

DEBICA

POLISH FINANCIAL SUPERVISION AUTHORITY
Current Report No. 16/2018

Date: June 28, 2018

Abbreviated name of issuer:
DEBICA

Subject:
Information provided to the Shareholder outside the General Meeting according to of art. 428.5 of Commercial Company Code

Legal grounds:
Art. 56 item 1 (2) of the Act on Public Offering Act

Report content:
The Management Board of Tire Company Dębica S.A. ("Company") provides below information provided on 28 June 2018 outside the general meeting pursuant to art. 428 couples 5 of the Commercial Companies Code, as a response to shareholders' questions asked during the session of the Ordinary General Meeting of the Company on June 14, 2018.

1. The costs of the discount on checks and bills of exchange amount is 1.677 K PLN, which average annual amount is the discount subject to these bills of exchange?

The volume of orders is a resultant of demand that:

- a) Goodyear Group expects for products manufactured by TC Debica S.A.
- b) TC Dębica S.A. provides for products manufactured under the Dębica brand intended for distribution on the Polish exchange market.

Consolidated demand is the basis for the production plan of TC Dębica S.A. These issues are agreed well in advance with the Goodyear Group and based on the demand reported by the distributors of Dębica tires, in a manner allowing to properly plan the production and supply of raw materials.

2. When does the Management Board of the Company forecast sales volume?

The Management Board of the Company makes a forecast of the sales volume continuously, once a month

3. How justified is the difference in sales margin applied to entities from the Goodyear Group and other entities?

Diversification of the margin is justified primarily by a different functional profile, and in particular by the different level of economic risk incurred by the Company when selling to Goodyear Group (limited risk of the Company as a contract producer for Goodyear Group) and other entities (full risk within the production, distribution and sales of own brands).

4. How are the returns from units from the Goodyear Group settled?

Returns from Goodyear Group units appear mainly in case of quality problems and are settled on an ongoing basis as an adjustment to the value of sales.

5. What are the parameters of the transfer pricing model with units from the Goodyear Group? Is their basis the rate of return on invested capital? Or the gross margin? What are the margins in this calculation, the frequency of adjustments, the frequency of price changes, transferring to the customer changes in the price of materials, labor costs and exchange rates?

According to the information provided by the Company in the current report no. 2/2018, with effect from 1 January 2018, the principles of cooperation with the Goodyear Group have changed. As the questions were asked as part of the discussion on the 2017 reports, the following information concerns the Company's operating principles in 2017.

The basis for the transfer price calculation is the cost of products. The cost of products covers the cost of materials and processing costs. According to the transfer pricing policy, TC Dębica is guaranteed a margin of 5% of operating profit according to US GAAP standards. The frequency of corrections regarding changes in sales prices depends on many factors, eg material costs, labor costs and currency exchange rates and is carried out on an ongoing basis.

The model of transfer pricing with Goodyear Group units has been repeatedly described and verified by various authorities in the past. Every year, our financial report is verified by an independent reputable auditor.

Legal basis: § 19 para. 1 point 12) of the Regulation of the Minister of Finance of March 29, 2018 regarding current and periodic information provided by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-state member (Journal of Laws of 2018, item 757)