

Polish Financial Supervision Authority

Quarterly Report SA-Q

4 / 2016

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, as amended) (for the issuers of securities running production, construction, trading or service activities)

for Q4 of the accounting year 2016 covering the period from October 1, 2016 to December 31, 2016

Filing date: February 24, 2017

TIRE COMPANY DEBICA SA

DEBICA

(full name of issuer)

Abbreviated name of issuer

Automotive

(sector according to WSE classification)

39-200

(postal code)

Debica

(place)

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1

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850004505

(REGON STATISTICAL NO.)

FINANCIAL HIGHLIGHTS	'000 PLN		'000 EUR	
	4 quarters on YTD basis / 2016, period from Jan. 1, 2016 to Dec. 31, 2016	4 quarter(s) on YTD basis / 2015, period from Jan. 1, 2015 to Dec. 31, 2015	4 quarters on YTD basis / 2016, period from Jan. 1, 2016 to Dec. 31, 2016	4 quarter(s) on YTD basis / 2015, period from Jan. 1, 2015 to Dec. 31, 2015
I Net sales of products, merchandise and materials	1 678 676	1 765 584	383 638	421 907
II. Operating profit (loss)	51 658	82 622	11 806	19 743
III. Profit (loss) before taxation	52 008	86 819	11 886	20 746
IV. Net profit (loss)	64 620	78 913	14 768	18 857
V. Operational cash flows, net	92 037	88 413	21 034	21 127
VI. Investment activity cash flows, net	-49 929	-161 030	-11 411	-38 480
VII. Financial activity cash flows, net	-40 269	-43 988	-9 203	-10 511
VIII. Total net cash flows	1 840	-116 605	420	-27 864
IX. Total assets (at the end of current quarter and end of previous accounting year)	1 451 772	1 431 948	328 158	336 020
X. Liabilities and liabilities provisions (at the end of current quarter and end of previous accounting year)	426 824	432 145	96 479	101 407
XI. Long-term liabilities (at the end of current quarter and end of previous accounting year)	2 287	1 643	517	386
XII. Short-term liabilities (at the end of current quarter and end of previous accounting year)	372 193	367 983	84 130	86 351
XIII. Shareholders' equity (at the end of current quarter and end of previous accounting year)	1 024 947	999 803	231 679	234 613
XIV. Share capital (at the end of current quarter and end of previous accounting year)	110 422	110 422	24 960	25 912
XV. Number of shares (pcs.) (at the end of current quarter and end of previous accounting year)	13 802 750	13 802 750	13 802 750	13 802 750
XVI. Earnings (loss) per ordinary share (in PLN / EUR)	4.68	5.72	1.07	1.37
XVII. Diluted earnings (loss) per ordinary share (in PLN / EUR)	4.68	5.72	1.07	1.37
XVIII. Book value per share (in PLN / EUR) (at the end of current quarter and end of previous accounting year)	74.26	72.44	16.78	17.00
XIX. Diluted book value per share (in PLN / EUR) (at the end of current quarter and end of previous accounting year)	74.26	72.44	16.78	17.00
XX. Declared or paid dividend per share (in PLN / EUR)	2.86	3.15	0.65	0.75

The Report should be filed with the Polish Financial Supervision Authority, running the regulated market, and made public through news agency in accordance with law.

ABBREVIATED FINANCIAL STATEMENT

BALANCE-SHEET

	'000 PLN			
	As of Dec. 31, 2014, end of quarter / 2014	As of Sept. 30, 2014, end of previous quarter / 2014	As of Dec. 31, 2013, end of previous year / 2013	As of Dec. 31, 2013, end of quarter / 2013
ASSETS				
I Fixed assets	814 145	814 687	829 765	829 765
1. Intangible assets including:	10	12	21	21
2. Tangible fixed assets	811 646	812 437	827 507	827 507
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	2 345	2 093	2 093	2 093
4.1. Deferred income tax assets	2 199	2 093	2 093	2 093
4.2. Other	146			
II. Current assets	637 627	766 365	602 183	602 183
1. Inventories	75 958	78 359	74 834	74 834
2. Short-term receivables	219 892	354 159	241 975	241 975
2.1. From related entities	198 957	325 847	207 331	207 331
2.2. From other entities	20 935	28 312	34 644	34 644
3. Short-term investments	340 601	330 936	284 425	284 425
3.1. Short-term financial assets	340 601	330 936	284 425	284 425
a) in related entities	255 000	220 000	255 000	255 000
b) in other entities	0	27 190	0	0
c) cash and cash equivalents	85 601	83 746	29 425	29 425
4. Short-term deferred assets	1 176	2 910	949	949
Total assets	1 451 772	1 581 051	1 431 948	1 431 948
LIABILITIES				
I Shareholders' equity	1 024 947	1 040 538	999 803	999 803
1. Share capital	110 422	110 422	110 422	110 422
2. Reserve capital	324 779	324 768	324 459	324 459
3. Revaluation capital	67 779	67 791	68 099	68 099
4. Other reserve capitals	457 347	457 347	417 910	417 910
5. Net profit (loss)	64 620	80 210	78 913	78 913
II. Liabilities and liabilities provisions	426 824	540 513	432 145	432 145
1. Liabilities provisions	52 344	58 803	62 519	62 519
1.1. Provision for deferred income tax	15 153	24 154	29 328	29 328
1.2. Provision for pension benefits and equivalents	31 282	28 639	31 744	31 744
a) long-term liabilities	10 856	9 603	10 235	10 235
b) short-term liabilities	20 426	19 037	21 509	21 509
1.3. Other provisions	5 909	6 010	1 447	1 447
a) long-term	67	98	100	100
b) short-term	5 842	5 911	1 347	1 347
2. Long-term liabilities	2 287	1 760	1 643	1 643
2.1. to other entities	2 287	1 760	1 643	1 643
3. Short-term liabilities	372 193	479 950	367 983	367 983
3.1. To related entities	77 101	134 646	73 266	73 266
3.2. to other entities	294 761	344 400	294 165	294 165
3.3. Special funds	331	904	552	552
Total liabilities	1 451 772	1 581 051	1 431 948	1 431 948
Book value	1 024 947	1 040 538	999 803	999 803
Number of shares (pcs.)	13 802 750	13 802 750	13 802 750	13 802 750
Book value per share (in PLN)	74,26	75,39	72,44	72,44
Diluted number of shares (pcs.)	13 802 750	13 802 750	13 802 750	13 802 750
Diluted book value per share (in PLN)	74,26	75,39	72,44	72,44

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

OFF-BALANCE ITEMS

	'000 PLN			
	As of Dec. 31, 2016, end of quarter / 2016	As of Sept. 30, 2016, end of previous quarter / 2016	As of Dec. 31, 2015, end of previous year / 2015	As of Dec. 31, 2015, end of quarter / 2015
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, of which:	6 092	6 717	8 825	8 825
off-balance liabilities under a long-term gas supply contract	5 439	5 919	7 359	7 359
off-balance liabilities under a long-term real estate lease agreement	653	798	1 466	1 466
Total off-balance items	6 092	6 717	8 825	8 825

Note: In case of reports for Q1 of the accounting year, only the first column (as of the end of Q1 of the current accounting year), third column (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			
	Q4 /2016 period from Oct. 1, 2016 to Dec. 31, 2016	4 quarters on YTD basis / 2016, period from Jan. 1, 2016 to Dec. 31, 2016	Q4 / 2015, period from Oct. 1, 2015 to Dec. 31, 2015	4 quarters on YTD basis / 2015, period from Jan. 1, 2015 to Dec. 31, 2015
I. Net sales of products, merchandise and materials including:	322 052	1 678 676	354 597	1 765 584
- from related entities	280 029	1 506 248	327 904	1 634 290
1. Net sales of products	295 900	1 551 780	339 827	1 698 490
2. Net sales of merchandise and materials	26 152	126 896	14 770	67 094
II. Cost of products, merchandise and materials sold including:	329 341	1 543 232	359 090	1 590 702
- to related entities	292 464	1 401 582	337 975	1 477 547
1. Cost of products sold	305 034	1 423 735	345 359	1 523 136
2. Cost of merchandise and materials sold	24 307	119 497	13 731	67 566
III. Gross profit (loss) on sales	-7 289	135 444	-4 493	174 882
IV. Selling expenses	4 156	19 585	-3 684	8 680
V. General administrative expenses	10 769	56 565	21 615	66 982
VI. Profit (loss) on sales	-22 214	59 294	-22 424	99 220
VII. Other operating income	104	1 550	312	273
1. Gain on disposal of non-financial fixed assets	0	1 291	195	0
2. Other operating income	104	259	117	273
VIII. Other operating expenses	1 086	9 186	3 265	16 871
1. Loss on disposal of non-financial fixed assets	135	0	0	388
2. Revaluation of non-financial fixed assets	121	1 056	128	976
3. Other operating costs	830	8 130	3 137	15 507
IX. Operating profit (loss)	-23 196	51 658	-25 377	82 622
X. Financial income	1 530	7 010	2 668	6 984
1. Interest receivable including:	1 530	7 010	2 668	6 760
- from related entities	1 321	6 358	1 389	5 129
2. Other	0	0	0	224
XI. Financial expenses	2 327	6 660	1 801	2 787
1. Interest payable including:	1 202	2 550	697	2 787
2. Other	1 125	4 110	1 104	0
XII. Profit (loss) on ordinary activities	-23 993	52 008	-24 510	86 819
XIII. Income tax	-8 403	-12 612	-1 924	7 906
a) current portion	704	1 669	0	0
b) deferred portion	-9 107	-14 281	-1 924	7 906
XV. Net profit (loss)	-15 590	64 620	-22 586	78 913
Net profit (loss) (annualized)		64 620		78 913
Weighted average of ordinary shares (pcs.)		13 802 750		13 802 750
Earnings (loss) per ordinary share (in PLN)		4.68		5.72
Weighted average of diluted number of shares (pcs.)		13 802 750		13 802 750
Diluted earnings (loss) per ordinary share (in PLN)		4.68		5.72

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	'000 PLN			
	Q4 / 2016, period from Oct. 1, 2016 to Dec. 31, 2016	4 quarters on YTD basis / 2016 period from Jan. 1, 2016 to Dec. 31, 2016	Year 2015, period from Jan. 1, 2015 to Dec. 31, 2015	4 quarter(s) on YTD basis / 2015, period from Jan. 1, 2015 to Dec. 31, 2015
I. Opening balance of shareholders' equity	1 040 538	999 803	964 369	964 369
I a. Opening balance of shareholders' equity after reinstatement to comparative data	1 040 538	999 803	964 369	964 369
1. Opening balance of share capital	110 422	110 422	110 422	110 422
1.1. Closing balance of share capital	110 422	110 422	110 422	110 422
2. Opening balance of reserve capital	324 768	324 459	322 675	322 675
2.1. Changes in reserve capital	11	320	1 784	1 784
a) additions (of which)	11	320	1 784	1 784
transfer from reserve capital of revaluated disposed fixed assets - current period	11	320	1 784	1 784
2.2. Closing balance of reserve capital	324 779	324 779	324 459	324 459
3. Opening balance of revaluation capital	67 790	68 099	69 883	69 883
3.1. Changes in revaluation capital	-11	-320	-1 784	-1 784
a) reductions (of which)	11	320	1 784	1 784
allocation to reserve capital of revaluated disposed fixed assets – current period	11	320	1 784	1 784
3.2. Closing balance of revaluation capital	67 779	67 779	68 099	68 099
4. Opening balance of other reserve capital	457 347	417 910	374 443	374 443
4.1. Changes in other reserve capital	0	39 437	43 467	43 467
a) additions (of which)	0	39 437	43 467	43 467
allocation to the reserve capital from the profit distributed for the year 2014, with an option of dividend payment to the shareholders.	0	0	43 467	43 467
allocation to the reserve capital from the profit distributed for the year 2015, with an option of dividend payment to the shareholders.	0	39 437	0	0
4.2. Closing balance of other reserve capital	457 347	457 347	417 910	417 910
5. Opening balance of retained earnings	80 210	78 913	86 946	86 946
5.1. Opening balance of retained earnings			86 946	86 946
5.2. Opening balance of retained earnings after the restatement to comparative data	80 210	78 913	86 946	86 946
a) reductions (of which):	0	78 913	86 946	86 946
- dividend for shareholders		39 476	43 479	43 479
allocation to the reserve capital from the profit distributed for the year 2014, with an option of dividend payment to the shareholders.	0	0	43 467	43 467
allocation to the reserve capital from the profit distributed for the year 2015, with an option of dividend payment to the shareholders.	0	39 437	0	0
5.3. Closing balance of retained earnings	80 210	0	0	0
5.4. Closing balance of retained earnings	80 210	0	0	0
6. Net profit (loss)	-15 590	64 620	78 913	78 913
a) net profit	0	64 620	78 913	78 913
b) net loss	-15 590	0	0	0
II. Closing balance of shareholders' equity	1 024 947	1 024 947	999 803	999 803
III. Shareholders' equity adjusted by the proposed distribution of profit (loss coverage)	1 024 947	1 024 947	999 803	999 803

CASH FLOW STATEMENT

	'000 PLN			
	Q4 / 2016, period from Oct. 1, 2016 to Dec. 31, 2016	4 quarters on YTD basis / 2016, period from Jan. 1, 2016 to Dec. 31, 2016	Q4 / 2015 period from Oct. 1, 2015 to Dec. 31, 2015	4 quarters on YTD basis / 2015, period from Jan. 1, 2015 to Dec. 31, 2015
A. Operational cash flows				
I Net profit (loss)	-24 791	88 300	19 320	115 526
II. Total adjustments	80 207	105 591	49 770	66 530
1. Share in net (profits) losses of subsidiaries valuated by the equity method	0		0	
2. Depreciation and amortization	22 611	87 486	19 712	76 330
3. Foreign exchange gains/losses	66	-127	-250	-83
4. Interest and dividends	-432	-1 782	359	759
5. Investment activity gain (loss)	2 424	3 599	228	-629
6. Change in provisions	-1 527	-9 588	-22 670	-21 074
7. Change in inventories	-2 794	-9 221	-6 981	9 241
8. Change in receivables	164 257	85 188	136 812	-18 606
9. Change in current liabilities (excluding loans and bank credits)	-105 008	-49 835	-97 284	12 719
10. Change in deferred and accrued expenses	609	-128	19 843	7 873
11. Other adjustments	0	0	0	0
III. Net operational cash flows (I+/-II) -indirect method	55 416	193 892	69 090	182 056
B. Investment activity cash flows				
I Cash inflows	1 366	4 565	404	3 607
1. Disposal of intangible assets and tangible fixed assets	0	1 448	404	3 607
2.. From financial assets, of which:	1 366	3 116	0	0
a) in related entities	1 366	3 116	0	0
- interest received	1 366	3 116	0	0
II. Cash outflows	33 294	206 198	48 285	195 940
1. Purchases of intangible assets and tangible fixed assets	33 294	101 198	48 285	195 940
2. On financial assets, of which:	0	105 000	0	0
a) in related entities	-31 928	-201 633	-47 881	-192 333
b) In other entities	0	0		0
3. Other investment expenses	85 000	255 000	150 000	150 000
III. Net investment activity cash flows (I-II)	-49 929	-72 352	-161 030	-216 903
C. Financial activity cash flows				
I. Cash inflows	0	0	0	0
1. Credits and loans	0	0	0	0
2. Other financial inflows	0	0		0
II. Cash outflows	40 269	42 104	43 988	45 737
1. Dividends and other payments to the owners	39 476	39 476	43 479	43 479
2. Payments of bank credits and loans	0	0	0	0
3. Financial lease commitments paid	489	1 830	428	1 892
4. Interest paid	304	798	81	366
III. Net financial activity cash flows (I-II)	-40 269	-42 104	-43 988	-45 737
D. Total net cash flows (A.III+/-B.III+/-C.III)	1 840	56 160	-116 605	-27 046
E. Change in balance-sheet cash and cash equivalents of which:	1 855	56 176	-116 618	-26 961
- change in cash and cash equivalents due to foreign exchange gains/losses	16	17	-13	85
F. Opening balance of cash and cash equivalents	83 726	29 406	146 011	56 452
G. Closing balance of cash and cash equivalents (F+/- D) of which:	85 565	85 565	29 406	29 406
- those with restricted availability	331	331	553	553

334 056

-129 097

NOTES TO THE Q4/2016 REPORT

I Accounting principles used to draw up the report.

The Quarterly Report for Q4 2016 was drawn up pursuant to the provisions of the Accounting Act of September 29, 1994, as amended, and pursuant to the accounting principles effective at the Company.

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

The accounting principles vis-à-vis those described in the Annual Report SA-R 2015 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.

2. Material achievements or failures of the issuer.

In four quarters of 2016 Tire Company Debica S.A. generated sales revenues totalling PLN 1 678.7 million, down by 4.9% compared to 12 months of 2015.

In the Q4 alone the Company recorded sales revenues decline by 9.2% on a year-to-year basis.

Net profit for four quarters of 2016 (on YTD basis) totalled PLN 64.6 million and was down by PLN 14.3 million on a year-to-date basis.

3. Drivers and events (especially untypical ones) having significant impact on achieved financial performance.

In four quarters of 2016 the sales revenues to the Goodyear Group member companies totalled PLN 1 506.3 million i.e. down by PLN 128.0 on a year-to-year basis. In four quarters of 2016 the sales accounted for 89.7% of the total sales compared to 92.6% in the same period of 2015.

Sales revenues from non-related entities were PLN 172.4 million and were up by PLN 41.1 million on a year-to-year basis.

Gross profit on the sales to related entities in the overall 2016 totalled PLN 104.7 million and was down by PLN 52.2 million compared to the previous year. The ratio of gross profit margin to revenues fell from 9.6% to 6.9 per cent on a year-to-year basis.

Gross profit on the sales to non-related entities in 2016 was at the level of PLN 30.8 million and was up by PLN 12.7 million compared to the same period in the previous year, whereas margin at this level of gross profit rose from 13.8% to 17.9% on a year-to-year basis.

Gross profit on total sales in four quarters of 2016 totalled PLN 135.4 million, whereas margin to revenues ratio was 8.1%.

Meanwhile gross profit on total sales in four quarters of 2015 totalled PLN 174.9 million, whereas margin to revenues ratio was 9.9%.

The average unit manufacturing costs in four quarters of 2016 fell by 4.8 per cent compared to the same period in the previous year. The major cost driver was the fall of the prices of raw materials and materials.

Selling and administrative expenses totalled PLN 76.2 million i.e. up by PLN 0.5 million compared to four quarters of 2015. The share of these costs in sales in value terms was 4.5%, compared to 4.3% for four months of the previous year.

The rise of selling and general administrative expenses was mainly fuelled by higher marketing spending and commercial discounts extended to the Company customers.

The result of other operating activities for four quarters 2016 is a cost totalling PLN 7.6 million and is down by PLN 9.0 million compared to 2015.

Major reasons:

1. bad debt expenses down by PLN 10.1 million, which totalled PLN 0.2 million for 12 months 2016.

2. restructuring expenses totalling PLN 6.9 million, which are up by PLN 5.5 million compared to 12 months of 2015. In H1 2016 the Company set up a provision for production worker severance payments. It is a programme aimed at further enhancement of production efficiency.

The Programme has been implemented since H2 2016.

3. gains from the sales of non-financial fixed assets totalling PLN 1.3 million, up by 1.7 million compared to the same period of the previous year.

4. Lower costs of disposal of fixed assets by PLN 1.8 million.

5. Other operating costs are down by PLN 0.9 million.

Operating profit (EBIT) totalled PLN 51.7 million and was down by PLN 30.9 million on a year-to-year basis, whereas EBIT margin to revenues ratio fell to 3.1 % against 4.7% for four quarters of 2015.

In 12 months the financial activities generated PLN 0.4 million compared to financial gain of PLN 4.2 million in the same period in 2015 i.e. down by PLN 3.8 million.

Such level of gains from financial activities was driven by:

1. the foreign exchange losses that totalled PLN 4.1 million compared to foreign exchange gains totalling PLN 0.2 million.

Thus the foreign exchange losses are up by PLN 4.3 M on a year-to-year basis.

2. interest on loan extended to related entities generated revenues totalling PLN 6.4 million, up by PLN 1.2 million compared to four quarters of 2015.

3. Interest income on idle assets totalling PLN 0.6 million, down by 1.0 million compared to the same period of the previous year.

4. Costs of bill of exchange discount and other interest totalling PLN 2.5 million compared to PLN 2.8 million for four quarters of 2015 (down by PLN 0.3 million).

In 2016 gross profit before tax totalled PLN 52.0 million, down by 40.1% 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. As of 31 December 2016 the Company revised the original assumption of full utilisation of tax relief (31 December 2017). On the basis of revised forecasts the tax relief will be utilized by the end of 2018. In this period all short-term and a part of long-term transient tax differences will be utilised. Owing to the fact that it is the change of estimate the Company is not adjusting its bottom-line figures for previous years.

The deferred portion of income tax totalled PLN 965.3 thousand. The Company settled income tax relief enjoyed in relation to the execution of investment project in the Euro-Park Mielec Special Economic Zone. The paid portion of the tax applied to the revenues generated by the activities not covered by the operational permit to run business activities in the Special Economic Zone.

The deferred portion of the income tax totalled PLN 5.2 million and consequently the total income tax was PLN 4.2 million. 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 31 December 2016 and estimated provision for the difference in amortization at the moment of income tax relief execution i.e. as of 31 December 2018.

Net profit in 2016 totalled PLN 64.6 million, down by 18.1 per cent compared to the same period of the previous year.

At the end of December 2016 the fixed assets in value terms totalled PLN 814.1 million and were down by PLN 15.6 million compared to the opening balance of 2016. The capital expenditures totalled PLN 77.0 million, whereas the value of depreciation on the existing fixed assets was PLN 86.5 million.

The deferred income tax assets totalled PLN 2.2 million and were up by PLN 0.1 million compared to the opening balance of 2016.

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Current assets totalled PLN 637.6 million and were up after four quarters of 2016 by PLN 35.4 million.

Short-term receivables totalled PLN 219.9 million and were down by PLN 22.1 million compared to opening balance of 2016, of which: short-term receivables from related entities were down by PLN 8.4 million, and from other entities down by PLN 13.7 million.

Inventory went up by PLN 1.1 million to the level of PLN 76.0 million.

Short-term financial assets totalled PLN 340.6 million and were up by PLN 56.2 million after four quarters of 2016.

Cash assets and equivalents were up by PLN 56.2 million. Total amount of loans extended to related entities totalled PLN 255.0 million at the end of December 2016.

Short-term prepayments totalled PLN 1.2 million and were up by PLN 0.2 million after four quarters of 2016.

As of 31 December 2016 the Company assets totalled PLN 1 451.8 million and were up by PLN 19.8 million after four quarters of 2016.

As of 31 December 2016 the liabilities and provisions for liabilities totalled PLN 426.8 million and were down by PLN 5.3 million after four quarters of 2016. Meanwhile the provisions for liabilities were down by PLN 10.2 million, whereas the provision for deferred tax fell by PLN 14.2 million.

Short-term liabilities vis-a-vis related entities were up by PLN 3.8 million. Short-term liabilities vis-a-vis non-related entities were up by PLN 0.6 million. Long-term liabilities were up by PLN 0.6 million and their closing balance was PLN 2.3 million at the end of 2016. Special funds went down by PLN 0.2 million.

At the end of December 2016 the Company's shareholders' equity totalled PLN 1 024.9 million and was up by PLN 25.1 million after four quarters of 2016.

In four quarters 2016 the operating activities generated positive cash flows totalling PLN 170.6 million. Net profit and depreciation generated positive cash flows totalling PLN 159.0 million, whereas the decline of working capital generated PLN 29.2 million of cash inflows, mainly due to the decline of receivables at the end of Q4. The change in the balance of provisions and cost accruals generated PLN 10.7 million of cash outflows, whereas other titles generated PLN 6.9 million of cash outflows. Investment activity cash flows were negative and totalled PLN 72.4 million. To acquire tangible fixed assets the total amount of PLN 81.4 million was allocated, whereas the loans extended to related entities generated PLN 255.0 million of cash outflows. On the other hand the repayment of the loans by the related entity generated also PLN 255 million of cash inflows. The loans extended to the related entity generated interest income totalling PLN 6.4 million.

The financial activities generated negative cash flows totalling PLN (42.1) million.

Dividend payment to the owners generated PLN 39.5 million of negative cash flows. The interest expense totalled PLN 0.8 million, whereas the lease payments generated cash outflows totalling PLN 1.8 million.

Net cash flows in four quarters of 2016 were positive and totalled PLN 56.2 million. During four quarters of 2016 cash balance was up by PLN 56.2 million, from the closing balance of PLN 29.4 million in December 2015 up to the closing balance of PLN 85.6 million at the end of December 2016.

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. Revaluation of inventory

At the end of 2016, on a year-to-date basis, T.C. Debica S.A. made allowances to revalue its inventory for the total amount of PLN 1 056 thousand that increased other operating costs. Revaluation allowances applied to:

a/ product inventory: PLN 1 055 thousand.

a/ raw materials and materials inventory: PLN 1 thousand.

Total: PLN 1 056 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 December 31, 2016 the balance of provisions for pension benefits and equivalents totalled PLN 31.3 million and was down by PLN 0.5 million compared to 31 December 2015.

7. Deferred income tax provisions and assets

As of December 31, 2016 the provision for deferred income tax totalled PLN 15.2 million and was down by PLN 14.2 million compared to the balance as of 31 December 2015.

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 31 December 2016 and estimated provision for the difference in amortization at the moment of tax break execution i.e. as of 31 December 2018.

As of December 31, 2016 the balance of deferred income tax assets totalled PLN 2.2 million and was up by PLN 0.1 million compared to the balance as of 31 December 2015.

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, redemption and payment for debt and equity-based securities.

Neither in the current accounting period, nor in the past the Company has issued neither debt nor equity securities.

18. Dividend

The General Meeting of Shareholders that was held on June 23, 2016 decided to allocate 50% of 2015 profit i.e. the amount of PLN 39.5 million to dividend payment for shareholders at PLN 2.86 per share. The entitlement to dividend in 2015 was enjoyed by the persons who held shares in the Company in an account kept by the brokerage house on August 31, 2016 (the so called day of acquiring entitlement to dividend). The dividend was paid on December 16, 2016.

19. Material events after 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 of the National Bank of Poland (NBP) prevailing on December 31, 2016 (1 EURO = 4.4240) and on December 31, 2015 (1 EURO = 4.2615).

The items from the Profit and Loss Account and from the Cash Flow Statement expressed in Polish zlotys (PLN) were converted into EURO using the EURO rate that was the arithmetic mean of the exchange rates published by the National Bank of Poland (NBP) and effective on the last day of the accounting month. The mean exchange rate adopted for conversions of data for 4 quarters of 2016 is PLN 4.37568 for 1 EURO, and for conversions of data for 4 quarters of 2015 is PLN 4.18477 for 1 EURO.

The net profit for four quarters of 2016 posted into the balance sheet, calculated using the exchange rate prevailing at the end of December 2016 totalled EUR 14 607 thousand, whereas the net profit calculated using average exchange rates amounts to EUR 14 768 thousand. The foreign exchange gains/losses due to the conversion of net financial result for four quarters of 2016 amounted to EUR 161 thousand.

2. Issuer's Capital Group.

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

3. Effects of changes in Company structure

In Q4 2016 there were no changes in the Company 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.

In 2016 the Company did not publish any profit forecasts.

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 Q4 2016:

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. 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 4 June 2014) – 430 shares

Janusz Raś – a Supervisory Board Member - 15 shares

All shares have a par value of PLN 8.00.

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 Issuer or its subsidiary entering into a single or numerous transactions with related entities, if alone or together they are material and were not entered following an arm's-length principle.

As described in Section 14 of the Notes to the Financial Statement.

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

In Q4 2016 the Company extended one short-term loan totalling PLN 85 million to Goodyear S.A. with its registered office in Luxembourg. Total amount of loans extended to related entities totalled PLN 255 million at the end of December 2016.

In Q4 2016 the December 2015 loan totalling PLN 50 million was repaid.

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

Loan Agreement date	September 24, 2015	December 23, 2015	May 20, 2016
Date of loan proceeds disbursement (Agreement)	September 24, 2015	December 23, 2015	May 23, 2016
Interest rate for October	4.65%	1.75%	
Interest rate for November	4.66%	1.76%	
Interest rate for December	4.66%	1.76%	
Loan amounts	30 000 000.00	150 000 000.00/75 000 000	50 000 000.00
Maturity date (loan repayment)	September 24, 2016	December 23, 2016	May 20, 2017
Interest accrued for October	197 465.75	111 472.60	
Interest accrued for November	191 506.85	108 493.15	
Interest accrued for December	146 821.92	112 109.59	
Total interest accrued in Q4	535 794.52	332 075.34	
Total interest actually paid in Q4	91 726.03	580 068.49	327 842.47

Loan Agreement date	June 29, 2016	September 24, 2016	December 23, 2016
Date of loan proceeds disbursement (Agreement)	June 30, 2016	September 24, 2016	December 23, 2016
Interest rate for October	1.75%	1.75%	1.75%
Interest rate for November	1.76%	1.76%	1.76%
Interest rate for December	1.76%	1.76%	1.76%
Loan amounts	50 000 000.00	45 000 000.00	85 000 000.00
Maturity date (loan repayment)	June 29, 2017	September 24, 2017	December 23, 2017
Interest accrued for October	74 315.07	66 883.56	0
Interest accrued for November	72 328.77	65 095.89	0
Interest accrued for December	74 739.73	67 265.75	32 789.04
Total interest accrued in Q4	221 383.56	199 245.21	32 789.04
Total interest actually paid in Q4	218 561.64	143 486.30	0

The interest payment date is scheduled on 14th day of the month following the month with which interest is concerned.

10. Other information vital to the assessment of financial performance

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 on global markets;
- situation on global financial markets.

File	Description

SIGNATURES OF PERSONS REPRESENTING THE COMPANY			
Date	Name and surname	Position/Function	Signature
February 24, 2017	Stanisław Cieszkowski	President of Management Board /Chief Manufacturing Officer	
February 24, 2017	Ireneusz Maksymiuk	Management Board member /Chief Financial Officer	

Polish Financial Supervision Authority