

Dear Shareholders,

On behalf of the Company and the Management Board, please find enclosed the Annual Report of Work Service S.A. and the Annual Report of Work Service S.A. Group („Reports”), summarising the activity of Work Service S.A. and the Capital Group of Work Service S.A. („Group”) in 2019.

The year 2019 passed under the motto of reorganisation, cost optimisation and negotiations in the course of currently finalized transactions. The necessity of searching for a new strategic investor for the Group, negotiations with banks and bond holders arises from the balance sheet of our current activity. Therefore, in order to make you understand better our operating, financial and strategic situation, both in 2019 and now, let me summarise the activity of our Group in the past few years. The investment and capital context is of a great importance, which has had impact on the operating activity of the Issuer and of other entities within our Group.

The period of international expansion of the Group

On account of the debut on Warsaw Stock Exchange in 2012 and obtaining the financial investor in 2013 - Pinebridge fund – the Group jointly acquired approx. 130 million zloty of pecuniary measures. As a result, in years 2012-2014 the Group could not only continue the national and international expansion policy but significantly accelerate it. In 2012, the Group acquired IT Kontrakt (the activity of IT specialists and programmers), in 2013 - Antal International (recruitment services), Work Express (the company specializing in cross-border transfer of employees) and Prohuman (Hungary), while in 2014 we established joint venture in the German market. By the acquisitions, Work Service Group executed the strategy of market consolidation in order to take the position of the industry leader in a triangle of Berlin-Moscow-Istanbul. In the next years we continued further expansion by further development of the acquired companies.

On the basis of the companies acquired, in the next years the Group formed business centres operating in the area of temporary work (e.g. Polish, German, Russian, Hungarian, Czech or Slovakian businesses) and additionally in IT, quality control and recruitment industries. The majority of those business centres have been characterised by a significant level of operating and financial independence. Such solution had many positive aspects, e.g. it was possible for the parent company in Poland to set and monitor development objectives to relevant subsidiaries, without interference into their current operating activity.

However, the historical investment policy caused that the Polish centre, through the agency of Work Service S.A., was directly and indirectly the shareholder of foreign entities. As a result, the Polish company had to ensure not only financing of acquisition and their further development but it also incurred and recognised acquisition liabilities, e.g. towards minority shareholders of subsidiaries on account of further investment stages. At the same time, apart from the investment activity (and inter-related costs), the Polish entity conducted its big local HR business which until 2017 was growing dynamically but did not bring (also on account of the costs of maintenance of holding and investment activities) appropriate profitability. Additionally, some part of realised investments did not bring the assumed income (e.g. the Russian activity which faced enormous market problems and the activity in the Western Europe which faced regulatory problems and a very strong competition).

Consequently, the aforementioned holding activity and the realised investment strategy brought the result in the balance sheet of Work Service S.A. (apart from the aforementioned acquisition liabilities) of a significant bank debt towards the consortium of banks and the bond as well as the public and legal debt that could not be repaid out of the unit results of Work Service S.A., nor from the financial results of consolidated foreign entities, since the results were insufficient or the consolidated entities were not 100% dependent on Work Service S.A.

Disinvestment period

In the face of relatively big debt in relations to the results, in 2017 the process of extensive restructuring activities commenced in Work Service Group. As a result of arrangements made with financial creditors, we sold two best investments realized as part of the development strategy – ITK Group (in the middle of 2017) and Exact Group (at the end of 2018), in order to repay the significant part of debt. The next major stage of restructuring processes consisted in amending repayment dates and conditions in December 2018 concerning the remaining liabilities towards the Polish banks, reduced after disinvestment of Exact Group, as well as the liabilities towards the bond holders. Work Service committed itself then towards financial creditors to complete the commenced restructuring process, planning sales of Hungarian, Czech and Slovakian assets (according to the estimates, inflows from those transactions were to satisfy fully Polish banks and the bond holders) and entering into arrangements with the National Insurance Institution (ZUS). The process had a real chance to succeed, the scale of operations in Poland was about to grow along with the profitability of activity and foreign assets were to find their traders.

However, after a few months of 2019 it turned out that the Group faced the crisis of trust, not only among its existing or potential clients but also among diversified group of institutions and investors. Potential entities interested in foreign companies were trying to used forced nature of disinvestment. Potential Clients or new financial institutions noticed the incomplete history of the restructuring process which was about to last until the final closure of the transaction (mainly Hungarian which was to repay debt in the Polish banks) and identified current liquidity risks. At the turn of 2018 and 2019, in Central Europe we also started noticing the first symptoms of slowdown in the motor sector. It all caused the reduced scale of operations in Poland, Germany, the Czech Republic and Slovakia during 2019 and it made the Management Board to keep on further restructuring activities in the area of reduction of indirect costs of business maintenance. The anticipated restructuring outcome (sales of Hungarian, Czech and Slovakian businesses) was not reached in 2019, nor until the date of this report, and extensive reduction of costs in Polish and in German entities only partially addressed problems of sales decline. Consequently, budget objectives for 2019 were not fulfilled and in January 2020 we had to request new instalment arrangements with ZUS.

Moreover, due to the lack of the required progress of searching for the investor or financing for the purchase of Prohumán 2004 Kft. As part of the process which started in 2019 on the basis of Human Investors Kft. (the company that was established on purpose by the managers linked to Prohumán and the minority shareholder of Prohumán), at the beginning of April 2020 Work Service terminated the call option agreement concerning the share of Prohumán 2004 Kft., which was granted to Human Investors Kft. Delays in the process and uncertainty concerning conditions and real date of potential sales of Prohumán 2004 Kft. was scaring off potential investors of Work Service S.A.

It should also be mentioned that as a result of the COVID-19 pandemic, since March/April 2020 we have been observing fewer orders and revenues almost in the entire Group connected with the reduced business activity in Europe. June/July 2020 are the first months of gradual recovery and we are trying to make the most of it thanks to stabilization of our liquidity-related situation.

Review of strategic options

In March 2019, realising of the risk connected with continuing disinvestment processes and long-lasting crisis of trust, in addition to the aforementioned activities, the Management Board of Work Service started an extensive review of strategic options. As a result of the review: i) in December 2019 Antal was sold, and what is most important ii) after intensive negotiations which started in November 2019, in February 2020 an investment agreement was concluded with GI International S.R.L. from GI Group SpA (an international industry investor, one of the global leaders in HR area operating in several dozen countries), very important from the point of view completing successfully the restructuring process. Currently, on the date of publication of the Reports, a series of conditions suspending the investment agreement have already been fulfilled, and further are in progress. However, what is important, thanks to the share of GI Group as a probable investor for the Group, e.g. in negotiations with banks and bond holders, and also thanks to liquidity loans received, we have managed to improve significantly current liquidity which enables us to focus to a greater extent on business and the needs of the employees and the Clients.

As a result of the execution of the investment agreement specified in detail in the Annual Report, the structure of financing of the Group will be definitely regulated on a long-term basis. The investment agreement assumes, for instance, complete repayment of all material liabilities of Work Service from the funds obtained from the investor (the total financing covered by the aforementioned investment agreement concerns the amount of PLN 210 mln) which will finally complete the restructuring process commenced in 2017 (including sales of ITK) of the balance sheet of Work Service S.A. The investment of GI Group will enable the Management Board and the employees of Work Service S.A. and of other entities from the Group to focus only on the operating activity – development of a very competitive offer for our Clients based on the highest global standards applicable in HR industry.

Return to the path of organic growth

We cannot forget that apart from the investment activities and restructuring progress, Work Service S.A. is associated mainly or even most of all with huge business experience in HR area. Being the leader and creator in the market of HR services in Poland, despite the aforementioned historic mistakes and obstacles, we are still the leader in HR industry. After years of aggressive development as part of M&A transaction, we come back to our roots and organic growth. We were investing in recruitment for years, and then in the development of leading employees in Poland and in CEE region who supported the entire cycle of services we offer to our Clients. It has been proved by an extensive portfolio of satisfied Clients. We want to keep it going and become even better.

Despite our problems with indebtedness, we kept investing in quality and technology, e.g. by completing in 2019 the implementation of one of the most advanced IT systems to handle and archive payroll documentation. We also invest in modern recruitment, robotic automation, communication. Thanks to the reduced indirect costs of the activity, we have managed to obtain the highest results in terms of operating effectiveness in the industry. Just like at the very beginning of the development of

the Group, we fan feel a great power and a sense of agency we will be able to use to the maximum for the sale of our employee and Clients after the investment agreement has been executed and repayment or guaranteed repayment of debts.

I have been working with Work Service for years, I took over the management of the Group probably in its most difficult period, and I do believe in the good future of Work Service S.A. We have survived the most difficult period in the history of the Group, we have significantly changed and we have managed to convince the credible industry investor to the quality and values we apply and offer to our Clients.

In 2020, I do wish everyone involved in the activity of our Group to focus as fast as possible on the primary activity, which will enable us to bring Work Service to a new level, making full use of market opportunities offered by the stable situation and huge business experience gained within past few years of development of our activity in Poland and in CEE region.

On behalf of the Management Board and all Work Service employees, I would like to thank the Shareholders, the Supervisory Board and all our Clients and cooperating units for trust we have experienced so far, and I encourage you to read the Annual Report of Work Service S.A. and the Annual Report of the Group of Work Service S.A. for the accounting year 2019.

Iwona Szmitkowska

President of the Management Board of Work Service S.A.