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# Q1'18 HIGHLIGHTS

# Comprehensive Income

Consolidated, like for like Q1'18 vs. Q1'17

Specification [t PLN]	1Q 2017	1Q 2018	Dynamic 2018/2017
<b>Revenues</b>	<b>599 057</b>	<b>629 708</b>	<b>5,1%</b>
Net revenues from sales of products	599 528	630 220	5,1%
Variation in stocks of products	-472	-513	
<b>Operating costs</b>	<b>577 680</b>	<b>609 793</b>	<b>5,6%</b>
Depreciation	3 961	4 552	14,9%
Consumption of materials and energy	2 412	2 701	12,0%
Outside services	74 938	85 289	13,8%
Taxes and charges	882	1 052	19,3%
Remuneration	396 531	415 300	4,7%
Social insurance and other benefits	89 208	90 836	1,8%
Other generic expenses	9 746	10 063	3,2%
<b>Profit (loss) on sales</b>	<b>21 377</b>	<b>19 914</b>	<b>-6,8%</b>
Other operating incomes	4 320	5 691	31,7%
Other operating costs	5 367	5 437	1,3%
<b>Profit (loss) on operating activities</b>	<b>20 330</b>	<b>20 168</b>	<b>-0,8%</b>
Financial incomes	6 494	1 697	-73,9%
Financial costs	14 598	8 474	-41,9%
<b>Gross profit (loss)</b>	<b>12 226</b>	<b>14 165</b>	<b>15,9%</b>
Income tax	4 053	4 890	20,6%
<b>Net profit (loss)</b>	<b>8 172</b>	<b>9 275</b>	<b>13,5%</b>

Source: The Company

Comparing same Group Structure (no IT Kontrakt, Exact Systems and WS Russia still consolidated) Work Service delivered **comparable to Q1'17 EBIT results**. Negative change in WS Germany has been covered by **excellent performance improvement of WS Poland and Exact Group** (see next slide).

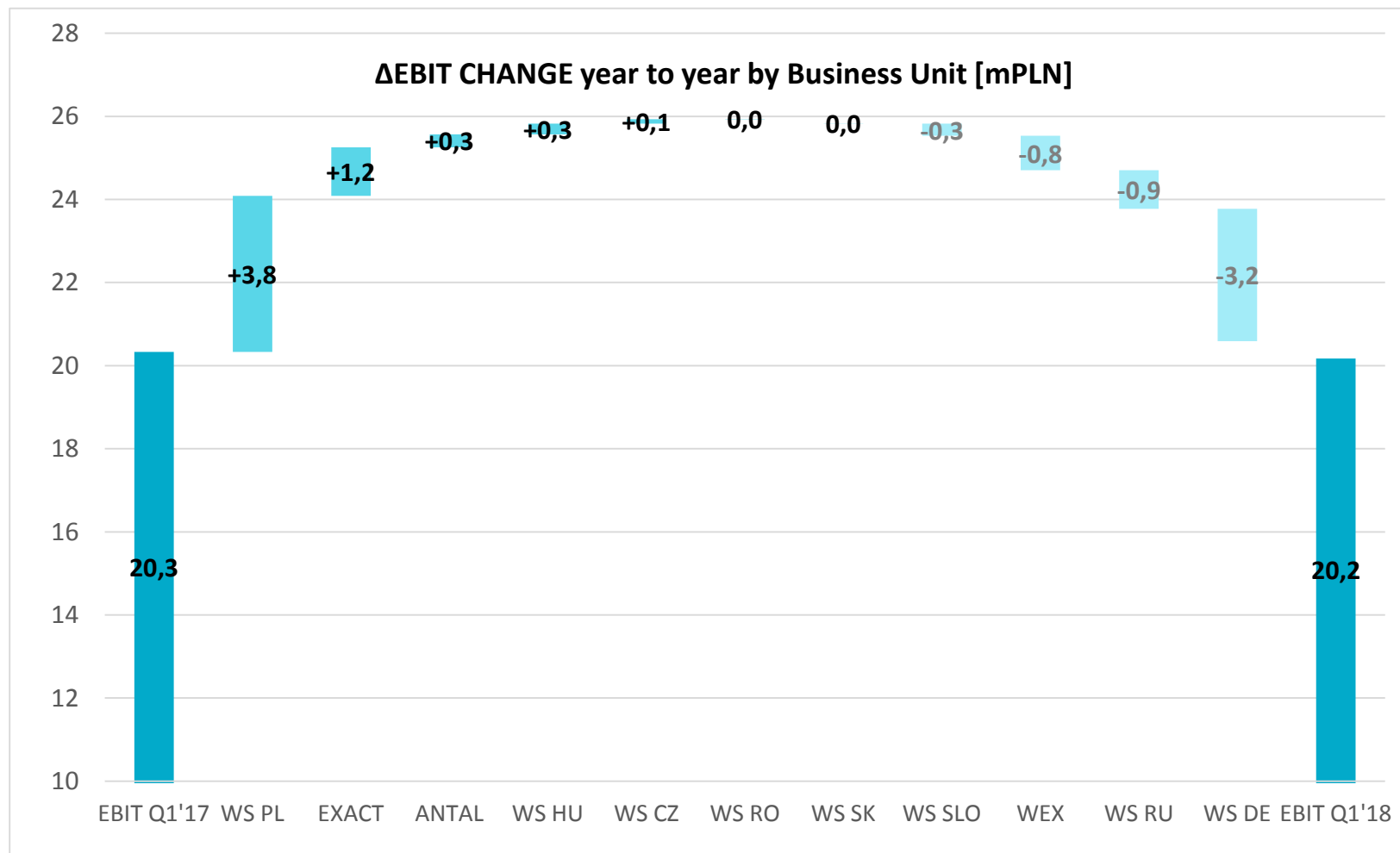
**WS Poland** results better by almost 4 mPLN is a result of **growing Ukraine to Poland cross border** business and cost restructuring executed in Q4'17.

**WS Germany** and **Work Express** are being restructured to meet changed market conditions while **WS Russia** sales transaction ought to be finished at the beginning of Q3'18.

Work Service Group is going through important organizational changes as a part of announced Strategy WS2020: 1) **disinvestment in IT Kontrakt** subsidiary sold in Q2'17, 2) **exiting Russian market** decided in Q2'17, transaction being in progress, 3) process of **disinvestment in Exact Systems**, transaction being in progress. To provide you comparability of data, presented data includes all Q1'18 consolidated entities, while Q1'17 is cleaned out of already sold IT Kontrakt subsidiary.

# EBIT

2018 vs. 2017 Bridge



Source: The Company

Comparing same Group Structure (no IT Kontrakt but Exact Systems and WS Russia still consolidated) Work Service delivered **comparable to Q1'17 EBIT results**. Negative change in WS Germany has been covered by **excellent performance improvement of WS Poland and Exact Systems Group**.

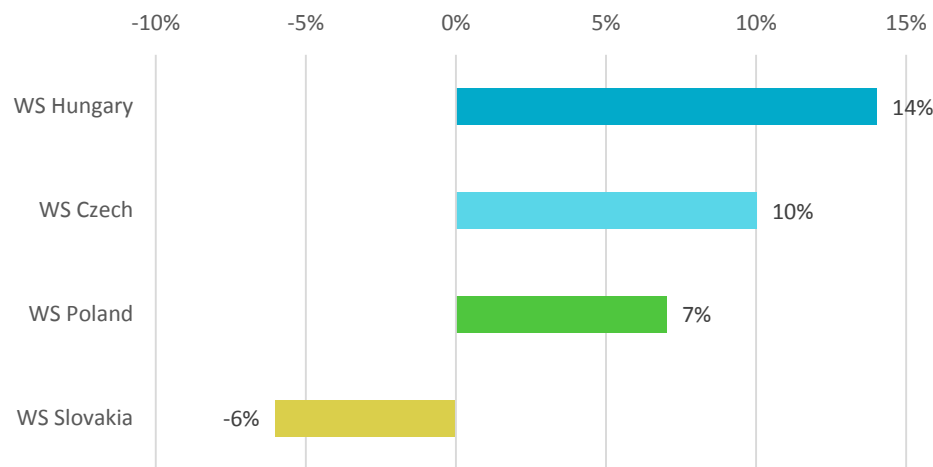
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# Q1'18 Business Units

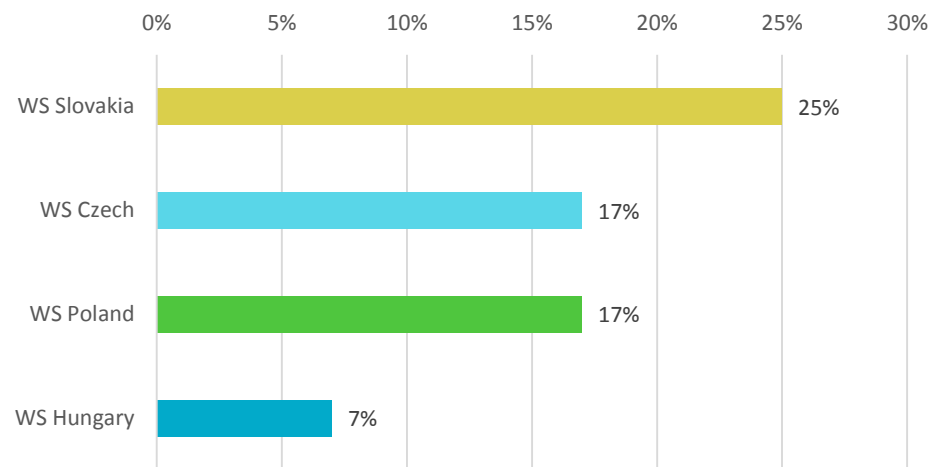
Topline Performance core markets

Revenues Performance Q1'18 vs. Q1'17

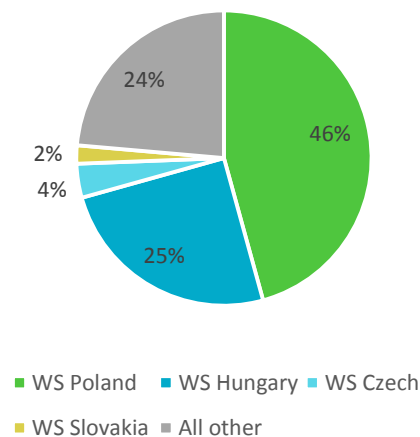


Source: The Company

Gross Margin Performance Q1'18 vs. Q1'17



Share in Revenues Q1'18



Core Markets **Poland, Hungary, Slovakia and Czech** representing 3/4 of Group Business (post reorganization) are **outperforming last year revenues and gross margin**. By the end of Q1'18 external employment year to year dynamic (FTE) reached respectively: **+31% in Czech, +27% in Slovakia, +26% in Hungary and +21% in Poland** as an excellent prognosis for incoming Q2'18. It's a result of successfully implemented cross-border oriented strategy in each of countries.

**Germany** is facing difficulties on both: sales performance and profitability due to major customer performance.

**Work Express** is being re-focused on cross-border to Germany (growing market) vs. cross-border to France (shrinking).

# Q1'18 Highlights



Work Service Group **grew by 5%** year on year on same structure of assets. **EBIT in Q1'17 20.2 mPLN** comparable to previous year, while **net profit grew by 13.5%** to reach 9,3 mPLN.



All **core markets** Poland, Hungary, Czech and Slovakia are **growing double digit**. **WS Poland EBIT** improved by almost **4 mPLN** vs. previous year. Excellent start of new Fiscal Year.



Successful **execution of WS2020 Strategy**: dynamic growth of **cross-border employees exchange**. Number of employees from Ukraine almost 4.000 and doubled vs. previous year! **Exact Systems transaction being in progress**, expected closing at the beginning of Q3'18.



Watch out on **WS Germany** and **Work Express**, contributing in total **4 mPLN EBIT less** than previous year as a result of changing market conditions and customers performance.



# Q1'18 FINANCIAL RESULTS



# Statement of Comprehensive Income

Q1'18 vs. Q1'17



Specification [t PLN]	1Q 2017 Consolidated	1Q 2017 Excl. IT Kontrakt	1Q 2017 Continued Excl. IT Kontrakt, WS Russia, Exact	1Q 2018 Continued Excl. IT Kontrakt, WS Russia, Exact	1Q 2018 Consolidated	Dynamic 2018/2017
<b>Revenues</b>	655 062	<b>599 057</b>	498 084	516 559	<b>629 708</b>	<b>5,1%</b>
Net revenues from sales of products	655 429	599 528	498 224	517 099	630 220	5,1%
Variation in stocks of products	-368	-472	-140	-540	-513	8,7%
<b>Operating costs</b>	<b>628 836</b>	<b>577 680</b>	<b>493 127</b>	<b>512 988</b>	<b>609 793</b>	<b>5,6%</b>
Depreciation	4 119	3 961	2 434	2 935	4 552	14,9%
Consumption of materials and energy	4 214	2 412	1 320	1 319	2 701	12,0%
Outside services	108 713	74 938	52 138	62 089	85 289	13,8%
Taxes and charges	514	882	514	744	1 052	19,3%
Remuneration	405 297	396 531	346 278	360 345	415 300	4,7%
Social insurance and other benefits	95 818	89 208	83 318	80 200	90 836	1,8%
Other generic expenses	10 161	9 746	7 124	5 356	10 063	3,2%
<b>Profit (loss) on sales</b>	<b>26 226</b>	<b>21 377</b>	<b>4 957</b>	<b>3 571</b>	<b>19 914</b>	<b>-6,8%</b>
Other operating incomes	4 498	4 320	3 667	4 733	5 691	5,2%
Other operating costs	5 506	5 367	4 841	4 766	5 437	-13,4%
<b>Profit (loss) on operating activities</b>	<b>25 218</b>	<b>20 330</b>	<b>3 784</b>	<b>3 538</b>	<b>20 168</b>	<b>-0,8%</b>
<i>Net loss from revaluation of the ProService Group to fair value</i>					773	n/a
Financial incomes	1 579	6 494	1 571	308	1 697	-73,9%
Financial costs	9 936	14 598	7 782	6 310	8 474	-41,9%
<b>Gross profit (loss)</b>	<b>16 861</b>	<b>12 226</b>	<b>-2 427</b>	<b>-2 464</b>	<b>14 165</b>	<b>15,9%</b>
Income tax	4 466	4 053	2 716	3 407	4 890	20,6%
<b>Net profit (loss)</b>	<b>12 395</b>	<b>8 172</b>	<b>-5 142</b>	<b>-5 871</b>	<b>9 275</b>	<b>13,5%</b>

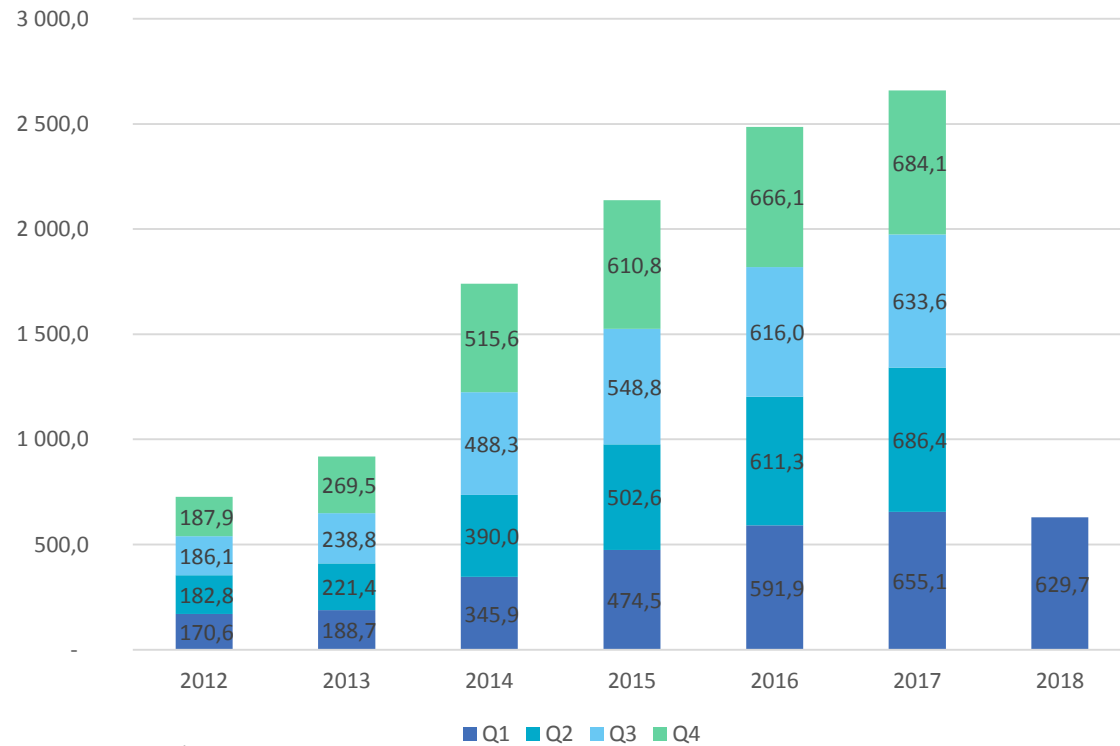
Source: The Company

Comparing like for like, Group revenues from sales grew by 5.1% at the same time costs increased by 5.6%, mainly due to investment in additional costs of cross border structure in Hungary (0,97 mPLN vs. YA) and increased costs in Exact Systems (3.7 mPLN vs. YA).

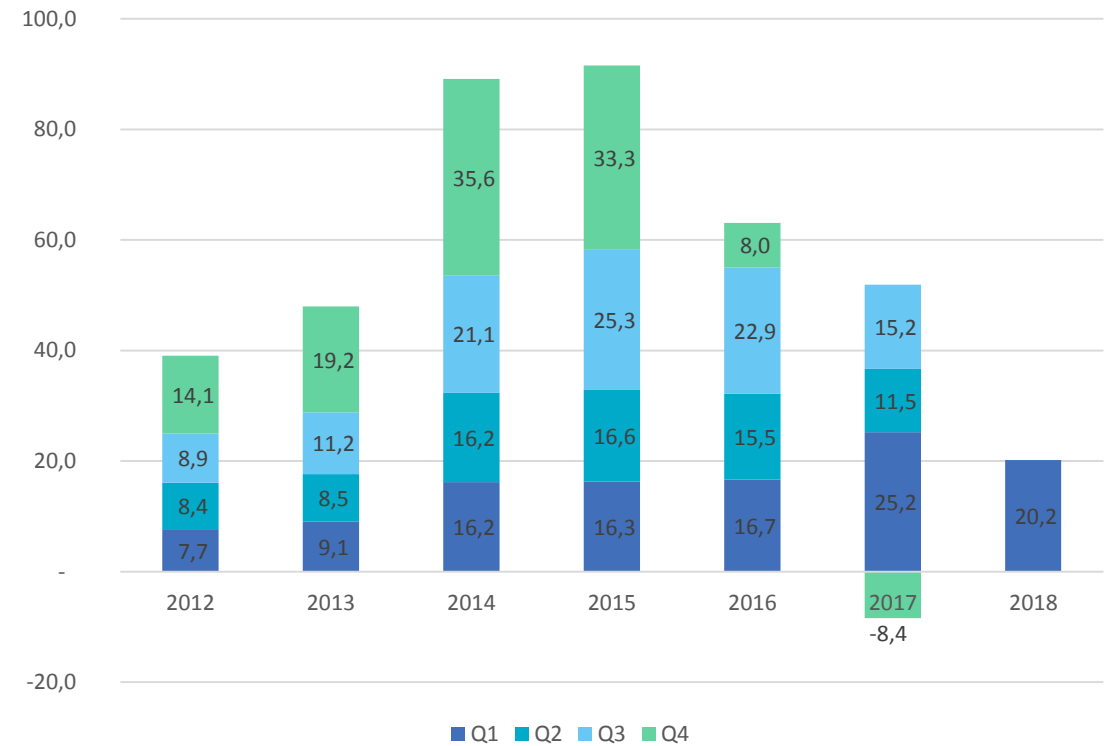
Profit on operating activities remains stable while gross profit grew by almost 16% as a result of decrease of financial costs.

# Revenues and EBIT

Q1'18



Source: The Company



Since IPO in 2012 Work Service Group is almost **4x bigger** in terms of revenue, generating almost **3x more EBIT**.

# Statement of Cash Flow

Q1'18 vs. Q1'17

As at Mar 31st [t PLN]	2017	2018
Net profit (loss)	6 612	4 499
Total adjustments	10 067	5 645
<b>Cash flows from operating activities</b>	<b>16 679</b>	<b>10 144</b>
Inflows	495	748
Outflows	44 425	8 956
<b>Cash flows from investing activities</b>	<b>-43 930</b>	<b>-8 207</b>
Inflows	57 714	1 903
Outflows	25 117	5 251
<b>Cash flows from financing activities</b>	<b>32 596</b>	<b>-3 348</b>
<b>Increase (decrease) of cash and its net equivalents</b>	<b>5 346</b>	<b>-1 411</b>
Cash balance at the beginning of the period	104 615	61 115
Cash balance at the end of the period	109 961	59 704

Source: The Company

Cash flow from operating activities was positive in Q1'18 yet decreased vs. previous year.

Cash outflow from investing activities was next tranche of pre payment for Exact Systems acquisition of QLS (Portugal) paid in Q1'18.

# Balance Sheet

Q1'18 vs. Q1'17

As at [t PLN]	Dec 31st 2017	Mar 31st 2018
<b>FIXED ASSETS</b>	<b>440 695</b>	<b>451 116</b>
Intangible assets	44 887	44 401
Goodwill	354 334	354 816
Tangible fixed assets	16 997	16 240
Real property investments	2 690	2 690
Other financial assets	30	11 060
Other long-term assets	1 051	1 051
Other long-term financial assets	204	157
Deferred tax assets	20 348	20 367
Prepayments	154	335
<b>CURRENT ASSETS</b>	<b>493 204</b>	<b>465 927</b>
Inventory	16 702	16 305
Trade and other receivables	385 753	356 240
Other financial assets	30 812	30 596
Other short-term assets	1 238	3 002
Cash and other pecuniary assets	50 824	50 782
Prepayments	7 873	9 002
<b>ASSETS CLASSIFIED FOR SALE</b>	<b>177 269</b>	<b>191 782</b>
<b>TOTAL ASSETS</b>	<b>1 111 167</b>	<b>1 108 826</b>

Source: The Company

As at [t PLN]	Dec 31st 2017	Mar 31st 2018
<b>EQUITY</b>	<b>144 974</b>	<b>154 546</b>
Share capital	6 509	6 509
Supplementary capital	232 874	136 812
Capital from the valuation of options	-53 774	-53 774
Net profit (loss)	-96 290	4 499
Exchange rates balance	-15 785	-15 716
Minority Interest	71 440	76 215
<b>LIABILITIES AND PROVISIONS FOR LIABILITIES</b>	<b>878 782</b>	<b>865 555</b>
<b>Long-term liabilities</b>	<b>49 821</b>	<b>49 117</b>
Long-term credits and loans	931	3
Deferred income tax liabilities	2 266	2 220
Other provisions	1 786	1 795
Other liabilities	44 839	45 099
<b>Short-term liabilities</b>	<b>828 961</b>	<b>816 437</b>
Trade and other liabilities	529 451	511 953
Short-term credits and loans	271 966	274 556
Other provisions	27 543	29 928
<b>LIABILITIES CLASSIFIED FOR SALE</b>	<b>87 411</b>	<b>88 725</b>
<b>TOTAL LIABILITIES</b>	<b>1 111 167</b>	<b>1 108 826</b>

1st quarter finished with no balance sheet write-offs. No significant changes vs. previous period.  
Credit and loans classified as short term, due to <12 months tenor of credit facility - to be prolonged in Q4'18.



# Key Message and Q&A

Work Service Group is consequently executing adopted in Q4'17 **Strategy WS2020**:

- **Focusing on core business of flexible employment forms in Central and Eastern Europe** – all markets growing, excellent conditions and prognosis
- Expanding in **cross border employee exchange services segment** with tremendous growth of Ukraine employees to Poland from <2.000 end of March previous year to ~4.000 end of March this year, Ukraine employees launched on second biggest market Hungary
- Reorganizing group assets, **Exact Systems transaction to be finished in Q2/Q3 2018**
- **Restructuring financing and structure of liabilities** with inflows from Exact Systems transaction mainly to **deleverage the Company**

The Strategy is expected to decrease covenant level below 2.5, to continue double digit growth and to improve EBIT margin by 20bps-30bps every year, all by the end of 2020.