



**Capital Group**

**Work Service**

**The Report of Management Board of Work Service S.A.  
on the activities of Capital Group for the period  
from 1 January 2018 to 30 June 2018.**

Wrocław, 28 September 2018

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## A. REVIEW OF INTERIM FINANCIAL STATEMENTS

### I. Key financial data of the Capital Group

#### SELECTED ITEMS OF THE PROFIT AND LOSS ACCOUNT

The table below presents the selected items of the profit and loss account from continued operations for the Work Service Capital Group for the period 01.01.2018-30.06.2018 and for the period 01.01.2017-30.06.2017.

Selected items of the profit and loss account (in PLN) from continued operations	2018 - 1H	2017 - 1H	Growth 2018/2017
Sales revenue	1 047 197 571.11	1 026 508 668.02	2.02%
Operating expenses	1 047 920 792.20	1 018 287 336.68	2.91%
Sales profit (loss)	-723 221.09	8 221 331.34	-108.80%
Operating profit (loss)	-23 193 349.10	4 599 629.44	-604.24%
EBITDA	-17 234 425.81	9 665 039.99	-278.32%
Gross profit (loss)	-40 462 837.69	-13 519 096.96	199.30%
Gross profit (loss) from continued operations	-46 541 972.02	-18 048 527.23	157.87%

In the first six months of 2018 the Work Service Group posted lower profit/loss than this generated in the corresponding period of 2017.

In the first six months of 2018, the Work Service Group posted the following profit/loss from continued operations:

- Sales revenue of PLN 1,047,198 thousand, as compared to PLN 1,026,508 thousand in 2017, which represents an increase of almost 2%. In the opinion of the Management Board, the first six months saw no significant one-off events, such as the loss of important clients or markets affecting the level of sales. Growth rate y/y reflects positive trends prevailing on the Polish, Hungarian, Czech and Slovak markets coincides with a decrease in revenues on the German market and in the area of contracts carried out by the Work Express group (cross-border employee exchange), this arising from the business restructuring process of these two business units - described in item II in part A of this Report of the Management Board on the activities of Capital Group;
- Operational loss primarily arises from one-time events which occurred in 2018 in the form of write-downs on receivables and intangible assets as well as write-downs on inventories;
- In the first six months of 2018 the Capital Group recognised the compensation for extending the payment deadline to Profólió Projekt Tanácsadó Kft in the costs, in the amount of PLN 5 million described in item 2 of part B of this Report of the Management Board on the activities of Capital Group;
- The profit/loss for the first six months of 2018 were also affected by considerable achievements and failures described in item II in part A of this Report of the Management Board on the activities of Capital Group.

## SELECTED BALANCE SHEET ITEMS

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

	As at 30.06.2018	As at 31.12.2017	Dynamics of 30.06.2018/31.12.2017
<b>FIXED ASSETS</b>	432 472 969.08	440 694 536.63	-1.87%
Intangible assets, including	392 774 467.91	399 221 341.88	-1.61%
Goodwill	352 293 160.37	354 334 183.27	-0.58%
Tangible fixed assets	14 717 323.68	16 996 932.14	-13.41%
Investment real estates	2 690 484.05	2 690 484.05	0.00%
Other financial assets	25 000.00	30 000.00	
Other long-term assets	641 496.37	1 050 669.65	-38.94%
Other long-term financial assets	209 728.77	203 559.15	3.03%
Deferred income tax assets	21 355 604.40	20 347 522.35	4.95%
Accruals	58 863.90	154 027.41	-61.78%
<b>CURRENT ASSETS</b>	437 773 088.32	493 203 560.63	-11.24%
Inventories	9 653 306.07	16 702 253.41	-42.20%
Trade and other receivables	346 998 819.27	385 753 274.22	-10.05%
Other financial assets	26 608 273.40	30 812 269.09	-13.64%
Other short-term assets	892 660.92	1 238 104.80	-27.90%
Cash and cash equivalents	42 837 192.49	50 824 465.96	-15.72%
Accruals	10 782 836.17	7 873 193.15	36.96%
Assets classified as available for sale	194 359 440.42	177 268 716.07	9.64%
<b>TOTAL ASSETS</b>	1 064 605 497.82	1 111 166 813.33	-4.19%
<b>EQUITY</b>	93 400 873.45	144 973 695.34	-35.57%
Share capital	6 509 482.30	6 509 482.30	0.00%
Supplementary capital (Fund)	112 552 756.74	232 873 575.60	-51.67%
Capital from option valuation	-53 773 718.65	-53 773 718.65	0.00%
Net profit (loss)	-32 480 472.71	-96 290 167.84	-66.27%
Foreign exchange differences	-15 646 132.20	-15 785 334.10	-0.88%
Equity attributable to non-controlling shareholders	76 238 957.97	71 439 858.03	6.72%
<b>LIABILITIES</b>	856 889 976.81	878 782 002.61	-2.49%
Long-term liabilities	50 110 109.39	49 821 367.12	0.58%
Long-term loans and credits	1 526 559.96	930 551.69	64.05%
Deferred income tax liabilities	2 169 402.27	2 265 636.42	-4.25%
Liabilities for pension benefits	0.00	0.00	
Provisions for other liabilities and charges	1 750 763.09	1 786 043.76	-1.98%
other liabilities	44 663 384.07	44 839 135.25	-0.39%
Short-term liabilities	806 779 867.42	828 960 635.49	-2.68%
Trade and other liabilities	504 883 462.33	529 451 401.34	-4.64%
Short-term loans and credits	271 345 667.12	271 965 747.21	-0.23%
Provisions for other liabilities and charges	30 550 737.97	27 543 486.94	10.92%
Liabilities from assets classified as held for sale	114 314 647.56	87 411 115.38	30.78%
<b>TOTAL LIABILITIES</b>	1 064 605 497.82	1 111 166 813.33	-4.19%

Source: Work Service Capital Group

As at 30 June 2018 fixed assets amounted to PLN **432,473** thousand and decreased by more than 1,5% as compared to 31 December 2017.

The main reason for a decrease in the value of fixed assets is a decrease in the value of tangible fixed assets which, at present, is PLN 14,717 thousand and has decreased by more than 13% as compared to the situation at the end of 2017. The decrease results from a write-down on intangible assets made by Work Service S.A.

Current assets amounted to PLN 437,773 thousand and decreased by more than 11% as compared to 31 December 2017. The main reason for the decrease were write-downs on receivables as well as on inventories.

As of 30 June 2018, the equity was PLN 93,401 thousand and decreased by more than 35.5% as compared to the previous year. At the same time, liabilities and provisions for liabilities decreased by almost 2.5% and amounted to PLN 856,890 thousand. The decrease in the equity results from write-downs on receivables related to the entry into force of IFRS 9.

We have not observed significant changes in long-term liabilities. Short-term liabilities decreased by 2.68%, which mainly results from the decrease in trade liabilities and other liabilities from PLN 529,451 thousand to PLN 504,883.

## SELECTED FINANCIAL RATIOS

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

Selected financial ratios	Formula	1H2018	1H2017
<b>Profitability ratios</b>			
Profitability of sales	Profit on sales / revenues from sales	-0,07%	0,80%
Profitability of EBIT	Operation activities result / revenues from sales	-2,21%	0,45%
Profitability of EBITDA	(Operation activities result + amortisation)/ revenues from sales	-1,65%	0,94%
Net profitability	Net financial result/revenues from sales	-4,44%	-1,76%
ROE	Net financial result/share capital at the end of period	-49,83%	-6,79%
<b>Liquidity ratios</b>			
The cash conversion cycle (in days)	Inventories cycle + receivables cycle - liabilities cycle	38	41
<b>Current assets management ratios</b>			
Receivables turnover in (days)	Average balance of receivables from supplies and services / sales revenue) *180	44	44
Liabilities turnover in (days)	(Average balance of liabilities from supplies and services / costs of services sold) *181	8	7

Source: Work Service Capital Group

## II. Description of significant achievements or failures of the issuer in the period of the first half of 2018, together with the list of the most important events related to the issuer

Two business areas had a significant impact on the deterioration of the operational profit/loss of the Capital Group:

- German (jointly companies: Work Service Outsourcing Deutschland GmbH, Work Service Deutschland GmbH, Work Service GmbH & Co. KG) and –
- Work Express group delegating employees abroad

As at the balance sheet date, the operations pursued by German companies are undergoing restructuring, which includes:

- limiting cooperation with low-margin clients (the Group Management expects a positive effect of this change occur over the subsequent quarters and years);
- concentration of local structures on expanding the client portfolios (in particular in the area of Western Germany), also through personnel changes in the commercial area;
- optimisation of the management structure (in particular in the area of outsourcing projects).

At the same time, the Group changed its strategy towards companies from the Work Express group in late 2017. The new development strategy of this group assumes, by way of illustration:

- gradual withdrawal from French-speaking markets combined with a change in the business profile in this market
- enhanced concentration on the German and Belgian markets
- enhanced concentration on low- and unqualified employees (blue collars), primarily for industrial production and logistics;
- sales based on large international corporations, currently clients of the Work Service Capital Group from the regional level

## III. Factors and events, including atypical ones, having a significant impact on the statements

The Group identifies no other atypical factors than the one-off events described in items I and II in Part A of this Report of the Management Board on the activities of Capital Group that have a material impact on the Group's financial statements.

#### IV. Implementation of issuance targets

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

#### V. Seasonality

The activity of Work Service Capital Group is characterised by certain seasonality. The historical analysis of the evolution of the revenues from the core business shows that revenues generated in the first half of previous years accounted for about 45-50% of their annual volume.

#### VI. The issuance, redemption and repayment of debt and equity securities

##### 1. Issuances, repurchase and repayments of debt securities

In the first half of 2018 the Company Work Service SA did not issue non-equity securities.

On May 29, 2018, the Management Board of the subsidiary - Exact Systems S.A. („Exact Systems S.A.”) adopted a resolution no. 1 dated May 29, 2018 on the issue of bonds Series A (the “Issue Resolution”). The Issue Resolution was adopted in execution of Resolution of the Extraordinary Meeting of Shareholders of Exact Systems S.A. of May 23, 2018 on the issue of bonds (the “EMS Resolution”).

The Company’s Management has decided to issue pursuant to Art. 33 (2) of the Act of 15 January 2015 on Bonds through making purchase offer to a specified offeree (“Act”), Series A floating rate covered ordinary bearer bonds in a quantity of 15,000 of a nominal value PLN 1,000 (the “Bonds”). The Bonds shall be offered at the issue price equal to the nominal value.

The aim of the issue of bonds is to repay by Exact Systems S.A. the loans specified in the Terms and Conditions of Bonds. The Company’s Management Board has not specified the successful issue threshold.

Interest shall be paid from the issue date every six months on the last day of interest period.

The Bonds shall be issued on 29 May, 2018.

The Bonds shall be allocated to the investor on condition that the Investor submit declaration on acceptance of the bond purchase offer and payment of the Bond issue price with the terms and procedures specified in the Bond purchase offer.

The Bonds shall be redeemed by the Issuer at the nominal value on the maturity date. i.e. 29 May, 2019. The Bondholder shall be entitled to early redemption of all Bonds owned by this Bondholder in accordance with the conditions specified in the Terms and Conditions of Bonds. In addition, the Bonds may be subject to immediate redemption if the events specified in the Act occur and earlier redemption at the Bondholder’s request regarding an early redemption of the Bond on the occurrence of an event of default under the Terms and Conditions of Bonds.

The issued Bonds are bearer Bonds, in a certified form.

Series A Bonds shall be secured by civil and registered pledges on the Exact Systems S.A. shares owned by 4 shareholders of Exact Systems S.A., surety granted by the Issuer and assignment of claims for payment of a price for shares of Put Option by 4 shareholders of Exact Systems S.A. In addition, Exact Systems S.A. and 4 other shareholders of Exact Systems S.A. shall make a declaration on submitting to execution up to the maximum amount of PLN 22,500,000.00 under Art. 777 (1)(5) of the Civil Procedure Code .

Bond issue by Exact Systems S.A. is one of the stages of the sale of Exact Systems S.A. about which the Issuer informed in the current report No. 19/2018 of 21 May 2018.

##### 2. Issuance of equity securities

In the first half of 2018 no company from the Work Service Group has issued capital securities.



## **VII. The use of funds received from issuance of debt and equity securities**

Bond issue by Exact Systems S.A. is one of the stages of the sale of Exact Systems S.A. about which the Issuer informed in the current report No. 19/2018 of 21 May 2018.

## **VIII. Dividend**

Work Service S.A. paid no dividend in 2018.

## **IX. Information about the conclusion by the Company or its subsidiary of one or more transactions between related parties, if individually or collectively they are significant and were concluded on non-market terms.**

Work Service SA as the parent company of the Work Service Capital Group in the first half of 2018 concluded no transactions with related parties, which individually or collectively would be significant and at the same time were concluded on terms other than market

## B. OTHER INFORMATION

### I. Description of the Capital Group organization

#### 1.1. The Parent Company

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

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

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

Company name, address and communication numbers:

Company name	Work Service S.A.
Legal form	Joint stock company
address	53-413 Wrocław, ul. Gwiaździsta 66
Phone	+48 (071) 37 10 900
Fax	+48 (071) 37 10 938
E-mail	work@workservice.pl
Website	<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 primarily Commercial Companies Code and the regulations of the General Meeting, the Supervisory Board and Management Board.

#### 1.2. Basic information on the Work Service Capital Group

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.

The individual interim condensed half-year report of the Parent Company and the consolidated financial statements of its Capital Group were drawn up under the assumption that the Parent Company and the Capital Group companies would continue as a going concern in the unchanged form and scope for at least 12 months from the date at which the Financial Statements were made.

In the opinion of the Management Board, the Parent Company and its Capital Group are in a difficult financial situation which is characterised by such features as:

- 1) Relatively high credit, bond and acquisition liabilities a significant part of falls due in the current financial year;
- 2) Ongoing sale of the EXACT Group, the proceeds of which were supposed to partially reduce the Group's debt and facilitate the negotiations concerning the roll-over of the remaining debt and improve the liquidity situation of the Parent Company;

- 3) Operating profit/loss worse than in the corresponding period of 2017 (among others due to negative operating profit/loss in companies operating temporary employment agency on the German market and the Work Express group engaged in cross-border exchange of employees from Poland to western European countries;
- 4) Exceeded values of credit ratios whose limit values have been set forth in the Group's loan agreements;
- 5) The persisting demand for the Group services generates an increase in demand for working capital and, as a result, a worsening of financial liquidity;
- 6) Deterioration of financial liquidity having a direct impact on the revenue structure (limited expansion opportunities and acquisition of new customers, and non-fulfilled criteria for co-financing of disabled employees), as well as running costs and financial costs pertinent to debt servicing.

On the other hand, the Management Board of the Parent Entity of the Capital Group wishes to point out the following positive factors that may affect the assessment of the financial and capital situation and prospects for further development of the Group:

**In the area of operating profit/loss of the Capital Group:**

- 1) Operation on the rapidly developing market of personnel services in Central and Eastern Europe, which is experiencing the "candidate's market" phase, which directly affects the possibilities of profitability growth and improvement of sales and operating profit/loss;
- 2) Growing demand for high-margin services of cross-border exchange of employees in which the Capital Group is a market leader. Furthermore, in line with the adopted Group strategy, the increase in employment of Ukrainian personnel employed in Poland by the Work Service Group was observed. In the opinion of the Group's Management, this trend is of a lasting nature;
- 3) Permanent and confirmed ability to attract new attractive clients on various geographic markets (the Group has not lost significant customers over the last 12 months);
- 4) The planned second stage of the cost restructuring of the Group (the first stage was implemented over the last six months of 2017) - the Group intends to reduce indirect costs in the current financial year (including through reducing employment in the Parent Company and in some Group companies operating on the Polish market), which will allow monthly expenses to be considerably cut in some entities and, as a consequence, financial liquidity to be improved;
- 5) Restructuring German business and changing the business model of the Work Express group.

The Group Management also wishes to point to historical financial profit/loss being burdened with a number of one-offs and write-downs, and accordingly the profit/loss adjusted for these events may present a different financial picture of the Group.

**In the area of asset restructuring of the Capital Group:**

- 1) In line with the strategy adopted for the reduction of the Group's liabilities in Q4 2017 by changing the structure of assets, the Management Board decided to conduct the sale process of selected subsidiaries. As at the balance sheet date, the Group is executing share sale transactions in Exact Systems S.A.
- 2) In August 2018 the Group executed the sale of the Proservice group with a deferred payment of PLN 27.5 million with payment due 30 July 2019.
- 3) Moreover, the Parent Company has valuable assets which generate relatively high operating profit/loss, the market value of which - in the opinion of the Management Board - compares favourably to the current indebtedness of the Capital Group.

**In the area of roll-over of the Capital Group debt:**

- 1) The Management Board of the Parent Company is conducting talks related to the extension and stipulation of new terms of loan contracts with financial institutions and banks. In order to facilitate these talks an agreement was concluded with a financial advisor who supports the Management Board in those talks and examines the financial situation.
- 2) In addition, the Management Board of the Parent Company is conducting talks with minority shareholders of some of the acquired companies, aimed at agreeing on an amendment to the terms of implementation and the formula for financing the "PUT" option regarding minority interests in the entities owned.
- 3) Initial talks are under way with various financial investors, related to plans for the roll-over of a part of the financial debt.

In the opinion of the Management Board of the Parent Entity, all the above examined factors provide sufficient grounds for a possible entrance into effective talks with investors, financial institutions oriented on enabling the Parent Company and its Group to continue its operations and further development, and from the perspective of financial institutions – for the repayment of debt together with the required interest.

At the same time, the Group Management Board is aware that not all factors and the success of further development depend only on the Group Management Board's decision, but endeavour to enable all entities financing the Group's operations a complete and reliable assessment of the situation and the prospects of its improvement.

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

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

As on 30 June 2018 the Work Service Capital Group comprised of the following economic entities:

<b>Companies with share capital of Work Service SA - direct</b>					
Company name	Registered office	Control acquisition date	Percentage of the subsidiary's share capital	% Share in the total number of votes at the General Meeting	Method of consolidation
Finance Care Sp. z o.o.	53-413 Wrocław, ul. Gwiaździsta 66	29.12.2005	100.00%	100.00%	Full
Industry Personnel Services Sp. z o.o.	53-413 Wrocław, ul. Gwiaździsta 66	30.11.2003	100.00%	100.00%	Full
Exact Systems S.A.	42-200 Częstochowa, ul.Focha 53	24.09.2007	69.09%	69.09%	Full
Antal Sp. z o.o.	53-413 Wrocław, ul. Gwiaździsta 66	30.04.2007	100.00%	100.00%	Full
Work Service International Sp. z o.o.	53-413 Wrocław, ul. Gwiaździsta 66	06.07.2006	100.00%	100.00%	Full
Proservice Worldwide (Cypr) Ltd.	Nicosia, Agiou Pavlou 15, Ledra House, Agios Andreas P.C.1105	04.04.2008	51.00%	51.00%	Full
WS Support Sp. z o.o. (Clean Staff Sp. z o.o. )	53-413 Wrocław, ul. Gwiaździsta 66	19.02.2010	100.00%	100.00%	Full
Sellpro Sp. z o.o.	53-413 Wrocław, ul. Gwiaździsta 66	20.03.2009	100.00%	100.00%	Full
Virtual Cinema Studio Sp. z o.o.	53-413 Wrocław, ul. Gwiaździsta 66	20.12.2002	50.00%	50.00%	Not Subject to consolidation
Krajowe Centrum Pracy Sp. z o.o.	53-413 Wrocław, ul. Gwiaździsta 66	16.05.2011	75.00%	75.00%	Full
Prohuman 2004 Kft.	H-1146 Budapest,Hungaria korut 140-144	21.12.2013	80.22%	80.22%	Full
Work Express Sp. z o.o.	40-265 Katowice, ul. Murckowska 14	02.01.2014	100.00%	100.00%	Full
Work Service SPV Sp. z o.o.	53-413 Wrocław, ul. Gwiaździsta 66	29.01.2014	93.01%	93.01%	Full
Work Service Czech s.r.o.	Anglická 140/20, Vinohrady, 120 00 Praha 2	30.01.2004	100.00%	100.00%	Full
Work Service East Lcc	Charków, ul. Sumska 50, Ukraine	03.02.2017	100.00%	100.00%	Full
Work Service Investments Sp. Z o.o.	53-413 Wrocław, ul. Gwiaździsta 66	11.01.2018	100.00%	100.00%	Full

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

Companies related by ZAO Work Service Russia					
Company name	Registered office	Control acquisition date	Percentage of the subsidiary's share capital	% Share of the subsidiary in the total number of votes at the General Meeting	Method of consolidation
EMG Management	191015, Petersburg, Kafužski pereuok, bld. 3A	10.02.2015	100.00%	100.00%	Full
EMG Leasing	191015, Petersburg, Kafužski pereuok, bld. 3	10.02.2015	100.00%	100.00%	Full
IT Kontrakt o.o.o.	4th floor, bld. 23, 38 A, 2nd Khutorskaya str., Moscow	12.02.2015	100.00%	100.00%	Full

Companies related by Work Service International Sp. z o. o.					
Company name	Registered office	Control acquisition date	Percentage of the subsidiary's share capital	% Share of the subsidiary in the total number of votes at the General Meeting	Method of consolidation
Work Service Slovakia s.r.o.	831 03 Bratislava, Škul- tého 1	04.09.2007	53.50%	53.50%	Full
ZAO Work Service Russia	Moscow, Office 45 Olkhovskaya ST, bld.1 105066	20.02.2013	1.00%	1.00%	Full

**Companies related by Antal Sp. Z o.o.**

Company name	Registered office	Control acquisition date	Percentage of the subsidiary's share capital	% Share of the subsidiary in the total number of votes at the General Meeting	Method of consolidation
Antal International s.r.o.	Anglicka 140/20, Vinohrady, 120 00 Praha 2	19.09.2014	100.00%	100.00%	Full

**Companies related by Exact Systems SA**

Company name	Registered office	Control acquisition date	Percentage of the subsidiary's share capital	% Share of the subsidiary in the total number of votes at the General Meeting	Method of consolidation
Automotive Assembly Systems Sp. z o. o.	53-413 Wrocław, ul. Gwiaździsta 66	01.03.2007	100.00%	100.00%	Full
Exact Systems Czech Republik s.r.o.	Na Honech 832/16, Hrabová 720 00 Ostrava	29.01.2007	100.00%	100.00%	Full
Exact Systems Slovakia s.r.o.	010 01 Zilina, Jána Kali- nčiaka 22	17.10.2006	100.00%	100.00%	Full
AO Exact Systems Russia	Khoroshevskoe highway, 32A, bld. 22, Office, 123007 Moscow	21.03.2011	100.00%	100.00%	Full
Exact Systems Kalite Kontrol Ltd. Sti.	Akdeniz Mahallesi Cum- huriyet Bulvari No: 64 Akhan Ishani Kat: 5, Daire: 7 Konak/Izmir	03.04.2012	99.00%	99.00%	Full
Exact Systems s.r.l. Rumunia	27 Unirii Bulevardul, block 15, sc.1, floor 7, apt.1 040103 Bucharest	24.09.2007	99.97%	99.97%	Full
Exact Systems Ltd. (UK)	2.11 Grosvenor House, Central Park TF2 9TW Tel- ford England	15.11.2013	100.00%	100.00%	Full
Work Service SPV Sp. z o.o.	53-413 Wrocław, ul. Gwiaździsta 66	29.01.2014	6.99%	6.99%	Full
Exact Systems Hungary LLC	Hungaria krt.140-144, 1146 Budapest	10.07.2015	100.00%	100.00%	Full
Control + Rework Service NV	Hoogstraat 69 3600 Genk Belgium	15.09.2015	100.00%	100.00%	Full
Control + Rework Service Polska Sp. z o.o.	ul. Portowa 16L, 44-102 Gliwice	15.09.2015	100.00%	100.00%	Full
Exact Systems China Ltd	3F Qianjiang Tower, 971 Dong Fang Rd. Pudong Dis- trict, Shanghai, PR China, 200122	19.02.2016	100.00%	100.00%	Full
Exact Systems BV	Julianastraat 1, 6351 GA, Bocholtz	15.05.2018	100.00%	100.00%	Full

**Companies related by Industry Personnel Services Sp. z o.o.**

Company name	Registered office	Control acquisition date	Percentage of the subsidiary's share capital	% Share of the subsidiary in the total number of votes at the General Meeting	Method of consolidation
Work Service Slovakia s.r.o.	831 03 Bratislava, Škultétyho 1	05.05.2011	46.50%	46.50%	Full
Krajowe Centrum Pracy Sp. z o.o.	53-413 Wrocław, Gwiaździsta 66	28.03.2013	25.00%	25.00%	Full

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

Company name	Registered office	Control acquisition date	Percentage of the subsidiary's share capital	% Share of the subsidiary in the total number of votes at the General Meeting	Method of consolidation
Work Service Outsourcing Slovakia s.r.o.	831 03 Bratislava, Škultétyho 1	05.09.2011	100.00%	100.00%	Full
Work Service SK s.r.o.	831 03 Bratislava, Škultétyho 1	01.06.2016	100.00%	100.00%	Full
Antal International s.r.o.	831 03 Bratislava, Škultétyho 1	01.04.2016	100.00%	100.00%	Full

**Companies related by Automotive Assembly Systems Sp. z o.o.**

Company name	Registered office	Control acquisition date	Percentage of the subsidiary's share capital	% Share of the subsidiary in the total number of votes at the General Meeting	Method of consolidation
Exact Systems Kalite Kontrol Ltd. Sti.	Akdeniz Mahallesi Cumhuriyet Bulvari No: 64 Akhan Ishani Kat: 5, Daire: 7 Konak/Izmir	03.04.2012	1.00%	1.00%	Full
Exact Systems s.r.l. Rumunia	27 Unirii Bulevardul, block 15, sc.1, floor 7, apt.1 040103 Bucharest	24.09.2007	0.03%	0.03%	Full



Companies related by Prohuman 2004 Kft					
Company name	Registered office	Control acquisition date	Percentage of the subsidiary's share capital	% Share of the subsidiary in the total number of votes at the General Meeting	Method of consolidation
Prohuman Outsourcing Kft.	H-1146 Budapest,Hungaria korut 140-144	21.12.2013	100.00%	100.00%	Full
Human Existence Kft.	3525 Miskole, Arany Janos ter.1. mfsz 18.	08.07.2014	100.00%	100.00%	Full
Enloyd Kft.	H-1146 Budapest,Hungaria korut 140-144	16.02.2015	100.00%	100.00%	Full
Naton kadrovsko svetovanje d.o.o.	Ljubljana, Cesta 24. Junija 25, 1231 Ljubljana-Crnuce	03.12.2015	100.00%	100.00%	Full
HR Rent Kft	H-7624 Pecs, Ferencesek utcoja 52	10.12.2015	100.00%	100.00%	Full
Finance Sales Hungary Kft (Profield 2008 Kft)	2724 Újlengyel, Ady Endre utca 41	17.12.2015	100.00%	100.00%	Full
APT Resources&Services s.r.l.	67 Constantin Dobrogeanu Gherea Street, attic floor, office no. 1, 1 <sup>st</sup> District, Bucharest, Romania	28.02.2017	80.00%	80.00%	Full
APT Human Resources s.r.l.	67 Constantin Dobrogeanu Gherea Street, attic floor, office no. 1, 1 <sup>st</sup> District, Bucharest, Romania	28.02.2017	80.00%	80.00%	Full
APT Broker s.r.l.	67 Constantin Dobrogeanu Gherea Street, attic floor, office no. 1, 1 <sup>st</sup> District, Bucharest, Romania	28.02.2017	80.00%	80.00%	Full
APT Finance Broker s.r.l.	67 Constantin Dobrogeanu Gherea Street, attic floor, office no. 1, 1 <sup>st</sup> District, Bucharest, Romania	28.02.2017	80.00%	80.00%	Full

Companies related by Naton kadrovsko svetovanje d.o.o.					
Company name	Registered office	Control acquisition date	Percentage of the subsidiary's share capital	% Share of the subsidiary in the total number of votes at the General Meeting	Method of consolidation
Naton Ljudski potencial d.o.o.	Zvonimirova 2/III, 100000 Zagreb, Croatia	03.12.2015	100.00%	100.00%	Full

**Companies related by Work Express Sp. z o.o.**

Company name	Registered office	Control acquisition date	Percentage of the subsidiary's share capital	% Share of the subsidiary in the total number of votes at the General Meeting	Method of consolidation
Outsourcing Solutions Partner Sp. z o.o.	ul. Murckowska 14, 40-265 Katowice	02.01.2014	100.00%	100.00%	Full
Clean24h Sp. z o.o.	ul. Bankowa 20, 42-320 Niegowa	02.01.2014	100.00%	100.00%	Full
LogistykaPL Sp. z o.o.	ul. Warszawska 1, 42-350 Koziegłowy	02.01.2014	100.00%	100.00%	Full
Workbus Sp. z o.o.	Batalionów Chłopskich 8, 42-425 Kroczyce	02.01.2014	100.00%	100.00%	Full

**Companies related by Work Service GmbH & Co.KG**

Company name	Registered office	Control acquisition date	Percentage of the subsidiary's share capital	% Share of the subsidiary in the total number of votes at the General Meeting	Method of consolidation
Exact Systems GmbH	02826 Gorlitz, Emmerichstr.43	12.08.2009	100.00%	100.00%	Full
IT Kontrakt GmbH	An den Treptowers 1 D-12435 Berlin	05.04.2012	100.00%	100.00%	Full
Work Service 24 GmbH	An den Treptowers 1 D-12435 Berlin	23.08.2011	100.00%	100.00%	Full
Work Service Deutschland GmbH	Mainzer Strasse 178, 67547 Worms	26.06.2014	100.00%	100.00%	Full
Work Service Outsourcing Deutschland GmbH	Domhof 8, 48268 Greven	26.06.2014	100.00%	100.00%	Full
Work Service GP GmbH	Gauermannngasse 2 1010 Vienna	24.03.2014	100.00%	100.00%	Full
Enloyd GmbH	Berlin, An den Treptowers 1, 12435	21.11.2014	100.00%	100.00%	Full

**Companies related by Krajowe Centrum Pracy Sp. z o.o.**

Company name	Registered office	Control acquisition date	Percentage of the subsidiary's share capital	% Share of the subsidiary in the total number of votes at the General Meeting	Method of consolidation
Kariera.pl Sp. z o.o.	53-413 Wrocław, ul. Gwiazdzista 66	03.11.2016	49.00%	49.00%	Pełna

Companies related by Work Service SPV Sp. z o.o.					
Company name	Registered office	Control acquisition date	Percentage of the subsidiary's share capital	% Share of the subsidiary in the total number of votes at the General Meeting	Method of consolidation
Work Service Gmbh & Co.KG	c/o CMS Hasche Sigle, Breite Str. 3, 40213 Düsseldorf	26.06.2014	74.00%	74.00%	Full

Companies related by Work Service Deutschland GmbH					
Company name	Registered office	Control acquisition date	Percentage of the subsidiary's share capital	% Share of the subsidiary in the total number of votes at the General Meeting	Method of consolidation
Work Service Fahrschule Gmbh	Domhof 8, 48268 Greven	29.07.2015	100.00%	100.00%	Full

Companies related by Profield 2008 Kft					
Company name	Registered office	Control acquisition date	Percentage of the subsidiary's share capital	% Share of the subsidiary in the total number of votes at the General Meeting	Method of consolidation
Finance Care Hungary Pénzügyi Tanácsadó Kft	H-1146 Budapest, Hungária krt. 140-144, HU25790722	08.11.2016	100.00%	100.00%	Full

The consolidated statements include all subsidiaries of the Parent Company, i.e. all companies of the Group, except for Virtual Cinema Studio Sp. z o.o.

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

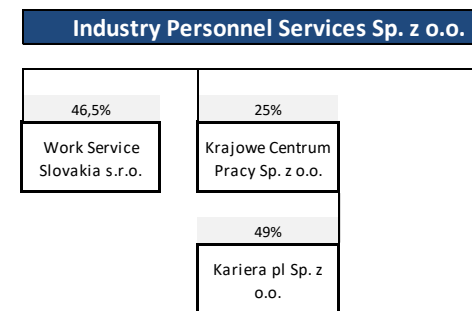
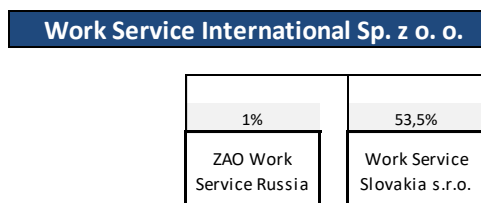
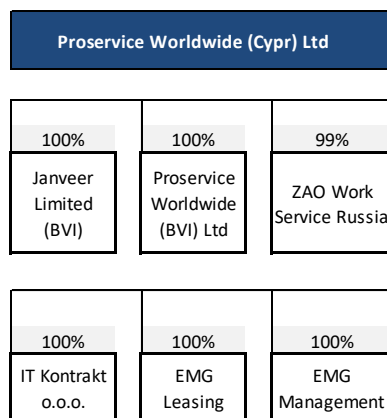
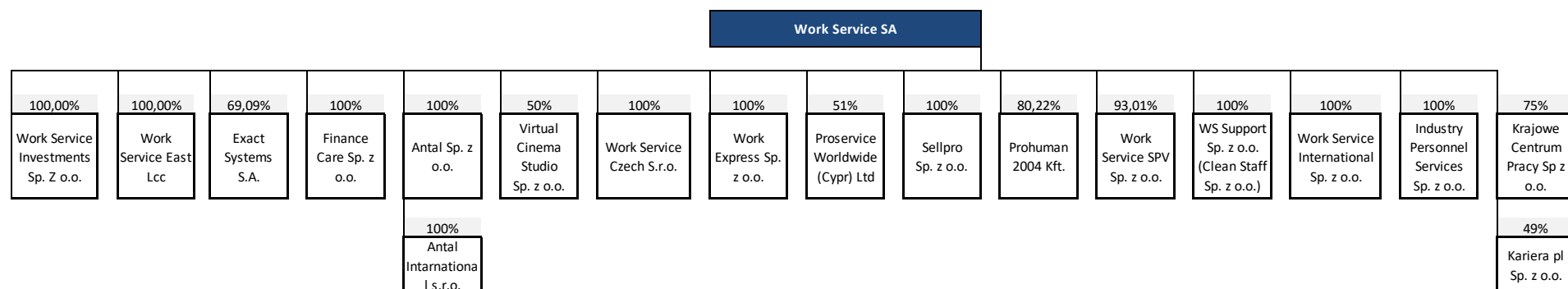
The exclusion of the above mentioned company from consolidation does not affect the economic decisions taken by users on the basis of the financial statements.

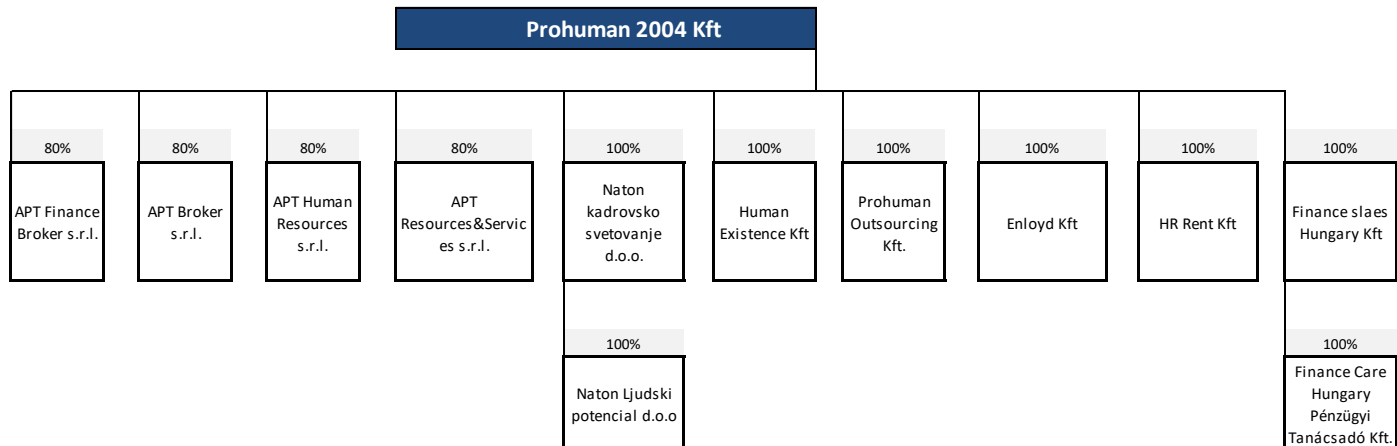
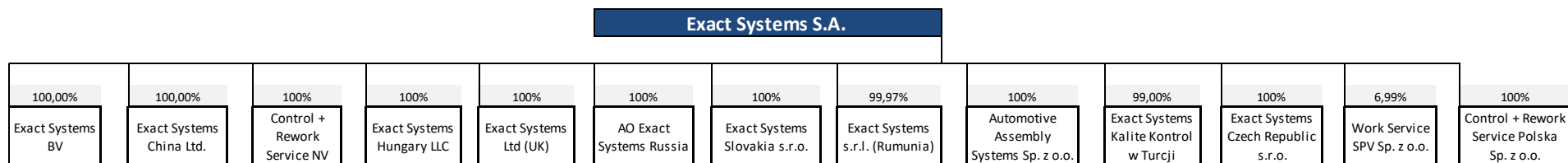
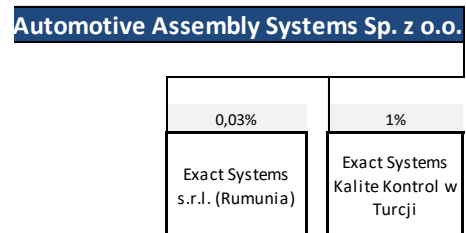
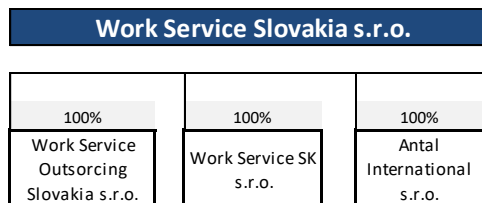
### 1.3. Scope of activities of companies of Work Service Capital Group

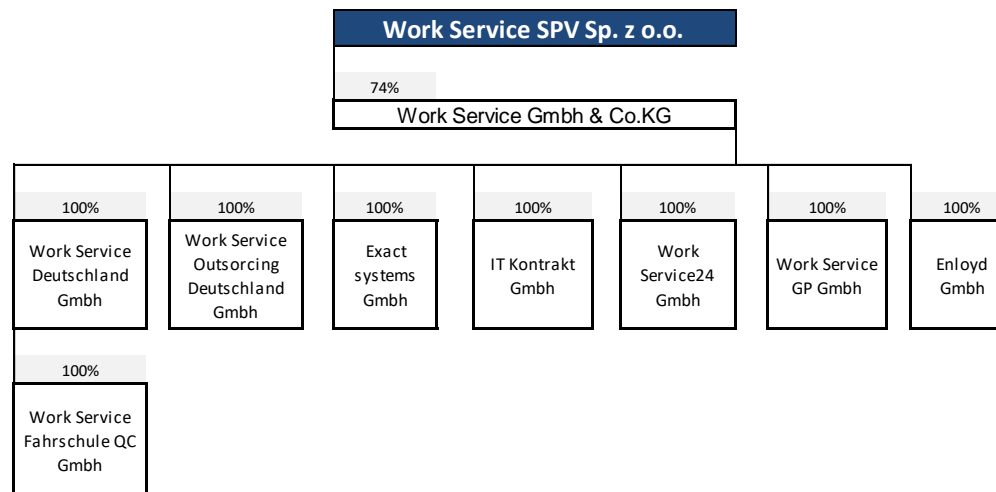
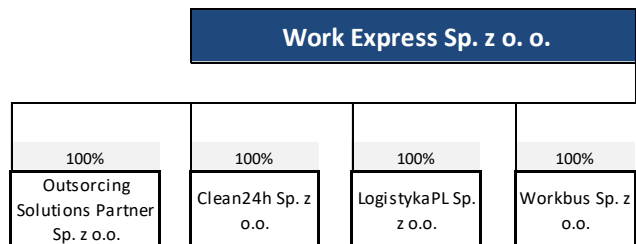
The Work Service Capital Group provides services in the field of human resource management. It specialises in seeking and recruitment of skilled workers, personal consulting, outsourcing functions related to human resources management and auxiliary processes in enterprises and offering solutions based on the use of temporary employment contracts. Capital Group operates throughout the country through regional offices and representative offices as well as abroad in countries of 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. Information concerning the scope of the activities of all companies included in the Work Service Capital Group has been presented in the consolidated financial statements of Capital Group for the first half of 2018. – item 1 – General information concerning Work Service Capital Group

The structure of Work Service Capital Group as at 30.06.2018 is presented in the following diagram.

## The structure of Work Service SA Capital Group as at 30.06.2018







## 2. Changes in structure of the business entities, including as a result of a business entity mergers, acquisition or disposal of Capital Group entities, long-term investments, division, restructuring and discontinued operations.

In the first half of 2018 the following events resulting in changes in the Capital Group structure took place:

### **Merger of Naton Ljudski potencial d.o.o and HR Global d.o.o.**

On 01.01.2018, the merger of Naton Ljudski potencial d.o.o and HR Global d.o.o. took place.

### **Signature of the preliminary conditional share purchase agreement regarding the sale of shares in Exact Systems S.A.**

On 30 March 2018, the Issuer and Mr. Paweł Gos and Mr. Lesław Walaszczyk, as the sellers (the "Sellers"), concluded with Pololi Sp. z o.o. with its registered seat in Warsaw, special purpose vehicle controlled by Cornerstone Partners sp. z o.o. in cooperation with Oaktree Capital Management (UK) LLP, as the purchaser (the "Purchaser"), the preliminary conditional share purchase agreement regarding the acquisition of shares in Exact Systems S.A. with its registered seat in Częstochowa (the "Agreement") (the "Transaction") (the "Company").

Pursuant to the Agreement, the Issuer agreed to sell all of its 7,600,000 shares in the Company, constituting as of the date of the Agreement, 69.09% of the Company's share capital, entitling to 69.09% of the votes at the Company's general shareholders' meeting. The purchase price for the Issuer's shares has been set at PLN 164,700,000. The Agreement also assumes, subject to the satisfaction of the conditions precedent, the sale of Exact Systems GmbH by the Issuer to Exact Systems S.A for a purchase price consisting of cash consideration of PLN 13,900,000 which will be deferred for 9 months and share consideration of 6,99% of shares in Work Service SPV sp. z o.o.. After completion of both transactions, the total cash consideration for the Issuer will amount to PLN 178,600,000. In addition, upon closing of the Transaction, the Company will repay to the Issuer an outstanding balance of intercompany payables.

The Agreement is conditional upon satisfying the conditions precedent indicated therein. The completion of the Transaction and conclusion of the definitive share purchase agreement should be performed no later than by 29 June 2018. The Agreement provides for rescission rights for the Sellers and the Purchaser on the terms and conditions indicated therein. Fulfilling the obligations specified in the Agreement is secured by mutual contractual penalties in the amount of PLN 10,000,000.

Other terms of the Agreement do not differ from the terms commonly used in the agreements of this type.

On 15 May 2018 the preliminary conditional share purchase agreement regarding the acquisition of shares in Exact Systems S.A. with its registered seat in Częstochowa concluded between the Issuer, Mr. Paweł Gos and Mr. Lesław Walaszczyk, as the sellers and Pololi Sp. z o.o. with its registered seat in Warsaw, special purpose vehicle controlled by Cornerstone Partners sp. z o.o. in cooperation with Oaktree Capital Management, as the purchaser, whose conclusion has been disclosed in current report no 9/2018 dated 30 March 2018, terminated. Termination of the Agreement is a result of non-satisfying by the parties one of the conditions precedent within the term stipulated in the Agreement.

On 21 May 2018 the Issuer concluded with Mr. Paweł Gos, Mr. Lesław Walaszczyk and CVI Dom Maklerski Sp. z o.o. with its registered office in Warsaw a head of terms, regarding framework conditions of conducting a management buy-out of shares of Exact Systems S.A. held by the Issuer by special purpose vehicle established by the Purchasers \_the "SPV"\_. Pursuant to HoT, the initial purchase price for Issuer's shares in Exact Systems S.A. will be PLN 162,640,000, of which PLN 13,000,000 will be deferred up to 9 months. Additionally, in June 2018, Exact Systems S.A. repayed approximately 50% of inter-company receivables towards the Issuer, for which funds was gained through a bond issue. Remaining inter-company receivables will be settled in the process of closing of the transaction. In parallel, the Issuer negotiates with the Purchasers additional bond financing in the amount of PLN 20.000.000. The Issuer granted Purchasers an exclusivity until 30 June 2018. Parties' intention is to sign until 30 June 2018 a preliminary share purchase agreement regarding Issuer's shares in Exact Systems S.A. to the SPV.

On 14 August 2018 the Issuer concluded with Mr. Paweł Gos, Mr. Lesław Walaszczyk and CVI Dom Maklerski Sp. z o.o. with its registered office in Warsaw (the "Purchasers") annex no. 4 to the head of terms (the "Annex").

Pursuant to the Annex, the exclusivity period has been extended until the 5th business day following fulfilling or waiving, as the case may be, of the last condition precedent included in the preliminary share purchase agreement regarding sale of all Issuer's shares in Exact Systems S.A. with its registered office in Częstochowa (the "PSPA"), (the "Company"), which will be concluded between the Issuer and a special purpose vehicle, whose shares are held by the Purchasers (the "SPV").



Selling of Exact Systems S.A. shares by the Issuer is a consequence of decided by the Management Board strategic options in the range of the future of subsidiary Exact Systems (Current report 79/2017 dated October 23rd 2017) and execution of adopted Development and Restructuring Strategy for the Work Service Group for years 2018-2020 (Current Report 82/2017 dated November 28th 2017). Based on adopted Strategy, the Issuer is planning to vote cash acquired on sales of Exact Systems S.A. for further adjusting Group financial structure by its progressive deleveraging and reduction of acquisitions earn-out liabilities toward minorities in Group subsidiaries.

#### **Signature of an Annex to the Agreement for the purchase of shares in QLS**

On 15 March 2018, Exact Systems S.A. with its seat in Częstochowa ("Exact Systems") concluded an Annex to the Agreement for the purchase of 100% of shares in the Portuguese limited liability company under the business name QLS AUTOMOTIVE - SERVIÇOS DE CONTROLO DE QUALIDADE, LDA dated 1 February 2017 ("Portuguese Company") ("Shares") ("Agreement"). The Agreement was concluded with two foreign companies ("Sellers"). The Annex concerns the change of the date of payment for the Shares and the date of their acquisition by Exact Systems, as well as the establishment of a collateral.

The total purchase price of shares will be EUR 9,650,000.00 and shall be paid as follows:

- an advance payment in the amount of EUR 500,000.00 is payable on 16 March 2018. After the payment of the advance payment plus amounts of previous advance payments, in the total amount EUR 2,120,000.00, Exact Systems will own 10% of shares in the Portuguese Company.
- the remaining 90% of shares in the Portuguese Company shall be acquired by Exact Systems after the payment of the remaining amount of EUR 7,030,000.00. The payment of the remaining price for the shares shall be made on 28 June 2018.

As the collateral to the Agreement, Exact Systems has committed to establish two pledges on 10% of shares in the Portuguese Company acquired on 16 March 2018 in favour of the Sellers: one up to the amount of EUR 1,834,000.00 and the other up to the amount of EUR 786,000.00.

If payment of the price for the remaining 90% of shares in the Portuguese Company is not made on 28 June 2018 due to the reasons attributable to Exact Systems, the Sellers may terminate the agreement and satisfy with established pledges.

If payment of the price for the remaining 90% of shares in the Portuguese Company is not made on 28 June 2018 due to the reasons attributable to the Sellers, Exact Systems may terminate the agreement. The termination of the Agreement in this manner shall result in the exercise of call options for 10% of shares acquired by Exact Systems in the Portuguese Company.

Shall the Agreement be infringed (as defined in the agreement for the sale of shares) until 28 June 2018 which will result in the loss of over 20% of the value of shares in the Portuguese Company, each Party may terminate the Agreement. The termination of the Agreement in this manner shall result in the exercise of call options for 10% of shares acquired by Exact Systems in the Portuguese Company.

The Sellers may also terminate the Agreement in case of failure of Exact Systems to deliver the original signed power of attorney for the establishment of shares referred to in above on behalf of the Exact Systems within 15 working days from the date of signing of the Agreement. In this case, the Sellers shall also have the right to hold the amount paid by the Exact Systems for 10% of Shares in the Portuguese Company and to re-transfer 10% of the Shares in the Portuguese Company.

If the payment of the price for the remaining 90% of shares in the Portuguese Company is made on 28 June 2018, the above-mentioned pledges shall expire.

The Agreement provides for the call option for 10% of Shares in the Portuguese Company which may be exercised by the Sellers within ten working days from termination of the Agreement upon payment of EUR 500,000.00 for Exact Systems. The ownership of 10% of Shares in the Portuguese Company shall be transferred to the Sellers upon crediting of the payment on the bank account of Exact Systems. In case the Sellers do not exercise the call options (each one individually) within ten working days from the termination of the Agreement, the above-mentioned pledges shall expire. In connection with the expiry of the payment date for the remaining 90% of shares, it is planned in the near future to sign an annex extending the date of closing the transaction until 15 October 2018

#### **Purchase of Antal International s.r.o.**

On 15 May 2018, Antal Sp. z o.o. (wholly-owned subsidiary of Work Service S.A.) purchased from Work Service Czech s.r.o. (wholly-owned subsidiary of Work Service S.A.) 100% of shares in the share capital of Antal International s.r.o.

#### **Signature of an Annex to the Agreement for the purchase of shares in Prohuman 2004 Kft**

On 29 June 2018 the Issuer, as the purchaser, concluded with Profólió Projekt Tanácsadó Kft. (the "Seller") with its registered seat in Budapest, Hungary, an annex to the purchase agreement of the remaining shares in the share capital of Prohuman 2004 Kft. ("Prohuman") with its registered seat in Budapest, Hungary dated 23 October 2017 (the "Agreement") (the "Annex"). The Issuer informed about the conclusion of the Agreement the Issuer informed in the current report no. 80/2017 dated 23 October 2017.

The annex concerns the postponement of the date of payment of the Second and Third Completion for the purchase of the remaining 19.78% shares in the share capital of Prohuman.

The Issuer, due to postponing the payment of the Second and Third Completion, agreed to pay compensation for the Seller in amount PLN 5,000,000 in two installments: the first installment will be payable on 29 June 2018 in the amount of PLN 2,000,000 and the second on 16 August 2018 in the remaining part.

In connection with the conclusion of the Annex, the provisions of the Agreement on default interest shall not apply by 30 September 2018.

#### **Sales of 2 % of shares in Kariera.**

On April 23, 2018 Krajowe Centrum Pracy Sp. Z o.o. (in 100% subsidiary of Work Service) was signed share sales agreement of 40 shares of the share capital Kariera.pl, representing 2% of all shares of the share capital this company for PLN 57,120.00.

#### **Purchase of shares in Work Service SPV Sp. Z o.o.**

On 21 June 2018, Work Service S.A. purchased from Work Service International Sp. z o.o. (in 100% subsidiary of Work Service S.A.) 15.29% of shares in Work Service SPV Sp. z o.o. for the price of PLN 5,360,000.00.

### 3. Management Board position on the implementation forecasts

The Company has not published forecasts for 2018.

### 4. Indicating the Shareholders holding, directly or indirectly through subsidiaries, at least 5% of the total number of votes at the General Meeting on the date of publication of this report, together with the number shares held by such entities, their percentage share in the share capital, number of votes resulting from them and their percentage share in the total number of votes at the AGM and changes in ownership of large blocks of shares of the issuer in the period from submission of the last annual report

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

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

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

Shareholder	No. Of shares	Percentage of share capital	Number of votes	Share in the total number of votes
PROLOGICS UK LLP	18 514 621	28.44%	18 514 621	28.44%
WorkSource Investments S.a.r.l.	13 714 286	21.07%	13 714 286	21.07%
Tomasz Misiak	9 547 361	14.67%	9 547 361	14.67%
Citigroup Global Markets Limited	4 580 497	7.04%	4 580 497	7.04%
Tomasz Hanczarek	3 255 000	5.00%	3 255 000	5.00%
MetLife PTE S.A.	3 254 743	5.00%	3 254 743	5.00%
Other	12 228 315	18.78%	12 228 315	18.78%
<b>Total</b>	<b>65 094 823</b>	<b>100.00%</b>	<b>65 094 823</b>	<b>100.00%</b>

## 5. Ownership of shares of Work Service SA by persons managing and supervising the Company

The summary of shares of the Company or rights to them by persons managing and supervising the Company at the date of the report for year 2017, together with changes in ownership, in the period since the previous report separately for each person.

	As at the date of publication of the report for first quarter of 2018	Changes in ownership: acquisition (disposal)	Balance at the date of this report	Nominal value of the held shares (PLN) as of the date of this statement
Tomasz Hanczarek – Member of the Supervisory Board	3 255 000	0	3 255 000	325 500.00
Paul Christodoulou – Vice President of the Management Board	34 680	0	34 680	3 468.00
Tomasz Misiak - Vice-Chairman of the Supervisory Board	9 547 361	0	9 547 361	954 736.1
Maciej Witucki – President of the Management Board	950	0	950	95.00
Tomasz Ślęzak - Vice President of the Management Board	12 219	0	12 219	1 221.90

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 2017	Changes in ownership: acquisition (disposal)	Balance at the date of this report	Nominal value of the held shares (PLN) as of the date of this statement
Tomasz Hanczarek - Member of the Supervisory Board	149 966	0	149 966	14 996,60
Tomasz Misiak - Vice-Chairman of the Supervisory Board	147 300	0	147 300	14 730,00

## 6. Court proceedings

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

**7. Information on granting by Company or its subsidiary the surety of credit or loans or guarantees – jointly to one entity or its subsidiary, if the total value of existing sureties or guarantees is equivalent to at least 10% of its equity.**

This information is contained in item 8 of the consolidated financial statements for the first half of 2018.

**8. Other information that are relevant to the assessment of the personnel, property, financial stand - and their changes - of the Company and its Capital Group, as well as information that is relevant for assessing the feasibility of liabilities by the Company and the Capital Group**

The Group identifies no other factors or information that are relevant for the assessment of the personnel, property and financial situation for the first six months of 2018 than the following:

- personnel changes within the Management Board described in item 1.2. of the Additional information to the condensed interim financial report;
- achievements or failures described in item II of Part A of this Report of the Management Board on the activities of Capital Group;
- issuance of Exact bonds in the total amount of PLN 15 million described in item VI of Part A of this Report of the Management Board on the activities of Capital Group.
- acquisition payments made by Prohuman 2004 Kft, which was included in the Consolidated Cash Flow Statement in the amount of PLN 11.8 million
- one-off events having a material impact on the financial profit/loss and, in particular, on the operational profit/loss described in item I of this Report of the Management Board activities
- violation of credit ratios described below.

The Management Board of Work Service Group monitors parameters such as:

- The debt ratio - calculated as the ratio of net debt to adjusted EBITDA,
- debt coverage ratio - calculated as the ratio of free cash flow to the interest-credit instalments,
- leverage ratio calculated as the ratio of adjusted net debt to net assets,
- debt ratio of obliged entities.

At the end of first half of 2018 these rates were respectively:

- The debt ratio: 12.94 (violated)
- debt coverage ratio: 12.69 (non-violated)
- leverage ratio: 3.30 (violated)
- debt ratio of obliged entities: -15.26 (violated)

The factors impacting the profit/loss positions described in items I and II in part A of this Report of the Management Board on the activities of Capital Group (including but not limited to the situation in German companies, write-downs on receivables, inventories, intangible assets) had a material effect on the value of the ratios presented above.

Furthermore, as at the balance sheet date, the Group is conducting advanced talks with financial institutions regarding the repayment of part of the Group's debt from proceeds from the planned sale of shares in Exact Systems S.A. which was described in item 2 of Part B of this Report of the Management Board on the activities of Capital Group.

The goal of the Group is to commence talks with financial institutions, once the transaction on the repayment and/or roll-over of the remaining debt has been finalised.

## 9. Factors influencing the achieved results for at least the next six months

### 9.1. Other factors

The following events will affect the Capital Group's operation in the next six months:

- 6) The planned second stage of the cost restructuring of the Group (the first stage was implemented over the last six months of 2017) - the Group intends to reduce indirect costs in the current financial year (including through reducing employment in the Parent Company and in some Group companies operating on the Polish market), which will allow monthly expenses to be considerably cut in some entities and, as a consequence, financial liquidity to be improved;
- 7) Restructuring German business and changing the business model of the Work Express group;
- 8) Planned finalisation of sales transactions of the Exact Systems Group.

Furthermore, the Management Board of the Parent Company is conducting talks related to the extension and stipulation of new terms of loan contracts with financial institutions and banks. In order to facilitate these talks an agreement was concluded with a financial advisor who supports the Management Board in those talks and examines the financial situation.

In addition, the Management Board of the Parent Company is conducting talks with minority shareholders of some of the acquired companies, aimed at agreeing on an amendment to the terms of implementation and the formula for financing the "PUT" option regarding minority interests in the entities owned.

Initial talks are under way with various financial investors, related to plans for the roll-over of a part of the financial debt.

In the opinion of the Management Board, all the above factors will contribute to the further development of the Work Service Capital Group.

### 9.2. Threats and risks related to the remaining months of the financial year

#### ⇒ **THE RISK ASSOCIATED WITH THE PROTECTION OF PERSONAL DATA**

The Capital Group due to the nature of the business has an extensive database of candidates' personal data, the size of which exceeds hundreds of thousands of records. According to the Act on personal data protection of 10 May 2018 (Journal of Laws 2018, item 10000) and Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC, information relating to these data are secret and shall not be disclosed to unauthorised persons. Nevertheless, there is a risk of access to databases by unauthorised persons as a result of theft, hacking or forced entry, or other unwanted actions. In such a case, the information stored by Work Service SA could be used to the detriment of the Company and its customers, which would adversely affect the image of the Company, and thus worsened its position in the employment services market. To reduce this risk, the technical infrastructure was created based on a properly secured server, electronic security systems and high-end servers.

#### ⇒ **LIQUIDITY RISK**

The Issuer Group hires temporary staff and provides comprehensive training to prepare employees for specific work. This business features a long cycle of receivables turnover vis-à-vis the average observed on the market. Possible significant prolongation of the receivables turnover cycle or difficulties with collection of receivables of the Issuer Group companies may contribute to liquidity problems and consequently to the deterioration of financial condition and implementation of the Issuer Group's development strategy. This business model requires the Issuer to effectively manage its net working capital and is susceptible to the risk of periodic decrease in liquidity. With a view to minimising the risk, the

Issuer has concluded contracts for taping to credit lines on demand, as well as the Issuer Group contracts with counterparties to optimise the foreign capital cost. In order to maintain financial liquidity and creditworthiness of the Issuer, it seeks to maintain debt ratios at levels acceptable to credit, financial, leasing institutions, and bondholders.

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

Conditions prevailing in Poland and in the Issuer Group's markets. The Issuer's financial results reflect prevailing macroeconomic conditions illustrated by the level of macroeconomic indicators, including the level of enterprise investment which boosts employment, growth of GDP, prices, unemployment, interest rates, and, along with the further globalisation of economies, also foreign direct investment. A significant deterioration of the macroeconomic environment would carry a risk that they will adversely affect the economic and financial condition and the pace of implementation of the assumed development strategy of the EMI Group. The development of the industry in which the Issuer's Group operates to a large extent tracks down to the degree of absorption of funds coming from the European Union budget in Central and Eastern European countries. Should market conditions collapse or decline, the risk arises of reducing the demand for services offered by the Issuer Group.

macroeconomic conditions on an on-going basis and pursues activities aimed at diversifying the consolidated sales revenues and enhancing the competitiveness of the Issuer Groups' delivery. The Issuer also continuously adjusts the size of its operating structure to the level and quantity of operations performed. The risk of macroeconomic situation is also minimized by the low level of temporary employment services in Poland. In other words, whereas the economic downturn limits the possibility of hiring new employees on the one hand, it increases the chances of attracting customers interested in flexible employment, on the other.

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

Temporary job market in Central and Eastern Europe is attractive and robust, and hence – along with large international players, many new entities operate in this segment offering services competitive to the Issuer Group's service range. Still, the market shows a high level of competition, as a result of which the gross margins it generates stand relatively low. Being the leader on the Polish market, the Issuer Group has gathered the most experience, enjoys a well-known brand, and is able to respond quickly to competition. There appears a risk of losing the market position of the Issuer's Group in the event of inadequate reaction to the changing market environment and competition. On the other hand, while the chances of successful competition with international corporations on foreign markets are limited, smaller companies has not created as extensive recruitment facilities as the Issuer's Group, which positively affects the position of the latter. In addition, the Issuer reduces the risk of losing international clients through effective development of its operations in Central and Eastern Europe.

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

Recent years have witnessed a rapid development of the HR services market, including temporary work and the changing needs of the market. In the perspective of at least the next three years, the customers will most of all need access to the employees showing relevant competence, and thus support the Temporary Employment Agency in managing recruitment and hiring processes. In the age of the employee market, recruitment-based services are gaining importance, with the most vulnerable to regulations issues related to the flexibility of employment becoming less important for customers. The Issuer's Group runs business which is diversified in terms of both geographic exposures and services, where the countries of operation differ significantly in terms of labour market regulations, and a significant part of the Group's services such as outsourcing, ongoing recruitment process or quality check are not covered by the regulations. The Group believes that the introduction of regulations concerning restrictions on delegating employees abroad in the form proposed by the European Commission is unlikely and the proposed amendments in their present form will not affect the business model of the Issuer Group. Both national and the European Union administrations strive to order labour markets by eliminating pathological practices and unequal treatment of employees (minimum wage, liquidation of the so-called junk job contracts, full scope of social insurance applied with reference to civil law contracts). The Issuer Group not only tracks and anticipates amendments to the legislation but also applies the relevant labour market practices *ex ante*. Good forecasts for the development of the entire HR services sector are reflected in the reports developed by external research companies. In the event of flexible forms of employment, the Issuer Group, being a market leader in

Central and Eastern Europe, is equipped with the relevant technical infrastructure, knowledge and a long-time experience, and it monitors changes undergoing in the market. Thanks to a flat structure and field offices, the Issuer Group responds quickly to changing trends by increasing its competitiveness.

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

A threat to the business of the Issuer Group comes from amendments to the regulations in Poland and in other countries where it operates. The tax system in Poland is subject to an ongoing change with a view to bringing it into line both with buoyant economic growth and the requirements of European Union law. The provisions pertaining to the labour market and the tax system are particularly important here. Amendments to regulations – adverse from the Issuer Group’s perspective - may have a dampening impact on revenue and boost expenses, whereas frequent legislative amendments may yield interpretation problems, inconsistent court ruling, and adverse interpretation adopted by the public administration, which can consequently hinder the implementation of long-term strategic objectives and cause difficulties in assessing the impact of future events or decisions. In addition, the fact that the companies of the Issuer Group operate in the territory of several countries, further adds to the risk in this area. The Issuer monitors amendments in tax regulations and makes necessary changes within the Issuer Group with a view to minimising this risk.

⇒ **CREDIT RISK**

Credit risk can be defined as the possibility of contractual default by the other party to the contract, which means that the vulnerable party will not receive its contractual payment within the anticipated time-frame. The amount of trade receivables, loans granted and cash deposits held in financial institutions reflect the maximum burden of credit risk on the Issuer Group.

In the area of credit risk related to trade receivables - in order to minimise it and to maintain the lowest level of working capital - the Issuer Group implemented procedures for grant a trade credit limit and certain forms of its collateral. Receivables from counterparties are subject to monitoring by the financial services from time to time, and where even a slight overdue occurs, the procedure for their recovery through the so-called soft recovery is activated.



SIGNATURES:

1. Maciej Witucki President of the Management Board .....
2. Piotr Ambrozowicz Vice President of the Management Board .....
3. Paul Christodolou Vice President of the Management Board .....
4. Tomasz Ślęzak Vice President of the Management Board .....
5. Iwona Szmitkowska Vice President of the Management Board .....