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## POLISH FINANCIAL SUPERVISION AUTHORITY

## Bi-Annual Report SA-P 2014

(pursuant to the provisions of § 82, par. 1, item 2 of the Ordinance of Minister of Finance of February 19, 2009 - Journal of Laws No. 33, item 259) (for the issuers of securities running manufacturing, construction, trading or service activities)

for H1 of the accounting year 2014 covering the period from January 1, 2014 to June 30, 2014  
and for H1 of the accounting year 2013 covering the period from January 1, 2013 to June 30, 2013

Filing date: August 27, 2014

## TIRE COMPANY DEBICA SA

(full name of issuer)

## DEBICA

Automotive

Abbreviated name of issuer (sector according to WSE classification)

39-200

(postal code)

Dębica

(place)

ul. 1 Maja

(street)

1

(number)

(014) 670-28-31

(phone)

014 670-09-57

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[www.debica.com.pl](http://www.debica.com.pl)

(Web site)

872-000-34-04

(Tax ID - NIP)

(e-mail)

850004505

(REGON Statistical No.)

PricewaterhouseCoopers Sp. z o.o. (entity certified to carry out audit)

The Bi-Annual Report comprises:

- A Report of entity certified to carry out audit of financial statements on the bi-annual review of abbreviated financial statement /bi-annual financial statement
- An Opinion of entity certified to carry out audit of financial statements on the bi-annual review of abbreviated financial statement /bi-annual financial statement
- Representation of the Management Board on the reliability of drawing up the financial statement
- A Representation of the Management Board on the entity certified to carry out audit of financial statements
- Bi-annual financial statement:  abbreviated version  full version
- Balance Sheet  Statement Of Changes In Shareholders' Equity
- Profit and Loss Account  Cash Flow Statement
- Management Board's Report on Company Operations (Bi-Annual Operations Report)  Notes to the Financial Statement

FINANCIAL HIGHLIGHTS	'000 PLN		'000 EUR	
	H1 2014	H1 2013	H1 2014	H1 2013
I. Net sales of products, merchandise and materials	1,028,782	1,018,929	246,214	241,796
II. Operating profit (loss)	77,939	41,657	18,653	9,885
III. Profit (loss) before taxation	75,630	45,821	18,100	10,874
IV. Net profit (loss)	82,403	51,213	19,721	12,153
V. Operational cash flows, net	92,279	20,803	22,085	4,937
VI. Investment activity cash flows, net	-123,227	-95,709	-29,491	-22,712
VII. Financial activity cash flows, net	-1,237	-1,410	-296	-335
VIII. Total net cash flows	-32,185	-76,316	-7,703	-18,110
IX. Total assets	1,568,055	1,429,478	376,855	344,685
X. Liabilities and liabilities provisions	608,230	494,360	146,178	119,203
XI. Long-term liabilities (at the end of current H1 of accounting year and at the end of previous accounting year)	1,448	1,298	348	313
XII. Short-term liabilities (at the end of current H1 of accounting year and at the end of previous accounting year)	551,802	429,538	132,616	103,573
XIII. Shareholders' equity (at the end of current H1 of accounting year and at the end of previous accounting year)	959,825	935,118	230,677	225,482
XIV. Share capital (at the end of current H1 of accounting year and at the end of previous accounting year)	110,422	110,422	26,538	26,626
XV. Number of shares (at the end of current H1 of accounting year and at the end of previous accounting year)	13,802,750	13,802,750	13,802,750	13,802,750
XVI. Earnings (loss) per ordinary share (in PLN/EUR)	5.97	3.71	1.43	0.88
XVII. Diluted earnings (loss) per ordinary share (in PLN/EUR)	5.97	3.71	1.43	0.88
XVIII. Book value per share (in PLN/EUR) (at the end of current H1 of accounting year and at the end of previous accounting year)	69.54	67.75	16.71	16.34
XIX. Diluted book value per share (in PLN/EUR) (at the end of current H1 of accounting year and at the end of previous accounting year)	69.54	67.75	16.71	16.34
XX. Declared or paid dividend per share (in PLN/EUR)	4.18	3.38	1.00	0.78

The Report shall be filed with the Polish Financial Supervision Authority, the operator of the regulated market Warsaw Stock Exchange S.A. and made public through news agency pursuant to the effective legislation.

**REPORT OF AN ENTITY CERTIFIED TO AUDIT FINANCIAL STATEMENTS ON THE REVIEW OF BI-ANNUAL ABBREVIATED FINANCIAL STATEMENT/BI-ANNUAL FINANCIAL STATEMENT OR OPINION OF AN ENTITY CERTIFIED TO AUDIT FINANCIAL STATEMENTS ABOUT AUDITED BI-ANNUAL ABBREVIATED FINANCIAL STATEMENT/BI-ANNUAL FINANCIAL STATEMENT**

**The Report of the independent chartered accountant on the review of abbreviated bi-annual financial statement for the accounting period from January 1, 2014 to June 30, 2014.**

**To the Shareholders and the Supervisory Board of Tire Company Dębica S.A.**

We have reviewed the attached abbreviated bi-annual financial statement of Tire Company Debica S.A. (hereinafter referred to as "Company") with its registered office in Dębica, at 1 Maja 1 Street comprising: balance sheet drawn up as of June 30, 2014; Profit and Loss Account for the period from January 1 to June 30, 2014; Statement of Changes in Shareholders' Equity for the period from January 1 to June 30, 2014; Cash Flow Statement for the period from January 1 to June 30, 2014; Notes to the Financial Statement and explanations.

The Company's Management Board is responsible for preparing the abbreviated bi-annual the financial statements in accordance with effective law. Our responsibility was to express an opinion on the financial statements based on a review.

We carried out the review pursuant to the Accounting Act, dated September 29, 1994 (Accounting Act – Journal of Laws of 2009, No. 152, item 1223, as amended) and the national auditing standards issued by the National Council of Statutory Auditors in Poland. The review was planned and performed to obtain reasonable assurance that the abbreviated interim financial statement was free of material misstatements and omissions. We conducted the review through analysis of the abbreviated bi-annual financial statement, examination of accounts and the use of information provided by the Company Management and employees.

The scope and method of taken efforts were significantly smaller than the scope of audit of financial statement, since the purpose of the review was not to express an opinion about the compliance with accounting principles (policies) that had to be applied as well as the reliability and clarity of the abbreviated bi-annual financial statement. Therefore, this report does not represent Auditor's Opinion on the audit of financial statement.

On the basis of carried out review we have failed to identify anything that would give sufficient grounds to state that the abbreviated bi-annual financial statement was compliant with the applicable accounting principles laid down in the Ordinance of the Minister of Finance of February 19, 2009 on current and periodic information provided by the securities' issuers and requirements for recognition as equivalent information required by the law of a non-member state (Journal of Laws of 2014, item 133).

The lead auditor running a review on behalf of PricewaterhouseCoopers Sp. z o.o., certified to audit financial statements, under No. 144:

Michał Mastalerz

Key Chartered Accountant  
Reference Number 90074

Cracow, August 27, 2014

File	Description

**REPRESENTATION OF THE MANAGEMENT BOARD ON THE RELIABILITY OF DRAWN UP FINANCIAL STATEMENT**

The Management Board represents that according to its best knowledge, the bi-annual financial statement and comparable data were drawn up in compliance with effective accounting principles and that it reflects in a genuine, reliable and clear manner the property and financial standing of the Company and its financial performance and that the Management Board Activity Report presents a genuine picture of development, achievements and position of the Company including the description of basic risks and threats.

File	Description

## A REPRESENTATION OF THE MANAGEMENT BOARD ON THE ENTITY CERTIFIED TO CARRY OUT AUDIT OF FINANCIAL STATEMENTS

The Management Board represents, to the best of its knowledge, that the Bi-Annual Report and comparable data were drawn up in compliance with the effective accounting principles and that they reflect in a true, reliable and clear manner the Company's property and financial status and its financial result. Furthermore the Management Board's Report gives fair picture of Company's development, achievements and position including basic risks and threats.

File	Description

### BALANCE SHEET

	Note No.	'000 PLN		
		H1 2014	2013	H1 2013
<b>ASSETS</b>				
I. Fixed assets		837 862	853 416	813 382
1. Intangible assets including:		49	57	67
2. Tangible fixed assets		835 968	851 449	795 149
3. Long-term investments		144	144	144
3.1. Long-term financial assets		144	144	144
a) in other entities		144	144	144
4. Long-term deferred assets		1 701	1 766	18 022
4.1. Deferred income tax assets		1 701	1 766	18 022
II. Current assets		730 193	576 062	669 824
1. Inventories		114 605	108 447	113 116
2. Short-term receivables		425 740	337 403	415 090
2.1. From related entities		374 683	270 888	366 954
2.2. From non-related entities		51 057	66 515	48 136
3. Short-term investments		187 454	129 623	139 077
3.1. Short-term financial assets		187 454	129 623	139 7
a) in related entities		75 000	0	0
b) in non-related entities		19 858	5 036	29 855
c) cash and cash equivalents		92 596	124 587	109 222
4. Short-term deferred assets		2 394	589	2 541
<b>Total assets</b>		<b>1 568 055</b>	<b>1 429 478</b>	<b>1 483 206</b>
<b>LIABILITIES</b>				
I. Shareholders' equity		959 825	935 118	870 804
1. Share capital		110 422	110 422	110 422
2. Reserve capital		322 580	322 482	320 772
3. Revaluation capital		69 978	70 076	71 786
4. Other reserve capitals		374 442	316 612	316 611
5. Net profit (loss)		82 403	115 526	51 213
II. Liabilities and liabilities provisions		608 230	494 360	612 402
1. Liabilities provisions		54 980	63 524	81 666
1.1. Provision for deferred income tax		26 822	33 661	58 691
1.2. Provision for pension benefits and equivalents		25 441	29 785	22 842
a) long-term		8 907	7 947	6 894
b) short-term		16 534	21 838	15 948
1.3. Other provisions		2 717	78	133
a) long-term		90	78	133
b) short-term		2 627	0	
2. Long-term liabilities		1 448	1 298	1 148
2.1. to other entities		1 448	1 298	1 148
3. Short-term liabilities		551 802	429 538	529 588
3.1. to related entities		182 932	102 040	158 356
3.2. to non-related entities		367 557	327 020	370 205
3.3. Special funds		1 313	478	1 027
<b>Total liabilities</b>		<b>1 568 055</b>	<b>1 429 478</b>	<b>1 483 206</b>

Book value		959 825	935 118	870 804
Number of shares		13 802 750	13 802 750	13 802 750
Book value per share (in PLN)		69.54	67.75	63.09
Diluted number of shares (pcs.)		13 802 750	13 802 750	13 802 750
Diluted value per share (in PLN)		69.54	67.75	63.09

**OFF-BALANCE ITEMS**

	Note No.	'000 PLN		
		H1 2014	2013	H1 2014
Contingent receivables				
1. Other including:		13 314	14 820	16 627
off-balance liabilities under a long-term gas supply agreement		10 238	11 148	11 975
off-balance liabilities under long-term lease agreement - movables		3 076	3 672	4 652
<b>Total off-balance liabilities</b>		<b>13 314</b>	<b>14 820</b>	<b>16 627</b>

**PROFIT AND LOSS ACCOUNT**

	Note No.	'000 PLN	
		H1 2014	H1 2013
I. Net sales of products, merchandise and materials including:		1 028 782	1 018 929
- from related entities		894 487	900 873
1. Net sales of products		982 651	973 789
2. Net sales of merchandise and materials		46 131	45 140
II. Cost of products, merchandise and materials sold including:		888 029	934 567
- to related entities		785 153	838 074
1. Cost of products sold		841 246	887 590
2. Cost of merchandise and materials sold		46 783	46 977
III. Gross profit (loss) on sales		140 753	84 362
IV. Selling expenses		19 603	16 757
V. General administrative expenses		34 607	24 671
VI. Profit (loss) on sales		86 543	42 934
VII. Other operating income		486	1 073
1. Gain on disposal of non-financial fixed assets		161	290
2. Other operating income		325	783
VIII. Other operating expenses		9 090	2 350
1. Revaluation of non-financial fixed assets		374	934
2. Other operating costs		8 716	1 416
IX. Operating profit (loss)		77 939	41 657
X. Financial income		1 530	6 079
1. Interest receivable including:		1 530	1 526
2. Other			4 553
XI. Financial expenses		3 839	1 915
1. Interest payable including:		2 092	1 915
2. Other		1 747	
XII. Profit (loss) on ordinary activities		75 630	45 821
XIII. Profit (loss) before taxation		75 630	45 821
XIV. Income tax		-6 773	-5 392
a) current portion		0	657
b) deferred portion		-6 773	-6 049
XV. Net profit (loss)		82 403	51 213
Net profit (loss) (annualized)		146 716	107 554
Weighted average number of the ordinary shares (pcs.)		13 802 750	13 802 750
Earnings (loss) per ordinary share (in PLN)		10.63	7.79
Diluted weighted average number of the ordinary shares (pcs.)		13 802 750	13 802 750
Diluted earnings (loss) per ordinary share (in PLN)		10.63	7.79

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	'000 PLN		
	H1 2014	2013	H1 2013
I. Opening balance of shareholders' equity	935 118	866 245	866 245
la. Opening balance of shareholders' equity, after restatement to comparative data	935 118	866 245	866 245
1. Opening balance of share capital	110 422	110 422	110 422
1.1. Closing balance of share capital	110 422	110 422	110 422
2. Opening balance of reserve capital	322 482	320 041	320 041
2.1. Changes in reserve capital	98	2 441	731
a) additions (of which)	98	2 441	731
- transfer from reserve capital of the sums of liquidated revaluated fixed assets – current period	98	2 441	731
2.2. Closing balance of reserve capital	322 580	322 482	320 772
3. Opening balance of revaluation capital	70 076	72 517	72 517
3.1. Changes in revaluation capital	-98	-2 441	-731
a) reductions (of which)	98	2 441	731
- transfer from reserve capital of the sums of liquidated revaluated fixed assets – current period	98	2 441	731
3.2. Closing balance of revaluation capital	69 978	70 076	71 786
4. Opening balance of other reserve capital	316 612	269 839	269 839
4.1. Changes in other reserve capital	57 830	46 772	46 772
a) additions (of which)	57 830	46 772	46 772
allocation to the reserve capital from the profit distributed for the year 2012, with an option of dividend payment to the shareholders.		46 772	46 772
allocation to the reserve capital from the profit distributed for the year 2013, with an option of dividend payment to the shareholders.	57 830		
4.2. Closing balance of other reserve capital	374 442	316 612	316 611
5. Opening balance of retained earnings	115 526	93 426	93 426
5.1. Opening balance of retained earnings	115 526	93 426	93 426
5.2. Opening balance of retained earnings after the restatement to comparative data	115 526	93 426	93 426
a) reductions (of which):	115 526	93 426	93 426
- dividend for shareholders	57 696	46 654	46 654
allocation to the reserve capital from the profit distributed for the year 2012, with an option of dividend payment to the shareholders.		46 772	46 772
allocation to the reserve capital from the profit distributed for the year 2013, with an option of dividend payment to the shareholders.	57 830		
5.3. Closing balance of retained earnings	0	0	0
5.4. Closing balance of retained earnings (losses)	0	0	0
6. Net profit (loss)	82 403	115 526	51 213
a) net profit	82 403	115 526	51 213
II. Closing balance of shareholders' equity	959 825	935 118	870 804
III. Shareholders' equity adjusted by the proposed distribution of profit (loss coverage)	959 825	935 118	870 804

## CASH FLOW STATEMENT

	'000 PLN	
	H1 2014	H1 2013
A. Operational cash flows		
I. Net profit (loss)	82 403	51 213
II. Total adjustments	9 876	-30 410
1. Depreciation and amortization	42 274	37 319
2. Foreign exchange gains/losses	-195	-1 211
3. Interest and dividends	-318	338
4. Investment activity gain (loss)	230	-782
5. Change in provisions	-8 543	-2 932
6. Change in inventories	-6 158	4 571
7. Change in receivables	-103 159	-121 112
8. Change in current liabilities (excluding loans and credits)	87 485	63 735
9. Change in deferred and accrued expenses	-1 740	-10 336
10. Other adjustments	0	0
III. Net operational cash flows (I+II) – indirect method	92 279	20 803
B. Investment activity cash flows		
I. Cash inflows	1 901	2 805
1. Disposal of intangible assets and tangible fixed assets	1 241	2 805
2. From financial assets of which:	660	0
a) in related entities	660	0
- interest received	660	0
b) in non-related entities	0	0
II. Cash outflows	125 128	98 514
1. Acquisition of intangible assets and tangible fixed assets	50 128	98 514
2. For financial assets including:	0	0
a) in related entities	0	0
- acquisition of financial assets	0	0
b) in non-related entities	0	0
3. Other investment outflows	75 000	0
III. Net investment activity cash flows (I-II)	-123 227	-95 709

C. Financial activity cash flows		
I. Cash inflows	0	0
II. Cash outflows	1 237	1 410
1. Payments of bank credits and loans		0
2. Financial lease commitments paid	895	1 072
3. Interest paid	342	338
III. Net financial activity cash flows (I-II)	-1 237	-1 410
D. Total net cash flows (A.III+/-B.III+/-C.III)	-32 185	-76 316
E. Change in balance-sheet cash and cash equivalents of which:	-31 990	-75 105
- change in cash and cash equivalents due to foreign exchange gains/losses	195	1 211
F. Opening balance of cash and cash equivalents	124 780	184 603
G. Closing balance of cash and cash equivalents (F+/- D) of which:	92 595	108 287
- those with restricted availability	1 558	1 030

1. Inconsistencies between balance sheet changes:

a) between receivables balance and changes in receivables balance shown in the Cash Flow Statement:

	H1 2014	H1 2013
- balance sheet change	- 88 337	- 91 702
- change in bills of exchange balance with maturity longer than 3 months (in the balance sheet specified in the item "Short-term financial assets")	- 14 822	- 29 410
In Cash Flow Statement	- 103 159	- 121 112

a) between receivables balance and changes in receivables balance shown in the Cash Flow Statement:

	H1 2014	H1 2013
Change in balance sheet	122 264	90 109
Adjustments:		
change in balance of fixed assets under construction liability	22 660	6 773
change in balance of short-term financial lease liabilities	256	-203
change in dividend liability balance	-57 695	-62 113
Total adjustments	-34 779	-40 526
In Cash Flow Statement	87 485	63 735

ADDITIONAL INFORMATION

Additional information to the extent laid down in Art. 89 par. 1, subpar. 2a of the Ordinance of Ministry of Finance, dated February 19, 2009 is included in Bi-Annual Management Board Report on the Operations of T.C. Debica SA in H1 2014.

File	Description

SIGNATURES OF PERSONS REPRESENTING THE COMPANY			
Date	Name and surname	Position/Function	Signature
August 27, 2014	Stanisław Cieszkowski	President of Management Board – CEO, Production Director	
August 27, 2014	Ireneusz Maksymiuk	Management Board member – Finance Director.	

**MANAGEMENT BOARD'S REPORT ON COMPANY OPERATIONS (BI-ANNUAL ISSUER'S OPERATIONS REPORT)**

T.C. DEBICA S.A. MANAGEMENT BOARD'S REPORT ON COMPANY OPERATIONS IN H1 2014.  
(pursuant to the provisions of § 87, par. 4 of the Decree of Council of Ministers, dated February 19, 2009 - Journal of Laws No. 33, item 259)

Pursuant to Art. 89, par. 1 of the Ordinance of the Minister of Finance of February 19, 2009 on current and periodic information provided by the securities' issuers and requirements for recognition as equivalent information required by the law of a non-member state.

#### **I. Accounting principles adopted when drawing up a bi-annual abbreviated financial statement.**

The Bi-annual Financial Statement 2014 was drawn up pursuant to the Accounting Act of September 29, 1994, as amended and pursuant to the accounting principles prevailing at the Company.

Data presented in the Financial Statement has been drawn up using the assets and liability pricing principles and measurement of net financial result determined at the balancing date.

The accounting principles did not change against those described in the Annual Report SA-R 2013.

#### **II. Selected financial data converted into Euro.**

Assets and liabilities were converted into Euro using the average exchange rate of the National Bank of Poland prevailing on June 30, 2014 (1 Euro = PLN 4.1609) and on June 30, 2013 (1 Euro = PLN 4.1472).

The items on the Profit and Loss Account and Cash Flow Statement expressed in PLN were converted into Euro using the exchange rate being an arithmetic mean of the average exchange rates announced by the National Bank of Poland effective on the last day of each reporting month. The adopted average exchange rate for calculations for H1 2014 is PLN 4.1784 for 1 Euro, and for calculations for H1 2013 – PLN 4.2140 for 1 Euro.

Net balance sheet profit in H1 2014 calculated using the exchange rate prevailing at the end of June 2014 was EUR 19,804 thousand, whereas calculated using the average exchange rates totaled EUR 19,721 thousand.

The foreign exchange gains/losses due to conversion of financial income in H1 2014 totaled EUR 83 thousand.

### III. Financial performance in H1 2014.

In the first half of 2014 Tire Company Debica S.A. generated sales revenues totaling PLN 1,028.8 million i.e. up by 1 per cent compared to the first half of 2013. In the second quarter (Q2) alone sales revenues were up by 5.7 per cent on a year-to-year basis.

The net profit in H1 2014 totaled PLN 82.4 million i.e. it was up by 60.9 per cent compared to H1 of the previous year, mainly due to higher manufacturing cost efficiency.

The sales to the Goodyear Group member companies totaled PLN 894.5 million i.e. it was down by 0.7 per cent compared to the same period last year.

Sales to the non-related entities totaled PLN 134.3 million, up by 13.8 per cent on a year-to-year basis.

In H1 2014 the sales to related entities accounted for 86.9 per cent of total sales compared to 88.4 per cent in H1 2013.

Gross sales profit to related entities totaled PLN 109.3 million, and profit margin to revenues rose from 7.0 per cent to 12.2 per cent on a year-to-year basis.

Meanwhile gross sales profit to non-related entities totaled PLN 31.4 million and profit margin was up from 18.3 per cent to 23.4 per cent on a year-to-year basis.

In H1 2014 total gross sales profit amounted to PLN 140.8 million and profit margin to revenues was 13.7 per cent.

In H1 2013 total gross sales profit amounted to PLN 84.4 million and profit margin to revenues was 8.3 per cent. An increase of gross sales profit margin was possible thanks to the reduction of production costs. The unit production costs were cut by 11.5 per cent. The production costs were reduced mainly in the category of costs of materials thanks to the reduction of raw material costs. The costs of sales and general management totaled PLN 54.2 million i.e. up by PLN 30.9% compared to Q1 2013. The share of these costs in total sales accounted for 5.3 per cent against 4.1 per cent in H1 of the previous year.

The other operating result was negative and it totaled PLN (8.6) million and was down by PLN 7.3 million compared to H1 2013, mainly due to restructuring costs totaling PLN 5.5 million and costs of bad debts totaling PLN 1.4 million. The cost revaluation of non-financial fixed assets was down by PLN 0.6 million on a year-to-year basis.

Operating profit (EBIT) totaled PLN 77.9 million, i.e. up by PLN 36.3 million on a year-to-year basis, whereas profit margin in relation to revenues rose to 7.6 per cent compared to 4.1 per cent in H1 of the previous year.

The financial activities generated a loss of PLN 2.3 million compared to a gain amounting to PLN 4.2 million in H1 2013.

The foreign exchange losses totaled PLN 1.7 million against foreign exchange gains totaling PLN 4.6 million in the same period of the previous year.

The interest income on the loan extended to related entities totaled PLN 0.7 million. The interest income on idle cash amounted to PLN 0.8 million.

Interest expense on external sources of financing totaled PLN 1.9 million. Other interest expense totaled PLN 0.2 million. In H1 2014 gross profit totaled PLN 75.6 million i.e. up by 65.1 per cent compared to the same period in the previous year.

The current portion of income tax was PLN 0.00, because the Company posted an income tax allowance amounting to PLN 17.5 million that the Company enjoys in relation to the investment made in the Euro-Park Mielec Special Economic Zone. The portion of deferred income tax was negative and amounted to PLN (6.8) million and the total income tax was negative and amounted to PLN (6.8) million.

In H1 2014 the net profit totaled PLN 82.4 million up by 60.9 per cent compared to H1 of the previous year.



Pursuant to the operational permit No. 134/ARP/2008, issued on February 27, 2008, for running business in the Euro-Park Mielec Special Economic Zone the Company may enjoy income tax relief with the maximum value of 40.23% of the discounted figure of capital expenditures spent on the investment project executed in the Special Economic Zone. The Company met the requirements attached to the operational permit in December 2012 and starting from 2013 onwards is entitled to enjoy income tax relief for legal persons. The permit was extended until 2017. As of June 30, 2014 the amount of due tax relief totaled PLN 103.9 million in nominal terms and PLN 73.3 million in discounted terms.

The Company calculates deferred income tax on all transient differences. When determining the amount of deferred income tax assets and provision, for transitional differences, whose estimated execution moment will take place while running activities in the Special Economic Zone tax rate was applied (pursuant to Art. 37, par. 6, par. of the Act) granted under the Operational Permit in the Special Economic Zone ("zero" rate).

At present the Management Board believes there is no risk that the Company will not be able to take advantage the limit of tax relief.

At the end of June 2014 the tangible fixed assets totaled PLN 836.0 million and were down by PLN 15.5 million during first half of the year. The capital expenditures totaled PLN 28.3 million, whereas the value of depreciation of the existing fixed assets was PLN 42.3 million. Owing to the disposals the tangible fixed assets were down by PLN 1.5 million.

Long-term accruals - deferred income tax assets totaled PLN 1.7 million and were down by PLN 0.1 million. In total the Company's current assets were PLN 730.2 million and were up by PLN 154.1 million compared to December 31, 2013.

At the end of H1 2014 the value of short-term receivables was PLN 425.7 million and were up by PLN 88.3 million due to higher tire sales in Q2 of the accounting year. The value of inventory was up by PLN 6.2 million.

At the end of H1 2014 the value of short-term financial assets was PLN 187.5 million and was up by PLN 57.8 million. Cash assets and equivalents were down by PLN 32.0 million. In H1 2014 the value of loans extended to the related entities was PLN 75.0 million, whereas short-term financial assets in non-related entities (bills of exchange received from the customers) totaled PLN 19.9 million and were up by PLN 14.8 million.

Short-term prepayments were up by PLN 1.8 million in relation to the social fund. In total the Company's assets were up by PLN 138.6 million compared to December 31, 2013.

At the end of June 2014 the liabilities and liability provisions totaled PLN 608.2 million and were up in H1 2014 by PLN 113.9 million.

The provisions for liabilities were down by PLN 8.5 million, of which provisions for deferred tax totaled PLN 6.8 million.

The long-term liabilities under lease payments were down by PLN 0.2 million.

The short-term liabilities to related entities were up by PLN 80.9 million including the amount of PLN 47.0 million related to dividend payment. The liabilities vis-a-vis non-related entities went up by PLN 40.5 million. The VAT tax liabilities were up by PLN 19.5 million and dividend payment liabilities were up by PLN 10.7 million.

At the end of June 2014 the shareholders' equity totaled PLN 959.8 million and was up by 24.7 million in H1 2014, since 2013 dividend for payment is PLN 57.7 million, whereas net profit for H1 2014 is PLN 82.4 million.

In H1 2014 the operational activity cash flows were positive and totaled PLN 92.3 million.

Net profit and depreciation generated PLN 124.7 million of cash inflows, whereas working capital increase generated negative cash flows totaling PLN 21.8 million.

The change in the balance of provisions and accruals generated the negative amount of PLN 10.3 million and in other lines the additional amount of negative cash flows was PLN (0.3) million.

The investment activity cash flows were negative and totaled PLN 123.2 million. On tangible fixed assets the Company spent PLN 48.9 million. The loan to the related entity totaled PLN 75 million, and the interest income on the load was PLN 0.7 million.

Cash inflows from the financial activities were negative and totaled PLN 1.2 million.

The interest expense totaled PLN 0.3 million, whereas lease payments totaled PLN 0.9 million. In H1 2014 the net cash flows were negative and totaled PLN 32.2 million.

In H1 2014 the cash balance was down by PLN 32.2 million from the level of PLN 124.8 million at the end of 2013 to the level of PLN 92.6 million at the end of June 2014.

#### **IV. Risks and threats in relation to remaining months of the accounting year.**

The drivers of Company performance in H2 2014 according to Company assessment:

- volatility of foreign exchange rates, mainly euro and US dollar;
- raw material prices in global markets;
- situation in global financial markets

#### **Risk management objectives and principles**

##### **Financial risk**

Financial risks present in the Company are monitored and managed.

The financial risk implied by the type and scope of run business activities, may involve growing level of unrecoverable debts, being a result of necessary sales crediting, driven by market environment. Given that the share of unrecoverable debts is 0.04% of sales revenues per year and is not subject to a material change the Company focuses on securing its receivables, both from formal and legal perspective (bill of exchange, mortgage, pledge), and from business perspective (i.e. improvement of supply logistics, more in-depth studies of financial standing of customers etc.). Consequently good management in this area allows to generate added value. According to Company's Management Board, the level of financial risk connected with debt collection fluctuates insignificantly.

##### **Foreign exchange risk**

The Company depends on the fluctuations of the foreign exchange rates in connection with the exports of finished goods and imports of raw materials, however, pursuant to the long-term financial strategy it does not use currency risk hedging instruments but rather uses natural hedging. The export revenues are predominantly used to purchase imported raw materials. In long-term this policy produces positive results.

##### **Interest rate risk**

In H1 2014 the Company enjoyed the effective current account overdraft facility agreements for the total amount of PLN 175 million. As of June 30, 2014 the utilization of overdraft facilities was nil. The Company maintained liquidity and financing stability. The Company did not bear any material interest expenses, so the Management Board believes that interest rate volatility is not crucial to the Company.

The Company's Management Board does not envisage any material turbulences in cash flows, nor a loss of financial liquidity. T.C. Debica S.A. has consistently maintained safe debt level and has diversified debt risk and operational risk, using banking services of four banks.

In H1 2014 the Company maintained high financial liquidity combined with low debt level.

The deterioration of the liquidity status may have adverse impact on Company customers and their ability to pay their liabilities. The worsening operational conditions of customers may have impact on the cash flow projections and evaluation of the assets impairment. To the extent information was available, the Management Board took into consideration the revised estimates of expected future cash flows in its assessment of assets impairment.

#### **V. Other information**

1. Allowances made to reevaluate Company assets in relation to the impairment of financial assets, tangible fixed assets, intangible assets or other assets and reversal of such write-offs.

In H1 2014 T.C. Dębica S.A. made allowances to reevaluate its assets for the total amount of PLN 374 thousand that increased other operating costs. Revaluation allowances applied to goods inventory for the total amount of PLN 374 thousand.

No revaluation allowances were applied to the financial assets.

2. Seasonality, cyclical nature of operations.

Not applicable.

3. Issue, buy out and repayment of debt and equity securities.

In the current accounting period and in the past the Company did not issue neither debt or equity securities.

4. Dividend

The General Meeting of Shareholders that was held on June 4, 2014 decided that 50% of 2013 profit i.e. the amount of PLN 57.7 million, should be allocated to dividend payment to shareholders at PLN 4.18 per share. The entitlement to 2013 dividend is enjoyed by the persons who held Company shares on their accounts kept by a brokerage house on August 29, 2014 (so called dividend entitlement date). Dividend will be paid on December 16, 2014.

5. Material events after financial statement drawing up date

None.

6. Impact of changes in Company structure.

In H1 2014 no changes were made in the Company structure.

7. Changes in the balance of contingent assets and liabilities.

None.

8. Issuer's Capital Group.

The Company does not have a capital group, nor is a controlling entity, nor draws up consolidated financial statements.

9. The Management Board position on the viability of financial performance forecasts for a certain year, published earlier, in the light of actual performance figures presented in the Bi-Annual Report against forecast performance.

The Company did not publish forecast financial performance for 2014.

10. The shareholders holding at least 5% of the total number of votes at the General Meeting of Shareholders.

In accordance with information that was in the possession of the Company as of drawing up the interim report for H1 2014:

The Shareholders holding above 5% of the initial capital and at least 5% of the total number of votes at the Company's General Meeting of Shareholders included:

1. Goodyear S.A. with its registered office in Luxembourg, holding jointly (directly and indirectly) 11,234,912 shares, accounting for 81.396% of the Company's shareholders' equity, giving entitlement to 11,234,912 votes at the Company's General Meeting of Shareholders, accounting for 81.396% of the total number of votes at the Company's General Meeting of Shareholders, of which:

(I) it holds directly 9,805,797 shares in the Company, accounting for approximately 71.04% of the Company's share capital, giving entitlement to 9,805,797 votes at the Company's General Meeting of Shareholders, accounting approximately for 71.04% of the total number of votes at the Company's General Meeting of Shareholders;

(II) holds indirectly, through Goodyear Holding Poland Sp. z o.o. with its registered office in Warsaw, 1,429,115 shares in the Company, accounting for 10.354% of the Company's shareholders' equity, giving entitlement to 1,429,115 votes at the Company's General Meeting of Shareholders, accounting approximately for 10.354% of the total number of votes at the Company's General Meeting of Shareholders.

Changes in the ownership structure of significant shareholding of the Issuer since filing of the previous quarterly report.

On February 10, 2014 The Management Board of Tire Company Debica S.A. (hereinafter referred to as the Company) was advised by Goodyear S.A. with its registered office in Luxembourg (hereinafter referred to as "Goodyear Luxembourg") that on February 10, 2014, in an off-session block transaction, in the regulated market, closed on February 7, 2014 Goodyear Luxembourg acquired directly from PZU BIS 2 Closed Mutual Fund of Non-Public Assets, with its registered office in Warsaw, 688,757 (in words: six hundred eighty eight thousand seven hundred fifty seven) ordinary bearer shares in the Company, accounting approximately for 4.99% of the Company's shareholders' equity, giving entitlement to 688,757 (in words: six hundred eighty eight thousand seven hundred fifty seven) votes at the Company's General Meeting of Shareholders, accounting for 4.99% of the total number of votes at the Company's General Meeting of Shareholders.

Before the aforementioned direct acquisition of shares, Goodyear Luxembourg held jointly – directly and indirectly, 10,546,155 (in words: ten million five hundred forty six thousand one hundred fifty five) Company shares, accounting for approximately 76.406% of Company's shareholders' equity, giving entitlement to 10,546,155 (in words: ten million five hundred forty six thousand one hundred fifty five) votes at the Company's General Meeting of Shareholders, accounting for approximately 76.406% of the total number of votes at the Company's General Meeting of Shareholders, of which:

(i) it held directly 9,117,040 (in words: nine million one hundred seventeen thousand and forty) Company shares, accounting approximately for 66.052% of Company's shareholders' equity, giving entitlement to 9,117,040 (in words: nine million one hundred seventeen thousand and forty) at the Company's General Meeting of Shareholders, accounting approximately for 66.052% of the total number of votes at the Company's General Meeting of Shareholders;

(ii) indirectly, through the agency of Goodyear Holding Poland Sp. z o.o. (former name: PORTFEL ALLIANCE SILESIA I Sp. z o.o.), with its registered office in Warsaw, entered into Enterprise Register under No. KRS 0000434970 ("GHP"), held by the National Court Register, it held indirectly 1,429,115 (in words: one million four hundred twenty nine thousand one hundred and fifteen) shares in the Company, accounting approximately for 10.354% of the Company's shareholders' equity, giving entitlement to 1,429,115 (in words: one million four hundred twenty nine thousand one hundred and fifteen) votes at the Company's General Meeting of Shareholders, accounting for 10.354% of the total number of votes at the Company's General Meeting of Shareholders.

11. Company shares or options held by the Company managing or supervising persons.

The following members of Company authorities hold Company shares:

Stanisław Cieszkowski – CEO (from June 4, 2014) – 430 shares,

Mariusz Solarz, a Management Board member (from June 4, 2014) - 3 shares

Janusz Raś, a Supervisory Board member - 15 shares

All shares have a par value of PLN 8.00 each.

12. Litigation concerning liabilities or debts, in front of the court of law, a body competent to carry out arbitration proceedings or a public administration body, accounting for at least 10% of equity.

None.

13. Information about entering into transactions with related entities, if they are not regular and routine transactions entered under arm's length principle above EUR 500 thousand.

None.

## 14. Extended sureties of credits, loans or extended guarantees to related entities.

In H1 2014 the Company extended two short-term loans to Goodyear S.A. with its registered office in Luxembourg. Detailed information about loans extended to Goodyear S.A. is provided in table below:

Loan Agreement date	April 25, 2014	May 26, 2014
Date of loan proceeds disbursement (Agreement)	April 29, 2014	May 28, 2014
Interest rate in May	5.62% (WIBOR 1M+3%)	5.62% (WIBOR 1M+3%)
Interest rate in June	5.61% (WIBOR 1M+3%)	5.61% (WIBOR 1M+3%)
Loan amounts	60 000 000.00	15 000 000.00
Maturity date (loan repayment)	April 30, 2015	May 29, 2015
Interest accrued for May	304 865.75	9 238.36
Interest accrued for June	276 657.53	69 164.38
Total interest accrued by June 30, 2014	581 523.29	78 402.74
Interest actually paid by June 30, 2014	0.00	0.00

The interest payment is scheduled after the expiry of 45 days from the date of their accrual.

## 15. Other information vital to the assessment of financial standing.

## 15.1. Information about material purchase and disposal transactions referring to tangible fixed assets

In H1 2014 material purchase and disposal transactions referring to tangible fixed assets involved mainly the purchase of equipment and machinery, and molds. In H1 2014 expenses on the acquisition of tangible fixed assets posted into the Cash Flow Statement were concerned with 2014 purchases and items included in the balance as of December 31, 2013.

In H1 2014 the capital expenditures totaled PLN 27,467 thousand and covered mainly purchases of machinery and equipment, and molds.

The capital expenditures planned in 2014 total PLN 103,675 thousand.

In 2014 the projected environmental expenditures will total PLN 852 thousand.

## 15.2. Information about material liability in relation the purchase of tangle fixed assets.

None.

## 16. Information about changes in the Company authorities.

On May 30, 2014 the Management Board of Tire Company Debica S.A. received a notification about decision of Mr. Jacek Pryczek about his resignation from applying for a position on the Management Board in the consecutive terms of office, due to the assumption of the position of the Managing Director of Goodyear Central Europe (Current Report No. 9/2014, dated May 30, 2014).

On June 4, 2014 the Company's Supervisory Board appointed the following persons to sit on the Company's Management Board:

Stanisław Cieszkowski to the position of the President of the Company's Management Board,  
Radosław Bólkowski to the position of a member of Company's Management Board,  
Mariusz Solarz to the position of a member of Company's Management Board,  
Ireneusz Maksymiuk appointed to the position of a member of Company's Management Board.

The Company announced the above changes in its Current Report No. 13/2014, dated June 4, 2014.

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Dębica, August 27, 2014

File	Description