

adjusted

## POLISH FINANCIAL SUPERVISION AUTHORITY

## Quarterly Report SA-Q

1 / 2017

quarter / year

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

for Q1 of the accounting year 2017 covering the period from January 1, 2017 to March 31, 2017

Filing date: May 16, 2017

## TIRE COMPANY DEBICA SA

**DEBICA** (full name of issuer)  
**Automotive** (sector according to WSE classification)  
 Abbreviated name of issuer (sector according to WSE classification)  
**39-200** (postal code) **Debica** (place)  
**ul. 1 Maja** (street) **1** (number)  
**(014) 670-28-31** (phone) **014 670-09-57** (fax)  
**www.debica.com.pl** (e-mail) (Web site)  
**872-000-34-04** (Tax ID - NIP) **850004505** (REGON Statistical No.)

SELECTED FINANCIAL DATA	'000 PLN		'000 EUR	
	1 quarter(s) on YTD basis / 2017, period from Jan. 1, 2017 to Mar. 31, 2017	1 quarter(s) on YTD basis / 2016 period from Jan. 1, 2016 to Mar. 31, 2016	1 quarter(s) on YTD basis / 2017, period from Jan. 1, 2017 to Mar. 31, 2017	1 quarter(s) on YTD basis / 2016, period from Jan. 1, 2016 to Mar. 31, 2016
I. Net sales of products, merchandise and materials	523 685	451 760	122 097	103 712
II. Operating profit (loss)	43 131	30 093	10 056	6 909
III. Gross profit (loss)	42 858	27 431	9 992	6 297
IV. Net profit (loss)	44 709	28 922	10 424	6 640
V. Operational cash flows, net	-65 802	-17 010	-15 342	-3 905
VI. Investment activity cash flows, net	81 603	81 061	19 026	18 609
VII. Financial activity cash flows, net	-637	-542	-148	-124
VIII. Total net cash flows	15 165	63 509	3 536	14 580
IX. Total assets (at closing of current quarter and at closing of previous year)	1 597 441	1 451 820	378 558	328 169
X. Liabilities and liabilities provisions (at closing of current quarter and at closing of previous year)	527 651	426 740	125 042	96 460
XI. Long-term liabilities (at closing of current quarter and at closing of previous year)	2 263	2 287	536	517
XII. Short-term liabilities (at closing of current quarter and at closing of previous year)	485 879	372 192	115 143	84 130
XIII. Equity (at closing of current quarter and at closing of previous year)	1 069 790	1 025 080	253 517	231 709
XIV. Initial capital (at closing of current quarter and at closing of previous year)	110 422	110 422	26 168	24 960
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)	3,24	2,10	0,76	0,48
XVII. Diluted earnings (loss) per ordinary share (in PLN / EUR)	3,24	2,10	0,76	0,48
XVIII. Book value per share (in PLN / EUR)	77,51	74,27	18,37	16,79
XIX. Diluted book value per share (in PLN / EUR)	77,51	74,27	18,37	16,79
XX. Declared or paid dividend per share (in PLN / EUR)				

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 March 31, 2017, end of quarter / 2017	As of end of previous quarter	As of Dec. 31, 2016 end of previous year / 2016	As of March 31, 2016, end of quarter / 2016
<b>ASSETS</b>				
I. Fixed assets	813 626		814 042	828 409
1. Intangible assets including:	7		9	18
2. Tangible fixed assets	811 203		811 646	826 190
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	2 272		2 243	2 058
4.1. Deferred income tax assets	2 066		2 097	2 058
4.2 Other deferred assets	206		146	
II. Current assets	783 815		637 778	691 371
1. Inventories	82 119		75 958	74 103
2. Short-term receivables	422 583		220 043	354 927
2.1. From related entities	394 005		198 957	329 189
2.2. From other entities	28 578		21 086	25 739
3. Short-term investments	274 916		340 601	258 640
3.1. Short-term financial assets	274 916		340 601	258 640
a) in related entities	165 000		255 000	155 000
b) in other entities	9 113		0	10 725
c) cash and cash equivalents	100 803		85 601	92 915
4. Short-term deferred assets	4 197		1 176	3 700
<b>Total assets</b>	<b>1 597 441</b>		<b>1 451 820</b>	<b>1 519 780</b>
<b>LIABILITIES</b>				
I. Shareholders' equity	1 069 790		1 025 080	1 028 725
1. Share capital	110 422		110 422	110 422
2. Reserve capital	324 842		324 779	324 459
3. Revaluation capital	67 716		67 779	68 100
4. Other reserve capitals	457 347		457 347	417 909
5. Retained earnings (loss)	64 753			78 913
6. Net profit (loss)	44 709		64 753	28 922
II. Liabilities and liabilities provisions	527 651		426 740	491 054
1. Liabilities provisions	39 510		52 261	49 656
1.1. Provision for deferred income tax	13 188		15 070	27 741
1.2. Provision for retirement benefits and equivalents	21 230		31 282	20 512
a) long-term	10 025		10 856	9 511
b) short-term	11 204		20 426	11 001
1.3. Other provisions	5 092		5 909	1 403
a) long-term	66		67	40
b) Short-term	5 026		5 842	1 364
2. Long-term liabilities	2 263		2 287	1 673
2.1. to other entities	2 263		2 287	1 673
3. Short-term liabilities	485 879		372 192	439 725
3.1. To related entities	128 746		77 101	100 532
3.2. to other entities	353 065		294 760	334 106
3.3. Special funds	4 068		331	5 088
<b>Total liabilities</b>	<b>1 597 441</b>		<b>1 451 820</b>	<b>1 519 780</b>
Book value	1 069 790		1 025 080	1 028 725
Number of shares	13 802 750		13 802 750	13 802 750
Book value per share (in PLN)	77,51		74,27	74,53
Diluted number of shares (pcs.)	13 802 750		13 802 750	13 802 750
Diluted book value per share (in PLN)	77,51		74,27	74,53

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).

DEBICA

**OFF-BALANCE ITEMS**

	'000 PLN			
	As of March 31, 2017, end of quarter / 2017	As of end of previous quarter /	As of the end of previous year /	As of the end of quarter /
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				
1. Other	5 415		6 092	8 105
off-balance liabilities under a real estate long-term lease agreement	4 959		5 439	6 879
off-balance liabilities under a long-term gas supply contract	456		653	1 226
off-balance liabilities under a long-term real estate lease agreement	5 415		6 092	8 105
Total off-balance items	17 549		18 420	58 386

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			
	Q1 /2017 period from Jan. 1, 2017 to Mar. 31, 2017	quarters on YTD basis / period from ... to ...	Quarter/ period from ... to	quarters on YTD basis / period from ... to ...
I. Net sales of products, merchandise and materials including:	523 685		451 760	
- from related entities	470 213		406 529	
1. Net sales of products	484 694		415 293	
2. Net sales of merchandise and materials	38 991		36 467	
II. Cost of products, merchandise and materials sold including:	465 307		400 462	
- to related entities	420 133		362 298	
1. Cost of products sold	427 847		365 546	
2. Cost of merchandise and materials sold	37 460		34 916	
III. Gross profit (loss) on sales	58 378		51 298	
IV. Selling expenses	3 782		4 601	
V. General administrative expenses	10 797		15 463	
VI. Profit (loss) on sales	43 799		31 234	
VII. Other operating income	395		432	
1. Gain on disposal of non-financial fixed assets	281		335	
2. Other operating income	114		97	
VIII. Other operating expenses	1 063		1 573	
1. Revaluation of non-financial fixed assets	189		365	
2. Other operating costs	874		1 208	
IX. Operating profit (loss)	43 131		30 093	
X. Financial income	1 046		2 272	
1. Interest receivable including:	1 046		2 272	
2. Other	953		2 186	
XI. Financial expenses	1 319		4 934	
1. Interest payable including:	353		342	
2. Other	966		4 592	
XII. Profit (loss) on ordinary activities	42 858		27 431	
XIII. Income tax	-1 851		-1 491	
a) current portion			61	
b) deferred portion	-1 851		-1 552	
XIV. Net profit (loss)	44 709		28 922	
Net profit (loss) (annualized)	80 540		72 221	
Weighted average number of ordinary shares	13 802 750		13 802 750	
Earnings (loss) per ordinary share (in PLN)	5.84		5.23	
Diluted weighted average number of ordinary shares	13 802 750		13 802 750	
Diluted earnings (loss) per ordinary share (in PLN)	5.84		5.23	

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	'000 PLN			
	Q1 /2017, period from Jan. 1, 2017 to Mar. 31, 2017	quarters on YTD basis / period from ... to ...	Year , period from .... to	1 quarter(s) on YTD basis / period from to
I. Opening balance of shareholders' equity	1 025 080		999 803	999 803
Ia. Opening balance of shareholders' equity, after restatement to comparative data	1 025 080		999 803	999 803
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	324 779		324 459	324 459
2.1. Closing balance of reserve capital	63		320	0
a) additions (of which)	63		320	0
- transfer of liquidated fixed asset revaluation from the reserve capital – current period	63		320	0
2.2 Closing balance of reserve capital	324 842		324 779	324 459
3. Opening balance of revaluation capital	67 779		68 099	68 099
3.1. Closing balance of revaluation capital	-63		-320	0
a) reductions (of which)	63		320	0
- transfer of liquidated fixed assets revaluation to the reserve capital – current period	63		320	0
3.2. Closing balance of revaluation capital	67 716		67 779	68 099
4. Opening balance of other reserve capital	457 347		417 910	417 910
4.1. Change in other reserve capital	0		39 437	
a) additions (of which )	0		39 437	
- allocation of the reserve capital from the profit distributed for the year 2015, with an option of dividend payment to the shareholders.	0		39 437	
4.2. Closing balance of other reserve capital	457 347		457 347	417 910
5. Opening balance of retained earnings	64 753		78 913	78 913
5.1. Opening balance of retained earnings	64 753		78 913	78 913
5.2. Opening balance of retained earnings after the restatement to comparative data	64 753		78 913	78 913
a) reductions (of which):	0		78 913	0
- dividend for shareholders	0		39 476	0
- allocation to the reserve capital from the profit distributed for the year 2015, with an option of dividend payment to the shareholders.	0		39 437	0
5.3. Closing balance of retained earnings	64 753		0	78 913
5.4. Closing balance of retained earnings	64 753		0	78 913
6. Net profit (loss)	44 709		64 753	28 922
a) net profit	44 709		64 753	28 922
II. Closing balance of shareholders' equity	1 069 790		1 025 080	1 028 725
III. Shareholders' equity adjusted by the proposed distribution of profit (loss coverage)	1 069 790		1 025 080	1 028 725

## CASH FLOW STATEMENT

	'000 PLN			
	Q1 /2017, period from Jan. 1, 2017 to Mar. 31, 2014	quarters on YTD basis / period from ... to ...	Q1 quarter / 2016 period from Jan.1, 2016 to March 31, 2016	quarters on YTD basis / period from ... to ...
A. Operational cash flows				
I. Net profit (loss)	44 709		28 922	
II. Total adjustments	41 501		26 016	
1. Depreciation and amortization	-11 531		-49 446	
2. Foreign exchange gains/losses	20 653		18 355	
3. Interest and dividends	-135		-463	
4. Investment activity gain (loss)	38		52	
5. Change in provisions	426		-99	
6. Change in inventories	5 626		-5 893	
7. Change in receivables	-4 658		-4 256	
8. Change in current liabilities (excluding loans and bank credits)	-119 223		-154 041	
9. Change in deferred and accrued expenses	88 866		100 265	
10. Other adjustments	-3 125		-3 366	
III. Net operational cash flows (I+/-II) –III, indirect method	0		0	

	'000 PLN			
	Q1 /2014, period from Jan. 1, 2014 to Mar. 31, 2014	quarters on YTD basis / period from ... to ...	Q1 /2013 period from Jan. 1, 2013 to Mar. 31, 2013	quarters on YTD basis / period from ... to ...
<b>B. Investment activity cash flows</b>				
I. Cash inflows	91 537		103 417	
1. Disposal of intangible assets and tangible fixed assets	584		1 230	
2. From financial assets of which:	953		2 186	
a) in related entities	953		2 186	
- interest income	953		2 186	
b) in other entities	0		0	
- interest income	0		0	
II. Cash outflows	90 000		100 000	
1. Purchases of intangible assets and tangible fixed assets	9 934		22 356	
III. Net investment activity cash flows (I-II)	9 934		22 356	
<b>C. Cash flows from financial activities</b>				
I. Cash inflows	0		0	
1. Net proceeds from share issue (handing out of interest ) and other equity instruments and contributions made to equity	0		0	
II. Cash outflows	637		542	
1. Financial lease commitments paid	524		437	
2. Interest paid	112		105	
III. Net financial activity cash flows (I-II)	-637		-542	
D. Total net cash flows (A.III+/-B.III+/-C.III)	15 165		63 509	
E. Change in balance-sheet cash and cash equivalents of which:	15 202		63 490	
- change in cash and cash equivalents due to foreign exchange gains/losses	37		-19	
F. Opening balance of cash and cash equivalents	85 655		29 406	
G. Closing balance of cash and cash equivalents (F+/- D) of which:	100 820		92 915	
- those with restricted availability	4 068		3 873	

81 603

## NOTES TO THE FINANCIAL STATEMENT

### I. Accounting principles used to draw up the report.

The Q1 2017 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 2016 have not been modified.

The Company revised the original forecast for the date of full utilisation of income tax break related to the investment project in the Mielec Special Economic Zone. According to current forecasts the Company will full utilize tax break as of the balancing date 31 December 2018.

### II.

#### 1. Material achievements or failures of the issuer.

In Q1 2017, Tire Company Debica S.A. generated sales revenues totalling PLN 523.7 million, up by 15.9% compared to Q1 2016.

Net profit in Q1 2017 totalled PLN 44.7 million and was up by PLN 15.8 million on a year-to-year basis.

## 2. Drivers and events (especially non-typical) having significant impact on the financial performance.

In Q1 2017 sales revenues to the Goodyear Group member companies totalled PLN 470.2 million i.e. up by PLN 63.7 million on a year-to-year basis. In Q1 2017 the sales accounted for 89.8% of the total sales compared to 90.0% in the same period of 2016.

Sales revenues from non-related entities totalled PLN 53.5 million, up by PLN 8.3 million on a year-to-year basis.

In Q1 2017 gross profit on the sales to related entities totalled 50.1 million and was up by PLN 5.9 million compared to the previous year. The ratio of gross profit margin to revenues fell from 10.9% to 10.7 per cent on a year-to-year basis.

In Q1 2017 gross profit on the sales to related entities totalled 8.3 million and was up by PLN 1.2 million compared to the previous year. The margin at this profit level declined from 15.6 % to 15.5% per cent on a year-to-year basis.

In Q1 2017 gross sales profit totalled PLN 58.4 million, whereas margin to revenues ratio was 11.2 per cent. Meanwhile in Q1 2017 gross profit on total sales was PLN 51.3 million, whereas margin to revenues ratio was 11.4 per cent.

The average unit manufacturing costs in Q1 2017 fell by 8.9 per cent compared to the same period in the previous year. The major cost driver was an increase of raw material and material prices.

Selling, General and Administration (SG&A) Expense totalled PLN 14.6 million, down by PLN 5.5 million compared to Q1 2016. The share of these expenses in sales in value terms was 2.8% compared to 4.4% per cent last year.

The decline of SG&A expense was mainly due to lower costs of administrative services and lower costs of advertising shared with the Company customers.

The result of other operating activities in Q1 2017 is a cost totalling PLN 0.7 million and is down by PLN 0.4 million compared to 2016.

The figure PLN 0.7 million consists of:

1. proceeds from the disposal of non-financial fixed assets totalling PLN 0.3 million
2. scraping expenses PLN 0.6 million.
3. provisions for revaluation of product inventories – PLN 0.2 million
4. other operating expenses – PLN 0.2 million.

Operating profit (EBIT) totalled PLN 43.1 million i.e. down by PLN 13.0 million on a year-to-year basis, whereas the margin at this profit level to the revenues rose to 8.2 per cent against 6.7% per cent in Q1 2016.

In Q1 2017 the financial activities generated a loss totalling PLN 0.3 million against a loss of PLN 2.7 million in the same period of 2016 i.e. down by PLN 2.4 million.

Such level of a loss from financial activities was driven by:

1. the foreign exchange losses that totalled PLN 1.0 million compared to foreign exchange losses of PLN 4.6 million. Thus the foreign exchange losses were down by PLN 3.6 million on a year-to-year basis.
2. Meanwhile interest income from loans extended to related entities generated revenues totalling PLN 1.0 million, down by PLN 1.2 million compared to Q1 2016.
3. The cost of discounted bills and other interest expenses totalled PLN 0.3 million and were stable compared to the previous year.

In Q1 2017 gross profit before tax totalled PLN 42.9 million, up by 56.2% per cent on a year-to-year basis.

Pursuant to the held operational permit No. 134/ARP/2008 of 27 February 2008 for running business activities within the Euro-Park Mielec Special Economic Zone Tire Company Debica S.A. is entitled to enjoy income tax relief up to 40.23 per cent of the discounted amount of capital expenditures spent on investment projects within the “Euro-Park Mielec” 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 Company made an assumption that income tax relief will be utilized by the end of 2018, and in that period all short-term and some long-term transient tax differences will be utilized.

The deferred portion of income tax totalled PLN 0 thousand. The Company settles income tax relief enjoyed in relation to the execution of investment project in the Euro-Park Mielec Special Economic Zone.

The deferred portion of the income tax totalled PLN (1 851) thousand and consequently the total income tax was PLN (1 851) thousand. The impact of deferred income tax on net profit/loss stems from the separation of transient differences related to the difference between the values of fixed assets for tax purposes and shown in the balance sheet, that will be realized in the period of enjoyment of income tax relief related to the business activities in the Special Economic Zone. Consequently the zero tax rate was applied to the existing asset as of balancing date (March 31, 2017) and estimated provision for the difference in amortization at the moment of income tax relief execution i.e. as of December 31, 2018.

Net profit in Q1 2017 totalled PLN 44.7 million and was up by PLN 54.6 million compared to the same period of the previous year.

At the end of March 2017 the fixed assets in value terms totalled PLN 813.6 million and were down by PLN 0.4 million compared to the opening balance of 2017. The capital expenditures totalled PLN 23.0 million, whereas the value of depreciation of the existing fixed assets was PLN 23.8 million.

The deferred income tax assets totalled PLN 2.1 million and remained at the comparable level against that prevailing on onset of 2017.

Current assets totalled PLN 783.8 million and were up in Q1 2017 by PLN 146.0 million.

Short-term receivables totalled PLN 422.6 million and were up by PLN 202.5 million compared to opening balance of 2017, of which: short-term receivables from related entities were up by PLN 195.0 million, and from other entities they were down by PLN 7.5 million.

Inventory went up by PLN 6.1 million and reached the level of PLN 82.1 million.

Short-term financial assets totalled PLN 274.9 million and were down by PLN 65.7 million after Q1 2017.

Cash assets and equivalents were up by PLN 15.2 million. The value of loans extended to related entities totalled PLN 165.0 million at the end of March 2017.

Short-term prepayments totalled PLN 4.2 million and in Q1 2017 they were up by PLN 3.0 million mainly due to the write-off to the Company Social Benefit Fund.

As of March 31, 2017 the Company assets totalled PLN 1 597.4 million and were up by PLN 145.6 million in Q1 2017.

As of March 31, 2017 the liabilities and provisions for liabilities totalled PLN 527.7 million and were down by PLN 100.9 million in Q1 2017. Meanwhile the provisions for liabilities were down by PLN 12.8 million including the provision for deferred tax by PLN 1.9 million, whereas the provision for pension benefits and equivalents fell by PLN 10.1 million.

Short-term liabilities vis-a-vis related entities were up by PLN 51.6 million. Short-term liabilities vis-a-vis non-related entities were up by PLN 58.3 million. Long-term liabilities remained at a similar level as on the onset of 2017 and they totalled PLN 2.3 million at the end of March 2017. Special funds went up by PLN 3.7 million.

At the end of March 2017 the Company's shareholders' equity totalled PLN 1 069.8 million and was up by PLN 44.7 million after Q1 2017.

In Q1 2017 the operational activities generated negative cash flows totalling PLN 65.8 million. Net profit and depreciation generated positive cash flows totalling PLN 68.5 million, whereas the decline of working capital generated PLN 117.2 million of cash outflows, mainly due to an increase of receivables at the end of Q1. The change in the balance of provisions and cost accruals generated PLN 15.8 million of cash outflows, whereas other titles generated PLN 1.3 million of cash outflows. Investment activity cash flows were positive and totalled PLN 81.6 million.

For the acquisition of tangible fixed assets the total amount of PLN 9.9 million was appropriated. On the other hand the repayment of the loans by the related entity generated also PLN 90.0 million of cash inflows. The loans extended to the related entity generated interest income totalling PLN 0.9 million.

The financial activities generated negative cash flows totalling PLN (0.6) million.

The interest expense totalled PLN 0.1 million, whereas the lease payments generated cash outflows totalling PLN 0.5 million.

Net cash flows in Q1 2017 were positive and totalled PLN 15.2 million. During Q1 2017 cash balance was up by PLN 15.2 million, from the closing balance of PLN 85.6 million in December 2016 up to the closing balance of PLN 100.8 million at the end of March 2017.

Such structure of cash flows proves good condition of the Company: positive operational activity cash flows can be used to finance investment activities and to pay liabilities.

**3. Seasonality, cyclic nature of the activities.**

None.

**4. Inventory revaluation**

In Q1 2017 T.C. Debica S.A. made allowances to revalue its inventory for the total amount of PLN 189 thousand that increased other operating costs. Revaluation allowances applied to:

a/ product inventory: PLN 179 thousand.

b/ raw material and material inventories: PLN 1 thousand.

Total PLN 179 thousand.

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

None.

**6. Provisions for liabilities other than for deferred income tax assets.**

As of March 31, 2017 the balance of provisions for pension benefits and equivalents totalled PLN 21.2 million and was down by PLN 10.1 million compared to 31 December 2016.

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

As of March 31, 2017 the provision for deferred income tax totalled PLN 13.2 million and was down by PLN 1.9 million compared to the balance as of 31 December 2016.

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 March 31, 2017 and estimated provision for the difference in amortization at the moment of tax break execution i.e. as of 31 December 2018.

As of March 31, 2017 the balance of deferred income tax assets totalled PLN 2.1 million and remained unchanged compared to the balance as of December 31, 2016.

**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**

A proposal to allocate 2016 net profit totalling PLN 64 753 thousand will be tabled by the Management Board at the Ordinary General Meeting of Shareholders that will be held pursuant to Art. 395 of the Commercial Companies' Code. The Management Board proposal on 2016 profit distribution will be made public in a current report RB 2/2017.

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

None.

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

None.

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

None

File	Description

**MISCELLANEOUS INFORMATION****1. Selected financial data converted into euro.**

The assets and liabilities from the balance sheet were converted into EURO using the average exchange rate of the National Bank of Poland prevailing on March 31, 2017 (1 euro = PLN 4.2198) and on March 31, 2016 (1 euro = PLN 4,2684).

The items from the Profit and Loss Account and from the Cash Flow Statement were converted into EURO using the EURO rate that was the arithmetic mean of the exchange rates published by the National Bank of Poland and effective on the last day of the accounting month. The mean exchange rate adopted for conversions of data from Q1 2017 is PLN 4,2891 for 1 EURO, and for conversions of data from Q1 2016 is PLN 4,3559 for 1 EURO.

The net profit for Q1 2017 posted into the balance sheet, calculated using the exchange rate prevailing at the end of March 2017 amounted to EUR 10 595 thousand, whereas the net profit calculated using average exchange rates amounts to EUR 10 424 thousand. The foreign exchange losses due to the conversion of net financial result for Q1 2017 amounted to EUR 171 thousand.

**2. Issuer's Capital Group**

The Company does not form a capital group, is neither a controlling entity, nor draws up consolidated financial statements.

**3. Effects of changes in company's structure.**

In Q1 2017 no changes occurred in the Company's structure.

**4. Management Board position on capability to meet the annual forecasts published earlier in the light of actual performance presented in the quarterly report against the forecast figures.**

The Company did not publish forecasts of its performance in 2017.

**5. Shareholders holding at least 5% of the total number of votes at the General Meeting of Shareholders.**

According to the information at the disposal of Company as at the date of drawing up Quarterly Report for Q1 2017:

The shareholders holding more than 5% of shareholders' equity and at least 5% of total number of votes at the General Meeting of Shareholders included:

1) Goodyear S.A., with its registered office in Luxembourg, holding in total 11,234,912 shares in the Company, accounting for 81.396% of the Company's shareholders' equity and giving entitlement to exercise 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.

**6. Specification of changes in the Company shareholding structure or entitlements (options for shares) held by the members of Company management or supervisory authorities.**

The following members of the Company governing bodies hold shares:

Stanisław Cieszkowski, President of the Management Board (since June 4, 2014) - 430 shares

Janusz Raś – a Supervisory Board member – 15 shares

All shares have par value of PLN 8.00 each.

**7. Litigation proceedings concerned with obligations or liabilities run by a court of law, a body competent to run arbitration proceedings or a public administration body, accounting for at least 10% of equity.**

None

**8. Information about one or more transactions made by the issuer or its subsidiary with related entities, if such transactions are material on a stand-alone basis or jointly and were entered not following an arm's-length principle.**

See Section 14 of the Notes .

**9. Extended sureties of a credit, loan or extended guarantees to related entities.**

At the end of March 2017 the total amount of loans extended to related entities totalled PLN 255 million .

In Q1 2017 the May 2016 loan totalling PLN 75 million was repaid and also partially the June 2016 loan totalling PLN 15 million was repaid.

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

Loan Agreement date	May 20, 2016	June 29, 2016	September 24, 2016	December 23, 2016
Date of loan proceeds disbursement (Agreement)	May 23, 2016	June 30, 2016	September 24, 2016	December 23, 2016
Interest rate for January	1.76%	1.76%	1.76%	1.76%
Interest rate for February	1.76%	1.76%	1.76%	1.76%
Interest rate for March	1.76%	1.76%	1.76%	1.76%
Loan amounts	75 000 000.00	50 000 000.00	45 000 000.00	85 000 000.00
Maturity date (loan repayment)	May 20, 2016	June 29, 2016	September 24, 2016	December 23, 2016
Interest accrued for January	112 109,59	74 739,73	67 265,75	127 057,53
Interest accrued for February	81 008,22	67 506,85	60 756,16	114 761,64
Interest accrued for March	0,00	53 764,38	67 265,75	127 057,53
Total interest accrued in Q1	193 117,81	196 010,96	195 287,67	368 876,71
Total interest actually paid in Q1	305 227,40	216 986,30	195 287,67	274 608,22

**10. Other information vital to the assessment of financial position**

None.

**11. Factors that in the opinion of the Company will drive its performance for at least another quarter**

Major drivers include:

- fluctuations of foreign exchange rates, mainly EURO and US dollar;
- prices of raw materials in global markets;
- situation in global financial markets.

File	Description

<b>SIGNATURES OF PERSONS REPRESENTING THE COMPANY</b>			
Date	Name and surname	Position/Function	Signature
May 16, 2017	Stanislaw Cieszkowski	President of Management Board, Chief Production Officer	
May 16, 2017	Ireneusz Maksymiuk	Management Board member, Chief Financial Officer	