CAPITAL SERVICE S.A.

Consolidated semi-annual report

of Capital Service for the first half of 2018

(data for the period of 6 months which ended on June, 30 2018 and for comparative periods)

A letter from the President of the Management Board of CAPITAL SERVICE S.A.

Ladies and Gentlemen, Dear Investors!

consolidated data in thousands of PLN	for the period of 6 months				
Category:	**I half of 2018**	**I half of 2017**	**I half of 2016**	**change % 2018/17**	**change % 2018/16**
Operating revenue	44 621	46 898	35 655	-5%	25%
Profit before tax	3 760	5 577	5 219	-33%	-28%
Net profit	1 665	4 145	3 797	-60%	-56%
Own assets	17 691	26 160	20 055	-32%	-12%
Total assets	76 382	114 059	62 300	-33%	23%
Database of active customers of KredytOK	63 981	61 723	41 067	4%	56%

Commenting on the results of the first half of the year, one has to bear in mind weak results gained in the second half of 2017. This mainly resulted from the change of the business model and separation of previously combined risk management functions, monitoring and collection of portfolios from sales, in particular acquisition of new customers. I discussed it broadly in the introduction to the Financial Report for 2017 / Introduction to the Annual Report of Service Capital Group for 2017 /. The change itself was justified by the

Company's strategy and nothing has changed in this respect. Negative effects were the result of the fact that we were unable to implement it in accordance with the assumed scenario.

We spent the end of last year and the beginning of the current one fixing the situation, by taking inter alia the following measures:

- an audit of risk management functions and implementation of recommendations resulting from it,
- an implementation of updated credit risk management policies, including, among others, connecting new external data sources on new customers, new scoring models and anti-fraud rules,
- a significant improvement in the efficiency of central debt collection operations,
- modifying bonus policy, in the direction of balancing accents between winning new customers and the risk associated with it.

These changes definitely improved current results vs. the results from the second half of 2017, although in the first half of the year they were not yet stable. Hence, they are slightly weaker (at the level of sales and profit before tax) in comparison with similar periods in previous years. The gross result in the first half of 2018 amounted to nearly PLN 4 million vs. the result of PLN 6 million and PLN 5 million in the same period in 2017 and 2016 respectively. In the second half of this year, we expect stabilization of results and, consequently, significant improvement for the entire year 2018.

The significant drop in balance sheet total in comparison with June 2017 is mainly due to the fact that at the end of June 2017, funds from the issue of series I bonds were received on the ESCROW account - nearly 20 million PLN, resulting in a cash balance of 26.7 million PLN vs. 5.9 million PLN at the end of the current half-year. The issue of series G bonds in the amount of PLN 15 million was also purchased, besides securitization (non-balance sheet financing) also had a significant share and impact on the reduction of balance sheet total.

The strategy of the Company is to rebuild balance sheet total and to build own portfolios, shown on balance sheet than outside it (securitization), to a much larger extent.

We believe that we will steadily and subsequently improve the results of the Company (in July the Company generated a net profit of nearly 0.8 million PLN, we also implement planned plans in August), and as a result we will achieve the assumed goal for 2018, which is the development of 11 million PLN of gross profit and ca. PLN 7 million of net profit for the whole year.

We would like to thank you for supporting the Company so far. We believe that you will continue to support us and further development of our company.

Adam Kuszyk
President of the Management Board

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Data in PLN thousands unless stated otherwise

I. THE REPORT OF THE MANAGEMENT BOARD ON THE ACTIVITY OF CAPITAL SERVICE CAPITAL GROUP FOR THE PERIOD FROM JANUARY 1, 2018 TO JUNE 30, 2018

1. GENERAL INFORMATION ON CAPITAL SERVICE GROUP

1.1. Establishment and period of operation of the Capital Group

CAPITAL SERVICE Capital Group was established in 2015. The parent company, CAPITAL SERVICE S.A., and the other entities of the Capital Group have been established for an indefinite period of time.

1.2. Details of the parent company

The parent company	CAPITAL SERVICE S.A.
Legal form:	Joint stock company (Polish: spółka akcyjna)
Registered office:	Ostrołęka, ul. J. Korczaka 73
Country of registration:	Poland
Area of core activity:	granting credit loans
Authority maintaining the register:	the District Court of the Capital City of Warsaw, Commercial Court, XIV Commercial and Registration Department, KRS 0000407127
REGON (Polish National Business Registry Number):	145914495
NIP (Tax Identification Number):	758-235-17-11
Telephone:	+48 29 694 4820
Fax:	+48 29 764 5988
E-mail address:	biurozarzadu@capitalservice.pl
Website:	http://www.capitalservice.pl

1.3. The Management Board of the Company

By the decision of the Management Board of CAPITAL SERVICE S.A. of June 4, 2018, the personal composition of the Management Board of CAPITAL SERVICE S.A. was changed. Mr. Tomasz Kaźmierski – until recently a member of the Management Board responsible for sales, was dismissed from this function. A new member was appointed – Mr. Kazimierz Dziełak.

As of the day of preparing of this Statement, the Management Board consists of:

- **Adam Kuszyk** – *the President of the Management Board,*
- **Kazimierz Dziełak** – *the Vice-president of the Management Board,*

- **Łukasz Jędrzejczyk** – *a member of the Management Board.*

1.4. The Supervisory Board of the Company

On May 23, 2018 The Extraordinary General Meeting of the CAPITAL SERVICE S.A. took place during which Mr. Kazimierz Dziełak – a member of the Supervisory Board, was dismissed from this function. Mr. Grzegorz Dziełak was appointed to the Supervisory Board.

As of the date of preparing of this Statement, the Supervisory Board consists of:

- **Adam Kowalczuk** – *the Chairman of the Supervisory Board,*
- **Jadwiga Suchecka** – *a member of the Supervisory Board,*
- **Grzegorz Dziełak** – *a member of the Supervisory Board.*

1.5. Major shareholders of the parent company

Fundamental information on the shareholders of the company as of the date of preparing of this statement has been presented on the figure and the table below:

Figure. The shareholding structure of the company

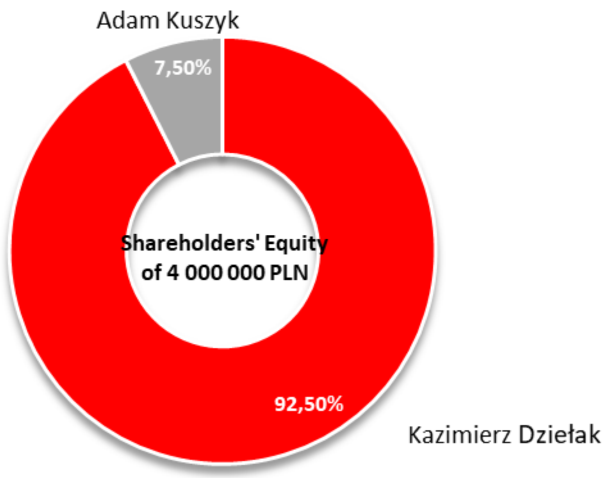


Table. Information on shareholders

	Numer of shares (in thousand pieces)	Nominal value of shares (in PLN thousands)	Share in basic capital
Kazimierz Dziełak	3 700	3 700	92,50%
Adam Kuszyk	300	300	7,50%
Shareholders' equity	**4 000**	**4 000**	**100,00%**

1.6. Subsidiaries

As of the date of preparing of this statement, CAPITAL SERVICE S.A. is the parent company of five subsidiaries. Information on subsidiaries has been presented in Table below:

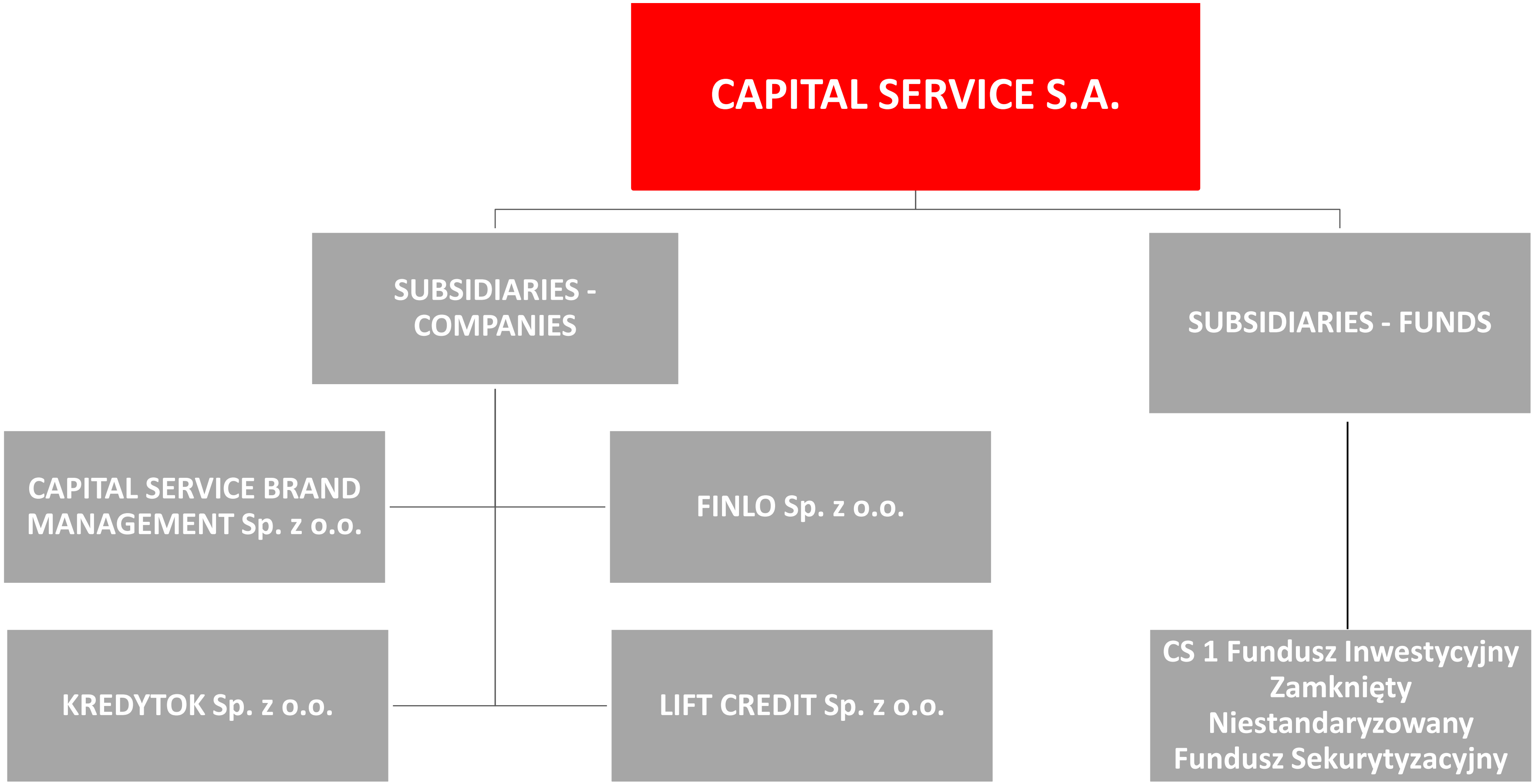
CAPITAL SERVICE BRAND MANAGEMENT Sp. z o. o.	FINLO Sp. z o. o.	KREDYT OK Sp. z o. o.	LIFT CREDIT Sp. z o. o.	CS 1 Fundusz Inwestycyjny Zamknięty Niestandaryzowany Fundusz Sekurytyzacyjny
▪ stake in the share capital of 100%;	▪ stake in the share capital of 100%;	▪ stake in the share capital of 100%;	▪ stake in the share capital of 100%;	▪ 100% of investment certificates;
▪ an operating unit, the subject of whose activity is marketing strategies, trademarks and other intellectual property right; ▪ CAPITAL SERVICE BRAND MANAGEMENT Sp. z o. o. acquired KOMTOD sp. z o. o. S.K.A.; the registry court made a decision in this matter on 15.05.2017;	▪ a loan company whose loan products will be offered thrugh a channel of intermediaries (agents and brokers) and an online channel.	▪ a special purpose entity. In 2018, a contribution-in-kind of property of the Organized Part of the Enterprise, in a form of local offices and support structures, is going to be made. Ultimately, the Company is going to be a credit intermediary.	▪ a special purpose entity, whose designation is going to be specified in 2018.	▪ a close-end investment fund, which is a legal person; ▪ the Fund is run by EQUES Investment Towarzystwo Funduszy Inwestycyjnych Spółka Akcyjna; ▪ the investment aims of the Fund are: generating profit on net investments of the Fund and increasing the value of Assets as a result of an increase in the value of investments.

The table and figure below present fundamental information on the Capital Group as of the day of preparing of this Statement:

Table. Information on subsidiaries

Subsidiary name	Registered office	Registration data	Core activity	Basic capital (in PLN thousands)	% share in capital	% share in voting rights
CAPITAL SERVICE BRAND MANAGEMENT Sp. z o. o.	03-301 Warszawa ul. Jagiellońska 78	KRS (National Court Register Number) 0000583477 NIP (Tax Identification Number) 1132897358	Leasing of intellectual property	348,0	100	100
FINLO Sp. z o. o.	03-301 Warszawa ul. Jagiellońska 78	KRS (National Court Register Number) 0000666714 NIP (Tax Identification Number) 1132932876	Other credit granting	200,0	100	100
KREDYTOK Sp. z o. o.	07-409 Ostrołęka ul. Janusza Korczaka 73	KRS (National Court Register Number) 0000697324 NIP (Tax Identification Number) 7582364091	Other business supporting financial services, excluding insurance and pension	200,0	100	100
LIFT CREDIT Sp. z o. o.	03-138 Warszawa ul. Strumykowa 28A/35	KRS (National Court Register Number) 0000648047 NIP (Tax Identification Number) 5242813838	Other credit granting	5,0	100	100
CS 1 Fundusz Inwestycyjny Zamknięty Niestandaryzowany Fundusz Sekurytyzacyjny	80-350 Gdańsk Ul. Chłopska 53	RFI 1527	Activities of Funds	n/d **CAPITAL SERVICE S.A. acquired investment certificates of the Fund, A series of the total value of 200 000.00 PLN (100%)*	n/d	n/d

Figure. The structure of the Capital Group



2. DESCRIPTION OF THE ACTIVITY OF THE FINANCIAL GROUP

2.1. Important achievements or failures of the Group and the description of the most important factors and events, especially unique in character, which influence the achieved results

2.1.1. Sales of receivables

In 2018, CAPITAL SERVICE S.A. has continued the decision made in 2014 by the Management Board on cessation of in-house court collection and sale of overdue receivables. As a result, as of the day of preparing of this Statement, CAPITAL SERVICE S.A. has proceeded with the sale of the following four overdue receivables:

- in January 2018 a portfolio of receivables due by 60 days was sold. The revenue from this transaction amounted to 1 980 812.68 PLN.
- in April 2018 a portfolio of receivables due by 60 days was sold. The revenue from this transaction amounted to 2 614 392.00 PLN.
- in July 2018 a portfolio of receivables due by 60 days was sold. The revenue from this transaction amounted to 2 141 945.67 PLN.
- in August 2018 a portfolio of receivables due by 60 days was sold. The revenue from this transaction amounted to 1 141 363.47 PLN.

Receivables that were the subject of the above mentioned transactions of sale were written-off before hand or covered by provisions.

Transactions of sale of receivables are recorded in the profit and loss account in the following fields:

- Financial income (gains on disposal of investments) – sale price,
- Financial costs (other) – balance sheet value of receivables sold,
- Remaining operating costs (Other operating costs) – deducting costs of provisions for lending receivables.

2.1.2. Długi.Info Project

In March 2018, CAPITAL SERVICE SA established cooperation with Factory Network S.A., which is the owner of long.info website. Długi.info website is an interactive bulletin board, an online portal dedicated to submitting invitations to make debt sale agreements. The website is addressed to entrepreneurs running a business as well as to natural persons with documented title of payment in the form of invoices, bills of exchange, court orders, enforcement titles, contracts.

This project is an interesting solution on the market, previously not used by CAPITAL SERVICE S.A., which allows to check online capabilities of selling overdue receivables outside the traditional path of selling them. The entire sales process takes place with the knowledge of a debtor who, along with issuing an offer on the debt exchange, is informed about the issue of his debt for sale, receives a link to the offer and contact details for CAPITAL SERVICE S.A., in the form of a short text message and in the form of an e-mail. The repayment of an overdue liability results in the removal of the offer from the long.info website.

2.1.3. Mobile Customer Advisors

In the first quarter of 2018, the Management Board of CAPITAL SERVICE S.A. decided to distinguish in the existing organizational structure of the company a function of Mobile Customer Advisors, operating in three cities: Brzeg, Nysa and Kłodzko. Mobile Customer Advisors have access to the CRM system and have an opportunity to process loan applications under **Oddział+ Platform** (a system enabling to obtain information about all offers available to customer after entering a single application). In addition, they have access to detailed customer data and the history of their debt. Through the Cash Register module (“Kasa”), they have an option of entering payments into loans and registering the withdrawal operations to the bank. Mobile Customer Advisors have an option of drawing up their own notes and contacts for specific matters.

2.1.4. Purchase of series G bonds of CAPITAL SERVICE S.A.

On July 27, 2018, Capital Service S.A. purchased series G bonds in line with the terms of issue. A resolution to issue the above-mentioned series G bonds was taken by the Management Board of CAPITAL SERVICE S.A. on December 11, 2015. The allotment of bonds took place on December 14, 2015. The total value of series G bonds issue amounted to 15.000.000.00 PLN (fifteen million PLN). The Management Board of CAPITAL SERVICE S.A. informs that the Company has performed all the benefits due to the Bondholders resulting from the issue of series G bonds and therefore, as at the date of this Semi-Annual Report, it has no obligations arising therefrom.

2.1.5. Series I Bonds - Obligatory Early Redemptions

On 31 March 2018, the Management Board of CAPITAL SERVICE S.A. made a mandatory early redemption of 94.910 (in words: ninety-four thousand nine hundred and ten) series I bonds, in accordance with the Terms of the Series I Bond issued by CAPITAL SERVICE S.A . (as appropriate in the light of section 9.8.2. in connection with section 9.8.1. of the Terms and Conditions of Issuance of Series I Bonds).

On 30 June 2018, the Management Board of CAPITAL SERVICE S.A. made a mandatory early redemption of 42.780 (in words: forty two thousand seven hundred and eighty) units of series I bonds, in accordance with the Terms of the Series I Bond issued by CAPITAL SERVICE S.A. (as appropriate in the light of section 9.8.2. in connection with section 9.8.1. of the Terms and Conditions of Issuance of Series I Bonds).

2.1.6. Issue and allocation of J series bonds issued by CAPITAL SERVICE S.A.

On July 12, 2018, the Management Board of CAPITAL SERVICE S.A. adopted a resolution to issue series J bonds. Series J bonds were offered in the mode specified in art. 33 point 2 of the Act of 15 January 2015 on bonds, i.e. by directing the proposal to purchase series J bonds to no more than 149 individually marked addressees in a manner that does not constitute a public offer within the meaning of art. 3 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies.

On July 18, 2018, by virtue of an appropriate resolution of the Management Board, a total of 1.300 series J bonds with a total value of PLN 1.300.000.00 were allocated.

J series bonds are 24-month bearer bonds with a par value of 1.000 PLN each. Bonds are in the form of a document. The bond security, indicated in the Bond Issue Terms, in the form of a declaration on submission of a company for execution pursuant to art. 777 § 1 section 5 of the Code of Civil Procedure was established on August 2, 2018.

2.2. Development of the main activity of CAPITAL SERVICE S.A. in the first half of 2018

2.2.1 A chain of distribution and sales of products

Capital Group CAPITAL SERVICE conducts its lending activity on the Polish market, maintaining the highest standards of quality and customer service, using the following four sales channels: own branches of KredytOK, the Internet, agents and brokers and own extended Contact Center.

The basic distribution channel is the field branches of KredytOK, which at the end of the first half of 2018 amounted to over 100 in number. Local branches are located in cities of over 30.000 inhabitants, situated in very well communicated places and distinguished by the logotype of the brand. It is a significant distribution channel from the point of view of direct sales and reaching potential customers.

The loan applications are processed by the KredytOK branch network in the framework of Oddział+ Platform. It is a widely expanded system, the implementation of which in 2017 significantly improved the process of applying for a loan, making it possible to obtain information on all offers available to the client after the introduction of a single application into the system.

In addition to the traditional fixed-line network, CAPITAL SERVICE S.A. systematically develops and improves other channels of acquisition, sale and distribution of own offer. Having our own Contact Center, which is the central place for accepting and handling customer requests for loans, is of considerable importance. Centralization of request handling allowed for the introduction of numerous process automations, specializations and, as a result, a significant improvement in efficiency. The field branches receive ready applications from clients (loan applications prepared by the Contact Center Customer Advisors via Oddział+ Platform with an initial offer), meetings with customers are arranged during which they learn about all formalities of the process. This process allows you to shorten the time of customer service. Clients come to the branch together with documents required to grant a loan or a credit and as a result also save time.

Starting from June 2018, a new product – "Pożyczka Ratalna na telefon" - is offered through the Contact Center. Customers of CAPITAL SERVICE S.A. have the opportunity to take out a loan during a single phone call. This product is aimed at accelerating customer service, increasing conversions and thus increasing sales of the Group's products.

The web feed is one of the most dynamically developing sales channels. Clients are acquired using their own websites, including landing page hat is dedicated to individual products and affiliate programs implemented jointly with brokers. A web portal is a source of notifications, and consequently contact data, which is then processed by other sales channels. As part of this channel, the Company systematically establishes cooperation with new affiliate networks, new landing pages are created, thanks to which the number of clients acquired via this channel increases. As of the date of preparing of this Report, KredytOK program is available on leading Internet platforms, including COMPERIA, BANKER, AFFILIATE44, PROPERAD, SOLUTIONS4AD, TOTAL MONEY, ALL4AFFILIATE, AGORA PERFORMANCE.

In addition, from June 2018 CAPITAL SERVICE S.A. implemented the possibility of full application and conclusion of a loan agreement via the following website: www.KredytOK.pl. As a result, CAPITAL SERVICE S.A. has opened itself to a new sales channel. By using the latest data acquisition solutions and verification of loan applications, we are able to offer our own products to a wide range of online customers.

In addition, API Agent+, a programming interface, which allows CAPITAL SERVICE S.A. products to be made available directly in the systems of other companies and financial product integrators, and allows you to submit a loan application, receive a credit decision, generate documents, as well as confirm signature at the agent's office, works dynamically. Agent+ Platform works along with API Agent+. This is a credit-based online platform enabling agents to sell products offered by the Group under KredytOK brand. Thanks to the promotion of a self-service model among its agents and brokers, CAPITAL SERVICE S.A. gains among others the possibility of using modern marketing as well as selling more own products.

CAPITAL SERVICE S.A. applies the same standards of customer service quality in all available sales channels. Employees are strictly required to adhere to the applicable rules regarding integrity, transparency and a responsible approach to each client.

2.2.2 The product offer

The core activity of CAPITAL SERVICE S.A. consists in providing cash loans to natural persons and comprehensive customer service, as well as financial intermediation.

Table. Own products offered by CAPITAL SERVICE S.A. in 2018

Product	General description
Prepaid card	A medium of product disbursement in the form of a prepaid card which was launched in February 2015. A prepaid card agreement is concluded for an indefinite period of time. Via the prepaid card, the customer can withdraw cash, make cashless payments and to check balance and history of operations.
„Szybka Pożyczka" loan	A cash loan in the amount from 200 PLN to 1.000 PLN; an agreement is concluded for the period of one month. The product was introduced in March 2016.
„Pożyczka Ratalna" loan	A cash loan with a term of payment from 6 to 24 months in the amount from 1.050 PLN to 5.000 PLN. The product was introduced in January 2015.
„Jak Marzenie" loan	A loan offered in cooperation with a securitization fund in the amount from 2.000 PLN to 15.000 PLN, with a term of payment of 24 to 48 months, offered to new and old customers. The granting of the loan is conditional on the result of scoring and verification carried out by an analyst. The product was introduced in August 2016.
„Ratka Spłatka" loan	A cash loan with a term of payment of 4 months in the amount ranging from 350 PLN to 1.500 PLN. The product was introduced in February 2018.
„Auto Kasa"	A cash loan for refinancing the costs of purchase of a vehicle in the amount ranging from 2.000 PLN to 100.000 PLN, to 70% value of the vehicle. The term of payment is from 6 to 48 months. The product was introduced in March 2018.

Table. Third-party products offered by CAPITAL SERVICE S.A. in 2018

Product	General description
AXA TUiR S.A. insurance	Axa insurance in the form of 2 packages: Medyczny Ok and Ochrona Życia i Zdrowia – life insurance, insurance in case of invalidity and in case of permanent invalidity. A period of insurance depending on the package and option is from 3 to 12 months. The product was made available to CAPITAL SERVICE S.A. customers in October 2016.
MetLife TUnŻiR insurance	MetLife insurance in the form of 2 packages: Sprawna Pomoc Ok and Pakiet na Życie Ok. A period of insurance in case of Sprawna Pomoc OK package is 3 or 12 months and 12 months in case of Pakiet na życieOK package. The product has been available for the customers of CAPITAL SERVICE S.A. since April 2017.
Non-bank loans and cash loans	Since April 2016 non-bank loans of other providers than CAPITAL SERVICE S.A. and cash loans of leading banks up to the amount of 220 PLN thousands with a term of payment up to 144 months (12 years) have also been available in branch offices of KredytOK through integrator platforms. The offer is addressed to both individual customers and micro-entrepreneurs.

„Autokasa" loan Autokapital.pl	Since September 2017 local branches of KredytOK offer loans on pawn or for the purchase of a vehicle in the amount ranging from 6.000 PLN to 100.000 PLN, and the term of payment is 12, 24, 36 and 48 months. The loan is intended for natural persons and persons conducting business activity.
LeaseLink	This offer is intended for new customers and existing customers of CAPITAL SERVICE S.A., who are self-employed and interested in obtaining a loan to finance the purchase of equipment and devices (i.e. home electronics, home appliances, construction and medical devices, furniture). Leasing is granted for the purchase of goods for the total amount of 1.000 PLN to 50.000 PLN with a term of payment ranging from 18 to 48 months. This product was introduced into the offer of the Group in November 2017.
„Availo Usługi Prawne" Legal services	Since February 2018 the Group has also provided legal services to its customers. It is comprehensive legal assistance that is provided by lawyers, legal counsellors and tax advisors who specialize in a given field of law. Legal services are provided via telephone or an online channel (e-mail, Availo24 account), depending on the selected package and the scope of services.

2.2.3 Sales in the first half of 2017 and customer database

Similarly to previous periods, CAPITAL SERVICE S.A. handled the sales of products using all of its available distribution channels. The sales campaign was supported by various marketing activities inter alia in the form of special offers and competitions, a number of advertising campaign, as well as by the promotion of MGM (*Member Gets Member*) loyalty program promoted among customers, enabling to award bonuses to customers recommending products offered by the Group.

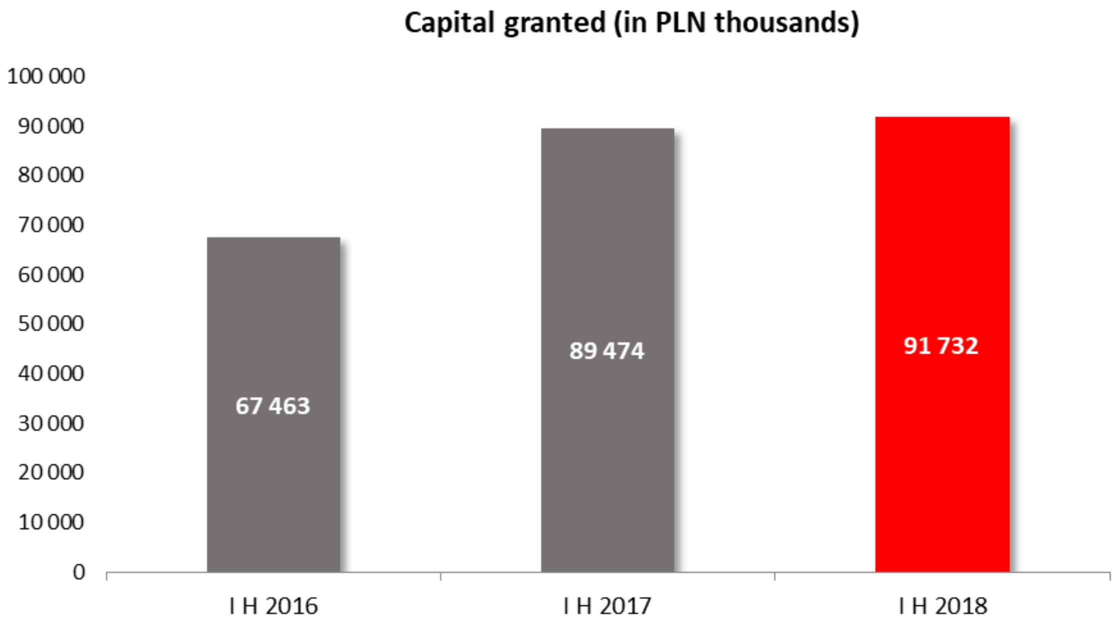
It is worth noting that in the first half of 2018 CAPITAL SERVICE S.A. tried to reach a wider spectrum of customers interested in products offered by the Company through television advertising. The KredytOK offer was available for the first time in nationwide television - in TVP, Polsat and TVN and in their thematic stations.

The Group develops customer acquisition and service channels (Internet affiliations, own expanded Contact Center, cooperation with agents through integrators) and systematically extends and modifies the offer of own and foreign products (insurance - AXA TUiR SA Insurance, MetLife TUnŻiR Insurance, non-bank loans and credits, Autokasa loan - a loan on pawn or for the purchase of a car, LeaseLink - leasing of equipment and equipment, Availo legal services). All the above activities lead to a systematic acquisition of new clients and meeting the constantly growing needs and requirements of regular clients of CAPITAL SERVICE S.A.

In the first half of 2018, loans within the Group were granted for consumption purposes with a total value of PLN 9.732 thousands PLN. This represents an increase by 2.5% compared to the first half of 2017, and in terms of absolute values, by 2 258 thousand PLN. When it comes to the comparison with the first half of 2016, this amounts to 26 % and 24 269 thousands of PLN in terms of absolute values. As has been shown on the figure below, the capital of loans granted is systematically growing.

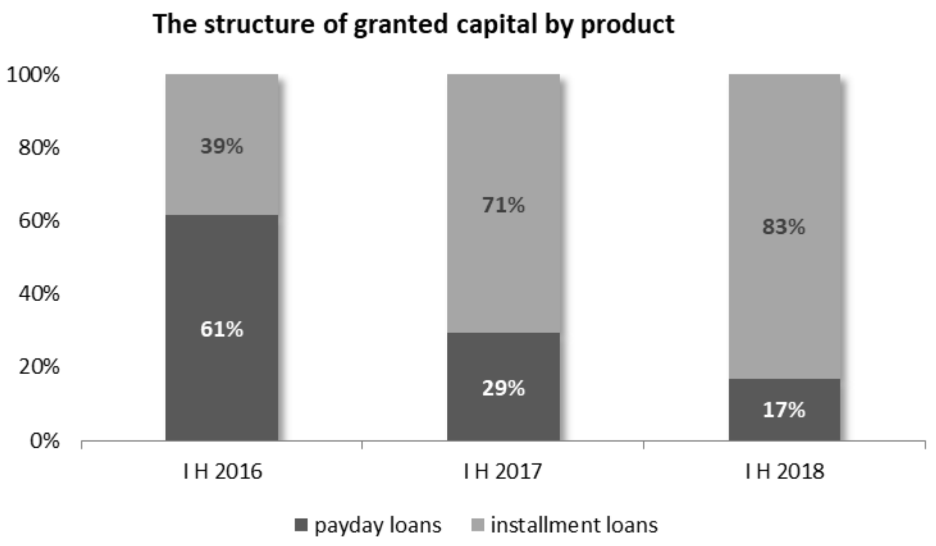
At the same time, the persistence of sales at a level close to the comparable period of previous year may indicate a slowdown in the dynamics of loans granted, which, in turn, indicates growing competition in the sector of loan institutions.

The capital granted in the first half of 2018 and in the comparable periods is presented in the chart below.



CAPITAL SERVICE S.A. systematically continues numerous activities aimed at changing the product structure of loans granted. The sale of instalment loans, which is a product intended for more demanding clients, seeking a cheaper offer and fulfilling stricter requirements on creditworthiness, at the expense of renewable loans in cash, is increasing. In its offer of instalment products, the Group has products for its own service as well as products for securitization - "Pożyczka jak Marzenie" loan, which is granted on the basis of cooperation with a debt fund - EQUES DEBITUM Investment Fund Non-Standardized Closed Securitization Fund. This is a fund that deals with the acquisition of mass packages of unsupported debts, but also regular and non-delayed receivables. Signi S.A. Law Firm manages the portfolio of receivables of the fund. Loan portfolios are sold to investments fund after they have been granted. As part of this cooperation, CAPITAL SERVICE S.A. increases the value of loans granted without the need to engage its own funds of significant value.

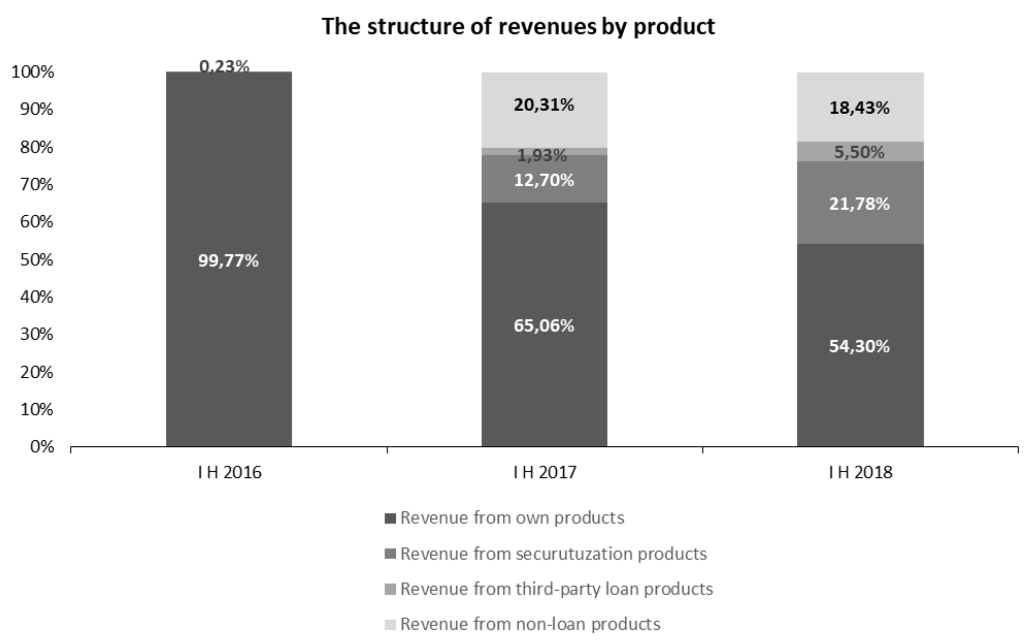
The structure of loans granted in comparable periods is presented in the chart below.



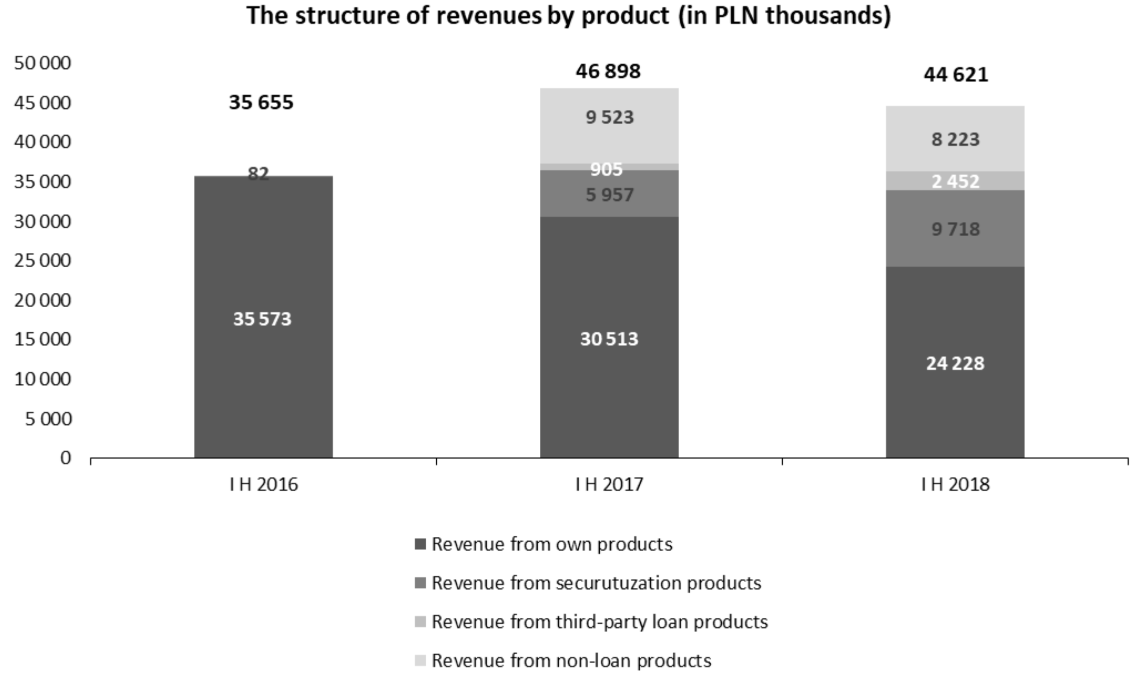
2.3 Financial results obtained in the first half of 2018

The main source of income for the CAPITAL SERVICE are revenues earned from cash loans granted to natural persons and their servicing. In addition, the Group generates revenue from the sale of insurance and loan intermediation.

In the first half of 2018, the CAPITAL SERVICE Group generated sales revenues in the amount of 44.6 million PLN. The structure of these revenues by product in comparable periods is presented in the chart below.



As can be seen in the chart, in the last two years there has been a significant diversification of the revenues of the Group, which expanded its offer with numerous foreign products (insurance - AXA TUiR SA insurance, MetLife TUnŻiR insurance, non-bank loans and loans, Autokasa loan - loan on pawn or a loan for the purchase of a car, LeaseLink - equipment and equipment leasing, Availo legal services) which enabled to match the offer to the expectations of current customers and acquire new.



Total revenues of the Group, i.e. revenues from sales, other operating revenues and financial revenues amounted to 50.15 million PLN, which means an increase by almost 6%, and in terms of absolute values by 2.781 thousand PLN compared to the first half of the previous year. The high level of sales is due to the full use of available sales channels when selling own and third-party products. As a result of a wide range of available products, KredytOK branch offices are gradually acquiring new customers, thus consistently increasing revenues. The number of loans granted to clients acquired via the online channel, agents and brokers and the Contact Center is also growing. The periodical sales of lost portfolios (past due more than 60 days) to specialized debt collection companies, which allow to improve the liquidity of the Group and reinvest the recovered funds, as well as to maintain the proper structure of the loan portfolio in CAPITAL SERVICE S.A.is also of importance here. In the second half of 2018 CAPITAL SERVICE S.A. expects further acceleration in revenue growth.

It seems that the negative phenomena related to the loss ratio of loans, started with the separation of debt collection processes from field branches, affecting the results of the Group in 2017, have been stopped. As part of the actions taken as early as in 2017, we managed to stop the deterioration of the quality of portfolio and start the process of its improvement. The bidding processes and creditworthiness tests were improved. The number of loans granted to customers acquired via the online channels as well as agents and broken has been increased.

Data in PLN thousands unless stated otherwise

In the discussed period CAPITAL SERVICE recorded lower results compared to the comparable period of 2017, showing a profit of PLN 1.6 million, compared to PLN 4.1 million profit for the first half of the previous year. At present, work is still underway to decrease the loss ratio of loans granted, which consist in scoring modifications and continuous optimization of debt collection processes. The Management Board of the Company assumes that in the following months, as a result of widely undertaken remedial actions and organic sales growth while simultaneously striving to reduce operating costs, the results of the Group will improve.

The profits earned in CAPITAL SERVICE S.A. are fully reinvested, thanks to which own capital is steadily strengthening. Equity as of June 30, 2018 amounted to PLN 17.7 million, and in the opinion of the Management Board, the capital structure remains appropriate. The change in the financial situation caused the balance sheet total of the Group to reach 76.4 million PLN.

Key financial ratios for the first half of 2018 and for the comparative period are presented in the table below.

	Ratios for the first half of 2017 – 2018	
	30.06.2017	**30.06.2018**
Debt ratio		
Total debt ratio	77.06%	76.84%
Debt to equity ratio	1.97	1.18
Net debt / EBITDA ratio	5.61	3.14
Liquidity ratio		
Current liquidity ratio	3.17	2.23
Fast liquidity ratio	3.08	2.19
Cash ratio	0.89	0.19
Profitability ratio		
Profitability of sales (EBITDA)	21.38%	33.23%
Profitability of net sales	8.84%	3.73%
Return on equity	15.84%	9.41%
Return on assets	3.63%	2.18%

Based on the above data, it can be seen that debt ratios remain at a safe level and are similar to the results achieved in the comparable period of the previous year. The Group regularly repays its liabilities and their rising level is reflected in the form of an increase in the value of the loan portfolio.

Liquidity ratios (current liquidity ratio, quick liquidity ratio, cash liquidity ratio) are located at levels that allow for the full security and financial balance of the company.

Profitability ratios in relation to data from the corresponding period of the previous year remain at a similar level. The Group assumes that in the next months they should systematically improve as the loss ratio on loan portfolios decreases and the constant increase in sales within the Group.

2.4 Description of the main threats and risk which in the opinion of the Issuer are important for the evaluation of its capability to perform obligations under the issued debt financial instruments

2.4.1 Risks related directly to CAPITAL SERVICE and its activity

The risk of a price changes of offered products

One of the main risks related to the Group and its activity is the risk of price changes of products offered on the market, which consists of the following variables:

- the risk of a price change caused by changes in law,
- the risk of a price change caused by the activities of competition.

Both risks potentially result in a decrease of the profitability of products and, as a result, the profitability of sales.

As regards the first of the aforementioned risks, i.e. the risk of price changes enforced by changes in the law, this is a risk whose significance is very important and the Company constantly monitors the emerging projects of changes in regulations that affect the essence of the operations of the Company. The legal department operating inside the Company analyses all legislator movements that may affect the industries in which the Company operates. The current analysis and awareness of planned changes allows us to anticipate their consequences in advance and start a strategy of optimizing the activities / products offered to the changing legal environment.

The company repeatedly faced changes in law, which have significantly affected the change in the prices of products offered, thereby the level of profitability of its operations. Each time the company in a manner as sustainable as possible ensured compliance of the offered products / services with new regulations and profitability of operations.

In response to the activities of the Legislator, the Management Board of the Company systematically implements the CAPITAL SERVICE Group Strategy for 2017-2018 (hereinafter referred to as "Strategy"). The strategy, regardless of the final content of legal regulations and in the face of constant uncertainty as to new proposals for changes in regulations, is to provide CAPITAL SERVICE Group with stable, sustainable development and mitigate the risk resulting from legal uncertainty.

The second risk mentioned in this section - the risk of price changes forced by competitors - is minimized through an ongoing analysis of the financial services market and entities similar in profile to CAPITAL SERVICE S.A. The organizational unit functioning within the company is aimed at continuous monitoring of the activities of competitors on an ongoing basis, it analyses parameters of the products they sell and the marketing and promotional activities undertaken, which allows them to react immediately to changes taking place in the area of financial services and maintain a high position on the market of financial products and services offered by non-bank entities.

Risk related to the strategic goal

The strategic goal of CAPITAL SERVICE S.A. is to achieve and maintain high position on the Polish market of financial products and services offered by non-bank institutions. Under this strategy CAPITAL SERVICE S.A. assumes a constant increase in loan portfolio and diversification of sources of funds. The positive result of the adopted strategy depends on the effectiveness of carried out activity, access to capital and adaptation to changeable conditions of economic environment. The most important factor influencing the sector of non-bank loans include: provisions of law, availability of financial products and services and the condition of households. Measures taken as a result of a bad assessment of the influence of the environment or improper adaptation to the changeable conditions of this environment can have a negative influence on the results obtained by CAPITAL SERVICE S.A. Therefore, there is a risk of not achieving the assumed strategic aim.

In order to restrict the above mentioned risk, CAPITAL SERVICE S.A. analyses factors which can have a potential negative impact on its activity and resultss on a daily basis and should such need arise, it takes all necessary decisions and measures under the adopted strategy.

The key activities in this respect include:

- differentiation of the offer product and adapting it both to the changing legal provisions and market requirements resulting from actions taken by competitive companies;
- supplementing the offer with products from the insurance and reinsurance market in a systematic manner;
- diversification of sources of fund, including making the loans of the Company available on MINTOS platform,
- constant cooperation with securitization funds,
- diversification of channels used to acquire and serve customers.

Credit risk and risk of material interruptions of cash flow and loss of financial liquidity

Credit risk in CAPITAL SERVICE S.A. arises from the conclusion of loan transactions and results in a possibility of failure to recover granted amounts, loss of profit or incurring a financial lost. This is a resultant of the area of a loan products, the term of repayment, the process of crediting and activities which limit the possibility of incurring losses.

The aim of CAPITAL SERVICE S.A. is to create a secure and stable loan portfolio:

- which guarantees security of own funds,

- earning revenues assumed in the financial plan while maintaining the level of receivables at risk at the level not higher than assumed in the financial plan of CAPITAL SERVICE S.A.

  The process of credit risk management includes:
- an analysis of risk of loan portfolio,
- determination of criteria of transaction conclusion and taking credit decisions which guarantee granting loans to customers who have a capability to repay their liabilities towards CAPITAL SERVICE S.A.,
- monitoring and reporting in respect to the quality of loan portfolios,
- creating parameters to create special-purpose reserves.

The activity of CAPITAL SERVICE S.A. is based on granting cash loans to natural persons. The risk of material interruptions and cash flow and loss of financial liquidity becomes increasingly important along with the expansion of the scale of business operations. This risk includes inter alia:

- the risk of wrong planning of real demand for funds, including the demand for external funding,
- the risk of failure to provide sufficient funds to lending,
- the risk of granting loans to customers who fail to repay them,
- the risk of delays in repayment or absence of repayment of cash receivables and others,
- the risk of debt not being served in a timely manner,
- the risk of demanding immediate repayment of material liabilities of CAPITAL SERVICE S.A.

In the opinion of CAPITAL SERVICE S.A., the first of the above mentioned risks is in the right manner limited at an acceptable level. This risk is limited by the establishment of the effective Analysis and Reporting Department (DAiR) which is responsible inter alia for financial modelling, including demands for cash and external funding. Experience shows that estimations prepared by DAiR enable to plan the demand for external funds with sufficient precision in advance. In order to determine the demand for external funds, CAPITAL SERVICE S.A. has also determined minimal state of financial resources to such a level so that to avoid interruptions in respect to liquidity. Financial estimations are updated and adjusted to the changing situation on a daily basis.

Obtaining funds is necessary to ensure the dynamic growth of CAPITAL SERVICE S.A., which was assumed in the Strategy. For this purpose CAPITAL SERVICE takes care of transparency of its activity, has a clear ownership structure, cooperates with a reputable auditor, publishes financial data on a quarterly basis. Moreover, in order to limit this risk and to ensure higher funds to finance a greater number of loans, the Company successfully continues good cooperation with the securitizing fund in respect of the sales of regular receivables (loans with the term of repayment from 2 to 4 years) and peer to peer lending platform (MINTOS) and cyclically sells non-performing portfolios (NPL). The Company continues its cooperation with existing partners and looks for new ones to implement its strategy in this respect in an undistorted manner.

The risk of granting loans to customers who fail to repay them in a timely manner is limited by CAPITAL SERVICE S.A. to an acceptable level, which ensures adequate profitability. The Company tries to accomplish this by means of creating the right scoring models and anti-fraud rules, improving them constantly and monitoring portfolios on a daily basis in order to identify non-desired tendencies and taking immediate measures to eliminate them. In order to evaluate credit capability of customers, the Company cooperates with all important credit information bureaus, namely: “BIG Infomonitor”, “KRD” or “ERIF”, as well as “Krajowe Biuro Informacji Gospodarczej”, “Platformą Wymiany Informacji Pożyczkowej” and “Forum Wiarygodnej Wymiany Informacji”.

The risk of delays in repayment of loan receivables and others is limited by debt collection. Debt collection processes are regulated by internal procedures, the effectiveness of which is monitored on a daily basis. At present CAPITAL SERVICE S.A. is taking steps to section debt collection processes, develop systems, models and delegate (or hire) employees who will be involved in widely understood debt collection activities and to develop as effective methods of reaching debtors as possible. Therefore, the current sales-debt collection model will be changed to a model in which sales and debt collection will constitute two separate processes served by different persons under one organization. As of the day of preparing of this Consolidated Statement, the process of sectioning debt collection is still being modified and adapted to the needs of the Group. In addition, the specificity of our activity is granting cash loans to a large group of customers (natural persons) of relatively low amounts, as a result of which there is no risk of debt concentration. What is more, receivables which are overdue are systematically sold. The aim of the project of sectioning debt collection activities is to release the working time of employees employed in branch offices of KredytOK and to use those resources for sales purposes only and in case of debt collection – to focus attention and power to recover as high amount of receivables overdue as possible.

In the opinion of the Management Board of CAPITAL SERVICE, the risk of debt not being served in a timely manner and the risk of demanding immediate repayment of material liabilities of CAPITAL SERVICE S.A. All liabilities are served in a timely manner and for the time being and in the perspective which can be reasonably assessed, there are no risk in this respect.

The risk of declaring bankruptcy of Capital SERVICE

The risk of declaring bankruptcy of CAPITAL SERVICE S.A. is inextricably bound with the risk of loss of financial liquidity by the Group. In accordance with the article 20 of the Act of 28 February 2003 – Insolvency Law, a bankruptcy petition can be filed by each creditor of the debtor who became insolvent within the meaning of the Act, namely fails to perform its due financial obligations or when its liabilities exceed the value of its assets, even if it performs these obligations on a daily basis. The legal situation of the debtor and its creditors as well as the insolvency proceedings are regulated by the provisions of the above mentioned Act – Insolvency Law and the Act of 15 May 2015 – Restructuring law.

The group makes every effort to ensure that all liabilities due are paid on a daily basis and maintains a secure level of debt and – in the foreseeable future – does not see the possibility of materialization of this risk. What is more, the Group established procedures to use in a situation of business risk.

The risk of losing key employees and members of the Management Board

The activity of CAPITAL SERVICE S.A. is to a large extent based on experience, skills and the quality of work of key employees and members of the Management Board. It makes every effort to ensure that currently employed key employees remain with the Group for a long period of time and identify themselves with it. The cooperation of CAPITAL SERVICE S.A. with key employees is individual in nature, the Group uses a satisfying remuneration scheme and additional benefits.

In the opinion of the Group, at present there is no risk of key employees leaving the company, which could significantly hinder the activity or implementation of the strategy of development of CAPITAL SERVICE S.A.

A wide range of key tasks is carried out by the Management Board. CAPITAL SERVICE S.A. is not able to ensure that a possible resignation of members of the Management Board will not have a negative impact on the current activity, the adopted strategy and operational results of the Group. If any member of the Management Board resigns, the Group can be deprived of *know-how* in management of the Company and conducting its operational activity. In order to mitigate this risk, the members of the Management Board, despite different areas of responsibility, constantly cooperate with each other, exchange experiences, share their know-how, which, in the opinion of the Company, decreases the risk of lack of liquidity in management in case of resignation of any member of the Management Board.

The risk related to using third-party capital

In its business activity, CAPITAL SERVICE S.A. uses long- and short-term third party capital. At present liabilities under credits and loans taken are served in a timely manner, but in a long term, in case the financial situation of the Group deteriorates, problems with their repayments cannot be excluded. Failure to perform the obligations under concluded agreements by CAPITAL SERVICE S.A. may result in a demand of immediate repayment of the debt in part or in whole and in case of lack of debt repayment, a creditor may file a petition to declare CAPITAL SERVICE S.A. bankrupt by a court.

CAPITAL SERVICE S.A. takes actions which aim to maintain an optimal capital structure by increasing both own capital and obtaining third party capital.

The risk related to negative PR in relations to CAPITAL SERVICE S.A.

CAPITAL SERVICE S.A. operates on the market of cash loans addressed to natural persons (customers). This market is a difficult one and is subjected to negative reception. Negative PR in relation to both own brands of the Company and the Company itself can hider or make impossible to acquire new customers, and at the same time, interrupt the functioning of the network of own branch offices and, as a result, conducting business or cause additional financial burden of the Group. Negative PR can also constitute a threat of losing trust of current and potential customers, which in turn can have negative impact on the results obtained by CAPITAL SERVICE S.A. in the future.

Wanting to minimize the negative effects of this phenomenon, CAPITAL SERVICE S.A. takes measures aiming to establish a positive image, including social activity. Above all, CAPITAL SERVICE S.A. develops its product offer to offer its current and potential customer products adapted to their needs and financial possibilities. This aim is accomplished by a constantly developed offer of insurance and reinsurance products, including products related to life and health protection and insurance protection in case of accidents. In this respect, CAPITAL SERVICE S.A. acts as an insurance company agent, but the offer of the company was prepared individually for the customers of CAPITAL SERVICE S.A.

It is worth highlighting here that the Company received the Certificate of Ethical Audit KPF. This certificate confirms the compliance of business practices of the Company with the Principles of Good Practices KPF.

The risk related to localization of own branch offices

The development of the network of own branch offices operating under KredytOK brand and the financial situation of CAPITAL SERVICE S.A. depends mainly on the sales volume carried out in them. This, in turn, influences the number of branch offices operating in the network of CAPITAL SERVICE S.A. and their localization. The recognisability of KredytOk brand to a large extent depends on the localization of an office in a town. There is a risk that selected localizations of new offices or already existing offices turn out to be inconvenient, which can result in a small demand for products offered by the Group. This, in turn, can be reflected in lack of profitability of offices and, therefore, lead to the deterioration of the financial situation of the Group.

This risk is limited by a careful process of localization selection, high quality of services provided in branch offices, which is constantly verified by CAPITAL SERVICE S.A., and the competitive product offer.

The risk related to the processing of personal data

According to Polish legislation, the activity of CAPITAL SERVICE S.A. is significantly affected by the Act on the protection of personal data of May 10, 2018. The body responsible for the protection of personal data is the President of the Office for the Protection of Personal Data. This is a new supervisory body which has replaced the Inspector General for the Protection of Personal Data. The replacement of the supervisory body is one of a number of changes which have been introduced by the Act on the protection of personal data. There is a risk that its interpretation of provisions will differ from the one employed by CAPITAL SERVICE S.A., which can lead to an initiation of administrative proceedings and, as a result of it, even application of penal law with respect to the Group.

In order to minimize the indicated risk, CAPITAL SERVICE S.A. has introduced detailed procedures and uses technical and organizational means for the protection of processed personal data, and in particular protects data against their exposure to unauthorized persons, processing with the violation of the Act on the protection of personal data as well their change, loss, destruction or damage.

The risk which is inextricably connected to having and processing of personal data is the risk of security breaches at databases where confidential data of customers of CAPITAL SERVICE S.A. are kept and other violations of the Act of the Protection of Personal Data. Such events can negatively impact the manner in which the Group is perceived and, as a result, lead to loss of customers and deterioration of financial results and, in addition, would render CAPITAL SERVICE S.A. liable for damages.

Therefore, it needs to be noted that the integrated IT system used by CAPITAL SERVICE S.A. is protected in line with the requirements of the order of the Minister of Internal Affairs and Administration of 29 April

2004 on the documentation of personal data, and technical and organizational conditions which shall be met by devices and IT systems used for personal data processing.

In the opinion of CAPITAL SERVICE S.A., the employed procedures and security systems significantly limit the above mentioned risks.

In the context of the protection of personal data, the EU regulation is of great importance - Regulation of the European Parliament and of the Council (EU) 2016/679 of April 27, 2016 on the protection of individuals with regard to the processing of personal data and the free flow of such data and repeal of Directive 95/46 /EC (general data protection regulation), which became applicable from May 25, 2018. In connection with the above, the Company has its own internal resources as well as in cooperation with an external partner specializing in the protection of personal data and implementation of related procedures with this protection, it took all necessary actions to apply the requirements of EU law.

Being aware of a number of important changes that are to take place in the area of personal data management, the Management Board of the Company undertook cooperation with an external entity in advance. Its specially appointed project team, consisting of employees of CAPITAL SERVICE S.A., worked on adapting the activity of CAPITAL SERVICE S.A. to new legal regulations.

As a result of this cooperation, the Company received a number of recommendations it was required to implement to fully comply with the Regulation referred to above. In the opinion of the Company, changes in processes, procedures, etc. (in legal, technical and organizational terms) that the Company has implemented in its operations meet the requirements set by the new regulations. Due to the freshness of EU regulations, there are no clear guidelines that usually apply in case of longer-binding provisions. Therefore, there is a risk that various organizations, including CAPITAL SERVICE S.A., will interpret the provisions of the said Regulation differently, which is a natural phenomenon in the case of new, previously unknown solutions.

2.4.2 Risk related to the environment of CAPITAL SERVICE

The risk related to the macroeconomic situation of Poland

The development of CAPITAL SERVICE S.A. depends to some extent on the general economic situation of Poland, on the territory of which it offers its products and which is at the same time the main area of their customers' activity. The main factors that are overall economic in nature and influence the activity of the Group include: the rate of economic growth, the average gross salary and the level of indebtedness of economic entities and households. There is a risk that the slowdown of the rate of economic growth and the results of introduction of pro-social programmes (500+ program) can have a negative impact on the demand of the products of CAPITAL SERVICE S.A., which as a consequence, can negatively impact the decrease of financial results of the Group.

The competition risk

The sector in which CAPITAL SERVICE S.A. conducts its activity is characterized by high competitiveness. A great number of entities at different scales of operations operate in this sector.

CAPITAL SERVICE S.A. is unable to predict whether and to what extent its offer will be attractive to customers. This risk is limited by the adopted strategy for development – the introduction of new different products and development of services, improving their quality, as well as the measures taken by the Group to increase the number of branch offices and loan portfolio, as well as diversification of sales channels, and therefore, strengthen its position.

The risk related to the legal environment

The risk of changes in the legal environment should be considered as very important and extensive one. Constantly changing European and national legislation requires vigilance and, if necessary, immediate adaptation. The draft of the Act on Personal Data Protection, the draft of the Act on counteracting money laundering and terrorism financing, the draft of the Act amending the Act on Payment Services and certain other acts, such as the draft of the Insurance Distribution Act are among the most important legal acts that have been recently amended. At the same time, the Group has a limited range of tools that can mitigate this risk. Such a tool is certainly a collaboration with entities conducting similar activities as part of the Conference of Financial Enterprises - the Union of Employers. As part of this organization and other activities and events organized by it, the Group presents its position on the proposed legislative changes. It seems, however, that the key factor ensuring adequacy of responding to the occurrence of risk related to the legal environment of the Company is taking quick and efficient actions in response to changes introduced by the legislator.

The risk related to the interpretation of the tax law

Similarly to other business entities, CAPITAL SERVICE S.A. is exposed to imprecise provisions in tax legislation and legal regulations. As a result, there is the risk of divergences of interpretation in relation to operations connected with income tax, the tax on civil law transactions and VAT. Thus, there is a risk that as part of activity conducted by CAPITAL SERVICE S.A. and despite the fact of using individual tax interpretations by it, the interpretation of the Tax Office (Urząd Skarbowy) having jurisdiction over the Company's registered office, can differ from the interpretation of the Company. In order to limit this risk, the Company monitors the changes in tax law on a daily basis, makes cyclical tax audits and plans its actions in this area in advance and in cooperation with tax advisors.

The risk related to borrowers' insolvency

One of the most significant risks related to the activity of CAPITAL SERVICE S.A. is failure of borrowers to repay their liabilities towards CAPITAL SERVICE S.A. Borrowers are obliged to repay the amount of loan (capital), interest, commission and – in case of delay in payments – default interest. The risk related to delays in payments from borrowers or their insolvency results above all from the development of the economic state of borrowers and – subsequently – from the general economic situation in our country.

What is more, changes in the provisions of law make it easier for natural persons, who do not run any business activity, to declare bankruptcy. Therefore, there is a risk CAPITAL SERVICE S.A. will not be able to recover some of the borrowers' liabilities as a result of their declaration of bankruptcy. This can negatively influence the financial results obtained by CAPITAL SERVICE S.A. Because of a number of borrowers and the value of loans granted, as well as a small number of debtors, who decided to follow this procedure, the expected percentage of liabilities non-recoverable due to a debtor's bankruptcy can be considered minimum.

In order to limit this risk, CAPITAL SERVICE S.A. assesses customers in respect of their credit credibility and the risk of failure to repay the loan (credit capability verification). This assessment is made by customer advisors on the basis of the internal rules of CAPITAL SERVICE S.A., concerning the sales of loan products and experience we have in this area, as well as on the scoring model and the anti-fraud formula. The Department of Credit Risk Management in the Company is constantly being developed. It is responsible for the mechanisms of testing creditworthiness of customers.

2.4.3 Risk factors related directly to Bonds

The risk of lack of payment of liabilities towards Bondholders

CAPITAL SERVICE S.A. is obliged to pay interest on the bonds issued by it and to buyout bonds. As a result, in case of lack of unallocated cash, the risk related to a delayed buyout of bonds or lack of possibility to buy them out by CAPITAL SERVICE S.A. cannot be excluded. In case of non-sufficient amount of cash generated to buyout bonds, CAPITAL SERVICE S.A. does not exclude reaching for another known and applicable financing tools.

So far, CAPITAL SERVICE S.A. has performed its obligations under the issue of bonds in a timely manner. In the first half of 2017, the Company redeemed series A, B, C, E and E1 bonds. In the second half of 2017 and in January, April, May and June 2018, the Company made an early redemption of series G bonds amounting to 12.5 mln PLN. In July 2018, the Company has redeemed last batch of series G bonds (2.5 mln PLN) and therefore it has provided all financial services to its bondholders related to early redemption.

In March and June 2018, the Company, in line with the terms and conditions of series I issue, made an early redemption of 94 910 and 42 780 thousand of series I bonds respectively (the whole issuance of series I is 200 000 pieces of bonds).

The risk related to additional issues of bonds and acquisition of financial resources

Funds obtained by issuing bonds enable CAPITAL SERVICE S.A. to finance its activity. It is possible that in order to fulfil the strategy for development, CAPITAL SERVICE S.A. will issue additional bonds and try to obtain funds from other sources. Failure to obtain new sources of funds in a situation in which the Company uses all of its funds, could result in a slowdown of the development of the Group. That is why, the Group takes care of the implementation of the policy of sustainable growth and diversification of financial resources, including cooperation with securitization funds and MINTOS platform.

3. INFORMATION ON THE ACTIVITY OF CAPITAL SERVICE GROUP RELATED TO THE INITIATIVE TAKEN TO IMPLEMENT INNOVATIVE SOLUTIONS IN THE COMPANY WITH RESPECT TO ITS BUSINESS ACTIVITY

Since the beginning of 2018, significant events have taken place at CAPITAL SERVICE S.A. in terms of the functioning of the entire Capital Group, affecting the sales results, and thus the financial results at the end of the first half of 2018. During the discussed period, strong sales of own and third-party products (insurance, loans and non-bank loans) were carried out, cooperation with new affiliate networks has been established, positive relations with existing contractors, and above all customers, have been maintained.

All development activities undertaken at CAPITAL SERVICE S.A. are subordinated to business priorities so that they develop skills and knowledge necessary for teams to effectively achieve their goals. CAPITAL SERVICE S.A. systematically takes measures to improve reporting and data warehouse. Data warehousing uses a hybrid in the form of a Business Intelligence class system - Sisense and MSSQL database, which is a client-server database platform. The navigation desks in the data warehouse system are run on a current basis and are used for cross-sectional analysis of data. In addition, the following applications are fully utilized by employees: DEBT +, which facilitates the work of local debt collectors and Oddział+ Platform, which a system enabling processing of loan applications through the network of KredytOK field branches.

II. THE FINANCIAL REPORT OF CAPITAL SERVICE FOR THE PERIOD FROM JANUARY 1, 2018 TO JUNE 30, 2018

1. THE RULES ADOPTED FOR THE PREPARATION OF THE FINANCIAL STATEMENT

1.1. General information on the parent company

Name	**CAPITAL SERVICE S.A.**
Registered office	Ostrołęka, ul. Korczaka 73

The entity is entered into the Register of Entrepreneurs under KRS number		407127
The registration was done by	the District Court of the Capital City of Warsaw, Commercial Court, XIV Commercial and Registration Department	
Registration data	02.01.2012	Registration data

The core activity of the entity (according to the entry in KRS) is other credit granting (64.92.Z).
The duration of activity of the entity is indefinite.

1.2. Consolidated financial report

- The consolidated financial statement covers the period from 01.01.2018 to 30.06.2018.
- The consolidated financial statement was prepared on the basis of the Accounting Act of 29 September 1994 (Journal of Laws 2016, item 1047 as amended) and the Ordinance of the Finance Minister of 25 September 2009 on the detailed principles of preparing consolidated financial statements of capital groups by entities other than banks, insurance companies and reinsurance companies (Journal of Laws of 2009, no. 152, item 1223 as amended).
- This consolidated financial statement was prepared on the assumption that the business activity in the near future will be continued and that no circumstances threatening is would take place.
- The group of related entities does not include internal organizational units preparing own financial statements and therefore, this consolidated financial statement does not include overall data including those entities.
- The reporting currency is PLN. The statement was prepared in PLN thousand unless stated otherwise.

1.3. General information on subsidiaries

Name	**CAPITAL SERVICE BRAND MANAGEMENT Sp. z o.o.**
Registered office	Warszawa, ul. Jagiellońska 78

Data in PLN thousands unless stated otherwise

The core activity of this entity is (according to the entry in KRS) leasing of intellectual property and similar products, excluding works protected by copyright laws (77.40.Z).

The parent company has:

- 100,00% share in the basic capital of the entity, and
- 100,00% share in total number of votes on the General Meeting of the entity.

The duration of activity of the entity is indefinite.

The financial statement covers the period from January 1, 2018 to June 30, 2018.

Name	**FINLO Sp. z o.o.**
Registered office	Warszawa, ul. Jagiellońska 78

The core activity of the entity (according to the entry in KRS) is other credit granting (64.92.Z).

The parent company has:

- 100,00% share in the basic capital of the entity, and
- 100,00% share in total number of votes on the General Meeting of the entity.

The duration of activity of the entity is indefinite.

The financial statement covers the period from January 1, 2018 to June 30, 2018.

Name	**LIFT CREDIT Sp. z o. o.**
Registered office	Warszawa, Strumykowa 28A/35

The core activity of the entity (according to the entry in KRS) is other credit granting (64.92.Z).

The parent company has:

- 100,00% share in the basic capital of the entity, and
- 100,00% share in total number of votes on the General Meeting of the entity.

The duration of activity of the entity is indefinite.

Data in PLN thousands unless stated otherwise

The financial statement covers the period from January 1, 2018 to June 30, 2018.

Name	**KREDYTOK Sp. z o.o.**
Registered office	Ostrołęka, ul. Janusza Korczaka 73

The core activity of the entity (according to the entry in KRS) is other business supporting financial services, excluding insurance and pension funds (66.9.Z).

The parent company has:

- 100,00% share in the basic capital of the entity, and
- 100,00% share in total number of votes on the General Meeting of the entity.

The duration of activity of the entity is indefinite.

The financial statement covers the period from January 1, 2018 to June 30, 2018.
The last day of the financial year of KREDYTOK Sp. z o. o. is December 31, 2018.

Name	**CS 1 Investment Fund Non-standardized Closed Securitization Fund**
Fund	**EQUES INVESTMENT Towarzystwo Funduszy Inwestycyjnych Spółka Akcyjna**
Registered office	Gdańsk, Chłopska 53

The investment aims of the Fund are: achievement of net revenue from deposits of the Fund and an increase of value of Assets as a result of an increase in the value of investments.

The parent company has:

- 100,00% Investment certificates.

The duration of activity of the entity is indefinite.

The financial statement covers the period from January 1, 2018 to June 30, 2018.

1.4. General information on joint subsidiaries

In the period covered in the financial statement there were no joint subsidiaries.

1.5. General information on affiliates

In the period covered in the financial statement there were no affiliates.

1.6. General information on other entities other than subordinated entities in which related parties have less than 20% of shares

In the period covered in the consolidated financial statement, there were no entities other than subordinate entity in which related parties had less than 20% of shares.

1.7. Information on subordinate entities excluded from the consolidated financial statement

In the period covered in the consolidated financial statement, LITF CREDIT Sp. z o.o. was excluded from the financial statement due to its insignificant influence on the consolidated Report of the Capital Group.

1.8. The adopted accounting rules and methods

In comparison to previous year, adopted accounting rules and methods have not changed.

The individual items of assets and liabilities are valued when they are being entered in the accounts in the amount of paid or received payment. Only material transaction costs are taken into account in the purchase price.

1.9. Tangible assets and fictitious and legal assets

Tangible assets, tangible assets under construction and fictitious assets are valued according to their purchase price or production costs, less accumulated depreciation. Depreciation and amortization is charged according to the straight-line method.

Tangible assets and fictitious and legal assets with the initial value not higher than 1500 PLN and not exceeding 3500 PLN are singly written-off in the month they are brought into use.

When it comes to assets in case of which there is high risk that in the foreseeable future they will not be economically beneficial, a write-down for impairment of receivables is made.

The Company applies the following amortization rates for the following assets:

- leasehold improvements (buildings) 10%,
- machinery, devices and equipment for general application 30%
- specialized machinery, devices and equipment 14%, 28%,
- technical devices 10%, 20%,
- means of transport 20%,
- tools, devices, movables and equipment 20%, 50%,
- software 20%.

On the reporting date, fictitious assets are appraised according to the value of purchase or cost of production, less any write-offs and any write-downs by virtue of value loss. Fictitious assets with a definite useful life are amortized according to the straight line method over their estimated useful lives. Useful lives of individual fictitious items are reviewed annually and adjusted – if required – with effect from the beginning of the next financial year.

Costs associated with maintaining computer software programs, incurred in subsequent periods, are expensed as incurred. Profit or loss resulting from the disposal of fictitious assets is determined as the difference between income from sale and net value of said fictitious assets and are included in the profit and loss account.

1.10. Financial assets held until maturity

Acquired or created financial assets and other investments are recognized in the accounts when they are acquired or created at purchase prices. At the balance sheet date, they are recognized at their purchase price less adjustment for accrued interest, discount and premium with consideration to specific provisions and write-offs on account of impairment loss.

Write-offs on account on impairment loss are charged on the financial costs. If the cause for recognition of a revaluation write-down expires, the equivalent of all or part of write-offs on account on impairment loss increases the value of a particular assets and shall be counted as financial revenue.

1.11. Financial assets held for trading

Acquired financial assets held for trading are recognized in the accounts when they are acquired at purchase prices. At the balance sheet date, they are recognized at fair value and changes in value are recognized as costs or financial revenues.

In case of listed securities, the fair value is evaluated according to the lowest market prices at the reporting date.

1.12. Receivables and liabilities

Receivables and liabilities are reported according to the value to be paid. Receivables and liabilities in foreign currencies at the date of creation are recorded at the average National Bank of Poland (NBP) exchange rate for foreign currency. Foreign exchange gains and losses arising at the date of payment as a result of the difference between the exchange rate at this date and the exchange rate at the date at which receivables and liabilities arose, are carried out as either costs or revenue on account of financial transactions.

Liabilities due to issuance of debt securities are measured at the balance sheet date at their adjusted purchase price (depreciated cost).

1.12.1. Leasing liabilities

The Company is a party of leasing agreements under which it conveys in return for payment to use or to take profit from tangible and fictitious assets during a fixed period.

In case of leasing agreements, under which all risks and rewards following from the transfer of the whole risk and profits resulting from the ownership of assets that are the subject of the agreement, the leased asset is recognized as asset and at the same time the liability in the amount corresponding to the equity value of leasing installment, calculated at the inception. Leasing payments are apportioned between financial costs and the leasing debt balance reduction in a way that allows for obtaining a constant interest rate on the debt yet payable. Financial costs are charged directly to the profit and loss account.

Fixed assets that are the subject of a leasing agreement are amortized in a manner determined for own fixed assets. However, if there is no certainty concerning the transfer of ownership of the subject of the agreement, then fixed assets are amortized during the shorter of the following periods: the period of their expected use or the leasing period.

1.12.2. Receivables on account of loans granted and own receivables not held for trading

Receivables on account of loans granted are valued at amortized cost, according to the principles related to establishing provisions for the risk related to credit granting.

Specific provisions (impairment write-offs) created by CAPITAL SERVIE S.A. show that it observes the prudence principle. They reflect the risk related to repayment of loans granted and make it possible to present receivables shown in the balance sheet in a reliable manner. The objective of creating specific provisions is the realignment of the value of receivables by taking into account the probability of their repayment. Write-offs on account of specific provisions are charged to costs of the period in which they were made and their aim is to prepare the Company for losses it may suffer as a result of a granted loan. Assessment of credit exposure in order to identify indications of impairment and calculate the amount of specific provisions is carried out at the end of each month.

Objective indications of impairment of credit exposures resulting in loss include:

- default in payment longer than 90 days, namely exposure classified into the “lost” risk category,
- termination of the loan agreement,
- the exposure is a fraud,
- obtaining information by CAPITAL SERVICE S.A. about an event which might impact anticipated cash proceeds.

Specific provisions are created into other operating costs and their release is recorded in other operating proceeds. The costs of creation of specific provisions are charged to individual cost centres (MPK) of the entity granting the loan and their release recognizes individual cost centres of the entity granting loan. Specific reserves are released after the expiry of the reason for their creation. Specific reserves are decreased accordingly to the decrease of the amount of credit exposure. The coordination of the process measuring the loss in value and methodological supervision over assessment and measurement of the loss in value is carried out by the Financial Risk Management Department. Write-offs are made on the basis of empirical values of the probability of the default parameter, determined on the basis of historical behaviour of the customers of the Group, carried out based on migration matrices assuming that customers' migration between particular classes of delay have the character of Markov process.

All of specific reserves are approved by the Management Board of CAPITAL SERVICE S.A. The process of reserves creation and identification and measurement of loss in value of credit exposures along with allocation to departments carrying out particular activities is documented, and then archived by the period set out in the Accounting Act for inspection purposes and as a source for analysis, leading to potential modifications in the methodology and under the so-called back-testing.

Capital and commissions on loans overdue for at least 90 days are included in write-offs in 100% less costs that are recovered as a result of sales of receivables.

1.13. Prepayments and reserves

If expenses related to future reporting periods are incurred, the Company makes active prepayments. They are related to above all: commissions on loans, bonds, software licenses and insurance policies.

Accrued expenses include above all provisions charged to expenses in the amount of estimated liabilities for the current reporting period, resulting from performances provided to the Company by its business partners and the obligation to return future services related to current activity, the amount of which can be estimated even though the date at which they will arise is not known.

1.14. Reserves and assets due to deferred income tax

Due to temporary differences between the balance sheet values for assets and liabilities, and their tax values, and their tax loss that can be deducted in the future, the Company creates reserves and establishes deferred income tax assets.

1.15. Commission, interest and debt collection revenues and other revenues

In reference to renewable cash loans, the Company recognizes in the income statement commission revenues in advance at the moment of conclusion of an agreement with a customer, proportionally to the period in which they fall. In case of installment loans, those revenues are recognized according to a corrected purchase price (amortized cost). Interest and debt collection revenues are recognized on a cash basis after the repayment is made by the customer. The remaining revenues are recognized in the income statement if all benefits and risks have been transferred to the purchaser of a good or service and the inflow of proceeds is given credence to.

1.16. Cash and cash equivalents

Cash and cash equivalents include cash at hand and cash on bank accounts, deposits payable on demand and short-term investments of high liquidity (up to 3 months), which can be easily turned into cash and in case of which the risk of change of value is minimum.

2. FINANCIAL DATA

2.1. Selected financial data

Item:	Data in PLN tousands 6 months completed on 31.06.2018 not-audited	Data in PLN tousands 12 months completed on 31.12.2017 audited	Data in PLN tousands 6 months completed on 31.06.2017 not-audited	Data in EUR thousands 6 months completed on 31.06.2018 not-audited	Data in EUR thousands 12 months completed on 31.12.2017 audited	Data in EUR thousands 6 months completed on 31.06.2018 not-audited
Non-current assets	6 199	9 066	14 119	1 421	2 174	3 341
Current assets	70 183	78 056	99 940	16 091	18 714	23 646
Total assets	**76 382**	**87 122**	**114 059**	**17 512**	**20 888**	**26 987**
Total equity	17 691	16 026	26 160	4 056	3 842	6 190
Liabilities and provisions for liabilities	58 691	71 096	87 899	13 456	17 046	20 797
Total equity and liabilities	**76 382**	**87 122**	**114 059**	**17 512**	**20 888**	**26 987**
Net sales	44 621	95 476	46 898	10 525	22 493	11 042
Operating expenses	27 894	54 431	27 160	6 580	12 823	6 395
Profit (loss) on sales	**16 727**	**41 045**	**19 738**	3 945	**9 670**	**4 647**
Other finacial results	(2 687)	(3 523)	(10 758)	(634)	(830)	(2 533)
Profit (loss) on operating activities	**14 040**	**37 522**	**8 980**	3 311	**8 840**	**2 114**
Result on financial operations	(10 271)	(37 391)	(3 394)	(2 423)	(8 809)	(799)
Profit (loss) on business activities	**3 769**	**131**	**5 586**	888	**31**	**1 315**
Result of extraordinary events	-	-	-	-	-	-
Goodwill write-off	9	17	9	2	4	2
Gross profit (loss)	**3 760**	**114**	**5 577**	886	**27**	**1 315**
Current and deferred tax	2 002	6 103	1 432	472	1 438	337
Other obligatory charges to profit (increase in loss)	93	-	-	22	-	-
Net profit (loss)	**1 665**	**(5 989)**	**4 145**	392	**(1 411)**	**978**
Cash flow:						
- from operating activities	14 020	(5 178)	4 522	3 307	(1 220)	1 065
- from investing activities	**5 739**	15 928	(1 618)	1 354	3 752	(381)
- from financial activities	(27 300)	(3 908)	17 275	(6 440)	(921)	4 067
Change in cash	**(7 542)**	6 842	20 179	(1 779)	1 611	4 751

Selected financial data were converted to EURO in the following manner:

- items related to the income statement and cash flow for the first half of 2018 (and the first half of 2017) were converted at the rate based on the arithmetic mean of average rates determined by the National Bank of Poland as per the last day of each month covered by the statement. This exchange rate was 1 EURO = 4.2395 PLN in case of the first half of 2018 and 1 EURO = 4.2474 PLN in case of in the first half of 2017.
- balance sheet items have been converted using the average exchange rate published by the National Bank of Poland as at the balance sheet day. This exchange rate was 1 EURO = 4.3616 PLN as of June 30, 2018, 1 EURO = 4.2265 PLN as of June 30, 2017 and 1 EURO = 4.1709 PLN as of December 31, 2017.

Data in PLN thousands unless stated otherwise

2.2. Profit and loss account

Item no.		Item:	Cumulatively 01.01.2018-30.06.2018	Cumulatively 01.01.2017-30.06.2017	change % from 2018 to 2017	Quarterly 2nd quarter 2018	Quarterly 2nd quarter 2017
A.		**Net revenue from sales, including:**	**44 621**	**46 898**	**(4,9%)**	**20 276**	**24 494**
		From subsidiaries and affiliated companies	-	-	-	-	-
	I.	Net revenue from sales	44 621	46 715	(4,5%)	20 276	24 434
	II.	Change in the level of products	-	-	-	-	-
	III.	Manufacturing cost of products for internal purposes	-	-	-	-	-
	IV.	Net revenue from sales of products and materials	-	183	(100,0%)	-	60
B.		**Operational expenses**	**27 894**	**27 160**	**2,7%**	**13 410**	**13 549**
	I.	Amortization	795	1 058	(24,9%)	357	522
	II.	Consumption of materials and energy	869	1 291	(32,7%)	468	646
	III.	External services	12 316	9 056	36,0%	6 025	4 424
	IV.	Taxes and charges	73	229	(68,1%)	37	118
	V.	Payroll	11 036	12 097	(8,8%)	5 249	5 989
	VI.	Social security and other benefits	2 114	2 715	(22,1%)	951	1 501
	VII.	Other costs by type	691	714	(3,2%)	323	349
	VIII.	Value of goods and materials sold	-	-	-	-	-
C.		**PROFIT (LOSS) ON SALES (A-B)**	**16 727**	**19 738**	**(15,3%)**	**6 866**	**10 945**
D.		**Other operating revenues**	**886**	**347**	**155,3%**	**537**	**148**
	I.	Gain on disposal of non-financial fixed assets	675	-	-	377	-
	II.	Subsidiaries	-	-	-	-	-
	III.	Other operating revenues	211	347	(39,2%)	160	148
E.		**Other operating revenues**	**3 573**	**11 105**	**(67,8%)**	**1 263**	**6 696**
	I.	Loss on disposal of non-financial fixed assets	-	43	(100,0%)	-	(13)
	II.	Revaluation of non-financial assets	-	-	-	-	-
	III.	Other operating expenses	3 573	11 062	(67,7%)	1 263	6 709
F.		**PROFIT (LOSS) ON OPERATING ACTIVITIES (C+D-E)**	**14 040**	**8 980**	**56,3%**	**6 140**	**4 397**
G.		**Financial revenues**	**4 639**	**120**	**3 765,8%**	**2 700**	**112**
	I.	Dividend and profit sharing	-	-	-	-	-
	II.	Interest	-	-	-	-	(8)
	III.	Gain on disposal of investmets	4 595	-	-	2 614	-
	IV.	Revaluation of investments	-	-	-	-	-
	V.	Other	44	120	(63,3%)	86	120

Data in PLN thousands unless stated otherwise

H.		**Financial expenses**	**14 910**	**3 514**	**324,3%**	**8 350**	**1 917**
	I.	Interest	2 328	2 117	10,0%	1 111	1 146
	II.	Loss on disposal of investments	-	-	-	-	-
	III.	Revaluation of investments	-	-	-	-	-
	IV.	Other	12 582	1 397	800,6%	7 239	771
I.		**PROFIT / LOSS ON BUSINESS ACTIVITIES (F+G-H)**	**3 769**	**5 586**	**(32,5%)**	**490**	**2 592**
J.		**Extraordinary results**	**-**	**-**	**-**	**-**	**-**
		Goodwill write-off	**9**	**9**	**-**	**6**	**5**
K.		**GROSS PROFIT / LOSS**	**3 760**	**5 577**	**(32,6%)**	**484**	**2 587**
L.		**Income tax**	**2 002**	**1 432**	**39,8%**	**1 164**	**708**
M.		**Other statutory reductions in profit (increases in loss)**	**93**	**-**	**-**	**93**	**-**
N.		**NET PROFIT / LOSS (K-L-M)**	**1 665**	**4 145**	**(59,8%)**	**(773)**	**1 879**

Data in PLN thousands unless stated otherwise

2.3. Assets

Item no.	Item:	30.06.2018	31.12.2017	30.06.2017
A.	**Non-current assets**	**6 199**	**9 066**	**14 119**
	share in balance sheet total	*8,1%*	*10,4%*	*12,4%*
I.	**Fictious and legal assets**	**42**	**83**	**68**
	share in balance sheet total	*0,1%*	*0,1%*	*0,1%*
II.	**Goodwill on related parties**	**38**	**47**	**55**
	share in balance sheet total	*0,0%*	*0,1%*	*0,0%*
III.	**Tangible assets**	**4 265**	**6 115**	**7 296**
	share in balance sheet total	*5,6%*	*7,0%*	*6,4%*
IV.	**Long-term receivables**	-	-	-
	share in balance sheet total	*0,0%*	*0,0%*	*0,0%*
V.	**Long-term investments**	**59**	**59**	**205**
	share in balance sheet total	*0,1%*	*0,1%*	*0,2%*
VI.	**Long-term prepayments**	**1 795**	**2 762**	**6 495**
	share in balance sheet total	*2,4%*	*3,2%*	*5,7%*
B.	**Current assets**	**70 183**	**78 056**	**99 940**
	share in balance sheet total	*91,9%*	*89,6%*	*87,6%*
I.	**Inventories**	**99**	**122**	**564**
	share in balance sheet total	*0,1%*	*0,1%*	*0,5%*
II.	**Short-term receivables**	**63 042**	**63 045**	**68 743**
	share in balance sheet total	*82,5%*	*72,4%*	*60,3%*
III.	**Short-term investments**	**5 875**	**13 422**	**28 191**
	share in balance sheet total	*7,7%*	*15,4%*	*24,7%*
IV.	**Short-term prepayments**	**1 167**	**1 467**	**2 442**
	share in balance sheet total	*1,5%*	*1,7%*	*2,1%*
Total assets		**76 382**	**87 122**	**114 059**

Data in PLN thousands unless stated otherwise

2.4. Liabilities

Item no.		Item	30.06.2018	31.12.2017	30.06.2017
A.		**Total equity**	**17 691**	**16 026**	**26 160**
		share in balance sheet total	*23,2%*	*18,4%*	*22,9%*
	I.	**Shareholders'equity**	**4 000**	**4 000**	**4 000**
		share in balance sheet total	*5,2%*	*4,6%*	*3,5%*
	II.	**Called up share capital not paid (negative value)**	**-**	**-**	**-**
		share in balance sheet total	*0,0%*	*0,0%*	*0,0%*
	III.	**Own shares (negative value)**	**-**	**-**	**-**
		share in balance sheet total	*0,0%*	*0,0%*	*0,0%*
	IV.	**Supplementary capital (retained earnings)**	**1 777**	**1 777**	**1 777**
		share in balance sheet total	*2,3%*	*2,0%*	*1,6%*
	V.	**Revaulation reserve (fund)**	**-**	**-**	**-**
		share in balance sheet total	*0,0%*	*0,0%*	*0,0%*
	VI.	**Other reserves (retained earnings)**	**13 638**	**13 638**	**13 638**
		share in balance sheet total	*17,9%*	*15,7%*	*12,0%*
	VII.	**Currency translation profit/loss**	**-**	**-**	**-**
		share in balance sheet total	*0,0%*	*0,0%*	*0,0%*
	VIII.	**Profit/loss from previous years**	**(3 389)**	**2 600**	**2 600**
		share in balance sheet total	*-4,4%*	*3,0%*	*2,3%*
	IX.	**Net profit (loss)**	**1 665**	**(5 989)**	**4 145**
		share in balance sheet total	*2,2%*	*-6,9%*	*3,6%*
	X.	**Charges to net profit during the financial year (negative value)**	**-**	**-**	**-**
		share in balance sheet total	*0,0%*	*0,0%*	*0,0%*
B.		**Minority capital**	**-**	**-**	**-**
		share in balance sheet total	*0,0%*	*0,0%*	*0,0%*
C.		**Negative goodwill in subsidiaries and affiliatedcompanies**	**-**	**-**	**-**
		share in balance sheet total	*0,0%*	*0,0%*	*0,0%*
D.		**Liabilities and reserves for liabilities**	**58 691**	**71 096**	**87 899**
		share in balance sheet total	*76,8%*	*81,6%*	*77,1%*
	I.	**Reserves for liabilities**	**4 799**	**4 462**	**4 179**
		share in balance sheet total	*6,3%*	*5,1%*	*3,7%*
	II.	**Long-term liabilities**	**20 950**	**34 556**	**51 457**
		share in balance sheet total	*27,4%*	*39,7%*	*45,1%*
		Including financial liabilities	*20 950*	*34 556*	*51 457*
		share in balance sheet total	*27,4%*	*39,7%*	*45,1%*
	III.	**Short-term liabilities**	**31 476**	**30 172**	**31 523**
		share in balance sheet total	*41,2%*	*34,6%*	*27,6%*
		Including financial liabilities	*6 334*	*16 076*	*14 797*

Data in PLN thousands unless stated otherwise

	share in balance sheet total	*8,3%*	*18,5%*	*13,0%*
IV.	**Prepayments**	**1 466**	**1 906**	**740**
	share in balance sheet total	*1,9%*	*2,2%*	*0,6%*
Total liabilities		**76 382**	**87 122**	**114 059**

Data in PLN thousands unless stated otherwise

2.5. Cash flow statement

Item no.	Item:	Cumulatively		Quarterly	
		01.01.2018-31.06.2018	01.01.2017-30.06.2017	2nd quarter 2018	2nd quarter 2017
	The amount of cash at the beginning of period	13 399	**6 557**	6 369	4 859
A.	**Cash flow from operating activities**				
I.	**Net profit (loss)**	**1 665**	**4 145**	**(773)**	**1 879**
II.	**Total adjustments**	**12 355**	**377**	**10 987**	**(1 945)**
1.	Amortisation	804	1 067	363	**527**
2.	Profit (loss) on account of foreign exchange differences	-	-	-	-
3.	Interest and share in profit (dividends)	4 543	3 634	2 483	**1 815**
4.	Profit (loss) on investment activity	(5 270)	43	(2 992)	**(13)**
5.	Change in provisions	337	521	(1 778)	**349**
6.	Change in reserves	23	(90)	172	**146**
7.	Change in receivables	42	(12 578)	(540)	**(12 326)**
8.	Changes in current payables, excluding loans and advances	11 050	9 652	12 114	**9 541**
9.	Change in prepayments	827	(1 872)	1 165	**(1 984)**
10.	Other adjustments	-		-	
III.	**Net cash flow from operating activities (I+/–II)**	**14 020**	**4 522**	**10 214**	**(66)**
				-	
B.	**Cash flow from investing activities**			-	
I.	**Inflows**	**6 378**	**47**	**3 478**	**44**
1.	Disposal of intangible assets and fixed assets and tangible assets	1 777	47	859	**44**
2.	Disposal of investment in real estate and in intangible fixed assets	-		-	-
3.	From financial assets, including:	4 600	-	2 619	-
a)	*in affiliated entities*	-		-	-
b)	*in other entities*	*4 600*	-	*2 619*	-
–	*disposal of financial assets*	*4 595*	-	*2 614*	-
–	*dividends and share in profit*	-	-	-	-
–	*repayment of long-term loans granted*	-	-	-	-
–	*interest*	-	-	-	-
–	*other inflow from financial assets*	*5*	-	*5*	-
4.	Other investing inflows	-	-	-	-
II.	**Outflows**	**(639)**	**(1 665)**	**141**	**(1 531)**
1.	Purchase of intangible assets and fixed assets and tangible assets	(639)	(106)	(208)	**(80)**
2.	Investment in real estate and in intangible fixed assets	-	-	-	-
3.	From financial assets, including:	-	(1 563)	349	**(1 451)**
a)	*in affiliated entities*	-	*(205)*	-	-
b)	*in other entities*	-	*(1 358)*	*349*	**(1 451)**
–	*purchase of financial assets*	-	-	-	-
–	*long-term loans granted*		*(1 358)*	*349*	**(1 451)**
4.	*Other investing costs*	-	*4*	-	-

Data in PLN thousands unless stated otherwise

	III.	Net cash flow from investing activities (I–II)	5 739	(1 618)	3 619	(1 487)
					-	
C.		Cash flow from financial activities			-	
	I.	Inflows	850	28 821	356	28 572
	1.	Net proceeds from the issue of shares and other equity instruments and additional equity contributions	-		-	-
	2.	Credits and loans	850	8 068	850	8 068
	3.	Debt securities issued	-	20 000	(236)	20 000
	4.	Other financial inflows	-	753	(259)	504
	II.	Outflows	(28 150)	(11 546)	(14 700)	(5 142)
	1.	Redemption of shares	-		-	-
	2.	Dividends and other payments due to owners	-		-	-
	3.	Expenses related to profit distribution, other than payments to owners	-		-	-
	4.	Repayment of credits and loans	(790)		(420)	(500)
	5.	Repurchase of debt securities	(22 269)	(6 080)	(11 778)	(1 539)
	6.	Other financial liabilities	-		-	-
	7.	Payment of liabilities related to finance lease agreements	(788)	(1 122)	(326)	(557)
	8.	Interest	(2 367)	(2 196)	(1 138)	(1 024)
	9.	Other financial costs	(1 936)	(2 148)	(1 038)	(1 523)
	III.	Net cash flows from investing activities (I–II)	(27 300)	17 275	(14 344)	23 430
					-	
D.		Total net cash flow (A.III+/–B.III+/-C.III)	(7 542)	20 179	(512)	21 877
E.		Balance-sheet change in cash, including:	(7 542)	20 179	(512)	21 877
	1.	Change in cash due to foreign currency translation gains (loss)			-	
F.		Cash at the beginning of period	13 399	6 557	6 369	4 859
G.		Cash at the end of period (F+/–D), including:	5 857	26 736	5 857	26 736
	–	cash with rescricted availability	-	-	-	-

Data in PLN thousands unless stated otherwise

2.6. The statement of changes in equity

Item:	Shareholders' equity	Supplementary capital (retained earnings) Cumulatively	Other reserves (retained earnings)	Profit / loss from previous years	Nett profit / loss	Total equity
As of January 1, 2018	**4 000**	**1 777**	**13 638**	**2 600**	**(5 989)**	**16 026**
- corrections of accounting policies and errors	-	-	-	-	-	
As of January 1, 2018	**4 000**	**1 777**	**13 638**	**2 600**	**(5 989)**	**16 026**
Accruals from:	**-**	**-**	**-**	**-**	**1 665**	**1 665**
Net reslt for 2017	-	-	-	-	-	-
Net profit for the period of 6 months of 2018	-	-	-	-	*1 665*	*1 665*
Decrease resulting from:	**-**	**-**	**-**	**(5 989)**	**5 989**	**-**
Accounting of net result for 2017	-	-	-	*(5 989)*	*5 989*	-
As of June 30, 2018	**4 000**	**1 777**	**13 638**	**(3 389)**	**1 665**	**17 691**
As of January 1, 2017	**4 000**	**798**	**8 060**	**3 400**	**5 757**	**22 015**
- corrections of accounting policies and errors	-	-	-	-	-	
As of January 1, 2017 after adjustments	**4 000**	**798**	**8 060**	**3 400**	**5 757**	**22 015**
Accruals from:	**-**	**979**	**5 578**	**-**	**4 145**	**10 702**
Net result for 2016	-	*979*	*5 578*	-	-	*6 557*
Net profit for the period of 6 months of 2017	-	-	-	-	*4 145*	*4 145*
Decrease resulting from:	**-**	**-**	**-**	**(800)**	**(5 757)**	**(6 557)**
Accounting of net result for 2016	-	-	-	*(800)*	*(5 757)*	*(6 557)*
As of June 30, 2017	**4 000**	**1 777**	**13 638**	**2 600**	**4 145**	**26 160**

Data in PLN thousands unless stated otherwise

Quarterly						
As of April 1, 2018	**4 000**	**1 777**	**13 638**	**(3 389)**	**2 438**	**18 464**
- corrections of accounting policies and errors	-	-	-	-	-	
As of April 1, 2018 after adjustments	**4 000**	**1 777**	**13 638**	**(3 389)**	**2 438**	**18 464**
Accruals from:	**-**	**-**	**-**	**-**	**(773)**	**(773)**
Net result for 2017	-	-	-	-	-	-
Net profit for the period 01.04-30.06.2018	-	-	-	-	*(773)*	*(773)*
Decrease resulting from:	**-**	**-**	**-**	**-**	**-**	**-**
Accounting of net result for 2017	-	-	-	-	-	-
As of June 30, 2018	**4 000**	**1 777**	**13 638**	**(3 389)**	**1 665**	**17 691**
As of April 1, 2017	**4 000**	**798**	**8 060**	**9 157**	**2 266**	**24 281**
- corrections of accounting policies and errors						
As of April 1, 2017 after adjustments	**4 000**	**798**	**8 060**	**9 157**	**2 266**	**24 281**
Accruals from:	**-**	**979**	**5 578**	**(5 757)**	**1 879**	**2 679**
Net result for 2016	-	*979*	*5 578*	*(5 757)*	-	*800*
Net profit for the period 01.04-30.06.2017	-	-	-	-	*1 879*	*1 879*
Decrease resulting from:	**-**	**-**	**-**	***(800)***	**-**	**(800)**
Accounting of net result for 2016	-	-	-	*(800)*	-	*(800)*
As of June 30, 2017	**4 000**	**1 777**	**13 638**	**2 600**	**4 145**	**26 160**

III. SEPARATE FINANCIAL STATEMENT OF CAPITAL GROUP S.A. FOR THE PERIOD FROM JANUARY 1, 2018 TO JUNE 30, 2018

3.1. Selected financial data

Item:	Data in PLN thousands			Data in EUR thousands		
	6 months completed on 30.06.2018 non-audited	12 months completed on 31.12.2017 audited	6 months completed on 30.06.2017 non-audited	6 months completed on 30.06.2018 audited	12 months completed on 31.12.2017 audited	6 months completed on 30.06.2017 non-audited
Non-current assets	17 952	20 261	24 178	4 116	4 858	5 721
Current assets	62 815	73 973	98 690	14 402	17 735	23 350
Total assets	**80 767**	**94 234**	**122 868**	**18 518**	**22 593**	**29 071**
Total equity	8 303	11 694	23 174	1 904	2 804	5 483
Liabilities and provisions for liabilities	72 464	82 540	99 694	16 614	19 789	23 588
Total equity and liabilities	**80 767**	**94 234**	**122 868**	**18 518**	**22 593**	**29 071**
Net sales	39 092	93 980	46 502	9 221	22 141	10 948
Operating expenses	27 690	54 823	27 000	6 532	12 916	6 357
Profit (loss) on sales	**11 402**	**39 157**	**19 502**	2 689	**9 225**	**4 591**
Other financial results	(2 686)	(3 510)	(10 758)	(634)	(827)	(2 533)
Profit (loss) on operating activities	**8 716**	**35 647**	**8 744**	2 055	**8 398**	**2 058**
Result on financial operations	(10 559)	(37 934)	(3 638)	(2 491)	(8 937)	(857)
Profit (loss) on business activities	**(1 843)**	**(2 287)**	**5 106**	(436)	**(539)**	**1 201**
Result of extraordinary events	-	-	-	-	-	-
Gross profit (loss)	**(1 843)**	**(2 287)**	**5 106**	(436)	**(539)**	**1 201**
Current and deferred tax	1 454	4 940	853	343	1 164	-
Other obligatory charges to profit (increase in loss)	94	-	-	22	-	-
Net profit (loss)	**(3 391)**	**(7 227)**	**4 253**	(801)	**(1 703)**	**1 201**
Cash flow:						
- from operating activities	12 215	(2 163)	2 818	2 881	(510)	663
- from investing activities	**6 109**	14 015	(1 615)	1 441	3 302	(380)
- from financial activities	(25 830)	(7 207)	18 823	(6 093)	(1 698)	4 432
Change in cash	**(7 506)**	4 645	20 026	(1 771)	1 094	4 715

Selected financial data were converted to Euro in the following manner:
- items related to the income statement and cash flow for the first half of 2018 (and the first half of 2017) were converved at the rate based on the arithmetic mean of average rates determined by the National Bank of Poland as per the last day of each month covered by the statement. This exchange rate was 1 EURO = 4.2395 PLN for the first half of 2018 and 1 EURO = 4.2474 PLN for the first half of 2017.
- balance sheet items have been converted using the average exchange rate published by the National Bank of Poland as at the balance sheet day. This exchange rate was 1 EURO = 4.3616 PLN as of June 30, 2018, 1 EURO = 4.2265 PLN as of June 30, 2017 ad 1 EURO = 4.1709 PLN as of December 31, 2017.

Data in PLN thousands unless stated otherwise

3.2. Profit and loss account

Item no.		Item:	01.01.2018- 30.06.2018	01.01.2017- 30.06.2017	% change 2018 to 2017	2nd quarter 2018	2nd quarter 2017
A.		**Net revenue from sales, including:**	**39 092**	**46 502**	**(15,9%)**	**18 052**	**24 294**
		From affiliated companies	-	-	-	-	-
	I.	Net revenue from sales	39 092	46 319	(15,6%)	18 052	24 234
	II.	Change in the level of products	-	-	-	-	-
	III.	Manufacturing cost of products for internal purposes	-	-	-	-	-
	IV.	Net revenue from sales of products and materials	-	183	(100,0%)	-	60
B.		**Operational expenses**	**27 690**	**27 000**	**2,6%**	**13 253**	**13 471**
	I.	Amortization	791	1 054	(25,0%)	355	520
	II.	Consumption of materials and energy	869	1 292	(32,7%)	468	647
	III.	External services	12 306	8 923	37,9%	5 966	4 346
	IV.	Taxes and charges	36	229	(84,3%)	18	118
	V.	Payroll	10 890	12 073	(9,8%)	5 176	5 990
	VI.	Social security and other benefits	2 108	2 715	(22,4%)	948	1 501
	VII.	Other costs by type	690	714	(3,4%)	322	349
	VIII.	Value of goods and materials sold	-	-	-	-	-
C.		**PROFIT / LOSS ON SALES (A-B)**	**11 402**	**19 502**	**(41,5%)**	**4 799**	**10 823**
D.		**Pozostałe przychody operacyjne**	**886**	**348**	**154,6%**	**538**	**149**
	I.	Gain on disposal of non-financial fixed assets	675	-	-	378	-
	II.	Subsidies	-	-	-	-	-
	III.	Other operating revenues	211	348	(39,4%)	160	149
					-		
E.		**Other operating expenses**	**3 572**	**11 106**	**(67,8%)**	**1 262**	**6 696**
	I.	Loss on disposal of non-financial fixed assets	-	43	(100,0%)	-	(14)
	II.	Revaluation of non-financial assets	-	-	-	-	-
	III.	Other operating expenses	3 572	11 063	(67,7%)	1 262	6 710
F.		**PROFIT / LOSS O OPERATING ACTIVITIES (C+D-E)**	**8 716**	**8 744**	**(0,3%)**	**4 075**	**4 276**
G.		**Financial revenues**	**4 639**	**120**	**3 765,8%**	**2 700**	**120**
	I.	Dividend and profit sharing	-	-	-	-	-
	II.	Interest	-	-	-	-	-
	III.	Gain on disposal of investments	4 595	-	-	2 614	-
	IV.	Revaluation of investments	-	-	-	-	-
	V.	Other	44	120	(63,3%)	86	120

Data in PLN thousands unless stated otherwise

					-		
H.		**Financial expenses**	**15 198**	**3 758**	**304,4%**	**8 502**	**2 047**
	I.	Interest	2 620	2 362	10,9%	1 265	1 276
	II.	Gain on disposal of investments	-	-	-	-	-
	III.	Revaluation of investments	-	-	-	-	-
	IV.	Other	12 578	1 396	801,0%	7 237	771
					-		
I.		**PROFIT / LOSS ON BUSINESS ACTIVITIES (F+G-H)**	**(1 843)**	**5 106**	**(136,1%)**	**(1 727)**	**2 349**
J.		**Extraordinady results**	**-**	-	-	**-**	-
K.		**GROSS PROFIT / LOSS**	**(1 843)**	**5 106**	**(136,1%)**	**(1 727)**	**2 349**
					-		
L.		**Income tax**	**1 454**	**853**	**70,5%**	**717**	**430**
M.		**Other statutory reductions in profit (increases in loss)**	**94**	**-**	**-**	**94**	**-**
N.		**NET PROFIT / LOSS (K-L-M)**	**(3 391)**	**4 253**	**(179,7%)**	**(2 538)**	**1 919**

Data in PLN thousands unless stated otherwise

3.3. Assets

Item no.	Item:	30.06.2018	31.12.2017	30.06.2017
A.	**Non-current assets**	**17 952**	**20 261**	**24 178**
	share in balance sheet total	*22,2%*	*21,5%*	*19,7%*
I.	**Fictious and legal assets**	**42**	**83**	**68**
	share in balance sheet total	*0,1%*	*0,1%*	*0,1%*
II.	**Goodwill on related parties**	**4 241**	**6 086**	**7 261**
	share in balance sheet total	*5,3%*	*6,5%*	*5,9%*
III.	**Long-term receivables**	**-**	**-**	**-**
	share in balance sheet total	*0,0%*	*0,0%*	*0,0%*
IV.	**Long-term investments**	**12 379**	**12 379**	**11 946**
	share in balance sheet total	*15,3%*	*13,1%*	*9,7%*
V.	**Long-term prepayments**	**1 290**	**1 713**	**4 903**
	share in balance sheet total	*1,6%*	*1,8%*	*4,0%*
B.	**Current assets**	**62 815**	**73 973**	**98 690**
	share in balance sheet total	*77,8%*	*78,5%*	*80,3%*
I.	**Inventories**	**99**	**122**	**564**
	share in balance sheet total	*0,1%*	*0,1%*	*0,5%*
II.	**Short-term receivables**	**58 928**	**62 252**	**68 736**
	share in balance sheet total	*73,0%*	*66,1%*	*55,9%*
III.	**Short-term investments**	**2 622**	**10 134**	**26 948**
	share in balance sheet total	*3,2%*	*10,8%*	*21,9%*
IV.	**Short-term prepayments**	**1 166**	**1 465**	**2 442**
	share in balance sheet total	*1,4%*	*1,6%*	*2,0%*
Total assets		**80 767**	**94 234**	**122 868**

Data in PLN thousands unless stated otherwise

3.4. Liabilities

Item no.	Item:	30.06.2018	31.12.2017	30.06.2017
A.	**Total equity**	**8 303**	**11 694**	**23 174**
	share in balance sheet total	*10,3%*	*12,4%*	*18,9%*
I.	**Shareholders' equity**	**4 000**	**4 000**	**4 000**
	share in balance sheet total	*5,0%*	*4,2%*	*3,3%*
II.	**Supplementary capital (retained earnings), including**	**1 283**	**1 283**	**1 283**
	share in balance sheet total	*1,6%*	*1,4%*	*1,0%*
III.	**Revaluation reserve (fund), including**	**-**	**-**	**-**
	share in balance sheet total	*0,0%*	*0,0%*	*0,0%*
IV.	**Other reserve capitals (retained earnings)**	**13 638**	**13 638**	**13 638**
	share in balance sheet total	*16,9%*	*14,5%*	*11,1%*
V.	**Profit (loss) from previous years**	**(7 227)**	**-**	**-**
	share in balance sheet total	*-8,9%*	*0,0%*	*0,0%*
VI.	**Nett profit (loss)**	**(3 391)**	**(7 227)**	**4 253**
	share in balance sheet total	*-4,2%*	*-7,7%*	*3,5%*
VII.	**Charges to net profit during the financial year (negative value)**	**-**	**-**	**-**
	share in balance sheet total	*0,0%*	*0,0%*	*0,0%*
B.	**Liabilities and reserves for liabilities**	**72 464**	**82 540**	**99 694**
	share in balance sheet total	*89,7%*	*87,6%*	*81,1%*
I.	**Reserves for liabilities**	**4 799**	**4 462**	**4 179**
	share in balance sheet total	*5,9%*	*4,7%*	*3,4%*
II.	**Long-term liabilites**	**33 616**	**45 341**	**62 241**
	share in balance sheet total	*41,6%*	*48,1%*	*50,7%*
III.	**Short-term liabilities**	**32 583**	**30 831**	**32 533**
	share in balance sheet total	*40,3%*	*32,7%*	*26,5%*
IV.	**Prepayments**	**1 466**	**1 906**	**741**
	share in balance sheet total	*1,8%*	*2,0%*	*0,6%*
Total liabilities		**80 767**	**94 234**	**122 868**

Data in PLN thousands unless stated otherwise

3.5. Cash flow statement

Item no.	Item:	Cumulatively 01.01.2018-30.06.2018	Cumulatively 01.01.2017-30.06.2017	Quarterly 2nd quarter 2018	Quarterly 2nd quarter 2017
	The amount of cash at the beginning of period	**10 111**	**5 466**	**3 262**	**3 195**
A.	**Cash flow from operating activities**				
I.	**Net profit (loss)**	**(3 391)**	**4 253**	**(2 538)**	**1 919**
II.	**Total adjustments**	**15 606**	**(1 435)**	**12 466**	**(3 040)**
1.	Amortisation	791	1 054	355	520
2.	Profit (loss) on account of foreign exchange differences	-	-	-	-
3.	Interest and share in profit (dividends)	4 921	4 070	2 474	2 273
4.	Profit (loss) on investment activity	(5 270)	-	(2 992)	-
5.	Change in provisions	337	521	(1 779)	349
6.	Change in reserves	24	(89)	173	147
7.	Change in receivables	3 323	(14 021)	1 117	(13 236)
8.	Change in current payables, excluding loans and advances	11 203	9 606	12 145	9 388
9.	Change in prepayments	282	(2 416)	718	(2 366)
10.	Other adjustments	(5)	(160)	255	(115)
III.	**Net cash flow from operating activities (I+/–II)**	**12 215**	**2 818**	**9 928**	**(1 121)**
				-	
B.	**Cash flow from investing activities**			-	
I.	**Inflows**	**6 370**	**90**	**3 450**	**87**
1.	Disposal of intangible assets and fixed assets and tangible assets	1 775	90	836	87
2.	Disposal of investment in real estate and in intangible fixed assets	-	-	-	-
3.	From financial assets, including:	4 595	-	2 614	-
a)	*in affiliated entities*	-	-	-	-
b)	*in other entities*	*4 595*	-	*2 614*	-
–	*disposal of financial assets*	*4 595*	-	*2 614*	-
–	*dividends and share in profit*	-	-	-	-
–	*repayment of long-term loans granted*	-	-	-	-
–	*interest*	-	-	-	-
–	*other inflow from financial assets*	-	-	-	-
4.	Other investing inflows	-	-	-	-
II.	**Outflows**	**(261)**	**(1 705)**	**(53)**	**(1 492)**
1.	Purchase of intangible assets and fixed assets and tangible assets	(260)	(44)	(52)	169
2.	Investment in real estate and in intangible fixed assets	-	-	-	-
3.	From financial assets, including:	(0)	(1 661)	(0)	(1 661)
a)	*in affiliated entities*	-	*(1 636)*	-	*(1 636)*
b)	*in other entities*	*(0)*	*(25)*	*(0)*	*(25)*
–	*purchase of financial assets*	-	-	-	-

	–	*long-term loans granted*	*(0)*	*(25)*	*(0)*	*(25)*
	4.	*Other investing costs*	-	-	-	-
	III.	**Net cash flow from financial activities (I–II)**	**6 109**	**(1 615)**	**3 397**	**(1 405)**
C.		**Cash flow from financial activities**			-	
	I.	**Inflows**	**2 695**	**30 369**	**1 131**	**30 028**
	1.	Net proceeds from the issue of shares and other equity instruments and additional equity contributions	-	-	-	-
	2.	Credits and loans	2 685	8 165	1 385	8 072
	3.	Debt securities issued	-	20 000	-	20 000
	4.	Other financial inflows	10	2 204	(254)	1 956
	II.	**Outflows**	**(28 526)**	**(11 546)**	**(15 114)**	**(5 205)**
	1.	Redemption of shares	-	-	-	-
	2.	Dividends and other payments due to owners	-	-	-	-
	3.	Expenses related to profit distribution, other than payments to owners	(0)	-	(0)	-
	4.	Repayment of credits and loans	(790)	-	(420)	(500)
	5.	Repurchase of debt securities	(22 269)	(6 080)	(11 778)	(1 600)
	6.	Other financial liabilities	-	-	-	-
	7.	Payment of liabilities related to finance lease agreements	(1 194)	(1 123)	(771)	(559)
	8.	Interest	(2 367)	(2 196)	(1 138)	(1 024)
	9.	Other financial costs	(1 905)	(2 147)	(1 007)	(1 522)
	III.	**Net cash flows from investing activities (I–II)**	**(25 830)**	**18 823**	**(13 983)**	**24 823**
D.		**Total net cash flow (A.III+/–B.III+/-C.III)**	**(7 506)**	**20 026**	**(658)**	**22 297**
E.		**Balance-sheet change in cash, including:**	(7 506)	20 026	(658)	22 297
	1.	**Change in cash due to foreign currency translation gains (loss)**			-	
F.		**Cash at the beginning of period**	10 111	5 466	3 262	3 195
G.		**Cash at the end of period (F+/–D), including:**	**2 604**	**25 492**	**2 604**	**25 492**
	–	**cash with restricted availability**	-	-	-	-

Data in PLN thousands unless stated otherwise

3.6. The statement of changes in equity

Item:	Shareholders' equity	Supplementary capital (retained earnings) Cumulatively	Other reserves (retained earnings)	Profit (loss) from previous years	Net profit (loss)	Total equity
As of January 1, 2018	**4 000**	**1 283**	**13 638**	**-**	**(7 227)**	**11 694**
- corrections of accounting policies and errors	-	-	-	-	-	-
As of January 1, 2018 after adjustments	**4 000**	**1 283**	**13 638**	**-**	**(7 227)**	**11 694**
Accruals from:	**-**	**-**	**-**	**-**	**(3 391)**	**(3 391)**
Net result for 2017	-	-	-	-	-	-
Net result for previous years	-	-	-	-	-	-
Net result for the period of 6 months of 2018	-	-	-	-	*(3 391)*	*(3 391)*
Decrease resulting from:	**-**	**-**	**-**	**(7 227)**	**7 227**	**0**
Accounting of net result for 2017	-	-	-	*(7 227)*	*7 227*	*0*
Accounting of net result for previous years	-	-	-	-	-	-
As of July 30, 2018	**4 000**	**1 283**	**13 638**	**(7 227)**	**(3 391)**	**8 303**
As of January 1, 2017	**4 000**	**798**	**8 060**	**-**	**6 063**	**18 921**
- corrections of accounting policies and errors	-	-	-	-	-	-
As of January 1, 2017 after adjustments	**4 000**	**798**	**8 060**	**-**	**6 063**	**18 921**
Accruals from:	**-**	**485**	**5 578**	**-**	**4 253**	**10 316**
Net result for 2016	-	*485*	*5 578*	-	-	*6 063*
Net result for previous years	-	-	-	-	-	-
Net result for the period of 6 months of 2017	-	-	-	-	*4 253*	*4 253*
Decrease resulting from:	**-**	**-**	**-**	**-**	**(6 063)**	**(6 063)**
Accounting of net result for 2016	-	-	-	-	*(6 063)*	*(6 063)*
Accounting of net result for previous years	-	-	-	-	-	-
As of June 30, 2017	**4 000**	**1 283**	**13 638**	**-**	**4 253**	**23 174**

Data in PLN thousands unless stated otherwise

Quarterly						
As of April 1, 2018	**4 000**	**1 283**	**13 638**	**(7 227)**	**(853)**	**10 841**
- corrections of accounting policies and errors	-	-	-	-	-	-
As of April 1, 2018 after adjustments	**4 000**	**1 283**	**13 638**	**(7 227)**	**(853)**	**10 841**
Accruals from:	-	-	-	-	**(2 538)**	**(2 538)**
Net result for 2017	-	-	-	-	-	-
Net result for previous years	-	-	-	-	-	-
Net profit for period 01.04-30.06.2018	-	-	-	-	(2 538)	*(2 538)*
Decrease resulting from:	-	-	-	-	-	-
Accounting of net result for 2017	-	-	-	-	-	-
Accounting of result from previous years	-	-	-	-	-	-
As of June 30, 2018	**4 000**	**1 283**	**13 638**	**(7 227)**	**(3 391)**	**8 303**
As of April 1, 2017	**4 000**	**798**	**8 060**	**6 063**	**2 334**	**21 255**
- corrections of accounting policies and errors	-	-	-	-	-	-
As of April 1, 2017 after adjustments	**4 000**	**798**	**8 060**	**6 063**	**2 334**	**21 255**
Accruals from:	-	***485***	***5 578***	***(6 063)***	***1 919***	1 919
Net result for 2016	-	*485*	*5 578*	*(6 063)*	-	-
Net result for previous years	-	-	-	-	-	-
Net profit for the period 01.04-30.06.2017	-	-	-	-	1 919	1 919
Decrease resulting from:	-	-	-	-	-	-
Accounting of net result for 2016	-	-	-	-	-	-
Accounting of result from previous years	-	-	-	-	-	-
As of June 30, 2017	**4 000**	**1 283**	**13 638**	-	**4 253**	**23 174**

II. INFORMATION ON THE SHAREHOLDING STRUCTURE WITH AN INDICATION OF SHAREHOLDERS WHO AS OF THE DAY OF PREPARING OF THE STATEMENT HAD AT LEAST 5% OF VOTES ON THE GENERAL MEETING

The shareholding structure is based on the data that are at the disposal of CAPITAL SERVICE S.A. as of the date of preparing the quarterly statement:

29.08.2018

	Number of shares (in thousand pieces)	Nominal value of shares (in PLN thousands)	Share in basic capital
Kazimierz Dziełak	3 700	3 700	92,50%
Adam Kuszyk	300	300	7,50%
Shareholders' equity	**4 000**	**4 000**	**100,00%**

IV. INFORMATION ON THE NUMBER OF PERSONNEL EMPLOYED BY CAPITAL SERVICE S.A. IN FULL TIME EQUIVALENTS

As of 30.06.2018, the number of personnel employed in CAPITAL SERVICE S.A. in full time equivalent is 433 persons.

Adam Kuszyk
President of the Management Board

Kazimierz Dziełak
Vice President of the Management Board

Łukasz Jędrzejczyk
Member of the Management Board

Ostrołęka, August 29, 2018

V. STATEMENTS FROM THE MANAGEMET BOARD

We, the undersigned, the members of the Management Board of Capital Service S.A., declare that to the best of our knowledge, the Report for the first half of 2018 and comparative data have been prepared in compliance with applicable accounting principles and reflect in a true, reliable and clear manner the property and financial situation of the Company and its financial result.

We also declare that this semi-annual report includes the true description of the development and achievements, as well as the situation of CAPITAL SERVICE, including the description of fundamental threats and risk.

Adam Kuszyk
President of the Management Board

Kazimierz Dziełak
Vice President of the Management Board

Łukasz Jędrzejczyk
Member of the Management Board

Ostrołęka, August 29, 2018