

# **THE REPORT OF MANAGEMENT BOARD OF WORK SERVICE S.A. ON THE ACTIVITIES OF CAPITAL GROUP**

for the first half of 2021

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# A. Review of interim financial statements

## 1. Key financial data of the Capital Group

### SELECTED ITEMS OF THE PROFIT AND LOSS ACCOUNT

The presented financial data for the period of 01.01.-30.06.2021 applies to the entire Capital Group: continued and discontinued operations.

Selected items of the profit and loss account (in PLN)	2021 - 1H	2020 - 1H	Growth 2021/2020
Sales revenue	221 162	619 554	0,36
Operating expenses	228 588	618 544	0,37
Sales profit (loss)	-7 426	1 009	-7,36
Operating profit (loss)	14 956	3 240	4,62
EBITDA	18 012	9 553	1,89
Gross profit (loss)	23 299	-19 567	-1,19
Gross profit (loss)	20 310	-29 999	-

The table below presents selected items of the income statement relating to continued activities for the Work Service Capital Group for the following periods: 01.01.2021-30.06.2021 and data for the period from 01.01.2020 to 30.06.2020.

Selected items of the profit and loss account (in PLN)	2021 - 1H	2020 - 1H	Growth 2021/2020
Sales revenue	206 882	212 372	0,97
Operating expenses	214 453	222 266	0,96
Sales profit (loss)	-7 572	-9 894	0,77
Operating profit (loss)	14 695	-8 539	-1,72
EBITDA	17 707	-4 416	-4,01
Gross profit (loss)	9 877	-21 637	-0,46
Gross profit (loss)	6 888	-25 393	-

In the first half of 2021, the Work Service Capital Group achieved financial results at a higher level than in the same period of 2020. Additionally, one-off events described in item 2 of this chapter were identified in the result of operations of the first half of 2021.

## SELECTED BALANCE SHEET ITEMS

The balance sheet presents the assets and liabilities of the Capital Group as at 30/06/2021, as at 31/12/2020 and as at 30/06/2020.

As at 30/06/2021, the items: Assets classified as available for sale and Liabilities related directly to assets classified as held for sale show the assets and liabilities of Prohuman 2004 Kft and companies controlled by Prohuman 2004 Kft., Taking into account the change in the consolidation method of these companies made at the end of 2020. The change in recognition results from the commencement of the negotiation process for the sale of all its shares in Prohuman 2004 Kft. about which the Company informed in the current report No. 54/2021.

As at 31/12/2020, the items: Assets classified as available for sale and Liabilities related directly to assets classified as held for sale show the assets and liabilities of Work Service Slovakia s.r.o and entities controlled by Work Service Slovakia s.r.o, as well as Work Service Czech s.r.o

As at 30/06/2020, the items: Assets classified as available for sale and Liabilities related directly to assets classified as held for sale show the assets and liabilities of the German Group, i.e. Work Service GMBH & Co.KG and entities controlled by Work Service GMBH & Co.KG.

	as at 30.06.2021	as at 31.12.2020	as at 30.06.2020
<b>FIXED ASSETS</b>	<b>95 767 337,96</b>	<b>294 461 262,84</b>	<b>331 251 890,89</b>
Intangible assets	7 798 863,70	8 989 878,24	12 187 312,52
Goodwill	40 989 018,08	19 315 989,20	258 857 140,89
Property, plant and equipment	11 243 891,33	10 519 712,90	15 686 887,83
Investment properties	2 324 620,65	2 346 490,95	2 368 361,25
Investments in associated companies		221 200 000,00	238 595,25
Other long- term financial assets	154 521,62	154 521,62	
Long-term receivables			108 564,92
Deferred tax assets	25 880 103,77	25 038 041,41	40 807 685,64
Prepayments	7 376 318,81	6 896 628,52	997 342,60
<b>CURRENT ASSETS</b>	<b>160 932 918,58</b>	<b>99 549 854,98</b>	<b>242 251 101,36</b>
Inventories	1 190 204,14	958 990,35	4 609 365,34
Trade and other receivables	109 525 132,87	76 657 524,88	171 040 522,94
Loans	2 232 417,41	372 015,20	4 084 859,87
Cash and cash equivalents	43 544 600,45	18 449 557,36	51 467 112,46
Prepayments	4 440 563,70	3 111 767,19	11 049 240,75
<b>Assets classified as available for sale</b>	<b>221 224 713,24</b>	<b>25 808 794,82</b>	<b>40 332 998,16</b>
<b>TOTAL ASSETS</b>	<b>477 924 969,78</b>	<b>419 819 912,64</b>	<b>613 835 990,41</b>
<b>EQUITY</b>	<b>19 857 697,07</b>	<b>1 505 640,62</b>	<b>25 195 071,25</b>
Share capital	6 575 388,80	6 559 063,80	6 559 063,80
Supplementary capital	343 137 534,23	342 909 066,23	352 780 966,23
The other reserve capital (funds)	-92 782 733,33	-92 672 703,31	-92 172 703,31
Profit (loss) brought forward	-257 441 938,65	-209 254 840,65	-203 000 380,60
Net profit (loss)	20 309 747,98	-16 040 511,58	-32 624 518,69
Foreign exchange differences	59 698,04	-29 155 815,10	-39 320 759,36
Capital held by non-controlling shareholders		-838 618,77	32 973 403,18
<b>LIABILITIES</b>	<b>403 199 220,19</b>	<b>408 863 236,37</b>	<b>552 807 402,95</b>
<b>Provisions for other liabilities and other charges</b>	<b>6 866 469,87</b>	<b>10 570 806,81</b>	<b>28 638 718,21</b>
Deferred tax liabilities	1 698 156,78	3 586 374,78	2 315 462,01
Provision for pensions and similar benefits	2 895 158,26	1 842 075,46	3 427 791,02
Other current provisions (short-term)	2 273 154,84	5 142 356,57	22 895 465,18
<b>Long-term liabilities</b>	<b>138 348 404,88</b>	<b>171 748 962,11</b>	<b>15 911 710,70</b>
Long-term loans and borrowings	23 849 874,23	55 243 053,00	528 604,57
Other financial liabilities	4 558 311,89	5 882 155,89	6 414 279,85
Other liabilities	109 940 218,76	110 623 753,22	8 968 826,28
<b>Short-term liabilities</b>	<b>257 904 912,22</b>	<b>222 772 380,98</b>	<b>498 599 393,84</b>

Liabilities in respect of the issue of debt securities			45 971 120,02
Other financial liabilities	40 239 588,33	11 859 689,00	10 115 757,21
Loans and borrowings	116 248 890,41	122 897 911,39	148 348 838,40
Trade liabilities	6 556 198,11	5 275 462,63	14 314 574,82
Advances for supplies received	2 220 440,85	969 369,19	79 334,71
Liabilities in respect of taxes, customs duties, insurance and other benefits	65 664 456,98	61 261 357,11	193 508 220,51
Payroll liabilities	22 316 696,36	15 894 636,02	36 365 538,40
Other liabilities	4 213 098,85	4 481 872,03	49 434 941,34
Special funds	445 542,32	132 083,61	461 068,43
<b>Accruals</b>	<b>79 433,22</b>	<b>3 771 086,47</b>	<b>9 657 580,20</b>
<b>Liabilities from assets classified as held for sale</b>	<b>54 868 052,52</b>	<b>9 451 035,65</b>	<b>35 833 516,21</b>
<b>TOTAL LIABILITIES</b>	<b>477 924 969,78</b>	<b>419 819 912,64</b>	<b>613 835 990,41</b>

### SELECTED FINANCIAL RATIOS

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

Selected financial ratios	Formula	1H2021	1H2020
Profitability of sales	Profit on sales / revenues from sales	-0,037	-0,047
Profitability of EBIT	Operation activities result / revenues from sales	0,071	-0,040
Profitability of EBITDA	(Operation activities result + amortisation) / revenues from sales	0,09	-0,02
Net profitability	Net financial result / revenues from sales	0,03	-0,12
ROE	Net financial result / share capital at the end of period	0,35	-1,01
The cash conversion cycle (in days)	Inventories cycle + receivables cycle - liabilities cycle	68	123
Receivables turnover (in days)	(Average balance of receivables from supplies and services / sales revenue) *180	72	135
Liabilities turnover (in days)	(Average balance of liabilities from supplies and services / costs of services sold) *180	5	17
Inventory turnover (in days)	Inventory / net revenues from sales *180	1	5

## 2. Strategic description

The condensed separate financial statements of the Parent and the consolidated financial statements of its Capital Group were prepared based on the assumption that the Parent and the Capital Group companies will continue as a going concern in an unchanged form and scope for at least 12 months after the date of the financial statements.

The factors and events described in this chapter will allow the Company to significantly reduce its debt and, consequently, continue its operations on the promising market of personnel services.

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

**In the opinion of the Management Board, in 2019 and throughout 2020, the Capital Group made a significant progress in the restructuring process, substantially completing it in August 2020.**

As the review of strategic options was completed:

- 1) the assets and financial standing of the Capital Group has been fully stabilised and secured;
- 2) the Capital Group is now a member of the world's leading service provider on the global HR market so it receives a strategic and business support to develop further in Poland and in the entire region of Central and Eastern Europe.

However, as at the date of publication of these financial statements, there are some related risks

- i) the ongoing COVID-19 pandemic
- ii) loss of control over the subsidiary Prohuman 2004 Kft in accordance with IFRS 10 described in this subchapter and no access to data on the Prohuman 2004 Kft group
- iii) ongoing disputes of the shareholders of Work Service S.A. and the growing obligations towards the Gi International Group described in this Report
- iv) Uncertainty as to the date of the possible Prohuman transaction and the need to repay the debt to Prohuman 2004 kft by December 31, 2021, which was presented in the balance sheet under "Liabilities related directly to assets classified as held for sale"

In the opinion of the Management Board, however, these circumstances do not indicate the existence of significant uncertainty, which may raise doubts as to the possibility of continuing operations by the Company and the Capital Group, because:

- (i) the possible sale of the Prohuman Group may constitute a significant positive factor positively changing the property and capital situation in the balance sheet.
- (ii) the disputes described in this Report do not directly translate into the company's operating activities. This means that despite certain legal uncertainty in the company's organizational environment, the fact of disputes between shareholders and the fact that some resolutions of the General Meeting are appealed against by several minority shareholders do not translate into generating negative financial results by the company. At the same time, the Management Board is not aware of any signals from the majority shareholder that could indicate a possible non-performance of the Investment Agreement and the Financing Agreement.
- (iii) Work Service structure and the structure of Gi Group sp z o.o. acquired on June 1, 2021 are already at an advanced stage of operational merger, which will translate into effective operation of the entire Work Service group.

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

According to the Management Board, important factors influencing the current strategic, financial and capital situation of the Group include:

- A change in the shareholding structure of Work Service S.A.;
- Obtaining financing in subsequent months of 2020 and 2021 to pay off the most urgent public law liabilities and bonds, and replenish the current working capital;
- Entering into the Restructuring Agreement with the Banks, providing for an option for the Company to redeem half of its bank debt;
- Conclusion of an agreement with Gi group SpA on potential operational cooperation, and then purchase from Gi International SRL based in Milan 100% of shares in the share capital of Gi Group sp.z o.o. based in Katowice and the conclusion of an appropriate license agreement on the basis of which Work Service obtained a license to use the word and figurative trademark "Gi Group";
- Information on new instalment arrangements concluded with the Social Insurance Institution (ZUS) and the arrangements made with the Tax Office and the State Fund for Rehabilitation of Persons with Disabilities
- Information on the loss of control over the subsidiary Prohuman 2004 kft in accordance with IFRS 10
- Information concerning negotiations by Work Service S.A. regarding the determination of the terms of sale of all shares in Prohumán 2004 Kft.
- Information on shareholder disputes of Work Service S.A.
- Information related to the impact of the COVID-19 pandemic on the Group's situation in 2021; and significant unusual events affecting the presented financial results;
- Information about received by Work Service S.A. and some subsidiaries of Work Service S.A. subsidies pursuant to Art. 15gg of the Act of March 2, 2020 on special solutions related to the prevention, prevention and combating of COVID-19, other infectious diseases and crisis situations caused by them.

When assessing the situation of Work Service S.A. these factors and events should be considered jointly.

### 1) Successful completion of the strategic options review: a change in the shareholding structure, obtaining financing to pay off the Company debt, repayment of bond liabilities, entering into the restructuring agreement with the banks

On February 3, 2020, an investment agreement was concluded with Gi INTERNATIONAL S.R.L. (the "Investor"), wholly owned by Gi Group S.A. Some favourable changes resulted from the performance of the agreement, which, in the opinion of the Management Board of Work Service S.A. are essential for stabilising the strategic situation of Work Service, allow for reducing the Group's debt, and create the potential for further development of the Group and creating solutions for the personnel services market in Poland and Central Europe.

- A. A change in the shareholding structure of Work Service S.A.; entry into the Gi Group – a leading entity on the global market of HR services.

As a result of the transaction of direct or indirect purchase of Work Service S.A. shares, as described in detail in the chapter: "Overview of the Interim Report of the Capital Group for H1 2020", item 6, the Investor acquired a controlling stake in Work Service S.A. in Q3 2020.

By the end of August 2020, the Investor had informed the Company that it held 33,260,510 shares of the Company, of which:

- 1) directly – 19,546,224 shares of the Company;
- 2) indirectly – 13,714,286 shares of the Company;

representing 50.71% of the share capital of the Company and authorising the holder to 33,260,510 votes at the general meeting of the Company, accounting for 50.71% of the total votes.

As a result, the Work Service Group has become a member of the Investor's group, which is an international industry entity providing services in the field of temporary and permanent employment and recruitment. At the same time, Gi Group S.A. is one of the world's leading providers of services aimed at the development of the labour market.

**In the opinion of the Management Board of Work Service S.A., the service proposal, experience and competences of the Work Service Capital Group in Central and Eastern Europe supplement the proposal of Gi Group S.A. in this part of the world and creates the potential for further development of both Work Service and Gi.**

#### **B. Provision of bridge financing to supplement the current financial liquidity of the Work Service Group.**

In the performance of the investment agreement of 2020 February 3, the Work Service Group was provided with bridge financing in the following amounts and on the following dates:

1. PLN 7,093,913.00 on February 27, 2020, to Sellpro Sp. z o.o.
2. PLN 3,500,000.00 on May 18, 2020, to Work Service S.A.
3. PLN 9,000,000.00 on July 24, 2020, to Work Service S.A.

In addition, in H1 2020, the Investor's group made financing (loans) available to the German group (sold in Q3) in the following amounts and on the following dates:

1. EUR 95,000 on February 19, 2020
2. EUR 120,000 on March 20, 2020
3. EUR 170,000 on April 9, 2020
4. EUR 180,000 on June 17, 2020

**The financing thus obtained made it possible to improve the liquidity of the Work Service Group in the transaction period and was used in a significant part for the partial repayment of public law liabilities.**

#### **C. The conclusion and subsequent entry into force of the Financing Agreement up to the amount of PLN 210 million.**

**On August 10, 2020, the Company concluded a financing agreement with the Investor (the "Financing Agreement"). The Financing Agreement provides that the Company will be granted financing in the total amount of PLN 210,000,000.00 (two hundred and ten million zloty) (the "Loan Amount") (the "Financing").**

The financing will be used cover the Company's payment obligations, including to pay off the reduced balance of debt towards the Banks, in the amounts specified in the repayment schedule, as well as the existing debt towards the Social Insurance Institution (ZUS), the Tax Office (US), and the State Fund for Rehabilitation of Disabled People (PFRON). As at the conclusion date, the Financing Agreement was conditional (*detailed terms of its entry into force are described in the chapter: "Overview of the Interim Report of the Capital Group for H1 2020", item 6*).

The Financing Agreement provides that repayment of the Loan Amount will be secured by the Company by submitting, within one month of the conclusion of the Financing Agreement, a declaration of voluntary submission to enforcement pursuant to Article 777 § 1 item 5 of the Code of Civil Procedure, up to the Loan Amount, valid until December 31, 2028, as well as by pledge



agreements on shares in the Company subsidiaries: Industry Personnel Services sp. z o.o. , Sellpro sp. z o.o., Finance Care sp. z o.o., Krajowe Centrum Pracy sp. z o.o. , Work Service Czech S.R.O., and Work Service Slovakia S.R.O.

**All the conditions precedent of the Financing Agreement were met in August 2020, which was announced by Work Service S.A. in a current report; therefore, as at the date of publication of this report, the Financing Agreement is in force.**

By the date of publication of this report, the following tranches had been made available to Work Service S.A. in the performance of the Financing Agreement:

1. PLN 19,175,000.00 on August 24, 2020, to Work Service SA
2. PLN 10,825,000.00 on August 27, 2020, to Work Service SA
3. PLN 8,451,000.00 on September 24, 2020 to Work Service SA
4. PLN 4,340,000.00 on November 3, 2020 to Work Service SA.
5. PLN 4,000,000.00 on 1 December 2020 to Work Service S.A.
6. PLN 5,516,000.00 on 18 December 2020 to Work Service S.A.
7. PLN 5,516,000.00 on 23 December 2020 to Work Service S.A.
8. PLN 3,000,000.00 on 23 December 2020 to Work Service S.A.
9. PLN 4,061,000.00 on 24 February 2021 to Work Service S.A.
10. PLN 3,257,000.00 on 7 April 2021 to Work Service S.A.
11. PLN 1,600,000,00 on 5 May 2021 to Work Service S.A.
12. PLN 5,516,000,00 on 5 May 2021 to Work Service S.A.
13. PLN 4,200,000,00 on 28 September 2021 to Work Service S.A.

These funds were used, among others, to: repay the bonds described in item D of this subchapter, partly repay the transaction costs oraz and installments to Polish Banks in order to reduce bank debt.

#### **D. Repayment and partial relief of bond debt.**

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

Thanks to the funds obtained in the performance of the Financing Agreement described in item C of this subchapter, on August 26, 2020, the Company redeemed all SHB series bonds and repaid interest due on the Bonds. Thus, the Company settled all liabilities under the SHB series bonds, which were redeemed as a result of their redemption by the Company. The nominal value of SHB bonds amounted to PLN 8,600,000.00.

On August 27, 2020, the Company repaid in full all its W, X and Z series bonds with the total nominal value of PLN 35,250,000.00, for the amount of PLN 10,575,000.00 (the "Bonds"), as well as repaid interest due on the Bonds.

#### **E. Conclusion of a Restructuring Agreement with banks providing for the redemption of some loan liabilities**

**On July 9, 2020, an agreement was concluded between the Company and the Banks on cooperation in the field of debt restructuring, specifying detailed conditions for restructuring the Issuer's debt towards the Banks under the loan agreement of November 18, 2015, as amended, concluded between, *inter alia*, the Banks and the Company (the "Loan Agreement") (the "Restructuring Agreement").**

**On August 28, 2020, Work Service S.A. announced that the Restructuring Agreement entered into force.**

At the same time, Work Service S.A. announced that as a consequence of the entry into force of the Restructuring Agreement, its parties were obliged to perform the target restructuring of claims based on a partial arrangement, which the Company and the

Banks planned to conclude in the weeks to come as part of the proceedings on approval of the arrangement within the meaning of the restructuring law (the "Arrangement").

The Restructuring Agreement provides for partial repayment and partial relief, under the Arrangement, of the Banks' claims against the Company under the Loan Agreement in the principal amount of approximately PLN 110,350,000.00, up to the amount corresponding to 50% of the principal amount (the "Repayment Amount"). The Repayment Amount will be repaid by the Company to the Banks in quarterly instalments, in accordance with the agreed repayment schedule, with the first payment to be made by September 30, 2020 and the last by June 30, 2023. Interest on the Repayment Amount will be calculated in the amount equal to WIBOR 3M + 200 bps per annum.

On 23 November Work Service S.A. became aware that the Banks unanimously accepted Work Service S.A.'s arrangement proposals, and accordingly, the arrangement was accepted by the Banks, within the meaning of the restructuring law ("Arrangement"). The content of the Arrangement adopted by the Banks provides for the restructuring of receivables under the partial arrangement, in accordance with the rules set out in the Restructuring Agreement.

The Arrangement covers receivables on account of financing Work Service S.A.'s operations through loans granted before the arrangement date under the Loan Agreement ("Receivables under Arrangement Procedure"). Banks are the only creditors with Receivables under Arrangement Procedure. The main principles of the restructuring of the Receivables under Arrangement Procedure are as follows:

- 1) As of the date of final and legally effective approval of the Arrangement, the Receivables under Arrangement Procedure in respect of repayment of the principal under the Loan Agreement are subject to redemption in 49.9998445% as at the Arrangement Date, that is 29 September 2020.
- 2) The Issuer shall repay the principal of the loans constituting the Receivables under Arrangement Procedure in the portion not subject to redemption pursuant to paragraph 1 above, that is 50.0001555% as at the Arrangement Date. The principal sum of the loans constituting the Receivables under Arrangement Procedure shall be repaid, in the portion not subject to redemption, in instalments of a specific percentage.
- 3) The Company will repay the Receivables under Arrangement Procedure from the Banks in quarterly instalments according to a fixed repayment schedule, with the first payment taking place on 30 September 2020 and the last by 30 June 2023. Interest on the repayment amount will be charged at WIBOR 3M + 200 bps per annum.
- 4) As of the date of final and legally effective approval of the Arrangement, Receivables under Arrangement Procedure for payment of interest whose payment date has been deferred prior to the date of the Arrangement until the date of full repayment of the principal of the loan (under the Loan Agreement) shall be subject to redemption in full.

Supervision over the implementation of the Arrangement shall be exercised in accordance with the provisions of the Restructuring Law by the Arrangement Supervisor.

On November 30, 2020, Work Service S.A. filed an application with the court for approval of the partial arrangement adopted in the proceedings for approval of the arrangement.

On 23 December 2020, Work Service S.A. received information that the District Court for Wrocław-Fabryczna, 8th Commercial Division for bankruptcy and restructuring cases, issued a decision on approving a partial arrangement with the Banks adopted in the proceedings for approval of the arrangement.

On 11 January 2021, the attorney for litigation of Work Service S.A. received a copy of a decision on approval of a partial composition agreement with the Banks adopted in proceedings for approval of a composition agreement ("Decision") issued by the District Court for Wrocław-Fabryczna, 8th Commercial Division for bankruptcy and restructuring ("Court").

On 19 February 2021, the attorney for Work Service S.A. was informed that the decision on approving a partial arrangement with the Banks adopted in the proceedings for approval of the arrangement, issued by the District Court for Wrocław-Fabryczna, 8th Commercial Division for bankruptcy and restructuring cases, became final on 22 January 2021.

#### **F. Conclusion of an agreement with Gi group SpA on potential operational cooperation, and then purchase from Gi International SRL based in Milan 100% of shares in the share capital of Gi Gro-up sp.z o.o. based in Katowice and the**

**conclusion of an appropriate license agreement on the basis of which Work Service obtained a license to use the word and figurative trademark "Gi Group";**

On 21 October 2020 Work Service S.A. entered into an agreement (the "Agreement") with GI Group SpA, seated in Milan, which is an indirect parent company of the Issuer (through GI International SRL, a shareholder of the Issuer) to enter into potential operational cooperation within the GI Group (the "GI Group") including also entities from the Issuer's group (the "WS Group") in order to enable the development of relations between the two groups in order to achieve mutual synergies, economies of scale and reduction of operating costs (the "Project").

Cooperation on the exchange of information under the Agreement in order to assess the following potential areas of intervention:

- 1) transfer of assets and liabilities made under arm's length conditions;
- 2) migration to the same software and other operating systems by GI Group and WS Group;
- 3) establishment of a shared services centre, covering all or a selection of: purchases, payroll, controlling, IT, human resources, law, accounting, finance and treasury of both the Capital Group and the GI Group.

For the purposes of the Project, the Parties have agreed in the Agreement to establish appropriate working groups and functions, composed of representatives of GI Group and WS Group, respectively. The Agreement provides for the exchange of relevant information for the purpose of considering, evaluating, advising, planning or implementing such cooperation. Whereby, the Issuer shall carefully consider the impact of the above cooperation on minority shareholders and to take up actions and pursue the necessary measures in order to take due account of the situation thereof. The Agreement binds the Parties until: (i) the cooperation has been completed, or (ii) terminated by a Party with three months' notice.

On 1 June 2021 Work Service S.A. concluded with GI International SRL with registered office in Milan (wholly owned by Gi Group SpA with registered office in Milan) ("Seller 1") and Mr. Stefano Colli-Lanzi ("Seller 2") as Sellers (jointly as the "Sellers") Share Purchase Agreement, on the basis of which the Purchaser acquired 100% of shares in the share capital of Gi Group sp. z o.o. with registered office in Katowice, (address: ul. Sobieskiego 11, 40-082 Katowice), entered into the register of entrepreneurs of the National Court Register kept by the District Court Katowice - Wschód in Katowice, VIII Department of the National Court Register under the number KRS 0000152084 ("Gi Group sp. z o.o. "), ("Agreement", "Transaction ") i.e. .:

- 1) 32,953 shares in the share capital of Gi Group sp. z o.o. , representing 99.9% of the share capital of Gi Group sp. z o.o. - from Seller 1;
- 2) 1 share in the share capital of Gi Group sp. z o.o. 0.10% of the share capital of Gi Group sp. z o.o. - from the Seller 2.

As a result of the conclusion of the Agreement, from June 1, 2021, the Issuer holds in the share capital of Gi Group sp. z o.o. in total 32,954 (say: thirty two thousand nine hundred and fifty four) shares, with a nominal value of PLN 500 (say: five hundred zlotys) each, with a total nominal value of PLN 16,477,000.00 (say: sixteen million four hundred seventy seven thousand zlotys), representing 100% of the share capital of Gi Group sp. z o.o. and entitling to 100% of votes at the shareholders' meeting of Gi Group sp. z o.o.

The total purchase price of all shares in Gi Group sp. z o.o. amounts to PLN 23,700,000.00 ("Purchase Price"). Pursuant to the Agreement, payment of the Purchase Price is to be made, depending on the Issuer's choice: a) in cash; or b) by covering the Purchase Price due to the Seller 1 and / or the Purchase Price due to the Seller 2 by issuing new shares of Work Service S.A. to Seller 1 and Seller 2, respectively, and provided that the General Meeting of Work Service S.A. approves the issue of new shares of Work Service S.A. ("Conversion of the Purchase Price into Shares"); or c) conversion of the Purchase Price into a long-term loan or bonds, the repayment of which will take place within 3 years from the date of signing the Loan Agreement, the terms of which will be agreed by the parties in a separate document no later than the end of August 2021 (the "Loan"), with the terms of the Loan repayment will not differ from the market standards; or d) jointly in the manner set out in point a) and / or b) and / or c) above, whereby part or all of the Purchase Price will be paid in the manner set out in point a) and / or b) and / or c) above.

On June 1, 2021, the Issuer informed the Sellers about the method of payment of the Purchase Price by Conversion the Purchase Price into Shares. The possibility of settling the Purchase Price by Conversion the Purchase Price into Shares is part of the process about which the Issuer informed in the current report no. 20/2021 "Commencement of negotiations aimed at restructuring the Issuer's financial debt towards GI International S.R.L."

Pursuant to the Agreement, if the Purchaser chooses the option of Converting the Purchase Price into Shares, the Issuer will apply to the General Meeting of Work Service S.A. for the shareholders to adopt a resolution to increase the share capital of Work Service S.A. in order to convert the newly issued shares into the Purchase Price by the end of August 2021 at the latest. If the General Meeting is not held by the last day of August 2021 at which the resolution on increasing the share capital referred to in the previous sentence is adopted, the Purchaser will inform the Sellers on making a new selection of the method of settlement from among the options indicated in a), c) or d) above, and then:

- a) if the selected settlement method is the Loan, the parties will agree on the terms of the Loan in a separate Loan agreement by the end of August 2021;
- b) if the cash payment method is selected, the Purchaser shall settle the Purchase Price by September 13, 2021.

The terms and conditions of the Transaction specified in the Agreement do not differ from the terms and conditions applied in the market for this type of agreement. The Agreement has not been concluded subject to a condition or time limit.

The Issuer informs that the implementation of the Transaction is the realization of the Company's strategy assuming focusing more on the development of operations in Poland. The implementation of the Transaction is also the result of the conclusion of an operational cooperation agreement within the Gi Group, about which the Issuer informed in the current report 91/2020. The effect of the Transaction predicted by the Issuer is the achievement of mutual synergies, economies of scale and reduction of operating costs of the Issuer's capital group and Gi Group SpA, which is indirectly the dominant entity of the Issuer.

On 9 July 2021, The Management Board of Work Service S.A. informs that the Issuer as the licensee entered into a Licence Agreement with Gi Group S.p.A., a company seated in Milan, which is an indirect parent company of the Issuer (through Gi International SRL, a shareholder of the Issuer) as the licensor. Pursuant to the Licence Agreement, the Licensor granted the Issuer a licence to use the word and figurative trademark "Gi Group". Pursuant to the Licence Agreement the Issuer is entitled to use the Trademark in the scope of providing services in business activity in the entire territory of Poland. The licence is a non-exclusive licence. The Issuer is entitled to grant sublicences within companies belonging to the Work Service capital group.

The Licence Agreement was concluded for a period of 5 years with an option of prolongation. Pursuant to the Licence Agreement, the total annual licence fee amounts to 0.2% of the turnover derived from all sales invoiced by the Issuer, however, due to the investments made by the Issuer, licence fee will be charged as of the second year of the term of the Licence Agreement. The Licence Agreement is governed by the laws of Poland.

The other terms and conditions under which the Licence Agreement was granted do not differ from the terms and conditions applied for this type of agreement on the market. The Agreement has not been concluded subject to any condition or deadline.

The conclusion of the Licence Agreement constitutes another stage of integration of services provided on the Polish market by the Issuer as an entity belonging to the Gi Group. The intended effect of this integration is rendering services in the field of temporary and permanent employment, outsourcing, search and selection of blue collar employees and HR consulting under one global brand "Gi Group". In the Issuer's opinion, the provision of services by Work Service S.A. under one of the strongest and most recognizable brands in Europe and in the world will allow full exploitation of the companies' synergies and implementation of the best practices and solutions in the HR area in Poland.

On 13 September 2021 the Management Board of Work Service S.A. ("Company" or "Issuer"), with reference to the current report No. 29/2021 regarding the conclusion by the Issuer as a purchaser and Gi International S.R.L with its registered office in Milan and Mr. Stefano Colli-Lanzi as Sellers (jointly as the "Sellers") of the Share Purchase Agreement, under which the Issuer acquired 100% of shares in the share capital of Gi Group sp. z o.o. ("Gi Group sp. z o.o.", "SPA") informs that in connection with: (i) the decision of the Issuer to pay the Purchase Price under the SPA by means of the Purchase Price Conversion into Shares - the decision of which was announced by the Issuer in the current report No. 29/2021; and

(ii) the fact that the shareholder Investment MIZYAK Corp Sp. z o.o. an action for annulment or revocation of the resolution no. 5 of the Extraordinary General Meeting of Shareholders of the Company of July 22, 2021 on: (i) increasing the share capital of the Company by issuing new series X ordinary bearer shares; (ii) exclusion of the entire pre-emptive right of the existing shareholders to all new series X shares, (iii) applying for admission and introduction to trading on the regulated market of the Warsaw Stock Exchange S.A. new series X shares, and (iv) changes to the Company's Articles of Association ("Resolution No. 5") - about which the Issuer informed in the current report No. 47/2021; and

(iii) the motion of a shareholder of the Company - GI International S.R.L. convening an Extraordinary General Meeting, at which voting will be held, inter alia, on adopting a resolution on the repeal of Resolution No. 5 - about which the Issuer informed in the current report No. 48/2021; the Company has started talks with the Seller in order to conclude an annex to the SPA ("Annex"). As part of the Annex, the method of settling the Purchase Price for shares in GI Group sp.z o.o. will be modified, in particular by the possibility of choosing to implement the Purchase Price conversion option to newly issued shares by adopting a resolution on increasing the Company's share capital.

The current report containing information on the results of the talks will be made public by the Issuer immediately after their completion.

#### **G. Obtaining the approval of the Issuer's Supervisory Board for the intended transaction of acquiring GI Group sp. z o.o. with registered office in Katowice**

On 18 May 2021 the Issuer's Supervisory Board agreed to the Issuer to carry out a transaction consisting in the purchase of all shares in Gi Group sp. z o.o. with registered office in Katowice from GI International s.r.l. (wholly owned by Gi Group SpA based in Milan) and Mr. Stefano Colli-Lanzi as Sellers. Gi Group sp. z o.o. is at the same time the total owner of the company Generale Industrielle Polska sp. z o.o. with registered office in Katowice. The Supervisory Board of Work Service S.A. accepted the key terms of the Transaction set out in the draft of the relevant share purchase agreement, which includes in particular the determination of the sale price of Gi Group sp. z o.o. shares. for the amount of PLN 23,700,000.00. Payment of the Price is to be made, depending on the choice of the Issuer: (i) in cash or (ii) by setting off the Issuer's claims against GI International s.r.l. or; (iii) by converting the Prices into the Company's shares of a new issue (the "Conversion"); or (iii) by converting the Price into a long-term loan or bonds, the repayment of which will take place within 3 years from the date of signing by the Issuer and the Sellers of a separate agreement regulating the repayment terms, but they will not differ from market conditions; or (iv) jointly in the manner specified in point (i), (ii), (iii) above, whereby all or part of the Price will be repaid in the manner set out in point (i) and / or (ii) and / or (iii).

## **2) Conclusion of new, longer-term instalment arrangements with the Social Security Institution (ZUS) and arrangements with the Tax and the State Fund for Rehabilitation of Persons with Disabilities;**

**In the opinion of the Management Board of Work Service, the new arrangements, in addition to the successful completion of the strategic options review and acquiring a leading Investor, were an important factor determining the situation of Work Service in the area of debt service towards the Social Insurance Institution (ZUS).**

Following a decrease in the loan-related debt in 2018 (in connection with the sale transaction of the Exact Group described in the Report of the Capital Group for 2018), in 2019 the Capital Group continued its restructuring operations, concluding instalment arrangements with the Social Insurance Institution (ZUS), which in 2019 encumbered the Group's current liquidity. The Work Service Group has prepared new assumptions for instalment arrangements based on the schedule of obtaining financing as part of the ongoing process of strategic options review. What is more, the Management Board of Work Service has started negotiations with the Social Insurance Institution (ZUS) aimed at concluding such new, longer-term instalment arrangements in order to reduce the monthly arrangement instalment, whereas earlier arrangements have been terminated.

As a result, on April 23, 2020, the Issuer entered into an instalment arrangement with the Social Insurance Institution (ZUS) regarding the outstanding social security contributions (including related interest) amounting to PLN 67.348.606,83. In addition, one of the Issuer's subsidiaries – industry Personnel Services Sp. z o.o. with its registered office in Wrocław (further: "IPS") also entered into an instalment arrangement with the Social Insurance Institution (ZUS) regarding the outstanding social security contributions (including related interest) amounting to PLN 10,065,383.60. Pursuant to the instalment arrangements, the outstanding social security contributions will be repaid in 48 instalments, from June 2020 to May 2024 (in the case of the Issuer) and in 48 instalments from March 2020 to February 2024 (in the case of IPS). The repayment plan included periods with lower instalments, financed from the current cash flows, and periods with relatively higher instalments.

Due to the prevailing COVID-19 pandemic, the Management Board has decided to continue renegotiations and propose new terms to the Social Insurance Institution (ZUS). As a result, new arrangements have been signed.

On August 7, 2020, Work Service S.A. concluded with the Social Insurance Institution (ZUS) an instalment arrangement regarding the outstanding social insurance contributions (including related interest) under new conditions, amounting to PLN 79,830,776.83 in total, which replaced the previous instalment agreement of Work Service S.A. Moreover, the arrangement was also concluded by one of the subsidiaries of Work Service S.A., Finance Care Sp. z o.o. with its registered office in Włocławek) – the value of the arrangement amounted to PLN 5,159,706.60.

Pursuant to the instalment arrangements, Work Service S.A. will repay its social insurance contribution liabilities for May 2020 in 24 equal instalments, starting from September 2020, whereas outstanding contributions for other periods will be repaid in 60 progressive instalments, starting from September 2020. Finance Care will repay its outstanding social insurance contributions for May 2020 in 12 equal instalments, starting from August 2020, whereas outstanding contributions for other periods will be repaid in 60 equal instalments, starting from September 2020. One of the conditions for the validity of the instalment arrangements is the settlement of current payments to the Social Insurance Institution (ZUS) without any delay.

On August 11, 2020, one of the subsidiaries, Work Service International sp. z o.o. with its registered office in Wrocław (further: "WSI") concluded two instalment arrangements with the Social Insurance Institution (ZUS) regarding the outstanding social security contributions: one amounting to PLN 8,722,420.40 (contributions without prolongation fees and interest) ("Instalment Arrangement 1") and one amounting to PLN 1,630,773.19 (including prolongation fees and interest) ("Instalment Arrangement 2"). Pursuant to Instalment Arrangement 1, the social insurance contribution liabilities for monthly periods from August 2019 to April 2020 will be repaid in 60 instalments, starting from September 7, 2020. Pursuant to Instalment Arrangement 2, the social insurance contribution liabilities for May 2020 will be repaid in 24 instalments, starting from September 7 2020. One of the conditions for the validity of the instalment arrangements is the settlement of current payments to the Social Insurance Institution (ZUS) without any delay.

On 5 October 2020, a subsidiary- Industry Personnel Services sp. z o.o. with its registered office in Wrocław (hereinafter: "IPS") concluded two instalment arrangements with the Social Insurance Institution (ZUS) concerning overdue liabilities on account of social security contributions in the amount of: PLN 12,614,664.89 (premiums plus the prolongation fees and interest) ("Instalment Arrangement 1") and PLN 530,141.69 (excluding prolongation fees and interest) ("Instalment Arrangement 2"). Under the terms of the Instalment Arrangement 1, the IPS obligations for the periods 05/2018 to 04/2020 will be repaid in 60 instalments starting on 20 October 2020. Under the terms of the Instalment Arrangement 2, the IPS obligations for the period 05/2020 will be repaid in 24 instalments starting on 20 October 2020. One of the conditions of the instalment agreements is that current payments to the Social Insurance Institution (ZUS) are paid without delay.)

On 26 October 2020 Work Service S.A.'s subsidiary, that is:

- 1) Work Service International sp. z o.o. with its registered office in Wrocław (hereinafter: "WSI");
- 2) Industry Personnel Services sp. z o.o. with its registered office in Wrocław (hereinafter: "IPS");
- 3) Sellpro sp. z o.o. with its registered office in Wrocław (hereinafter: "Sellpro");

were issued with decisions of the Head of the Tax Office in Wrocław on making payment of VAT liability in instalments. The boundary conditions of the decision are described below.

Re. 1.)

The Head of the Tax Office in Wrocław agreed to WSI tax liabilities in respect of VAT for February, March, April, May 2020 in the total amount of PLN 3,191,512.00 (including the prolongation fees and interest) being paid in instalments.

Re. 2.)

The Head of the Tax Office in Wrocław agreed to IPS tax liabilities in respect of VAT for February, March, April, May 2020 in the total amount of PLN 1,739,028.00 (including the prolongation fees and interest) being paid in instalments.

Re. 3.)

The Head of the Tax Office in Wrocław agreed to Sellpro tax liabilities in respect of VAT being paid in instalments:



a) for February, March and May 2020 in the total amount of PLN 2,777,215.02 (including the prolongation fees and interest).

b) for April 2020 in the total amount of PLN 863,228.00 (including the prolongation fees and interest).

According to each of the above decisions, tax liabilities will be repaid in 48 monthly instalments starting from 16.11.2020. Consent to making payment in instalments is contingent on meeting the deadline for payment in instalments.

On 2 November 2020 Work Service S.A. was issued with a consent of the Head of the Lower Silesian Tax Office in Wrocław to make payment of tax liabilities under VAT in instalments ("Decision"). The decision fully takes into account the Company's request and concerns a permit to make payment of tax liabilities on account of VAT for February, March, April, May 2020 in the total amount of PLN 14,635,014.00 (including listing fees and interest). Pursuant to the Decision, tax liabilities were split into 48 monthly instalments starting from 16.11.2020. The Tax Office will uphold the Decision subject to such conditions as Work Service S.A. making current payments to the Tax Office.

On 5 November 2020 Work Service S.A. was issued with a consent of the Head of the Lower Silesian Tax Office in Wrocław to make payment of CIT liabilities for 2018 in instalments ("Decision"). The decision concerns the split of payment of CIT liabilities in the total amount of PLN 8,471,397.00 (including interest on arrears and prolongation fees) into instalments. Pursuant to the Decision, tax liabilities were split into 48 monthly instalments starting from 16.11.2020. The Tax Office will uphold the Decision subject to such conditions as Work Service S.A. making current payments to the Tax Office.

On 4 February 2021, Work Service S.A. was informed that the State Fund for the Rehabilitation of Persons with Disabilities seated in Warsaw, (hereinafter: "PFRON") signed an agreement on spreading into installments cash payments for reimbursement of subsidies to the remuneration of disabled employees (hereinafter: the "Agreement"). The agreement covers Work Service S.A.'s obligation to reimburse remuneration to disabled employees resulting from the decision of the President of the Management Board of PFRON of November 21, 2019, upheld by the decision of the President of the Management Board of PFRON of October 29, 2020, in the part related to reimbursement of PFRON funds transferred to the Issuer as remuneration to disabled employees for the reporting periods March-April, June-September, November 2016, February-March, August-December 2017, January-February 2018 and reversing the appealed decision in the part related to reimbursement of remuneration to disabled employees for the reporting periods June-July 2014. The obligation covered by the Agreement consists of:

1) the amount of principal of PLN 6,226,032.13 (say: six million two hundred twenty six thousand thirty two zloty and thirteen grosz);

2) interest in the amount of PLN 1,821,894.25 (one million eight hundred and twenty-one thousand eight hundred and ninety-four zlotys and twenty-five grosz).

The above decision of the President of the Management Board of PFRON dated 29 October 2020, was appealed by the Issuer with a complaint to the Provincial Administrative Court in Warsaw in the part concerning the reporting period: August 2016 (reimbursement amount: PLN 423,722.26). Pursuant to the provisions of the Agreement, if a final court decision is issued stating that the Issuer is not obliged to pay PFRON the whole or part of the receivables covered by the Agreement, the Parties shall cease to be bound by the Agreement with respect to the receivables covered by such decision. Under the Agreement, Work Service's obligation will be repaid in 60 installments starting from February 2021 until January 2026.

On 9 July 2020, the Management Board of Work Service S.A. received an information that the Issuer's subsidiary „Industry Personnel Services” Sp. z o.o. with its registered office in Wrocław concluded with the State Fund for Rehabilitation of Disabled People with its seat in Warsaw an agreement on the distribution of payments into installments regarding the reimbursement of subsidies to the remuneration of disabled employees.

The Agreement covers the IPS's obligation resulting from the decision of the President of the Management Board of SFRDP of 1 October 2020 (maintained in force by the decision of the President of the Management Board of SFRDP of 21 January 2021), ordering IPS to return SFRDP's funds provided to the IPS as a subsidy for the remuneration of disabled employees for the reporting periods: March, April, August and October 2016; January – December 2017 and January, February, April – September 2018.

The obligation covered by the Agreement consists of:

1) the principal amount of PLN 2.635.099,04 (say: two million six hundred and thirty-five thousand and ninety-nine zlotys and four groszy);

2) interest in the amount of PLN 727.274,66 (say: seven hundred and twenty-seven thousand two hundred and seventy-four zlotys and sixty-six groszy).

The above decision of the President of the Management Board of SFRDP of 21 January 2021 was appealed by the IPS with a complaint to the Provincial Administrative Court in Warsaw in the part related to the reporting periods: August 2018 (refund amount: PLN 82.378,06) and September 2018 (refund amount: PLN 85.212,10).

Pursuant to the Agreement, the IPS's liability shall be paid in 60 installments, starting from July 2021 to June 2026.

### **3) Gradual reorganisation of the Capital Group and reduction of the number of its member entities.**

The activities of the Management Board of Work Service S.A. described in this section are mainly related to the Group restructuring by disinvestments of non-profitable or non-core entities (temporary work). As a consequence, significant changes took place throughout 2019 and 2020:

- repayment of acquisition liabilities to FIEGE Logistik Stiftung & Co. KG in several instalments in 2019; then, on June 5, 2020, a conditional agreement was concluded for the sale of the German companies which was finally implemented on July 27, 2020
- by the end of 2019, disinvestments had been completed regarding the entities from the Antal Sp. z o.o. Group
- the sale of Czech and Slovak entities, which served as collateral for the bondholders, was abandoned because the relevant bond liabilities were repaid, and then transactions of sale of these entities to the shareholder Work Service S.A. were completed
- measures have been taken to reduce the involvement of Polish entities in cross-border services (transfer of Polish employees to France, Belgium, and partly Germany) due to the reduced efficiency and profitability of this business, especially during the COVID-19 pandemic. As a result of the activities referred to above, on August 3, 2020, it was decided to wind up three Polish companies (Work Express Sp. z o.o., Outsourcing Solutions Partner Sp. z o.o., Support and Care Sp. z o.o.) and to open the corresponding liquidation proceedings.

In addition, the purchase option for Prohuman 2004 Kft was terminated on April 6, 2020, which resulted from the arrangements included in the investment agreement described in this chapter (it was one of the conditions precedent of that agreement). ;

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

##### **Signing of call option and co-operation agreement**

*This paragraph sets out the key terms of the agreement concluded on 3 July 2019 between the Company and the following Hungarian companies: Human Investors Kft. ("HI", Profólió Projekt Tanácsadó Kft. ("Profólió") and Prohumán 2004 Kft. ("Prohumán")*

This agreement sets out in detail the terms of the transaction for the future sale of 100% of shares in Prohumán ("Prohumán Sales Process"). The Prohumán Sales Process refers to the sale to HI company (a company formed by managers related to Profólió and Prohumán) or another entity designated by HI ("Buyer"): (i) all Prohumán shares held by the Company, which represent 80.22% of Prohumán's share capital ("Principal Shares") and (ii) all or part of the remaining Prohumán shares held by Profólió, which constitute 19.78% of Prohumán's share capital ("Profólió Shares").

Pursuant to the Agreement, a right of call option was established for the Buyer in respect of the Principal Shares ("Call Option") under which the Buyer may unilaterally acquire the Principal Shares. The Call Option has been set for a fixed period of two (2) years from the date of signing the Agreement ("Date of Signing"), with the possibility of early termination in the cases set out in the Agreement.



The sale price of the Principal Shares ("Purchase Price of the Call Option") consists of a cash payment and repayment of all loans granted by Prohumán to the Company ("Prohumán Loans") under loan agreements ("Prohumán Loan Agreement") plus interest (settlement amount of intra-group liabilities).

At the same time, the Company signed an Annex to the Prohumán Loan Agreement extending the maturity of Prohumán Loans until 31 December 2021 and allowing the repayment of Prohumán Loans in accordance with the Agreement. The entry into force of this Annex to the Prohumán Loan Agreement was subject to the entry into force of the Agreement and to the delivery of the originals of the notarial submission to the enforcement of the Company with regard to the claims arising from the Prohumán Loan Agreement.

The exercise of the Call Option and the completion of the sale shall be subject to the prior fulfilment of the conditions set out in the Agreement.

Pursuant to the Agreement, the termination of the Prohumán Sales Process by HI will be completed by 31 March 2020, with the possibility of extending this deadline, subject to the terms of the Agreement ("Extension of Deadline").

Profólió will cooperate with HI in the Prohumán Sales Process, including the sale of Profólió Shares or parts thereof (to the extent that Buyer will not buy the entire Profólió Shares) and will be a party to the sales contract ("Prohumán Sales Agreement").

If the conditions for the Extension of the Deadline are not met, the Company may terminate the Call Option by written notice to HI by 30 April 2020 at the latest. If the Company does not complete the Call Option by 30 April 2020 at the latest, then, under the terms of the Agreement, the deadline for the completion of the Prohumán Sales Process will be automatically extended. If this period is extended but the sale of Prohumán will not take place within this extended period, the Company may terminate the Call Option at any time after that extended period. HI may at any time terminate the Call Option.

If the above transaction fails in accordance with the schedule described above, the parties agreed on the terms and conditions for the mutual settlement and subsequent sale of Prohumán. On the date of the termination of the Call Option by either of the above parties ("Closing Cancellation Date"), the Issuer will be entitled to exclusively manage the sale of the Principal Shares and the shares of Profólió to an external buyer ("Second Sale of Prohumán") in accordance with the Agreement of 23 October 2017 and its amendments ("QSPA"). The second sale of Prohumán will start within 9 months of the date of the Closing Cancellation Date. As a result of the Second Sale of Prohumán: (i) the Company, (ii) a subsidiary of the Company, in which the Company is the sole shareholder (to which the Company may unilaterally transfer rights and obligations under the QSPA subject to payment of the purchase price) or (iii) an external buyer selected by the Company (to which certain rights and obligations under the QSPA may be unilaterally transferred by the Company subject to payment of the purchase price), will acquire Profólió shares for the purchase price which will be reduced by PLN 4 million compared to the purchase price specified in the QSPA without interest on this price during the second sale of Prohumán and will be payable in full in cash in accordance with the QSPA (as amended) ("Profólió Share Purchase Price").

The payment to Profólió of the Profólió Share Purchase Price by the Company or an external buyer chosen by the Company will be made at the same time as the payment and transfer of the principal shares and will not occur earlier than: (i) within 12 months of the start of the Second Sale of Prohumán and (ii) within 21 months of the Closing Cancellation Date ("Prohumán Second Sale Date"). Under certain conditions, Prohumán Second Sale Date will be automatically extended by 3 (three) months. If the payment of the Profólió Share Purchase Price is not made before or on the date of the Second Sale of Prohumán, the Second Sale of Prohumán will be considered as unsuccessful.

In this case, the purchase price of Profólió Shares will be payable by the Company in 4 (four) equal quarterly instalments.

Therefore, Profólió and the Company signed an Annex to the QSPA ("Annex to QSPA") in the event of a failure of the Second Sale of Prohumán. The Annex to the QSPA defines the way in which the shares are sold ("Third Sale of Prohumán"), in four instalments of the "First Instalment Implementation" will take place on the last working day of the three-month period from the date of entry into force of the Annex to the QSPA; "Second Instalment Implementation" will take place on the last working day of the six-month period from the date of entry into force of the Annex to the QSPA; "Third Instalment Implementation" will take place on the last working day of the 9-month period from the date of entry into force of the Annex to the QSPA, and "Fourth Instalment Implementation" will take place on the last working day of the 12-month period from the date of entry into force of the Annex to the QSPA. Each of these instalments corresponds to 1/4 (one quarter) of the Profólió Shares Purchase Price and represents 4.945% of Prohumán's registered capital. Each instalment shall be paid in accordance with the conditions set out in the amendment to the QSPA.

The parties provided in the Agreement for contractual penalties for a breach of the Agreement in the amount from PLN 100,000 to PLN 40,000,000 depending on the nature and significance of the breach.

The parties have fixed interest in the Agreement at 10 % in the event of non-compliance with payments calculated from the due date until the actual date of payment.

The Agreement shall be governed by Hungarian law. The other terms of the Agreement shall not depart from the terms and conditions applicable to such agreements.

Funds acquired from the sale of the Principal Shares will be spent, as follows: (i) for a complete repayment of the loan granted to the Company pursuant to the loan agreement of 18 November 2015 (subsequently annexed) concluded with BNP Paribas S.A., Bank Millennium S.A., Santander Bank Polska S.A. and Powszechna Kasa Oszczędności Bank Polski S.A., which the Company reported in current reports, e.g. No. 43/2015, 34/2017, 7/2018, 82/2018 and 86/2018, amounting to about PLN 110 mln (ii) for further debt adjustment and the reduction of liabilities of the Issuer's Capital Group.

### **Termination of the Call Option on 6 April 2020**

On April 6, 2020, Work Service S.A. terminated the Call Option in respect of all Prohumán 2004 Kft shares. ("Prohumán"), held by Work Service S.A., representing 80.22 % of Prohumán's share capital ("Call Option").

According to the agreement described in the previous section, the sale of Prohumán by HI, under the Call Option was completed, was to be completed by 31 March 2020, with the possibility of extending this deadline, subject to the terms of the agreement.

As the terms of the extension of this period have not been fulfilled, Work Service S.A. was entitled to terminate the Call Option until 30 April 2020, which was executed by Work Service S.A. In the presented agreement, the parties agreed on the terms of further sale of Prohumán in the case of a failure of the Call Option transaction. Therefore, from April 6, 2020, Work Service S.A. is entitled to exclusively manage the sale of 100% of the Prohumán shares held by the Company and Profólió under the so-called second sale of Prohumán.

### **The absence of an extension of the Call Option period was one of the suspensive conditions of the investment agreement concluded on 13 February 2020 between Work Service S.A. and Gi International S.r.l.**

## **B. Conclusion of an agreement with an advisor on the execution of a transaction for the sale of shares in Prohuman 2004 kft.**

On 29 December 2020, Work Service S.A. signed a cooperation agreement with an external advisor concerning completion of a second process of sale of 100% shares in Prohumán 2004 Kft. ("Prohumán") ("Second Prohumán Sales Process"). The Second Prohuman Sales Process will be carried out under the Purchase Option and Cooperation Agreement of 3 July 2019 concluded between Work Service S.A. and the Hungarian companies: Human Investors Kft. ("HI"), Profólió Projekt Tanácsadó Kft. ("Profólió") or Prohumán (the "Agreement").

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

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

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

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

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

In addition, upon closing the Transaction, the Buyer will promptly repay to the Issuer the amounts resulting from the inter-group liabilities of the Company and its subsidiaries in the amount of approx. PLN 3,300,000.00.

Finally, on July 27, the Sellers sold 74% and 26% of their share rights in the Company, respectively, with the total nominal value of EUR 100,000.00, accounting for the total of 100% of the share rights in the Company, for the price of PLN 4,500,000.00 – the price actually received by the Sellers.

Pursuant to the Agreement, the Buyer was to repay to the Issuer, within 10 working days after July 27, 2020, the intra-group liabilities to the amount of approx. PLN 3,300,000.00.

The Issuer intended to allocate the amount of PLN 7,500,000.00 received under the transaction to repay the principal of the bridge loan.

**The planned sale of German entities was performed as part of restructuring activities carried out by Work Service within the Issuer's Capital Group and also the result of the planned investment of Gi Group SA. in the Capital Group.**

#### **D. Withdrawal from the sale of Czech and Slovak entities in connection with the restructuring of bonds described in item 3 of this chapter, and then completing the transaction of sale of these entities to the shareholder Work Service S.A.**

On December 10, 2018, the Company fully implemented the conditional agreement concluded on December 6, 2018 and completed the restructuring and bond refinancing process. In the bond issue terms, the Company undertook to implement restructuring activities including, among others, to start of the sales process of Work Service Czech Republic s.r.o., Work Service Slovakia s.r.o., Work Service SK s.r.o. and Work Service Outsourcing Slovakia s.r.o. in accordance with the agreed schedule.

At a meeting held on 21 December 2020, the Company's Management Board decided to execute transactions consisting in the sale of all shares in Work Service S.A., i.e. Work Service Czech s.r.o. and Work Service Slovakia s.r.o. to GI International SRL (which is owned by Gi Group SpA based in Milan) ("Transactions").

On 10 February 2021, the Supervisory Board of Work Service S.A. agreed that Work Service S.A. will perform transactions consisting in the sale of all shares in the Issuer's subsidiaries Work Service Czech s.r.o. and Work Service Slovakia s.r.o. to GI International SRL (wholly owned by Gi Group SpA seated in Milan) ("Transactions"). At the same time, the Supervisory Board accepted the key terms of the Transaction as set forth in the draft of the relevant framework agreement, which in particular includes setting the sales price of shares in the above subsidiaries at a total amount of PLN 29,200,000.00, which may be paid in cash or by a set-off of receivables of the Issuer against GI International SRL or by settling a part of the amount in cash and the remaining amount by a set-off.

On 24 February 2021, Work Service S.A. and two of its subsidiaries, i.e. Industry Personnel Services sp. z o.o. and Work Service International sp. z o.o., as the seller ("Seller") entered into an agreement with GI International SRL seated in Milan (wholly owned by Gi Group SpA seated in Milan), as the buyer ("Buyer"): (i) Framework Sales Agreement which sets out the terms and conditions of the transaction of selling all shares in the Issuer's subsidiaries, i.e. Work Service Czech s.r.o. and Work Service Slovakia s.r.o., held by the Sellers to the Buyer. (the "Agreement", the "Transactions"), and, in execution of the Agreement, (ii) two agreements for the sale of such shares (in accordance with their forms attached hereto).

The total sales price of all shares in the above subsidiaries of the Issuer amounted to PLN 29,200,000.00 (the "Selling Price"), including

- 1) for shares in Work Service Czech s.r.o. - PLN 20,300,000.00
- 2) for shares in Work Service Slovakia s.r.o. - PLN 8,900,000.00

The Parties to the Agreement agreed that the Selling Price shall be paid in two instalments as follows:

1) The amount of PLN 19,200,000.00 due from the Buyer will be deducted on 1 March 2021 from a part of the Loan Amount, which the Issuer informed about in the current report no. 110/2020, which Loan was granted by the Buyer to the Issuer on the basis of the Financing Agreement (described in the current report no. 54/2020). As a result of the deduction, the due part of the Loan Amount shall be reduced to the amount of PLN 10,800,000.00. ("Remaining Loan Amount").

2) The amount of PLN 10,000,000.00 due from the Buyer shall be paid in cash by April 30, 2021.

Pursuant to the Agreement, the parties may change the method of payment of the Sales Price by using a payment option selected from the following: (i) in full in cash, or (ii) in full by way of set-off of the Issuer's claims against the Buyer, or (iii) by settling part of the amount in cash and the remaining amount by way of set-off.

In the event of breach by any of the Sellers of their obligations arising from the prohibition on competitive activity with respect to the Issuer's subsidiaries sold, as set forth in the Agreement, a given Seller shall be obliged to pay the Buyer a contractual penalty in the amount of EUR 25,000 for each case of breach; payment of the contractual penalty shall not exclude the Buyer's right to claim compensation for damage exceeding the amount of such penalty. The other terms and conditions specified in the Agreement on which the Transactions are to be carried out do not differ from the terms and conditions applied for this type of agreements on the market. The agreement was not entered into subject to a condition or term.

The transaction is a manifestation of the Company's strategy to focus more on developing its business in Poland and raising additional funds to reduce its liabilities. The Management Board of Work Service S.A. considered the sale of companies in the Czech Republic and Slovakia already at the stage of selecting strategic options at the beginning of 2019, which resulted from the lack of sufficient synergies with foreign companies operating independently.

#### **E. Information concerning negotiations by Work Service S.A. regarding the determination of the terms of sale of all shares in Prohumán 2004 Kft.**

On 30 September 2021 Work Service S.A. informed that it is negotiating the sale of all its shares in the Work Service S.A. subsidiary, Prohumán 2004 Kft. ("Prohuman") (representing 80.22% of the total share capital of Prohuman) ("Transaction"), in the course of which the Company applied to the lending banks for consent to conduct - in the event of a positive conclusion of the negotiations - Transaction on preliminary terms negotiated by the parties.

The Work Service S.A.'s actions towards the implementation of the Transaction are the result of concluding a cooperation agreement in the implementation of the second process of selling all shares of Work Service S.A. in Prohuman, about which the Work Service S.A. informed in the current report 108/2020. The sale in question depends on the parties negotiating satisfactory terms of the Transaction. Work Service S.A. hereby clarified that the disclosure of this information is performed due to the need to apply to the accounting standards resulting from the arrangements with the Work Service S.A.'s auditor requiring the disclosure of the intended sale of shares in Prohumán as assets for sale in the semi-annual financial statements, which will be published on 30 September 2021.

The conclusion of an agreement for the sale of shares in Prohuman, assuming a successful course of negotiations, will be conditional on obtaining all necessary permits resulting from the provisions of the law of commercial companies and resulting from agreements linking the Work Service S.A. with the Work Service S.A.'s Crediting Banks.

If the negotiations are successful, Work Service S.A will immediately publish information about it in the form of an appropriate current report.

#### **4) Loss of control over Prohuman 2004 Kft according to IFRS 10**

On 31 December 2020, the Management Board of Work Service S.A., having obtained relevant opinions from external legal advisors, performed a multi-faceted analysis of information concerning facts and circumstances indicating the occurrence of a number of difficulties with respect to effective ownership and management of the Hungarian company Prohumán 2004 Munkaerő Szolgáltató és Tanácsadó Kft. seated in Budapest, in which Work Service S.A. holds shares representing a majority (80.22%) of votes at the Meeting of Shareholders ("Prohumán"), resulting from an unfavourable attitude of Profólió Projekt Tanácsadó Kft. seated in Budapest, which is a minority shareholder in Prohumán ("Profólió"), and three (out of four) Executive Directors of Prohumán connected with it - including as regards exercising effectively certain rights of Work Service S.A. as a shareholder in Prohumán (in particular, as Profólió contests the correctness of appointment of one of the Executive Directors of Prohumán, delegated by Work

Service S.A. to perform this function). This analysis has led the Company's Management Board to formulate an assessment that the resulting corporate dispute has reached a level of intensity which may pose a significant threat - at least temporarily (but for an indefinite period of time) - to Work Service S.A.'s ability to exercise sufficiently effective control over Prohumán. Mutual relations of Work Service S.A. and Profólió, which were established in the past on the basis of numerous contractual relations (especially those resulting from the shareholders' agreement), have in fact allowed these entities to exercise joint control over Prohumán; however, this year there have been discrepancies in some decisions made by Prohumán's corporate bodies, including as regards the appointment of the sole Managing Director of Prohumán nominated by Work Service S. A.; other Managing Directors have not reported his appointment to the relevant court register as well as they do not admit him to perform his functions. A.; the other Managing Directors have so far failed to report his appointment to the relevant court registry, as well as to admit him to perform his functions. The actions and omissions detrimental to the interests of Work Service S.A., which were taken by Prohumán's managers who are in conflict with Work Service S.A. and by Profólió, are in violation of the law and Prohumán's Articles of Association.

Work Service S.A. endeavors to correct the deficiencies of Prohumán's operations, including through appropriate proceedings before a competent court, and intends to take further steps in this regard with the professional assistance of Hungarian legal advisors. The object of these actions is to restore Prohumán to legal and statutory compliance; in the first instance, this includes obtaining the registration of the Managing Director in the court register. In the opinion of Work Service S.A. on 31 December 2020, further continuation or intensification of this dispute - which may manifest itself in complete discontinuation of cooperation of Profólió or Prohumán with Work Service S.A. (especially as regards proper provision of necessary information and financial data by Prohumán or selection of an auditor for Prohumán and its subsidiaries) - increases the risk of serious adverse consequences for Work Service S.A. or its capital group, especially in the area of consolidation of financial statements.

On 31 March 2021, the Management Board of Work Service S.A. informed that as a result of an ongoing corporate dispute in Prohumán caused by an unfavourable attitude of Profólió Projekt Tanácsadó Kft. seated in Budapest, being a minority shareholder of Prohumán ("Profólió") and three (out of four) managing directors of Prohumán connected with it - difficulties in exercising effective ownership and management influence over Prohumán as well as its capital group ("Prohumán Group") resulted in the Work Service S.A.'s belief that on 31 March 2021 the Company has effectively lost control over Prohumán in accordance with the International Financial Reporting Standards ("IFRS").

Until the publication of the report, Work Service S.A. has completed a number of actions, including those under respective proceedings, aimed at restoring, in a manner prescribed by law, the full extent of its rights related to the majority shareholder status in Prohumán. Despite exercising due diligence, the actions taken by Work Service S.A. did not bring the expected results and therefore the prerequisites of IFRS 10 determining the loss of control of the Issuer over Prohuman were fulfilled.

Under IFRS 10, this loss of control will cause Work Service S.A. to change its situation, i.e. regain control, starting from the consolidated financial statements of the Work Service group for the fiscal year 2020:

- 1) Exclude from the consolidated balance sheet the assets (including goodwill relating to the Prohuman group) and liabilities of the Prohumán group (as a former subsidiary) that were consolidated until September 30, 2020, together with minority capital and the foreign exchange result relating to the translation of the Prohuman group's statements;
- 2) Recognize the value of the Prohuman group in the consolidated balance sheet at an amount equal to the fair value of the group;
- 3) Recognize accounts receivable and accounts payable to the Prohuman group;
- 4) Include in the 2020 annual consolidated income statement the revenue and expenses of the Prohuman group for the nine months ended September 30, 2020;
- 5) Measure the shares in the Prohuman group using the equity method, i.e. include in the annual consolidated profit and loss account the consolidated financial result of the Prohuman group for the 4th quarter of 2020 and subsequent periods 2021 provided that such data is received in a form that makes it possible to include these data in the annual consolidated profit and loss account of the Work Service S.A. Group.
- 6) Present all of the data and adjustments described in items 1-5 above in the financial statements in the continuing operations section, together with the financial data of other entities that do not constitute discontinued operations.

Work Service S.A. will continue to take all possible measures to restore Prohumán's operations in accordance with the law and its Articles of Association.

Work Service S.A. also notes that the situation described above has no impact on the Issuer's financial position, including liquidity, or on Work Service S.A. separate data. Work Service S.A. discloses in its books the value of shares in Prohuman equal to PLN 144 million and as at the date of publication of this current report there are no grounds to make a write-down of this value.

**The impact of losing control under IFRS 10 (and the resulting change in the data consolidation method described above) on the consolidated financial results is presented in item 2.3 "Business Continuity" (subitem 6.C) of the Work Service S.A. Capital Group Annual Report. Work Service S.A. also cautions that the data described in item 5 above (net profit of Q4 2020 for the Prohuman group, as well as the net profit for the first half of 2021 for the Prohuman group ) were not included in the consolidated financial results due to the fact that they were not received from Prohuman 2004 KFT. or its subsidiaries.**

## **5) Activities aimed at restructuring the financial debt of the Work Service group towards GI International S.R.L.**

In connection with the information presented in points 1 B and 1 C of this chapter, by the date of publication of this report, in the performance of the investment agreement and the Financing Agreement, financing was made available to companies belonging to the continued part of the capital group in the total amount of PLN 94 850 913,00 PLN, of which, by the date of publication, 30,000,000.00 PLN had already been repaid, partly through compensation with receivables for the sale of Czech and Slovak entities. The current amount of the liability is PLN 75 650 913,00 PLN.

In accordance with the currently agreed terms and conditions resulting from valid bridge financing agreements and the Financing Agreement described in point 1C of this chapter as well as in note 20 of the Group's Annual Report for 2020, the amount of this liability should be settled or repaid as follows:

- PLN 7 093 913,00 until February 13, 2025
- PLN 68 557 000,00 until July 31, 2021

On April 19, 2021, Work Service S.A. signed a letter of intent with GI International S.R.L. concerning the consideration and analysis of all possible solutions that may apply to the restructuring of the above-mentioned debt ("Receivables" towards GI International SRL, in particular the amendment of the Financing Agreement or the conduct of proceedings, pursuant to the provisions of the Restructuring Law aimed at postponing the due date of the Receivables or converting the Receivables on the Company's shares of a new issue ("Conversion"). The effect of the possible Conversion assumed by Work Service SA is, in particular, a positive impact on the amount of equity capital per unit of Work Service SA.

On 30 July 2021, the Management Board of Work Service S.A., with reference to current report no. 54/2020 on conclusion of a Financing Agreement between the Company and Gi International s.r.l., on the basis of which the Investor granted to the Company financing in the amount of PLN 210,000,000.00, informs that a part of the Loan Amount of PLN 50,000,000.00, maturing on 31.07.2021, will not be repaid on that date.

With reference to current report no. 40/2021, in which the Issuer communicated the opinion of the Management Board justifying the exclusion of the subscription rights to Series X Shares and the issue price of Series X Shares, the Issuer informs that the Company and the Investor are conducting negotiations to determine new conditions for repayment of the Part of the Loan Amount. A current report containing information on the results of the conducted negotiations will be published by the Issuer immediately after their completion.

## **6) Adjustments of financial data for 2020 regarding: scale of activity, business operating costs, goodwill and recognition of a number of atypical events as a result of financial performance**



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

The presented financial data refer to the 6-month period ended June 30, 2021 and the 6-month period ended June 30, 2020.

The presented financial data on continuing operations for 6 months of 2021 include:

- \* results of Polish companies and the Ukrainian company for the period 01.01.2021-30.06.2021
- \* results of Gi Group sp z o.o. together with the subsidiary Generale Industrielle sp. z o.o. for the month 06.2021

Data for continuing operations are not comparable due to the result of Gi Group Sp. z o.o. together with the subsidiary Generale Industrielle sp. z o.o. for the month of June 2021.

The presented data on discontinued operations include:

\* activities intended for sale for the period 01/01/2021 - 30/06/2021, i.e. the financial results of Work Service Slovakia s.r.o and entities controlled by Work Service Slovakia s.r.o, as well as the company Work Service Czech s.r.o. including the result on the sale of these entities. Additionally, the results of Prohuman 2004 Kft and companies controlled by it should be taken into account in accordance with the new consolidation method described in point 1.2 of the Interim Condensed Semi-Annual Report for the first half of 2021, however, the Issuer did not receive such data.

\* activities intended for sale for the period 01/01/2020 - 30/06/2020, i.e. the financial results of Work Service Slovakia s.r.o. and entities controlled by Work Service Slovakia s.r.o, as well as Work Service Czech s.r.o. and the German Group, i.e. the company Work Service GMBH & Co.KG and entities controlled by Work Service GMBH & Co.KG, and the financial results of Prohuman 2004 Kft and companies controlled by it.

The sale of Work Service GMBH & Co.KG was made at the beginning of the third quarter of 2020. which was described in the Group's Report for the first half of 2020, as well as in the Consolidated Quarterly Report of the Group for the third quarter of 2020.

Sale of companies Work Service Czech s.r.o. and the Work Service SK group was made in February 2021.

In December 2020, due to the loss of control, the method of consolidation of the Prohumana Group was changed, which is described in more detail in point 1.2 of the Interim Consolidated Semi-Annual Report for the 1st half of 2021.

<b>CONTINUED OPERATIONS</b>	<b>01.01.2021-30.06.2021</b>	<b>01.01.2020-30.06.2020</b>
<b>Revenues</b>	<b>206 881 665,06</b>	<b>212 372 201,46</b>
Net revenues from sales of products	206 516 783,94	213 247 754,44
Variation in stocks of products	364 881,12	-875 552,98
Manufacturing cost of products for entity's own purposes		
Net income on sale of goods and materials		
<b>Operating costs</b>	<b>214 453 256,96</b>	<b>222 265 972,32</b>
Depreciation	3 012 157,55	4 123 418,81
Consumption of materials and energy	782 547,86	1 022 627,61
Outside services	19 367 717,60	17 841 895,48
Taxes and charges	692 935,25	545 704,49
Remuneration	158 739 122,53	165 446 691,37
Social insurance and other benefits	31 034 155,63	32 157 224,44

Other generic expenses	824 620,53	1 128 410,12
Value of goods and materials sold		0,00
<b>Profit (loss) on sales</b>	<b>-7 571 591,91</b>	<b>-9 893 770,86</b>
Other operating incomes	32 174 314,21	15 474 893,77
Other operating costs	9 907 856,28	14 120 352,51
<b>Profit (loss) on operating activities</b>	<b>14 694 866,02</b>	<b>-8 539 229,60</b>
Financial incomes	5 064 397,93	-1 448 198,81
Financial costs	9 882 094,05	11 650 000,06
<b>Gross profit (loss)</b>	<b>9 877 169,90</b>	<b>-21 637 428,47</b>
Income tax	2 988 770,70	3 755 993,05
<b>Net profit (loss) from continued operations including:</b>	<b>6 888 399,20</b>	<b>-25 393 421,52</b>

<b>DISCONTINUED OPERATIONS</b>	<b>01.01.2021-30.06.2021</b>	<b>01.01.2020-30.06.2020</b>
Net revenues from sales of products	14 280 197,04	407 181 539,66
Operating costs	14 134 342,42	396 278 477,49
Other operating incomes	120 426,19	7 683 140,68
Other operating costs	4 783,41	6 806 842,57
Financial incomes	13 304 353,90	8 062 145,08
Financial costs	144 502,52	17 771 478,15
Gross profit (loss), including:	13 421 348,78	2 070 027,20
the result of the Czech entity and Slovak entities until the date of sale and the result on the sale of these entities in 2021.	13 421 348,78	
Net profit (loss) in the first half of 2021 Prohuman Group *	No data	
Income tax		6 675 686,45
Net profit for the financial year from activities classified as intended, including:	13 421 348,78	-4 605 659,25
the result of the Czech entity and Slovak entities until the date of sale and the result on the sale of these entities in 2021.	13 421 348,78	
Net profit (loss) in the first half of 2021 Prohuman Group *	No data	

\* net profit (loss) from discontinued operations does not include the net profit (loss) of the Prohuman Group due to the lack of data from the Prohuman Group for the 1st half of 2021. . According to the changed method of consolidation described in point 1.2 financial result of Prohuman group for the first half of 2021 should be included.

### **Comment on financial data of the continued operations**

As a consequence of concluding Annex No. 4 to the loan agreement in December 2018, after the sale of the Exact group and partial repayment of debt to Polish banks and the stabilization of the situation in the area of bond debt, the Management Board of the Company planned to focus its attention on core operating activities.

**However, as a result of the problems related to the still large debt in 2020 in the Group, and lasted a deep crisis of confidence of the entire market, customers, offices, banks and various institutions toward Work Service has begun, which has exacerbated the difficulties of managing business.**

**Therefore, we observe for a long time two important trends:**

- 1) Scaling down of operations (a decrease in revenues), also caused by the prevailing COVID-19 pandemic;**
- 2) A gradual reduction in operating costs, in parallel to the scale-down of operations.**



**In the opinion of the Management Board, the situation related to the negative trend on the sales side has been limited since 2021, which is also related to the stabilization resulting from the Financing Agreement described in this Report and a number of other restructuring measures described in this report.**

**Currently, the Management Board of Work Service S.A. is focused on the gradual rebuilding of sales, improving operational efficiency and, consequently, improving the profitability of operations.**

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

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

## **B. Recognition of atypical events as a result of operating activity (for continued operations);**

The Management Board notes that in the operating result on continued operations (as presented above), a number of unusual events were identified, including:

- I. Unusual events and factors improving the operating result in the total amount of PLN 24.4 million, including:
  1. Recognition of unusual other operating income in the total amount of PLN 24.4 million, including:
    - Recognition of other operating income related to the adjustment to the value of assets in the balance sheet in the total amount of approx. PLN 1.6 million;
    - Recognition of other operating income related to the adjustment to the value of equity and liabilities in the balance sheet in the total amount of approx. PLN 1.2 million;
    - Recognition of other operating income in connection with the release of court cases costs provisions in the total amount of approx. PLN 1 million;
    - Recognition of other operating income in connection with the release of provision for estimated liabilities to PFRON in the amount of approx. PLN 0.8 million;
    - Recognition of other operating income in connection with the COVID - 19 government grant in the amount of approx. PLN 19.8 million.
- II. Unusual events and factors worsening the operating result in the total amount of PLN 5.8 million, including:
  1. Costs of third-party services related, among others, to i) advisory services (covered and not covered by restructuring provisions), ii) settlement of cooperation with a subcontractor, and (iii) other costs in the total amount of approx. PLN 1.9 million;
  2. Costs related to fees and taxes pertaining to prior years in the amount of approx. 0.1 million
  3. Recognition of unusual other operating costs in the amount of PLN 2.3 million, including:
    - Other operating costs related to the adjustment of or delay in payment of public law liabilities and other legal costs in the total amount of approx. PLN 0.3 million.
    - Other operating costs related to the adjustment to the value of assets in the balance sheet in the total amount of approx. PLN 2 million;
  4. Recognition of unusual revenues adjustments related to correction of PFRON subsidies for previous years in the total amount of approx. PLN 1.5 million

In connection with the above (the balance of item I and item II in total), the impact of the identified unusual events included in the operating result in item 6 is positive and amounts to approx. PLN 18.6 million.

The amounts for the first half of 2020 for continuing operations presented in item 6 also include unusual events deteriorating the operating profit in the total amount of approx. PLN - 1 million. These events were also presented in the published Consolidated Financial Statement of the Work Service Capital Group for the first half of 2020.

## **7) Information on the impact of COVID-19 on the future operations of the Work Service Group**

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

The Issuer cannot rule out that further effects of the prevailing COVID-19 pandemic may have a negative impact on the situation of the Issuer and its subsidiaries, including in conjunction with:

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

(ii) a further, temporary decrease in the level of sales revenues due to the decline in orders.

Taking into account all the described circumstances, we do not identify any significant uncertainty related to the Company's going concern as a result of the COVID-19 pandemic.

## **8) Attempts to increase the share capital of the Company**

The Management Board of Work Service S.A., in performance of the obligations assumed in the Investment Agreement and the Financing Agreement, convened an Extraordinary General Meeting of Shareholders on 27/11/2020, the agenda of which included, inter alia, point regarding the share capital increase by PLN 2,820,512.80 (two million eight hundred and twenty thousand five hundred and twelve zlotys and eighty groszy) through the issue of new ordinary X series bearer shares in the number of 28,205,128 (twenty eight million two hundred five thousand one hundred twenty eight) shares, the entire exclusion of the pre-emptive rights of the existing shareholders to all new series X shares, (iii) dematerialisation and application for admission and introduction to trading on the regulated market of the Warsaw Stock Exchange SA new series X shares and (iv) amendments to the Company's Articles of Association (hereinafter: "Resolution No. 3/2020"). The General Meeting adopted Resolution No. 3/2020, however, several minority shareholders filed lawsuits against the Resolution No. 3/2020, about which the Company informed in the current report No. 4/2021 of January 15, 2021 and in the current report No. 5/2021 of January 18, 2021. Also, in matters covered by the above-mentioned lawsuits, the court hearing the cases granted security for the plaintiffs' claims by, in particular, suspending the execution of the challenged Resolution No. 3/2020 (hereinafter: "Security 1"). In this situation, it was not possible to proceed with the implementation of Resolution No. 3/2020. The Management Board took appropriate legal steps to challenge Security 1, but it remains in force until the date of publication of this report.

Then, at the request of a shareholder, the Management Board of the Company convened another Extraordinary General Meeting of Shareholders, which was held on July 22, 2021. Resolution No. 3/2021 on repealing Resolution No. 3/2020 (hereinafter: "Resolution No. 3/2021") and Resolution No. 5/2021 on: (i) increasing the share capital of the Company by issuing new series X ordinary bearer shares ; (ii) exclusion of the entire subscription right of the existing shareholders to all new series X shares, (iii) applying for admission and introduction to trading on the regulated market of the Warsaw Stock Exchange S.A. new series X shares and (iv) amendments to the Company's Articles of Association (hereinafter: "Resolution No. 5/2021"). The above Resolution No. 5/2021 was also challenged by one of the shareholders and is currently the subject of court proceedings, about which the Company informed in the current report No. 47/2021 of August 17, 2021. At the same time, also in relation to Resolution No. 5/2021, the court hearing the case decided to secure the plaintiff's claims by suspending the execution of Resolution No. 5/2021 (hereinafter: "Security 2"). Thus, the Company is not currently able to increase the capital and obtain funds from the issue, also on the basis of

Resolution No. 5/2021. The Management Board has taken appropriate legal steps to challenge Security 2, but it remains in force until the date of publication of this report.

As at 06/10/2021, at the request of a shareholder, the Management Board of Work Service S.A. convened another Extraordinary General Meeting, on the agenda of which it is planned to adopt, inter alia, resolution on repealing Resolution No. 5/2021 and a resolution on: (i) increasing the Company's share capital by issuing new series X ordinary bearer shares; (ii) depriving the existing shareholders of the entire pre-emptive right to all new series X shares, (iii) applying for admission and introduction to trading on the regulated market of the Warsaw Stock Exchange S.A. new series X shares and (iv) amendments to the Company's Articles of Association.

In accordance with the content of the draft resolution on increasing the share capital referred to above, the issue of series X shares, with the exclusion of the pre-emptive rights of the existing shareholders, will take place by way of a private subscription within the meaning of Art. 431 § 2 item 1 of the Commercial Companies Code conducted by way of a public offering exempted from the obligation to publish a prospectus within the meaning of applicable law or other information or offering document for the purposes of such an offer, addressed only to selected investors who have been indicated by the Management Board of the Company, provided that they meet the following conditions set out in this resolution:

- a) hold, on the day of registration for the Extraordinary General Meeting of the Company convened for 06/10/2021, more than 0.05% of the total number of votes in the Company;
- b) were indicated by the Management Board of the Company, subject to sec. 13 and 14 of the resolution, to invite them to participate in the book-building process in the number of less than 150 people and, consequently, were invited to submit a declaration of interest in taking up Series X Shares.

## **9) Information about received by Work Service S.A. and some subsidiaries of Work Service S.A. subsidies under Art. 15gg of the Act of March 2, 2020 on special solutions related to the prevention, prevention and combating of COVID-19, other infectious diseases and emergencies caused by them**

In June 2021, the Issuer and the Issuer's subsidiaries (Industry Personnel Services sp. z o.o., Finance Care sp. z o.o., Work Service International sp. z o.o., WS Support sp. z o.o., Sellpro sp. z o.o. and GI Group sp. z o.o.) received subsidies pursuant to Article 15gg of the Act of March 2, 2020 on special solutions related to the prevention, prevention and combating of COVID-19, other infectious diseases and crisis situations caused by them for the months of May and June 2021. Amount The subsidy was dependent on the number of people employed on the last day of these two months After the initial employment settlement, the report included the total value of subsidies received in the amount of PLN 19 776 771.09, which was shown in unusual events in point 1.2. Consolidated Financial Statement for first half 2021.

### **3. 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.

### **4. Seasonality**

The current activity of the Work Service Capital Group is not seasonal.

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

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

In the first half of 2021 no company from the Work Service Group has issued debt securities.

## 2. Issuance of equity securities

In the first half of 2021, Work Service SA issued new equity securities with a nominal value PLN 16 325,00.

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

The funds obtained from the issue of equity securities covered the costs of ongoing restructuring of the parent company.

## 7. Dividend

Work Service S.A. paid no dividend in 2021.

## 8. 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 2021 concluded no transactions with related parties, which individually or collectively would be significant and at the same time were concluded on terms other than market.

# B. Other information

## 1. Description of the Capital Group 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	www.workservice.pl

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

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

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.

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

- temporary work – offering work for temporary employees,
- recruitment of employees, personal counselling,
- personnel and payroll services,
- outsourcing.

### Directors of Work Service SA as at June 30, 2021:

- Iwona Szmitkowska – President
- Paolo Caramello – Vice-President
- Nicola Dell'Edera – Vice-President

There were no changes in the composition of the Management Board of Work Service SA in H1 2021.

### Composition of the Supervisory Board of Work Service SA as at June 30, 2021:

- Maurizio Uboldi – Chairman of Supervisory Board
- Dario Dell'Osa – Vice-Chairman of the Supervisory Board
- Davide Toso – Member of the Supervisory Board
- Federica Giulia Giovanna Polo – Member of the Supervisory Board
- Francesca Garofolo – Member of the Supervisory Board
- Maria Luisa Cammarata – Member of the Supervisory Board
- Donato Di Gilio – Member of the Supervisory Board
- Marcus Preston – Member of the Supervisory Board
- Luca Fortunato – Member of the Supervisory Board

On 31 May 2021, the Issuer received letter containing information about resignation of Mr. Antonio Carvelli from his function in the Supervisory Board of Work Service S.A. with immediate effect. The reasons for the resignation were not given.

On 8 June 2021, Management Board of Work Service S.A. due to the resignation of Mr. Antonio Carvelli from this function in the Supervisory Board of the Company, the Supervisory Board adopted a resolution on June 8, 2021 on co-opting of Mr. Luca Fortunato as a new Member of the Supervisory Board of the Company. The resolution came into force on the day of its adoption.

### 1.3. The companies being a part of the Work Service Capital Group

Work Service Capital Group renders human resource management services. It specialises in the search for and recruitment of skilled workers, personnel consulting, outsourcing of functions related to HR management and supporting processes in enterprises and offers solutions based on the use of agency work employment contracts. The Capital Group conducts business in all parts of the country via its regional offices and representatives and also abroad: in Europe and Asia. The activity of the Work Service Capital Group is based on the ability to combine the needs of enterprises relating to employment costs and structure optimisation with resources available in the labour market, i.e. the number of professionally active people, their qualifications and labour cost.

**Work Service SA** – is the Dominating Company in the Work Service Group. Its activity is based on the rendering of the following services: temporary work, personnel consulting, recruitment, competence evaluation, outplacement, human resource management and salary calculation.

**Finance Care Sp. z o.o.** - as part of cooperation with insurance companies and banks, Finance Care provides out-sourcing services for these entities.

**Industry Personnel Services sp. z o.o.** - carries out tasks related to the execution of projects involving the management of parts of or entire production plants.

**Sellpro Sp. z o.o.** - renders services related to recruitment and provision of workers, business and management consulting, activity related to databases, market research.

**WS Support Sp. z o.o.** - the Company conducts business covering end-to-end cleaning services for healthcare institutions, other public utility buildings and private facilities.

**Work Service International Sp. z o.o.** – renders services related to temporary work and recruitment of workers in international markets.

**Krajowe Centrum Pracy Sp. z o.o.** - the purpose of the company is to offer specialised solutions relating to both permanent and temporary employment, recruitment of specialists also on foreign markets, the outsourcing of functions typical for the raw material and energy industry.

**Work Express Sp. z o.o.** (in liquidation) - the company directly subordinated to the Dominating Company, with 100% shares held by Work Service SA. As a temporary employment agency, it offers end-to-end organisation of the employment process for temporary workers. Another line of business of the company consists of job agency and personnel consulting services. The third activity area consists of the process outsourcing services. Taking advantage of its knowledge and experience gained when rendering temporary employment services to enterprises from the TSL sector, the firm has created innovative solutions for clients in the following industries: IT, consumer electronics, clothing, food, heavy industry and online shops.

**Outsourcing Solutions Partner Sp. z o.o.** (in liquidation) - a company indirectly subordinated to Work Service SA. 100% of shares of the company belong to Work Express Sp. z o.o. (100% subordinated to Work Service SA).

the company belong to Work Express Sp. z o.o. (100% subordinated to Work Service SA).

**Support and Care Sp. z o.o.** (in liquidation) - a company indirectly subordinated to Work Service SA. 100% of shares of the company belong to Work Express Sp. z o.o. (100% subordinated to Work Service SA).

**Prohuman 2004 Kft** - a company directly subordinated to the Dominating Company, with 80.22% shares held by Work Service SA. The company is one of the largest job centres on the Hungarian market. Prohuman has been active on the Hungarian market of personnel services since 2004. The Company is a part of the Prohume Group comprising five firms active in different areas (end-to-end HR services, merchandising, sales promotions, marketing events, telemarketing).

**Prohuman Outsourcing Kft.** - indirectly subordinated to Work Service SA. The company is 100% owned by Prohuman 2004 Kft (subordinated to Work Service SA in 80.22%).

**Work Service SPV Sp. z o.o.** - 100% subordinated to Work Service SA. Its establishment is related to the implementation of provisions contained in the agreement with Fiege Logistik Stiftung & Co. KG with the office in Greven, Germany.

**Human Existence Kft.** – a company indirectly subordinated to Work Service SA. The company is 100% owned by Prohuman 2004 Kft (subordinated to Work Service SA in 80.22%). The company offers the leasing of temporary workers and outsourcing. It operates in the north-eastern part of Hungary.

**HR-Rent Kft.** – the company renders temporary work services in Hungary and abroad (Austria, Germany).

**Finance Sales Hungary Kft (Profield 2008 Kft).** – the company renders end-to-end agency services related to various financial products, i.e. financial service outsourcing.

**Naton kadrovsko svetovanje d.o.o.** (Slovenia) – the oldest HR agency in Slovenia. It occupies the second or third place depending on its size and on the number of temporary workers in Slovenia.

**Naton Ljudski potencijali d.o.o.** (Croatia) – the firm operates in the territory of Croatia specialising, in particular, in the pharmaceutical sector.

**Finance Care Hungary Pénzügyi Tanácsadó Kft.** - as a part of the cooperation with insurance companies and banks, the company provides outsourcing services to such entities on the Hungarian market.

**APT Resources&Services s.r.l.** - the firm was established in 1994. It mainly operates in the following industries: IT, banking and finance, engineering, retail trade, medicine and pharmaceuticals. It renders services related to temporary work, recruitment and selection of workers and HR outsourcing.

**APT Human Resources s.r.l.** - The core business of the firm consists of temporary work services, mostly for the following industries: food production, energy, finance and banking, insurance.

**APT Broker s.r.l.** - The firm renders financial agency services for the banking sector.

**APT Finance Broker s.r.l.** - The firm renders financial agency services for the banking sector.

**Work Service East Lcc** – the firm offers agency services relating to the employment of workers abroad.

**Care For Personnel Sp. z o.o (Kariera.pl Sp. z o.o.)** – a 100% subsidiary of Krajowe Centrum Pracy Sp. z o.o. The Company is the administrator of the “kariera.pl” service dedicated to premium segment candidates (employees and job offers for middle and senior managers and professionals).

**WorkPort24 GMBH** – the company’s business covers the management of an online job portal for international employers and workers as an instrument of a job agency, sales of personnel services and a place for advertising, sales and marketing of personnel services as well as the execution of training and certification of workers according to the requirements of local labour markets.

**GI Group** - the company's business includes the activities of temporary employment agencies, job search and placement of workers, activities related to the provision of workers.

**Generalle Industrielle** - the company's business includes the activities of temporary employment agencies, job search and placement of workers, activities related to the provision of workers, public relations and communication.

As on 30 June 2021 the Work Service Capital Group comprised of the following economic entities:

#### Companies in which Work Service SA holds direct capital share

Company name	Registered office	Date of obtaining control	Percentage of the share capital held in subsidiary	% share in the total number of votes at the General Meeting of subsidiary	Consolidation method
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
Work Service International Sp. z o.o.	53-413 Wrocław, ul. Gwiaździsta 66	06.07.2006	100.00%	100.00%	Full
WS Support 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.	01-793 Warszawa, ul. Rydygiera Ludwika 7	20.12.2002	50.00%	50.00%	Non-consolidated
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%	Equity method
Work Express Sp. z o.o. (in liquidation)	40-265 Katowice, ul. Korfantego 2/100,101	02.01.2014	100.00%	100.00%	Full
Work Service SPV Sp. z o.o.	53-413 Wrocław, ul. Gwiaździsta 66	29.01.2014	100.00%	100.00%	Full
Work Service East Lcc	Kharkov, ul. Malomyasnitska 6, Kharkov area, Kharkov voivodship, Ukraine	03.02.2017	100.00%	100.00%	Full
GI Group Sp. z o. o.	40-082 Katowice ul. Sobieskiego 11	01-06-2021	100.00%	100.00%	Full

#### Companies related through Work Service International Sp. z o. o.

Company name	Registered office	Date of obtaining control	Percentage of the share capital held in subsidiary	% share in the total number of votes at the General Meeting of subsidiary	Consolidation method
WorkPort24 GMBH	An den Treptowers 1 D-12435 Berlin	19.08.2011	100.00%	100.00%	Non-consolidated

#### Companies related through Industry Personnel Services Sp. z o.o.

Company name	Registered office	Date of obtaining control	Percentage of the share capital held in subsidiary	% share in the total number of votes at the General Meeting of subsidiary	Consolidation method
Krajowe Centrum Pracy Sp. z o.o.	53-413 Wrocław, Gwiaździsta 66	28.03.2013	25.00%	25.00%	Full



**Companies related through Prohuman 2004 Kft**

Company name	Registered office	Date of obtaining control	Percentage of the share capital held in subsidiary	% share in the total number of votes at the General Meeting of subsidiary	Consolidation method
Prohuman Outsourcing Kft.	H-1146 Budapest, Hungaria korut 140-144	21.12.2013	100.00%	100.00%	Equity method
Human Existence Kft.	3525 Miskole, Arany Janos ter.1. mfsz 18.	08.07.2014	100.00%	100.00%	Equity method
Naton kadrovsko svetovanje d.o.o.	Ljubljana, Cesta 24. Junija 25, 1231 Ljubljana-Crnuce	03.12.2015	100.00%	100.00%	Equity method
HR Rent Kft	H-7624 Pecs, Ferencesek utcoja 52	10.12.2015	100.00%	100.00%	Equity method
Finance Sales Hungary Kft (Profield 2008 Kft)	H-1146 Budapest, Hungaria korut 140-144	17.12.2015	100.00%	100.00%	Equity method
APT Resources&Services s.r.l.	82B2 Clucerului Street, 1st District, Bucharest, Romania	28.02.2017	80.00%	80.00%	Equity method
APT Human Resources s.r.l.	82B2 Clucerului Street, 1st District, Bucharest, Romania	28.02.2017	80.00%	80.00%	Equity method
APT Broker s.r.l.	82B2 Clucerului Street, 1st District, Bucharest, Romania	28.02.2017	80.00%	80.00%	Equity method
APT Finance Broker s.r.l.	82B2 Clucerului Street, 1st District, Bucharest, Romania	28.02.2017	80.00%	80.00%	Equity method

**Companies related through Naton kadrovsko svetovanje d.o.o.**

Company name	Registered office	Date of obtaining control	Percentage of the share capital held in subsidiary	% share in the total number of votes at the General Meeting of subsidiary	Consolidation method
Naton Ljudski potencial d.o.o.	Zvonimirova 2/III, 100000 Zagreb, Croatia	03.12.2015	100.00%	100.00%	Equity method

**Companies related through Work Express Sp. z o.o. (in liquidation)**

Company name	Registered office	Date of obtaining control	Percentage of the share capital held in subsidiary	% share in the total number of votes at the General Meeting of subsidiary	Consolidation method
Outsourcing Solutions Partner Sp. z o.o. (in liquidation)	40-265 Katowice, ul. Korfantego 2/100,101	02.01.2014	100.00%	100.00%	Full
Support and Care Sp. z o.o. (in liquidation)	00-132 Warszawa ul. Grzybowska 3 lok U6	02.01.2014	100.00%	100.00%	Full

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

Company name	Registered office	Date of obtaining control	Percentage of the share capital held in subsidiary	% share in the total number of votes at the General Meeting of subsidiary	Consolidation method
Care For Personnel Sp. z o.o (Kariera.pl Sp. z o.o.)	53-413 Wrocław, ul. Gwiaździsta 66	03.11.2016	100.00%	100.00%	Full

**Companies related through Finance Sales Hungary Kft (Profield 2008)**

Company name	Registered office	Date of obtaining control	Percentage of the share capital held in subsidiary	% share in the total number of votes at the General Meeting of subsidiary	Consolidation method
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Finance Care Hungary Pénzügyi Tanácsadó Kft	H-1146 Budapest, Hungária krt. 140-144, HU25790722	08.11.2016	100.00%	100.00%	Equity method
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**Companies related through GI Group Sp. z o.o.**

Company name	Registered office	Date of obtaining control	Percentage of the share capital held in subsidiary	% share in the total number of votes at the General Meeting of subsidiary	Consolidation method
GI Industrielle Sp. z o.o.	40-082 Katowice ul. Sobieskiego 11	01-06-2021	100.00%	100.00%	Full

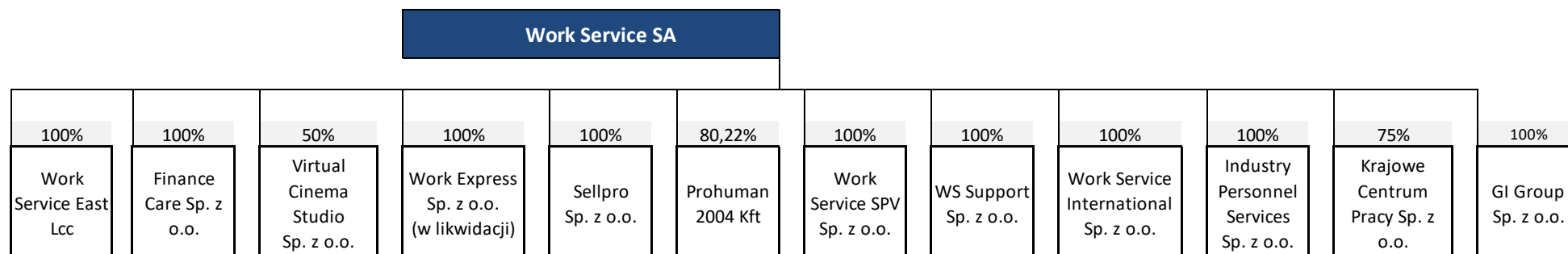
Related entities of the Parent Company are the entities included in the consolidated financial statements, i.e. all Capital Group companies except for Virtual Cinema Studio sp. z o.o and WorkPort24 GMBH.

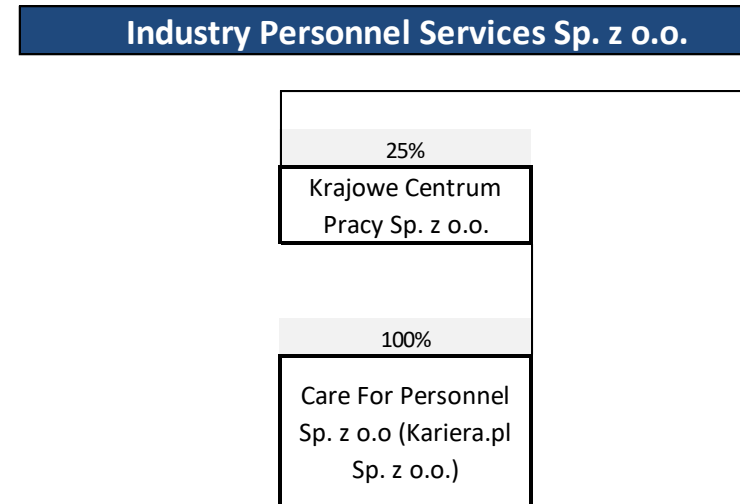
Due to the fact that Work Service SA does not have control over Virtual Cinema Studio sp. z o.o., understood in accordance with § 19 of IFRS 3 as "the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities", it does not consolidate Virtual Cinema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

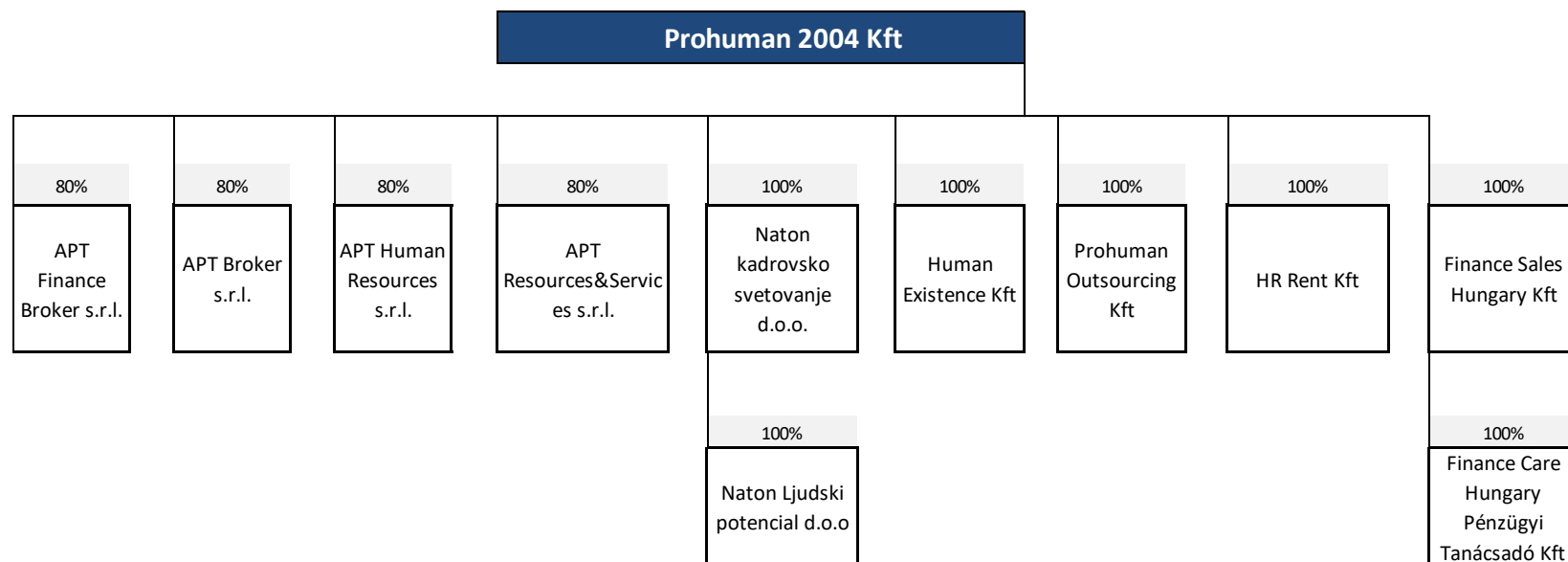
As for WorkPort24 GMBH, the application of the materiality principle referred to § 31 of IAS 1 excludes this company from consolidation under the equity method as a related entity.

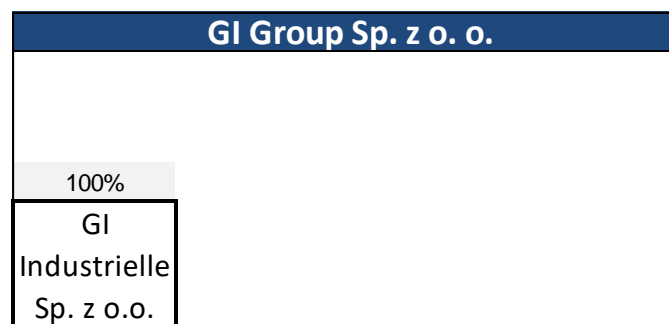
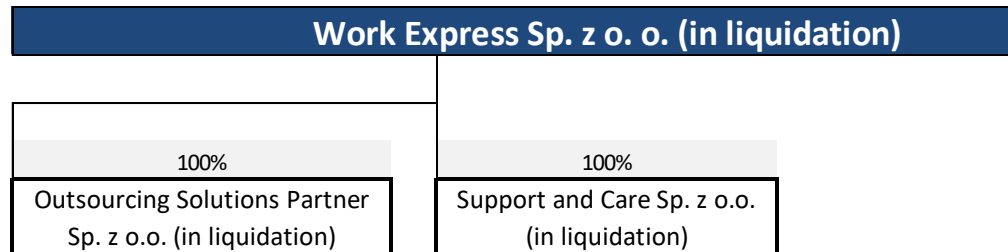
**1.4. The structure of Work Service Capital Group as at 30.06.2021 is presented in the following diagram**

Structure of the Work Service Capital Group as at 30.06.2021









## 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.

On 24 February 2021, the parent company and subsidiaries sold 100% of their shares in Work Service Czech based in Prague and Work Service Slovakia based in Bratislava together with its subsidiaries. Sales revenue from the subsidiary amounted to PLN 29,200.

On 1 June 2021, the Parent acquired 100% of the shares of GI Group sp. z o.o. together with its subsidiary Generale Industrielle sp. z o.o. The purchase price was PLN 23 700 000.00. As a result of the transaction, goodwill of PLN 21 673 028.27 was identified in the consolidated financial statements.

On 27 May 2021, the subsidiary Krajowe Centrum Pracy Sp. z o.o. purchased from the co-owner the remaining 49% of shares in the daughter company - Kariera.pl Sp. z o.o. (current name: Care For Personnel Sp. z o.o). The shares were purchased for PLN 1.

## 3. Management Board position on the implementation forecasts

The Company has not published forecasts for 2021.

## 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 6,575,388.80 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,
- 171,750 series R shares with the nominal value of 10 grosz each,
- 225,750 series U shares with the nominal value of 10 grosz each,
- 98,315 series W shares with the nominal value of 10 grosz each,
- 160.250 series Y with the 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	Number of shares	Share in the share capital	Number of votes	Share in the total number of votes
GI International S.R.L.	49 425 789	75,17%	49 425 789	75,17%
Other	16 328 099	24,83%	16 328 099	24,83%
<b>Total</b>	<b>65 753 888</b>	<b>100,00%</b>	<b>65 753 888</b>	<b>100,00%</b>

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

As at the date of preparation of the report, members of the Management Board and supervisors did not hold shares of Work Service SA.

## 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 2021.

## 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 in-formation that is relevant for assessing the feasibility of liabilities by the Company and the Capital Group

The Group does not identify any other factors or information that are relevant to the assessment of the personnel, property, financial situation for the first half of 2021 than those described in part A. "Overview of the interim financial statements", point 2 "Strategic description" and point 9.

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

### 9.1. Other factors

All significant factors characterizing the current financial situation of the Capital Group are presented in the part A. "Overview of the interim financial statements", point 2 "Strategic description".

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

#### a. Risk associated with personal data protection

Due to the nature of the business, the Capital Group has an extensive database of employees' personal data, the size of which exceeds hundreds of thousands of records. Pursuant to the Act of 29 August 1997 on personal data protection (consolidated text: Journal of Laws of 2016, item 922) information on this data is confidential and cannot be shared with unauthorised persons.



Nevertheless, there is a risk of access to databases by unauthorised persons as a result of theft, hacking or forced entry, or other unwanted actions. In such a case, the information stored by Work Service SA could be used to the detriment of the Company and its customers, which would adversely affect the image of the Company, and thus worsened its position in the market. To reduce this risk of providing unauthorised persons with access to the database, Work Service created technical infrastructure based on a properly secured server facility, electronic security systems and high-end servers. These measures contributed to the reduction of the above risk.

#### **b. Liquidity risk**

By offering so-called flexible employment services, the Capital Group of conducts comprehensive trainings to prepare employees for a particular job. Then, those employees are delegated to enterprises that have reported their demand for this kind of service. Until receipt of payment for the service, Work Service SA bears all costs relating to employment (salaries, insurance, etc.) of people taking up the employment. Companies renting the workers pay for the service on specific, contractual payment dates. This business model requires the effective working capital management, while causing vulnerability to the risk of periodical and relevant decrease in liquidity. In connection with the instalment arrangements with the Social Insurance Institution (ZUS), the Capital Group companies must pay their arrears in instalments. The Management Board points out that in the absence of an adequate working capital, both the Company and the Capital Group companies may be additionally exposed to the risk of losing liquidity.

#### **c. Risks associated with social and economic situation in Poland and Europe and COVID-19 pandemic**

The activities of companies related to the offering of services on the labour market depends on the socioeconomic situation in Poland and abroad. The financial results of companies are particularly affected by macroeconomic factors such as the level of business investment resulting in an increase in employment, GDP growth rate, the growth rate of wages, interest rates and inflation, and, with the increasing globalisation of economies, foreign direct investments. The factor that had a significant impact on the development of the industry, in which the Group operates is the degree of absorption of funds from the European Union budget. In the event of breakdown or deterioration of market conditions there is a risk of a reduction in demand for the product offered by the Group. This risk is also generated by the COVID-19 pandemic, which reduces the economic activity of many of the Group's clients. The Management Board conducts ongoing analysis of the market situation and adjusts strategic decisions accordingly, in particular the costs of business are reduced in the period of lower demand for the Group's services.

#### **d. Risk associated with the competitor's operation**

The personnel services market in Central and Eastern Europe (Poland, Czech Republic, Slovakia and Hungary) is attractive because of its size. 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. has the relevant 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. However, recently there has been a crisis of confidence in connection with the situation and restructuring processes described in section 5.3 of this report. However, the Work Service Group still has the appropriate competences to compete with the largest global players, thanks to its suitable recruitment facilities, experience and the ability to attract appropriate candidates.

#### **e. Risk associated with fluctuations in the market**

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

#### **f. Risk associated with changes in legal regulations**

The Report of Management Board of Work Service S.A. on the activities of Capital Group for the first half of 2021

The macroeconomic situation of the country may force a change in tax law, labour law, changes in the area of social insurance or in the area of trade activities. Any such change can result in increased operating costs of the Group, which in turn translate into financial results and may cause difficulty in assessing the impact of future events or decisions. In addition, the risk in this area is strengthened by the fact of conducting the activities by the Work Service Group companies across several countries. The Management Board of the Group monitors on an ongoing basis the changes in legislation in the markets on which it operates and reacts in advance to ensure that its operations comply with local laws.

**SIGNATURES:**

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**Iwona Szmitkowska**  
Prezes Zarządu

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**Paolo Caramello**  
Wiceprezes

.....  
**Nicola Dell'Edera**  
Wiceprezes