code 040103	24.09.2007	99.97%	99.97%	Full
Exact Systems Ltd.	Afroditis, 25 Clari-on Business Centre 1060 Nicosia Cyprus	19.12.2012	100.00%	100.00%	Full
Exact Systems Ltd. (UK)	Unit 1, Cottesbrook Park, Heartlands Business Park, Daventry, NN118YL, England	15.11.2013	100.00%	100.00%	Full
Work Service SPV Sp. z o.o.	53-413 Wrocław, ul. Gwiaździsta 66	29.01.2014	6.99%	6.99%	Full
Exact Systems Hungary LLC	Hungaria krt.140-144, 1146 Budapest	10.07.2015	100.00%	100.00%	Full
Control + Rework Service NV	Hoogstraat 69 3600 Genk Belgia	15.09.2015	100.00%	100.00%	Full
Control + Rework Service Polska Sp. z o.o.	44-100 Gliwice ul. Wiejska 52	15.09.2015	100.00%	100.00%	Full
Exact Systems Technology (Shanghai) Co.,Ltd.	331 North Caoxi Road, Office no 1750, Xuhui District, Shanghai, 200030, China	19.02.2016	100%	100%	Full

Companies related by Industry Personnel Services Sp. z o.o.					
Work Service Slovakia s.r.o.	831 03 Bratislava, Škultétyho 1	05.05.2011	46,5%	46,5%	Full
Krajowe Centrum Pracy Sp. z o.o.	53-413 Wrocław, Gwiaździsta 66	28.03.2013	25.00%	25.00%	Full

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

Name of the Company	Registered office	Date of acquisition of control	Percentage of the subsidiary's share capital	% Share of the subsidiary in the total number of votes at the General Meeting	Method of consolidation
Companies related by Automotive Assembly Systems Sp. z o.o.					
Exact Systems Kalite Kontrol Ltd. Sti.	Akdeniz Mah. Vali Kazim Dirik Cad. No: 32/32 Konak Izmir	03.04.2012	1.00%	1.00%	Full
Exact Systems s.r.l. Rumunia	27 Unirii Bulevard, Building 15, sc.1, floor 7, apt.19 District 5, Bucharest Zip code 040103.	24.09.2007	0.03%	0.03%	Full

Companies related by IT Kontrakt Sp. z o.o.					
IT Kontrakt Centrum Kształcenia Sp. z o.o.	53-413 Wrocław, ul. Gwiazdzista 66	05.04.2012	100.00%	100.00%	Full
Stermedia Sp. z o.o.	ul. Nowa 6 50-082 Wrocław	25.07.2012	75.40%	75.40%	Full
Work Service SPV Sp. z o.o.	53-413 Wrocław, ul. Gwiazdzista 66	29.01.2014	0.82%	0.82%	Full
IT Kontrakt AG	Pfaffikon, Churerstrasse 47, Szwajcaria	28.10.2014	100.00%	100.00%	Full
IT Service Sp. z o.o.	Warszawa, ul. Puławska nr 479, lok. 4	30.06.2015	75.00%	75.00%	Full

Companies related by Prohuman 2004 Kft					
Prohuman Outsourcing Kft.	1194 Budapest, Kiss János altábornagy utca 32.	21.12.2013	100.00%	100.00%	Full
Human Existence Kft.	3525 Miskole, Arany Janos ter.1. mfsz 18.	08.07.2014	76.00%	76.00%	Full
Enloyd Kft.	1194 Budapest, Kiss Janos altábornagy utca 32, Hungary	16.02.2015	100.00%	100.00%	Full
HR GLOBAL d.o.o.	Ljubljana, Cesta 24. Junija 25, 1231 Ljubljana-Crnuce	03.12.2015	100.00%	100.00%	Full
HR Rent Kft	7743 Romonya, Béke utca 51	10.12.2015	100.00%	100.00%	Full
Profield 2008 Kft	2724 Újlengyel, Ady Endre utca 41	17.12.2015	100.00%	100.00%	Full

Name of the Company	Registered office	Date of acquisition of control	Percentage of the subsidiary's share capital	% Share of the subsidiary in the total number of votes at the General Meeting	Method of consolidation
Companies related by HR GLOBAL d.o.o.					
Naton kadrovsko svetovanje d.o.o.	Ljubljana, Cesta 24. Junija 25, 1231 Ljubljana-Crnuce	03.12.2015	100.00%	100.00%	Full

Companies related by Work Express Sp. z o.o.					
Outsourcing Solutions Partner Sp. z o.o.	ul. Murckowska 14, 40-265 Katowice	02.01.2014	100.00%	100.00%	Full
Clean24h Sp. z o.o.	ul. Bankowa 20, 42-320 Niegowa	02.01.2014	100.00%	100.00%	Full
LogistykaPL Sp. z o.o.	ul. Warszawska 1, 42-350 Kozięglowy	02.01.2014	100.00%	100.00%	Full
Workbus Sp. z o.o.	Batalionów Chłopskich 8, 42-425 Kroczyce	02.01.2014	100.00%	100.00%	Full

Companies related by Work Service Gmbh & Co.KG					
Exact Systems GmbH Germany	02826 Gorlitz, Emmerichstr.43	12.08.2009	100.00%	100.00%	Full
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	Gauermannngasse 2 1010 Wiedeń	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 by Work Service SPV Sp. z o.o.					
Work Service GmbH & Co.KG	c/o CMS Hasche Sigle, Breite Str. 3, 40213 Düsseldorf	26.06.2014	51.00%	51.00%	Full

Companies related by Work Service Deutschland GmbH					
Work Service Fahrschule GmbH	Domhof 8, 48268 Greven	29.07.2015	100.00%	100.00%	Full

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

Due to the fact that the Work Service SA does not have the control over the company Virtual Cinema Studio sp. z o.o., understood in accordance with § 19 of IFRS 3, as "the ability to govern the financial and operating policies of an entity or business so as to obtain benefits from its activities", does not consolidate it by method of acquisition. On the other hand the application of the principle of materiality referred to § 31 of IAS 1, disables this company from consolidation under the equity method as a related entity.

The exclusion of the above mentioned company from consolidation does not affect the economic decisions taken by users on the basis of the financial statements.

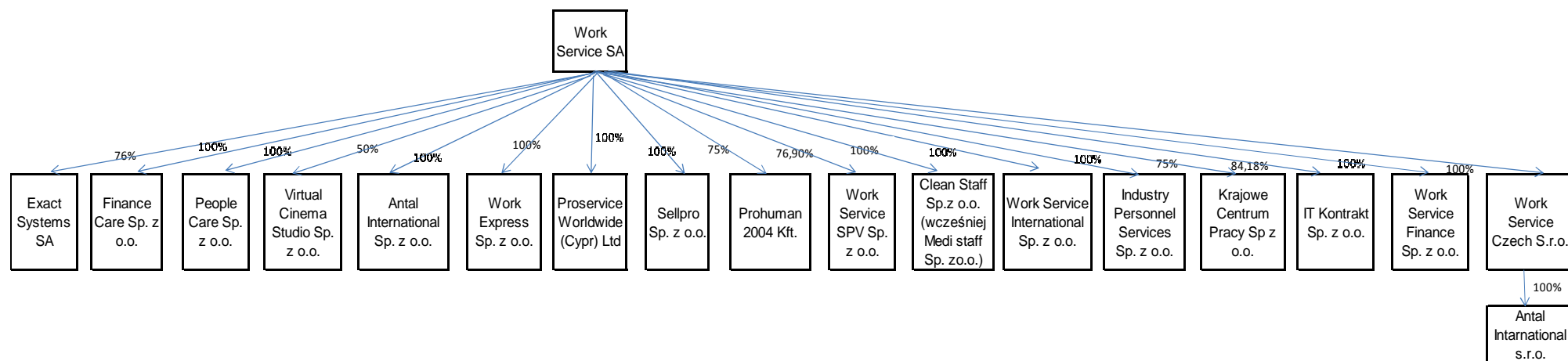
1.3. Scope of activities of companies of Work Service Capital Group

The Work Service Capital Group provides services in the field of human resource management. It specialises in seeking and recruitment of skilled workers, personal consulting, outsourcing functions related to human resources management and auxiliary processes in enterprises and offering solutions based on the use of temporary employment contracts. Capital Group operates throughout the country through regional offices and representative offices as well as abroad in seven countries of Central and Eastern Europe. The business of Work Service Capital Group is based on the ability to integrate the needs of businesses in terms of cost optimisation and structure of employment, with available resources of the labour market, which is the amount of economically active people, with their skills and labour cost. Information concerning the scope of the activities of all companies included in the Work Service Capital Group has been presented in the consolidated financial statements of Capital Group for the first half of 2016. – item 1 – General information concerning Work Service Capital Group

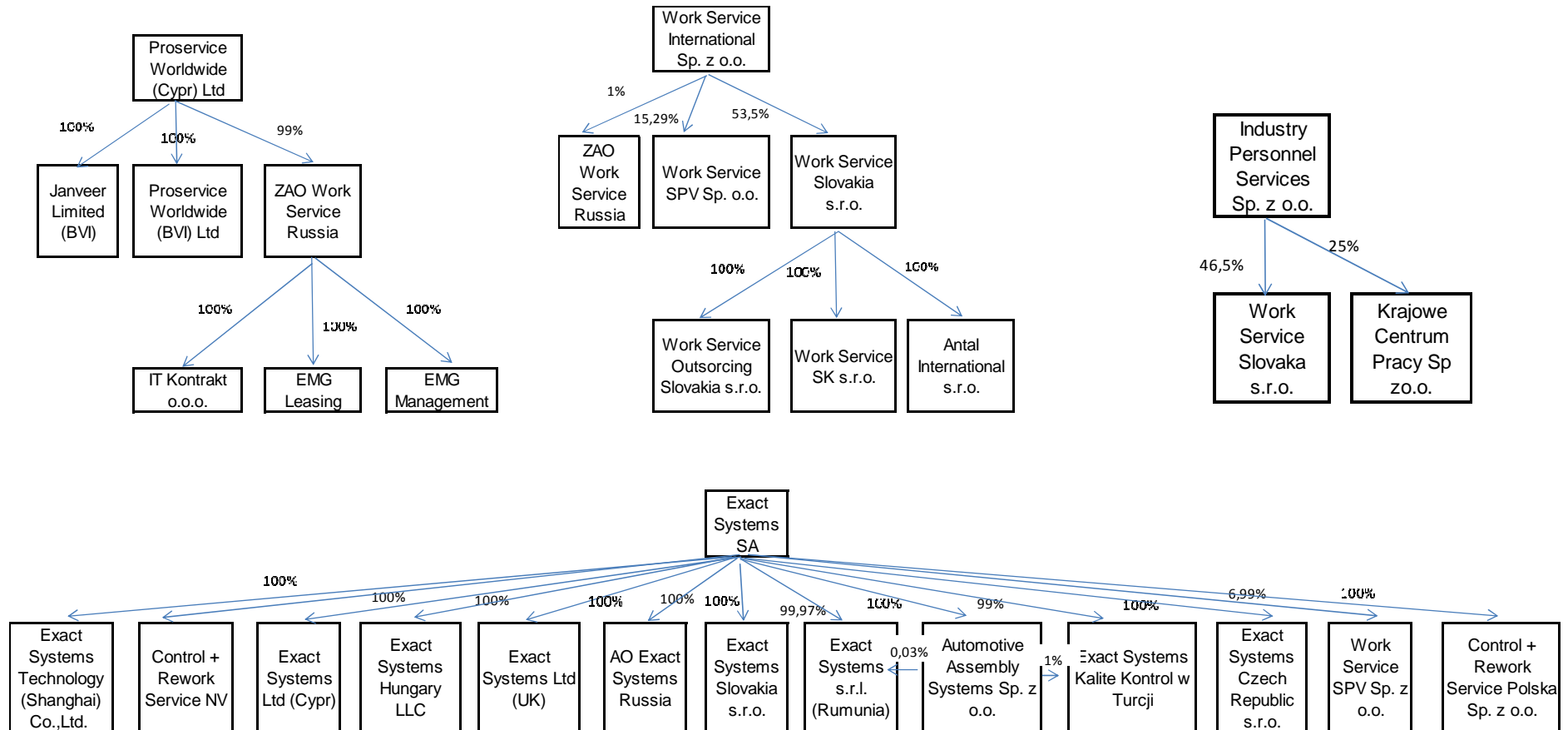
The structure of Work Service Capital Group as at 30.06.2016 is presented in the following diagram.

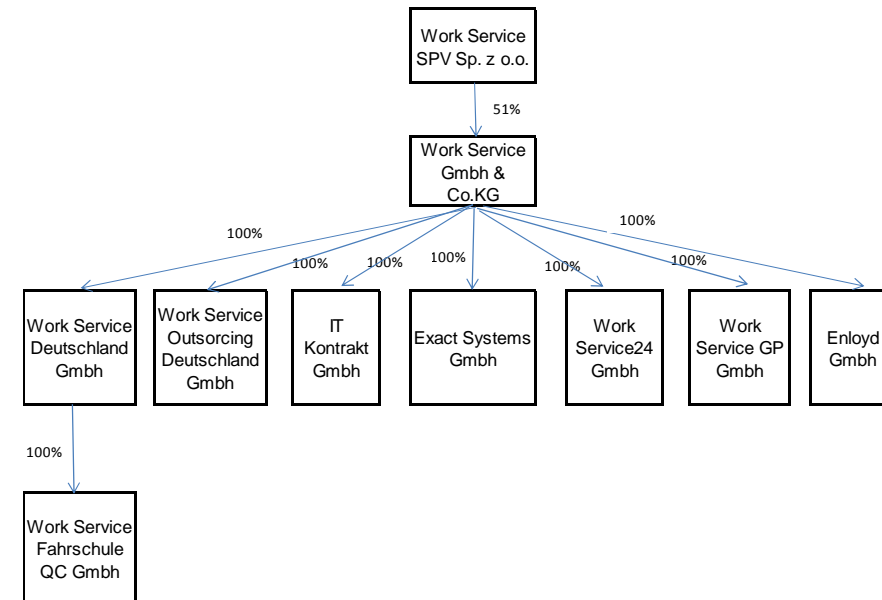
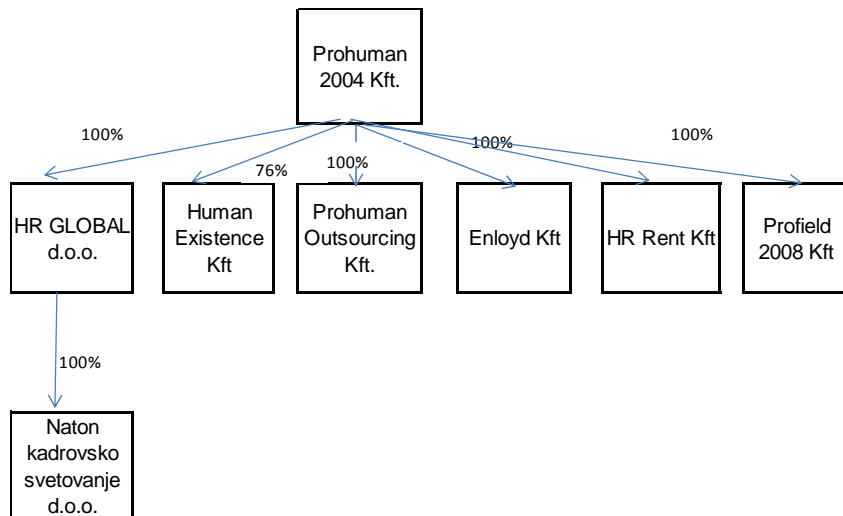
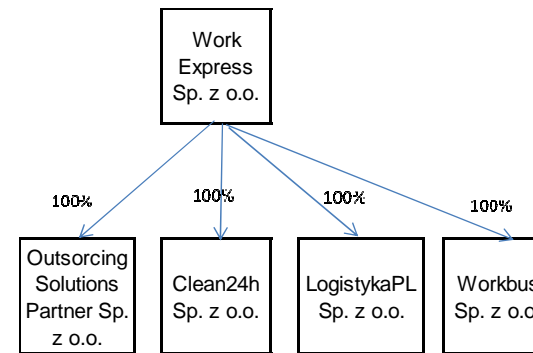
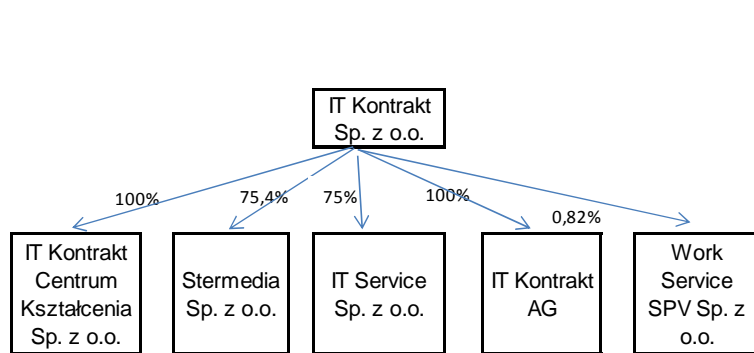
The structure of Work Service SA Capital Group as at 30.06.2016

Direct subsidiaries of Work Service SA



Indirect subsidiaries of Work Service SA





2. CHANGES IN STRUCTURE OF THE BUSINESS ENTITIES, INCLUDING AS A RESULT OF A BUSINESS ENTITY MERGERS, ACQUISITION OR DISPOSAL OF CAPITAL GROUP ENTITIES, LONG-TERM INVESTMENTS, DIVISION, RESTRUCTURING AND DISCONTINUED OPERATIONS.

In the first half of 2016 the following events resulting in changes in the Capital Group structure took place:

Loss of control over Work Service Acquisition

On 2 January 2016, an agreement was concluded under which Work Service SA temporarily, until the end of 2016 (with possible extension), resigned from its control over Work Service Acquisition Ltd. Control over said company was transferred to a professional external entity in order to improve its efficiency and profitability.

Loss of control over Workport24 GmbH

On 2 January 2016, an agreement was concluded under which Work Service International Sp. z o.o. temporarily, until the end of 2016 (with possible extension), resigned from its control over Workport24 GmbH. Control over said company was transferred to a professional external entity in order to improve its efficiency and profitability.

Loss of control over Naton HR E.O.D.D., Naton Ljudski potencial d.o.o., and Naton zaposljavaenje d.o.o.

On 30 March 2016, an agreement was concluded under which HR Global D.o.o relinquished its control over Naton HR E.O.D.D., Naton Ljudski potencial d.o.o., and Naton zaposljavaenje d.o.o.. Control over said companies was transferred to a professional external entity in order to improve their efficiency and profitability. The agreement became effective as of 1 January 2016.

Closing-down of IP Work Service Cypr. Ltd

On 31 March 2016, IP Work Service Cypr. Ltd, residing in Cyprus, was closed down.

Sales of Work Service Czech Agency s.r.o.

On 31 March 2016, an agreement was concluded under which Work Service International Sp. z o.o. sold 100% of its shares of Work Service Czech Agency s.r.o. for CZK 1,000.

Acquisition of additional shares of Medi Staff Sp. z o.o. and a change of name to Clean Staff Sp. z o.o.

On 22 March 2016, an agreement was concluded under which Work Service SA purchased 32 shares of Medi Staff Sp. z o.o., each with a face value of PLN 10,000, for PLN 250,000. As of 31 March 2016, Work Service SA held 100% of the shares of Medi Staff Sp. z o.o. Payment for said shares took place on 6 April 2016.

On 29 April 2016, Medi Staff Sp. z o.o. changed its name to Clean Staff Sp. z o.o.

Formation of a company in China

On 19 February 2016, Exact Systems Technology (Shanghai) Co.,Ltd was formed. The company's seat in in Shanghai (China) and it is a 100% subsidiary of Exact Systems S.A.

Closing-down of WS Cyprus Ltd and ITK Cyprus Ltd

On 6 April 2016 Cyprus Ltd and ITK Cyprus Ltd, residing in Cyprus, were closed down.

Acquisition of Baywood and a change of name to Work Service SK s.r.o.

On 1 June 2016, Work Service Slovakia s.r.o. purchased 100% of shares of Baywood s.r.o. for EUR 7,000. As at the acquisition date, the company was valued at EUR 23,000.

On 14 June 2016, the company changed its name to Work Service SK s.r.o.

3. MANAGEMENT BOARD POSITION ON THE IMPLEMENTATION FORECASTS

Work Service Capital Group did not publish forecasts for 2016.

4. INDICATING THE SHAREHOLDERS HOLDING, DIRECTLY OR INDIRECTLY THROUGH SUBSIDIARIES, AT LEAST 5% OF THE TOTAL NUMBER OF VOTES AT THE GENERAL MEETING ON THE DATE OF PUBLICATION OF THIS REPORT, TOGETHER WITH THE NUMBER SHARES HELD BY SUCH ENTITIES, THEIR PERCENTAGE SHARE IN THE SHARE CAPITAL, NUMBER OF VOTES RESULTING FROM THEM AND THEIR PERCENTAGE SHARE IN THE TOTAL NUMBER OF VOTES AT THE AGM AND CHANGES IN OWNERSHIP OF LARGE BLOCKS OF SHARES OF THE ISSUER IN THE PERIOD FROM SUBMISSION OF THE LAST ANNUAL REPORT

At the date of this report no preferred shares as to voting rights or to dividend were issued. All shares of the Parent Company are ordinary shares. The share capital of Work Service SA amounts to PLN 6,509,482.30 and is divided into:

- 750,000 shares of series A of nominal value of 10 grosz each.
- 5,115,000 shares of series B of nominal value of 10 grosz each.
- 16,655,000 shares of series C of nominal value of 10 grosz each.
- 100,000 shares of series D of nominal value of 10 grosz each,
- 100,000 shares of series E of nominal value of 10 grosz each,
- 7,406,860 shares of series F of nominal value of 10 grosz each.
- 2,258,990 shares of series G of nominal value of 10 grosz each.
- 9,316,000 shares of series H of nominal value of 10 grosz each.
- 1,128,265 shares of series K of nominal value of 10 grosz each.
- 5,117,881 shares of series L of nominal value of 10 grosz each.
- 12,000,000 shares of series N of nominal value of 10 grosz each.
- 91,511 shares of series P of nominal value of 10 grosz each.
- 5,000,000 shares of series S of nominal value of 10 grosz each.
- 55,316 shares of series T of nominal value of 10 grosz each.

The shareholding structure as of the date of this report, taking into account all notice that the company Work Service SA received pursuant to art. 69 section 1 item. 1 of the act on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organised Trading, and on Public Companies are presented in the table below.

Shareholder	No. of shares	Percentage of share capital	Number of votes	Share in the total number of votes
PROLOGICS UK LLP	18 514 621	28.44%	18 514 621	28.44%
WorkSource Investments S.a.r.l.	13 714 286	21.07%	13 714 286	21.07%
Tomasz Misiak	9 534 861	14.65%	9 534 861	14.65%
Tomasz Hanczarek	3 255 000	5.00%	3 255 000	5.00%
MetLife PTE S.A.	3 254 743	5.00%	3 254 743	5.00%
Other	16 821 312	25.84%	16 821 312	25.84%
Total	65 094 823	100.00%	65 094 823	100.00%

5. OWNERSHIP OF SHARES OF WORK SERVICE SA BY PERSONS MANAGING AND SUPERVISING THE COMPANY

	As at 15.05.2016	Changes in ownership: acquisition (disposal)	Balance at the date of this report
Tomasz Hanczarek – Member of the Supervisory Board	3 255 000	0	3 255 000
Jarosław Dymitruk - proxy	3 000	0	3 000
Paul Christodoulou - Vice President of the Management Board	14 857	19 823	34 680
Tomasz Misiak – Vice-Chairman of the Supervisory Board	9 534 861	0	9 534 861

6. COURT PROCEEDINGS

There are currently no pending litigation, administrative or arbitration proceedings involving the Company, relating to liabilities or receivables of the Company, the value of which individually or collectively represent at least 10% of its equity.

7. INFORMATION ON GRANTING BY COMPANY OR ITS SUBSIDIARY THE SURETY OF CREDIT OR LOANS OR GUARANTEES – JOINTLY TO ONE ENTITY OR ITS SUBSIDIARY, IF THE TOTAL VALUE OF EXISTING SURETIES OR GUARANTEES IS EQUIVALENT TO AT LEAST 10% OF ITS EQUITY.

This information is contained in item 6 of the consolidated financial statements for the first half of 2016.

8. OTHER INFORMATION THAT ARE RELEVANT TO THE ASSESSMENT OF THE PERSONNEL, PROPERTY, FINANCIAL STAND - AND THEIR CHANGES - OF THE COMPANY AND ITS CAPITAL GROUP, AS WELL AS INFORMATION THAT IS RELEVANT FOR ASSESSING THE FEASIBILITY OF LIABILITIES BY THE COMPANY AND THE CAPITAL GROUP

8.1. THE COMPOSITION OF MANAGEMENT AND SUPERVISORY BODIES

As of 30 June 2016 the Management Board of Work Service SA was composed of:

- Maciej Witucki - President
- Adam Pawłowicz - Vice President
- Piotr Gajek - Vice President
- Robert Knights - Vice President
- Paul Andrew Christodoulou - Vice President
- Tomasz Ślęzak - Vice President
- Iwona Szmitkowska - Vice President

On 13 April 2016 the Management Board of Work Service SA was notified on the resignation of Mr. Hubert Rozpędek from the position of the Vice-President of the Management Board of Work Service S.A. with effect on 30 April 2016. Mr. Hubert Rozpędek indicated that the resignation was caused by personal reasons.

On 13 April 2016 the Management Board of Work Service SA was notified on the resignation of Mr. Dariusz Rochman from the position of the Vice-President of the Management Board of Work Service S.A. with effect on 17 April 2016. Mr. Dariusz Rochman did not indicate reasons of the resignation.

On 13th April the Supervisory Board of the Issuer, acting pursuant to §17(2) of the Company's Articles of Association and §14(2)(b) of the Bye-laws of the Supervisory Board, appointed Mr. Piotr Gajek to perform the duties of Vice-President of the Management Board of Work Service S.A. as of 1 May 2016.

On 13th April 2016 the Supervisory Board of the Issuer, acting pursuant to §17(2) of the Company's Articles of Association and § 14(2)(b) of the Bye-laws of the Supervisory Board, appointed Mr. Adam Pawłowicz to perform the duties of Vice-President of the Management Board of Work Service S.A. as of 18 April 2016.

Supervisory Board of Work Service S.A. as at 30 June 2016:

- Panagiotis Sofianos – Chairman of Supervisory Board
- Tomasz Misiak – Vice-Chairman of the Supervisory Board
- Krzysztof Kaczmarczyk - Member of the Supervisory Board,
- Everett Kamin - Member of the Supervisory Board
- Pierre Mellinger - Member of the Supervisory Board
- Piotr Kamiński – Member of the Supervisory Board
- Robert Ługowski – Member of the Supervisory Board
- Tomasz Hanczarek - Member of the Supervisory Board
- Geza Szephalmi - Member of the Supervisory Board

The Supervisory Board of Work Service SA in the co-option mode appointed Mr Tomasz Hanczarek as the Member of Supervisory Board. The Resolution shall come into force on 10 January 2016.

On 18th May 2016 the Extraordinary General Meeting of the Issuer, acting pursuant to §12(2) of the Company's Articles of Association, approved the appointment of the member of the Supervisory Board Tomasz Hanczarek made by the Supervisory Board.

On 13th May 2016 the Management Board of Work Service SA received a letter dated on 20 April 2016 containing the resignation of Mr Piotr Żabski from the position of the Member of the Supervisory Board of Work Service S.A. with effect on 17 May 2016. Mr Piotr Żabski did not indicate reasons of the resignation.

On 18th May 2016 the Management Board of Work Service SA received a letter dated on 18 May 2016 containing the resignation of Mr Wiesław Skrobowski from the position of the Member of the Supervisory Board of Work Service S.A. with effect on 18 May 2016. Mr Wiesław Skrobowski did not indicate reasons of the resignation.

On 18th May 2016 the Extraordinary General Meeting of the Issuer, acting pursuant to §12(5) of the Company's Articles of Association, appointed Mr Krzysztof Kaczmarczyk to perform the duties of Member of the Supervisory Board of Work Service S.A. as of 18 May 2016.

On 18th May 2016 the Extraordinary General Meeting of the Issuer, acting pursuant to §12(5) of the Company's Articles of Association, appointed Mr Robert Ługowski to perform the duties of Member of the Supervisory Board of Work Service S.A. as of 18 May 2016.

8.2. SIGNIFICANT ORGANISATIONAL CHANGES

In the first half of 2016 there were organisational changes resulting in a change in the organizational structure of the Group which are described in Part B of this statement - Other information, item II.

8.3. OTHER

The financial situation of the Capital Group is characterised by the payment and credit capacity, both for the Parent Company and other companies of the Capital Group.

9. FACTORS INFLUENCING THE ACHIEVED RESULTS FOR AT LEAST THE NEXT SIX MONTHS

9.1. OTHER FACTORS

The whole twelve months of 2016 will be a period during which the Group will be consolidating the results of the acquisitions made in 2015, which include the following companies:

- Control + Rework Service Polska Sp. z o. o. and Control + Rework Service NV
- HR Global Group
- HR Rent Kft
- Profield 2008 Kft

This process will influence the comparability of data with that of 2015.

After a period of increased acquisition activity in recent years, the Group has begun to optimize both the structure of the Group itself and the way in which it uses the synergy resulting from operating within such a large Group, diverse both in terms of its business portfolio and geographical distribution. In the next quarters and years, the Group is planning to exploit the available resources even more effectively in order to increase the operational and financial efficiency of its activities in all locations and business lines.

The first half of 2016 was also a time of change in the composition of the Parent Company's Management Board. On 19 November 2015, the Supervisory Board of Work Service S.A. appointed Maciej Witucki as the President of the Management Board of Work Service S.A. as of 1 January 2016.

Furthermore, on 13 April 2016, the Company's Supervisory Board appointed Adam Pawłowicz and Piotr Gajka as Vice-Presidents of the Management Board of Work Service S.A. as of 18 April and 1 May 2016, respectively.

In accordance with the information presented in the current report no. 50/2016, the Management Board of Work Service S.A. informed of signing the term sheet by the Issuer's subsidiary (i.e. Exact Systems S.A.) on 15 July 2016. The document concerned activities connected with future acquisition transactions, which would consist of: purchasing 100% of existing shares of a French limited liability company, purchasing 100% of existing shares of a Romanian limited liability company, purchasing 100% of existing shares of a Turkish limited liability company, and purchasing 100% of existing shares of a Moroccan limited liability company, which all operate in the outsourcing business and specialize in quality control in the automotive industry. The Potential Transaction establishes that 75% of existing shares of Target Companies shall be purchased in the first instance, followed by the purchase of the remaining 25% by the Subsidiary, by exercising the call option, or by the current shareholders of the Target Companies, by exercising the put option in compliance with the conditions specified in the Term Sheet.

The total price of the First Phase of the Potential Transaction for Target Companies was set at EUR 8,000,000 with the earn-out stipulated in the Term Sheet at 75% x 5.15 x of Target Companies EBITDA for the financial year ending on 31 December 2016 minus EUR 8,000,000. The EBITDA will be defined by the Parties of the Potential Transaction in the preliminary agreement on the sale of shares.

The Parties also anticipate the use of corrective mechanisms for the price of the First Phase of the Potential Transaction.

The Preliminary Agreement on the sale of shares of Target Companies shall be concluded by 14 October 2016.

The Agreements on the sale of shares of Target Companies shall be concluded by 31 December 2016.

The conclusion of the preliminary agreement on the sale of shares of Target Companies is dependent on the fulfilment of the following conditions: (i) achieving a positive result in financial, tax, and legal due diligence in Target Companies, (ii) the conclusion of negotiations by the Parties concerning the transaction documentation, (iii) obtaining a clearance for release of the Potential Transaction from the Subsidiary's Supervisory Board.

The fulfilment of the abovementioned conditions does not, however, bind any of the Parties to perform the Potential Transaction. The final terms and conditions of the Potential Transaction shall be included in the preliminary agreement on the sale of shares of Target Companies.

9.2. THREATS AND RISKS RELATED TO THE REMAINING MONTHS OF THE FINANCIAL YEAR

⇒ THE RISK ASSOCIATED WITH THE PROTECTION OF PERSONAL DATA

The Capital Group due to the nature of the business has an extensive database of candidates' personal data, the size of which exceeds hundreds of thousands of records. According to the Act on personal data protection of 29 August 1997 (consolidated text Journal of Laws of 2002, No. 101 item 926, as amended), information relating to these data are secret and shall not be disclosed to unauthorised persons. Nevertheless, there is a risk of access to databases by unauthorised persons as a result of theft, hacking or forced entry, or other unwanted actions. In such a case, the information stored by Work Service SA could be used to the detriment of the Company and its customers, which would adversely affect the image of the Company, and thus worsened its position in the employment services market. To reduce this risk, the technical infrastructure was created based on a properly secured server, electronic security systems and high-end servers.

⇒ LIQUIDITY RISK

The Capital Group employs temporary workers, conducts comprehensive training to prepare employees for a particular job. Then, those employees are delegated to enterprises that have reported their demand for this kind of service. Until receipt of payment for the service, the companies of the Work Service Group bear all costs relating to employment (salaries, insurance, etc.) of people taking up the employment. Companies renting the workers pay for the service in specific, contractual payment dates. This business model requires the Work Service Capital Group the effective working capital management, while causing vulnerability to the risk of periodically decreasing liquidity. To minimise the risk, Work Service SA has an agreement authorising the use of credit lines and factoring limits in the amount corresponding to the current financial needs of the Group, depending on the scale of operations. Moreover, the Work Service Capital Group enters into agreements with counterparties in such a way as to optimise the cost of foreign capital.

⇒ RISKS ASSOCIATED WITH INTEGRATION OF ACQUIRED ENTITIES

The Group's development policy assumes the expansion of the share in the Polish and international markets through the acquisition of entities with a similar business profile, following the Group's development strategy. The costs of takeover, which are typical of this type of transactions, may be generated by the process of carrying out a takeover transaction, changes at the management level, and differences in the organizational culture. The risk of the abovementioned costs is significant due to the quantity and value of such transactions. Furthermore, there is also a risk that entities subject to a takeover will be burdened with liabilities, be party to disputes and proceedings, or have other issues of organizational, legal, or financial nature, which will generate additional costs.

In order to minimize the risk connected with the takeover process, the Group acquires only those entities, which through their integration may provide the Group with expected synergy effects. The main factor taken into consideration in such takeovers is the mutual complementarity of the Group and Target Companies. A good example of this concept is the takeover of IT Kontakt companies in 2012, which has enabled the Group to enter a new business segment of the high-margin IT outsourcing services. The acquisition of Antal International Sp. z o.o., carried out in the third quarter of 2013, has, in turn, given the Group a strong entry into the highly beneficial segment of personnel consulting. The acquisitions exercised in 2014, on the other hand, have facilitated the Group's entry onto the Hungarian and German markets. Finally, the acquisitions of 2015 have helped the Group to strengthen its position as a leader of quality control services (acquisitions of Control + Rework Service Polska Sp. z o.o. and Control + Rework Service NV), as well as its position on the Hungarian market (acquisitions of HR Rent Kft and Profield 2008 Kft). They also have facilitated the Group's entry onto the Balkan market (acquisition of HR Global).

One of the most significant synergy effects is the combination of the great potential of the acquired entities in terms of drawing up contracts with new clients in markets characterized by workforce deficiency and the Group's excellent potential in the field of accessing human resources both in the Polish and the Central and Eastern European markets. Equally noteworthy is the fact that Polish employees are the most mobile in Europe and the quality of their work is rated high among foreign employers. Maximizing the probability of those synergy effects constitutes a key factor in choosing the subjects of acquisition, especially in the countries of Western Europe, where a significant rise in the demand for a qualified workforce from Central and Eastern Europe is observed.

The Group's Management Board applies all necessary measures to minimize the integration risk. Its main concern is the correct identification of common and diverse areas of cooperation in order to make sure, before concluding the agreement, that existing differences will not cause any problems in the future. Every transaction is therefore preceded by research and a thorough financial and legal due diligence process carried out with the involvement of consulting companies specializing in law, taxes, and finances.

⇒ **RISKS ASSOCIATED WITH SOCIO-ECONOMIC SITUATION IN POLAND AND EUROPE**

The activities of companies related to the offering of services on the labour market depends on the socio-economic situation in Poland and abroad in countries where the companies of the Work Service Capital Group are present. The financial results of companies are particularly affected by macroeconomic factors such as the level of business investment resulting in an increase in employment, GDP growth rate, the growth rate of wages, interest rates and inflation, and, with the increasing globalisation of economies, foreign direct investment. The factor that had a significant impact on the development of the industry, in which the Group operates is the degree of absorption of funds from the European Union budget. In the event of breakdown or deterioration of market conditions there is a risk of a reduction in demand for the product offered by the Group.

⇒ **THE RISK ASSOCIATED WITH THE COMPETITOR'S OPERATION**

The temporary employment market is growing very rapidly and is very attractive - there are enterprises of an international scale acting on the market, such as Randstadt or Manpower, which strongly compete with the Work Service Group. Work Service as a leader of the Polish market has the most experience and recognized brand, and can react early enough to the competitors' activities. On foreign markets, the ability to compete effectively with major international corporations is limited, however, the area of competition must be discerned among smaller companies, specialising in the allocation of resources between the labour markets of the countries concerned. There is here a fairly large group of small and medium-sized agencies, whose number is increasing every year. These companies, however, do not have such a powerful recruitment base, which makes their efficiency increasingly limited.

⇒ **THE RISK ASSOCIATED WITH FLUCTUATIONS IN THE MARKET**

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

⇒ **THE RISK ASSOCIATED WITH CHANGES IN LEGAL REGULATIONS**

The macroeconomic situation of the country may force a change in tax law, labour law, or changes in the area of social insurance. Any such change can result in increased operating costs of the Work Service Group, which in turn translates into financial results and may cause difficulty in assessing the impact of future events or decisions. In addition, the risk in this area is strengthened by the fact of conducting the activities by the companies of Work Service Group across several countries, including the Russian Federation. All changes in law are scrutinized by the Issuer's Management Board and addressed systematically in order to adapt the Group's business activity to all binding laws.

⇒ CREDIT RISK

Credit risk can be defined as a potential breach of contract by the other party of the contract, which means that the party exposed to the risk will not receive the payment, specified in the contract, within the expected payment term. In other words, it is a possibility to decrease or increase the market value of the company's equity due to changes in creditworthiness, in particular the transition to a state of insolvency or bankruptcy of debtors. A reflection of the maximum exposure of the Group to the credit risk is the value of trade receivables, loans granted and deposits held. In terms of credit risk associated with trade receivables - in order to minimise, and in order to maintain the lowest possible level of working capital, the Group implemented procedures for granting trade credit limit and specific forms of its security. Receivables from counterparties are monitored regularly by the financial services and, in the event of even a slight overdue procedure for their recovery by means of so-called soft recovery, is started. In addition, due to the nature of the services provided by the Capital Group, the recipient will pay particular attention to the timely payment of its liabilities, hence the relatively low proportion of trade receivables, which are subject to collection activities of financial services of the Group.

The Capital Group apply the principle according to which payment terms for customers are set. These terms are for most contractors 21 - 30 days. In addition, there is a recovery procedure in the Group, under which execution of the amounts due is carried out.

Work Service Capital Group in terms of short-term financing also uses the tool - full factoring. Full factoring (factoring with risk assuming, non-recourse factoring) consists of financing of short-term receivables prior to their maturity date and the takeover by the factor of risk of insolvency of the debtor (customer). The consequence of signing the full factoring agreement for the factor is the possibility of debt recovery only from the debtor, so if the debtor fails to perform its payment the factor has no right to demand the payment from factorer. The exception to this general rule is the situation when the debtor does not pay, because he questions the existence of debts - since for the existence of debt the factorer is responsible. Full factoring allows the inflow of the funds to the account of factorer up to 2 days after informing about the invoice, the transfer of risk of insolvency of the debtor (customer), obtaining current information about the status of receivables, which in turn helps to increase financial liquidity, protection against the risk of non-payment by the customer (debtor), and also allows for verification of the recipient (the debtor) and executed transactions.

SIGNATURES:

1. **Maciej Witucki** **President of the Management Board.....**

2. **Piotr Gajek** **Vice President** **.....**

3. **Adam Pawłowicz** **Vice President** **.....**

4. **Robert Knights** **Vice President** **.....**

5. **Paul Christodolou** **Vice President** **.....**

6. **Tomasz Ślęzak** **Vice President** **.....**

7. **Iwona Szmitkowska** **Vice President** **.....**