

DEBICA

POLISH FINANCIAL SUPERVISION AUTHORITY

Current Report No. 23/2018

Date: September, 21 2018

Abbreviated name of issuer:
DEBICA

Subject:

Opinion of the Management Board of Tire Company Dębica S.A. justifying the reasons for depriving the shareholders, in whole or in part, of the pre-emptive right concerning each increase of the share capital within the target capital and the manner of determining the issue price of shares.

Legal grounds:

Art. 56, par. 1, subpar. 2 of the Offering Act – Current and Periodic Information

Report content:

Opinion of the Management Board of Tire Company Dębica S.A. ("Company") regarding depriving the shareholders of the pre-emptive rights, in whole or partially, concerning each increase of the share capital within the target capital and the manner of determining the issue price of shares

Acting pursuant to art. 362 in conjunction with art. 447 § 2 of the Commercial Companies Code, in connection with the draft resolution of the Extraordinary General Meeting of the Company convened for 25 September 2018 on "amendment of the Company's Articles of Association and authorization of the Company's Management Board to increase the Company's share capital within the authorized capital, together with the possibility of exclusion by the Management Board of the pre-emptive rights of the existing shareholders of the Company in whole or in part with the consent of the Company's Supervisory Board", submitted by a shareholder of the Company ("Resolution"), the Company's Management Board presents a written opinion on the reasons for depriving shareholders, in whole or in part, of their pre-emptive rights to each share capital increase within the scope of the authorized capital and the manner of determining the issue price of shares.

According to the draft resolution submitted by the Shareholder of the Company, it is proposed to introduce an amendment in Articles of Association, by adding provisions, based on which, the Management Board shall be authorized to increase the share capital within the authorized capital referred to in art. 444 § 1 of the Commercial Company Code. Pursuant to §2 of the Resolution, the amendment proposed is justified by the possibility of fast and flexible financing of the Company if needed. In accordance with the resolution, introduction of a flexible mechanism enabling the Management to increase the Company's share capital within the limits of the authorized capital, is to enable adjustment of the size and timing of the issue to market conditions and the Company's current needs. The resolution indicates in particular that authorization to increase the share capital within the limits of the authorized capital shall allow the Company's Management Board to:

1. significant shortening and simplification of the process of acquiring of the financial measures as part of the capital increase, due to the lack of necessity to convene and hold a General Meeting in order to increase the share capital,
2. lowering costs of the share capital increase;
3. the possibility of offering new issue of shares at the most convenient time compared to the ordinary share capital increase procedure, and

4. limiting the risk of unfavourable changes in the capital market situation as a result of shortening of the process of share capital increase.

In the opinion of the Management Board, in order to achieve the purpose of the introduction of the authorized capital to the Articles of Association, it is justified to simultaneously authorize the Management Board to deprive, after obtaining the consent of the Supervisory Board, in whole or in part, the pre-emptive rights of the existing shareholders at each increase of the share capital within the limits of the authorized capital. In the opinion of the Management Board depriving current shareholders of the pre-emptive rights may be in the interest of the Company, because, if needed, it will enable to offer new issue of shares in a faster and less costly manner. The Company is a listed company, and the exact number as well as identity of shareholders is unknown. As a result, the issue of new shares without exclusion of pre-emptive rights would require a public offering, which is a time-consuming and a costly process. Exclusion of the pre-emptive rights may enable to carry the issue of shares without the necessity of prior public offering. The possibility to exclude pre-emptive rights will also give the Company greater freedom in talks with potential investors, as it simplifies the issue process. It may add to the increase of the Company's revenue due to potential issue of shares.

The issue price of shares of each issue shall be determined by the Company's Management Board in the form of a resolution adopted with the consent of the Supervisory Board. Such a solution will make it possible to take into account the current value of the Company and its current capital needs when determining the amount of proceeds from the issue of shares. If the Resolution is adopted in the wording proposed by the shareholder, when determining the issue price, the Company's Management Board plans to take into account the market situation and the current price of the Company's shares or the average price of the Company's shares over a period of up to 6 months preceding the decision on the issue. The Management Board is of the opinion that it is in the interest of the Company and its shareholders to authorize the Management Board, with the consent of the Supervisory Board, to exclude the pre-emptive rights of the Company's existing shareholders, in whole or in part, in the event of an increase in the share capital within the limits of the authorized capital.