MANAGEMENT BOARD REPORT
ON THE ACTIVITY of URSUS Capital Group for 2014
(for the period from 1 January 2014 to 31 December 2014)
CONTENTS

TO THE SHAREHOLDERS OF URSUS ................................................................. 4

1. THE RULES OF PREPARING CONSOLIDATED FINANCIAL STATEMENTS ....................... 6

2. GENERAL INFORMATION AND THE DESCRIPTION OF THE ORGANISATION OF THE CAPITAL GROUP ................................................................. 6


4. THE DISCUSSION ON THE BASIC ECONOMIC AND FINANCIAL VALUES ................... 12

5. EMPLOYMENT IN URSUS GROUP .............................................................................. 16

6. THE DESCRIPTION OF SIGNIFICANT RISK FACTORS AND THREATS, ALONG WITH DETERMINING TO WHAT EXTENT THE ISSUER IS EXPOSED TO THEM ................................................................. 16

7. INFORMATION ABOUT THE BASIC PRODUCTS, GOODS OR SERVICES ALONG WITH DETERMINING THEIR VALUE AND QUANTITY ................................................................................ 19

8. INFORMATION ABOUT TRADE MARKETS, TAKING INTO CONSIDERATION THE DIVISION BETWEEN DOMESTIC AND FOREIGN MARKETS ................................................................................ 23

9. INFORMATION ABOUT THE CONCLUDED AGREEMENTS WHICH ARE SIGNIFICANT FOR THE ISSUER’S BUSINESS ACTIVITY ................................................................................ 24

10. INFORMATION ABOUT THE ISSUER’S ORGANISATIONAL OR CAPITAL RELATIONS WITH OTHER ENTITIES ............................................................................. 28

11. DESCRIPTION OF TRANSACTIONS WITH RELATED ENTITIES .................................. 30

12. INFORMATION ABOUT THE INCURRED CREDITS AND LOAN AGREEMENTS AND THEIR MATURITY DATES, AS WELL AS WARRANTIES AND GUARANTEES .................................................. 30

13. INFORMATION ABOUT GRANTED LOANS, ALONG WITH THEIR MATURITY DATES, AS WELL AS INFORMATION ABOUT GUARANTEES AND WARRANTIES, WITH PARTICULAR FOCUS ON THE LOANS, GUARANTEES AND WARRANTIES GRANTED TO THE GROUP’S RELATED ENTITIES ................................................................................ 33


15. EXPLANATION OF THE DIFFERENCES BETWEEN THE FINANCIAL RESULTS INDICATED IN THE ANNUAL REPORT AND THE RESULT FORECASTS FOR A GIVEN YEAR PUBLISHED PREVIOUSLY ................................................................................ 36

16. ASSESSMENT OF FINANCIAL RESOURCES MANAGEMENT, ALONG WITH JUSTIFICATION ......................................................................................... 36

17. ASSESSMENT OF THE POSSIBILITY OF FULFILLING INVESTMENT PLANS .................. 36
18. ASSESSMENT OF FACTORS AND NON-TYPICAL EVENTS INFLUENCING THE RESULTS OF THE ACTIVITY IN 2014 ................................................................. 38


20. CHANGES IN THE BASIC MANAGEMENT PRINCIPLES IN THE COMPANIES CONSTITUTING THE CAPITAL GROUP ................................................................. 41

21. CHANGES IN THE COMPOSITION OF PERSONS MANAGING AND SUPERVISING THE GROUP THROUGHOUT 2014 ................................................................. 42

22. ANY AGREEMENTS CONCLUDED BETWEEN THE COMPANY AND THE MANAGING PERSONS PROVIDING FOR A COMPENSATION .................................................. 44

23. VALUE OF REMUNERATIONS, AWARDS OR BENEFITS, INCLUDING THOSE GRANTED AS PART OF INCENTIVE OR BONUS PROGRAMMES .................................. 44

24. DETERMINATION OF THE TOTAL NUMBER AND NOMINAL VALUE OF ALL SHARES HELD BY THE MANAGING AND SUPERVISING PERSONS .................................. 45

25. DETERMINATION OF THE SHAREHOLDERS HAVING, DIRECTLY OR INDIRECTLY THROUGH SUBSIDIARY ENTITIES, AT LEAST 5% IN THE TOTAL NUMBER OF VOTES AT THE ISSUER’S GENERAL MEETING .................................................. 45

26. INFORMATION ABOUT THE AGREEMENTS WHICH THE ISSUER IS AWARE OF (INCLUDING THE AGREEMENTS CONCLUDED AFTER THE BALANCE SHEET DATE) .................................................................................................................. 46

27. INDICATION OF THE HOLDERS OF ANY SECURITIES THAT GRANT SPECIAL CONTROLLING RIGHTS IN RELATION TO URSUS .................................................. 46

28. INFORMATION ABOUT THE CONTROL SYSTEM OF THE EMPLOYEE SHARES OWNERSHIP PLANS ........................................................................................................ 46

29. INFORMATION ABOUT THE ISSUES OF THE SOCIAL RESPONSIBILITY OF URSUS CAPITAL GROUP AND ENVIRONMENTAL PROTECTION .................................................. 46


31. INFORMATION ABOUT THE AGREEMENT WITH THE ENTITY AUTHORISED TO EXAMINE AND REVIEW FINANCIAL STATEMENTS .................................................. 47

32. STATEMENTS OF PERSONS RESPONSIBLE FOR THE INFORMATION INCLUDED IN THIS REPORT ON THE ACTIVITY OF THE GROUP .................................................. 47
To the Shareholders of URSUS

Dear Shareholders,

The year 2014 was a breakthrough for our company and the development of Ursus brand. URSUS Group experienced the record increase in revenue and solid profits. Due to the professional cooperation with numerous partners and the effort of our team, we fulfilled our business and market goals, which influenced the achieved financial results and the opportunity for further growth.

The Group closed the previous year with the record financial result: the revenue of URSUS Group increased by 41% year on year and reached the amount of PLN 236 million. The two-digit increase in sales led to making profits: the operating result was over PLN 20 million, i.e. 9% margin, while the net result was PLN 13.8 million. The achieved financial results prove that the adopted strategy is right and suitable for rebuilding the Polish brand URSUS as well as its national and export potential.

In 2014, the company experienced a dynamic growth in the market areas with a good potential. In the discussed period, we have successfully introduced 9 new products to our offer, including 7 new models of tractors - the most popular tractors of 50-180 horsepower for small and medium farms, as well as for the purposes of the forest, building and municipal services industry. The extended product range enables the Group to offer the full range of products for Clients in Poland and abroad. In 2014, URSUS produced 1200 tractors and sold 1777 tractors for the total amount of PLN 113 million. The increase in revenue was also caused by the delivery of the next tranche of trolleybuses to the Public Transport Authority (ZTM) in Lublin. This year, we are still to complete the delivery of the last tranche, i.e. 19 vehicles.

Furthermore, in 2014 we concentrated on the further development of sales abroad, in such countries as Czech Republic, Slovakia, Hungary, Belgium, the Netherlands, Slovenia, Croatia, as well as on Scandinavian and Eastern markets. The effects of our actions are also visible on the non-European markets. Last year, we have completed four tranches of the first phase of the agreement with the Ethiopian company METEC, concerning the delivery of 1.5 thousand tractors. In total, URSUS will deliver 3 thousand tractors, and the value of the agreement amounts to USD 90 million. According to the agreement, this year the Company is going to perform the second phase of the contract, that is deliver 1.5 thousand tractors to Ethiopia. In 2014, we have also entered into a licence agreement with the company FarmAll Technology. The agreement, concerning the use of URSUS brand for the sale of tractors in Pakistan as well as technical support, gives us access to new attractive markets in the region, as well as the revenue potential in 2015 and the following years.
We gradually rebuild the position of Ursus brand in Poland, but we also successfully pursue international expansion - with over 120 years of tradition, it is our duty to develop further. Last year, URSUS earmarked PLN 16.8 million for expanding the offer and production facilities. This year, the Company is planning to earmark another PLN 24 million for investments.

In 2013, URSUS entered into a funding agreement with PARP (Polish Agency for Enterprise Development) for c. PLN 8 million, which concerns the co-funding of the construction of a modern R&D centre, whose aim is to increase the innovativeness of production processes and the competitiveness of the Group's offer. The total cost of the investment amounts to c. PLN 23.6 million, and it will have been completed by the end of the first half of 2015. The research and development centre URSUS R&D started to operate in 2010 and it cooperates with the engineers from the Lublin University of Technology and the Military University of Technology in Warsaw. One of the first URSUS R&D projects that are currently being carried out is the construction of the electric city bus.

The development of production and R&D facilities in Lublin constitutes one of our key strategic goals. We want to use the strength of the brand as well as the potential of Polish engineers and constructors in order to create a modern research and development centre in Lublin and to bring back the tradition of Polish motorisation, which dates back to the pre-war period.

In 2015, we expect a further dynamic growth by means of expanding our product offer. By expanding the range of products adjusted to the demands of the Polish market, the Group expects to increase the sales in Poland and abroad. Our expansion on the international markets includes the EU member states, the Balkan region, and the Eastern Europe. An additional sales leverage is constituted by the system of co-funding the purchase of agricultural equipment from EU funds: the budget in the Rural Development Programme for 2014-2020 is to amount to EUR 13.5 billion.

The development of Ursus brand in the previous year was possible due to the good cooperation with our partners and local authorities that support our efforts related to rebuilding the Polish company. We would also like to thank our clients, investors and shareholders for their support. Furthermore, we would like to present our compliments to the members of the Supervisory Board for their involvement in motivating the Management Board to keep working hard. We kindly thank all of you for your contribution to the development of the Group last year.

To conclude, we would like to emphasise that the next year will also be full of challenges and hard work. The goal of the Management Board and the priority of the strategic investor is to restore the splendour of the oldest Polish brand. We hope that the current year will bring us more development opportunities and new business challenges.

Kind regards,
President of the Management Board of URSUS S.A.
Karol Zarajczyk
1. **The rules of preparing consolidated financial statements.**

The consolidated financial statements of URSUS Group for 2014 were prepared on the basis of:

- International Financial Reporting Standards (IFRS), International Accounting Standards and related interpretations published in the form of regulations of the European Commission; and, to the extent not regulated in the above regulations, in accordance with the accounting principles specified in the Act of 29 September 1994 on accounting (Journal of Laws of 2002, No. 76, Item 694, as amended) and the implementing provisions based thereon.

In 2014, there were no changes in accounting principles.

These financial statements have been prepared in the currency of Polish zloty (thousand; PLN).

2. **General information and the description of the organisation of the Capital Group**

Company: URSUS Spółka Akcyjna
Registered office: LUBLIN
Address: 20-209 Lublin, ul. Frezerów 7
Tax No. NIP 739-23-88-088
Statistical No. REGON 510481080
Share capital: PLN 41,180,000
Telephone number: (+48) 22 266 02 66
Fax number: (+48) 22 506 55 35
E-mail: ursus@ursus.com
Internet address: www.ursus.com www.supertraktor.pl

On 1 June 2012, the District Court in Olsztyn, 8th Commercial Division of the National Court Register, registered the amendments to the Statute of the Issuer in the Register of Entrepreneurs of the National Court Register, including the change of the Company's business name from POL-MOT Warfama S.A. to URSUS S.A.

The change of the Company's business name, which resulted from the purchase of the brand, documentation and production rights of URSUS, constituted the next step in the revitalisation and development strategy for the strongest brand on the Polish market as regards agricultural industry, which led to the provision of considerable Polish capital and the European quality of products. As one of the leading manufacturers of machinery and agricultural tractors on the Polish market, the Issuer - as far as the Management Board is
concerned - will be suitable for continuing the great, over 120-year tradition of URSUS brand on the markets in Poland and abroad.

On 30 April 2013, the District Court in Olsztyn, 8th Commercial Division of the National Court Register, registered the amendment to the Statute of the Issuer in the Register of Entrepreneurs of the National Court Register, which consisted of the change of the company's registered office from Dobre Miasto to Lublin, made by way of a resolution no. 28/2013 of the Ordinary General Meeting dated 17 April 2013.

URSUS S.A. (until 31 May 2012 POL-MOT Warfama S.A.) – parent company– was established by transforming POL-MOT Warfama Spółka z ograniczoną odpowiedzialnością into a joint stock company. The resolution on transforming the limited liability company into the joint stock company was adopted on 24 June 1997. The Company has been established for unlimited time.

URSUS S.A. is registered in the Register of Entrepreneurs of the National Court Register kept by the District Court Lublin-Wschód in Lublin, with its registered office in Świdnik, 6th Commercial Division of the National Court Register, under no. KRS 0000013785. The Company was entered into the Register of Entrepreneurs of the National Court Register pursuant to the decision thereof dated 23 May 2001 (the previous registration - District Court in Olsztyn, 5th Commercial Division, under commercial register no. RHB 2234).

The main activity of the Company is the production of agricultural machinery, according to the Polish Classification of Activity (2007) - 28.3 - Manufacture of agricultural and forestry machinery.

The sector, according to the Warsaw Stock Exchange classification: electromechanical.

As on the date of drafting the report, the share capital of the Company was constituted by 41,180,000 ordinary bearer shares with the nominal value of PLN 1.00 each.

The Capital Group consists of four companies:

1. **URSUS S.A. (parent company)**

URSUS S.A. is a renowned manufacturer of agricultural machinery and equipment on the Polish market. It manufactures such products as: agricultural tractors, roll balers, fertiliser spreaders, tractor trailers, front loaders, machines for collecting and transporting haylage, machines for shredding and briquetting straw, as well as loader-excavators and grab holders. The Company has its head office in Lublin and two Production Divisions in Dobre Miasto near Olsztyn and Opalenica near Poznań.

As on the date of preparing this report, the Company is represented by the following persons:

1. Karol Zarajczyk - President of the Management Board
2. Abdullah Akkus - Member of the Management Board
3. Wojciech Zachorowski - Member of the Management Board
4. Jan Wielgus - Member of the Management Board
5. Marek Włodarczyk - Member of the Management Board

On 28 February 2014, the Supervisory Board of URSUS S.A. adopted a resolution on appointing Mr Abdullah Akkus a Member of the Management Board of URSUS S.A., effective as of the date of the resolution.

On 14 January 2015, at the meeting of the Supervisory Board, Mr Tadeusz Ustyniuk resigned from the position of a Member of the Management Board of URSUS S.A. The Supervisory Board accepted the aforementioned resignation and removed Mr Tadeusz Ustyniuk from his position of a Member of the Management Board of URSUS S.A. Mr Tadeusz Ustyniuk acted in the capacity of the Member of the Management Board in the period from 18 March 2013 to 14 January 2015.

On 15 January, the Supervisory Board of URSUS S.A. adopted a resolution on appointing Mr Marek Włodarczyk a Member of the Management Board of URSUS S.A.

The beginnings of the Issuer's business activity date back to 1946, which was the year of establishing the State Operator - Warmia Agricultural Machinery Factory "AGROMET-WARFAMA" Dobre Miasto. Only few existing Polish companies that manufacture agricultural machinery and equipment can pride themselves in greater tradition and experience than the Issuer. The first products manufactured in the factory were the threshers "Jutrzenka". In the following years, the factory expanded the range of manufactured products. After the first 25 years of activity, the factory was developed. In 1978, the company started the series production of dump trailers. The ground-breaking year in the company's activity was 1997, when the plant was privatised and the majority shareholding of Warfama (85.7% of the share capital, at present URSUS S.A.) was acquired by POL-MOT Holding S.A. Since then, the Company has experienced dynamic growth.

In December 2006, URSUS S.A. bought from POL-MOT Holding S.A. 100% shares of Fabryka Maszyn Rolniczych POL-MOT Opalenica sp. z o.o. with its registered office in Opalenica.

On 27 December 2007, the rights to the shares in POL-MOT Warfama S.A. (at present URSUS S.A.) were listed on the Warsaw Stock Exchange for the first time. The opening rate was PLN 4.18, which constituted a 4.5% growth compared to the issue price.

As of 1 June 2012, the Company changed its name to URSUS S.A. (from POL-MOT Warfama S.A.), which constituted the next stage in the development of the strongest brand in the Polish agricultural industry. The previous corporate changes were complemented by moving the Company's registered office to Lublin.

Until the end of 2013, the Company URSUS S.A. had its head office in Lublin and three other branches: in Opalenica near Poznań, Dobre Miasto near Olsztyn and Biedaszki Małe near Kętrzyn. Pursuant to the resolution of the Supervisory Board dated 28 August 2013, the branch in Biedaszki Małe was taken over by the branch in Dobre Miasto as of 1 January 2014. The takeover of the division was part of the restructuring processes that were started in the company in the second half of 2013.
Since 2014, the Company has had its head office in Lublin and two production divisions in Dobre Miasto near Olsztyn and Opalenica near Poznań.

By introducing URSUS into the new era, the Issuer became a worthy continuer of over 120 years of the great tradition of producing Polish agricultural tractors. Combined with the Issuer's experience and history, this leads to the establishment of the strongest Polish brand and a great advantage in gaining markets and ensuring the further development of the Company.

**Issue of class O shares**

On 26 May 2014, the Ordinary General Meeting of URSUS S.A. adopted the Resolution on issuing subscription warrants of class 1 with the right to take up the Company's class O shares and depriving the existing shareholders in full of the pre-emptive right to the subscription warrants of class 1, as well as the Resolution on the conditional increase in the share capital of the Company in order to grant the shares of class O to the holders of the subscription warrants of class 1 issued by the Company, which entitle the holders to take up the Company's shares of class O.

The conditional increase in the share capital adopted pursuant to the aforementioned resolutions was registered by the Court on 24 June 2014 (by the decision complementary to that of 2 June 2014).

On 1 July 2014, URSUS S.A. offered the company POL-MOT Holding S.A. with its registered office in Warsaw, being the entitled entity, 15,000,000 subscription warrants of class 1 of the Company, entitling the holder to take up 15,000,000 (say: fifteen million) ordinary bearer shares of class O of the Company ("Class O Shares"), with the nominal value of PLN 1 (one) each, at the issue price of PLN 2 (say: two zlotys) each, within the period from the date of taking up the subscription warrants of class 1 to 31 May 2015. The company POL-MOT Holding S.A. with its registered office in Warsaw accepted the offer and took up the offered 15,000,000 subscription warrants of class 1 of the Company.

In relation to covering and taking up 15,000,000 ordinary bearer shares of class O (all shares determined in the resolution of the General Meeting) by POL-MOT Holding S.A. with its registered office in Warsaw, the Management Board of the Issuer issued 15,000,000 shares of class O, from no. 00000001 to no. 15000000, to the company POL-MOT Holding S.A., and the share capital of the Issuer was increased by PLN 15,000,000.

The company URSUS S.A. in Lublin is a subsidiary company of the company POL-MOT Holding S.A. in Warsaw. As on the date of publishing this report, the company POL-MOT HOLDING S.A., along with its subsidiary entity, the company Aquarius VII spółka z ograniczoną odpowiedzialnością SPV IX S.K.A. (the new business name of the company is REO spółka z ograniczoną odpowiedzialnością Inwestycje S.K.A.), holds 20,629,000 shares, which constitute 50.09% of all URSUS S.A. shares and entitle the company to 20,629,000 votes at the General Meeting, which constitute 50.09% of all votes.

2. Bioenergia Invest S.A. (subsidiary unit)
Company: BIOENERGIA INVEST S.A.
Registered office: WARSAW
Address: 01-864 Warsaw, ul. Kochanowskiego 45
Tax No. NIP 525-243-76-44
Statistical No. REGON 141585020
No. KRS 0000377027
Share capital: PLN 11.018.000,00
Telephone number: (+48) 22 633 83 79
Fax number: (+48) 22 633 83 79
E-mail: info@bioenergiainvest.pl
Internet address: www.bioenergiainvest.pl

Bioenerga Invest S.A. is registered in the Register of Entrepreneurs of the National Court Register kept by the District Court in Olsztyn, 8th Commercial Division of the National Court Register under no. KRS: 0000377027.

The main activity of the company consists of the production and sales of straw products (briquette), according to the Polish Classification of Activity (2007) - 16.29Z.

As on the date of preparing this report, the company is represented by the following persons:

1. Ryszard Jacyno - President of the Management Board
2. Dariusz Cygan - Vice-President of the Management Board
3. Tadeusz Kasjanowicz - Member of the Management Board

The Company was established pursuant to the Memorandum of Association of 29 September 2008 as a limited liability company under the business name INVEST-MOT Bioenergia sp. z o.o. with its registered office in Warsaw. Its founder was the company INVEST-MOT sp. z o.o. in Warsaw. Since its establishment, the main objects of the company INVEST-MOT Bioenergia was the acquisition of various kinds of biomass, in particular for the purposes of electricity production.

On 2 February 2009, POL-MOT Warfama S.A. with its registered office in Dobre Miasto (at present URSUS S.A.) entered into an agreement with INVEST-MOT sp. z o.o. concerning the cooperation on biomass production, and joined the company Bioenergia Invest sp. z o.o.. This date is considered the beginning of the operational activity of the company.

On 31 January 2011, Bioenergia Invest sp. z o.o. was transformed into Bioenergia Invest S.A. and the value of its capital remained the same but 8,818 shares of the company with the value of PLN 1,000.00 each were replaced by 8,118,000 shares with the value of PLN 1 each.

Pursuant to the above agreement, USRUS S.A joined the company INVEST-MOT Bioenergia sp. z o.o. by taking up shares in the share capital increased from PLN 50,000 to PLN 8,118,000. Apart from the arrangements concerning the capital participation in the implementation of the joint undertaking, the the parties entered into the agreement on changing the company's name from INVEST-MOT Bioenergia sp. z o.o. to a new one -
Bioenergia Invest sp. z o.o., and moving the company's registered office from Warsaw to Dobre Miasto.

On 22 April 2010, the company URSUS S.A. purchased from INVEST-MOT sp. z o.o. in Warsaw more shares in the company Bioenergia Invest sp. z o.o.; as a result, it held 51% shares in the share capital of the company.

On 17 September 2013, the Extraordinary General Meeting of the company Bioenergia Invest S.A. adopted the resolution on increasing the share capital of the company by PLN 2,900,000.00, i.e. from PLN 8,118,000.00 to PLN 11,018,000.00 by issuing 2,900,000 new ordinary bearer shares of class B with the nominal value of PLN 1.00 each. The shares of class B were taken up by private placing directed at URSUS S.A. with its registered office in Lublin, and they were paid up in cash by converting the unmatured liabilities of the company towards URSUS S.A. amounting to PLN 2,900,000.00.

On 21 November 2013, the District Court in Olsztyn, 8th Commercial Division of the National Court Register, issued a decision on entering into the Register of Entrepreneurs of the National Court Register the increase in the share capital of the company Bioenergia Invest S.A. from PLN 8,118,000 to PLN 11,018,000, i.e. by PLN 2,900,000, by way of issuing 2,900,000 ordinary bearer shares of class B, with the nominal value of PLN 1 (one) each.

The shares of class B will be entitled to a dividend starting from the payment of profit earmarked for distribution for the financial year 2013. The issue price of one share has been established at PLN 1.00, which is equal to the nominal value of one share.

On 30 December 2013, the company INVEST-MOT sp. z o.o. sold to the subsidiary company POL-MOT Holding S.A. 2,362,089 (two million, three hundred and sixty two thousand, ninety eight) shares of class A, which constituted 21.44% of the share capital of Bioenergia Invest S.A. with its registered office in Dobre Miasto.

As on the date of publishing this report, the shareholders of the company Bioenergia Invest S.A. in Dobre Miasto are:
- URSUS S.A., holding 7,040,000 shares,
- INVEST-MOT sp. z o.o., holding 1,252,902 shares,
- POL-MOT Holding S.A.,\(^1\) holding 2,362,098 shares,
- Mr Karol Zarajczyk, holding 227,000 shares,
- Mr Paweł Gilewski, holding 136,000 shares,

The activity of the company Bioenergia Invest S.A. consists of organising the lines for producing briquette and pellet from straw by renting complete technological lines for briquetting and pelleting straw to lessees from Poland and receiving the straw briquette and pellet produced by them. The briquette obtained this way is sold by the company to power plants employing the technology of biomass and coal co-combustion as well as biomass combustion. The production capacity of the company under cooperation agreements with the chain of suppliers is adjusted to the current market needs. In order to establish cooperation with the company, it is required to incur the obligation to produce briquette and pellet, as well as to provide the proper amount of production materials.

\(^1\) POL-MOT Holding S.A. is a subsidiary company of the company INVEST-MOT sp. z o.o.
3. **Presentation of the long-term vision of the activity and mission of URSUS Capital Group. Information about the main goals of the business and the methods of measuring the progress of their implementation.**

The goal of the Management Board and the priority of the strategic investor of Ursus S.A. is the restoration of the splendour of URSUS brand, one of the oldest Polish brands. As part of the adopted and implemented strategy, the Company takes actions in order to rebuild the position of the brand in Poland as well as to advance its expansion abroad. Such actions are performed by means of the successive development of the product offer, as well as the expansion of the product range adjusted to the demands of the Polish and foreign markets. Last year, URSUS earmarked PLN 16.8 million for the investments in expanding the offer and production facilities. This year, the Company is planning to earmark PLN 24 million for investments. In 2014, URSUS successfully introduced 9 new products to the offer, including 7 new tractor models.

The condition for achieving the set goals is the Company's constant infrastructural development, as well as investments in research and development. The research and development centre URSUS R&D cooperates with the engineers from the Lublin University of Technology and the Military University of Technology in Warsaw. One of the first URSUS R&D projects that are currently being carried out is the construction of the electric city bus. The development of production facilities and the research and development centre is one of the key strategic goals of the Group.

4. **The discussion on the basic economic and financial values disclosed in the annual financial statements, in particular the description of the factors and events, including those of exceptional nature, significantly influencing the activity of the Group and its profits or losses in the financial year, as well as the discussion of the opportunities for the development of the Issuer's activity, at least in the next financial year.**

The consolidated financial statements of URSUS Capital Group for 2014 include the data from the individual statement of the company URSUS S.A. as well as the data of the company Bioenergia Invest S.A.

In 2014, the company URSUS Group achieved the sales revenue in the amount of PLN 236,204,000, which constitutes the increase by 40.6% compared to the analogical period of the previous year. The revenue from sales on the domestic market was PLN 113,976,000, which constitutes a 3.2% drop compared to the sales in 2013. The revenue from export sales was PLN 122,228,000, which constitutes 143.2% increase compared to the sales abroad in 2013.

Such a significant increase in the revenue from export sales was caused by the completion of the first phase of the agreement with the Ethiopian company Metals and Engineering Corporation (METEC) of Adama Agricultural Machinery Industry (AAMI) with its registered office in Adama (Oromia, Ethiopia). By the end of 2014, the company completed four out of six batches of the first phase of the said agreement, with the total value of sales revenue amounting to PLN 84,593,000 (the agreement is described in detail in point 18of the Report). After decreasing the value of foreign sales by the
The foreign sales amount to PLN 37,635,000, which constitutes a 25% drop as compared to the revenue from the analogical period of the previous year.

The low dynamics of the revenue from domestic sales results mainly from the delay in starting the new opportunity of EU funding from the Rural Development Programme for 2014-2020. According to the Management Board, the subsidies under the Rural Development Programme 2014-2020 will be granted in 2015, which will have a significant influence on the Company's results in 2015.

According to the information provided on the website of the Agency for Restructuring and Modernisation of Agriculture (ARMA), on 12 December 2014, the European Commission authorised the Polish version of the Rural Development Programme 2014-2020. As part of the implementation of the Common Agricultural Policy of the European Union in 2014-2020, Poland will have at its disposal the total amount of EUR 42.4 billion, and the budget of the Rural Development Programme for 2014-2020 will amount to EUR 13.5 billion. The most important task of the Rural Development Programme 2014-2020, which is the basic financial instrument for the purposes of conducting structural and investment changes in rural areas, is now to increase the competitiveness and profitability of farms. The Programme will still promote young farmers, who, apart from the higher direct payments, will be able to receive starting "bonuses" of PLN 100,000.

The company URSUS S.A.

The sales revenue of the company URSUS S.A. in 2014 amounted to PLN 224,066,000, which constituted an increase in revenue by 51.5% as compared to 2013. Domestic sales amounted to PLN 101,838,000, which constituted an increase by 4.3%, while export sales amounted to PLN 122,228,000 and increased by 143.2% as compared to 2013.

Among the different product groups, the greatest increase was noted for Tractors, in which the sales increased by 125% year on year, and for Trolleybuses, where the sales increased by 20% (see: Table 2). Such a significant increase in the revenue from sales was caused by the completion of the tractor sales as part of the agreement with the Ethiopian company METEC, as well as the sales of trolleybuses as part of the agreement with the Public Transport Authority (ZTM) in Lublin (PLN 19.5 million) (the agreement is described in detail in point 18 of the Report).

The Company has noted the increase in revenue from sales in group products, i.e. Machines for mixing and distributing feed (by 39%) and Loader accessories and fasteners (by 12%). The machines for mixing and distributing feed are manufactured in the Production Division in Opalenica and mainly sold for export. Loader accessories are manufactured in the Production Division in Dobre Miasto; they constitute additional equipment for agricultural tractors and the sales of these items are strongly correlated.

The remaining product groups (Table 2) in 2014 showed the decrease in sales revenue; the groups include the segment of the line for collecting fodder, straw and hay (by 34%), the segment of manure spreaders (by 43%), and the segment of agricultural trailers (by 2%).

---

The drop in the revenue from tractor sales on the domestic market was mainly caused by the lack of resources for co-funding the purchase of agricultural machinery and equipment from the Rural Development Programme as described above. The next significant factor influencing the decrease of tractor sales on the domestic market is the problem with satisfying the demand for tractors due to performing the Ethiopian agreement. In spite of that, the Company URSUS S.A. is constantly working on recreating the full offer of URSUS tractors for the agricultural, municipal and forestry sector. In the following years, the Company is planning to develop the range of agricultural tractors and machinery of URSUS brand, offered on the market already in 2013, by adding more models. In 2014, the Company marketed the model of URSUS tractor of 110 horsepower, which has been very popular among clients. At the beginning of 2015, the Company introduced C-380 URSUS model of 75 horsepower.

Despite the difficult situation in the agricultural industry on the foreign markets, the Company was actively involved in foreign trade and it effectively acquired new customers. URSUS S.A. strategy provides for the re-establishment of the contacts and relations with URSUS commercial partners, as well as the acquisition of new clients. The significant partners are the companies operating on the Scandinavian and Eastern markets, as well as in such countries as Czech Republic, Slovakia, Hungary, Belgium, the Netherlands, Slovenia and Croatia, to which the products from the Issuer's full offer are exported. The Company also takes actions with a view to re-establishing the position of URSUS brand on non-European markets. On 24 September 2013, the company URSUS S.A. entered into an agreement with the Ethiopian company METEC concerning the supply of 3,000 tractors, the equipment for service centres and the supply of tractor spare parts. Until the end of 2014, the Issuer completed four out of six batches of the first phase of the agreement; as on the date of publishing this Report, the Company is in the course of completing the fifth batch of supply as part of the first phase of the agreement.

Due to the macroeconomic situation, the decline in sales in the agricultural machinery industry and the Company's situation, the Management Board of URSUS S.A. started the restructuring process, which aimed at lowering fixed costs and ensuring a more effective use of the Company's assets. As of 1 January 2014, the branch in Biedaszkí was merged with the branch (at present the Division) in Dobre Miasto. As a result, is was possible to consolidate the management processes and use the Company's assets in a more effective way. This provides the Company with considerable benefits, including the decrease of employee costs and overhead costs.

**The company Bioenergia Invest S.A.**

Sales revenue in the company Bioenergia Invest S.A. in 2014 amounted to PLN 12,481,000, and exceeded the revenue from 2013 by PLN 7,887,000 (by 39%). The decrease in revenue was caused mainly by the decrease in biomass sales volume as well as the reduction of biomass supply prices for power plants. In 2014, the company sold 29,000 tons of biomass, which is 16,000 tons less than in 2013 (a drop by 35.6%). The main factor influencing the decrease in sales was the reduction of the prices of green certificates and biomass since 2013.
As regards operational activity, the company made a loss in the amount of PLN 1,173,000, and a net loss in the amount of PLN 1,291,000, whereas in 2013 it made a net profit in the amount of PLN 3,000.

The main factors influencing the loss in 2014 were the indexation of the prices of biomass supplied to power plants, as well as the need to make the allowance for receivables in the amount of PLN 648,000.

**URSUS Group**

In 2014, URSUS Group made a gross profit from sales at the level of PLN 42,969,000 and it exceeded the gross profit from sales made in 2013 by 163.0% As regards operational activity, after taking into account the remaining revenue and operational costs, the Group showed a profit of PLN 20,352,000, whereas in 2013 the Group made a loss of PLN (-20,821) thousand.

In 2014, URSUS Group made a gross profit of PLN 14,391,000, and in 2013 it made a gross loss of PLN (-24,984) thousand.

In 2014, URSUS Group made a net profit in the amount of PLN 13,827,000, whereas in 2013 it made a net loss of PLN (-22,441) thousand.

The Group's net profit in 2014 resulted mainly from the increase in the revenue described above, the decrease in the costs of goods sold (by 27.4%), the decrease in the costs of sales (by 47.6%) and the decrease in Other operational revenue.

The decrease in costs in 2014 is a result of the restructuring processes that started in URSUS Group already in 2013. Their aim was to lower fixed costs and ensure a more effective use of the Company's assets. The main activities included: the reduction of employee costs, the consolidation of two branches of the company, joining the electricity purchasing group, and changing the structure of the marketing and advertising strategy. Another factor that influenced the reduction of costs was the termination of the Collective Labour Agreement in the branch in Dobre Miasto as of 31 December 2013. The Management Board estimates that the termination of the Collective Labour Agreement will result in savings for URSUS S.A. in the amount of c. PLN 3.7 million within the next 5 years. The effects of all the actions listed above, i.e. the reduction of costs, will be visible also in the next reports of the Group.

The positive factor influencing the Group's result in 2014 was the release of a considerable part of the provision (in the amount of c. PLN 4,169,000) for trade receivables from the joint subsidiary company URSUS d o.o. in Bosnia and Herzegovina in 2013. The value of the released provision is related to the fact that a batch of tractors sold to URSUS d o.o. was returned to URSUS S.A. As on 31 December 2014, the company URSUS d o.o. was not a part of URSUS Capital Group (see: point 9 of the Report).

The Group's results were also positively influenced by the re-valuation of investment properties as on the balance sheet date 31 December 2014, in accordance with IAS 40. The appraisal reports of property appraisal experts have shown the total increase in the value of URSUS S.A. real property by PLN 4,034,000. This amount has been included in the income statement under Re-valuation of investment properties.
A negative factor influencing the net result of the Group in 2014 was the increase in financial costs by PLN 1,830,000 year on year, of which a significant part was constituted by the differences in rates concerning trade receivables (in USD), resulting from the received prepayments towards the performance of the agreement with the Ethiopian company METEC.

5. Employment in URSUS Group

The level of employment in the company URSUS S.A. and the company Bioenergia Invest S.A. is presented in Table 1a and 1b.

<table>
<thead>
<tr>
<th>Table 1a. Average employment in the company URSUS S.A. resulting from employment contracts.</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>State as on</td>
<td>Number of employees</td>
</tr>
<tr>
<td>31 December 2014</td>
<td>705</td>
</tr>
<tr>
<td>31 December 2013</td>
<td>719</td>
</tr>
</tbody>
</table>

| Table 1b. Average employment in the company Bioenergia Invest S.A. resulting from employment contracts. |
|---|---|
| State as on | Number of employees |
| 31 December 2014 | 5 |
| 31 December 2013 | 9 |

6. The description of significant risk factors and threats, along with determining to what extent the Issuer is exposed to them.

Risk factors related to the Issuer, their industry and the environment in which they conduct business activity:

5.1. The risk of margin reduction
The possible increase in competition on the market may provoke the Issuer's competitors to employ an aggressive sales strategy. In such an event, one should take into account the possibility of reducing the margins on products whose value and price are similar to those offered by the Issuer. As a result, the Company may need to reduce the margins, which may have a negative effect on its revenue and results. In order to prevent potential risks, the Issuer takes actions with a view to reducing production costs, which include using the production scale effect, diversifying the supplies of materials and increasing productivity.

5.2. The risk of becoming dependent on key clients
The loss of key customers may have a negative influence on the financial position and results of the business operating on a competitive market. As regards the Issuer's strategic clients, the risk is reduced due to the cooperation under dealership agreements and joint work on developing product quality standards. According to the Issuer, the long-term cooperation reduces the risk of losing such clients.
5.3. The risk related to research and development works on new products
The strong competition in the industry of agricultural machinery and equipment manufacturers makes the businesses incur costs of research and development works, whose aim is to constantly improve the manufactured machinery and equipment, as well as to implement new or improved technological solutions corresponding to the current market trends and consumers' demands. There is a risk that the improper policy of conducting research and development works will lead to lowering the competitiveness of the manufactured machinery and equipment, or that not all funds earmarked for such activities will lead to the expected increase in the revenue and profit of URSUS Group.

5.4. The risk of rotation/loss of key personnel
URSUS Group conducts business activity in the industry in which human resources and the competences of employees constitute significant assets and one of the key success factors. The knowledge, skills and experience of the Members of the Management Board and other persons holding key positions in the Group, as well as manual workers (welders, fitters, turners) constitute key factors from the perspective of the strategic interests of URSUS Group. In the event of a drastic loss of qualified staff (resignation by the majority of key employees), the Group may be temporarily unable to replace such persons with new employees, which could have a negative short-term effect on the activity of the Issuer's Group. On the other hand, the Issuer deems that the constant upgrading of employee qualifications and all actions taken in order to motivate the personnel properly lead to the greater loyalty of employees towards the Issuer, which minimises the risk.

5.5. The risk related to the temporary halting of production
In its activity conducted on the market of agricultural machinery and equipment manufacturers, URSUS Group makes use of the specialist technical infrastructure. In the event of any failure, damage or loss of the Group's tangible fixed assets (including, in particular, equipment resources), there may be a risk of the temporary halting of production. This, in turn, may cause temporary delays in the timely fulfilment of orders placed by clients and lead to the decrease in sales and deterioration of financial results achieved by the Issuer's Group. The occurrence of the event described above is unlikely.

5.6. The risk related to the macroeconomic situation in Poland and Europe
The financial situation of the Issuer's Group depends on the economic situation in Poland and Europe. The financial results generated by URSUS Group are influenced, among others, by the GDP growth rate, the level of inflation, the increase in the level of investments, the rate of unemployment and the state fiscal policy. The favourable economic conditions exercise a positive impact on the economic outlook and the financial situation of farms, and therefore, on the investment demand as regards their development and modernisation. The deterioration of the general macroeconomic situation may lead to the reduced demand for agricultural machinery and equipment, which may have a negative effect on the financial result of the Issuer's Group.
5.7. The risk related to the planned equity investments  
The performance of the planned investments depends on the stability of the market environment. There is a risk that the expenditures on a given goal may be insufficient, while the implementation of projects may be impeded despite the Issuer's best care. Moreover, organisational and legal problems may cause some unexpected results of the return on equity. In order to minimise this risk, the Issuer conducts the economic and financial analysis of a given undertaking before making the decision on equity investment.

5.8. The risk related to greater competition on the agricultural machinery manufacturers market  
The agricultural machinery manufacturers market shows a strong competition, both among domestic and foreign companies. The increased competition and the strong foreign producers that enter the Polish market may have a negative impact on the Issuer's activity and the achieved results. In order to reduce the impact of this risk on the Company's results and to fulfil the strategic principles, the Company puts emphasis on the constant improvement of the range of manufactured products as well as on acquiring new orders from foreign contractors. The Issuer takes actions with the view to extending the product offer and meeting the client's demands.

5.9. Exchange rate risk  
Part of the sales and the great majority of the purchases made by the Issuer are realised in foreign currencies (mainly EUR). In 2014, the sales of URSUS S.A. realised in foreign currencies amounted to 57% of the total sales (out of which 40% of the total sales was the sales denominated in USD, and 16% - in EUR), while the share of production material purchases realised in foreign currencies in the total purchases was 46% (out of which 78% was constituted by the purchases realised in EUR). Therefore, there is a risk that the changes in foreign exchange rates (the strengthening of foreign currencies, especially EUR, as compared to PLN) will have a negative influence on the financial results achieved by URSUS Group. The Management Board of the company URSUS S.A. constantly monitors the company's exposure to the foreign currency risk, estimates its impact on the company's financial result and, in the event of the excessive concentration, it considers the introduction of instruments that secure the exposure.

5.10. The risk related to the farmers' failure to use EU funds earmarked for the modernisations in the field of agriculture  
The Rural Development Programme, concerned with granting EU funding to farmers, has operated since 2007. The next EU Rural Development Programme for 2014-2020 has been in effect since 2014. In the event of any delays in starting the next stages of the programme or any organisational and procedural difficulties related to the submission of applications, farms may fail to benefit from the assistance measures for financing investments. The Management Board constantly monitors the situation related the implementation of the Rural Development Programme for 2014-2020, as well as the level of use and availability of the EU assistance measures in the respective voivodships. In the event of any delays in the payment of the EU funding under the
Programme, one should take into account the risk of a lesser demand for agricultural machinery and equipment at that time, which will undoubtedly affect the Issuer's financial results.

5.11. The risk of the increased prices of the basic raw materials used by the Issuer for production
The basic raw material used by the Company in the production process is steel. Steel prices on the global market are highly dependent on the macroeconomic situation. In the periods of good economic conditions, steel prices increase, while in the periods of recession they become lower. A potential increase in steel prices may lead to the decrease in margins realised by the Group and, in turn, have an adverse effect on the financial results achieved by the Group.

7. Information about the basic products, goods or services along with determining their value and quantity, with the share of the respective products, goods and services (if significant) or their groups in the total sales of the Issuer, as well as the changes in this respect in 2014.

The Issuer is a renowned manufacturer of agricultural machinery and equipment on the domestic market.

The offer includes the following assortment groups:
- agricultural tractors,
- dump trailers,
- shell trailers,
- manure spreaders,
- lines for collecting fodder, straw and hay (roll balers, bale wrapping machines, bale rewinding machines, bale pick-ups)
- group of TUR front loaders with accessories,
- grab loaders and loader-excavators,
- container systems (container chassis and containers),
- municipal machinery line (ploughs, sweepers),
- technological lines (machinery and equipment) for biomass production (briquettes),
- field and orchard sprayers,
- mineral fertilisers distributors,
- cultivators,
- feed containers,
- silage selectors,
- windrow selectors,
- mowing and shredding machines,
- rakes,
- carousel hay tredders,
- combined cultivator and seed drill machines,
- spare parts for the aforementioned range of products,
The company Bioenergia Invest S.A. produces briquette and pellet, as well as provides the services of briquetting line rental under cooperation agreements with suppliers. The briquette and pellet obtained this way are sold by the company to power plants that use the technology of combustion and co-combustion of biomass and coal. The company works on extending the scope of its activity by obtaining energy from renewable sources.

Table 2. Revenue from the total sales by URSUS Capital Group in 2014 and 2014 in thousands of PLN.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural tractors</td>
<td>113,430</td>
<td>47.95%</td>
<td>50,477</td>
<td>29.99%</td>
<td>124.7%</td>
</tr>
<tr>
<td>Trolleybuses</td>
<td>19,460</td>
<td>8.23%</td>
<td>16,224</td>
<td>9.64%</td>
<td>19.9%</td>
</tr>
<tr>
<td>Lines for collecting fodder, straw and hay (roll balers, bale wrapping machines, bale pick-up)</td>
<td>8,918</td>
<td>3.77%</td>
<td>13,498</td>
<td>8.02%</td>
<td>-33.9%</td>
</tr>
<tr>
<td>Trailers, dump cars</td>
<td>11,962</td>
<td>5.06%</td>
<td>12,202</td>
<td>7.25%</td>
<td>-2.0%</td>
</tr>
<tr>
<td>Manure spreaders</td>
<td>6,455</td>
<td>2.73%</td>
<td>11,235</td>
<td>6.68%</td>
<td>-42.5%</td>
</tr>
<tr>
<td>Machines for mixing and supplying feed</td>
<td>13,907</td>
<td>5.88%</td>
<td>10,031</td>
<td>5.96%</td>
<td>38.6%</td>
</tr>
<tr>
<td>Loader accessories and fasteners</td>
<td>7,808</td>
<td>3.30%</td>
<td>6,950</td>
<td>4.13%</td>
<td>12.3%</td>
</tr>
<tr>
<td>TUR loaders</td>
<td>5,186</td>
<td>2.19%</td>
<td>6,948</td>
<td>4.13%</td>
<td>-25.4%</td>
</tr>
<tr>
<td>Agricultural machinery elements</td>
<td>5,542</td>
<td>2.34%</td>
<td>5,934</td>
<td>3.53%</td>
<td>-6.6%</td>
</tr>
<tr>
<td>Services</td>
<td>8,898</td>
<td>3.76%</td>
<td>3,237</td>
<td>1.92%</td>
<td>174.9%</td>
</tr>
<tr>
<td>Other products and spare parts</td>
<td>22,500</td>
<td>9.51%</td>
<td>11,183</td>
<td>6.65%</td>
<td>101.2%</td>
</tr>
<tr>
<td><strong>TOTAL:</strong></td>
<td><strong>224,066</strong></td>
<td><strong>147,919</strong></td>
<td></td>
<td></td>
<td><strong>51.5%</strong></td>
</tr>
</tbody>
</table>

Product range of the company Bioenergia Invest:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Biomass</td>
<td>11,139</td>
<td>4.71%</td>
<td>18,835</td>
<td>11.19%</td>
<td>-40.9%</td>
</tr>
<tr>
<td>Other products and services</td>
<td>1,341</td>
<td>0.57%</td>
<td>1,533</td>
<td>0.91%</td>
<td>-12.5%</td>
</tr>
<tr>
<td><strong>TOTAL:</strong></td>
<td><strong>236,547</strong></td>
<td><strong>100%</strong></td>
<td><strong>168,287</strong></td>
<td><strong>100%</strong></td>
<td><strong>40.6%</strong></td>
</tr>
</tbody>
</table>

*out this value, the amount of PLN 342,000 is constituted by the exclusions due to sales within the Capital Group.

**out this value, the amount of PLN 245,000 is constituted by the exclusions due to sales within the Capital Group.

The diagram below presents the sales of the respective products in 2014 and 2013.
In the recent years, the company URSUS S.A. has consistently fulfilled the principles that aim at achieving the position of the key manufacturer and distributor of agricultural tractors and machinery in Poland and on the selected foreign markets. The Management Board estimates that after the Company's offer is extended by tractors of less than 74 and more than 110 horsepower, the sales of tractors in the subsequent periods will increase, and the share of URSUS tractors in the overall sales market will be higher. In the first quarter of 2014, the new URSUS tractor model of 110 horsepower was introduced on the market and it was popular among clients. Unfortunately, due to the performance of the Ethiopian agreement, the Company had difficulty satisfying the demand for this model on the domestic market. At the beginning of 2015, the Company introduced a new model of URSUS tractor on the market; it is called C-380 and it is of 75 horsepower. In 2015, the Company is going to introduce another model of URSUS tractor of 150 horsepower and expand its product offer by tractors of 50-60 horsepower without a cab - of ROPS type.

The models of URSUS tractors are characterised by very good technical parameters, high quality of components, extensive standard equipment, as well as low costs of maintenance services as compared to the offer of Western manufacturers. Other distinctive features of the models include modern design and original shape.

In the following years, the Company is planning to develop the range of agricultural tractors and machinery of URSUS brand, offered on the market already in 2014, by adding more models. As a result, it will be possible to acquire a new group of clients, which should lead directly to the significant increase in the market share - not only of tractors, but also other machines from the Group's offer.

The company's tractor offer is complemented by high-quality agricultural and municipal machinery of URSUS brand. The strong competition on the market of agricultural machinery requires the Issuer to constantly improve the quality of the produced goods, develop the range of the products, and improve the existing offer. The works on new products include creating documentation and own construction solutions for machinery and
equipment, adapting the acquired documentation, making prototypes, conducting market assessment of the product, as well as conducting qualitative studies.

In 2014, the Company URSUS S.A. introduced new models of agricultural trailers of tandem type with a platform body of pallet width, with a symbol T-080/2A; and with a unitised body, with a symbol T-083/A. Both trailer have the load capacity of 10 tons and they are characterised by the modern design of the box. Moreover, in 2014 the Company expanded its offer of municipal products by adding snowploughs of new dimensions, as well as a new hydraulically operated front sweeper. The Company also enriched the offer of front loader accessories and TUZ front loaders by adding the 1-ton model dedicated for tractors of 60 horsepower.

In 2015, the Company is going to start selling a new range of 2-axle trailers of DREAM type, with the load capacity of 6, 8, 10, 12 and 14 tons, which is the result of long-year works and experience of the constructors of the Company URSUS S.A. The trailers will be characterised by an exceptionally resistant structure as well as a larger loading surface as compared to the competition. The trailers may be used not only for agricultural purposes, but also in e.g. building industry, as the thickness and quality of the materials used guarantees their long-year durability.

In response to the market demand, in 2015 the Company is planning to introduce new construction solutions in TUR front loaders, which will make them more functional and aesthetic.

The Issuer's products are distributed via a dealer network, which is monitored and developed on a current basis in order to ensure that the prospective customers throughout Poland get the optimal access to products and maintenance services. The dealer network is complemented by the Issuer's Factory Outlets and POLMOT-ARGO dealer outlets, which sell only the Issuer's products.

Due to the long-year experience and high qualifications of the staff, the company manufactures high-quality products based on the applicable Quality Management System, which complies with the international ISO 9001:2008 standard. It is the continuation of its successive versions, as of receiving the first certification in March 2000. The ability to maintain consistent management compliant with modern standards results from the long-year cooperation between URSUS S.A. and the certifying company Germanischer Lloyd Certification GmbH from Hamburg.

Sales revenue in the company Bioenergia Invest S.A. in 2014 amounted to PLN 12,481,000, and it was lower than the revenue from 2013 by PLN 7,887,000 (a drop by 38.7 %). The decrease in revenue was caused mainly by the decrease in biomass sales volume, as well as the reduction of biomass supply prices for power plants. In 2014, the company sold 29,000 tons of biomass, which is 16,000 tons less than in 2013 (a drop by 35.6%). The main factor influencing the decrease in sales was the reduction of the prices of green certificates and biomass since 2013.
8. Information about trade markets, taking into consideration the division between domestic and foreign markets, as well as information about the sources of supply of production materials, goods and services, along with determining the dependence on one or more clients and suppliers, and in the event that the share of one client or supplier constitutes at least 10% of the total sales revenue - (business) names of the supplier or client, their share in sales or supply, and their formal relations with the parent company.

URSUS S.A. strategy provides for the re-establishment of the contacts and relations with URSUS commercial partners as well as the acquisition of new clients. The significant partners are the companies operating on the Scandinavian and Eastern markets, as well as in such countries as Czech Republic, Slovakia, Hungary, Belgium, the Netherlands, Slovenia and Croatia, to which the products from the Issuer's full offer are exported. The Company also takes actions with a view to re-establishing the position of URSUS brand on non-European markets. In order to re-establish contacts on the African market, in 2012 the Company fulfilled the agreement on the supply of several hundreds of agricultural tractors. On 24 September 2013, the company URSUS S.A. entered into an agreement with an Ethiopian company Metals and Engineering Corporation (METEC) of Adama Agricultural Machinery Industry (AAMI), with its registered office in Adama (Oromia, Ethiopia), concerning the supply of 3,000 tractors, the equipment for service centres and the supply of tractor spare parts. Until the date of publishing this Report, the Issuer completed the dispatch of tractors, equipment for service centres and the supply of tractor spare parts, included in the I, II, III and IV tranche of the first phase of the said agreement. As at the date of preparing this Report, the company is realising the next, fifth tranche of the first phase of the agreement.

The Issuer is going to promote their offer on foreign fairs and expos, which will contribute to the increase in export sales. The promoting activities include LTBS briquetting and LTPS pelleting line; it will be promoted on the key markets throughout the world, as part of GREEN EVO project, under the auspices of the Ministry of Environmental Protection of the Republic of Poland.

Table 3. The main sales assortment of URSUS Group on the domestic and foreign market in 2014

<table>
<thead>
<tr>
<th>Product range</th>
<th>2014 POLAND in thousands of PLN</th>
<th>2014 ABROAD in thousands of PLN</th>
<th>Total:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural tractors</td>
<td>38,582</td>
<td>74,848</td>
<td>113,430</td>
</tr>
<tr>
<td>Trolleybuses</td>
<td>19,460</td>
<td>0</td>
<td>19,460</td>
</tr>
<tr>
<td>Lines for collecting fodder, straw and hay (roll balers, bale wrapping machines, bale pick-up)</td>
<td>7,549</td>
<td>1,369</td>
<td>8,918</td>
</tr>
<tr>
<td>Trailers, dump cars</td>
<td>3,921</td>
<td>8,041</td>
<td>11,962</td>
</tr>
<tr>
<td>Manure spreader</td>
<td>5,342</td>
<td>1,114</td>
<td>6,455</td>
</tr>
<tr>
<td>Machines for mixing and supplying feed</td>
<td>0</td>
<td>13,907</td>
<td>13,907</td>
</tr>
<tr>
<td>Loader accessories and fasteners</td>
<td>6,035</td>
<td>1,773</td>
<td>7,808</td>
</tr>
<tr>
<td>TUR loaders</td>
<td>4,626</td>
<td>560</td>
<td>5,186</td>
</tr>
<tr>
<td>Agricultural machinery elements</td>
<td>0</td>
<td>5,542</td>
<td>5,542</td>
</tr>
<tr>
<td>Services</td>
<td>2,387</td>
<td>6,511</td>
<td>8,898</td>
</tr>
</tbody>
</table>
Other products and spare parts | 13,937 | 8,563 | 22,500
TOTAL: | 101,838 | 122,228 | 224,066

Product range of the company Bioenergia Invest:

| Biomass | 10,512 | 627 | 11,139
Other products and services | 1,292 | 0 | 1,292
TOTAL: | 113,643 | 122,855 | 236,498

The Company URSUS S.A. does not have any suppliers with whom the trade in goods purchased in 2014 exceeded the threshold of 10% of the total sales revenue of the Company.

In 2014, the company Bioenergia Invest S.A. had two strategic suppliers: the agricultural association cooperative Spółdzielnia Kółek Rolniczych in Łaszczyń and KSC Bioenergetyka Sp. z o.o. The value of the trade in biomass supplied by KSC Bioenergetyka exceeded the threshold of 14% of the Company's total sales revenue; the value of the trade in biomass supplied by SKR Łaszczyń exceeded the threshold of 32% of the Company's total sales revenue. The cooperation of Bioenergia Invest S.A. with the aforementioned suppliers is based on agreements; the agreement with Spółdzielnia Kółek Rolniczych is multiannual.

9. Information about the concluded agreements which are significant for the Issuer's business activity, including the agreements concluded between shareholders, of which the Issuer is aware, as well as insurance or cooperation agreements.

The summary of the significant agreements concluded in 2014:

**URSUS S.A.**

- Annexes dated 25 February 2014 to the Revolving credit agreement, Overdraft facilities agreement and the Agreement on the line for opening commercial letters of credit with Bank Gospodarki Żywności S.A. with its registered office in Warsaw, entered into on 12 June 2013, under which the duration of the said agreements was extended until 31 March 2014 (Current report no. 4/2014);

- Cooperation agreement of 5 March 2014 concluded with the Military University of Technology and the Driving Axle Factory – SKB sp. z o.o. S.K.A. with its registered office in Radomsko, extending the existing cooperation between URSUS S.A. and the Military University of Technology. The aim of the agreement is to extend the cooperation between the parties, mainly as regards the development and transfer of technology within the programmes concerning the construction of modern agricultural equipment; mutual consultations; expert advisory services; and cooperation on works related to the development of new solutions for agricultural equipment; the performance of research works; as well as scientific and educational
cooperation. Thanks to the agreement and the cooperation related thereto, the parties will be able to implement the respective jointly developed solutions for agricultural equipment production, extend their offer by the most advanced products and make greater use of scientific research and development works in their actions. (Current report no. 6/2014);

- Factoring services agreement with Getin Noble Bank S.A. with its registered office in Warsaw, entered into on 5 March 2014 for unlimited time, under which the total factoring limit granted to the Company's contractors covered by the agreement amounts to PLN 17,800,000. (Current report no. 7/2014);

- Annexes dated 26/03/2014 to the Revolving credit agreement, Overdraft facilities agreement and the Agreement on the line for opening commercial letters of credit with Bank Gospodarki Żywności S.A. with its registered office in Warsaw, entered into on 12 June 2013, under which the duration of the said agreements was extended until 30/04/2014 (Current report no. 8/2014);

- Credit agreement with mBank S.A. with its registered office in Warsaw, for a renewable credit to the maximum amount of USD 4,000,000, dated 17 April 2014, concluded for limited time, until 25 November 2014, with the purpose of financing the current activities of the Company in relation to performing the agreement with the Ethiopian company METEC (Current report no. 11/2014);

- Annex dated 29 April 2014 to the renewable credit agreement with mBank S.A. with its registered office in Warsaw, concluded on 20 April 2012, under which the duration of the agreement has been extended until 29 April 2015 (Current report no. 14/2014);

- Consortium Agreement - URSUS Electric Bus of 6 May 2014, concluded with Miejskie Przedsiębiorstwo Komunikacyjne sp. z o.o. in Lublin and Lublin University of Technology, on the basis of which the parties will cooperate on constructing and testing an electric city bus adjusted to Lublin's needs, with the possibility of offering it to city transport companies in Poland and abroad; furthermore, using the potential of the Consortium Members, the parties will cooperate on building the production and research facilities for electric buses in Lublin. The Consortium Leader is the company URSUS S.A. (Current report no. 15/2014);

- Annexes dated 28/04/2014 to the Revolving credit agreement, Overdraft facilities agreement and the Agreement on the line for opening commercial letters of credit with Bank Gospodarki Żywności S.A. with its registered office in Warsaw, entered into on 12 June 2013, under which the duration of the said agreements was extended until 31/05/2014 (Current report no. 16/2014);
• Agreement with Przedsiębiorstwo Budowlane "ELIN" sp. z o.o. with its registered office in Wrocław, of 21 May 2014, for conducting construction works and completing detailed designs related to the alternation of the production floor in the Company's registered office in Lublin, along with the infrastructure of the external facilities, of the total value of PLN 9.8 million. The agreement has been entered into as part of the Company's implementation of the project: "The infrastructure for the research and development facilities in order to ensure the innovative market position of the business", implemented under the agreement entered into with the Polish Agency for Enterprise Development, dated 30 September 2013, under the Operational Programme Development of Eastern Poland, the Priority axis and Modern economy, measure 1.3 Innovation support (Current report no. 17/2014);

• Credit agreement with mBank S.A. dated 19 May 2014 for an investment credit in the amount of PLN 3,304,026.67 in order to repay the investment credit of the Company in the bank BZ WBK S.A. According to the agreement, the total repayment of the credit will be made until 29 September 2017 (Current report no. 18/2014);

• Loan agreement with Agencja Rozwoju Przemysłu S.A. with its registered office in Warsaw, of 29 May 2014, for the amount of PLN 20,000,000, in order to replenish equity funds in trade related to the development of agricultural tractor production; the collateral for loan repayment is constituted by: the mortgage on the real property located in Biedaszki Małe in the commune Kętrzyn, entered into the land and mortgage register no. OL1K/00012743/6; registered pledges on the Company's reserves located in the Company's registered office in Lublin, as well as in the Company's branches in Opalenica, Dobre Miasto and Biedaszki Małe; a registered pledge on the right from registering URSUS trademarks, i.e. protective right no. 260749, 241814, 241813, 241812, 54394, 56476, 47098; the assignment of rights arising out of property insurance agreements concerning the property covered by registry pledges and mortgage to the benefit of ARP S.A.; a warranty issued by the company POL-MOT Holding S.A. with its registered office in Warsaw, along with the declaration of voluntary submission to enforcement proceedings; a blank promissory note with a promissory note declaration; and the Issuer's declaration of voluntary submission to enforcement proceedings. Subject to the provisions of the agreement, the principal of the loan will be repaid in 18 monthly instalments. (Current report no. 22/2014);

• Licence agreement and technical support agreement dated 27 October 2014, concluded with the Pakistani company FarmAll Technology (Private) Limited with its registered office in Lahore. Based on the concluded agreements, the Company will, against payment, grant the partner the right to use URSUS brand to label the tractors manufactured and sold by FarmAll Technology (Private) Limited on the territory of Pakistan; furthermore, the Company will grant the partner the access to part of its industrial property rights as well as technological and technical
information to be used for the production, assembly and sales of the tractors under URSUS brand. (Current report no. 40/2014);

- Annexes dated 12 November 2014 to the Credit agreement for a renewable credit in the amount not exceeding USD 4,000,000 with mBank S.A. concluded on 17 April 2014, subject to which the duration of the credit agreement has been extended until 30 March 2015 (Current report no. 41/2014);

- Annex to the Cooperation agreement of 24 November 2011 with mBank S.A., entered into on 20 November 2014, according to which the duration of the Cooperation agreement and the credit agreements concluded as part thereof have been extended until 20 November 2015 (Current report no. 42/2014);

- Annex dated 16 December 2014 to the renewable credit agreement with Bank Millenium S.A. with its registered office in Warsaw, concluded on 16 September 2008, under which the duration of the agreement has been extended until 31 December 2015. (Current report no. 46/2014);

- Annex dated 16 December 2014 to the revolving credit agreement with Bank Millenium S.A. with its registered office in Warsaw, concluded on 23 May 2013, under which the term of the credit has been extended until 15 December 2015, and the principal of the credit has been increased from PLN 7,000,000 to PLN 8,000,000 (Current report no. 46/2014);

- Annex dated 16 December 2014 to the agreement on the lines for bank guarantees and commercial letters of credit, concluded with Bank Millenium S.A. with its registered office in Warsaw, on 08 January 2013, under which the term of the line has been extended until 15 December 2015, and the line limit has been increased from PLN 7,000,000 to PLN 8,000,000 (Current report no. 46/2014);

- Annex of 16 December 2014 to the working capital facility agreement with Bank Millenium S.A. with its registered office in Warsaw, dated 19 December 2013, changing the rate of the joint capped rate mortgage securing the agreement (Current report no. 46/2014);

- Agreement with Bank Millennium S.A. with its registered office in Warsaw for a revolving credit in the amount of PLN 5,000,000, entered into on 16 December 2014 for limited time until 15 December 2015, for the purposes of financing the current activity of the Company. The joint collateral of all the credit agreements with Bank Millennium listed above is constituted by the joint capped rate mortgage on the Company's real property in Dobre Miasto, the amount of which has been increased
from PLN 45,900,000 to PLN 53,397,000 pursuant to the concluded annexes; and the assignment of contractual receivables. (Current report no. 46/2014);

BIOENERGIA INVEST S.A.

- Annex to the Overdraft credit agreement with Bank Spółdzielczy in Dolhobyczów of 5 June 2013, concluded on 30 May 2014, under which the duration of the Agreement has been extended until 28 May 2015, while the principal of the credit has been increased from PLN 700,000 to PLN 1,500,000.
- Agreement with Green Fuel Sp. z o.o. concerning cooperation on the production and supply of briquettes and agreement for the lease of briquetting machines entered into on 22 July 2014,
- Agreement of 19 November 2014 concerning cooperation on the production and supply of briquettes and agreement for the lease of briquetting machines concluded with P.U.H. Tadeusz Lalak.

The Issuer annually renews the following insurance contracts:
- property insurance against burglary, robbery, devastation, fire and other random events,
- electronic equipment insurance against all risks,
- motor insurance of the Company's cars.

Insurance agreements guarantee stable functioning, and the total rate of premiums does not exceed 10% of the Issuer's equity capitals; therefore, the agreements are not significant.

10. Information about the Issuer's organisational or capital relations with other entities, as well as determination of the Issuer's major domestic and foreign investments (securities, financial instruments, intangible assets and real property).

The company URSUS S.A. in Dobre Miasto is a subsidiary company of the company POL-MOT Holding S.A. in Warsaw. POL-MOT Holding S.A. holds 20,629,000 shares of URSUS S.A., which constitutes a 50.09% share in the total number of votes in the General Meeting of the Company.

As on the date of publishing this Report, URSUS Capital Group is constituted by the parent company URSUS S.A. and subsidiary companies:

- Bioenergia Invest S.A.
- Ursus sp. z o.o.
- OBR Moto Lublin sp. z o.o.

Bioenergia Invest S.A.
On 21 November 2013, the District Court in Olsztyn, 8th Commercial Division of the National Court Register, issued a decision on entering into the Register of Entrepreneurs of the National Court Register the increase in the share capital of the company Bioenergia Invest S.A. from PLN 8,118,000 to PLN 11,018,000, i.e. by PLN 2,900,000, by way of issuing 2,900,000 ordinary bearer shares of class B, with the nominal value of PLN 1 (one) each. The shares of class B were taken up by private placing directed at URSUS S.A. with its registered office in Lublin, and they were paid up in cash by converting the unmatured liabilities of the company towards URSUS S.A. amounting to PLN 2,900,000.00. As on the date of publishing this Report, URSUS S.A. holds 7,040,000 shares of the company Bioenergia Invest S.A. in Dobre Miasto, which constitute 63.90% shares in the company's share capital.

**Ursus sp. z o.o.**

On 6 September 2011, the company Ursus sp. z o.o. with its registered office in Lublin was registered in the Register of Entrepreneurs of the National Court Register by the District Court for Lublin-Wschód in Lublin with its registered office in Świdnik, 6th Commercial Division of the National Court Register, under no. 0000395392. The company URSUS S.A. holds 100% shares in the registered subsidiary company, with a total nominal value of PLN 5,000. The company Ursus sp. z o.o. has not started business activity yet.

**OBR Moto Lublin sp. z o.o.**

The company OBR MOTO Lublin is included in URSUS Group due to the fact that, although the Issuer does not hold any shares in the share capital of the company, the Company is a pledgee of the company's shares pursuant to the pledge agreement of 5 March 2012. At present, the company is conducting research and development activities.

**Ursus D.O.O. in Bijeljina**

On 19 September 2014, the Management Board of URSUS S.A. obtained the information that the Regional Court in Bijeljina (Bosnia and Herzegovina) registered the change of the name of the company Ursus d.o.o. and presently the company operates under the name Fabrika Traktora d.o.o. In the same decision, the said Court registered the Issuer's sales of 50% shares in the said company held by the Issuer. Therefore, URSUS S.A. ceased to be a shareholder of Fabrika Traktora d.o.o. (formerly Ursus d.o.o.). URSUS S.A. sold its shares for 1 convertible mark to Mr Jerzy Mazurek, who also purchased the remaining 50% of the said company's shares for 1 convertible mark. As a result, he became the sole shareholder (100% shares) of the company Fabrika Traktora d.o.o.

The company Ursus d.o.o. in Bijeljina was established on 10 October 2012 by the Issuer and Bobar Group d.o.o. (in the initial period, it operated under the name Fabrika Traktora d.o.o.; each entity held 50% shares in the company's share capital), as part of implementing the strategy for rebuilding the position of URSUS brand on the Balkan market. The main operational activity of the company was the production/assembly of URSUS tractors.
The decision on selling the shares to the aforementioned company and ending this part of URSUS S.A. activities in the Balkan region was caused by the unsatisfactory results of the company Ursus d.o.o., which mainly resulted from the socio-political situation in Bosnia and Herzegovina and natural disasters, including in particular floods at the beginning of 2014, which paralysed the region.

The financial results of Ursus d.o.o. did not influence the Issuer’s results because, due to the insignificance of the financial data of Ursus d.o.o., the company was not consolidated in the financial statements of URSUS Capital Group.

Other events

Pursuant to the resolution of the Supervisory Board dated 28 August 2013, the branch of the company URSUS S.A. in Biedaszki Małe was taken over by the branch in Dobre Miasto as of 1 January 2014. As a result of the merger, the employees, all assets and affairs of the branch in Biedaszki Małe were taken over by the branch in Dobre Miasto.

The merger of the branches was part of the restructuring processes that were performed in the company in the second half of 2013. As of 1 January 2014, URSUS S.A. has its head office in Lublin and two Production Divisions in Dobre Miasto and Opalenica.

11. Description of transactions with related entities if the singular or total value of transactions made by a given related entity within the period from the beginning of the financial year exceeds the PLN equivalent of the amount of EUR 500,000.

URSUS S.A. concluded a loan agreement for PLN 6,000,000 with the company POL-MOT Holding S.A. with its registered office in Warsaw. The principal of the loan was transferred to the company URSUS S.A. on 22 October 2013. The interest on the loan was equal to WIBOR 3M rate plus margin. URSUS S.A. used the financial means from the loan in order to conduct its current activity. The Company repaid the loan in the agreed time limit, i.e. until 30 June 2014.

From the beginning of 2014 to the date of publishing the Report, URSUS S.A. and URSUS sp. z o.o. with its registered office in Lublin (related entity) entered into two loan agreements for the total amount of PLN 5,100,000. The amount that has been paid to the Company URSUS S.A. so far subject to the provisions of the loan agreements is PLN 3,400,000.

The Issuer did not make any transactions with the related entities exceeding EUR 500,000, apart from the ones listed above.

12. Information about the incurred credits and loan agreements and their maturity dates, as well as warranties and guarantees.

In 2014, the company URSUS S.A. cooperated with the following banks as regards using credit facilities:

- Bank Millennium S.A. with its registered office in Warsaw, under the overdraft credit agreement of 19 September 2008, amended subject to the subsequent
annexes, under which the amount of the credit is PLN 10,000,000; the agreement is effective until 31 December 2015. The repayment of the credit is secured by a capped rate mortgage on the Issuer's real property, the assignment of rights arising out of the insurance policy, as well as the assignment of the receivables under the cooperation agreement.

- Bank Millennium S.A. with its registered office in Warsaw, under the agreement for the line for commercial letters of credit, dated 9 January 2013, amended subject to the subsequent annexes, under which until 15 December 2015 the Company could use the line for financing commercial letters of credit to the maximum amount of PLN 8,000,000. The line is secured by a blank promissory note along with a promissory note declaration and the assignment of contractual receivables.

- Bank Millennium S.A. with its registered office in Warsaw, under the revolving credit agreement of 23 May 2013, amended subject to the subsequent annexes, under which the credit for repaying the letters of credit, opened subject to the agreement for the line for commercial letters of credit, currently amounts to PLN 8,000,000, and the agreement is effective until 15 December 2015.

- Bank Millennium S.A. with its registered office in Warsaw, under the agreement of 19 December 2013 for a working capital facility in the amount of PLN 10,000,000, concluded for limited time, until 18 December 2017.

- Bank Millennium S.A. with its registered office in Warsaw, under the revolving credit agreement of 16 December 2014, for PLN 5,000,000, for the purposes of financing the current activity of the Company, effective until 15 December 2015.

The joint collateral of all the credit agreements with Bank Millennium S.A. listed above is constituted by a joint capped rate mortgage on the Company's real property in Dobre Miasto, which currently amounts to PLN 53,397,000.

- Bank BZ WBK S.A. with its registered office in Warsaw, under the agreement concluded on 12 November 2010, for an investment credit for financing the purchase of the real property located at ul. Melgiewska 7-9, i.e. the right of perpetual usufruct of the plot of land no. 1/24, with the surface area of 4.0331ha, along with the ownership right to the buildings located on the said land. Subject to the provisions of the said agreement, the Bank granted the Company an investment credit in the amount of PLN 6,527,466.67, payable until 30 September 2017. According to the agreement, the repayment of the credit was secured by the assignment of rights arising out of the insurance policy of the acquired real property, a general mortgage and a capped rate mortgage on the real property, a blank promissory note with a promissory note declaration and a declaration on submission to enforcement proceedings, and the Company's consent to the set-off of claims from the current account held by BZ WBK S.A.

The Company repaid the entire credit earlier, on 29 May 2014, using the resources acquired under the investment credit agreement with mBank S.A. dated 19 May 2014.
• The bank mBank S.A. with its registered office in Warsaw, under the cooperation agreement concluded on 24 November 2014, amended by the subsequent annexes, according to which, for the period until 20 November 2015 and as part of the line for financing the current activity of the Company, mBank S.A. provided the Company with the credit limit to the maximum amount of PLN 17,000,000, including working capital facilities in the amount of PLN 3,000,000 and EUR 600,000, as well as a multi-currency overdraft in the total amount not exceeding PLN 11,000,000. The aforementioned agreement is secured by a joint contractual mortgage on the real property held in perpetual usufruct by the Company, located in Lublin, as well as the buildings erected on the real property and owned by the Company; a declaration on voluntary submission to enforcement proceedings; the assignment of rights arising out of the insurance agreement concerning the real property subject to mortgage; as well as a blank promissory note with a promissory note declaration.

• mBank S.A. with its registered office in Warsaw, under the renewable credit agreement of 20 April 2012. Subject to the provisions of the agreement and the annexes thereto, mBank provided the Company with a credit to the maximum amount of EUR 2,600,000 for the period of the agreement, until 29 April 2015. The bank's receivables are secured by a joint contractual mortgage on the real property held in perpetual usufruct by the Company, located in Opalenica, as well as buildings erected on the real property and owned by the Company, a blank promissory note with a promissory note declaration, a registered pledge on the Company's stocks and the assignment of the receivables under the factoring agreement.

• mBank S.A. with its registered office in Warsaw, under the credit agreement of 17 April 2014 for a renewable credit in the amount not exceeding USD 4,000,000 for the purposes of financing the current activity of the Issuer, including opening and funding letters of credit that finance the purchase of components for tractor production in order to perform the agreement with the Ethiopian company METEC. Subject to the annexes to the aforementioned credit agreement, concluded on 12 November 2014 and 29 January 2015, the maturity date of the credit is 15 May 2015.

• mBank S.A. with its registered office in Warsaw, under the credit agreement of 18 May 2014, for an investment credit in the amount of PLN 3,304,026.67 for the purpose of repaying the Company's investment credit in the bank BZ WBK S.A. Subject to the concluded agreement, the maturity date is 29 September 2017. The aforementioned credit agreement was secured by a contractual mortgage in the amount of PLN 4,960,000 on the land property held in perpetual usufruct by the Company, located in Lublin.
The bank BGŻ S.A. with its registered office in Warsaw, under the agreement of 12 June 2013 for issuing commercial letters of credit along with a revolving credit securing the deferred maturity date, in the total amount not exceeding EUR 2,500,000.00, and the credit agreement of 12 June 2013 for an overdraft facility in the amount not exceeding PLN 2,000,000, amended by the subsequent annexes. The financial resources from the credit were used in order to buy components for tractor production. The bank's receivables under the aforementioned agreements were secured by a registered pledge on the Company's stocks, the assignment of rights arising out of the stocks insurance agreement, the power of attorney to the said current account, a blank promissory note and a declaration of voluntary submission to bank enforcement proceedings.

The Company repaid the working capital facility on 7 May 2014, and on 30 June 2014 it fully repaid the revolving credit.

In 2014, the company Bioenergia Invest S.A. cooperated with the following bank as regards using credit facilities:

- Bank Spółdzielczy in Dolszanowski, under the overdraft credit agreement no. 6/RB/13 of 5 June 2013. Subject to the provisions of the agreement, the company was granted a short-term renewable overdraft credit to the maximum amount of PLN 700,000, for the purposes of covering payment obligations arising out of the conducted business activity. The agreement was concluded for limited time, until 30 May 2014. The bank's receivables under the aforementioned agreement were secured by: a joint contractual mortgage on the company's real property; a blank promissory note with a promissory note declaration, the assignment of receivables under a specific biomass supply agreement, and a declaration of voluntary submission to enforcement proceedings under a bank enforcement title.

On 30 May 2014, Bioenergia Invest S.A. signed Annex no. 1 to the aforementioned Agreement, subject to which the duration of the Agreement has been extended until 28 May 2015, and the principal of the credit has been increased to PLN 1,500,000.

13. Information about granted loans, along with their maturity dates, as well as information about guarantees and warranties, with particular focus on the loans, guarantees and warranties granted to the Group's related entities.

Until the end of 2014, the company URSUS S.A. provided warranties for the liabilities of the company Bioenergia Invest S.A. towards:

- Kredyt Lease S.A. with its registered office in Warsaw, due to the operational leasing agreement of 10 November 2009, concluded for the period of 6 years, to the maximum amount of PLN 829,000.
• Bankowy Leasing Sp. z o.o. with its registered office in Łódź, due to the operational leasing agreement of 19 February 2010, concluded for the period of 5 years, to the maximum amount of PLN 718,000.

• Kredyt Lease S.A. with its registered office in Warsaw, due to the operational leasing agreement of 29 March 2010, concluded for the period of 6 years, to the maximum amount of PLN 706,000.

• Bankowy Leasing Sp. z o.o. with its registered office in Łódź, due to the operational leasing agreement of 4 August 2010, concluded for the period of 5 years, to the maximum amount of PLN 699,000.

• Europejski Fundusz Leasingowy S.A. with its registered office in Wrocław, due to the operational leasing agreement of 8 October 2010, concluded for the period of 5 years, to the maximum amount of PLN 1,373,000.

• Bankowy Leasing Sp. z o.o. with its registered office in Łódź, due to the operational leasing agreement of 14 March 2011, concluded for the period of 4 years, to the maximum amount of PLN 167,000.

• Bankowy Leasing Sp. z o.o. with its registered office in Łódź, due to the operational leasing agreement of 13 June 2011, concluded for the period of 4 years, to the maximum amount of PLN 322,000.

• Bankowy Leasing Sp. z o.o. with its registered office in Łódź, due to the operational leasing agreement of 7 July 2011, concluded for the period of 4 years, to the maximum amount of PLN 85,000.

The total value of URSUS S.A. warranties for the liabilities of the company Bioenergia Invest S.A. as on 31 December 2014 amounts to PLN 605,685.

The warranties are given without any remuneration for URSUS S.A.

The Company URSUS S.A. has given a "Guarantee of the due performance of the agreement and the due removal of failures" in the amount of PLN 6,496,000 for the Public Transport Authority (ZTM) in Lublin, for the period until 30 June 2016. The guarantee pertains to the agreement concluded by the Issuer on behalf of Konsorcjum Trolejbus URSUS with the Public Transport Authority (ZTM) in Lublin, dated 25 April 2013, for the purchase and delivery of 38 new low-floor city trolleybuses of "maxi" class. Konsorcjum Trolejbus URSUS includes: URSUS S.A. and a company organised under the laws of Ukraine, the subsidiary "Zakład samochodowy Nr 1" of the public joint-stock company "Kompania samochodowa Bogdan Motors". The agreement was concluded as a result of the Issuer winning the open tender organised by the Public Transport Authority (ZTM) in Lublin.

The guarantee of good performance of the contract on the basis of the concluded agreements was divided between the Issuer and the co-contractors responsible for the delivery of trolleybuses.

Furthermore, in 2014 the company URSUS S.A. ordered the issuance of the following bank guarantees:

1) for the company B.T.H. „Fast” Stefan Fabijański in the amount of EUR 996,366.42 (mBank S.A. guarantee dated 15 December 2014);
2) for the company Bu Power Systems sp. z o.o. with its registered office in Warsaw, in the amount of EUR 1,500,000 (mBank S.A. guarantee dated 16 December 2014);
3) for the company Handlopex S.A. with its registered office in Rzeszów, in the amount of PLN 772,278.73 (Bank Millennium S.A. guarantee dated 22 December 2014).

In 2014, the company Bioenergia Invest S.A. did not grant or issue any warranties, loans or guarantees.

14. Description of the Issuer’s use of the income from the issue of the shares of class O.

On 26 May 2014, the Ordinary General Meeting of URSUS S.A. adopted the Resolution on issuing the subscription warrants of class 1 with the right to take up the Company's class O shares and depriving the existing shareholders in full of the pre-emptive right related to the subscription warrants of class 1, as well as the Resolution on the conditional increase in the share capital of the Company in order to grant the shares of class O to the holders of the subscription warrants of class 1 issued by the Company, which entitle the holders to take up the Company's shares of class O.

The conditional increase in the share capital adopted pursuant to the aforementioned resolutions was registered by the Court on 24 June 2014. (by the decision complementary to that of 2 June 2014).

On 1 July 2014, URSUS S.A. offered the company POL-MOT Holding S.A. with its registered office in Warsaw, being the entitled entity, 15,000,000 subscription warrants of class 1 of the Company, entitling the holder to take up 15,000,000 (say: fifteen million) ordinary bearer shares of class O of the Company (“Class O Shares”), with the nominal value of PLN 1 (one) each, at the issue price of PLN 2 (say: two zlotys) each, within the period from the date of taking up the subscription warrants of class 1 to 31 May 2015. The company POL-MOT Holding S.A. with its registered office in Warsaw accepted the offer and took up the offered 15,000,000 subscription warrants of class 1 of the Company.

In relation to covering and taking up 15,000,000 ordinary bearer shares of class O (all shares determined in the resolution of the General Meeting) by POL-MOT Holding S.A. with its registered office in Warsaw, the Management Board of the Issuer issued 15,000,000 shares of class O, from no. 00000001 to no. 15000000, to the company POL-MOT Holding S.A., and the share capital of the Issuer was increased by PLN 15,000,000.

The company URSUS S.A. in Lublin is a subsidiary company of the company POL-MOT Holding S.A. in Warsaw. As on the date of publishing this report, the company POL-MOT HOLDING S.A., along with its subsidiary entity, the company Aquarius VII spółka z ograniczoną odpowiedzialnością SPV IX S.K.A. (the new business name of the company is REO spółka z ograniczoną odpowiedzialnością Inwestycje S.K.A.) holds 20,629,000 shares, which constitute 50.09% of all URSUS S.A. shares and entitle the company to 20,629,000 votes at the General Meeting, which constitute 50.09% of all votes.

The Issuer did not receive any money receipts in relation to the admission of the ordinary bearer shares of class O to the stock exchange trading. The Issuer applied for the admission
of the shares of class O to the trading on the regulated market in order to increase the trading liquidity of the Company's shares.

15. **Explanation of the differences between the financial results indicated in the annual report and the result forecasts for a given year published previously.**

The Group did not publish any forecasts concerning the results for 2014.

16. **Assessment of financial resources management, along with justification, with special emphasis on the ability to discharge the incurred obligations, as well as determination of potential risks and actions that the company took or is going to take in order to prevent such risks.**

As on 31 December 2014, the equity capitals of URSUS S.A. Group amounted to PLN 99,846,000 and constituted 32.1% of the overall structure of liabilities.

In 2014, the ratio of liabilities and the provisions for liabilities to equity was 2.11, as compared to 2.32 in 2013.

In 2014, the debt ratio (total liabilities and provisions for liabilities/ assets in total) reached the level of 67.9%, whereas in 2013 it reached the level of 69.9%. The ratio remains on this level due to the increased purchasing needs resulting from the necessity to fulfil the provisions of the agreement with the Ethiopian company METEC, in accordance with the adopted schedule (point 18).

At the end 2014, the current liquidity ratio was 1.14, and the quick liquidity ratio was 0.58. At the end of 2013, the ratios were 0.87 and 0.30 respectively.

In order to ensure the liquidity in financing the current business activity, the Issuer makes use of working capital facilities and revolving credits. Moreover, the Company URSUS S.A. makes use of factoring agreements which support trade with domestic and foreign clients.

The increase in the value of stocks and trade receivables in 2014 results from the extended production and sales of URSUS tractors in the Division in Lublin, including in particular the performance of the agreement with the Ethiopian company METEC.

As on the date of publishing this Report, the Issuer's Management Board, taking into consideration the planned actions, did not identify any risks that would preclude the discharge of the obligations and the continuance of the business activity in the foreseeable future.

17. **Assessment of the possibility of fulfilling investment plans, including capital investments, as compared to the amount of owned resources, taking into consideration the changes in the structure of financing the activity.**
The Issuer's investments realised in 2014 were financed from the issue of the shares of class O (described in point 13), bank credits and equity funds gained from the operational activity.

The Company is going to use the opportunity to apply for grants as part of the EU assistance programmes for co-funding investments in large enterprises.

Bioenergia Invest S.A. is also going to use the opportunity to apply for grants as part of the EU assistance programmes for co-funding investments in enterprises, in particular within the field of renewable energy sources.

On 26 May 2014, the Ordinary General Meeting of URSUS S.A. adopted the Resolution on issuing the subscription warrants of class 1 with the right to take up the Company's class O shares and depriving the existing shareholders in full of the pre-emptive right related to the subscription warrants of class 1, as well as the Resolution on the conditional increase in the share capital of the Company in order to grant the shares of class O to the holders of the subscription warrants of class 1 issued by the Company, which entitle the holders to take up the Company's shares of class O.

The conditional increase in the share capital adopted pursuant to the aforementioned resolutions was registered by the Court on 24 June 2014 (by the decision complementary to that of 2 June 2014).

On 1 July 2014, URSUS S.A. offered the company POL-MOT Holding S.A. with its registered office in Warsaw, being the entitled entity, 15,000,000 subscription warrants of class 1 of the Company, entitling the holder to take up 15,000,000 (say: fifteen million) ordinary bearer shares of class O of the Company ("Class O Shares"), with the nominal value of PLN 1 (one zloty) each, at the issue price of PLN 2 (say: two zlotys) each, within the period from the date of taking up the subscription warrants of class 1 to 31 May 2015. The company POL-MOT Holding S.A. with its registered office in Warsaw accepted the offer and took up the offered 15,000,000 subscription warrants of class 1 of the Company.

After the completion of the aforementioned activities, the share capital of URSUS S.A. amounts to PLN 41,180,000, it is paid up in full and it is divided into 26,180,000 dematerialised shares and 15,000,000 shares in the form of a document.

The structure of the Issuer's capital is the following:
- the share capital amounts to PLN 41,180,000;
- the nominal value of shares: PLN 1.00;
- the total number of votes arising out of all issued shares as on the date of preparing the Report is 41,180,000.

The Management Board of the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.), by way of a resolution no. 103/2015 of 27 January 2015, decided to admit 15,000,000 ordinary bearer shares of class O of the Company URSUS S.A., with the nominal value of PLN 1 (one zloty) each, to stock exchange trading on the primary market. On 30 January 2015, the said shares were introduced to stock exchange trading on the primary market of the Warsaw Stock Exchange.
The costs of share issue incurred until the date of preparing the Report were PLN 603,545 gross.

18. Assessment of factors and non-typical events influencing the results of the activity in 2014, along with determination of the extent to which such factors or non-typical events influenced the achieved results.

According to the Management Board of URSUS S.A., the factors that had a positive impact on the Company's activity in 2014 included:

- developing the foreign sales network and reorganising the domestic network;
- maintaining good relationships with clients, suppliers and dealers,
- participating in fairs, which is expected to bring a significant effect in the form of increase in sales, as well as other promotional events, whose aim is to build the company's image and increase sales; making active adjustments of the product offer to the current market needs;
- restructuring processes conducted in the company in the 2nd half of 2013 and in 2014.

The factors that had a negative impact on the financial result of URSUS S.A. include:

- termination of the payment of the EU subsidies as part of the Rural Development Programme 2007-2013;
- failure to start the process of admitting and accepting the applications as part of the Rural Development Programme 2014-2020, which is a new opportunity for receiving the EU subsidies;
- greater competition on the markets on which the Issuer operates.

The factors that had a positive influence on the activity of the company Bioenergia Invest S.A. in 2014 were:

- indexation of the prices of biomass for straw briquette and pellet as part of the deliveries to GDF Suez Bioenergia Sp. z o.o. under the agreement in force between the parties;
- adequate amount of the raw material (straw) for biomass production.

The factors that had a negative influence on the activity of the company Bioenergia Invest S.A. in 2014 were:

- lack of the act regulating the RES market in Poland, and the related reduction of prices of CO2 emission rights;
- Polish power plants' decision to suspend the co-combustion of biomass and coal, which led to reduced receipts of briquette and pellet;
- lower demand for electricity due to the overall economic situation in Poland;
- decrease in electricity prices;
- high costs of producing green energy, which made the energy from RES less attractive as compared to substitution fees and "black current" production.
19. Characteristics of the external and internal factors significant for the Company's development, as well as the description of the perspective of the development of the Group's activity at least to the end of the financial year, taking into consideration the developed market strategy.

Throughout the next financial year, the Management Board will implement the Company development strategy, whose main goal is to constantly strengthen the Company's position. Due to the reliance on experience and the change of the Company's name to URSUS S.A., the strategy will lead to the increase in the sales of the Company’s products on the domestic and foreign market.

The strategy also provides for the constant development of the Company by means of extending the offer by new products, positioning them on the domestic and foreign market, using the relevant distribution channels and acquiring other entities.

The company URSUS S.A., which introduced a significant number of tractors of URSUS H brand on the market in order to meet the constantly growing demand for agricultural tractors, in the first quarter of 2012 marketed a new range of agricultural tractors of 80-110 horsepower, sold under URSUS brand. In 2013, the Issuer's tractor offer was extended by a new range of tractors of 50-150 horsepower. It was a response to the high demand for low-power tractors in the fruit-growing and gardening sector, as well as for the machines of greater power, which are successfully used on large farms. At present, the Company's offer includes URSUS tractors and URSUS tractors of H series, which are manufactured subject to the cooperation agreement with the Turkish company Hattat Tarim A.S. The new tractors from Lublin are already available as part of the dealer network of the Company URSUS. Both URSUS tractors and URSUS tractors of H series are characterised by very good technical parameters, modern shape and original design. For the first time since the end of 1990s, URSUS tractors are the best-selling tractors manufactured by a Polish company on the domestic market.

The company's tractor offer is complemented by high-quality agricultural and municipal machinery of URSUS brand. The strong competition on the market of agricultural machinery requires the Issuer to constantly improve the quality of the produced goods, develop the range of the products, and improve the existing offer, which is described in detail in point 6 of the Report. The works on new products include creating documentation and own construction solutions for machinery and equipment, adapting the acquired documentation, making prototypes, conducting market assessment of the product, as well as conducting qualitative studies.

On 24 September 2013, the company URSUS S.A. entered into an agreement with the Ethiopian company Metals and Engineering Corporation (METEC) of Adama Agricultural Machinery Industry (AAMI) with its registered office in Adama (Oromia, Ethiopia), concerning the supply of tractors, the equipment for service centres and the supply of tractor spare parts (replaced by the agreement dated 1 March 2014). The first batches of the delivery of tractors as part of the first phase of the agreement should start in the 2nd-3rd quarter of 2014. During the first phase, the Issuer will provide the recipient...
with tractors of 50, 80, 110, 140 and 180 horsepower. The total agreed value of the agreement as on the date of signing is USD 90,000,000. Until the date of publishing this Report, the Issuer completed the dispatch of tractors, equipment for service centres and the supply of tractor spare parts, included in the I, II, III and IV tranche of the first phase of the said agreement. As on the date of preparing this Report, the company is realising the next, fifth tranche of the first phase of the agreement. The performance of the provisions of the agreement will have a significant effect on the Company's financial results at least in 2015.

On 25 April 2013, URSUS S.A., on behalf of Konsorcjum Trolejbus URSUS, concluded an agreement with the Public Transport Authority (ZTM) in Lublin concerning the purchase and delivery of 38 new low-floor city trolleybuses of "maxi" class. The agreement was concluded after the Issuer won a tender organised by the Public Transport Authority (ZTM) in Lublin. The total value of the agreement executed by the Consortium amounts to PLN 52,820,000 net (38 trolleybuses). The trolleybuses constituting the object of the agreement are supplied (sold) by URSUS S.A. in tranches, which are completed throughout the years 2013 and 2015, starting from October 2013. Until the end of 2014, in accordance with the provisions of the agreement, the Company delivered 19 trolleybuses. Until the date of publishing this Report, the Company delivered 25 trolleybuses.

According to the Management Board, another factor that will affect the Company's results in 2015 will be the start of a new opportunity for EU subsidies for agricultural sector in 2014-2020. According to the information provided on the website of the Agency for Restructuring and Modernisation of Agriculture, on 12 December 2014, the European Commission authorised the Polish version of the Rural Development Programme 2014-2020. As part of the implementation of the Common Agricultural Policy of the European Union in 2014-2020, Poland will have at its disposal the total amount of EUR 42.4 billion, of which the budget of the Rural Development Programme for 2014-2020 will amount to EUR 13.5 billion. The most important task of the Rural Development Programme 2014-2020, which is the basic financial instrument for the purposes of conducting structural and investment changes in rural areas, is now to increase the competitiveness and profitability of farms. About 1/3 of the Programme's budget has been earmarked for this purpose. The Programme will still promote young farmers, who, apart from higher direct payments, will be able to receive starting "bonuses" of PLN 100,000. The payment will be made in two stages: in the initial stage of the investment the beneficiary will receive 80% of the amount, and after completing the investment and documenting the expenditures - the remaining 20%.

On 30 September 2013, the Company URSUS S.A. concluded an agreement with the Polish Agency for Enterprise Development with its registered in Warsaw for co-financing the project "The infrastructure for the research and development facilities in order to ensure the innovative market position of the business". The agreement concerns providing the Company with co-funding from public resources in order to implement the project as part of the Operational Programme Development of Eastern Poland, the Priority axis I Modern economy, measure I.3 Innovation support. As a result of the project, the Company is going to build modern infrastructure in the Company's head office in Lublin in order to enable the performance of research and development works for the purposes of the Company's activity. According to the Management Board of the Company, the co-financing agreement will significantly accelerate the performance of research and

development activities as part of the Company’s strategy, which will enhance the innovativeness of production processes and the competitiveness of the Company's offer. Subject to the agreement, the Company will receive co-funding in order to implement the project, in the total amount not exceeding PLN 8,040,243, whereas the total estimated cost of the project will be PLN 23,641,562.44 net. The end of the project is scheduled for 30 June 2015.

On 5 March 2014, URSUS S.A. concluded the cooperation agreement with the Military University of Technology and the Driving Axle Factory – SKB sp. z o.o. S.K.A. with its registered office in Radomsko, extending the existing cooperation between URSUS S.A. and the Military University of Technology (Current report no. 6/2014). The object of the agreement is to extend the existing cooperation of the Parties, mainly as regards, among others, the development and transfer of technology as part of the programmes for building modern agricultural equipment, including unmanned vehicles, as well as scientific and didactic cooperation and joint efforts in order to acquire financial resources needed to implement the planned undertakings, as well as mutual help in the performance of such projects. Thanks to the agreement and the cooperation related thereto, URSUS S.A. and the Driving Axle Factory – SKB spółka z ograniczoną odpowiedzialnością S.K.A. will be able to implement the respective jointly developed modern solutions for agricultural equipment production, extend their offer by the most advanced products and make greater use of scientific research and development works in their activities. Moreover, the Driving Axle Factory has one of the most advanced foundries and processing centres in Poland, which will enable the Parties to conduct quick and efficient works related to joint research and development projects, mainly in the area of transmission to agricultural tractors of medium power.

Until the end of the closest financial year, Bioenergia Invest S.A. will carry out the Company development strategy developed by the Management Board. The basic principles of the strategy include strengthening the position on the biomass market by means of: developing the network of production plants in Poland and abroad, implementing a new technology of pelleting straw, starting biomass production in Hungary, using the residue from processing grain industry products, as well as making deliveries to more power plants and combined heat and power plants in Poland.

Bioenergia Invest S.A., in order to ensure the technological development of production lines, closely cooperates with URSUS S.A. on the implementation of the successful, efficient and cost-effective technology of industrial-scale pellet production. The tests of the new pelleting machine carried out by URSUS S.A. and Bioenergia Invest S.A. proved that the new technology is effective. It will be implemented in the biomass production process in the first half of 2015.

According to the Issuer, as of 31 December 2014, there did not occur any other events not described in this Report that could significantly affect the future financial results of the Company.

20. Changes in the basic management principles in the companies constituting the Capital Group.
Pursuant to the resolution of the Supervisory Board dated 28 August 2013, the branch of the company URSUS S.A. in Biedaszki Male was taken over by the branch in Dobre Miasto as of 1 January 2014. As a result of the merger, the employees, all assets and affairs of the branch in Biedaszki Male were taken over by the branch in Dobre Miasto.

The merger of the branches was part of the restructuring processes that were started in the company in the second half of 2013. Therefore, as of 1 January 2014, URSUS S.A. has its head office in Lublin and two branches in Dobre Miasto and Opalenica.

As of 1 August 2014, there were introduced some changes in the organisational structure in the Organisational Regulations and Organisational Model of the Company URSUS S.A. (subject to the Resolution of the Supervisory Board of URSUS S.A. no. 84/2014 of 18 April 2014). As a result of the conducted changes, the structure of the Company has been changed from branch- to division-based. The divisions in Dobre Miasto and Opalenica constitute organisational units strictly for production purposes. The changes aim at centralising and improving the processes of managing the respective organisational units of the Company.

21. Changes in the composition of persons managing and supervising the Group throughout 2014, the rules of appointing and dismissing persons responsible for management as well as their powers, in particular the right to decide on the issue or redemption of shares.

Changes in URSUS S.A.:

The composition of the Management Board as on the date of preparing the Report:

1. Karol Zarajczyk - President of the Management Board
2. Jan Wielgus - Member of the Management Board
3. Wojciech Zachorowski - Member of the Management Board
4. Marek Włodarczyk - Member of the Management Board
5. Abdullah Akkus - Member of the Management Board

On 14 January 2015, at the meeting of the Supervisory Board, Mr Tadeusz Ustyniuk resigned from the position of a Member of the Management Board of URSUS S.A. The Supervisory Board accepted the aforementioned resignation and removed Mr Tadeusz Ustyniuk from his position of a Member of the Management Board of URSUS S.A. Mr Tadeusz Ustyniuk acted in the capacity of the Member of the Management Board in the period from 18 March 2013 to 14 January 2015.

On 15 January, the Supervisory Board of URSUS S.A. adopted a resolution on appointing Mr Marek Włodarczyk a Member of the Management Board of URSUS S.A.

On 28 February 2014, the Supervisory Board of URSUS S.A. adopted a resolution on appointing Mr Abdullah Akkus a Member of the Management Board of URSUS S.A., effective as of the date of the resolution.

As on the date of publishing this Report, the holders of the commercial power of attorney are:
1. Agnieszka Wiśniewska – Chief Accountant, Deputy Economic and Financial Manager.
2. Marcin Matusewicz - Economic and Financial Manager.

The Management Board of URSUS S.A. does not have any special powers save for those arising out of the Code of Commercial Companies and Partnerships.

As on the date of publishing this Report, the Members of the Supervisory Board were the following:

1. Andrzej Zarajczyk - Chairman of the Supervisory Board
2. Henryk Goryszewski - Vice-Chairman of the Supervisory Board
3. Zbigniew Janas - Member of the Supervisory Board
4. Zbigniew Nita - Member of the Supervisory Board
5. Michał Szwonder - Member of the Supervisory Board
6. Stanisław Służałek - Member of the Supervisory Board

As on the date of publishing this Report, the Members of the Audit Committee were the following:

1. Michał Szwonder - President of the Audit Committee
2. Zbigniew Nita - Member of the Audit Committee
3. Stanisław Służałek - Member of the Audit Committee

The composition of the Management Board of the subsidiary company Bioenergia Invest S.A.:

The composition of the Management Board of Bioenergia Invest as on the date of publishing the Report:

1. Ryszard Jacyno - President of the Management Board
2. Dariusz Cycan - Vice-President of the Management Board
3. Tadeusz Kasjanowicz - Member of the Management Board

As on the date of publishing this Report, the Members of the Supervisory Board of Bioenergia Invest S.A. were the following:

1. Michał Szwonder - Chairman of the Supervisory Board
2. Katarzyna Świderska - Vice-Chairman of the Supervisory Board
3. Marcin Matusewicz - Member of the Supervisory Board
4. Karol Zarajczyk - Member of the Supervisory Board
5. Mateusz Zarajczyk - Member of the Supervisory Board

The composition of the Management Board of the subsidiary company Ursus sp. z o.o.

As on the date of publishing this Report, the Members of the Management Board were the following:

1. Mariusz Lewandowski - President of the Management Board
The composition of the Management Board of the subsidiary company OBR MOTO Lublin sp. z o.o.

As on the date of publishing this Report, the Members of the Management Board were the following:

1. Marek Zmarz - President of the Management Board

22. Any agreements concluded between the Company and the managing persons providing for a compensation in the event of their resignation or removal from the position without a significant cause, or if their dismissal or removal results from a merger by takeover.

The Members of the Management Board of the company URSUS S.A. and the company Bioenergia Invest S.A. are employed under employment contracts. In the event of the termination of the employment contract, they are entitled to compensation and severance pay specified in the contract and resulting out of the labour law.

23. Value of remunerations, awards or benefits, including those granted as part of incentive or bonus programmes based on the Issuer's capital, including operational programmes with pre-emptive right, convertible, subscription warrants (in cash, in kind or in any other form), paid, due or potentially due, separately for each person that manages or supervises the Issuer in the Issuer's business, regardless whether they were charged to costs or arose from the distribution of profit.

<table>
<thead>
<tr>
<th>Managing persons:</th>
<th>Position:</th>
<th>Gross remuneration (without add-ons)* in 2014 in PLN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Karol Zarajczyk</td>
<td>President of the Management Board</td>
<td>337,996.77</td>
</tr>
<tr>
<td>Abdullah Akkus **</td>
<td>Member of the Management Board</td>
<td>247,328.74</td>
</tr>
<tr>
<td>Tadeusz Ustyniuk***</td>
<td>Member of the Management Board</td>
<td>193,666.67</td>
</tr>
<tr>
<td>Jan Wielgus</td>
<td>Member of the Management Board</td>
<td>215,096.67</td>
</tr>
<tr>
<td>Wojciech Zachorowski</td>
<td>Member of the Management Board</td>
<td>182,184.37</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Supervisors:</th>
<th>Position:</th>
<th>Gross remuneration* in 2014, PLN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ryszard Jacyno</td>
<td>President of the Management Board</td>
<td>96,000.00</td>
</tr>
<tr>
<td>Tadeusz Kasjanowicz</td>
<td>Member of the Management Board</td>
<td>72,000.00</td>
</tr>
<tr>
<td>Dariusz Cycan</td>
<td>Vice-President of the Management Board</td>
<td>12,000.00</td>
</tr>
</tbody>
</table>

| Total: | | 1,356,273.22 |
| Ursus S.A. |
| Bioenergia Invest S.A. | | |
| Total: | | 1,356,273.22 |
Andrzej Zarajczyk  Chairman of the Supervisory Board  31,666.67
Henryk Goryszewski  Vice-Chairman of the Supervisory Board  25,666.67
Zbigniew Janas  Member of the Supervisory Board  25,666.67
Zbigniew Nita  Member of the Supervisory Board  31,858.98
Stanisław Służalek  Member of the Supervisory Board  31,858.98
Michał Szwonder  Member of the Supervisory Board  31,858.98

Bioenergia Invest S.A.
Katarzyna Świderska  Vice-Chairman of the Supervisory Board  0
Marcin Matusewicz  Member of the Supervisory Board  0
Karol Zarajczyk  Member of the Supervisory Board  0
Mateusz Zarajczyk  Member of the Supervisory Board  0
Michał Szwonder  Member of the Supervisory Board  0

Total:  178,576.95

* including the income from the paid insurance policy premiums;
** Mr Abdullah Akkus has acted in the capacity of the Member of the Management Board since 8 April 2014;
*** Mr Tadeusz Ustyniuk acted in the capacity of the Member of the Management Board in the period from 18 March 2013.

24. Determination of the total number and nominal value of all shares held by the managing and supervising persons.

Shareholdings in the capital of the Issuer as on the date of preparing the Report:

<table>
<thead>
<tr>
<th>Supervisors:</th>
<th>Position:</th>
<th>Shareholdings (pcs)</th>
<th>% share in the total number of votes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andrzej Zarajczyk **</td>
<td>Chairman of the Supervisory Board</td>
<td>20,629,000**</td>
<td>50.09%</td>
</tr>
</tbody>
</table>

**Mr Andrzej Zarajczyk** is the dominating entity in relation to INVEST-MOT Sp. z o.o.; therefore, he is the direct dominating entity in relation to POL-MOT Holding S.A. with its registered office in Warsaw. Pol-Mot Holding S.A. holds 20,629,000 shares of the Issuer., which constitute a 50.09% share in the total number of votes.

25. Determination of the shareholders having, directly or indirectly through subsidiary entities, at least 5% in the total number of votes at the Issuer's General Meeting.

According to the information known to the Company, as on the date of preparing this Report, the shareholders that have at least 5% in the total number of votes are the following:

<table>
<thead>
<tr>
<th>Entity name</th>
<th>Number of shares (pcs)</th>
<th>% share in the share capital</th>
<th>Number of votes</th>
<th>% share in the total number of votes</th>
</tr>
</thead>
<tbody>
<tr>
<td>POL – MOT HOLDING S.A.* with its registered office in Warsaw and subsidiary companies</td>
<td>20,629,000</td>
<td>50.09%</td>
<td>20,629,000</td>
<td>50.09%</td>
</tr>
</tbody>
</table>
26. Information about the agreements which the Issuer is aware of (including the agreements concluded after the balance sheet date), which may lead to changes in the proportions of the shares held by the existing shareholders and bondholders.

According to the information known to the Issuer, within the period from the balance sheet date to the date of preparing the Report, there were not concluded any agreements that could lead to changes in the proportions of the shares held by the existing shareholders.

27. Indication of the holders of any securities that grant special controlling rights in relation to URSUS.

The share capital does not include any shares that grant special controlling rights in relation to the Issuer.

28. Information about the control system of the employee shares ownership plans.

There are no employee shares ownership plans in the companies belonging to URSUS Capital Group.

29. Information about the issues of the social responsibility of URSUS Capital Group and environmental protection.

Ursus S.A. conducts business activity that takes into consideration all aspects of the employees' social responsibility. As part of this principle, the Company respects the basic employee rights arising out of general rights and the provisions of the labour law, including occupational health and safety. Such rights constitute one of the basic principles of company management and current administration.

One of the key priorities of the Company's activity is to respect environmental standards specified in legal requirements and by means of implementing the most advanced technical and technological solutions. It is proven by the positive results of the controls carried out by public administration authorities, as well as compliance with the internal indicators limiting emissions to the atmosphere and the consumption of water and energy.
30. Indication of any and all restrictions regarding the transfer of the ownership right to the Issuer's securities, as well as any restrictions regarding the exercise of the voting right arising out of the Issuer's shares.

According to the provisions of the published Issuing Prospectus, the dominant shareholder (POL-MOT HOLDINGS S.A.) undertook that within 12 months as of the date of the first quotation of the Issuer's shares (25 January 2008), the dominant shareholder will not dispose of any shares without the consent of Millennium DM. Furthermore, the Shareholder undertook not to enter into any agreement (e.g. related to the encumbrance of shares) that would or could result in the transfer of the ownership right to the shares before the expiration of the period of 12 months as of the date of the first quotation of the Issuer's shares.

The undertaking referred to above did not include:
- the sale of shares in response to the call to subscribe for the disposal of shares, excluding calls announced pursuant to Article 72 of the Offer Act.

The dominant shareholder did not violate the above restriction.

According to the knowledge of the Management Board, there were not determined any other restrictions regarding the transfer of the ownership right to the Company's shares or any restrictions regarding the exercise of voting rights.

31. Information about the agreement with the entity authorised to examine and review financial statements.

Pursuant to the authorisation arising out of the provision of Article 66, item 4 of the Accounting Act of 29 September 1994 and paragraph 26 point 19 of the Company's Statute, on 18 April 2014, the Supervisory Board of the Company adopted a resolution on selecting BDO sp. z o.o. with its registered office in Warsaw as the entity authorised to review the interim individual financial statement of the Company URSUS S.A. for 2014 and the interim consolidated financial statement of URSUS Capital Group for 2014, as well as to examine the individual financial statement of the Company URSUS S.A. for 2014 and the consolidated financial statement of URSUS Capital Group for 2014, in accordance with the IFRS and the Accounting Act. The remuneration arising out of the aforementioned agreement amounts to PLN 85,000 net.

The company BDO sp. z o.o. with its registered office in Warsaw, ul. Postępu 12, is entered in the Register of Entrepreneurs of the National Court Register by the District Court for the capital city of Warsaw in Warsaw, 13th Commercial Division, under no. 0000293339, and it is entered in the register of entities authorised to examine financial statements, kept by the National Chamber of Statutory Auditors, under no. 3355.

URSUS S.A. used the financial statement audit services of BDO sp. z o.o. previously for: 2007, the 1st half of 2008, 2009 and 2011, the 1st half of 2012, 2012 and the 1st half of 2013, and the 1st half of 2014.

The Management Board of the Company warrants and represents that, according to their best knowledge, the consolidated financial statement and the comparable data have been prepared in compliance with the applicable accounting principles and they reflect in the true, reliable and clear manner the property and financial situation of the Issuer as well as the financial result, and that the report on the Issuer's activity contains the truthful image of the development, achievements and the situation of the Company, including the description of the basic threats and risks.

The Management Board of the Company URSUS S.A. warrants and represents that the entity authorised to review financial statements, examining the financial statements for 2014, was chosen in accordance with the provisions of law and that the said entity and auditors reviewing the financial statements complied with the terms and conditions of expressing an impartial and independent opinion about the examination, subject to the applicable provisions of the national law.

Lublin, 9 March 2015

Karol Zarajczyk
President of the Management Board

Jan Wielgus
Member of the Management Board

Wojciech Zachorowski
Member of the Management Board

Marek Włodarczyk
Member of the Management Board

Abdullah Akkus
Member of the Management Board