

**The Report of Management Board of Work Service S.A.  
on the activities of Capital Group  
for the year ended as on 31 December 2016.**



## Table of Contents

<b>I. Basic information on the Capital Group</b> .....	<b>4</b>
1. The Parent Company .....	4
2. Work Service Capital Group .....	4
<b>II. Principles of Capital Group management</b> .....	<b>7</b>
1. Composition of Work Service Capital Group.....	7
2. The structure of Work Service Capital Group .....	14
3. Changes in the basic principles of management of the Company and its Capital Group ....	17
4. Changes in the structure of Work Service Capital Group, together with their reasons .....	17
<b>III. Information on shares and other securities of the Parent Company and major shareholders...</b>	<b>22</b>
1. 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. ....	24
2. Information on control system of employee share programs.....	24
3. Use of funds obtained from the issuance.....	26
<b>IV. Characteristics of Capital Group activity</b> .....	<b>26</b>
1. Information on basic products, goods and services .....	26
2. Information on sales markets and sources of supply for raw materials, goods and services	30
3. Major domestic and foreign investments of Capital Group.....	30
4. Information on significant agreements, including agreements known to the Company concluded between the shareholders (partners), insurance contracts or cooperation agreements .....	31
5. Significant transactions with related parties, including transactions with related parties concluded on terms other than market terms.....	31
<b>V. The current financial and economic standing of the Capital Group</b> .....	<b>32</b>
1. Evaluation of factors and unusual events having a significant impact on the operations and financial results of Capital Group.....	32
2. Characteristics of the external and internal factors significant for the development of the Issuer's enterprise and description of the Issuer's business development outlook at least until the end of the financial year following the financial year reported in the financial statements accompanying this annual report, taking into consideration elements of the Issuer's market strategy. ....	32
3. Basic economic – financial values .....	33
4. Structure of assets and liabilities .....	35
5. Selected financial ratios .....	38
6. Explanation of differences between the financial results and forecasts for 2016 .....	39
<b>VI. Description of significant risks and threats with determination of the extent to which the Group is exposed</b> .....	<b>39</b>
1. Risks related to the protection of personal data.....	39
2. Liquidity risk .....	39
Risks associated with the integration of acquired entities.....	40
3. The risk associated with socio-economic situation in Poland and Europe.....	40
4. Risks associated with business competition .....	41
5. The risk associated with market volatility .....	41
6. The risk associated with changes in legal regulations .....	41
<b>VII. Indication of the proceedings pending before the court, competent authority for arbitration or a public authority with the value of dispute over 50 thousand zlotys</b> .....	<b>42</b>
<b>VIII. Information on organisational or capital relation of the Company with other entities and determination of the major domestic and foreign investments (securities, financial instruments,</b>	

intangible assets and property), including capital investments outside its associates and description of methods of their financing.....	45
<b>IX. Information on contracts incurred and terminated in a given year on credits and loans, providing at least the amount, type and value, interest rate, currency and maturity.....</b>	<b>45</b>
<b>X. Information on loans granted in the financial year, with particular emphasis on loans granted to related parties of the Company, providing at least the amount, type and value, interest rate, currency and maturity.....</b>	<b>46</b>
<b>XI. Information on warranties and guarantees given and received in a given year, with particular emphasis on guarantees granted to related parties.....</b>	<b>47</b>
<b>XII. Assessment, together with its justification, concerning the management of financial resources, with particular emphasis on the ability to meet its obligations and defining potential threats and actions that the Company has taken or intends to take to counteract these threats.....</b>	<b>47</b>
<b>XIII. Assessment of factors and unusual events affecting the result of the activities for the year, specifying the impact of these factors or unusual events on the achieved result.....</b>	<b>49</b>
<b>XIV. Any agreement concluded between the company and its management stipulating compensation in case of resignation or dismissal from the position without valid reason or if their resignation or dismissal is due to merger of the Company through takeover.....</b>	<b>49</b>
<b>XV. The value of salaries, bonuses and benefits, including those arising from incentive or bonus programs based on the Company's capital, including programs based on senior bonds, convertible bonds, subscription warrants (in cash, kind or other potentially payable separately for each of the directors or supervisory bodies of the company, no matter whether they were included in the costs or resulted from profit distribution).....</b>	<b>51</b>
<b>XVI. Description of significant off-balance sheet items in terms of the subject, scope and value.....</b>	<b>52</b>
<b>XVII. Information on the conditions of co-operation with the entity authorised to audit financial statements.....</b>	<b>52</b>
<b>XVIII. Statement on the application of Corporate Governance.....</b>	<b>52</b>
1. Indication of principles of corporate governance applied in Parent Company and the place where principles are publicly available.....	52
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 ....	53
3. Description of the main characteristics used by the Issuer's Company of internal control systems and risk management in relation to the preparation of financial statements and consolidated financial statements.....	57
4. Shareholding .....	58
5. Identification of holders of securities that confer special control rights and a description of these rights .....	58
6. Indication of any restrictions on voting rights .....	58
7. Identification of any restrictions regarding the transfer of ownership of securities.....	58
8. Rules governing the appointment and dismissal of managers and their rights, in particular the right to decide on the issue or repurchase of shares .....	59
9. Description of amendments to Articles of Association of the Parent Company .....	65
10. General Meeting - mode of action .....	65
11. Personal composition, changes and a description of the management and supervisory bodies .....	67

## I. Basic information on the Capital Group

### 1. The Parent Company

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

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

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

Company name, address and communication numbers:

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

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

### 2. Work Service Capital Group

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

The basis for preparation of the consolidated report is the report of Parent Company, prepared in accordance with International Financial Accounting Standards that have been approved by the European Union and restated financial statements of subsidiaries. The consolidated financial statements has been adjusted by the amounts of mutual revenues, expenses, unrealised margins and balances arising from transactions between Group companies. Individual financial statements, constituting the basis for preparation of the consolidated financial statements, have been prepared on assumption of continuation of activities of entities within the

Capital Group in the foreseeable future, and the belief that there are no circumstances indicating a threat to the continuation of activities.

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

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

#### **Composition of the Management Board of the Parent Company as on 31 December 2016.**

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

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

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

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

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

On 30 December 2016, The Management Board of Work Service S.A. received a letter dated 30 December 2016 containing the resignation of Mr Adam Pawłowicz from the position of the Vice President of the Management Board of Work Service S.A. with effect on 31 December 2016.

### **Composition of Supervisory Board of Work Service S.A. as on 31 December 2016:**

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

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

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

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

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

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

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

On 1 December 2016, the Management Board of Work Service S.A. received a letter dated 1 December 2016 containing the resignation of Mr. Geza Szepalmi from the position of the Member of the Supervisory Board of Work Service S.A. with effect on 1 December 2016.

On 1 December 2016, a shareholder – WorkSource Investments S.a.r.l. – acting according to § 12(4) of the Articles of Association of Work Service S.A. appointed Mr John Leone for a member of Supervisory Board of Work Service S.A.

## II. Principles of Capital Group management

### 1. Composition of Work Service Capital Group

The Work Service Capital Group provides services in the field of human resource management. It specialises in seeking and recruitment of workers, personal consulting, outsourcing functions related to human resources management and auxiliary processes in enterprises and offering solutions based on the use of temporary employment contracts. Capital Group operates throughout the country through regional offices and representative offices as well as abroad in Europe and Asia. The business of Work Service Capital Group is based on the ability to integrate the needs of businesses in terms of cost optimisation and structure of employment, with available resources of the labour market, which is the amount of economically active people, with their skills and labour cost. Related entities of the Parent Company are the subsidiaries included in the consolidation of financial statements, i.e. all Group companies except for the Company Virtual Cinema Studio Sp. z o.o. Due to the fact that the Work Service S.A. does not have the control over the company Virtual Cinema Studio Sp. z o.o., understood in accordance with §19 of IFRS 3, as "the ability to govern the financial and operating policies of an entity or business so as to obtain benefits from its activities", does not consolidate it by method of acquisition.

On the other hand the application of the principle of materiality referred to § 31 of IAS 1, disables this company from consolidation under the equity method as a related entity. The exclusion of the above mentioned Company from consolidation does not affect the economic decisions taken on the basis of the financial statements.

The composition of Work Service Capital Group include:

**Work Service S.A.** – This is the Parent Company of the Work Service Group. **The company's activity is based on the provision of services: temporary employment, HR consulting, recruitment, competency assessment, outplacement, providing personnel and payroll services.**

**Antal Sp. z o.o. (previous name: People Care Sp. z o.o.)** - the main business of the company are paramedical services, ranging from services to support pregnant women (such as shopping expert, customising the interior to the needs and safety of young children), through the care of newborns, infants and young children. Offered care services are performed by midwives, nannies and governesses. The company's activity is also personal counselling, particularly in the areas of recruitment, selection and sourcing of employees for specific middle and senior management positions of various industries, in sales and marketing, logistics, IT / computer, production, public relations, legal, human resources, finance and accounting, and banking departments.

**Finance Care Sp. z o.o.** – in cooperation with insurance companies and banks, Care Finance company provides outsourcing services for listed companies.

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

**Sellpro Sp. z o.o.** - merchandising and promotions - professional service of sales process, also performs services related to recruitment and provision of personnel, business consultancy and management, activities related to databases, market research.

**Clean Staff Sp. z o.o. (previously Medi Staff Sp. z o.o.)** - the Company's business are complex cleaning services of healthcare facilities, other functional buildings and private objects.

**Work Service International Sp. z o.o.** – provides services related to temporary work and recruiting workers on international markets.

**Work Service Czech s.r.o.** – provides services related to temporary work, outsourcing and recruitment of employees in Czech Republic.

**Work Service Slovakia s.r.o.** - indirect subsidiary of Work Service SA, through the company Industry Personnel Services Sp. z o o, which is the majority shareholder and Work Service International Sp. z o.o. (which holds the remaining shares in the Work Service Slovakia s.r.o). The company carries out the range of services analogous to those offered by the Parent Company in the domestic market, but in Slovakia.

**Work Service Outsourcing Slovakia s.r.o.** - share capital of the company in whole is covered by Work Service Slovakia s.r.o. Its core business is, among others, HR consultancy, development and sale of research and analysis of labour markets.

**Work Service24 GmbH** – indirect subsidiary of Work Service SA, which 100% owner is the Work Service GmbH & Co. KG. The registered office of the company is Hoppegarten near Berlin. Its core business is employment services in the labour market (including headhunting services, conducting recruitment), hiring employees (temporary work), the development and sale of research and analysis of labour markets.

**Exact Systems S.A.** - the company provides specialised services in the field of control, selection and repair of components and assemblies primarily in the automotive industry, but also ICT sector.

**Exact Systems s.r.l.** – indirect subsidiary of Work Service SA, through the companies Exact Systems S.A. (99.97%) and Automotive Assembly Systems Sp. z o.o. (0.03%). Company dedicated for handling of the Romanian market, providing services in the field of control, selection and repair of components and assemblies primarily in the automotive industry.

**Automotive Assembly Systems Sp. z o.o.** - the company provides services in the field of sub-assembly, which consists of combining two / three components into one unit constituting a module or ready component, which can then be further assembled in the finished product.

**Exact Systems Slovakia s.r.o.** - the company dedicated for handling of the Slovak market, providing services within control, selection and repair of components and assemblies primarily in the automotive industry.

**Exact Systems Czech Republic s.r.o.** - the company dedicated for handling of the Czech market, provides services in the field of control, selection and repair of components and assemblies primarily in the automotive industry.



**Exact Systems Gmbh** - company dedicated for handling of the German market, provides services in the field of control, selection and repair of components and assemblies primarily in the automotive industry.

**Exact Systems Kalite Kontrol Lti Sti.** - 99% of the shares in the company were acquired by the company Exact Systems SA, and 1% of the shares were acquired by Automotive Assembly Systems Sp. z o.o. (100% subsidiary of company Exact Systems S.A.), the Company is dedicated to handle the Turkish market, provides services in the field of control, selection and repair of components and assemblies primarily in the automotive industry.

**AO Exact Systems based in Moscow (Russia)** – indirect subsidiary of Work Service SA, 100% owner of the company is a company Exact Systems S.A. The Company is a provider of solutions for the selection, repair, sorting parts and components and finished products for the automotive companies in the Russian Federation and Ukraine. The recipients of the services provided by the company are, in particular, suppliers and sub-suppliers to the automotive industry and car manufacturers, as well as plants of volume production profile of electronic and household appliances.

**Exact Systems China Ltd** - the company dedicated for handling of the Chinese market, providing services within control, selection and repair of components and assemblies primarily in the automotive industry

**Exact Systems Limited** - A 100% subsidiary of Exact Systems S.A. The main business of the company is financing of Exact Systems Group companies in the form of loans concluded on market terms. Up to 30 December 2014 the scope of activity of the company also included provision of rights to use intellectual property rights

**Exact Systems Ltd (UK)** - 100% of the shares in the company were acquired by the company Exact Systems S.A. The company is dedicated to handling the market in the UK, providing services for the control, selection and repair of components and assemblies primarily in the automotive industry.

**Proservice Worldwide (Cyprus) Limited** – The statutory objects of the company covers a very wide range of economic activity possible to take within the limits of the requirements arising from the applicable provisions of law, including: commercial activities, management, consulting (including the provision of advisory services to companies belonging to the same group capital), providing support (including financial) to the companies belonging to the same group, business travel and hospitality, as well as conducting and engaging in any other activity and perform any activity deemed advisable by the Management Board for the purposes of the company and that may directly or indirectly increase the company's value or profitability of any business, property or rights of the company. The Company is currently not engaged in operating activities. The Company is currently not engaged in operating activities.

**Proservice Worldwide Limited based in the British Virgin Islands** – the task of the company is to handle outsourcing personnel - key customer of Proservice groups - outside the Russian Federation.

**ZAO Work Service Russia** - company engaged in the area of outsourcing in the Russian Federation, provides services in outsourcing of logistics, industrial merchandising and consulting services.

**IT Kontrakt Sp. z o.o.** - the company is a leader in outsourcing IT staff in Poland. . It provides the best IT professionals for IT projects implemented in key sectors of the economy. It offers comprehensive services in the field of outsourcing IT projects and quality testing of IT systems. The offer of IT Kontrakt covers four areas of outsourcing: outsourcing of IT staff, outsourcing quality testing of IT systems, outsourcing of IT projects, outsourcing of recruitment for IT positions.

**IT Kontrakt GmbH** – indirect subsidiary of Work Service SA. **The company dedicated to handle the German market in the range analogous to company IT Kontrakt Sp. z o.o.**

**IT Kontrakt o.o.o.** - indirect subsidiary of Work Service SA, which is owned in 100% by ZAO Work Service Russia. The company dedicated to handle the Russian market in the range analogous to company IT Kontrakt Sp. z o.o.

**IT Kontrakt AG** - indirect subsidiary of Work Service SA, which is owned in 100% by IT Kontrakt Sp. z o.o. The company dedicated to handle the Switzerland market in the range analogous to company IT Kontrakt Sp. z o.o.

**IT Kontrakt Services SDN. BHD** - the company has its registered office in Malaysia. 100% of shares in the company have been acquired by IT Kontrakt Sp. z o.o. (a direct subsidiary of Work Service SA). The company carries out activities similar to the activities of IT Kontrakt Sp. z o.o.; however, in the territory of Malaysia.

**Stermedia Sp. z o.o.** - is a company being in 75.4% subsidiary of IT Kontrakt Sp. z o.o. .The main activity of the company is to provide professional assistance in creating dedicated web and mobile applications. The company offers: dedicated applications, IT systems, mobile applications and outsourcing, IT nearshoring.

**Krajowe Centrum Pracy Sp. z o.o.** with registered office in Wroclaw - the purpose of establishment of the company is to conduct the business offering to customers specialised solutions in the field of both permanent and temporary recruitment of specialists also in foreign markets, outsourcing of common functions for the raw materials and power generation industry.

**Work Express Sp. z o.o.** - A direct subsidiary of the Parent Company, in which Work Service SA holds 100% of shares. As a temporary work agency it offers comprehensive organisation of the process of temporary workers employment. The second activity of the company are job placement services and human resource consulting. The third area of business are services of process outsourcing. Using their knowledge and experience gained during servicing companies in the TSL industry in the field of temporary work, the company has created innovative solutions for customers in the following industries: IT, consumer electronics, clothing, food, heavy industry, online stores.

**Outsourcing Solutions Partner Sp. z o.o.** - Indirect subsidiaries of Work Service SA 100% owner of the company is a company Work Express Sp. z o.o (in 100% subsidiary of Work Service SA).

**Clean24h Sp. z o.o.** - Indirect subsidiaries of Work Service SA 100% owner of the company is a company Work Express Sp. z o.o (in 100% subsidiary of Work Service SA).

**LogistykaPL Sp. z o.o.** - Indirect subsidiaries of Work Service SA 100% owner of the company is a company Work Express Sp. z o.o (in 100% subsidiary of Work Service SA).

**Workbus Sp. z o.o.** - Indirect subsidiaries of Work Service SA 100% owner of the company is a company Work Express Sp. z o.o (in 100% subsidiary of Work Service SA).

**Prohuman 2004 Kft** - a direct subsidiary of the Parent Company, in which the Work Service SA holds 75% stake. The company is one of the largest recruitment agencies operating on the Hungarian market. Prohuman operates on the Hungarian market of personal services since 2004. The company is a part of the Prohuman Group Capital Group, covering a total of five companies operating in different areas (comprehensive HR services, merchandising, sales promotions, marketing events, telemarketing).

**Prohuman Outsourcing Kft.** - Indirect subsidiaries of Work Service SA 100% owner of the company is a company Prohuman 2004 Kft (75% subsidiary of Work Service SA).

**Work Service SPV Sp. z o.o.** - The company in 97.71% is a subsidiary of Work Service SA (directly WSSA has a 76.90% stake, and indirectly through shares of: Exact Systems SA-4.84%, IT Kontrakt Sp. z o.o. – 0.69%, Work Service International Sp. z o.o. – 15.29%). Its establishment is related to the implementation of the provisions of the agreement with Fiege Logistik Stiftung & Co. KG with its registered office in Greven, Germany.

**Enloyd GmbH** – the company conducts the activity analogous to the activity of Antal Sp. z o.o. on the German market. The company's capital was fully covered by the company Work Service GmbH & Co. KG The Company was registered on 23.03.2015.

**Enloyd Kft** – the company conducts the activity analogous to the activity of Antal Sp. z o.o. on the Hungarian market. The share capital of the company was fully covered by Prohuman 2004 Kft, which is a 75% subsidiary of Work Service SA.

**Antal International s.r.o.** (Czech Republic) – the company conducts the activity analogous to the activity of Antal Sp. z o.o. on the Czech market. The share capital of the company was fully covered by Work Service Czech s.r.o, which is a 100% subsidiary of Work Service SA.

**Antal International s.r.o.** (Slovakia) – the company conducts the activity analogous to the activity of Antal Sp. z o.o. on the Slovakian market. The share capital of the company was fully covered by Work Service Slovakia s.r.o, which is a indirect subsidiary of Work Service SA.

**IT Service Sp. Z o.o.** - The company is engaged in IT projects, consulting, IT services, outsourcing of services in Poland. Founded in 2011. The company is 70% subsidiary of IT Kontrakt Sp. Z o.o. (Indirect subsidiaries of Work Service SA)

**EMG Leasing** - the company based in Pittsburgh, 100 % subsidiary of ZAO Work Service Russia (100% subsidiary of Work Service SA). The company provides services of workers leasing in north-west Russia.

**EMG Uprawnienije (EMG Management)** - a company based in Pittsburgh, a 100% subsidiary of OAO Work Service Russia (100% subsidiary of Work Service). The company provides recruitment services of employees in north-west Russia.

**Janveer Limited (BVI)** - the company based in the British Virgin Islands, the 100% subsidiary of Proservice Worldwide Ltd (BVI) (100% subsidiary of Work service SA). The company provides services of employees outsourcing, selection of personnel, personal counselling and temporary work

**Control + Rework Service Polska Sp. Z o.o.** – the company operates in the outsourcing industry and specialises in quality control for the automotive industry on the Polish market

**Control + Rework Service NV** – the company operates in the outsourcing industry and specialises in quality control for the automotive industry on the Belgian market

**Exact Systems Hungary LLC** – the company dedicated to offer services on the Hungarian market, it provides services in terms of control, selection and repair of parts and components mostly in the automotive industry.

**Work Service Fahrschule QC GmbH (the former name: Fortuncorona GmbH)** – an indirect subsidiary of Work Service SA. specialised training of workers in the logistics industry constitutes the main object of the company's operations. The company's operations are aimed at improving workers' qualifications by enabling them to obtain additional licences to operate machinery and devices used in the logistics industry. The company also offers category C+E driving courses to its own employees and external clients.

**Human Existence Kft.-** - Indirect subsidiaries of Work Service SA 100% of company shares is owned by company Prohuman 2004 Kft (75% subsidiary of Work Service SA). Company is engaged in leasing of temporary workers and outsourcing. It operates in the north-eastern Hungary.

**Work Service Deutschland GmbH-** Indirect subsidiaries of Work Service SA The company is involved in intermediation on the labour market, hiring employees (temporary work), mainly in the logistics industry. The company combines the logistics know-how with the knowledge of human resources and implements intelligent staffing solutions for the trade and logistics industry. The company operates in the German market.

**Work Service GmbH & Co. KG with the seat in Dusseldorf, Germany** - a limited partnership under German law (Holding Company), in which the Work Service SPV Sp. z o.o and Fiege Logistik Stiftung & Co. KG with the seat in Greven, Germany is limited partners, and Work Service GP GmbH based based in Vienna, is the general partner. The share capital of the Holding Company (fixed capital) amounts to 100,000 euros. On the date of registration of the Holding Company (i.e. as at 4 September 2014) Fiege Logistik Stiftung & Co. KG with the seat in Greven, Germany held a participating interest of 77.000 euro i.e. 77% of the capital of Holding Company, and Work Service SPV Sp. z o.o. held a share of 23,000 euros, i.e. 23% of the capital of Holding Company. The company Work Service SPV Sp. z o.o has an equity participation of 74,000 euros, i.e. 74% of capital of Holding Company and the company Fiege Logistik Stiftung & Co. KG, based in Greven, Germany has an equity participation of 26,000, i.e. 26% of the capital of the Holding Company. Work Service GP GmbH, based in Vienna, which is the general partner of Holding Company, has no equity participation in it. The purpose of the Holding Company is the management of shares in other companies.

**Work Service Outsourcing Deutschland GmbH** – Indirect subsidiaries of Work Service SA The company offers services related to the outsourcing of processes, with special adjustment for logistics. The company operates in the German market. The uniqueness of the company is based on training and providing staff development according to customer needs. These trainings are held in more than 100 locations of the company or in cooperation with its partners in Germany.

**Work Service GP GmbH** – a company established and operating under the laws of Austria. The company is the general partner of Work Service GmbH & Co. KG.

**HR-Rent Kft.** - This company provides temporary employment in Hungary Baranya country and abroad (Austria, Germany).

**Profield 2008 Kft.** - is engaged in the provision of full-scope intermediary services of various financial products, i.e. financial outsourcing services.

**HR Global d.o.o.** - a holding company for the subsidiaries.

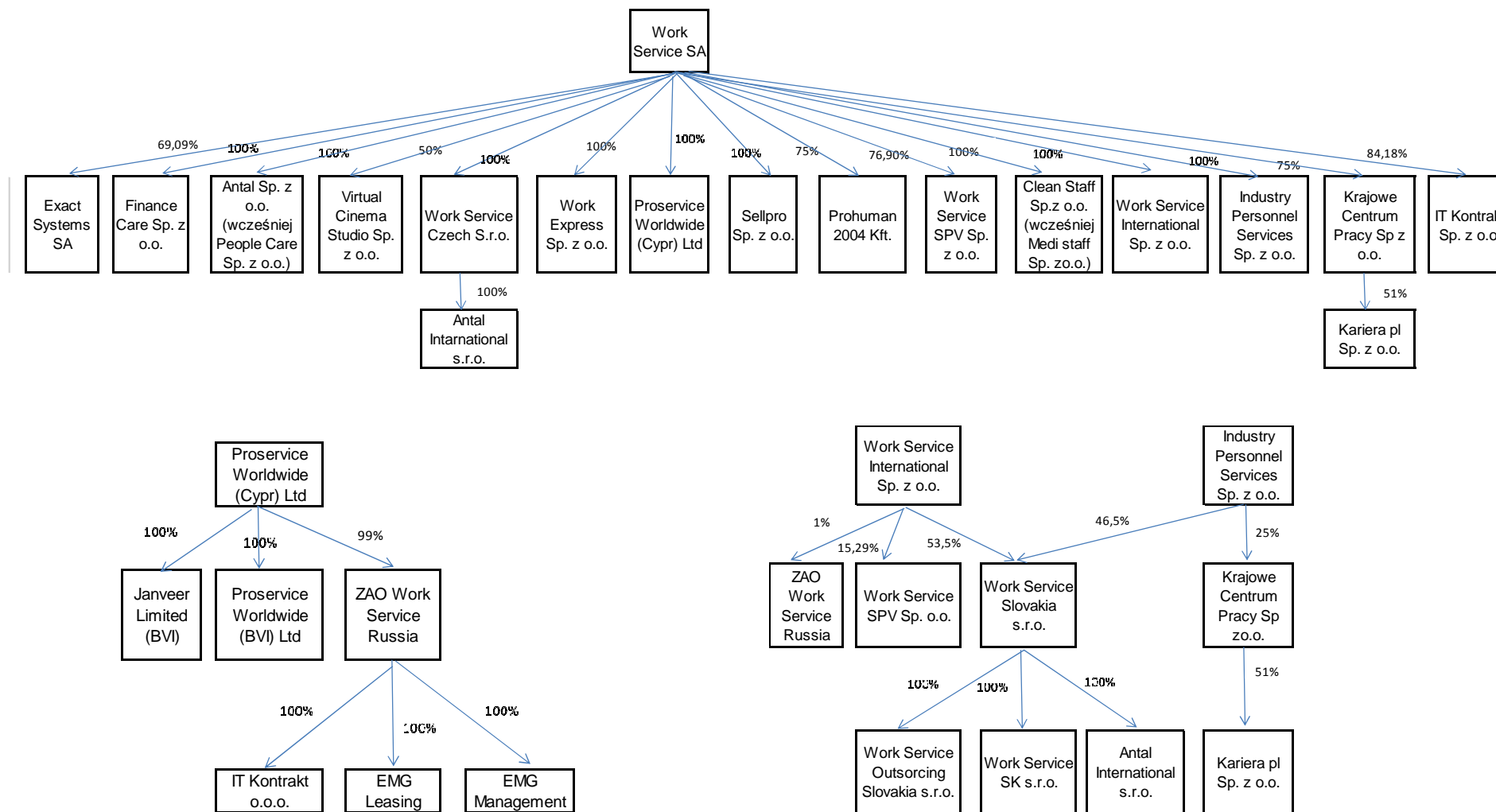
**Naton kadrovsko svetovanje d.o.o.**- the oldest HR agency in Slovenia. It holds second to third place according to size and number of agency workers in Slovenia.

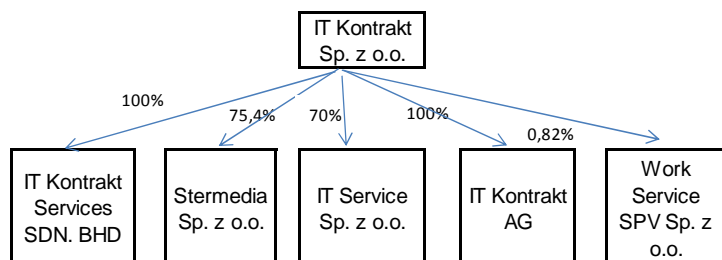
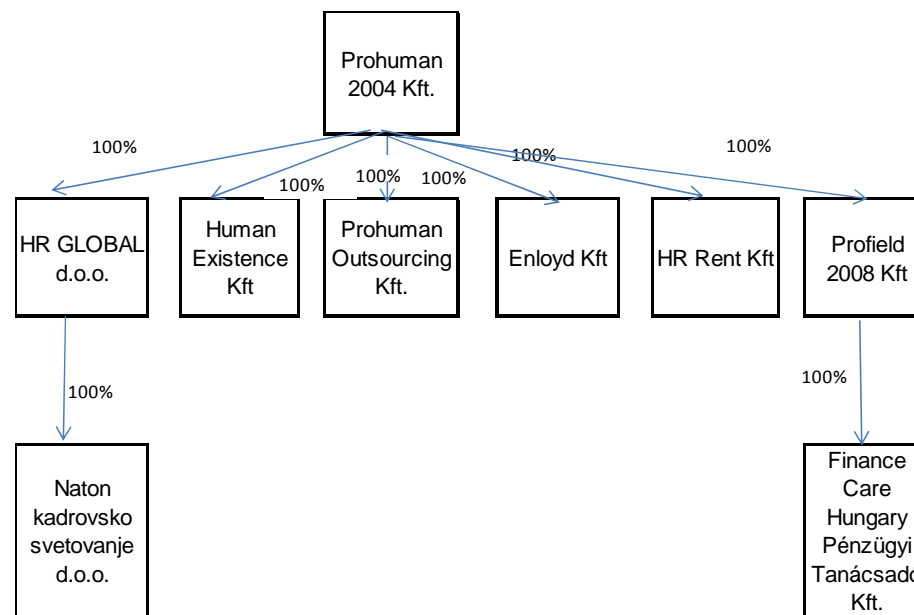
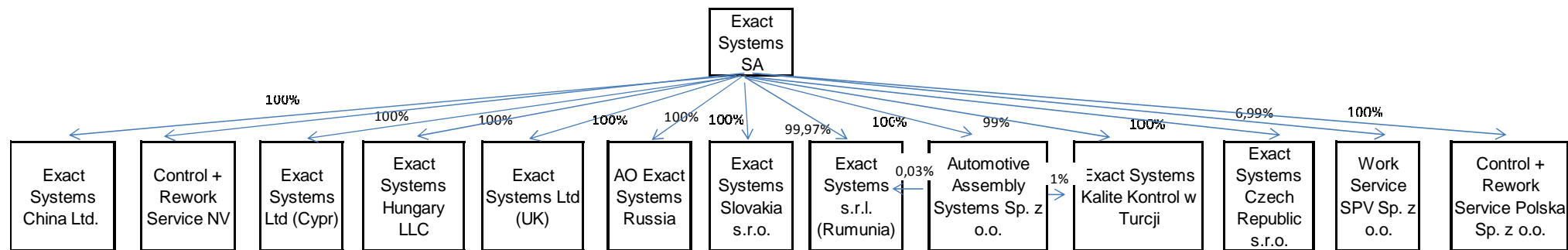
**Work Service SK s.r.o.**- indirect subsidiary of Work Service SA, through the company Work Service Slovakia s.r.o. The company carries out the range of services analogous to those offered by the Parent Company in Slovakia.

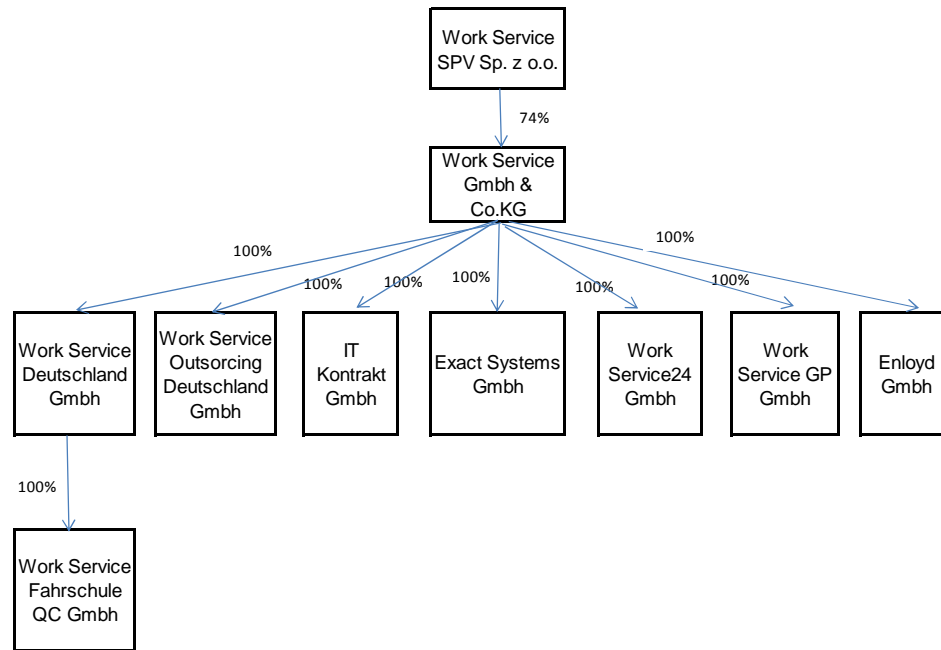
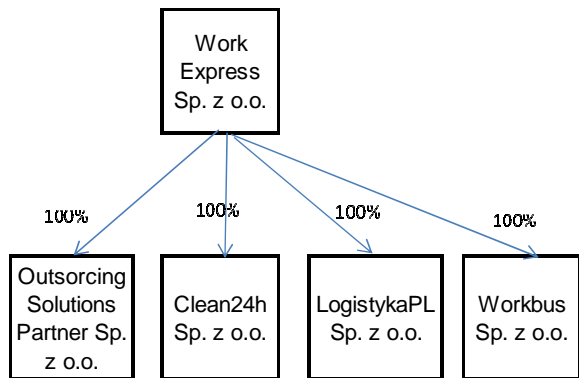
**Kariera.pl Sp. z o.o.** – a 51% subsidiary of Krajowe Centrum Pracy Sp. z o.o. The Company is the administrator of “kariera.pl” service, dedicated to premium segment candidates (employees and job offers for middle and senior managers and professionals).

**Finance Care Hungary Pénzügyi Tanácsadó Kft.** — as part of cooperation with insurance companies and banks, the company provides outsourcing services for these entities in the Hungarian market.

## 2. The structure of Work Service Capital Group









### **3. Changes in the basic principles of management of the Company and its Capital Group**

In the analysed period there were no changes in the basic principles of management of the Company and its Capital Group.

### **4. Changes in the structure of Work Service Capital Group, together with their reasons**

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

#### **Loss of control over Work Service Acquisition Ltd.**

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

#### **Loss of control over Workport24 GmbH**

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

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

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

#### **Closing-down of IP Work Service Cypr. Ltd**

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

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

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

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

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

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

#### **Formation of a company in China**

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

### **Closing-down of WS Cyprus Ltd and ITK Cyprus Ltd**

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

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

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

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

### **Increasing the capital in Exact Systems S.A.**

On 4 August 2016 the Extraordinary General Meeting of Exact Systems S.A. adopted Resolution no. 04/08/2016 pursuant to which the share capital of Exact Systems S.A. was increased from PLN 100,000.00 to PLN 105,695.00. Shares were acquired by minority shareholders, as a result of which the shareholding of Work Service SA decreased from 76% to 71.91%.

On 24 November 2016 the Extraordinary General Meeting of Exact Systems S.A. adopted Resolution no. 03/11/2016 pursuant to which the share capital of Exact Systems S.A. was increased from PLN 105,695.00 to PLN 110,000.00. Shares were acquired by minority shareholders, as a result of which the shareholding of Work Service SA decreased from 71.91% to 69.09%.

### **Establishing IT Kontrakt Services SDN. BHD**

IT Kontrakt Services SDN BHD was established on 28 September 2016. The company has its registered office in Malaysia. 100% of shares in the company have been acquired by IT Kontrakt Sp. z o.o. (a direct subsidiary of Work Service SA).

The company carries out activities similar to the activities of IT Kontrakt Sp. z o.o.; however, in the territory of Malaysia.

### **Sale of 5% of shares in IT Service Sp. z o.o.**

On 28 July 2016 IT Kontrakt Sp. z o.o. sold 5% of shares in IT Service Sp. z o.o. for PLN 50,000. At present IT Kontrakt Sp. z o.o. holds 70% of shares in the share capital of IT Service Sp. z o.o.

### **Execution of the term sheet for the acquisition transaction by a subsidiary**

On 15 July 2016 the subsidiary of the Issuer, i.e. Exact Systems S.A. with its registered office in Częstochowa ("Subsidiary") signed the "term sheet" document ("Term Sheet"), concerning to the operations relating to the future acquisition transaction, involving acquisition of 100% of the existing shares of the French limited liability company, acquisition of 100% of the existing shares in the Romanian limited liability company, acquisition of 100% of the existing shares in the Turkish limited liability company and acquisition of 100% of the existing shares in the Moroccan limited liability company ("Target Companies"), operating in the outsourcing industry and specializing in quality control for the automotive industry ("Potential Transaction"), while the Potential Transaction assumes - in the first place - the acquisition of 75% of the existing shares in the Target Companies ("First Stage of Potential Transaction"), followed by the acquisition by the Subsidiary, by means of Call Option or by the current shareholders of the Target Companies by means of Put Option under the terms of the Term Sheet, of the remaining 25% of the existing shares in the Target Companies ("Second Stage of Potential Transaction").

Based on the Term Sheet, the parties agreed to conduct negotiations and due diligence examination to agree on the final terms of the Potential Transaction.

The total price of the First Stage of Potential Transaction relating to the Target Companies was established in the amount of EUR 8,000,000 (the "Basic Price of the First Stage of Potential Transaction") with the earn - out mechanism provided for in the Term Sheet which is 75% x 5.15x EBITDA indicator of the Target Companies for the financial year ending on December 31, 2016 decreased by EUR 8,000,000, while EBITDA is to be defined by the Parties to the Potential Transaction in the preliminary contract of sale of shares.

The Parties to the Potential Transaction envisage also correcting mechanisms to the price of the First Stage of Potential Transaction.

Execution of the Call Option by the Subsidiary, as provided for in the Second Stage of the Potential Transaction will be guaranteed and it will be possible to execute it by December 31, 2021.

Execution of the Put Option provided for in the Second Stage of the Potential Transaction by the current shareholders of the Target Companies it will be possible to execute it in the period between March 1, 2019 - December 31, 2021.

The conclusion of the preliminary agreement of sale of shares in the Target Companies is subject to the following conditions: (i) positive outcome of the financial, tax and legal due diligence examination in the Target Companies, (ii) completion of the negotiations on transaction documentation by the Parties, (iii) consent to carry out the Potential Transaction by the Supervisory Board of the Subsidiary.

The fulfilment of the above conditions does not, however bind any of the parties to execute the Potential Transaction.

The final terms and conditions of the Potential Transaction will be included in the preliminary contract of sale of shares in the Target Companies.

The potential Transaction is an element of the acquisition strategy of the Subsidiary.

#### **Establishment of Kariera.pl Sp. z o.o.**

On 3 November 2016, a company deed was signed, pursuant to which Kariera.pl Sp. z o.o. was established. 51% of shares in this company was acquired by Krajowe Centrum Pracy Sp. z o.o., a wholly-owned subsidiary of Work Service S.A. The Company will be the administrator of "kariera.pl" service, dedicated to premium segment candidates (employees and job offers for middle and senior managers and professionals).

#### **Change of the name People Care Sp. z o.o.**

On 16 November 2016, the business name of the company People Care Sp. z o.o. was changed to Antal Sp. z o.o.

#### **Merger of Antal Sp. z o.o. and Antal International Sp. z o.o.**

On 30 December 2016, a merger of companies Antal Sp. z o.o. and Antal International Sp. z o.o. took place. Antal Sp. z o.o. acquired all assets, rights and obligations of Antal International Sp. z o.o. and will continue all of its business activities. As a result, Antal International Sp. z o.o. ceased to exist.

#### **Merger of Finance Care Sp. z o.o. and Work Service Finance Sp. z o.o.**

On 30 December 2016, a merger of companies Finance Care Sp. z o.o. and Work Service Finance Sp. z o.o. took place. The merger was effected by way of acquisition by Finance Care Sp. z o.o. (the Acquirer) of Work Service Finance Sp. z o.o. (the Acquiree). As a result, on 30 December 2016 Work Service Finance Sp. z o.o. (the Acquiree) ceased to exist.

### **Merger of IT Kontrakt Sp. z o.o. and IT Kontrakt Centrum Kształcenia Sp. z o.o.**

On 30 December 2016, a merger of companies IT Kontrakt Sp. z o.o. and IT Kontrakt Centrum Kształcenia Sp. z o.o. took place. The merger was effected by way of acquisition by IT Kontrakt Sp. z o.o. (the Acquirer) of IT Kontrakt Centrum Kształcenia Sp. z o.o. (the Acquiree).

### **Founding of Finance Care Hungary Pénzügyi Tanácsadó Kft.**

The company Finance Care Hungary Pénzügyi Tanácsadó Kft. was founded on 29 September 2016 and registered on 8 November 2016. The company is a wholly-owned subsidiary of Profield 2008 Kft. The company provides outsourcing services in cooperation with insurance companies and banks in the Hungarian market.

### **Final accounting for the acquisition of the HR Global capital group**

On 3 December 2015, the company Prohuman 2004 Kft purchased the company HR Global d.o.o. with its registered office in Slovenia together with its daughter companies: Naton HR d.o.o. with its registered office in Bulgaria, Naton Ljudski potencial d.o.o. with its registered office in Croatia, Naton kadrovsko svetovanje d.o.o. with its registered office in Slovenia and Naton zaposljavanje d.o.o with its registered office in Serbia. The control was acquired on the date of concluding the agreement. The transfer of control was conditioned on the payment of an advance in the amount of EUR 291,000 and granting a loan by Prohuman 2004 Kft to the company HR Global, which was concluded on 3 December 2015.

The remaining part of the price was calculated on the basis of EBIT for the years 2016–2018 and will be payable in the following periods:

1<sup>st</sup> tranche to be paid in April 2017,

2<sup>nd</sup> tranche to be paid in April 2018,

3<sup>rd</sup> tranche to be paid in April 2019.

Specification	Acquisition price	Net asset value	Fair value of net assets acquired	Purchased goodwill
Provisional settlement of the purchase of the Naton group	HUF 1,301,616,550	PLN -3,684,693.53	PLN -3,684,693.53	PLN 23,964,377.84

As at 31 December 2016, the Company carried out the final accounting for the acquisition of the HR Global capital group. The calculation is provided in the table below:

Specification	Acquisition price	Net asset value	Fair value of net assets acquired	Purchased goodwill
Final settlement of the purchase of the Naton group	HUF 1,302,863,930	PLN -3,684,693.53	PLN -3,684,693.53	PLN 24,889,765.71

### **Final accounting for the acquisition of HR Rent Kft**

On 10 December 2015, the company Prohuman 2004 Kft purchased the company HR Rent Kft. with its registered office in Hungary. The control was acquired on the date of concluding the agreement.

The price was calculated as follows: an advance in the amount of HUF 200,000,000 payable in May 2016.

The remaining tranches were calculated on the basis of EBIT for the years 2016–2018 and will be payable in the following periods:

1<sup>st</sup> tranche to be paid in May 2016,

2<sup>nd</sup> tranche to be paid in June 2018,

3<sup>rd</sup> tranche to be paid in June 2019.

Specification	Acquisition price	Net asset value	Fair value of net assets acquired	Purchased goodwill
Provisional settlement of the purchase of the company HR Rent Kft	HUF 1,739,647,000	HUF 74,320,347.31	HUF 74,320,347.31	HUF 1,665,326,652.69

As at 31 December 2016, the Company carried out the final accounting for the acquisition of HR Rent Kft. The calculation is provided in the table below:

Specification	Acquisition price	Net asset value	Fair value of net assets acquired	Purchased goodwill
Final settlement of the purchase of the company HR Rent Kft	HUF 5,719,669,294	HUF 74,320,347.31	HUF 74,320,347.31	HUF 5,645,348,946.69

#### Final accounting for the acquisition of Profield 2008 Kft

On 17 December 2015, the company Prohuman 2004 Kft purchased the company Profield 2008 Kft. with its registered office in Hungary. The control was acquired on the date of concluding the agreement.

The price was calculated as follows: an advance in the amount of HUF 251,000,000 payable in May 2016.

The remaining tranches were calculated on the basis of EBIT for the years 2016–2018 and will be payable in the following periods:

1<sup>st</sup> tranche to be paid in May 2017,

2<sup>nd</sup> tranche to be paid in May 2018,

3<sup>rd</sup> tranche to be paid if option will be exercised.

Specification	Acquisition price	Net asset value	Fair value of net assets acquired	Purchased goodwill
Provisional settlement of the purchase of the company Profield 2008 Kft	HUF 1,258,230,000	HUF -291,475,899	HUF -291,475,899	1.549.705.899 HUF

As at 31 December 2016, the Company carried out the final accounting for the acquisition of Profield 2008 Kft. The calculation is provided in the table below:

Specification	Acquisition price	Net asset value	Fair value of net assets acquired	Purchased goodwill
Final settlement of the purchase of the company Profield 2008 Kft	HUF 2.397.469.609	HUF -291,475,899	HUF -291,475,899	2,688,945,508 HUF

### Acquisition of additional shares of Work Service Gmbh & Co.KG

On 23 December 2016, Fiege Logistik Stiftung & co. KG partially exercised the put option, as a result of which Work Service SPV Sp. z o.o. acquired additional 23% of shares in the share capital of Work Service Gmbh & Co.KG for the price of EUR 3,992,800. At present, Work Service SPV Sp. z o.o. hold 74% of the share capital of Work Service Gmbh & Co.KG. The remaining part of the option was valued as at the balance sheet date in the amount of EUR 4,374,314.29, i.e. PLN 19,351,966.42.

### III. Information on shares and other securities of the Parent Company and major shareholders

At the date of this report, the company Work Service SA has not issued any preference shares, neither as to voting, nor as to the dividend. All shares of the Company are ordinary bearer shares. The share capital of Work Service SA amounts to 6,509,482.30 and is divided into:

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

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

Shareholder	Number of shares	Percentage of share capital	Number of votes	Share in the total number of votes
PROLOGICS UK LLP	18 514 621	28.44%	18 514 621	28.44%
WorkSource Investments S.a.r.l.	13 714 286	21.07%	13 714 286	21.07%
Tomasz Misiak	9 534 861	14.65%	9 534 861	14.65%
Tomasz Hanczarek	3 255 000	5.00%	3 255 000	5.00%
MetLife PTE S.A.	3 254 743	5.00%	3 254 743	5.00%
Others	16 821 312	25.84%	16 821 312	25.84%
<b>Total</b>	<b>65 094 823</b>	<b>100.00%</b>	<b>65 094 823</b>	<b>100.00%</b>

The ownership of shares of Parent Company held by persons supervising or managing the unit is presented in the table below.

	As at the date of publication of the report for the third quarter of 2016	Changes in ownership: acquisition (disposal)	Balance at the date of this report	Nominal value of shares held (in PLN) as at the date of publication of this report
Tomasz Hanczarek – Member of the Supervisory Board	3 255 000	0	3 255 000	325 500.00
Jarosław Dymitruk - proxy	1 000	0	1 000	100.00
Paul Christodoulou – Vice President of the Management Board	34 680	0	34 680	3 468.00
Tomasz Misiak – Vice-Chairman of the Supervisory Board	9 534 861	0	9 534 861	953 486.10

Figures concerning shares in related entities held by Work Service SA's managers and supervisors are presented in the following table.

	As at the date of publication of the report for the third quarter of 2016	Changes in ownership: acquisition (disposal)	Balance at the date of this report	Nominal value of shares held (in PLN) as at the date of publication of this report
Tomasz Hanczarek-Członek Rady Nadzorczej	100 000	49 966	149 966	1 499.66
Tomasz Misiak- Wiceprzewodniczący Rady Nadzorczej	116 700	30 600	147 300	1 473.00

**1. 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.

**2. Information on control system of employee share programs**

On 27 June 2013 The Annual General Meeting of the Company Work Service SA by Resolution No. 24/2013 adopted the Incentive Program addressed at executives, including members of the Management Board and key employees Capital Group Work Service. The program is based on the subscription warrants – its objective is:

- to motivate Key managers to increase the scale and profitability of the business in the long term and
- to ensure stability of the management by the permanent binding with the Capital Group.

The Incentive Programme will be implemented in years 2013-2017. Within its framework up to 2.5% of the total number of shares as at the date of adoption of the program, i.e. 1,498,700 shares can be issued. These shares will be distributed in the following way:

- entitled Key Managers will cover warrants for the duration of the Programme on an annual basis,
- warrants will be converted into shares on 30 June 2018 with the exception of warrants granted to entitled key Managers, who were employed by the Company for less than 18 months during the Programme - warrants shall be transferred to the reserve and will be used at the discretion of the Supervisory Board,
- warrants will be issued on 30 June of each calendar year beginning on 30 June 2014. Based on the audited results for 2013 to 30 June 2018 based on the audited results for 2017 in five separate emissions,
- number of warrants subscribed for by Entitled Key Managers each year will depend on the implementation of the budget for the year in relation to the Business Plan, with maximal number of warrants to be issued for each year is 291,000. Furthermore:
  - if the actual value of the EBIT at the consolidated level will be equal to the value of the planned EBIT or exceeds this value, the maximum number of warrants will be issued,
  - if the actual value of EBIT, on a consolidated level will fall within the range of 85% to 100% of the planned value of EBIT, number of warrants issued for the year will rise in proportion from 0% for the implementation of the plan at 85% or below 85%, to 291,000 for the implementation of the plan at 100% or more,
- all warrants, which will not be distributed for any reason, will be transferred to the reserve, which may be allocated by the Supervisory Board at its discretion,
- the shares, to which the warrants will be exchanged, will be subject to blockade preventing their disposal until the disposal of all the shares of the Company by WorkService Investments S. à r l.
- additional condition for determining acquisition of rights is remaining in the employment relation for the duration of the Programme. If the Entitled Key Manager resigns from work for serious health reasons and will be unable to work or will be dismissed during the Programme, he will be entitled to subscribe for warrants under the Programme only for the period of his employment with the Company (100% of the warrants vested to the last day of work). If the Entitled Key Manager resign for reasons other than health during the Programme, he will be entitled to subscribe for 50% of warrants under Programme for the period of his employment.



### The costs of Incentive Programme - description plus valuation.

The valuation of Incentive Programme was based on the analytical model of Black-Scholes-Merton. The valuation includes the number of warrants to be issued which was determined on the basis of the value of the expected business objective implementation (nonmarket condition), during the vesting period for Entitled Key Managers. The valuation of warrants for the years 2013–2015 was a certain valuation, and the valuation for the years 2016–2017 is a provisional valuation. It is justified to recognise warrants not granted in the valuation of the Programme due to the fact that the Entitled Persons provide services and the valuation made takes into account the possibility of achieving the business objective. Until warrants for the years 2016–2017 are granted, the programme valuation is updated on a quarterly basis.

### The basic assumptions of the valuation

The basic assumptions for the valuation of options, which entitle to subscribe for the warrants, are presented in the following table. Volatility of share price was estimated based on the historical volatility rate of return on the shares of the Company Work Service SA in the period from the date of stock exchange debut until the adoption of Incentive Programme, i.e. from 26 April 2012 to 28 June 2013.

Assumptions for option pricing		
No.	Specification	Date/Value
1.	Date of grant	2013-06-27
2.	The last possible date of exercise	2018-06-30
3.	The lifetime of the option	5.010958904
4.	The current price of the basic shares	8.89
5.	The exercise price	0.10
6.	Coefficient of variation	0.203997781
7.	Risk-free rate	3.00%
8.	Dividend payout ratio	2.81%

(\*)Risk-free rate was adopted on the basis of the interest rates on bonds with fixed interest rate and term - DOS0515.

Given the above, the total number of options to be issued on the balance sheet date, i.e. 31 December 2016 is 742,006.00 which at the value of option of the valuation based on the model used – PLN 7,63, gives the value of Incentive Programme equal to PLN 5,664,115.32

\*On the basis of the applied valuation model, i.e. the Black–Scholes–Merton model, the value of one option is 7.633516868... – what multiplied by the total number of warrants to be issued, i.e. 742,006 produces the value of the managers programme of 5,664,115.32. For presentation purposes, the value of options was provided to 2 decimal places.

### Valuation of Incentive Programme - as on 31 December 2016

Specification	Number of warrants	Value of single warrant (PLN)	Value of Incentive Programme
Incentive Programme	742,006	7.63	5.664.115,32
The value charged to the year 2016			1.599.897,24
Total amount at the end of 2016 year			4.294.910,37

### 3. Use of funds obtained from the issuance

#### The funds raised from the issuance of Series U bonds

The purpose of the issuance of Bonds is to refinance the financial debt of the Company, resulting from the bonds of the Q and R series issued by the Company.

## IV. Characteristics of Capital Group activity

### 1. Information on basic products, goods and services

The development strategy of the Work Service Capital Group involves the construction of the Capital Group, being a leader in providing advanced solutions in the field of personnel management. The business model of the Capital Group Work Service involves efficiently satisfying the widest possible range of needs related to human resources management. Work Service Capital Group has a comprehensive, effective and profitable model which includes the following products:

- ⇒ **Temporary work** - allows to adjust the level of employment to changing needs of the customer, leading to a reduction in labour costs by selecting the appropriate number of employees to the reported needs, secure resources in the case of the seasonality of production, support the implementation of planned and unplanned increase in production, as well as a guarantee of continuity of service processes through the elimination of sickness absence, minimizing rotation and control of discipline and working hours. The temporary work service:
- is a guarantor of the continuity of the business at an optimum cost structure of employment,
  - leads to lower costs associated with the selection and recruitment,
  - transfers to Work Service responsible for the administrative and legal support of employees,
  - leads to optimisation of personnel structure and forms of employment,
  - leads to the minimization of the cost of overtime, weekend work, sickness contributions, PFRON contributions.

This service is provided by all subsidiaries except subgroups: Exact Systems and IT Kontrakt.

⇒ **Outsourcing in the area of personnel outsourcing and outsourcing of functions** – allows to focus own resources of the counterparty to its strategic tasks. This leads to a reduction in the cost of service of activity being outside the main area of his activity, facilitates access to the talented employees and know-how of provider of services, leads to a more flexible cost and increase flexibility of business model implemented at the customer's. This service is offered in all branches of production, logistics and storage, quality control, consumer service and call centre, sales and merchandising, promotion and direct sales, leasing, medical and childcare, cross-border exchange of employees, administration, HR and Payroll, and IT outsourcing. The result of using the offer of the Group in the field of outsourcing is an increase of flexibility of its business model, matching resources to fit the needs, optimization of sickness absence, working hours, weekends, overtime, etc., lowering costs and risks of recruitment and rotation of employment. The following processes are the part of the offered service within outsourcing:

- **Process Outsourcing** - the service is to take over from the entrepreneur parts of auxiliary functions necessary for the operation of the company, but who are not its core business. Work Service Group offering service takes responsibility for the entire process and the final result of work. With these services the Group's customers can focus their own resources and financial resources to strategic tasks, yielding cost transparency and full control of outsourcing services. The Group offers outsourced management cover the following areas:
  - **Quality control** (service provided by Exact Systems SA and its subsidiaries) - the service includes quality control of components for production in terms of sound performance and correct functionality. The method used makes it possible to reduce the amount of control of defective components (finished products), which in turn leads to a reduction in the frequency of complaints. In addition, there are also carried out inspections of finished goods at the premises in Poland and Europe in terms of verifying parts of quantitative traits, quality, and visual. In justified cases, repairs shall be carried out, restoring the appropriate useful features of components directly on the production line,
  - **Financial Services** (services provided by Finance Care Sp. z o.o. and Finance Care Kft) - these services consist of intermediation in the sale of financial products. They are carried out by a team fit, in terms of skills and experience, to work in the insurance market, and include assistance in the liquidation of property, communication, personal damage and constant contact with experts. Implementation of financial services allows to optimise the costs of payroll, accounting of work on the basis of the number of performed tasks and activities of insurance, a full record of the personal data that allow performing detailed analyses concerning, inter alia: working time achieved results and absenteeism, formal and legal services,
  - **Services related to medical care** (services provided by Clean Staff Sp. z o.o.) - services include the management of the medical staff and the provision of medical services by employed doctors, nurses and support staff to other healthcare organisations throughout the country. Under this line of business, care for the elderly as well as cleaning services and medical transportation are also provided. The needs of foreign clients are also met through intermediation of work in the medical sector for workers from Poland and Ukraine,

- **Sales and Promotions** (services provided by the company Sellpro Sp.z o.o., and ZAO Work Service Russia) - the service includes the management of teams of sales representatives engaged in the sales process support activities such as: ensuring the proper presentation of the goods at the point of sale, optimal use of the exhibition space, efficient organisation, promotional campaigns, check for proper operation of the local units, to continuous monitoring of the employees, HR and payroll acquisition activities, the creation of regular reports and reports on the progress of promotional campaigns. Additionally, the company offers specialised services related to the category of products (services performed in the stores of large-area),
- **Cross-border exchange of employees** (services provided by the company Work Service International Sp. z o.o., People Care Sp. z o.o.) - service of conducting recruitment processes and employment of foreigners in Poland and Europe, conducting formal and legal issues and organizational issues related to departures abroad, quality control services provided by employees,
- **HR and Payroll** (services provided by Work Service S.A., Work Service Czech s.r.o., Work Service Slovakia s.r.o.) - HR and payroll services means handling employment contracts and civil - legal contracts, payroll and their derivatives, preparation of transfer orders in respect of payments to employees and offices, preparation of documentation, settlement and time registration and absenteeism, keeping employee files, keeping a register of holidays, sick leave and other absences, preparation of certificates for use by employees, archiving documentation of personal files of former employees, preparing reports consistent with the needs of the customer,
- **Services related to logistics processes** (services provided by the ZAO Work Service Russia, Work Service Deutschland GmbH) - service of searching, recruitment and management of staff providing work in the logistics industry, among others, for such positions as storekeepers, packers, warehouse managers, administrative staff, auditors and inspectors supervisors, forklift operators and drivers. The Company, in addition to recruiting is also responsible for the supervision and management of selected logistics processes. This involves taking over responsibility for the effectiveness of working people and the final result of the project. Under the responsibility ZAO Work Service Russia must also develop the skills and competencies of posted workers, which is realised by a system of appropriate training and practices to increase the effectiveness,
  - Outsourcing of IT professionals,
  - Outsourcing of engineering and technical personnel.

- ⇒ **Personnel Selection** - This service is offered to businesses seeking appropriate professionals for key positions in the company. The Group companies carry out individual recruitment process using modern tools to assess the competence and selection of candidates. In the context of personal counselling review of existing employees for the desired skills necessary to achieve the aims of the employee are also carried out. On the basis on an independent analysis the customer can make the appropriate changes and plan further development of its staff, improve the system of remuneration and incentive schemes. As part of the HR consulting group also offers specialized services related to: recruitment of executives and professionals - Executive Search assessment and development centre" (evaluation of the strengths and weaknesses of employees and the possibility of their development), mass recruitment (employing simultaneously large teams of workers, such as commercial representatives) and outplacement (preparing employees to change jobs and active assistance in finding it) and cross-border exchange of staff. The benefits of selecting personnel are as follows: high quality of matching candidates, presenting always current market diagnosis, discreteness, high efficiency of mass recruitment.
- ⇒ **Strategic HR Consulting** - under which are offered: an audit of HR functions, optimising the PFRON contribution, competence assessment, employee assessment system, restructuring based on Art. 23 'incentive systems, Interim HR Manager +; Assessment Centre, Development Centre, audit of processes and Inhouse solutions.

The structure of the Capital Group sales in the years 2015 - 2016 are shown in the table below.

#### Structure of the Work Service Capital Group sales in 2015 – 2016

Specification:	2016	share [%]	2015	share [%]
	(in thousands PLN)		(in thousands PLN)	
Temporary work	1 759 041	70.94%	1 545 603	72.34%
Personal counselling	31 549	1.27%	27 351	1.28%
HR Strategic Consulting	619	0.02%	788	0.04%
Outsourcing of processes	688 537	27.77%	562 975	26.34%
<b>TOTAL</b>	<b>2 479 746</b>	<b>100.00%</b>	<b>2 136 717</b>	<b>100.00%</b>

## 2. Information on sales markets and sources of supply for raw materials, goods and services

The structure of the revenue from the standpoint of industries (sales markets) in which recipients of Work Service Capital Group are pooled, is included in the table below:

Branches	2016		2015	
	(in thousands PLN)	%	(in thousands PLN)	%
Sales and Distribution	22 636	0.91%	31 057	1.45%
Medical Services	405	0.02%	370	0.02%
Financial - Insurance Services	134 519	5.42%	122 454	5.73%
Other services	853 421	34.42%	810 541	37.93%
Call center	174 575	7.04%	158 916	7.44%
Administration other	42 506	1.71%	32 538	1.52%
Automotive	824 525	33.25%	573 906	26.86%
Electronics	81 092	3.27%	82 658	3.87%
FMCG	96 096	3.88%	102 296	4.79%
Industry other	233 698	9.42%	207 432	9.71%
Engineering	16 273	0.66%	14 549	0.68%
<b>TOTAL</b>	<b>2 479 746</b>	<b>100.00%</b>	<b>2 136 717</b>	<b>100.00%</b>

Work Service Capital Group operates on the markets other than Poland through its subsidiaries. The geographical structure of the Group's revenue is given in note 29 to the consolidated financial statements for the year ended 31 December 2016.

Due to the nature of business of Work Service Capital Group, which provides services in the field of human resource management, specialising in seeking and recruitment of staff, HR consulting and HR strategic consulting, and outsourcing functions related to ancillary processes in enterprises, the main suppliers to the Group are suppliers of so called universal services and suppliers of materials related to the maintenance and operation of the office, etc. Both, the portfolio of suppliers and customers is diversified - part of a single entity does not exceed 10% of the revenue of Capital Group.

## 3. Major domestic and foreign investments of Capital Group

The main investments made in 2016 are presented in Section "Policy of Capital Group management. Changes in the structure of Work Service Capital Group" of this report.

#### **4. Information on significant agreements, including agreements known to the Company concluded between the shareholders (partners), insurance contracts or cooperation agreements**

According to current reports given to the public the following agreements were concluded in 2016:

- agreement regarding the performance of services by the Issuer for TP Teltech Sp. z o. o. on the basis of individual contracts from the Client, of technical and administrative maintenance, including warehouse operations, logistics and purchase operations, estimation operations in the field of construction for telecommunication, telecommunication network design, project development and coordination, administration of automat TP maintenance process, telecommunication works, conservation and maintenance of machines and carriers, administrative support and services settlements. The Management Board of the Company Work Service SA reported this in CR No 57/2016 of 7 November 2016;
- investment agreement of 5 August 2016 concluded between Work Service, Exact Systems S.A., Paweł Gos, Lesław Walaszczyk, Tomasz Misiak, Tomasz Hanczarek and other investors. This agreement is described in detail in the consolidated financial statements;
- investment agreement of 24 November 2016 concluded between Work Service, Exact Systems S.A., Paweł Gos, Lesław Walaszczyk, Tomasz Wojciech Misiak, Tomasz Hanczarek and other investors. This agreement is described in detail in the consolidated financial statements;
- other significant agreements are described in relevant sections of the consolidated financial statements for 2016.

#### **5. Significant transactions with related parties, including transactions with related parties concluded on terms other than market terms**

Parent Company of the Capital Group did not conclude in 2016 any transactions with related parties which, individually or collectively would be significant and at the same time were included on other than market terms. All major contracts within the Capital Group are described in the item "Characteristics of activities of Capital Group of this financial statement. Information on significant agreements, including agreements known to the Company concluded between the shareholders (partners), insurance contracts, collaboration and co-operation" of this statements. Their conditions do not differ from those commonly used in this type of contract. In turn, information on transactions with related parties are disclosed in note 25 of the consolidated financial statements of Work Service Capital Group for the year ended 31 December 2016.

## **V. The current financial and economic standing of the Capital Group**

### **1. Evaluation of factors and unusual events having a significant impact on the operations and financial results of Capital Group**

In the first half of 2016, the Group recognised revaluation write-downs on receivables in Germany in the amount of PLN 3.13 million, which consequently decreased the operating result for that period.

In the entire 2016, additional one-off costs of restructuring the Group's operations in the German market were incurred, amounting to PLN 3.0 million.

Moreover, the Group's results for the current year were reduced by other one-off costs in the total amount of PLN 8.95 million, comprising primarily costs of raising capital and costs of acquisitions.

Excluding one-off transactions, the operating result of the Capital Group for 2016 is similar to the one recorded in the previous year.

### **2. Characteristics of the external and internal factors significant for the development of the Issuer's enterprise and description of the Issuer's business development outlook at least until the end of the financial year following the financial year reported in the financial statements accompanying this annual report, taking into consideration elements of the Issuer's market strategy.**

Considering the Company's business, access to candidates will be a key element for the Company over the next 12 months. Its limitations may, on the one hand, cause temporary problems with respect to the ability to deliver services to customers, but on the other hand they are an important argument in price negotiations. To secure the access to candidates, the Company is increasing the level of employment of workforces incoming from Ukraine and plans to increase this level further in the next period. At the same time, limitations related to access to workers are largely mitigated by the geographical reach of the Group, as the Group can now attract candidates in most of the Central European markets and in some Western European markets.

Another factor important to the Group's operations will be the access to debt financing. Due to its dynamic growth, both organic and acquisition-based, the Company requires a higher level of external financing.

At the same time, further deterioration in the debt market, including in the demand for corporate bonds, should be observed. Despite this, the Company recently secured its growth financing by issuing bonds in the amount of PLN 80 million and obtaining additional credit in the amount of PLN 55 million. As a result, the current needs of the Group, including the redemption of series R and S bonds, have been secured.



### 3. Basic economic – financial values

The Work Service SA Capital Group is the largest entity operating on HR services market in Central Europe (CEE-5: Poland, the Czech Republic, Slovakia, Hungary, Russia), conducting its operations also in Germany, France, Belgium, Slovenia, Turkey, Romania, the Netherlands, Switzerland and — at the Customers' request — in the UK, Malaysia and China. As a provider of integrated solutions for personal services, such as flexible forms of employment, personnel outsourcing, IT outsourcing, quality control outsourcing, selection of personnel, cross-border exchange of personnel and strategic HR consulting, in 2014 the Group achieved the market leader position in Central Europe (CEE-5) in terms value of its share in the market. This position has been maintained to this day and the Group stays one percentage point ahead of its largest competitor in the region — one of the global brands. Personnel services market is a large market and its attractiveness is defined by the annual average growth rate projected at the level of 11% over the next three years. The value of the personal services market in the CEE-5 in 2016 was estimated at EUR 3.52 billion, while the forecast for 2017 reaches the amount of more than EUR 3.9 billion, representing an increase by almost 11% (yoy)<sup>11</sup>. The value of the German personal services market alone is estimated at EUR 22.90 billion, which places the market in the group of five largest global markets in the sector.

The Capital Group is developing dynamically in terms of the full portfolio of its services in strategic markets in Poland, Germany, Russia, Czech Republic, Slovakia and Hungary, while offering a solution to the cross-border exchange of staff among countries of the region, including workers from Ukraine. Owing to the innovative nature of our solutions and efficiency in replicating own business model in other countries, the Work Service Group has become a key partner for large companies in the Region of Central Europe, such as: Orange, VW, CitiBank, Reckitt-Benckiser, Continental, Allianz, KIA, Bosch, JohnsonControls, Lear and CapGemini – in total the Capital Group is a partner for more than 1,000 companies in nearly 3,000 locations and thus provides each day an employment for 50 thousand employees in 16 European countries. In 2015, revenue earned outside Poland accounted for 44.2% of the Group's revenue, while in 2016 this share increased to 44.8%.

The revenues of the Work Service Capital Group are generated in the four main product lines:

1. **Temporary work** covering services relating to the recruitment of temporary workers directed to work for the contractor, supervising their work, reporting results, as well as calculation of the components of remuneration and personnel record keeping and payment of wages. In this business segment, the Capital Group generated revenues of PLN 1,759,041 thousand, which accounted for 71% of total revenue of the Group (in 2015, PLN 1,545,603 thousand which accounted for 72% of total revenue of the Group). An analysis of the size of the revenues under this item year to year indicates that revenues increased by almost 14%.

2. **Outsourcing** includes services relating to the acquisition from contractors part of the supporting functions necessary for the operation of enterprises, but not being the main area of activity. The Capital Group by offering service assumes responsibility for the entire process, as well as the final result of work. Thanks to outsourcing services contractors can focus their own resources on strategic tasks, yielding cost transparency and full control of outsourcing services. Outsourcing services include: quality control services, financial services, services related to medical care, services relating to the management of sales processes and merchandising, payroll services and cleaning services. In this market segment Capital Group generated revenue of PLN 688,538 thousand, which accounted for 28%

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<sup>11</sup> According to IC Market Tracking, Temporary Staffing in CEE 2013, Vienna 2013

of total Capital Group revenue (in 2015, these revenues amounted to PLN 562,975 thousand, which accounted for 26% of total revenue of Capital Group). An analysis of the amount of revenue on this account in relation to the previous year shows that revenues increased by over 22%.

3. **Personnel Consulting** involves carrying out, on behalf of companies, individual and mass recruitment processes as well as the provision of professional services related to the assessment of the strengths and weaknesses of employees and their possible development and outplacement (preparing employees to change jobs and active assistance in finding it.) Revenue generated in this market segment in 2016 amounted to PLN 31,549 thousand, which represents 1% of the total revenue of the Capital Group (in 2015, PLN 27,351 thousand which accounted for 1% of total revenues. Analysing the amount of revenue on this account on an annual basis, these revenues have increased by over 15% .

4. **Strategic HR Consulting** - under which are offered: an audit of HR functions, optimising PFRON contribution, competence assessment, employees assessment system, restructuring on the basis of Art. 23 Labour Code, incentive systems, Interim HR Manager (+) Assessment Centre, Development Centre, audit processes and Inhouse solutions. Revenue from this business in 2016 amounted to PLN 619 thousand, compared to PLN 788 thousand in 2015.

During the almost 16 year history of activity, Work Service Capital Group is consistently developing its own business model that allows it to compete effectively with domestic and foreign companies, helping to take the leading position in terms of the number of people supplied to work in Poland, as well as a leader in outsourcing solutions in the region of Central and Eastern Europe. The Capital Group builds its position both through organic growth and acquisitions effectively matching strategy of development to taking the trends in the personnel services market. Acquisitions of companies / groups of companies operating in related / complementary market segments, carried out by Work Service Capital Group, allowed for the extension of the product range and shifting the burden of sales from temporary work to high-margin outsourcing and solutions in the field of HR consultancy. Using the potential of higher margins on neighbouring markets the Capital Group has systematically increased its involvement in countries such as , Czech Republic, Slovakia and Russia, and after recent acquisitions also in Germany and Hungary, which translates to a steady increase in the profitability of the Capital Group.

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

Selected items in the profit and loss account (in PLN)	2016	2015	Dynamics 2016/2015
Net revenues from sales of products, goods and materials	2 479 746 043.25	2 136 717 165.29	16.05%
Cost of products, goods and materials	2 217 390 191.46	1 899 104 506.37	16.76%
Gross profit (loss) on sales	262 355 851.79	237 612 658.92	10.41%
Profit (loss) on sales	64 261 444.90	77 544 094.66	-17.13%
Profit (loss) on operating activities	63 049 172.90	91 523 966.82	-31.11%
EBITDA	79 194 531.76	104 215 500.49	-24.01%
Gross profit (loss)	30 899 815.23	65 623 271.48	-52.91%
Net profit (loss)	15 501 316.71	41 426 223.18	-62.58%

In 2016, the Work Service Capital Group posted:

- Revenue amounting to PLN 2,479,746 thousands, which represents an increase by more than 16% as compared with the previous year. Importantly, this increase was generated primarily through organic growth of the scale of activities, which reached 9% in 2016.
- Growing scale of business also translates into the performance of the Capital Group at the level of the gross profit, which has increased by nearly to PLN 25 million from the previous year. The lower level of operating profit results primarily from one-off events which occurred both in 2016 and 2015. After the exclusion of one-off events, the level of operating profit was similar to the one recorded in the previous year.
- For yet another consecutive quarter the Capital Group generated increasing positive operating cash flows which amounted to PLN 83,786 thousands in the entire period. This situation results from a continuous increase in the margin on sales, improvement of the cash conversion cycle as well as acquisition, at the end of 2015, of companies that generate positive cash flows, also from operating activities.

The Work Service Group generates revenue in four main business lines: temporary work, outsourcing, personal consulting and strategic HR consulting. The most important service with regard to the volume of revenue is temporary work — in 2016 the share of this product dropped to 70.94% (72.34% in 2015). The share of revenue generated from outsourcing increased to 27.77% of total revenue (26.34% in 2015), and the share of the two remaining services (personal consulting and strategic HR consulting) dropped to the level of 1.29% (1.32% in 2015).

As a consequence of actions taken, in 2016 the revenue of the Work Service Group rose by over 16% to PLN 2,479,746 thousand. Within this revenue, PLN 1,110,678 thousand, i.e. 45% was generated outside Poland — these are the results of the implemented Capital Group development strategy in the Berlin — Moscow — Istanbul triangle.

In 2016, the balance of financial activities was negative and amounted to PLN -32,149 thousand. The level of financial costs increased in individual quarters of the year 2016 as a result of the dynamic growth of the Group and the need for financing resulting from the continued strategy of the Group. In consequence, the level of utilisation of overdraft and factoring facilities was higher in 2016. In addition, in the 4<sup>th</sup> quarter of 2016, the Group issued series U ordinary bearer bonds, which replaced previous series of bonds bearing higher interest.

The financial figures presented above point to the correctness of business decisions made and the achievement of significant revenue synergy effects on individual markets and products. Due to actions taken in 2016, the Work Service Group strengthened its position as a leader in the CEE5 region (Poland, Russia, Hungary, the Czech Republic, Slovakia).

Despite large increases in the scale of operations, throughout the year 2016, the Capital Group effectively managed cash, what is proven by the generated positive operating cash flows in 2016.

#### **4. Structure of assets and liabilities**

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

Selected balance sheet items	As on 31/12/2016		As on 31/12/2015		Dynamics 2016/2015
	in PLN	structure	in PLN	structure	
<b>FIXED ASSETS</b>	<b>669 785 900.39</b>	<b>51.49%</b>	<b>588 600 196.16</b>	<b>52.53%</b>	<b>13.79%</b>
Intangible assets, including	610 770 241.15	46.95%	531 494 210.45	47.43%	14.92%
Goodwill	549 644 468.78	42.25%	466 898 696.63	41.67%	17.72%
Tangible fixed assets	31 206 729.05	2.40%	32 989 464.85	2.94%	-5.40%
Other financial assets	1 614 844.06	0.12%	1 606 674.99	0.14%	0.51%
Investment property	25 000.00	0.00%	25 000.00	0.00%	0.00%
Other long-term assets	4 309 062.91	0.33%	4 604 944.37	0.41%	
Other long-term financial assets	2 892 510.29	0.22%	3 329 889.83	0.30%	-13.13%
Deferred income tax assets	18 156 629.28	1.40%	11 793 859.41	1.05%	53.95%
Accruals	810 883.65	0.06%	2 756 152.26	0.25%	-70.58%
<b>CURRENT ASSETS</b>	<b>631 100 874.41</b>	<b>48.51%</b>	<b>531 910 253.19</b>	<b>47.47%</b>	<b>18.65%</b>
Inventories	28 342 462.32	2.18%	17 243 487.17	1.54%	64.37%
Trade and other receivables	432 902 983.22	33.28%	407 958 635.67	36.41%	6.11%
Other financial assets	29 236 323.28	2.25%	16 046 061.93	1.43%	82.20%
Other short-term assets	9 351 436.26	0.72%	8 932 013.95	0.80%	
Cash and cash equivalents	104 614 790.71	8.04%	57 904 049.27	5.17%	80.67%
Accruals	26 652 878.62	2.05%	23 826 005.20	2.13%	11.86%
<b>TOTAL ASSETS</b>	<b>1 300 886 774.80</b>	<b>100.00%</b>	<b>1 120 510 449.35</b>	<b>100.00%</b>	<b>16.10%</b>
<b>EQUITY - including:</b>	<b>357 297 068.85</b>	<b>27.47%</b>	<b>329 157 999.52</b>	<b>29.38%</b>	<b>8.55%</b>
Share capital	6 509 482.30	0.50%	6 509 482.30	0.58%	0.00%
Supplementary capital (Fund)	330 652 018.76	25.42%	312 423 026.32	27.88%	5.83%
Capital from the valuation of options	-53 773 718.65		-35 131 379.85		
Net profit (loss)	2 417 610.83	0.19%	27 616 454.29	2.46%	-91.25%
Equity attributable to non-controlling shareholders	76 768 903.18	5.90%	43 526 215.56	3.88%	76.37%
<b>LIABILITIES AND PROVISIONS FOR LIABILITIES</b>	<b>943 589 705.95</b>	<b>72.53%</b>	<b>791 352 449.83</b>	<b>70.62%</b>	<b>19.24%</b>
Provisions	1 762 321.65	0.14%	1 475 360.17	0.13%	19.45%
<b>Long-term liabilities - including:</b>	<b>340 788 521.64</b>	<b>26.20%</b>	<b>290 028 398.45</b>	<b>25.88%</b>	<b>17.50%</b>
Credits and loans	125 543 041.61	9.65%	147 725 148.61	13.18%	-15.02%
Liabilities due to issuance of debt securities	91 797 244.30	7.06%	0.00	0.00%	
<b>Short-term liabilities - including:</b>	<b>601 038 862.66</b>	<b>46.20%</b>	<b>499 848 691.21</b>	<b>44.61%</b>	<b>20.24%</b>
Credits and loans	96 183 204.57	7.39%	84 030 550.96	7.50%	14.46%
Liabilities due to issuance of debt securities	19 691 508.89	1.51%	0.00	0.00%	
Liabilities due. supplies and services, with a maturity of up to 12 months:	55 540 544.74	4.27%	31 279 663.17	2.79%	77.56%
<b>TOTAL LIABILITIES</b>	<b>1 300 886 774.80</b>	<b>100.00%</b>	<b>1 120 510 449.35</b>	<b>100.00%</b>	<b>16.10%</b>

As at 31 December 2016, non-current assets accounted for 51.5% of total assets. This level did not change significantly as compared to 2015 (52.5%). In absolute terms, non-current assets amounted to PLN 669,785 thousand and current assets – to PLN 631,101 thousand. At the end of 2015, these figures were, respectively, PLN 588,600 thousand and PLN 531,910 thousand. The increase in non-current assets results mainly from the final accounting for the acquisition of entities in the Hungarian market, acquired by Prohuman Kft. in 2015, which resulted in a significant increase in the goodwill.

The increase in current assets results primarily from an increase in trade receivables and other receivables to the amount of PLN 432,902 thousands (in 2015, this item amounted to PLN 407,958 thousand), which is a consequence of the Capital Group's growth and increase in the scale of its operations.

As at 31 December 2016, equity amounted to PLN 357,297 thousand and increased by nearly 9% as compared to the previous year. This increase resulted primarily from the payment of a portion of liabilities under the PUT option embedded in the agreement between Work Service SPV Sp. z o.o. and Fiege Logistik Stiftung & Co. KG.

Liabilities and provisions for liabilities amounted to PLN 943,590 thousand and increased by more than 19% as compared with 2015. This increase resulted mainly from the final accounting for the acquisition of entities in the Hungarian market, acquired by Prohuman 2004 Kft. in 2015, which resulted in a significant increase in other liabilities.

## 5. Selected financial ratios

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

Selected financial ratios	Formula	2016	2015	Dynamics 2016/2015
<b>Profitability ratios</b>				
Profitability of sales	Result on sales/income on sales	2.59%	3.63%	-28.59%
EBIT profitability	Result on operating activities/ income on sales	2.54%	4.28%	-40.64%
EBITDA profitability	(Result on operating activities +depreciation)/income on sales	3.19%	4.88%	-34.52%
Net profitability	Net financial result/ income on sales	0.63%	1.94%	-67.76%
ROA	Net financial result/ total assets	1.19%	3.70%	-67.77%
ROE	Net financial result/ equity as at the end of the period	4.34%	12.59%	-65.53%
<b>Liquidity ratios</b>				
First degree liquidity	Current assets / current liabilities	1.05	1.06	-1.33%
Second degree liquidity	(Current assets - inventories) / current liabilities	1.00	1.03	-2.60%
<b>Current assets management ratios</b>				
Receivables turnover (days)	Average balance of trade and services receivables/ income on sales)*360	47	47	1.67%
Liabilities turnover (days)	(Average balance of trade and services liabilities/cost of services sold)*360	9	6	52.07%
<b>Debt ratios</b>				
Overall debt ratio	Total liabilities / total assets	0.73	0.71	2.70%
Debt to equity ratio	Short- and long-term liabilities/equity	2.64	2.40	9.85%

## 6.Explanation of differences between the financial results and forecasts for 2016

Work Service Capital Group did not publish forecasts of financial results for 2016.

### VI. Description of significant risks and threats with determination of the extent to which the Group is exposed

#### 1. Risks related to the protection of personal data

Capital Group, due to the nature of the business, offers a wide database of personal data of employees, which exceed hundreds of thousands of records. According to the Act on personal data protection of 29 August 1997 (consolidated text Journal of Laws 2002, No. 101, item. 926, as amended) information concerning these data are confidential and cannot be accessed by unauthorised people. However, there is a risk that unauthorised persons obtain an access to the database as a result of theft, burglary, or other adverse actions. In this case the information kept by Work Service could be used to the detriment of the Company and its customers, which would adversely affect the image of the Work Service SA, and thus worsened its position in the market. In order to reduce the risk of availability of the database to unauthorised entities, Work Service has created a technical infrastructure based on a properly secured server, electronic security systems and top-class servers, which helps to minimise this risk.

#### 2. Liquidity risk

The Capital Group offering services in the framework of the so-called. flexible forms of employment, conducts comprehensive training to prepare employees for a particular job. Then those workers are directed to companies that stated the need for such services. Until the receipt of payment for the service Work Service SA shall bear all costs arising from employment (salaries, insurance, etc.) of recruits. Companies renting employees pay for the service in certain contractual maturities. This business model requires effective management of net working capital and is susceptible to the risk of decreasing periodic of financial liquidity, the level of which is significant. In order to minimise risk, the Group has a contract for on-demand use of credit lines, as well as a possibility of their immediate conclusion with financial institutions, particularly banks. Moreover, the Group enters into agreements with counterparties in such a way as to optimise the cost of foreign capital. In order to maintain liquidity, as well as creditworthiness, the Management Board of the Capital Group strives to ensure that:

- The debt ratio is calculated as the ratio of net debt to EBITDA maintained at a level not higher than 3.5;
- debt coverage ratio, calculated as the ratio of free cash flow to interest-credit instalments maintained at a level no lower than 1.6;
- leverage ratio calculated as the ratio of adjusted net debt to net assets maintained at a level not higher than 1.0.

## Risks associated with the integration of acquired entities

Development Policy of the Capital Group assumes enlarging participation in Polish and international market by acquiring companies with a similar profile of activity, according to the implemented development strategy. Conducting acquisitions, changes made at the level of the management, the differences in the culture of the organisation can generate acquisition costs that accompany this type of transactions - the risk of occurring of these costs are significant due to the number and value of transactions of this type. There is also a risk that the acquired entities may incurred have obligations, be a party to litigation or proceedings or have other problems of organisational, legal or financial nature, which will generate additional costs.

In order to minimise risks associated with the process of acquisitions, the Capital Group takes over entities with which integration can bring the expected synergies. The main factor of acquisitions made is to complement each existing and acquired companies leading to the achievement of their complementarities, for example, in the case of acquisition ProService Worldwide (Cyprus) Ltd., based in Cyprus, Work Service brought the know-how and experience in the labour market, and ProService Worldwide (Cyprus), together with its subsidiaries, gained access to the Russian market and knowledge of the realities and laws. On the other hand, the acquisition of IT companies in Kontrakt group, conducted in the first half of 2012, allowed for the entrance to the new high-margin segment of IT outsourcing services, and the acquisition of Antal International Sp. z oo, which took place in the third quarter of 2013, allowed for the strong entry in the highly profitable segment of personal counselling. On the other hand, acquisitions performed in 2014 enabled the Group to quickly enter the Hungarian and German markets.

The group's most significant synergy effects can include a summary of the high potential of current and possible to obtain - by the acquired entities - contracts with customers in markets that are characterised by significant labour shortages with above-average potential for the Work Service Group in terms of access to human resources in the Polish market, as well as other markets in Central and Eastern Europe. Not without significance is the fact of the highest mobility in Europe of Polish workforce and high quality of work according to the evaluation of foreign employers. Maximising the likelihood of such synergy is a key factor in the selection of object of acquisition, especially in Western Europe, where a significant increase in the demand for skilled labour from Central and Eastern Europe is noticeable.

Group's Management Board shall take any kind of action associated with a reduction of risk of integration. This applies, above all, to skilful identification of common areas as well as different areas, in order to, prior to the conclusion of the contract, have sufficient confidence that a difference will not cause problems in the future. Each transaction is preceded by a collection of information and in-depth due diligence process in the financial - legal maintained with the involvement of specialised consulting firms - legal, tax and financial.

### **3. The risk associated with socio-economic situation in Poland and Europe**

The activity of companies offering services related to labour market depends on the socioeconomic situation in Poland and abroad. The financial results of companies, in particular, are affected by macroeconomic factors such as the level of business investment causing growth in employment, GDP growth, the growth rate of wages, interest rates and inflation, and - with the increasing globalisation of economies- foreign direct investment. The factor having significant impact on the development of the industry, in which the Group operates, is the degree of absorption of funds from the budget of the European Union. In case of breakdown or deterioration of market conditions, there is a risk of decreasing demand for the product



offered by the Group. The Group's Management Board performs current analysis of the market situation and adjusts strategic decisions accordingly.

#### **4. Risks associated with business competition**

Temporary work market in Central and Eastern Europe is attractive due to its size (EUR 3.52 billion in 2016 vs EUR 3.19 billion in 2015) and projected dynamic growth (the weighted average growth rate of the market value in the period between 2015 and 2019 is 111%). Recognized global brands such as Adecco, Manpower and Randstad treat the Central European market as a strategic market and have been competing strongly with the Work Service Group for years. Work Service S.A. as the market leader in this part of Europe, with market share of 13.7% in value terms, has the greatest experience and recognised brand, it can react early enough to actions of competition and flexibly respond to the needs of both the candidate/employee and the employer/customer. By consolidating the personnel services market, the Work Service Group not only acquires new skills while diversifying its sources of revenue, but also expands its geographical presence. This allows to effectively compete with global players for international customers without losing the local nature of the business which is so vital in the case of labour market operator. There are no indications of the entry of a new global personnel services provider to the market, however, Company anticipates further consolidation of the market in which it is a leader. In addition, Work Service Group provides services based on long-term contracts, within a stable group of Customers, the largest of which accounts for less than 5% of the Group's revenue. Work Service, as the largest labour market agent, also has the largest recruiting facilities effectively managing mobility and flexibility of employees based on cross-border employee exchange solutions, which constitute a strong competitive advantage of Work Service.

#### **5. The risk associated with market volatility**

In recent years, one can observe dynamic development of temporary work, as well as the changing needs of the market. Entrepreneurs expect from Temporary Employment Agency prepared employees who are trained and do not require additional investments in the form of various types of trainings and courses. The Group, as the market leader in Poland and the CEE-5 region, has adequate technical background, knowledge and years of experience, it monitors, can anticipate and know the needs of the market. With the knowledge of the characteristics of local and regional markets Work Service Group increases its competitiveness. By branches throughout the country and Europe it can respond to changes in market trends. However, in case of activities in the markets of European countries, the attention should be paid to the possible presence of periodic changes caused by, for example, a brief presence in the markets or cultural differences.

#### **6. The 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 security, or in the area of commercial activity. Any change can cause an increase in the cost of operations of the Group, which in turn translates into financial results and may cause difficulties in assessing consequences of future events or decisions. In addition, the risk in this area strengthens the fact of activity of Work Service Group companies in the territory of several countries, including the Russian Federation. The Group's Management Board monitors legislative changes in the markets in which it operates on going basis and it reacts in advance to ensure that operations are conducted in compliance with current provisions of the local law.

**VII. Indication of the proceedings pending before the court, competent authority for arbitration or a public authority with the value of dispute over 50 thousand zlotys**

Claimant/ Creditor	Defendant/ Debtor	Object of the dispute/ Value of the object of the dispute	Anticipated costs of court proceedings	Current status of proceedings
Work Service S.A.	Dominik Urbański Maciej Czysz Lechosław Olszewski	PLN 366,029.98	Incurred costs of court entry and prepayments in the enforcement. The enforcement may involve additional prepayments.	The court proceedings against Maciej Czysz are pending, currently at the stage of the appeal proceedings, the next hearing on 30 March 2017; the payment order in the proceedings by writ of payment issued by the District Court in Poznań, 9th Commercial Division, against Dominik Urbański and Lechosław Olszewski became final on 02.02.2015 (file no.: IX GNc1544/14) and the enforcement proceedings against Marek Przywecki are pending by the Court Enforcement Officer at the District Court Poznań-Grunwald and Jeżyce in Poznań (file no.: KM 482/15 and KM 755/15). So far, both proceedings have been ineffective.
Work Service S.A.	Pielle sp. z o. o.	PLN 122,465.49	Court registration costs incurred.	Case at the stage of the enforcement proceedings, currently two real properties have been seized. It is difficult to estimate chances for the settlement.
Antal Sp. z o.o.	Icon Real Estate Sp. z o.o.	PLN 61,500	In the event of an appeal, the fee is PLN 1,250 plus the costs of legal representation in the amount of PLN 4,800	Case won at the Court of First Instance in 71%, defendant's appeal possible
Exact Systems S.A.	ZF Lemförder Metal France S.A.S	EUR 19,145.50	So far, the filing fee has been paid in the amount of PLN 3 992, the fee for the enforcement clause issued to the legal successor – PLN 50, the fee for the application for the issue of the certificate on the basis of Council Regulation (EC) – PLN 12 and translation costs in the amount of PLN 1 300. The costs can be increased by translation expenses and costs connected with performing the enforcement proceedings upon the completion of the court case.	The order issued in the European enforcement proceedings has become final and binding. The enforcement clause has been declared to Exact Systems S.A. The application for the issue of the certificate has been filed pursuant to article 54 of Council Regulation (EC). It will constitute the basis for initiating the enforcement proceedings.
Exact Systems S.A.	MG SUL Industria e Comercio de Pecas Automotivas Ltda	EUR 21,209.40	So far, the filing fee in the amount of PLN 4 507 and the fee for the appeal against the ruling on the return of the lawsuit in the amount of PLN 902 have been paid. If the company loses the case, it will be ordered to pay the costs of translating documents (so far in the amount of PLN 3 816.58).	Case at the stage of court proceedings. The defendant failed to appear at the court hearing on 28.06.2015 – the defendant's acknowledgement of receipt of the court summons was not received. At the moment, the correspondence relating to the case is being translated in order to undertake the proceedings through international legal assistance.
Exact Systems S.A.	SAS Altia Saint Pierre en Faucigny (i.e. Altia Technology)	EUR 13,857	At the moment, the proceedings are not generating any costs.	The debt was claimed in the bankruptcy proceedings in France.

Exact Systems S.A.	SAS Altia Saint Etienne	EUR 13,483.50	At the moment, the proceedings are not generating any costs.	The receivables were claimed in the bankruptcy proceedings in France.
Exact Systems S.A.	AT & Components Srl	EUR 15,426.40	So far, the filing fee in the amount of PLN 3,271 and the stamp duty for the power of attorney in the amount of PLN 17 have been paid. In addition, the incurred costs of translating documents in the amount of PLN 300. The costs of the proceedings may increase in the course thereof in connection with the translation of documents and the submission of receivables.	The lawsuit began in the European enforcement proceedings. The payment order was issued and its enforceability was confirmed. On 28.06.2016 the defendant was declared bankrupt. The receivables were claimed in the bankruptcy proceedings in Italy.
Doradca Polski Sp. z o.o. ul. Stalowa 3 41-200 Sosnowiec	Work Express Sp. z o.o. represented by Maria Pertek	PLN 178,048.74	It does not generate any costs (the case is legally closed)	District Court in Katowice, 13th Commercial Division, business lawsuit, 13th GNC 342/15/AP, payment order of 24.07.2015, Case closed. – the court settlement was concluded and the money claim resulting from the Settlement was paid.
Work Express Sp. z o.o.	Sabaudia Menuiserie SARL Chemin du Marais 553 73200 Gilly sur Isere	EUR 24,831.08	It does not generate any costs (the case is legally closed)	Tribunal de Commerce de Chambéry 2015100047, the payment order was issued, the case was forwarded to Huissier. The receivables for the service of temporary work, Final and binding order, executory entitlement sent to Huissier with a view to carrying out enforcement proceedings.
Work Express Sp. z o.o.	Gauthier Energies Zone Anjou Actiparc la Lande – 49410 Saint Florent le Vieil	EUR 67,498.28	It does not generate any costs (the case is legally closed)	Jugement d'ouverture d'une procédure de redressement judiciaire Bodacc A n°20150016 publié le 23/01/2015 Annonce n° 1532 Data :7 January 2015 Recovery proceedings  Jugement prononçant la liquidation judiciaire Bodacc A n°20150031 publié le 13/02/2015 Annonce n°1669 Data: 29 January 2015 Liquidation proceedings Radiation Bodacc B n°20150082 publié le 28/04/2015 Annonce n° 772 Deletion from the register of businesses The receivables for the service of temporary work
Work Express Sp. z o.o.	Entreprise Dantas montee du Bourg /27 42580 La Tour en Jarez France	EUR 22,584.78	It does not generate any costs (the case is legally closed)	Tribunal de Commerce de Saint Etienne 2015100283, the payment order issued, Final and binding order, executory entitlement sent to Huissier with a view to carrying out enforcement proceedings. Information from Huissier de justice Nicolas Franchi about the recovery proceedings – redressement judiciaire, the receivables were submitted by the debt collection department. The receivables for the service of temporary work

Outsourcing Solutions Partner Sp. z o.o.	Dawid Natkaniec conducting business activities under the name of DAWID NATKANIEC GLOBAL BUSINESS GROUP ul. Balicka 206 30-198 Kraków	PLN 51,786	If the enforcement proves to be ineffective, the company may consider referring the request to another court executive officer, which entails the prepayment in the amount of PLN 200-300.	District Court for Kraków-Śródmieście in Kraków, 4th Division, statement of claim, IV GNc 1857/14/S, payment order of 11.04.2014, enforced debt collection
Outsourcing Solutions Partner Sp. z o.o.	Forsolis Sp. z o.o. ul. Pukowca 15 40-847 Katowice	PLN 223,049.34	It does not generate any costs (the case is legally closed)	District Court in Katowice, 13th Division, business lawsuit for payment, 13th GNc 492/14/AP, binding payment order of 17.09.2014, enforced debt collection suspended, bankruptcy of Forsolis Sp. z o.o., declaration of receivables in the bankruptcy proceedings (PLN 247,215.48), District Court Katowice-Wschód, 10th Commercial Division, 10th GUp 20/15/11, the bankruptcy proceedings were discontinued pursuant to 361(1)(1) of the Act on the bankruptcy and composition law
Tomasz Bernecki	Work Service S.A.	PLN 188,587.00	At the moment, the proceedings are not generating any costs.	Case in progress, the next court hearing was scheduled for 29 March 2017.
BCT – Bałtycki Terminal Kontenerowy sp. z o. o.	Work Service S.A.	PLN 122,000.00	At the moment, the proceedings are not generating any costs. If Work Service loses the case, it will be obliged to pay PLN 6,925 on account of the costs of the proceedings before the Court of First Instance and the amount awarded by the Court of Appeal.	On 22 December 2016 the decision was issued which ordered the payment of PLN 122,000.00 to the claimant. WSSA petitioned for the justification of the decision. The appeal will be filed in connection with the case.
Elżbieta Niewolik	Work Service S.A.	PLN 50,000.00	At the moment, the proceedings are not generating any costs.	Case in progress, the date of the first hearing has not been set yet.
Antal Sp. z o.o.	Polfa SA	PLN 100,987.52	No costs are expected. However, if claims of Antal Sp. z o.o. are not taken into account, some costs related to lodging an objection will arise.	Waiting for the announcement of the claim list.
Antal Sp. z o.o.	Adviseon Capital Management SA	PLN 85,437.95	Conciliation proceedings; court fee on the motion for a conciliation hearing — PLN 300; legal representation costs — PLN 800; exploratory proceedings, court fee on the statement of claim — PLN 2,708.66, legal representation costs — PLN 5,400	A motion for a conciliation hearing was filed with the Court.
Antal Sp. z o.o.	Spaczyński Szczepaniak i Wspólnicy S.K.A.	PLN 53,136	Conciliation proceedings; court fee on the motion for a conciliation hearing — PLN 300; legal representation costs — PLN 800; exploratory proceedings, court fee on the statement of claim — PLN 2,708.66, legal representation costs — PLN 5,400	A request for payment was sent to the debtor.
Antal Sp. z o.o.	Olsa Poland Sp. z o.o.	PLN 113,652	Missing court fee on the statement of claim – PLN 4,262, PLN 500 net as the attorney fee + costs of travel to the District Court in Gorzów Wielkopolski (Expected number of sessions: 3–	Case transferred to the District Court in Gorzów Wielkopolski on 15 March 2017 by the Regional Court for Lublin Zachód in Lublin (EPU).

			5). In the event of losing, cost of legal representation of the defendant in the amount of PLN 7,200	
Work Express Sp. z o.o.	AKERYYS Promotion,33-43 AV GEORGES POMPIDOU, 31130 BALMA	EUR 24,831.08	Tribunal de Commerce de Toulouse 13IP2962 payment order issued, appeal, date: 6 January 2015. Receivables for the temporary work service provided, there is a big chance that the decision will be in favour of WE.	The debt is claimed from an entity which took over the debt of Blanchon Construction SARL. Case closed, the debtor paid its debt before commencing enforcement proceedings. The cheque was provided to the Management Board.
Dariusz Kielawa	Work Express Sp. z o.o.	PLN 70,000.00	At the moment, the proceedings are not generating any costs.	Call for compensation (PLN 70,000) in respect of an accident at work; reply filed on 6 September 2016
Marian Zakrzewski	Work Express Sp. z o.o.	PLN 602,726.00	At the moment, the proceedings are not generating any costs.	District Court for Katowice-Zachód in Katowice, 7 <sup>th</sup> Department of Labour and Social Security, VII Po-Uo 120/16, labour dispute, the claimant's motion for a conciliation hearing, a reply to the motion filed, conciliation hearing on 28 July 2016. no settlement concluded. Compensation and redress in respect of an accident at work
Robert Madej	Work Express Sp. z o.o.	PLN 55,000	At the moment, the proceedings are not generating any costs.	District Court for Kraków-Nowa Huta in Kraków, 4 <sup>th</sup> Department of Labour and Social Security, IV P 946/15/N, labour dispute, a response to the statement of claim dated 23 September 2015 filed, judgement dated 19 May 2016 dismissing the claim in full, final and binding. Compensation for inability to pursue a profession and loss of earnings, and redress for permanent health impairment and possible consequences of an accident

**VIII. Information on organisational or capital relation of the Company with other entities and determination of the major domestic and foreign investments (securities, financial instruments, intangible assets and property), including capital investments outside its associates and description of methods of their financing**

Work Service Company is the parent company of the Capital Group of the same name - (item "Principles of Capital Group Management. Composition of Work Service Capital Group" of this report). On the other hand the investments of Work Service SA are described in the item "Changes in the structure of the Work Service Capital Group" of this report.

**IX. Information on contracts incurred and terminated in a given year on credits and loans, providing at least the amount, type and value, interest rate, currency and maturity.**

Information about the status of credits at the end of December 2016, are presented under "Assessment, together with its justification, concerning the management of financial resources, with particular emphasis on the ability to meet its obligations and to identify potential threats and actions that the Company has taken or intends to take in order to counter these threats "of this report.

**X. Information on loans granted in the financial year, with particular emphasis on loans granted to related parties of the Company, providing at least the amount, type and value, interest rate, currency and maturity.**

Customer's name	Borrowing amount (in PLN)	Interest rate	Maturity date of the borrowing
LTI Sp.zo.o.	53,429	variable	2017-12-31
Personnel Services Sp.z.o.o.	14,744,327	variable	2017-12-31
Fundacja Work Service	1,314,653	variable	2017-03-25
Employees (related)	3,119	Different in different agreements	2017-07-17
PCC Sp.zo.o.	1,555,587	variable	2017-06-30
Employees (related)	196,708	n/a	Different in different agreements
MIZYAK INVESTMENT FOUND LTD	138,028	fixed	2017-12-31
Employees (related)	20,957	Different in different agreements	Different in different agreements

Customer's name	Borrowing amount (in EUR)	Interest rate	Maturity date of the borrowing
WorkPort 24 GmbH	27,406	variable	2017-12-31
PCC Sp. z o.o.	516,833	variable	2017-06-30
WorkPort 24 GmbH	33,878	variable	2017-12-31
Work Port 24	18,250	n/a	n/a
Crs GmbH	53,658	fixed	2017-09-30
Naton ljudski potencijali	14,800	fixed	2017-12-31
Naton zapošljavanje	38,337	fixed	2017-12-31
Naton HR ltd	32,164	fixed	2017-12-31
Samo Kraker S.P.	200	fixed	n/a
Naton HR Ltd (Bulgaria)	3,800	fixed	n/a
Naton ljudski potencijali (Croatia)	2,500	fixed	n/a
Naton zapošljavanje (Serbia)	1,700	fixed	n/a
KORPO Nataša Kutlača	13,500	fixed	2017-03-31
Svetovanje Roman Dobrina	32,107	fixed	2017-03-31
Tali Režun s.p.	42,700	fixed	2017-03-31
Tanja Urdih s.p.	8,000	fixed	2017-03-31
Dušan Lazar s.p.	57,540	fixed	2017-03-31
Poslovno svetovanje Tamara Rojc Dobrina	32,000	fixed	2017-03-31
Kadrovi Naton	4,845	n/a	n/a

Customer's name	Borrowing amount (in RUB)	Interest rate	Maturity date of the borrowing
Solveis	3,510,923	fixed	2017-09-30
OOO Direct approach	2,933,284	fixed	2017-12-31
OOO Zhizel	5,434,382	n/a	2017-12-31
OOO ProService Centre	227,199	fixed	2017-12-31
OOO ProService	672,980	fixed	2017-12-31

OOO Staff co Centre	1,017,017	fixed	2017-12-31
OOO Staff Centre	150,449	fixed	2017-12-31
OOO Safe Personal	2,405,807	fixed	2017-12-31
OOO Bisness Time	27,106,720	n/a	2017-12-31
OOO IT Kontrakt Centre	6,738,614	n/a	2017-12-31
FK Kredo plus	17,091,360	n/a	2017-12-31
Megaresurs	12,670,200	fixed	2017-12-31
Uventis	16,277,877	fixed	2017-06-30

Customer's name	Borrowing amount (in HUF)	Interest rate	Maturity date of the borrowing
HR-Montage Kft.	15,000,000	fixed	2017-03-31

## **XI. Information on warranties and guarantees given and received in a given year, with particular emphasis on guarantees granted to related parties**

Information on guarantees granted and received in the financial year 2016 are presented in Note 37 to the consolidated financial statements of Work Service Capital Group for the year ended 31 December 2016.

## **XII. Assessment, together with its justification, concerning the management of financial resources, with particular emphasis on the ability to meet its obligations and defining potential threats and actions that the Company has taken or intends to take to counteract these threats**

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

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

The increase in value of the Group, 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 the Work Service. The Group constantly optimises financial management strategy, taking into account the 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 impenetrable. In addition, the Group actively uses various forms of external financing measures to secure cash in the period in which they are required. The use of banking products in the form of overdraft or factoring, largely withdraws the group from possible delays in payment by the customers. Management of this area allows effectively accelerating the flow of funds, as well as reducing the administrative and financial cost through:

- current control of the flow of receivables,
- current control of liabilities,

- efficient management of information and liquidity.

As part of strategy, individual entities of the Group maintain active activities aimed at monitoring the flow of receivables and their collection. This strategy also takes into account negotiating the adequate terms of payment of trade payables.

Due to the corporate architecture of the Group and focusing its individual components in the local markets, these are not, in the scale of individual entities, activities exposed to currency risk.

The Capital Group manages its equity in order to preserve its ability to continue operations, including equity needs resulting from planned and ongoing investment, so in order to generate the expected rate of return for shareholders. Managing equity structure of the Group is done by tools such as dividend policy, the issue of shares, bonds, changes in the use of external sources of financing. Moreover, the Group monitors capital on the basis of the equity ratio, debt ratio, debt service ratio and the leverage ratio. The definitions of these indicators and their levels by the end of December 2016 are presented in the consolidated financial statements in Note 28.

Work Service Capital Group for its current business uses bank accounts credits. Work Service SA is the Borrower, within the Group. At the reporting date, there were credit agreements relating to external financing concluded with: BGŻ BNP Paribas S.A., Bank Millennium S.A., Raiffeisen Bank Polska S.A., Bank Zachodni WBK S.A. These credits are renewable and their use takes place through the implementation of the Borrower's payment instructions, but only to the amount remaining to use, specified in the contract. Each credit has a security for repayment. Interests on credits are variable, based on WIBOR plus bank margin.

In addition to the above overdraft facilities, the Group also uses, as at the balance sheet date, refinancing credits, intended for the repayment of the debt existing on the date of signing the credit agreement. Refinancing credits are also financed by the aforementioned group of banks, and the repayment schedule covers 3 years from the agreement date. Each credit is secured by a collateral. The credits bear variable interest rates, based on the WIBOR rate plus the bank's margin. In addition, 30 December 2016 Work Service S.A. concluded a credit agreement with the bank Powszechna Kasa Oszczędności Bank Polski S.A. The credit is to be repaid over the period of 20 years. The agreement was concluded to repay the debt existing as at the date of signing the aforementioned agreement, i.e. to redeem bonds and redeem the PUT option (concerning the acquisition of shares in one of the German companies). Like other credits, it is secured with a collateral and bears interest based on the WIBOR rate plus bank's margin. The funds were disbursed on 16 January 2017.

Statements of credits of Work Service Capital Group as at 31 December 2016 are presented in note 20.4 of the consolidated financial statements for the year ended 31 December 2016.



**XIII. Assessment of factors and unusual events affecting the result of the activities for the year, specifying the impact of these factors or unusual events on the achieved result**

The factors and unusual events affecting the result of the activities were described in item "V.1. Evaluation of factors and unusual events having a significant impact on the operations and financial results of the Capital Group" of these statements.

**XIV. Any agreement concluded between the company and its management stipulating compensation in case of resignation or dismissal from the position without valid reason or if their resignation or dismissal is due to merger of the Company through takeover**

Mr Dariusz Rochman, acting as Vice-President of the Management Board of Work Service SA, has concluded on 30 July 2008 the non-competition agreement, stipulating that he has the payment of compensation guaranteed for refraining from competitive activities in the period after termination of employment. On 17 October 2016, an annex to the aforementioned agreement was signed, pursuant to which Mr Dariusz Rochman is entitled to a compensation for compliance with the non-competition agreement in the gross amount of PLN 727,354, payable in seven installments. The instalments will amount to PLN 70,000 PLN, and the seventh instalment will amount to PLN 307,354.

Mr Hubert Rozpędek concluded with Sellpro sp. z o.o. a co-operation agreement on 12.04.2014, stipulating that he has the payment of compensation guaranteed for refraining from competitive activities, in the amount PLN 13,750 + VAT per each month of refraining from competitive activity, within 8 months after the termination of the agreement.

Mr Hubert Rozpędek concluded with Work Service S.A a management agreement on 11.04.2014, stipulating that he has the payment of compensation guaranteed for refraining from competitive activities, in the amount equal PLN 5.000 + VAT per each month of refraining from competitive activity, within 8 months after the termination of the agreement.

Ms Iwona Szmirkowska concluded with the Company Industry Personnel Services Sp. z o.o. a non-competition agreement after termination of co-operation agreement, on 1.03.2007, stipulating that he has the payment of compensation guaranteed for refraining from competitive activities, in the amount PLN 3.520 + VAT per each month of refraining from competitive activity, within 6 months after the termination of the agreement on co-operation, concluded on 1.09.2005.

On 10 October 2014, Ms. Iwona Szmirkowska concluded a non-competition agreement after termination of employment contract with the Company Work Service SA which stipulates that she is provided with a payment of compensation in respect of refraining from competitive activity in the amount of gross PLN 15,000 for each month of refraining from competitive activity for a period of 8 months after termination of the contract.

Mr Tomasz Hanczarek concluded with Work Service S.A a non-competition agreement on 15.02.2013, stipulating that he has the payment of compensation guaranteed for refraining from competitive activities, in the amount of PLN 30,000 gross per each month of commitment to refrain from competitive activity, if the employment relationship with a member of the management board will be terminated before the expiry of 5 years from date of the agreement. Due to the fulfilment of premises from the abovementioned agreement, since 1 January 2016 Tomasz Hanczarek has been receiving compensation in respect of refraining from competitive activity in the amount of gross PLN 20,000 from the company Work Service SA.

On 4 January 2016, Mr. Tomasz Hanczarek concluded a non-competition agreement with Industry Personnel Services sp. z o.o., guaranteeing the payment of compensation for compliance with the non-competition clause in the amount of 50% of the average monthly gross remuneration calculated for 3 months preceding the month of termination of employment, for a period of 6 months from the date of termination (expiry) of the employment contract.

Mr Tomasz Ślęzak concluded with Work Service SA, a non-competition agreement in the course of employment and after termination of employment, on 17.04.2013, stipulating that he has guaranteed the payment of compensation for refraining from competitive activities in the amount of 50% of the average monthly gross remuneration calculated from the 3 months preceding the month of termination of employment, within 8 months from the date of termination / expiry of the contract of employment.

On 4 January 2016, Mr Maciej Witucki, serving as President of the Management Board of Work Service SA concluded a non-competition agreement which stipulates that he is provided with a payment of compensation in respect of refraining from competitive activity in the amount of gross PLN 50,000 a month for 12 months from the termination of the employment contract.

On 18 April 2016, Mr Adam Pawłowicz concluded a non-competition agreement with Work Service SA guaranteeing the payment of compensation for refraining from competitive activities in the amount of PLN 35,000 per month for a period of 6 months from the date of termination (expiry) of the employment contract.

On 15 September 2016, Mr Piotr Gajek concluded a non-competition agreement with Work Service SA guaranteeing the payment of compensation for refraining from competitive activities in the amount of PLN 60,000 per month for a period of 8 months from the date of termination (expiry) of the employment contract.

- XV. The value of salaries, bonuses and benefits, including those arising from incentive or bonus programs based on the Company's capital, including programs based on senior bonds, convertible bonds, subscription warrants (in cash, kind or other potentially payable separately for each of the directors or supervisory bodies of the company, no matter whether they were included in the costs or resulted from profit distribution)**

The following table presents the information on the remuneration paid to the members of the Management Board and the Supervisory Board in 2016.

<b>Gross benefits for persons holding functions in the Supervisory Board (in PLN)</b>	
<b>Full name</b>	<b>2016</b>
Witucki Maciej Krzysztof	1,165,000.00
Rochman Dariusz	728,576.00
Christodoulou Paul	121,080.00
Knights Robert	93,750.00
Ślęzak Tomasz	423,780.00
Rozpędek Hubert	983,824.02
Szmitkowska Iwona	248,351.10
Pawłowicz Adam	711,411.94
Gajek Piotr	639,000.00

<b>Gross benefits for persons holding functions in the Supervisory Board (in PLN)</b>	
<b>Full name</b>	<b>2016</b>
Sofianos Panagiotis	16,000.00
Misiak Tomasz	142,000.00
Ługowski Tomasz	6,000.00
Kamin Everett	9,000.00
Kamiński Piotr	32,000.00
Hanczarek Tomasz	117,000.00
Kaczmarczyk Krzysztof	3,000.00
Skrobowski Wiesław	6,000.00
Żabski Piotr	3,000.00

In 2016, there were no new liabilities resulting from pensions or similar benefits for former members of management, supervisory or administration bodies, and no new liabilities were incurred in relation to such pensions.

**XVI. Description of significant off-balance sheet items in terms of the subject, scope and value**

Description of significant off-balance sheet items in terms of subject, object and value is provided in note 37 to the consolidated financial statements for the financial year ended 31 December 2016.

**XVII. Information on the conditions of co-operation with the entity authorised to audit financial statements**

The entity authorised to audit financial statements of Work Service Capital Group is BDO Sp. z o.o. with its registered office in Warsaw. The relation between the parties in this matter is governed by an agreement concluded on 29 July 2016. Information on remuneration of the entity authorised to audit financial statements, paid or payable for the year 2016 and the year 2014, are presented in Note 50 of the consolidated financial statements for the year ended on 31 December 2016.

**XVIII. Statement on the application of Corporate Governance**

In consideration with entry into force as on 1 January 2016 amended Good Practices of Companies listed of Warsaw Stock Exchange 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., publicised a report on non-application by the Company some rules of corporate governance effecting from amended set of "Good Practices of Companies listed on Warsaw Stock Exchange 2016

**1. Indication of principles of corporate governance applied in Parent Company and the place where principles are publicly available**

The Parent Company, 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 Stock Exchange in Warsaw.

As an issuer of shares listed in the main market of the Warsaw Stock Exchange, the Company is subject to the principles of corporate governance included in the "Code of Best Practice for WSE Listed Companies 2016", adopted by Resolution No 26/1413/2015 of the Council of the Warsaw Stock Exchange of 13 October 2015 which is an appendix to that resolution ("Code of Best Practice for WSE Listed Companies 2016") and which is available on the Warsaw Stock Exchange website at the address: [https://static.gpw.pl/pub/files/PDF/RG/DPSN2016\\_GPW.pdf](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 Parent Company's intention is to follow good practices of corporate governance, as evidenced by the statement of the Parent Company, filed in the IPO Prospectus 2008 and Prospectus 2011.

Currently, the Parent 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 drawn up according to principle II.Z.1.

*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 Board of Management 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 management board of the company, which will subsequently be published on the Company's website.*

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

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

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

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

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

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

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

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

**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 Board of Management 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 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 company.*

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

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

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

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

**II.Z.10.4.** In addition to its responsibilities laid down in the legislation, the supervisory board should prepare and present to the ordinary general meeting once per year the following 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 dos 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-life broadcast of the general meeting;
- 2) real-time bilateral communication where shareholders may take the floor during a general meeting from a location other than the general meeting;
- 3) exercise of the right to vote during a general meeting either in person or through a plenipotentiary.

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

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

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

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

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

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

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

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

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

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

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

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



### **3. Description of the main characteristics used by the Issuer's Company of internal control systems and risk management in relation to the preparation of 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 being members of supervisory board of listed companies and the committees of the board (supervisory) and pursuant to § 13 section 9 Articles of Association of the Company, an Audit Committee was established. The composition of the Committee results from the resolution of the Supervisory Board No. 1 dated 16 January 2014. Appointment of the above Committee constituted adjustment of corporate structures of Work Service Capital Group to the requirements of the public market. Composition of the Committee and its tasks are described in paragraph "Composition, changes and a description of the management and supervisory bodies" Statements on corporate governance.

Guidelines for risk management in the Parent Company are discussed in „Assessment, together with the reasons therefor, concerning the management of financial resources, with particular emphasis on the ability to meet its obligations and to identify potential threats and actions that the Company has taken or intends to take to counteract these threats" of the Management Report on the activities of Work Service Capital Group.

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

Starting from stock exchange debut in April 2012, the Parent Company applies internal procedures governing the preparation, approval, publication and purpose of individual and consolidated financial statements of the Parent Company and the Group. The Parent Company also applies information policy uniform 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 concluded in current and periodic reports. The internal control system involves, among others:

- the 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 arrangements, 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 Capital Group.

The Management Board of Work Service Capital Group shall review and verify 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, along with information about shareholders holding at least 5% of the total number of votes at the General Meeting of Shareholders, including all notice that the company Work Service SA received pursuant to art. 69 section 1 point 1 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies (Journal of Laws 2005, no. 184, item 1539).

Shareholder	Number of shares	Percentage of share capital	Number of votes	Share in the total number of votes
PROLOGICS UK LLP	18 514 621	28,44%	18 514 621	28,44%
WorkSource Investments S.a.r.l.	13 714 286	21,07%	13 714 286	21,07%
Tomasz Misiak	9 534 861	14,65%	9 534 861	14,65%
Tomasz Hanczarek	3 255 000	5,00%	3 255 000	5,00%
MetLife PTE S.A.	3 254 743	5,00%	3 254 743	5,00%
Customers and funds managed by Templeton Asset Management Ltd.	3 341 685	5,13%	3 341 685	5,13%
Others	13 479 627	20,71%	13 479 627	20,71%
<b>Total</b>	<b>65 094 823</b>	<b>100,00%</b>	<b>65 094 823</b>	<b>100,00%</b>

#### 5. Identification of holders of securities that confer special control rights and a description of these rights

There are no holders of securities with special control rights.

#### 6. Indication of any restrictions on voting rights

Company's Articles of Association does not provide for any restrictions on voting rights.

#### 7. Identification of any restrictions regarding the transfer of ownership of securities

In accordance with the provisions of the Articles of Association of the Company there are no restrictions on the free transferability of the shares, in addition to 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 Paragraph IV, item 19.1.1 and item 19.6.3 - 19.6.7 of Prospectus - "Registration Document".

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

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

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

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

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

## **8. Rules governing the appointment and dismissal of managers and their rights, in particular the right to decide on the issue or repurchase of shares**

### **The rules governing the appointment and dismissal of managing persons**

#### **Management Board**

The Management Board directs the activities of the Company and represents it externally. Management Board consists of one to six members appointed and dismissed by the Supervisory Board, subject to a case of occurrence of Significant, Serious Default. The number of management Board members is determined by the Supervisory Board, while: In case of occurrence of Significant, Serious Default, Investor has the right to change most, but not all (i.e., one member if the Management Board consists of one or two members, two members if the Management Board consists of three members, three members if the Management Board consists of four or five members, and four members when the Management Board consists of six members) members of the Management Board, under the following procedures:

- Investor shall have the individual right to dismiss members of the Management Board indicated in its sole discretion,
- Investor shall have the individual right to propose to the Supervisory Board three independent candidates, with the qualifications, for each available position on the Management Board, of whose the Supervisory Board will be required to appoint a new member of the Management Board for each available position.

During the entire duration of the Significant, Serious Default, the Supervisory Board has no right to change the number of members of the Management Board, nor the composition of the Management Board otherwise than in accordance with the following scheme - where Significant, Serious Default will continue after the appointment of the Management Board in the manner provided above for a period of more than 18 months after such appointment the Supervisory Board shall have the right to dismiss most, but not all (i.e., one member if the Management Board consists of one or two members, two members if the Management Board consists of three members, three members if the Management Board consists of four or five members, and four members when the Management Board consists of six members) members of the Management Board by a simple majority of votes

The Management Board shall be appointed for a five-year term. Management Board members may be

reappointed for subsequent terms. Member of Management Board may not, without the consent of the Supervisory Board, deal with competing interests or participate in a competitive company as a partner or member of the governing bodies. In case of conflict of interests of member of the Management Board, a Management Board member should inform Management Board of this circumstance and refrain from participation in discussion and from voting on the resolution in a given case.

The following persons are authorised to submit statements on behalf of the Company: the President of the Management Board independently- if the Management Board consists of one member; two members of the Management Board acting jointly or Member of the Management Board acting jointly with a proxy - if the Management Board consists of more than one member.

Proxies may be appointed to perform specific types of activities or special tasks, operating independently within the power of attorney granted to them in writing by the Management Board. Consent of all the members of the Management is required to grant a procuration.

With the reservation referred to below, Management Board takes decisions in the form of resolutions at meetings convened by the President of Management Board on his own initiative or at the request of a member the Management Board or at the request of the Supervisory Board. Management Boards resolutions may also be adopted outside a meeting the Management Board in writing or by means of direct remote communication, provided that all members have been notified of the draft resolution. Voting in the manner referred to in the preceding sentence may be ordered by President of the Management Board on his own initiative or at the request of any other member of the Management Board. Resolutions of the Management Board shall be adopted by an absolute majority of votes, however, if they are taken at a meeting of Management Board its validity requires the presence of all, and in the Management Boards consisting of more than three members - the presence of at least three members of the Management Board. In case of equality of votes, the vote of the President the Management Board shall prevail.

The Management Board is required to develop and transfer to the Supervisory Board until 30 November of the year proceeding the year to which it relates, the draft financial plan (budget) for the coming year. The budget should contain a plan of expenditure and revenue for the next financial year. The budget for the next financial year is adopted by the Supervisory Board on or before 31 December of the year proceeding the year to which it relates. In case of no presentation of the budget by the Management Board, as well as in case of no budget approval by the Supervisory Board, the Supervisory Board may specify the date by which the Management Board is obliged to submit a new draft budget, taking into account the Supervisory Board comments. Until the adoption of the budget for the year, a budget adopted for the previous calendar year will be in force, where each item will be increased by the rate of inflation in a given year, calculated in accordance with the index of increase in the price of goods and services (CPI). Detailed rules for the organisation and operation of the Management Board will be set out in the rules of the Management Board, adopted by the Management Board and approved by the Supervisory Board.

### **Supervisory Board**

As long as the Investor remains a shareholder of the Company, the Supervisory Board consists of 9 members, including the Chairman and Vice Chairman. As long as the Company's shares are admitted to trading on a regulated market in the Republic of Poland, at least two members of the Supervisory Board should meet the criteria of independence from the Company and entities related to the Company arising from corporate governance rules applicable to the regulated market on Polish territory, on which the Company's shares are or are intended to be traded.

In case of resignation before the expiry of the term of office or in case of death of a member of the Supervisory Board, or if Investor did not appoint a member or members of Supervisory Board in manner provided by the provisions of § 12 section 4 of the Articles of Association of the Parent Company, the remaining members of the Supervisory Board, regardless of their number, are entitled to co-opt a new member in place of the resigning or deceased member of the Supervisory Board. Number of co-opted

members of the Supervisory Board and not approved by General Meeting of Shareholders shall not exceed one-fourth of the members of the Supervisory Board of a given term. Number of co-opted members of the Supervisory Board and not approved by General Meeting of Shareholders shall not exceed one-fourth of the members of the Supervisory Board of a given term. . In the case of non-approval of co-opted members of the Supervisory Board by the General Meeting of Shareholders, their term of office expires with the closing of the General Meeting of Shareholders referred to above.

If the Investor ceases to be a shareholder of the Company the Supervisory Board will consist of 5 - 10 members. The number of members of the Supervisory Board in a given term is determined by General Meeting of Shareholders. As long as the Investor remains a shareholder of the Company, he is entitled to the individual right of appointment and dismissal of two members of the Supervisory Board in the form of a written notice of the appointment or dismissal of a member of the Supervisory Board delivered to the Company. The remaining members of Supervisory Board shall be appointed by the General Meeting of Shareholders. If the Investor fails to appoint a member or members of Supervisory Board within 21 days from the date of expiry of the term of office of a member or members of Supervisory Board designated by the Investor, such members of the Supervisory Board shall be appointed and dismissed by the General Meeting of Shareholders until an Investor exercise of its rights under § 12 section 5 of the Articles, in which case the term of office members of Supervisory Board appointed by the General Meeting pursuant to the above order will automatically expire, provided, however, that it will not affect the entire term of office of the Supervisory Board.

Along with consent to the appointment of the Supervisory Board, the candidate for the Independent Member of the Supervisory Board shall submit a written declaration of compliance with the independence criteria referred to in paragraph 1 above. Independent Member of the Supervisory Board should meet the independence criteria referred to in paragraph 1 above, for the duration of the term. If during the term Independent Board Member has ceased to meet any of the criteria referred to in the preceding sentence he shall notify the Management Board the Company in writing immediately, but not later than within three days of the event giving rise to cease meeting these criteria or adoption such information. Failure to meet the criteria of independence by any member of the Supervisory Board, or the loss of the status of an Independent Member of the Supervisory Board during the term, does not result in the expiry of his mandate and has no effect on the ability of the Supervisory Board to exercise the powers provided for in the Code of Commercial Companies and these Articles.

The Supervisory Board shall be appointed for a joint term of three years. It is permissible to re-appoint to the Supervisory Board for the next term of office the same persons. Member of the Supervisory Board may not, without the authorization of the General Assembly participate in a competitive company as a partner in a civil partnership and limited company or as a member of capital company body, or participate in any other competitive legal person as a member of the body. This prohibition shall not apply to taking office or shares in companies belonging to capital group of the Company. In case of conflict of interests of member of the Supervisory Board and Company, Supervisory Board member should report this fact to the Supervisory Board and refrain from taking part in the discussion and from voting on the resolution of the case. Member of the Supervisory Board shall submit information to the Supervisory Board on any relationship with a shareholder who holds shares representing not less than 5% of the total number of votes at the General Meeting.

The Supervisory Board may appoint commission or committees, both permanent and to clarify certain issues - specifying organisation, operation and specific powers of these commissions and committees - if the subject of the work of the commission or committee falls within the competence of the Supervisory Board; while within the framework of the Supervisory Board as permanent committees shall be appointed:

- **The Audit Committee**, activities of which are governed by the applicable laws, competent, in particular, in cases of supervision of the Company's financial reporting process and audit of financial statements of the Company,
- **Remuneration Committee**, competent, in particular, for cases of supervision of the manner and form of remuneration of the members of the Management Board and matters regarding the implementation of the Company incentive programs.
- The Supervisory Board makes decisions in the form of a resolution at meetings convened by the Chairman of the Supervisory Board or, in the event of failure to convene the meeting by the Chairman, the Vice-Chairman of the Supervisory Board. This person shall convene a meeting of the Supervisory Board on its own initiative or within two weeks of receipt of the request from Management Board or Supervisory Board. Such a request must be made in writing, stating the proposed agenda.

The Supervisory Board members exercise their rights and duties in person, and they are obliged to maintain confidentiality. Meetings of the Supervisory Board are held without the participation of Management Board. If necessary, the members of the Management Board may, however, be invited to the meeting of the Supervisory Board. Meetings of the Supervisory Board shall be held as necessary, but not less frequently than once a quarter.

Subject to the provisions of paragraphs 6 § 13 of the Articles of Association of the Company Work Service SA Supervisory Board resolutions may be adopted if the meeting is attended by at least half of its members, and all members have been invited to at least 7 working days prior to the meeting. Resolutions of the Supervisory Board are also valid when its member notified within a period shorter than the period referred to in the preceding sentence shall declare in writing that he agrees to the wording of the resolution of the Supervisory Board or appear at the meeting of the Supervisory Board. In case and the time when the Investor is a shareholder of the Company, at least one member of the Supervisory Board appointed pursuant to § 12 section 4 Articles of Association must attend all meetings of the Supervisory Board. If in a given Supervisory Board meeting a member of the Supervisory Board appointed in accordance with the provisions of § 12 section 4 of the Articles is not participating, additional Meeting of the Supervisory Board shall be convened and shall be held not later than 14 (fourteen) days from the date of the meeting, in which member of the Supervisory Board appointed pursuant to § 12 section 4 of the Articles did not participate, and such a meeting is capable of adopting resolutions regardless of the presence of such a member of the Supervisory Board.

The Supervisory Board members may participate in adopting resolutions of the Supervisory Board, by casting their votes in writing through another member of the Supervisory Board. Voting in writing shall not concern matters introduced into the agenda at the meeting of the Supervisory Board.

The Supervisory Board may adopt resolutions outside a meeting in writing or by means of direct remote communication, provided that all members have been notified of the draft resolution. Voting in this mode may be ordered by Chairman of the Supervisory Board on its own initiative or at the request of a member of the Supervisory Board or the Management Board.

As long as the Investor remains a shareholder of the Company, the Supervisory Board resolutions cited in § 16. 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 Articles of Company shall be adopted by qualified majority of 8/9 votes cast, and the other resolutions shall be adopted by a simple majority of votes cast. If the investor ceases to be a shareholder of the Company, the Supervisory Board resolutions shall be adopted by a simple majority of votes cast. In case of an equality of votes in a situation where a simple majority of votes is required, the chairperson has the casting vote. If the specified resolution in form and substance set forth in the invitation for the meeting of the Supervisory Board shall not be adopted, then such resolution may be re-submitted at the next meeting of the Supervisory Board, which shall be held not earlier than forty-two (42) and not later than the end of forty-five (45) days from the date of the meeting of the Supervisory Board, which has not adopted such a resolution. Such a meeting is entitled to adopt such resolutions by a simple majority of vote, provided holding at least two additional meetings of the Supervisory Board to the point and provided that such resolution, still requiring its adoption by majority of 8/9 votes, has not been adopted.

In the agreement between the Company and a member of the management board, as well as in a dispute with such member, the Company is represented by the Supervisory Board or an attorney appointed by a resolution of the General Meeting. Detailed rules for the organisation and functioning of the Supervisory Board are determined in the Supervisory Board Regulations adopted by the General Meeting of Shareholders.

The Supervisory Board exercises permanent supervision over the activities of the Company. The special powers of the Supervisory Board include:

- assessment of the Company's financial statements and the Management Board report, as well as the conclusions of Management Board concerning the distribution of profit or covering of loss and submitting to a General Meeting an annual written report on the results of this evaluation, the evaluation of their work, as well as a brief evaluation of corporate standing, which includes the assessment of internal control system and significant risk management system;
- appointing and dismissing members of Management Board, subject to § 17 paragraph. 3 - 6 of the Articles of the Company;
- suspension, for important reasons, the individual members of the Management Board, delegation of members of the Supervisory Board to temporarily perform the duties of Management Board members who are unable to perform their duties;
- approving the regulations of Management Board; granting consent to any benefits provided by the Company or any of its affiliates in favour of members of Management Board;
- granting consent to enter into a transaction by the Company and: (i) its shareholders entitled to exercise more than 5% of votes at the General Meeting of the Company, (ii) any person related to such shareholders, including persons controlling such shareholder, (iii) members of the bodies of the Company, their relatives and other entities that are subsidiaries of members of the bodies of the Company; giving consent to the payment towards expected dividend;
- selection and change in the entity authorised to audit financial statements, including the consolidated financial statements of the Company or its capital group; selection of an independent external auditor of the Company; approval of annual and interim financial plans and substantial changes in the plans presented by the Management Board;
- employing and determining the terms of employment (including salary, bonuses and premiums) of Management Board members of the Company; granting consent to the issuance of ordinary bonds, m) approving the merger, transformation or liquidation of the Company or its subsidiaries;
- granting consent to the acquisition and disposal of real property, perpetual usufruct or share in real

- estate;
- granting consent to the lease, the establishment of the right of perpetual usufruct, lease, pledge, mortgage, the establishment of other burdens, rights of first refusal or grant other rights to any part of the undertaking or assets of the Company, but excluding the granting of the above-mentioned for the direct or indirect subsidiaries of the Company and excluding charges related to bank credits, or loans that do not require the consent of the Supervisory Board in accordance with § 16 paragraph 2 point r) of the Statute;
  - granting consent to the conclusion of agreements on the establishment of strategic cooperation, e.g. in the form of partnerships or joint ventures unless they are approved in the Business Plan or the annual budget;
  - granting consent for capital expenditure of the Company, with a total value exceeding EUR 1,000,000 (one million euros), unless such expenditure has been planned and approved in the Business Plan or the annual budget;
  - granting consent to the Company's loans and credit, if the value of an individual credit or individual loan exceeds EUR 2,500,000 (two million five hundred euros), unless such credits or loans have been planned and approved in the Business Plan or the annual budget;
  - granting consent to granting of one or more guarantees of performance by one or more third parties, with a total value exceeding EUR 100,000 (one hundred thousand euros), which is not related to normal business activities and daily operating activities, but excluding direct or indirect guarantees of subsidiaries of the Company;
  - approving the purchase, acquisition or disposal by the Company of shares, units or other securities in other capital companies, partnerships or entities, and on the accession of the Company to civil partnerships, private companies with the exception of the purchase and disposal of government or bank securities for a period not longer than 360 days as a means of managing the cash position of the Company;
  - granting consent to creation and liquidation of new companies or branches;
  - granting consent to the introduction of the Company's incentive programs, in particular, to grant by the Company the right to subscribe for or purchase shares under the management options and changes of such programs;
  - approval of any unusual matters unrelated to the Company's business or otherwise outside the scope of normal business, with a value exceeding EUR 1,000,000 (one million euros), or transaction restricting the activities of the Company (geographically or otherwise, in particular, containing clauses restricting competition) unless approved in business Plan or the annual budget;
  - initiation or amicable settlement of litigation or arbitration of the amount in dispute exceeding EUR 200,000 (two hundred thousand euros) or several similar proceedings with a total value of amount in dispute exceeding 500,000 (five hundred thousand euros);
  - granting consent to conclude a single contract or more contracts with the same entity or natural person to perform work or services, if the remuneration or expenses arising from such work or services exceeds EUR 500,000 (five hundred thousand euros) in any period of three months;
  - granting consent to donation, including charities, with a total value exceeding EUR 15,000 (fifteen thousand euros) in any year or for donations to political organisations;
  - issuance of equity interests in the Company or any subsidiary of the Company other than the issuance of equity issued by a subsidiary of the Company, or on the basis of managerial incentive schemes;
  - the Company's acquisition of assets with a total value exceeding EUR 500,000 (five hundred thousand euros), unless they have been approved in the Business Plan or the annual budget;
  - granting consent to change in Business Plan;



- granting approval to conclusion any significant agreements that may cause the Company's obligations in excess of PLN 2 000 000 (two million euros), unless such agreements have been planned and approved in the Business Plan or in the annual budget;
- granting consent to granting loans to third parties with a value exceeding EUR 500,000 (five hundred thousand euros), excluding loans granted to the direct or indirect subsidiaries of the Company.

For the validity of a resolution of the Supervisory Board on granting consent in cases referred to in § 16 section 2 points e, f, h, of Articles of Association, it is required to vote in favour of such resolution by at least one Independent Member of the Supervisory Board, if a person with such status is part of the Supervisory Board.

### **The right to take a decision on the issuance or repurchase of shares**

According to § 10.1 letters f and k Articles of Association competence of the General Meeting shall include:

- increase and decrease of the share capital of the Parent Company,
- issuance bonds convertible into shares, bonds with priority rights and subscription warrants.

### **9. Description of amendments to Articles of Association of the Parent Company**

According to §10.1 letter g and §10.11 of Articles of Association of the Company amendment of the Articles and change of business of the Parent Company is the exclusive competence of the General Meeting.

### **10. General Meeting - mode of action**

The powers of the General Meeting include matters reserved by the Commercial Companies Code, provisions of other laws and the Articles of Association, in particular:

- a) consideration and approval of the Company's Management Report and financial statement for the previous financial year;
- b) adopting resolutions on the distribution of profits to an amount equal to 20% of net profit in the financial year;
- c) adopting resolutions on the distribution of profits in excess of 20% of net profit in the financial year;
- d) granting discharge to the members of the Company's bodies for the performance of their duties;
- e) appointment and dismissal of members of the Supervisory Board, subject to § 12 section 4 of the Articles;
- f) increase or reduction of share capital;
- g) amendments to Company's Articles of Association;
- h) adoption of resolutions on the sale or lease of the Company or its organized part and the establishment of its use or other limited rights in rem;
- i) dissolution of the Company;
- j) adoption of the Rules of Procedure of the Supervisory Board and the General Meeting, and its amendments;
- k) issuance of bonds, convertible bonds or bonds with priority rights and issuance of subscription warrants referred to in art. 453 § 2 of the Commercial Companies Code ("CCC"), and other financial instruments, with the exception of foreign currency transactions and derivatives;
- l) merger of the Company with other companies, the division of the Company, the Company's spin-

- off or transformation of the Company;
- m) settlement of all matters relating to compensation claims for damages caused during the formation of the Company or its management or supervision;
- n) determining the method and amount of remuneration of Supervisory Board members;
- o) specifying the date as of which the list of shareholders entitled to dividend for a given year is being determined – determining the dividend date and the dividend payment date;
- p) creation of capital reserves not required under applicable law;
- q) granting consent to the extension of the Company's business of all kinds of care services for the elderly.

The Annual General Meeting shall be held annually within six months after the end of each financial year. The Extraordinary General Meeting shall be convened if the bodies or persons authorised to convene General Meetings deem it appropriate. The General Meeting is convened by the Management Board and the Supervisory Board has the right to convene the Annual General Meeting, if the Management Board fails to convene the General Meeting within the prescribed time limit. The Supervisory Board and the shareholders or shareholder holding at least one-twentieth of the share capital may request the convening of an Extraordinary General Meeting of Shareholders.

The Supervisory Board and the shareholders or shareholder holding at least one-twentieth of the share capital may request the convening of an Extraordinary General Meeting of Shareholders. Requests referred to above, together with the reasons for allowing taking on the resolution, should be submitted to the Management Board by entitled shareholders in writing or in electronic form. If the request does not contain a statement of reasons, the Management Board will ask the applicant to justify the request. The General Meeting shall be valid regardless of the number of shares represented, if the provisions of the Commercial Companies Code or Articles of Association provide otherwise. Resolutions of the General Meeting shall be passed by an absolute majority of votes, unless the provisions of the Commercial Companies Code, the provisions of other laws or the Articles of Association provide other conditions for their adoption.

A matter introduced into the agenda of the General Meeting on the initiative of an authorised shareholder or shareholders who have submitted such a request, may be – on substantiated request, when there are compelling reasons - removed from the agenda by a resolution adopted by a majority of 80% of the votes cast and with the consent of all shareholders who submitted such a request. In case where the Management Board in a substantiated manner seeks to remove from the agenda the matter introduced on the agenda of Management Board's own initiative, the resolution requires an absolute majority of votes cast. Shareholders participate in the General Meeting in person or by proxy appointed in writing.

Change of business of the Company may be made without repurchase of shares. The resolution in this case requires for its validity two thirds of the votes cast in the presence of persons representing at least half of the share capital of the Company. Acquisition and disposal of property, perpetual usufruct or shares in real estate does not require approval of the General Meeting.

## 11. Personal composition, changes and a description of the management and supervisory bodies

Composition of the Management Board and the Supervisory Board was presented in Section 2 of Basic Information on the Capital Group of this report.

According to *the Recommendations of the European Commission of 15 February 2005 on the role of non executive directors or being members of supervisory board of listed companies and the committees of the board (supervisory)* and pursuant to § 12 paragraph 9 of Articles of Association of the Company two permanent committees were appointed: The Audit Committee and the Remuneration Committee. Composition of these committees has been established by resolutions of the Supervisory Board No. 1 and 2, dated 12 August 2011. The Appointment of the above mentioned Committees constituted adjustment of the Company's corporate structure to the requirements of the public market.

The current composition of Audit Committee was established by the resolution no. 1 of the Supervisory Board dated 17 February 2017 and is as follows:

1. Piotr Kamiński – The Chairman of the Audit Committee
2. John Leone - Member of the Audit Committee,
3. Everett Kamin – Member of the Audit Committee

The Audit Committee is particularly appropriate for the supervision of the Company's financial reporting and audit process of the financial statements of the Company. The tasks of the Committee include:

- monitoring the financial reporting process,
- monitoring 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 should:**

- 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, half-yearly and annual financial statements,
- discuss any problems or objections that may arise from the audit of the financial statements of the Company,
- ensure the most efficient communication between the auditor and the Supervisory Board,
- cooperate with the internal auditor of the Company,
- analyse the comments addressed to the Management Board by the Company's expert auditors and Management Board responses,

- analyse the reports of internal auditors of the Company and Management Board responses on observations and postulates contained in these reports,
- analyse and evaluate relations and dependencies within the Company and in the same Supervisory Board and the Management Board of the Company in terms of the existence or possibility of conflicts of interest, and take measures to eliminate this kind of events,
- consider any other issues related to the audit of the Company, which drew the attention of the Committee or the Supervisory Board.

### **The Remuneration Committee**

Present composition of Remuneration Committee is as follows.

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

### **The duties of the Remuneration Committee include, in particular:**

- planning the policy of remuneration for the Members of the 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 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 only in 2012.

SIGNATURES

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

**Piotr Gajek – Vice President of Management Board** .....

**Paul Christodoulou – Vice President of Management Board** .....

**Robert Knights – Vice President of Management Board** .....

**Tomasz Ślęzak – Vice President of Management Board** .....

**Iwona Szmirkowska – Vice President of Management Board** .....

Wroclaw, 24 April 2017.