INDEPENDENT AUDITOR`S REPORT ON ANNUAL CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2018

For the General Meeting of **CAPITAL SERVICE S.A. – Parent Company of CAPITAL SERVICE Capital Group**

Opinion

We have audited attached annual consolidated financial statement of **CAPITAL SERVICE Capital Group** where **CAPITAL SERVICE S.A. is a parent company** based in Ostrołęka 07-409, ul. Korczaka 73,

Which consist of:

- consolidated balance sheet prepared as at 31 December 2018
  which on the side of assets and liabilities shows the sum: **106 625 k PLN**
- consolidated profit and loss account
  for the financial year from 01 January 2018 to 31 December 2018
  showing a net loss of: **2 216 k PLN**
- consolidated statement of changes in equity
  for the financial year from 01 January 2018 to 31 December 2018
  showing an increase in equity by the amount of: **2 216 k PLN**
- consolidated cash flow
  for the financial year from 01 January 2018 to 31 December 2018
  showing an increase in cash by the amount of: **230 k PLN**
- and additional information containing
  introduction to the consolidated financial statements
  and additional information and explanations ("financial statements").

In our opinion, the enclosed annual consolidated financial statements:

- give a true and fair view of the Capital Group financial position as at 31.12.2018 as well as its financial result and cash flow position for the financial year ended that day, in accordance with applicable accounting regulations (Accounting Act 29 September 1994 Journal of Laws 2019, item 351 with subsequent amendments) and with adopted accounting principles (policies),
- agrees with the form and content, complies with legal regulations and the rules set in Capital Group agreement,
- has been prepared on the basis of properly maintained accounting books, in accordance with the provisions of Chapter 2 of the Accounting Act.

Basis of opinion

We conducted our audit in accordance with the National Standards on Auditing in the wording of International Standards on Auditing adopted by resolutions of the National Council of Statutory Auditors No 3430/52a/2019 dated 21 March 2019 regarding national professional standards ("KSB") and according to the Act dated 11 May 2017 on statutory auditors, audit firms and public supervision ("Act on Certified Auditors" - Journal of Laws 2017, item 1089 with subsequent amendments). Our responsibilities in accordance with these standards are further described in the section Auditors' Responsibility for auditing the consolidated financial statements.

We are independent from the Capital Group in accordance with the Code of Ethics for Professional Accountants set by the International Federation of Accountants ("IFAC Code") adopted by resolution of the National Council of Statutory Auditors No 2042/38/2018 dated 13 March 2018 regarding statutory auditors professional ethics and other ethical requirements that apply to the audits of consolidated financial statements in Poland. We have fulfilled our other ethical obligations in accordance with these requirements and the IFAC Code. During the audit, the key certified auditor and the audit firm remained independent from the Capital Group in accordance with the independence requirements set out in the Act on Certified Auditors.

We believe that the audit evidence we have obtained are adequate and appropriate to provide the basis for our opinion.

Responsibility of the Company's Management Board – Parent Company of CAPITAL SERVICE Capital Group

The Board of Parent Company is responsible for the preparation, on the basis of properly maintained accounting books, consolidated financial statements and for the true and fair presentation of these consolidated financial statements in accordance with the Accounting Act, Capital Group`s agreement, regulations and other applicable laws. The Board of Parent Company is also responsible for the internal control that deems to be necessary for the consolidated financial statements to be free from material misstatement, whether due to fraud or error.

Preparing the consolidated financial statements, the Management Board of Parent Company is responsible for assessing the Capital Group ability to going concern, disclosing, if applicable, matters related to going concern and adopting the principle of going concern as an accounting basis, except when the Management Board of Parent Company intends to liquidate the Capital Group, stop business or if there is no real alternative to liquidating or abandoning your business.

In accordance with the Accounting Act, the Board of Parent Company are obliged to ensure that the consolidated financial statements meet the requirements provided for in the Accounting Act

Auditor`s responsibility for auditing consolidated financial statements

We obtain reasonable assurance that the consolidated financial statements as a whole do not contain any material misstatement due to fraud or error and we issue a report containing our opinion. Reasonable assurance is a high level of certainty, but it does not guarantee that a test perform in accordance with the KSB will always detect the existing significant misstatement. Misstatements may arise as a result of fraud or error and are considered material if they can influence the consolidated financial statements users business decisions on the basis of these consolidated financial statements.

The scope of the audit does not include assurance as to the future profitability of the Capital Group, neither the effectiveness or efficiency of the Management Board of Parent Company currently or in the future.

During our audit in accordance with the KSB, we apply professional judgment and maintain professional skepticism, as well as:

- we identify and assess the risks of material misstatement of the consolidated financial statements due to fraud or error, design and conduct audit procedures that address these risks, and obtain audit evidence that are adequate and adequate to provide a basis for our opinion. The risk of not recognizing a significant misstatement due to fraud is greater than that resulting from the error, as the fraud may involve collusion, falsification, intentional omissions, misrepresentation or disregard internal control;

- we gain an understanding of the internal control regarding the audit in order to design audit procedures that appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control;

- we evaluating the appropriateness of the accounting principles (policies) adopted and the reasonableness of accounting estimates made by the Management Board of Parent Company;

- we draw a conclusion based on the appropriateness of the Management Board of Parent Company going concern principles as an accounting basis and, based on the audit evidence obtained, whether there is significant uncertainty related to events or conditions that may significantly influance the Capital Group going concern. If we conclude that there is significant uncertainty, we draw attention in our auditor's report and we require disclosures in the consolidated financial statements or, if such disclosures are inadequate, we alter our opinion. Our conclusions are based on audit evidence obtained up to the date of our report by our certified auditor, however future events or conditions may cause the Capital Group to cease its operations;

- we assess the overall presentation, structure and content of the consolidated financial statements, including disclosure, and whether the consolidated financial statements present the underlying transactions and events in a manner that ensures a fair presentation.

Other information, and Capital Group's activity report

Other information consists of a report on the Company's activitiess for the financial year ended 31 December 2018 ("Activity Report")

Responsibility of the Management Board of Parent Company

The Board of Parent Company is responsible for preparing a report on company`s activities in accordance with the applicable law.

The Board of Parent Company is obliged to ensure that the Capital Group activities report meets the requirements provided in the Accounting Act.

Responsibility of the auditor

Our audit opinion on the consolidated financial statements does not include opinion on the report on Capital Group activities.Our responsibility was, in connection with the audit of the consolidated financial statements, to familiarise ourselves with the content of this report and asses whether it is consistent with the information in the attached consolidated financial statements.

If, based on the work performed, we find significant misstatements in the activities report, we are required to inform you in our audit report. It i salso our duty in accordance with the requirements of Statutory Auditors Act to issue an opinion on whether the Capital Group activities report has been prepared in accordance with the regulations and whether it is consistent with the information contained in the consolidated financial statements.

Opinion on the Capital Group's activities report

Based on the work carried out during our audit, in our opinion, the Capital Group`s activity report:

- it has been prepared in accordance with Article 49 of the Accounting Act;

- is consistent with the information contained in the consolidated financial statements.

In addition, in the light of knowledge about the Capital Group and its surroundings obtained during our audit, we declare that we have not identified significant misstatements in the Activity Report.

Stanisław Kozłowski

Key Statutory Auditor

registration number 7030

electronic signature

carried out the audit on behalf of:

Auditing and Accounting Firm "BUCHALTERIA" Sp. z o.o.

Audit firm authorised to audit financial statements - no 297

Teresa Sołowińska, Chairman of the Board

Electronic signature

Bialystok, 2019.06.26

CAPITAL SERVICE S.A.

Consolidated Annual Financial Data

of the Capital Service Capital Group for 2018

(data for the period of 12 months ended on 21 December, 2018 and for the corresponding periods)

The President of the Management Board of CAPITAL SERVICE SA

Dear All, Dear Investors!

After difficult previous year, the year 2018 was to be a period in which the Company will stabilise internal processes, achieve profitability and maintain dynamic growth. The actions aimed at achieving these objectives, initiated as early as 2017 and continued in the following year, have started to produce effects. The simplification of the organisational structure allowed reducing fixed costs, and the improvement of processes: customer acquisition, risk verification, monitoring and debt collection gave the Company new tools for growth. We can confirm the stabilisation of loss ratios, systematic improvement of the efficiency of debt collection activities and reduction of risk costs. The implemented scoring models lead to stability.

The basic data for 2018 and comparable periods are as follows:

consolidated data in thousands PLN.	for the period of 12 months:				
category:	**2018**	**2017**	**2016**	**% change (2018/2017)**	**% change 2018/2016**
operating revenue	86 385	95 476	74 347	-10%	16%
profit before tax	2 082	114	8 450	1726%	-75%
equity capital	13 810	16 026	22 015	-14%	-37%
total assets	106 625	87 122	79 190	22%	35%

Data in thousand PLN, unless stated otherwise

active portfolio value	79 744	63 822	45 984	25%	73%

The improvement of operational processes was successively reflected in the consolidated financial results of the Group in the following months. The profit amounted to PLN 1.7 million in the first half of the year, and after three quarters it amounted to PLN 2.8 million. Everything seemed to be confirmed by the fact that the Company regained stability and it is on a growth path.

The fourth quarter of 2018 changed the situation drastically. During this period, the negative effects of interference on the financial market accumulated, which have continued on it since the second half of the year.

The scandal related to the Get Back Company and the National Financial Supervision caused the debt securities market to collapse. It had a very strong impact on the volume of sales under securitisation to the investment fund cooperating with CAPITAL SERVICE SA, which due to the inability to place its investment certificates, limited the purchase of loan portfolios. The size of portfolios subject to securitisation, in subsequent months of the second half of the year gradually decreased to become practically insignificant in December. Since then, securitisation is occasional and does not play an important role in the Company's revenues.

The loss of sales, so far generating about 20 - 25 % of all revenues, put the Company in a very difficult situation. In the absence of real prospects for a rapid change in this state of affairs, we had to modify the business model quickly. We decided to replace securitisation, at least in part, with revenues from our own loan portfolio, which is why we started its intensive formation. As a result of actions taken, in the fourth quarter we increased our own portfolio by about 20 million, and until the publication of the report by about 40 million. However, this was related to a high cost. In addition to the missing revenues from securitisation, it was necessary to create a newly formed portfolio of claims for loss risk. Revenues from the new portfolio are unfortunately deferred. All these factors caused that the last quarter of the year was charged with the Company's result, a loss. Looking at this in the long run, however, your own large loan portfolio, while maintaining the appropriate quality parameters, will allow you to become independent of business cycles and turbulence in the external market.

In the light of the above-mentioned activities, the main challenges facing the Company remain mainly the financing of a large loan operation. The meltdown on the financial market at the end of 2018 made it difficult, but did not hinder, our search for new sources of financing. We are systematically expanding contacts with domestic and foreign investors to ensure our organisation uninterrupted development.

Since it seems that operational problems are behind us and the current problems are caused by unforeseen external factors, we believe that 2019 will be the year in which we will create an organisation that, in addition to generating value for customers and investors, will be resistant to such events in future. Stable and profitable organisation.

We also hope that you will continue to support the development of CAPITAL SERVICE SA. For our part, we will do our best not to disappoint you.

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Data in thousand PLN, unless stated otherwise

I. MANAGEMENT BOARD'S REPORT ON THE BUSINESS OF CAPITAL SERVICE CAPITAL GROUP FOR THE PERIOD FROM 1 JANUARY 2018 TO 31 DECEMBER 2018

1. GENERAL INFORMATION ON CAPITAL SERVICE CAPITAL GROUP

1.1. Establishment and duration of the Capital Group

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

1.2. Data of the parent company

The parent company	CAPITAL SERVICE S.A.
Legal form:	joint stock company
Headquarters:	Ostrołęka, ul. J. Korczaka 73
Country of registration:	Poland
Primary scope of activity:	granting cash loans
Authority keeping the register:	District Court for the Capital City of Warsaw in Warsaw, 14th Commercial Division of the National Court Register, KRS (National Court Register Number) 0000407127
Statistical REGON no.	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. Management Board

In the period from 1 January 2018 to the date of this Annual Report, the following changes took place in the composition of the Company's Management Board by the decision of the Supervisory Board of CAPITAL SERVICE SA:

- **Tomasz Kaźmierski** - on 4 June 2018 he was dismissed from the position of Member of the Management Board responsible for sales.
- **Kazimierz Dziełak** - on June 4 2018, he was appointed to the position of the Vice President of the Management Board.
- **Kamil Polikowski** - on 1 September 2018 he was appointed to act as a Member of the Management Board, and on 8 January 2019 he resigned from this position.

- **Dariusz Łachowski** - on 9 January 2019 he was appointed to act as a Member of the Management Board. Dariusz Łachowski has held the position of Franchise Department Director.
- **Łukasz Jędrzejczyk** - resigned from the position of Member of the Management Board on 31 May 2019.

As of the date of this Report, the following persons are members of the Company Management Board:

- **Adam Kuszyk** - *President of the Management Board responsible for strategy, finance, credit risk management, debt collection,*
  A graduate of the Faculty of Management at the University of Lodz, Managing Postgraduate Studies at SGH Warsaw School of Economics, the Certified Internal Auditor (Institute of Internal Auditors), a statutory auditor. From 2011 to mid-2014, Chief Financial Officer and Vice President of the Management Board of the joint stock company, IT and media holding SMT. Previously, among others, Chief Financial Officer of Rolmex S.A., a main shareholder of Indykpol S.A. Manager of Agora S.A. (media holding), Deloitte and BDO.
- **Kazimierz Dziełak** - *Vice President of the Management Board responsible for marketing, remote channels sales and back office functions*
  Experienced and creative manager. He studied business administration at Kozminski University in Warsaw. Continuously from 1999 to 2015, he effectively managed the joint-stock company CAPITAL SERVICE S.A.. The creator of strong and recognisable on the market of personal finances brand KredytOK's personal finances on the market. He has 6 years of experience in the banking market (a partner managing a branch of one of the banks) and several years of experience in running an entity on the financial services market.
- **Dariusz Łachowski -** *Member of the Board responsible for ground channel sales*
  A graduate of the Postgraduate Studies at SGH Warsaw School of Economics , certified coach of the International Coaching Community. Manager with 18 years of experience in banking (Cetelem Bank, BNP Paribas group - 2001 - 2008, Alior Bank 2008 - 2014, Plus Bank 2014 - 2018). He gained his experience by creating and leading telephone debt collection teams and call centre sales, retail financial intermediation, and managing banking branch networks. He was responsible for the implementation and launch of strategic projects that ended in success. He promoted several dozen managers who today continue their careers in the financial industry.

Legal and compliance issues collectively remain the responsibility of the entire Management Board

1.4. Supervisory Board of Company

On 23 May, 2018, the Extraordinary General Meeting of CAPITAL SERVICE SA was held, under which Mr Kazimierz Dziełak - Member of the Supervisory Board was dismissed from his position. Mr Grzegorz Dziełak was appointed to the Supervisory Board.

As of the date of this Report, the following persons are members of the Supervisory Board:

- **Adam Kowalczuk** - *Chairman of the Supervisory Board,*
  A graduate of the Faculty of Management at the University of Warsaw and the Executive MBA programme of the University of Warsaw and the University of Illinois. President of the Management Board of Podlaski Fundusz Kapitałowy Sp. z o. o. in Białystok and the Vice President of Podlasie Regional Development Agency in Białystok. Chairman of the Supervisory Board of Stekop S.A in Warsaw, Lumiere Sp. z o.o. in Białystok, ABZ Consulting Sp. z o.o. in Warsaw, PCD Bia-Net Sp. z o.o. in Białystok. Adam Kowalczuk is associated with Podlesie Regional Development Agency group since 1995. He is the Chief Financial Officer of the PFRR group and the Managing Director of a capital fund (VC).
- **Jadwiga Suchecka** - *Member of the Supervisory Board,*
  An economist with extensive professional experience, which she gained while working in production plants as an economist, including 5 years as a manager, then in the Bank PKO BP branch in Ostrołęka. Since 1985 to the present, she conducts her own business. Since 1987, she has been a member of the Supervisory Board of Spółdzielnia Dom Handlowy "KUPIEC" in Ostrołęka, acting as the chairman of the Supervisory Board.
- **Grzegorz Dziełak** - *Member of the Supervisory Board,*
  A graduate of the Faculty of Law and Administration and the Faculty of Applied Linguistics and East Slavonic Philology at the University of Warsaw. In 2004 - 2006 he has been working at Vittera Development Polska sp. z o. o. in the Legal Department. From January 2007 to February 2018 he has been working as a lawyer in RP&W Law Offices limited partnership

1.5. Significant shareholders of the parent company

The basic information about the Company's Shareholding as of the date of this Report is presented in the following pie chart and table:

Pie chart. Shareholding Structure of the Company

Table. Information about shareholding

	Number of shares (in thousands of items)	Nominal value of shares (in thousands PLN)	Share in initial capital
Kazimierz Dziełak	3 700	3 700	92,50%
Adam Kuszyk	300	300	7,50%
Share capital, total	**4 000**	**4 000**	**100,00%**

1.6. Controlled companies

As of the date of this report, CAPITAL SERVICE SA is the parent company for five entities. Basic information on subsidiaries is presented in the 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 1Closed-end Investment Fund. Non-standardised Securitisation Fund
▪ share in the share capital in the amount of 99.97%;	▪ share in the share capital in the amount of 100%;	▪ share in the share capital in the amount of 100%;	▪ share in the share capital in the amount of 100%;	▪ 99.64% (276 pieces) of investment certificates;
▪ a company whose core business is marketing strategy, trademarks and other intellectual property rights; ▪ the company CAPITAL SERVICE BRAND MANAGEMENT Sp. z o. o. took over the company KOMTOD sp. z o.o. SKA; the decision of the registry court in this respect was issued on 15 May 2017. the company CAPITAL SERVICE BRAND				▪ closed-end investment fund, being a legal person; ▪ The fund is managed by EQUES Investment Towarzystwo Funduszy Inwestycyjnych Spółka Akcyjna; ▪ The Fund's investment objectives are: achieving revenues from the Fund's net investments and increasing the value of Assets as a result of the investments' value increase.

MANAGEMENT Sp. z o. o. took over the company Money Logo sp. z o.o., the decision of the registry court in this respect was issued on 9 November 2018.	

The basic information about the Capital Group structure as of the date of this Report is presented in the following table and diagram:

Table. Information on subsidiaries

Name of the institution	Registered office	Registration data	Scope of activity / Type of activity	Share capital (in thousands PLN)	% share in capital	% share in voting rights
CAPITAL SERVICE BRAND MANAGEMENT Sp. z o. o.	03-301 Warsaw ul. Jagiellońska 78	KRS (National Court Register Number) 0000583477 NIP (Tax Identification Number) 1132897358	Lease of intellectual property	348,0	99,97	99,97
FINLO Sp. z o. o.	03-301 Warsaw 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 activities auxiliary to financial services, except insurance and pension funding	200,0	100	100
LIFT CREDIT Sp. z o. o.	03-138 Warsaw ul. Strumykowa 28A/35	KRS (National Court Register Number) 0000648047 NIP (Tax Identification Number) 5242813838	Other credit granting	5,0	100	100
CS 1Closed-end Investment Fund. Non-standardised Securitisation Fund	80-350 Gdańsk Ul. Chłopska 53	RFI 1527	Funds' activities	N/A	N/A	N/A
				** CAPITAL SERVICE SA acquired 276 pieces, i.e. 99.64% of the Fund's investment certificates*		

1.7. Affiliates

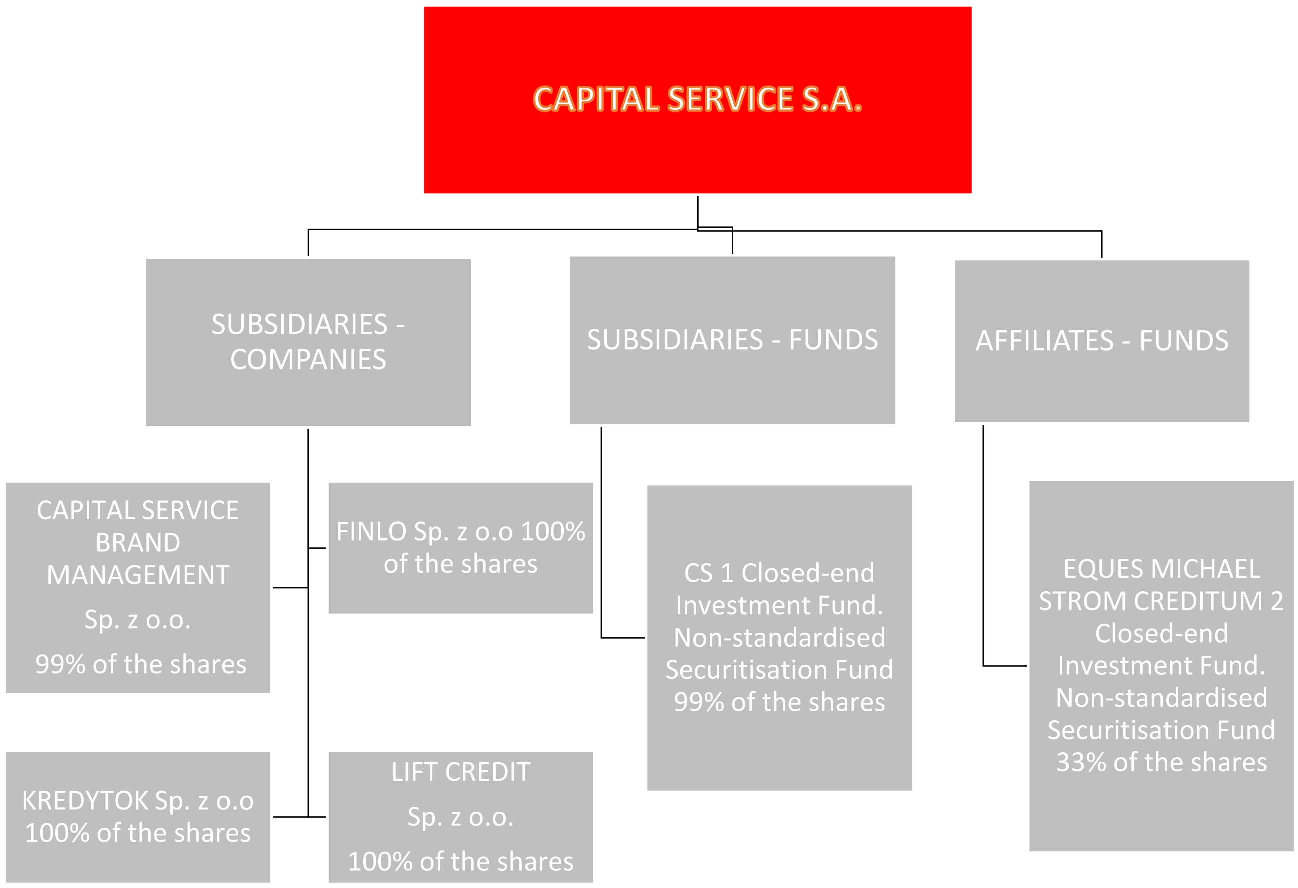
Basic information on affiliates is presented in the tables below:

EQUES MICHAEL STROM CREDITUM 2 Closed-end Investment Fund. Non-standardised Securitisation Fund
▪ 33.33% (1 piece) of investment certificates;
▪ Closed-end investment fund non-standardised securitisation fund ▪ The fund was entered into the register of investment funds on 20 June 2018. ▪ The fund is managed by EQUES Investment Towarzystwo Funduszy Inwestycyjnych Spółka Akcyjna; ▪ The Fund's investment objectives are: achieving revenues from the Fund's net investments and increasing the value of Assets as a result of the investments' value increase.

Name of the institution	Registered office	Registration data	Scope of activity / Type of activity	Share capital (in thousands PLN)	% share in capital	% share in voting rights
EQUES MICHAEL STROM CREDITUM 2 Closed-end Investment Fund. Non-standardised Securitisation Fund	80-350 Gdańsk ul. Chłopska 53	RFI 1594	Funds' activities	N/A	N/A	N/A

** CAPITAL SERVICE SA acquired 1 investment certificate, i.e. 33.33% of the Fund's investment certificates*

Pie chart. Structure of the Capital Group



Data in thousand PLN, unless stated otherwise

1.8. Information about the held General Meetings

Last year there was one Ordinary General Meeting on 28 June 2018, as well as one Extraordinary General Meeting on 23 May 2018.

Until the date of this Report, in 2019, there were no Extraordinary General Meetings.

All the meetings in 2018 were held at the headquarters of the CAPITAL SERVICE SA in Ostrołęka.

1.9. Information about the auditor

The audit of the attached consolidated Financial report of the Capital Group for 2018 was commissioned to the company: Auditing and Accounting Office Ltd 'BUCHALTERIA' with headquarters in Białystok, at ul. Warszawska 34. pursuant to Resolution No. 17/2018 of the Supervisory Board of CAPITAL SERVICE S.A. of 16 November 2018.

Auditing and Accounting Office Ltd 'BUCHALTERIA' (Kancelaria Księgowo-Audytorska „BUCHALTERIA" Spółka z o. o.) under its present name has been operating since 25 August, 2017. As of that date, the change of the Company's name was registered in the National Court Register along with ownership changes. It continues the activity of an auditing company established in 1990 under the name Biuro Usług Księgowo-Audytorskich Stowarzyszenie Księgowych in Poland "BUCHALTERIA" Spółka z ograniczoną odpowiedzialnością (limited liability company) GRUPA FINANS-SERVIS. The company deals in the audit of financial reports, provision of tax advisory services and providing services for the accounting and tax books of companies from various industries and with various ownership structures. Auditing and Accounting Office Ltd 'BUCHALTERIA' is entered on the list of auditing companies authorised to audit financial report (registration number 297), kept by the National Council of Statutory Auditors.

1.10. A brief history of the Capital Group

1999	✓ Commencement of activity in the field of financial services.
2001	✓ Introducing own loan product.
2003	✓ Beginning of the construction of the branch network (opening of new 20 branch offices).
2010	✓ Creating own Contact Center.
2011 /2012	✓ Establishment of the KredytOK brand, change of the legal status into a joint-stock company.
2014	✓ Opening of two new sales channels: on-line sales and through its own Contact Center.

2015	✓ Issue of A - G series bonds for a total amount of PLN 30 million, acquisition of a prestigious financial investor, who ultimately acquired bonds in the amount of PLN 30 million. ✓ Listing of bonds on the public Catalyst market on the WSE. ✓ Increasing the number of branches to 105 and covering a network of branches throughout the country.
2016	✓ Increasing the instalment loan to 15 thousands PLN and extending the funding period to 48 months (grants financed to a large extent by a securitisation fund). ✓ Issue of H series bonds for the amount of PLN 15 million (to a financial investor). Issues of series G and H are secured on portfolios of loan receivables, and no other collateral. ✓ Launching of insurance sales (Axa TUiR SA) and bank loans. ✓ Opening the IT system (API, WEB) to external sales channels.
2017	✓ Joining the MINTOS platform, an investment platform (*peer-to-peer marketplace*) connecting lenders and investors from all over Europe. ✓ Launching insurance sales (MetLife). ✓ Commencing the separation of sales from debt collection. Debt collection should only be done by trained personnel. ✓ Starting to cooperate with a specialised entity in the area of creation and management of investment funds and creation of a closed-end investment fund. ✓ Acquiring investment certificates of the series A fund with a total value of PLN 200.000. ✓ Issue of series I bonds for the amount of PLN 20 million.
2018	✓ Starting to cooperate with Factory Network S.A., which is the owner of the długi.info portal - an interactive bulletin board, an online portal dedicated to submitting invitations to sign debt sale agreements. ✓ Separation in the existing organisational structure of the Mobile Customer Advisers. ✓ Intensive development of the KredytOK franchise network
2019	✓ Establishing cooperation with Monetia sp. z o.o.

1.11. Employment and personnel situation in the parent company

As at 31 December 2018, the number of people employed in the CAPITAL SERVICE S.A. Group on a full-time basis was 417.

Personnel policy at CAPITAL SERVICE SA is related to the strategic objectives of the Company and is implemented by human resource planning.

Striving to improve employees, the Company implements new solutions in the field of training and development of employee competences. CAPITAL SERVICE SA systematically improves and develops the incentive system based on financial solutions as well as non-financial solutions. Employees have been able to use the benefits of Sports Cards. In 2018, the employees of the Company took part in external trainings organised by dedicated training companies, which dealt with the issues of effective sales of banking products, anti-fraud issues, tax regulations, VAT changes, and advanced security of web applications. Employees of the Company also used the system of internal trainings, which are to complement knowledge, are organised due to changes in regulations and applicable procedures, as well as in order to raise employees' professional competences. All actions undertaken in this area affect the improvement of work organisation and thus promote its effectiveness.

Since 2012, CAPITAL SERVICE SA has been a member of *the Conference of Financial Companies in Poland (KPF) - Employers' Union*, gathering several dozen key companies from the financial market in Poland, including banks, receivables managing entities, financial intermediaries and advisors, financial enterprises, economic information managing entities, and enterprises from insurance companies. KPF's mission is to build social capital in the financial sector in Poland.

CAPITAL SERVICE SA at the end of 2016, in order to create a friendly atmosphere and create a friendly working environment in the Company, provided employees with a Chill-out Area. Employees have the opportunity to use this separate space both during working hours and having fulfilled their duties.

In 2018, Capital Service SA could have celebrated and enjoyed with employees who have worked for 10 years in the company. The event positively builds the image of Capital service SA as a stable employer with which employees have the opportunity to be connected for longer and develop professionally.

2. CHARACTERISTICS OF THE CAPITAL GROUP ACTIVITY

2.1. Significant achievements or failures of the Group together with a description of the most important factors and events, in particular of unusual nature, affecting the achieved results

2.1.1. Repurchase of bonds series G of the CAPITAL SERVICE S.A. company

On 27 July 2018, Capital Service SA purchased, in accordance with the terms of issue, series G bonds. The resolution on the issue of the above-mentioned bonds was adopted by the Management Board of CAPITAL SERVICE S.A. 11 December 2015 The bonds were allocated on 14 December 2015. The total value of the issue of series G bonds amounted to PLN 15 000 000.00 (fifteen million zlotys). The Company has performed all the benefits due to the Bondholders due to the issue of series G bonds and therefore, as of the date of this Report, it has no obligations arising therefrom.

2.1.2. Repurchase of bonds series I of the CAPITAL SERVICE S.A. company

On 31 March 2018, CAPITAL SERVICE SA 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 and Conditions of the Issue of Series I Bonds, issued by CAPITAL SERVICE SA (pursuant to item 9.8.2. in connection with item 9.8.1. of the Terms and Conditions of the Issue of Series I Bonds).

On 30 June 2018, CAPITAL SERVICE SA made a mandatory early redemption of 42 780 (in words: forty two thousand seven hundred and eighty)) series I bonds, in accordance with the Terms and Conditions of the Issue of Series I Bonds, issued by CAPITAL SERVICE SA (pursuant to item 9.8.2. in connection with item 9.8.1. of the Terms and Conditions of the Issue of Series I Bonds).

On 1 October 2018, CAPITAL SERVICE S.A. repurchased 62 310 series I ordinary bearer bonds and timely payment of interest on the above-mentioned bonds, in accordance with the schedule adopted in the terms of their issue.

The Company allocated a total of 200 000 series I bonds, of which 94 910 were repurchased in March 2018, 42 780 in June 2018, and 62 310 in October 2018. In connection with the timely performance of obligations under the terms of the above-mentioned bonds, the Company has no liabilities under series I bonds.

2.1.3. Issue and allocation of bonds series J of the CAPITAL SERVICE S.A. company

On 12 July 2018, the Management Board of CAPITAL SERVICE S.A. adopted a resolution regarding the issue of series J bonds. Series J bonds were offered in the mode specified in Article 33 item 2 of the Act of 15 january 2015 on Bonds, i.e. by directing the proposal to purchase series J bonds to not more than 149 individually marked addressees in a manner that does not constitute a public offer within the meaning of Article 3 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading and on Public Companies.

On 18 July 2017, pursuant to a relevant resolution of the Management Board, a total of 1 300 series J bonds were granted with a total value of PLN 1 300 000.00.

Series J bonds are 24-month bearer bonds, with a nominal value of PLN 1 000 each. The bonds are in the form of a document. The bond collateral, indicated in the Terms and Conditions of the Issue of Bonds, is a declaration of company's voluntary submission to debt recovery on the basis of Article 777 § 1(5) of the Civil Procedure Code adopted on 2 August 2018.

2.1.4. Issue and allocation of bonds series K of the CAPITAL SERVICE S.A. company

On 16 November 2018, the Management Board of CAPITAL SERVICE S.A. adopted a resolution regarding the issue of series K bonds. On the basis of the above resolutions and in the mode specified in Article 33(2) of the Act of 15 january 2015 on Bonds, i.e. by directing the proposal to purchase series K bonds to not more than 149 individually marked addressees in a manner that does not constitute a public offer within the meaning of Article 3 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading and on Public Companies.

On 5 December 2018, pursuant to a relevant resolution of the Management Board, a total of 131 000 series K bonds were granted with a total nominal value of PLN 13 100 000. Series K bonds are bearer bonds, with a nominal value of PLN 100.00 each. The bonds are not in the form of a document.

The collateral of the bonds consists of the following:

a) Registered pledge on the Company's receivables resulting from the Escrow account agreement related to the Escrow bank account maintained by Powszechna Kasa Oszczędności Bank Polski S.A.,
b) Floating charge consisting of current and future receivables from cash loans that will be granted by the Company as part of its business to natural persons on the terms regulated by the terms and conditions of the issue of these bonds,
c) Assignment of receivables under the conditions set out in the terms and conditions of the issue of bonds,
d) Escrow bank account to which the receivables being the subject of the registered pledge referred to in item a) above will be repaid.

The above-mentioned collaterals were established after the bond issue date, on the dates indicated in the terms of their issue.

2.1.5. Issue and allocation of bonds series L of the CAPITAL SERVICE S.A. company

On 7 January 2019, the Management Board of CAPITAL SERVICE SA with its registered office in Ostrołęka adopted a resolution on the issue of series L bonds in the mode specified in Article 33(2) of the Act of 15 january 2015 on Bonds, i.e. by directing the proposal to purchase series L bonds to not more than 149 individually marked addressees in a manner that does not constitute a public offer within the meaning of Article 3 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading and on Public Companies.

On 28 December 2019, pursuant to a relevant resolution of the Management Board, a total of 89 071 series L bonds were granted with a total nominal value of PLN 8 907 100.

Series L bonds are bearer bonds, with a nominal value of PLN 100.00 each. The bonds are not in the form of a document.

The terms and conditions of the issue of bonds provide for an obligation of the Issuer to establish appropriate collateral after the issue date, i.e. after the date of entering the Bonds in the register within the meaning of Article 8(1) of the Act on Bonds.

The series L bonds will not be the subject of applying for the introduction to the Alternative Trading System operated by the Warsaw Stock Exchange on the Catalyst market.

2.1.6. Issue and allocation of bonds series M of the CAPITAL SERVICE S.A. company

On 21 February 2019, the Management Board of CAPITAL SERVICE S.A. adopted a resolution regarding the issue of series M bonds of CAPITAL SERVICE S.A. The bonds are 24-month ordinary, bearer bonds,
with repurchase date falling on 25 February 2021. On 25 February 2019 Bonds with a value of PLN 700 000 were allocated to CS1 Closed-end Investment Fund Non-Standardised Securitisation Fund with its registered office in Gdańsk.

2.1.7. CS 1Closed-end Investment Fund. Non-standardised Securitisation Fund

In 2017, CAPITAL SERVICE S.A. established cooperation with a specialised entity in the field of creation and management of investment funds and created a closed-end investment fund operating under the name CS 1 Closed-end Investment Fund Non-standardised Securitisation Fund. The Fund was entered into the register of investment funds by the District Court in Warsaw by decision of 20 October 2017. The fund is managed by EQUES Investment Towarzystwo Funduszy Inwestycyjnych Spółka Akcyjna.

CAPITAL SERVICE S.A. has a total of 276 (99%) fund certificates, including 199 series A certificates and 77 series B certificates. Registered pledge was established on 199 series A certificates within the meaning of the Act of 6 December 1996 on Registered Pledge and Pledge Register. The pledge was established in favour of Dubiński Jeleński Masiarz i Wspólnicy Spółka komandytowa as a pledge administrator within the meaning of Article 4(4) of the above-mentioned Act. The pledge on the certificates constitutes one of the collateral for the receivables arising from the series H bonds of CAPITAL SERVICE S.A. On 23 November 2018, the competent registry court entered the pledge in the pledge register

In October 2018, a portfolio of receivables with a nominal value of PLN 15,715,293.32 was brought into the CS1 Fund, while in February 2019 a portfolio of PLN 1 869 361.98 was added to the CS1 Fund, and in March 2019 a portfolio with the value of PLN 2 796 948.95

2.1.8. EQUES MICHAEL STROM CREDITUM 2 Closed-end Investment Fund. Non-standardised Securitisation Fund

Since December 2018, CAPITAL SERVICE S.A. has been the holder of 1 series A investment certificate (33.33%) under the fund "EQUES MICHAEL STROM CREDITUM 2 Closed-end Investment Fund Non-standardised Securitisation Fund". The Fund is a closed-end non-standardized securitisation investment fund, created and operating on the principles set out in the Act of 27 May 2004 on investment funds and management of alternative investment funds, as well as in the fund's statute, issued by EQUES Investment

Towarzystwo Funduszy Inwestycyjnych Spółka Akcyjna with its registered office in Gdańsk at ul. Chłopska 53. Duration of the Fund is limited to 30 December 2021.

2.1.9. Sales of receivables

In 2018, CAPITAL SERVICE SA continued to realise the decision of the Management Board taken in 2014 to refrain from judicial debt collection for the sale of overdue receivables. Therefore, as of the date of this Report, CAPITAL SERVICE S.A. carried out the following sales of receivables:

- in January 2018, the package of receivables overdue more than 60 days was sold. Revenues from this transaction amounted to PLN 1.988.081.68.
- in April 2018, the package of receivables overdue more than 60 days was sold. Revenues from this transaction amounted to PLN 2.61.392.00.
- in July 2018, the package of receivables overdue more than 60 days was sold. Revenues from this transaction amounted to PLN 2.141.945.67.
- in August 2018, the package of receivables overdue more than 60 days was sold. Revenues from this transaction amounted to PLN 1.141.363.47.
- in October 2018, the package of receivables overdue more than 90 days was sold. Revenues from this transaction amounted to PLN 4.406.674.00.
- in November 2018, the package of receivables overdue more than 60 days was sold. Revenues from this transaction amounted to PLN 939.565.69.
- in February 2019, the package of receivables overdue more than 90 days was sold. Revenues from this transaction amounted to PLN 585.158.05.
- in April 2019, the package of receivables overdue more than 90 days was sold. Revenues from this transaction amounted to PLN 1.023.324.05.
- in May 2019, the package of receivables overdue more than 90 days was sold. Revenues from this transaction amounted to PLN 1.171.020.83.

Claims covered by the above sales transactions were previously written off the company's receivables portfolio or were completely covered by provisions.

Debt sale transactions are recognised in the profit and loss account in the following positions:

- Financial income (Profit from disposal of investments) - Sales price,
- Financial costs (Other) - carrying amount of receivables sold,
- Remaining operating costs (Other operating costs) - reduction of the costs of provisions for loan receivables.

2.1.10. The Debts Project.Information

In March 2018, CAPITAL SERVICE SA established cooperation with Factory Network SA, which is the owner of długi.info portal. The website długi.info 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 physical persons with documented title of payment in the form of invoices, promissory notes, court orders, enforcement titles, contracts.

The Project, coordinated by the Recovery Department of CAPITAL SERVICE S.A., lasted several months and was an experience that allowed, beyond the traditional sales path of overdue receivables, to check the online possibilities of such a process. The entire sale process took place with the knowledge of the debtor who along with issuing an offer on the debt exchange, was informed about the issue of his debt for sale, received 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 the overdue liability results in the removal of the offer from długi.info portal. The Management Board, after analysing the effects of the above-mentioned project, decided to stop its implementation.

2.1.11. Mobile Customer Advisers

In the first quarter of 2018, the Management Board of CAPITAL SERVICE S.A. decided to test the separation of the existing organisational structure of Mobile Customer Advisers providing their services in 3 cities: Brzeg, Nysa and Kłodzko. Mobile Customer Advisers were given access to the CRM system and had the opportunity to process loan applications as part of the Platform Branch + (a system enabling to obtain information on all offers available to the customer after entering one application). In addition, Mobile Customer Advisers were given access to detailed customer data and the history of their debt. Through the Cash Register module, they had the option of entering payments into loans and registering the money collection to the bank. In the second half of 2018, after analysing the effectiveness of the test, this project was suspended.

2.1.12. Franchise network development

In the second half of 2018, CAPITAL SERVICE S.A. accelerated its activities in the area of expanding the franchise network. Franchise branches are treated in every area of their activity as KredytOK Local Branch. New franchise branches are most often created in towns where KredytOK's own local branches do not operate. Appropriate procedures, regulations and dedicated resources have been developed for this form of activity, including significant dashboards, which aim is to facilitate sales and risk management and improve decision-making processes.

In October 2018, representatives of the Franchise Department of CAPITAL SERVICE S.A. participated in the Franchise Expo. It is a large event for both franchisees and franchisors. Every year, approximately 200 companies participate in the expo - representatives of Polish and foreign brands from various industries, and during the three days of the expo, approximately 7 000 entrepreneurs interested in opening their own form under a known brand visit the stands. Therefore, it was a great way to present the Company's offer to interested parties and to establish cooperation.

As of the date of this Report, it has over 30 franchise branches in its structure.

2.2. Development of the core operations of CAPITAL SERVICE Capital Group in 2018

2.2.1 Distribution and sales network 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 sales channels: a network of its own KredytOK local branches, including franchise branches, the Internet, agents and brokers and its own Contact Center.

Invariably, the basic distribution channel is the local branches of KredytOK, which at the end of 2018 amounted to over 100. The local branches are located in cities of over 30.000 inhabitants, situated in a 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 clients.

In addition to the traditional fixed-line network, CAPITAL SERVICE SA systematically develops and improves the other channels of acquiring, selling and distributing its own offer. Starting from June 2018, a product - Instalment loan by phone - has been offered through the Contact Center. The Customers of CAPITAL SERVICE S.A. have the option of taking out a loan after one phone call. This product aims to accelerate customer service, increase conversions, and thus increase sales of the Group's products.

The Customers acquired via the Internet channel are acquired using their own websites, including *landing page*, which are dedicated to individual products and affiliate programmes implemented jointly with brokers. The internet portal is a source of notifications, and so contact data, which is then served by other sales channels. As part of this channel, the Company systematically establishes cooperation with new affiliate networks, new pages such as *landing page* are created, thanks to which there is an increase in the number of clients acquired through this channel. As at the date of this report, the KredytOK programme is available on the leading internet platforms, including COMPERIA, BANKER, AFFILIATE44, PROPERAD, SOLUTIONS4AD, TOTAL MONEY, LEADGID.

Since June 2018, CAPITAL SERVICE S.A. has implemented the possibility of fully applying for a loan and concluding a loan agreement via the website: www.KredytOK.pl . This made CAPITAL SERVICE S.A. open to a new sales channel.

Within the entire Capital Group, the programming interface **API Agent+** has been working dynamically, which enables sharing of CAPITAL SERVICE S.A. products directly in the systems of other companies and financial product integrators, and allows to submit a loan application, receive a credit decision, generate documents, as well as confirming their signing at the agent's office. Along with API Agent + there is the **Agent + Platform**, a credit online platform that enables agents to sell products offered by the Group under the KredytOK brand.

In 2018, intensive work continued on a comprehensive reconstruction of the process of selling loans through other companies (agents), as a result of which, among others, the following changes were introduced:

a) enabling the sale of additional products (e.g. legal services),
b) signing the agreement by the Customer only after the final credit decision,
c) reducing the requirements for documents provided by the Customer due to verification in available data sources,
d) providing the Customer with an alternative to the required documents in the form of verification by electronic banking.

The introduced changes resulted in a systematic increase in sales in the agency channel.

Thanks to the promotion of a self-service model among its agents and brokers, CAPITAL SERVICE S.A., it gains among others the possibility of using modern marketing as well as selling more of their own products.

Data in thousand PLN, unless stated otherwise

2.2.2 Product offer

The core business of CAPITAL SERVICE SA is to provide cash loans to natural persons and their comprehensive service as well as financial intermediation.

Table. Own products offered by CAPITAL SERVICE S.A. in 2018 and 2019.

Product	Main characteristics
Prepaid card	Launched in February 2015, the product payment medium in the form of a Loan Card. The prepaid card contract is concluded for an indefinite period. Through the card, the customer has the option of withdrawing cash, making non-cash transactions and checking the balance and history of operations. The product has not been offered from January 2019.
Quick Loan	A cash loan in the amount from PLN 200 to PLN 1.000; a contract concluded for an indefinite period.
Instalment loan	A cash loan granted for the period from 6 to 24 months in the amount from PLN 1.050 to PLN 5.000.
Pożyczka jak marzenie (loan)	A loan offered in cooperation with a securitisation fund, in the amount from PLN 2.000 to PLN 15.000, granted for a period of 24 to 48 months offered to new and regular clients. The loan depends on the result of the scoring and verification performed by the analyst.
Ratka Spłatka (instalment)	A cash loan granted for a period of 4 months in the amount of PLN 350 to PLN 1.500.
Auto Kasa (cash loan)	A cash loan to refinance the purchase costs of a vehicle in the amount of PLN 2.000 to PLN 100.000 to 70% of the vehicle's value. The loan period is from 6 to 48 months. Product introduced to the offer in March 2018. Product excluded from the offer in April 2019.

Data in thousand PLN, unless stated otherwise

Table. Other products offered by CAPITAL SERVICE SA in 2018 and 2019.

Product	Main characteristics
AXA TUiR S.A. insurances	AXA insurance under 2 packages: Medical OK and Protection of Life and Health - life insurance, invalidity and permanent incapacity to work. The insurance period, depending on the package and variant, is 3 or 12 months.
MetLife Insurances TUnŻiR	MetLife insurances under 2 packages: Effective Help OK and Life Package OK. The insurances period Effective Help OK is 3 or 12 months, while in the case of the Package for Life OK 12 months.
Non-bank loans and Cash credits	KredytOK outlets through the integration platforms also offer non-bank loans from suppliers other than CAPITAL SERVICE S.A. and cash loans of leading banks up to max. amount of PLN 250,000 for max. period of 144 months (12 years). The offer is addressed both to individual customers (PLN 250 000) and micro entrepreneurs (PLN 550 000).
Autokasa Loan Autokapital.pl	A secured loan or a loan for the purchase of a car in the amount from PLN 6 000 to PLN 100 000, and the loan period is 12, 24, 36 and 48 months. The loan is intended for individuals and entrepreneurs.
LeaseLink	The offer is addressed to new and existing clients of CAPITAL SERVICE S.A., running a sole proprietorship, interested in obtaining financing for the purchase of equipment and devices (including RTV equipment, household appliances, construction and medical devices, furniture). Leasing is granted for the purchase of goods in the total amount of PLN 1,000 to PLN 50,000 for a period of 18 to 48 months.
Availo Legal Services	as of February 2018, the Group expanded its offer to legal services for clients. It is a comprehensive legal assistance provided exclusively by lawyers, legal advisers and tax advisers specialising in a given field of law. Legal advice is provided by telephone and online channel (e-mail, Availo24 account), depending on the package chosen and the scope of services.
ASF - Adamczuk Financial Service	Since April 2018, KredytOK outlets have had a wide range of insurance products offered by ASF-Adamczuk Financial Service. Inactive product, the agreement expired in October 2018.
OK Display Insurance - TUZ Insurance	From October 2018, OK Display Insurance is available for the Company's customers. The subject of the insurance is a telephone display purchased and intended for distribution throughout the country. The scope of such insurance covers mechanical damage to the display resulting from the occurrence of a random event. The sum covered by the insurance for one accident during the insurance period (12 months) is PLN 600.

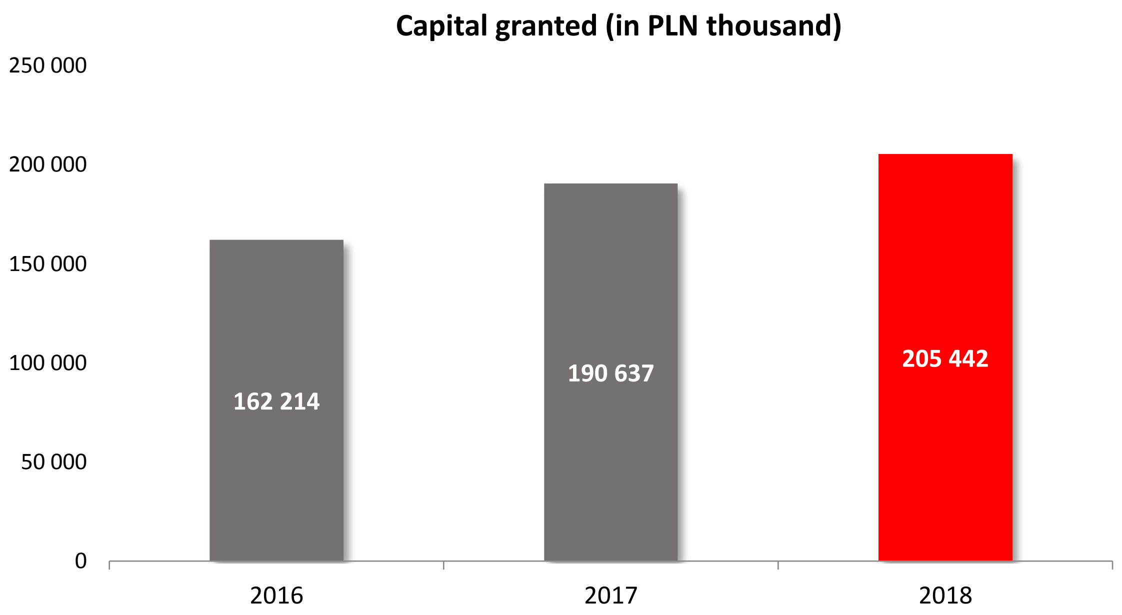
2.2.3 Sales in 2018 and client database

As in previous periods, the Group was selling products using all of the available distribution channels. The sales campaign was supported by, among others, advertising campaigns and promotions, using different ways of reaching the customer. In the first quarter of 2018, nationwide television was also used as an advertising medium for the first time. The advertisement of the Group's products could be seen on TVP, Polsat, TVN and thematic stations

In 2018, the Group continued to develop customer acquisition and service channels (internet affiliations, own extensive Contact Center, cooperation with agents through integrators) and systematically extended and modified the offer of own and foreign products (insurance - AXA TUiR S.A. Insurance, MetLife TUnŻiR Insurance, non-bank loans and loans, Autokasa Loan - receivables loan or for the purchase of a car, LeaseLink - leasing of devices and equipment, Availo legal services).

The level of sales within the Group is steadily increasing year by year. Throughout 2018, consumer loans were granted within the Group with a total value of PLN 205 442 000. This means an increase against the previous year by approx. 8%., and 2016 by approx. 27%. In absolute terms, this is an increase by PLN 14 805 000 (compared to 2017) and PLN 43 228 000 (compared to 2016)

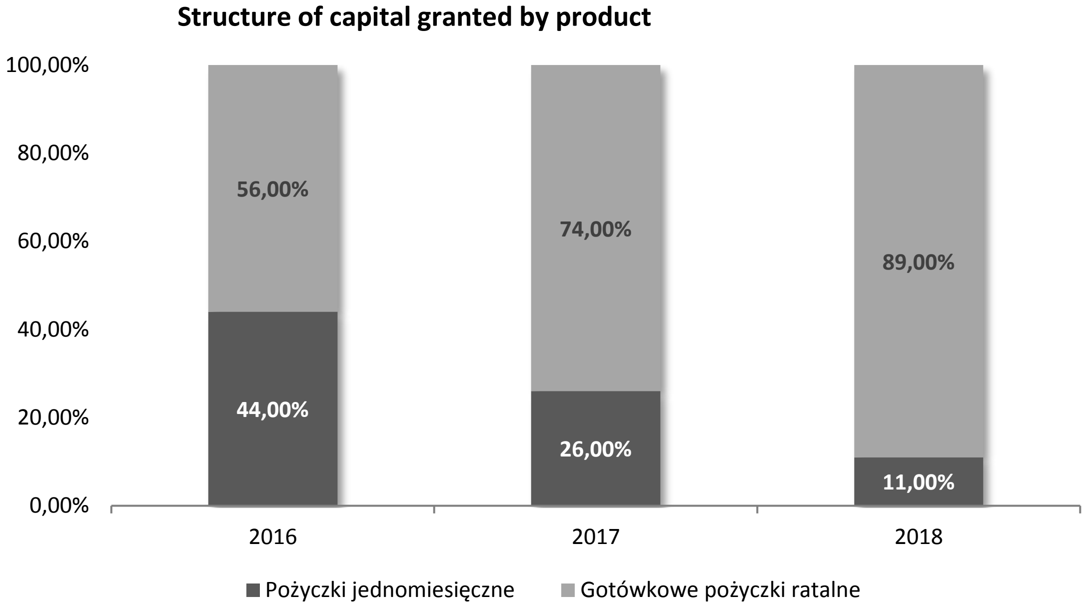
Granted capital in 2016 - 2018 is presented in the chart below.



CAPITAL SERVICE S.A. systematically continues numerous activities aimed at changing the product structure of loans granted. The sale of instalment loans is increasing, which is a product intended for more demanding customers, looking for a cheaper offer and meeting more stringent credit requirements, at the expense of one-month loans. The instalment cash loans offered, which are different from those of competitors, are characterised above all by simplicity, quick and efficient customer service as well as the possibility of paying the loan ahead of schedule.

In addition, in its offer of instalment products, the Group, apart from products intended for self-service, also has products for securitisation - Pożyczka Jak Marzenie (loan), which is granted in cooperation with several debt funds managed by Towarzystwo Funduszy Inwestycyjnych EQUES, which purchase bulk packages of unsupported debt, but also regular and late receivables.Kancelaria Signi S.A. is the one managing portfolio of the Fund's receivables. As part of this cooperation, CAPITAL SERVICE S.A. increases the value of loans granted without the need to engage own funds of significant value.

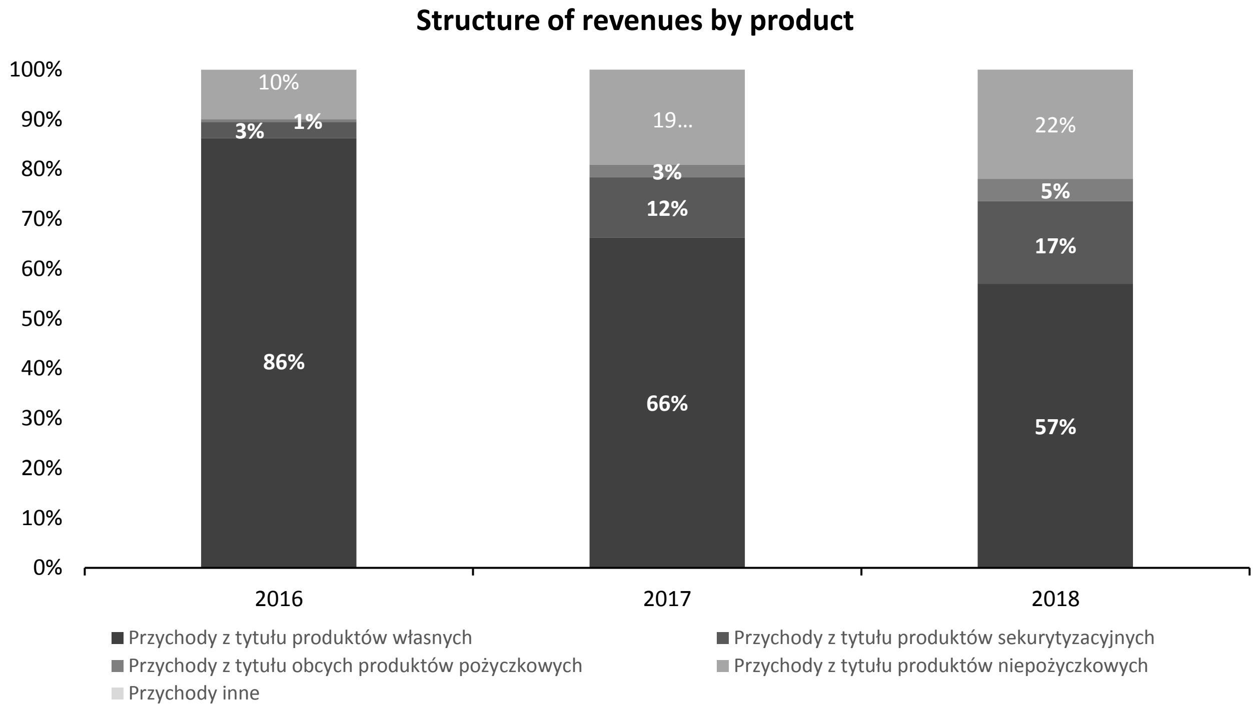
Sales via agents and brokers, as well as franchise branches, which are the group of active and loyal collaborators, are of considerable importance. Thanks to them, it is possible to reach new potential customers who were previously unavailable.



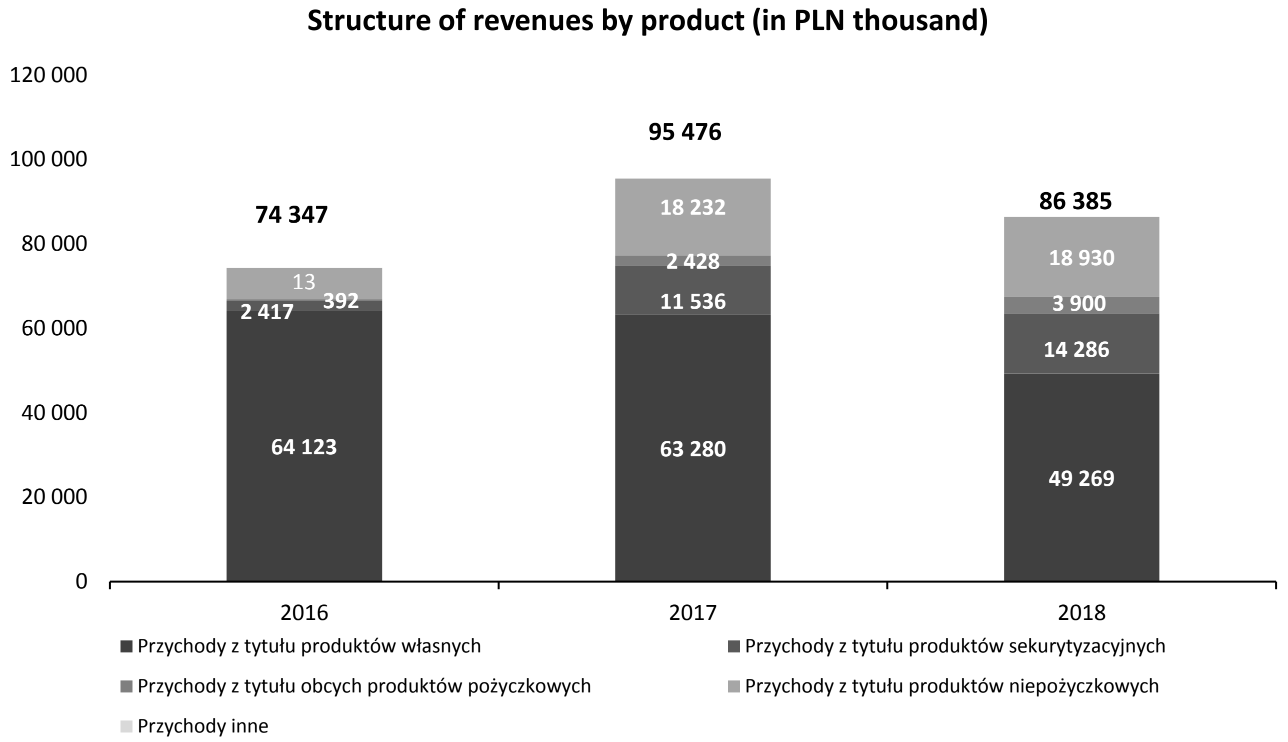
2.2.4 Financial results generated in 2018

The main source of income for the Group is revenues earned from cash loans granted to natural persons and their comprehensive service. In addition, the Group obtains revenues from the sale of insurance (including AXA TUiR SA Insurances, MetLife TUnŻiR Insurances) and credit intermediation (a wide range of non-bank loans and credits).

The CAPITAL SERVICE Group in the period from January to December 2018 generated sales revenue of PLN 86 300 000. The structure of revenues divided into individual products in comparable periods is presented in the chart below.



In accordance with the above chart, in recent years there has been a clear diversification of revenues generated by the Group, which systematically extends its offer with numerous foreign products, which allows matching the offer to the expectations of regular customers as well as acquiring new ones. At present, revenues from own loan products that are also in the service of the Group represent slightly more than half of total sales revenues. Securitisation products also have a significant share in the revenues, of which the Group generated revenues of PLN 14 300 000, as well as revenues from the sale of insurance, i.e. PLN 18 900 000.



Along with enriching its own and foreign product offer, CAPITAL SERVICE S.A. has recently improved the offer processes, creditworthiness tests as well as the sales process using agents and brokers, and above all expanded its franchise network. All these activities were mainly focused on acquiring a new customer while maintaining an acceptable loss ratio. The Group did not want to repeat the bad experiences from the previous year, when there was an uncontrolled increase in bad debts, which is why it attaches special importance to controlling credit risk. The strategy adopted by the Management Board brought the expected results in the first half of the year, but unfortunately in the second part of the year, and especially in the fourth quarter, the financial results deteriorated rapidly. However, the reason for this was not, as in 2017, the deterioration of processes in the Group, and practically only the impact of external factors. Unfortunately, the financial market was very turbulent in the second half of 2018. After the outbreak of scandals related to the Get Back company and the National Financial Supervision caused the debt securities market to collapse. It had a very strong impact, among others, on the volume of sales under securitisation to the investment fund cooperating with CAPITAL SERVICE S.A., which due to the inability to place its investment certificates, limited the purchase of loan portfolios. The size of securitised portfolios gradually decreased in the following months of the second half of the year. From December 2018 to the present day, securitisation is occasional and does not play a significant role in the Company's revenues. All these factors caused that in 2018 the Group's total revenues, including sales revenues, other operating revenues and financial revenues amounted to PLN 103 100 000, compared to PLN 112 400 000 in 2017 and PLN 84 400 000 in 2016. A decrease is therefore observed compared to the previous year.

In the discussed period, the CAPITAL SERVICE Group showed a loss of PLN 2 200 000. The result has improved compared to last year, but there is no profit yet. The Management Board of the Group assumes that in the next year, as part of organic sales growth, building its own loan portfolio while striving to reduce operating costs, the Group will record a net profit of at least several million PLN.

The Group's balance sheet for 2018 (31.12.2018) concerning the Assets and Liabilities, was closed with the amount of PLN 106.6 million, while in 2017 it was PLN 87.1 million, which constitutes an increase of 22% from the previous year. The main reason for this is obtaining funds from the issue of series K bonds in the amount of PLN 13 100 000 and gradual building of our own loan portfolio, which is currently one of the Company's priorities.

Equity as of 31 December 2018 amounted to PLN 13 800 000, and in the opinion of the Management Board the capital structure remains appropriate.

Data in thousand PLN, unless stated otherwise

Key financial ratios for 2018 and for comparative periods are presented in the table below.

	Ratios for the years 2016 - 2018		
	2016	2017	2018
Debt ratios			
Debt ratio	72,20%	81,61%	87,05%
Long-term debt ratio	1,41	2,16	0,99
Net debt ratio / EBITDA	1,67	1,30	2,26
Liquidity ratios			
Current liquidity ratio	3,08	2,59	1,44
Quick liquidity ratio	2,98	2,53	1,41
Cash liquidity ratios	0,32	0,44	0,20
Profitability ratios			
Return on sales (EBITDA)	36,50%	41,48%	35,42%
Net return on sales	7,74%	-6,27%	-2,57%
Return on equity ratio	26,15%	-37,37%	-16,05%
Return on assets	7,27%	-6,87%	-2,08%

Based on the above data, it can be seen that debt ratios remain at a safe level. The Group regularly repays its liabilities and their level is reflected in the form of an increase in the value of the loan portfolio.

Liquidity ratios are located at levels that allow the company to maintain complete security as well as financial balance of the company.

Profitability ratios are slightly better compared to the previous year, and the Group assumes that in the next months they should continue to improve systematically along with the loan portfolio losses decrease and a steady increase in sales within the Company.

2.3 Description of basic threats and risks, which in the Issuer's opinion are significant for the assessment of its ability to meet the obligations arising from issued debt financial instruments

2.3.1 Risks related directly to the CAPITAL SERVICE Capital Group and its operations

The risk of changes in the prices of offered products

One of the basic risks associated with the Group and its operations is the risk of changes in the prices of products offered on the market, the risk on which the following variables constitute:

- the risk of price changes enforced by changes in the law,
- the risk of price changes enforced by competition activities.

Both risks potentially result in lowering the profitability of products, and thus - return on sales.

As regards to 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 CAPITAL SERVICE S.A. constantly monitors the emerging drafts of changes in regulations that affect the essence of the Company's operations. The legal department operating within 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 optimising the activities/products offered to the changing legal environment.

CAPITAL SERVICE S.A. repeatedly faced changes in the law, which significantly affected the change in the prices of products offered, thereby - on the level of profitability of its operations. The company ensured, in a balanced manner, on the one hand, compliance of the products/services offered with the new regulations, and on the other hand the profitability of the operations.

The Management Board of the Company, in response to the activities of the Legislator, systematically implements the CAPITAL SERVICE Group Strategy for the coming years (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 amendments 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 item - the risk of price changes enforced by competition activities - the Company minimizes through ongoing analysis of the financial services market and entities similar to the activity of CAPITAL SERVICE S.A. The organizational unit functioning within the Company is aimed at continuous monitoring of the activities of competitors, it analyses, on an ongoing basis, the parameters of the products they sell, the marketing and promotional activities undertaken, which allows 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 objective

The strategic goal of CAPITAL SERVICE S.A. is to achieve and maintain a high position on the Polish market of financial products and services offered by non-bank institutions. CAPITAL SERVICE S.A. in the Strategy assumes a steady increase of the loan portfolio and diversification of the sources of financing. Positive results of the implementation of the adopted strategic goal depend on the efficiency of operations, access to capital and adaptation to changing conditions of the business environment. The most important factors affecting the non-bank loans sector include: legal regulations, availability of financial products and services, and the condition of households. Actions taken as a result of poor assessment of the impact of the environment or unskilful adaptation to the changing conditions of this environment may have a negative impact on the results of CAPITAL SERVICE S.A. operations. Therefore there is a risk of failure to achieve the assumed strategic objective.

In order to limit the risk in question, CAPITAL SERVICE S.A. continuously analyses factors that may have a potentially adverse impact on its operations and results, and, if necessary, takes necessary decisions and adjustment actions as part of the implemented strategy.

The main activities include:

- diversifying the product offer and adapting it to both the changing legal regulations and market requirements resulting from the activities of competing companies;
- systematic extension of the offer to include insurance and reinsurance market products,
- diversification of financing sources,
- permanent cooperation with securitisation funds,
- diversification of acquisition and client service channels.

The risk that the provisions of the agreement template concluded with the customer will not be allowed

Loan agreements offered and concluded by CAPITAL SERVICE S.A. are adhesive, which means that they are agreements in which CAPITAL SERVICE S.A. sets out all the relevant conditions in such a way that the other party can either accept them in full or withdraw from the agreement. These types of agreements are subject to special control by the President of the Office for Competition and Consumer Protection. This involves the risk of using clauses considered as prohibited in the provisions of the agreement.

The use of such clauses could be a source of complaints against the Group. This would have negative consequences for the brand image and could hamper the acquisition of new customers. As a result of the use of prohibited clauses, CAPITAL SERVICE S.A. could be facing fines imposed by the President of the Office of Competition and Consumers. In order to reduce the level of this risk, CAPITAL SERVICE S.A. on a current basis monitors changes in applicable regulations and case law of common courts, including the Court of Competition and Consumer Protection, as well as decisions issued towards other participants of the *consumer finance* market by the President of the Office of Competition and Consumer Protection. CAPITAL SERVICE S.A. also commissioned one of the leading law firms to audit agreement templates. The effect of these actions are changes made to the agreement templates used by the Company in such a way that these templates are in accordance with the law, taking into account case law.

Credit risk and significant disturbances of cash flows and loss of financial liquidity

The credit risk in CAPITAL SERVICE S.A. arises from the conclusion of loan transactions and results in the potential for not recovering the amounts granted, loss of income or financial loss incured. It is a resultant from the area of the credit product, the lending process and, on the other hand, actions limiting the possibility of incurring losses.

The goal of CAPITAL SERVICE S.A. is to build a safe, stable credit portfolio:

- guaranteeing the security of own resources,
- bringing the revenues assumed in the financial plan, while maintaining the level of bad debts at a level not higher than assumed in the financial plan of CAPITAL SERVICE S.A.

The credit risk management process includes:

- risk analysis of credit portfolio,
- determining the criteria for entering into transactions and making credit decisions guaranteeing loans to clients with the ability to repay liabilities to CAPITAL SERVICE S.A.,
- monitoring and reporting on the quality of credit portfolios,
- creating parameters for creation of specific provisions.

The Group operations is based on granting cash loans to natural persons. With the increase in the scale of operations, the risk of disruptions in cash flow and loss of financial liquidity is becoming increasingly important. The risk consists of, among others:

- risk of misinterpreting the actual demand for cash, including the need for external financing,
- risk of not providing sufficient cash for the new lending,
- risk of lending to clients who do not repay these loans,
- risk of delays in repayment or failure to repay loan and derivative liabilities,
- risk of lack of timely debt service,

- risk of immediate maturity of significant obligations of CAPITAL SERVICE S.A.

In the opinion of CAPITAL SERVICE S.A., the first of these risks is properly limited to an acceptable level. This risk is limited by creation of an efficient Analysis and Reporting Department (DAiR) responsible, among others, for financial modelling, including demand for cash and external financing. Experience shows that the estimates prepared by DAiR allow for planning the demand for external financing with sufficient precision and in advance. In order to determine the need for external financing, CAPITAL SERVICE S.A. also specified the minimum levels of available cash at such a level that there would be no liquidity distortions. Financial estimations are constantly updated and adapted to the changing situation.

Acquiring financing is necessary to ensure the dynamic development of CAPITAL SERVICE S.A. established in the strategy. To this end, CAPITAL SERVICE S.A. cares for the transparency of its operations, has a transparent ownership structure, publishes financial data on a quarterly basis. Additionally, in order to limit this risk, provide more funds to finance increased new lending, the Group successfully continues its good cooperation with the *peer to peer landing platform* (MINTOS) and cyclically sells "non-performing" portfolios (NPL). CAPITAL SERVICE S.A The company continues its cooperation with existing partners as well as looking for new ones so as to implement the strategy in this area without disruption.

The risk of lending to clients who do not repay these loans on time, the CAPITAL SERVICE S.A. limits to an acceptable level ensuring adequate profitability. The Group strives to achieve this through building appropriate scoring models and antifraud rules, their continuous improvement and ongoing monitoring of portfolios to identify undesirable trends and take immediate action to eliminate them. In order to assess the creditworthiness of clients, the Group cooperates with all significant business information bureaus, namely: BIG Infomonitor, KRD or ERIF, as well as with the National Economic Information Bureau, the Loan Information Exchange Platform and the Trustworthy Information Exchange Forum.

The risk of delays in repayment of loan and derivative liabilities is limited by debt collection. The debt collection processes are regulated by internal procedures whose effectiveness is monitored on an ongoing basis. In CAPITAL SERVICE S.A. there is a debt collection model not related to sales. Separation of sales from debt collection was based on in-depth analyses of the model in which these functions were combined in the person of a Customer Adviser in the Branch and market observation in this respect. Currently CAPITAL SERVICE S.A. has in its structure a separate organisational unit - the Recovery Department, which includes the Local Recovery Department and the Recovery Department of Contact Center, which are responsible for the broadly defined debt collection processes in the Group and developing the most effective methods of reaching debtors. The functioning of debt collection as a structure separate from sales structures allowed for acceptance of the proposal that it is an effective solution, despite the initial problems associated with it. Due to the fact that the specificity of operations of CAPITAL SERVICE S.A. consists in the provision of cash loans to a large group of clients (natural persons) for relatively small amounts, as a result, there is no risk of concentration of debt. In addition, overdue receivables are subject to systematic sale.

The risk of untimely debt service and the risk of immediate maturity of material liabilities of CAPITAL SERVICE S.A. in the opinion of the Management Board is minimal. At the present moment and in a rationally evaluable perspective, there are no threats in this respect.

Risk of declaration of bankruptcy by the CAPITAL SERVICE Capital Group

The risk of declaring bankruptcy by CAPITAL SERVICE S.A. is inextricably linked to the risk of losing liquidity by the Group. According to Article 20 of the Act of 28 February 2003 on Bankruptcy Law, an application for bankruptcy may be filed by each of the creditors of the debtor who became insolvent within the meaning of the Act, i.e. does not fulfil its payable liabilities or if its liabilities exceed the value of its assets, even then when it performs these obligations on an ongoing basis. The legal situation of the debtor and its creditors, as well as the proceedings regarding the declaration of bankruptcy are governed by the provisions of the aforementioned Bankruptcy Law Act and the Act of 15 May 2015 on Restructuring Law.

The Group makes every effort to ensure that all due liabilities are settled on an ongoing basis and maintains a safe level of indebtedness and - in the foreseeable future - does not see the possibility of materializing this risk. In addition, the Group has developed procedures for dealing with business risks.

Risk of losing key employees and members of the Management Board

The operations of CAPITAL SERVICE S.A. to a large extent is based on the experience, skills and quality of work of key employees and members of the Management Board. Every effort is made to ensure that currently employed key employees remain associated with the Group for a long period of time and identify with it. The cooperation of CAPITAL SERVICE S.A. with key employees is individual, the Group applies a satisfactory system of remuneration and additional benefits.

A wide range of key tasks is performed by the Management Board. At the end of May 2019, Łukasz Jędrzejczyk, responsible for the projects and development department, as well as the department providing IT support, including programming, ended the cooperation with the Company. The duties of the outgoing Member of the Management Board were taken over by the Vice President of the Management Board.

CAPITAL SERVICE S.A. is not able to ensure that resignation of Members of the Management Board will not have a negative impact on the current operations, the Strategy and the Group's operating results. With the leave of any Member of the Management Board, the Group could be deprived of the *know-how* in the management and operation of the Group. To neutralize this risk, the Members of the Management Board, despite different areas of responsibility, constantly cooperate with each other, exchange experiences, sharing their own *know-how*, which also in the Group's assessment minimizes the risk of lack of liquidity in management in the event of a Management Board member leaving. In this regard, the last change in the management body of CAPITAL SERVICE S.A. was also made.

Risk related to the use of foreign capital

In its business operations, CAPITAL SERVICE S.A. uses long- and short-term foreign capital. Currently, credits and loans are serviced on time, but in the long-term, if the financial situation of the Company deteriorates, problems with repayment can not be ruled out. Failure by CAPITAL SERVICE S.A. to comply with the provisions of the agreements may result in partial or full immediate debt maturity, and in the event of non-repayment the creditor may apply to the court for the declaration of bankruptcy of CAPITAL SERVICE S.A.

CAPITAL SERVICE SA implementing the development strategy, including expanding the sources of financing and building facilities for dynamic growth, is involved in a project from the FinTech sector (*peer to peer lending*), which provides its access to additional capital to finance the growing lending activity.

As part of this project, in March 2017 CAPITAL SERVICE SA joined the MINTOS platform, which is a platform connecting lenders and investors interested in purchasing receivables. Currently, the MINTOS platform offers the possibility of purchasing mortgage loans, unsecured loans, secured car loans, as well as factoring and loans for small businesses. Loan companies from all over Europe operate on the platform, and CAPITAL SERVICE SA appeared on it as one of the first Polish companies. Za pośrednictwem MINTOS Grupa dociera do grona inwestorów z całego świata oraz pozyskuje finansowanie przez przelew wierzytelności wynikających z umów pożyczek udzielonych przez CAPITAL SERVICE S.A., jednocześnie oferując konkurencyjne warunki takiej transakcji. The transferred loans are still handled by the Company, and if the borrower exceeds the required repayment date by 60 days, a reverse transfer of receivables takes place. Currently, this platform is the main source of financing for the Group and at the moment of preparing this report, the Group does not see any threats associated with it. All liabilities in this respect are handled on time.

Risk related to negative PR in relation to CAPITAL SERVICE Capital Group

CAPITAL SERVICE S.A. operates on the market of cash loans offered to natural persons (consumers). This market is difficult and exposed to negative reception. Negative PR both towards the Group's own brands and the Group itself may hinder or prevent the acquisition of new customers,

and thus disrupt the operation of the network of own branches and, as a consequence, conduct business or cause additional financial burdens for the Group. Negative PR may also be a threat to the loss of trust of existing and potential clients, and this in turn may affect the results achieved by the CAPITAL SERVICE S.A. in the future.

CAPITAL SERVICE S.A., wanting to minimize the negative effects of this phenomenon, constantly conducts activities aimed at building a positive image, including social activities. Above all, however, CAPITAL SERVICE S.A. develops its product offer to offer its current and potential clients products tailored to their needs and financial capabilities. This objective is also pursued through the constantly expanding offer of insurance and reinsurance products, which included the offer of products relating life and health protection as well as insurance protection in case of accidents. In this respect, CAPITAL SERVICE S.A. acts as an insurance agent, however the company's offer has been prepared individually for the CAPITAL SERVICE S.A. customers.

It is also worth mentioning that the CAPITAL SERVICE S.A., until now, has received each year the Ethical Audit Certificate of the Conference of Financial Enterprises. The Certificate confirms the compliance of the Company's business practices with the Principles of Conference of Financial Companies' Good Practices. The Company also received such a certificate for 2018.

Risk related to the locations of branches of the own network

The development of the own branch network operating under the KredytOK brand and the financial situation of CAPITAL SERVICE S.A. are determined mainly by the volume of sales realized through them. In turn, this is largely influenced by the sales efficiency of branches, which largely depends on their location. The recognition of the KredytOK brand is largely determined by the location of the premises in a given locality. There is a risk that selected locations of new branches or branches already established will prove inconvenient, which may translate into low demand for products offered by the Group. This, in turn, may be reflected in the lack of profitability of branches, and thus contribute to the deterioration of the financial situation of the Group.

This risk is limited by a careful selection of location, high quality of services provided in branches, constantly verified by CAPITAL SERVICE S.A., as well as a competitive product offer.

Risk related to the processing of personal data

As part of the Polish legislation, the Act on the Personal Data Protection of 10 May 2018 has a significant impact on the operations of CAPITAL SERVICE S.A. The Data Protection Authority is the President of the Office for Personal Data Protection. It is a new supervisory authority that has replaced the existing Inspector General for Personal Data Protection. The change of the supervisory authority is one of a number of changes introduced by the amended Act on the Personal Data Protection. There is a risk that the interpretation of the regulation made by the above mentioned the authority will be different than that the one used by CAPITAL SERVICE S.A., which, consequently, may lead to administrative proceedings and, consequently, to penal provisions for the Group.

CAPITAL SERVICE S.A. in order to minimize the indicated risk, has introduced detailed procedures and applies technical and organizational measures ensuring protection of personal data being processed, in particular secures the data against their unauthorized access, processing in violation of the Act on Personal Data Protection and data change, loss, damage or destruction.

The risk associated with the inherent possession and processing of personal data is the risk of hacking databases in which confidential personal data of CAPITAL SERVICE S.A. clients are stored, or other violations of the provisions of the Act on Personal Data Protection. Such events may adversely affect the Group's perception and, consequently, contribute to loosing clients and deterioration of financial results, as well as they may additionally expose CAPITAL SERVICE S.A. to liability for damages.

In the opinion of CAPITAL SERVICE S.A., the procedures and assurance applied significantly limit the risks involved.

In the context of personal data protection, the EU regulation is very important - Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of individuals with regard to the processing of personal data and on the free movement of such data and repealing Directive 95/46/EC (General Data Protection Regulation), which came into force on 25 May 2018. Therefore, CAPITAL SERVICE S.A. with its own internal resources as well as in cooperation with an external partner specialising in the protection of personal data and implementation of procedures related to this protection, has taken all necessary measures to apply the requirements of EU law.

The Management Board of the CAPITAL SERVICE S.A being aware of a number of important changes to be made in the area of personal data management, has undertaken a cooperation with an external entity in advance, with the participation of which, a specially appointed project team consisting of employees of CAPITAL SERVICE S.A. was working on adaptation of CAPITAL SERVICE S.A. operations to new legal regulations.

As a result of this cooperation, the Group received a number of recommendations that it was required to implement for full compliance with the Regulation referred to above. In the Group's opinion, changes in processes, procedures, etc. (in legal, technical and organizational terms) that the Group has implemented in its operations in a correct manner meet the requirements set by the new regulations. There is a risk that various organisations, 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, but undesirable. Case law and doctrine, but also practice on the financial market are crystallising, hence this risk is minimized.

On 4 May 2019, the Act of 21 February 2019 amending certain acts in connection with ensuring the application of Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of individuals with regard to the processing of personal data and on the free flow of such data and repealing of Directive 95/46/EC (General Data Protection Regulation). This Act introduced further changes to the Consumer Credit Act. Pursuant to the amended regulations, lenders (including loan companies) are obliged, in the event of a negative assessment of the Customer's creditworthiness and the decision not to grant a consumer loan, to explain to the Customer in writing the most important factors, including information about personal data that influenced the lender's decision. This is another challenge that the Group must face.

2.3.2 Risks related to the environment of CAPITAL SERVICE Capital Group

Risk associated with the Poland's macroeconomic situation

The development of CAPITAL SERVICE S.A. is to a certain extent dependent on the overall economic situation in Poland, where the Group offers its products and which is also the main area of clients' activity. The main factors of general economic nature affecting the Group's operations may include: economic growth rate, average gross remuneration level and the level of indebtedness of economic entities and households. There is a risk that the slowdown in the pace of economic growth and the effects of introducing pro-social programs (Rodzina 500+, Mama 4+, Emerytura+ programs) may influence negatively on the demand for CAPITAL SERVICE S.A. products, which consequently may have a negative impact on the Group's financial results.

Risk from competition:

The industry in which CAPITAL SERVICE S.A. conducts its operations is characterized by high competitiveness, it operates in a significant number of entities with different scale of operations.

CAPITAL SERVICE S.A. is not able to predict whether and to what extent in the future its offer will be attractive to clients. This risk is mitigated by the implemented Development Strategy - introduction of diversified new products and development of services, improving their quality, as well as the Group's efforts to increase the loan portfolio and diversification of sales channels, thereby strengthening the market position.

Risk related to the legal environment

Risk of changes in the legal environment should be assessed as very important and extensive. Constantly changing European and national legislation requires vigilance and, if necessary, immediate adaptation measures.

The Consumer Credit Act has a significant impact on the Group's operations. obligations of lenders, including information obligations towards consumers, and also regulates the issue of the limit of non-interest loan costs and the statutory amount of the total cost of credit, and above all – it determines the rights of consumers – borrowers.

The Group has a limited range of tools that may mitigate the risk associated with the legal environment. Such a tool is certainly a cooperation with entities conducting similar activities as part of the Conference of Financial Enterprises - Employers' Association. The Group, on the forum of the above organization and as part of activities or events arranged by this organization, presents its position on the proposed legislative changes. CAPITAL SERVICE S.A. cooperates with external law firms providing legal assistance in various areas of activity on an on-going basis.

However, it seems that the key factor ensuring the adequacy of responding to the risk associated with the legal environment of the CAPITAL SERVICE S.A. is taking quick and efficient actions in response to changes introduced by the legislator, which the Company does.

It should be noted here that on 18 February 2019, the Ministry of Justice submitted a draft law amending certain acts to prevent usury (hereinafter: the "Act"). The proposed regulation provides for changes in several legal acts, including the Consumer Credit Act, which is key to the Group's operations. The changes affect several areas, including consumer credit advertising, changes in the process of its offering, in the content of the consumer loan agreement, changes in the limit of non-interest loan costs or establishment of the supervision of the Polish Financial Supervision Authority over loan institutions and credit intermediaries. If the proposed changes had successfully passed the legislative process and entered into force in the proposed shape (as regards the Consumer Credit Act), they would have had a significant impact on the Group's operations requiring a number of adaptive changes. CAPITAL SERVICE S.A. when the draft regulation appeared, it thoroughly analysed it and in its opinion the Act requires clarification in several aspects. The regulations leave room for various doubts and different interpretations. In the explanatory memorandum to the draft Act, it is indicated that the draft aims to undertake comprehensive and coordinated actions aimed at eliminating the pathology of usury loans. The assumption itself should be considered correct, however, in the opinion of the Group, not all planned changes fulfil this assumption, on the contrary - they threaten to eliminate from the market some loan institutions which conduct their business in a responsible manner. Thus, some consumers, who have so far used the services of such institutions, in the face of a difficult financial situation, will be forced to use the services of entities that actually use the forced position of the consumer and grant loans irresponsibly. Some of the changes introduce obligations on the lender's side, which increase the operating costs of the activity, thus not adding value to protect the interests of the consumer. The consultation stage of the draft Act should, in the opinion of the Group, lead to the creation of a transparent and clear regulation, whose acceptance will be understandable to the main beneficiaries of the Act, i.e. loan institutions. Nevertheless, there is a risk of the Act coming into force in its proposed form, which may affect the profitability of the business.

On 30 May 2019, the draft of the act was at the level of the Standing Committee of the Council of Ministers (KSRM). However, it was not adopted on that day by the KSRM, and further discussion on the subject was postponed to the next meeting (s).

Risk related to the interpretation of tax regulations

CAPITAL SERVICE S.A., like all business entities, is exposed to inaccurate provisions in tax regulations. As a result, there is a risk of discrepancies in interpretation, in particular in relation to operations related to income tax, tax on civil law transactions and VAT. In connection with the above, there is a risk that in the framework of the activity carried out by CAPITAL SERVICE S.A. and despite the use of individual tax interpretations, the interpretation of the Tax Office appropriate for the headquarters of the Company may differ from the one adopted by the Company. To reduce this risk, the Group monitors changes in tax law on a current basis, conducts cyclical tax reviews and plans its activities in this area in advance and in cooperation with tax advisers.

Risk related to the insolvency of borrowers

One of the most important risks related to the activities of CAPITAL SERVICE S.A. is the lack of payments by borrowers of the liabilities to CAPITAL SERVICE S.A. The borrowers are obliged to pay the amount of the loan (capital), interest, commission and - in a situation of late payments - interest on delay. The risk related to the delay of payments from borrowers or their complete insolvency results primarily from the economic condition of borrowers and - in a second place - from the general economic situation of the country.

In addition, changes in legal regulations facilitate the declaration of bankruptcy by the entities not conducting business activity. Therefore, there is a risk that some of the receivables held by CAPITAL SERVICE S.A. towards natural persons will be impossible to enforce - as a result of the court's declaration of consumer bankruptcy. This may negatively affect the financial results achieved by CAPITAL SERVICE S.A. Due to the number of borrowers and the value of loans granted, as well as a small number of debtors who decided on this procedure, the expected percentage of uncollectible debts due to the debtor's bankruptcy can be however considered as minimal.

In order to limit this risk, CAPITAL SERVICE S.A. evaluates clients in terms of their creditworthiness and the risk of non-payment of a loan (assessment of creditworthiness). Such an assessment is made by the client's advisers based on the rules of selling loan products valid in CAPITAL SERVICE S.A. and experience in this area, as well as on the basis of the scoring model and the anti-fraud formula. The Credit Risk Management Department in the Company is also systematically expanded, which is responsible for the mechanisms of testing the creditworthiness of the clients.

2.3.3 Risk factors related directly to the Bonds

Risk of non-repayment of obligations to Bondholders

CAPITAL SERVICE S.A. is obliged to pay interest on the bonds it has issued and to redeem bonds. Therefore, in the absence of free cash, the risk associated with the late payment of bonds or the inability to buy them out by CAPITAL SERVICE S.A. can not be excluded. In the case of insufficient funds generated for redemption of CAPITAL SERVICE S.A. bonds, reaching for further known and possible to use financing tools is not excluded.

So far, CAPITAL SERVICE S.A. has been meeting its obligations on the bond issue on time. In the second half of 2017 and in January, April, May and June 2018 CAPITAL SERVICE S.A redeemed early series G bonds for a total amount of PLN 12.5 million. In July 2018, the Company purchased the last part of series G bonds (PLN 2.5 million), thus performing all cash benefits towards the bondholders related to the issue.

In March, June and October 2018 CAPITAL SERVICE S.A, in accordance with the terms and conditions of the issue of series I, made early redemptions of 94,910, 42,780 and 62,310 pieces, respectively. Thus, CAPITAL SERVICE S.A fully complied with its obligations, including those related to cash benefits, imposed on it by the terms and conditions of the issue of the said bonds.

Repayment of benefits arising from the issue of bonds of other series is also carried out in a controlled manner by the Company, in accordance with the terms and conditions agreed with CAPITAL SERVICE S.A. investors.

Risk related to subsequent bond issues and obtaining funds

Funds obtained from the issue of bonds enable CAPITAL SERVICE S.A. to finance its business operations. It is likely that in order to implement the Development Strategy, CAPITAL SERVICE S.A. will carry out further issues of bonds and will try to obtain financing also from other sources. Failure to raise new sources of financing in the event that CAPITAL SERVICE S.A. will use its financial resources so far could cause a slowdown in the Group's development. Therefore, the Group cares for the implementation of a sustainable growth policy and diversification of financing sources, including cooperation with securitisation funds and the MINTOS platform.

3. INFORMATION ABOUT CAPITAL SERVICE GROUP ACTIVITIES CONCERNING THE INITIATIVES AIMING AT ENTERING INNOVATIVE SOLUTIONS IN AN ENTERPRISE IN THE FIELD OF BUSINESS OPERATIONS DEVELOPMENT AREA

All development activities undertaken at CAPITAL SERVICE S.A. Group are subordinated to business priorities so that they develop skills and knowledge necessary for the teams to effectively achieve their goals.

From the beginning of 2018, CAPITAL SERVICE S.A. took place significant events from the point of view of the functioning of the entire Capital Group, affecting sales results, and thus the financial results at the end of 2018. In the discussed period, a strong sales campaign of own and foreign products (insurance, loans and non-bank loans) was conducted, cooperation with new affiliate networks was established, and positive relations were maintained with existing contractors, and above all with clients.

CAPITAL SERVICE S.A. systematically takes measures to improve reporting and data warehouse. The navigation desks in the data warehouse system are run on a current basis, used for cross-sectional analysis of data. Moreover, the employees fully use the applications: DEBT+, facilitating the work of Local Debt Collectors and Branch+ Platform , a system enabling the processing of loan applications through the network of KredytOK local branches.

CAPITAL SERVICE S.A systematically takes actions to improve sales processes, including the process of handling potential customers and credits applications. The ongoing activities are focused on optimising the time and costs of processing loan applications. Our goal is to properly segment potential customer at an early stage of the potential customer life cycle. This is to reduce the time it takes customers to contact CAPITAL SERVICE S.A., optimise sales resources, and maximise conversions.

In the sales area, work is underway to create a uniform ecosystem of communication with the customer, thanks to which we will be able to respond quickly and effectively to the needs of the customer and fully exploit the potential of our sales network. The Contact Center system, which is being implemented, is used for this purpose, which, in addition to the traditional voice channel, supports video, chat, email and sms communication as well as MMS in the scope of downloading documents. Multi-channeling and the introduction of unified service standards regardless of the channel are our priority.

Another important project is the existing customer service system being implemented. Following the example of telecommunication companies, we have created customer retention procedures, thanks to which we are able to effectively manage the customer base and provide appropriate services to our customers.

The above mentioned projects are implemented in the form of a hybrid based on a modern communication platform, automatic calling systems, CRM system and analytical modules providing the most important sales information in real time.

4. THE EXPECTED DEVELOPMENT OF THE GROUP

4.1. Environment and market position of the CAPITAL GROUP

Loan companies deal with cash loans for low amounts and short repayment periods. Thus, they supplement the offers of banks, which are often inactive in this segment and do not have a suitably adapted product for the clients interested in a small amount of loan, for a few weeks and wanting to have money quickly on their account. According to the statistics of loan companies - up to 60% of clients would meet the bank's requirements to try to get such a product in the bank, but the clients do not do it due to the lack of an appropriate offer in the bank. The amounts offered by loan companies are usually small, which results in relatively high fixed costs. The group of clients is characterized by a much higher degree of risk and is therefore not attractive to the banking sector.

After the consistent increases observed in previous years in the area of non-banking product sales, for several quarters we can speak of a slowdown in the dynamics or even the beginning of a downward trend. According to the data collected by the Conference of Financial Enterprises in Poland among its members, 2018 was the second consecutive year in which a decrease in the number of loans granted with an increase in the total amount of loans granted was observed. This means that the amount of the unit loan is increasing. The average value of the loan granted in 2018 was PLN 2 739 and was 29% higher than the average value of the loan a year earlier. However, the number of customers is decreasing.

Financial results of enterprises associated in the Conference of Financial Enterprises in Poland participating in the survey is not optimistic because they decrease for the second year. They reached their peak in 2016 (PLN 130.6 million). In 2018, the results of financial enterprises amounted to PLN 43.4 million and were 57% lower than in 2017 (PLN 100.4 million).

The GetBack affair of May 2018 and the KNF affair certainly had a significant impact on the slowdown observed on the financial market and the results of enterprises in the industry. This situation caused a decrease in confidence in the financial sector in Poland and thus significantly deepened the problems of loan companies related to obtaining financing.

Currently, the CAPITAL SERVICE Group is one of the leading Polish loan companies in terms of revenues. One of the Group's goals for 2019 is not only to maintain its position but to strengthen it.

The main challenges facing the Group remain financing of a large loan operation. We are systematically expanding contacts with domestic and foreign investors to ensure our organisation uninterrupted development.

4.2. Group development perspective

The CAPITAL SERVICE S.A. Group constantly puts strengthening of its position on the competitive loan market in the foreground. To achieve this, it is necessary to constantly increase the efficiency of internal processes as well as sales and debt collection activities. Currently, a major challenge for CAPITAL SERVICE S.A. is the transformation of field sales outlets into customer service points, with a wide range of proprietary and foreign products. This will attract customers who have not yet used the services of the Company.

Debt collection of customers is another important issue. After the affair about Getback, the prices of delayed loans on the debt market have fallen significantly, so debt collection matters have become even more important than ever. After separating the sales and debt collection processes in 2017 and the initial problems, now, we notice a great improvement in this field. Loan portfolios maintain their quality. In 2019, we are approaching further process optimisation and development of structures in this field.

However, the most important challenge that awaits the Group in the near future is to ensure financing of the loan operation in a complicated market situation.

The main assumptions for the development of the CAPITAL SERVICE Group in the coming period:

- an increase in revenues with their simultaneous diversification
- increasing the active loan portfolio and
- increasing in the number of active clients.
- quality improvement of the loan portfolio

II. FINANCIAL REPORT OF CAPITAL SERVICE CAPITAL GROUP FOR THE PERIOD FROM 01 JANUARY 2018 TO 31 DECEMBER 2018

1. RULES ADOPTED IN THE PREPARATION OF A FINANCIAL REPORT

1.1. General information about the parent company

Name of the institution	**CAPITAL SERVICE S.A.**
Entity's headquarters	Ostrołęka, ul. Korczaka 73

The Entity is entered in the Register of Entrepreneurs under KRS number		407127
The entry was made by	District Court for the Capital City of Warsaw, 14th Commercial Department of the National Court Register	
Date of entry	02.01.2012	

The basic subject of the entity's activity are (in accordance with the entry in the National Court Register) the remaining forms of granting loans (64.92.Z).
The entity's duration is unlimited.

1.2. Consolidated financial statements

- The consolidated financial statements covered from 1 January 2018 to 31 December 2018.
- The consolidated financial statements have been prepared based on the provisions of the Accounting Act of 29 September 1994 (Journal of Laws of 2016, item 1047 with later amendments), and the Regulation of the Minister of Finance of 25 September 2009 on detailed rules for the preparation of consolidated financial statements of capital groups by entities other than banks, insurance companies and reinsurance companies (Journal of Laws 2009 No. 152 item 1223 with later amendments)
- The consolidated financial statements have been prepared on an assumption of continuity in business activity in the foreseeable future and in the lack of the circumstances indicating a threat to the continuation of its activity.
- The related entities do not include internal organizational entities preparing separate financial statements, therefore the consolidated financial statements do not contain aggregated data covering these entities.
- The reporting currency is the PLN. The report has been prepared in thousands PLN, unless otherwise indicated in the content.

Data in thousand PLN, unless stated otherwise

1.3. General information about related entities

Name of the institution	**CAPITAL SERVICE BRAND MANAGEMENT Sp. z o.o.**
Entity's headquarters	Warsaw, ul. Jagiellońska 78

The basic subject of the entity's activity is (according to the entry in the National Court Register) the lease of intellectual property and similar products, excluding works protected by copyright (77.40.Z)

Parent company has:

- 99,97% share in the share capital of the entity, and
- 99,97% share in the total number of votes at the General Meeting of the entity.

The entity's duration is unlimited.

Financial statement covers the period from 1 January 2018 to 31 December 2018.

Name of the institution	**FINLO Sp. z o.o.**
Entity's headquarters	Warsaw, ul. Jagiellońska 78

The basic subject of the entity's activity are (in accordance with the entry in the National Court Register) the remaining forms of granting loans (64.92.Z)

Parent company has:

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

The entity's duration is unlimited.

Financial statement covers the period from 1 January 2018 to 31 December 2018.

Name of the institution	**LIFT CREDIT Sp. z o. o.**
Entity's headquarters	Warsaw, Strumykowa 28A/35

The basic subject of the entity's activity are (in accordance with the entry in the National Court Register) the remaining forms of granting loans (64.92.Z).

Parent company has:

- 100,00% share in the share capital of the entity, and

Data in thousand PLN, unless stated otherwise

-	100,00%	share in the total number of votes at the General Meeting of the entity.

The entity's duration is unlimited.

Financial statement covers the period from 1 January 2018 to 31 December 2018.

Name of the institution	**KREDYTOK Sp. z o.o.**
Entity's headquarters	Ostrołęka, ul. Janusza Korczaka 73

The basic subject of the entity's activity are (in accordance with the entry in the National Court Register) other activities supporting financial services, excluding insurance and pension funds (66.9.Z).

Parent company has:

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

The entity's duration is unlimited.

Financial statement covers the period from 1 January 2018 to 31 December 2018.
The day ending the first financial year of the company KREDYTOK Sp. z o.o. is 31 December 2018.

Name of the institution	**CS 1Closed-end Investment Fund. Non-standardised Securitisation Fund**
The company	**EQUES INVESTMENT Towarzystwo Funduszy Inwestycyjnych S A**
Entity's headquarters	Gdańsk, Chłopska 53

The Fund's investment objectives are: achieving revenues from the Fund's net investments and increasing the value of Assets as a result of the investments' value increase.

Parent company has:

-	99,64%	of investment certificates.

The entity's duration is unlimited.

Financial statement covers the period from 1 January 2018 to 31 December 2018.

1.4. General information about jointly controlled entities

In the periods covered by the consolidated financial statements the jointly controlled entities did not occure.

Data in thousand PLN, unless stated otherwise

1.5. General information about affiliates

Name of the institution	**EQUES MICHAEL STROM CREDITUM 2 Closed-end Investment Fund. Non-standardised Securitisation Fund**
The company	**EQUES INVESTMENT Towarzystwo Funduszy Inwestycyjnych S A**
Entity's headquarters	Gdańsk, Chłopska 53

The Fund's investment objectives are: achieving revenues from the Fund's net investments and increasing the value of Assets as a result of the investments' value increase.

Parent company has:

- 33,33% of investment certificates.

Duration of the entity's business is limited to 30 December 2021.

1.6. General information about the entities other than subordinated entities in which related entities have less than 20% of shares (stocks)

In the period covered by the consolidated financial statements, there were no entities other than subordinated entities, in which the related entities held less than 20% of shares (stocks).

1.7. Information on subordinated entities excluded from the consolidated financial statements

In the period covered by the consolidated financial statements, LIFT CREDIT Sp. z o.o. and EQUES MICHAEL STROM CREDITUM 2 Closed-end Investment Fund Non-standardised Securitisation Fund due to its insignificant impact on the consolidated financial statements of the Capital Group.

1.8. Applied accounting principles and methods

The applied accounting principles have not changed compared to the previous year.

Individual assets and liabilities are measured at the moment they are recognized in the accounting books in the amount of payment made or received. Only the significant transaction costs are included in the purchase price.

1.9. Fixed assets and intangible assets

Fixed assets, capital works in progress and intangible assets are valued at purchase price or production cost less accumulated depreciation. Depreciation write-offs are made using the straight-line method.

Fixed assets and intangible assets with an initial value of over PLN 1 500 and not exceeding PLN 3 500 charge the operating expenses once, in the month of putting them into use.

For assets which, in the foreseeable future, are unlikely to bring the economic benefits, the impairment write-offs are made.

The Company applies the following annual depreciation rates for the classes of assets below:

- investments in foreign buildings 10%,
- machines, devices and apparatus of general use 30%
- specialized machines, devices and apparatuses 14%, 28%,
- technical devices 10%, 20%,
- vehicles 20%,
- tools, instruments, movable properties, equipment 20%, 50%,
- software 20%.

Intangible assets as at the reporting date are declared at the purchase price or manufacturing cost less depreciation and impairment write-offs. Intangible assets with a definite useful life are depreciate using the straight-line method for the period of their economic use. Periods of use of individual intangible assets are subject to annual verification and, if necessary, they are adjusted from the beginning of the next financial year.

Costs associated with software maintenance, incurred in later periods, are recognized as an expense of the period in which they were incurred. Profits or losses resulting from the disposal of intangible assets are defined as the difference between sales revenues and the net value of these intangible assets and are recognized in the profit and loss account in other operating revenues or expenses.

1.10. Financial assets held to maturity

Acquired or incurred financial assets and other investments are recognized in the accounting books at their acquisition or origination cost. As at the balance sheet date, these assets are valued at purchase price adjusted for accrued interest, discount and premium, including write-offs for specific provisions and permanent impairment losses.

Deductions of due to permanent impairment loss are charged to financial costs. In case of expiration of causes for which the deductions has been made, the equivalent of all or part of the previously made deductions due to permanent impairment increases the value of the given asset and is recognized as financial revenue.

1.11. Financial assets held for trading

Acquired financial assets held for trading are recognized in the books of account as at the date of their purchase according to the purchase price. As at the balance sheet date, these assets are value at fair value, and the effects of changes in value are classified as financial costs or revenues.

For securities listed on the market, the fair value is determined according to the lowest market prices as at the reporting date.

1.12. Receivables and liabilities

Receivables and liabilities are declared at the value payable. Receivables and payables in foreign currencies at inception are recognized at the average exchange rate determined by the President of NBP for a given currency. Positive or negative exchange differences arising on payments resulting from the difference between the exchange rate at that date and the exchange rate at the day the receivables or liabilities are charged to income or financial expenses.

Liabilities from the issue of debt securities are valued as at the balance sheet date according to the adjusted purchase price (depreciated cost).

1.12.1. Leasing liabilities

The Company is a party to lease agreements under which it uses third party tangible fixed assets or intangible assets over an agreed period of time, in return for payments.

In case of a finance lease agreement, which transfers substantially all of the risks and rewards of ownership of an asset, the leased asset is capitalized, and a corresponding liability is recognised, at the value of the minimum lease payments at the inception of the lease term. Lease payments are apportioned between finance charges and reductions of the outstanding lease liability so as to produce a constant rate of interest on the outstanding liability. Finance charges are recorded directly in the profit and loss account.

Fixed assets being the subject of lease are depreciated using the methods applied for the Company's own fixed assets. However, when there is any uncertainty regarding the transfer of the ownership of the asset, then the fixed assets are depreciated over the shorter of two following periods: the expected useful life or the lease term.

1.12.2. Receivables from loans granted and own receivables not held for trading

Receivables from loans granted are valued at depreciated cost according to the rules for creating provisions for the risk related to granting loans.

Specific provisions (write-offs) created by CAPITAL SERVICE S.A. are the expression of the implementation of the precautionary principle. They reflect the risk associated with the repayment of loans granted and enable a reliable presentation of receivables shown in the balance sheet. The purpose of creating specific provisions is to adjust the value of receivables by taking into account the probability of their payment. Write-offs for specific provisions are charge the costs of the period in which these write-offs have been made and are intended to prepare the Company for losses that it may incur in connection with the loan granted.

The assessment of credit exposures with a view to identifying premises for impairment and determining the amount of specific provisions takes place at the end of each month.

Objective premises for the impairment of loan exposures that cause a loss may include:

- delay in repayment exceeding 90 days, i.e. the exposure is classified as "lost" risk category.
- termination of the loan agreement,
- the exposure is of the extortion (fraud) nature,
- obtaining by CAPITAL SERVICE S.A. the information about an event that may affect the expected cash flows.

Specific provisions are created in the burden of other operating costs, and their releases recorded in other operating revenues. The costs of creating a specific provisions are charged to the cost centres of the organizational entity granting the loan, and their release is recognized by the cost centre of the loan servicing entity. Target provisions are released after the reasons for their creation expire. The specific provision is reduced accordingly to the decrease in the credit exposure amount. Coordination of the impairment measurement process and methodological supervision over the assessment and measurement of impairment are carried out by the Credit Risk Management Department. Write-offs are created based on the empirical values of the PD (*Probability of Default*) parameter based on the historical behaviour of the Group's clients, carried out based on migration matrices assuming that client migrations between particular classes of delays are of the Markov process character.

All provisions are approved by the Management Board of CAPITAL SERVICE S.A. The process of creating provisions and identifying and measuring the impairment of credit exposures along with the assignment of departments performing individual activities is documented and then archived for at least the period provided for in the Accounting Act for control purposes and as a source of conducting analyzes resulting in possible modifications to the methodology and within the so-called back-testing.

The capital and commissions of loans overdue for at least 90 days are covered by write-offs in 100% less amounts recovered as a result of the sale of receivables.

1.13. Accrued costs

In the case of incurring expenses relating to future reporting periods, the CAPITAL SERVICE S.A. makes prepaid expenses. They mainly concern: commissions on loans, bonds, software licenses, insurance policies.

Accruals comprise mainly provisions for costs in the amount of probable liabilities falling for the current reporting period, arising from services provided to the Company by the contractors and the obligation to provide related to the current activities of future benefits, which amount can be estimated, although the date of creation is not yet known.

1.14. Deferred income tax assets and deferred income tax provisions

In relation to temporary differences between the value of assets and liabilities disclosed in the accounting books and their tax value, as well as tax loss carry forward, the Company creates a deferred income tax reserve.

1.15. Revenues from commissions, interest, debt collection fees and other revenues

With regard to revolving cash loans, the Group, in the profit and loss account, recognizes the revenues from commission in advance at the moment of signing the agreement with the client, in proportion to the period for which they are due. In the case of instalment loans, these revenues are recognized at the adjusted purchase price (depreciated cost). Revenues from interest and debt collection fees are recognized in accordance with the cash rule upon payment made by the client. Other revenues are recognized in the profit and loss account if all benefits and risks have been transferred to the purchaser of the good or service and the inflow of funds is credible.

1.16. Cash and cash equivalents

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

2. FINANCIAL DATA

2.1. Selected financial data

Item:	data in thousands PLN		data in thousands EUR	
	12 months ended on 31 December 2018 audited	12 months ended on 31 December 2018 audited	12 months ended on 31 December 2018 audited	12 months ended on 31 December 2018 audited
Fixed assets	6 742	9 066	1 568	2 174
Current assets	99 883	78 056	23 229	18 714
Total assets	**106 625**	**87 122**	**24 797**	**20 888**
Equity capital	13 810	16 026	3 212	3 841
Liabilities and provisions for liabilities	92 815	71 096	21 585	17 047
Total liabilities	**106 625**	**87 122**	**24 797**	**20 888**
Net sales revenue and equivalents	86 385	95 476	20 245	22 493
Operating expenses	55 790	54 431	13 075	12 823
Profit (loss) from sales	**30 595**	**41 045**	7 170	**9 670**
Result on other activities	66	(3 523)	15	(830)
Profit (loss) from operating activities	**30 661**	**37 522**	7 185	**8 840**
Result on financial operations,	(27 149)	(37 391)	(6 363)	(8 809)
Profit (loss) from business activity	**3 512**	**131**	822	**31**
Result of extraordinary events				
Write-offs of goodwill	1 430	17	335	4
Gross profit (loss)	**2 082**	**114**	487	**27**
Current and deferred income tax	3 928	6 103	921	1 438
Obligatory reductions of profit (loss increases)	370		87	
Net profit (loss)	**(2 216)**	**(5 989)**	(521)	**(1 411)**
Cash flows:				
- from operating activities	**16 668**	**(5 178)**	**3 906**	**(1 220)**
- investments	**23 754**	**15 928**	**5 567**	**3 752**
- financing	**(40 192)**	**(3 908)**	**(9 419)**	**(921)**
Change in cash	**230**	**6 842**	**54**	**1 611**

Selected financial data has been converted into Euro as follows:
- items related to the profit and loss account and cash flow statement for 2087. (and for 2017) converted at the exchange rate being the arithmetic average of the average exchange rates published by the National Bank of Poland effective on the last day of each month from the periods covered by the report. This rate was 1 EURO = PLN 4.2669 for 2018. and 1 EURO = PLN 4.2447 for 2017.
- balance sheet items have been converted using the average exchange rate published by the National Bank of Poland as at the Balance Sheet date. On 31 December 2018 this rate was: 1 EURO = PLN 4.3000, as at 31 December 2017. 1 EURO = PLN 4.1709.

Data in thousand PLN, unless stated otherwise

2.2. Profit and loss account

No.		Item:	Memorandum:	Cumulatively 01.01.2018-31.12.2018	Cumulatively 01.01.2017-31.12.2017	% change 2018 against 2017
A.		**Net sales revenue and equivalents, including:**	**4**	**86 385**	**95 476**	**(9,5%)**
		- from affiliates		**-**	-	**-**
	I.	Net revenues from sales		86 385	95 240	(9,3%)
	II.	Change in products		-	-	-
	III.	Cost of generating products for the unit's internal needs		-	-	-
	IV.	Net proceeds from sales of commodities and materials		-	236	(100,0%)
B.		**Operating expenses**		**55 790**	**54 431**	**2,5%**
	I.	Depreciation		1 370	2 103	(34,9%)
	II.	Consumption of materials and energy		1 825	2 426	(24,8%)
	III.	Foreign services		24 980	18 894	32,2%
	IV.	Taxes and duties		125	333	(62,5%)
	V.	Payrol		21 903	24 065	(9,0%)
	VI.	Social security and other benefits		4 101	4 919	(16,6%)
	VII.	Other costs by type		1 486	1 691	(12,1%)
	VIII.	Value of sold goods and materials		-	-	-
C.		**PROFIT/LOSS FROM SALES (A-B)**		**30 595**	**41 045**	**(25,5%)**
D.		**Other operating income**	**5**	**2 887**	**676**	**327,1%**
	I.	Profit from disposal of non-financial fixed assets		801	70	1 044,3%
	II.	Grants		-	-	-
	III.	Other operating revenue		2 086	606	244,2%
E.		**Other operating costs**	**5**	**2 821**	**4 199**	**(32,8%)**
	I.	Loss from disposal of non-financial fixed assets		-	-	-
	II.	Revaluation of non-financial assets		-	-	-
	III.	Other operating cost		2 821	4 199	(32,8%)
F.		**PROFIT / (LOSS) ON OPERATING ACTIVITIES (C+D-E)**		**30 661**	**37 522**	**(18,3%)**
G.		**Financial revenues**	**6**	**13 828**	**16 260**	**(15,0%)**
	I.	Dividends and share in profits				-
	II.	Interest		94	64	46,9%
	III.	Profit from disposal of investments		13 225	15 924	(16,9%)
	IV.	Revaluation of investments		-	-	-
	V.	Others		509	272	87,1%
H.		**Finance costs**	**6**	**40 977**	**53 651**	**(23,6%)**

Data in thousand PLN, unless stated otherwise

I.	Interest	5 446	5 327	2,2%
II.	Loss from disposal of investments	-	-	-
III.	Revaluation of investments	-	-	-
IV.	Others	35 531	48 324	(26,5%)
I.	**PROFIT / (LOSS) ON ECONOMIC ACTIVITIES (F+G-H)**	**3 512**	**131**	**2 580,9%**
J.	**Result of extraordinary events**	**-**	-	-
	Write-offs of goodwill	**1 430**	**17**	**-**
K.	**GROSS PROFIT/LOSS**	**2 082**	**114**	**1 726,3%**
L.	**Income Tax**	**3 928**	6 103	**(35,6%)**
M.	**Obligatory reductions of profit (loss increases)**	**370**	-	**-**
N.	**NET PROFIT / LOSS (K-L-M)**	**(2 216)**	**(5 989)**	**(63,0%)**

Data in thousand PLN, unless stated otherwise

2.3. Assets

No.	Item:	Memorandum:	31.12.2018	31.12.2017
A.	**Fixed assets**		**6 742**	**9 066**
I.	**Intangible assets**	**1**	**24**	**83**
1.	Cost of completed development work		-	-
2.	Goodwill		-	-
3.	Other intangible assets		24	83
4.	Advances on intangible assets		-	-
II.	**Goodwill of associated companies**	**2**	**30**	**47**
1.	Goodwill - subsidiaries		30	47
2.	Goodwill - joint subsidiaries		-	
3.	Goodwill - affiliates		-	-
III.	**Tangible fixed assets**	**1**	**4 422**	**6 115**
1.	Fixed assets	**18**	4 170	6 035
a)	*land (including perpetual usufruct of land)*		-	-
b)	*buildings, premises and land & water engineering facilities*		-	-
c)	*machinery and equipment*		57	137
d)	*means of transport*		2 305	3 823
e)	*other fixed assets*		1 808	2 075
2.	Fixed assets under construction		252	80
3.	Advances on fixed assets under construction		-	-
IV.	**Long term receivables**		**-**	**-**
1.	From affiliates		-	-
2.	from other entities		-	-
V.	**Long-term investment**		**1 166**	**59**
1.	Properties		-	-
2.	Intangible assets		-	-
3.	Long-term financial assets		1 166	59
a)	in affiliates		-	5
-	shares or stocks		-	5
-	other securities		-	-
-	loans granted		-	-
-	other long-term financial assets		-	-
b)	In other entities in which the Company holds equity interests		204	-
-	*Shares or stocks*		*5*	-
-	*other securities*		*199*	-
-	*Loans granted*		-	-
-	*other long-term financial assets*		-	-
b)	in other parties		962	54
-	*Shares or stocks*		-	-
-	*other securities*		-	-
-	*Loans granted*		*962*	*54*

Data in thousand PLN, unless stated otherwise

-	*other long-term financial assets*		-	-
4.	Other long-term investment		-	-
VI.	**Long-term prepayments and accruals**		**1 100**	**2 762**
1.	Deferred income tax assets		613	2 275
2.	Other accruals		487	487
B.	**Current assets**		**99 883**	**78 056**
I.	**Reserves**		**158**	**122**
1.	Materials		49	57
2.	Intermediates and products in progress		-	-
3.	Finished goods		-	-
4.	Goods		-	-
5.	Advances on deliveries		109	65
II.	**Short-term receivables**		**84 014**	**63 045**
1.	Receivables from affiliates		-	-
a)	*due to deliveries and services, with repayment period:*		-	-
-	*up to 12 months*		-	-
-	*over 12 months*		-	-
b)	*others*		-	-
2.	Receivables from other parties		84 014	63 045
a)	*due to deliveries and services, with repayment period:*		83 778	62 031
-	*up to 12 months*		*83 778*	*62 031*
-	*over 12 months*		-	-
b)	*due to taxes, subsidies, social security and other benefits of health*		116	122
c)	*others*		111	856
d)	*pursued in court*		9	36
III.	**Short-term investments**		**13 643**	**13 422**
1.	Short-term financial assets		13 639	13 418
a)	*in subsidiaries and non-commercial joint subsidiaries*		-	-
-	*loans granted*		-	-
b)	*in affiliates and commercial joint subsidiaries*		-	-
c)	*in other parties*		10	19
d)	*cash and other monetary assets*	**3**	13 629	13 399
-	*cash on hand and in accounts*		*13 629*	*13 399*
-	*Other cash*		-	-
2.	Other short-term investments		4	4
IV.	**Short-term prepayments and accruals**	**12**	**2 068**	**1 467**
Total assets			**106 625**	**87 122**

Data in thousand PLN, unless stated otherwise

2.4. Liabilities

No.		Item:	Memorandum:	31.12.2018	31.12.2017
A.		**Shareholders' Equity (fund)**		**13 810**	**16 026**
	I.	**Basic capital (fund)**		**4 000**	**4 000**
	II.	**Payments due for basic capital (negative capital)**		**-**	**-**
	III.	**Own stocks or shares (negative value)**		**-**	**-**
	IV.	**Reserve capital (fund)**		**1 777**	**1 777**
	V.	**Reserve capital (fund) from updated valuation**		**-**	**-**
	VI.	**Other reserve capitals (funds)**		**13 638**	**13 638**
	VII.	**Exchange difference**		**-**	**-**
	VIII.	**Profit (loss) from previous years**		**(3 389)**	**2 600**
	IX.	**Net profit (loss)**		**(2 216)**	**(5 989)**
	X.	**Net profit write-offs during the financial year (negative value)**		**-**	**-**
B.		**Minority capital**		**-**	**-**
C.		**Negative goodwill in subsidiaries and affiliated companies**		**-**	**-**
D.		**Liabilities and provisions for liabilities**		**92 815**	**71 096**
	I.	**Liabilities reserves**	**10**	**5 820**	**4 462**
	1.	Deferred tax liability		4 093	3 317
	2.	Pension and related benefits provision		748	799
	-	*long-term*		*138*	*127*
	-	*short-term*		*610*	*672*
	3.	Other provisions		979	346
	-	*long-term*		*494*	*276*
	-	*short-term*		*485*	*70*
	II.	**Long-term liabilities**	**11**	**13 683**	**34 556**
	1.	To related entities		-	-
	2.	To other entities		13 683	34 556
	a)	*credits and loans*		-	-
	b)	*under debt securities issue*		12 579	34 359
	c)	other financial liabilities		1 104	197
	d)	*others*		-	-
	III.	**Short-term liabilities**	**11**	**69 156**	**30 172**
	1.	To related entities		-	-
	a)	due to deliveries and services, with maturity period:		-	-
	-	*up to 12 months*		-	-
	-	*over 12 months*		-	-
	b)	others		-	-
	2.	*To other entities*		**69 095**	**30 114**
	a)	*credits and loans*		2 100	2 040

Data in thousand PLN, unless stated otherwise

b)	under debt securities issue		5 123	11 209
c)	other financial liabilities		1 228	2 827
d)	*due to deliveries and services, with maturity period:*		3 098	1 866
-	*up to 12 months*		3 098	*1 866*
-	*over 12 months*		-	-
e)	*advances received for deliveries*		-	-
f)	*bill of exchange liabilities*		-	-
g)	*due to taxes, customs, insurance and other benefits*		1 690	2 657
h)	*remuneration liabilities*		1 285	1 387
i)	*others*		54 571	8 128
3.	Special funds		61	58
IV.	**Accruals**	**12**	**4 156**	**1 906**
1.	*Negative goodwill*		-	-
2.	*Other accruals*		4 156	1 906
-	*long-term*		6	*4*
-	*short-term*		4 150	*1 902*
V.	**Liabilities related to assets intended to sale**		**-**	**-**
Total liabilities			**106 625**	**87 122**

Data in thousand PLN, unless stated otherwise

2.5. Cash flow statement

No.		Item:	Memorandum:	Cumulatively 01.01.2018-31.12.2018	Cumulatively 01.01.2017-31.12.2017
		Cash balance at the beginning of period		**13 399**	**6 557**
A.		**Cash Flow from operating activities**			
	I.	**Net profit (loss)**		**(2 216)**	**(5 989)**
	II.	**Total adjustments**		**18 884**	**811**
	1.	Depreciation		1 387	2 120
	2.	Foreign Exchange Differences Profit (Loss)		-	-
	3.	Dividends and share in profits (dividends)		11 005	9 213
	4.	Profit (Loss) on investments		(23 764)	(15 924)
	5.	Changes in reserves		1 358	804
	6.	Change in inventory		(36)	352
	7.	Changes in receivables		(20 930)	(6 880)
	8.	Change in short-term liabilities, with the exception of loans and credits		46 499	7 124
	9.	Changes in accruals and prepayments		3 311	4 002
	10.	Other adjustments		54	-
	III.	**Net cash flow from operations (I+/-II)**		**16 668**	**(5 178)**
B.		**Cash Flow from investment activities**			
	I.	**Inflows**		**25 677**	**16 468**
	1.	Value of intangible and fixed assets sold		2 765	445
	2.	Transfer of investments in real estate and intangible assets		-	-
	3.	From financial assets, including:		22 913	16 023
	a)	*in affiliates*		-	-
	b)	*in other parties*		*22 913*	*16 023*
	–	*transfer of financial assets*		*22 904*	*15 924*
	–	*dividends and share in profits*		-	-
	–	*repayment of granted long-term loans*		-	*100*
	–	*interest*		-	-
	–	*other receipts from financial assets*		*9*	-
	4.	Other investment-related receipts		-	-
	II.	**Expenses**		**(1 924)**	**(541)**
	1.	Value of intangible and fixed assets purchased		(763)	(460)
	2.	Investments in real estate and intangible assets		-	-
	3.	On financial assets, including:		(1 161)	(81)
	a)	*in affiliates*		*(199)*	*(5)*
	b)	*in other parties*		*(962)*	*(76)*
	–	*purchase of financial assets*		-	-
	–	*long term loans granted*		*(962)*	*(76)*
	4.	*Other investment expenditure*		-	-
	III.	**Net cash flow from investments (I-II)**		**23 754**	**15 928**

Data in thousand PLN, unless stated otherwise

C.		**Cash Flow from financing activities**			
	I.	**Inflows**		**13 950**	**27 366**
	1.	Net receipts from issue of shares (stocks) and other capital instruments and extra equity contributions		-	-
	2.	Credits and loans		850	7 284
	3.	Commercial papers issued		13 100	19 608
	4.	Other financial receipts		-	*474*
	II.	**Expenses**		**(54 142)**	**(31 274)**
	1.	Purchase of own stock (shares)		-	-
	2.	Dividends and other payments to owners		-	-
	3.	Profit distribution expenses other than payments to owners		-	-
	4.	Repayment of loans and credits		(790)	(6 694)
	5.	Redemption of debt securities		*(41 000)*	*(12 898)*
	6.	Under other financial liabilities		-	-
	7.	Payments of liabilities under financial lease contracts		*(1 272)*	*(2 426)*
	8.	Interest		*(5 853)*	*(5 490)*
	9.	Other financial expenditure		*(5 227)*	*(3 766)*
	III.	**Net cash flow from financial activities (I-II)**		**(40 192)**	**(3 908)**
D.		**Total net cash flow (A.III+/- B.III+/-C.III)**		**230**	**6 842**
E.		**Balance sheet change in cash, including:**		230	6 842
	1.	**Balance sheet cash change related to foreign exchange differences**			
F.		**Cash as at the beginning of period**		13 399	6 557
G.		**Closing cash (F+/-D), including:**	**3**	**13 629**	**13 399**
	–	**cash with restricted possibility of disposal**		**-**	**-**

Data in thousand PLN, unless stated otherwise

2.6. Changes in the capital and reserves

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (FUND)		For the period from 01.01.2018 to 31.12.2018	For the period from 01.01.2017 to 31.12.2017
I.	**Equity at the beginning of the period (OB)**	**16 026**	**22 015**
	- adjustment of basic errors	-	-
I.a.	**Equity at the beginning of the period (OB), after adjustments of basic errors**	**16 026**	**22 015**
1.	Share capital at the beginning of the period	4 000	4 000
1.1.	Changes in the stated capital	-	-
1.2.	Stated capital closing balance	4 000	4 000
4.	Supplementary capital at the beginning of the period	1 777	798
4.1.	Changes in the reserve capital (fund)	-	979
	a) increase (on account of)	-	979
	- from profit distribution	-	979
	b) decrease (on account of)	-	-
4.2.	Supplementary capital closing balance	1 777	1 777
6.	Other reserves at the beginning of the period	13 638	8 060
6.1.	Changes in other reserve capitals (fund)	-	5 578
	a) increase (on account of)	-	5 578
	- from profit distribution	-	5 578
	b) decrease (on account of)	-	-
6.2.	Other reserves at the end of the period	13 638	13 638
7.	Exchange difference	-	-
8.	Profit (Loss) carried over at the beginning of the period	2 600	3 400
8.1.	Profit from previous years at the beginning of the period	2 600	3 400
	- adjustment of basic errors	-	-
8.2.	Profit from previous years at the beginning of the period, after adjustments	2 600	3 400
	a) increase (on account of)		(800)
	b) decrease (on account of)	2 600	-
	- profit distribution	2 600	-
8.3.	Profit carried over closing balance	-	2 600
8.4.	Loss from previous years at the beginning of the period,	-	-
	- adjustment of basic errors	-	-
8.5.	Adjusted loss from previous years at the beginning of the period, after adjustments	-	-
	a) increase (on account of)	-	-
	- profit distribution	-	-
	b) decrease (on account of)	(3 389)	-
	- profit distribution	(3 389)	-
8.6.	Loss from previous years at the end of the period	(3 389)	-
8.7.	Profit (Loss) carried over at the end of the period	(3 389)	2 600
9.	Net result	(2 216)	(5 989)
	a) net profit	(2 216)	(5 989)
II.	**Closing capital and reserves (closing balance)**	**13 810**	**16 026**
III.	**Capital and reserves after proposed distribution of profit (coverage of loss)**	**13 810**	**16 026**

Data in thousand PLN, unless stated otherwise

2.7. Memorandum 1. Change of intangible assets and fixed assets

No.	Fixed assets in the balance sheet structure by type	Status at the beginning of the year 2018	Amendments		Status at the end of the year 2018
			Increase	Reductions	(3+4-5)
1	2	3	4	5	6
A.	**NET FIXED ASSETS**				
I	**Intangible assets**	**83**	-	-	**24**
	a) initial value	311	-	-	311
	Purchase	-	-	-	-
	Revaluation	-	-	-	-
	Internal displacement	-	-		-
	Liquidation	-	-	-	-
	Other	-	-	-	-
	b) accumulated appreciation	228	59	-	287
	Selling	-	-	-	-
	Revaluations	-	-	-	-
	Internal displacement	-	-		-
	Depreciation	-	59	-	-
	Liquidation	-		-	-
	c) net value (a-b)	83	(59)	-	24
II	**Net tangible fixed assets**				
	1. Net fixed assets	**6 035**	**-**	**-**	**4 170**
1	Own land				
	a) initial value	-	-	-	-
	b) accumulated appreciation	-	-	-	-
	c) net value (a-b)	-	-	-	-
2	Buildings, premises and land & water engineering facilities				
	a) initial value	-	-	-	-
	b) accumulated appreciation	-	-	-	-
	c) net value (a-b)	-	-	-	-
3	Machinery and equipment			-	
	a) initial value	718	20	5	733
	Purchase	-	20	-	-
	Revaluation	-	-	-	-
	Internal displacement	-	-	-	-
	Liquidation	-	-	5	-
	Other	-	-	-	-
	b) accumulated appreciation	581	101	6	676
	Selling	-	-	-	-
	Revaluations	-	-	-	-
	Internal displacement	-	-	-	-

	Depreciation	-	101	-	-
	Liquidation	-	-	6	-
	c) net value (a-b)	137	-	-	57
4	Means of transport				
	a) initial value	6 833	2 119	5 727	3 225
	Purchase	-	2 119	-	-
	Revaluation	-	-	-	-
	Internal displacement	-	-	-	-
	Liquidation	-	-	5 727	-
	Other - sales	-			-
	b) accumulated appreciation	3 011	840	2 930	921
	Selling	-	-	-	-
	Revaluations	-	-	-	-
	Internal displacement	-	-	-	-
	Depreciation	-	840	-	-
	Liquidation	-	-	2 930	-
	c) net value (a-b)	3 823			2 305
5	Other fixed assets				
	a) initial value	3 200	232	214	3 218
	Purchase	-	232	-	-
	Revaluation	-	-	-	-
	Internal displacement	-	-	-	-
	Liquidation	-	-	214	-
	Other	-			-
	b) accumulated appreciation	1 125	370	85	1 410
	Selling	-	-	-	-
	Revaluations	-	-	-	-
	Internal displacement	-	-	-	-
	Depreciation	-	370	-	-
	Liquidation	-	-	85	-
	c) net value (a-b)	2 075	-	-	1 808
2. Fixed assets under construction, including capitalised interest and exchange rate differences		**80**	**963**	**791**	**252**

Data in thousand PLN, unless stated otherwise

2.8. Memorandum 2. Change of goodwill on consolidation

No.	Fixed assets in the balance sheet structure by type	Status at the beginning of the year 2018	Amendments		Status at the end of the year 2018 (3+4-5)
			Increase	Reductions	
1	2	3	4	5	6
A.	**GOODWILL ON CONSOLIDATION**	**47**	**-**	**-**	**30**
I	**Goodwill of KOMTOD**				
	a) initial value	85	1 413	-	1 498
	Business combination		1 413	-	-
	Revaluation	-	-	-	-
	Internal displacement	-	-	-	-
	Liquidation	-	-	-	-
	Other	-	-	-	-
	b) accumulated appreciation	38	1 430	-	1 468
	Selling	-	-	-	-
	Revaluations	-	1 413	-	-
	Internal displacement	-	-	-	-
	Depreciation	-	17	-	-
	Liquidation	-	-	-	-
	c) net value (a-b)	47	(17)	-	30

2.9. Memorandum 3. Additional information to the cash flow statement

Structure of cash to the cash flow statement

No.	Specification	31.12.2018	31.12.2017
1.	Cash at hand	124	-
2.	Cash in the bank accounts, including:	13 505	13 399
	- current account	13 505	13 399
	- deposit accounts	-	-
3.	Other cash	-	-
4.	other cash equivalents	-	-
	TOTAL	**13 629**	**13 399**

Data in thousand PLN, unless stated otherwise

2.10. Memorandum 4. Sales revenue

Revenues from sales of products, goods and materials - material structure

No.	Specification	01.01.2018 31.12.2018	01.01.2017 31.12.2017
1.	Net proceeds from the sale of products (titles)	86 385	95 240
1.1	- products	-	-
1.2	- services	86 385	95 240
2.	Net proceeds from sales of commodities and materials	-	236
2.1	- goods	-	236
2.2	- materials	-	-
	TOTAL	**86 385**	**95 476**

Revenues from sales of products, goods and materials - territorial structure

No.	Specification	01.01.2018 31.12.2018	01.01.2017 31.12.2017
1.	Net proceeds from the sale of products	86 385	95 240
1.1	- country	86 385	95 240
1.2	- eksport	-	-
2.	Net proceeds from sales of commodities and materials	-	236
	TOTAL	**86 385**	**95 476**

Data in thousand PLN, unless stated otherwise

2.11. Memorandum 5. Other revenue and cost of operation

Other operating income	01.01.2018 31.12.2018	01.01.2017 31.12.2017
Debt collection revenues	15	160
Profit from fixed assets sales	801	70
Revenues from the release of provisions for jubilee awards	63	62
Revenues from loan portfolio management services and other services performed by CS (IT project, etc.)	86	74
Adjustment of contributions to the disabled persons fund	188	-
Release of write-downs	1 430	-
Other revenues (including compensation, insurance premium refund, release of other provisions)	304	310
Total other operating revenue	**1 457**	**676**

Other operating costs	01.01.2018 31.12.2018	01.01.2017 31.12.2017
Establishment of specific provisions and write-downs of receivables	1 254	3 704
Cost of court and debt collection fees	112	120
Costs of commission for written and cancelled loans	611	84
Costs related to the provision for the price adjustment of securitized loans	424	-
Other costs	420	291
Other operating costs, in total	**2 821**	**4 199**

Data in thousand PLN, unless stated otherwise

2.12. Memorandum 6. Financial revenue and cost

Financial revenues	01.01.2018 31.12.2018	01.01.2017 31.12.2017
Revenues from sale of shares in companies	-	-
Selling price	-	-
Revenues from the sale of receivables	13 225	15 924
Revenues from the exchange rate differences	509	272
Interest revenues from bank current accounts and deposits	94	64
Financial revenue in total	**13 828**	**16 260**

Finance costs	01.01.2018 31.12.2018	01.01.2017 31.12.2017
Receivables from capital granted loans and commissions, which were sold by the capital group	30 360	8 411
Costs due to price adjustments and repayable assignments made on security loan portfolios sold to investment funds	570	3 238
Writing-off bad debts	-	33 376
Costs of commission and interest for financial entities	2 488	4 221
Costs of interest - securities	2 672	3 453
Costs of commission and interest for banks	221	301
Costs of commission and interest of the P2P platform	3 716	360
Negative exchange rate differences	744	279
Costs and conditions applicable to the issuance of investment certificates	156	
Other financial costs	50	12
Total finance costs	**40 977**	**53 651**

Data in thousand PLN, unless stated otherwise

2.13. Memorandum 7. Leasing obligations

Leasing obligations	31.12.2018	31.12.2017
- up to 1 year	833	2 324
- more than 1 to 3 years	1 104	197
- more than 3 to 5 years	-	-
- more than 5 years	-	-
Total	**1 937**	**2 521**

2.14. Memorandum 8. Ownership structure of share capital as at 31 December 2018 and 31 December 2017

31.12.2018

	Number of stocks	Nominal Value of the shares	Share in basic capital
Kazimierz Dziełak	3 700	3 700	92,50%
Other	300	300	7,50%
Total basic capital	**4 000**	**4 000**	**100,00%**

31.12.2017

	Number of stocks	Nominal Value of the shares	Share in basic capital
Kazimierz Dziełak	3 700	3 700	92,50%
Other	300	300	7,50%
Total basic capital	**4 000**	**4 000**	**100,00%**

Data in thousand PLN, unless stated otherwise

2.15. Memorandum 9. Change in write-downs of receivables

No.	Impairment write-downs	01.01.2018	Amendments Increase	Reductions Used	Reductions Terminated	31.12.2018 (3+4-5)
1.	Receivables of loan portfolio	7 452	18 002	-	16 742	8 712
2	Receivables pursued in court	439	-	-	42	397
3.	Receivables from loans granted to business entities	1 430	125	1 555	-	-
	Total	**9 321**	**18 127**	**1 555**	**16 784**	**9 109**

2.16. Memorandum 10. Change in provisions by their creation

No.	Reserves - titles	01.01.2018	Amendments Increase	Reductions Used	Reductions Terminated	31.12.2018 (3+4-5)
1.	Retirement bonuses	126	11	-	-	137
2.	Other employee benefits	673	-	-	62	611
3.	The disputed case with the State Administration Authority	276	119	-	-	395
5.	Costs of accounting audit	70	49	70	-	49
6.	Deferred tax liability	3 317	909	-	133	4 093
7.	Provisions for employee matters		99	-	-	99
8.	Provision for the price adjustment of securitized loans	-	424			424
9.	Other provisions	-	12	-	-	12
	Total	**4 462**	**1 623**	**70**	**195**	**5 820**

Data in thousand PLN, unless stated otherwise

2.17. Memorandum 11. Distribution of liabilities in accordance with balance sheet items as at the balance sheet date, provided by the repayment term agreement

No. Specification:	31.12.2018	31.12.2017
1. Credits and loans	**2 100**	**2 040**
Up to 1 year	2 100	2 040
More than 1 to 3 years	-	-
More than 3 to 5 years	-	-
Above 5 years	-	-
2. Leasing obligations	**1 937**	**2 521**
Up to 1 year	833	2 324
More than 1 to 3 years	1 104	197
More than 3 to 5 years	-	-
Above 5 years	-	-
3. Due to debt securities issues	**17 702**	**45 568**
Up to 1 year	5 123	11 209
More than 1 to 3 years	12 579	34 359
More than 3 to 5 years	-	-
Above 5 years	-	-
4. Supplies and services	**3 098**	**1 866**
Up to 1 year	3 098	1 866
More than 1 to 3 years	-	-
More than 3 to 5 years	-	-
Above 5 years	-	-
5. Taxes	**425**	**1 443**
Up to 1 year	425	1 443
More than 1 to 3 years	-	-
More than 3 to 5 years	-	-
Above 5 years	-	-
6. National insurance	**1 265**	**1 214**
Up to 1 year	1 265	1 214
More than 1 to 3 years	-	-
More than 3 to 5 years	-	-
Above 5 years	-	-
7. Remuneration	**1 285**	**1 387**
Up to 1 year	1 285	1 387
More than 1 to 3 years	-	-
More than 3 to 5 years	-	-
Above 5 years	-	-
8. Mintos financial platform	**53 192**	**7 092**
Up to 1 year	53 192	7 092
More than 1 to 3 years	-	-
More than 3 to 5 years	-	
Above 5 years	-	-
8. Other liabilities	**1 774**	**1 539**
Up to 1 year	1 774	1 539
More than 1 to 3 years	-	-
More than 3 to 5 years	-	-
Above 5 years	-	-
Total	**82 778**	**64 670**

Data in thousand PLN, unless stated otherwise

2.18. Memorandum 12. List of prepaid material items and accruals

No.	Specification	Amount as of: 01.01.2018	Amount as of: 31.12.2018	Amount as of: 01.01.2017	Amount as of: 31.12.2017
1	**Total accrued liabilities, including:**	**1 467**	**2 068**	**1 596**	**1 467**
	Costs incurred due to property and personal insurance	26	40	38	26
	Adjustment of costs settled over time	1 117	1 985	1 358	1 117
	Costs incurred due to commission for: loans and credit guarantees initiated	30	-	13	30
	Interest costs in financial leasing	-	-	-	-
	Other deferred expenditure	293	43	187	293
2	**Total accrued liabilities**	-	-	-	-
3	**Total revenue prepayments, including:**	**1 906**	**4 155**	**1 416**	**1 906**
	Revenues reserved for debt collection	(62)	120	(12)	(62)
	Deferred income	1 942	3 896	830	1 942
	Other outstanding costs	26	139	599	26

2.19. Memorandum 13. Expenditures for non-financed fixed assets incurred in 2018 and planned for 2019

Incurred and forecast expenditures on non-financed fixed assets	01.01.2019 31.12.2019	01.01.2018 31.12.2018
Expenditure related to the adaptation and modernisation of the company's premises	350	302
Maintenance and development of the car fleet (leasing instalments, initial fees, interest, repair costs). Car purchases are financed by leasing. Lease agreements are concluded for a period of 3 years.	1 273	1 411
Including expenditures on environmental protection	-	-
Total other expenditures on non-financed fixed assets	**1 623**	**1 713**

2.20. Memorandum 14. Settlement of the main positions differing the taxation base for the income tax from the gross financial result (PLN '000)

No.	Specification	2018	2017
	GROSS RESULT OF THE CAPITAL GROUP	2 082	114
	- tax-free revenues	(23 405)	(980)
	- revenues that increase the basis for taxation	804	(3 495)
	- non-deductible costs	39 808	24 924
	- costs that reduce the basis for taxation	(6 710)	(7 327)
	- deduction of loss from previous years and losses of subsidiaries	165	(702)
	- gross result of an entity that is not a tax payer	(6 445)	(1 615)
	- consolidation adjustments without affecting the current tax	1 545	(873)
	THE BASIS OF TAXATION BY INCOME TAX	7 844	10 046

2.21. Memorandum 15. Average permanent employment in the financial year, in professional groups

No.	Specification	The average number of employees in 2018	The average number of employees in 2017
1.	White-collar employees	424,92	433,02
2.	Blue-collar employees	3,00	3,00
3.	Other employees	0,00	0,00
	Total	**427,92**	**436,02**

Data in thousand PLN, unless stated otherwise

2.22. Memorandum 16. Average remuneration in the financial year, in professional groups

No.	Personnel costs of Management Board Members	2018
1.	Remuneration	373
2.	Salary overhead	8
	Total	**381**

No.	Personnel costs of Management Board Members	2017
1.	Remuneration	596
2.	Salary overhead	-
	Total	**596**

No.	Personnel costs of Supervisory Board Members	2018
1.	Remuneration	24
2.	Salary overhead	3
	Total	**27**

No.	Personnel costs of Supervisory Board Members	2017
1.	Remuneration	50
2.	Salary overhead	6
	Total	**56**

Data in thousand PLN, unless stated otherwise

2.23. Memorandum 17. Memorandum 17 Information on the remuneration of a statutory auditor or an entity authorized to audit financial statements, paid or due for the year ended 31 December 2018, by type of service

No.	Type of service	2018
1.	Obligatory audit of the annual financial statement	49
2.	Other services	8
	Total	**57**

No.	Type of service	2017
1.	Obligatory audit of the annual financial statement	49
2.	Other services	21
	Total	**70**

2.24. Memorandum 18. Ownership structure of fixed assets - according to net value

No.	Specification	01.01.2018	31.12.2018
1.	Own fixed assets	2 249	1 881
2.	Fixed assets used on the basis of rental, lease and other agreements, including leasing agreements	3 786	2 289
3.	The value of non-depreciable or non-amortised fixed assets used by the entity, used under land leases, tenancy and other agreements, including lease agreements	-	-
	Fixed assets in total in the balance records	**6 035**	**4 170**

Spółka Capital Service S.A. korzysta ze 107 lokali na podstawie umów najmu. The total area of leased premises is 7 227 m2. The premises are located all over Poland, the company does not have their valuation.

Data in thousand PLN, unless stated otherwise

2.25. Memorandum 19. List of liabilities secured on the assets

No.	Type of liability	Value of liability	Type of property	Value of secured property
1	G series bonds, investment fund	-	Registered pledge on a set of current and future receivables due to the Issuer under cash loans and a registered pledge on the set of current and future receivables due to the Pledger 2 ("Money Logo" Spółka z o.o.) under cash loans.	Each pledge established to the highest security amount of PLN 18 000 000.00.
2	H series bonds, investment fund	5 000	Registered pledge on a set of current and future receivables due to the Issuer under cash loans and a registered pledge on the set of current and future receivables due to the Pledger 2 ("Money Logo" Spółka z o.o.) under cash loans.	Each pledge established to the highest security amount of PLN 18 000 000.00.
3	I series bonds, investment fund	-	Registered pledge including current and future receivables under cash loans granted between 26 June 2017 and 31 December 2017 within the framework of CAPITAL SERVICE S.A.'s business activity to natural persons and which are loans in accordance with the agreements on the basis of which they will be granted, should be repaid to the escrow bank account, which is a set of rights, constituting a whole economic unit, even if its composition was variable within the meaning of Art. 7(2)(3) of the Act on the Registered Pledge.	Registered pledge established to the highest security amount of PLN 30 000 000.00.

Data in thousand PLN, unless stated otherwise

4	K series bonds, Individual investors	13 100	Registered pledge on CAPITAL SERVICE S.A. receivables resulting from the Escrow Agreement related to the escrow agreement; registered pledge of floating charge consisting of current and future receivables from cash loans granted by CAPITAL SERVICE S.A. for a period of up to 30 months between the date of issue of series K bonds and 31 May 2019 as part of business operations conducted by the Company for natural persons and which should be repaid on the escrow account, which is a set of rights constituting the economic whole, even if its charge is floating within the meaning of the Registered Pledge Act;	Each pledge established to the highest security amount of PLN 22 500 000.00.
5	L series bonds, Individual investors	-	Zastaw rejestrowy na wierzytelnościach CAPITAL SERVICE S.A. wynikających z Umowy Escrow związanych z umową escrow; zastaw rejestrowy na zbiorze o zmiennym składzie składającym się z wierzytelności aktualnych i przyszłych z tytułu pożyczek pieniężnych, udzielonych przez CAPITAL SERVICE S.A.na okres do 30 miesięcy pomiędzy datą emisji obligacji serii K a dniem 31 maja 2019 r. w ramach prowadzonej przez Spółkę działalności gospodarczej osobom fizycznym i które powinny byc spłacane na rachunek escrow, stanowiący zbiór praw stanowiący całość gospodarczą, choćby jego skład był zmienny w rozumieniu Ustawy o zastawie rejestrowym;	Each pledge established to the highest security amount of PLN 15 000 000.00.

Data in thousand PLN, unless stated otherwise

2.26. Memorandum 20. A list of contingent liabilities, including also guarantees and sureties granted by the entity, also promissory notes

Type of liability	Creditor	Value of liability
TO RELATED ENTITIES		
TO OTHER ENTITIES		
G SERIES BONDS: Registered pledge on receivables under cash loans granted or to be granted by CAPITAL SERVICE S.A. as part of its business activity; pledge on receivables arising from the bank account agreement concluded by CAPITAL SERVICE S.A.; liability expired on the day of full redemption of series G bonds by CAPITAL SERVICE S.A.	Bondholders of G series bonds Pledge Administrator: Dubiński, Jeleński, Masiarz i Wspólnicy Spółka Komandytowa	Each registered pledge established to the highest security amount of PLN 18 000 000.00.
H SERIES BONDS: Registered pledge on receivables under cash loans granted or to be granted by CAPITAL SERVICE S.A. as part of its business activity; pledge on receivables arising from the bank account agreement concluded by CAPITAL SERVICE S.A.	Bondholders of H series bonds Pledge Administrator: Dubiński, Jeleński, Masiarz i Wspólnicy Spółka Komandytowa	Each registered pledge established to the highest security amount of PLN 18 000 000.00.
Series I BOND:Registered pledge, which includes current and future receivables under cash loans granted between 26 June 2017 and 31 December 2017 as part of the business activity conducted by CAPITAL SERVICE S.A. for natural persons and which are loans in accordance with the agreements based on which they will be granted should be repaid to an escrow bank account, which is a set of rights, constituting an economic whole, even if its charge is floating within the meaning of Article 7 (2) (3) of the Registered Pledge Act; Registered pledge, which includes receivables arising from the agreement for keeping an escrow contingent settlement account; Escrow contingent settlement account, in which all amounts paid to satisfy receivables from cash loans granted by CSSA in the period 26 June 2017 – 31 December 2017 as part of CSSA's business activities are collected; declaration of submission to enforcement pursuant to Article 777 § 1 (6) of the Civil Procedure Code directly from the notarial deed up to the amount of PLN 30 000 000.00 each	Bondholders of the series I bonds. Pledge Administrator: Dubiński, Jeleński, Masiarz i Wspólnicy Spółka Komandytowa	Registered pledge established up to the maximum amount of security equal to PLN 30 000 000.00; strict enforcement of the Company's assets directly from the notarial deed up to PLN 30 000 000.00; strict enforcement of the Company's assets directly from the notarial deed up to PLN 30 000 000.00.

Data in thousand PLN, unless stated otherwise

SERIES K BONDS: Registered pledge on CAPITAL SERVICE S.A. receivables under the Escrow Agreement related to the escrow agreement; registered pledge with floating charge of receivables consisting of current and future receivables under cash loans granted by CAPITAL SERVICE S.A. for up to 30 months between the date of issue of series K bonds and 31 May 2019 within the framework of the Company's business activity to natural persons and which should be repaid to an escrow account, constituting a set of rights constituting an economic whole, even if its charge is floating within the meaning of the Registered Pledge Act; assignment of receivables made on the basis of an assignment of receivables concluded between CAPITAL SERVICE S.A.A. and the security administrator of the agreement on assignment of receivables as security, which will be concluded between 1 June 2019 and 15 September 2019; escrow account, to which all amounts should be paid in order to satisfy the receivables under the granted cash loans described above; statement on submission to enforcement pursuant to Article 777 § 1 (6) of the Civil Procedure Code directly from a notarial deed to the amount of PLN 22 500 000.00 each	Bondholders of K series bonds Security Administrator: Dubiński Jeleński Masiarz i Wspólnicy Spółka komandytowa	Registered pledge on receivables under the escrow agreement and registered pledge on current and future receivables on account of cash loans granted by CAPITAL SERVICE S.A. established to the highest amount of security equal to PLN 22 500 000.00; strict enforcement of the Company's assets directly from the notarial deed to the amount of PLN 22 500 000.00; strict enforcement of the Company's assets directly from the notarial deed to the amount of PLN 22 500 000.00.
SERIES L BONDS: Registered pledge on CAPITAL SERVICE S.A. receivables under the Escrow Agreement related to the escrow agreement; registered pledge with floating charge of receivables consisting of current and future receivables under cash loans granted by CAPITAL SERVICE S.A. for up to 30 months between 28 January and 31 July 2019 within the framework of the Company's business activity to natural persons and in accordance with agreements, based on which they have been granted, will be paid on the escrow account constituting the set of rights that constitutes economic whole even if its charge is floating within the meaning of the Registered Pledge Act; assignment of receivables made on the basis of an assignment of receivables concluded between CAPITAL SERVICE S.A.A. and the security administrator of the agreement on assignment of receivables as security with the content accepted by the security administrator which will be concluded between 1 August 2019 and 15 November 2019; escrow account, to which all amounts should be paid in order to satisfy the receivables under the granted cash loans described above; statement on	Bondholders of L series bonds Security Administrator: Dubiński Jeleński Masiarz i Wspólnicy Spółka komandytowa	Registered pledge on receivables under the escrow agreement and registered pledge on current and future receivables on account of cash loans granted by CAPITAL SERVICE S.A. established to the highest amount of security equal to PLN 15 000 000.00; strict enforcement of the Company's assets directly from the notarial deed to the amount of PLN 15 000 000.00; strict enforcement of the Company's assets directly from the notarial deed to the amount of PLN 15 000 000.00.

submission to enforcement pursuant to Article 777 § 1 (6) of the Civil Procedure Code directly from a notarial deed to the amount of PLN 15 000 000.00 each		
Framework cooperation agreement of 09.02.2016. Cases constituting the reason for the inability to claim receivables	EQUES DEBITUM Closed Investment Fund. Non-standardised Securitisation Fund	The price of a given receivable reduced by the payments received for a given receivable.
Receivables assignment agreement from 10.08.2015. – RECOUP sp. z o.o. Cases constituting the reason for the inability to claim receivables	easyDEBT Closed Non-standardised Securitisation Investment Fund	An amount equal to all or part of the price of a given receivables to the extent indicated by the Purchaser. The price of a given receivable will be determined as the product of the purchase price of the Receivable specified in para. 3(1) of the agreement and the proportion of the nominal value of a given receivable to the total nominal value of all Claims acquired under the agreement.
Receivables assignment agreement from 28.10.2015. – RECUPERABIT sp. z o.o. Cases constituting the reason for the inability to claim receivables	easyDEBT Closed Non-standardised Securitisation Investment Fund	An amount equal to all or part of the price of a given receivables to the extent indicated by the Purchaser. The price of a given receivable will be determined as the product of the purchase price of the Receivable specified in the agreement and the proportion of the nominal value of the receivable to the total nominal value of all Receivables purchased under the agreement.

Receivables assignment agreement from 4.07.2016 - SVEA Ekonomi Cyprus Limited Cases constituting the reason for the inability to claim receivables	SVEA Ekonomi Cyprus Limited	An amount equal to all or part of the price of a given receivables to the extent indicated by the Purchaser.The price of a given receivable will be determined as the product of the purchase price of the Receivable specified in the agreement and the proportion of the nominal value of the receivable to the total nominal value of all Receivables purchased under the agreement.
Receivables assignment agreement from 31.10.2015. Cases constituting the reason for the inability to claim the receivables	Marta Dziełak running a business activity as SEMPRE Marta Dziełak	The Legal Predecessor (CAPITAL SERVICE) will be obliged to pay to the Purchaser an amount equal to the whole or part of the price in relation to the Receivable applicable to the circumstances indicated in this paragraph, in proportion to the relation of the Receivable to the total amount of the Receivables.
Receivables assignment agreement from 08.12.2015. Cases constituting the reason for the inability to claim receivables	MONEY LOGO sp. z o. o.	The Legal Predecessor (CAPITAL SERVICE) will be obliged to pay to the Purchaser an amount equal to the whole or part of the price in relation to the Receivable applicable to the circumstances indicated in this paragraph, in proportion to the relation of the Receivable to the total amount of the Receivables.
Receivables assignment agreement from 19.04.2016. Cases constituting the reason for the inability to claim receivables	Lindorff S.A.	An amount equal to all or part of the price of a given receivables to the extent indicated by the Purchaser. The price of a given receivable will be determined as the product of the purchase price of the Receivable specified in the agreement and the proportion of the nominal value of the receivable to the total nominal value of all Receivables purchased under the agreement.
Receivables assignment agreement from 28.12.2016. Cases constituting the reason for the inability to claim receivables	ULTIMO Closed Non-standardised Securitisation Investment Fund	An amount equal to the part or the whole of the price paid, including the amount of capital, commissions and fees, interest, debt collection fees and interest for delay, or the amount equal to the part of the value of given receivable, which can not be claimed.
Receivables assignment agreement from 08.09.2017 Cases constituting the reason for the inability to claim the receivables	GetPro Closed Non-standardised Securitisation Investment Fund	The amount being part of the price paid for the receivable in proportion to the relation of the receivable to the total amount of the receivables being the subject of the transfer.
Receivables assignment agreement from 29.09.2017 Cases constituting the reason for the inability to claim the receivables	Prokura Closed Non-standardised Securitisation Investment Fund	The amount being part of the price paid for the receivable in proportion to the value of the receivable in question to the total amount of the value of the receivables being the subject of the transfer.
Receivables assignment agreement from 30.11.2017 Cases constituting the reason for the inability to claim the receivables	JBS REG S.A.	The amount being part of the price paid for the receivable in proportion to the relation of the receivable in question or part of this receivable to the total amount of the value of the receivables being the subject of the transfer.

Data in thousand PLN, unless stated otherwise

Trial period cooperation agreement (10/03/2017) Case requiring the use of the buyback procedure	AS MINTOS Marketplace	An amount equal to the whole receivable on the platform.
Receivables assignment agreements from 18.12.2017 and 28.12.2017 (parties to the agreement: CS1 FIZ NFS-CSSA) Cases constituting the reason for the inability to claim receivables	EQUES Michael Strom Creditum FIZ NFS	The amount constituting the price of a particular receivable, which is the subject of a repayable transfer, less the payments received for a given receivable.
The surety agreement from 18.12.2017 (agreement parties: CS1 FIZ NFS - CSSA - EQUES Michael Strom Creditum FIZ NFS)	EQUES Michael Strom Creditum FIZ NFS	If the case when final loss ratio settlement made in accordance with the provisions of the framework agreement between CS1 FIZ NFS and EQUES Michael Strom Creditum FIZ NFS will result in the liability arising on the part of CS1 FIZ NFS and CS1 FIZ NFS will not settle this obligation on a specified date, Capital Service S.A., as guarantor undertakes to pay to EQUES Michael Strom Creditum FIZ NFS the outstanding sum of money corresponding to CS1 FIZ NFS liability value.
Receivables assignment agreement from 31.01.2018 Cases constituting the reason for the inability to claim the receivables	JBS REG S.A.	The amount being part of the price paid for the receivable in proportion to the relation of the receivable in question or part of this receivable to the total amount of the value of the receivables being the subject of the transfer.
Receivables assignment agreement from 20.04.2018 Cases constituting the reason for the inability to claim the receivables	Prokura Closed Non-standardised Securitisation Investment Fund	The amount that is part of the price for a given receivable
Receivables assignment agreement from 03.07.2018 Cases constituting the reason for the inability to claim the receivables	Baltic Obligo Closed Non-standardised Securitisation Investment Fund	Amount constituting the price for a given unit receivable or part of the price for this unit receivable; amount of incurred and duly documented costs related to court and enforcement services.
Receivables assignment agreement from 14.08.2018 Cases constituting the reason for the inability to claim the receivables	Kancelaria Prawna RUBIKON sp. z o.o.	Amount constituting the price for a given unit receivable or part of the price for this unit receivable; amount of incurred and duly documented costs related to court and enforcement services.
Receivables assignment agreement from 29.10.2018 Cases constituting the reason for the inability to claim the receivables	Prokura Closed Non-standardised Securitisation Investment Fund	Kwota stanowiąca część ceny za daną jednostkową wierzytelność

Receivables assignment agreement from 30.10.2018 Cases constituting the reason for the inability to claim the receivables	Alektum Capital II AG	Amount constituting the price for a given unit receivable or part of the price for this unit receivable
Receivables assignment agreement from 19.02.2019 Cases constituting the reason for the inability to claim the receivables	Kancelaria Prawna RUBIKON sp. z o.o.	Amount constituting the price for a given unit receivable or part of the price for this unit receivable; amount of incurred and duly documented costs related to court and enforcement services.
Receivables assignment agreement from 10.04.2019 Cases constituting the reason for the inability to claim the receivables	Prokura Closed Non-standardised Securitisation Investment Fund	Kwota stanowiąca część ceny za daną jednostkową wierzytelność
Receivables assignment agreement from 26.04.2019 Cases constituting the reason for the inability to claim the receivables	Kancelaria Prawna RUBIKON sp. z o.o.	Amount constituting the price for a given unit receivable or part of the price for this unit receivable; amount of incurred and duly documented costs related to court and enforcement services.
Receivables assignment agreement from 22.05.2019 Cases constituting the reason for the inability to claim the receivables	Prokura Closed Non-standardised Securitisation Investment Fund	Kwota stanowiąca część ceny za daną jednostkową wierzytelność

2.27. Memorandum 21. Information on significant transactions with the related entities concluded by the entity on terms other than market terms

No.	Type of entity	Receivables	Liabilities	Revenues	Costs
		As at 31 December 2018		from 01 December 2018 to 31 December 2018	
1.	A person who is a member of the management, supervisory or administrative authority of an entity or an entity related to it	-	1 000	-	607
2.	A person who is a spouse or a person who is actually living together, a relative up to the second degree, adopted or adopting, a person related by the custody or guardianship in with any person who is a member of the management, supervisory or administrative authority or an entity related to it	-	1 100	-	1 800
3.	A controlled entity, jointly controlled entity or another entity which is significantly affected or holds a significant number of votes in it, directly or indirectly the person referred to in the first or second line of this table	-	-		-
4.	An entity implementing a post-employment benefit plan, directed to employees of an entity or other entity that is an entity in relation to that entity	-	-		-

Additional information is complete and points in Appendix 1 and 6 to the Regulation of the Ministry of Finance on detailed rules for the preparation of consolidated financial statements of capital groups by entities other than banks, insurance companies and reinsurance companies did not occur in the current and comparative year.

III. INFORMATION ABOUT THE STRUCTURE OF SHAREHOLDING WITH THE INDICATION OF SHAREHOLDERS HOLDING AT LEAST 5% OF VOTES AT THE GENERAL MEETING, AS AT THE DAY OF PREPARATION OF THE REPORT

The following structure of the Shareholding is based on data held by CAPITAL SERVICE S.A. as at the date of the Report:

28 June 2018

	Number of shares (in thousands of items)	Nominal value of shares (in thousands PLN)	Share in initial capital
Kazimierz Dziełak	3 700	3 700	92,50%
Adam Kuszyk	300	300	7,50%
Share capital, total	**4 000**	**4 000**	**100,00%**

IV. INFORMATION CONCERNING THE NUMBER OF PERSONS EMPLOYED BY CAPITAL SERVICE S.A. ON A FULL-TIME BASIS

As at 31 December 2018, the number of people employed in the CAPITAL SERVICE S.A. Group on a full-time basis was 417.

Ostrołęka, 28 June 2019.

V. DECLARATIONS OF THE MANAGEMENT BOARD

We, the undersigned, members of the CAPITAL SERVICE S.A. Management Board, declare that to the best of our knowledge, the Annual Report for 2018 and comparable data have been prepared in accordance with the applicable accounting principles and reflect in a true, reliable and clear manner the property and financial position of the CAPITAL SERVICE Group and its financial result.

We also declare that this Annual Report contains a true picture of the development and achievements of the CAPITAL SERVICE Group, including a description of the main threats and risks.

We also declare that the entity authorized to audit financial statements, auditing the annual Financial Statements, has been selected in accordance with the law provisions. This entity and statutory auditors who audited this Report met the conditions for expressing an impartial and independent opinion on the audited Annual Financial Statements, in accordance with the applicable regulations and professional standards.

Ostrołęka, 28 June 2019.

VI. CURRENT OPINION AND REPORT OF THE AUDITOR

The opinion and reports of the entity authorized to audit financial statements from the audit of the Annual financial statements constitute a separate document (appendix), which is an integral part of this Report.