

Corrected

## POLISH FINANCIAL SUPERVISION AUTHORITY

## Interim report SA-P 2017

(in conformity with § 82.1 of the Minister of Finance Regulation of 19 February 2009, – uniform text, (Journal of Laws of 2014, item 133, as amended) (for securities issuers conducting manufacturing, construction, trade or service-related activities)

for the first six months of the financial year 2017, covering the period from 2017-01-01 to 2017-06-30  
and for the first half of the financial year 2016, covering the period from 2016-01-01 to 2016-06-30

submission date: 2017-09-11

<b>FIRMA OPONIARSKA DEBICA</b>	
<b>SA</b>	(Issuer's full name)
	<b>Automotive (mot)</b>
	(Business sector as per the Warsaw Stock
<b>39-200</b>	<b>Debica</b>
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PricewaterhouseCoopers Sp. z o.o.

(Auditing company)

The interim report contains (state as applicable):

- A report prepared by the auditing company related to a review of interim, condensed financial statements/interim financial statements or
- A report prepared by the auditing company related to an audit of interim, condensed financial statements/interim financial statements

Opinion of the managing body, including an opinion of the supervisory body related to the reservations expressed

by the auditing company in the report related to the review or a refusal to submit a report related to a review of interim, condensed financial statements / interim financial statements

Opinion of the managing body including an opinion of the supervisory body related to the report prepared by the auditing company

related to an audit of the interim, condensed financial statements / interim financial statements containing reservations, a negative opinion or a refusal to express an opinion

- A statement by the management board on the reliability of the report on the financial statements A
- statement by the management board on the auditing company
- Interim, condensed financial statements  full financial statements
- Balance Sheet  Cash flow statement
- Profit and loss account  Additional Information
- Statement of changes in equity

A report by the management board (interim report on the issuer's activities)

SELECTED FINANCIAL DATA	In PLN thousand		In EUR thousand	
	1st half / 2017	1st half / 2016	1st half / 2017	1st half / 2016
I. Net revenue from the sale of products, goods and materials	994,679	905,344	234,185	206,676
II. Profit (loss) on operating activity	58,142	55,631	13,689	12,700
III. Net profit (loss)	58,406	54,887	13,751	12,530
IV. Net profit (loss)	62,218	57,921	14,648	13,222
Net operating cash flows	-30,905	31,197	-7,276	7,122
VI Net investment cash flows	43,833	10,452	10,320	2,386
VII. Net financial activity cash flows	-1,246	-1,241	-293	-283
VIII Total net cash flows	11,682	40,408	2,750	9,225
IX. Total assets (as at the end of the 1st half of the current financial year and as at the end of the previous financial year)	1,645,402	1,451,820	389,306	328,169
X. Liabilities and provisions for liabilities (as at the end of the 1st half of the current financial year and as at the end of the previous financial year)	590,540	426,740	139,723	96,460

XI. Long-term liabilities (as at the end of the 1st half of the current financial year and as at the end of the previous financial year)	1,899	2,287	449	517
XII. Short-term liabilities (as at the end of the 1st half of the current financial year and as at the end of the previous financial year)	543,685	372,192	128,637	84,130
XIII. Equity (as at the end of the 1st half of the current financial year and as at the end of the previous financial year)	1,054,862	1,025,080	249,583	231,709

SELECTED FINANCIAL DATA	In PLN thousand		In EUR	
	1st half / 2017	1st half / 2016	1st half / 2017	1st half / 2016
XIV. Share capital (as at the end of the 1st half of the current financial year and as at the end of the previous financial year)	110,422	110,422	26,126	24,960
XV. Number of stocks (as at the end of the 1st half of the current financial year and as at the end of the previous financial year)	13,802,750	13,802,750	13,802,750	13,802,750
XVI. Profit (loss) per ordinary share (in PLN/EUR)	4.51	4.20	1.06	0.96
XVII. Diluted profit (loss) per ordinary share (in PLN/EUR)	4.51	4.20	1.06	0.96
Book value per ordinary share (in PLN/EUR) (as at the end of the 1st half of the current financial year and as at the end of the previous financial year)	76.42	73.77	18.08	16.68
Diluted book value per share (in PLN/EUR) (as at the end of the 1st half of the current financial year and as at the end of the previous financial year)	76.42	73.77	18.08	16.68
XX. Dividend per share - declared or paid (in PLN/EUR)	2.35	2.86	0.56	0.65

The report should be submitted to the Polish Financial Supervision Authority, a company operating a regulated market, and disclosed to the public opinion through an information agency in conformity with the applicable law.

**A REPORT OF AN AUDITING COMPANY ON A REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS / INTERIM FINANCIAL STATEMENTS**

**OR**

**A REPORT OF AN AUDITING COMPANY ON AN AUDIT OF INTERIM CONDENSED FINANCIAL STATEMENTS/INTERIM FINANCIAL STATEMENTS**

**An independent auditor's report on a review of interim condensed financial statement for the period from 1 January 2017 to 30 June 2017.**

**For the Shareholders and the Supervisory Board of Firma Oponiarska Dębica S.A.**

**Introduction**

We have reviewed the attached interim condensed financial statements of Firma Oponiarska Dębica S.A., hereinafter referred to as "the Company," having its registered seat in Dębica at ul. 1 Maja, covering a condensed profit and loss account, a condensed statement of changes in equity and a condensed cash flow statement for the period from 1 January 2017 to 30 June 2017, as well as condensed additional information covering selected financial data and additional information and explanations.

Pursuant to the Accounting Act of 29 September 1994 (Journal of Laws of 2016, item 1047, as amended), preparation of interim condensed financial statements is the obligation of the Company's Management Board. Our responsibility is to formulate conclusions about the interim condensed financial statements based on our review.

**Review scope**

We have reviewed the statements in conformity with the International Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the Entity, adopted as the National Financial Review Standard 2410 by virtue of a resolution of the Polish National Council of Certified Auditors of 10 February 2015. A review of interim condensed financial statements consists in addressing questions, especially to persons responsible for financial and accounting issues, and carrying out analyses and other review procedures

A review has a significantly narrower scope than an audit performed in conformity with the National Financial Revision Standards in view of the International Auditing Standards. Consequently, a review is insufficient to obtain a certainty that all material issues that would have been identified in the course of an audit, have been disclosed. Therefore, we have not expressed an opinion based on an audit.

### Conclusion

In the course of the review we encountered nothing indicating that the attached interim condensed financial statements were prepared in breach of the accounting standards laid out in the Accounting Act and the Minister of Finance Regulation of 19 February 2009 on current and interim information provided to securities issuers and the terms and conditions of recognizing information required by the laws of a non-member state (Journal of Laws U. of 2014 r., item 133).

The review was performed on behalf of PriceWaterhouseCooper Sp. Z o.o., a company entered into the list of entities authorized to audit financial statements under number 144:

Tomasz Reinfuss

Key Certified Auditor No. 90038

Cracow, 8 September 2017.

File	Description

### THE MANAGEMENT BOARD'S STATEMENT ON THE RELIABILITY OF THE FINANCIAL STATEMENTS

The Management Board hereby certifies that to the best of its knowledge the interim financial statements and the comparative data were prepared in conformity with the applicable accounting principles and give a true and fair view of the assets, financial situation and financial result of the Company, and that the Management Board's Report gives a true and fair view of the Company's development, achievements and situation, including a description of the basic threats and risks.

Management Board

Ireneusz Maksymiuk - Member of the

Management Board Leszek Szafran -

Member of the Management Board

Michał Mędrek - member of the

Management Board

File	Description

### MANAGEMENT BOARD'S STATEMENT ON THE AUDITING COMPANY

The Management Board hereby certifies that the entity authorized to audit financial statements, which has audited the interim condensed financial statements, has been chosen in conformity with the applicable law and that the said entity and the certified auditors performing the audit issued an objective and independent review report in conformity with the applicable national law and professional standards.

File	Description

## INTERIM FINANCIAL STATEMENTS

### BALANCE SHEET

	Notes	In PLN thousand		
		1st half / 2017	2016	1st half / 2016
<b>ASSETS</b>				
I. Fixed assets		802,020	814,042	822,711
1. Intangible assets		4	9	15
2. Tangible fixed assets		799,712	811,646	820,459
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 accrued liabilities		2,160	2,243	2,093
4.1. Deferred income tax assets		1,977	2,097	2,093
4.2. Other accrued liabilities		183	146	0
II. Current Assets		843,382	637,778	738,344
1. Inventories		103,341	75,958	85,537
2. Short-term receivables		453,406	220,043	373,020
2.1. From related entities		411,527	198,957	338,315
2.2. From other entities		41,879	21,086	34,705
3. Short-term investments		282,329	340,601	277,125
3.1. Short-term financial assets		282,329	340,601	277,125
a) in related entities		185,000	255,000	205,000
b) In other entities		0	0	2,319
c) Cash and cash assets		97,329	85,601	69,806
4. Short-term prepayments		4,306	1,176	2,662
Total Assets		1,645,402	1,451,820	1,561,055
<b>LIABILITIES</b>				
I. Equity		1,054,862	1,025,080	1,018,248
1. Share capital		110,422	110,422	110,422
2. Supplementary capital		325,963	324,779	324,465
3. Revaluation reserve		66,595	67,779	68,093
4. Other reserve capitals		489,664	457,347	457,347
5. Net profit (loss)		62,218	64,753	57,921
II. Liabilities and provisions for liabilities		590,540	426,740	542,807
1. Provisions for liabilities		44,956	52,261	58,019
1.1. Deferred income tax provisions		11,040	15,070	26,023
1.2. Pension and similar provisions		28,877	31,282	25,426
a) long-term		9,879	10,856	9,646
b) short-term		18,998	20,426	15,780
1.3. Other provisions		5,039	5,909	6,570
a) long-term		80	67	100
b) short-term		4,959	5,842	6,470
2. Long-term liabilities		1,899	2,287	1,322
2.1. to other entities		1,899	2,287	1,322
3. Short-term liabilities		543,685	372,192	483,466
3.1. to related entities		150,651	77,101	147,757
3.2. to other entities		389,942	294,760	334,389
3.3. Special funds		3,092	331	1,320
Total liabilities		1,645,402	1,451,820	1,561,055
Book value		1,054,862	1,025,080	1,018,248
Number of stocks		13,802,750	13,802,750	13,802,750
Book value per stock (in PLN)		76.42	74.27	73.77
Diluted number of stocks		13,802,750	13,802,750	13,802,750
Diluted book value per stock (in PLN)		76.42	74.27	73.77

**NON-BALANCE SHEET ITEMS**

	Notes	In PLN thousand		
		1st half / 2017	2016	1st half / 2016
Contingent receivables				
1. Other (on account of)		5,206	6,092	7,401
- non-balance sheet liabilities on account of a long-term gas supply agreement		4,479	5,439	6,399
- non-balance sheet liabilities on account of a long-term real estate lease		727	653	1,002
Total non-balance sheet items		5,206	6,092	7,401

**PROFIT AND LOSS ACCOUNT**

	Notes	In PLN thousand	
		1st half / 2017	1st half / 2016
I. Net revenues from the sale of products, goods and materials, including:		994,679	905,344
- From related entities		901,479	820,839
1. Net sales of products		928,449	836,886
2. Net revenues from the sale of goods and materials		66,230	68,458
II. Cost of products, goods and materials sold, of which:		905,852	802,219
- to related entities		826,409	732,535
1. Cost of manufacture of products sold		842,968	737,178
2. Value of goods and materials sold		62,884	65,041
III. Gross profit (loss) on sales		88,827	103,125
IV. Sales costs		7,084	10,087
V. General administrative costs		19,286	30,797
VI Profit (loss) on sales		62,457	62,241
VII. Other operating revenues		488	1,121
1. Profit from disposal of non-financial fixed assets		407	925
2. Other operating revenues		81	196
VIII Other operating expenses		4,803	7,731
1. Impairment of non-financial assets		684	740
2. Other operating expenses		4,119	6,991
IX. Profit (loss) on operating activity		58,142	55,631
X. Financial revenues		1,961	3,852
1. Interest, of which:		1,961	3,852
- From related entities		1,676	3,560
XI. Financial costs		1,697	4,596
1. Interest of which:		806	959
- to related parties		0	0
2. Other		891	3,637
XII. Net profit (loss)		58,406	54,887
XIII. Income tax		-3,812	-3,034
a) current		98	271
b) deferred		-3,910	-3,305
XIV. Net profit (loss)		62,218	57,921

Net profit (loss)(annualized)		69,050	64,962
Weighted average number of ordinary shares		13,802,750	13,802,750
Profit (loss) per ordinary share (in PLN)		5.00	4.71
Weighted diluted average number of ordinary shares		13,802,750	13,802,750
Diluted profit (loss) per ordinary share (in PLN)		5.00	4.71

## STATEMENT OF CHANGES IN EQUITY

	In PLN thousand		
	1st half / 2017	2016	1st half / 2016
I. Equity at the beginning of the period (Opening Balance)	1,025,080	999,803	999,803
I.a. Equity at the beginning of the period (Opening Balance), after adjustments	1,025,080	999,803	999,803
1. Share capital at the beginning of the period	110,422	110,422	110,422
1.1. Share capital at the end of the period	110,422	110,422	110,422
2. Supplementary capital at the beginning of the period	324,779	324,459	324,459
2.1. Changes in supplementary capital	1,184	320	6
a) Increases (on account of)	1,184	320	6
- transfer of amounts resulting from revaluation of liquidated fixed assets From revaluation capital - current period	1,184	320	6
2.2. Supplementary capital at the end of the period	325,963	324,779	324,465
3. Revaluation reserve as at the beginning of the period	67,779	68,099	68,099
3.1. Changes in the revaluation reserve	-1,184	-320	-6
a) decreases (on account of)	1,184	320	6
- transfer of amounts from revaluation of liquidated fixed assets to the capital reserve current period	1,184	320	6
3.2. Revaluation capital at the end of the period	66,595	67,779	68,093
4. Other reserve capitals at the beginning of the period	457,347	417,910	417,910
4.1. Changes in other reserve capitals	32,317	39,437	39,437
a) Increases (on account of)	32,317	39,437	39,437
- allocation to the profit distribution reserve for 2015 with the possibility of distribution among the shareholders	0	39,437	39,437
- allocation to the profit distribution reserve for 2016 with the possibility of distribution among the shareholders	32,317	0	0
4.2. Other reserve capitals at the end of the period	489,664	457,347	457,347
5. Profit (loss) from prior years at the beginning of the period	64,753	78,913	78,913
5.1. Profit from prior years at the beginning of the period	64,753	78,913	78,913
5.2. Profit from prior years at the beginning of the period, after adjustments	64,753	78,913	78,913
a) decreases (on account of)	64,753	78,913	78,913
- shareholders' dividend	32,436	39,476	39,476
- allocation to the profit distribution reserve for 2015 with the possibility of distribution among the shareholders		39,437	39,437
- allocation to the profit distribution reserve for 2016 with the possibility of distribution among the shareholders	32,317		
5.3. Profit from prior years at the end of the period	0	0	0
5.4. Profit (loss) from prior years at the end of the period	0	0	0
6. Net result	62,218	64,753	57,921
a) net profit	62,218	64,753	57,921
II. Equity at the end of the period (Closing Balance)	1,054,862	1,025,080	1,018,248
III. Equity after proposed distribution of profit (coverage of loss)	1,054,862	1,025,080	1,018,248

## CASH FLOW STATEMENT

	In PLN thousand	
	1st half / 2017	1st half / 2016
A. Operating cash flows		
I. Net profit (loss)	62,218	57,921
II. Total adjustments	-93,123	-26,724
1. Amortization and Depreciation	48,279	46,686
2. Foreign exchange (gain)loss	-46	27
3. Interest and shares in profits (dividends)	-1,489	-3,204
4. (Profit) loss on investments	1,099	-935
5. Increase (decrease) in provisions	-7,306	-4,500
6. Increase (decrease) in inventories	-27,383	-10,703
7. Increase (decrease) in receivables	-233,363	-133,364
8. Increase (decrease) in short-term liabilities, excluding loans	130,132	80,982
9. Change in accruals, prepayments and deferred income	-3,046	-1,713
10. Other adjustments	0	0
III. Net operating cash flows (I +/- II)- Indirect method	-30,905	31,197
B. Investment cash flows		
I. Inflows	93,144	180,351

1. Disposal of intangible and fixed assets	1,468	1,792
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	In PLN thousand	
	1st half / 2017	1st half / 2016
2. For financial assets, including:	1,676	3,559
a) in related entities	1,676	3,559
- interest	1,676	3,559
b) In other entities	0	0
- interest	0	0
3. Other investment inflows	90,000	175,000
II. Expenditures	49,311	169,899
1. Purchase of intangible and fixed assets	29,311	44,899
2. Toward financial assets, including:	0	0
a) in other entities	0	0
3. Other investment expenditures	20,000	125,000
III. Net investment cash flows (I - II)	43,833	10,452
C. Cash flow from financial activity		
I. Inflows	0	0
1. Loans and borrowings	0	0
II. Expenditures	1,246	1,241
1. Financial lease contracts liabilities	1,060	885
2. Interest	186	356
III. Net financial activity cash flows (I - II)	-1,246	-1,241
D. Net financial cash flows, total (A.III+/-B.III+/-C.III)	11,682	40,408
E. Balance sheet change in cash and cash equivalents, including:	11,728	40,381
- Due to foreign exchange gains and losses	46	-27
F. Cash and cash equivalents at the beginning of the period	85,655	29,406
G. Cash and cash equivalents at the end of the period (F+/-D), including:	97,337	69,814
- Restricted cash and cash equivalents	1,586	1,319

## 1. Discrepancies between balance sheet changes

## a) receivables and changes thereto shown in the cash flow statement:

	1st half of 2017	1st half of 2016
balance sheet change	-233,363	-131,045
Change in bills of exchange with a buyout period over 3 months (Presented in the balance sheet under Short-term financial assets)	0	-2,319
In the Cash flow statement	-233,363	-133,364

## b) liabilities and changes thereto shown in the cash flow statement:

	1st half of 2017	1st half of 2016
balance sheet change		
Changes in liabilities due to fixed assets under construction	-9,118	4,957
- change in short-term liabilities. due a financial lease	193	18
Change in liabilities due to dividend	-32,436	-39,476

Total adjustments	-41,361	-34,501
In the cash flow statement	130,132	80,982

## ADDITIONAL INFORMATION

To the extent specified in par. 89.1.2A of the Minister of Finance Regulation of 19 February 2009, additional information was included in the Interim Management Board Report on T.C.'s activity. Dębica S.A. For 1st half of 2017.

File	Description

<b>SIGNATURES OF COMPANY REPRESENTATIVES</b>			
Date	Name	Position/Function	Signature
2017-09-08	Ireneusz Maksymiuk	Member of the Management Board - CFO	
2017-09-08	Leszek Szafran	Member of the Management Board - Sales Director	

## MANAGEMENT BOARD REPORT (AN INTERIM REPORT ON THE ISSUER'S ACTIVITY)

### **An interim Management Report on TC's activity Dębica S.A. For 1st half of 2017.**

(in conformity with § 87.4 of the Minister of Finance Regulation of 19 February 2009 r. - Journal of Laws of 2014, item 133 and § 1.16a of the Minister of Finance Regulation of 25 May 2016, Journal of Laws of 2016, item 860, amending the regulation of 19 February 2009)

Pursuant to par. 89.1 of the Minister of Finance Regulation of 19 February 2009 on current and periodical information submitted by securities issuers and the terms and conditions of recognition of information required by the laws of a non-member state and

pursuant to par. 1.17a of the Minister of Finance Regulation of 25 May 2016 amending the Regulation on current and periodical information submitted by securities issuers and the terms and conditions of recognition of information required by the laws of a non-member state.

### **I. Accounting principles adopted for the purposes of preparing the interim condensed financial statements**

The 2017 interim report was prepared in conformity with the Accounting Act of 29 September 1994 (Journal of Laws of 2016, item 1047, as amended) and in conformity with the accounting principles applied by the Company.

The information included in the report was prepared in conformity with the principles of valuation of assets and liabilities and the principles of measuring the net financial result provided as at the balance sheet date.

The accounting principles did not change with respect to those described in the annual report SA-R 2016 for

the financial year ended on 31 December 2016.

There were no changes with respect to recognizing estimates in the financial statements.

## **II. Selected financial data translated to EUR**

The assets and liabilities were translated into EUR according to the average National Bank of Poland exchange rate as at 30 June 2017 (EUR 1 = PLN 4.2265) 30 June 2016 (EUR 1 = 4.4255).

The profit and loss account and cash flow statement items denominated in PLN were translated into EUR according to an exchange rate constituting an arithmetic mean of the average exchange rates announced by the National Bank of Poland and put into effect on the last day of each reporting month. The exchange rate adopted for the purposes of calculations for the first half of 2017 is PLN 4.2474 to EUR 1, and for the purposes of calculations for 2016 - PLN 4.3805 to EUR 1.

The balance sheet net profit for the first half of 2017 calculated based on the exchange rate announced at the end of June 2017 amounted to EUR 14,720.9 K, and EUR 14,648.0 K - calculated based on average exchange rates. .

The foreign exchange gains/losses resulting from converting the financial result for the first half of 2017 amounted to EUR 72.9 K.

## **III. Financial results for the first half of 2017**

In the first half of 2017, Firma Oponiarska Dębica C.A. recorded a sales revenue of PLN 994,7 m, i.e. 9.9% higher than in the first half of last year.

In Q2, the Company recorded a 3.8% decrease in sales year to year.

The net profit for the first half of 2017 amounted to PLN 62.2. m, and was 7.4 higher than in the first half of last year.

Sales to the Goodyear entities amounted to PLN 901.5 m, i.e. 9.8% more than in the same period of last year.

Sales to unrelated entities amounted PLN 93.2 m, i.e. 10.3% more yty.

In 2017, sales to related entities accounted for 90.6% of total sales, compared with 90.7% in the first half of 2016.

The gross profit on sales to related entities was PLN 75.1 m, however, the margin on that profit compared with the revenues decreased from 10.8 to 8.3 per cent yty.

The gross profit on sales to unrelated entities amounted to PLN 13.7 m, however, the margin dropped from 17.5 to 14.7 percent yty.

The gross profit on total sales in the first half of 2017 amounted to PLN 88.8 m and the margin was 8.9%.

The gross profit on sales in the first half of 2016 amounted to PLN 103.1 m and the margin was 11.4%.

The unit manufacturing costs increased by 13.3 percent. The increase was recorded mainly in the costs of materials resulting from an increase in the costs of raw materials.

The sales and general administrative costs amounted to PLN 26.4 - 35.5% percent more than in the first half of 2016. These costs accounted for 2.7% of sales as compared with 4.5%

in the first half of last year. The decrease in sales and general administrative costs results from

lower bonus costs, a decrease in the regional support costs, savings on the costs of radio and Internet advertising, as well as savings on other costs.

The result on the other operating activity amounted to -4.3 m and was 2.3 m higher than in the first half of 2016, mainly due to lower restructuring costs (PLN 5.9 m lower). In the 1st half of 2017, these costs amounted to PLN 0.2 m.

During the first 6 months of 2017, the costs resulting from the liquidation of fixed assets were PLN 1.8 m higher than last year.

The bad debt costs amounted to PLN 10 m and were 0.8% higher compared with the same period last year.

The other operating expenses were PLN 1.0 higher.

The operating profit (EBIT) amounted to PLN 58.1 m and was PLN 2.5 m higher yty, while the margin went down to 5.8 % relative to the revenues compared with 6.1% in the first half of last year.

The profit on financing operations amounted to PLN 0.3 m as compared to the loss of PLN 0.7 m in the first half of 2016. Foreign exchange differences resulted in a loss of PLN 0.9 m relative to the costs of PLN 3.6 in the same period last year.

Revenues on interest on a loan granted to related entities was PLN 1.7 m. Interest on cash in bank generated a revenue of PLN 0.3 m.

The costs of discounting bills of exchange and other interest amounted to PLN 0.8 m.

The gross profit for the first half of 2017 amounted to PLN 58.4. m, and was 6.4% higher than in the first half of last year.

The current income tax was PLN 0.1. The company is entitled to an income tax relief due to an investment in the Euro-Park Mielec Special Economic Zone. The value of the current tax paid regards the result on activities not covered by a zonal authorization.

Deferred income tax amounted to PLN 3.9 m and, consequently, the total income tax amounted to PLN 3.8 m. The Company calculates the deferred income tax on all temporary differences. To determine the value of assets and the deferred tax provision for temporary differences which are estimated to be realized during the period in which the Company shall operate in the Special Economic Zone, pursuant to Art. 37 of the Act, a "zero" tax rate was applied, which resulted from the authorization to operate in the Special Economic Zone.

The net profit for the first half of 2017 was PLN 62.2. m, and was 7.4 higher than in the first half of last year.

In conformity with the authorization to conduct business in the Euro-Park Mielec Special Economic Zone (no. 134/ARP/2008 of 27 February 2008), the Company is entitled to an income tax relief of 40.23% of the discounted amounts invested in the Special Economic Zone. The Company complied with the terms and conditions of the authorization in December 2012 and, starting from 2013, it has been entitled to a corporate income tax relief. Pursuant to the Minister of Development decision no. 27/IW/16 of 14 January 2016, the date of expiry of Company's authorization to conduct business in the Euro-Park Mielec Special Economic Zone was changed such that it was deleted from the authorization.

As at the balance sheet date of 30 June 2017, the remaining amount of the public aid amounted to a nominal value PLN 32.1 m, i.e. PLN 20.6 m of discounted value (these values being inclusive of the CIT value for the first half of 2017, which, however, may change significantly when annualized

According to the current estimates, the relief shall be utilised in full by the end of 2018. These estimates depend on many factors, including the level of orders from related entities, and may change as at the subsequent balance sheet date. However, the Management Board sees no risk resulting from not utilizing the relief by the end of the expiry period of the authorization, i.e. by 31 December 2026.

As at the end of June 2017, the value of the tangible fixed assets amounted to PLN 799.7 m and was PLN 11.9 m lower compared with

the first half of the year. Investment amounted to PLN 38.4 m, while the depreciation and amortization of the existing fixed assets amounted of PLN 48.3 m.

Long term prepayments, mainly deferred tax assets, amounted to PLN 2.0 m and remained at the same level as last year.

Current assets amounted to PLN 843.4 m and increased by PLN 205.6 m compared with 31 December 2016. Short-term receivables amounted to PLN 453 m and increased by PLN 233.4 m during the first half of 2017. The value of inventory increased by PLN 27.4 m

Short-term financial assets amounted to PLN 282.3 m and decreased by PLN 58.3 m during the first half of 2017. Cash and other pecuniary assets increased by PLN 11.7 m. The value of loans granted to related entities was PLN 185.0 m and was PLN 70 m lower compared with the end of 2016.

Short-term prepayments increased by PLN 3.1 m, mainly due to a write-down toward the social fund. The Company's total assets increased by PLN 193.6 m compared with their value as at 31 December 2016.

At the end of June 2017, liabilities and provisions for liabilities amounted to PLN 590.5, showing an increase of PLN 163.8 m.

Provisions for liabilities decreased by PLN 7.3 m, including PLN 4.0 m due to deferred income tax.

Short-term liabilities to related entities increased by PLN 73.6 m, including PLN 26.4 m due dividend.

Liabilities to other entities increased by PLN 95.6 m, of which Trade, VAT and dividend liabilities account for PLN 62.5 m, 26.5 m and 6.0 m, respectively.

At the end of June 2017, the Company's equity was PLN 1,054.9 m, having increased by PLN 29.8 m during the first half of 2017. The 2016 dividend intended for distribution amounted to PLN 32.4 m, while net profit for the first half of 2017 was PLN 62.5 m.

During the first half of 2017, the Company recorded negative cash flows on operations of PLN 30.9 m. Net profit and depreciation/amortization accounted for PLN 110.5 m of positive cash flows, while an increase in the working capital - for PLN 130.1 m of negative cash flows. The change in the provisions and short-and long-term prepayments resulted in PLN 10.4 m worth of cash flows, while the other items PLN 0.4 m worth of negative cash flows.

Investment cash flows amounted to PLN 43.8 m. The Company spent PLN 29.3 m to purchase tangible fixed assets and PLN, while a loan granted to a related entity accounted for PLN 20 m worth of negative cash flows. The Company earned PLN 1.7 m worth of interest on a loan granted to a related entity. Repayment of the loan generated PLN 90 m of positive cash flows.

Financial operations resulted in negative cash flows of PLN 1.2 m.

The Company paid PLN 0.2 m toward interest and PLN 1.0 m of lease instalments. Net cash flows in the first half of 2017 amounted to PLN 11.7 m.

During the first half of 2017, cash increased by PLN 11.7 m, from PLN 85.6 m at the first half of 2016 to PLN 97.3 m at the end of June 2017.

#### **IV. Threats and risk related to the remaining months of the financial year**

Factors, which in the Company's opinion will have a bearing on its results in the second half of 2017:

- currency exchange rate fluctuations, mainly EUR and USD;
- prices of raw materials on the global markets;
- situation on the global financial markets;

**Credit risk**

The Company monitors and manages its credit risks.

A credit risk resulting from the type and scope of the Company's activity may be related to an increase in unrecoverable debt being a consequence of the necessary (required by the market) sales crediting. The Company limits its exposure to credit risk related to trade receivables by evaluating and monitoring the financial situation of its customers, setting credit limits and applying security measures. Since July 2015, the Company has been insuring its receivables. The Company focuses on securing payments at the formal and legal level (i.e. bills of exchange, mortgage, lien) and by improving the delivery logistics, carrying out in-depth audits of the financial situation of its customers etc.

One of the key elements of the credit risk management process is an on-going monitoring of the receivables and an internal reporting system. In the first half of 2017, the ratio of average monthly receivables at risk compared to the average monthly sales value was 11.7%, i.e. 2% less than at the end of 2016.

Despite such risk concentration, it is estimated that given the historical data available and the many years of cooperation with customers, as well as the security measures applied, the credit risk is relatively low. Furthermore, credit risk is limited due to the fact that a significant portion of sales are sales to related entities. The value of receivables due to related entities amounted to app. 90.6% of the value of the trade receivables.

Consequently, if well managed, this area is capable of generating an added value.

**Foreign exchange risk**

The Company is exposed to foreign currency exchange rate fluctuations connected with exports of finished goods and imports of raw materials. However, the Company's long-term financial strategy does not provide for foreign exchange hedging instruments and hence the Company applies natural hedging. Export earnings are spent mostly to purchase imported materials.

**Interest rate risk**

In the first half of 2017, the Company was bound by contracts providing for an overdraft facility in the current account for a total amount of PLN 175 m. No overdraft was recorded on the account as at 30 June 2017. The Company maintained liquidity and financing stability. The Company incurred no material interest costs, hence, in the opinion of the Management board, the risk related to interest rate fluctuations has no material bearing on the Company.

**Market risk**

Market risk management and conforming to the Company's policy in this respect is the responsibility of the Management Board.

The Company manages the market risk by making efficient decisions aimed at keeping its market position, introducing new, strategic ventures aimed at seeking new sales markets, and introducing new, attractive products.

The Management Board does not anticipate any significant disturbances to the cash flows nor does it anticipate losing financial liquidity.

T.C. Dębica S.A. maintains its indebtedness at a safe level and diversifies the risk related to its debt and operations by cooperating with four banks.

During the first half of 2017, the Company maintained high financial liquidity and low indebtedness levels.

Deterioration of the Company's financial liquidity may affect its customers and its ability to repay its debts. Deterioration of the conditions in which the Company operates may affect the estimates related to forecasted cash flows and the estimated impairment of assets. According to the information available, the Management took the reviewed estimates of the anticipated future cash flows into account in when estimating the impairment of assets.

**V. Other information****1. Information about impairment write-downs on financial assets, tangible fixed assets, intangible assets or other assets and their reversal**

During the first half of 2017, TC Dębica S.A. made revaluation write-downs of PLN 684 thousand, which increased the other operating costs. The write-downs were related to:

Inventory of goods	pln 674 k
inventory of raw materials and materials	pln 10 k.
Total	PLN 684
	k

The Company made no revaluation write-downs on financial assets.

**2. Information about creation, increase or release of provisions in the first half of 2017**

## Short-term provisions

In PLN thousand

## Provision for employee benefits

As at the beginning of the period	20,426
- Increases: Creation of the provision	18,143
- Decreases: release/utilization of the provision	19,572
As at the end of the period	18,997

## Provision for restructuring

As at the beginning of the period	5,842
- Increases: Creation of the provision	239
- Decreases: release/utilization of the provision	1,121
As at the end of the period	4,959

## Long-term provisions

In PLN thousand

## Provision for retirement benefits

As at the beginning of the period	10,856
- Increases: Creation of the provision	975
- Decreases: release/utilization of the provision	1,952
As at the end of the period	9,879

## Provision for tyre warranties granted

As at the beginning of the period	67
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- Increases: Creation of the provision	58
- Decreases: release/utilization of the provision	45
As at the end of the period	80

### 3. Seasonality of business

The Company's business is not subject to significant seasonality. However, certain external factors, such as the macroeconomic situation, weather conditions or consumer behaviour may have influence on sales revenues during particular seasons of the year (sale of summer and winter tyres).

### 4. Issue, buyout and repayment of debt securities

In the current period the Company issued no debt or equity securities.

### 5. Dividend

The General Shareholders Meeting held on 22 June 2017 decided to distribute 50% of the 2016 profit of PLN 32.4 m among the shareholders as a dividend of PLN 2.35 per share. The dividend for 2016 is payable to persons holding the shares of the Company on an account in a brokerage house on 21 September 2017 (the day of acquiring the right to the dividend). The dividend shall be paid on 19 December 2017.

### 6. Events following the date of preparing the financial statements

On 28 August 2017, Mr. Stanisław Cieszkowski, President of the Management Board and Production Director resigned from the function of the President of the Management Board of Firma Oponiarska Dębica S.A. and from his membership in the Management Board with immediate effect.

As at the date of publication of the interim financial statements, Mr. Stanisław Cieszkowski remained the Production Director.

### 7. Effects of changes in the Company's structure

There were no changes in the Company's structure in 2017.

### 8. Changes in contingent liabilities and assets

None

### 9. The issuer's capital group

The Company does not form a capital group within the meaning of Art. 3.1.44 of the Accounting Act of 29 September 1994 nor is a holding company within the meaning of Art. 3.1.37 of the said Accounting Act, nor is obliged to prepare consolidated financial statements.

### 10. The Management Board's opinion on the possibility of attaining the previously published forecasted results for a given year in view of the results presented in the quarterly report

The Company published no forecasts for 2017.

### 11. Shareholders holding at least 5% of the total number of votes at the general meeting

According to the information held by the Company as at the date of preparation of the report for the first half of 2017:

The shareholders holding over 5% of the share capital and at least 5% of votes at the GM were as follows:

Goodyear S.A. having its registered seat in Luxembourg, holding 11,234,912 of stocks constituting 81.396% of the Company's share capital, entitling to 11,234,912 votes at the Company's GM, which constitutes app. 81.396% of the total number of votes.

## 12. Company stocks or rights thereto (options) held by persons managing and supervising the Company

Janusz Raś - Member of the Supervisory Board - 15

stocks of a nominal value of PLN 8 each.

## 13. Proceedings related to liabilities or receivables constituting at least 10% of the Company's equity held before a court, an authority competent for arbitration proceedings or a public administration authority

None

## 14. Information about transactions with related entities, if other than the typical and routine arms-length transactions, of a value exceeding PLN 500 thousand. EUR

None

## 15. Credit and loan sureties or guaranties granted to related entities

In the first half of 2017, two loans from May and June of 2016 were repaid. On 29.06.2017 a new loan of PLN 55 m was granted to Goodyear S.A. Having its seat in Luxembourg.

Detailed information about loans to Goodyear S.A. is provided in the following table:

Agreement date	2016-05-20	2016-06-29	2016-09-24	2016-12-23	2017-06-29
Date granted (agreement)	2016-05-23	2016-06-30	2016-09-24	2016-12-23	2017-06-29
Interest rate for January	1.76%	1.76%	1.76%	1.76%	1.76%
Interest rate for February	1.76%	1.76%	1.76%	1.76%	1.76%
Interest rate for March	1.76%	1.76%	1.76%	1.76%	1.76%
Interest rate for April	1.76%	1.76%	1.76%	1.76%	1.76%
Interest rate for May	1.76%	1.76%	1.76%	1.76%	1.76%
Interest rate for June	1.76%	1.76%	1.76%	1.76%	1.76%
Loan amount	75,000,000	50,000,000	45,000,000	85,000,000	55,000,000
The principal amount as at 30.06.2017	0	0	45,000,000	85,000,000	55,000,000
Repayment date	2017-05-20	2017-06-29	2017-09-24	2017-12-23	2018-06-29
Interest for June	112,109.59	74,739.73	67,265.75	127,057.53	
Interest for February	81,008.22	67,506.85	60,756.16	114,761.64	
Interest for March	0	53,764.38	67,265.75	127,057.53	
Interest for April	0	50,630.14	65,095.89	122,958.90	
Interest for May	0	52,317.81	67,265.75	127,057.53	
Interest for June	0	48,942.47	65,095.89	122,958.90	
Total interest in 1st half of the year	193,117.81	347,901.37	392,745.19	741,852.04	0
Interest paid in 1st half of the year	305,227.40	373,698.63	394,915.06	651,682.18	0

The interest is due by the 14 day of a month following the month which it regards.

## 16. Other information about the financial situation

### 16.1 Information about significant transactions of purchase and sale of tangible fixed assets

Significant transactions of purchase and sale of tangible fixed assets in the 1st half of 2017 were related mainly to purchasing of machines, devices and moulds. The expenses related to purchasing tangible fixed assets in the 1st half of 2017 shown in the cash flows statement regard purchases made in 2016 and items shown in the balance as at 31 December 2016.

In the 1st half of the year investment amounted to PLN 38.4 m and regarded mainly purchasing machines, devices and moulds. The investment expenditure planned for 2017 is PLN 117,734 thousand. The anticipated expenditure toward environment protection in 2017 is PLN 540 thousand.

### 16.2 Information about significant obligations related to purchasing tangible fixed assets None.

### 16.3 Information about court proceedings against the Company

On 3 August 2017, the Company received a Decision of the President of the Energy Regulatory Office no. DRE.WOSE 451.1.51.12.2016.2017.DSł dated 28 July 2017 r., following an administrative procedure instituted on 27 June 2016 pursuant to Art. 56.1.3A of the Energy Law, related to a fine imposed on the Company for a failure to comply with the limitations related to the supply and consumption of electrical energy introduced between 10 and 31 August 2015.

Pursuant to the above-mentioned decision a fine of PLN 30,540 was imposed on the Company. The Management Board decided to pay the fine.

## 17. Information about changes in the Company's management

Changes in the Supervisory Board:

The composition of the Supervisory Board did not change and remains the same as in the previous term.

## 18. Information on significant events which occurred after the balance sheet date but not included in the financial statements

None

File	Description