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POLISH FINANCIAL SUPERVISION AUTHORITY

Bi-Annual Report SA-P 2016

(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 2015 covering the period from January 1, 2016 to June 30, 2016
and for H1 of the accounting year 2015 covering the period from January 1, 2015 to June 30, 2015

Filing date: August 29, 2016

TIRE COMPANY DĘBICA SA
(full name of issuer)
DEBICA **Automotive**
Abbreviated name of issuer (sector according to WSE classification)
39-200 **Debica**
(postal code) (place)
ul. 1 Maja **1**
(street) (number)
(014) 670-28-31 **014 670-09-57**
(phone) (fax)
www.debica.com.pl
(e-mail) (Web site)
872-000-34-04 **850004505**
(Tax ID - NIP) (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
☑ Statement Of Changes In Shareholders' Equity
☑ Balance Sheet ☑ Cash Flow Statement
☑ Profit and Loss Account ☑ Notes to the Financial Statement
☑ Management Board's Report on Company Operations (Bi-Annual Operations Report)

FINANCIAL HIGHLIGHTS	'000 PLN		'000 EUR	
	H1 2016	H1 2015	H1 2016	H1 2015
I. Net sales of products, merchandise and materials	905 344	939 526	206 676	227 263
II. Operating profit (loss)	55 631	81 235	12 700	19 650
III. Profit (loss) before taxation	54 887	83 256	12 530	20 139
IV. Net profit (loss)	57 921	71 872	13 222	17 385
V. Operational cash flows, net	31 197	49 338	7 122	11 934
VI. Investment activity cash flows, net	10 452	-45 511	2 386	-11 009
VII. Financial activity cash flows, net	-1 241	-1 091	-283	-264
VIII. Total net cash flows	40 408	2 736	9 225	662
IX. Total assets (at the end of current H1 of accounting year and at the end of previous accounting year)	1 561 055	1 431 948	352 741	336 020
X. Liabilities and liabilities provisions (at the end of current H1 of accounting year and at the end of previous accounting year)	542 807	432 145	122 654	101 407
XI. Long-term liabilities (at the end of current H1 of accounting year and at the end of previous accounting year)	1 322	1 643	299	386
XII. Short-term liabilities (at the end of current H1 of accounting year and at the end of previous accounting year)	483 466	367 983	109 246	86 351
XIII. Shareholders' equity (at the end of current H1 of accounting year and at the end of previous accounting year)	1 018 248	999 803	230 087	234 613
XIV. Share capital (at the end of current H1 of accounting year and at the end of previous accounting year)	110 422	110 422	24 951	25 912
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)	4.20	5.21	0.96	1.26
XVII. Diluted earnings (loss) per ordinary share (in PLN/EUR)	4.20	5.21	0.96	1.26
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)	73.77	72.44	16.67	17.00
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)	73.77	72.44	16.67	17.00
XX. Declared or paid dividend per share (in PLN/EUR)	2.86	3.15	0.65	0.75

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 STATMENTS 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, 2016 to June 30, 2016.

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

Introduction

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 Debica, at 1 Maja 1 Street comprising balance sheet drawn up as of June 30, 2016, Abbreviated Profit and Loss Account, Abbreviated Statement of Changes in Shareholders’ Equity, Abbreviated Cash Flow Statement for the period from 1 January to 30 June 2016 and abbreviated Notes to the Financial Statement comprising selected financial data and additional information as well as explanations.

The Company’s Management Board is responsible for preparing the abbreviated bi-annual financial statements in accordance with the Accounting Act of 29 September 1994 (Accounting Act – Journal of Laws of 2013, item 330, as amended. Meanwhile our responsibility was to express an opinion on the abbreviated bi-annual financial statement based on our review.

Scope of review

We carried out the review pursuant to the provisions of the National Financial Audit Standard 2410 with the wording of the International Review Service Standard 2410. The midterm financial information was reviewed by an independent auditor of the company. The review of the abbreviated bi-annual financial statement involves posing questions primarily targeted at the persons responsible for financial and book keeping matters, and it also involves the conduct of analytical and other review procedures.

The scope of taken efforts were significantly smaller than the scope of audit carried out pursuant to the National Financial Audit Standards with the wording of International Audit Standards. Therefore the review is not enough to obtain reasonable assurance that all material issues that would be identified during the audit, were disclosed. Therefore we refrain from expressing our opinion on the audit.

Conclusions

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements have not been prepared, in all material respects, in accordance with the requirements of the Accounting Act and accompanying documents and the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions of recognising as equal information required by the law of other state, which is not a member state (“the Decree” – Journal of Laws of 2015, item 133).

Conducting the review on behalf of PricewaterhouseCoopers Sp. z o.o. registered auditing company No. 144:

Piotr Kocot

Key Registered Auditor No. 12637

Cracow, August 25, 2016

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's Report on Company Operations presents a genuine picture of development, achievements and position of the Company including the description of basic risks and threats.

The Management Board
Stanislaw Cieszkowski – President of the Management Board
Ireneusz Maksymiuk – Member of the Management Board
Leszek Szafran – Member of the Management Board
Michal Mędrek – Member of the Management Board

File	Description

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

The Management Board represents that the entity authorized to audit the financial statements, making a review of bi-annual financial statement was appointed in compliance with law and that the entity and auditors making a review complied with the conditions to issue an impartial and independent Review Report, pursuant to the national law and professional standards.

File	Description

BALANCE SHEET

	Note No.	'000 PLN		
		H1 2016	2015	H1 2015
ASSETS				
I. Fixed assets		822 711	829 765	844 065
1. Intangible assets including:		15	21	31
2. Tangible fixed assets		820 459	827 507	841 936
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		2 093	2 093	1 954
4.1. Deferred income tax assets		2 093	2 093	1 954
II. Current assets		738 344	602 183	667 378
1. Inventories		85 537	74 834	94 238
2. Short-term receivables		373 020	241 975	401 562
2.1. From related entities		338 315	207 331	367 535
2.2. From non-related entities		34 705	34 644	34 027
3. Short-term investments		277 125	284 425	168 902
3.1. Short-term financial assets		277 125	284 425	168 902
a)in related entities		205 000	255 000	105 000
b) in non-related entities		2 319	0	4 744
c) cash and cash equivalents		69 806	29 425	59 158
4. Short-term deferred assets		2 662	949	2 676
T o t a l a s s e t s		1 561 055	1 431 948	1 511 443

LIABILITIES				
I. Shareholders’ equity		1 018 248	999 803	992 762
1. Share capital		110 422	110 422	110 422
2. Reserve capital		324 465	324 459	324 383
3. Revaluation capital		68 093	68 099	68 175
4. Other reserve capitals		457 347	417 910	417 910
5. Net profit (loss)		57 921	78 913	71 872
II. Liabilities and liabilities provisions		542 807	432 145	518 681
1. Liabilities provisions		58 019	62 519	57 761
1.1. Provision for deferred income tax		26 023	29 328	32 668
1.2. Provision for pension benefits and equivalents		25 426	31 744	24 081
a) long-term		9 646	10 235	9 601
b) short-term		15 780	21 509	14 480
1.3. Other provisions		6 570	1 447	1 012
a) long-term		100	100	144
b) short-term		6 470	1 347	868
2. Long-term liabilities		1 322	1 643	1 478
2.1. to other entities		1 322	1 643	1 478
3. Short-term liabilities		483 466	367 983	459 442
3.1. to related entities		147 757	73 266	139 694
3.2. to non-related entities		334 389	294 165	318 396
3.3. Special funds		1 320	552	1 352
Total liabilities		1 561 055	1 431 948	1 511 443

Book value		1 018 248	999 803	992 762
Number of shares (pcs.)		13 802 750	13 802 750	13 802 750
Book value per share (in PLN)		73.77	72.44	71.92
Diluted number of shares (pcs.)		13 802 750	13 802 750	13 802 750
Diluted value per share (in PLN)		73.77	72.44	71.92

OFF-BALANCE ITEMS

	Note No.	‘000 PLN		
		H1 2016	2015	H1 2015
Contingent receivables				
1. Other including:		7 401	8 825	10 265
off-balance liabilities under a long-term gas supply agreement		6 399	7 359	8 319
off-balance liabilities under long-term lease agreement - movables		1 002	1 466	1 946
Total off-balance liabilities		7 401	8 825	10 265

PROFIT AND LOSS ACCOUNT

	Note No.	‘000 PLN	
		H1 2016	H1 2015
I. Net sales of products, merchandise and materials including:		905 344	939 526
- from related entities		820 839	863 200
1. Net sales of products		836 886	904 457
2. Net sales of merchandise and materials		68 458	35 069
II. Cost of products, merchandise and materials sold including:		802 219	811 601
- to related entities		732 535	743 174
1. Cost of products sold		737 178	773 781
2. Cost of merchandise and materials sold		65 041	37 820
III. Gross profit (loss) on sales		103 125	127 925
IV. Selling expenses		10 087	5 518
V. General administrative expenses		30 797	31 230
VI. Profit (loss) on sales		62 241	91 177
VII. Other operating income		1 121	179
1. Gain on disposal of non-financial fixed assets		925	0
2. Other operating income		196	179
VIII. Other operating expenses		7 731	10 121
1.Loss on the disposal of non-financial fixed assets			714
2. Revaluation of non-financial fixed assets		740	673
3. Other operating costs		6 991	8 734
IX. Operating profit (loss)		55 631	81 235
X. Financial income		3 852	3 519
1. Interest receivable including:		3 852	2 607
2. Other		3 560	2 507

XI. Financial expenses		4 596	1 498
1. Interest payable including:		959	1 498
2. Other		3 637	0
XII. Profit (loss) on ordinary activities		54 887	83 256
XIII. Profit (loss) before taxation		-3 034	11 384
a) current portion		271	0
b) deferred portion		-3 305	11 384
XIV. Net profit (loss)		57 921	71 872

Net profit (loss) (annualized)		64 962	76 415
Weighted average number of the ordinary shares (pcs.)		13 802 750	13 802 750
Earnings (loss) per ordinary share (in PLN)		4.71	5.54
Diluted weighted average number of the ordinary shares (pcs.)		13 802 750	13 802 750
Diluted earnings (loss) per ordinary share (in PLN)		4.71	5.54

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	'000 PLN		
	H1 2016	2015	H1 2015
I. Opening balance of shareholders' equity	999 803	964 369	964 369
Ia. Opening balance of shareholders' equity, after restatement to comparative data	999 803	964 369	964 369
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	324 459	322 675	322 675
2.1. Changes in reserve capital	6	1 784	1 708
a) additions (of which)	6	1 784	1 708
- transfer from reserve capital of the sums of liquidated revaluated fixed assets – current period	6	1 784	1 708
2.2. Closing balance of reserve capital	324 465	324 459	324 383
3. Opening balance of revaluation capital	68 099	69 883	69 883
3.1. Changes in revaluation capital	-6	-1 784	-1 708
a) reductions, of which:	6	1 784	1 708
- transfer from reserve capital of the sums of liquidated revaluated fixed assets – current period	6	1 784	1 708
3.2. Closing balance of revaluation capital	68 093	68 099	68 175
4. Opening balance of other reserve capital	417 910	374 443	374 443
4.1. Changes in other reserve capital	39 437	43 467	43 467
a) additions (of which)	39 437	43 467	43 467
allocation to the reserve capital from the profit distributed for the year 2014, with an option of dividend payment to the shareholders.	0	43 467	43 467
allocation to the reserve capital from the profit distributed for the year 2015, with an option of dividend payment to the shareholders.	39 437	0	0
4.2. Closing balance of other reserve capital	457 347	417 910	417 910
5. Opening balance of retained earnings	78 913	86 946	86 946
5.1. Opening balance of retained earnings	78 913	86 946	86 946
5.2. Opening balance of retained earnings after the restatement to comparative data	78 913	86 946	86 946
a) reductions, of which:	78 913	86 946	86 946
- dividend for shareholders	39 476	43 479	43 479
allocation to the reserve capital from the profit distributed for the year 2014, with an option of dividend payment to the shareholders.	0	43 467	43 467
allocation to the reserve capital from the profit distributed for the year 2015, with an option of dividend payment to the shareholders.	39 437	0	0
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)	57 921	78 913	71 872
a) net profit	57 921	78 913	71 872
II. Closing balance of shareholders' equity	1 018 248	999 803	992 762
III. Shareholders' equity adjusted by the proposed distribution of profit (loss coverage)	1 018 248	999 803	992 762

CASH FLOW STATEMENT

	'000 PLN	
	H1 2016	H1 2015
A. Operational cash flows		
I. Net profit (loss)	57 921	71 872
II. Total adjustments	-26 724	-22 534
1. Depreciation and amortization	46 686	45 842
2. Foreign exchange gains/losses	27	-36
3. Interest and dividends	-3 204	-2 271
4. Investment activity gain (loss)	-935	1 029
5. Change in provisions	-4 500	3 826
6. Change in inventories	-10 703	23 430
7. Change in receivables	-133 364	-156 754
8. Change in current liabilities (excluding loans and credits)	80 982	64 548
9. Change in deferred and accrued expenses	-1 713	-2 148
10. Other adjustments	0	0
III. Net operational cash flows (I+/-II) – indirect method	31 197	49 338
B. Investment activity cash flows		
I. Cash inflows	180 351	5 438
1. Disposal of intangible assets and tangible fixed assets	1 792	2 931
2. From financial assets of which:	3 559	2 507
a) in related entities	3 559	2 507
- interest received	3 559	2 507
3. Other investment inflows	175 000	0
II. Cash outflows	169 899	50 949
1. Acquisition of intangible assets and tangible fixed assets	44 899	50 949
2. For financial assets including:	125 000	0
III. Net investment activity cash flows (I-II)	10 452	-45 511
C. Financial activity cash flows		
I. Cash inflows	0	145
1. Credits and loans	0	145
II. Cash outflows	1 241	1 236
1. Financial lease commitments paid	885	1 000
2. Interest paid	356	236
III. Net financial activity cash flows (I-II)	-1 241	-1 091
D. Total net cash flows (A.III+/-B.III+/-C.III)	40 408	2 736
E. Change in balance-sheet cash and cash equivalents of which:	40 381	2 772
- change in cash and cash equivalents due to foreign exchange gains/losses	-27	36
F. Opening balance of cash and cash equivalents	29 406	56 452
G. Closing balance of cash and cash equivalents (F+/- D) of which:	69 814	59 188
- those with restricted availability	1 319	1 352

1. Inconsistencies between balance sheet changes:

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

	H1 2016	H1 2015
- balance sheet change	-131 045	-157 405
- change in bills of exchange balance with maturity longer than 3 months (in the balance sheet specified in the item "Short-term financial assets")	-2 319	651
In Cash Flow Statement	-133 364	- 156 754

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

	H1 2016	H1 2015
Change in balance sheet	115 483	81 916
Adjustments:		
change in balance of fixed assets under construction liability	4 957	26 237
change in balance of short-term financial lease liabilities	18	19
change in dividend liability balance	-39 476	-43 479
Change in loan liability balance	-	-145
Total adjustments	-34 501	-17 368
In Cash Flow Statement	80 982	64 548

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 2016.

File	Description

SIGNATURES OF PERSONS REPRESENTING THE COMPANY			
Date	Name and surname	Position/Function	Signature
August 25, 2016	Stanisław Cieszkowski	President of Management Board , Production Director	
August 25, 2016	Ireneusz Maksymiuk	Management Board member, Finance Director	

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

T.C. DĘBICA S.A. MANAGEMENT BOARD'S BI-ANNUAL REPORT ON COMPANY OPERATIONS IN H1 2016.

(pursuant to the provisions of § 87, par. 4 of the Decree of Council of Ministers, dated February 19, 2009 - Journal of Laws item 133, 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.

Pursuant to § 89, par. 2, in conjunction with § 9 of the Ordinance of the Minister of Finance of 19 February 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 and Art. 1, item 17a of the Ordinance of the Minister of Finance of May 25, 2016 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.
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I. Accounting principles adopted when drawing up a bi-annual abbreviated financial statement.

The Bi-annual Financial Statement 2016 was drawn up pursuant to the Accounting Act of September 29, 1994 (Journal of Laws of 2013, No. 330, 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 2015 for the accounting year closed on 31 December 2015.

No material changes in the estimates took place.

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, 2016 (1 Euro = PLN 4.4255) and on December 31, 2015 (1 Euro = PLN 4.2615).

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 2016 is PLN 4.3805 for 1 Euro, and for calculations for H1 2015 – PLN 4.1341 for 1 Euro.

Net balance sheet profit in H1 2016, calculated using the exchange rate prevailing at the end of June 2016, was EUR 13,088 thousand, whereas calculated using the average exchange rates totalled EUR 13,222 thousand.

The foreign exchange gains/losses due to conversion of financial income in H1 2016 totalled EUR 134 thousand.

III. Financial performance in H1 2016

In the first half of 2016 Tire Company Debica S.A. generated sales revenues totalling PLN 905.3 million i.e. down by 3.6 per cent compared to the first half of 2015. In the second quarter (Q2) alone sales revenues were down by 1.0 per cent on a year-to-year basis.

The net profit in H1 2016 totalled PLN 57.9 million i.e. it was down by 19.4 per cent compared to H1 of the previous year.

The sales to the Goodyear Group member companies totalled PLN 820.8 million i.e. it was down by 4.9 per cent compared to the same period last year.

Sales to the non-related entities totalled PLN 84.5 million, up by 10.7 per cent on a year-to-year basis.

In H1 2016 the sales to related entities accounted for 90.7 per cent of total sales compared to 91.9 per cent in H1 2015.

Gross sales profit to related entities totalled PLN 88.3 million, whereas the profit margin compared to revenues fell from 13.9 per cent to 10.8 per cent on a year-to-year basis.

Meanwhile gross sales profit to non-related entities totalled PLN 14.8 million and profit margin was up from 10.3 per cent to 17.5 per cent on a year-to-year basis.

In H1 2016 total gross sales profit amounted to PLN 103.1 million and profit margin to revenues was 11.4 per cent.

In H1 2016 total gross sales profit amounted to PLN 127.9 million and profit margin to revenues was 13.6 per cent.

The unit production costs were cut by 7.4 per cent. It was possible thanks to lower material costs thanks to raw material price decline.

The costs of sales and general management totalled PLN 40.9 million i.e. up by 11.3% compared to H1 2015. The share of these costs in total sales accounted for 4.5 per cent against 3.9 per cent in H1 of the previous year. The increase of costs of sales and general management is due to higher bonus costs, regional fees, radio and Web advertising costs and in other cost areas.

The other operating income was negative totalled minus PLN 6.6 million i.e. down by PLN 3.3 million compared to H1 2015, mainly due to lower costs of bad debts that were down by PLN 7.3 million.

In H1 2016 the Company set up a provision for the costs of production workers' redundancies.

It is a program involving further improvement of production efficiency. The Program will be executed in H2 2016 and in H1 2017. The Program costs will hover around PLN 6 million. To cover Program costs a provision was set up for an appropriate amount.

In H1 2016 the company posted a profit on the disposal of non-financial fixed assets totalling PLN 0.9 million, up by PLN 1.6 million on a year-to-year basis. Other operating costs were down by PLN 0.4 million.

Operating profit (EBIT) totalled PLN 55.6 million, i.e. down by PLN 25.6 million on a year-to-year basis, whereas profit margin in relation to revenues fell to 6.1 per cent compared to 8.6 per cent in H1 of the previous year.

The financial activities generated a loss totalling PLN 0.7 million compared to a loss amounting to PLN 2.0 million in H1 2015, mainly driven by the foreign exchange losses that totalled PLN 3.6 million compared to the foreign exchange gains totalling PLN 0.9 million in the same period of the previous year.

The interest income on the loan extended to related entities totalled PLN 3.6 million. The interest income on idle cash amounted to PLN 0.3 million.

Interest expense on external sources of financing totalled PLN 1.0 million.

In H1 2016 gross profit totalled PLN 54.9 million i.e. up by 34.1 per cent compared to the same period in the previous year.

The part of current portion of income tax was PLN 0.3, because the Company posted an income tax allowance that the Company enjoys in relation to the investment made in the Euro-Park Mielec Special Economic Zone. The portion of deferred income tax amounted to PLN 3.3 million and the total income tax amounted to PLN 3.0 million. 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).

In H1 2016 the net profit totalled PLN 57.9 million, down by 19.4 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 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 is valid until 2017. The Company assumed that within the effective term of operational permit all short-term transient differences will be realized as well as a certain portion of long-term transient differences planned for realisation within the effective term of the operational permit.

As of December 31, 2015 the amount of due tax relief totalled PLN 108.3 million in nominal terms and PLN 72.5 million in discounted terms. As of the balancing date on 30 June 2016 the nominal value of eligible tax relief was PLN 52 million, discounted to PLN 34.3 million (these figures account for the calculated corporate income tax (CIT) for H1 2016, which, however, may be subject to material changes on annual basis).

At the end of June 2016 the tangible fixed assets totalled PLN 820.5 million and were down by PLN 7.0 million during first half of the year. The capital expenditures totalled PLN 39.9 million, whereas the value of depreciation of the existing fixed assets was PLN 46.7 million.

Long-term accruals - deferred income tax assets totalled PLN 2.1 million and remained at the same level at the year end.

In total the Company's current assets were PLN 738.3 million and were up by PLN 136.2 million compared to the balance as of December 31, 2015.

At the end of H1 2016 the value of short-term receivables was PLN 373.0 million and were up by PLN 131.0 million. The value of inventory was up by PLN 10.7 million.

The value of short-term financial assets was PLN 277.1 million and was down by PLN 7.3 million in H1 2016. Cash assets and equivalents were down by PLN 40.4 million. The value of loans extended to the related entities was PLN 205 million (down by PLN 50 million compared to the end of 2015), whereas short-term financial assets in non-related entities (bills of exchange received from the customers) totalled PLN 2.3 million and were up by PLN 2.3 million.

Short-term prepayments were up by PLN 1.7 million in relation to the social fund.
In total the Company's assets were up by PLN 129.1 million compared to December 31, 2015.

At the end of June 2016 the liabilities and liability provisions totalled PLN 542.8 million and were up in H1 2016 by PLN 110.7 million.

The provisions for liabilities were down by PLN 4.5 million, of which provisions for deferred tax totalled PLN 3.3 million.
The short-term liabilities vis-à-vis related entities were up by PLN 74.5 million including the amount of PLN 32.1 million related to dividend payment.

The liabilities vis-à-vis non-related entities were up by PLN 40.2 million, including an increase by PLN 21.9 of trade payables, VAT tax liabilities up by PLN 11.6 million and dividend payment liabilities - up by PLN 7.3 million.

At the end of June 2016 the equity totalled PLN 1,018.2 million and in the first half (H1) of 2016 it was up by PLN 18.4 million, since the 2015 dividend payment amounts to PLN 39.5 million and net profit for H1 2015 is PLN 57.9 million.

In H1 2016 the operational activity cash flows were positive and totalled PLN 31.2 million. Net profit and depreciation generated PLN 104.6 million of cash inflows, whereas negative cash flows were reduced by working capital, which was up by PLN 63.1 million. The change in the balance of prepayments and accruals generated the negative cash inflows of PLN 6.2 million and in other lines the additional amount of negative cash flows was PLN 4.1 million.

The investment activity cash flows were positive and totalled PLN 10.5 million. The acquisitions of tangible fixed assets totalled PLN 44.9 million, whereas the loan extended to the related entity generated cash outflows totalling PLN 125 million. On the loan extended to the related entity PLN 3.6 million interest was charged, whereas the repayment of the loan extended to the related entity generated PLN 175 million of cash inflows.

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

The interest expense totalled PLN 0.4 million, whereas lease payments totalled PLN 0.9 million. In H1 2016 net cash flows were positive and totalled PLN 40.4 million.

In H1 2016 the cash balance rose by PLN 40.4 million, from the level of PLN 29.4 million at the end of 2015 to the level of PLN 69.8 million at the end of June 2016.

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

The drivers of Company performance in H2 2016 according to Company assessment will be as follows:

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

Credit Risk

Credit risks present in the Company are monitored and managed.

The credit 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. The Company limits credit risk exposure to trade receivables through evaluation and monitoring of financial standing of contractors, setting credit limits and securing liability payment. Additionally since July 2015 the Company has insured its receivables. The Company focuses on securing its payments, both on formal and legal grounds (i.e. bill of exchange, mortgage, pledge), and also on subject matter grounds (i.e. improvement of supply logistics, deepening of the evaluation of the customers' financial standing etc.).

An inherent element of the credit risk management process pursued by the Company is ongoing monitoring of receivables balance and internal reporting system. In H1 2016 the non-collectible debts accounted for 2.1% of the sales revenues and was up compared to the previous periods due to the bankruptcy declaration by one major Customer. The Company focuses on securing its payments, both on formal and legal grounds (i.e. bill of exchange, mortgage, pledge), and also on subject matter grounds (i.e. improvement of supply logistics, deepening of the evaluation of the customers' financial standing etc.). Consequently good management in this area allows to generate added value.

Despite concentration of risk to this extent it is evaluated that due to available historical data and long-term experience related to business relations with customers and also due to applied securities the credit risk is relatively low. Additionally the credit risk is reduced by the fact that significant portion of sales is the sales to related entities. In 2016 the value of receivables from the related entities accounted for approximately 90.7% of the total trade receivables.

Consequently good management in this area allows to generate added value.

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 2016 the Company enjoyed the effective current account overdraft facility agreements for the total amount of PLN 175 million. As of June 30, 2016 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.

Market Risk

The Management Board is responsible for market risk management and compliance with policy adopted in this area.

The Company manages market risk through taking effective decisions about: the maintenance of its market position, implementation of new, strategic projects aimed at prospecting new markets, new and attractive product launches.

The Company's Management Board does not envisage any material turbulences in cash flows, nor a loss of financial liquidity.

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 2016 the Company maintained high financial liquidity combined with low debt level.

The deterioration of the liquidity status may have adverse impact on the 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 revaluate 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 2016 Tire Company Debica S.A. made allowances to revaluate its assets for the total amount of PLN 740 thousand that increased other operating costs. The revaluation allowances were applied to :

- finished goods inventory - PLN 739 thousand,
- raw material and material inventories – PLN 1 thousand.

Total amount: PLN 740 thousand

No revaluation allowances were applied to the financial assets.

2. Seasonality, cyclical nature of operations.

The Company operations are not characterized by strong seasonality. However, external factors such as macroeconomic environment, weather conditions or consumer behavioural patterns may mould sales revenues in individual seasons of the year (sales of summer tires and sales of winter tires).

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

The Company has not issued any debt or equity securities, neither in the current period, nor in the past.

4. Dividend

The General Meeting of Shareholders that was held on June 23, 2016 decided that 50% of 2015 profit i.e. the amount of PLN 39.5 million, should be allocated to dividend payment to shareholders at PLN 2.86 per share. The entitlement to 2015 dividend is enjoyed by the persons who held Company shares on their accounts kept by a brokerage house on August 31, 2016 (the so called dividend entitlement date). Dividend will be paid on December 16, 2016.

5. Material events after financial statement drawing up date

None.

6. Impact of changes in Company structure.

In H1 2016 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 any forecasts of financial performance for 2016.

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 2016 the Shareholder 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:

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.

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

Stanisław Cieszkowski – CEO (from June 4, 2014) – 430 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 2016 the Company extended two short-term loans to Goodyear S.A. with its registered office in Luxembourg for the total amount of PLN 125 million. At the end of June 2016 the total amount of loans extended to the related entities was PLN 205 million.

On February 1, 2016 the loan totalling PLN 100 million, extended on December 23, 2015 was repaid partially. In H1 2016 2 loans extended in 2015 were also repaid with the payments made in April – PLN 60 million and in May - PLN 15 million.

Detailed information about loans extended to Goodyear S.A. is provided in table below:

Loan Agreement date	April 30, 2015	May 29, 2015	September 24, 2015
Date of loan proceeds disbursement (Agreement)	April 30, 2015	May 29, 2015	September 24, 2015
Interest rate in January	4.65%	4.65%	4.65%
Interest rate in February	4.60%	4.60%	4.60%
Interest rate in March	4.56%	4.56%	4.56%
Interest rate in April	4.56%	4.56%	4.56%
Interest rate in May	4.57%	4.57%	4.57%
Interest rate in June	4.59%	4.59%	4.59%
Loan amounts	60,000,000.00	15,000,000.00	30,000,000.00
Maturity date (loan repayment)	April 30, 2016 237,978.08	May 29, 2016 59,494.52	September 24, 2016 118,989.04
Interest accrued for January	236,958.90	59,239.73	118,479.45
Interest accrued for February	219,287.67	54,821.92	109,643.84
Interest accrued for March	232,372.60	58,093.15	116,186.30
Interest accrued for April	209,884.93	56,219.18	112,438.36
Interest accrued for May	0.00	50,708.22	116,441.10
Interest accrued for June	0.00	0.00	113,178.08
Total interest accrued by June 30, 2016	898,504.10	279,082.20	686,367.13
Interest actually paid by June 30, 2016	1,136,482.18	338,576.72	692,178.09

Loan Agreement date	December 23, 2015	May 20, 2016	June 29, 2016
Date of loan proceeds disbursement (Agreement)	December 23, 2015	May 23, 2016	June 30, 2016
Interest rate in January	4.65%		
Interest rate in February	4.60%		
Interest rate in March	4.56%		
Interest rate in April	4.56%		
Interest rate in May	4.57%	1.67%	
Interest rate in June	4.59%	1.69%	1.69%
Loan amounts	150,000,000.00 /50,000,000.00	75,000,000.00	50,000,000.00
Maturity date (loan repayment)	December 23, 2016	May 20, 2017	June 29, 2017
Interest accrued for January	592 397.26	0.00	0.00
Interest accrued for February	195 342.47	0.00	0.00
Interest accrued for March	193 643.84	0.00	0.00
Interest accrued for April	187 397.26	0.00	0.00
Interest accrued for May	194 068.49	37 746.58	0.00
Interest accrued for June	188 630.14	104 178.08	2 315.07
Total interest accrued by June 30, 2016	1 551 479.46	141 924.66	2 315.07
Interest actually paid by June 30, 2016	1 516 383.57	37 746.58	0.00

The interest payment is scheduled after the expiry of 14 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 2016 material purchase and disposal transactions referring to tangible fixed assets involved mainly the purchase of equipment and machinery, and moulds. In H1 2016 expenses on the acquisition of tangible fixed assets posted into the Cash Flow Statement were concerned with 2015 purchases and items included in the balance as of December 31, 2015.

In H1 2016 the capital expenditures totalled PLN 39.9 million and covered mainly purchases of machinery and equipment, and moulds. The capital expenditures planned in 2016 total PLN 90 925 thousand. In 2016 the projected environmental expenditures will total PLN 900 thousand.

15.2. Information about material liability in relation to the purchase of tangible fixed assets.

None.

15.3 Information about pending legal actions against the Company

In June this year an administrative procedure was initiated by the Energy Regulatory Office pursuant to Art. 56, par. 1, subpar. 1, item 3a, and also Art. 30, par. 1 and Art. 23, par. 2, subpar. 13 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 fine imposition on the Company, since the President of Energy Regulatory Office had 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, subpar. 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 offered 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 breach should speak in favour of imposing a fine in the amount significantly lower than the maximum statutory level.

Given the above mentioned Management Board’s position, and no grounds to estimate reasonable the amount of potential fine, the financial statement does not contain a provision on potential future fines that might be imposed as a result of the procedure instigated against the Company.

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.

16. Information about changes in the Company authorities.

Changes in the Supervisory Board composition:
Mr Piotr Wójcik – (from June 12, 2015 to June 23, 2016),
Mr Janusz Raś – effective from June 23, 2016 was appointed to the position on the Company’s Supervisory Board.

The Company advised about the above changes in its Current Report No. 6/2016, dated June 24, 2016.

17. Information about material events that occurred after balancing date and not covered by the financial statements.

None

File	Description