

**POLISH FINANCIAL SUPERVISION AUTHORITY**  
Quarterly Report SA-Q3 2018

**Date:** November 14, 2018

**Abbreviated name of issuer:**  
DEBICA

**Period covered:** July 1, 2018 – September 30, 2018

SELECTED FINANCIAL DATA	'000 PLN		'000 EUR	
	3 quarter(s) on YTD basis / 2017, period from 2018-01-01 to 2018-09-30	3 quarter(s) on YTD basis / 2017, period from 2017-01-01 to 2017-09-30	3 quarter (s) on YTD basis/ 2018 period from 2018-01-01 to 2018-09-30	3 quarter (s) on YTD basis / 2017 period from 2017-01-01 to 2017-09-30
I. Net sales of products, merchandise and materials	1 468 681	1 518 724	345 289	356 789
II. Operating profit (loss)	95 361	107 544	22 419	26 265
III. Gross profit (loss)	97 737	109 336	22 978	25 686
IV. Net profit (loss)	91 521	113 180	21 517	26 589
V. Operational cash flows, net	58 189	36 600	13 680	8 598
VI. Investment activity cash flows, net	84 799	-8 330	19 936	-1 957
VII. Financial activity cash flows, net	7 309	-2 086	1 718	-490
VIII. Total net cash flows	150 297	26 184	35 335	6 151
IX. Total assets (at closing of current quarter and at closing of previous year)	1 761 476	1 648 632	412 388	395 270
X. Liabilities and liabilities provisions (at closing of current quarter and at closing of previous year)	647 455	536 414	151 579	128 609
XI. Long-term liabilities (at closing of current quarter and at closing of previous year)	3 301	3 105	773	744
XII. Short-term liabilities (at closing of current quarter and at closing of previous year)	590 986	478 339	138 359	114 685
XIII. Equity (at closing of current quarter and at closing of previous year)	1 114 021	1 112 218	260 809	266 661
XIV. Initial capital (at closing of current quarter and at closing of previous year)	110 422	110 422	25 851	26 474

XV. Number of shares (at closing of current quarter and at closing of previous year)	13 802 750	13 802 750	13 802 750	13 802 750
XVI. Earnings (loss) per ordinary share (in PLN / EUR)	6,63	8,20	1,56	1,93
XVII. Diluted earnings (loss) per ordinary share (in PLN / EUR)	6,63	8,20	1,56	1,93
XVIII. Book value per share (in PLN / EUR)	80,71	80,58	18,90	19,32
XIX. Diluted book value per share (in PLN / EUR)	80,71	80,58	18,90	19,32
XX. Declared or paid dividend per share (in PLN / EUR)	6,50	2,35	1,52	0,55

The Report should be filed with the Polish Financial Supervision Authority (PFSA), the company running regulated market and made public through news agency in compliance with effective law.

ABBREVIATED FINANCIAL STATEMENT

BALANCE SHEET

	'000 PLN			
	As of September 31, 2018, end of quarter / 201	As of June 30, 2018 end of previous quarter	As of Dec. 31, 2017 end of previous year / 2017	As of September 31, 2017, end of quarter / 2017
<b>ASSETS</b>				
I. Fixed assets	788 896	799 616	816 061	793 914
1. Intangible assets including:	0	0	0	2
2. Tangible fixed assets	778 586	790 476	809 35	791 661
3. Long-term investments	144	144	144	144
3.1. Long-term financial assets	144	144	144	144
a) in other entities	144	144	144	144
4. Long-term deferred assets	10 166	8 996	6 882	2 107
4.1. Deferred income tax assets	10 159	8 989	6 884	1 924
4.2 Other deferred assets	7	7	38	183
II. Current assets	972 580	935 112	832 571	916 205
1. Inventories	93 136	98 981	107 145	96 010
2. Short-term receivables	418 452	429 028	303 744	478 804
2.1. From related entities	355 742	372 898	277 513	429 233
2.2. From other entities	62 710	56 130	26 231	49 571
3. Short-term investments	457 169	402 120	420 481	338 253
3.1. Short-term financial assets	457 169	402 120	420 481	338 253
a) in related entities	225 000	225 000	350 000	210 000
b) in other entities	11 452	0	0	0
c) cash and cash equivalents	220 717	177 120	70 481	111 881
4. Short-term deferred assets	3 823	4 983	1 201	3 138
<b>T o t a l a s s e t s</b>	<b>1 761 476</b>	<b>1 734 728</b>	<b>1 648 632</b>	<b>1 710 119</b>
I. Fixed assets	788 896	799 616	816 061	793 914
1. Intangible assets including:	0	0	0	2
2. Tangible fixed assets	778 586	790 476	809 35	791 661
3. Long-term investments	144	144	144	144
3.1. Long-term financial assets	144	144	144	144
a) in other entities	144	144	144	144
4. Long-term deferred assets	10 166	8 996	6 882	2 107
4.1. Deferred income tax assets	10 159	8 989	6 884	1 924
4.2 Other deferred assets	7	7	38	183
<b>LIABILITIES</b>				
I. Shareholders' equity	1 114 021	1 090 140	1 112 218	1 105 824
1. Share capital	110 422	110 422	110 422	110 422
2. Reserve capital	327 171	326 311	326 144	326 062
3. Revaluation capital	65 387	66 247	66 414	66 496
4. Other reserve capitals	519 520	519 520	489 664	489 664
5. Net profit (loss)	91 521	67 640	119 574	113 180
II. Liabilities and liabilities provisions	647 455	644 588	536 414	604 295
1. Liabilities provisions	53 168	50 579	54 970	42 938
1.1. Provision for deferred income tax	22 580	21 114	17 257	8 600
1.2. Provision for retirement benefits and equivalents	29 573	27 943	34 374	30 021
a) long-term	8 788	9 181	9 983	9 655

b) short-term	20 785	18 762	24 391	20 366
<b>Total liabilities</b>	<b>1 761 476</b>	<b>1 734 728</b>	<b>1 648 632</b>	<b>1 710 119</b>
Book value	1 114 021	1 090 140	1 112 218	1 105 824
Number of shares	13 802 750	13 802 750	13 802 750	13 802 750
Book value per share (in PLN)	80,71	78,98	80,58	80,12
Diluted number of shares (pcs.)	13 802 750	13 802 750	13 802 750	13 802 750
Book value	1 114 021	1 090 140	1 112 218	1 105 824
Number of shares	13 802 750	13 802 750	13 802 750	13 802 750
Diluted book value per share (in PLN)	80,71	78,98	80,58	80,12

Note: In case of reports for Q1 of the accounting year, only the first (as of the end of Q1 of the current accounting year), third (as of the end of previous accounting year) and fourth column (as of the end of Q1 of the previous accounting year).

#### OFF – BALNACE ITEMS

	'000 PLN			
	As of September 30, 2018 end of quarter / 2018	As of June 30, 2018 2018-06-30 end of previous quarter / 2018	As of December 31, 2017 end of previous year / 2017	As of 30 September 2017 end of quarter / 2017
From other entities, of which:				
received warranties and sureties				
From other entities in which the issuer has an equity stake of which:				
received warranties and sureties				
<b>1. Other</b>	<b>3 687</b>	<b>4 313</b>	<b>4 242</b>	<b>4 669</b>
off-balance liabilities under a real estate long-term lease agreement	2 091	2 574	3 519	3 999
off-balance liabilities under a long-term gas supply contract	1 596	1 739	723	670
off-balance liabilities under a long-term real estate lease agreement	3 687	4 313	4 242	4 669

Note: In case of reports for Q1 of the accounting year, only the first (as of the end of Q1 of the current accounting year), third (as of the end of previous accounting year) and fourth column (as of the end of Q1 of the previous accounting year).

#### PROFIT AND LOSS ACCOUNT

	'000 PLN			
	Q3/2018 period from 2018-07-01 to 2018-09-30	3 quarters on YTD basis / 2018 period from 2018-01-01 to 2018-09-30	Q3 / 2017 period from 2017-07-01 to 2017-09-30	3 quarters on YTD basis / 2017 period from 2017-01-01 to 2017-09-30
<b>I. Net sales of products, merchandise and materials including:</b>	<b>499 691</b>	<b>1 468 681</b>	<b>524 045</b>	<b>1 518 724</b>
- from related entities	443 828	1 306 322	470 760	1 372 239

1. Net sales of products	444 597	1 321 734	489 764	1 418 213
2. Net sales of merchandise and materials	55 094	146 947	34 281	100 511
II. Cost of products, merchandise and materials sold including:	466 558	1 354 477	462 950	1 368 801
- to related entities	423 523	1 225 968	421 116	1 247 524
1. Cost of products sold	423 669	1 230 256	431 205	1 274 173
2. Cost of merchandise and materials sold	42 889	124 221	31 745	94 628
III. Gross profit (loss) on sales	33 133	114 204	61 095	149 923
IV. Selling expenses	3 296	9 434	3 755	10 840
V. General administrative expenses	1 825	8 775	9 914	29 200
VI. Profit (loss) on sales	28 012	95 995	47 426	109 883
VII. Other operating income	909	1 944	3 179	3 640
1. Gain on disposal of non-financial fixed assets	883	1 837	104	511
2. Other operating income	26	107	3 075	3 129
VIII. Other operating expenses	770	2 578	1 204	5 979
1. Revaluation of non-financial fixed assets		33	491	1 175
2. Other operating costs	770	2 545	713	4 804
IX. Operating profit (loss)	28 151	95 361	49 401	107 544
X. Financial income	1 896	4 564	2 080	3 149
1. Dividends and profit shares including:	452	452		
2. Interests, including:	1 444	4 112	1 026	2 986
- from related entities	1 045	3 284	833	2 509
3. Other			1 054	163
XI. Financial expenses:	3 618	2 188	551	1 357
1. Interests:	913	1 803	551	1 357
2. Other	2 705	385		
XII. Gross profit (loss)	26 429	97 737	50 930	109 336
XIII. Income tax	2 547	6 216	-32	-3 844
a) current portion	2 251	4 202	2 355	2 453
b) deferred portion	296	2 014	-2 387	-6 297
XIV. Net profit (loss)	23 882	91 521	50 962	113 180

Net profit (loss) (annualized)		97 915		97 723
Weighted average number of ordinary shares		13 802 750		13 802 750
Earnings (loss) per ordinary share (in PLN)		7,09		7,08
Diluted weighted average number of ordinary shares		13 802 750		13 802 750
Diluted earnings (loss) per ordinary share (in PLN)		7,09		7,08

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	'000 PLN			
	Q3 / 2018 period from 2018-07-01 to 2018-09-30	3 quarters on YD basis / 2018 period from 2018-01-01 to 2018-09-30	Year 2017 period from 2017-01-01 to 2017-12-31	3 quarter(s) on YTD basis / 2017 period from 2017-01-01 to 2017-09-30
I. Equity at the beginning of the period (Opening Balance)	1 112 218	1 112 218	1 025 080	1 025 080
I.a. Equity at the beginning of the period (Opening Balance), after adjustments	1 112 218	1 112 218	1 025 080	1 025 080
1. Share capital at the beginning of the period	110 422	110 422	110 422	110 422
1.1. Share capital at the end of the period	110 422	110 422	110 422	110 422
2. Supplementary capital at the beginning of the period	326 148	326 144	324 779	324 779
2.1. Changes in supplementary capital	1 030	1 034	1 365	1 283
a) Increases (on account of)	1 030	1 034	1 365	1 283
- transfer of amounts resulting from revaluation of liquidated fixed assets - current period	1 030	1 034	1 365	1 283
2.2. Supplementary capital at the end of the period	327 178	327 178	326 144	326 062
3. Revaluation reserve as at the beginning of the period	66 410	66 414	67 779	67 779
3.1. Changes in the revaluation reserve	-1 030	-1 034	-1 365	-1 283
a) decreases (on account of)	1 030	1 034	1 365	1 283
- transfer of amounts from revaluation of liquidated fixed assets to the capital reserve - current period	1 030	1 034	1 365	1 283
3.2. Revaluation capital at the end of the period	65 380	65 380	66 414	66 496
4. Other reserve capitals at the beginning of the period	519 520	489 664	457 347	457 347
4.1. Changes in other reserve capitals	0	29 856	32 317	32 317
a) Increases (on account of)	0	29 856	32 317	32 317
- allocation to the profit distribution reserve for 2016 with the possibility of distribution among the shareholders	0	0	32 317	32 317
- allocation to the profit distribution reserve for 2017 with the possibility of distribution among the shareholders	0	29 856	0	0
4.2. Other reserve capitals at the end of the period	519 520	519 520	489 664	489 664
5. Profit (loss) from prior years at the beginning of the period	67 639	119 574	64 753	64 753
5.1. Profit from prior years at the beginning of the period	67 639	119 574	64 753	64 753
5.2. Profit from prior years at the beginning of the period	67 639	119 574	64 753	64 753

a) decreases (on account of)	0	119 574	64 753	64 753
- shareholders' dividend	0	89 718	32 436	32 436
- allocation to the profit distribution reserve for 2015 with the possibility of distribution among the shareholders	0	0	32 317	32 317
- allocation to the profit distribution reserve for 2014 with the possibility of distribution among the shareholders	0	29 856	0	0
5.3. Profit from prior years at the end of the period	67 639	0	0	0
5.4. Profit (loss) from prior years at the end of the period	67 639	0	0	0
6. Net result	23 882	91 521	119 574	113 180
a) net profit	23 882	91 521	119 574	113 180
II. Equity at the end of the period (Closing Balance)	1 114 021	1 114 021	1 112 218	1 105 824
III. Equity after proposed distribution of profit (coverage of loss)	1 114 021	1 114 021	1 112 218	1 105 824

#### CASH FLOW STATEMENT

	'000 PLN			
	Q3 / 2018 period from 2018-07-01 to 2018-09-30	3 quarters on YD basis / 2018 period from 2018-01-01 to 2018-09-30	Year 2017 period from 2017-01-01 to 2017-12-31	3 quarter(s) on YTD basis / 2017 period from 2017-01-01 to 2017-09-30
<b>A. Operating cash flows</b>				
I. Net profit (loss)	23 882	91 521	50 962	113 180
II. Total adjustments	20 928	-33 332	16 543	-76 580
1. Amortization and Depreciation	24 465	75 052	25 852	74 131
2. Foreign exchange (gain)loss	101	61	-50	-96
3. Interest and shares in profits (dividends)	-1 312	-3 299	-526	-2 015
4. (Profit )loss on investments	-184	-1 298	343	1 442
5. Increase (decrease) in provisions	2 589	-1 801	-2 017	-9 323
6. Increase (decrease) in inventories	5 845	14 008	7 331	-20 052
7. Increase (decrease) in receivables	-876	-126 160	-41 769	-275 132
8. Increase (decrease) in short-term liabilities, excluding loans	-9 690	16 011	26 158	156 290
9. Change in accruals, prepayments and deferred income	-10	-5 906	1 221	-1 825
10. Other adjustments	0	0	0	0
III. Net operating cash flows (I +/- II)- Indirect method	44 810	58 189	67 505	36 600
<b>B. Investment cash flows</b>				
I. Inflows	74 009	203 796	1 718	94 862

1. Disposal of intangible and fixed assets	2 512	5 060	885	2 353
2. Disposal of investments in real property and intangible assets				0
3. From financial assets, including:	1 497	3 736	833	2 509
a) in related entities	1 497	3 736	833	2 509
- dividends and profit shares	452	452		
- interests	1 045	3 284	833	2 509
4. Other investment inflows	70 000	195 000	0	90 000
II. Outflows	83 779	118 997	53 881	103 192
1. Purchase of intangible and fixed assets	13 779	48 997	28 881	58 192
2. Other investment outflows	70 000	70 000	25 000	45 000
III. Net investment cash flows (I - II)	-9 770	84 799	-52 163	-8 330
C. Cash flow from financial activity				
I. Inflows	9 423	9 423	0	0
1. Loans and borrowings	9 423	9 423		
2. Other financial inflows	765	2 114	840	2 086
II. Expenditures	580	1 677	532	1 592
1. Dividends and other payments to holders	185	437	308	494
2. Repayment of loans and borrowings	8 658	7 309	-840	-2 086
3. Financial lease contracts liabilities	43 698	150 297	14 502	26 184
4. Interest	43 597	150 236	14 552	26 280
III. Net financial activity cash flows (I - II)	-101	-61	50	96
D. Net financial cash flows, total (A.III+/-B.III+/-C.III)	177 119	70 521	97 337	85 655
E. Balance sheet change in cash and cash equivalents, including:	220 817	220 817	111 839	111 839
- Due to foreign exchange gains and losses	1 431	1 431	1 144	1 144

## NOTES TO Q3 2018 FINANCIAL STATEMENT

Prepared on the basis of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state (Journal of Laws of 2018, item 757).

1. Accounting principles used to draw up the report.

The Q3 2018 Report was drawn up in compliance with the provisions of the Accounting Act of September 29, 1994, as amended, and pursuant to the accounting principles effective at the Company.

Data specified in the report was drawn up using the principles of assets and liabilities pricing and measurement of net financial result as of balancing date.

The accounting principles vis-à-vis those described in the Annual Report SA-R 2017 announced on April 26, 2018, have not been modified.



2. Information on amounts and types of items affecting assets, liabilities, equity, net result or cash flows that are unusual because of their nature, value or frequency.

None.

3. Seasonality, cyclic nature of the activities

The Company's business activities are not strongly seasonal. However, external factors, such as macroeconomy situation, weather conditions or consumers' behaviours, may influence sales revenue in particular parts of the year (summer tires sales and winter tires sales).

4. Inventory revaluation

For 3 quarters of 2018 T.C. Dębica S.A. made allowances to revalue its inventory for the total amount of PLN 33 thousand, that influenced other operating costs.

Revaluation allowances applied to:

a) product inventory: PLN 16 thousand

b) raw material and material inventories PLN 17 thousand

Total: PLN 33 thousand

**5. Information about write-offs for impairment of financial assets, tangible fixed assets, intangible assets or other assets**

None

**6. Information about creation, increase, usage and dissolution of provisions as for 30.09.2018.**

Short-term provisions

	w tys zł
Provision for employee benefits	
Opening balance	24 391
- increases: Provision creation	19 850
- decreases: dissolution/usage of provision	23 456
Period-end balance	20 785

Restructuring provision

opening balance	3 205
- increases: Provision creation	1 629
- decreases: dissolution/usage of provision	4 019

Period-end balance

815



Long-term provision	
w tys zł	
Provision for retirements	
Opening balance	9 983
- increases: Provision creation	0
- decreases: dissolution/usage of provision	1 195
Period-end balance	8 788
Provision for guaranty for tires	
Opening balance	140
- increases: Provision creation	60
- decreases: dissolution/usage of provision	0
Period-end balance	200

#### 7. **Deferred income tax provisions and assets**

As of September 30 2018, the provision for deferred income tax totalled PLN mln 22,6 mln and increased by PLN mln 5,3 compared to the balance as of Decemer 31, 2017.

The deferred tax balance difference in the balance sheet is a result of revaluation of transitional positive differences related to the difference between fixed assets value in balance sheet and for tax purposes, under the assumption of reduced tax amortisation. The zero tax rate was applied to the existing asset as of September 30, 2018 and estimated provision for the difference in amortization at the moment of tax break execution i.e. as of 31 December 2018.

As of September 30, 2018 the balance of deferred income tax assets totalled PLN mln 10,2 and increased by PLN mln 3.3 as compared to December 31, 2017.

#### **8. Material transactions of acquisition and disposal of tangible fixed assets.**

None

#### **9. Material liabilities related to the purchase of tangible fixed assets**

None.

#### **10. Material litigation-related settlements.**

None

#### **11. Adjustment of errors from previous periods**

None

12. Information about changes in economic position and business environment, having material impact on the fair value of financial assets and liabilities

None

**13. Information about being in default with credit or loan repayment or about a breach of material provisions of loan agreement.**

None

**14. Information about entering by the Issuer or its subsidiary into a single or multiple transactions with related entities, if they alone or jointly play significant role and were not made following arm's length principle.**

None.

**15. Financial instruments priced at fair value – change of its pricing method.**

None.

**16. Change in financial asset classification due to the modification of assets purpose or utilization.**

None.

**17. 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.

**18. Dividend**

General Meeting of Shareholders on June 14, 2018 decided to allocated 75% of 2017 net profit, ie. PLN mln 89,7 for dividend for shareholders with the amount of 6.5 pln per share. The right to 2017 dividend is assigned to persons holding Company shares in a broker's offices for September 14, 2018 (ie. the dividend day). Dividend is to be paid on December 14, 2018.

**19. Material events that followed the financial statement preparation date.**

None.

**20. Changes in the balance of contingent liabilities and contingent assets.**

The contingent liability under the Bill Discount Plan at the balance sheet date of 30 September 2018 is 35.2.

**21. Other information that might have material impact on the assessment of assets and financial position and financial result of the Issuer.**

As of 1 January 2018, new cooperation agreements of the Company with Goodyear Dunlop Tires Operations S.A. with its registered office in Colmar-Berg, Luxembourg (Framework Sales Agreement and Framework Resale Agreement) have been in force. On the basis of these agreements, the model of cooperation between the Company and the Goodyear Group has been changed for many years as the Company's largest recipient of products.

The Company supplies Goodyear with all manufactured tires of the Goodyear Group brands at market prices set in accordance with the Goodyear Group's transfer pricing policy, according to which prices are set in such a way that the Company's profit from the sale of tires reaches the equivalent of the market margin. In addition, the Company may sell Goodyear tires manufactured by the Company under the Company's own brands. The disposal of such tires to Goodyear is also accounted for in accordance with the Goodyear Group's transfer pricing policy, under which prices are set in such a way that the Company's profit from the sale of tires reaches the equivalent of the market margin. The Company has the option (but not the obligation), if necessary, to repurchase Goodyear-branded tires from Goodyear for resale. In addition, Goodyear, as part of the Contracts, enables the Company to use all technical data and licenses to the extent that they may be required to manufacture and sell products in accordance with Goodyear's orders, without additional payments by the Company.

**OTHER INFORMATION**

Selected financial data converted into euros

Balance sheet assets and liabilities were translated into EUR at the average exchange rate of the National Bank of Poland as at 30 September 2018. (EUR 1 = PLN 4.2714) and as at 30 September 2017. (EUR 1 = PLN 4.3091).

Items of the profit and loss account and cash flow statement expressed in PLN were converted into EUR at the exchange rate being the arithmetic mean of average exchange rates announced by the National Bank of Poland and in force on the last day of each reporting month. The adopted average exchange rate for the three quarters of 2018 amounts to PLN 4.2535 for EUR 1 and PLN 4.2566 for the three quarters of 2017 for EUR 1.

The net profit in the balance sheet for the three quarters of 2018, calculated at the exchange rate as at the end of September 2018, amounts to EUR 21,426 thousand and calculated at the average rates: EUR 21,517 thousand. The exchange differences arising from the translation of the profit or loss for the three quarters of 2018 amounted to EUR 90 thousand.

#### Significant achievements or failures

For three quarters of 2018 Tyoniarska Dębica S.A. generated sales revenue of PLN 1,468.7 million, 3.3% lower than in 9 months of 2017.

In the third quarter of 2018, the sales revenues amounted to PLN 1,468.7 million and were 3.3% lower than in 9 months of 2017. In the third quarter of 2018, the sales revenues decreased by 4.6% y/y.

Net profit for the three quarters of 2018 amounted to PLN 91.5 million, i.e. 19.1% less than in the corresponding period of the previous year.

3. factors and events (including atypical ones) having a significant impact on the condensed financial statements  
Sales to Goodyear Group companies for three quarters of 2018 amounted to PLN 1,306.3 million, i.e. by PLN 65.9 million less year on year. For 9 months of 2018, these sales accounted for 88.9% of total sales, as compared to 90.4% in the corresponding period of 2017.

Sales to unrelated entities amounted to PLN 162.4 million, increased by 10.8% y/y.

Gross profit on sales to related parties for three quarters of 2018 amounted to PLN 80.3 million and was lower by PLN 44.4 million compared to the same period of the previous year. Gross profit margin in relation to revenues from these entities dropped from 9.1% to 6.2% y/y.

The gross profit on sales to unrelated entities for three quarters of 2018, achieved at the level of PLN 33.9 million, was higher by PLN 8.7 million compared to the corresponding period of the previous year. Gross profit margin in relation to revenues from these entities increased from 17.2% to 20.8% y/y.

Gross profit on total sales for three quarters of 2018 amounted to 114.2 million PLN, gross profit margin in relation to total revenues amounted to 7.8%. For comparison, gross profit on total sales for three quarters of 2017 amounted to 149.9 million PLN, and its margin in relation to revenues amounted to 9.9%.

Unit production costs for three quarters of 2018 are 3.1% lower than in the corresponding period of the previous year. The decrease occurred mainly in the cost of materials.

The costs of sales and general management amounted to PLN 18.2 million, 21.8 million less than in 9 months of 2017. The share of these costs in the value of sales was 1.2% compared to 2.6% for 9 months of the previous year. The decrease in selling and general and administrative expenses results mainly from the reduction of regional support costs, warehouse service costs, as well as lease and IT software costs.

The result on other operating activities for three quarters of 2018 is a cost of PLN 0.6 million compared to PLN 2.3 million for 9 months of 2017.

The cost of PLN 0.6 million consisted:

- a) restructuring costs PLN 1.4 million,
- b) profit on disbursement of non-financial fixed assets PLN 1.8 million,
- c) costs of liquidation of fixed assets PLN 0.7 million,
- d) other operating costs PLN 0.3 million.

Operating profit (EBIT) amounted to PLN 95.4 million, down by PLN 12.1 million year on year, and EBIT margin in relation to revenues decreased to 6.5% compared to 7.1% in the three quarters of 2017.

Financial activity for three quarters of 2018 generated a profit of PLN 2.4 million compared to a profit of PLN 1.8 million in the corresponding period of 2017.

Such a level of result on financial activity was influenced by the Company's financial activity:

- a) exchange rate differences, which generated cost of PLN 0.4 million, as compared to PLN 0.2 million in revenue for three quarters.

2017 r.;

(b) interest on loans granted to related parties: PLN 3.3 million as compared to PLN 2.5 million in the three quarters of 2017;

c) dividend received in the third quarter of 2018: PLN 0.5 million;

d) interest income on free funds amounting to PLN 0.8 million as compared to PLN 0.5 million for three quarters of 2017;

e) costs of discounting bills of exchange and other interest amounting to PLN 1.8 million, as compared to PLN 1.4 million in the corresponding period of the previous year.

Gross profit before tax for three quarters of 2018 amounted to PLN 97.7 million, i.e. by 10.6% less y/y.

According to the permit held for conducting business activity in the Special Economic Zone Euro-Park Mielec (no. 134/ARP/2008 of 27 February 2008), the Company is entitled to benefit from income tax relief up to 40.23% of the discounted amount of investment outlays incurred in the SEZ. The company fulfilled the conditions of the permit in December 2012 and, starting from 2013, benefits from the corporate income tax relief. By decision of the Minister of Development No. 27/IW/16 of 14 January 2016, the Permit to conduct business activity in the Special Economic Zone Euro-Park Mielec was amended in the part concerning the expiry date. Thus, the expiry date was deleted from the Permit.

The amount of public aid remaining to be used as at the balance sheet date of 30 September 2018 amounts to PLN 11.2 million in nominal value, i.e. PLN 7.0 million in discounted value (these values include the calculated CIT value for 9 months of 2018, which, however, may be subject to changes in the annual settlement).

On the basis of current estimates, the relief will be used in full until 31 December 2018. This estimate depends on a number of factors, including the level of orders from related parties and may change as at the next balance sheet date. However, Management sees no risk that the relief will not be used until the end of the Permit period, i.e. 31 December 2026.

The current portion of income tax amounted to PLN 4.2 million and relates to income tax paid on profits from activities not covered by the zonal permit.

In determining the amount of deferred tax assets and liabilities for temporary differences, the estimated timing of which will occur during the period of conducting business in the SEZ, i.e. as at 31.12.2018, the tax rate resulting from the SEZ permit was applied (pursuant to Article 37(6) of the Accounting Act) ("zero" rate).

The deferred part of the income tax amounted to PLN 2.0 million, thus the total income tax amounted to PLN 6.2 million.

Net profit for the three quarters of 2018 amounted to PLN 91.5 million, 19.1% less than in the corresponding period of the previous year.

At the end of September 2018, fixed assets amounted to PLN 788.9 million and were lower by PLN 27.2 million compared to the beginning of 2018.

The value of property, plant and equipment decreased by PLN 30.4 million, of which

a) completed investment programmes in 3 quarters of 2018 increased fixed assets by PLN 46.3 million,

b) depreciation of existing fixed assets decreased its value by PLN 75.1 million,

c) other changes (mainly finance lease and sales) caused its decrease by PLN 1.7 million.

Deferred income tax assets amounted to PLN 10.2 million, an increase of PLN 3.3 million compared to the beginning of 2018.

Current assets amounted to PLN 972.6 million and increased by PLN 140.0 million in the first three quarters of 2018.

Short-term receivables amounted to PLN 418.5 million and increased by PLN 114.7 million compared to the beginning of 2018, of which: from related parties increased by PLN 78.2 million, and from other entities increased by PLN 36.5 million.

Inventories decreased by PLN 14.0 million to PLN 93.1 million. This change was caused by a decrease in inventories of finished goods by PLN 21.2 million to PLN 1.6 million. Inventories of Raw materials and consumables increased by PLN 3.2 million to PLN 70.3 million, while Production Inventory in Tok amounted to PLN 21.2 million, which means an increase by PLN 4.0 million.

Short-term financial assets amounted to PLN 457.2 million and increased by PLN 36.7 million in the first three quarters of 2018.

Cash and cash equivalents increased by PLN 150.2 million. As at the end of September 2018, the value of loans granted to related parties amounted to PLN 225.0 million (down by PLN 125 million compared to the beginning of 2018).

Short-term prepayments and accruals amounted to PLN 3.8 million and increased by PLN 2.6 million compared to the beginning of the year, mainly due to a write-down on the Company Social Benefits Fund.

As at 30 September 2018, the Company's assets amounted to PLN 1,761.5 million and increased by PLN 112.8 million over three quarters.

As at 30 September 2018, liabilities and provisions for liabilities amounted to PLN 647.5 million and increased by PLN 111.0 million over three quarters. Provisions for liabilities decreased by PLN 1.8 million, including deferred tax provision increased by PLN 5.3 million, provision for employee benefits decreased by PLN 4.8 million, other provisions decreased by PLN 2.3 million.

Short-term liabilities as at 30 September 2018 amounted to PLN 591.0 million and increased as compared to the end of the year.

2017 by PLN 112.6 million. Short-term liabilities to related parties increased by PLN 39.7 million, short-term liabilities to other entities increased by PLN 72.0 million. Special funds increased by PLN 0.9 million.

Long-term liabilities (under leases) increased by PLN 0.2 million to PLN 3.3 million.

At the end of September 2018, the Company's equity amounted to PLN 1,114.0 million and increased by PLN 1.8 million in the three quarters of 2018 on account of net profit for that period. (increase in Other reserve capitals on account of profit distribution for the previous year by PLN 29.9 million, net profit lower than in the corresponding period of the previous year by PLN 28.1 million).

For three quarters of 2018, operating activity generated positive cash flows in the amount of PLN 58.2 million.

Net profit and depreciation generated positive cash flows in the amount of PLN 166.6 million, and the increase in working capital generated negative cash flows of PLN 96.1 million, mainly as a result of an increase in receivables at the end of the third quarter. The change in provisions and accruals generated PLN 7.7 million of negative cash flows, while other items generated PLN 4.6 million of negative cash flows.

In 3 quarters of 2018, investment activity generated positive cash flows in the amount of PLN 84.8 million. PLN 49.0 million was earmarked for the purchase of property, plant and equipment.

The loan granted to the affiliated entity generated PLN 70 million of negative cash flows. Repayment of the loan from the related party generated PLN 195.0 million of positive cash flows. The loan from the related party generated PLN 195.0 million of positive cash flows. The loan granted to the affiliated entity generated PLN 3.3 million in interest, PLN 0.5 million in dividend income and PLN 5.0 million in positive cash flows from the disposal of property, plant and equipment.

Financial activities generated positive cash flows in the amount of PLN 7.3 million. The credit facility generated PLN 9.4 million of positive cash flows. Interest payments amounted to PLN 0.4 million and lease payments to PLN 1.7 million.

Net cash flows for three quarters of 2018 were positive and amounted to PLN 150.3 million. Cash and cash equivalents increased by PLN 150.3 million in the first three quarters of 2018, from PLN 70.5 million at the end of December 2017 to PLN 220.8 million at the end of September 2018.

#### 4. description of changes in the organisation of the capital group

The Company does not form a capital group, is not a parent company and does not prepare consolidated financial statements.

The Management Board's position regarding the possibility of meeting previously published forecasts for a given year, in the light of the results presented in the quarterly report, the Company did not publish forecasts for 2018. Shareholders holding, directly or indirectly through subsidiaries, at least 5% of the total number of votes at the General Meeting.

According to the information available to the Company, as at the date of submitting the interim report for the third quarter of 2018, the shareholders holding at least 5% of the total number of votes at the General Meeting of the Company were:

Goodyear Holdings S.à.r.l. with its registered office in Luxembourg, holding 11,234,912 shares representing 81.40% of the Company's share capital and conferring the right to 11,234,912 votes at the Company's General Meeting, representing approximately 81.40% of the total vote at the Company's General Meeting\*.

Investment funds managed by ALTUS TFI S.A. with its registered office in Warsaw, holding 776,045 shares representing 5.62% of the Company's share capital, conferring the right to 776,045 votes at the Company's General Meeting, representing approximately 5.62% of the total vote at the Company's General Meeting\*\*.

\* Source: Current Report No. 20/2018 Receipt of notification from Goodyear group companies of a change in their shareholding due to an intra-group transaction, publication date: 05.09.2018 r.

\*\* Source: Current report no. 3/2018 Receipt of notification that Altus TFI exceeded the threshold of 5% share in the total number of votes of TC Dębica SA, publication date: 26.02.2018 r.

7th Company shares or rights to them held by persons managing and supervising the Company As at the date of submission of the quarterly report, the following members of the Company's authorities hold shares:

Janusz Raś - Member of the Supervisory Board - 15 shares

All shares have a nominal value of PLN 8 each.

Significant proceedings pending before a court, an authority competent for arbitration or a public administration authority concerning liabilities or receivables did not occur.

Information on conclusion of one or more transactions with related parties, if individually or jointly they are significant and were concluded on conditions other than market conditions.

Information on granting credit or loan sureties or guarantees to one entity or its subsidiary, the Company did not grant credit or loan sureties or guarantees.

11. other information important for the assessment of the personnel, property, financial situation, financial result and their changes, as well as information that is important for the assessment of the possibility of meeting liabilities.

Factors which, in the Company's opinion, will affect its results in the perspective of at least the next quarter:

a) changes in exchange rates, mainly in the euro and the US dollar,

(b) world market prices for raw materials.

(c) the level of orders from related parties

d) change in the model of cooperation between the Company and the Goodyear Group as described in Section 21 of the Additional Information