CONSOLIDATED FINANCIAL STATEMENT OF THE URSUS CAPITAL GROUP for the year 2017

PREPARED IN ACCORDANCE WITH IFRS

(for the period from January 1, 2017 to December 31, 2017)

Lublin, 9 May 2018

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1. PROFIT AND LOSS STATEMENT

for the period of 12 months ending on 31 December 2017 (in thousands of PLN)

	Note	period ended 31.12.2017	period ended 31.12.2016 transformed data
		in thousands of PLN	in thousands of PLN
Continued operations			
Sales revenues	19	277 574	344 349*
Own cost of sales	19	(229 694)	(278 535)*
Gross sales profit (loss)		**47 881**	**65 814**
Costs of sales	19	(31 639)	(32 694)*
General administrative costs	19	(31 290)	(25 665)
Other operating revenues	19	5 548	3 127*
Revaluation of investment properties	19	-	2 596
Other operating costs	19	(12 578)	(7 893)*
Operating profit (loss)		(22 079)	5 285
Financial renevues	19	3 835	11 226
Financial costs	19	(8 892)	(9 691)
Profit (loss) on sales of all or part of shares in affiliated companies		**-**	**17 891**
Profit (loss) before taxation		**(27 136)**	**24 711**
Income tax	21	(2 817)	(4 036)
Profit (loss) from continued operations		**(24 318)**	**20 675**
Net profit (loss)		**(24 318)**	**20 675**
Net profit (loss) attributable to:			
Shareholders of the parent company		**(19 359)**	**(2 274)**
Shares not giving control		**(4 959)**	**22 949**

**data for the period have been adjusted. Description of changes in the point 14.*

Lublin, 09.05.2018

2. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period of 12 months ending on 31 December 2017 (in thousands of PLN)

	Note	period ended 31.12.2017	period ended 31.12.2016 transformed data
Net profit (loss)		**(24 318)**	**20 675***
Revaluation of investment properties		-	(144)
Valuation of financial instruments (hedging policy)		4 230	(4 230)
Other net comprehensive income		**4 230**	**(4 374)**
Total comprehensive income		**(20 088)**	**16 301**
Net profit attributable to:			
Shareholders of the parent company		(15 130)	18 575
Minority shareholders		(4 959)	(2 274)

**data for the period have been adjusted. Description of changes in the point 14.*

Lublin, 09.05.2018

3. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

for the period of 12 months ending on 31 December 2017 (in thousands of PLN)

ASSETS	Note	As of 31.12.2017	As of 31.12.2016 transformed data	As of 01.01.2016 transformed data
		in thousands of PLN	in thousands of PLN	in thousands of PLN
Fixed assets		**146 180**	**135 820**	**110 985**
Tangible fixed assets	26	97 123	82 609	83 108
Investment properties	28	11 192	15 799	12 869
Goodwill	29	4 349	-	422
Other intangible assets	29	16 019	17 394	12 532
Long-term investments		-	150	-
Diferred tax assets	21	501	-	1 930
Long-term receivables		16 960	19 832	-
Shares		36	36	125
Current assets		**249 464**	**277 876**	**223 266**
Inventories	33	182 262	135 787	150 464
Short-term investments		759	2 395	-
Trade and other receivables	34	63 856	109 109	70 984
Cash and cash equivalents	36	2 548	29 746	1 568
Income tax receivables		-	-	219
Assets available for sale		39	39	31
TOTAL ASSETS		**395 644**	**413 696**	**334 251**

LIABILITIES		As of 31.12.2017	As of 31.12.2016 transformed data	As of 01.01.2016 transformed data
		in thousands of PLN	in thousands of PLN	
Equity	37	**107 284**	**114 871**	**94 296**
Issued capital		59 180	54 180	54 180
Share premium		64 998	57 498	57 498
Reserve capital (revaluation reserve)		(144)	(4 374)	-
Retained profits	37	(15 407)	3 952	(18 997)
Equity attributable to shareholders of the parent company		108 627	111 256	92 681
Equity attributable to minority shareholders		(1 343)	3 615	1 615
Long-term liabilities		**44 116**	**28 298**	**29 314**
Long-term loans and bank credits	41	26 630	10 569	17 492
Other financial liabilities	41	8 475	6 814	3 705
Deferred tax provision	21	-	1 400	-
Long-term provisions	39	750	501	617
Other liabilities	42	8 260	9 014	7 500
Short-term liabilities		**244 244**	**270 526**	**210 642**
Trade and other liabilities	42	120 223	164 679	74 274
Short-term loans and bank credits	41	115 563	95 464	130 535
Other financial liabilities	41	2 833	6 545	1 624
Current tax liabilities		-	652	-
Short-term provisions	39	3 495	2 886	3 022
Deferred revenues		2 129	300	1 186
Total liabilities		**288 360**	**298 824**	**239 956**
TOTAL LIABILITIES		**395 644**	**413 696**	**334 251**

**data for the period have been adjusted. Description of changes in the point 14.*

Lublin, 09.05.2018

4. CONSOLIDATED CASH FLOW STATEMENT

for the period of 12 months ending on 31 December 2017 (in thousands of PLN)

	Note	01.01.2017 – 31.12.2017	01.01.2016 – 31.12.2016 transformed data
Operating cash flow			
Net profit / (loss)		(24 317)	20 675
Corrections in the items:		(41 444)	76 912
Minority shareholders' profits / losses		4 959	2 274
Depreciation	19	10 297	8 742
Net interest and dividends		4 737	(22)
(Profit) / loss on investment activities		(583)	(15 245)
(Increase) / decrease in receivables		37 181	(28 721)
(Increase) / decrease in inventories		(31 076)	(32 675)
Increase / (decrease) in liabilities		(66 451)	141 644
Change in provisions		1 735	124
Profits / losses on foreign exchange differences		(1 483)	(1)
Change in accruals		(7 076)	5 235
Other		6 316	(4 443)
Net operating cash flow		**(65 762)**	**97 587**
Sale of tangible fixed assets and intangible assets		131	503
Acquisition of tangible fixed assets and intangible assets		(1 696)	(10 126)
Sale of financial assets		2 210	(21 965)
Acquisition of financial assets		(6 816)	(1 658)
Dividends and interest received		721	262
Repayment of granted loans		9 485	1 232
Loans granted		(6 879)	(5 086)
Other		(102)	(292)
Net investment activities cash flow		**(2 946)**	**(37 130)**
Inflows from the issue of shares		13 092	-
Repayment of financial lease liabilities		(3 031)	(2 661)
Inflows from loans and bank credits		56 106	42 569
Repayment of loans / bank credits		(19 661)	(74 134)
Interest paid, including		(5 740)	(4 502)
Other		743	6 449
Net financial activities cash		**41 509**	**(32 279)**
Net increase in cash and cash equivalents		(27 199)	28 178
Net foreign exchange differences		1	
Cash at the beginning of the period		**29 746**	**1 568**
Cash at the end of the period, including	36	**2 548**	**29 746**

**data for the period have been adjusted. Description of changes in the point 14.*

Lublin, 09.05.2018

5. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period of 12 months ending on 31 December 2017 (in thousands of PLN)

	Capital	**Share premium**	**Reserve capitals (revaluation reserve)**	**Retained profits**	**Non-controlling interests**	**Total**
As of 1 January 2016	54 180	57 342	-	9 026	1 615	122 163
Corrections of previous years (note 14)		156		(28 023)		(27 867)
As of 1 January 2016 after correction	54 180	57 498	-	(18 997)	1 615	94 296
Profit or (loss) of the year (approved data)	-	-	-	17 083	-	17 083
Profit or (loss) of the year (error correction- note 14)	-	-			4 274	10 140
Other total income	-	-	(4 374)	-		(4 374)
Minority shareholders' share	-	-			(2 274)	(2 274)
As of 31 December 2016 after correction	**54 180**	**57 498**	**(4 374)**	**3 952**	**3 615**	**114 871**
As of 1 January 2017 afrer correction	**54 180**	**57 498**	**(4 374)**	**3 952**	**3 615**	**114 871**
Profit or (loss) of the year				(19 359)		(19 359)
Issue of shares	5 000	-				5 000
Other total income			4 230			4 230
Share premium		7 500				7 500
Minority shareholders' share	-	-	-	-	(4 959)	(4 959)
As of 31 December 2017	**59 180**	**64 998**	**(144)**	**(15 407)**	**(1 343)**	**107 284**

Lublin, 09.05.2018

Additional explanatory notes

6. General information

The URSUS Capital Group ("the Group") consists of the parent company URSUS S.A. (until 31.05.2012 POL-MOT Warfama S.A.) and its subsidiaries URSUS BUS S.A., URSUS Dysttrybucja sp. z o.o., Ursus sp. s o.o and AIU+ sp. z o.o. The consolidated financial statements cover the year ended 31 December 2017 and includes comparative data for the year ended 31 December 2016.

URSUS S.A. (“the parent company”) was established by virtue of a Notarial Deed dated 24 June 1997.
The registered office of the Parent company is located in Lublin at Frezerów street 7.
The parent company is registered in the Register of Entreprenuers of the National Court Register kept by the District Court, VI Commercial Division of the National Court Register, under the KRS number 13785.
The Company was given the statistical REGON number 510481080 and tax identification number (NIP): 739-23-88-088.
The duration of parent company as well as of entities comprising the Group is indefinite.
From 2014 the Company runs the main factory in Lublin and two production divisions in Dobre Miasto near Olsztyn and Opalenica near Poznan.

The main activities of the parent Company are:

- production of machinery for agriculture and forestry.

7. Composition of the Group

The Group as of 31.12.2017 consists of URSUS S.A. and its three subsidiaries, as wll as the affiliated companies. i.e. AIU+ sp. z o.o. and Nowe Technologie Przemysłowe sp. z o.o.:

Name of the company	Registered office	Scope of activities	Share in the share capital %	Share in the right to vote %
1. URSUS BUS S.A.	Lublin	production of buses	71	60
2. URSUS Dystrybucja sp. z o.o.	Lublin	sales of tractors and machinery	96	96
3. Ursus sp. z o.o.	Lublin	R&D	100	100
4. AIU+ sp. z o.o.	Lublin	R&D	24	24
5. Nowe Technologie Przemysłowe sp. z o.o.	Lublin	R&D	20	20

The Group as of 31.12.2016 consisted of URSUS S.A. and the following subsidiaries:

Name of the company	Registered office	Scope of activities	Share in the share capital %	Share in the right to vote %
1. URSUS Zachód sp. z o.o.	Lublin	sales of tractors and machinery	51	51
2. URSUS BUS S.A.	Lublin	production of buses	60	60
3. Ursus sp. z o.o.	Lublin	R&D	100	100

As of 31.12.2017, the share in the total number of votes held by the Group in subsidiaries is equal to the share of the Parent company in the capitals of the entity.

In the consolidated financial statement in accordance with IAS 8 point 8, which allows exemption from the rules contained in IFRS when the effects of exemption from their application is not important, Ursus sp. z o.o., AIU+ sp. z o.o. and Nowe Technologie Przemysłowe sp. z o.o. were not consolidated.

In 2017 there was no loss of control over the subsidiaries.

URSUS S.A. share capital as of 31.12.2017. Company's share capital amounted to 59,180,000 ordinary bearer shares with a nominal value of PLN 1.00 each and divided into 44.180.000 dematerialized shares and 15.000.000 shares with a form of a document.

According to the knowledge of the Company, as of the date of this statement, shareholders holding at least 5% of the total number of votes are the following entities:

Shareholders' Structure	Number of Shares	% of share capital	Number of votes	% of total votes number
POL-MOT HOLDING S.A. with its related companies*	23 684 996	40,02%	23 684 996	40,02%
PB ELIN sp. z o.o.	3 350 000	5,66%	3 350 000	5,66%
Others	32 145 004	54,32%	32 145 004	54,32%
Total	**59 180 000**	**100,00%**	**59 180 000**	**100,00%**

Source: The Issuer's Management Board

8. Composition of the Management and Supervisory Board

The composition of the Management and supervisory Board as of 31.12.2017:

Karol Zarajczyk – CEO since 05.11.2013
Monika Kośko –Vice-President of the Board since 17.10.2016
Michał Nidzgorski – Vice-President of the Board since 07.08.2017
Jan Wielgus – Member of the Board since 30.06.2008
Marek Włodarczyk – Member of the Board since 15.01.2015
Zoran Radosavljević – Member of the Board since 31.03.2017
Marcin Matusewicz - Member of the Board since 07.08.2017

On 8 January 2016 the Supervisory Board adopted a resolution on dismissal of Mr. Wojciech Zachorowski from the function of the Member of the Management Board. The reason of this recall was appointment of Mr. Wojciech Zachorowski to another responsible position in the Capital Group POL-MOT Holding.
On 17 October 2016 the Supervisory Board with the resolution no. 194/2016 decided to appoint Mrs Monika Kośko a Member/ Vice-President of the Management Board URSUS S.A.
On the 30th March 2017 the Supervisory Board of URSUS S.A. with the resolution no. 216/2017 decided to dismiss Mr. Abdullah Akkus as from the 31st March 2017 from the position of the Member of the Management Board which he has held since the 1st March 2014. At the same time the Supervisory Board of URSUS S.A. with the resolution no. 217/2017 decided to appoint Mr. Zoran Radosavljević as a Member of the Management Board URSUS S.A. of the current, joint term of office, as from the 31st March 2017.
On the 7th August 2017 the Supervisory Board of URSUS S.A. decided to appoint as from the 7th August 2017 Mr. Michał Nidzgorski as the Vice-President of the Management Board URSUS S.A. and Mr. Marcin Matusewicz as the Member of the Management Board URSUS S.A.

The composition of the Supervisory board as of 31.12.2017:
Andrzej Zarajczyk – Chairman of the Supervisory Board
Henryk Goryszewski – Deputy Chairman of the Supervisory Board
Zbigniew Janas – Member of the Supervisory Board
Zbigniew Nita – Member of the Supervisory Board
Stanisław Służałek - Member of the Supervisory Board
Michał Szwonder - Member of the Supervisory Board

9. Approval of the financial statement

The financial statement was approved for publication by the Board on 09.05.2018. After approval of the financial statement for publication, it is not possible to make any changes in the accounting books and in the financial statement itself. If after the preparation of the financial statement the entity receives information about events that have a significant impact on the financial statement, the effects of these events, shall be recognizes by the Company in the books of the financial year in which they were received.

10.The basis for the preparation of the annual financial statement

The financial statement was prepared according to the historical cost principle. Investment properties and financial derivatives are valued at fair value.

The financial statement is presented in Polish zlotys ("PLN") and all values, unless indicated otherwise, are expressed in thousands of PLN.
The financial statement was prepared on the going concern assumption by the company in the foreseeable future. At of the date of preparing this financial statement, there exist no circumstances indicating threat to the continuation the business by the company.

11. Declaration of conformity

The present separate financial statement was prepared in accordance with the International Financial Reporting Standards ("IFRS") and the IFRS as adopted by the EU. The IFRS comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and the Commission for the International Financial Reporting Interpretations ("IFRIC").

The Company maintains its accounting books in accordance with the policy (principles) set by the International Financial Reporting Standards ("IFRS").

12. Measurement currency and the currency of the financial statement.

The measurement currency and the currency of the financial statement is Polish zloty.

13. Voluntary change in the accounting principles

In the year 2017 the Company did not change its accounting principles. The financial statements are prepared with use of the same accounting terms (policies) as in the previous year, except for the IFRS changes which came into effect from the 1 January 2017.

14.Error correction

ASSETS	**31.12.2015 approved data**	**Correcrion of income according to the reccomendation of KNF 2015/2016**	**Error correction for 2015 and earliler years**	**31.12.2015 transformed data**
Tangible assets (long-term)		**5 770**	**- 285**	
Tangible fixed assets	83 460	-	-	83 108
Investment properties	-	-		
Long-term receivables	-	-		
Diferred tax assets	2 952	5 770	- 67	8 789
Current assets (short-term)		**30 371**	**- 3 402**	
Inventories	112 078	39 171	- 785	150 464
Short-term investments	-		-	-
Trade and other receivables	143 143	69 542	- 2 617	70 984
TOTAL ASSETS		**- 24 601**	**- 3 687**	
LIABILITIES				
Impact on equity	**122 163**	**- 24 601**	**- 3 2670**	**94 295**
Long-term liabilities		**-**		
Deferred tax provision	6 859	-		6 859
Short-term liabilities			**- 264**	
Credits and loans	130 535	-	-	130 535
Trade and other liabilities	74 274	-	-	74 274
Other financial liabilities	1 780	-	-	1 780
Accruals	1 450	-	- 264	1 186
Total liabilities		**-**	**- 264**	
TOTAL LIABILITIES		**24 601**	**- 3 531**	

ASSETS	31.12.2016 approved data	Reclassificatin adjustment for 2015 and earlier years affecting the balance sheet	Correcrion of income according to the reccomendation of KNF 2015/2016	Error correction for 2016	Presentation adjustments	31.12.2016 transformed data
Tangible assets (long-term)		**- 285**	**1 550**	**- 2 626**	**21 582**	
Tangible fixed assets	82 961	- 352	-	-	-	82 609
Investment properties	-	-	-	- 1 600	1 750	150
Long-term receivables	-	-	-	-	19 832	19 832
Diferred tax assets	4 165	67	1 550	- 1 026	-	4 756
Current assets (short-term)		**- 3 402**	**- 8 166**	**- 12 674**	**- 34 061**	
Inventories	143 859	- 785	1 431	- 8 718	-	135 787
Short-term investments	-	-	-	- 2 693	5 088	2 395
Trade and other receivables	162 535	- 2 617	- 9 597	- 1 263	- 39 149	109 909
TOTAL ASSETS		**- 3 687**	**- 6 616**	**- 15 300**	**- 12 479**	
LIABILITIES						
Impact on equity	**140 054**	**- 3 267**	**- 6 616**	**- 15 300**	**-**	**114 871**
Long-term liabilities		**-**	**-**	**- 907**	**-**	
Deferred tax provision	7 064	-		- 907		6 157
Short-term liabilities		**- 264**	**-**	**-**	**- 12 479**	
Credits and loans pożyczki	99 971	-	-	-	- 4 507	95 464
Trade and other liabilities	178 592	-	-	-	- 12 479	166 113
Other financial liabilities	2 038	-	-	-	4 507	6 545
Accruals	564	- 264	-	-	-	300
Total liabilities		**- 264**	**-**	**-**	**- 12 479**	
TOTAL LIABILITIES		**- 3 531**	**- 6 616**	**- 16 207**	**- 12 479**	

	31.12.2015 transformed data	Error correction for the year 2015	31.12.2015 transformed data	31.12.2016 approved data	Error correction for the year 2016	31.12.2016 transformed data
Sales revenues	324 427	-69 542	254 885	284 404	59 945	344 349
Costs of sales	-255 412	38 386	-217 026	-232 077	-46 458	-278 535
Saling costs	-32 097	-2 410	-34 507	-31 802	-892	-32 694
Other operational income	1 076	264	1 340	3 127	0	3 127
Other operational costs	-3 106	-558	-3 664	-3 228	-4 665	-7 893
Income tax	-2 188	5 837	3 649	302	-4 338	-4 036
Net profit (loss)		**-28 023**			**3 592**	

The above tabels present a numerical reconciliation between the financal data resulting from the approved financiual report of the company ending 31 December 2015 and the year ending 31 December 2016, a nd tye transformed data resulting from the identified errors, adjusted by the Company's Management Board. The identified errors are teh result of the review of particular balance-sheet items, the Zidentyfikowane błędy wynikają z przeglądu poszczególnych pozycji bilansowych, n the course of which balances of assets were identified (in particular work in progress in the amount of 8 718 thousand, trade recevivables and other, advance payments in the amount of 4 665 thousand, short- and long-term investments concerning loans granted in the amount of 4 293 thousand and tangible assets under construction in the amount of 352 thousand) and liabilitiies incorrectly settled in previous years. The Company correctly classifiesd balances of assets earlier presenented as short-term and classsified them as long-term assets or settled with short-term liabilities – the numerical reconciliation is presented in the table above. Besides, the Company changed presentation of assets and deferred tax liability previously presented as gross values and now presented as net values.

Moreover, according to reccomendation of the Polish Financial Supervision Authority (KNF), the Management Board of URSUS S.A. decided to consider revenues in compliance with IAS 18 par. 14-16, as revenues for the year 2017 in the amount of 9 587 thousand PLN resulting from execution of the contract with the Tanzanian company NDC (National Development Corporation), previosuly recognized in the revenues of 2016, while the amount of 69 542 thousand PLN was qualified as revenues of 2016, resulting from the execution of the contract with the Ethiopian company ESC (Ethiopian Sugar Corporation), previosuly recognized in the result of 2015, what results in necessity of correction of the financial data in the current reporting period and in years 2015- 2016.

15. New standards and interpretations

Accountng principles (policy) applied to the preparation of this separate financial statement for financial year ended 31 December 2017 are consistent with those applied in the preparation of the financial statement for the financial year ended 31 December 2016, except for the IFRS changes which came into effect from the 1 January 2017:

- Amendments to IAS 12 Income Taxes
- Amendments to IAS 7 Statement of Cash Flows
- Amendments to IFRS 12 resulting from the review of IFRS 2014-2016
-

These changes have not affected these financial statements to any significant extent.

In this financial statement, the Company decided not to use the published standards or interpretations before their effective date.

The new published standards and interpretations which are not yet effective at the balance sheet date:

- IFRS 9 Financial Instruments

The new standard was published on 24 July 2014 and applies for annual periods beginning on 1 January 2018 or later. The purpose of the standard is to organize the classification of financial assets and introduce the uniform principles of approach to the assessment of impairment for all financial instruments. The standard also introduces a new model of hedge accounting in order to harmonize the changes in recording risk management information in the financial statements.

The Group applies the amended standards in terms of the changes from 1 January 2018 year.

As of the date of preparation of this financial statement it is not possible to reliably estimate the impact of adopting the new standard. The Group started examining the impact of this new standard.

- IFRS 14 Regulatory Deferral Accounts

The new standard was published on 30 January 2014 and applies for annual periods beginning on 1 January 2016 or later. The new standard has a transitional character due to the ongoing work of the IASB on the regulation of the method of accounting transactions in terms of price regulation. The standard introduces the principle of recognition of assets and liabilities arising in connection with the transactions of regulated prices when the entity decides to switch to IFRS.

The Group will apply the new standard from 1 January 2016.

The application of the amended standard will have no effect on the financial statement of the Group.

- IFRS 15 Revenue from contracts with customers

The new unified standard was published on 28 May 2014 and is effective for annual periods beginning on 1 January 2017 or later with a permission for early application. The standard is to lay down a uniform framework for revenue recognition and contains rules which will replace most of the specific guidance on revenue recognition existing in IFRS, in particular IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

As of the date of preparation of this financial statement it is not possible to reliably estimate the impact of adopting the new standard. The Group started examining the impact of this new standard.

- Amendments to various standards resulting from the annual review of the International Financial Reporting Standards (Annual Improvements 2010-2012)

On 12 December 2013, further amendments to seven standards were published, resulting from the design of the proposed changes to the International Financial Reporting Standards published in May 2012. They are mainly used for annual periods beginning on 1 July 2014 or later.

The Group applies the amended standards in terms of the changes made from 1 January 2015 unless a different period of their entry into force shall be established.

The application of the amended standards will not have a significant effect on the financial statement of the Group.

- Amendments to various standards resulting from the annual review of the International Financial Reporting Standards (Annual Improvements 2011-2013)

On 12 December 2013, further amendments to four standards were published, resulting from the design of the proposed changes to the International Financial Reporting Standards published in November 2012. They are mainly used for annual periods beginning on 1 July 2014 or later.

The Group will apply the amended standards in terms of the changes made from 1 January 2015 unless a different period of their entry into force shall be established.

The application of the amended standards will not have a significant effect on the financial statement of the Group.

- Amendment to IAS 19 Defined benefit plans - the contributions of employees

The amendment was published on 21 November 2013 and is effective for annual periods beginning on 1 July 2014 or later. The amendments clarify and, in some cases, simplify the accounting principles for employee contributions (or other third parties) payable to the defined benefit plans.

The Group will apply the amended standard in terms of the changes made from 1 January 2015.

The application of the amended standards will not have a significant effect on the financial statement of the Group.

- Interpretation IFRIC 21 Public Tribute

The new interpretation was published on 20 May 2013 and is effective for annual periods beginning on 1 January 2014 or later. This interpretation provides guidance as to in which periods to recognize the obligation to pay certain public burdens (tributes).

The Group will apply the new interpretation as of the date specified in the Regulation of the European Commission, which adopts the interpretation for use in the European Union, i.e. from 1 January 2015.

The application of the amended standards will not have a significant effect on the financial statement of the Group.

- Amendments to IFRS 11 Recognition of the acquisition of shares in joint operations

Changes in the IFRS 11 were published on 6 May 2014 and are effective for annual periods beginning on 1 January 2016 or later. The aim is to provide specific guidelines clarifying the method of recognizing the acquisition of shares in joint operations which constitute an undertaking. The changes require the application of rules identical to those used in a business combination.

The application of the amended standards will not have a significant effect on the financial statement of the Group.

- Amendments to IAS 16 and IAS 38 Explanations in terms of the accepted methods of recognizing cancellation and depreciation

The amendments to IFRS 16 Tangible Fixed Assets and IAS 38 Intangible Assets were published on 12 May 2014 and are effective for annual periods beginning on 1 January 2016 or later. The change provides additional clarification in relation to the use of the methods allowed for depreciation. The aim is to indicate that the method of calculating the cancellation of tangible fixed assets and intangible assets based on revenues is not appropriate, however, in the case of intangible assets, this method can be used in certain circumstances.

The application of the amended standards will not have a significant effect on the financial statement of the Group.

- Amendments to IAS 16 and IAS 41 Agriculture: Production Plants

The amendments to IFRS 16 and 41 were published on 30 June 2014 and are effective for annual periods beginning on 1 January 2016 or later. This change indicates that the production plants shall be recognized in the same way as tangible fixed assets in the scope of IAS 16. Accordingly, the production plants are to be seen through the prism of IAS 16, instead of IAS 41. The agricultural products produced by production plants are still subject to IAS 41.

The application of the amended standards will not have a significant effect on the financial statement of the Group.

- Amendments to IAS 27: The equity method in separate financial statements

The amendments to IAS 27 were published on 12 August 2014 and are effective for annual periods beginning on 1 January 2016 or later. The changes restore in IFRS the option of recognizing in separate financial statements the investments in subsidiaries, joint ventures and affiliated companies by means of the equity method. When selecting this method, it should be applied for each investments within a given category.

The application of the amended standards will not have a significant effect on the financial statement of the Group.

- Amendments to IFRS 10 and IAS 28: Sales or transfers of assets between the investor and the affiliated company or joint venture

The change in the IFRS 10 and IAS 28 were published on 11 September 2014 and are effective for annual periods beginning on 1 January 2016 or later. The amendments clarify the accounting for transactions in which the parent company loses control of a subsidiary which does not constitute "a business" as defined in IFRS 3 "Business Combinations", by way of sale of all or part of the shares in the subsidiary to an affiliated company or joint venture recognized by using the equity method.

As of the date of preparation of this financial statement it is not possible to reliably estimate the impact of adopting the new standard.

- Amendments to various standards resulting from the annual review of the International Financial Reporting Standards (Annual Improvements 2012-2014)

On 25 September 2014 subsequent amendments to four standards were published, resulting from the design of the proposed changes to the International Financial Reporting Standards published in December 2013. They are mainly used for annual periods beginning on 1 January 2016 or later.

The Group will apply the amended standards in terms of the changes made from 1 January 2016, unless a different period of their entry into force shall be established.

The application of the amended standards will not have a significant effect on the financial statement of the Group.

- Amendments to IAS 1: Initiative on disclosures

On 18 December 2014, as part of a large initiative aimed at improving the presentation and disclosure in the financial reports, amendments to IAS 1 were published. These changes are designed to further encourage the use of professional judgment in determining what information should be disclosed in the financial statements. For ex ample, the changes clarify that the significance applies to entire financial statements and that the incorporation of irrelevant information can reduce the usefulness of purely financial disclosures. In addition, the changes clarify that entities should use professional judgment in determining the place and order of the information presentation when disclosing the financial information.

The published changes are accompanied by a draft amendment to IAS 7 Cash flow statement, which enhances the disclosure requirements relating to cash flow from financial activities and cash and cash equivalents of the entities.

The changes may be applied immediately, and mandatory for annual periods beginning on 1 January 2016 or later. The Group started examining the effects of the implementation of such changes. The Group will apply the amendments not later than 1 January 2016, which may result in a change in the scope and / or form of disclosures presented in the financial statement.

- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: an exception from consolidation

The amendments to IFRS 10, IFRS 12 and IAS 28 were published on 18 December 2014 and are effective for annual periods beginning on 1 January 2016 or later. Their aim is to clarify the accounting requirements of investment entities.

The Group believes that the application of the amended standards will have no effect on the financial statement of the Group.

IFRS as adopted by the EU do not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), except for the following standards, interpretations and amendments to them, which as of the date of approval of this financial statement for publication have not yet been adopted for application by the EU:

- IFRS 9 Financial Instruments published on 24 July 2014
- IFRS 14 Regulatory Deferral Accounts published on 30 January 2014
- IFRS 15 Revenue from contracts with customers published on 28 May 2014
- Amendments to IFRS 11 Recognition of the acquisition of shares in joint operations, published on 6 May 2014
- Amendments to IAS 16 and IAS 38 Explanations in terms of the accepted methods of recognizing cancellation and depreciation published on 12 May 2014
- Amendments to IAS 16 and IAS 41 Agriculture: Production Plants published on 30 June 2014
- Amendments to IAS 27: The equity method in separate financial statements published on 12 August 2014
- Amendments to IFRS 10 and IAS 28: Sales or transfers of assets between the investor and the affiliated companies or joint venture published on 11 September 2014
- Amendments to various standards resulting from the annual review of the International Financial Reporting Standards (Annual Improvements 2012-2014) published on 25 September 2014
- Amendments to IAS 1: Initiative on disclosures,
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: an exception from consolidation.

16. Significant values based on the professional judgment and estimates

Professional judgment

When a transaction is not regulated by any standard or interpretation, the Management Board relies on a subjective judgment, determines and applies accounting policies which will ensure that the financial statement contains only relevant and reliable information, and will:

- be accurate, clear and provide a fair view of the material and financial situation of the Group, the results of its operations and cash flows;

- reflect the economic substance of transactions,

- be objective,

- be prepared in accordance with the principle of prudent valuation,

- be complete in all significant aspects.

Uncertainty of estimates

The preparation of a separate financial statement requires from the Company's Management Board to make estimates, since many of the information contained in the financial statement can not be measured accurately. The Board verifies the estimates based on changes of the factors taken into account in their calculation, new information or past experience. Consequently, the estimates made as of 31 December 2014 can be changed in the future. The main estimates are described in the following notes:

Note		Type of information disclosed
33	Trade receivables revaluation	Non-repayment of debt risk
21	Income tax	Assumptions on the use of temporary differences between carrying value and tax value in the future.
39	Employee benefits	Discount rates – 2,8%, the rate of staff turnover - high, the expected rate of wage growth - 0.5% per annum
48	The fair value of derivatives and other financial instruments	Valuation at market value of concluded lease agreements
17.3	The economic life of tangible and intangible assets	The economic lives and depreciation method are verified at least at the end of each financial year.

17.Significant accounting principles

17.1 Participation in joint ventures

Not occurred.

17.2 Translation of amounts denominated in a foreign currency

Transactions denominated in currencies other than the Polish zloty are translated into Polish zloty by using the exchange rate prevailing on the day preceding the date of the transaction.

As of the balance sheet date, monetary assets and liabilities denominated in currencies other than the Polish zloty are translated into Polish zloty by using the average exchange rate for a given currency by the Polish National Bank, prevailing at the end of the reporting period. The resulting exchange differences are recognized in the position:

- sales revenues; if they relate to trade receivables,
- own cost of sale; if they relate to trade liabilities,
- financial revenues (costs) in the case of other assets or liabilities.

Non-monetary items recognized at historical cost in a foreign currency are recognized at the historical exchange rate of the transaction date.

1.1. Rates adopted for balance sheet valuation

Exchange rate effective on the last day of the period	31.12.2017	31.12.2016
USD	3,4813	4,1793
EURO	4,1709	4,4240
The average exchange rate, calculated as an arithmetic average of the rates prevailing on the last day of each month during the period	31.12.2017	31.12.2016
USD	3,7439	3,9680
EURO	4,2447	4,3757

Tangible fixed assets

Tangible fixed assets are recognized at the cost of acquisition / production cost less accumulated cancellation and any impairment loss in value. The initial value of fixed assets includes their acquisition price plus any costs directly attributable to the acquisition and adaptation of an asset to a condition of use and increased by external financing costs until the fixed asset is available for use. The cost also includes the cost of replacing parts of machinery and equipment when incurred, if the recognition criteria are met. The costs incurred after the fixed asset is set into use, such as maintenance and repair costs, are charged to the income statement when incurred.

The Company valued a part of the fixed assets at fair value and recognized that value as assumed cost as of 01.01.2005, which is the date of transition to IFRS. The fair value of assets acquired before 1.01.2005. (date of transition to IFRS) was based on the appraisal performed by property appraisers. The purchase price of fixed assets acquired after that date shall be considered as their fair value.

Major spare and service parts, recognized as tangible fixed assets are depreciated in accordance with the expected working life, but not longer than the life of fixed assets that are servicing.

The expenditure on repairs, which do not improve or extend the life of an asset, are recognized as expenses when incurred. Otherwise they are capitalized.

Depreciation is calculated on a straight-line basis by the estimated life of the asset, which is:

Type	Period
Buildings and constructions	–20-40 years
Machinery and equipment	–2-14 years
Computers	- 3 years
Vehicles	–2-7 years

Investments in progress, relate to fixed assets under construction or assembly and are recognized at acquisition price or production cost. Fixed assets under construction are not depreciated until completed and recognising the fixed asset as available for use.

The residual value, life and depreciation method of assets are verified and adjusted, if required - at the end of each financial year.

External financing costs

External financing costs are recognized as expenses when incurred upon the return of the fixed asset into use.

Investment properties

The initial recognition of investment properties is valued at acquisition price including transaction costs. The carrying amount includes the cost of replacing part of an investment property at the time when that cost is incurred if the recognition criteria are met, and does not include the cost of the maintenance of such properties. After initial recognition, investment properties are presented at fair value. Profits or losses arising from changes in fair value of investment properties are disclosed in the income statement in the period in which they arise.

Assets are transferred to investment properties only when there is a change in their use, evidenced by the end of the use of the asset by the owner, by an operating lease agreement or completion of building / construction of an investment property.
When transferring the investment property to assets used by the owner, or inventories, the alleged cost of such an asset, which will be adopted for the purposes of its recognition in a different category, is equal to the fair value at the date of a change in its use. If the asset used by the owner – Company, becomes an investment property, the Group applies the principles described in the section Tangible fixed assets up to the date of change in use of the property. When assets are transferred from inventories to investment properties, the difference between the fair value of the property at the date of the transfer and its previous carrying amount is recognized in profit or loss. When the Group completes the construction or production of an investment property, the difference between the fair value of the property at that date and its previous carrying amount is recognized in profit or loss.

Leasing and right of perpetual usufruct of land

Financial lease contracts which transfer to the Company substantially all of the risks and rewards resulting from the ownership the leased item, are capitalized at the lease commencement date according to the lower of the following two values: the fair value of the fixed asset, constituting the lease subject or the present value of the minimum lease payments. Lease payments are divided into financial costs and reduction of the lease liability so as to achieve a constant rate of interest of the outstanding obligations. Financial costs are charged directly to the income statement.

Fixed assets used under financial lease agreements are depreciated over the estimated life of the asset.

The right of perpetual usufruct of land is recorded in tangible fixed assets according to the historical value or in the investment properties at fair value and is not subject to cancellation.

Intangible assets

Intangible assets include: development costs, software, licenses, safety certificates and trademarks. In 2011, the company acquired the trademark URSUS. Since it is impossible to estimate the period of economic use of the trademark, the company makes no depreciation.

Research costs are recognized in the income statement in the period in which they are incurred. The development costs that meet criteria for capitalization, described below, as well as other intangible assets, are valued at acquisition price or production cost less accumulated cancellation.

Criteria for capitalization:

- a possibility, from a technical point of view, of completing the intangible asset so that it will be available for use or sale,
- the intention to complete the intangible asset as well as its use or sale,
- the ability to use or sell the intangible asset;
- the manner in which the intangible asset will generate probable future economic benefits. Among other things, the entity should demonstrate the existence of a market for products arising thank to intangible asset or the asset itself or - if the asset is to be used by the entity - the usefulness of the intangible asset;
- the availability of adequate technical, financial and other resources which are to complete the development and the use or sale of the intangible asset,

  the ability to reliably measure the expenditure during the development work attributable to the intangible asset.

  Depreciation is calculated on a straight-line basis, according to the estimated life, which amounts to:

  • development costs 3-5 years

  • licensing and software 3 years.

Recoverable amount of long-term assets

At each balance sheet date, the Group evaluates the assets for the existence of premises indicating their impairment. If any such indication exists, the Company makes a formal estimate of the recoverable amount. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, it is considered to be impaired and a revaluation of its value to the recoverable Mount is made. The recoverable amount is one of two values depending on which one is higher: the fair value less costs of sale or value in use of an asset or cash-generating unit.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party.

The Group classifies financial assets into the following categories:
• Financial assets at fair value by the financial result,
• Loans and receivables;
• Financial assets held until due,
• Financial assets available for sale.
Financial liabilities are divided into:
• Financial liabilities at fair value by the financial result,
• Financial liabilities valued at Th depreciated cost.
The basis of classification is the goal of the acquisition of financial assets and their character. The Group determines the classification of its financial assets at initial recognition and re-evaluates this designation at each balance sheet date.

Financial assets
Financial assets are valued at the time they are recorded in the accounting books at fair value. The initial valuation is increased by transaction costs except for financial assets categorized at fair value by the financial result. Transaction costs related to a possible sale of the asset are not included in the subsequent valuation of financial assets. A financial asset is recognized in the balance sheet when the Company becomes a party to a agreement (contract) from which a financial asset arises.
At each balance sheet date, the Group assesses whether there is any indication of impairment of a financial asset (or group of financial assets). In the case of instruments classified as available for sale, in determining whether the assets are impaired, inter alia, a significant or prolonged decline in the fair value of the security below its cost shall be taken into account.

Financial assets at fair value by the financial result
This category includes two groups of assets: financial assets held for trading and financial assets designated upon initial recognition as at fair value by the financial result. A financial asset is classified as held for trading if it was acquired for the purpose of selling in the short term, if it is part of the portfolio, which generates short-term profits, or is a derivative with a positive fair value.
In the Group, this category includes primarily derivative instruments (the Group does not apply hedge accounting) and debt or equity instruments that were purchased for resale in the short term.
Embedded derivatives are separated from the contracts and treated as derivatives if all of the following conditions are met:
- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the contract in which the instrument is embedded,
- a separate instrument entailing identical performance conditions as the embedded derivative would meet the definition of a derivative,
- hybrid instrument (complex) is not valued at fair value and changes in its fair value are recognized in net profit / loss (i.e. A derivative that is embedded in a financial asset or financial liability at fair value through profit or loss, is not separated).

Embedded derivatives are recognized in the same way as other derivatives.

Assets classified as financial assets at fair value by the financial result are valued at each balance sheet date at fair value and any profits or losses are recognized in financial revenues or costs. Derivatives valuation is carried at fair value on the balance sheet date and at the end of each reporting period based on valuations performed by the banks realizing the transactions. Other financial assets at fair value by a financial result are valued using stock quotes, and in the absence of appropriate evaluation techniques, which include: the use of prices of recent transactions or offer prices, comparison to similar instruments and option pricing models. The fair value of debt instruments represent future cash flows discounted at the current market interest rate for similar instruments.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Depending on their due date they are classified as fixed assets (assets due within more than one year from the reporting date) or current assets (assets due within one year from the reporting date). Loans and receivables are valued at the balance sheet date at a depreciated cost. This group includes mainly trade receivables and bank deposits and other cash as well as loans and acquired unlisted debt instruments, not included in other categories of financial assets.

Financial assets held until due
Financial assets held until due date are investments with fixed or determinable payments and fixed maturities towards which the Company has a positive intent and ability to hold until maturity. The Company includes in this category only listed debt instruments unless they have been previously classified as financial assets at fair value by financial result or as financial assets available for sale. Financial assets held to due date are evaluated at each reporting date at depreciated cost using the effective interest rate method.

Financial assets available for sale
Financial assets available for sale are financial instruments, other than derivatives, designated as "available for sale" or that were not classified elsewhere. Financial assets available for sale primarily include debt instruments acquired to invest financial surpluses in so far as these instruments have not been classified as financial assets at fair value by the financial result due to the intention to hold them short in the Group. Furthermore, the Group includes in this category equity investments which are not subject to the consolidation requirement.
Financial assets available for sale are classified as fixed assets unless there is no intention to dispose of the investment within one year from the date of the balance sheet or otherwise they are classified to current assets. Financial assets available for sale are valued at each reporting date at fair value and profits and losses (except for losses from impairment) are recognized in equity.

Financial liabilities at fair value by the financial result
This category includes two groups of liabilities: financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value by the financial result. Financial liabilities held for trading are liabilities which:

have been incurred principally for the purpose of selling or repurchasing in the near time or are a part of a portfolio of certain financial instruments that are managed together and for which one can confirm the generation of short term profits or which are derivatives.
The Group's financial liabilities at fair value by the financial result are primarily derivatives (the Group does not apply hedge accounting) with a negative fair value. Liabilities classified as financial liabilities valued at fair value are valued at each reporting date at fair value and any profits or losses are recognized in financial revenues or costs. Derivatives valuation is carried at fair value at the balance sheet date and at the end of each reporting period based on valuations performed by the banks realizing the transactions. The fair value of debt instruments represents future cash flows discounted at the current market interest rate for similar instruments.

Financial liabilities
Financial liabilities are valued at the moment of their recognition in the accounting books at fair value. The initial valuation includes transaction costs except for financial liabilities categorized at fair value by the financial result. The transaction costs of selling a financial liability are not included in the subsequent valuation of these liabilities. A financial liability is recognized in the balance sheet when the Company becomes a party to a agreement (contract) from which a financial liability arises.

Inventories

Inventories are stated at their effective purchase prices or acquisition prices (in the case of goods) or production costs not higher than net selling prices. The net sale price constitutes an obtainable selling price at the balance sheet date without any tax payable on goods and services, less any rebates and discounts and the costs of adapting inventories to sale and bring them to fruition.

The value of decreases of inventory is determined according to the First-In-First-Out principle.

Costs incurred for bringing each inventory item to their present location and condition -
both for the current and previous year - are recognized as follows:

Materials	- at the effective purchase price;
Finished goods and work in progress	- cost of direct materials and labor and an appropriate proportion of manufacturing overheads based on normal operating capacity, excluding external financing costs;
Products	- at acquisition cost

Inventories are valued at fair value (less Any impairment). The impairment of inventories is created in connection with the loss of their value, in order to bring the value of inventories to the net recoverable amount. Impairments are recognized in the income statement under "own cost of sale". In contrast, increases in value of inventories are recognized as a reduction of own cost of sale. The value of the impairment looses reduces the carrying amount of inventories subject to the impairment.

Trade and other receivables
Trade and other receivables are recognized at the amount due, according to the prudent valuation principle. The value of receivables is updated by making an impairment of all receivables whose collectability is in doubt, belonging to the cost of sale.
The value of receivables is updated by taking into account the likelihood of their payment and by making a impairment. Impairment of trade receivables is established when there are objective evidence that the collection of all amounts due according to the original contractual terms shall not take place. The assessment of whether there is objective evidence of impairment is performed on an ongoing basis, after receiving information about the occurrence of a objective evidence that may determine an impairment, at least at the end of a quarter.

In particular, the impairment is made equal to 100% in respect of the claim:
• from debtors put into liquidation or bankruptcy, to the extent not covered by guarantee or other security,
• from debtors in case of a dismissal of the bankruptcy petition, if the mass of the debtor is not sufficient to cover the costs of bankruptcy proceedings in the full amount of the claim,
• disputed by the debtors and with the payment with which the debtor falls behind to the extent not covered by a guarantee or other security, if the assessment of economic and financial situation of the debtor indicates that the payment of the contractual amount in the next six months is not possible,
• overdue or not overdue with a significant likelihood of irrecoverability, at reliably estimated amount of impairment of receivables deemed irrecoverable,

Impairment losses on receivables are recognized as costs of sale. Reversal of impairment loss is recognized in the the income statement as a reduction of cost of sale.

Cash and cash equivalents

Cash and short-term deposits recognized in the balance sheet comprise cash at the bank and in hand as well as short-term deposits with an original maturity up to three months.

The balance of cash and cash equivalents recognized in the cash flows statement consists of the aforementioned cash and cash equivalents.

Equity
Equity is recognized in the accounting books by type, in accordance with the principles set out by law and the Articles of Association of the Company.
Share capital is recognized in the amount disclosed in the Articles of Association and the National Court Register.

The capital from issue of shares above their nominal value - this capital constitutes the surplus resulting from issuing, less costs incurred in connection with the issuance of shares.
Retained earnings constitute: supplementary capital and reserve capitals created from profit from subsequent years, retained earnings or uncovered loss from previous years (accumulated profits / losses from previous years), the result of the current financial year.
Declared but not paid capital contributions are recognized as outstanding share capital contributions. Own shares and due contributions to capital reduce the value of the Company's equity.

Interest-bearing bank credits, loans and debt securities
Upon initial recognition, all bank credits are recognized at acquisition price being the fair value of cash received. The Group uses short-term bank overdrafts by charging interest on the accrual basis, interest-bearing credits are subsequently valued at the depreciated acquisition price using the effective interest rate method, due to the insignificance of the impact of the assignment of the interest by the principle of depreciated acquisition price.

Trade and other liabilities
Trade and other liabilities are recognized at historical cost.
Liabilities not classified as financial liabilities valued at the amount due.

Provisions
Provisions are recognized when the Group has an obligation (legal or constructive) as a result of past events and when it is probable that the fulfillment of this obligation will result in an outflow of resources embodying economic benefits, and one can make a reliable estimate of the amount of the obligation. When the effect of the money value in time is material, the value of provisions is determined by discounting the expected future cash flows to the current value using a discount rate that reflects current market assessments of the money value in time and possible risks specific to the liability.

Employee benefits

- Retirement benefits

In accordance with applicable rules on remuneration the employees of the company are entitled to severance pensions.

The Company does not assign assets which would be used for future settlement of liabilities for retirement benefits. The Company creates a provision for future liabilities for retirement benefits in order to allocate costs to the periods to which they relate.

The value of future liabilities due to retirement benefits is calculated by a qualified actuary using the method of accumulated future benefits, taking into account the projected increase in remuneration, which is the basis of assessment of future benefits, the assumed discount rate; the assumed probability of achieving an appropriate seniority, provided to stay in employment with the current employer, the likelihood of survival by an employee until the age of retirement (the likelihood of achieving a single entitlement to severance pay), provided to stay in employment with the current employer, the likelihood of invalidity of the employee before the age retirement (the likelihood of achieving a single entitlement to pension) provided to stay in employment with the current employer.

The amount of the provision is updated once a year - at the end of the year. A correction increasing or decreasing the amount of the provision is recognized in the operating costs (employee benefits).

The use of such provisions reduces provisions (current encumbrance of operating costs by amounts of paid benefits with a simultaneous adjustment of provisions at the end of the period is not acceptable). The dissolution of the above provision adjusts (decreases) the costs of employee benefits.

-The benefit relating to the termination of employment

In the event of a termination of employment the employees of the company are entitled to the benefits provided by the applicable Polish labor laws, among others the equivalent due to a unused annual leave.

Provision for employee leaves is calculated as quotient of average salary and numer (in days) of not used holidays as at the balance sheet day of all employees.

-Awards from the net profit
In accordance with applicable regulations on remuneration employees of the Group are entitled to the award from the net profit. In view of the fact that at the balance sheet date it is not possible to reliably estimate the amount of the liability, the Group recognizes the costs of employee benefits relating to awards from the net profit in the cost of the financial year in which the resolution was adopted on the distribution of profit and the awards from profits were paid out.

-Allowances for Company Social Benefit Fund from the net profit

In accordance with applicable regulations on remuneration it is possible to allocate a part of profit to the Company Social Benefit Fund. In view of the fact that at the balance sheet date it is not possible to reliably estimate the amount of the liability, the Group recognizes the costs of employee benefits relating to allowances for Company Social Benefit Fund from the net profit to the cost of the financial year in which the resolution was adopted on allocation of the net profit to the Company Benefit Social Fund.

-Other employee benefits
The costs of other employee benefits are recognized in the cost of the financial year in which they were approved for payment, as usually only upon approval of the amount to be paid, it is possible to reliably estimate the amount of the benefit.

Revenues
Revenues are recognized in the amount at which it is probable that the Group will collects economic benefits associated with the transaction and when the amount of the revenues can be measured reliably. Revenues are recognized after deducting the value added tax (VAT), excise tax as well as rebates (discounts, bonuses).

The amount of revenues is determined at the fair value of payment received or receivable. Revenues are valuated according to values discounted if the effect of changes in the value of money in time is significant (the period to obtain payment longer than 360 days is considered as such). In the case of recognition of revenues at a discounted value, the value of the discount is recognized according to the leakage of time as the increase in the value of the receivables and reflected as financial revenues.

Foreign exchange differences resulting on the execution as well as balance sheet valuation of trade receivables adjust sales revenues.

The recognition of revenues is also subject to the criteria set forth below.

Sale of goods
Revenues are recognized when the significant risks and rewards of ownership of the goods have been assigned to the purchaser and when the amount of revenues can be measured reliably.

Providing services
Revenues from services are recognized on the basis of the stage of completion.

Dividends
Dividends are stated upon the determination of shareholders' right to receive them.

Revenues from lease
Revenues from investment property lease are recognized on a straight-line basis throughout the lease term in relation to open contracts

Government grants
The Group recognizes government grants at the time of the reasonable assurance that the grant will be received and that it will comply with the relevant conditions. In order to recognize government grant both of the above conditions must be met.

If the grant relates to an asset, its fair value is recognized in deferred revenues and then gradually, by means of equal annual written-offs, write off to the profit and loss account during the estimated life of the asset.

If the grant relates to an expense item, it is recognized as revenue proportionally to the costs that the grant is intended to compensate.

If the grant is a form of compensation for costs already incurred or losses, or has been granted to an enterprise in purpose of giving immediate financial support with no future related costs, it shall be recognized as revenue in the period in which it becomes receivable.

Tangible fixed assets and intangible assets received in the form of grants are recognized at fair value.

Income tax
For financial reporting purposes, the provision for income tax is provided by using the liability method, on all temporary differences at the balance sheet date between the tax value of assets and liabilities and their carrying amounts recognized in the financial statement.

The provision for deferred tax is recognized for all taxable temporary differences:
- except situation where the provision for deferred tax arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction other than a business combination and at its conclusion, having no influence on the gross financial result nor taxable profit or loss; and
- in respect of taxable temporary differences arising from investments in subsidiaries, affiliated companies and interests in joint ventures - except situations when the dates of the reversal of temporary differences are subject to an investor control and it is probable that in the foreseeable future the temporary differences will not reverse.
- Deferred tax assets are recognized for all deductible temporary differences as well as unused tax assets and unused tax losses carried forward to subsequent years, in the amount that would enable achiving the taxable profit, which will allow for the use of the aforementioned differences, assets and losses:
- except situation where the deferred tax relating to the deductible temporary differences, which arise from the initial recognition of an asset or liability in a transaction other than a business combination and at its conclusion shall not affect neither the gross financial result nor taxable profit or loss, and
- in respect of deductible temporary differences associated with investments in subsidiaries, affiliated companies and interests in joint ventures, the deferred tax asset is recognized only to the extent that would make probable that in the foreseeable future the aforementioned temporary differences shall be reversed and the taxable profit will be achieved, sufficient for deduction of deductible temporary differences.

The carrying amount of deferred tax is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that a taxable income sufficient for a partial or full realization of the asset for deferred income tax shall be achieved.

Deferred tax assets and deferred tax provision are valued using the tax rates which are expected to be applicable in the period when the asset is realized or the provision is terminated, assuming as the basis tax rates (and tax regulations) in force at the balance sheet date or those whose future application is certain on the balance sheet date.

The income tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

From 2012, the Company calculates the tax depreciation of the trademark. The Company does not determine the provision for income tax of the trademark, because it does not provide for the completion of the asset sale transaction.

Net earnings per share
The net earnings per share for each period are calculated by dividing the net profit for the period by the weighted average number of shares at a given reporting period. The Company does not present diluted earnings / loss per share, as there are no dilutive potential ordinary shares.

18. Information on business sectors

An operating segment is a component of an entity:

a) which engages in business activities for which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),
b) whose operating results are regularly reviewed by the chief operating decision maker in the unit and using these results to decide on the allocation of resources to the segment and assess its performance segment, as well as
c) in the case of which separate financial information is available.

The range of products of the Group are addressed to the same audience and are subject to the same risk. The Group's products are characterized by a similar level of return on investment. In view of the above, the Group prepares a report by operating segments as the Management Board shall examine the results of generating profit centers or facilities.

The following tables present revenue and profits and certain assets and liabilities of individual operating segments of the Group for the year ended 31 December 2017 respectively and 31 December of 2016.

01.01.2017-31.12.2017

	Division of production in Dobre Miasto	**Division of production in Opalenica**	**Division of production in Lublin**	**URSUS Zachód**	**URSUS Wschód**
Income					
Sale	44 802	20 868	192 942	37 615	37 857
Total income of the segment	**44 802**	**20 868**	**192 942**	**37 615**	**37 857**
Costs					
Own costs of sales	(42 362)	(17 332)	(149 728)	(34 678)	(35 423)
Total costs of the segment	**(42 362)**	**(17 332)**	**(149 728)**	**(34 768)**	**(35 423)**
Gross profit (loss) from the sale of the segment	**2 440**	**3 536**	**43 214**	**2 937**	**2 434**
Costs of sale	(4 140)	(1 203)	(24 484)	-	-
Costs of general management	(3 648)	(1 797)	(14 070)	(3 265)	(3 649)
Operational profit (loss) of segment*	**(5 349)**	**535**	**4 659**	**(328)**	**(1 215)**
Other operational profits/costs	(129)	(1 750)	460	(1 069)	(802)
Profit (loss) from continuing operations before tax and finance costs	-	-	-	-	-
Revenue due to interests	-	-	-	-	-
Costs due to interests	-	-	-	-	-

Other financial revenues/costs net	-	-	-	-	-
Profit (loss) before taxation	-	-	-	-	-
Income tax	-	-	-	-	-
Profit (loss) net for financial year	**-**	**-**	**-**	**-**	**-**
Total profit attributable to					
parent company's shareholders					
minority shareholders					
Assets and liabilities					
Liabilities of segment	58 841	9 320	154 021	-	-
Unallocated liabilities	-	-	-	-	-
Total assets	**58 841**	**9 320**	**154 021**	**-**	**-**
Liabilities of segment	10 930	4 878	72 658	-	-
Unallocated liabilities	-	-	-	-	-
Equity	-	-	-	-	-
Total liabilities and equity	**10 930**	**4 878**	**72 658**	**-**	**-**
Other information concerning segment					
Total investment expenditure:					
Tangible fixed assets	474	336	2 647	-	-
Intangible assets	93	-	1 020	-	-
Amortization of tangible fixed assets	1 864	488	3 849	-	-
Amortization of intangible assets	446	8	1 531	-	-
Other expenditures:					
reserve for warranty repairs	-	-	500	-	-

01.01.2017-31.12.2017 **Continued activity**

	URSUS Dystrybucja	URSUS BUS	Total	Exclusions	Total operation
Income					
Sale	4 691	30 204	368 979	(91 405)	277 574
Total income of the segment	**4 691**	**30 204**	**368 979**	**(91 405)**	**277 574**
Costs					
Own costs of sales	(4 114)	(31 256)	(314 893)	85 199	(229 694)
Total costs of the segment	**(4 114)**	**(31 256)**	**(314 893)**	**85 199**	**######**
Gross profit (loss) from the sale of the segment	**577**	**(1 052)**	**54 086**	**(6 206)**	**47 881**
Costs of sale	-	(1 811)	(31 639)	-	(31 639)
Costs of general management	(491)	(4 370)	(31 290)	-	(31 290)
Operational profit (loss) of segment*	**86**	**(7 232)**	**(8 843)**	**(6 206)**	**(15 049)**
Other operational profits/costs	1	(3 742)	(7 030)		(7 030)
Profit (loss) from continuing operations before tax and finance costs	-	-	(15 873)	(6 206)	(22 078)
Revenue due to interests	-	-	473	(295)	178

Costs due to interests	-	-	(5 210)	295	(4 916)
Other financial revenues/costs net	-	-	(319)	-	(319)
Profit (loss) before taxation	-	-	**(20 931)**	**(6 206)**	**(27 135)**
Income tax	-	-	(2 452)	(365)	(2 817)
Profit (loss) net for financial year	**-**	**-**	**(18 478)**	**(5 841)**	**(24 317)**
Total profit attributable to					
parent company's shareholders			(3 768)	(1 191)	(4 959)
minority shareholders			**(14 710)**	**(4 650)**	**(19 359)**
Assets and liabilities					
Liabilities of segment	97 984	33 636	294 961	-	294 961
Unallocated liabilities	-	-	100 683	-	100 683
Total assets		**33 636**	**395 644**	**-**	**395 644**
Liabilities of segment	10 429	10 402	109 296	-	109 296
Unallocated liabilities	-	-	179 063	-	179 063
Equity	-	-	107 284	-	107 284
Total liabilities and equity		**10 402**	**395 644**	**-**	**395 644**
Other information concerning segment					
Total investment expenditure:					
Tangible fixed assets	-	-	810	-	810
Intangible assets	-	-	1 113	-	1 113
			-		
Amortization of tangible fixed assets	-	-	2 352	-	2 352
Amortization of intangible assets	-	-	1 977	-	1 977
Other expenditures:					
reserve for warranty repairs	-	-	500	-	500

01.01.2016-31.12.2016	**Continued activity**							**Exclusions**	**Total operations**
	Division of production in Dobre Miasto	**Division of production in Opalenica**	**Division of production in Lublin**	**Bioenergia Invest**	**URSUS Zachód**	**URSUS BUS**	**Total**		
Income									
Sale for external customer including:	48 547	22 574	212 482	1 756	31 112	5 917	322 388	(37 984)	284 404
- customers when value of transactions in the period exceeds 10% or more of income						-	-		
Inter-segment sale						-	-		-
Total income of the segment	**48 547**	**22 574**	**212 482**	**1 756**	**31 112**	**5 917**	**322 388**	**(37 984)**	**284 404**
Costs									
Own cost of sales for external customers including	(45 675)	(17 925)	(166 597)	(1 342)	(30 056)	(7 837)	(269 432)	37 356	(232 077)
own cost of inter-segment sale						-	-		-
Total costs of segment	**(45 675)**	**(17 925)**	**(166 597)**	**(1 342)**	**(30 056)**	**(7 837)**	**(269 432)**	**37 356**	**(232 077)**
Gross profit (loss) from the sale of the segment	**2 872**	**4 649**	**45 884**	**414**	**1 056**	**(1 920)**	**52 956**	**(628)**	**52 327**
						-	-		-
Costs of sale	(5 206)	(2 144)	(23 773)	-	(92)	(588)	(31 802)	-	(31 802)
Costs of total management	(3 301)	(2 420)	(16 283)	(1 223)	(900)	(1 539)	(25 665)		(25 665)
Operational profit (loss) of segment*	**(5 635)**	**85**	**5 828**	**(809)**	**65**	**(4 046)**	**(4 512)**	**(628)**	**(5 140)**

Other operational profits/costs	44	(24)	3 207	(1 116)	28	-	2 139	357	2 495
Profit (loss) from continuing operations before tax and finance costs							(2 373)	(271)	(2 645)
Revenue due to interests							386	(6)	380
Costs due to interests							(5 192)	6	(5 186)
Other financial revenues/costs net							6 743	(402)	6 341
Share in the profit of affiliated companies							17 891		17 891
Profit (loss) before tax							**17 454**	**(673)**	**16 781**
Income tax							353	(51)	302
Profit (loss) net for financial year							**17 807**	**(724)**	**17 083**

Assets and liabilities									
Assets of segment	91 583	11 548	237 527		31 718	25 930	306 723		306 723
Unallocated assets							154 103	-	154 103
Total assets	**91 583**	**11 548**	**237 527**	**-**	**31 718**	**25 930**	**460 826**	**-**	**460 826**
Liabilities of segment	9 945	3 450	153 306		31 969	16 682	215 352	-	215 352
Unallocated liabilities							105 420		105 420
Equity							140 054		140 054
Total liabilities and capitals	**9 945**	**3 450**	**153 306**	**-**	**31 969**	**16 682**	**460 826**	**-**	**460 826**

Other information concerning segment								
Total investment expenditure:								
Tangible fixed assets	1 584	197	9 619	99	11 499	-	11 499
Intangible assets	8		3 168		3 176	-	3 176
					-		-
Amortization of tangible fixed assets	2 131	509	3 257	21	5 918	-	5 918
Amortization of intangible assets	492		1 127	1	1 620	-	1 620
Current write-offs due to loss of value					-	-	-
Current write-offs of value of investments real estates					-	-	-
					-		-
Other expenditures:					-		
reserve for warranty repairs			113		113	-	113

Geografical segments

01.01.2017-31.12.2017	Poland	EU	Outside EU	Exclusions	Total
Revenue					
Sale for external customers	242 598	51 763	74 618	(91 405)	277 574*
Total revenue of segment	**242 598**	**51 763**	**74 618**	**(91 405)**	**277 574**

Costs					
Own costs of sale for external customers	(226 106)	(43 451)	(45 338)	85 199	(229 694)*
Total costs of segment	**(226 106)**	**(43 451)**	**(45 338)**	**85 199**	**(229 694)**
Profit (loss)of segment	**16 493**	**8 313**	**29 280**	**(6 206)**	**47 880**

01.01.2016-31.12.2016 transformed data	**Poland**	**EU**	**Outside EU**	**Exclusions**	**Total**
Revenue					
Sale for external customers	193 069	45 635	143 628	(37 984)	344 349*
Total revenue of segment	**193 069**	**45 635**	**143 628**	**(37 984)**	**344 349**
Costs					
Own costs of sale for external customers	(172 513)	(37 693)	(106 471)	37 356	(279 321)*
Total costs of segment	**(172 513)**	**(37 693)**	**(106 471)**	**37 356**	**(279 321)**
Profit (loss)of segment	**20 557**	**7 943**	**37 156**	**(628)**	**65 028**

** data for the comparable period have been corrected. Description of changes in point 14.*

19. Revenue and costs

	01.01.2016 –31.12.2016	01.01.2016 – 31.12.2016 transformed data
Continued activity		
Revenue from sale of products	164 012	253 457
Revenue from sale of services	10 922	19 970
Revenue from sale of goods and materials	102 640	70 922
	277 574	344 349*

** data for the comparable period have been corrected. Description of changes in point 14.*

Costs by type:		
	01.01.2017 - 31.12.2017	01.01.2016 – 31.12.2016 transformed data
Amortization of fixed assets, intangible assets and legal assets	10 297	8 742
Costs of employee benefits including	50 376	46 975
Use of materials and energy	186 984	192 191
Foreign services	37 765	30 879
Taxes and payments	5 121	4 063
Life and non-life insurances	364	347
Other costs including	10 639	14 892*
- Revaluation write-offs for receivables	-	3 567*
Total generic costs	**301 546**	**298 089**
Change of state of products, production during the year and accruals (+/-)	9 958	25 779
Value of sold goods and materials (+) including	77 483	54 933
-reversal of write-offs of value of stocks	1	-
Cost of production of products for own needs (-)	20 390	- 558
Costs of sale (+)	31 639	32 694*
Costs of general management (+)	31 290	25 665
Costs of production of sold products (+)	152 210	223 602*
Total costs of sold products, goods and materials, sale and costs of general management	**322 970**	**362 115**

Costs of employee benefits		
	01.01.2017 –31.12.2017	01.01.2016 – 31.12.2016
Costs of remunerations (+)	40 852	38 193
Costs of social insurances and other benefits (+)	9 524	8 782
Total costs of employee benefits	**50 376**	**46 975**

Other operational revenue		
	01.01.2017 - 31.12.2017	01.01.2016 – 31.12.2016 transformed data
Net profit from sale:	90	363
- non-financial fixed assets	90	363
Dissolution of current write-off of value of trade receivables	826	-
Revenues from acquisition of shares in exchange for an in-kind contribution	1 200	653
Profit from property appraisal at fair value	-	2 596
Received subsidies	1 831	757
Received penalties and compensations	88	612
Others	1 513	742
Total other operational income	**5 548**	**5 723**

** data for the comparable period have been corrected. Description of changes in point 14.*

Other operational costs

	01.01.2017 - 31.12.2017	01.01.2016 – 31.12.2016 transformed data
Net loss from sale	-	470
- non-financial fixed assets		470
Current write-off of value of stocks	940	-
Current write-off of trade receivables	1 908	670
Loss from closure of tangible fixed assets and intangible assets	235	227
Given donations	600	102
Penalties and compensations	3 014	-
Inventory differences	1 045	-
Fleet rent	178	-
Agents' commissions	863	-
Costs of court proceedings	63	-
Remuneration for promotional actions	101	304
Environment protection (additional payment for 2016)	21	-
Provision for receivables from employees	-	372
Loss from shares' acquisition	2 490	4 293
Others	1 120	1 455
Total of other operation costs	**12 578**	**7 893**

** data for the comparable period have been corrected. Description of changes in point 14.*

The Issuer granted the company LZM3 sp. z o.o. a loan in the amount of 3 million PLN in 2017 and in the amount of 5,6 million PLN in previous years (of which on 31 December 2017 the due amount was 4,293 million PLN). On the 1 December 2017 merger of companies URSUS Zachód sp. z o.o. and URSUS Wschód sp. z o.o. with the company LZM3 sp. z o.o. was carried out, by transferring all assets of these companies in exchange for shares of the company LZM3 sp. z o.o., which were issued to the shareholders of the companies being acquired. As a consequence the company URSUS S.A., as the shareholder of these companies, became shareholder of the LZM3 sp. z o.o. On the 11 December 2017 the Extraordinary General Meeting LZM3 sp. z o.o. adopted a resolution on increase of the Company's share capital from 8.900.100 PLN to 16.900.100 PLN. Therefore the company URSUS S.A. decided to settle the overdue loans with the acquired shares of the company LZM3 Sp. z o.o.

Financial revenues

	01.01.2017 - 31.12.2017	01.01.2016 - 31.12.2016
Revenues from interests	178	380
- receivables	178	380
Profit from sale of financial investments		408
- on fair value hedges that adjusted exchange differences	1 070	10 824
Exchange gains	2 587	16
- other		(402)
Total financial revenues	**3 835**	**11 226**

Financial costs

	01.01.2017 - 31.12.2017	01.01.2016 - 31.12.2016
Costs due to interests		
- due to credits	2 830	3 649
- due to financial lease	339	324
- due to loans	768	
- due to factoring	358	
- other	620	1 213
Total costs due to interests	4 915	5 186
Minus amounts included in costs of assets fulfilling capitalization conditions		
	4 915	5 186
Losses due to exchange rate differences concerning assets and liabilities other than trade charges and liabilities		1 760
Provisions from credits and factoring	2 060	2 687
Other financial costs	1 078	58
Total financial costs	**8 892**	**9 691**

20. Oher total income

The main components of the other total income result from adjustment of financial instruments which served as surety within the hedging policy.

	Note	Period ended 31.12.2017	Period ended 31.12.2016
Total income which shall be transferred to the financial result		4 230	(4 374)
Revaluation of investment properties		-	(144)
valuation of financial instruments		4 230	(4 230)
	Note	Period ended 31.12.2017	Period ended 31.12.2016
Adjustments resulting from reclassification of tangible assets to investment property		-	(144)

21. Income tax

The main components of the tax liability for the period ended 31.12.2017 and 31.12.2016 are the following:

	01.01.2017 - 31.12.2017	01.01.2016 - 31.12.2016
Consolidated profit and loss statement		
Current income tax	-	(652)
Current inciome tax liability	-	(652)
Deferred income tax	(2 817)	(3 384)
related to creation and reversal of transitional differences	(2 817)	(3 384)
Tax liability recognised in the profit and loss account	**(2 817)**	**(4 036)**

Below is presented the reconciliation of corporate income tax payable on pre-tax profit according to the effective tax rate for the year ended 31.12.2017 and 31.12.2016.

	01.01.2017 - 31.12.2017	01.01.2016 - 31.12.2016 transformed data
Gross profit/(loss) before tax from continued operation	(27 135)	21 221
Gross profit/(loss) before tax	**(27 135)**	**21 221**
Tax according to the statutory tax rate effective in Poland, equal to 19%	(5 156)	4 032
Adjustments related to current income tax from previous years	(2 882)	1 889
Tax losses on which deferred tax assets were not recognised		
Utilisation of tax losses previously not recognised		
Tax investment relief		
Expenditure not allowable for income tax purposes	24 665	58 290
including:		
- loss in acquisition of shares	*2 490*	*4 293*
- PFRON (State Fund for Rehabilitation of Disabled Persons)	*503*	*464*

- impairment allowances	*2 849*	*1 263*
- representation expenses	*1 215*	*1 087*
- contract costs related to their transfer according to KNF reccomendation	*1 431*	*46 459*
- exchange differences from evaluation	*3 578*	*(342)*
- reserves	*883*	*(276)*
- donations	*592*	*100*
- interests	*964*	*288*
- rent costs	*1 200*	*653*
- penalties	*2 750*	*-*
- depreciation on fixed assets according to IFRS- Accounting Act	*755*	*745*
- depreciation on leased fixed assets	*1 364*	*1 176*
- depreciation on fixed assets financed with subsidies	*1 786*	*714*
- other	*2 305*	*1 666*
Revenues that are not the basis for taxation	(24 438)	(64 231)
including:		
- wycena nieruchomości inwestycyjnych	*-*	*(2 597)*
- contract income related to its transfer according to KNF reccomendation	*(9 597)*	*(59 945)*
- accrued interest on receivables	*(62)*	*(262)*
- received subsidies	*(1 831)*	*(714)*
- exchange differences from evaluation	*(11 055)*	*(551)*
- other	*(1 893)*	*(162)*
Basis for calculation of the current and deferred tax	**(26 543)**	**20 669**
Income tax reported in profit and loss account	**(2 817)**	**(4 036)**
Current tax	**-**	**(652)**
deferred tax	**(2 817)**	**(3 384)**
Efective tax rate	10,4%	-19,0%

** data for the comparable period have been corrected. Description of changes in point 14.*

Deferred income tax

Deferred income tax results from the following positions:

31.12.2017	Balance at the beginning of period	Included in income	Exclusions	Balance in the end of period
Temporary differences concerning assets due to deferred tax:				
Reserves	672	286	-	958
Doubtful receivables	1 334	521	-	1 855
Other financial liabilities	482	71	-	553
Reserve for bad debts	26	-	-	26
Tax losses	-	4 220	-	4 220
Other	2 243	(1 767)	(553)	(77)
	4 757	3 331	(553)	7 535
Temporary differences concerning reserve due to deferred tax:				
Tangible fixed assets	3 256	739	-	3 995
Financial leasing	954	(170)	-	784
Exchange rate differences of foreign subsidiary	-	2 100	-	2 100
Revaluation of investment property at fair value	1 760	(1 071)	-	689
Other	187	(721)	-	(534)
	6 157	877	-	7 034
Total assets (reserves) due to deferred tax	(1 400)	2 454	(553)	501

The parent company does not make determination of income tax provision from the difference between the carrying value and the tax value of the acquired trademark URSUS, since the disposal of this asset is not anticipated. With the end of 2016 the 5-year fiscal depreciation period for the trademark expired.

31.12.2016	Balance at the beginning of period	Included in income	Exclusions	Balance in the end of period
Temporary differences concerning assets due to deferred tax:				
Reserves	250	422	-	672
Doubtful receivables	1 242	92	-	1 334
Other financial liabilities	534	(52)	-	482
Reserve for bad debts	777	(751)	-	26
Tax losses	201	(201)	-	-
Other	5 718	(3 356)	(119)	2 243
	8 722	(3 846)	(119)	4 757
Temporary differences concerning reserve due to deferred tax:				
Tangible fixed assets	3 469	(213)	-	3 256
Financial leasing	811	143	-	954
Revaluation of investment property at fair value	2 318	(558)	-	1 760
Other	261	(74)	-	187
	6 859	(702)	-	6 157
Total assets (reserves) due to deferred tax	(1 863)	3 144	119	1 400

22.Social assets and Social Fund Liabilities

The act of 4 March 1994 on the Company Social Fund states with later amendments states that the Company Social Fund is constituted by employers permanently employing over 20 employees. The Grioup creates such Fund and makes periodic allocations to it in the basic amount. The Fund's purpose is to subsidize the operation of the Group's social activity.

	31.12.2017	31.12.2016
Fixed assets contributed to the Fund		
Loans granted to employees	7	20
Cash	0	3
Social Fund Liabilities	(316)	(196)
The netted balance	**(309)**	**(173)**
Deduction for the Fund in accounting period	877	843

23. Earnings per share

Basic earnings per share are computed by dividing net profit for the period attributable to holders of ordinary shares of the Company divided by the weighted average number of issued ordinary shares outstanding in such period. The tables below contain the net consolidated profit and the number of shares used for the calculation of basic earnings per share:

	01.01.2017-31.12.2017	01.01.2016 - 31.12.2016 transformed data
Net profit from continued operations	(24 318)	20 675
Net profit	(24 318)	20 675
Net profit attributable to holders of ordinary shares used to calculate diluted earnings per share.	(24 318)	20 675

** data for the comparable period have been corrected. Description of changes in point 14.*

	01.01.2017-31.12.2017	01.01.2016 - 31.12.2016 transformed data
Weighted average of issued ordinary shares applied to the basic calculation of the profit per share.	57 097	54 180
Adjusted weighted average number of ordinary shares applied to calculation of diluted earnings per share	57 097	54 180

Basic profit per share

	01.01.2017-31.12.2017	01.01.2016 - 31.12.2016 transformed data
Net profit	(24 318)	20 675
Weighted average number of shares	57 097	54 180
Basic earnings per share (PLN/share)	(0,43)	0,38

** data for the comparable period have been corrected. Description of changes in point 14.*

Diluted profit per share

	01.01.2017-31.12.2017	01.01.2016 - 31.12.2016 transformed data
Net profit attributable to the shareholders used to calculate diluted earnings per share	(24 318)	20 675
Adjusted weighted average number of ordinary shares used to calculate diluted earnings per share	57 097	54 180
Diluted profit per share (PLN/ share)	(0,43)	0,38

** data for the comparable period have been corrected. Description of changes in point 14.*

24. Payments in shares

In 2017, there were no payments in shares.

25. Dividends paid and declared

In 2017, there were no dividends paid.

26. Tangible assets

The Group evaluated the tangible assets as of the balance sheet day 31.12.2017 as for any impairment indicators. As of 31.12.2017 no impairment of assets occurred.

31.12.2017

THE TABLE OF CHANGES IN TANGIBLE FIXED ASSETS	Land	Buildings, premises and civil engineerig facilities	Technical devices and machinery	Means of transport	Other fixed assets	Fixed asstes under constructi n	Exclusio ns	**All**
a) Gross tangible fixed assets at beginning of period								
b) increase (from)	**2 326**	**18 557**	**1 552**	**4 856**	**1 162**	**4 570**	**-**	**33 023**
- purchase	197	383	921	4 691	941	-	-	7 133
- modernisation	-	3 873	-	-	75	-	-	3 948
-revaluation	-	1 344	-	-	-	-	-	1 344
- investment expenditure on fixed assets under construction	-	-	-	-	-	4 570	-	4 570
- acquired pursuant to a finance lease agreement	-	-	631	165	146	-	-	942
- transfer from investment property	2 129	12 957		-	-	-	-	15 086
c) decrease (from)	**-**	**-**	**143**	**179**	**24**	**10 513**	**-**	**10 860**
- sale	-	-	73	179	21	-	-	274
- closure	-	-	70	-	3	-	-	73
- adoption to fixed assets	-	-	-	-	-	10 513	-	10 513
d) Gross tangible fixed assets at the end of period	**4 768**	**76 012**	**38 201**	**12 151**	**12 525**	**1 528**	**--**	**145 185**
e) Accumulated depreciation (cancellation) in beginning of period	**-**	**9 498**	**21 664**	**3 025**	**6 226**	**-**	**-**	**40 413**
f) Depreciation for the period (from)	**-**	**1 934**	**2 745**	**1 365**	**1 604**	**-**	**-**	**7 648**
- annual depreciation write-down	-	1 934	2 814	1 521	1 601	-	-	7 870
- sales of tangible asset	-	-	(69)	(156)	3	-	-	(222)
g) accumulated depreciation (amortization) as at the end of period	**-**	**11 432**	**24 409**	**4 390**	**7 830**	**-**	**-**	**48 061**
h)write-offs of permanent loss of value in the beginning of the period	-	-	-	-	-	-	-	**-**
increase (from)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
decrease (from)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
i) write-offs of permanent loss of value in the end of the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
j) net value of fixed assets at the beginning of period	**2 442**	**47 957**	**15 128**	**4 449**	**5 162**	**7 471**	**-**	**82 609**
k) net value of fixed assets in the end of period	**4 768**	**64 580**	**13 792**	**7 761**	**4 695**	**1 528**	**--**	**97 123**

31.12.2016 transformed data

THE TABLE OF CHANGES IN TANGIBLE FIXED ASSETS	Land	Buildings, premises and civil engineerig facilities	Technical devices and machinery	Means of transport	Other fixed assets	Fixed asstes under constructi n	Exclusio ns	All
a) Gross tangible fixed assets at beginning of period	**2 687**	**60 255**	**42 481**	**4 605**	**8 430**	**2 766**	**(459)**	**120 765**
b) increase (from)	**-**	**88**	**3 171**	**3 698**	**3 126**	**14 244**	**-**	**24 327**
- purchase	-	51	2 857	1 647	1 146	-	-	**5 701**
- modernisation	-	37	-	-	-	-	-	**37**
- investment expenditure on fixed assets under construction	-	-	-	-	-	14 244	-	**14 244**
- other	-	-	314	2 051	1 980	-	-	**4 345**
c) decrease (from)	**245**	**2 888**	**8 860**	**829**	**168**	**9 539**	**(459)**	**22 070**
- sale	-	-	8 860	829	-	-	-	**9 689**
- closure	-	-	-	-	168	-	-	**168**
- adoption to fixed assets	-	-	-	-	-	9 187	-	**9 187**
- transfer to investment in real estate	245	2 888	-	-	-	-	-	**3 133**
- inne	-	-	-	-	-	352	(459)	**(107)**
d) Gross tangible fixed assets at the end of period	**2 442**	**57 455**	**36 792**	**7 474**	**11 388**	**7 471**	**-**	**123 022**
e) Accumulated depreciation (cancellation) in beginning of period	**-**	**8 614**	**20 353**	**3 203**	**5 238**	**-**	**(103)**	**37 305**
f) Depreciation for the period (from)	**-**	**884**	**1 311**	**(178)**	**988**	**-**	**103**	**3 108**
- annual depreciation write-down	-	1 673	2 710	464	1 072	-	-	5 919
- sales of tangible asset	-	-	(1 376)	(642)	(84)	-	-	(2 102)
g) accumulated depreciation (amortization) as at the end of period	**-**	**9 498**	**21 664**	**3 025**	**6 226**	**-**	**-**	**40 413**
h)write-offs of permanent loss of value in the beginning of the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
increase (from)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
decrease (from)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
i) write-offs of permanent loss of value in the end of the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
j) net value of fixed assets at the beginning of period	**2 687**	**51 641**	**22 128**	**1 402**	**3 192**	**2 766**	**(356)**	**83 460**
k) net value of fixed assets in the end of period	**2 442**	**47 957**	**15 128**	**4 449**	**5 162**	**7 471**	**-**	**82 609**

** data for the comparable period have been corrected. Description of changes in point 14.*

27. Tangible assets held for sale

The parent Company has tangible assets held for sale of the balance value 39.000 PLN. The Company estimates the sales price at the balance value of these assets.

28. Investment property

INVESTMENT PROPERTY	31.12.2017	31.12.2016
Gross value in beginning of period	15 799	12 869
- purchase/sale	1 866	(1866)
- transfer from/to tangible fixed assets	(6 473)	2 200
- revaluation to fair values	-	2 596
-Gross value in the end of period	11 192	15 799
Accumulated amortization and write-offs due to permanent loss of value in beginning of period	-	-
Accumulated amortization and write-offs due to permanent loss of value in the end of period	-	-
Net value in beginning of period	15 799	12 869
Net value in the end of period	11 192	15 799

On the day of preparation of financial statement the Company had no limitations in disposal of investment properties, gaining economic benefits due to rent and sale above mentioned properties. Investment properties secure credit commitments. Revenue gained by the Company due to lease of investment properties for 2017 is 585.000 PLN. For the year 2016 the Company received revenues in the amount of 1 165.000 PLN. Costs of current maintenance, supply of utilities are covered by lessees.

On 31.08.2016 the Company transferred a part of investment properties to tangible assets in the amount of 2.200.000 PLN. The fair value of the part of investment properties held for use in the business activity was estimated by an independent asset valuer.

According to IRS 40, the parent Company carried out a revision of the investment properties as of 31.12.2017 for the properties located in Zakroczym, Opalenica and Lublin. The fair values determined by property valuers indicate the increase in value of the real estates in Zakroczym and Lublin in 2016 in comparison with the year 2014/2015 and the decrease in value of the real estate in Opalenica.

The valuation of the investment properties in Lublin proved that the value of the real estate in the accounting books reflects its fair value. Investment expenditures in the upgrading of the properties are recorded in the accounts by the parent Company as fixed assets under construction till the moment the real estate is released for use.

The effects of valuations were entered into the books of 2016 and the influence of the value of investment properties on the result was 2.596.000 PLN.

Balance sheet valuation of investment properties, according to the fair value, is reproducible and is conducted on the third level of hierarchy of fair value. In the reporting period there were no transfers between the hierarchy levels.

In the hierarchy of the valuation of fair value the investment properties were classified to the third level where:

1. Values from quoting of assets/financial liabilities without any adjustments
2. Inputs other than quoting, that are observed directly or not directly
3. Inputs which cannot be observed

The hierarchy is determined on the basis of the lowest level of input data.

Location of the property	1 level	2 level	3 level	Fair value of the property in the balance sheet at 31.12.2017
Opalenica	0		1 147	1 147
Lublin	0		2 436	2 436
Lands in Zakroczym	0		2 073	2 073
P W U G Lublin	0		1 4 7 1	1 470
Kętrzyn			2 200	2 200
Mircze			946	946
Perespa			920	920
				11 192

29. Intangible assets

31.12.2017

Changes in intangible assets (in accordance with generic groups)	**Costs of finished works**	**Value of company**	**Acquired concessions, patents, licences, incl.**	**Comput er softwar e**	**Other intangible assets incl. the trade mark URSUS**	**ALL**
a) Gross value of the value of intangible assets in beginning of period	**11 771**	**-**	**1 441**	**3 274**		**11 177**

b) increase (from)	**1 147**	**4 349**	**141**	**19**	**-**
-purchase	-	4 349	141	19	-
- transfers from development works	1 147	-	-	-	-
c) decrease (from)	**186**	**-**	**-**	**-**	**-**
- sale	163	-	-	-	-
- closure	23	-	-	-	-
d) Gross value of intangible assets in the end of period	**12 732**	**4 349**	**1 582**	**3 293**	**11 177**
e) Accumulated amortization in beginning of period **e) Accumulated amortization in beginning of period**	**6 901**	**-**	**986**	**2 381**	**-**
f) Amortization for period (due to)	**1 184**	**-**	**164**	**476**	**672**
-amortization (annual deduction)	1 343		164	483	672
- closure	(15)		-	(7)	-
- sale	(144)		-	-	-
g) Accumulated amortization (cancellation) in the end of period	**8 085**	**-**	**1 150**	**2 858**	**672**
h) Deductions due to permanent loss of value in beginning of period	**-**	**-**	**-**		**-**
- increase	**-**	**-**	**-**	**-**	**-**
- decrease	**-**	**-**	**-**	**-**	**-**
i) Deductions due to permanent loss in the end of period	**-**	**-**	**-**	**-**	**-**
j) NET VALUE OF INTANGIBLE ASSETS IN BEGINNING OF PERIOD	**4 870**	**-**	**454**	**892**	**11 177**
k) NET VALUE OF INTANGIBLE ASSETS IN THE END OF PERIOD	**4 647**	**4 349**	**431**	**435**	**10 505**

In the year ended 31 December 2017:

- Patents and licenses were depreciated in the period of their economic useful lives from 2 to 3 years,
- Assets produced on the Group's own account include R&D costs and were depreciated in the period of their economic useful lives from 3 to 5 years.
- The trademark URSUS was not depreciated.

In 2017 the parent company did not order valuation of the trademark URSUS at fair value.
The valuation of fair value was carried out as at 31.12.2016 with the date of issue of the document 14.03.2017 with use of the licensing fee method and capitalization of profits.

The Company verified the fair value valuation of URSUS trademark as of 31.12.2017. The following scope of data was analyzed:

1) financial reports of the Company for years 2014-2017,
2) strategy of development of the Compan, including financial forecasts for years 2018-2021,
3) current trade agreements,
4) executed R&D projects,
5) other available financial data: makroeconomic, agrocultuarl sector in Poland and in the world, the competitive position of URSUS S.A. on the domestic market od tractors.

The carried out examinations, based on the method of capitalisation of profits, confirmed that there are no indications of impairment of the possessed trademark. The assumptions for the previous valuation were verified, including the market and macroeconomic data. In the valuation assumed by an independent expert an estimate of future sales and generated profit from sales in years 2017-2021 was used. At the same time, taking into account the market sitiation of the Company and the macroecenomic data, a discount rate of 2,5% was used accroding to the assumed metodology.

Both the financial plans and the discount rate used in the valuation have not changed in 2017. In 2017 the Company signed important cooperation agreements:

- with the Iranian company Iran Tractor Manufacturing Company (ITMCO) with the seat in Tabriz a Memorandum of Understanding (MOU) on commercial and industrial cooperation, according to which the parties will seek to launch jointly manufactured tractors on the markets they operate, as well as they will examine possibilities of launching on the Iranian markets of agricultural machinery and buses from the Issuer's offer.
- with the Algerian company KARMAG INDUSTRIE the commercial and industrial cooperation agreement aiming at establishment of a Polish-Algerian joint-venture company, whose principal activity shall be assembly, sales, distribution and service of tractors and agricultural machinery on the Algerian market.
- with the company DOBRE HOLDINGS (Republic of Namibia) a Memorandum of Understanding (MoU) on commercial and industrial cooperation, whose intention is to establish a long-term commercial and industrial cooperation between the Parties related to production and assembly of tractors, agricultural machines and implements, as well as buses and special vehicles under the URSUS brand.

Besides, in 2017 the Company concluded with the company Industrial Development Corporation Limited (IDC) z with the seat in Lusaka (Republic of Zambia) an agreement for supply of agricultural tractors and machinery, implements, spare parts and related services. The total value of the above-mentioned Agreement at the moment of its signature is 100 million USD. On the basis of the agreement the Issuer will deliver to the buyer 2694 agricultural tractors in SKD and CKD form, in the power range from 47 to 180 HP, with implements and spare parts, and 2506 agricultural machinery, like trailers, manure spreaders, round balers for straw and hay, harrows and ploughs.
Besides, according to the agreement's provisions, URSUS S.A. in cooperation with IDC will establish in Lusaka an assembly plant for tractors and agricultural machinery URSUS and 10 authorized service centers on the territory of Zambia.

Forecasts of income for year 2018 and following years do not indicate an increase of income and profits.

With reference to the above, in the Company's opinion, in 2017 there was nos objective evidence of impairment of the trademark URSUS value and as of the balance date 31.12.2017 r. identification of this position in assets in the balance sheet at the unchanged level is justified.

The value of the company in the amount of 4 349 thousand PLN was genererated with purchase of 100% shares in Ursus Wschód Sp. z o.o. in February 2017 by the subsidiary Ursus Zachód Sp. z o.o. Now Ursus Wschód Sp. z o.o. and Ursus Zachód Sp. z o.o., after a merger with LZM 3 Sp. z o.o, which is described in details in the note 7, operate as a distributor for the Group URSYUS within one entite under the name Ursus Dystrybucja.

31.12.2016

Changes in intangible assets (in accordance with generic groups)	Costs of finished works	Value of company	Acquired concessions, patents, licences, incl.	Computer software	Other intangible assets incl. the trade mark URSUS	Exclusions	ALL
a) Gross value of the value of intangible assets in beginning of period	**8 939**	**-**	**1011**	**3 075**	**8 154**	**-**	**21 178**
b) increase (from)	**2 832**	**-**	**430**	**199**	**3 023**		**6 484**
-purchase			430	199	4		633
- transfers from development works	2 832						2 832
- intake from investment							-
- reclassification between generic groups							-
- costs of external financing							-
- spending on intangible assets during the realization							-
- valuation of the Company on foreign company							-
- valuation							-

"- increases (contribution to Ursus Bus)					3019		3019
c) decrease (from)	-	-	-	-	-		-
- sale							-
- closure							-
- reclassification between generic groups							-
d) Gross value of intangible assets in the end of period	**11 771**	**-**	**1 441**	**3 274**	**11 177**	**-**	**27 662**
e) Accumulated amortization in beginning of period **e) Accumulated amortization in beginning of period**	**5 829**	**-**	**837**	**1 980**	**-**	**-**	**8 646**
f) Amortization for period (due to)	**1 072**	**-**	**149**	**401**	**-**		**1 622**
"-amortization (annual deduction)	**1 072**	**-**	**149**	**401**	**-**		**1 622**
- closure							-
- sale							-
g) Accumulated amortization (cancellation) in the end of period	**6 901**	**-**	**986**	**2 381**	**-**		**10 268**
h) Deductions due to permanent loss of value in beginning of period	-	-	-		-		-
- increase	-	-	-	-	-		-
- reclassification between generic groups							
- other (redemption Bioenergia)							-
- decrease	-	-	-	-	-		-
- reversal of deductions due to permanent loss of value recognized in the profit/loss							-
- reclassification between generic groups							-
i) Deductions due to permanent loss in the end of period	-	-	-	-	-		-
j) NET VALUE OF INTANGIBLE ASSETS IN BEGINNING OF PERIOD	**3 110**	**-**	**173**	**1 094**	**8 154**	**-**	**12 532**
k) NET VALUE OF INTANGIBLE ASSETS IN THE END OF PERIOD	**4 870**	**-**	**454**	**892**	**11 177**	**-**	**17 394**

30. Combinations of businesses

In 2017 the combination of businesses had no place.

31. Investments in associated entities evaluated with the method of property rights

At the balance sheet data the company had no significant shares in associated entities.

32.Stocks

Stocks of materials, finished goods and work in progress of the value of 88.034 thousand PLN were the secirity for bank credits in 2017.

	31.12.2017	31.12.2016
Materials	**82 275**	**78 838**
At purchase prices	82 275	79 623*
Current write-off		
Goods	**53 302**	**17 426**
In accordance with purchase price	53 302	17 426
In accordance with net price possible to gain		

Work in progress (in accordance with the costs of production)	**28 416**	**20 645***
Finished products	18 269	18 878
In accordance with price of purchase/cost of production	18 275	18 884
Current write-off	(5)	(6)
In accordance with net value possible to gain		
Overall stocks based on the lower of two evaluations: price of purchase (cost of production) and net value possible to gain	**182 262**	**135 787**

** data for the comparable period have been corrected. Description of changes in point 14*

	01.01.2017-31.12.2017	01.01.2016-31.12.2016
Current write-offs concerning stocks on 1 January	**990**	**990**
Reversed write-off in costs of sold products (note 17.1)	1	-
Current writer-offs concerning stocks on 31 December	**989**	**990**

33. Charges due to supplies and services and other charges

	31.12.2016	31.12.2016
Charges from related entities	**90**	**60 425**
Charges due to supplies and services	90	59 371
Granted loans	-	961
Other non-financial charges	-	93
Charges from other entities	**73 996**	**58 407**
Charges due to supplies and services	49 470	21 470*
Budgetary receivables due to other reasons than current deferred tax	16 364	6 730
Advances for inventories	-	1 222
Advances for intangible assets	3 349	22 102
Other non-financial charges	1 457	5 791
Active accruals including:	3 356	1 092
-costs of subscriptions of newspapers	29	32
- costs of insurances	286	107
-costs of R&D	216	-
-commission charges	344	598
- annual charges for licenses	208	31
- charges concerning GPW and KDPW	44	-
- other active accruals	2 229	324
Gross charges	**74 086**	**118 832**
Current write-off of charges	**(10 230)**	**(8 923)**
All charges (net)	**63 856**	**109 909**

** data for the comparable period have been corrected. Description of changes in point 14*

Long-term liabilities

	31.12.2017	31.12.2016
Liabilities from related entities	**-**	**-**
	-	-
Liabilities from other entities	**16 960**	**19 832**
liabilities from sale of shares (Bioenergia, OBR)	16 960	19 832*

** data for the comparable period have been corrected. Description of changes in point 14*

Charges due to supplies and services usually have payment deadline of 90 days.

Charges due to supplies and services with maturity date under 360 days from the day of the establishment of the charge are not subject of discounting.
Description of risks connected with charges due to supplies and services and other charges and the Company's policy concerning managing of the risks is depicted in 39 point of additional information.

34.Long-term and short-term investments

Investments

	31.12.2017	31.12.2016	
Long-term investments	**-**	**150**	
	-	150	*
Short-term investments	**759**	**2 395**	
	759	2 395	*

** data for the comparable period have been corrected. Description of changes in point 14*

35. Funds and their equivalents

	31.12.2016	31.12.2016
Cash in bank and cash register	2 548	29 746
All cash and their equivalents	**2 548**	**29 746**

	31.12.2016	31.12.2016
cash in PLN	*2 475*	*28 015*
cash in EUR	59	1 677
cash in USD	8	33
cash in other currencies	6	21
All cash and their equivalents	**2 548**	**29 746**

The unallocated cash is accumulated on ban accounts and invested as term and overnight deposits.
The Group usually has variable interests on accumnulated cash. The fair value of the cash and its equivalent as at 31.12.2017 is 2.548.000 PLN (31.12.2016: 29.746.000 PLN).

36. Share capital and other capitals

Share capital
Changes in share capital of the Company has occured during financial year.

	Registered share capital	Share capital in the revaluation to hyperinflation conditions on the day of transition of Capital Group to MSSF
State on 31 December 2016	**54 180**	**0**
State on 31 December 2017	**59 180**	**0**

SHARE CAPITAL

Series	Type of share	Type of share priviledges	Limitation of right to shares	Amount of shares	Nominal value per share	Value of series / issue according to value	Capital coverage method	Date of registration	Right to dividend (as of)

A	ordinary			700 000	1	700	contribution	27.06.1997	27.06.1997
B	ordinary			400 000	1	400	cash	21.08.1998	21.08.1998
C	ordinary			800 000	1	800	cash	17.06.1999	17.06.1999
D	ordinary			600 000	1	600	cash	25.01.2000	25.01.2000
E	ordinary			900 000	1	900	cash	21.12.2000	21.12.2000
F	ordinary			320 000	1	320	cash	18.10.2001	18.10.2001
G	ordinary			600 000	1	600	cash	07.08.2002	07.08.2002
H	ordinary			360 000	1	360	cash	13.03.2003	13.03.2003
I	ordinary			4 000 000	1	4 000	cash	11.01.2006	11.01.2006
J	ordinary			6 000 000	1	6 000	cash	22.12.2006	22.12.2006
K	ordinary			7 500 000	1	7 500	cash	08.01.2008	08.01.2009
N	ordinary			4 000 000	1	4 000	cash	28.03.2013	28.03.2013
O	ordinary			15 000 000	1	15 000	cash	31.01.2015	31.01.2015
P	ordinary			4 100 000	1	4 100	cash	12.11,2015	12.11,2015
Q	ordinary			8 900 000	1	8 900	cash	13.11.2015	13.11.2015
R	ordinary			5 000 000	1	5 000	cash	22.05.2017	22.05.2017
Total				**59 180 000**		**59 180**			

Shareholders' Structure	Number of Shares	% of share capital	Number of votes	% of total votes number
POL-MOT HOLDING S.A. with its related companies*	23 684 996	40,02%	23 684 996	40,02%
PB ELIN sp. z o.o.	3 350 000	5,66%	3 350 000	5,66%
Others	32 145 004	54,32%	32 145 004	54,32%
Total	**59 180 000**	**100,00%**	**59 180 000**	**100,00%**

Issue of P, Q and R series shares

On the 7th October 2015 the Extraordinary General Meeting URSUS S.A. adopted the following resolutions:

- the resolution on increasing the Company's share capital by means of issuance of ordinary bearer shares of P series and complete exclusion of the preemptive rights of the existing shareholders to the series P shares;
- the resolution regarding issue of subscription warrants of 2. series with the right to acquire series Q shares and complete exclusion of the preemptive rights of the existing shareholders to the subscription warrants of 2. series;
- the resolution on conditional increase of the Company's share capital in order to grant the right to subscribe Q series shares to the holders of subscription warrants of 2. Series issued by the Company, entitling to acquire Q series shares;
- the resolution on an amendment to the Statute aimed at authorizing the Management Board to increase the share capital within the limits of the authorized capital.

The increase of the Issuer's share capital, adopted on the basis of the resolution 6/2016, from 41.180.000 (forty one million one hundred eighty thousand) to the amount of 45.280.000 (forty five million two hundred eighty thousand) PLN, i.e. by the amount of 4.100.000 (four million one hundred thousand) PLN by issue of 4.100.000 (four million one hundred thousand) ordinary P series bearer shares of nominal value of 1 (one) PLN per share, was registered by the Court on the 12th November 2015.

On13th November 2015 the Court registered the increase of the Issuer's share capital was registered from 45.280.000 (forty five million two hundred eighty thousand) to the amount of 54.180.000 (fifty four million one hundred eighty thousand) PLN, i.e. by the amount of 8.900.000 (eight million nine hundred thousand) PLN by issue of 8.900.000 (eight million nine hundred thousand) ordinary Q series bearer shares of nominal value of 1 (one) PLN per share.

Under the resolution of the 16th May 2017 the Management Board of the Company decided to increase the Company's share capital from the amount 54.180.000 PLN to the amount 59.180.000 PLN. i.e. by the amount of 5.000.000 PLN, by the issue of 5.000.000 ordinary bearer shares of R series of the nominal value 1,00 PLN and the issue price 2,50 PLN per share, i.e. for the total issue price of 12.500.000 PLN. Both the value of the new issue and the issue price were decided by the Management Board in compliance with § 7 b sec. 5 of the Company's Articles of Association.

According to the Resolution of the Management Board, the shares of the new issue (R series) shall be offered, in private subscription, to entities selected by the Management Board of the Company. Therefore the existing Shareholders' pre-emptive rights to the R series shares were waived in their entirety, which took place with the consent of the Supervisory Board expressed in the resolution no. 220/2017 adopted on the 16th May 2017.

On the 16th May 2017 the private subscription of R series shares of the Company, issued by the Management Board under the Resolution of the Management Board of the 16th May 2017, concerning the above-mentioned increase of the share capital of the Company within the authorized capital, was carried out and completed.

The private subscription (including allocation of shares), as well as conclusion of the agreements on acquisition of shares, were carried out on the 16th May 2017. All issued shares, i.e. 5.000.000 shares, were included in the subscription and allocation. Within the private subscription, two entities were offered to acquire shares. The entities which acquired the R series shares are the companies POL-MOT Auto S.A. (KRS no. 396018) and Invest-Mot sp. z o.o. (KRS no. 15858). Both entities concluded with the Company agreements on acquisition of shares and paid the issue price of the shares, in the amount of 2,50 PLN per each R series shares.

All issued shares, i.e. 5.000.000 shares, were included in the subscription and allocation.

The value of the conducted private subscription, understood as the product of the number of R series shares covered by the offer and their issue price, is 12.500.000 PLN.

The Company URSUS S.A. with the seat in Lublin is subsidiary of the company POL-MOT Holding S.A. with the seat in Warsaw. At the date of publication of this report, POL-MOT HOLDING S.A. together with its related companies holds in total 23.684.996 shares of URSUS S.A. representing 40,02% of the Issuer's share capital and entitling to 23.684.996 votes at the General Meeting of the Issuer, what represents 40,02% of the total number of votes at the Issuer's General Meeting.

Nominal value of shares

All issued shares have nominal value of 1PLN and have been fully paid.

Shareholders' rights

Shares of all series are equally preferred as to dividends and return on equity.

37.Minority shares

	01.01.2017-31.12.2017	**01.01.2016 - 31.12.2016**
As of 1 January		
Minority interest in the result of subsidiaries	(4 959)	(2 274)
As of 31 December	**(4 959)**	**(2 274)**

38. Reserves

Changes of reserve state

	Benefits after employment period (35 point of additional information)	Reserve for jubilee bonuses	Reserve for disputes, penalties, fines and compensations	Other reserves	**All**
For the day 1 January 2017	**717**	**2 281**	**-**	**431**	**3 387**
Purchase of subsidiary					**-**
Created during financial year	14			909	**923**
Used		(41)			**-**
Resolved					**(41)**
Adjustment of discount rate				(24)	**(24)**
For the day 31 December 2017	**732**	**2 240**	**-**	**1 316**	**4 245**

Time structure of reserves	**31.12.2017**	**31.12.2016**
Long-term part	750	501
Short-term part	3 495	2 886
All reserves	**4 245**	**3 387**

Other reserves

Other reserves concern reserves of guarantee repairs.

39. Employee benefits

Pension benefits and other benefits after employment period

The Group pays the employees retiring the retirement benefits in the amount defined by Labor Code. Therefore the Company on the basis of valuation performed by professional actuarial company creates reserve for value of current liabilities due to retirement benefits. The amount of the reserve and reconciliation depicting the changes of the situation during financial period are in the following table:

	31.12.2017	**31.12.2016**
For 1 January	674	716
Creation the reserve	23	
Termination of the reserve	85	42
For 31 December	612	674

Main assumptions taken by the actuary for the balance day and taken for year finished on 31 December 2017 and 31 December 2016 for calculations of the amount of liability are as follows:

	31.12.2017	**31.12.2016**
Discount rate (%)	2,90	3,00
Expected inflation rate (%)		
Employees turnover rate	6,5% annually	5% annually
Expected growth rate (%)	1,5	1

In the connection with the resolved Collective agreement from the day of 1 January 2014 employee benefits are paid only to the amount regulated by provisions of Labor Code.

40.Interest bank credits and loans

Long-term	**31.12.2017**	**31.12.2016 – transformed data**
Liabilities due to Financial leasing and leasehold contracts with an option to buy	8 475	6 814
Credits in account		
Bank credits	8 801	2 987
Taken loans	17 829	7 582
Others		
Credits and loans together	35 105	17 383
Short-term	**31.12.2017**	**31.12.2016 – transformed data**
Liabilities due to financial leasing	2 833	6 545 *
Credits in account	41 657	38 062
Bank credits	69 707	55 851
Taken loans	4 199	1 550 *
Others		
Short-term credits and loans together	118 396	102 008

** data for the comparable period have been corrected. Description of changes in point 14*

Security established for companies of the Group- fair value

	31.12.2017	**31.12.2016**
Held		
- real estate	123 552	104 858
- stocks	45 814	74 557
- tangible assets	42 220	12 562
Total	**211 586**	**191 977**

At the balance day the Group had the following credits, loans and opened credit lines:

Financing entity	**Currency of the credit**	**Amount of the credit / limit in thousand PLN**	**Value of the credit as of**	**Due date**	**Collateral**
			in currency		
Bank Millennium S.A.	PLN	10 000	10 034 PLN	31.12.2018	1. Capped mortgage up to 57.137.000 PLN – KW OL1O/00097764/2 with the assig mortgage was established 2. Assignment of contractual receivables
	PLN	10 000	1 930 PLN	17.12.2018	
	PLN	17 000	10 205 PLN	15.12.2018	
	PLN	5 000	2 246 PLN	15.12.2019	
mBANK S.A.	PLN	10 750	1 041 PLN	30.11.2018	1. Joint mortgage up to 25,5 mln PLN on properties that are in perpetual usufruct owned by the Company KW LU1I/00180343/9, OL1K/00012743/6, 2. a statement of the Issuer on a voluntary submission to enforcement 3. assignment of rights under the insurance policy 4. blank promissory note with a promissory note agreement
	EUR		9 725 PLN		
	PLN	3 000	3 000 PLN		
	EUR	600	2 503 PLN		
mBANK S.A.	EUR	4 000	15 557 PLN	29.11.2019	1. Joint mortgage up to 3.9 mln PLN KW Nr PO1N/00014427/2, PO1N/00017663/ PO1N/00020142/5. 2. registered pledge on inventories based on the pledge agreement nr 05/007/12 3. blank promissory note 4. assignment to the Bank of claims due under the contract with Getin Bank S.A.

mBank S.A.	PLN	3 650	2 249 PLN	23.04.2021	1. Contractual mortgage on the property in Lublin KW no. LU1I/00180343/9 oraz w Opalenicy KW Nr PO1N/0001442 PO1N/00018940/2, PO1N/00018941/9, PO1N/00020140/1, PO1N/00020142/5 do kwoty 2.250.000 EUR
mBank S.A.	PLN	-	14 PLN	-	Payment cards
Bank Millennium S.A.	PLN	-	43 PLN	-	Payment cards
Bank Polska Kasa Opieki S.A.	PLN	65 000	12 970 PLN	31.12.2018	1. Power of attorney to bank accounts 2. Blank promissory note with a promissory note agreement.
	EUR		8 619 PLN		
	USD		0 PLN		
Bank PKO BP S.A.	PLN	25 000	8 940 PLN	29.05.2019	1. Registered pledge on stocks of minimal value 20.000.000 PLN, with assignment of rights under their insurance poli 3. Mortgage up to 4.960.000 zł 4. Blank promissory note with a promissory note agreement, 5. Warranty granted by Registered pledge on stocks purchased with use of L/C issued in PKO BP S.A. .; 7. Financial and registered pledge on b
	EUR		5 072 PLN		
	PLN		3 847 PLN		
	EUR		0 PLN		
	PLN		0 PLN		
	EUR		0 PLN		
	USD		432 PLN		
	PLN		683 PLN		
Getin Noble Bank S.A.	EUR	500	122 PLN	22.10.2018	1. Power of attorney to bank accounts 2. Blank promissory note with a promissory note agreement, granted by POL-
Getin Noble Bank S.A.	EUR	500	2 060 PLN	19.06.2018	1. Power of attorney to bank accounts 2. Blank promissory note with a promissory note agreement, granted by POL-
SGB-Bank S.A.	PLN	5 000	3 620 PLN	17.02.2020	
Bank Millennium S.A.	PLN	2 000	2 000 PLN	22.12.2018	
Bank Ochrony Środowiska S.A.	PLN	2 000	2 000 PLN	31.07.2018	1. Power of attorney to bank accounts 2. Blank promissory note 3. Statement on voluntary submission to enforceme SA, 5. financial pledge on receivables and rights from shares
Bank Ochrony Środowiska S.A.	PLN	33 000	8 615 PLN	31.07.2018	1. Power of attorney to bank accounts 2. Blank promissory note 3. Statement on voluntary submission to enforceme SA, 5. financial pledge on receivables from cpontract
SGB-Bank S.A.	PLN	5 276	4 924 PLN	21.04.2027	Mortgage on real estatre, warranty of URSUS S.A. up to 7.914.000 zł, statement on volontary submission to enforcem promissory note agreement, power attorney to bank account

Financing entity	Currency of the loan	Amount of the loan / limit	As at 31.12.2017 in thousand PLN	Interest rate conditions	Due date	Collateral
Agencja Rozwoju Przemysłu S.A.	PLN	20 000 000 PLN	18 400 PLN	WIBOR 1 M + bank margin	2021-08-31	1. property mortgage located in Biedaszki Małe in Kętrzyn municipality, included in the land and mortgage register Nr OL1K/00012743/6, 2. lien on inventories of the Issuer located in the registered office of the Company in Lublin and branches in Opalenica, Dobre Miasto and Biedaszki Małe, 3. lien on the right of the trademark registration URSUS ie. number of protective right 260749, 241814, 241813, 241812, 54394, 56476, 47098, 4. transfer of rights from property insurance contracts covered by the registered pledges and the mortgage in favor of ARP S.A. 5. surety of the company POL-MOT Holding SA seated in Warsaw, together with a declaration of submission to enforcement, 6. own blank promissory note with a promissory note agreement and declaration of submission to enforcement.
mLeasing sp. z o.o.	PLN	2 269 350 PLN	1 074 PLN	WIBOR 1 M + bank margin	2020-07-30	1. blank promissory note with a promissory note agreement, 2. registered pledge, 3. assignment of rights from insurance policy, 4. power of attorney to the bank account with a blockade of assets

mLeasing sp. z o.o.	PLN	1 878 302 PLN	910 PLN	WIBOR 1 M + bank margin	2020-08-11	1. blank promissory note with a promissory note agreement, 2. registered pledge, 3. assignment of rights from insurance policy, 4. power of attorney to the bank account with a blockade of assets
SG Equipment Leasing Polska sp. z o.o.	PLN	1 440 750 PLN	422PLN	WIBOR 1 M + bank margin	2020-04-05	1. blank promissory note with a promissory note agreement, 2. registered pledge, 3. blockade of assets on the bank account
SG Equipment Leasing Polska sp. z o.o.	PLN	510 647 PLN	151 PLN	WIBOR 1 M + bank margin	2020-04-05	1. blank promissory note with a promissory note agreement, 2. registered pledge, 3. blockade of assets on the bank account
SG Equipment Leasing Polska sp. z o.o.	PLN	100 598 PLN	29 PLN	WIBOR 1 M + bank margin	2020-04-05	1. blank promissory note with a promissory note agreement, 2. registered pledge, 3. blockade of assets on the bank account
Idea Leasing Polska S.A. sp. k.	PLN	115 362 PLN	53 PLN	WIBOR 1 M + bank margin	2020-07-15	1. blank promissory note with a promissory note agreement, 2. registered pledge, 3. assignment of rights from insurance policy
Idea Leasing Polska S.A. sp. k.	PLN	339 480 PLN	170 PLN	WIBOR 1 M + bank margin	2020-09-15	1. blank promissory note with a promissory note agreement, 2. registered pledge, 3. assignment of rights from insurance policy
Idea Leasing Polska S.A. sp. k.	PLN	37 392 PLN	16 PLN	WIBOR 1 M + bank margin	2020-07-15	1. blank promissory note with a promissory note agreement, 2. registered pledge, 3. assignment of rights from insurance policy
Idea Leasing Polska S.A. sp. k.	PLN	47 847 PLN	21 PLN	WIBOR 1 M + bank margin	2020-07-15	1. blank promissory note with a promissory note agreement, 2. registered pledge, 3. assignment of rights from insurance policy
Idea Leasing Polska S.A. sp. k.	PLN	101 967 PLN	47 PLN	WIBOR 1 M + bank margin	2020-07-15	1. blank promissory note with a promissory note agreement, 2. registered pledge, 3. assignment of rights from insurance policy
Europejski Fundusz Leasingowy S.A.	PLN	135 977 PLN	84 PLN	WIBOR 1 M + bank margin	2020-11-30	1. registered pledge, 2. assignment of rights from insurance policy
mLeasing sp. z o.o.	PLN	276 750 PLN	145 PLN	WIBOR 1 M + bank margin	2020-11-30	1. blank promissory note with a promissory note agreement, 2. registered pledge, 3. assignment of rights from insurance policy, 4. power of attorney to the bank account with a blockade of assets
mLeasing sp. z o.o.	PLN	287 818 PLN	156 PLN	WIBOR 1 M + bank margin	2020-12-31	1. blank promissory note with a promissory note agreement, 2. registered pledge, 3. assignment of rights from insurance policy, 4. power of attorney to the bank account with a blockade of assets
mLeasing sp. z o.o.	PLN	608 850 PLN	347 PLN	WIBOR 1 M + bank margin	2020-12-31	1. blank promissory note with a promissory note agreement, 2. registered pledge, 3. assignment of rights from insurance policy, 4. power of attorney to the bank account with a blockade of assets

At the balance day the Group had the following credit lines destined for letters of credits and factoring:

Financing entity	Aim	Currency	Credit/ limit amount	Due date
Bank Millenium S.A.	Letters of credit and warranties together with revolving credit	PLN	17 000 000	15.12.2018
Bank Millenium S.A.	Factoring	PLN	12 740 000	13.03.2018
KUKE Finance S.A.	Faktoring	PLN	8 000 000	unlimitedo
KUKE Finance S.A.	Factoring	PLN	1 000 000	unlimitedo
KUKE S.A.	Contractual guarantees	PLN	10 000 000	unlimitedo
mBank	Warranty	PLN	3 460 000	31.07.2018

Generali TU S.A.	Contractual guarantees	PLN	3 000 000	31.05.2018
STU Ergo Hestia S.A.	Contractual guarantees	PLN	5 000 000	unlimitedo
Getin Bank S.A.	Factoring	PLN	3 100 000	unlimitedo

At the balance day the Group had the following lease agreements:

Lessor	**Start date**	**Due date**	**Initial net value**	**Liability as of 31.12.2017**
mLeasing sp. z o.o.	16.01.2014	11.02.2018	205 153	10 589
mLeasing sp. z o.o.	30.07.2014	11.08.2018	130 700	30 426
mLeasing sp. z o.o.	30.07.2014	11.08.2018	19 900	4 122
Mercedes-Benz Leasing Polska sp. z o.o.	07.10.2014	01.09.2018	203 022	100 100
mLeasing sp. z o.o.	10.02.2015	27.02.2020	492 700	222 999
mLeasing sp. z o.o.	10.02.2015	27.02.2020	663 600	293 395
mLeasing sp. z o.o.	10.02.2015	27.02.2020	1 300 000	480 846
mLeasing sp. z o.o.	10.02.2015	27.02.2020	693 600	256 305
Europejski Fundusz Leasingowy S.A.	02.03.2015	25.02.2019	8 500	3 132
Europejski Fundusz Leasingowy S.A.	02.03.2015	25.02.2019	22 490	7 542
Europejski Fundusz Leasingowy S.A.	02.03.2015	25.02.2019	7 800	3 937
Millennium Leasing sp. z o.o.	02.06.2015	05.06.2020	370 200	233 478
Millennium Leasing sp. z o.o.	02.06.2015	05.06.2020	147 400	79 721
Millennium Leasing sp. z o.o.	02.06.2015	05.06.2020	159 700	86 373
Millennium Leasing sp. z o.o.	02.06.2015	05.06.2020	431 200	200 222
Europejski Fundusz Leasingowy S.A.	18.11.2015	30.10.2019	126 000	66 845
Europejski Fundusz Leasingowy S.A.	12.01.2016	12.12.2019	141 550	90 884
Europejski Fundusz Leasingowy S.A.	05.02.2016	22.02.2020	250 493	172 355
mLeasing sp. z o.o.	13.05.2016	30.04.2019	26 765	10 707

mLeasing sp. z o.o.	12.05.2016	15.05.2021	149 000	99 842
mLeasing sp. z o.o.	31.05.2016	31.05.2021	395 000	275 890
Econocom Polska sp. z o.o., ul. Marszałkowska 111, 01-102 Warszawa	15.06.2016	01.08.2019	203 200	118 346
mLeasing sp. z o.o.	30.06.2016	15.08.2019	203 252	102 394
mLeasing sp. z o.o.	22.07.2016	15.08.2019	128 115	76 603
mLeasing sp. z o.o.	12.09.2016	15.08.2021	118 000	79 877
mLeasing sp. z o.o.	08.09.2016	15.10.2020	571 935	349 589
mLeasing sp. z o.o.	14.10.2016	30.09.2021	58 800	42 201
Grenke Leasing sp. z o.o.	26.09.2016	26.09.2018	199 349	81 226
Volkswagen Leasing GmbH Sp. z o.o.	18.10.2016	18.09.2020	370 624	303 133
mLeasing sp. z o.o.	01.12.2016	31.12.2021	1 200 800	865 175
Grenke Leasing sp. z o.o.	05.12.2016	05.12.2021	380 000	313 374
mLeasing sp. z o.o.	31.01.2017	31.01.2019	399 000	0
mLeasing sp. z o.o.	31.01.2017	31.01.2019	608 500	0
mLeasing sp. z o.o.	31.01.2017	31.01.2019	1 595 000	0
Grenke Leasing sp. z o.o.	29.03.2017	31.03.2020	92 888	71 244
mLeasing sp. z o.o.	14.07.2017	31.08.2020	65 796	55 895
mLeasing sp. z o.o.	04.07.2017	22.07.2022	339 900	301 476
mLeasing sp. z o.o.	22.08.2017	15.09.2021	82 500	74 029
mLeasing sp. z o.o.	22.08.2017	15.09.2021	82 500	68 405
mLeasing sp. z o.o.	22.08.2017	31.07.2020	46 000	40 928
mLeasing sp. z o.o.	20.09.2017	20.09.2020	79 900	71 955
BOŚ Ekosystem sp. z o.o.	27.09.2016	29.09.2023	2 000 000	1 551 000
BOŚ Ekosystem sp. z o.o.	27.09.2016	25.06.2024	4 000 000	3 372 000
PKO Leasing S.A.	06.09.2017	01.08.2021	231 000	185 000
Raiffeisen-Leasing Polska S.A.	29.02.2016	01.02.2019	45 000	15 000
BZ WBK Leasing S.A.	18.09.2012	16.01.2018	335 075	54 910
mLeasing sp. z o.o.	30.07.2014	30.08.2018	126 419	28 388
mLeasing sp. z o.o.	14.03.2017	31.03.2021	240 690	196 290

In the periods covered by the financial statement, there were no breaches of loan agreement provisions.

Future minimum lease payments under these agreements and the current value of net minimum lease payments are as follows:

Liabilities from leasing contracts and lease agreements with purchase option

	31.12.2017	31.12.2016 Transformed data
The nominal value of minimum payments		
Within 1 year	6 909	7 157*
In the period from 1 to 5 years	4 897	8 094
Over 5 years	--	--
Total liabilities under finance lease - Total minimum lease payments	**11 806**	**15 251**
Financial costs of finance lease liabilities	497	1 892
Valuation of leases in currencies	7	(2)
Current value of minimum lease payments		
Within 1 year	2 833	6 545
In the period from 1 to 5 years	8 475	6 814
Over 5 years		
Total current value of minimum lease payments	**11 309**	**13 359**

** data for the comparable period have been corrected. Description of changes in point 14*

Information on the operating lease agreements is described in detail in the point 14 of the Report on the Capital Group URSUS activity.

41. Trade and other (short-term) liabilities

	31.12.2017	31.12.2016
Other long-term liabilities	8 260	9 014
Other financial liabilities		
Non-financial accruals constitute liabilities of revenues	8 260	9 014
All other long-term liabilities	**8 260**	**9 014**
	31.12.2017	**31.12.2016**
Liabilities due to supplies and services towards related entities	13 686	14 675
Liabilities due to supplies and services	8 002	14 675
Other financial liabilities	5 684	-
Liabilities due to supplies and services towards other entities	**108 667**	**150 304**
Liabilities due to supplies and services	94 743	141 260*
liabilities due to remunerations	2 416	2 083
Budget liabilities due to other reasons than current income tax	5 898	4 982
Other liabilities	3 481	1 679
Accrual of income	2 129	300
All liabilities due to supplies and services and other short-term liabilities	**122 353**	**164 979**
All liabilities due to supplies and services and other liabilities	**130 613**	**173 993**

** data for the comparable period have been corrected. Description of changes in point 14*

Rules and conditions of payment of the above financial liabilities:
Liabilities due to supplies and services are interest-free and usually are settled in terms of 14-45 days. Other liabilities are interest-free with average deadline payment of 1-2 months.
The amount resulted from the differences between the liabilities and charges due to VAT tax is paid to proper tax authorities in monthly periods.

42. Government grants

Goal of grant	Condition of government grants on 1.01.201	Increase in period 1.01.2017 – 31.12.2017	Written down grants in other operating income in period 1.01.2017 – 31.12.2017	Condition of government grants on 31.12.2017
Grant PORPW	6 979	-	(714)	6 265
Grant POIR	331	1 820	(1 056)	1 095
Total	**7 310**	**1 820**	**(1 770)**	**7 361**

On 27.11.2015 URSUS S.A. concluded with the National Centre for Research and Development the agreement on co-financing the project concerning development and use in URSUS tractors of new, innovative construction of drive train in the total amount of 11.255.751,72 PLN, which is 40% of the total expenditure eligible for financing. From January 2016 the Issuer has been executing the project no. POIR.01.01.02-00-86/15-00 named „Development of innovative, universal construction of power trains for agrocultural tractors" (hereinafter called VIGUS). Within the project the Issuer can reimburse costs incurred or apply for advance payment of future expenditure.

On 30.09.2013 the company URSUS S.A. concluded with the Polish Agency for Enterprise Development the agreement on co-financing the project „Infrastructure of R&D facilities to ensure innovative market position of the enterprise". The subject of the agreement is granting to the Company subsidy from public funds for execution of the project within the Eastern Poland's Development Operational Programme 2007–2013, Priority I Modern Economy, Action I.3 Promoting Innovation. The result of the project implementation is establishment in the maon seat of the Company in Lublin of modern infrastructure for R&D works for needs of the Company's operation.

43. Liabilities and contingent receivables

Contingent liabilities

Other contingent liabilities	**31.12.2017**	**31.12.2016**
Guarantee of credit repayment	-	8 520
Guarantee of leasing repayment by URSUS BUS	6 000	6 000
Guarantee o fcredit repayment by URSUS BUS	74 289	-
Guarantee o fcredit repayment by URSUS DYSTRYBUCJA	7 914	-
Liabilities in respect of bank guarantees issued mainly as warranty of execution of sales contracts in PLN	21 901	2 967
Liabilities in respect of bank guarantees issued mainly as warranty of execution of sales contracts in USD at the exchange rate of 31.12.2016	-	14 917
Liabilities for securing due performance of contracts	12 323	-
Total contingent liabilities	**122 427**	**32 404**

URSUS Dystrybucja sp. z o.o.	Surety	SGB - Bank S.A.	Investment credit agreement in the amount of 5.276.000 PLN dated 21.04.2017 (surety up to 7.914.000 PLN), due date 21.04.2027	7.914 PLN
URSUS BUS S.A.	Surety	Bank Millennium S.A.	Credit agreement dated 23.11.2016 in the amount of 2.000.000 PLN. Surety is valid till 22.12.2018	1.920 PLN
URSUS BUS S.A.	Accession to debt	BOŚ Ekosystem sp. z o.o.	Lease agreement dated 27.09.2016 concluded for 7 years (due date: 23.09.2023)	2.000 PLN
URSUS BUS S.A.	Accession to debt	BOŚ Ekosystem sp. z o.o.	Lease agreement dated 27.09.2016 concluded for 7 years (due date: 25.05.2024)	4.000 PLN
URSUS BUS S.A.	Surety	SGB - Bank S.A.	Credit agreement dated 15.02.2017 in the amount of 5.000.000 PLN, valid till 15.02.2020	7.500 PLN
URSUS BUS S.A.	Accession to debt	Bank Ochrony Środowiska S.A.	Credit agreement dated 28.08.2017 in the amount of 33.054.830 PLN, due date 31.07.2018	49.582 PLN
URSUS BUS S.A.	Accession to debt	Bank Ochrony Środowiska S.A.	Credit agreement dated 28.08.2017 in the amount of6.234.467 PLN, due date 31.12.2017	9.352 PLN
URSUS BUS S.A.	Accession to debt	Bank Ochrony Środowiska S.A.	Credit agreement dated 28.08.2017 in the amount of 1.956.445 PLN, due date 31.12.2018	2.935 PLN
URSUS BUS S.A.	Accession to debt	Bank Ochrony Środowiska S.A.	Credit agreement dated 28.08.2017 in the amount of 2.000.000 PLN, due date 31.07.2018	3.000 PLN

Contingent receivables

Non.

Investment liabilities
The Group plans to incur expenditure for tangible fixed assets in 2018 in the amount of 15.500.000 PLN, of which 6.800.000 PLN will be intended for further execution of the project VIGUS. Moreover expenditures for research and development in the amount of 3.900.000 PLN, purchase of new machines and devices in the amount of 800.000 PLN, modernisation of production facilities in the amount of 3.200.000 PLN and informatization in the amount of 100.000 PLN are planned.

Court cases
The Group did not started, and does not run before a Court, organ proper for arbitral procedure and before public administrative bodies concerning liabilities or claims of the Issuer or entity dependent from him, the total value of which is at least 10% of equity of the Company. The Issuer does not conduct procedures concerning liabilities or claims, the total value of which is at least 10% of equity of the Company respectively.

Warranties
In 2017 the Company granted deposit guarantees and perfromace guarantees within agreements foe contractualk guarantees concluded with KUKE S.A., GENERALI TU S.A. and STU Ergo Hestia S.A., in connection with participation of the Consortium URSUS BUS (composed of URSUS S.A.) in tenders for deliveries of public transport means.

As of 31.12.2017 the following guarantees issued on behalf of the Issuer were effective:

Financing entity	Purpose	Currency	Amount in thousand PLN	Due date
Bank Millenium S.A.	Payment guarantee	PLN	441	31.01.2018
mBank S.A.	Payment guarantee	PLN	3 460	31.07.2018
KUKE S.A.	Performance bond	PLN	1 704	20.06.2018
KUKE S.A.	Performance bond	PLN	30	12.12.2019
Generali TU S.A.	Performance bond	PLN	475	28.06.2018
Generali TU S.A.	Performance bond	PLN	7 000	30.12.2018
STU Ergo Hestia S.A.	Performance bond	PLN	2 648	30.12.2018
STU Ergo Hestia S.A.	Performance bond	PLN	466	20.09.2018
KUKE S.A.	Agreement for contractual guarantees	PLN	10 000	unlimited
Generali TU S.A.	Agreement for contractual guarantees	PLN	3 000	31.05.2018
STU Ergo Hestia S.A.	Agreement for contractual guarantees	PLN	5 000	unlimited

Information on the granted warranties is described in detail in the point 15 of the Report on the Capital Group URSUS activity.

Tax settlements
Tax settlements and other regulated areas of activity (e.g. customs and exchange issues) can be controlled by administrative authorities entitled to impose high penalties and sanctions. Lack of reference to long-term and well-established legal regulations in Poland results in inconsistencies and inaccuracies in the regulations in force. Differences in opinions with regard to the interpretation of tax regulations both in tax authorities and between individual governmental bodies and enterprises cause uncertainty and conflicts. Due to these phenomena the tax risk in Poland is much higher than in the countries where tax

systems are more developed. The tax settlements might be the subject of control in the period of five years staring from the year when the tax was settled. As a result of performed controls, previous tax settlements of the Company may be increased by additional tax liabilities.
From 15.07.2016 the Tax Order Act includes changes related to the provisions of the General Anti-Abuse Rule ("GAAR") which define the kinds of tax arrangements which are deemed to be abusive.

According to the Company for the day of 31 December 2017 the created reserves on identified and quantifiable tax risk were appropriate. This opinion is based on evaluation of different factors related to the Company's tax risk management, including evaluation of interpretation of the tax regulations and experience of the previous years. Nevertheless, facts and circumstances that may occur in future can influence the valuation of the correctness of the present or future tax liabilities.

Information on the contingent liabilities' agreements is described in detail in the point 15 of the Report on the Capital Group URSUS activity.

44. Information about related entities

The table below presents total amounts of the transactions concluded with related entities in the given financial year.

Revenue from sale to related entities	Revenue from sale	Income from sale of goods and materials
- other related entities	29	36
All income from sale to related entities	29	36

	01.01.2017 - 31.12.2017	
Purchase from related entities	Purchase of services	Purchase of goods and materials
- from other related entities	8 981	3 511
All purchases from related entities	8 981	3 511

Charges from related entities	**31.12.2017**	**31.12.2016**
- from other related entities	90	60 425
All charges from related entities	**90**	**60 425**

Liabilities towards related entities	**31.12.2017**	**31.12.2016**
- towards other related entities	13 686	14 675
All liabilities towards related entities	**13 686**	**14 675**

45. REMUNERATION OF SENIOR MANAGEMENT OF THE GROUP

	01.01.2017–31.12.2017	01.01.2016-31.12.2016
Short-term employee benefits (remunerations and overheads)	4 969	5 901
Benefits due to dissolution	76	115
All amount of remuneration paid to senior management	**5 045**	**6 016**

Remuneration paid to members of the Management Board and members of the Board of Directors of the Company was as follows:

	01.01.2017- 31.12.2017	01.01.2016-31.12.2016
Management Board	1 774	2 643
Board of Directors	209	209
Management Board – subsidiaries or associates	530	
Board of Directors - subsidiaries or associates		
All	**2 515**	**2 852**

46. GOALS AND RULES OF MANAGEMENT OF FINANCIAL RISK

Main financial instruments used by the Company include bank credits, financial leasing contracts, leasing contracts with a purchase option and cash.
Main goal of the financial instruments is gaining cash for activity of the Company. The Company has also other financial instruments, such as charges and liabilities due to supplies and services that arise directly during conducted activity. The rule used by the Company currently and during all period under review is not to engage in instruments trading.
Main kinds of risk resulting from financial instruments of the Company include interest rate risk, risk connected with liquidity, currency risk and credit risk. The Management Board verifies and agrees on the principles of the management of each of the aforementioned risks and these principles are briefly discussed below.

INTEREST RATE RISK

The Company has liabilities due to credits for which the interests are calculated on the basis of variable interest rate. Therefore there is a risk of increase the interest rates in relation to the date of conclusion of agreement. Information about assets and liabilities exposed on the interest rate risk were presented in additional information. Considering that the Company had in the reporting period both assets and liabilities bearing interest at variable rates (which balanced the risk) and for insignificant volatility of interest rates in past periods. Moreover for a lack of anticipations of dramatic changes of interest rates in subsequent accounting periods the Company did not used protections of interest rates recognizing that the risk of interest rate is insignificant.
Regardless the current situation the Company monitors the level of exposure on the interest rate risk and the anticipations of interest rates and does not exclude protection activities in the future.

In following table the balances value of financial instruments exposed on the interest rate risk of the Company is presented divided into age categories.

URSUS

01.01.2017 - 31.12.2017							
Fixed interest rate	**<1 year**	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**>5 years**	**Total**
Liabilities due to financial leasing and lease agreement with a purchase option	2 833	2 451	2 220	1 415	856	1 534	11 309
Total	**2 833**	**2 451**	**2 220**	**1 415**	**856**	**1 534**	**11 309**
Variable interest rate	**<1rok**	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**>5 years**	**Total**
Cash assets	2 548						2 548
Overdraft facility	41 657						41 657
Loans in the amount of 22 028 thous. PLN	4 199	6 123	5 656	4 800	1 250		22 028
Bank credit in the amount of 2 249 thous. PLN		2 249					2 249
Bank credit in the amount of10 205 thous. PLN.	10 205						10 205
Bank credit in the amount of 2 246 thous. PLN.	2 246						2 246
Bank credit in the amount of 21 589 thous. PLN.	21 589						21 589
Bank credit in the amount of 15 557 thous. PLN.	15 557						15 557
Bank credit in the amount of 5 503 thous. PLN.	5 503						5 503
Bank credit in the amount of 1 892 thous. PLN.		1 622	270				1 892
Bank credit in the amount of 4 924 thous. PLN.	264	528	528	528	528	2 550	4 924
Bank credit in the amount of 1 728 thous. PLN.	1 728						1 728
Bank credit in the amount of 2 000 thous. PLN.	2 000						2 000
Bank credit in the amount of 2 000 thous. PLN.	2 000						2 000
Bank credit in the amount of 8 615 thous. PLN.	8 615						8 615
Total	**118 111**	**10 521**	**6 454**	**5 328**	**1 778**	**2 550**	**144 741**

*impact of the contract on the interest rate is described below

01.01.2016 - 31.12.2016 transformed data							
Fixed interest rate	**<1rok**	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**>5 years**	**Total**
Liabilities due to financial leasing and lease agreement with a purchase option	2 038	3 377	1 535	1 441	461		8 852
Total	**2 038**	**3 377**	**1 535**	**1 441**	**461**	**-**	**8 852**
Variable interest rate	**<1rok**	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**>5 years**	**Total**
Cash assets	29 746						29 746
Overdraft facility	38 062						38 062
Loans in the amount of 9.132 thous. PLN	1 550	5 426	1 311	844			9 132
Bank credit in the amount of 3.807 thous. PLN.	3 807						3 807
Bank credit in the amount of 2.987 thous. PLN.		2 987					2 987
Bank credit in the amount of 4.022 thous. PLN.	4 022						4 022
Bank credit in the amount of1.926 thous. PLN.	1 926						1 926
Bank credit in the amount of 25.217 thous. PLN.	25 217						25 217
Bank credit in the amount of 8.882 thous. PLN.	8 882						8 882
Bank credit in the amount of 5.654 thous. PLN.	5 654						5 654
Bank credit in the amount of 743 thous. PLN.	743						743
Share in a credit taken by joint venture	5 600						5 600
Total	**125 209**	**8 413**	**1 311**	**844**	**-**	**-**	**135 778**

URSUS

CURRENCY RISK

The Company is exposed to the risk of currency course changes in the light of significant sale of products in foreign currency and bearing costs of production mostly in national currency. Currency risk is connected mostly with changes of level of USD and EUR course.
On the balance day 31 December 2017 charges in currency were 9.612.000 PLN which was 24,44% of total charges due to supplies and services. In the comparative period 31 December 2016 the values were 37.922.000 PLN and 29,43 % respectively.
The balance of receivables in currency on the balance day 31 December 2017 constituted:

Receivables in USD= 859 thousand PLN
Receivables in EUR= 8.473 thousand PLN
Other currencies= 280 thousand PLN

On the balance day 31 December 2017 liabilities in currency were 17.581.000 PLN which was 17,16% of all liabilities due to supplies and services. In the comparative period 31 December 2016 the values were 92.983.000 PLN and 54,07 % respectively.
The balance of liabilities in currency on the balance day 31 December 2017 constituted:

Liabilities in USD= 11.098 thousand PLN
Liabilities in EUR= 6.178 thousand PLN
Other currencies= 296 thousand PLN

OTHER PRICE RISK

The Company is not exposed on significant other price risk connected with financial instruments but there is price risk of prices of the Company's products and raw materials. The Company's products are not offered commonly at commodity exchanges which prevents the implementation of protection strategies.

Analysis of sensitivity on market risk

Potentially possible changes in terms of market risk the Company evaluated as follows:
1,0% change in terms of interest rate PLN (increase or decrease of interest rate), 0,75% change in terms of interest rate USD (increase or decrease of interest rate), 0,75% change in terms of interest rate EUR (increase or decrease of interest rate), 0,75% change in terms of interest rate SEK (increase or decrease of interest rate), 0,75% change in terms of interest rate GBP (increase or decrease of interest rate), 30% change of currency course PLN/USD (increase or decrease of interest rate), 30% change of currency course PLN/EUR (increase or decrease of interest rate), 30% change of currency course PLN/SEK (increase or decrease of interest rate).

Influence of potentially possible changes on financial result and the capital of the Company is presented in the following table:

Position in financial statement	Value of position in tvs. PLN	Interest rate risk		Currency risk		Other price risk		ALL :
		+ 100 pb PLN	- 100 pb PLN			+ 8%	- 8 %	(+/-)
		+ 75 pb EUR	- 75 pb EUR	+ 30%	- 30%			
		+75 pb SEK	- 75 pb SEK					
		+ 75 pb GBP	- 75 pb GBP					
		+ 75 pb USD	- 75 pb USD					
Financial assets								
Cash on interest bearing accounts (currency)	2 548	25	-25	22	-22	0	0	47
Charges with recipients (currency)	39 330	369	-369	2 884	-2 884	0	0	3 253
Shares in subsidiary	0	n/d	n/d	n/d	n/d	n/d	n/d	n/d
Financial liabilities								
Derivatives – appointed as the protection of cash flows (currency options)	0	0	0	0	0	0	0	0
Liabilities due to supplies and services	102 745	983	-983	5 274	-5 274	0	0	6 258
Bank credits and loans	142 193	1 312	-1 312	13 226	-13 226	0	0	14 538

Liabilities due to financial leasing (currency)	11 309	112	-112	89	-89	0	0	201
ALL:	**298 125**	**2 802**	**-2 802**	**21 495**	**-21 495**	**0**	**0**	**24 296**

1. **Cash and its equivalents** include cash remunerated on bank account exposed in USD, EUR, GBP, SEK, ETB, PLN with a value of:
   USD = 2,3 thous. ; PLN = 8,1 thous. (PLN/USD on 31.12.2017= 3,4813)
   EUR = 14 thous.; PLN = 58,6 thous. (PLN/EUR on 31.12.2017 = 4,1709)
   SEK= 0,5 thous.; PLN = 0,2 thous. (PLN/SEK on 31.12.2017 = 4,4243)
   GBP = 1,3 thous.; PLN = 6 thous. (PLN/GBP on 31.12.2017 = 4,7001)
   ETB= 1,6 thous.; PLN = 0,2 thous. (PLN/ETB on 31.12.2017 = 0,1241)
   PLN= 2474,9 thous.
   Total: 2548 thousand PLN Variable interest rate

Sensitivity to changes +/- 75pb market interest rates in USD: +/- [8 thous.PLN x 0,75%] = 0 thous. PLN
Sensitivity to changes +/- 75pb market interest rates in EUR: +/- [59 thous.PLN x 0,75%] = 0 thous. PLN
Sensitivity to changes +/- 75pb market interest rates in GBP: +/- [6 thous.PLN x 0,75%] = 0 thous. PLN
Sensitivity to changes +/- 75pb market interest rates in SEK: +/- [0,2 thous.PLN x 0,75%] = 0 thous. PLN
Sensitivity to changes +/- 75pb market interest rates in ETB: +/- [0,2 thous.PLN x 0,75%] = 0 thous. PLN
Sensitivity to changes +/- 100pb market interest rates in PLN: +/- [2475 thous.PLN x 1%] =10 thous. PLN

Sensitivity to changes +/- 30% rate of exchange USD - PLN: +/-[2 thous.USD x 3,4813 x 30%]= 2thous.PLN
Sensitivity to changes +/- 30% rate of exchange EUR - PLN: +/- [14 thous.EUR x 4,1709 x 30%]=18 thous. PLN
Sensitivity to changes +/- 30% rate of exchange GBP - PLN: +/- [1,3 thous.GBP x 4,7001 x 30%]=2 thous. PLN
Sensitivity to changes +/- 30% rate of exchange SEK- PLN: +/- [0,5 thous. SEK x 0,4243 x 30%]=0 thous.PLN
Sensitivity to changes +/- 30% rate of exchange ETB - PLN: +/- [1,6 thous.ETB x 0,1241 x 30%]=0 thous.PLN

2. **Receivables** include:

USD = 247 thsd.; PLN= 859 thsd. (PLN/USD as of 31.12.2017 = 3,4813)
EUR = 2.031 thsd.; PLN = 8.473 thsd. (PLN/EUR as of 31.12.2017 = 4,1709)
GBP = 60 thsd.; PLN = 280 thsd. (PLN/GBP as of 31.12.2017 = 4,7001)
PLN = 29 718 thsd.
Total: 39 330 thsd. PLN

Sensitivity to a change of +/- 30% in the USD to PLN exchange rate: +/- [247 thsd. USD x 3,4813 x 30%] = 258 thsd. PLN
Sensitivity to a change of +/- 30% in the EUR to PLN exchange rate: +/- [2 031 thsd. EUR x 4,1709x 30%]= 2542 thsd. PLN
Sensitivity to a change of +/- 30% in the GBP to PLN exchange rate: +/- [60 thsd. EUR x 4,7001 x 30%] = 84 thsd. PLN

3. **Derivative instruments** designated as measured at fair value through through financial result are currency options, ised as surety of forecasted flows in EUR and USD.

4. **Liabilities** include:

EUR = 1 483 thsd.; PLN= 6 187 thsd. (PLN/EUR as of 31.12.2017 = 4,1709)
GBP = 63 thsd.; PLN = 296 thsd. (PLN/GBP as of 31.12.2017 = 4,7001)
USD = 3.188 thsd.; PLN = 11.098 thsd. (PLN/USD as of 31.12.2017 = 3,4813)
PLN = 84 902 thsd.
Total: 102.483 thsd. PLN

Sensitivity to a change of +/- 30% in the EUR to PLN exchange rate: +/- [1 483 thsd. EUR x 4,1709x 30%]= 1. 856 thsd. PLN

Sensitivity to a change of +/- 30% in the GBP to PLN exchange rate: +/- [63 thsd. GBP x 4,7001 x 30%] = 89 thsd. PLN
Sensitivity to a change of +/- 30% in the USD to PLN exchange rate: +/- [3.188 thsd. USD x 3,4813 x 30%] = 3.329 thsd. PLN

5. Credits include

The loan bears interest rate at a variable rate, expressed in PLN in the amount of 98.104 thsd.PLN
Sensitivity to a change of +/- 100 basis points in market interest rates in PLN: +/- [98.104 thsd. PLN x 1 %] = 981 thsd. PLN

Loans bearing an interest rate at a variable rate, expressed in EUR in the amount of 10.467 thsd. EUR
Sensitivity to a change of +/- 75 basis points in market interest rates in EUR: +/-[10.467 thsd. EURx 4,1709 x 0,75%] = 327 thsd.PLN
Sensitivity to a change of +/- 30% in EUR to PLN exchange rate: +/- [10.467 thsd. EURx 4,1709 x 30%] = 13.097 thsd. PLN
Loans bearing interest at a variable interest rate, expressed in USD in the amount of 124 thsd. USD
Sensitivity to a change of +/- 75 basis points in market interest rates in USD: +/- [124 thsd. USDx 3,4813 x 0,75%] = 3 thsd. PLN
Sensitivity to a change of +/- 30% in the USD to PLN exchange rate: +/- [124 thsd. USD x 3,4813 x 30%] = 129 thsd. PLN

6. Liabilities from finance leases (currency) include:
EUR = 71 thsd.; PLN = 296 thsd. (PLN/EUR as of 31.12.2017 = 4,1709)
PLN = 11.013 thsd.
Total: 11.309 thsd. PLN

Sensibility to a change of +/- 30% in the EUR to PLN exchange rate: +/- [71 thsd. EUR x 4,1709 x 30%] = 89 thsd. PLN
Sensibility to a change of +/- 75 basis points in market interest rate in EUR: +/- [296 thsd. PLN x 0,75%] = 2 thsd.PLN
Sensitivity to a change of +/- 100 basis points in the market interest rate in PLN: +/- [11.013 thsd. PLN x 1%]=110 thsd. PLN

The Company has estimated the possible changes in market risk, as follows:
1% change in the PLN interest rate (increase or decrease in the interest rate),
0.75% change in the USD interest rate (increase or decrease in the interest rate),
0.75% change in the SEK interest rate (increase or decrease in the interest rate),
0.75% change in the EUR interest rate (increase or decrease in the interest rate),
0.75% change in the GBP interest rate (increase or decrease in the interest rate),
30% change in the PLN/USD interest rate (increase or decrease in the interest rate),
30% change in the PLN/EUR interest rate (increase or decrease in the interest rate),
30% change in the PLN/SEK interest rate (increase or decrease in the interest rate),
30% change in the PLN/GBP interest rate (increase or decrease in the interest rate).
The above determined values were determined on an annual basis.

The sensitivity analysis carried out by the Company does not consider the impact of taxation.
Potential impact of possible changes to the income statement and equity of the Company are presented below:

CREDIT RISK

The Group is exposed to credit risk, defined as the risk that the creditors do not fulfill their obligations and thus cause the Company to incur losses. The maximum exposure to credit risk is 104.355 thousand PLN at the balance sheet date and has been estimated as the carrying value of receivables.

01.01.2017-31.12.2017			Overdue receivables that are impaired				
The age structure of financial claims	The nominal value of the receivables	Unexpired receivables that have not lost value	< 30 days	31-90 days	91-180 days	181-360 days	>360 days
trade receivables	39 330	26 255	3 030	3 588	3 231	1 589	1 637
other receivables	24 526	24 526	0	0	0	0	0
01.01.2016-31.12.2016 transformed data			**Overdue receivables that are impaired**				
The age structure of financial claims	The nominal value of the receivables	Unexpired receivables that have not lost value	<30days	31-90 days	91-180 days	181-360 days	>360 days
trade receivables	71 918	26 589	4 533	28 255	7 200	5 341	0
other receivable	37 991	37 991	0	0	0	0	0

In the opinion of Management Board of the Group there is no important concentration of credit risk because the Group has many recipients. In view of those above in the opinion of the Group the credit risk was depicted in financial statement through creation of current write-offs.

The credit risk connected with bank deposits, derivatives and other investments is considered as insignificant because the Group concluded transactions with institutions of the established financial position.

In the Group there are no significant concentrations of credit risk.

RISK CONNECTED WITH LIQUIDITY

The Group is exposed to the risk of loss of liquidity understood as the risk of loss of capacity to regulate liabilities in specified terms.

The risk results from potential limitation in access to financial markets that can cause a lack of possibilities to gain new financing or refinancing own debts. In the estimation of the Group's Management Board great value of cash on balance sheet day, available credit lines and good financial condition of the Company cause that the risk of loss of liquidity is low.

The analysis of financial liabilities in intervals is depicted below. Depicted amounts are undiscounted cash flows that are maximal risk exposure of the Group.

Age structure of financial liabilities

01.01.2017 -31.12.2017		due liabilities in the period				
Age structure of financial liabilities	**total liabilities**	**up to 30 days**	**from 31 to 90 days**	**from 91 to 180 days**	**from 180 to 360 days**	**above 361 (see note below)**
Liabilities due to supplies and services	102 745	48 011	30 154	16 314	6 217	2 048
Credits and loans	142 193	650	881	3 579	110 452	26 630
Conditional liabilities	122 427	9 793	0	5 179	71 011	36 444
Other financial liabilities	11 309	671	385	615	1 163	8 475
ALL	**378 674**	**59 124**	**31 420**	**25 688**	**188 843**	**73 598**

Liabilities required above 361 days	1–2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
Liabilities due to supplies and services	2 048	-	-	-	-	2 048
Credits and loans	10 521	6 454	5 328	1 778	2 550	26 630
Conditional liabilities	30	-	-	2 000	34 414	36 444
Other financial liabilities	2 450	2 220	1 415	856	1 534	8 475
Total	**15 049**	**8 674**	**6 743**	**4 634**	**38 498**	**73 597**

01.01.2016 -31.12.2016 transformed data		due liabilities in the period				
Age structure of financial liabilities	total liabilities	up to 30 days	from 31 to 90 days	from 91 to 180 days	from 180 to 360 days	above 361 (see note below)
Liabilities due to supplies and services	155 935	134 423	14 469	5 768	562	713
Credits and loans	106 032	673	1 168	33 984	59 638	10 569
Conditional liabilities	32 404	13 258	2 128	3 600	7 418	6 000
Other financial liabilities	13 359	4 699	315	491	1 040	6 814
ALL	**307 730**	**153 053**	**18 080**	**43 843**	**68 658**	**24 096**

Liabilities required above 361 days	1–2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
Liabilities due to supplies and services	713	-	-	-	-	713
Credits and loans	8 413	1 311	844	-	-	10 569
Conditional liabilities	-	-	-	-	6 000	6 000
Other financial liabilities	3 377	1 535	1 441	461	-	6 814
Total	**12 503**	**2 846**	**2 285**	**461**	**6 000**	**24 096**

47. CAPITAL MANAGEMENT

The Company manages the capital in order to maintain the capacity to continue its operations, including the realization of planned investments, in a manner enabling it to generate returns for the shareholders and benefits to other stakeholders.
In accordance with market practice the Company monitors the capital among others on the basis of own equity index and the indicator credits, loans and other sources of financing/EBITDA.
Own equity index is calculated as a relation of net value of fixed assets (equity less intangible assets) to balance sheet value.
Indicator of credits, loans and other financial sources/EBITDA is calculated as a relation between credits, loans and other financial sources and EBITDA. Credits, loans and other financial sources mark total amount of liabilities due to credits, loans and leasing and EBITDA is a profit from operations.

	31.12.2017 in thous. PLN	31.12.2016 in thous. PLN
Own equity	107 284	114 871
Minus: intangible assets	(20 368)	(17 394)
Net value of tangible fixed assets	**97 123**	**82 609**
Total balance sheet	**395 643**	**413 696**
	395 643	**413 696**
Own equity index	0,25	0,20
Profit from operations	(22 079)	5 285
Plus: amortization	10 297	8 742
EBIDTA	**(11 783)**	**14 027**
Credits, loans and other sources of financing	**153 502**	**119 391**
Indicator: Credits, loans and other sources of financing /EBIDTA	-0,08	0,12

48.Financial instruments

Financial assets

	31.12.2017	31.12.2016 Transf.data
Shares	36	-
Loans and receivables (including cash and its equivalents)	66 404	139 655*
	66 440	139 655
Proven in the report on the financial situation as:		
Shares	36	-
Receivables due to supplies and services and other receivables.	759	2 395
Cash and its equivalents.	2 548	29 746
	3 343	32 141

Financial liabilities

	31.12.2017	31.12.2016 (transf. data)
Valued in fair value through financial result	7	(112)
Amortized cost	550 245	572 514
	550 252	572 402
Proven in report on financial situation as:		
Long-term loans and bank credits	44 116	28 298*
Liabilities due to supplies and services and other liabilities	243 982	271 959
Short-term loans bank credits	119 961	166 112*
Other financial liabilities	142 193	106 033
	550 252	572 402

Financial assets valuated in fair value	**31.12.2017**	**31.12.2016**
Assets valuated in fair value through income statement	-	-

Financial liabilities valuated in fair value	**31.12.2017**	**31.12.2016**
Liabilities valuated in fair value through income statement	7	(112)

Derivative financial instruments

	31.12.2017	31.12.2016
Long-term assets, of which		
- hedging instruments	-	-
- trade instruments	-	-
Long-term assets for total derivative financial instruments	-	-
Short-term assets, of which		
- hedging instruments	-	-
- trade instruments	-	-
Short-term assets for total derivative financial instruments	-	-
Total assets for derivative financial instruments		
Long-term liabilities of which		
- hedging instruments	-	-

- trade instruments	-	-
Long-term liabilities for total derivative financial instruments	-	-
Short-term liabilities of which	-	4 230
- hedging instruments	-	4 230
- trade instruments	-	-
Short-term liabilities for total derivative financial instruments	-	4 230
Total liabilities for derivative financial instruments	-	4 230

Type of derivative instrument	Original value in currency	30.06.2017				31.12.2016			
		Financial assets		Financial liabilities		Financial assets		Financial liabilities	
		short-term	long-term	short-term	long-term	short-term	long-term	short-term	long-term
Transactions forward								4 230	
-EUR									
-USD	29 500							4 230	

On 31 December 2016 the fair value of the foreign exchange transactions meeting the criterion of qualification for hedge accounting amounted to -4 638 thousand PLN and as an effective value it was recorded in total in the estimation updating capital and other financial liabilities The fair value of other instruments, i.e. instruments concluded before introduction of the hedge accounting, amounted to 132 thousand PLN and it was in total recorded in other operating income in the income statement.

The Company had not used hedge accounting in previous periods and all financial derivative instruments at that time were classified as financial assets valued at fair value by income statement. At the end of reporting period the Company did not have y agreements with embedded derivatives fulfilling the requirements of being separated from the main contracts and did not conclude any derivative contracts for speculation purposes.

49. STRUCTURE OF EMPLOYMENT

Average employment in the Group in 2017 and 2016 was as follows:

	01.01.2017 - 31.12.2017	01.01.2016 - 31.12.2016
Manegement Board of the parent company	6	5
Management Board of the Group's entities	3	3
Administration	161	153
Sales Department	61	51
Production Division	464	465
Others	160	117
Total	**855**	**794**

50. EVENTS AFTER BALANCE SHEET DAY

On the 17th April 2018 Mr Jan Wielgus and Mr Marek Włodarczyk resigned from the position of a Member of the Management Board of URSUS S.A., from the 17th April 2018.

On the 11th April 2018 URSUS S.A. concluded with the Chinese company Guangdong Jianglong Agricultural Machinery Technology Co., Ltd. (JML) with the seat in Guangzhou a general cooperation agreement for sales, assembly and manufacturing of agriculture tractors and machinery as well as import of parts and components from China, together with a general import agreement, a general agreement for tractors assembly and a general agreement for components supply.

On the basis of the concluded agreements the Parties start a cooperation, the terms of which shall be agreed in the further current relationship, which mainly shall consist of sales by URSUS to JML of agrciultural tractors and machinery and their resale by JML in the territory of China, launching by JML in cooperation with URSUS of assembly of tractors URSUS in China, as well as sales by JML to URSUS of partes and components which may be used by URSUS in its own operation. The Parties agreed also that JML shall start production of transmissions of URSUS tractors, based on the technical documentation supplied by URSUS. Thanks to the start of cooperation with JML the Issuer shall gain possibility of entering the prospective Chinese market, which is the next step in the international expansion of URSUS S.A.

On the 20th February 2018 the company URSUS BUS S.A. cponcluded with MPK in Lublin a contract for lease of 10 buses in the total amount of 10,6 mlillion PLN. On the 8th March 2018 the company URSUS BUS S.A. concluded with MPK in Katowice a contract for delivery of 5 electric low-floor urban buses in the total net amount of 8,4 million PLN. On the 6th April 2018 the company URSUS BUS S.A. concludefd with MZK in Ostrów Wielkopolski a contract for delivery of 6 electric low-floor buses in the total amount of 12,5 million PLN.

On the 9th March 2018 the company URSUS BUS S.A., cocnluded two credit agreements with Bank Gospodarstwa Krajowego in the total amount of 108.000.000 PLN. The financial means from the credits in BGK shall be used for financing the current activity of the subsidiary, i.e. production of buses for the purpose of 5 contracts concluded with the cities of Zielona Góra, Szczecinek, Katowice and Lublin. The total capital repayment within the credit agreements shall be made till the 31st March 2019.

51. Information on agreement with entity entitled to audit of financial statements

Pursuant to the authorization resulting from the Art. 66 Section 4 of the Act of 29 September 1994 on accounting and 26 paragraph 19 point of the Statute of the Company the auditor was chosen by Board of Directors of the Company.

By means of the resolution 182/2016 of the 2nd June 2016 the Board of Directors of the Company chose as the auditor BDO Sp. z o.o. Company with its registered seat in Warsaw, ul. Postępu 12, entered in the list of entities entitled to audit of financial statements under the reference code 3355.

On the 16th May 2017 the Supervisory Board of the Company appointed as auditor the company Ernst & Young Audyt Polska sp. z o.o. sp. k. with the seat in Warsaw, Rondo ONZ 1, is entered into the Register of Entrepreneurs of the National Court Register (KRS) kept by the District Court District Court for the Capital City of Warsaw, XII Commercial Department of the National Court Register, under KRS number 0000481039 and is registered under number 130 on the list of entities authorized to audit financial statements.

On 14 June 2017 the agreement with the chosen entity was concluded and it covered with its scope the review of the financial statement of the Issuer for first six months of 2017 and the audit of the financial statement for 2017 of the Group and of the Company. The remuneration resulting from the above mentioned agreement is 136.650 PLN net.

Annual financial statement for 2016 was audited by BDO Sp. z o.o. with its registered seat in Warsaw, ul. Postępu 12 entered in the list of entities entitled to audit of financial statements under the reference code 3355. Total cost of the audit was 85.000 PLN net.

Lublin, 9 May 2018

Karol Zarajczyk President of Management Board	Monika Kośko Vice-President of Management Board	Michał Nidzgorski Vice-President of Management Board	Zorean Radosavljević Member of Management Board	Marcin Matusewicz Member of Management Board	Agnieszka Wiśniewska Proxy