Directors’ Report on Operations of WORK SERVICE SA

for the period from 1 January to 31 December 2019

Wrocław, 29 June 2020

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1. Work Service SA — Company information

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

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

As at the balance sheet date of 31 December 2019, the Management Board of Work Service SA was composed of the following persons:

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

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

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

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

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

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

As at 31 December 2019, the Supervisory Board of Work Service SA was composed of the following persons:

- Przemysław Schmidt – Chairman of Supervisory Board
- Marcus Preston – Vice-Chairman of the Supervisory Board (seconded to perform tasks 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.

4. Key economic data of Work Service SA

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

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

	Average EUR exchange rate in the period	EUR exchange rate as at the last day of the period
01.01-31.12.2018	4,2669	4,3000
01.01-31.12.2019	4,3018	4,2585

5. Strategic description

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

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

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

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

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

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

1) A risk of a potential investor's withdrawal from a planned transaction (at the date of publication of this report, the Management Board of Work Service S.A. does not have such information that the investor would discontinue to be interested in the transaction in the execution of the investment contract but cannot be assumed to have been executed until its full closure);

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A. Status of arrangements with the bondholders

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

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

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

B. Status of agreements with Polish banks

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

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

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

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

On 24 April 2020, a preliminary restructuring agreement (“Agreement”) was signed between the company and the Polish banks (“Parties”). The Agreement contains arrangements regarding the terms of the Restructuring, including in particular the partial repayment and the partial reduction of the Company’s debt to Banks due to the loan agreement of 18 November 2015 connecting of the Company with Banks (subsequently amended by annexes) (“Loan Agreement”), in the amount of PLN

110,350,000.00 (“Existing Bank Debt”) by 50% in respect of principal receivable, i.e. up to the principal receivable amount PLN 55,175,000.00 ("Repayment Amount"), on terms agreed with each Bank ("Reduction").

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<u>Signing of call option and co-operation agreement</u>

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.

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

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

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

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

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

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

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

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

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

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

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

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

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

	Nota	01.01.2019-31.12.2019	01.01.2018-31.12.2018
Revenues		**324 289 028,95**	**580 944 657,18**
Net revenues from sales of products		323 625 074,10	581 340 217,58
Variation in stocks of products		663 954,85	-395 560,40
Manufacturing cost of products for entity's own purposes		0,00	0,00
Net income on sale of goods and materials		0,00	0,00
Operating costs		**353 182 660,80**	**612 415 442,17**
Depreciation		9 763 421,06	6 443 137,47
Consumption of materials and energy		2 190 121,31	1 612 058,02
Outside services		56 939 605,83	115 216 072,73
Taxes and charges		686 808,39	1 041 318,89
Remuneration		234 205 508,34	403 802 353,40
Social insurance and other benefits		47 140 404,66	80 305 631,95
Other generic expenses		2 256 791,21	3 994 869,71
Value of goods and materials sold		0,00	0,00
Profit (loss) on sales		***(28 893 631,85)***	**-31 470 784,99**
Other operating incomes		**30 026 477,18**	10 385 368,19

Other operating costs	44 718 486,65	57 565 567,90
Profit (loss) on operating activities	*(43 585 641,32)*	-78 650 984,70
Financial incomes	6 119 430,19	118 607 448,13
Financial costs	159 092 910,33	46 399 434,67
Gross profit (loss)	*(196 559 121,46)*	-6 442 971,24
Income tax	(16 535 180,62)	-18 915 743,08
Net profit (loss) from continued operations	*(180 023 940,84)*	12 472 771,84

Comment on financial data of WORK SERVICE S.A.

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

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

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

Therefore, we are observing two important trends:

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

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

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

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

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

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

Comments on financial data of discontinued operations.

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

- Revenue PLN 5,100,000.00 (trademark) + PLN 5,300,000.00 (shares) = PLN 10,400,000.00

- Costs: 15. PLN 454,066.00 (net value of trade mark)+ PLN 8.613,110,76 = PLN 24.067,176.76
- Loss on sales = PLN 13,667,176.76

B. Recognition of atypical events;

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

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

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

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

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

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

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

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

In addition, the Company’s Management Board draws attention to several events of an atypical nature that deteriorate the result from financial activities. A loan write-off (including from Zao Work Service Russia) was made in the total amount of PLN 14 million. Additionally, a provision for interest was made related to estimated liabilities to PFRON of approximately 1.7 million. A write-off was also made for shares in subsidiaries: Work Express Sp. z o.o. and SPV Sp. z o.o. in the total amount of approximately PLN 107.8 million. Due to the sale of the Antal Group’s shares, the Work Service SA recognized the revenue of PLN 5.3 million as well as costs of approximately PLN 21.5 million. In view of the above, the impact of the identified atypical events in the financial activity, is negative and amounts to approximately PLN 139.7 million.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The core business of the Company includes:

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

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

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

As part of personnel consultancy, the Company also offers specialist assessment and development centre services, mass recruitment (recruitment of large numbers of employees within a single project, e.g. commercial representatives) and outplacement (preparing employees to change their jobs and active help in finding it). In the process of providing the service, WSSA applies advanced selection tools and access to own, extensive database of candidates.

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

Structure of revenue by sectors (sales markets)				
Sectors	2019		2018	
	(PLN '000)	%	(PLN '000)	%
Automotive industry	89 883	27,8%	211 747	36,42%
Call center	79 716	24,6%	121 544	20,91%
Other services	70 560	21,8%	119 669	20,58%
Industry — other	37 590	11,6%	60 953	10,48%
Electronics	31 704	9,8%	44 242	7,61%
FMCG	6 918	2,1%	11 040	1,90%
Sales and distribution	4 953	1,5%	6 101	1,05%
Administration — other	1 695	0,5%	5 324	0,92%
Engineering	340	0,1%	584	0,10%
Financial and insurance services	201	0,1%	120	0,02%
Healthcare services	64	0,0%	18	0,00%
Total	**323 625**	**100,0%**	**581 340**	**100%**

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

Sales structure				
Specification	2019		2018	
	(PLN '000)	(%)	(PLN '000)	(%)
Temporary work	312 243	96,5%	564 501	97,1%
Outsourcing	10 962	3,4%	15 697	2,7%
Personnel consultancy	419	0,1%	1 142	0,2%
Total	**323 625**	**100,0%**	**581 340**	**100,0%**

Sector TOP 10	Sales revenue in 2019
Call center	74 844 258
Automotive industry	69 584 102
Other services	25 992 257
Electronics	11 911 015
Electronics	8 380 056
Electronics	8 002 690
Other industry	7 641 942
Other services	4 894 256
Other services	4 833 737
Other industry	4 673 113

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

7. Selected financial ratios

Selected financial ratios of Work Service S.A. are presented in the following table

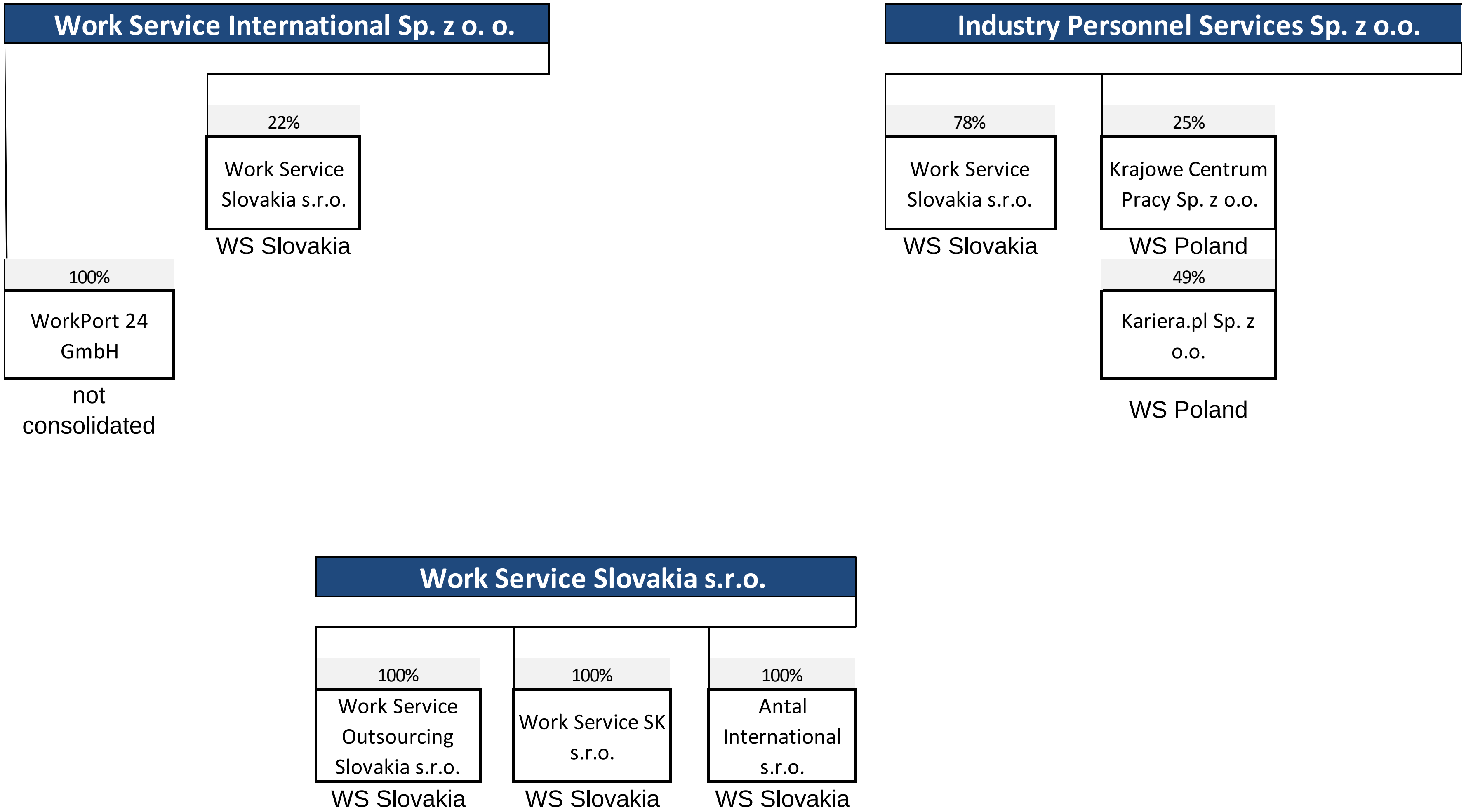
Selected financial ratios	Formula	2019	2018
	Profitability ratios		
Profitability of sales	Profit on sales / revenues from sales	-8,9%	-5,4%
Profitability of EBIT	Operation activities result / revenues from sales	-13,4%	-13,5%
Profitability of EBITDA	(Operation activities result + amortisation)/ revenues from sales	-10,4%	-12,4%
Net profitability	Net financial result/revenues from sales	-55,5%	2,1%
ROA	Net financial result/total assets	-35,8%	1,6%
ROE	Net financial result/share capital at the end of period	-381,6%	5,5%
	Liquidity ratios		

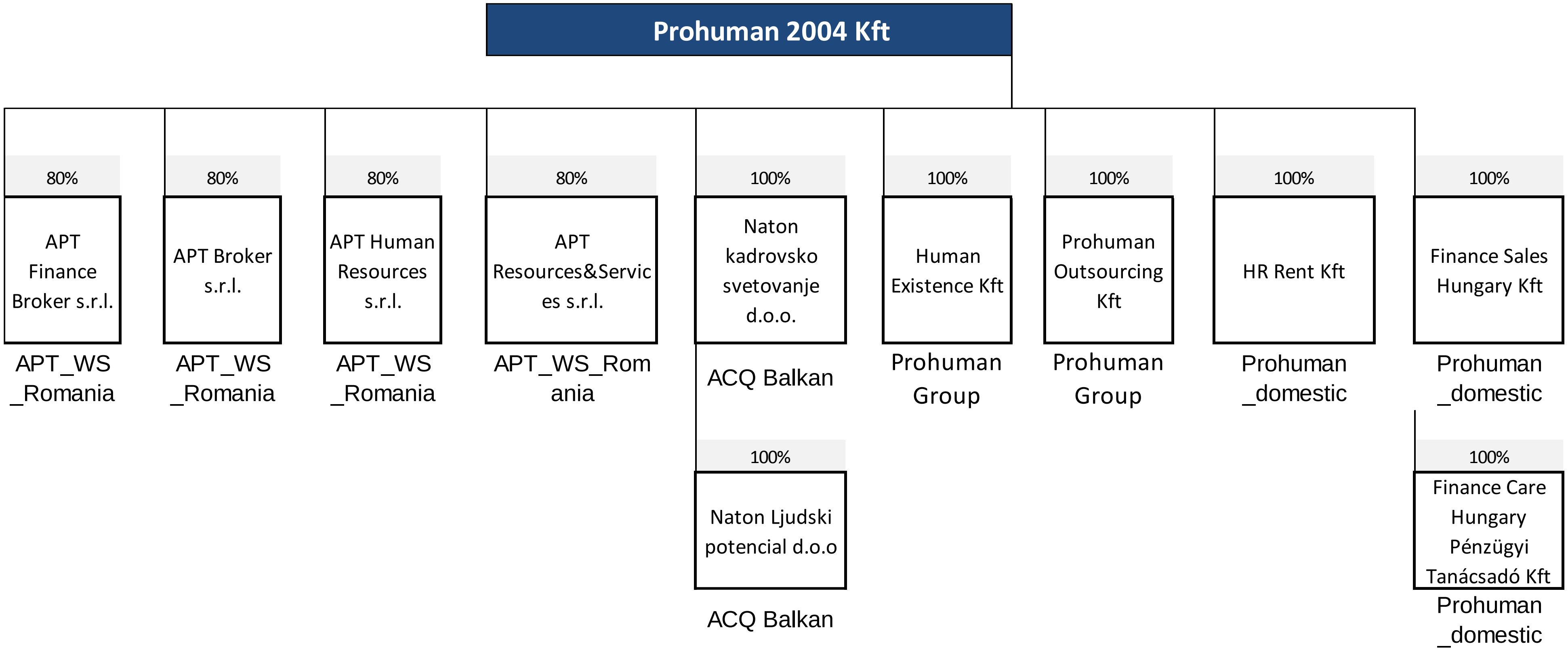
The cash conversion cycle (in days)	Inventories cycle + receivables cycle - liabilities cycle	11	11
Receivables turnover in (days)	Average balance of receivables from supplies and services / sales revenue) *360	61	38
Liabilities turnover in (days)	(Average balance of liabilities from supplies and services / costs of services sold) *360	52	29
Inventory rotation (days)	inventory/net sales revenues*360	1	3
Total debt ratio	Total liabilities / Total assets	0,87	0,66
Debt to equity ratio	Short term and long term liabilities / Equity	9,32	2,21

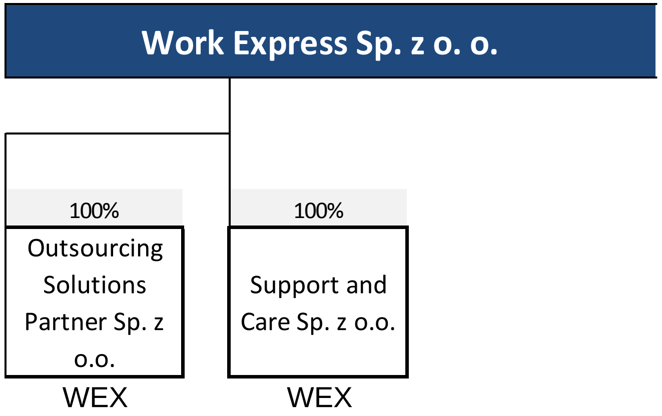
8. Structure of the Work Service Capital Group as at 31 December 2019

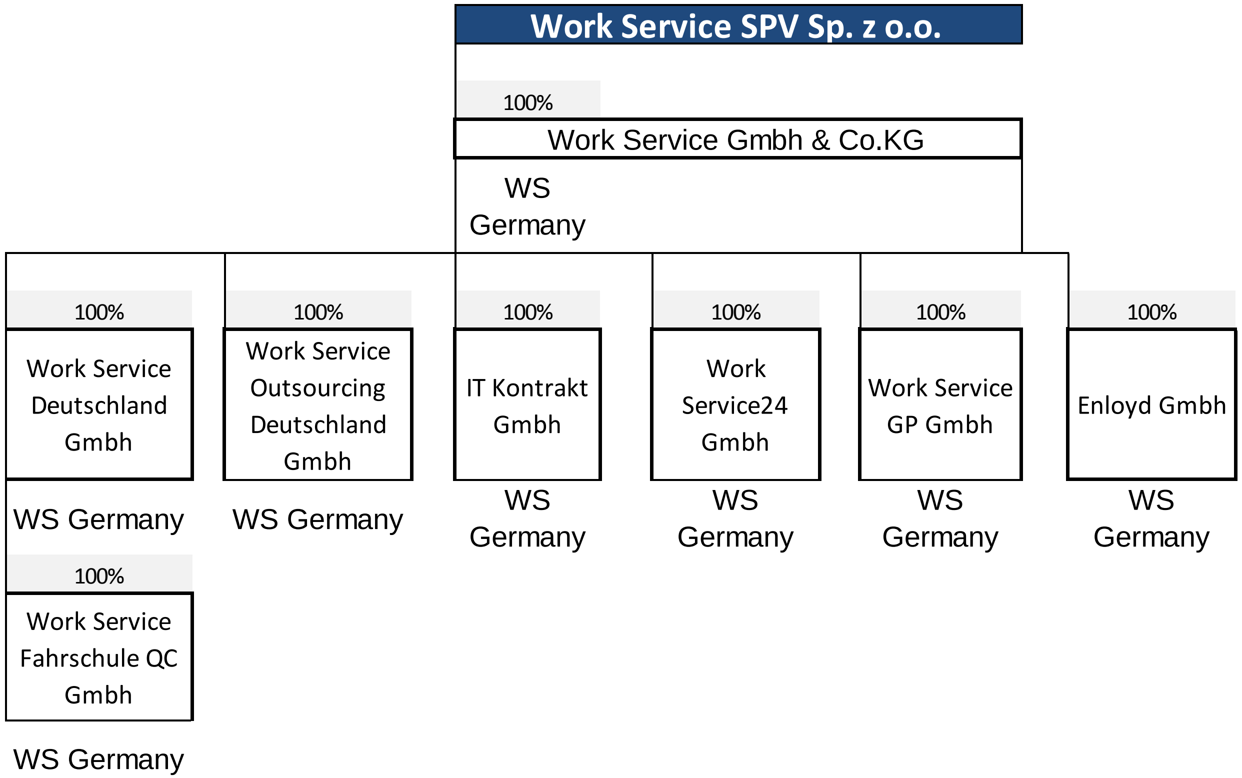
Work Service SA

Share	Company	Segment
100%	Work Service East Lcc	WS Ukraine
100%	Finance Care Sp. z o.o.	WS Poland
50%	Virtual Cinema Studio Sp. z o.o.	not consolidated
100%	Work Service Czech s.r.o.	WS Czech
100%	Work Express Sp. z o.o.	WEX
100%	Sellpro Sp. z o.o.	WS Poland
80,22%	Prohuman 2004 Kft	Prohuman Group
100%	Work Service SPV Sp. z o.o.	WS Germany
100%	WS Support Sp. z o.o.	WS Poland
100%	Work Service International Sp. z o.o.	WS Poland
100%	Industry Personnel Services Sp. z o.o.	WS Poland
75%	Krajowe Centrum Pracy Sp. z o.o.	WS Poland


Work Service International Sp. z o. o.
22%
Work Service Slovakia s.r.o.
WS Slovakia
100%
WorkPort 24 GmbH
not consolidated
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

9. Related party transactions

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

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

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

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

Glossary — Work Service Capital Group Companies

ABBREVIATION	NAME
WSSA	Work Service S.A.
IPS	Industry Personnel Services Sp. z o.o.
FC	Finance Care Sp. z o.o.
WSI	Work Service International Sp. z o.o.
SEL	Sellpro Sp. z o.o.
CLEAN	WS Support Sp. z o.o.
KCP	Krajowe Centrum Pracy Sp. z o.o.
KAR	Kariera.pl Sp. z o.o.
fiegSPV	Work Service SPV Sp. z o.o.
presWS	WorkExpress Sp. z o.o.
presLOG	Support and Care Sp. z o.o.
presOSP	Outsourcing Solutions Partner Sp. z o.o.
skWSK	Work Service SK s.r.o.
skWS	Work Service Slovakia s.r.o.
skoutWS	Work Service Slovakia Outsourcing s.r.o.
czWS	Work Service Czech s.r.o.
ger24WS	Work Service 24 GmbH
gerKON	IT Kontrakt GmbH
humPRO	Prohuman 2004 Kft
humFC	Finance Care Hungar Kft
humHR	HR-Rent Kft
humFIE	Profield 2008 Értékesítés Támogató Kft.
humEXI	Human Existence Kft
humOUT	Prohuman Outsourcing Kft
fiegWSF	Work Service Fahrschuhe QC GmbH
fiegGP	Work Service GP GmbH
fiegWS	Work Service Deutschland GmbH
fiegOUT	Work Service Outsourcing Deutschland GmbH
fiegKG	Workservice GmbH & Co.KG
antGER	Enloyd GmbH
antSK	Antal International s.r.o. (Slovakia)
bAPT	APT Broker s.r.l.
fbAPT	APT Finance Broker s.r.l.
hrAPT	APT Human Resources s.r.l.
rsAPT	APT Resources&Services s.r.l.
ukr2WS	Work Service East Lcc
natCR	Naton Ljudski potencial d.o.o.
natSLV	Naton kadrovsko-svetanoje d.o.o.

Transactions with personally related entities

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

2019	Tomasz Hanczarek Doradztwo	Thm Sp. Z O.O.	Everett Kamin	Jarosław Dymitruk	TOTAL
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	TOTAL
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**

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

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

11. Information about guarantees and sureties

7.1. Contingent liabilities			
Title of contingent liability	Type of collateral	31.12.2019	31.12.2018
	surety		360 000 000,00
	bank enforcement title		66.210.000,00
	registered pledge on assets		277.500.000,00
Lease collateral	blank promissory note with a blank promissory note agreement		4 621 782,30
Bond collateral	blank promissory note with a blank promissory note agreement		120% niewykupionych obligacji
Performance guarantee	guarantee		1 354 370,88
Factoring collateral	mortage		39 105 000,00
Commitment to purchase options			86 000 000,00

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

No.	Surety on behalf of	Promissory note beneficiary	Surety subject	Agreement date	Agreement expiry date	Amount covered by the surety (gross)
1.	Sellpro Sp. z o.o.	BNP Paribas Faktoring Sp. z o. o.	Amount receivable under a factoring agreement	Annex extending the term of the limit of 19.10.2015	Indefinite period	14 300 000,00
2.	Finance Care Sp .z o.o.	BNP Paribas Faktoring Sp. z o. o.	Amount receivable under a factoring agreement	Annex extending the term of the limit of 19.10.2015	Indefinite period	14 300 000,00
3.	Industry Personnel Services Sp. z o.o.	BNP Paribas Faktoring Sp. z o. o.	Amount receivable under a factoring agreement	Annex extending the term of the limit of 19.10.2015	Indefinite period	14 300 000,00
4.	Work Express Sp. z o.o.	BNP Paribas Faktoring Sp. z o. o.	Amount receivable under a factoring agreement	Annex increasing the limit of 19.10.2015	Indefinite period	14 300 000,00
5.	Outsourcing Solutions Partner Sp. z o.o.	BNP Paribas Faktoring Sp. z o. o.	Amount receivable under a factoring agreement	Annex extending the term of the limit of 7.11.2016	Indefinite period	14 300 000,00
6.	Industry Personnel Services Sp. z o.o.	Bibby Financial Services Sp. z o.o.	Amount receivable under a factoring agreement	The factoring agreement of 4.12.2018	Indefinite period	14 000 000,00
7.	Sellpro Sp. z o.o.	Bibby Financial Services Sp. z o.o.	Amount receivable under a factoring agreement	The factoring agreement of 4.12.2018	Indefinite period	14 000 000,00
8.	Finance Care Sp. z o.o.	Bibby Financial Services Sp. z o.o.	Amount receivable under a factoring agreement	The factoring agreement of 4.12.2018	Indefinite period	14 000 000,00
9.	Work Express Sp. z o.o.	Bibby Financial Services Sp. z o.o.	Amount receivable under a factoring agreement	The factoring agreement of 14.05.2019	Indefinite period	14 000 000,00
10	Outsourcing Solutions Partner Sp. z o.o.	Bibby Financial Services Sp. z o.o.	Amount receivable under a factoring agreement	The factoring agreement of 29.05.2019	Indefinite period	14 000 000,00
11	Work Express Sp. z o.o.	BNP Paribas Faktoring Sp. z o. o.	Amount receivable under a factoring agreement	The factoring agreement of 02.09.2014	Indefinite period	5 200 000,00
12	Work Express Sp. z o.o.	Coface Poland Factoring Sp. z o.o.	Amount receivable under a factoring agreement	The factoring agreement of 10.06.2019	Indefinite period	20 000 000,00
13	Outsourcing Solutions Partner Sp. z o.o.	Coface Poland Factoring Sp. z o.o.	Amount receivable under a factoring agreement	The factoring agreement of 10.06.2019	Indefinite period	20 000 000,00
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

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

There are no agreements in the Parent Company with a possible future effect on the current ownership structure of the current shareholders and bondholders apart from potential changes resulting from the investment agreement described in detail in point 5.

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

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

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

The increase in value of the Company, in addition to organic growth, takes place on the basis of external growth, the tool of which are the acquisitions of entities, providing complementary services to the services offered by Work Service. The Company constantly optimises financial management strategy, taking into account conditions prevailing in the financial market and the availability of capital. The adopted strategy is largely the result of the operating model applied. The most important element is to manage the current liquidity, in particular taking into account the fact that a substantial part of production costs are the costs of salaries and associated social security costs. The above-mentioned items of expenses are, by nature, payable in a relatively short period, and moreover, the terms of payment are rigid and cannot be exceeded. In addition, the Company actively uses factoring lines. In addition, the Company focuses a lot of attention on the current control of receivables inflow (debt collection activities).

The company manages the capital to maintain its ability to continue operations, as described in detail in point 5.

In its current operations, Work Service SA uses overdraft facilities. The following table presents loan liabilities as at 31 December 2019.

Liabilities due to loans as at 31 December 2019

Entity business name	Amount of loan/borrowing according to the agreement		Outstanding amount of loan/borrowing		Interest rate conditions	Maturity date	Collaterals
Loans:	PLN	**currency**	**PLN**	**currency**			
Santander Bank Polska S.A.	32 000 000	PLN	21 733 298,06	PLN	WIBOR 1M + bank margin		Guarantee, pledge on bank accounts, assignment of rights under insurance policy, contractual pledges on assets, contractual pledges on shares, mortgage, declaration on submission to enforcement
Bank Millennium S.A.	32 000 000	PLN	21 885 902,48	PLN	WIBOR 1M + bank margin		as above
Bank BGŹ BNP Paribas S.A.	32 000 000	PLN	0,00	PLN	WIBOR 1M + bank margin		as above
Raiffeisen Bank Polska S.A	32 000 000	PLN	21 449 015,65	PLN	WIBOR 1M + bank margin		as above
Powszechna Kasa Oszczędności Bank Polski S.A.	55 000 000	PLN	22 070 200,00	PLN	WIBOR 1M + bank margin		as above
Credit cards liabilities		PLN	3 501,22	PLN			
TOTAL LOANS							
TOTAL LOANS			105 000 277,18	**PLN**			
TOTAL LOANS			-	**PLN**			
ADJUSTMENT TO ADJUSTED ACQUISITION PRICE			1 5 277,18	**PLN**			

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

The company manages the capital to maintain its ability to continue operations, as described in detail in point 5.

The risks specific to the activities are presented below.

a) Risk associated with personal data protection

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

b) Liquidity risk

By offering so-called flexible employment services, the Company conducts comprehensive trainings to prepare employees for a particular job. Then, those employees are delegated to enterprises that have reported their demand for this kind of service. Until receipt of payment for the service, Work Service SA bears all costs relating to employment (salaries, insurance, etc.) of people taking up the employment. Companies renting the workers pay for the service on specific, contractual payment dates. This business model requires the effective working capital management, while causing vulnerability to the risk of periodical and relevant decrease in liquidity. To minimise the risk, the Company actively uses factoring lines.

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

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

d) Risk associated with the competitor's operation

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

e) Risk associated with fluctuations in the market

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

f) Risk associated with changes in legal regulations

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

16. Changes in the basic principles of managing the enterprise

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

The merger of Work Service Investment with WS Support

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

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

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

Write-off of the value of shares possessed

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

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

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

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

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

Abandonment of the valuation of Prohuman option

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

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

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

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

1. Recognized sales revenue due to adjustment of awarded grant in total amount of PLN 1 million;
2. Recognized other atypical operating income in the total amount of approximately PLN 24.7 million, including:
   - Recognized other operating income due to the termination of lease agreements in total amount of approximately PLN 1,5 million;
   - Recognized other operating income due to adjustment of value of public-law liabilities in total amount of PLN 3.7 million;

- Recognized other operating income due to the reversal of the restructuring reserves in total amount of approximately PLN 4.4 million;
- Recognized other operating income due to the cancellation of the fine due to the non-timely redemption of shares in Prohuman company in the total amount of PLN 3 million.
- Recognized other operating income related to the adjustment of the value of liabilities in the balance sheet in the total amount of PLN 0.3 million;
- Recognized other operating income related to the adjustment of the value of assets from related companies in the total amount of PLN 6.7 million
- Recognized other operating income due to the sale of the trademark of Antal in the amount of approximately PLN 5.1 million

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

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

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

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

In addition, the Company's Management Board draws attention to several events of an atypical nature that deteriorate the result from financial activities. A loan write-off (including from Zao Work Service Russia) was made in the total amount of PLN 14 million. Additionally, a provision for interest was made related to estimated liabilities to PFRON of approximately 1.7 million. A write-off was also made for shares in subsidiaries: Work Express Sp. z o.o. and SPV Sp. z o.o. in the total amount of approximately PLN 107.8 million. Due to the sale of the Antal Group's shares, the Work Service SA recognized the revenue of PLN 5.3 million as well as costs of approximately PLN 21.5 million. In view of the above, the impact of the identified atypical events in the financial activity, is negative and amounts to approximately PLN 139.7 million.

18. Changes in fundamental principles of business management

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

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

Mrs Iwona Szmitkowska concluded a non-competition agreement with Work Service SA after the termination of the employment agreement on 10 October 2014, providing a guaranteed payment of compensation for refraining from competitive activities in the amount of PLN 600,000 gross, payable in 12-month instalments of PLN 50,000 per month for each moth of refraining from competitive activities, for a period of 12 months after the termination of the agreement.

Mrs Iwona Szmitkowska concluded a non-competition agreement with Industry Personnel Services Sp. z o.o. after the termination of the cooperation agreement on 1 March 2007, which provides a guaranteed payment of compensation for refraining from competitive activities in the amount of PLN 3.520 + VAT for each month of refraining from competitive activities, in the period of 6 months after the termination of the cooperation agreement concluded on 1 September 2005.

Mr. Jarosław Dmitruk concluded a non-competition agreement with Work Service International Sp. z o.o. after the termination of the employment contract, on 2 February 2012, which provides a guaranteed payment of compensation for refraining from competitive activities in the amount of 50 % of the average monthly gross remuneration calculated over three months for each month of refraining from competitive activity, during the 12 months following the termination of the contract.

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

Information on the remuneration paid to Members of the Management Board and Supervisory Board in 2019 and 2018 is provided in the following tables.

Total value of remuneration and awards (in cash and kind) paid or due, separately for the managing and supervising persons in the company and for serving functions in the entity's authorities (for each group separately)		
Remuneration	2019	2018
- Management Board	3 216 585,98	2 916 056,23
- Supervisory Board	287 806,42	286 211,43
Total	3 504 392,40	3 202 277,66

No liabilities resulting from pensions and benefits of similar nature for former managing, supervising persons or former administrative body members were created in 2019 and no liabilities were contracted in connection with these pensions.

Gross benefits for persons holding functions in the MAnagement Board (in PLN)		
Imię i nazwisko	2019	2018
Witucki Maciej	855 447,77	1 244 367,95
Dymitruk Jarosław	483 184,59	0,00
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

Gross benefits for persons holding functions in the Supervisory Board (in PLN)		
Imię i nazwisko	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

21. Number of shares held by managing persons

	As at the date of publication of the 2019	Changes in ownership: acquisition (disposal)	Balance at the date of this report	Nominal value of the held shares (PLN) as of the date of this state-ment
Iwona Szmitkowska	0	0	0	0
Jarosław Dymitruk	14 562	0	14 562	1 456,20

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

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

23. Information about the entity authorised to audit financial statements

Under an agreement dated 18 June 2018, the entity authorised to audit the Financial Statements of Work Service SA for 2019 is Grant Thornton

Specification	Net value for 2019
Statutory audit of the separate annual financial statements and interim review of the separate financial statements	195 050,00
Other assurance services	
Tax advisory services	
Other services	
Total	195 050,00

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

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

Claimant	Defendant	Value of the subject of the dispute	Subject of the disput
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

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

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

Shareholder	Number of shares	Share in the share capital	Number of votes	Share in the total number of votes
WorkSource Investments S.a.r.l.	13 714 286	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%**

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

All significant agreements have been described in respective parts of the financial statement for the year 2019.

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

Customer's name	Borrowing amount (in PLN)	Interest rate	Maturity date of the borrowing
-WORK SERVICE INTERNATIONAL sp.z o.o. – podmiot powiązany	828 500,00 plus interest		
KARIERA.PL sp. z o.o. podmiot powiązany	3 678 000,00 plus interest		
FINANCE CARE sp. z o.o. podmiot powiązany	1 000,00 plus interest		
WORK SERVICE SUPPORT sp. z o.o. podmiot powiązany	318 760,24 plus interest		
KRAJOWECENTRUM PRACY sp. z o.o. podmiot powiązany	6 148 241,48 plus interest		
WORK EXPRESS sp. z o.o. podmiot powiązany	838 057,62 plus interest		
WORK SERVICE SPV sp. z o.o. podmiot powiązany	35 977 199,41 plus interest		
ZAO WORK SERVICE RUSSIA podmiot niepowiązany	21 748 079,27 plus interest		
LTI sp. z o.o. podmiot niepowiązany	113 400,00 plus interest		

Customer's name	Borrowing amount (in PLN)	Interest rate	Maturity date of the borrowing
Magdalena Komarnicka podmiot niepowiązany	2 919,00 plus interest		
WORK SERVICE GMBH CO KG podmiot powiązany	4 437 689,00 plus interest		
WORKPORT 24 GMBH podmiot powiązany	118 569,88 plus interest		

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

Customer's name	Amount of the borrowing received (PLN)	Interest rate	Maturity date of the borrowing
FINANCE CARE Sp. z o.o. podmiot powiązany	543 669,84 plus interest		
INDUSTRY PERSONNEL SERVICES Sp. z o.o. podmiot powiązany	1 654 500,00 plus interest		
PROHUMAN 2004 KFT podmiot powiązany	40 723 620,49 plus interest	variable	2018-03-31 , w trakcie negocjacji?
NATON D.O.O. podmiot powiązany	9 844 000,00 plus interest		-
SELLPRO Sp. z o.o. podmiot powiązany	39 681 876,42 plus interest		
WORK SERVICE CZECH S.R.O. podmiot powiązany	323 000,00 plus interest		
WORK SERVICE INTERNATIONAL sp. z o.o. podmiot powiązany	8 390 500,00 plus interest	WIBOR 1M+2,6% (EUR)	Rozliczona/spłacona do 31-12-2019.
FINANCE CARE Sp. z o.o. podmiot powiązany	543 669,84 plus interest		
INDUSTRY PERSONNEL SERVICES Sp. z o.o. podmiot powiązany	1 654 500,00 plus interest		

27. Restrictions on transferring ownership rights to securities

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

As part of realisation of collateral provided for in the credit agreement dated 18 November 2015, Work Service SA concluded registered pledge agreements in favour of BNP Paribas Bank Polska S.A. and financial pledge agreements in favour of BNP Paribas Bank Polska S.A., Bank Millenium S.A., "Santander Bank Polska S.A.", Powszechna Kasa Oszczędności Bank Polski S.A. on shares in Work Service International sp. z o. o., Industry Personnel Service sp. z o. o., Work Express sp. z o. o., Outsourcing Solutions Partner sp. z o.o., Sellpro sp. z o.o., and on shares Work Service S.A.

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

To provide additional collateral, on 30 January 2017 Work Service S.A. concluded registered pledge agreements in favour of BNP Paribas Bank Polska S.A. and financial pledge agreements in favour of BNP Paribas Bank Polska S.A., Bank Millenium S.A., "Santander Bank Polska S.A.", Powszechna Kasa Oszczędności Bank Polski S.A. on shares in Finance Care Sp. z o.o.

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

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

28. Statement on the application of Corporate Governance

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Company applies the above rule.

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

The above rule is not applied in full.

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

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

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

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

The Company informs that shareholders did not report to the company expectations in terms of performance of abovementioned recommendation.

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

With regards to recommendation IV.R.2., the company has currently relevant technical infrastructure.

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

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

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

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

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

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

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

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

In accordance with the recommendations of the European Commission of 15 February 2005 on the role of non executive directors or members of supervisory board of listed companies and the committees of the (supervisory) board and pursuant to § 13 section 9 Articles of Association of the Company, an Audit Committee was established. The composition of the Committee results from the resolution of the Supervisory Board No 1 dated 9 July 2019. Appointment of the above Committee constituted adjustment of corporate structures of Work Service Capital Group to the requirements of the public market. Composition of the Committee and its tasks are described in paragraph "Composition, changes and a description of the management and supervisory bodies" Statements on corporate governance.

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

Control over the implementation of market risk management process is exercised by the Department of Finance and Controlling Department, while supervision of the risk management process is performed by a President of the Management Board.

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

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

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

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

4) Shareholding

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

Shareholder	Number of shares	Share in the share capital	Number of votes	Share in the total number of votes
WorkSource Investments S.a.r.l.	13 714 286	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%**

5) Identification of holders of any securities with special control rights and a description of those rights

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

6) Indication of restrictions on exercising voting rights

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

7) Indication of restrictions on transferring ownership rights to securities

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

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

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

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

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

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

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

Principles of appointing and dismissing managerial staff

Management Board of the Company

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

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

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

The Management Board is appointed for the term in office lasting five years. Members of the Management Board may be appointed for subsequent terms in office. A member of the Management Board may not, without consent of the Supervisory Board, take up competitive activities or have interest in a competitive company as a partner or a member of the governing bodies. In the case of conflict of interest of a member of the Management Board and the Company, the member of the

Management Board should inform the Management Board about the fact and refrain from taking part in the discussion and voting over resolutions in that matter.

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

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

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

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

Supervisory Board

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

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

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

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

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

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

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

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

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

Subject to provisions of section 6 of § 13 of Articles of Association of Work Service SA, resolutions of the Supervisory Board may be adopted if at least half of Supervisory Board members is present at the meeting and all its members were invited at least 7 business days prior to the planned meeting. Resolutions of the Supervisory Board are valid and binding also when a given member was informed of the meeting within a shorter time limit, mentioned in the preceding sentence but submits a written statement in which he/she accepts the content of the resolution of the Supervisory Board or appears at the Supervisory Board. In the case and at the time when the Investor is a shareholder of the Company, at least one member of the Supervisory Board appointed in accordance with provisions of § 12 section 4 of the Articles of Association must participate in all meetings of the Supervisory Board. In the event that a given member of the Supervisory Board appointed in line with § 12 section 4 does not participate in the meeting of the Supervisory Board, another meeting of the Supervisory Board is convened which is held no later than within 14 (fourteen) days of the date of the meeting which the member of the Supervisory Board appointed in accordance with provisions of § 12 section 4 of the Articles of Association did not participate in and such meeting is capable of adopting resolutions regardless of presence of such members of the Supervisory Board.

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

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

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

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

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

- review of the financial statements of the Company and report of the Management Board and motions of the Management Board concerning distribution of profit or coverage of loss and submission of the annual written statement on the review results, its own work and a concise evaluation of the standing of the Company, including the assessment of the internal control and the system of managing the risk crucial for the Company with the General Meeting;
- appointment and dismissal of members of the Management Board, subject to § 17 section 3-6 of the Company's Articles of Association;
- suspension in performance of duties, for important reasons, of particular members of the Management Board and delegation of members of the Supervisory Board to temporary performance of the activities of the members of the Management Board who may not perform their activities;
- approval of the Management Board regulations; granting consent to any benefits to be paid by the Company under any title and any entities related with the Company to members of the Management Board;
- granting consent to effecting a transaction by the Company and: (i) its shareholders eligible to cast more than 5% votes at the General Meeting of the Company, (ii) any persons related with the shareholders, including persons controlling such shareholders, (iii) members of governing bodies of the Company, their relatives and entities which are subsidiaries of the members of the governing bodies of the Company; granting consent to payment of advances to the anticipated dividend;
- selection and change of the entity authorized to audit the financial statements, including a consolidated financial statement of the Company and its capital group;
- selection of an independent, external certified auditor of the Company;
- approval of annual and periodical financial plans and significant changes in the plans provided by the Management Board;
- employment and determination of employment conditions (including remuneration, awards and bonuses) of the members of the Management Board of the Company;
- granting consent to issue of ordinary bonds, m) granting consent to merger, transformation or winding up of the Company or its subsidiaries;
- granting consent to acquisition or disposal of real property, perpetual usufruct or an interest in a real property;
- granting consent to lease, establishing a perpetual usufruct, rent, pledge, encumbering with mortgage, establishing other burdens, pre-emption rights or awarding other rights on any part of the undertaking or assets of the Company, except for awarding the above mentioned to direct or indirect subsidiaries of the Company except for burdens related to credit facilities or loans which require consent of the Supervisory Board in accordance with § 16 section 2 (r) of the Articles of Association;
- granting consent to conclude agreements concerning strategic cooperation, for instance in a form of partnerships or joint venture unless they are approved in the Business Plan or the annual budget;
- granting consent to make capital expenditure of the total amount in excess of EUR 1,000,000 (one million euro) unless such expenditure was planned and approved in the Business Plan or the annual budget;
- granting consent to taking loans or credit facilities if a value of an individual credit or individual loan exceeds EUR 2,500,000 (two million five hundred thousand euro), unless such loans and credit facilities were planned and approved in the Business Plan or annual budget;
- granting consent to issue of one or more guarantees to perform an obligation by a single third party or more in the total value in excess of EUR 100,000 (one hundred euro) which is not related to the normal business activity and everyday operating activities, however, excluding direct or indirect guarantee of subsidiaries of the Company,
- granting consent to acquisition, covering or disposal of shares, stocks, participation units or other securities in other capital companies, partnerships or entities by the Company and to enter into partnerships by the Company with the exclusion of

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

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

Right to make decisions on the issue or redemption of shares

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

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

9) Description of principles of amending the Company's Articles of Association

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

10) General Meeting — manner of operations

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

a) review and approval of the Management Board's report on the Company's operations and the financial statement for the previous financial year;
b) adoption of resolutions on distribution of profit equal to 20% of net profit in a given financial year;
c) adoption of resolutions on distribution of profit above 20% of net profit in a given financial year;
d) acknowledgement of fulfilment of duties by members of the governing bodies of the Company;
e) appointment and dismissal of members of the Supervisory Board, subject to § 12 section 4 if the Articles of Association;
f) increase or decrease of the share capital;
g) amending the Company's Articles of Association;
h) adoption of resolutions concerning disposal or lease of the Company's undertaking or its organized part and establishing usufruct or another limited property right on its undertaking;
i) dissolution of the Company;
j) adoption of regulations of the Supervisory Board and General Meeting and their amendments;

k) issue of bonds, convertibles or bonds with the pre-emption right and issue of subscription warrants mentioned in Art. 453 § 2 of the Code of Commercial Companies and Partnerships and other financial instruments, except for currency transactions and derivatives.
l) merging the Company with other companies, division of the Company, separation of a part of the Company's undertaking or transformation of the Company;
m) issuing a decision in all matters concerning claims for reparation of a damage caused while founding the Company or managing or supervising it;
n) determination of a manner and amount of the remuneration of the members of the Supervisory Board;
o) specifying a day, on which a list of shareholders eligible for dividend for a given financial year is determined – the dividend day and determination of the dividend payment term;
p) creation of reserve capitals which are not required under the applicable law;
q) granting consent to extend the objects of the Company by including all sorts of the elderly care services.

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

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

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

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

11) Composition, changes and a description of the management and supervisory bodies

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

In accordance with the recommendations of the European Commission of 15 February 2005 on the role of non executive directors or members of supervisory board of listed companies and the committees of the (supervisory) board and pursuant to § 12 section 9 Articles of Association of the Company, two permanent committees have been established: the Audit Committee and the Remuneration Committee. The composition of these committees was specified in resolutions of the Supervisory Board No 1 dated 9 July 2019 and 7 November 2019. Appointment of the above Committees constituted adjustment of corporate structures of the Company to the requirements of the public market.

The current composition of the Audit Committee established by resolution No 1 of the Supervisory Board of 9 July 2019 is as follows:

1. Tomasz Bujak — Chairman of the Audit Committee,
2. Paweł Ruka — member of the Audit Committee,
3. Tomasz Jakub Wojtaszek — member of the Audit Committee.

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

- monitoring of the process of financial reporting;
- monitoring of the effectiveness of internal control systems, internal audit and risk management;
- monitoring performance of financial audit;

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

In particular, the Committee is required to:

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

The Remuneration Committee

Present composition of Remuneration Committee is as follows.

1. Pierre Mellinger — Chairman of the Remuneration Committee
2. Andrzej Witkowski — Member of the Remuneration Committee
3. Robert Oliwa — Member of the Remuneration Committee

The duties of the Remuneration Committee include, in particular:

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

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

SIGNATURES:

1. Iwona Szmitkowska	President of the Management Board	…………………………….…………………………
2. Jarosław Dymitruk	Vice-President of the Management Board	…………………………….…………………………
3. Marcus Preston	Vice-President of the Management Board	…………………………….…………………………

Wrocław, 29 June 2020