

POLISH FINANCIAL SUPERVISION AUTHORITY
Current Report No. 10/2016

Preparation date: July 1, 2016

Abbreviated name of issuer:

DEBICA

Subject: Instigation of administrative proceedings by the President of the Energy Regulatory Office

Legal grounds:

Others regulations

Report content:

Legal grounds

Pursuant to § 55 par. 1 subpar. 8 in conjunction with §14 of the Ordinance of Minister of Finance, dated February 19, 2009 on Current and Periodic Information Provided by the Issuers of Securities and Conditions for Recognizing as Equivalent Information Required by the Legislation of a Non-Member State (Journal of Laws of 2014, item 133, uniform text).

The Management Board of Tire Company Debica S.A. (hereinafter referred to

as “**Company**”) advises that it was notified by the President of the Energy Regulatory Office (“**President of ERO**”) about instigation of administrative proceedings on 27 June 2016, pursuant to Art. 56, par. 1, item 3a, and also Art. 30, par. 1 and Art. 23, par. 2, item 13 of the Act of 10 April 1997 called Power Law (Journal of Laws of 2012, item 1059, as amended) in conjunction with Art. 61, § 1 and § 4 of the Act called Code of Administrative Procedure, dated 14 June 1960 (Journal of Laws of 2016, item 23, as amended), with regard to imposing a fine on the Company, since the President of Energy Regulatory Office has reasonable grounds – on the basis of documents provided to the President of Energy Regulatory Office by the Distribution System Operator (DSO) to whose grid the Company is connected at certain locations – to believe that the Company has breached its duty to follow electric energy delivery and offtake constraints, which is subject to a fine pursuant to Art. 56, par. 1, item 3a of the Act called Power Law.

The Company’s Management Board believes that the circumstances of the case do not substantiate the imposition of a fine on the Company. The Company will offer relevant explanations to the President of Energy Regulatory Office. If the President of Energy Regulatory Office has stated in its decision, contrary to the Company's Management Board

position, that the Company has committed the alleged breach, then the Company's Management Board believes that the weight of alleged breached should speak in favour of imposing a fine in the amount significantly lower than the maximum statutory level.

Pursuant to the Act called Power Law, the amount of a fine for the alleged breach, the Company is suspected of, may not exceed 15% of Company revenues generated in the previous fiscal year.

In 2015 the Company's net revenues from the sales of products, merchandise, materials and services totalled PLN 1,765,584,000. As of 31 March 2016 the Company's shareholders' equity totalled PLN 1,028,725,000.